



MEDICI – The Film Funding Journey

Reports Previous Workshops

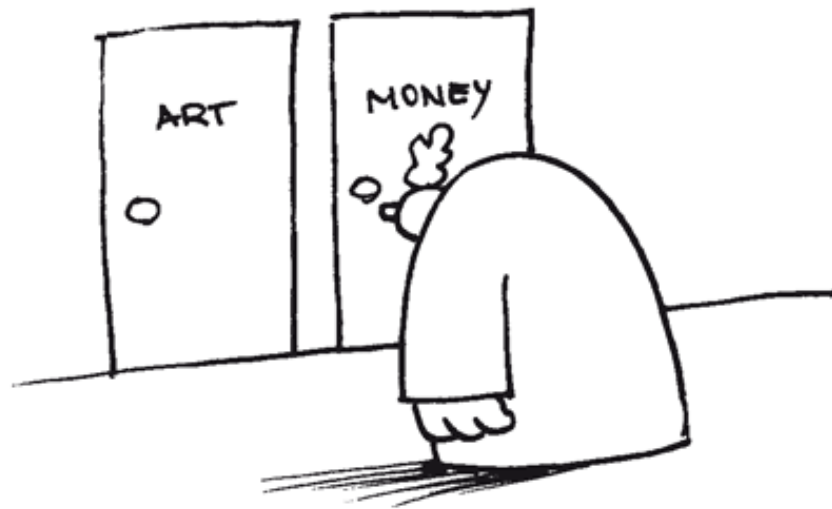
Second Workshop Report – 7 to 9 November, 2012 – Retz (Austria)

Module 1 – The Role of Public Film Funds

This issue was already raised and discussed during the First Workshop. Participants have asked that it be included again in the Second Workshop in order to delve more deeply into it with the following questions in mind:

- What is it that we want to do?
- What is it that we want to achieve?
- What are our ambitions?
- Why do we think we have a role to play?

Nota bene: this chapter can be read in parallel with and/or in addition to the equivalent chapter in the First Workshop Report at www.focal.ch/medici-training/reports/1-module1.html.



1. The Mission of Film Funds

- To determine whether to remain exclusively a cultural fund or, due to the economic crisis, to instead invest more in TV programmes and commercial projects.
- To undertake some risk and opt for new innovative financing strategies like crowd-funding and social-network financing.
- To keep up with unabated expectations of today's audiences to see new stories on screen, and to incite audiences to see more movies.
- To remain democratic and avoid any external pressure on decision-making.
- To improve collaboration with other funds, particularly with those ones based in the same region.
- To be as transparent as possible in demonstrating why a project receives support or not.
- To be open-minded enough to be seduced by something unexpected.

2. Challenges

How to improve communication with audiences, film professionals and politicians?

- By better marketing film funds in terms of partnership rather than financing.
 - Through digitization, helping arthouse theaters to keep films on their screen for longer lengths of time, in order to reach a wider audience and enabling more films to be seen.
 - By collaborating with, for instance, social media, airlines or cable companies in order not only to raise additional money for the films, but to also increase the number of opportunities for these to be seen.
 - By finding the right balance between ‘marriage of interest’ and ‘marriage of love’ through separate schemes for arthouse and commercial films, so as to satisfy different kinds of audiences.
 - By creating a way of communicating decisions and feedbacks to increase producers' awareness and responsibility instead of ‘scaring them off’ (i.e. the role of scriptwriters and script doctors).
 - By involving the public in the evaluation process (i.e. Norwegian Film Institute’s program whereby diverse projects are presented to the public on the Norwegian TV).
 - By encouraging projects able to convey local stories using a universal language (examples: Iranian films about Islam understandable to people belonging to other religions and cultures, or recent films about the war in Yugoslavia targeting international audiences).
 - By creating bridges between television and the film industry in order to improve audience reach.
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“The craft of seduction” in film financing. How to seduce/be seduced more easily as a public fund?

- By asking the producer to state clearly WHY he wants to produce his film, enabling the fund to define and communicate to politicians and government just WHY it wants to support the film, even though a considerable financial risk is entailed.
- By introducing new financing schemes for new talents (for example, a scheme for first-time directors working with established producers).
- By networking and improving the international presence of the supported projects so that they can seduce outside the domestic market.
- By careful selection of the topics and styles from one's own country, to lend it appeal in other markets.

Risk-taking and new strategies

Why?

- Pressure by politicians and government for public film funds to be less isolated and more industry-oriented often contradicts their mission to support mainly art-house films regardless of the distribution potential. Therefore, risk-taking and the introduction of innovative strategies are crucial policy options for a number of the public film funds in Europe.

How?

- By thinking more digital in order to reduce the costs of filmmaking.
 - By taking into consideration participatory cinema (crowd-financing, social-network financing, and engagement of the on-line community of film enthusiasts) like in the recent case of Finnish Film Foundation.
 - By drawing up the financial lines for cross-media support.
 - By opting for more inclusive tax-mechanisms that avoid the trap of promoting only the local element (Belgian tax-shelter excels as the best example).
 - By increasing the funds for the minority co-production schemes (especially for countries from a same region) in order to attract new names, improve skills and consequently improve the performance of domestic cinema (Croatian Audiovisual Center, for example, allocates 15% of its production budget to the minority co-production scheme).
 - By being more global, i.e. opening up to new non-European markets regarding co-productions (for instance, Brazil offers very favorable co-production arrangements at the moment).
 - By supporting top-quality projects, regardless of the origin of their directors.
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3. Shared conclusions

- A great majority of public film funds, although subject to a number of different problems, have two threats in common: lack of money and lack of communication with politicians, private investors, people who make final-decisions and producers.
- Funds are filled with generous intentions; nevertheless, they are obliged to continue to come up with improvements and innovations in order for them to cope better with the myriad challenges of today and tomorrow.
- Bringing larger audiences to cinemas showing national movies is the crucial and ongoing ambition of many funds.





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Module 2 – Coproduction, Minority and Agreements

Some years ago, it was still possible to finance a project exclusively at the national level. Today, given the changes in the environment (less money from the market, and more competition to access public funds), financing a project through coproduction with more than one country has become unavoidable. This supposes that film funds of the minority partners are willing to finance films with a non-national director and less creative input. For producers, this increases the number of funding requirements to be met, and creates the expectation that their coproducers will be financing their next project.

Or, in other words:

- How can reciprocity among producers be reconciled with coproduction treaties having a legitimate need to favor national films? How can the creative and artistic quality of a coproduction be preserved?
- How can funds facilitate coproduction procedures?

Please also see Danny Krausz (Dor Films)'s presentation “(Minority) Co-productions, a gift, a burden, a must, a need” (PDF)



1. Reciprocity within the concept of coproduction

Eight reasons why reciprocity does not fit in with the concept of coproduction

1. Reciprocity has to do with money and not with content. Purely financial reciprocity schemes usually do not survive in case of cultural funds where evaluation is based on quality (the terminated agreement between the Austrian and Danish Film Institutes is an example).
2. Reciprocity means “obligation to coproduce” whatever the quality of the project. It may not help producers make better films. Reciprocity should be more about enabling easier access to composers, scriptwriters, etc. Such reciprocity does not impair the quality of projects, whatsoever.
3. Reciprocity means equality in the balance of support afforded projects by each partner. Should there be

- a disbalance, trying to restore the balance will counter the cultural objectives of the funds.
4. Reciprocity cannot be an evaluation criterion for funds or an argument used by producers to justify a negative decision.
 5. For producers, it is easy to find the first project. It is more difficult to find a second project that offering the right timeframe and requirements.
 6. Reciprocity is a concept more appropriate for production companies seeking long-term co-production deals with foreign partners in order to coproduce several projects.
 7. Reciprocity would make sense if the majority producer's main funder is made responsible for achieving and monitoring reciprocity, which is very difficult for small countries.
 8. Long-term cooperation between co-producing countries is impaired and frustrated if one country keeps denigrating the other country's projects as not good enough.

2. Important coproduction issues

For minority coproducers

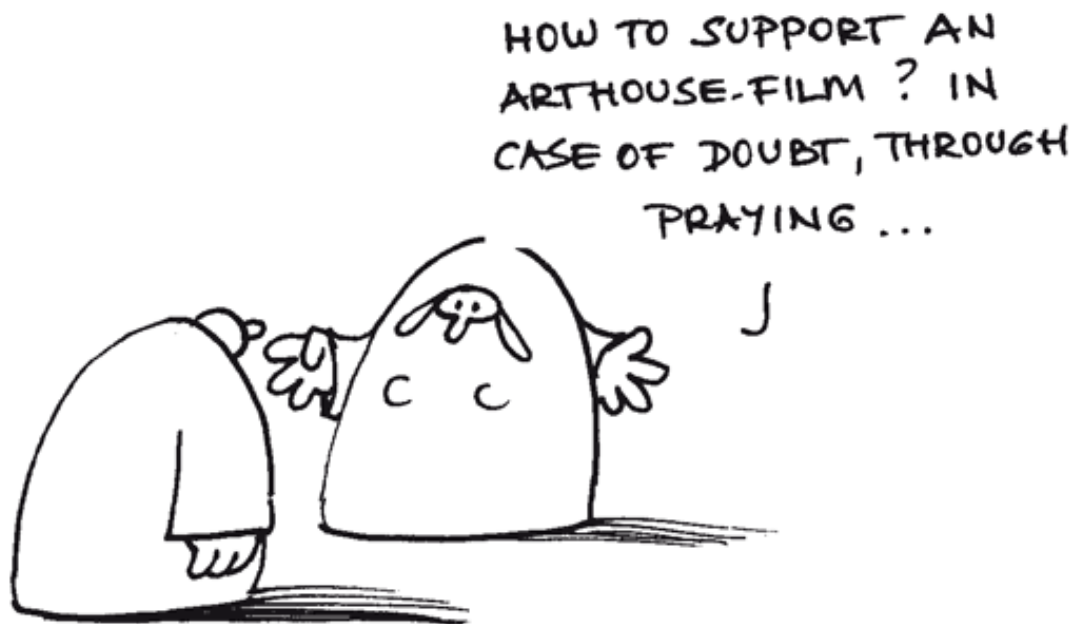
- Minority coproducers should avoid inadequate partner selection. The kind of projects should be acceptable for minority need be defined. Is the financial incentive all that matters for minority coproductions, or does creative input matter as well? Improved communication will facilitate making better choices.
- Minority coproducers need a kind of a pre-approval of the budget and finance plan. Minority coproducers should submit a solid package, with well-balanced requirements – both creatively and economically. But if cuts are made to a project after support has been agreed upon, it should be made clear that the proposal can be changed. It is better not to support the project, or else to ask what you have to lose if you do not support the project.

Between coproducers

- How the responsibilities are to be split between the parties during a film-making process should be better defined. It is easier for funds and producers to communicate and talk if the respective responsibilities are listed in the contracts.
- Tax laws in different countries should not be underestimated. For instance, to avoid serious tax problems, the split imposed on the official rights and foreign territories is compulsory for a co-production with a German producer to avoid serious tax problems.
- Each producer's share of copyrights due to the coproduction should be defined.
- Overexpenditures/underexpenditures are often not addressed by coproduction agreements. Responsibility for overspending usually lies with those producers taking the final decision on further investment. Minority co-producers should not be overruled, and should not be obliged to go back to their fund to announce that the contingency fund is gone and that they need more money. Only joint decisions should be effective. Only when minority coproducers are co-responsible for decisions, will overexpenditures be covered by their own money or contingency or any additional sources.
- Both funds and producers should take a closer look at the majority producer's attitude towards a particular coproduction.
- The legally binding hiring of new staff from other countries, due to coproductions, prevents producers from working exclusively with the same personnel: this facilitates the safeguarding of the cultural and artistic elements of coproductions.
- Producers rely on bilateral, trilateral treaties, and the European Convention on Cinematographic Coproduction, but if they work with the UK, for example, IPA inter-party and CAMA agreements overrule coproduction agreements. What can the funds do in this regard?

3. A lack of knowledge

- Producers, even the experienced ones, are often unfamiliar with coproduction procedures. The funds expect the producer to know everything about coproductions, but that is a very high expectation. Many producers do not attend the European coproduction workshops. The funds also fail to clarify the coproduction rules.
 - Coproduction companies usually are not able to offer legal departments or to hire somebody with all the necessary knowledge about coproducing. This is where film funds should step in and provide help. Coproduction seminars on treaties and the basics of coproduction agreements can familiarize producers with coproduction procedures. (The Danish Film Institute launched such seminars with a good feedback).
 - Coproduction training sessions and seminars are also necessary because film schools do not offer enough co-production knowledge. Production students are often taught at no higher than the line producer level. However, such training sessions and seminars are more workable in smaller countries. In big countries with many regions, such initiatives could be very difficult to implement.
 - The most successful projects are often the ones developed in teams.
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4. How can the public funds facilitate coproductions and procedures

By improving communication with the producers involved in coproductions

- It is the producers who do the sales estimates. Maybe the funders should evaluate, such standard estimates annually, because the figures change year after year, and then exchange the results between themselves. It could enable a fair split of rights/territories and be used as an indicator among the producers.
- Is there a need for the funds to synchronize their deadlines to facilitate coproductions? (Austrian Film Institute and Croatian Audiovisual Center, for example, are synchronized with Eurimages deadlines).
- Eurimages proposed an initiative for the revision of the European Convention on Cinematographic Co-Production. The new version foresees, among other things, less than 10% for a minority co-producer as well as proportion between financial and artistic/technical element. Will this foster more films with bigger budgets? Will it make it easier for smaller countries to coproduce?
- By helping to decrease the necessary paper work.

By clarifying their guideline rules

- The allocation of **MGs** should be discussed more. How do different funds handle these MGs? Are these MGs accessible, eligible, non-eligible, eligible up to a certain extent, eligible only later on, etc. This holds true as well for the allocation of **world sales** and **licenses**.
- Estimates of **overheads** should be taken into consideration: there are different approaches and issues in this regard. German Federal Fund, for example, has a ceiling on overheads that causes problems for foreign funds that have no such requirement.
- The eligibility **expenditure catalogue** very often depends on the regulations of funds. Regional funds have special lists of what is eligible or not, according to their needs. Some kind of harmonization remains necessary here.
- Estimations of **producer's and line-producer's fees** should also be regulated. There is no final control of such fees.
- Estimation and definition of **equity finance**. What is equity? Is that the real money? Examination of some regulations can reveal that licenses, MGs, or pre-sales are eligible for equity financing.
- Estimation of **deferments** should be more precise.

By organizing coproduction training sessions and seminars for producers

- As described above, producers, even experienced producers are often unfamiliar with co-production procedures, and the funds also sometimes fail to clarify the coproduction rules.
- During workshops, young producers should be put into different environments and complicated situations to check if they can function under various circumstances. They should not be taught more than just the basics.
- Interaction is necessary at the creative level, and there is not enough of it in Europe. EAVE, ACE and MAIA are insufficient. Such interactive schemes are needed at various levels.

5. Shared questions

- Budget forms reflect regional needs and performances and they are part of a law in many countries. As a result, usually more than one budget is necessary: one for each co-producing country. Can more harmonization be achieved in this regard? Can a common form of budget for coproductions be established, where all legal and financial issues are taken into consideration?
- Can standardization of the budget be dangerous? Should reference budgets for certain genres, for example, be introduced?
- Are specific coproduction agreements with neighboring countries a good solution?
- Should a 'mutual recognition principle' be applied to film production?
- What is the role of the distribution support to the co-production? How can we cope with the fact that the available distribution money is not the same in every country?
- Should minority contributions be treated as a gap-financing, apart from creative and artistic quality evaluation, in order to achieve reciprocity more easily? Are slate projects another solution for achieving better reciprocity? Should the funds relinquish the standard legal regulations to facilitate reciprocity?
- A majority coproducer sometimes is simply after the money, and has no respect towards minority coproducers. This can also diminish the creative and artistic aspects of coproductions. How can this be prevented?



Illustrations by [Rudi Klein](#), photos by Nora Friedel



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Module 3 – Financing Tools

Public funds offer different forms of funding supports: automatic, selective, grant, equity participation, soft loan, interest free loan, recoupable loans, advance on receipts, investment...).

Or, in other words:

- What is at stake behind the notion of such forms of funding?
- Why recoup? What is the current level of recoupment? How do the funds collect their share of revenue? Are cultural grants old-fashioned? What is implied in terms of follow-up?

Performance-based mechanisms: various funding mechanisms are based on success rates (box-office, festivals, sales...).

- Which indicators are used to define “success” and/or “performance”? How do producers use this “currency”?

Nota bene: This topic was not discussed due to a lack of time

1. What is at stake behind the notion of the different forms of funding supports?

The concept of “Impact Investment”, based on the presentation by Jean-Baptiste Babin (Packaging Strategy at Backup Media, Paris) and the debate that followed.

Please also see Jean-Baptiste Babin's presentation “**Financing Strategies**” (PDF)

The prerequisite of Impact Investment:

- The typologies of public funding across Europe are the fruit of their differing attitudes towards financial counterparts
- The vast majority of the funding mechanisms (60%) do not require any financial return (“subsidy”)
- Those who do require a return on their investment obtain marginal returns (10% max.), and clearly acknowledge that such a return does not belong to their priority investment criteria.

Whether or not the funds recoup cannot be the sole criterion, and these typologies may be outdated:

- Recouping funds also requires non-financial benefits from their investment
- Non recouping funds will want non-financial collateral.
- None of these non-financial benefits have been studied or quantified.

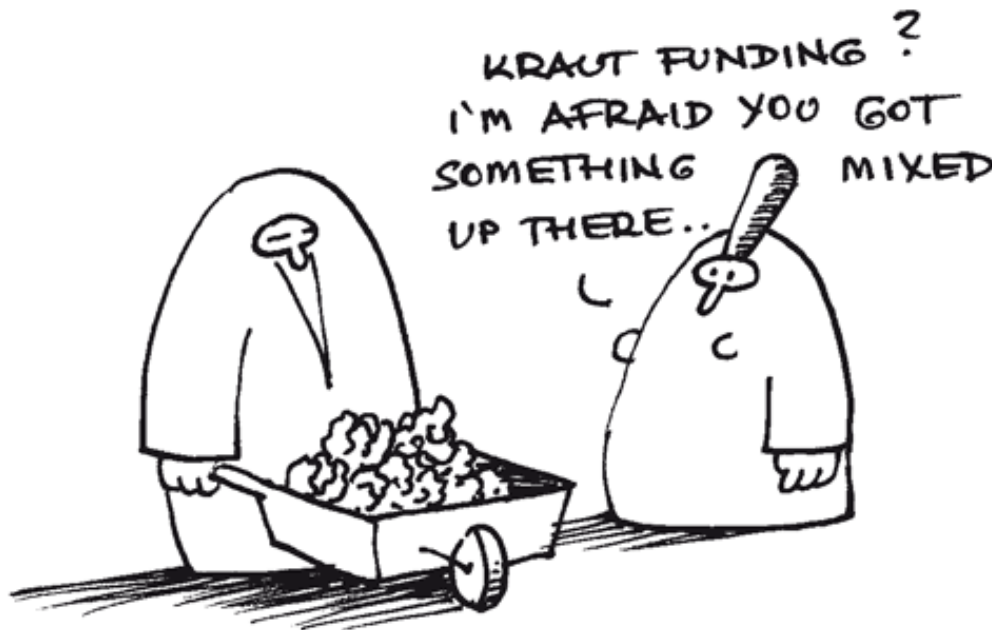
The doctrine of Impact Investment, which appeared in 2008, could be a good way to get a firm grasp of such indirect benefits in film investment.

The idea behind Impact Investment

- Impact can affect behavior, people’s attitudes, and perception, and bring long-term benefits.
- It is different from sponsorship because it is not a straight waiver of the financial returns. It implies a quite precise evaluation of the impact's different stages, including an evaluation of financial assets.
- Impact Investment should entail criteria for evaluation of social change and environmental performance, and integrate these as components of the investment process.
- Impact Investment increases public awareness and engagement. A film should be given a chance to be seen, and its scope of reach should be measured.
- Impact Investment differs from sponsorship inasmuch as the beneficiary of the Impact may not be the financing body.
- Impact Investment ensures a reliable system for producers.

Can public film funding be considered Impact Investment?

- Films can change the world, lives, life perceptions and attitudes. Does this not boil down to Impact Investment?
- The most dominant film-financing scheme in Europe is subsidy (60%). All new EU member states, except for the Czech Republic, have introduced subsidies as well. Impact Investment would decrease the financial risks of such subsidy schemes. Thus, public funds can turn into further Impact Investments.
- Impact Investment is not a total novelty in the film business. The web crowd-financing can be considered as the forerunner of Impact Investment in the film industry, since their goal is also explicitly to build up a community around a given film-project.
- Funds will of course want to know what the film in which they are investing is going to be about: Impact Investment criteria should be stipulated in the guidelines of public film funds.
- The concept of "Impact Investment" can be used as a stronger tool for fulfilling a political agenda. Until now, politicians have been very reluctant about what kind of film deserve support. Impact Investment takes into account the price of obtaining the contemplated social change as part and parcel of their investment, and therefore brings films back into a logic of profitability
- Public funds under-evaluate their assets. They are already impact investors. The problem is that they are not quantifying it because no indicators to carry out their evaluation.
- Public funds should go for it. The concept is still new and could very easily be misused by those resorting to it.
- Impact Investment can be used as a determining factor of performance and value. In this context, the funds must position themselves in order to come to a decision whether or not to support a project:
 - It has to be a good film
 - It has to measure up to what they expect from a public-funded film
 - The risk whether or not impact financing will reach their goal must be measured
 - Diversity of impact should be sought out. Producers should use a diversity of funds in order to benefit more
 - Various funds should work jointly and fit their interests together like in a puzzle, including openings for funding from neighboring territories.



What about private investors?

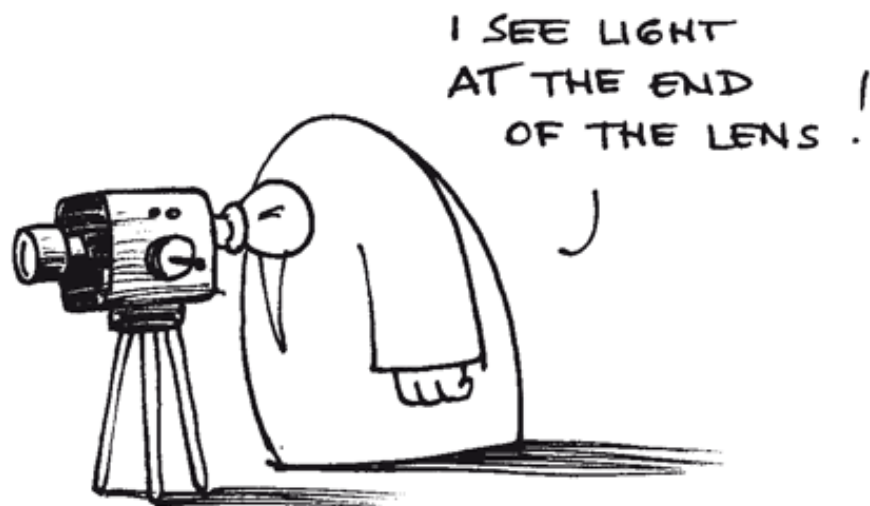
- The interest of hard money investors should be sought out through intangible economics. It is necessary to convince investors that their investment will make more of a social and environmental impact than mere financial profit.

What do film funds think about this concept?

- Do we want "impact financing" to actually entail criteria to evaluate social and environmental performance and integrate them as components of the investment process?
- What kind of impact should be measured? Does it imply a moralistic or an instrumental attitude? This approach could be dangerous because there is a risk of impairing freedom of expression. Funds should

be open to ideas they do not like.

- Is it not more a question of instrumentality rather than the definition of a desirable impact? Films should be supported mainly because they do good, they contribute to encouraging discussions in the countries, and they defy national borders. That is also the impact of our investment.
- The diversity of films supported is already an impact (as exemplified by Scandinavian countries).
- Can it really be applied to film funds? For producers the concept is brilliant.
- In Denmark, we produce films to incite social changes.
- Is impact investment only the “Emperor’s new clothes” to allow hard-financiers to recoup first and because greedy money is out of fashion now? If hard-investors want to save the world with the films they co-finance, they should not look for the upside financial potential of those films.
- This concept compromises the idea of film as art. But art cannot be conceptualized. Art also changes the world. Public services (like BBC) have an impact. It should not come from a public fund.
- Funds should be stirred up. Nevertheless, the idea of teaching them how to consider themselves as impact investors can seem scary to them.
- Impact funding also entails films that are totally different from commercial films. Funds promote films that are provocative and entice changes, but it is not in the guidelines and should not sound like propaganda.
- There should be separate funds that promote only diversity and non-commercial works (like in France), and separate impact-investing public funds.
- The kind of impact and debates the funds tend to create with supported films should be quantified. The bigger the impact, the more difficult it is to assess it.
- Impact investment keeps public funds from opening up to ideas they do not like. Impact investment will turn into promotion of only a specific type of values, and thus impair the freedom of expression and variety of voices.
- Politicians may tend to exploit impact investment. Emphasizing the role of impact, they could establish the type of films public funds must promote.



2. Recoupment

The majority of public moneys do not recoup on film revenues. Those that do—be it through soft loans, equity, advances on receipts - usually have done so at the end of the recoupment line and their current level of recoupment is 1 to 4% (see grid below), which is very low.

Why recoup? What are funds' positions and findings?

- Recoupment is not always what funds want. It exists for political reasons.
- Recouped amounts can go into a common budget or to specific producers.
- Public Funds are soft funders. The recouped money goes back in the double amount to the same producer as automatic funding.
- Automatic support makes producers come back (like at the Irish Film Board). Public funds should define sustainable business standards and work on developing and sheltering a recoupment system that gives back money to producers.
- Instead of making producers dependent on their money, the public funds should encourage producers to carry out the most profitable projects possible and thus make the film business more efficient, and in return give them recouped money. It is a move towards modernization of the public funds, instead of allocating money only through deadlines and open calls.

- Film funds with aggressive recoupment schemes chase away private investments.
- It is difficult to predict which film will be profitable enough to secure satisfactory recoupment.
- Certain regional funds could not invest in new films without recoupment. Investment in new projects should be dependent of the recoupment level from previous projects.
- Regional funds rely more on collateral financial benefits (tourist promotion, economic impact, employment rate) than recoupment. However, they should start being treated more as private companies.
- Recoupment is in disproportion with generating economic impact and other non-financial collaterals.
- There are three recoupment models– net deal, gross deal or off-the top model. The film funds find off-the-top model to be the safest in terms of recoupment.
- It is difficult to recoup if big MGs and P&A are involved.
- Public funds should define sustainable business standards and work on developing and sheltering a recoupment system that gives back money to producers.
- Who are the biggest money collectors? Not the producers. The money goes to distributors and various others. We should fight together for a bigger share.
- If funds want to create a lot of employment, they should not ask for recoupment. The accent should be on the local expenditures and their economic impact.
- You cannot have both money and critical acclaim.

How do funds collect their share of revenue? What does it mean in terms of follow-up?

- A lot of administrative work is entailed. Sometimes, the producers are uncooperative.
- The information on revenues should be collected more efficiently. It must be defined what documents the producer should furnish to facilitate collecting the revenue-related info.
- Bigger, commercial films usually do not pay us back because minimum guarantees, P&A and pre-sales are high. The more arthouse a film is and the smaller minimal guarantee it has, the better the recoupment is.
- The collection agent system grants more transparency, but doesn't increase recoupment.
- The role of collection agent is to facilitate recoupment in case of bigger films (usually with a budget of over 3 million EUR). Collecting agencies are not interested in films that do not generate big revenues.
- Babin ends up mentioning MovieChainer, a web app designed for modeling complex revenue structures and enabling producers and funds to keep track of their common / respective revenues.

What is the current level of recoupment?

Wallimage	10% of what they invest (including loan)
Danish Film Institute	1-3%
Polish Film Institute	3%
Luxemburg Film Fund (advance-on-receipt scheme)	25%
Eurimages	1'200'000 EUR per annum
Netherlands Film Fund	200'000 EUR per annum



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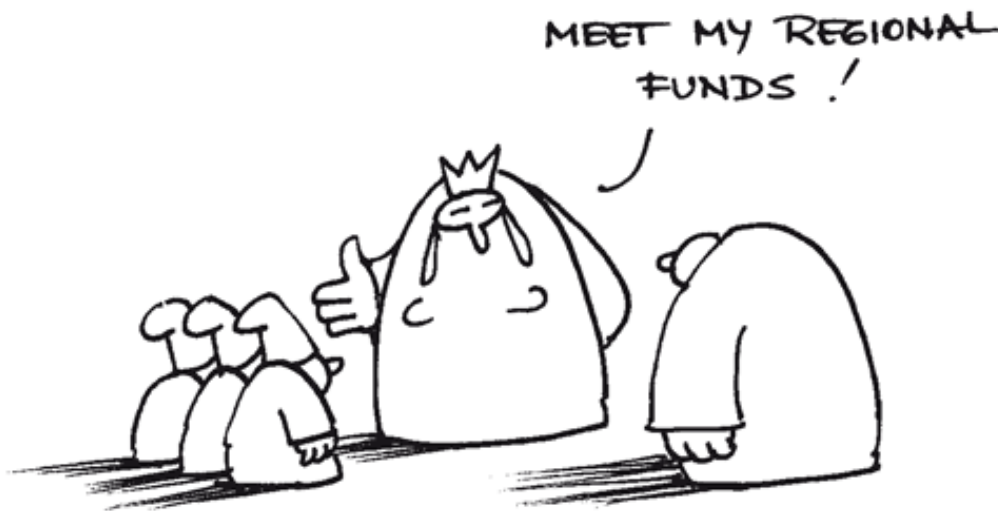
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Module 4 – National Funds / Regional funds – Friends or Competitors?

An increasing number of regional funds feature budgets that - in some countries - compete with those of national funds. Although the objectives and missions of national versus regional funds are not the same they are often called upon to finance the same projects.

Or, in other words:

- Are national and regional funds so different in terms of fund management?
- How do they combine their funding schemes?
- What about the regional expenditure requirement?
- Is there any shared financing challenge?
- What about national and regional recoupment strategies?



1. The management of the funds: are the two so different?

Please also see Philippe Reynaert (Wallimage/Belgium) and Emmanuel Roland (Audiovisual and Cinema Center/Belgium)'s presentation "[National vs Regional \(a belgian story!\)](#)" (PDF)

Regional and national film funds have more in common than not when it comes to managing their funds.

Similarities

- Both sorts have selective schemes.
- Both sorts assess scripts (the artistic element of a project).
- Both sorts evaluate a project's impact (economic, cultural, skills development...) and look for a project's potential in terms of audiences and festivals.
- Both sorts have different types of funding tools, like grants, equity or soft loans.
- Both sorts support live action feature films and, sometimes, documentaries, shorts and animation.

Differences

- Regional funds are less interested in a director's land of origin, which can be another country. When it comes to national funds, however, 80% of the allocated amounts go to national directors.
- For some regional funds, projects do not have to be coproduced under Official Coproduction Treaties.
- For regional funds, economic impact (local spending) can be a priority decision criterion (see below).

2. Combining different funding schemes

The combination of regional and national funding schemes has to be possible and is unavoidable. How do funds deal with their different funding schemes?

- Swedish Film Institute: We take projects where usually there is a regional fund involved, and we have no problems with competition.
- The Film Fund Luxembourg: In Luxembourg we just demand balanced co-productions. We want to get back what we put into a project. Some people work both in Luxembourg and Wallonia. If a technician from Wallonia, for example, is involved in three films over a three-year period of time, he is eligible to apply to Luxembourg's fund. Luxembourg is a small country, and in this way we are trying to increase our pool of talent. Then, too, it is always easier to collaborate with neighboring countries whose cultural and linguistic background you share.
- Wallimage: The major independent production companies are in France and Germany. Therefore, Belgium needs new solutions in order to survive and attract projects. Belgium is a good lab at the moment. Private money has been coming to cinema for eight years now, thanks to the Belgian tax shelter system. The positive thing is that all the financing schemes in Belgium are complementary, regional, national and tax shelter (see CCA/Wallimage presentation). The only problem of such a strategy emerges when a private investor becomes the one to decide which films should be made. In Wallonia, minority co-productions generate more regional spend. In the case of Wallimage, 60% of supported films are majority coproductions and 40% are minority ones. We prefer majority coproductions¹ so that we can employ more Belgian staff members. There is a balance between the two lines – majority and minority. In the case of majority co-productions, we are always together with CCA (the national fund of the Wallonia-Brussels Federation). It is not always so with minorities, because CCA allocates money to only a limited number of minority coproductions per year (between 6 and 8).
- Film I Väst: In Scandinavia, regional funds sometimes compete. With Germany we have some reciprocity deals and, in the main, this works out well. Although we function under unfavorable terms when it comes to producing with the Swedish national fund, as well as with those of Denmark, Norway, and so forth, we do manage to work together. For producers it is absolutely necessary that we can collaborate on the financing. We have to understand each other's terms and conditions better. We are trying to become more flexible.
- Filmförderung Hamburg Schleswig-Holstein: When it comes to a contract, we try to have a single shared contract per project. We are currently negotiating with the UK Film Council. They have tough conditions, but we have to be pragmatic and make sure that all the demands we set at the end of the day seem realistic. The most important thing is that the project gets carried out in the end, and in the best possible way.
- CCA: National funds' money targets cultural impact, script quality and promoting the national cast and crew. Regional funds' money, on the other hand, targets employment. How to allot the money coming from the both types of funds is a tricky matter.
- Rhone-Alpes Cinema: Regional funds have tried to cooperate with the European Commission with an eye to enhancing their collaboration with the regions. However, they say that they work only with the national funds, which is a simplification of the real situation, since some regions can be bigger than some states. However, despite different goals and objectives between regional and national funds, we have to work together.
- CineRegio: We should take a look at the financing plans throughout Europe in order to get a critical overview of the overall situation, to learn from practical examples, and to come up with new possible solutions for combining different funds.
- Rhone-Alpes Cinema: Budget, subject, language, and location are the main factors motivating producers to look for regional funds. Producers also look at the way we finance, and what we have to offer (tax incentives, private investments, collaboration with other public funds...). Our intention is to meet all the criteria.

When we try to work together, it is much easier when we share the same language, and when we are governed by similar rules. However, if we do not share common rules, we have to find a way to make our investments in film more efficient and avoid political obstacles. The language area is very important: that is where you have more collaboration. For French people it is difficult to be involved in other territories, even financially. This is due to cultural differences. Why did we create a CineRegio? To gain more harmony and collaboration between different regional funds we need to conciliate cultural and economic objectives. We have to define our goals clearly. We want to invest in a project and become involved in that project.

¹ The definition of a Belgian majority coproduction is based on the nationality and residency of the director as

well as on that of some of the leading roles and key technicians.



3. Regional spending requirements

Regional funds are characterized by their regional spending requirements; for some, these can represent one of their priorities in their decision making. How does this work?

- **Wallimage:** We officially demand 100% regional expenditure: that is the maximum that we are authorized to demand according to the law. However, our money is 40% loan and 60% investment (equity). Producers do not like loans because they have to be reimbursed. Therefore, we have introduced a regional incentive: if a producer can guarantee that he will spend 5% more in the region, his loan will be decreased by 1%. As a result, in many films regional spending comes to over 300%. We turn over half of the amount when the contract is signed, and the rest when we receive proof of regional expenditure.
- **Nordmedia Fonds GmbH:** We have seven regional funds in seven regions in Germany, and we often finance projects together. We approve coproductions among the regions. And when several film funds (for example four) invest in the same film, you cannot ask for regional spending above and beyond 100%.
If somebody makes an offer of a regional expenditure that comes to 200%, and then at the end of the production they make only 110%, we will not cut the budget, but allow it to continue with 110%.
- **Filmförderung Hamburg Schleswig-Holstein:** Our spending requirement is 150%, but we are trying to establish a balance. Therefore, we have a lot of documentaries whose regional spending comes to only 50% of the amount we give them, while others spend 300%. When we have two projects of exceptionally fine quality, with one offering 200% regional expenditure and another 120%, the selection committee will choose the one promising 200%. This is because all regional funds should really strengthen the industry in this or that region. That is logical. However, we demand honesty of the producers, and ask them to avoid submitting fake applications. Fake applications really create a lot of unnecessary stress in the end, forcing us to decrease our investment in accordance with the contract signed. But if a producer comes with a quality project that promises only 110% of regional spending, we will select it.
- **Rhone-Alpes Cinema:** Our spending requirement is 100%, but we also have the recoupment requirement.
- **Swedish Film Institute:** The money we give as a national fund to a project, once that project has fulfilled all our selection criteria, can be spent anywhere.
- **Eurimages:** Eurimages' money can be spent anywhere. For example, where it is necessary to fulfill 200% regional spending requirement.
- **CineRegio:** National funds have a lower spending requirement, but that is because they give money mostly to national projects (80%). Regional funds allocate money to foreign directors very often, which is why the regional spending requirement is higher. This explains why we have to collaborate.

4. Financing challenge

The challenge that regional and national funds will have to face comes from the decrease of TV and theatrical markets money. Can private investors serve as an alternative to compensate this lack of money?

- Private funds can invest 15 to 20% in a project. The more public money you attract, the more you reduce the risk for private money.
- Public funds should be the first to invest in films, taking on the risk and proving to private investors that such a risk is worth taking. Recoupment on the part of the public funds should not be an obstacle to private investment. It is not an impediment or obstacle for private money to recoup if a public fund wants to recoup pro rata pari passu.
- Public and private money should join forces but private investors should in no case seek to take over the producer's role.

5. Recoupment strategies

There are three ways to profit from a film:

- Recoupment (which is attractive to private investors).
- Territorialization (which is an economic benefit).
- Investment impact (cultural funds).

What are the different recoupment strategies applied by the funds?

- A recoupment scheme is sometimes stipulated by the law. Recouped money should remain in the funding system, to be invested in new films.
- Regional should recoup more; territorialization and impact should be shouldered by the national funds.
- Public money only reduces the risk of private investors, they should all share the risk.
- The net deal model (producer's recoupment after P&A, MGs and private equity) is the most disadvantageous for producers.
- Lack of recoupment comes from producers unwilling to read and apply the distribution deals. For example, in the off-the-top model, P&A is taken off the top. P&A are pre-agreed in distribution agreements. There are thresholds to be respected if the producer says that 20'000 EUR is the maximum amount and the distributor wants to recoup more, the producer should be able to block it.
- Producers sometimes cannot monitor the revenue stream because they are busy making the film. It can be controlled through collection agency². A collection agency knows exactly how the revenues are to be shared. P&A and MGs thus cannot be confused, and it would be possible to recoup even on big MGs.
- Does a bigger budget mean a bigger recoupment?

² requested by Eurimages for production budget over 3,5 mio EUR

6. Additional subject

The "Cinema Communication" by European Commission

CineRegio has asked that the participants be updated on the latest news coming from the European Commission (EC) concerning State aid for films and other audiovisual works ("Cinema Communication"):

- EC accepts that the film is a cultural product.
- From the regional point of view, they also accept regional cultures and diversity.
- They will keep up aid and incentives.
- The producers will be free to spend at least 20% of the film budget in the other member states.

The problems are

- Under the new coproduction scheme, state aid can no longer be 80%, but is reduced to 50% (excl. amounts received from Eurimages and MEDIA). It remains unclear whether they refer to the global budget or to the budget of the member states.
- Tax incentives will be limited to 25% of the production budget. These new rules when combined and applied in reality can be detrimental to co-productions. It is particularly unfavorable for small territories that are more dependent on coproductions and public money.
- Individual states will have to control the aids and incentives - a task that, in reality, promises to be difficult to achieve.

⇒ Funds should continue to fight to keep the total of state aid up to 80%, and to extend the limitation of % of tax credit



Illustrations by **Rudi Klein**, photos by Nora Friedel



MEDICI – The Film Funding Journey

Reports Previous Workshops

Second Workshop Report – 7 to 9 November, 2012 – Retz (Austria)

Module 5 – A diversity of voices... a real challenge

This topic was brought up by the participants to the First MEDICI Workshop in order to delve more deeply into the “diversity” issue in the context of decision-making. The discussion focused mostly on “gender” diversity. The Nordic funds are voluntarily confronting this issue in order to achieve equal access for women and men to their programmes.

Please also see Anna Serner (Swedish Film Institute)'s presentation “[How we are working for Diversity and Gender Equality](#)” (PDF)

Mission, Challenges and Conclusions.

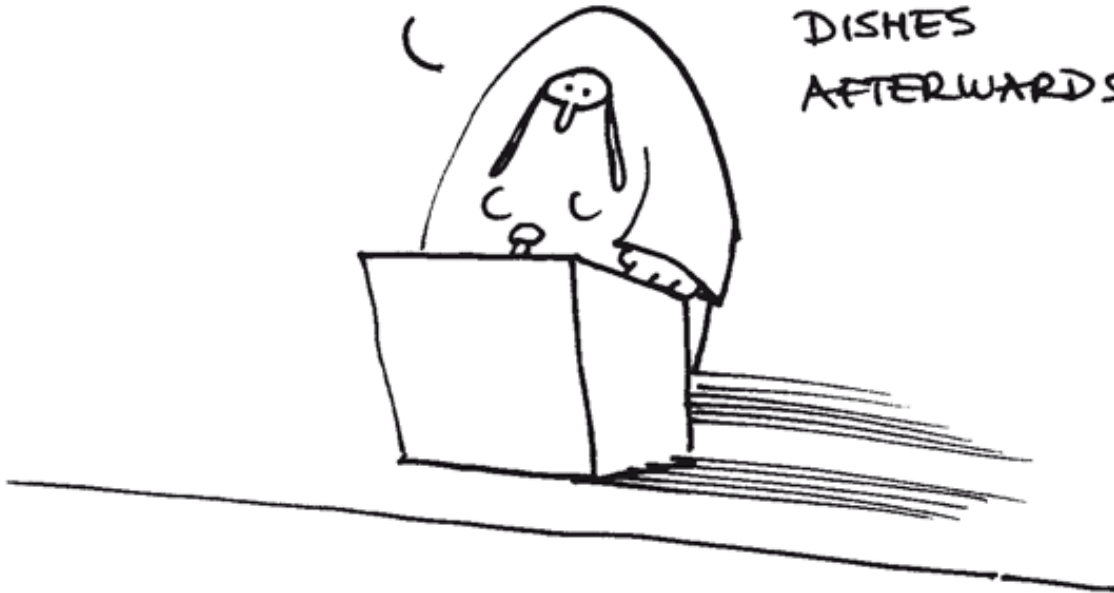
Funds are facing real challenges to attain ‘diversity’ in their decision-making process. How can gender representativity be dealt with?

Or, in other words:

- What is meant by diversity?
- What are the strategies for enhancing diversity in film production?
- Why do those in power have no desire to see things change?
- Is it true that there are very few competent women filmmakers?
- Why do women not get to make their second and third films?
- Is there an equal number of young women and men who dream of becoming a film director?
- Does counting the percentage of women as compared to men lead to equality?

THANK YOU FOR THAT EXCITING
'OSCAR', THANK YOU FOR THE
WONDERFUL PARTY AND THANK
YOU FOR NOT LETTING ME DO THE

DISHES
AFTERWARDS...



1. Missions of Film Funds

- To make funded films reflect diversity in a society.
- To promote freedom of speech, diversity of voices and divergent perspectives on society (class, gender, age, ethnicity, sexuality, ideology, etc.).
- To create clearly defined agendas and goals regarding diversity.
- To enhance the impact of films on society.
- To take joint responsibility for improving diversity by presenting action plans to all links in the chain: politicians, media policy makers, PR managers, etc.
- To have a clearly diversity-related agenda when addressing Parliaments and politicians.
- To conduct more diversity-related studies in collaboration with universities and professional associations.
- The cultural context in which one works should be taken into consideration. The same gender-equality schemes cannot be applied to EU countries and Islamic countries.

2. Challenges

Gender diversity

Many film professionals remain critical of the introduction of gender-equality schemes and strategies. Commissioning editors wonder whether they would have more problems explaining their decisions. Producers wonder whether they would encounter more troubles in obtaining support. Established directors who have been spoiled by their easy access to public funds' money are also skeptical about gender-equality changes.

How to counter arguments that gender equality is not possible, by taking concrete actions?

- By systematically monitoring how many films with men and women in key positions receive funding over time. The gender equality perspective should represent an important part of the funds' day-to-day work. The ongoing monitoring of the funding should be intensified, so as to reveal the structures and thereby identify working approaches that help create a film industry marked by gender equality.
- By starting up research projects with producers' associations, various institutes and universities to study the structures currently existing within the industry.
- By setting up film portals to spread the visibility of female filmmakers from the various regions.

- By developing mentor programs for women. The programming should entail time allotted by established directors to grant first-time directors one-on-one meetings as well as group discussions. The programmes would also include training in leadership and gender equality.
- By developing initiatives to highlight role models and mentors for young women who, as teens, show an interest in the film profession.
- By starting up projects to strengthen long-term equality in areas where emerging filmmakers spend their time, such as at schools, film festivals and film camps.
- The names of several established female directors are used as tokens to demonstrate gender equality in the film industry. For instance, Suzanne Bier is often mentioned. But does that suffice? Shouldn't there be more female names?
- By establishing funds accessible exclusively to female directors.
- By introducing mixed projects where men and women would be encouraged to work together (at film schools, for example).
- By putting certain values upfront in the film fund guidelines.

How can the decision-making process be improved in order to contribute to gender equality in film production?

- By identifying what it is that influences decision-making. Does it take someone who is really great, or someone about whom decision-makers have preconception that he/she must be great?
- By overcoming a preconception that men are more talented and competent as filmmakers than women.
- By avoiding strictly political decisions and making films meant only to satisfy the funds. This can impair objectivity - especially the introduction of quotas.
- By not setting too many goals.
- By checking out the situation and the schemes implemented in other countries.
- By paying attention to the content, and to how female characters are portrayed (using, for instance, the Bechdel test).



Diversity in general

How to at once ensure diversity and remain clear-minded in decision-making?

- By making funds more independent of the ministries and Parliament when it comes to deciding what they want to support.
- By avoiding mandatory checklists of politically correct films.
- By fair representation of all ethnic groups where members of said ethnic groups are to take part in the decision-making.
- By organizing regular screenings of supported films followed by the discussions about how their diversity, impact and quality can be improved. At such discussions, film critics and other outside experts should be present.
- By defining clearly the target groups of a film.
- By explicitly determining the kind of values a film intends to promote.
- By identifying different topics diverse groups in a society wish to discuss.
- By avoiding the introduction of quotas as long as possible.
- By introducing an awareness campaign.
- By not sacrificing originality and project quality for any reason whatsoever.
- By searching for talents from wider groups instead of a limited pool of film professionals.
- By keeping positive discrimination under control.

- By evaluating the projects rather than the applicants.

Conclusions

- Acquiring diversity in the film industry entails above all challenging both general preconceptions and those we ourselves harbor..
- Before introducing gender equality schemes, the issue should first be submitted to measurement and statistics. Secondly, a flexible agenda should be established. Thirdly, a long-term timeline together with the strategy for the budgeted fund raising should be determined (the gender equality strategy that the Swedish Film Institute is currently implementing, for example, is expected to give results by the end of 2015).
- It is necessary to be clear about what and why you want to offer support.
- Many consider quotas as the most extreme, or even undemocratic, form of eradicating gender imbalance in the film industry (Norwegian film institute did try to introduce quotas, though).
- The exchange of experiences among different countries can be inspiring for achieving diversity and gender equality in film production.



Illustrations by [Rudi Klein](#), photos by Nora Friedel



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Open Space Module

Public funds are financed by different sources. In some cases they rely exclusively on governmental money coming from ministries (finance, culture...). Other times, they depend on taxes collected from those who have direct access to the revenues - that is, exhibitors, distributors, broadcasters, cable and satellites operators. Today, however, the “market” has changed. On one hand, revenues coming from the usual media (theaters, DVD, or VOD) are decreasing, and on the other, revenues from the Internet are increasing, making their providers unavoidable players in the audiovisual field.

- Should Internet providers, mobile companies, cable operators, VoD platforms, DVD sales and public TV stations with national concessions be included in supporting of film production?
- How to can their contribution be made voluntary (like in Canada, for example)?
- How to should politicians and Parliaments be approached in this regard?
- Should said companies be offered a partnership in film and media business in return?
- What will happen if broadcasters become over-involved in deciding where the money should go and for which project? How would this impede the role of producers?
- Would the involvement of Internet providers contribute to strengthening the trans-media components of selected projects?

Various experiences by different European countries in this regard

- Croatian Audiovisual Center: We incorporated this mode of financing in the 2007 Film Act. We called it contribution instead of tax. It involves all kinds of companies that use audiovisual content: public broadcasters, VoD platforms, commercial TVs with national concessions, Internet providers, cable operators, telecom operators and exhibitors. VoD companies are asked to contribute with 2% of the total turnover, satellite and cable companies 0.5%, and Internet providers and mobile companies 0.8%. We plan to collect it twice a year, using their gross receipts as our basis. They are not happy with the concept as a whole, but no strong lobby exists against it. At first we encountered problems explaining the basis for determining these percentages. Then, last year, we passed amendments to said Act last year to resolve this issue. How to collect it efficiently remains a problem. Enforcing a law in Croatia is sometimes very difficult. However, the percentage is destined to grow: back in 2007 it did not come to much, but it has since increased rapidly.
- Rhone-Alpes Cinema: In France, we have the same system for the Internet companies. CNC collects a great deal of money in this manner.
- Film Center Serbia: In Serbia, every provider pays taxes to the government. We decided to decrease this tax by 20% of the entire amount they pay to the government per annum, and to redirect it to the Film Center Serbia. We have not yet begun implementing it.
- Netherlands Film Fund: Exhibitors earn the most profit, screening the national Dutch films that we support. They should give us something in return. We are planning to ask for bigger contributions that would result in 2 million Euros more for us as a national fund. We are also negotiating with cable companies and Internet providers. What they want in return are the things like anti-piracy law and an active part on decision-making boards.
- Filmförderung Hamburg Schleswig-Holstein GmbH: We have mandatory contribution by public and private broadcasters, cinemas, audiovisual content users, producers' alliances, etc. The problem is that more pressure is being put on broadcasters than on the Internet providers and cable companies.
- Polish Film Institute: In line with the Law from 2005, all distributors, exhibitors, TV stations and cable companies pay 1.5% tax out of their incomes and this 3 times per year. That is why we have the budget of 22 million EUR. Despite the crisis, this scheme has continued. We are thinking of including VoD companies, Internet providers and mobile operators in this scheme. However, for that we need to amend the Law, which then has to go through Parliament - a very time-consuming process in Poland.
- Norwegian Film Institute: We had intended to support the national cinematheque and children's films

through the fee collected on DVD sales. Unfortunately, this fell through. Together with the Minister of Culture, we are now thinking of adopting new legislation that will involve Internet providers, but so far, nothing has taken place. The NFI supports film production and distribution, but when it comes to the film culture, we are not allowed to finance it. It is a pity. We definitely must find additional money for that.

- Finnish Film Board: In Finland, we intend to tax the Internet providers. We are criticized for considering that, and accused of supporting illegal downloading. But our argument says that in this manner filmmakers will be paid back in a way. We are expecting the new legislation soon. Cable companies already invest in films in Finland.
- Swedish Film Institute: It is a fact that all of us involved in the audiovisual industry have totally failed to join forces. For example, we need to contact newspapers associations. They are angry that their content is available free of charge on the Internet. Various other branches of the audio-visual industries would be worth approaching as well.
- Belgium: We have different levels of intervention. We are not allowed to raise taxes in Wallonia: that pertains to the federal level. But we do have the right to oblige people from the audiovisual sector to contribute to the film funds. Two million Euros come from TV broadcasters and distribution companies.
- Italy: We tried to copy the CNC system, but that didn't work. So then we tried to introduce a tax on porn movies shown on the Internet and to redirect that money to art house cinema. But the idea has since been dropped.
- Canada: the Canadian Media Fund is a good example. The fund is financed 2/3 by cable/satellite companies and private broadcasters, 1/3 by federal government. The downside of the fund is that broadcasters decide which projects get to be financed and how (equity or top-up license). The upsides are: more money in the system directly linked to the market and the obligation for all projects to have a "new media" component (web site, crossmedia, transmedia).
- Denmark: We are planning in the next couple of years to increase the demand from the new media business and to use that money to support new cross-media projects, and so on. Internet providers are much stronger in the business and will oppose this. But we have to develop the arguments, think about how we will approach the problem on the political level. The fact is that in all of Europe, it is very difficult to suggest the introduction of new taxes. We need to have this money to compensate revenue from DVDs.

It is suggested that an Internet provider or someone in that field be invited to the next MEDICI Workshop



MEDICI - The Film Funding Journey
Second Workshop: Financing Strategies, 7-9.11.2012, Retz (Austria)

Country	Gender	First Name	Family Name	Position within Film Fund	Name of the Fund	Level	Website
Austria	Mr.	Roland	Teichmann	CEO	Austrian Film Institute	National	www.filminstitut.at
Austria	Ms	Iris	Zappe-Heller	Deputy to the Director	Austrian Film Institute	National	www.filminstitut.at
Belgium	Mr.	Emmanuel	Roland	Manager cinema production department	Centre du Cinéma/Fédération Wallonie Bruxelles	National	www.audiovisuel.cfwb.be
Belgium	Mr.	Philippe	Reynaert	CEO	WALLIMAGE	Regional	www.wallimage.be
Croatia	Ms	Sanja	Ravlic	Head of Development	Croatian Audiovisual Centre	National	www.havc.hr
Denmark	Ms	Noemi	Ferrer	International Producer	Danish Film Institute	National	www.dfi.dk
Denmark	Mr.	Claus	Ladegaard	Head of Production & Development	Danish Film Institute	National	www.dfi.dk
Europe	Ms	Soon-Mi	Peten	Head of Support for Producers	EACEA-Media Programme	Supranational	ec.europa.eu/culture/media/programme/
Europe	Mr.	Roberto	Olla	Executive Director	Eurimages	Supranational	www.coe.int/t/dg4/eurimages/
Finland	Mr.	Petri	Kempinnen	Head of Production Department / Moderator	Finnish Film Foundation	National	www.ses.fi
Germany	Ms	Eva	Hubert	CEO	Filmförderung Hamburg Schleswig-Holstein	Regional	www.ffhsh.de/
Germany	Mr.	Jochen	Coldewey	Head of funding	normedia	Regional	www.nordmedia.de
Italy	Ms	Christiana	Wertz	Head of Film Fund & Commission	BLS Sudtirol Alto Adige	Regional	www.bls.info
Lithuania	Mr.	Rolandas	Kvietkauskas	Director of Production	Ministry of Culture of the Republic of Lithuania	National	www.lrkm.lt/index.php/en/33488/
Luxembourg	Ms	Karin	Schockweiler	European affairs & project evaluation	Luxembourg Film Fund	National	www.filmfund.lu
Netherlands	Ms	George	van Breemen	Head of finance	Netherlands Filmfund	National	www.filmfonds.nl
Norway	Ms	Nina	Refseth	CEO	Norwegian Film Institute	National	www.nfi.no
Poland	Ms	Izabela	Kiszka-Hoflik	Head of International Relations	Polish Film Institute	National	www.pisf.pl/en/
Sweden	Ms	Anna	Serner	CEO	Swedish Film Institute	National	www.sfi.se
Sweden	Ms	Katarina	Krave	CFO	Film i Väst	Regional	www.filmivast.se
Sweden	Ms	Anette	Mattsson	CEO	Filmregion Stockholm-Malardalen	Regional	www.fpsm.se
Sweden	Ms	Sirel	Peensaar	Commissioning producer, Short and Documentary Film	Filmpool Nord	Regional	www.filmpoolnord.se
Switzerland	Mr.	Olivier	Mueller	Head of selective programme - cinema	Office Fédéral de la Culture	National	www.bak.admin.ch/film/index.html?lang=fr
Switzerland	Ms	Patrizia	Pesko	Head of selective fund	cinéforum - Fondation romande pour le cinéma	Regional	www.cineforum.ch

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Denmark	Ms	Charlotte	Applegreen	Secretary-general / Moderator	Cine-Regio	Supranational	www.cine-regio.org
France	Mr.	Jean-Baptiste	Babin	Packaging Strategy / Moderator	Backup Films		www.backupfilms.com
France	Mr.	Grégory	Faes	Director	Rhône-Alpes Cinéma	Regional	www.rhone-alpes-cinema.fr
Austria	Mr.	Danny	Krausz	Managing Director, Producer, Head of national and international feature film dpt / Moderator	Dor Film Produktionsgesellschaft		www.dor-film.at
Serbia	Mr.	Mirosljub	Vuckovic	Acting Director / Moderator	Film Center Serbia	National	www.fcs.rs
Austria	Mr.	Petar	Mitric	Reporter			
France	Ms	Joëlle	Levie	Secretary-general	Online Film Financing		