



# MEDICI – The Film Funding Journey

## Reports Previous Workshops

**Fifth Workshop – Tuesday 29 September to Thursday 1 October 2015 in Santpoort, Netherlands**

### Module 1 – Co-production: Landscape

(volume, co-production treaties, cinema vs television, financial, non-official)

In other words:

- What is the proportion of films supported by the funds that are co-productions with other countries (majority and minority, financial, service deals)?
- What are the advantages and limits of the co-production treaties?
- With whom and how to decide to sign a co-production treaty?
- What are the experiences of the funds of the co-production treaties signed by their own countries?
- What are the co-production treaties for TV productions and distribution?

Also:

- How to define an “official co-production”?
- What is the difference between regional and national funds when it comes to co-productions?
- How important are co-production treaties with non-European countries?
- Should the European Convention be more open to non-European countries?
- What is the future of co-production treaties in Europe?
- Do the public film funds have any impact or do they simply adapt to whatever is coming?

### The Co-production Landscape

**Karin Schockweiler, Deputy Director – Luxembourg Film Fund**

**Emmanuel Roland, Head of Production Department – Wallonia Brussels Federation**

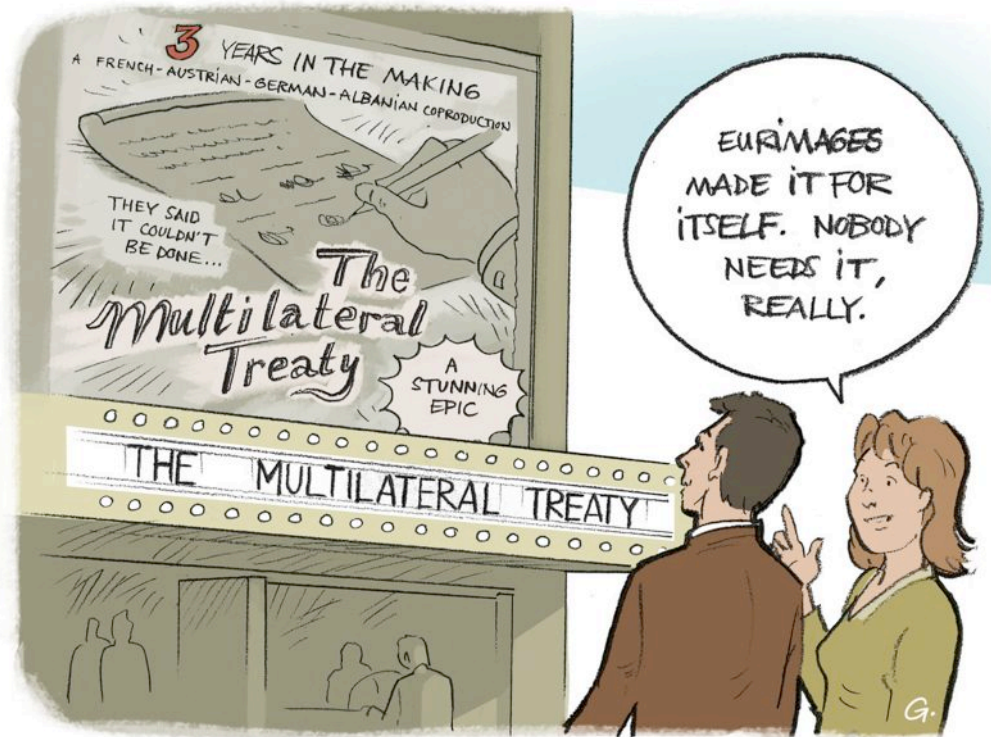
*Please also see [Karin Schockweiler and Emmanuel Roland's presentation \(PDF\)](#)*

#### 1. How to define “official co-productions”

A co-production treaty is **an agreement between two or more governments**.

There are 3 different types of treaties:

1. **Bilateral treaties** – a typical example is the one between Germany and France, or France and Italy, etc.
2. **Multilateral treaties** – involve more than 2 countries and, usually, smaller participation percentages than the bilateral ones.



3. 3. European Convention on Cinematographic Co-production – covers most of the member countries the Council of Europe and allows multilateral co-productions or bilateral co-productions for the members that don't have bilateral treaties.

However, there are also **treaty-like agreements** between film funds. Such agreements are not official inter-governmental co-production treaties, but internal agreements **to co-fund** specific projects.

## 2. The advantages and limits of co-production treaties

### Advantages:

- Create a legal framework for artistic, financial and technical co-operation at a European/international level.
- Give films the nationality of all the countries involved, allowing them to have access to public funding and tax incentives in more than one country.
- Define the entire co-production environment – the available financing sources, how to approach them within a specific framework, who are the competent authorities administering or revising the treaties.
- Be a motivator or multiplier of co-productions.
- Enable smaller countries to co-produce with bigger ones and therefore allowing them to be involved in higher-budget projects.
- Help the funds to be more successful in negotiating their budgets with politicians by showing that treaties with different countries create expectation of a higher volume of projects every year.
- Ensure a fair share of the rights and revenues among co-producers.

### Limits

- The number of co-productions made under treaties does not correlate with the number of co-productions a country makes in reality. The ratio is still unknown.
- The treaties are useful if they open the door to funding. But if funding is “accessible” without using them (like regional funds, Nordic funds, etc.), what purpose do they serve?
- Signing a treaty does not mean co-productions will necessarily follow. Sometimes it is just a symbol, a ticked box, bringing nothing to the industry.



- Can the European Convention on Cinematographic Co-production completely supersede co-production treaties? There is no treaty between Belgium and Luxembourg, for example, but in the period between 2004 and 2014, 110 audiovisual projects were co-produced between the two countries under the Convention.
- Bilateral treaties imply a lot of administrative work and bureaucracy. They imply obligatory cooperation on a technical and artistic level, which can be an unnecessary burden for the co-producers and have a negative impact on the creative aspects of a project.
- Negotiation processes between governments and/or co-producers can be overlong.
- Treaties do not include development. This trend is currently emerging.

### 3. Different administrative cultures

#### The French Model

- France has signed more than 55 bilateral co-production treaties, the highest number in Europe.
- **Structured** and **formal**. Official certificates are mandatory requirements for every action (production, distribution, selling a film to French televisions, etc.).
- **Bilateral treaties supersede** the European Convention on Cinematographic Co-production.
- The treaties are **under continuous revision** in order to lower the mandatory participation and make its treaties more competitive with the European Convention.

#### The British Model

- Marked by a rather **laissez-faire, market-driven approach**.



- The moment it signed the **European Convention**, it phased out all its **bilateral co-production treaties** with EU countries except with France (see above).
- The UK has been signing a **lot of treaties with non-EU countries** (China, India, Israel, Morocco, etc) to access new markets.
- Nonetheless, UK **minority co-productions are almost impossible**.

### The Nordic Model

- Marked by a lot of **flexibility** when it comes to treaties and **doesn't require** official certification.
- **Transparent** and **informal** approach. Nordic countries are sceptical about the traditional notion of treaties because Nordic producers do not really need them to co-produce between each other.
- Certificates are provided only in order to meet the requirements of Eurimages or some national funds across Europe.

### Ireland

- Uses Nordic Model approach. Official co-production treaties are **not mandatory** when you wish to apply to the Irish Film Board or access automatic funding.

## Outcome of group discussions

### *The experience of using co-production treaties in different countries*

#### The Netherlands Film Fund

- The treaties help The Netherlands to be involved in big-budget films.
- Bilateral treaties should have **more flexibility**. Sometimes, The Netherlands cannot provide the minimum 20% requirement even though the project in question may include all kinds of collaboration (creative, technical, etc.).
- The Netherlands Film Fund intends to start negotiating **treaties with countries outside Europe** such as South Africa, due to these countries' historical connections and the shooting locations available in South Africa.

#### Croatian Audiovisual Center

- They encounter problems with **bureaucratic procedures** when it comes to the co-production treaties. The minimum 20% requirement cannot always be met, for example with the Italian one signed in 2009 (min 20% – max 80%). They had to use the co-production treaty signed with Yugoslavia in 1974 because it allowed derogations in certain cases.
- Another challenge is that the **signing procedure can take a long time**. For example, it took two years for them to sign the treaty with France.
- After the war, countries in the ex-Yugoslav region started to co-produce with each other thanks only to the European Convention and Eurimages. It's possible that it wouldn't have happened without this official co-production framework.



## Austrian Film Institute

- Austria, Switzerland and Germany signed a tri-lateral co-production treaty 5 years ago allowing more flexibility than classical bilateral treaties. The percentage can be 80% -10% -10%.

## nordmedia

- Like the other regional funds in Germany, co-producing under treaties is **not an obligation**. They simply co-finance projects that have a co-producer from the region attached.
- With some regional funds in Germany having bigger budgets than the federal film fund, **unofficial co-productions could exceed the number of official ones**.
- The question is: are those co-productions included in the federal statistics on the volume of co-production?

## Norwegian Film Institute

- Even though NFI is a national film fund, they **do not require** a co-production to be made under a treaty. They only require that there be a local producer attached to the project and that he/she can apply for the funding.

## Swedish Film Institute

- Sometimes treaties are signed for pragmatic reasons because it implies getting money back through **reciprocity**.
- The impact of official co-productions **depends on the co-producing countries**:
  - With France or Germany, it gives projects higher chances of being selected for some major festivals such as Cannes or the Berlinale
  - With Canada, despite the treaty, co-productions are difficult because they always have a different strategy to Sweden.
- Bilateral co-production treaties with many countries are **useless if you do not co-produce with them all** or if there is no other (possibly political) reason to have them. They lead to complicated procedures and time wasting.

## Ontario Media Development Corporation

- Regional funds clearly follow domestic policies. To access Telefilm Canada, regional funds, CA broadcasters, and some of the tax credits, projects **must be recognised** as official co-productions. Everything is strictly regulated.
- Canada has over 50 co-production treaties and 25% of the production volume is made up of co-productions.
- Some of the treaties are used on a daily basis, but **many of them are not really active**. Therefore, there is a debate if a multilateral treaty with Europe could supersede all bilateral treaties with individual EU countries.
- The co-production volume is much higher when it comes to TV production.
- There are also **many non-treaty co-productions**, especially with the US.

## Uruguayan Film Center

- Uruguayan producers naturally coproduce under the **Ibero-American co-production treaty**.
- There are also bilateral co-production treaties:
  - Some of them are the result of long-term collaborations between producers and are therefore flexible and adapted to the co-production reality, like the one currently being negotiated with Brazil.
  - Some of them are “empty boxes”, symbolic political gestures.
  - Latin America should have a tool to co-produce with Europe, but the framework they have now does not work. It still needs shaping.

## *The impact of the public film funds on co-production policies*

### Austrian Film Institute

- Believes that funds should establish a stronger collaboration with the film industry so that co-production treaties do not remain an empty gesture.
- They intend to engage more in launching co-production markets because Austria lacks them and they are essential for testing co-production possibilities.

### Ontario Media Development Corporation

- For Canadian funds, natural co-productions are still a priority.
- In order to reach that objective:

- During this year's Toronto film Festival, OMDC hosted a co-production market called International Financing Forum where they discussed organic/natural co-productions as opposed to forced co-productions.
- Accordingly, OMDC established a so-called "export fund" to keep producers more connected to the international market and encourage producers to participate in co-production markets around the world

### **Wallonia Brussels Federation**

- As a film fund, its role is to look for a diversity of potential new partners, with or without success:
  - Latin American countries (Brazil, Mexico and Chile): contacts are under way.
  - India: contact stopped because their market is totally market-driven and because there is no regulation when it comes to co-productions.

### **Eurimages**

- Today, it is extremely difficult for producers to put together an international project given the variety of (sometimes conflicting) funding and financing requirements, shooting locations, budget models and national laws.
- Therefore:
  - Funds should lobby to simplify the co-production rules,
  - The European Convention should become a general umbrella. Everything below should be regulated only through dialogue and collaboration between film funds and film professionals.

### **Irish Film Board**

- Ireland has a liberal incentive system that stimulates official international productions, along with inward investment and other unofficial co-productions.
- The Fund intends to encourage collaboration with non-European partners as well.

### **Croatian Audiovisual Center**

- The "official co-production" rule is still the only common rule across Europe that stimulates rather than slows down international collaboration.
- To be more flexible would require the entire system to be changed.

## **Case Study – Film productions made in Luxembourg**

### **Karin Schockweiler, Deputy Director – Luxembourg Film Fund**

*Please also see Karin Schockweiler's presentation (PDF):  
 The Luxembourg Context / General Facts  
 Why Audiovisual production in Luxembourg / Historical Context  
 Film Fund Luxembourg / Presentation / Mission...*

### **Financial Support Scheme**

Since the end of 2014, there is only a selective, cultural scheme called **AFS (Aide Financière Selective)**, which is based on discretionary, repayable loans. It now makes it easier for the producers, because with the previous tax-rebate system the funding would only come in at the end of production.

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### **Facts & Figures**

- Budget for 2015: 28 million Euros
- Maximum amount to a co-production = 30% of the total budget or 1.7 million Euros.
- 5 deadlines a year.
- One selection committee consisting of 5 members.
- Selection criteria are cultural, social and economic.
- The fund's support is allocated following a points grid, based on shooting days, post-production in Luxembourg, Luxembourgish key technicians, composer, director, scriptwriter, actors, etc.

*Note: In Luxembourg, there is no distribution, no TV channel that can invest into films, there is only the national fund.*

### **Economic Effects**

- ~ 40 production companies (fiction/animation) – 20 active on an international level.
- 4 animation studios.

- 2 Film studios (Filmland Kehlen – 3000m<sup>2</sup> and Studios Contern 1700m<sup>2</sup>).
- ~ 15 companies specialised in post-production, sound, SFX/VFX
- ~ 15 suppliers working for the film industry (location scouting, make-up, material, costumes etc.).

### **Social Effects**

- Around 700 industry professionals (full time, part time, freelance etc.) earn their living from audiovisual production.
- ~ 500 technicians (200 in animation).
- ~ 40 directors.
- ~ 45 actors.
- Shooting days in Luxembourg: in 2012: 528 days.
- Professional associations: ULPA, LARS, ALTA, actors.lu, FLAC.

### **Training in Luxembourg**

- Animation “BTS Animation” – a high school training course for animators – since 1990.
- Fiction “BTS Audiovisual” – a high school course for fiction production – since September 2014.
- Production: EAVE – a professional training, project development and networking organisation for audiovisual producers, supported by Film Fund Luxembourg and Creative Europe-MEDIA Training

### ***Co-development scheme strengthens country’s position in co-productions.***

Considering the volume of both official co-productions and co-productions in general (see PDF presentation), minority co-productions absolutely dominate in Luxembourg. However, in the future, it does not want to be an exclusively minority co-production country. That is why they introduced the co-development **support scheme** with a lot of money invested in development, in order to make production companies stronger and turn them into majority co-producers or stronger minority co-producers. Under this scheme, Luxembourg’s producers can co-develop projects with any other country even if the director is not Luxemburgish.

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### ***Co-production Treaties in Luxembourg***

Luxembourg signed co-production treaties with:

- **Canada** in 1996, but it is currently under revision and a new one will be signed in 2016 to include all audiovisual works with a minimum share of 15%, and 10% for multilateral.
- **France** in 2001. New treaty with minimum participation of 10%. 98 projects between 2002 and 2014.
- **Germany** in 2002, includes all audiovisual works (minimum share of 20% for bilateral and 10% for multilateral projects). 24 projects from 2003 to 2014.
- **Austria** in 2006, audiovisual works with a minimum share of 20% for bilateral and 10% for multilateral. 13 projects from 2003 to 2014.
- **Switzerland** in 2011, cinematographic works with a minimum share of 20% for bilateral, not specified for multilateral and 10% for financial co-productions. 6 films from 2009 to 2011.
- **Ireland** signed in 2011, audiovisual works with minimum share of 20% for bilateral. 20 projects between 2004 and 2014.

Illustrations by **Gijs van der Lelij**

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**Fifth Workshop – Tuesday 29 September to Thursday 1 October 2015 in Santpoort, Netherlands**

### **Module 2 – Co-productions: Financing issues: for the producers, for the funds**

(specific programmes, decision timeline, recoupment, financial co-production)

#### **Introduction**

Majority co-productions are considered as national productions and are financed at the same level. The financing of minority ones is a real challenge for the funds.

In other words:

- Is it the solution to create, like some funds do, specific programmes dedicated to minority co-productions?
- Do programmes really help producers to develop reciprocity partnerships?
- Can treaties combine both cultural/qualitative and economic aspects?
- Can we imagine a future where the concept of cooperation goes beyond the device of official co-productions (i.e national treatment) with its thresholds and percentages?
- How to revise the system on the national level so that it enables better collaborations on the international level?

#### **Reflections on minority co-productions (and other stories)**

**Roberto Olla, CEO of Eurimages**

Please also see [\*Roberto Olla's presentation\*](#) (PDF)

*Note: Some text below and financing plans are derived from Roberto Olla's presentation (in italic). They are copied in this report for a better understanding of the discussion that took place within the group.*

#### ***Are minority co-productions all-good?***

*"Tradition wants it that minority co-productions are beneficial for the national/local industry because they...*

- *stimulate the internationalisation of the national film industry (exchange of film professionals/good practices)*
- *bring inward investments (e.g. fiscal incentives)*
- *open new markets (especially if there is an artistic cooperation: actors/locations/story etc.)*
- *de-provincialize national cinema (content-wise)"*

#### ***Minority co-production financing schemes***

- **Selective funding** (based on statistics)
  - Only the countries with separate minority co-production schemes do minority co-productions (examples of Belgium and Croatia).
  - In other countries, like Italy and Romania, minority co-productions compete with national films and national/majority co-productions within the same fund.
  - Some countries, like Turkey, simply ignore minority co-productions.



- **Fiscal incentives** (tax shelter, tax credit, rebates, spend-based financing)
  - The majority of European countries with fiscal incentives are open for minority co-productions in order to attract investments.
  - However, some countries like the UK and France tend to narrow down such fiscal incentives only to majority co-productions and national films, using very selective cultural tests
- **Industry-based funding:**
  - Minima guarantees or TV presales are possible but only from big market countries.
  - Minority co-productions can also be financed through in-kind investment or own investment.

## Share of Revenues

Depending on the type of financing raised, revenues can be shared:

- Proportionally: according to co-production treaties, producers share rights and revenues proportionately to their financial investment.
- Non-proportionately if a minority co-producer acts only as a production manager or line producer whose financing is purely automatic or simply spend-driven.

*But*

- In reality, when it comes to sharing revenues, pre-sales and other resources from the third countries, producers tend to share them proportionately only if they are all involved in the making of a film and all bear a certain degree of financial risk.

## Case Studies: Minority Co-productions

(Titles and names of directors and producers are intentionally left out)

### CASE 1 – France 70%/Belgium 20%/Cambodia 10%



## Co-production set-up

Type		Partner	Amounts	%
Delegate producer DK	Public funding - National	Danish Film Fund	€ 1 124 258,00	23,48%
		Danish Film Fund	€ 134 000,00	2,80%
	Public funding - Supranational	Regional Film Fund	€ 106 844,00	2,23%
		Eurimages - Danish share	€ 338 500,00	7,07%
	Distribution guarantee - All rights	MG Denmark	€ 344 915,00	7,20%
	TV pre-sales	Finnish National TV	€ 9 750,00	0,20%
		Danish Pay TV	€ 94 068,00	1,96%
	TV co-production & TV pre-sales	Danish National TV	€ 736 999,00	15,39%
	Deferrals of producers fee & overheads	Delegate producer		
		Deferrals of producers fee & overheads	€ 436 006,00	9,10%
Third-party deferrals	Third-party deferrals	€ 26 800,00	0,56%	
Total Co-producer - 70%			€ 3 352 140,00	70,00%
Producer NO	Public funding - National	Norwegian Film Fund	€ 364 654,00	7,61%
		Swedish Film Fund	€ 112 960,00	2,36%
	Public funding - Supranational	Regional Film Fund	€ 166 647,00	3,48%
		Eurimages - Norwegian share	€ 99 000,00	2,07%
	Distribution guarantee - All rights	MG Norway	€ 97 284,00	2,03%
	TV pre-sales	Finnish National TV	€ 2 750,00	0,06%
		Danish Pay TV	€ 26 532,00	0,55%
	TV co-production & TV pre-sales	Swedish National TV	€ 22 592,00	0,47%
	Deferrals of producers fee & overheads	Producer		
		Deferrals of producers fee & overheads	€ 20 100,00	0,42%
		National co-producer		
		Deferrals of producers fee & overheads	€ 11 296,00	0,24%
In-kind investment	Local studios	€ 24 310,00	0,51%	
Total Co-producer - 19,06%			€ 948 125,00	19,80%
Producer CZ	Public funding - Supranational	Eurimages - Czech share	€ 62 500,00	1,31%
	Tax Rebate	Czech Tax rebate	€ 399 282,00	8,34%
		Producer		
	Deferrals of producers fee & overheads	Deferrals of producers fee & overheads	€ 26 800,00	0,56%
	Total Co-producer - 10,20%		€ 488 582,00	10,20%
Total Co-producers			€ 4 788 847,00	

### Financing Process:

<b>France (70%)</b>	The French part of financing includes selective support from France, MEDIA grant, French share of the Eurimages support, a share of the world sales, financing from public French TV (obliged by law to finance feature films).
<b>Belgium (20%)</b>	<ul style="list-style-type: none"> <li>The Belgian financing secured by the Belgian producer includes Belgian tax-shelter, Belgian share of the MG, Belgian share of the Eurimages support and Belgian producer's own investment.</li> </ul> <p>But</p> <ul style="list-style-type: none"> <li>The only selective money in fact comes from Eurimages, raised by the French delegate producer.</li> <li>Belgian tax-shelter is purely automatic.</li> <li>The French producer in fact raised the MG without any involvement of the Belgian producer.</li> </ul>
<b>Cambodia (10%)</b>	<ul style="list-style-type: none"> <li>The Cambodian producer raised 6% of the budget, which involves MG, a chunk of the international pre-sales and 10% of the French TV rights in TV pre-sales.</li> </ul> <p>But</p> <ul style="list-style-type: none"> <li>The Cambodian share was – in fact – under 10% which is under the co-production requirement.</li> </ul>

- The certification authority decided to compensate for the missing 4% in the Cambodian financing through “real contribution based on the technical participation in the project”, which is different from in-kind investment. It was the first official French-Cambodian co-production and, bearing in mind the Cambodian context, this derogation was probably a political decision.
- It seems unlikely that an MG can be found in Cambodia.

## Share of revenues

According to the co-production treaty:

- World rights are supposed to be shared 70% – 20% – 10%.
- Each co-producer would keep their domestic territory (France would keep France, Belgium would keep Benelux, and Cambodia would keep Cambodia or some other connected territories).
- The “rest of the world” (ROW) would be shared proportionately to the financing.

### **But**

- This type of co-production treaty that received official certifications from competent authorities and Eurimages support is basically a national film. In this case a French film.
- The Belgian producer did nothing but the application for the Belgian tax-shelter. He/she was not involved in the development of the project, finding the cast and other creative elements.
- The co-producers calculated how much of the risk money each of them raised (which in case of the Belgian co-producer was only private investment). It was agreed that after the minority co-producers recouped the risk money, they can get only 2.5% of the further revenues coming from ROW, which is far from proportional to the official financial share.
- It is paradoxical that this film is counted as a Belgian official co-production and consequently increased the contribution that the Belgian government needs to pay to Eurimages based on the quantity and volume of co-produced projects.

## Conclusions:

- The only benefit of this particular minority co-production was **attracting inward investment**. It did not, facilitate opening up to other markets and international collaboration between the teams. Nobody will see a single Belgian element in this film.
  - **Too few benefits to minority co-producers**
- When there is no true artistic and technical collaboration, when co-production is not organic from the beginning and when producers do not develop the projects together, all reasons why one may want to do minority co-production fall through.
- Importance for co-producers to work together early on by **co-developing their projects**
- Tax shelters tend to enable co-productions without risk-taking and true collaboration, even if certified as treaty co-productions due to the local spend and technical collaboration.
  - **Tax and automatic schemes need to be reformed**
- Sometimes political objectives overcome cultural and industrial ones.

## ***CASE 2 – Denmark 70% / Norway 20% / Czech Republic 10%***

### **Co-production set-up**



Type		Partner	Amounts	%	
Delegate producer	FR	Public funding - National	French National Film Fund - Automatic support	€ 230 000,00	4,46%
		Public funding - Supranational	Creative Europe - MEDIA - Development support	€ 60 000,00	1,16%
			Eurimages - French share	€ 371 712,00	7,21%
		Other funding	Procirep-Angoa - Creative support	€ 16 500,00	0,32%
		Distribution guarantee - All rights	MG France	€ 675 000,00	13,09%
		International pre-sales	MG - French share	€ 525 000,00	10,18%
		TV pre-sales	French Pay TV	€ 810 000,00	15,71%
			French Pay TV	€ 136 418,00	2,65%
			French Public TV	€ 360 000,00	6,98%
		TV co-production	French Public TV	€ 400 000,00	7,76%
		Deferrals of producer fees & overheads	Delegate producer		
			Deferrals of producer fees & overheads	€ 43 804,00	0,85%
		Own investment	National co-producer own investment	€ 175 000,00	3,39%
Total Co-producer - 73,75%			€ 3 803 434,00	73,75%	
Producer	BE	Public funding - Supranational	Eurimages - Belgian Share	€ 108 288,00	2,10%
		Tax shelter	Tax shelter	€ 600 000,00	11,63%
		International pre-sales	MG - Belgian share	€ 150 000,00	2,91%
		Own investment	Producer own investment	€ 175 000,00	3,39%
		Total Co-producer - 20,04%		€ 1 033 288,00	20,04%
Producer	KM	Distribution guarantee - All rights	MG Cambodia	€ 25 000,00	0,48%
		International pre-sales	MG - Cambodian share	€ 75 000,00	1,45%
		TV pre-sales	10 % of French TV rights	€ 220 157,00	4,27%
		Total Co-producer - 6,21%		€ 320 157,00	6,21%
Total Co-producers			€ 5 156 879,00		

#### Financing process:

<b>Denmark (70%)</b>	<ul style="list-style-type: none"> <li>The Danish co-producer raised his/her financing from the Danish Film Institute, a Danish regional film fund, Danish TV and Nordic Film and TV fund, and was also the delegate producer in the Eurimages application.</li> </ul>
<b>Norway (20%)</b>	<ul style="list-style-type: none"> <li>The Norwegian producer raised funding from the Norwegian film Institute and local TV.</li> <li>The Swedish Film Institute's support was placed under the Norwegian umbrella because it made less than 10%.</li> </ul>
<b>Czech Republic (10%)</b>	<p>But</p> <ul style="list-style-type: none"> <li>The Czech contribution included the Czech share of Eurimages, the Czech tax scheme and producer's deferral.</li> <li>The money from the only selective fund (Eurimages) was raised by the Danish delegate producer.</li> <li>Czech tax scheme is purely automatic and involves no risk-taking, just as producer's deferrals.</li> </ul>

## Share of Revenues

According to the European Convention on Cinematographic Co-production that was applied to this co-production, the world sales and revenues (except for the domestic territories) are supposed to be shared "pro rata".

#### But

- In reality, the Danish producer negotiated basically everything, even with the Swedish and Norwegian

financiers. His/her workload and the risk he/she took were much higher than the percentage of financing he/she officially secured.

- Therefore, the producers isolated the percentages of their own investment (“risk money”) and calculated the percentage for sharing revenues accordingly:
  - Revenues from the five Nordic countries were shared only between the Scandinavian co-producers.
  - The Czech producer was given the revenues coming from Czech Republic and double the amount of his/her participation when it came to the ROW. However, he/she earned nothing because the film was intended only for the Nordic region.

## Conclusions

- Sharing of the revenues is not done pro-rata as is envisaged by co-production, but according to who does what in a co-production.
- The minority co-producer is often only a line-producer. He/she is not engaged in the script, and casting and bears no risk in securing the financing.
- A minority co-production is often not more than a service deal, but producers tend to present the project as a co-production because it looks much more convincing in a Eurimages applications (especially if an exotic country is involved).

## *The Myth of Reciprocity (alias Quantity vs. Quality)*

- **In the absence of natural co-productions** reciprocity is a way to balance unbalanced relations (for example, lack of interest in your national cinematography from a co-producing country). The reciprocity is about “do we favour quality or quantity?” and it works if the interest in co-producing between two countries is one-way only.
- **Exchange approach:** Reciprocity between small countries is a way to guarantee support for their own projects that otherwise would not come into life given the size of the budget and the dimension of the countries. It is the case in the Baltic countries that would have a hard time if they do not co-produce among each other. It is easier for them to leave a little money aside for minority co-productions, so that their expensive films can in return get funding from other countries.
- **Reciprocity for political reasons:** It is practiced for the purpose of establishing good relations for reasons beyond cinema. Such reciprocity arrangements are usually made with big and rich countries like France or Germany.

### *But*

- Reciprocity has little to do with quality.
- It undermines the major mission of public film funds to support films that are original, innovative and possible only with their support.

### *How to avoid reciprocity measures?*

- Viable and credible alternative to reciprocity could be **co-development schemes**. The funds should enable producers to work together from the beginning, not only when a project is developed and budget closed. Co-development funds would be particularly useful for smaller countries. For bigger countries co-producing is just a way to close the gap in financing.
- **Organising training** where you would teach producers how to co-produce and collaborate beyond their national territories. It is crucial for co-producers to share the same vision for the film, and not just look for a country where there is money.

## *...beyond the Treaties*

- ✓ Is co-production necessarily linked to the practice of treaties?
- ✓ Can we imagine a future where the concept of cooperation goes beyond the device of official co-productions (i.e. national treatment) with its thresholds and percentages?
- ✓ If cinema co-production could be understood differently, the parameter of “minority co-production” will become obsolete and cooperation will be measured otherwise.

### *In other words:*

- Once producers learn how to collaborate, they do not need treaties anymore. The only requirements should be to find quality projects, local co-producer(s) and investment(s) coming from all co-producing countries.
- Many countries in Europe are so much used to producing with one another that the rigidity of the treaties only affects the quality of both the films and the communication of the producers involved.



- Treaties should not cover co-productions where financing comes only from economy-oriented sources (automatic tax-shelters or regional funds).
- Countries should keep treaties only with those countries that have not yet experienced co-production, but once producers can work without them, treaties should be removed. You can access the Irish Film Board funds, for example, without a treaty. However, it would be impossible with countries like France and Belgium.

## Outcome of group discussion

### What role do minority co-productions play in European countries?

#### Luxembourg Film Fund

They work differently depending on the size of the country and common language. As they didn't have a potent cinematography before, their industry evolves and has been trained through minority co-productions.

#### Uruguayan Film Fund

In Uruguay, the industry is based on majority co-productions. Minority co-productions are possible only through reciprocity measures.

#### The Netherlands Film Fund

Co-production treaties need to include co-development as well, for the sake of establishing long-term relationships between the funds and industries.

#### Wallonia Brussels Federation

Treaties (except with Luxembourg), protect their projects from being taken over by bigger countries like France.

#### German Federal Film Board

Minority co-productions in Germany are mostly done through regional funds, and they consider them only as co-financing. However, they also have some co-development agreements (with Italy and very soon with Norway), because they find that it is important to collaborate from the beginning if they intend to make natural co-productions.

#### Austrian Film Institute

Things work well among comparable countries. For smaller countries with big neighbours that speak the same language it can be complicated. One never knows if it is an advantage or disadvantage. This can also lead to a problem of identifying national cinema. People mistake Austrian films for German films, Belgian films for French films and Canadian for American.

#### Ontario Media Development Corporation

They recently had a co-production with Ireland. It was an Irish director adapting a Canadian novel. However, despite all these elements audiences perceived this film as a US film because of the language. So the structure of financing is one thing, but the perspective of the audience is completely another thing when it comes to the identity of minority co-productions.

#### Eurimages

People are confusing financial co-productions – where both producers are making financial contribution through taking risks – with co-productions based only on tax credit(s) where the line producer is an accountant.

## Concluding remarks

- Within the existing co-production paradigm in Europe, minority co-producers enjoy fewer benefits than expected.
- Co-development initiatives can lead to more natural co-productions and creative participation of minority co-producers.
- Adequate revision of automatic schemes and tax-shelters can lead to more natural co-productions.
- Political objectives sometimes overrule the cultural and industrial ones.

Illustrations by [Gijs van der Lelij](#)



# MEDICI – The Film Funding Journey

## Reports Previous Workshops

### Fifth Workshop – Tuesday 29 September to Thursday 1 October 2015 in Santpoort, Netherlands

#### Module 3 – Co-productions: Legal and Financial Issues

Co-production means putting together different business practices and requirements from all partners (incl. funds, distributors, private funds, etc.). It means, for both producers and funds, a lot of paperwork and sometimes hard negotiations (mainly recoupment).

Or, in other words:

- What are the minimum essential requirements that funds could ask from producers?
- Could the fund that finances the majority producer be the leader in terms of approval?
- Do producers have enough co-production knowledge?

**Pierre Emmanuel Mouthuy, lawyer – Belgium**

Please also see *Pierre Emmanuel Mouthuy's presentation* (PDF)

#### Financial Issues

##### 1. Set-up of co-productions

Co-productions can be set up in three different ways when it comes to financing:

1. **Co-production treaties** are rigid and necessitate creative contributions from the producers. Minimum participation is usually 20%.
2. **Financial co-productions** with exclusively financial contributions. Minimum participation is usually 10%.
3. **Co-productions entirely financed by sales agents** are commissioned and always made with low risk since sales agents invest their own money.

→ What is important for funds to validate and check before closing the financing?

- Producer(s) and co-producer(s) responsibilities.
- Responsibilities of the co-producers in terms of financing.
- How do co-producers re-distribute responsibility among themselves?
- Sometimes co-producers from other countries demand co-production agreements at a very early stage.

##### 2. Cash-flow issues

Once the financing is closed, the cash-flow issues appear. Producers get the money from different funds and other sources but how do they cash flow them?

- Cash flow facilities don't exist in most of countries; banks are reluctant.
- Bad cash flow could either cause everything to collapse or the project simply does not get any money and the minority co-producer is out.
- Producers tend to end up financing one project with the money from another, which leads to legal conflicts.
- No payments are made in advance. Even if public funds cash-flow their participation during production, the "market money" (TV presales, equity money, distribution MGs) is mostly paid upon delivery.

→ The ways to overcome cash-flow issues:

1. Coficiné and Cofiloisir: as financial institutions (not banks), they are specialised in cash flowing audiovisual projects without taking away any rights from a project. Based in Paris, the two companies used to work only with French producers but have started to be more and more involved in co-productions, even without a French producer.
2. Collection agreement: Eurimages requires a collection agreement for films with budgets of over 3 million Euros. However, legally speaking, it covers only the allocation of the revenues among the financial partners.
3. European guarantee funds: in place since almost 2 years, has only been successful in a couple of European countries.
4. Completion bonds: mostly in the Anglo-Saxon world (UK, Ireland, Canada, USA). It guarantees the delivery of the film but is too expensive for continental European countries, since it takes 5 – 10% of a budget.
5. Escrow is the account where money stays until all the contracts are signed. It involves an escrow lawyer, escrow guarantor and enables everybody to take a look into each other's payments. However, it is practiced only in the Anglo-Saxon world, almost never in continental Europe.
6. Interparty agreement (IPA) is an agreement between funders, producers, sales-agents and completion bonders. Such agreements exist if a completion bond is involved. IPA ensures that everybody speaks with each other. It, legally speaking, may help resolve a lot of issues regarding cash flow, sales agents, MGs, waterfall, etc. Such agreements define clearly everybody's duties and track down more easily the ones who break it.
7. Specific purpose companies (SPV) per film: is required by some of the public funds or tax incentives in order to decrease the threat that the money will go to other projects within the same company.

## **Legal Issues**

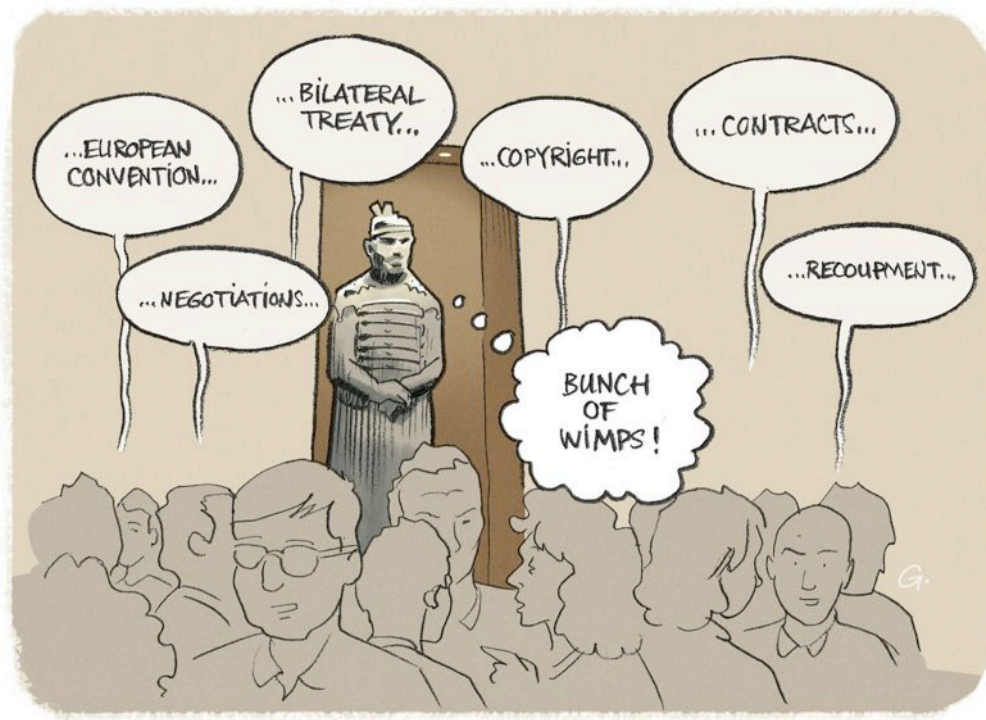
Securing financing for co-productions implies no real legal issues since it is easier to go bankrupt than to end up in court. It is mostly business issues that you need to translate into legal terms to protect and balance the responsibilities of both the minority and majority co-producer:

- The minority co-producer wants to be certain that if he/she finds the money, he/she stays attached to the project. The minority co-producer can demand that the majority producer takes care of any overspend and shortfalls.
- The majority co-producer wants to keep the freedom to make changes to the project. He/she will have the final say on cast and the number of shooting days, but will also bear responsibility when it comes to financing and legal matters. Sometimes, at a later stage, he/she can become a minority producer if he/she does not secure enough funding, but often stays as delegate producer.

Legally speaking, every co-production needs to have a delegate producer as the leader.

## **Compliance with public funds requirements**

- Funds require that local producers provide co-production agreements, deal-memos or a strong letter of commitment when applying for funding. This particularly applies to tax-credits and minority co-productions.
- Funds could be more engaged in pointing out to producers non-reliable partners.
- Many funds do not have minority schemes and thus prevent many potential creative and organic co-productions.
- Every fund covers their own region, checks their projects from their own side, and relies on the partnership from abroad. But maybe it should be demanded that they survey the entire co-production.
- Funds are politically-oriented sometimes and block certain co-productions in order to comply with the demands of politicians.
- The funds should be involved in Interparty Agreements, especially for films with budgets of over 3 million Euros that include completion bonds and complex financing.



## Outcome of the group discussions

### *Recoupment position of public funds*

#### **Swedish Film Institute**

They have a very soft recoupment scheme recouping under 125%, but hardly ever reaching that. Generally speaking, they are short of people who would deal with recoupment and collect recoupment money. They choose the films that are expected to earn some money and assign collecting agents only to them.

#### **Norwegian Film Institute**

They have a revolving system. They give the recouped money to producers for their next films. This applies to majority co-productions and national films.

#### **Luxembourg Film Fund**

They are the first within the recoupment scheme. The recouped money is transferred to the producer's account for the development or production of his/her next project supported by the Luxemburg Film Fund. It is a way to strength their producers' position towards other financiers and partners.

#### **Irish Film Board**

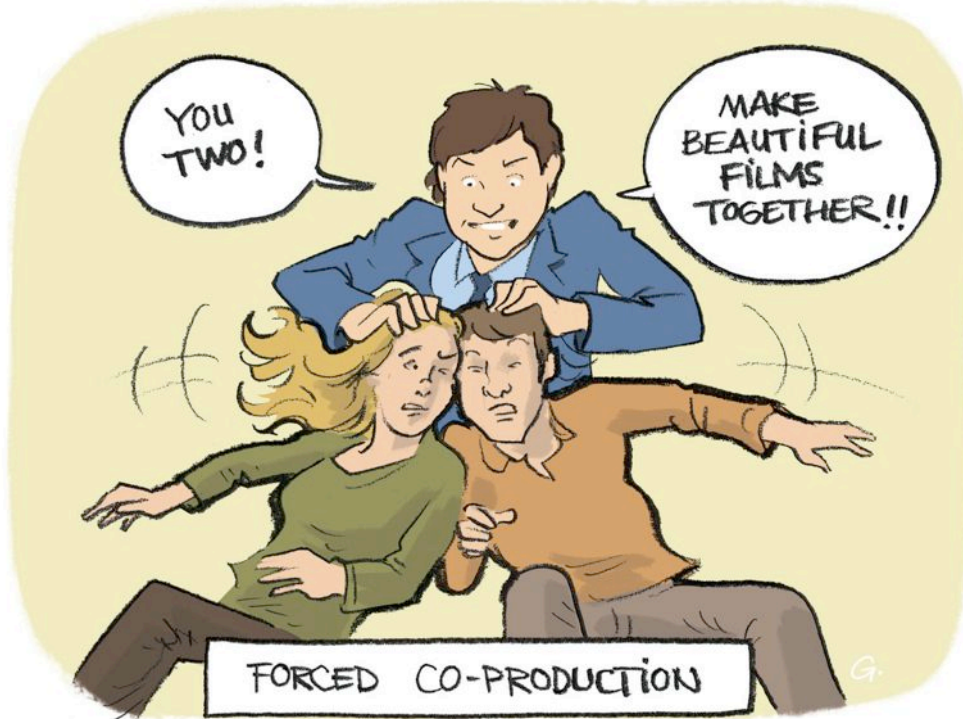
They invite producers to negotiate the recoupment schemes with them because producers know that most of the recouped money will eventually come back to them.

#### **Wallonia Brussels Federation**

Their fund recoups on 50%. Some funds, like the Belgian regional fund Wallimages, recoup in first position even if private equity investment is involved. Recoupment could be easier if public funds would simply ask for 15% on the net receipts in the first position and also oblige equity investors to stick to it. But, in reality, given that some funds do not recoup and others recoup at different stages, it is up to the funds to be strong in determining their position.

### **Conflict situations**





### **Croatian Audiovisual Center**

Producers encountering a problem with a co-producer expect their funds “to arbitrate”. It can be especially difficult when the national producer is the one who is behaving badly. They currently have a never-ending story with a short animation movie between Italy and Croatia. The Croatians lied to the Italians about the amount they got from the fund, and the Italians found out.

### **Eurimages**

Unfortunately they face legal issues in co-productions and some of them will last forever. Eurimages suspends the funding until the final decision at the court, but with all the appeals the process is never ending. And sometimes the laws are different in co-producing countries. They discourage producers from arbitration.

### **Luxembourg Film Fund**

Once they encountered a cash-flow problem with a project during production. Although Luxembourg is a financial centre, there were no banks that dealt with film financing. The producers eventually resolved the cash-flow issues with the help of Coficine/Cofiloisirs.

### **Norwegian Film Institute**

They receive a lot of project with high budgets, or with complex financing plans, or from companies that are not that strong. Cash-flow problems are never generated by the funds, because funds make advance payments. The problem appears with overspend, because in such cases, it is very difficult for the fund to increase the support. Thus, they require that producers sign special agreements beforehand, undertaking that they would finance overspend.

## **Conclusions and challenges**

- The major issues between co-producers are related to cash-flow. They are almost never legal.
- Very few producers have enough legal knowledge when it comes to co-productions.
- Film funds sign contracts only with local producers. Should they enter Interparty Agreements (IPA) and play a more active role when it comes to minority co-productions?
- Funds could simplify co-producers’ paperwork by harmonising the regulations, procedures and administrative requirements (for instance, using similar production budget templates, having similar requests regarding certified production costs, undertaking joint audits, sharing information or documentation on common projects to save producers from providing the same documents several times, etc.
- Funds mainly stimulate co-productions through incentives, co-production markets, film commissions and co-production treaties.
- Public film funds are positioned very low in the waterfall. If you position the public funds higher within the recoupment scheme, the private investors will not have a choice and will accept it. Recoupment, however, makes sense only if a project is commercial and financed partly with equity funds. For “difficult” arthouse films, it is not important, since they are anyway financed through public money.







# MEDICI – The Film Funding Journey

## Reports Previous Workshops

**Fifth Workshop – Tuesday 29 September to Thursday 1 October 2015 in Santpoort, Netherlands**

### **Module 4 – Distribution: co-production opens access to other countries, does the audience follow?**

Co-production treaties allow projects to have different nationalities and to access public funds in each country including distribution subsidies.

Or, in other words:

- What are the audience results for projects in their co-production countries?
- At what stage of production is a local distributor required?
- For which market?
- Given the difficulty of accessing audiences for national films, how are co-produced films promoted and released?
- How to attract an audience?
- Could other distribution platforms be allowed in this context?



### **The circulation of European co-productions**

Martin Kanzler, Analyst – European Audiovisual Observatory

Please also see [Martin Kanzler, European Audiovisual Observatory \(PDF\)](#)

## Comparison between national films and co-productions

*Do co-productions circulate better than national films?*

→ the response is clearly YES

### **Four circulation indicators**

1. Export ratio
2. Average release markets
3. Average admissions
4. Weight of non-national admissions (the importance of export markets)

### **Data Sample**

- Cumulative admissions for:
    - European (majority) from countries with fairly comprehensive market coverage.
    - Feature films (fiction and documentaries).
    - Produced and released in the time period 2010-2014.
    - On 39 markets worldwide (27 European markets and 12 non-European markets).
  - The European Audiovisual Observatory's definition of co-production implies every production whose financing comes from more than one country. It does not only refer to treaty co-productions.
  - Non-national releases include any country outside the country of the majority co-producer.
  - They look at cumulative admissions for the European films as registered in the Lumiere database.
  - The data for the non-European markets are gathered through co-operation between many European national funds. They purchased data from Rentrak for the non-European countries included in the analysis (Canada, 4-5 Latin American markets, China, South Korea, Australia and New Zealand).
- The total sample of analysed films in the study involves 7300 titles. Out of this number 3200 films responded to the criteria and can be considered as "exported films".
- Out of the 3200 films, 2900 films had non-national releases in Europe and 1200 films had a release outside of Europe.

## Circulation Indicators' Analysis

### **1. Export ratio by production type**

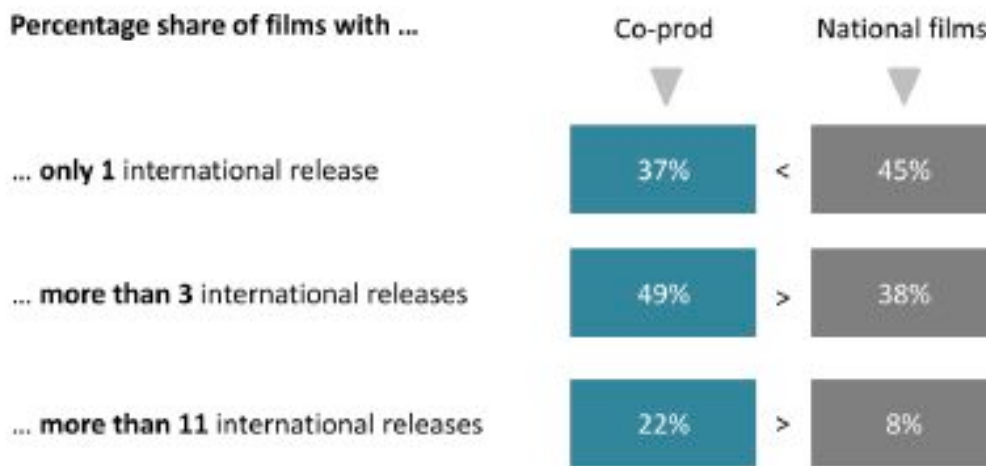
- The export multiple for co-productions is twice as high as for national films. 71% of co-productions had a release outside the home market, while it is the case with only 35% of national films.
- The export ratio of films with non-national releases in Europe is 66% (when it comes to co-productions) – 32% (when it comes to national films).
- The export ratio of films with releases outside Europe is 11% (national films) -34% (co-productions).

### **→ Conclusions**

- Almost 3 out of 4 co-productions are released on a non-national market as compared to about 1 out of 3 national films.
- Co-production "export multiple" is x 2.0.

### **2. Average number of non-national release markets**

- Co-productions on average get released on 7 non-national markets, whereas national films get only released on 4.
- The majority of films get released on only a few non-national markets.

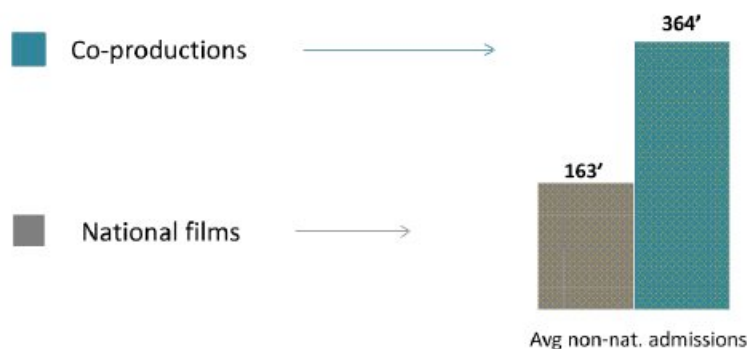


- The average number of non-national release markets in Europe is 5.7 for co-productions and 3.4 for national films.
- The average number of non-national release markets outside of Europe is 3.2 for co-productions and 2.3 for national films.
- 58% percent of national films released in non-national markets are released in Europe and 42% outside Europe. When it comes to co-productions, that ratio is 51% – 49%.

### → Conclusions

- Co-productions are released on almost twice as many non-national markets as national films. The co-production release multiple is 1.8.

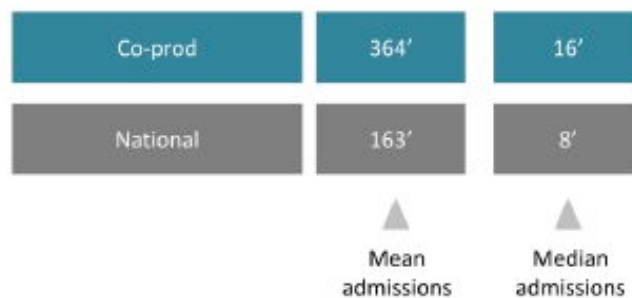
### 3. Average number of admissions per film



Co-production  
«admissions multiple»

x 2.2

- This is a good example how limited the explanatory power of average values can be in a data sample with wide variance:



### → Conclusions:

- On average, admissions per film are more than twice as high for co-productions as for national film.
- The exact co-production admissions multiple is 2.2.

### 4. Percentage share of non-national admissions

- Co-productions generated 63% of the admissions in non-national markets.

- National films generated 26% of those admissions.

Split of non-national admissions: Europe vs outside of Europe

- Co-productions generated 49 % of outside of EU admissions (vs 51% in EU).
- National films generated 42% (vs 58% in EU).

#### → Conclusions:

- Theatrical exploitation of non-national markets is more than twice as important for co-productions as it is for national films.
- Co-production “export dependency multiple” is 2.5.

#### 5. To summarise:

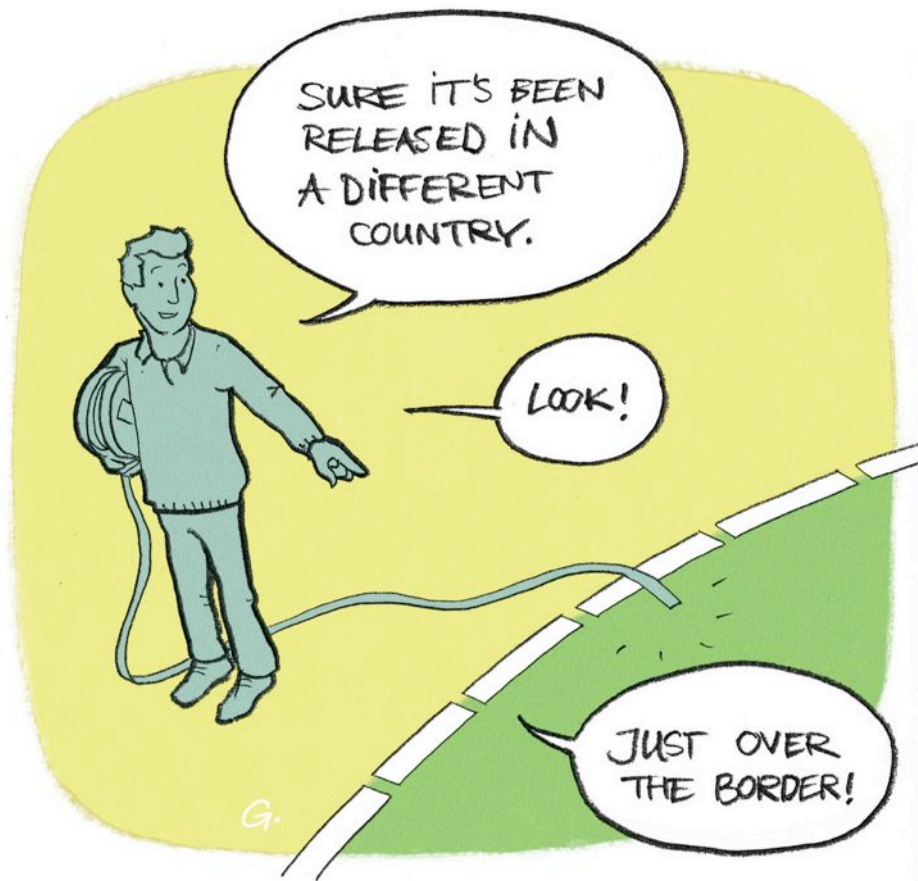
- The **share** of co-productions to get exported is **twice as high** as national films.
- On average, they get released **on** almost **twice as many** non-national **release markets**.
- And generate **more than twice as many** non-national **admissions**.



## Methodological constraints and challenges

- All the above information is based on the Lumière database collected from national funds. A number of false allocations can emerge on the way but, given the large sample size, the comparative conclusions are valid.
- The definition of “national market”:
  - Only the majority producer’s country (as used in this presentation)?
  - Or all co-production countries involved in a project?
  - In both cases the indication is that co-productions circulate better outside of the co-production markets than national films. The percentage would be slightly lower but, according to all indicators, the performance of co-productions will still be better than the performance of national films.





- The definition of “European film”:
  - Can UK films produced with capital from the US be considered as European films? In Britain, the British Film Council perceives them as European, unlike continental Europe. The EAO excludes films without majority European financing or those which are not considered as European by the MEDIA Programme or Europa Cinemas (i.e. if they do not qualify for their distribution support), or according to the definition of the European Commission.
- The definition of a “co-production”:
  - EOA analysis is not limited to “official co-productions” made under the treaties.
  - There is a big question which stays unclear: what would be the results if we counted only them? So far EAO doesn’t have the resources. There is the possibility of introducing, into the Lumière database, a marker for official co-productions to be filled out by the funds when they submit the required lists of co-productions.
- The definition of a “correct average”: mean vs median

	Mean	Median
Average non-national <b>release markets</b>	x 1.8	x 1.0
Average non-national <b>admissions</b>	x 2.2	x 2.0

- Figures are pretty clear:  
When analysed in large samples, co-productions clearly circulate better – on average – than national films.

→ Roughly speaking twice as well.

### **But**

- Main issue in interpreting: causality!
- Do “co-productions” travel better or “films produced as co-productions” travel better?
- Why are the figures what they are?

- Which conclusions can one draw with respect to shaping funding/film policies?
- Are there any universal characteristics that can have a positive effect on exportability of a film?

## Some input

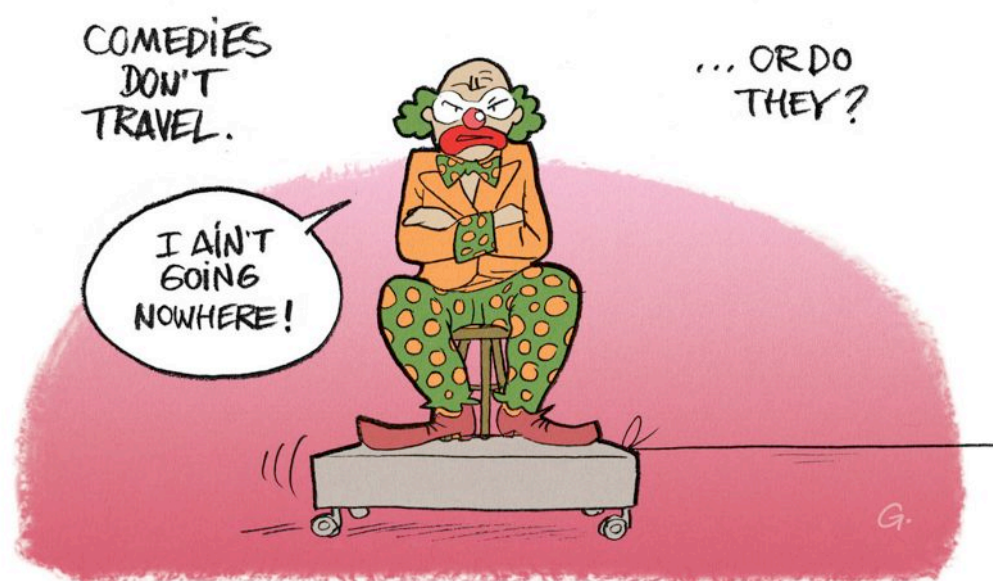
EAO analysed the top **100 films released non-nationally in Europe** and the top **100 films released non-nationally outside of Europe** between 2010 and 2014 to see if those two groups of successful films have something in common. They completed their data with some from IMDB. Despite the fact there is no formula that can help a film penetrate the international market, they tried to analyse the following aspects that could possibly contribute:

### Production type:

- 64% internationally released films outside of Europe are co-productions
- 36% are co-produced with a non-European minority partner
- 28% are “intra-European” co-productions

### Genre

- Comedies: 48 films released in Europe while only 16 released outside of Europe



- Drama: the ratio is 19 – 31,
- Thriller: in case of thrillers/action, the ratio is 12 – 26

### Language

- 44% are multi-language films
- 56% are single language films
- 71% have English spoken as the main language (31% are UK films), 9% in Spanish, 7% in French and 13% in other languages

### Location (as a proxy for local content)

- 29% are shot outside Europe

### Budget (as a proxy for production value and possibly expensive crews)

- Only 3 films had a budget below 3 million USD
- The median budget of the 100 films was 13.4 million Euros, which is significantly above the European average
- Median budget of French films was 2.8 million Euros

### Sales agents (according to IMDB)

- 67 films released outside of Europe had sales agents
- Only 38 released internationally within Europe had sales agents

### Award

- 77 released outside of Europe won at least one festival award

## Outcome of group discussions

The study still does not address the following:

- There are some high content co-productions, like creative documentaries, that cannot be classified. Do they travel?
- Is there any difference in circulation of male-directed and female-directed films?
- What is the ratio between the official co-productions and co-productions in general (based on co-financing)? It would reveal the performance of co-production treaties and how rigid they are in comparison with a more flexible way of co-producing.
- There are examples of French-speaking films that are released only in Geneva. They just bring one copy and stay in Geneva for one week. Can this really be considered as an international release?
- Co-productions have much higher budgets and it increases their quality, production value and, consequently, the audiences. In order to secure such high financing, there is a real challenge for producers to attract sales agents, pre-sell the film to many territories and secure many sellable elements in the story before completing the financing.
- Distribution should also focus on VoD releases. The funds should support the possibility that VoD release can achieve the same status as theatrical release. The EAO has a project to collect the catalogues of all VoD service providers in Europe and to link it to Lumière database, in order to see how many countries have VoD releases of particular films.
- National funds must be open toward international co-productions because the local, national audiences are too small. It would also help in convincing the politicians why it is important to finance internationally acclaimed films and launch a separate minority co-production scheme.
- Funds should be constantly collecting and processing data and contribute more actively to the projects of the EAO.
- Sometimes a national film is national for a good reason.

Illustrations by [Gijs van der Lelij](#)

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# MEDICI — The Film Funding Journey

## Reports Previous Workshops

### Fifth Workshop – Tuesday 29 September to Thursday 1 October 2015 in Santpoort, Netherlands

#### Module 5 – Gender / Quotas Issue – Update on Funds' Strategies

During the Second MEDICI Workshop, the last module was devoted to "gender". Since then, various funds have set up working groups or even specific programmes to ensure women receive more support and are more present in the film industry. This module provides an opportunity to share statistics, views and steps already performed by the funds.

Or, in other words:

Does this mean that "quotas" should be implemented to achieve objectives? Would these quotas only apply to the gender issue?

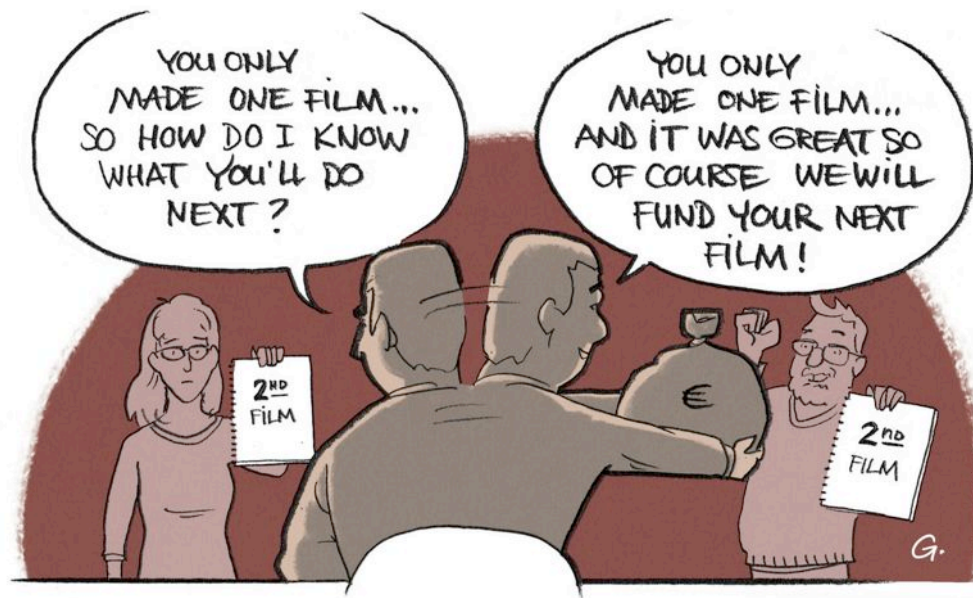
#### In a Nutshell

##### *Why?*

- All important pitching forums are dominated by male juries and male projects.
- Men are undeservedly given more trust and credibility.
- We live with the expectation that men can provide better quality than women.
- We lack fresh, new voices in cinema.

##### *How?*

- Enabling women to make their second and third films.
- Raising awareness of gender equality among students in film schools.
- Acting, not just counting.
- Establishing quota systems.
- Making gender-equality only one step in the general war for more diversity



## How they are working for Gender Equality in Sweden

Please also see [Anna Serner's presentation \(PDF\)](#)

*"I think it is better to be criticised for what you are doing than for what you are saying"* (Anna Serner)

### The SFI's five-point action plan for establishing gender equality (2012-2015)

1. **There are few female directors that are competent enough.**

To counter this argument, the SFI started collecting the names of all female directors in the Nordic region. The project unfortunately was eventually reduced only to Sweden, because other Nordic countries withdrew.

2. **Women never get to make their second or third film.**

The SFI initiated the programme within which they invited 5 established female directors (one from Denmark and 4 from Sweden) and connected them with ten young female directors who had made only one feature film. This way young women directors created a network and did not feel so alone any longer. Most of them are releasing their second feature films right now.

3. **There are not as many young women as men who dream of becoming a film director.**

Why do so few female filmmakers apply for support from funds? To tackle this issue, the SFI decided that they needed to start from the film schools. They made a survey in their film schools. Both male and female students were asked whether they believe they can become successful film directors. Women said no, and men said yes. They concluded that women can apply when you offer them the possibility to get money, but they usually feel that there is no possibility for them to succeed and therefore they simply don't apply.

4. **Counting the percentage of women as compared to men does not lead to equality.**

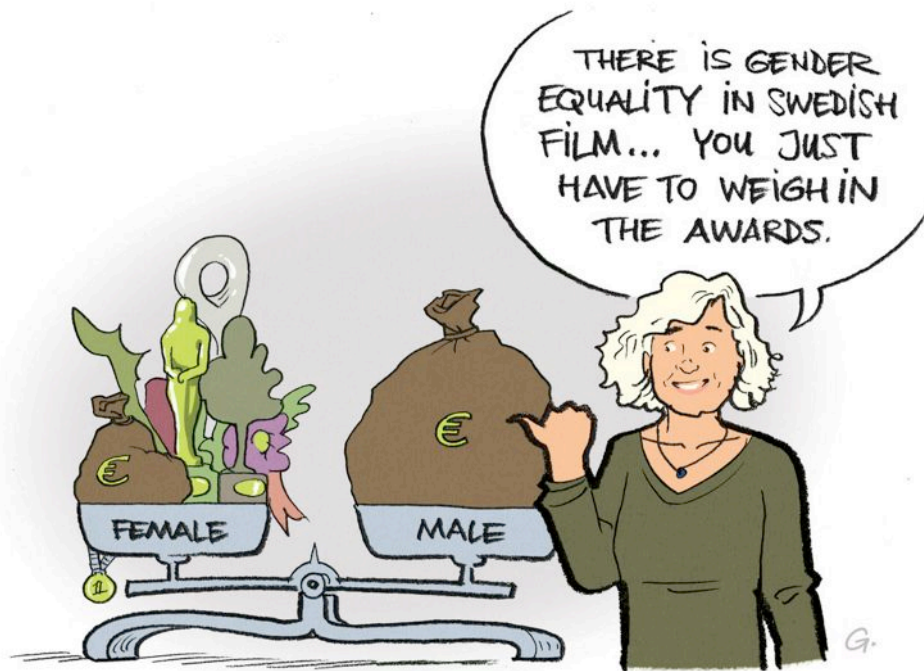
It is important to count all the time, analyse the figures on many levels and publish studies. However, counting and communicating figures is the easiest part. You need to set the desirable figures you want to achieve and act accordingly. In Sweden, they established the female schemes and thus put women on high demand. Producers now want to work with them. In 2005, for example, women directed only 19% of the films supported by the SFI. The situation was even worse when it came to market films without SFI support (10%). Some moderate measures were introduced, and some minor improvements happened, but quotas were out of the question. Then they tighten their policies in 2011 and finally fulfilled the 50-50% quota in 2015. However, they do not want to keep this quota all the time. The percentages do need to vary, but on the basis of quality not discrimination.

5. **Those in power do not want to see things change**

### **The results of the SFI's action plan in figures**

- Between 2010 and 2014, 69% of all the awards were given to female filmmakers (directors, scriptwriters, producers) in the Swedish national film awards "Guldbaggen".
- Women won 40% of all the awards that Swedish films won in the six top national film festivals.





- Among 6 Swedish films screened in Toronto, women made up 80%.
- In the Berlinale, Sweden had 8 films, 60-70% were made by women and won 2 Bears.

#### ***Side effects and other implications***

- To be accused of ignoring some more burning issues, such as more films for wider audiences, while over-focusing on gender equality.
- Many producers, who do not get as much money as they did in the past due to the new female schemes, tend to use gender equality as a scapegoat for all their problems.
- The media will report scarcely about the success of female directors.

## **Gender equality within Eurimages**

Please also see [Isabel Castro's presentation \(PDF\)](#)

*“Eurimages must take care of gender equality because it is part of the Council of Europe where diversity is on the agenda”* (Isabel Castro, Deputy Director of Eurimages)

### **To-date steps in Eurimages' gender equality agenda**

The question of gender equality in Eurimages was raised during a management meeting in Vilnius in 2013 (outcome of the third MEDICI Workshop). The following actions have been taken:

- Creation of a Gender Equality Study Group.
- Ensuring gender equality within co-production working groups and among the external script-doctors in order to provide a more balanced selection process.
- Arranging multiple gender equality meetings in different cities that hosted Board of Management meetings to raise awareness of this issue, which happens four times a year.
- During the Sarajevo Film Festival in 2015 the political declaration on gender equality in film was ratified, whereby all member states of the Council of Europe are encouraged to implement gender-equality measures.
- Preparation of an action plan for the next two years (2016-2017)
- Define gender analysis tools

#### ***But***

- Eurimages cannot introduce quotas, because they receive few projects and have to synchronise with the policies of 36 member states.

### **Gender analysis tools**

#### **1. Determining the gender of a project**

- Gender grids form part of the Eurimages' application form providing gender-related information for all team members within a project to be filled-in by producers (separate grids for fiction, documentaries and animation films).
- In 2014, within 151 projects that Eurimages deemed eligible for its support, 1226 were male and 416 (25%) female.

## 2. Defining the gender of fiction films' scripts

- Use of the Bechdel test by the script readers during their script-analysis.
- Point system: a script with, at least two identifiable and named female characters receives one point. If these two women speak to each other, then they get another point. If the subject of their conversation is not exclusively a man, they receive the third point. The same test is applied to male characters as well.

## 3. Gender-based budget analysis

- Comparing the budgets of male-directed projects and female directed projects as well as the salaries of male and female film professionals.

## Two categories of result indicators

1. Measuring degree of gender equality (project gender, selection rate, support amount rate, film budgets, salaries of producers and directors)
2. Measuring the representation and role of women on screen. In measuring this, they apply the Bechdel test, counting the number of female roles, pay attention to the age and responsibilities of the main characters, detect stereotypes, clichés, etc.

## The results of Eurimages' strategy in figures

- The total number of women engaged in the 5 key positions (director, writer, producer, editor and DoP) increased by 3% between 2012 and 2015.
- The presence of women is evident among editors, first, second and third roles, but they are the less present among DoPs, composers and sound engineers.
- The number of female fiction projects is very low (3.31% in 2014). The situation is better with documentaries (13.33%) and animation (25%).
- The Bechdel test showed that men occupy more active roles and are better represented.
- Only 19% of the directors of Eurimages films are women.
- The budgets of films directed by women are 35% lower than male budgets. The same applies to the salaries of female producers and directors.
- Eurimages grants per projects are 22% lower for female projects. Looking at the total support given by Eurimages in 2013 and 2014, only 17% was given to projects with female directors.

## But

- Currently, there are more women than men sitting on the Eurimages' Board of Management
- Among the script-doctors who evaluate the quality of submitted scripts, 80% are women

# Outcomes of the group discussion

## The Situation in Other European Countries

**FFA:** German law requires a 50-50% gender quota. It is particularly emphasised in TV productions and the public broadcaster passed a declaration on the quota system. Regarding the film industry, there are a lot qualified female directors in Germany. 50% of students at film schools are women, but less than 25% of them actively enter the film industry.

**Georgian National Film Center:** In Georgia, female directors make most of the films, so they do not feel the need for a quota system.

**Danish Film Institute:** The DFI believes that it should work with gender equality to the extent that it can bring films of better quality. But they believe that film funds are not the right place for regulating gender equality quotas and policies.

**Wallonia Brussels Federation:** Gender equality in film is a problem in the French Community. The question in Belgium is not anymore "why" but "how". There has been some improvement. The Eurimages gender grids should be used on a national level.

**Icelandic Film Center:** The problem in Iceland is that they have very few women that apply to their fund. Film schools are filled in with men, which makes any gender equality initiative on their part impossible at this moment.

**Austrian Film Institute:** In Austria, they are lacking female producers. Thus, the film institute has launched

a training programme for emerging female producers or for women who intend to work within the sector independently, not in the shadow of a famous male producer. The idea is to find mentors and role models that would be in charge of the training. They also want to raise awareness within their selection committee because sometimes it is not enough just to have an equal number of men and women sitting on the committee.

**Irish Film Board:** What creates an additional problem in Ireland is the fact that they are also part of the Anglo-American film culture where gender inequality is even more pronounced than in Europe.

**OMDC:** Sometimes it is not only a male-female bias, but also female-female bias that leads to gender inequality. In some funds, 70% of people are woman but they still support only male-dominated projects.

Illustrations by [Gijs van der Lelij](#)

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# MEDICI — The Film Funding Journey

## Reports Previous Workshops

**Fifth Workshop – Tuesday 29 September to Thursday 1 October 2015 in Santpoort, Netherlands**

### **MODULE 6 – What to foresee in the next ten years based on what's going on now?**

In other words:

- Why not spend some time looking at what is happening within the funds?
- Are there new initiatives, issues of funding, future changes that would be useful to share with colleagues?
- How do funds see their role evolving in the next ten years?

### **In a nutshell, what funds need to think about**

- If they do not change, they lose.
- Funds need to get closer to each other.
- They should not impose unnecessary rules on themselves.
- They can always improve. They should learn from mistakes and revise their methodology to avoid repeating them.
- They need to set high goals and find the way to adapt to the strategies that lead to reaching those goals.
- It is more dynamic when there is competition. They should look what their competitors do and co-evolve with new ideas.
- The situation within the system does not really reflect what happens outside it.
- Are the fund those who can drive audience-behaviour or does it come entirely from somewhere else?

### **Outcome of group discussions**





***What are the chief change-drivers within the public film funds' system?***

- Expectations from politicians
- Technological change/telecom/digital world
- Viewing patterns among audiences
- Many underrepresented voices
- Economic crisis
- VoD platforms like Netflix
- Transatlantic Trade and Partnership Agreement (TTPA)
- Globalisation of services
- Piracy
- Global market value of audiovisual products (web is absorbing millions of dollars while television is declining)
- Consumer behaviour
- New production formats
- New definition of film

***Ways of responding to these change-drivers***

- Keeping the traditional approach by resisting any changes, OR
- Moderately changing the traditional approach, OR
- Radically changing to an approach that would reconfigure the entire system.

***What will not/should not change in 10-year time***

- The political willingness to support screen content in a cultural context.
- The survival of a traditional form of films that will continue to receive the major part of film funds' support.



- The existence of cinema theatres. As a social activity, they will still dominate despite the new viewing habits caused by Netflix, piracy, new technology and higher internet and cable TV penetration rates.
- Funds will stay primarily cultural. Business criteria will not permeate.
- Funds will keep making socially relevant films.

#### ***What funds will/should change in 10 years' time***

- Redefine themselves as not exclusively cultural institutions, and ask for funding from other competent ministries not just the Ministry of Culture. In Finland, film funds are already linked the Ministry of Telecommunications.
- Bring a broader expertise within their team that would loosen-up the rigid, old-school cultural thinking.
- Redefine what "national" means. What is national culture today in the global world when people have 2-3 passports and young people function globally? Should the national identity be preserved in the most traditional way or should this notion be expended?
- Turn more towards the new habits of the audiences in the way the public broadcasters did in the past 10 years.
- Be renamed as an audiovisual fund, whereby they would make more room for experiments, innovation, development of new formats, etc.
- Respond to different parts of society that, due to new technologies, demand new audiovisual output in different formats.
- Accept that there will be more players able to co-finance new formats (all kinds of distributors, telecom operators, etc.).
- Keep cultural value in the films they will support, but not necessarily national value.
- Support media literacy and audience-building. It is crucial to educate the upcoming audience, not to leave them only to the market.

#### ***The main impediments to implementing adequate changes within the funds***

- People involved in the system of public funding are old-school types (producers, directors, traditional distributors and exhibitors). There are hardly any new people, like telecom operators, coming in.
- The way public funds finance screen content now, in administrative terms, is not adaptable to the financing of new formats.
- The DVD service and the revenues it generated are gone. Although transactional VoD is up and running, it will never compensate for the lost revenues.
- There is a self-evident change in viewing patterns and consumers' behaviour, but there is sometimes too much of fetishism for change at any price, which could mislead funds in their strategies.



# MEDICI – The Film Funding Journey

## Reports Previous Workshops

### Fifth Workshop – Tuesday 29 September to Thursday 1 October 2015 in Santpoort, Netherlands

#### Module 7 – Development – An underestimated stage in the production process?

Most of the projects applying for production subsidies are considered by evaluation committee members or commissioners as not ready for production. There are a few reasons, such as: the necessity for producers to produce in order to "earn" money for their company, the access to feedback that they can communicate to their director and scriptwriter, the pressure from their director to go into production as soon as possible, etc.

Or, in other words:

- What is the level of money dedicated by funds for development?
- What do funds consider as development expenses?
- Are co-productions eligible for those funds?
- What about co-development fund initiatives?

#### Danish Film Institute (DFI) and its development schemes

Claus Ladegaard, Deputy Director and Head of Film Funding of the Danish Film Institute

*Please also see:*

- [Claus Ladegaard's presentation \(PDF\)](#)
- [Questions to Claus Ladegaard \(PDF\)](#)

#### Introduction

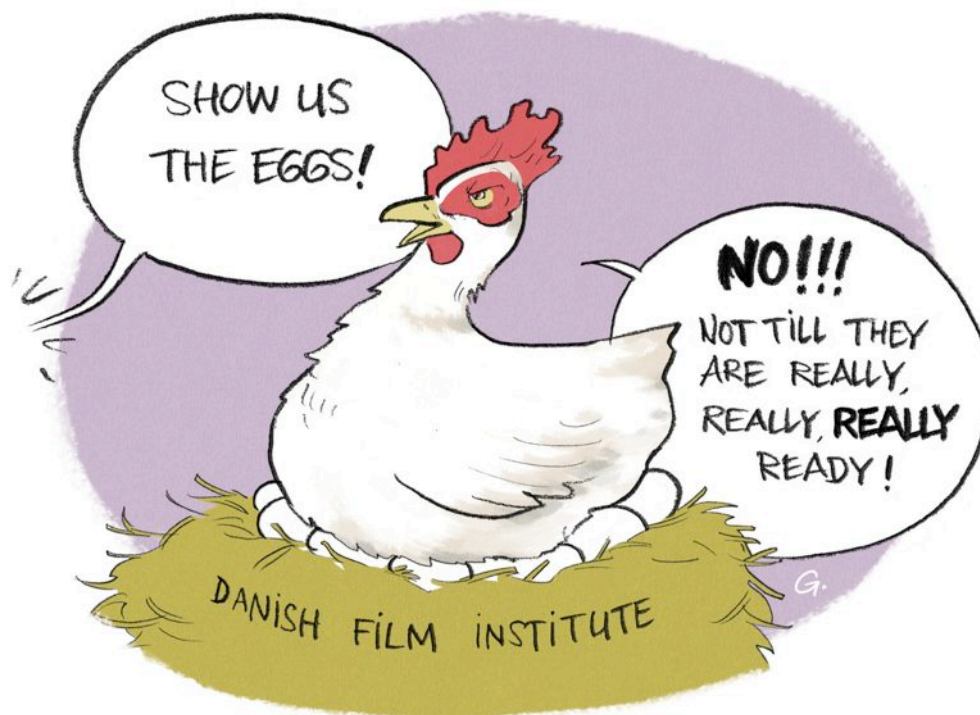
- DFI is funded by the Danish government and it is **THE funding institution in Denmark** because it is almost impossible to make a feature-length film without DFI support.
- Support is chiefly based on **quality criteria** that differ from scheme to scheme, but films must have either **artistic quality** of some kind or **cultural value**.
- The DFI funding **budget is 45 million Euros a year**. The fund allocates around 20 million Euros for feature films per year (11 million for the arthouse scheme and 8 million for the market scheme).
- Every year it supports around **20 fiction films, 30-35 documentaries**, a couple of **drama series, 10-12 talent films**, production of **digital games** and development of **transmedia** projects.
- Feature films have the **domestic market share of 25-30%**.
- The fund significantly focuses on **low-budget films**: small size low-budget films (400 000 Euros) and big-size low budget films (800 000 Euros).

#### DFI's funding schemes (development + production)

- **Commissioners' scheme**
  - For art-house films
  - DFI funding represents almost 100% of the development costs
  - Run by Commissioning Editors
- **New Danish Screen scheme**
  - A talent-development scheme

- DFI funding represents almost 100% of the financing
- Decision taken by commissioning editors
- **Market scheme** for the mainstream, producer-driven:
  - 60% of the funding in place before the DFI can step in
  - Films with audience appeal, cultural value and festival potential
  - Decisions taken by the editorial board consisting of 5 people
  - Typical examples from this scheme are Suzanne Bier's "In a Better World" and Nikolaj Arcel's "A Royal Affair"
- **Short-film scheme** is being phased out
- **Game Development** and **transmedia development** scheme

## “Challenge the usual way” – DFI’s Development Philosophy



- DFI usually funds 2 to 4 different development stages. But it can be up to 6 or 7 stages, depending on the project. First development funding available:
  - at a very early stage (with one-page description of a project)
  - in the middle of script-writing
  - when the script is already finished
  - an advanced-development funding is also possible
- DFI is a fund but also a **developing partner**.
- **Non-interference policy**: their role is to point to every problem, but never to provide solutions.
- **Development is underlined in the Fund’s policy**. They talk about it with both the industry and commissioning editors and other people working at the DFI. They organise development seminars.
- Development funding has increased **from 5% to 12%** of DFI’s budget in the past decade. DFI will keep increasing it until it reaches **20%**. The development funding for arthouse films has increased **from 7% to 17%** and **from 1% to 7%** when it comes to the market scheme’s films.
- DFI closed its automatic scheme and redirected part of that money to the Development scheme.
- Strategies from developing documentaries and animation films can be translated into fiction projects as well.
- Development of fiction film in many countries starts only after the script has been finished. In the DFI’s opinion, this is not development but pre-production. Development has to start even before the writing begins.

## DFI’s development methods based on the “point of departure” approach



a) Development starting from **premise**

- The premise is the key sentence that defines one's project.
- The crucial thing is to talk all the time about the premise, and not only with the funders, but also with the director, DoP, editor, production designer, or anyone else attached to a film.
- DFI can give a director an opportunity to produce a couple of minutes of an intended film, without a story line, for nothing else but for finding an inspiration towards the premise.

b) Development starting from **characters**

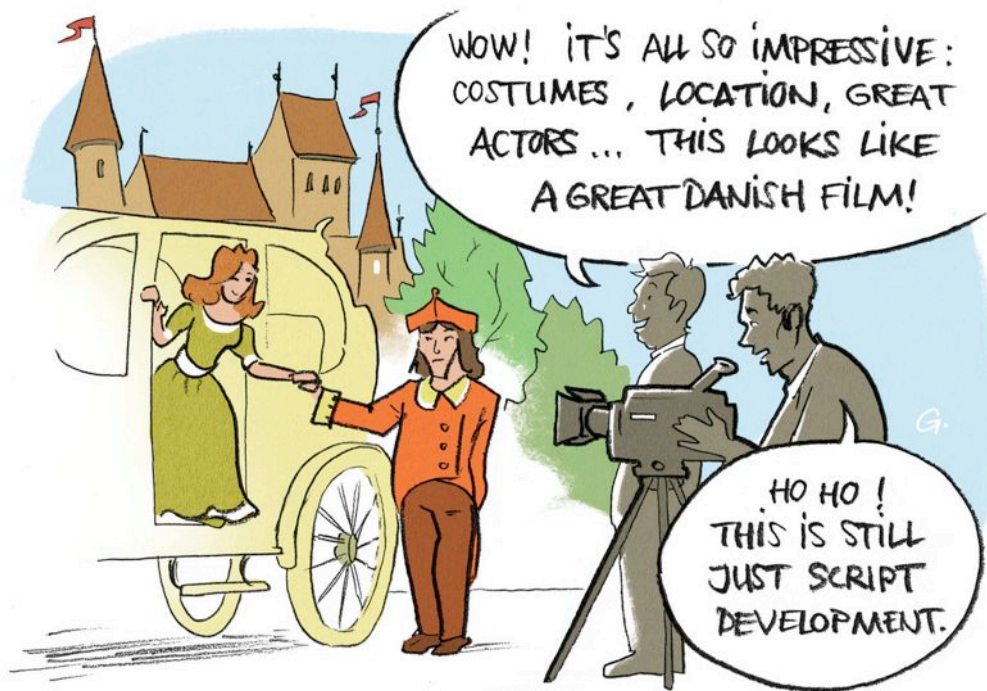
- Some scriptwriters interact with actors during the scriptwriting process. It could be the actors that will appear in the film, or some random actors that try to set a scene or tone in different ways to inspire further ideas for the script. Such improvisations could be done before or during the scriptwriting process, the idea behind this being to discover new characters, stories and conflicts.
- Some scriptwriters cast non-professional actors and develop scripts while working with them. This method resulted in a new genre called hyperrealism

c) Development starting from **subject matter/content**

- It involves all kinds of research regarding the visual material. One can edit elements of his/her story, using the existing footage as a pre-form for the script. Producers usually use the rip-reel method to cast a director. They, in fact, give a director a script and ask him/her to cut the trailer using the existing footage – to rip it out of the existing films.
- Test shootings in a difficult location or hostile environment can also be funded during the script-writing process.
- Making a concept bible, describing characters (what they can do, what they cannot do, what the writer knows about them, and what audience should know about them).
- Creating an animatic of the whole live-action film. Denmark had a film in Cannes last year called "Salvation". The director did the full animatic for this 2-hour feature film. He did it as he was very strong with visuals, but not very strong in mise-en-scène and directing actors. He wanted to be fully aware of how the film was going to look visually so that he could fully concentrate on the actors on set.
- Visual storyboard as a pre-form for the script.
- Developing a fiction script for a documentary to discover the ideal narrative.

d) Development starting from **visuals**

- Making a booklet of photos and drawings to communicate the premise to the rest of the crew, production designer, or anyone else who works with costumes, etc.
- Creating a mood board or mood video.
- Workshops with DoP, production designer and costume designer, to develop visual guides and references.
- Working with people from other art forms. The DFI had a script that was mainly based on conversation between two people sitting in one room. The project's creative team asked a couple of theatre production designers to be part of the development process because they have a completely different artistic experience in stage design. They eventually used the lights from the theatre and photography.



e) Development starting from **locations**

- Finding locations quite early in the script writing process, and in collaboration with production designers, can, from the very beginning, set necessary limitations regarding the script. The plot, production concept, budget and financing, can be inspired by a chosen location.

f) Development starting from **sound**

- Music and sound can help to define a film and develop its story. Some projects have composers attached quite early, trying to find the mood for a film.

g) Development starting from **technical solutions**

- Shooting film sequences to test lighting, sound, camera-work and editing, and technical testing of key visual effects can be part of the script development instead of pre-production.

h) Development starting from **production**

- Using production concepts as a scriptwriting framework by defining specific conditions like shooting days, number of locations, exterior/interior, etc.
- Director and producer should assemble the crew that can contribute to development both creatively and production-wise (testing the collaboration between the director and DoP, etc.).
- Exploring co-production opportunities with a potential co-producing country.
- Doing necessary breakdowns to ensure that script and budget are synchronized.

**But**

- Many scripts still could be made without consulting any production concept

j) Development starting from **financing**

- A good financing strategy can sharpen the script and the entire development process.
- Producing a pitch-trailer or a sequence to present the project to financiers during industry events. Thus testing if you can pitch and sell your film or describe quickly what the film is about.
- Producing sales materials.

k) Development starting from **audience and promotion**

- Resolving what the director and film want to tell the audiences.
- Create a website or blog to gather interested people around a film project and communicate with potential audiences.
- Interactive scriptwriting via social media where the audience is in dialogue with the writer or director.
- Testing a possible positioning and target group for the film.
- Examining audience expectations in terms of the adapted book, theme, director, historical figure or event.
- Investigating the audience's attitude in terms of relevance and identification

### **But**

- Although you can gather plenty of useful material for script from the audience, you must not let the audience write your script.
- The interaction with audiences does not work if the writer and director do not have a clear premise. It does not help them create a vision, but tightens and strengthens the already existing one.

## **Side effects of DFI's development schemes**

- Too much emphasis on development can create the illusion that “everything can be developed”.
- Sometimes there are too many overlong development processes.
- Some projects should simply go straight to production without long development.
- How to know when a quick rejection is better than a long development?
- Continuous risk-taking.
- It is not difficult for commissioning editors to see a good idea and say yes to it. However, it is very difficult to see a half a good idea, or very pre-mature idea, and be able to imagine how it can be developed to the stage when it can promise a good film.

## **Other implications**

- Constant tabloid discourse in the media.
- Every big Danish newspaper has journalists that go through the DFI's lists of projects and discover that some directors get 200,000 Euros for the projects that are closed. They label it as a waste of money and a catastrophe and, as a result, the DFI receives a lot of questions about what is going to be done.
- They need to convince the policy makers and the public that research and development is as important for films as it is for the medical business, etc.
- Important to recruit the right people who have experience with development.

## **DFI Development Projects – Case Studies**

**War** (Krigen), 2015 – Feature fiction film directed by Tobias Lindholm

*Premiered at the Venice Film Festival, Danish entry for the best foreign language film Academy Award.*

The film is about Danish soldiers in Afghanistan. One officer is trying to save the life of one soldier and the cost of that attempt is the lives of 11 other soldiers. He ends up in court and most of the film is set in courtrooms.

- **The development budget was 122,000 Euros.**
- DFI funded 70%. There were **three development stages**.
- The original part of the scriptwriting process was the collaboration of a number of veterans from Afghanistan and their wives.
- The director/writer also casted a number of veteran soldiers and Afghan refugees for the shooting.
- DFI financed the test-shootings with MMA (Mixed Martial Arts) fighters. The project team found, at an early development stage, the shooting location in Turkey, which significantly determined the script.
- Production concept, as well as budget and financing was created alongside the scriptwriting.

**Forever 13** (in development)

- Still in development and still to be determined if it will be made.
- So far, the DFI gave 92% of the development budget amounting to 53,000 Euros.
- The development includes collective scriptwriting with girls aged 13-15 using an interactive website, images, sound, blogs, etc.
- A casting agent is attached to the project in the development stage and he is already checking out the girls' contributing to the project. Some of them will act in the movie.

## **Conclusions**

- Start supporting development of a project as early as possible.
- Invite other people to take part in development.
- Share. Challenge the traditional practice according to which an artist contemplates and produces a piece of art before he shares his ideas.
- Development is a team sport. An academic study in Denmark showed that those who develop with others get more films done.
- Development is the phase when originality of films is determined.
- Funding underdeveloped projects is more expensive than funding a long development.

- Have a broad understanding of development. It should include everything before pre-production.

Illustrations by [Gijs van der Lelij](#)

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