STUDY ON ACCESSIBILITY AND COMPETITIVENESS OF EUROPEAN AUDIOVISUAL WORKS FROM SMALL LANGUAGE ENVIRONMENTS

A REPORT FOR

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EXECUTIVE SUMMARY

This study on accessibility and competitiveness of European audiovisual works from small language environments was conducted at the request of the Slovenian Film Centre (SFC) with a view to contribute to one of the objectives set by the Republic of Slovenia for its presidency of the Council of the European Union in the second half of the year 2021 (fostering the competitiveness of European film and promotion of language and cultural diversity in audiovisual production) as well as to feed the ongoing debates related to the improvement of the Slovenian audiovisual legal framework.

After presenting the conceptual background on small language environments and rationale behind the selected cases (Chapter 2), the study provides an overview on market and policy trends in the EU (Chapter 3). The briefs on large EU markets of France, Poland and Spain, with an eye on the instruments that small countries could benefit from, focus on recent policy developments, such as the priority given to international success of Polish films and the inclusion audiovisual policy goals of Spain in an ambitious and comprehensive national digital agenda. A special attention is put on France and its policies directed to low budget and independent productions, as well as its mix between cultural and economic objectives and the large autonomy granted to the national film and audiovisual fund. These cases indicate a significant responsiveness and flexibility of film governance structures in these countries, but also a high degree of interventionism, which, due to the size of their markets, may be more viable as a policy orientation than in the case of small countries.

The study is mainly based, under Chapter 4, on in-depth presentation and analysis of six small countries and communities with languages spoken by a limited number of people or with other market limitations, which are recognised as countries with successful or

promising film policies: Belgium FR (French speaking Community), Belgium FL (Dutch speaking Community), Iceland, Ireland, Lithuania and Luxembourg. Each case is examined based on the analysis grid which focuses on the following: policy and governance framework (and in particular how sectoral governance is organised), market and industry trends, description of the main funds and subsidies, existence of fiscal incentives and of investment obligations and levies, as well as the presence of other instruments and contributing factors to a thriving domestic audiovisual ecosystem.

Chapter 5 provides for a comparative cross-country analysis of the aforementioned case studies. The key findings include, but are not limited to, the following:

- Governments tend to take a proactive stance in the development of nations' audiovisual industries by implementing a wide variety of policies and measures supported by various public bodies and other institutions, in pursuit of both cultural and economic goals.

- Successful public policies go beyond the logic of social corrective and the means to support niche artistic creation that cannot be marketed and treat public funds as an investment in the creative industry at large to promote its competitiveness, while also safeguarding its quality and cultural relevance.

- Relying predominantly on public funding and legacy support schemes is not sufficient anymore to maintain competitiveness and support changes brought about technological development, new forms of audiovisual creation and the changes in consumption patterns.

- Successful production ecosystems are supported by public policies that are flexible and respond quickly to the rapid market changes and new trends.

- The most successful small nation screen industries have reformed top-down governance models towards more participatory governance models. In order to efficiently adapt to the constantly evolving audiovisual sector, the involvement of all stakeholders in the sector, both public and private, is of crucial importance.

- Financial frameworks and instruments supporting foreign investments and co-production can significantly contribute to the export efficiency and overall wellbeing of a small country audiovisual industry.

- Fiscal incentives such as reimbursement schemes and especially tax shelters are among the most important mechanisms for attracting foreign (co-)productions.

- Hosting productions from abroad positively impacts not only the domestic audiovisual industry but also other branches of the economy, most notably tourism, but also catering, transportation and other technical services.

- Foreign productions, especially if coming from large European production companies or Hollywood, are normally larger in size compared to film projects of small countries and can thus bring higher direct and indirect fiscal revenues, employment of film professionals and earnings of other companies providing services in film locations, as well as benefits for municipalities and citizens. There is also a positive effect on the competence of local producers and technical crews as increased production levels help increase their expertise and skills.

- The export potential of national audiovisual sectors can be increased by the openness of the countries' public support schemes to other audiovisual formats and forms of creation than films, such as TV fiction, and increasingly games.

- An important part of sustaining a vibrant audiovisual sector is to create a supportive environment for the development of talents (through funds, coaching, education opportunities) and infrastructure (hubs, incubators) for the digital creative industry.

The cross-country analysis also identified the following factors across the selected markets as the most important indicators of the capacity of a country's policy, governance and funding framework to promote and support sustainability, growth and cultural relevance of national audiovisual production:

- Flexibility and adaptability of public policy.
- Inclusive and participatory policy making and implementation.
- Coordinated inter-departmental or inter-ministerial approach.
- Diversity of funding mechanisms across formats, technologies and stages of creation.
- Availability of fiscal incentives.
- Easy-to-navigate legal and regulatory environment.
- Export of original local production.
- Inclusion in international (co-)productions.
- Foreign productions and co-productions filming in the country.
- Availability of filming infrastructure, including post-production facilities.
- Innovative forms of audiovisual creation.
- Talent development.

With these findings in mind, the next chapter of the study (Chapter 6) offers a number of policy recommendations for Slovenia, based on its context and its specific challenges. These include, but are not limited to, the following:

Policy and governance framework

- The model of sectoral governance should be updated to ensure more participation of the industry, professional associations and other stakeholders in both policy- and decision-making, with the aim of wide-ranging, dynamic discussion between the industry, professionals, film agency and the government.
- The Government should devise a national Strategy and Action Plan for the development of audiovisual sector, in close collaboration with the SFC, the industry and professional associations. Similarly to the Icelandic Film Policy 2020-2030, this plan should recognize audiovisual production as an important economic branch and cover all strategic aspects, individual actions and the role of each stakeholder.
- The national film agency (SFC) should be transformed from a state-controlled administrator of budgetary funds, dedicated to predominantly cinematographic works with high cultural and artistic value, into a film development agency that both supports and promotes artistic creation as well as attracts investments (e.g., by following examples of Screen brussels and Screen Ireland). In order to achieve both goals, it is crucial that the reform supports its independence, institutional and human capacity.
- Removing administrative burdens for filmmakers and providing them with support for navigation in the legal and regulatory framework is necessary in order to increase the competitiveness of a market and facilitate foreign investments. To this end, an inter-ministerial task force should be established, responsible for steering and coordination of activities assigned to the ministries of culture, finance, economy, public administration, education, environment, labour, internal affairs and foreign affairs, as well as representative associations of municipalities and cities. The

Irish high-level Steering Group can provide for inspiration on how such a task force can function.

- Fiscal, legal and governance reforms can be encouraged by strategic and collective efforts of filmmakeri¦s community, as the case of Lithuania confirms. If the advocated reforms are favouring interests of certain factions, it is less likely that they would result in an overall revitalization of the national audiovisual sector. The competent ministry and the SFC should provide for regular joint consultations with the representative associations in Slovenia, inspired by the Icelandic example where the government and the filmmakers' interest groups every four years make an agreement on film-making policy for the period in question.

Funding scheme

- In today's complex and constantly evolving audiovisual market, it is necessary to maintain a flexible and diversified funding scheme that is able to follow technological changes and changes in consumption habits so as to enable creations across platforms and formats, as well as different phases of creation (development, production, post-production). This should be done with close cooperation and involvement of the industry, including creators, in order to be able to, as accurately as possible, identify priorities and potentials.
- The public fund allocation scheme should take into account both artistic (cultural) and economic objectives, as shown by the case study of Luxembourg which, as a small country with only one funding system available, also takes into consideration criteria such as the project's distribution and exploitation potential, market strategy etc.
- A focus on original and high-quality formats, rather than a mere quantity of supported projects, increase the likelihood of attracting foreign attention and therefore exports and investments. Any diversification of funding schemes should

Promotion of investment

- In order to ensure growth and competitiveness of the audiovisual market, the naturally limited available public funding in a small country such as Slovenia inevitably needs to be complemented by financing schemes that use outside sources. The government should implement a wider variety of measures to attract private and foreign investments and promote co-production opportunities.
- Cross-sectoral initiatives and stronger cooperation with tourism sector including signing of memorandum of understanding, with a view of creating a strong brand of Slovenia as a filming destination should be undertaken to enhance the foreign investment that can lead to larger audiovisual budgets, higher quality and productivity.
- A national campaign on economic effects of filmmaking in local municipalities, targeting local authorities, decision-makers and services providers, could raise their awareness on the importance of the audiovisual industry and their ability to seize the opportunities it offers to the local economy.
- The total annual amount provided for feature, documentary and animated co-productions with a minority Slovenian share production should be increased in order to boost the participation of the Slovenian filmmakers in international co-productions system.
- Promotional and marketing efforts abroad should be enhanced by organization of professional industry-only networking events and pitch sessions, while funds, traditionally reserved for promotion of films, should be invested also in promotion of TV series and other genres with high export potential.

- The opportunity to create fiscal incentives including tax breaks for private investors in the creative industry at large should be considered
- The existing rebate scheme should be constantly reviewed and revised, when necessary, in order to insure its sustainability and attractiveness.

Promotion of local production

- The focus on original and high-quality formats, rather than a mere quantity of supported projects, increase the likelihood of attracting foreign attention and therefore exports and investments. The public funding should therefore have a stronger focus on the development and screenwriting phase, including investments in education and training.

Regional collaboration initiatives

- The study provides examples of successful cross-border cooperation schemes that involve countries from the wider region that share historic and cultural ties or neighbouring regions from different countries. Pooling of not only resources but also ideas, talents, connections etc. can greatly enhance the production of original content and higher quality projects and guarantee a greater stability of resources and income.
- There should be an alignment and harmonisation of procedures, forms and other documentation requested in film agencies tenders in the region, to reduce administrative burdens and inconsistencies between the approaches of regional film agencies and allow for more efficient and effective applying for funds and better compatibility of schemes.

Infrastructure

- In an environment where many other European countries are implementing a wide variety of initiatives aimed at making them a filming hub, a competitive advantage might come from offering a one-stop shop, allowing for the entire productions to stay in the country and thus reducing the costs of travel, transport, engaging with multiple filming crews etc.
- In combination with easy and fast access to a variety of locations, it is necessary to further develop the technical infrastructure including state-of-art indoor facilities offering a variety of services for both production and post-production.
- The SFC should devise a repository of both publicly and private owned buildings and locations suitable for filming as this would ease scouting for film locations and increase the visibility of different locations.

Talent, employment, skills

- More efforts should be invested both by the government and the SFC in informal education and international exchange of knowledge and experience.
- In addition to training courses and assistance related to the creative process (e.g. script doctor, script editing trainings), the educational programmes should help audiovisual professionals gain knowledge on the business aspect of their profession (development of business models and strategies, financing, legal issues, marketing and communication, production and sales etc.).

Innovation

- Support to new and innovative forms of audiovisual creation (transmedia works, video games, extended reality, special effects…), including the development of new business models e.g. by fostering the culture of start-up investments and helping to establish hubs, is an essential part of successful audiovisual policies of small states.

Audiovisual heritage

- The case studies confirm that besides public funds for digitisation, there are other possibilities for state supported measures aiming at promotion of preservation and re-use of such content, including on generalist or specialised VOD services set up for this purpose.
- Measures can include sub-quotas for heritage works and other heritage-based obligations for broadcasting and VOD, stimulating rates of investment obligations, financial support for audiovisual productions based on archived material etc.

The last chapter provides for the main takeaways from the study in terms of EU policy making, and calls, in order to preserve cultural diversity, for a greater attention of EU audiovisual policies to the specific contextual challenges of small countries, including by using the principle of "affirmative action", and more investment in supporting cross-border audiovisual collaboration and alliances.

Chapter 7 offers policy recommendations to be considered on the level of the EU institutions on further development and enhancement of the European audiovisual sectors, respecting the very diverse European cultural fabric, cherishing its original character, which makes it exceptionally competitive.

The first recommendation goes in the direction of investing more effort in supporting cross-border audiovisual production arrangements, enhancing the European distinguished creations. This will not only benefit small-language countries' production capacities and products, but add to the diverse and distinctive character of the European creations. In the similar vein, introduction of the affirmative-action approach to various EU-level funds distribution, especially for small countries is advised, in order to provide for a more balanced allocation of resources, especially having in mind the fact that large(r) member states have (a potential for) ample funds at their disposal.

Further, the study identifies a creation of an advisory platform for audiovisual policy, an EU-level based establishment, which would bring together various stakeholders, from national film funds, media regulatory authorities (mandated for content quota and investment obligations and, at times, media pluralism funds), but also industry representatives. Not only would an EU-supported platform lead to a more coordinated distribution of funds, but it would help increase the necessary know-how about the new market realities. The involvement of the industry in the work of a EU-coordinated platform would further enhance the European Commission's efforts to crafting frameworks designed for industry's competitiveness globally, but also to provide adequate and timely trainings for industry professionals.

Continued support for the public service media is crucial, as it also helps maintain and support the sector of the independent production, in addition to being very relevant source of the European audiovisual creations. The support between the independent production's sector and public service media is the role recommended to be enhanced on the level of the EU, in an inclusive and empowering way.

Notably, the European Commission should focus on adopting models designed to ensure the findability and discoverability of the European audiovisual works on digital platforms, particularly in accentuating the need for these features to be applicable to all languages of the European Union.

Finally, the study suggests the further empowerment of the European Regulators Group for Audiovisual Media Services (ERGA) in monitoring and reporting activities related to the promotion and prominence of European audiovisual works.

But, above all, what the study reveals is that small language environments are not bound by destiny (and their limited markets) to uncompetitive domestic audiovisual production with low distribution abroad. Most European countries have already realized how important the audiovisual sector is and what potential it has to become one of the most powerful generators of economic growth, employment, innovation, creativity and artistic excellence in our increasingly digital present and future.

What successful small countries can do,
Slovenia can do as well, if there is:


Ambition.


A shared vision of policy makers and stakeholders.


Respect for talent.


Support to innovation.


Stimulative and diversified funding.


Meaningful and transparent regulatory environment.


Responsiveness to rapidly changing business environment.


Strong cross-border cooperation.


Active advocacy of the specific needs of small language environment at the EU level.

1. INTRODUCTION

The Republic of Slovenia is presiding over the Council of the European Union (EU) in the second half of the year 2021. Since fostering the competitiveness of European film and promotion of language and cultural diversity in audiovisual production are among the country's objectives during the Presidency, the Slovenian Film Centre (SFC) commissioned an international study on accessibility and competitiveness of European audiovisual works from small language environments.

The intention of the SFC is to present the results of the study at the EU Presidency audiovisual conference in Ljubljana and to use them as an input in the ongoing discussions on improving the Slovenian audiovisual framework.

Since small language environments are rarely in the focus of international research or audiovisual policy attention, the principal aim of this study is to identify best practices to promote audiovisual production of such environments, its findability, accessibility and competitiveness.

Another related objective of the study is to provide policy recommendations for Slovenia – in order to increase its competitiveness in the international audiovisual market while preserving its language and cultural diversity, as well as suggest activities at the EU level with the focus on the specific needs of small language environments. And last but not least, since markets that are too small to sustain homegrown productions can significantly benefit from international partnerships, the study also seeks to identify best practices of promotion of foreign investment in small film economies.

The study is based on a comparative analysis of six small countries and communities with languages spoken by a limited number of people or with other market limitations, which are recognised as countries with successful or promising film policies: Belgium FR (French speaking Community), Belgium FL (Dutch speaking Community), Iceland, Ireland, Lithuania and Luxembourg.

The comparison of data, collected with quantitative and qualitative methods, is based on selected topics, identified through meta-analysis of the key concepts around the research subject. These topics provide a uniform scheme for comparison between audiovisual governance, funding, fiscal measures and other policies available in the studied small language environments:

- policy and governance,
- market and industry,
- funds and subsidies,
- fiscal incentives,
- investment obligation and levies,
- other instrument and contributing factors.

The analysis combines document analysis, legal analysis and analysis of secondary data on the audiovisual markets, public funding and other incentives.

For each case study we provide a summary of good practices in terms of competitiveness and accessibility of audiovisual works, originating in these small language environments.

The cross-country analysis is complemented with briefs on policy and funding trends in large EU markets of France, Poland and Spain with an eye on the instruments that small countries could benefit from. A special focus is put on France and its policies directed to low budget and independent productions.

The report concludes with chapters dedicated to:

- identification of best practices in the studied countries,
- articulation of recommendations for Slovenia (and other small language environments),
- proposals related to the EU audiovisual policies.

Without diminishing the importance of issues related to intellectual property rights in the audiovisual sector, the scope of this study, commissioned by the Slovenian national film agency, is aligned with the scope of activities within its competence.

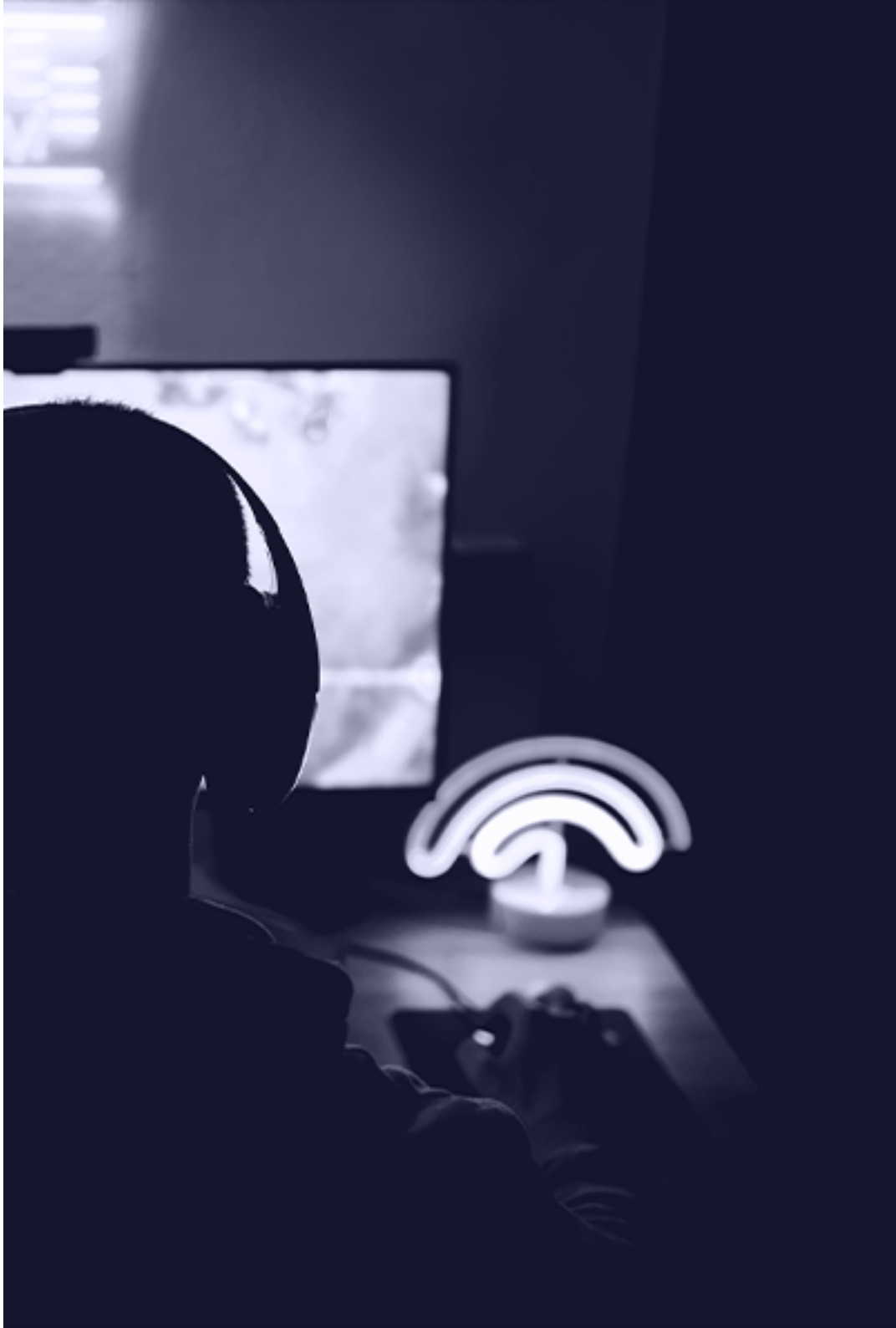
2. SMALL LANGUAGE ENVIRONMENTS

For the purpose of this study the category of 'small language environments' covers both states and regions. In the first case we have states with official languages that are not being spoken by a large number of people. All of them are small by definition. In the case of regions we opted for two language communities of the same state with autonomy in audiovisual policymaking.

2.1. Selection of cases

The countries and communities for case studies have been selected for the following reasons:

- French and Dutch speaking communities of Belgium were selected because they both have a functional variety of measures aimed at financing and promoting creative content. Not only is the traditional film funding foreseen, but also other mechanisms of support and for various types of fiction, in particular TV series. Their audiovisual markets have some similarities with that of Slovenia, since they are small (4.5 and 6.5 million people respectively) and have some but limited opportunities of entering the large neighbouring markets (France and the Netherlands) for cultural reasons. One of their outstanding features is the introduction of financial and/or investment obligations for non-domestic audiovisual media service (AVMS) providers. They also managed to reconcile their ambitious audiovisual policy objectives with enabling



market development for audiovisual producers, film makers and audiovisual media service providers.

- Lithuania's audiovisual market has some similarities with that of Slovenia. It is similar size (2.7 million people), non-Western, and with an official language which is not used anywhere else in Europe. Its audiovisual incentives support various types of fiction, not only film. Its audiovisual industry is experiencing a renaissance over the last decade with significant increase in domestic audience and international visibility, and growth in both domestic and foreign production.
- Luxembourg's audiovisual market is smaller than that of Slovenia (600.000 people) and with one of its official languages not being used anywhere else in Europe. Its support schemes are not oriented only towards the traditional film funding, but to all types of fiction, and are not limited to defending specific cultural objectives. The country has good practices in promotion of cross-border circulation, accessibility and findability of European audiovisual works and works in local languages.
- Iceland was selected for the size of its market (with 350.000 inhabitants it is the smallest in the sample) and because its language is used nowhere else in Europe. It is well-known for the production of TV series (e.g. Trapped, Valhalla Murders), which circulate globally (e.g. Netflix, Amazon Prime), and has mechanisms for supporting production of all types of fiction. It has good practices in promotion of cross-border circulation, accessibility and findability of European audiovisual works and works in local languages. Many important international audiovisual productions, such as Game of Thrones, Vikings and Black Mirror, have been hosted there. The Icelandic case allows also to study deeper the cooperation between the Nordic public service media companies under the umbrella of Nordvision.
- Ireland was selected for its functional variety of audiovisual policy instruments, apart for its size, which is relatively small (4.7 million people) and comparable with that of Slovenia, also because of one of its official languages, which is not used anywhere else in Europe. Because of its proximity to the large UK market sharing one of its official languages, the British influence on the Irish audiovisual sector is strong, while the opposite is not true. Not only is the traditional film funding foreseen in Ireland, but also other mechanisms of support to the production of all types of fiction are being implemented, especially for television content. It is expected that the proposed introduction of financial and/or investment obligations for non-domestic AVMS providers could bring an annual sum of 25 M EUR to the independent production sector.

2.2. Small states in audiovisual policy

The connection between the smallness of states and their audiovisual policies is far from being straightforward and clear. Small states are difficult to conceptualize. Normally, the population size is an obvious, standard measurement,[1] but the definition can be also based on other criteria.

The Puppis et al.'s[2] adaptation of the Hallin and Mancini's[3] three models of media and political systems, consisting of liberal, democratic-corporatist and polarized pluralist model, later amended with a post-socialist model,[4] suggested dividing the countries along the lines of the size and model. Out of (then) 28 EU member states,

1 Puppis, Manuel (2009), Media regulation in small states, International Communication Gazette, 71:1-2, pp. 7-17.
2 Puppis, Manuel, Leen d'Haenens, Steinmaurer, Thomas and Künzler, Matthias (2009), 'The European and global dimension: Taking small media systems research to the next level', in International Communication Gazette, 71(1-2), p. 105—112.
3 Hallin, Daniel C. and Mancini, Paolo (2004), Comparing media systems: Three models of media and politics. Cambridge: Cambridge University Press.
4 Hallin, Daniel C. and Mancini, Paolo (eds) (2012), Comparing Media Systems Beyond the Western World. Cambridge: Cambridge University Press.

seven were recognised as large states by Puppis,[5] namely Germany, France, UK, Italy, Spain, Poland and Romania. The remaining 21 were considered small countries. The group of small states was further divided to those with a giant neighbour sharing the same language and those without such a neighbour; most countries fell within the group of small countries without giant neighbours and the largest group of them was the one of post-socialist countries. Post-socialist countries, as seen by this classification, appeared also in the category of big states, while in the category of small states with giant neighbours sharing the same language there were no post-socialist states, as evidently only the official languages of the country were considered.

Puppis et al's classification does not take into account the relatively stable cultural and business ties with a historical background in certain parts of Europe, such as Scandinavia, the Baltics, Mediterranean, Central or Southeast Europe, and thus misses some important variables in the context of our study. It results in too heterogeneous groups of countries. For the purpose of this study, which is focused on small language environments, and for a greater granularity, we therefore propose a division of the group of small states into three sub-groups, by adding more language, culture and geography related variables that play a role in national audiovisual policies:

- small states sharing the same or similar language[6] with a large state,[7]
- small states sharing the same or similar language with other small state(s),[8]
- small states with strong regional cultural ties with other state(s) even if not sharing the language.[9]

This classification includes Iceland and Norway as AVMSD is incorporated in the European Economic Area (EEA) Agreement and both countries are part of European audiovisual market with harmonised regulatory frameworks.

In the sample of the countries for our case studies there are small states/communities with characteristics of democratic corporatist model (Luxembourg, Belgium FR and NL, Iceland), liberal model (Ireland) and post-socialist model (Lithuania). With four representatives, the largest group is democratic corporatist, but these countries are dispersed across two different sub-groups as regards the language and culture ties.

Small size does not necessarily equal with the peripheral position of a state.[10] There are examples of small EU countries with a considerable visibility and impact in the international audiovisual market. Among the main countries of origin of audiovisual content in the EU, Denmark and Sweden (with 4% of all EU27 content each) stood alongside far bigger France (with 28%), Germany (27%), Italy (10%) and Spain (7%).[11]

There are numerous examples of television series, produced by small EU countries, being featured internationally with a significant success.[12] Belgian, Irish, Swedish and Danish films, despite coming from smaller producer countries, are most efficiently exported to other EU countries.[13]

5 Puppis (2009), p. 106, full reference above.
6 Mutually intelligible languages or variants of a pluricentric language (e.g. Slovak and Czech, or Croatian, Serbian, Bosnian and Montenegrin).
7 In the neighbourhood or beyond; even if outside EU (e.g. Malta and UK; Portugal and Brazil).
8 Not necessarily in the same group, not necessarily in the EU (e.g. Estonia and Finland; Bulgaria and Macedonia).
9 Within (e.g. Czech Republic and Slovak Republic) or outside the group (e.g. Slovenia and Croatia).
10 Szczepanik, Petr, Zahrádka, Pavel, Macek, Jakub and Stepan Paul (eds) (2020), Digital Peripheries: The Online Circulation of Audiovisual Content from the Small Market Perspective, Cham: Springer Open.
11 Grece, Christian (2021), p. 38, full reference above.
12 Examples: the Danish 'Borgen', 'The Bridge' and 'The Killing', as well as the Belgian (Flemish) 'The Outlaws', 'Professor T' and '13 Commandments'. Likewise, 'The Paper', the first series in any Slavic language being purchased by Netflix, was not a product coming from large Slavic film markets such as Russia or Poland, but from a few times smaller Croatia.
13 Grece, Christian (2017), The circulation of EU non-national films – A sample study: Cinema, television and transactional video on-demand. Strasbourg: European Audiovisual Observatory, p. 64.

Media System	Small states			Large states
	Same or similar language with large countries	Same or similar language with other small countries	Regional cultural ties	
Liberal countries	Ireland	--	--	UK
Democratic-corporatist countries	Austria, Belgium FR&NL, Luxembourg	--	Denmark, Finland, Iceland, Norway, Sweden	Germany, Netherlands
Polarized pluralist countries	Malta, Portugal	Cyprus, Greece	--	France, Italy, Spain
Post-socialist countries	--	Bulgaria, Croatia, Estonia	Czech Republic, Hungary, Latvia, Lithuania, Slovak Republic, Slovenia	Poland, Romania

Table 1: European states by population size, media system, language and culture ties

Some small countries are very efficient in terms of relative export strength (i.e. when film exports are compared to production volume to film production volume). Belgian and Irish films were among the most co-produced in the EU; 60% of all Belgian films were co-productions, and this was the case for 53% of Irish films; while both Sweden and Denmark were also above the EU average.[14] Even the smallest countries can be successful in attracting foreign investment. In Malta, for example, one of the main attractions is Malta Film Studios with interior and exterior water tanks, situated on the coast with a view of the natural horizon. Combined with a generous 30-40% rebate, Malta is "often on the shortlist of major international shoots looking to film water-based scenes in a controlled environment."[15]

What the size of the country/community does seem to impact is how the entity shapes its regulations and support schemes. A common characteristic emerging from scholarly discussion is that small states tend to adopt more paternalistic and interventionist audiovisual policies,[16] but not necessarily very elaborated ones.[17] Still, the smallness is neither the only factor shaping the country's audiovisual situation nor necessarily the most decisive one. There are other contributing factors, ranging from historical, cultural and political to those related to the overall economic situation in the country, the position of the audiovisual industry in the national economy and its ability to export to other markets. Here is where the market and cultural factors seem to intertwine. This was confirmed also by a study of the European Audiovisual Observatory. Their data on exchanges between Nordic countries and between the Slovak and Czech Republic "offered indications that cultural proximity has an impact on the export / import of EU non-national films".[18]

14 Ibidem, p. 92.
15 Evans, Chris (2021), Malta is drawing big productions in from Sky, Apple and Universal, 23 june 2021, www.kftv.com/news/2021/06/23/malta-is-drawing-big-productions-in-from-sky-apple-and-universal
16 Puppis (2009), full reference above.
17 Raats, Tim, Schooneknaep, Ilse Rafaëlla, and Pauwels, Caroline (2018), 'Supporting Film Distribution in Europe: Why is overcoming national barriers so difficult?', in Murschetz, Paul Clemens, Teichmann, Roland and Karmasin, Matthias (eds), Handbook of State Aid for Film: Finance, Industries and Regulation, Cham: Springer, pp. 193-210.
18 Grece, Christian (2017), p. 91, full reference above.

3. MARKET AND POLICY TRENDS IN THE EU

3.1. General overview

From its beginnings, cinema has been technically conditioned and thus susceptible to the effects of technology changes and innovation. This is especially relevant in the current era of rapid and far-reaching changes, accompanied with new modes of distribution (video streaming) and consumption (on demand), as well as internationalization of audiovisual content and related services.

While the consumption of audiovisual content increases both globally and in the EU, the disruption of old markets goes hand in hand with changes in cinema value chain and the changing role of legacy distributors, without a clear promise of new revenue sources for the production of film and other audiovisual formats. Historically, the cinema industry was structured around production (developing feature films), distribution (logistics for circulating copies and financial intermediation to collect revenues from tickets) and exhibition (via networks of screens).

Modes of value creation were based on the creation of content with new aesthetics. In the current market circumstances, new tech- and data-supported market players have the capacity to create value by accessing a massive global audience with unprecedented solutions of aggregation, distribution, marketing and monetization of content,

together with the ability to reduce the costs of production and distribution.[19]

In the audiovisual sector, the key new actors in the media ecosystem are video streaming services and they are developing fast. As some scholars argue, they are both media and technology organisations, but mostly still regulated and taxed differently than the media.[20] The advent of these new powerful content distribution platforms, especially the cord-cutting subscription-based video-on-demand services (SVOD), such as Netflix, Amazon Prime, Disney+, Apple TV+, Hulu, as well as giant advertising-based platforms like Facebook, Google and YouTube (which also has a Premium service without ads), corresponds to new business models and consumption patterns with both opportunities and challenges for the audiovisual production in Europe.

In its response to transformations in the audiovisual sector, the last revision of the Audiovisual Media Services Directive (AVMSD) introduced a 30% minimum share of European works in on-demand catalogues, together with the obligation of prominence of European works in the catalogues of on-demand AVMS providers and a possibility of imposing a financial contribution to national audiovisual funds or direct investment in the production of European audiovisual works even if the service provider is under the jurisdiction of another state. France and Germany were the first to extend the financial obligations to non-domestic providers before the revised AVMSD was adopted. The European Court of Justice rejected Netflix's appeal regarding the European Commission's 2016 state aid decision to approve this legal measure in Germany. This cleared the way for charging OTT providers regardless of their country of origin.[21]

Statistics from the time of the last review of the AVMSD show that, on average, there was already 29% of European audiovisual content present on transaction-based video-on demand services (TVOD), compared to 21% on SVOD, with an average 9% share of EU national films on TVOD and 5% share on SVOD.[22] More than 60% of EU films in the catalogues of non-linear services were British, French and German, and roughly half of all the films in the catalogues were US films.[23] The EU box office data show that the US studio titles prevailed in the EU cinema admissions[24] before the unprecedented 70% decline due to Covid-19 lockdowns, which resulted in closed cinemas and postponed or cancelled top film titles releases.[25]

On the other hand, SVOD providers benefited from lockdowns, as people were searching for their entertainment at home. Following a decade of rapid and substantial growth, the revenues from subscriptions to online video streaming services in the EU surged to 9.7 billion EUR in 2020,[26] making them the main driver of the VOD market in the EU. Around the world the number of subscriptions reached 1.1 billion EUR in 2020 according to data released by the Motion Picture Association.[27] As for the TVOD market, its growth in the EU was driven by the availability of global and national TVOD services to EU consumers on their devices and the digital release of theatrical films on these services.[28]

Despite these shifts, the European film funding is mostly based on sources characteristic for the pre-SVOD era: public funding, broadcasters' investment, producers' investment, pre-sales and fiscal

19 Salvador E., Simon J.-P, Benghozi P.-J. (2019), Facing disruption: the cinema value chain in the digital age, International Journal of Arts Management, vol. 22, n. 1, pp. 25-40.
20 Fagerjord, Anders & Kueng, Lucy (2019): Mapping the core actors and flows in streaming video services: what Netflix can tell us about these new media networks, Journal of Media Business Studies, DOI: 10.1080/16522354.2019.1684717.
21 Netflix International BV and Netflix, Inc. v. European Commission, 16 May 2018, Case T-818/16.
22 Grece, Christian (2018), Films in VOD catalogues: Origin, Circulation and Age. Edition 2018. Strasbourg: European Audiovisual Observatory.
23 Ibidem.
24 EAO (European Audiovisual Observatory) (2020), Focus 2020 – World Film Market Trends, Strasbourg: European Audiovisual Observatory.
25 UNIC (International Union of Cinemas) (2020), Annual Report 2020, https://www.unic-cinemas.org/fileadmin/user_upload/Publications/UNIC_AnnualReport_2020.pdf
26 Grece, Christian (2021), Trends in the VOD Market in the EU28. Strasbourg: European Audiovisual Observatory, p. 6.
27 Watson, R.T. (2021), Global streaming subscriptions top 1B during Covid, 18 March 2021, https://www.marketwatch.com/story/global-streaming-subscriptions-top-1b-during-covid-2021-03-18
28 Grece, Christian (2021), p. 6, full reference above.

incentives. If in 2016 the public film funds were mainly provided by national, federal and local governments, while industry levies were predominantly imposed on broadcasters,[29] five years later the situation is not much different. The revenue flows model, prepared by the European Audiovisual Observatory, estimates that EU players invest approximately 17 billion EUR in original European content (excluding sports and news), with only two contributors standing out, namely public broadcasters which account for 42% (7.2 billion EUR), followed by 37% from private free-to-air broadcasters (6.3 billion EUR). Private pay TV broadcasters are estimated to invest 1.6 billion EUR (9%), which is just slightly more than the grants and subsidies of film funds which contribute 8% (also around 1.6 billion EUR). With 0.3 billion EUR (around 2%), the SVOD money flow into the production of European original content is slightly lower than the one contributed by box office revenues contributing 0.4 billion EUR (around 2%). The Observatory estimated that about 1.9 billion EUR of audiovisual end-market revenues are invested in the production of EU theatrical films per year.[30]

Since the film industry is evolving from project-based model (organised on a temporary basis and around a team that is disbanded once production is finished) to a business-based model (operated via technology companies in an industrial ecosystem, also providing for research and development, and technological accumulation),[31] this will be reflected also in film funding and will affect the relationship between the artistic creation and technological innovation.

3.2. Trends in large markets

This section discusses the examples of policies that contribute to sustainability and development of audiovisual sector in large EU markets of France, Poland and Spain, with a special focus on funding, investment obligations or levies, tax incentives and rebates, as well as measures addressing the problems caused by the Covid-19 pandemic. The European Audiovisual Observatory estimated the loss of resources for financing the production of European content at approximately 10 billion EUR in 2020. According to the assumptions, the growth of SVOD subscriptions does not compensate for the decrease of the other segments.[32] The government support and new sources of funding are therefore of vital importance across Europe. The cases of Poland, Spain and France indicate a significant responsiveness and flexibility of film governance structures in these countries, but also a high degree of interventionism, which, due to the size of their markets, may be more viable as a policy orientation than in the case of small countries.

An in-depth analysis is provided for France for it is a country with one of the longest traditions of state intervention in the film sector and a substantial influence on the EU policymaking in this field. Specifically, the domestic origin quotas were first introduced by France for French films in cinemas,[33] and it was France that later advocated obligatory quotas of European audiovisual works on television channels.[34] Despite the opposite efforts of the nascent VOD industry, France also insisted on application of European audiovisual quota to non-linear services.[35] Similarly, France, together with Germany, first introduced imposing obligations on non-domestic audiovisual services

29 Talavera Milla, Julio, Fontaine, Gilles and Kanzler, Martin (2016), Public financing for film and television content. The state of soft money in Europe. Strasbourg: European Audiovisual Observatory, p. 11.
30 Fontaine, Gilles (2020), Modelling audiovisual sector revenue flows in the EU and test case on impact of COVID-19 on industry revenue. Strasbourg: European Audiovisual Observatory, p. 15.
31 Salvador et al. (2019), full reference above.
32 Fontaine, Gilles (2020), p. 22, full reference above.
33 Broughton Micova, Sally (2013), 'Content Quotas: What and whom are they protecting?', in Donders, Karen, Pauwels, Caroline and Loisen, Jan (eds), Private Television in Western Europe: Content, Markets, Policies, Houndmills: Palgrave Macmillan, p. 247.
34 Humphreys, Peter (2009), 'EU Audiovisual Policy, Cultural Diversity and the Future of Public Service Broadcasting', in Harrison, Jackie and Wessels, Bridgette (eds), Mediating Media. New Media, Mass Communications and the European Public Sphere, Oxford: Berghan Books, pp. 190-193.
35 Herold, Anna (2009), 'The New Audiovisual Media Services Directive: Empowering Cultural Diversity in the EU Internal Market', in Pauwels, Caroline, Kalimo, Harri, Donders Karen and Van Rompuy, Ben (eds.), Rethinking European Media and Communications Policy, Brussels: VUBPress, p. 113.

providers. On the national level, the system of film funding in France, reflecting the country's protective stance regarding its culture, allows French cinema to resist the hegemony of Hollywood better than any other European cinema.[36]

See more details and analysis about France in the sub-section 3.3 below.

In Poland, cinema has been thriving in the last years. The guiding direction of the state audiovisual policies is to ensure the international artistic and economic success of the Polish film. Despite the Covid-19 restrictions, the country produced over 30 feature films in 2020, most of them subsidised by the Polish Film Institute (PISF). The PISF also operates the incentives system, which offers reimbursement of production costs incurred in Poland in the amount of 30% of Polish eligible costs. Funds come directly from the state budget and are distributed throughout the year until they are consumed. At least 10% of this budget is dedicated to animated productions.

The funds available in Poland for financing of audiovisual content are substantial, totalling 86.1 M EUR in 2020. Besides PISF, there are additional eleven regional film funds active. During the pandemic, there was a task force appointed at the PISF to deal with the crisis in the film industry. Also, like in most cases analysed in this study, the public service media has a central role in the television sector and is an important contributor to financing of audiovisual content.

Besides a variety of measures, developed specifically to support the film industry in the time of crisis, the Polish Government also approved an additional 27 M EUR in support from the Covid-19 Counteracting Fund to help the cinema industry. [37] Covid-19 related motivations also led Poland to introduce a levy for domestic and non-domestic VOD services to help the recovery of the film industry. The levy, paid quarterly to PISF, is 1.5% of the revenue obtained from fees for access to VOD services available to the public or revenue obtained from advertising if this revenue in a given period is higher. The collected amount in the first six months was however below the original estimation.[38]

Spain, with the transposition of the revised AVMSD, will extend investment obligation to non-domestic VOD providers targeting the Spanish market. There is a possibility to either make a direct investment in European audiovisual works or to pay a financial contribution (levy) to the Film Protection Fund (*Fondo de Protección de la Cinematografía*). The Draft Law amends the existing calculation methods and includes a threshold of income at 50 M EUR. Below and above this threshold, VOD providers have to invest 5% of their income, but smaller providers can also choose to spend this by purchasing rights.[39] As part of the direct investment obligations, Spain also specifies sub-quotas: at least 70% of investment shall represent works of independent producers and 40% original content in official languages of Spain.

To keep the pace with the international competition, the Spain's rebate rate has risen five percentage points, from 25% to 30%, for the first 1 M EUR of local spend by an international shoot, and 25% (from a prior 20%) thereafter. The cap for the total tax rebate on one shoot has also been increased from 3 M EUR to 10 M EUR.

The country's audiovisual policy goals are included in an ambitious and comprehensive national digital agenda. A part of this programme is dedicated to the audiovisual sector.[40] Its goal is to transform the current Spanish audiovisual ecosystem as a whole, with the focus on activities aimed at increasing the volume of content produced in Spain, creating new distribution and marketing channels, boosting

36 Nacache, Jacqueline (2016), 'Maravalgate' and its effects: a year of debate over the funding of French cinema, Studies in French Cinema, 16:2, p. 165-178.
37 PISF's website https://pisf.pl/en/.
38 Komorowski, Marlen et al. (2021), pps. 13, 32 & 55; full reference above.
39 *Ibidem*, 63.
40 Spain, Audiovisual Hub of Europe: Plan to boost the audiovisual sector (2021). https://portal.mineco.gob.es/RecursosArticulo/mineco/teleco/comun/ficheros/plan-de-impulso-al-sector-audiovisual.pdf

the industrial activity capable of generating profits, protecting creators' intellectual rights, and facilitating citizens' access to the content produced in Spain. To this aim, the Spanish government promises to mobilize public funds amounting to 1,6 billion EUR in the period of 2021-2025, as well as minimize administrative and regulatory costs for investment activity. Due to the Covid-19 situation, support schemes for audiovisual professionals have already been put in practice.

3.3. Special focus: France

France has a long tradition of participatory financing, with a vast variety of funds and support schemes available, through three main types of support: audiovisual funds, direct investments by market players and fiscal incentives. In addition to a traditionally very strong cultural objective behind the financial support system, which is to support French creations,[41] there is clearly an economic one: the audiovisual and cinematographic production sector represents a significant part of the French economy, representing 0.8% of GDP and nearly 300.000 jobs.

One of the key features of the French support system is the high level of obligations imposed on the industry. Broadcasters play an exceptionally prominent role in film financing in France, which is not the case in most other European countries where the role of direct public funding is more significant. First of all, broadcasters, as well as all other market players who give access to audiovisual works to the public (cinemas, distributors, video and VOD providers and internet service providers), are obliged by law to pay levies based on their turnover, fed into the national film and audiovisual fund, the Centre National du Cinéma et de l'image animée (CNC). This gives the CNC financial autonomy, since its funding is not provided directly by the state, and many agree that this is key to its ability to provide such a vast array of services. Secondly, since 1984, broadcasters have had investment obligations in the production of European and French cinematographic and audiovisual works. The broadcasters thus participate directly in the structuring of the industrial and economic aspect of the audiovisual and cinema sectors.

The combination of participatory financing by market players through public funds, investment obligations and incentives for private investment makes for a very complex, but highly efficient and sustainable ecosystem that involves all market players, relies on long-term strategies, but also constantly evolves, keeping track of market changes and new trends. Financing obligations by market players have been through numerous adaptations over time, taking into consideration changes caused by the technological development, new forms of audiovisual creation and the changes in consumption patterns. Some of the available funding schemes and fiscal incentives are designed specifically to foster innovations, creativity and technical know-how, create new employment opportunities[42] and enhance the competitiveness of French film production, keeping the revenues in France.[43]

41 E.g. nearly 87% of broadcasters' investment in the development of the production of cinematographic works for fiscal year 2018 was dedicated to works whose original language is French.
42 One example includes changing the rules on tax credit for the animation production sector which allowed for the creation of 5.000 new jobs in a single year. (EAO (2018), The financial ecosystem of the European audiovisual production, Summary of the EAO workshop, Strasbourg, 8 December 2017, Strasbourg: European Audiovisual Observatory, p.17).
43 Out of 783.93 M EUR investment in films produced in France in 2020, 630.68 M EUR or 80.5% was French investment, and only 19.5% foreign investment (CNC (2021), La production cinématographique en 2020, p. 5, www.cnc.fr/documents/36995/1389917/La+production+cin%C3%A9matographique+en+2020.pdf/faf8a7be-5c8f-e2cb-bce2-c90b3b6d9cc5)

3.3.1. Audiovisual funds

The CNC, founded in 1946, is a public agency under the direction of the Ministry of Culture with diverse responsibilities with respect to the cinema and the associated industries (television, video and multimedia) – the main one being the funding. The CNC provides funding for all types of moving image creations: feature films, shorts, animation, documentaries, TV programmes, video clips, video games, interactive works such as VR, etc.

The funds are distributed to the sector in two main ways: automatic support and selective support, through more than 90 separate funding channels aimed at:

- film industry: creation (scriptwriting or re-writing), production, cinema distribution, exploitation, export, diffusion, short film grants;
- TV: writing, development, innovation aid, production, promotion, distribution;
- Creation of original soundtrack, dubbing and subtitling, digitisation of heritage films;
- Video games: writing, pre-production, production;
- Digital creation, internet video creators, multimedia creation etc.

In 2020, the total funding provided by the CNC, excluding exceptional measures linked to the Covid-19 pandemic, amounted to 579.4 M EUR, distributed in the following way:

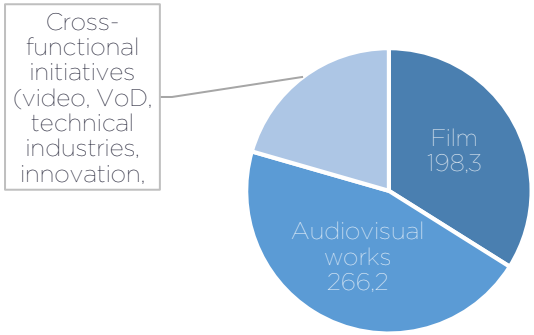


Figure 1: Funding by the CNC in 2020 (in M EUR); source: CNC

Some funding is available on a regional level, provided through Regional Directions for Cultural Affairs (DRAC) and funds at the regional, departmental or local levels (cities or municipalities). The idea behind the establishment of these sub-national funds was to make the cinema and audiovisual sectors a pillar of local and economic development, while implementing national cultural policies.[44]

In the audiovisual sector, the regional directions closely cooperate with the CNC on the basis of the three-year cooperation agreements, which can also involve sub-regional authorities (departments, communities, municipalities...). These agreements cover support for creation, screenwriting, development, production, facilitation of shooting, actions for film education, cultural dissemination, film exhibition and film heritage.

Within the framework of the agreements, the CNC's intervention methods are different depending on the actions. The contribution of the CNC can be fixed or proportional on a 1:2 or 1:3 basis. In 2020, the

44 And quite successfully: according to the CNC Annual report for 2020, the commitments of the State (CNC + DRAC) have quadrupled from 2004 to 2020. Over the same period, the commitments of local authorities were multiplied by three.

financial commitments of CNC represented 20% of the total financial commitment in the regions.

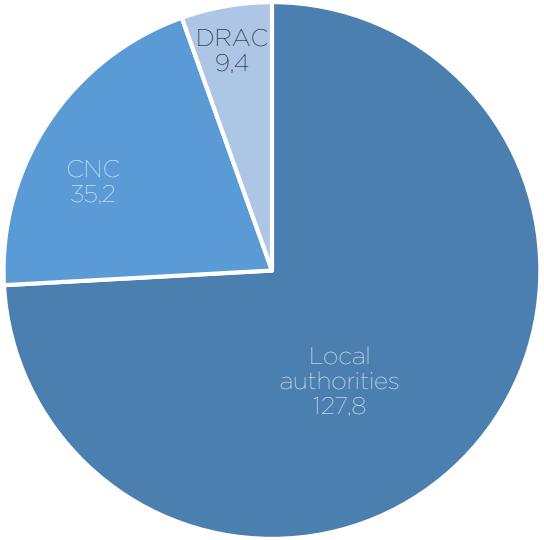


Figure 2: Financial commitments in the regions in 2020 (in M EUR); source CNC

Regional film commissions also benefit from help during the first three years of their operation as well as from the regional film education centres for the first year of their creation.

3.3.2. Levies

The predominant source of financing of audiovisual works in France are levies imposed on market players. Levies are fed directly into the CNC budget, as stipulated in the Cinema Code.[45] There are three main sources of levies: from cinema admissions, TV broadcasters and distributors, and video (physical videograms and VOD). Other miscellaneous – and minor - income comes from levies on profits from the production, distribution and export of cinematographic works.

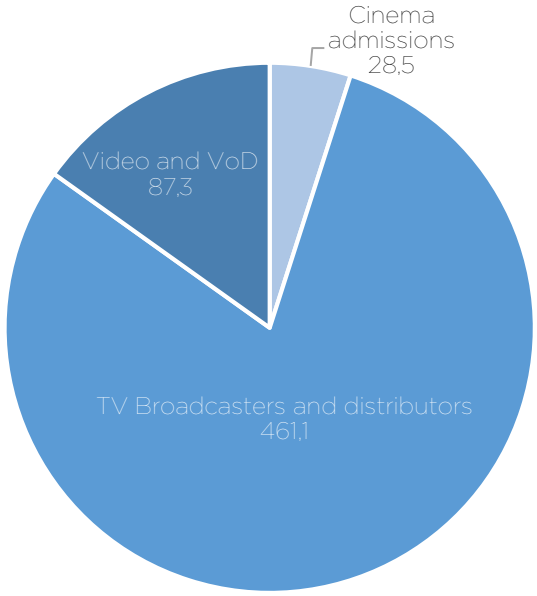


Figure 3: Breakdown of CNC revenues in 2020 per levy contributors (in M EUR); source: CNC

45 Code du cinéma et de l'image animée, Articles 155-1 to 155-27. /www.legifrance.gouv.fr/codes/id/LEGIARTI000041472736/2020-01-01/

Considering that the audiovisual industry, and especially cinema, was significantly affected by the health crisis caused by Covid-19 pandemics, it is worth comparing the levies collected with those from the previous year:

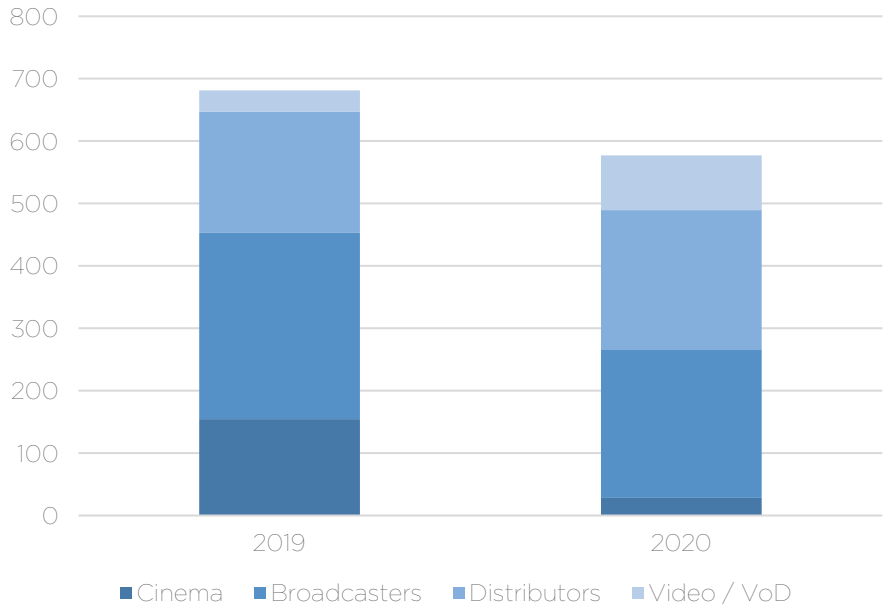


Figure 4: Levies to CNC by different sectors in 2019-2020 (in M EUR); source: CNC

In 2020, as expected, the income from cinema decreased sharply (by 81.5%) compared to 2019, as a consequence of closure of cinemas and exemptions from payment of levies adopted as part of recovery measures. As far as broadcasters are concerned, their contributions also decreased (by 20.7%) due to the general decline in advertising revenues. However, the levies collected by distributors increased by 15.8% in 2020, and the strongest growth is seen in contributions made by VOD providers, both as the effect of increase of the tax rate from 2% to 5.15% (see below), and the increase in number of subscriptions during lockdown.

Regardless of the changes caused by the pandemic, as the above graph shows, the broadcasters and distributors of audiovisual media services have been the most significant source of funding of audiovisual works.

3.3.2.1. Cinemas

Cinemas are subject to a levy in the amount of 10.72% of the price of the admission ticket including VAT (due monthly), multiplied by 1.5 if the film contains pornography or incitement to violence.

In addition, they are obliged to contribute to the CNC with a professional contribution of 0.232% of the price of the admission ticket excluding VAT (due annually).

3.3.2.2. Broadcasters

Broadcasters are subject to a levy of 5.15% of their yearly turnover excluding VAT, with an abatement of 10 M EUR, or 30 M EUR for broadcasters that do not earn revenues from broadcasting of commercial communications.

3.3.2.3. VOD providers

The so-called "video and VOD tax"[46] is based on the yearly turnover payable for making available services to the French public which give them access to cinematographic or audiovisual works, upon individual request and by means of an electronic communication process. The origins of this tax date back to 1993, when a levy for

46 Taxe sur la diffusion en vidéo physique et en ligne de contenus audiovisuels/Taxe Vidéo et VOD/Taxe TSV/ Article 1609 sexdecies B" in the General Tax Code of France. www.legifrance.gouv.fr/codes/article_lc/LEGIARTI000041472728/

distribution of physical videograms (VHS and DVD) was introduced. In 2009, the film levy was extended to capture the sale and rental of online films.

Initially set at 2%, the tax rate was increased to 5.15% as of 2020, raised to 15% when the transactions concerning the works of pornographic or violent nature were considered. For VOD providers, the tax is based on the amount (excluding VAT) of the price paid for access to cinematographic and audiovisual works, and it does not include amounts paid by advertisers and sponsors. For free services, it is based on the amounts (excluding VAT) paid by advertisers and sponsors. The tax base is reduced by 66% for services giving or allowing access to audiovisual content created by private users for purposes of sharing and exchanges within communities of interest – for these services the tax is calculated after the application of an abatement of EUR 100,000 on the tax base.

An exemption from the Video and VOD Tax is granted to taxable persons established in France who already pay a similar tax in another EU Member State, other than VAT. Additionally, services whose audiovisual content is secondary, whose main purpose is devoted to information, and services whose main purpose is to provide information relating to cinematographic and audiovisual works and their distribution to the public and promotion, in particular through extracts or trailers, are excluded.

3.3.2.4. Distributors

The percentage of a levy payable by distributors depends on their turnover:

- 0.5% for the turnover between 10 – 250 M EUR;
- 2.10% for the turnover between 250 – 500 M EUR;
- 2.80% for the turnover between 500 – 750 M EUR;
- 3.50% for the turnover over 750 M EUR.

3.3.2.5. Other professional contributions

- Producers of cinematographic works: 0.58% of the revenues generated by the transfer of the exploitation rights of the works they produce.
- Distributors of cinematographic works: 0.58% of the revenues generated by the exploitation of the works they distribute (0.68% for distributors of pornographic works).
- Exporters of cinematographic works: 0.55% of the turnover generated by the export of the works.

3.3.3. Direct investment

As part of the support and development of audiovisual and cinematographic production, AVMS providers have – quite elaborate – obligations concerning the production of European works and of French original expression. This support translates, according to French regulations,[47] into the contribution to the production of audiovisual works, the participation in the financing of the film industry and the development of a strong and diversified economic sector. The funds are thus used for pre-acquisition, acquisition, co-production or production, screenwriting and development of television works, as well as for the adaptation of works for blind or deaf audiences.

3.3.3.1. Broadcasters

The applicable rules vary according to two types of television services: generalist services and thematic services focusing on

47 The legal basis for direct investments is contained in the Law No. 86-1067 on Freedom of Communication (https://www.legifrance.gouv.fr/loda/id/LEGITEXT000006068930/), Decree No. 2010-416 (https://www.legifrance.gouv.fr/loda/id/JORFTEXT000022145148/) and Decree No. 2010-747 (https://www.legifrance.gouv.fr/loda/id/JORFTEXT000022423813/)

cinema. There are two types of investment obligations: in cinematographic works and in audiovisual production.

As far as generalist services are concerned, only those which broadcast more than 52 different cinematographic works per year (or more than 104 broadcasts and reruns) are subject to obligations. These services must devote at least 3.2% (3.5% for public service broadcasters) of their net turnover for the previous year to the production of European cinematographic works and 2.5% of this turnover must relate to films of French original expression.[48]

Thematic services offering cinematographic works invest at least 21% (26% in case of first-time broadcasting services) of their yearly turnover in the acquisition of broadcasting rights for European works, including a minimum of 17% (22% in case of first-time broadcasting services) for works whose original language is French.

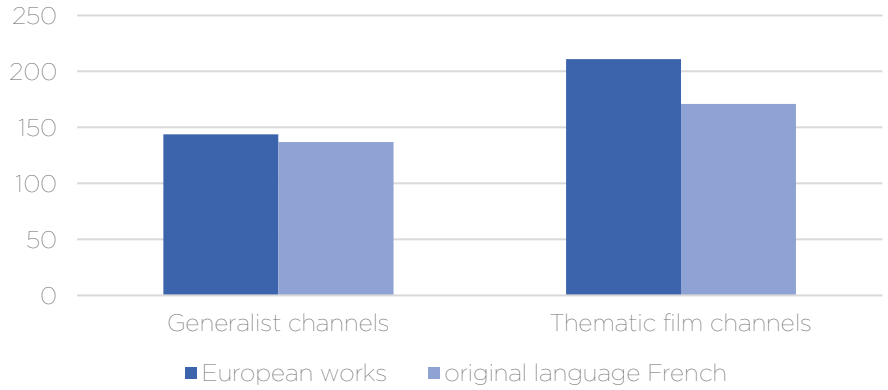


Figure 5: Broadcasters' investment in cinematographic works in 2018 (in M EUR); source CSA

Broadcasters that reserve more than 20% of their annual transmission time for audiovisual works[49] have an obligation to invest at least 14% of their yearly turnover (15% in case of broadcasters not distributed via DTT) in the development of the production of European audiovisual works or French-language works, with specific sub-quotas for heritage works and musical channels. The obligation of thematic pay-tv channels focused on cinema is entirely heritage-based and subject to a more favourable rate of at least 3.6% of the yearly turnover (6% in case of broadcasters not distributed via DTT). Broadcasters are required by law to negotiate with the audiovisual media regulator CSA an agreement which can set higher percentages, depending on the way they use media release windows. Broadcasters engaged in professional agreements with organizations representing audiovisual creation may, under certain conditions, benefit from certain flexibilities.

3.3.3.2. Non-linear providers

VOD providers are also subject to financial investment obligations[50] provided that they generate net annual turnover exceeding 5 M EUR, that their audience share exceeds 0.5% of the total audience in France in the category of services to which they belong, and that they offer more than 10 cinematographic or audiovisual works per year, not counting pornographic or violent works. However, different percentages apply for different types of VOD services:

- Catch-up services have the same obligations (3.2%) as broadcasters for services that are offered on a delayed basis, but only if their income is not included in the resources of the television service from which they originate. Catch-up services are exempt from the investment obligation for audiovisual works, but not for cinematographic works.

48 The exception is Canal+ which has to invest 12.5% of its yearly turnover in the acquisition of broadcasting rights for European works / 9.5% of original French expression.
49 Services that reserve less than 20% for audiovisual works are exempt unless their yearly turnover exceeds 350 M EUR.

50 Governed by the Decree No. 2021-793 of 22 June 2021 relating to on-demand audiovisual media services (the "VOD Decree"), https://www.legifrance.gouv.fr/jorf/id/JORFTEXT000043688681

- Transaction-based services (TVOD) invest at least 15% of the previous year's turnover resulting from the exploitation of cinematographic works in the development of the production of European cinematographic works, of which at least 12% in works whose original language is French. The same applies to investments in audiovisual works.
- Subscription-based services (SVOD) invest at least 20% of their turnover in France to financing the production of European cinematographic and audiovisual works and works whose original language is French. This rate is increased to 25% for services offering at least one feature cinematographic work each year released in theatres in the previous 12 months. The distribution between cinematographic works and audiovisual works will be fixed by the agreement concluded with the CSA, each genre having to represent at least 20% of the total obligation.

As of 1 July 2021, these obligations are imposed also on services established outside of France, but targeting French audience, such as Netflix, Amazon Prime and Disney+.

3.3.4. Funding mechanisms for low budget and independent production

The key point of attention in this section lies on mechanisms directed to low budget and independent productions, and other instruments that small countries could benefit from.

3.3.4.1. Low budget funding

Whereas funding through automatic subsidies is normally limited to 50% of the production budget, the so-called "difficult" or low budget films may be granted 60% of the production budget, and up to 70% if the work does not benefit from the tax credit for delegated production expenses for cinematographic works provided for in Article 220 *sexies* of the General Tax Code.[51] Likewise, the amount of aid covering distribution expenses is raised from 50% to 80% in case of "difficult" or low budget works.

A "difficult" work is the first or second work of a director. A low-budget work is one whose total budget is less than or equal to 1.25 M EUR.

3.3.4.2. Advance on earnings

Some of the schemes managed by the CNC, independently or in partnership with other agencies, are particularly focused on supporting independent production. An example includes the "advance on earnings" ("*avance sur recette*") mechanism of selective interest-free loans, created in 1960, whose purpose is to support independent cinema and particularly help young film-makers finance their first films which they would not be able otherwise. The allocation of available funds is decided by the Chairman of the CNC, based on the recommendation of one of the film commissions that examine the requests for advances. There are three film commission involved: for first film projects, for second and third film projects, and for fourth film projects and up.

3.3.4.3. Independent production

Direct investments coming from broadcasters and VOD providers also represent a significant source of financing independent production: at least three-quarters of the expenses corresponding to pre-acquisition or co-production of films must be devoted to the development of independent productions; in the same vein, investments in audiovisual works must, in whole or in part, be devoted to the development of independent production.

51 A tax credit of 20% for film and audiovisual production companies.

3.3.4.4. IFCIC

An important mechanism offering support to independent production is provided by the Institute for the Financing of Cinema and Cultural Industries (*Institut pour le financement du Cinéma et des industries culturelles – IFCIC*),[52] an institution established in 1983 by the French ministries of Culture and Economy in order to make it easier for companies active in the cultural and creative sectors to obtain bank financing. The IFCIC focuses its film production activities on independent films.

Nearly half of IFCIC's capital (49%) is held by the French state and the public investment bank Bpifrance and 51% by private shareholders including, directly or indirectly, most of the main commercial banks and lending institutions established in France. The IFCIC manages two sets of financial instruments: guarantees and loans. The IFCIC guarantee is intended to encourage banks to more readily accept risks associated with granting loans for production: in the event of a company failure, the bank's loss is shared with the IFCIC. Guarantees constitute IFCIC's historical instrument and the first solution envisaged to help finance a project. Since 2006, IFCIC has also developed the ability to grant loans to SMEs in the sector. The loans may cover various needs at all stages of the borrower's development, including short-term loans for the production of specific projects (in all stages: development, pre-production, filming and post-production), as well as medium-term ones for business investment or growth. IFCIC loans to cultural and creative companies are used when a project calls for reinforced support, such as expenditures on intangible, development investments. However, the IFCIC guarantee activity remains predominant: it reached 451 M EUR in 2020, i.e., 90% of the activity, against 52 M EUR in loans granted.

Since the guarantee and loan funds operated by IFCIC are endowed by the Ministry of Culture and its institutions, i.e., the CNC, only producers and/or distributors who are otherwise eligible to a support by the CNC can benefit from them. Even though other cultural and creative industries can benefit from IFCIC support,[53] cinema and audiovisual sector remain predominant: in 2020, IFCIC supported 381 companies with 503 M EUR in guarantees or loans: 171 audiovisual and cinema companies with 419 M EUR and 210 companies from other cultural sectors with 84 M EUR.

3.3.4.5. SOFICA

Another essential mechanism for funding independent and low-budget productions, often decisive in convincing potential investors to join the projects, is the so-called SOFICAs (*societies for financing of cinematographic and audiovisual industries*):[54] investment companies which collect private funds in order to finance production of films and TV programmes production.

They are not co-producers, but a financing instrument, created either on the initiative of film and audiovisual professionals, or persons from the banking and financial sector. The investors benefit from a reduction of 36% or 43% of their income tax, depending on the type of investment. For the producers, it contributes to the cash flow of the filming and reduces the costs, since SOFICAs make direct and early-on payments at the time of filming, so there is no need to take advances from banks. This is especially valuable for independent productions.

Since 2005, SOFICAs have signed a professional charter with the CNC before each annual collection, saying that at least 50% of investments must be directed towards non-leveraged productions. It is therefore

52 http://www.ifcic.fr/
53 In addition to cinema and audiovisual production, FCIC covers all cultural and creative sectors: music, publishing, museums, galleries, bookshops, performing arts, press, visual arts, design, cinema technical industries, theater, entertainment, artistic crafts, fashion design, video games, photography.

54 CNC (2021), https://www.cnc.fr/professionnels/aides-et-financements/multi-sectoriel/production/les-sofica_759536

a crucial instrument for financing of independent cinema, especially first and second films and films whose budget is lower than 8 M EUR.

3.3.4.6. Intraprofessional support

As part of its cultural mission (financed by 25% of the income generated from private copy remuneration), the French collecting society representing authors SACD (*Société des Auteurs et Compositeurs Dramatiques*) offers a range of actions and support funds for the creation and distribution of works, artistic education activities and programs for the professionalization of authors. The forms of support in the audiovisual sector include:

- Web Series Fund: a fund launched in partnership with the public service media dedicated to the development of web series and innovative formats;
- direct financial assistance for authors (screenwriting grants);
- partnerships with festivals (masterclass, testimonies of authors, pitches, zoom on my first contract, etc.);
- professional training, support for accredited schools;
- support for professional organizations of authors;
- artistic and cultural education, e.g. animation and sound effects workshops etc.

3.3.5. Fiscal incentives

3.3.5.1. Tax credits

In addition to the SOFICA scheme described above, there are incentives aimed at keeping the film and audiovisual production expenditures in France, avoiding relocation of shooting and post-production spending abroad - and thus keeping jobs in France:

- The Cinema Tax Credit allows a production company to deduct from its corporate tax 20% or 30% of eligible production expenses.
- The Television Tax Credit allows a production company to deduct from its corporate tax certain eligible production expenses: 25% for documentaries, fiction and animation, and 10% for audiovisual adaptation of live performances.

Both instruments proved to be successful in keeping the expenditure at home: in 2020, 85.8% of French-initiative films spent more than 70% of their expenditure in France, versus 73.8% in 2003, the year before the cinema tax credit was introduced. The same applies to the television tax credit: fictions benefiting from the tax credit achieved 99% of their spending in France in 2020, versus 85.4% in 2004.

In 2008, a new tax incentive system was introduced, specifically aimed at fostering the development of the video games industry. It is called the Video Game Tax Credit, and it allows creative companies from this sector to deduct from their corporate tax 30% of eligible production expenses of creating a game. It is one of the most competitive support systems for video games in the world, which made France a particularly attractive territory for the development of this industry. In 2020, the video-game market turnover increased by 11.3% compared to the previous year.

3.3.5.1. Foreign Investment Incentives

A special scheme has been introduced in order to promote filming and production of foreign-initiative cinematographic works or audiovisual fiction in France. It is called the International Tax Credit or Tax Rebate for International Productions - TRIP[55] and it focuses

55 CNC (2021), https://www.cnc.fr/web/en/funds/the-tax-rebate-for-international-productions-trip_190742

especially on promoting the French technical know-how and postproduction skills (such as editing and visual effects), thus fostering international competitiveness and creating jobs.

The International Tax Credit is selectively granted by the CNC to a company which ensures the executive production of the work in France, and it represents 30% of eligible production expenses made in France and can reach 30 M EUR. The rate can be increased to 40% for works with strong visual effects which ensure at least 2 M EUR of expenditure on digital processing of shots in France.

The scheme has had a positive influence on the volume of foreign filming activities in France: in 2019, the number of shooting days increased by 18.8% compared to the previous year, and by 130% since 2015. It is estimated that 75% of the shooting days of foreign works have benefited from this incentive.

3.3.6. Policy developments

At the end of 2020, France started implementing audiovisual legislative reforms in order to transpose the revised AVMS Directive and adapt to changes brought about by the convergence of audiovisual and digital media. On 21 December 2020, the Ordinance was adopted amending the Freedom of Communication Act, the Cinema Code and the system of film release windows. The amendments had two objectives: to protect the sustainability of the film production funding system, in particular for independent productions, and to guarantee fairness between French players and global platforms – by requiring foreign television and audiovisual media services aimed at French audiences to contribute to the production of films and audiovisual works under the system that thus far only applied to French service providers.

Based on these provisions, the Government – backed by both the CNC and the CSA – drafted the new version of the VOD Decree from 2010, in order to extend the obligation of non-linear audiovisual media service providers to invest a percentage of their turnover in French and European production, to those established outside of France, but targeting French audience, such as Netflix, Amazon Prime and Disney+. Despite the reservations expressed by the European Commission regarding the disproportionately high level of investment in productions in French (85% of their investment), the new VOD Decree entered into force on 1 July 2021.

The Decree envisages that a significant part of the contribution will be directed towards independent production. Diversity clauses are planned to prevent the contribution from being concentrated on large-budget works or on certain genres. The Decree is expected to significantly increase the financing of European (and in particular French-speaking) audiovisual and cinematographic production. It is announced as being the first part of an ambitious reform of the funding regime, to be complemented by a reform of the funding obligations applicable to television services and a modernization of the media chronology.[56]

56 Ministry of Culture (2021), Publication du décret relatif aux services de médias audiovisuels à la demande (SMAD), 23 June 2021, https://www.culture.gouv.fr/Presse/Communiques-de-presse/Publication-du-decret-relatif-aux-services-de-medias-audiovisuels-a-la-demande-SMAD

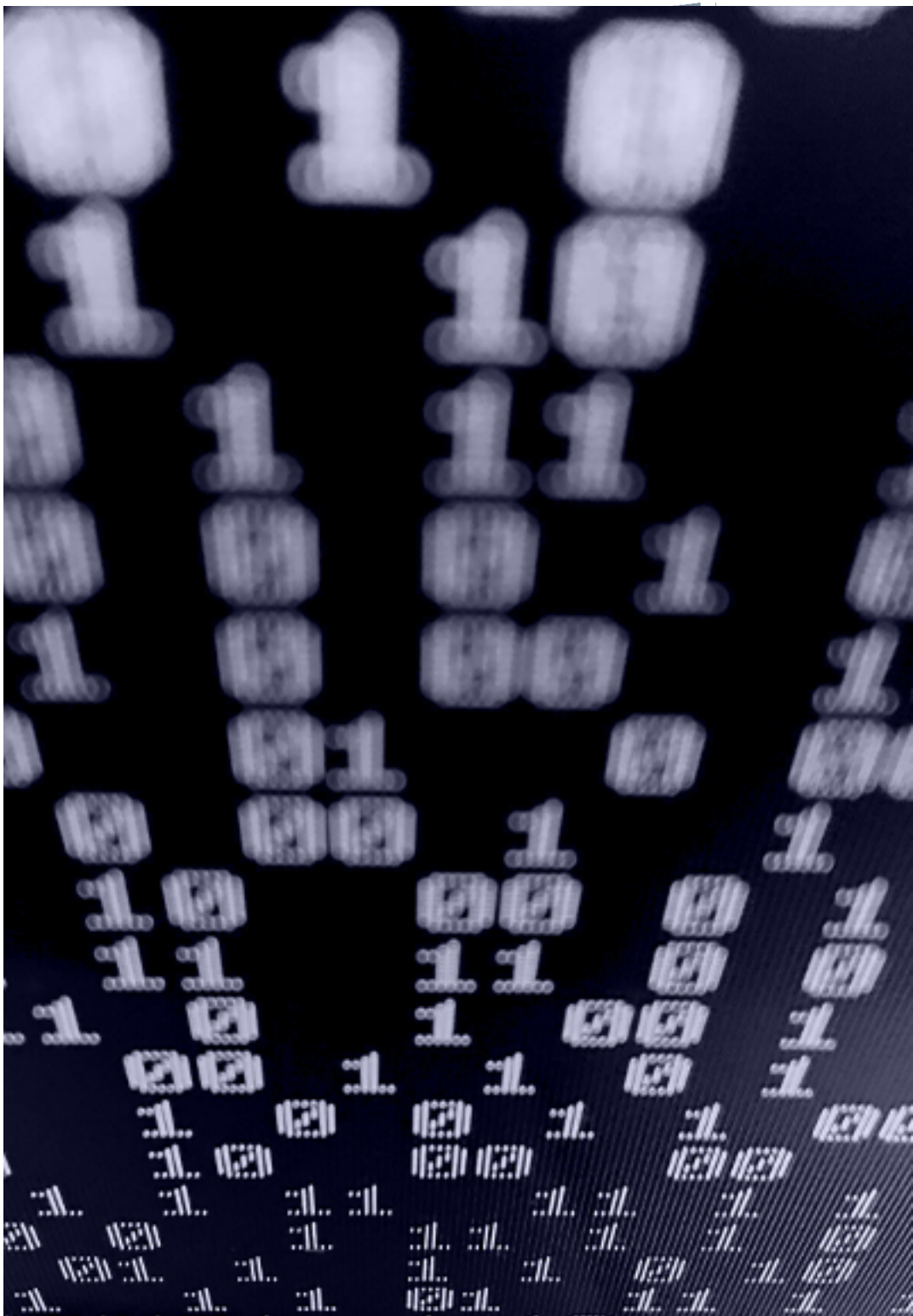
4. CASE STUDIES: AUDIOVISUAL POLICIES OF SELECTED SMALL LANGUAGE ENVIRONMENTS

4.1. Belgium FR (French-speaking Community)

4.1.1. Highlights and good practices

- Support mechanisms for funding of audiovisual production is predominantly public. In addition to the funds provided by the government through the film fund CCA, there are regional funds available that offer economic support to boost industry development and create jobs.
- Providers and distributors of audiovisual media services have an obligation to invest in production of audiovisual works, either through direct investment in the form of co-production or pre-acquisition of rights, or through a levy, *i.e.* an indirect contribution to the film fund CCA.

  Supporting independent production by the public service broadcaster is a large part of its public media remit, who has a legal obligation of direct investments in independent production. In addition, together with the CCA, it co-funds two special funds for independent producers, one of which is dedicated specifically to French-language TV series.



- In order to make local independent production more relevant, the Belgian Series fund was created. It is a successful example of targeted support for a specific genre, and a creative way to foster domestic production. As a result, the quality of TV fiction increased significantly, whereas numerous training programmes offered through the Fund contribute to the emergence of new writing talents.
- Belgium offers an attractive fiscal incentive Tax Shelter offering advantages for both investors and the producers and designed especially to attract foreign investment in the audiovisual industry.
- Due to a favourable environment created by the Tax Shelter and possibilities of additional financing through regional funds, Belgium is a very attractive destination for film co-productions, as it is possible to have up to 2/3 of the expenditures in Wallonia covered.
- The co-production opportunities gave rise to development of talents and a vibrant filming infrastructure and supporting services.
- The regional authorities recognize the potential of creative industry and offer support not only in the form of funds, but also as a pool of other services such as logistics, business hubs and promotional activities.
- Audiovisual creators have a number of other support mechanisms at their disposal, such as legal advice, training and professional support.
- The high concentration of media-related activities and professionals in the French-speaking Community represents a fertile ground for entrepreneurship and innovation in the digital technologies sector and new forms of audiovisual creation.

4.1.2. Policy and governance framework

The specific administrative and institutional situation in Belgium makes for a rather complex set-up in terms of jurisdiction in the audiovisual sector, which can be either on a regional or a community level. The Communities are responsible for the cultural aspects of the audiovisual arts and industry, the Regions are responsible for the economic aspects, whereas the Federal government is responsible for tax policies.

The general legal framework for film and audiovisual industry is established by the Communities, with the competent ministries of culture in charge, as this sector is considered part of the cultural, language-based remit. Therefore the two distinctive communities in Belgium, the French-speaking Community of Belgium (or Federation Wallonie-Bruxelles – FWB), and the Dutch-speaking Community (Flanders), are discussed in two separate sections for their entirely different approach to audiovisual policy.

The Regions, on the other hand, are based on geographical division and have a competency on the economic ground such as the development of companies and creation of jobs. In this section, the initiatives in the Wallonia and Brussels regions are presented. Yet, for the sake of completeness, this section also outlines the Federal incentive system of tax shelter, which applies over the whole country, and therefore to both French- and Dutch-speaking Communities.

In the field of cinema, the legal framework is contained in the Act relating to support for cinema and audiovisual creation (the Cinema Act),[57] backed by several decisions by the government of the FWB concerning the implementation of financial and other support mechanisms,[58] which are managed by the domestic film fund (Centre du Cinéma et de l'Audiovisuel – CCA).[59]

57 Decree on support for cinema and audiovisual creation (Décret relatif au soutien au cinéma et à la création audiovisuelle), https://www.gallilex.cfwb.be/document/pdf/37248_008.pdf

58 CCA (2021), https://audiovisuel.cfwb.be/ressources/textes-juridiques/#c3160

59 https://audiovisuel.cfwb.be/

The audiovisual media services are governed by the Act of 4 February 2021 on audiovisual media services and video-sharing platform services (the AVMS Act)[60] which transposed the EU Directive on audiovisual media services and, inter alia, deals with obligations of audiovisual media services to promote and in invest in the production of European and independent audiovisual works.

4.1.2.1. Sectoral governance

The FWB Government, as part of its cultural remit, is responsible for the film policy within the French-speaking Community of Belgium. Government's support for the creation and promotion of audiovisual works is managed by the Cinema and Audiovisual Centre (CCA), an administrative service under the direct authority of the responsible Minister. Established by the Cinema Act, the CCA's mission is to encourage and support the audiovisual creation, distribution and promotion in the Wallonia-Brussels Federation.

It also provides the secretariat for the two advisory bodies: the "Cinema Commission", in charge of reviewing and awarding grants, and the "*Comité de Concertation*" (the Consultation Committee), whose task is to provide, at the request of the competent Minister, opinions on any policy issue relating to film and audiovisual production and distribution. Both bodies are designed to ensure a strong participation of the sector representatives.

The Cinema Commission is a new advisory body created in 2019 and replacing the former opinion bodies, the Film Selection Commission and the Audiovisual Operators Assistance Commission. The members of the Cinema Commission come from five professional categories: experts in film and audiovisual production and distribution: authors or actors on the one hand, and producers of audiovisual works on the other hand; experts in cinematographic and audiovisual dissemination: distributors, cinema operators, audiovisual works seller or festival organizers; experts in cinematographic and audiovisual production and distribution: technical professions; and experts in cultural matters: cinematographic or cultural journalists, teachers of writing, acting, playwrights, literary writers etc.

The composition of the Consultation Committee reflects the specificity of the audiovisual sector, and is made up of representatives of professional associations (authors, screenwriters, directors, actors, producers, distributors of audiovisual works and cinema operators, RTBF, local television stations, providers and distributors of television services, experts in the field of audiovisual investment, organizers of film festivals, experts in audiovisual technical professions, in multimedia etc). The representatives involved in the work of the Committee depends on the subject that is being discussed.

Their website is a central source of very detailed and rich information available to all stakeholders, including a large number of publication and studies, and in particular very detailed annual reports.

4.1.2.2. Professional associations

4.1.2.2.1. SACD/SCAM

The Belgian system of collection of rights is considered particularly efficient for audiovisual authors thanks to the remit to collect both primary broadcasting rights and secondary rights for distribution of audiovisual works from a wide range of platforms: cable, VOD, DVD media, digital platforms such as YouTube or Dailymotion etc.[61] The collecting societies representing authors (SACD for cinema and TV fiction and SCAM for multimedia authors) are thus able to offer to

60 Decree on Audiovisual Media Services (Décret relatif aux services de médias audiovisuels et aux services de partage de vidéos), https://audiovisuel.cfwb.be/fileadmin/sites/sgam/uploads/Ressources/Textes_juridiques/Media/Decret_du_04-02-21_relatif_aux_services_de_medias_audiovisuels_et_aux_services_de_partage_de_videos.pdf

61 SACD (2021), https://www.sacd.be/fr/remuneration/la-remuneration-des-oeuvres-audiovisuelles

their members a range of services that can support audiovisual production such as:

- Legal advice: the SACD has a legal service which can provide free assistance to authors on various legal (e.g. devising and negotiating a contract with the producers, mediation in case conflicts etc.) and financial issues (e.g. tax advice), as well as advice relating to the author's social status.
- Financial support: one-off scholarships[62] in all stages of project development.
- Professional support: organizing training, professional meetings, workshops, masterclasses and thematic lunches.
- Online resource centre with documents, legal texts, sample contracts etc.
- Promotion of authors and annual awards.

4.1.2.2.2. UPFF

The French-Speaking Producers' Association (UPFF) is involved in creation of film policy and works with the FWB on issues related to the financing and promotion of the works of its members (see below) as well as the development of regional funds (Wallimage and screen.brussels in particular).

4.1.2.2.3. Union des Artistes

The artists' union can offer personal financial aid to its members (e.g. child allowance, medical costs) and, in certain case, interest-free money loans and cash donations, as well as free legal advice.

4.1.3. Market and industry

Over the past decade, the film industry in the French-speaking community has been boosted considerably thanks to the available film funding schemes at the cultural (Communities) and economic (Regions) levels and the country's (Federal) tax shelter system which makes it very attractive for foreign producers.

However, it relies mostly on co-production and partnerships abroad, as – being a small market – it is not easy to put together a majority co-production, especially being in the shadow of bigger neighbouring audiovisual markets, notably France due to the shared language.

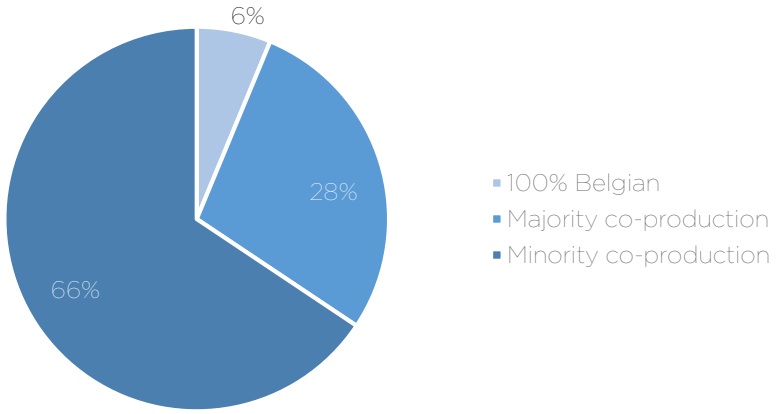


Figure 6: Number of feature films produced in 2020; source: CCA

62 In 2020, the SACD awarded 83 scholarships in all sectors, 44 of which to authors in the audiovisual sector.

In addition to a strong competition from abroad and low commercial potential of Belgian French-language films,[63] there is a problem of insufficient and declining funding of audiovisual works as it relies mostly on public resources: over 70% in 2020 came from the FWB government. From the portion invested in the sector by market players (broadcasters and distributors of content), around a half of funds come from the public service media RTBF. In 2019, average production budget on the national level in Belgium dropped by 9%, whereas total film investment decreased by 32%.[64]

The television market is struggling here, too. It also faces competition from France imports: in 2020, French television channels accumulated an average of 31.4% of the audience market share, followed by the three channels of the public service media RTBF (26.6%) and the (allegedly) Luxembourg-based three channels of RTL Group (24.9%).[65] Slightly less than 70% of the television advertising market goes to private channels.[66]

The co-production potential mentioned earlier is crucial for the wellbeing of the local audiovisual industry. The FWB is part of the multilateral European Convention on Cinematographic Co-production and an active member of Eurimages. Belgium signed bilateral co-production agreements with Canada, France, Germany, Israel, Italy, Switzerland and Tunisia. The FWB also concluded bilateral agreements with several countries: Canada, Chile, China, France, Italy, Morocco, Portugal, Senegal, Switzerland, The Netherlands, Tunisia and Uruguay. Other agreements are currently being negotiated with Argentina, Brazil, Ecuador, Lebanon, Mexico, Peru and Ukraine.

What attracts international producers the most is the country's tax shelter system, a fiscal measure supported by the Belgian Federal government. Besides, public support schemes are available, both by the film fund CCA and as part of regional economic funds. The flourishing film production consequently resulted in local production companies strongly developing their activities around support services during all stages of production, technical equipment and facilities, crew expertise, etc.

2020 also saw the rise of the production of TV fiction, most notably TV series. This came as a result of the public authorities' decision to specifically support this format both for its contribution to quality local content, as well as popularity and commercial potential. The funds that go towards the support of TV series authors are shared between the CCA and the public service broadcaster, and the format is also supported by the regional funds. The potential of new creative content such as gaming has also been recognized by regional authorities who are becoming increasingly focused on innovations.

4.1.4. Funds and subsidies

Funding schemes in French-speaking community are mostly public. In terms of the purpose they serve, there are two types of funds: cultural and economic.

The cultural funds, being part of the language-based, cultural remit, are included among the responsibilities of the Communities. The film fund for the French-speaking Community is the Film and Audiovisual Centre (*Centre du Cinema et de l'Audiovisuel* – CCA). Its legal framework is defined by the Cinema Act, which governs all public aid from the Wallonia-Brussels Federation regarding cinema and audiovisual creation. This Decree defines the intervention framework for creation aid (writing, development, production), promotion aid,

63 Despite being critically acclaimed (in 2020, French-language Belgian cinema was awarded over 146 prizes in film festivals abroad), attracting audience at home remains a struggle. There seems to be a limited interest in domestic film which is considered sometimes too "arthouse" or even "boring".
64 EAO (European Audiovisual Observatory) (2021), Yearbook 2020-2021: Key Trends, Strasbourg: European Audiovisual Observatory, p. 14.
65 CIM (2020), CIM TV Parts de marché 2020, https://www.cim.be/fr/television/resultats-publics, p. 4.
66 Komorowski, Marlen et al. (2021), Obligations for VOD providers to financially contribute to the production of European works, a 2021 update, Brussel: imec-SMIT-VUB, p. 14.

reinvestment bonuses for feature and short films, aid to audiovisual operators and training aid.

There are two specific funds jointly administered by the CCA and the Belgian French-language public service media RTBF under the Fonds FWB-RTBF (funded by both the RTBF and the FWB). The Series Fund established based on a government-approved Agreement[67] provides selective support for the development and production of TV series. The public service media's role in increasing the production of Belgian television series – reflecting the government's orientation towards supporting the production of this format as a unique avenue of increasing the competitiveness of the sector – was instituted by the RTBF management contract of 2012, also clearly specified in the latest contract for the years 2019 to 2022.

There is also a Special Fund for independent production of audiovisual works, aimed at facilitating the fulfilment of PSM's legal obligation to invest in independent production.

The economic funds, on the other hand, are included into the regional responsibilities as they concern audiovisual production as economic activity, *i.e.* are aimed at attracting audiovisual activity to different regions in Belgium and stimulating the domestic audiovisual industry. The Wallimage fund is established by the Walloon Region, and screen.brussels is established by the Brussels region.

In 2020, total budget allocated to audiovisual works sector amounted to more than 34 M EUR. Out of the total, 24 M EUR (70 %) represents the investment of the FWB, whereas 10 M EUR (30%) comes through direct investments provided by broadcasters and distributors of audiovisual media services. Half of this amount is provided by the public service broadcaster RTBF through participation in the special funds.

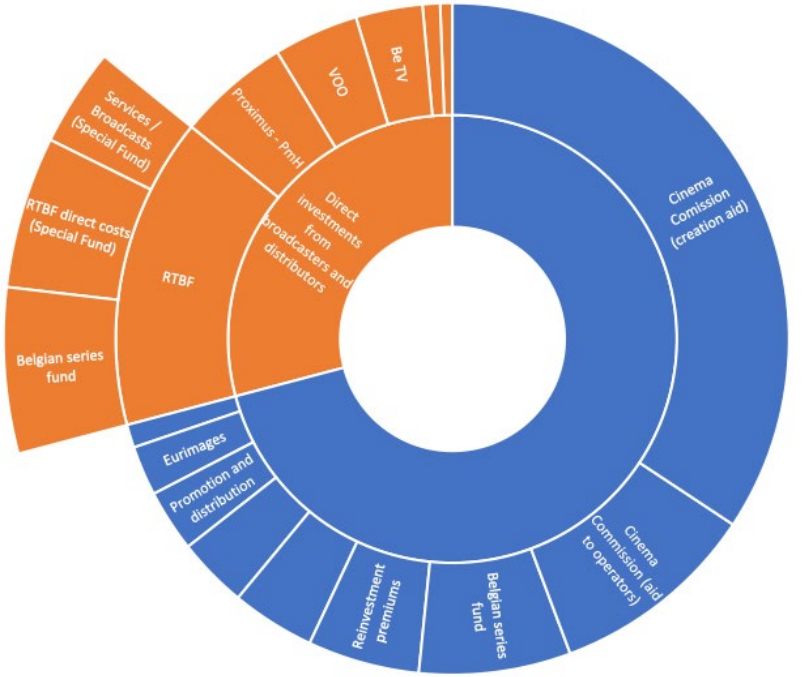


Figure 7: Total budget allocated to audiovisual sector in 2020 per funding scheme; source: CCA

67 Arrêté du Gouvernement de la Communauté française portant approbation de la Convention relative à la mise en place du Fonds FWB-RTBF pour les séries belges, https://www.gallilex.cfwb.be/document/pdf/39757_000.pdf

4.1.4.1. CCA

The CCA offers selective support (financial grants and advances on receipts) based on cultural criteria at various stages of a project: scriptwriting, development, production, post-production, promotion and distribution. Support is awarded for creation of cinematographic and audiovisual works (feature and short fiction and animation films, creative documentaries, fiction TV films, television series, experimental works/Film Lab) and structural aid to audiovisual operators for distribution and promotion (distributors of arthouse films, festivals, cinemas, digital platforms, school workshops etc.).[68]

The support granted, cumulated with other public aids, cannot exceed 50% of the total cost of the audiovisual work. This rule does not apply to works with few commercial perspectives on the market, such as short audiovisual works, first or second works of a director, arthouse and experimental works (film labs).

External revenue paid to the CCA consists of the allocation from the FWB Government, sums paid by providers and distributors of television services, as well as contributions including reimbursement of advances on production receipts.

In 2020, total budget allocated to the audiovisual sector amounted to 34.302.095 EUR. Out of the total, 24.136.894 EUR or just above 70% represents the investment of the FWB whereas 10.165.201 EUR comes through direct investments provided by broadcasters and distributors, in line with their investment obligations that will be detailed in the following sections.

Since 2020 was marked by the Covid-19 pandemic, among the measures undertaken by the Government to support the sector is a 20% increase in the amount of production aid granted by the Cinema Commission.[69]

In 2020, the Cinema Commission allocated a total of 10.318.330 EUR for creation of audiovisual works.

Work	Number of selected works	Amount of subvention (EUR)
Feature films	61	7.317.500
Short fiction films	31	986.330
Documentaries	67	1.899.500
Lab films	6	115.000
Total	165	10.318.330

Table 2: Breakdown of allocated CCA funds in 2020 per type of audiovisual work

In addition, 50 audiovisual operators were subsidized in 2020 for a total amount of 3.402.500 EUR.

68 The subsidies granted to operators are part of two- or four-year agreements. Only operators who have benefited from an agreement during the 2 years preceding their request are able to apply for a four-year agreement. The final decision on the grant is taken by the competent ministry.
69 CCA (2020), https://audiovisuel.cfwb.be/actualite/news/plan-de-relance-en-faveur-du-secteur-du-cinema-et-de-laudiovisuel/

In the recent years, the CCA has been striving to diversify its co-production partners and to build strong relations with film funds abroad. In 2020, 16 feature films supported by the CCA have been made in co-production. The majority - seven co-productions – were made with France, two with Germany, and one co-production with the Netherlands and Luxembourg respectively.

Operator	Number of operators granted aid	Amount of aid (EUR)
Distribution structures	2	25.000
Film distributors	4	161.000
Festival organizers	18	795.500
Cinema operators	11	1.075.000
Digital broadcast platforms	1	60.000
School, production and reception workshops	14	1.286.000
Total	50	3.402.500

Table 3: Breakdown of allocated CCA funds in 2020 per audiovisual operators

In order to submit a co-financing application with the CCA, a foreign producer needs to fulfil several conditions:

- Have a co-producer in FWB who will submit the project to the Cinema Committee: it must be an independent production company registered in Belgium.
- Projects initiated in a foreign country must be proposed in the framework of an official international co-production agreement.
- The script has to be submitted in French even if the film is shot in another language.
- Provide a subtitled copy of the film if it is not shot in French.
- A minimum financing threshold of 40% in the case of a feature film must be in place at the submission stage of the project.
- The project needs to meet the evaluation criteria (cultural test).
- The amount granted to the project has to be spent in Belgium and mostly in the FWB.

4.1.4.2. The Series Fund

The Series Fund is the FWB / RTBF fund for Belgian series. It represents an original and unique initiative born in 2013, when the FWB Government – through the CCA – and the public service media RTBF decided to pool their resources in order to provide a specific support for the development and production of TV series, wishing to explore this particular format that had thus far been underdeveloped in Belgium, but promised great potential. A common fund was created, jointly administered by both institutions. Combining the contributions of both institutions made it possible to increase the quality of production, as well as to contribute to the emergence of new writing talents through various training programs and workshops for authors, screenwriters, producers and filmmakers.

Under Article 13 of the management contract, RTBF funds the Series Fund up to 25% of the amount it allocates to independent production. As for the FWB, it contributes with up to 545.998 EUR from the Special Fund dedicated to creative audiovisual works, and with up to an additional 800.000 EUR committed from the Federation's budget.

Call for projects is announced three times a year. There are three stages of development: phase 1 (writing), phase 2 (development) and phase 3 (production):

- For projects selected for phase 1 (pilot with dialogue, short synopsis of the other episodes of the series, production and purchase of the rights to the bible), available funding is 35.000 EUR (up to 30.000 EUR for the authors and 5.000 EUR for the producer of the pilot).
- For projects selected by the Selection Committee in phase 2, maximum available funding is 202.500 EUR for further development, released as the dialogue versions of the episodes are accepted: up to 16.750 EUR per episode for the authors, 3.250 EUR per episode for the producer, and 30.000 EUR to produce a teaser.
- Phase 3 (production aid): 117.600 EUR per 52-minute episode, i.e. 1.176.000 EUR for 10 episodes (including development aid of 235.000 EUR and production aid of 941.000 EUR).

It should be noted that the Series Fund has certain limits:

- The intervention may not exceed 50% of the overall production budget.
- There are budget ceilings set at 275.000 EUR per a 52-minute episode in season 1, and 330.000 EUR per episode in season 2. Under certain conditions, these ceilings may be further increased by 20% (season 1) and by 30% (season 2).
- Each season must consist of 8 to 10 episodes of 52 minutes (once a year, the call is opened for 26-minute formats as well).

RTBF undertook to broadcast at least four French-language Belgian television series per year by 2020. However, fewer series than expected actually manage to reach the final stages of development. In 2020, three projects were approved, and in 2019, RTBF failed to provide the prescribed 25% of the amount aimed at independent productions.[70] Nevertheless, the project is generally considered a success story as it has given birth to some highly innovative and critically acclaimed series, some of which have been sold abroad including at major players such Netflix.[71]

4.1.4.3. The Special Fund

The Special Fund is a budgetary credit managed by the CCA and intended to stimulate co-production of creative audiovisual works between RTBF and independent producers. Since its creation in 2013, the Special Fund has been devoted exclusively to cinema fiction (feature and short films), documentaries and animation.

The Fund must provide support for at least three feature films of cinematographic fiction annually, with a maximum of 375.000 EUR per project, as well as the support for documentaries with a maximum amount of 50.000 EUR per project. The amount of aid granted must be fully spent in Belgium and mainly in the French-speaking region or in the bilingual region of Brussels-Capital.

The annual budget of the Special Fund is 1.368.681 EUR. In 2020, breakdown of the Special Fund was as follows: 900.998 EUR for feature films, 427.683 EUR for documentaries, and 40.000 EUR for short films.

RTBF exercises a drawing right on the Special Fund for the projects it decides to co-produce. The choice of co-production projects is left to RTBF. In return for this drawing right, it has the obligation to invest a quarter of the annual budget from its own funds, exceeding the

70 CSA (2020), RTBF - Avis 2019, https://www.csa.be/wp-content/uploads/2021/01/CSA_Avis-RTBF-Ex2019.pdf

71 E.g. Ennemi public (Public Enemy), La trêve (The Break) and Unité 42 (Unit 42).

threshold of 25% of the net advertising revenue collected, after deduction of VAT and advertising management commissions. In 2020, this obligation was 1.383.627 EUR.

4.1.4.4. Wallimage

Wallimage was established in 2001 as a public limited company in 100% ownership of the Government of the Walloon Region with the objective to create employment while fostering the development of the local audiovisual industry. Its action is built around two companies: Wallimage Co-production and Wallimage Entreprises, which finances companies with corporate or operational headquarters in Wallonia which are innovating in the audiovisual sector.

Operating with an annual budget of 6.5 M EUR, Wallimage is a co-production fund offering support to independent production companies looking to finance all kinds of audiovisual works: live fictions, documentaries, feature films, animated feature films and series. Even though there are certain cultural criteria to be met (the Wallimage Regulations require that the work complies with at least five of the 10 criteria, such as the link to themes and issues relevant for Belgium, action taking place in Belgium, Belgian director/screenwriter/actors etc.), the main one is the commercial potential of the project: the potential returns on investment, revenues and jobs it can generate in Wallonia. Wallimage finances between 20 and 25 percent of audiovisual expenditures generated in Wallonia.

The applicant is required to prove that at least 30% of the total financing is already secured. In case of animated TV series, this share amounts to 50%. The maximum awardable amount is 400.000 EUR per project and specifically in the case of documentaries, support is limited to 20% of the total production budget.

An interesting and perhaps inspiring practice is that the fund also supports the production of unscripted TV formats (such as magazines, talk shows, entertainment, reality TV shows…) in the form of assistance to development and production of a pilot. It is a unique form of support for a genre that does not have a particular cultural value but has enormous potential in terms of popularity and therefore revenues it can generate for the sector. Each selected project can receive up to 60.000 EUR, representing a maximum of 80% of the pilot's total budget. The conditions are that the funds are spent on Walloon providers and talent, and that a letter of interest by a linear or a non-linear service provider is provided. An added value is the international potential of such formats – as this means that the format could potentially be sold abroad and generate even more revenues. Since the first call for projects was launched in 2016, 22 out of 53 projects were supported, and the overall budget available for this niche has grown due to the increasing quality of applications.

Indeed, the purpose of the Wallimage as an economic fund is to support productions that will incur significant expenditure in Wallonia. The eligible costs correspond to expenditures incurred in the Walloon Region relating to the audiovisual sector. The spending rules require the producer to spend at least 300.000 EUR in Wallonia, representing a minimum of 150% of the requested investment (for documentaries, the spending requirement is limited to a minimum of 75.000 EUR and 20% of the production budget).

The expenses need to have a connection with the audiovisual sector, such as being spent on services provided by companies or individuals working in the audiovisual sector, costs related to the rental or purchase of audiovisual equipment, rental of sets, trucks for transportation of filming equipment etc.

The company reports the investments between 2001 and 2019 amounted to 90 M EUR, which in turn generated 384 M EUR worth of economic activity in Wallonia. Furthermore, it claims that over the past five years, the multiplier effect of these investments has reached a ratio of 5.6; in 2019, return on investment for Wallonia was reported to be as high as 571 %.

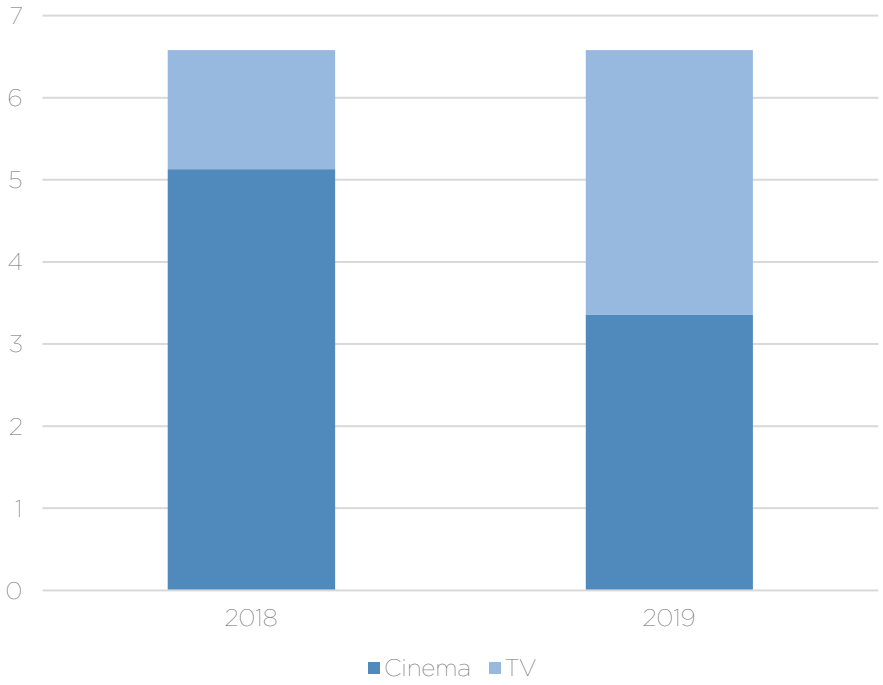


Figure 8: Wallimage investments 2018 vs. 2019 (M EUR); source: Wallimage

Thanks to the combined effects of Tax Shelter and Wallimage, it is generally considered that producers can have up to two thirds of their expenditures in Wallonia covered (with Wallimage averagely covering for 25% of expenses and Tax Shelter up to 41% provided that all its conditions are met).

Regarding the types of works that receive support, the 2019 Report[72] pointed to a rather interesting and perhaps unexpected fact: whereas in 2018 the ratio between investment in cinema and TV was 78:22, in 2019 the balance reversed, with the amount of investments in television projects being almost equivalent to that of cinematographic works, 49:51, a fact that reflects the willingness of producers to diversify their activities.

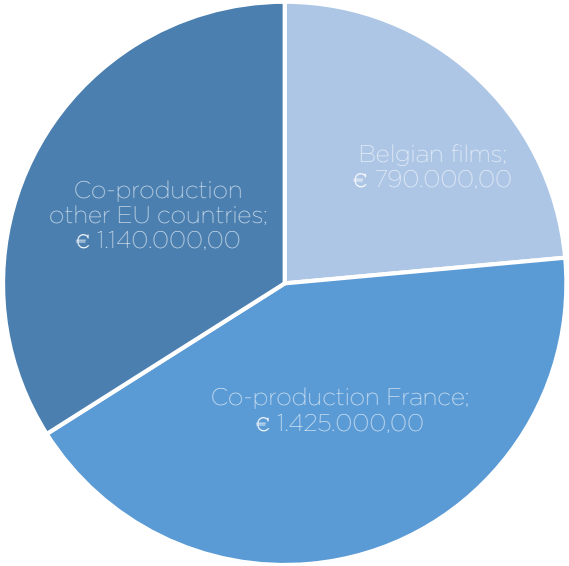


Figure 9: Wallimage budget allocation in 2019 – Cinema; source: Wallimage

72 Wallimage Bilan 2019 Coproductions, https://cms.wallimage.be/sites/default/files/2020-01/2019%20-%20bilan%20chiffr%C3%A9%20de%20wallimage%20coproductions.pdf, p. 2.

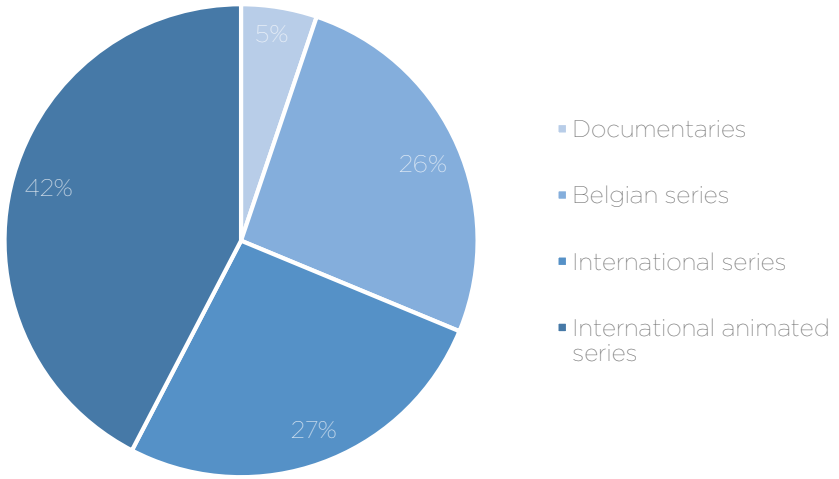


Figure 10: Wallimage budget allocation in 2019 – TV; source: Wallimage

4.1.4.5. Screen.brussels

A regional government initiative has been launched in the Brussels-Capital region. Recognizing that the audiovisual sector represents an important component of the cultural and creative industry in the region, and inspired by the success of Wallimage, the Government expressed its commitment to promoting it as part of the priority actions of the 2025 Strategy. To promote Brussels as Belgium's largest media hub (with nearly half of Belgian media outlets having their headquarters in Brussels), it was decided to create a single point of entry for industry support by bringing all the regional agencies involved in developing the audiovisual industry under one roof.

The fund itself therefore operates under an umbrella brand screen.brussels[73] which, in addition to funding productions that spend part of their budget in the Brussels-Capital Region, brings together other support services such as filming logistics, thus acting as a one-stop shop for the audiovisual industry in the Brussels Region. Its annual budget is 3 M EUR.

The fund functions as a co-production scheme in which, to qualify, the production of the audiovisual work must be considered as enriching the heritage of the Brussels region (such as taking place in Brussels, using Brussels talent, etc.), as well as prove that a percentage of the total funding for the production has already been acquired. This percentage amounts to 40% for feature-length formats, television series, documentaries or animation, 60% for special formats (XR, video games, audio formats, other hybrid formats, etc.) and 80% for web series formats.

Since the purpose of the fund is to boost the economy of the region, only expenses incurred in the Brussels-Capital region and invoiced by companies that are VAT-liable or self-employed workers with both their registered office and place of business in the Brussels-Capital region are considered eligible. The applicant is required to commit to a minimum amount of spending in the region: 250.000 EUR for feature-length formats and television series, 75.000 EUR for documentaries, animated series and special formats, 45.000 EUR for web series formats, and 30.000 EUR for audio formats (podcast, audiobooks, etc.). In any event, eligible audiovisual expenses must at least equal the amount requested from screen.brussels. As with Wallimage, these expenditures can be the same as those made to gain the Federal Tax-Shelter scheme.

73 In addition to the co-production funding, screen.brussels hub offers multiple services: welcoming filming in Brussels (screen.brussels film commission), connecting professionals and companies to enhance the sector's visibility and help them grow (screen.brussels cluster), and providing loans or capital investment for SMB's (screen.brussels business).

In 2019, it is estimated that the investment for a total of 3 M EUR generated 37 M EUR in audiovisual spending for Brussels.[74]

In total, 50% of these productions were directed by Brussels-based directors and 90% were produced by Brussels-based producers.

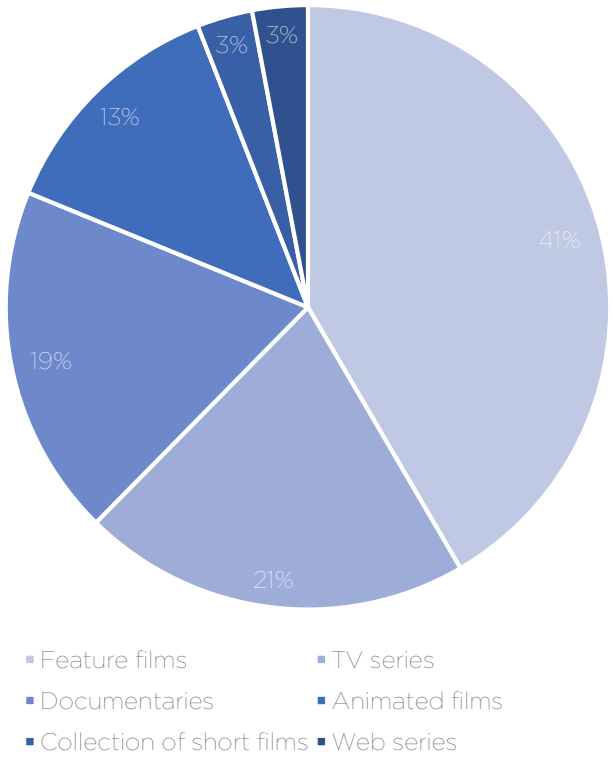


Figure 11: Screen.brussels project breakdown in 2019; source: Screen.brussels

4.1.5. Fiscal incentives

Belgium offers a fiscal incentive through the federal scheme called the Tax Shelter, allowing the Belgian or foreign companies established in Belgium to invest in works intended for cinema or television and to obtain in return a tax deduction reducing the taxable profit. The system was introduced in 2003 at the joint initiative of the Belgian Federal Ministry of Culture and the audiovisual sector,[75] with the aim to encourage the production of audiovisual and cinematographic works in Belgium, including to attract European co-productions and particularly those from the neighbouring France and the Netherlands.

The system is open to Belgian productions as well as qualifying international co-productions with Belgium, for the production of the following works:

- European audiovisual works, which encompasses: a fictional, animated or documentary film intended for cinematographic exploitation; a fictional or animated television series; a documentary television program; a long fiction TV movie; series intended for children and young people (fiction series with educational, cultural and informative for a target group of children and young people aged 0-16).
- International productions in the following categories: feature film, documentary or animated film intended for cinema.

It functions in the following way: a tax certificate is issued at the request of a Belgian company to local investors, on the basis of a framework agreement and expenses carried out for the production and exploitation of the work. The investor must make its full payment within three months of signing the framework agreement.

74 Screen.brussels 2019 – At a glance, https://screen.brussels/sites/default/files/screen-brussels-bilan-2019-en-infographies.pdf, p. 3.

75 Based on the law of 12.05.2014 and of 26.05.2016 included in art. 194ter of the Income Tax Code 1992, and on the law of 25.12.2017 reforming the Corporate Tax.

Tax value of the Tax Shelter certificate is:

- 70% of qualifying production and exploitation expenses, carried out in the European Economic Area, insofar it concerns expenses directly linked to the production of the work,
- with a maximum amount equal to 10/9 of the amount of the production and exploitation expenses carried out in Belgium, whose 70% are expenses directly linked to the production.

The total amount of the tax values as regards the Tax Shelter certificates issued for a work cannot exceed 15 M EUR.

The incentive offers advantages for both investors and producers.[76] For producers, the Tax Shelter can provide the financing of an important part of its eligible production expenses, i.e. additional funding up to 25-30% of the total qualifying expenses in the European Economic Area (EEA). It allows the financing of up to 40-45% of the Belgian-eligible expenses. The investor obtains a temporary tax exemption for the period during which the agreement is signed based on the sums paid, a return on tax saving of 5.30% per year and a return on sum paid equal to the 12-month Euribor rate + 450 basis points.

In general, the system is deemed to be invaluable to the industry and as an important driver in its growth and development. It is also believed to have a positive impact on generating additional sectoral employment as well as to spur infrastructure growth and the emergence or expansion of Belgian service companies.

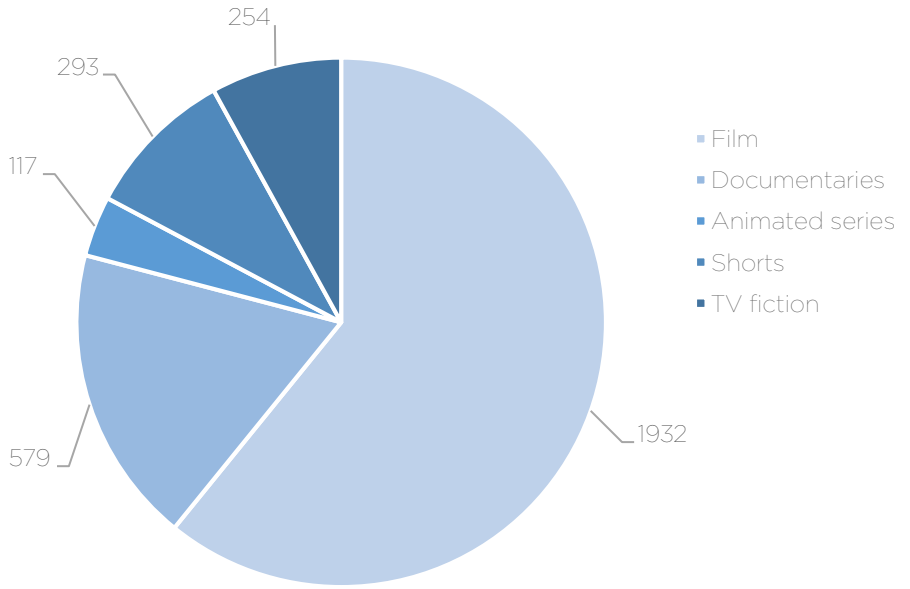


Figure 12: Tax Shelter scheme in FWB per genres (total distribution; 2003-2020); source CCA

The officially available figures on the number of works financed with Tax Shelter and the investments made seem to confirm this impression. From 2003 until 2020, a total of 3.175 works were approved: 1.932 feature films, 293 short films, 579 documentaries, 117 animated series, and 254 long fiction TV films.

The following graph shows a gradual increase in the number of supported works across all genres.

76 The state is considered as the third beneficiary, as the system aims to attract investments and create jobs. For the lack of recent data on the economic impact of the Tax Shelter, many sources cite a 2012 report by uMedia and Deloitte, which calculated that for each EUR 1 sheltered through the incentive, the Belgian Federal Government receives EUR 1.21 in tax revenues arising from the investment.

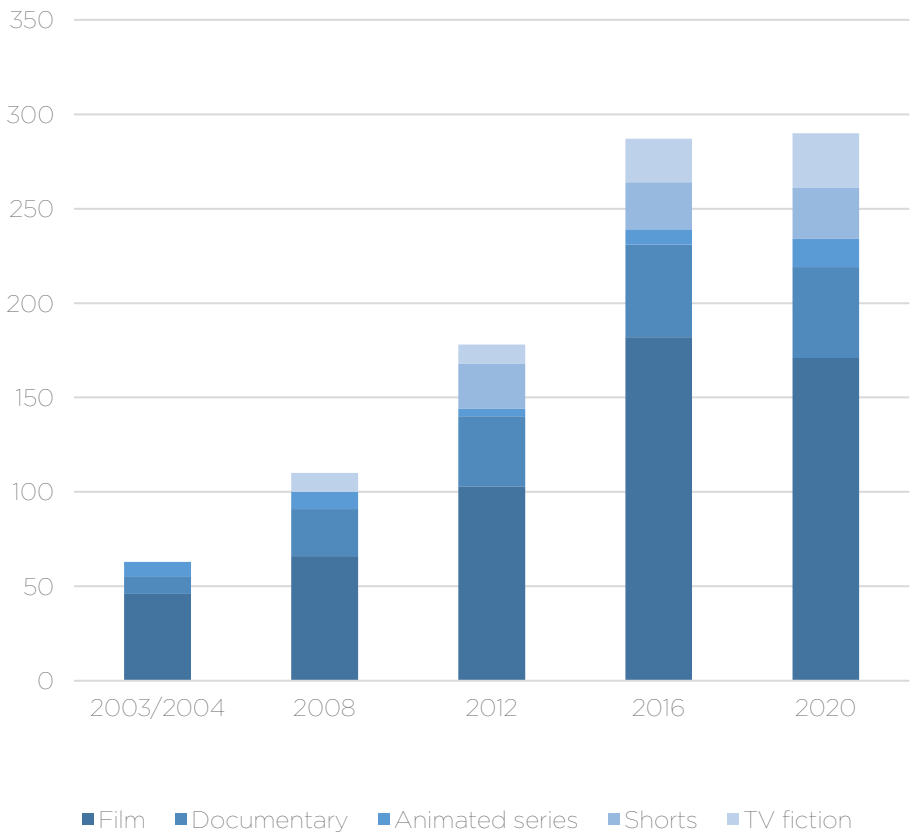


Figure 13: Breakdown of Tax Shelter scheme in FWB per years 2003/2004-2020; source: CCA

In 2020, there were 290 audiovisual works approved as eligible, with over 134 M EUR of investments in the audiovisual sector at the national level, out of which 79 M EUR in the FWB. The CCA reports that since 2003, 1.510 works have benefited from the scheme, with a total investment of 1.1 M EUR. The average contribution from the Tax Shelter ranges from 16% for feature films to 30% for TV films.

As mentioned earlier, the system is designed in a way to attract foreign production companies, provided that a co-production agreement exists between Belgium and the project's country of origin, who partner with local production companies in order to benefit from the tax incentive. The largest co-production partner for Belgium is France,[77] due to the linguistic compatibility. Since the establishment of the Tax Shelter, the number of French-majority films made in partnership with Belgian production companies, and many using filming locations in Belgium, has grown exponentially.

There is a number of private Tax Shelter intermediaries offering support to investors in terms of advice and tools they need for the effective management of the operation. Some of those (e.g. Belga Films and Umedia) combine the offer of production solutions with financing via their own in-house Tax Shelter funds, thus assisting their partners at every stage of the film's production: organising the filming or post-production in Belgium, seeking out additional funding (from regional funds) and putting the co-production structure in place.

The declining profits caused by the Covid-19 pandemic have shown a potential shortfall of the current system: since it is a fiscal incentive available to businesses that invest in a production, and not an automatic scheme, there is a potential issue of the future capacity of the market to raise tax shelter funds. Some are therefore proposing the restructuring of the tax shelter system, while all agree that some form of fiscal stimulus must be in place to keep the interest of international productions.

77 In 2020, 54% of co-productions were made with France, a decrease from 67% on average in previous years.

4.1.6. Investment obligations and levies

The obligation of audiovisual media service providers to contribute to the production of audiovisual works, under the AVMS Act, does not differentiate between linear (TV) and non-linear (VOD) audiovisual media service providers, i.e. applies equally to television broadcasters and on-demand (VOD) services. The novelty introduced in 2021 amendments (by way of transposing the revised AVMS Directive) concerns the derogation of the country-of-origin principle by also obliging foreign AVMS (both linear and non-linear) providers targeting the French-speaking audience to contribute financially to the production of audiovisual works.

Another large group of stakeholders subjected to either investment or levies are distributors of AVMS services.

There is no obligation of investment or levies imposed on cinemas, video industry or other market players.

4.1.6.1. AVMS providers

The providers can choose between the financial investment (direct contribution) in the audiovisual work in the form of co-production or pre-acquisition of rights, or a levy, i.e. an indirect contribution to the film fund CCA. The providers are obliged to notify the CCA and the CSA about the chosen method of investment before 15 February each year.

The annual amount is calculated based on their turnover from the previous year:[78]

- 0% for a turnover between 0 and 300.000 EUR ;
- 1.4% for a turnover between 300.000 and 5 M EUR;
- 1.6% for a turnover between 5 and 10 M EUR;
- 1.8% for a turnover between 10 and 15 M EUR;
- 2% for a turnover between 15 and 20 M EUR;
- 2.2% for a turnover exceeding 20 M EUR.

In addition to private broadcasters under a turnover threshold of 300.000 EUR, local public broadcasters are exempt.

4.1.6.2. RTBF

Unlike private broadcasters, direct investment for the public service media is mandatory.

RTBF is required[79] to maintain close partnerships with the audiovisual production sector as a whole. The partnership with the industry can take several forms: “joint ventures” with producers on developing new program formats, production orders, co-productions, pre-acquisition of broadcasting rights, purchases of television formats or technical subcontracting of production or post-production. To this end, the RTBF is required to invest at least 8% of its annual operating expenses, with a minimum of 30 M EUR per year.

The obligation to support and promote artistic creation in the FWB is part of RTBF public service media remit, which is monitored by the audiovisual regulator CSA. The regulator is also responsible for giving a yearly opinion on the fulfilment of these obligations by RTBF. The CSA’s latest opinion, for 2019,[80] states that the RTBF largely

78 Understood as the gross revenue derived from advertising and sponsorship (including teleshopping) and all other gross receipts generated by the provision of television services by the provider against payment, including gross revenue received from any distributor or third-party services.
79 Article 12 of the Government order approving the management contract of the public service broadcaster RTBF for the years 2019-2022, https://www.gallilex.cfwb.be/document/pdf/45830_000.pdf

80 CSA (2020), RTBF - Avis 2019, https://www.csa.be/wp-content/uploads/2021/01/CSA_Avis-RTBF-Ex2019.pdf

exceeded its obligation by investing as much as 46.469.504 EUR in the audiovisual sector.

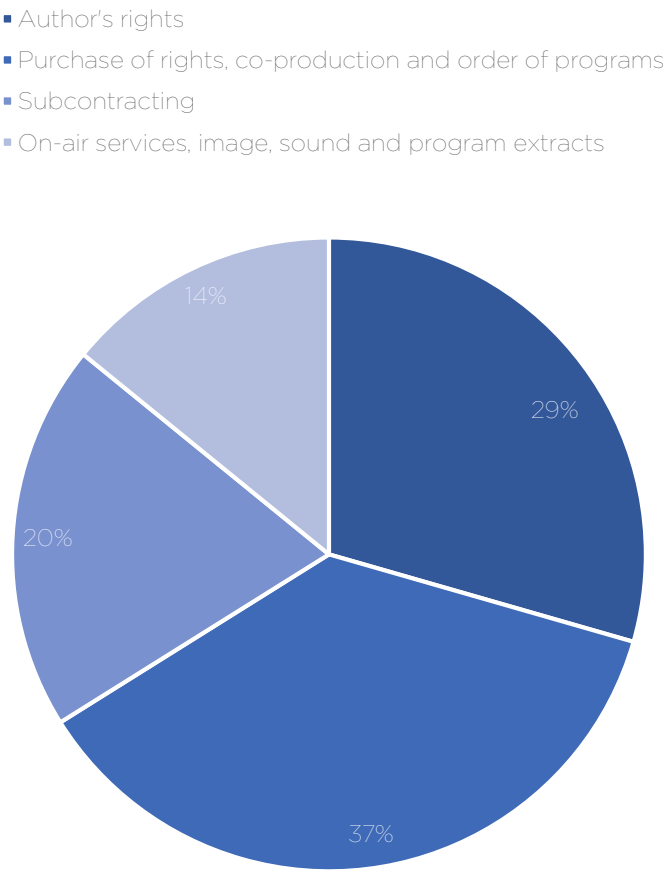


Figure 14: PSM total investment in the audiovisual sector (2019); source: CSA.

The RTBF's role is particularly essential in promoting independent productions. In this regard, the Management contract provides for several obligations and support incentives:

- The obligation to invest in contracts with independent audiovisual producers.
- Contribution to the Series Fund jointly managed with the CCA.
- Investing in creative audiovisual works co-produced with independent producers via the "Special Fund" managed by the CCA.

As for the direct investment, RTBF must allocate a minimum of 2.5% of its total annual operational expenditure, with a minimum of 8 M EUR per year, to co-production contracts with independent producers located in the FWB. Contracts can relate to different genres: TV films, feature films, documentaries, animations, short films, series and streaming programs. However, at least 70% of investment must be in scripted programmes: feature and short films (including animation), TV films, (web) documentaries and (web) series; with specific sub-quotas of 20% for (web) documentaries and 25% for French-language Belgian TV series.

The CSA reports that also this obligation was fulfilled in 2019, with RTBF investing an amount of slightly more than 10 M EUR in contracts concluded with independent producers as well as largely meeting the required quotas.

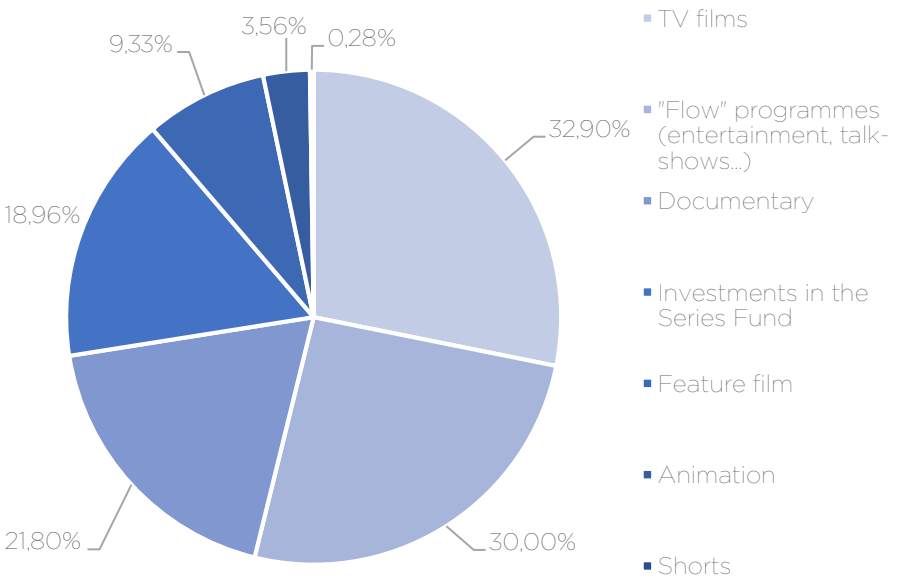


Figure 15: Distribution of RTBF investments in independent production (2019); source: CSA

4.1.6.3. Distributors

The obligation of investment in audiovisual works is imposed also on distributors of television services, who are also free to choose whether their contribution will be direct or indirect. In case of the former, the contribution is calculated either as 2 euros per subscriber from the previous year, or as 2.5% of revenues generated by the activity of distribution of audiovisual services.

Whereas broadcasters normally opt for direct contributions (co-productions), the distributors' contribution was traditionally an indirect one, made to the CCA, leaving the film fund free to decide how and where to spend the money. However, as the data presented below show, the distributors have increasingly started to engage in co-productions and/or pre-purchase, which can be attributed to the fact that, with the arrival of IPTV, operators are no longer mere distributors of content but are increasingly bundling they offers and diversifying their services. In 2020, the contribution towards the CCA was a mere 1.5% of the total contribution by the private providers and distributors of audiovisual media services.

The co-production is realized through agreements managed by the CCA, by which distributors undertake to invest at least 10% of the total amount of their annual obligation in cinematographic or television fiction of the French-speaking Belgian initiative (so-called majority) which constitute the first or second work (excluding short films) by a director, and at least 3% in majority documentary works. In addition, distributors also undertake to make best effort to achieve an investment rate of 35% of the total amount of their annual obligation in other cinematographic or television majority works.

The CCA evaluation of these agreements for 2020 has shown that the operators predominantly fulfil their obligations and even create as surplus of commitments (one distributor has chosen to additionally contribute by a payment to the CCA). In its Annual Report for 2020, the CSA also concludes that the distributors generally respected their obligations in terms of contribution to production and financing of audiovisual works.

4.1.7. Other instruments and contributing factors

4.1.7.1. Removing administrative barriers

As detailed in the previous sections, all funding systems available in the FWB, as well as the federal tax incentive Tax Shelter, are open to foreign production companies, which need to apply with a local production company, but are not imposed any other administrative requirements.

4.1.7.2. Logistic support and filming infrastructure

With many international productions looking to shoot in Belgium due to its attractive incentives, the country has developed a strong filming infrastructure. Even though it does not have a mega studio like some other European countries, there are ample facilities (studio space, lightning and camera equipment rentals etc.) catering to the needs of international productions, even the high-profile ones.[81] Crew expertise has also grown with the experience of international productions, which tend to bring their own heads of department, but Belgium is renowned for its highly skilled technicians.[82]

The regional film commissions provide assistance with a broad range of services:

- location research;
- coordination of contacts with local officials and press;
- information on audiovisual facilities, services and local crew;
- coordination of film permits;
- logistics;
- negotiations with the hospitality sector;
- extras;
- customised services.

Wallimage Tournages, with three offices in Liège, Namur and Mons, offers services such as identifying potential filming locations and obtaining permits. This sector is an essential complement to Wallimage Coproductions but can also help works not supported by the fund. Since its creation in January 2019, following the merger of four autonomous provincial entities, 193 shoots have been organized for an annual average of around 500 working days.[83]

Screen.brussels Film Commission is the Brussels Region's film office for film crews, location scouts and location managers. As part of visit.brussels, it has been serving as an interface between location managers and local and regional authorities since 2005. Concretely, it analyses the feasibility of filming projects, helps to get the permits, forwards parking space reservations, scouts for sets and locations, provide contacts and answers any questions related to filming. It is also in charge of promoting the region as a location during major industry events. The website contains a database of locations in Brussels, as well as a database of audiovisual professionals and companies offering all kinds of services needed for production in all its phases services (facilities, casting, filming, sound recording, production, post-production…). From over 400 professionals active in audiovisual activities in Brussels, the cluster gathers 160.

The number of shooting days in Brussels is steadily on the rise: in 2019, screen.brussels recorded 1.311 shooting days on 309 projects, an increase of 35% compared to the previous year.

81 Such as the Lites studio opened in 2019 in Brussels with five professional sound stages and one of the most advanced underwater stages in Europe.
82 Macnab, Geoffrey (2021), 'Belgium', World of Locations, November 2020-April 2021, p.24.
83 Wallimage (2021), https://www.wallimage.be/en/tournages

4.1.7.3. Hubs for new forms of audiovisual creation

TWIST (Walloon Technologies for Image, Sound and Text) is the business cluster gathering companies active in the sector of digital audiovisual and transmedia technologies. It is a privately managed network but set up as a partnership between private and public players (in addition to private companies from the sector, its members include 5 TV channels, one of which is RTBF, universities and research centres and Wallimage).

Its mission is to boost the economic development of its members and to give structure in a general sense to the sector as a whole. It is estimated that the sector of digital audiovisual and transmedia technologies in Wallonia has a turnover of 1 billion EUR, and that it creates 5.000 direct and 2.000 indirect jobs.[84] Indeed, its membership in TWIST has almost tripled in size after six years of existence. Today, it comprises nearly 80% of the Walloon audiovisual and transmedia sectors.

TWIST addresses three types of customers: content producers (cinema, television, animation, multi-screens), television channels (development of innovative technology and service provision), and players in the communication and events fields (Internet, web, mobile, multi-screens, augmented reality, etc.). The network remains open for all channels of expertise and players in the audiovisual sector.

It should also be mentioned that the need to support new forms of audiovisual creation is increasingly more recognized by the public agencies:

- Through its component Wallimage Entreprises, the Walloon regional fund finances companies with corporate or operational headquarters in Wallonia which are innovating in the audiovisual sector: film industry (sound, image postproduction, VFX, shooting facilities, etc.), audiovisual technology solutions, gaming, companies developing innovative content, digital creative agencies dedicated to audiovisual technologies (VR, AR, 3D, etc.), mobile app developers if the proposed content is based on storytelling, etc. Wallimage Entreprises acts as a shareholder or as a lender. Currently the investment fund has shares in 27 companies and start-ups.

  Wallimage is especially keen on supporting the development of the gaming industry. In the recent years, Wallimage has invested in several studios.

- Screen.brussels platform also supports innovation; in 2019, the cluster focused its support on three innovative areas: developing new business models (cooperatives, circular economy, social entrepreneurship, etc.); developing new writing/new content formats (podcasts, branded content, videos, digital art, immersive technologies, e-books); and developing and funding audiovisual-related technologies (processes, hardware, software, etc.). The gaming industry also received specific support. By working with gaming federations from other regions, the cluster helped extend the Tax Shelter to video games.

It also offers professional training in a number of sectors such as visual effects (VFX).

4.1.7.4. Distribution support

The CCA provides distribution and promotion support for the first edition of films and programmes on DVD/Blu-Ray: French-language Belgian feature films whose first domestic theatrical release took

84 TWIST (2021), https://www.twist-cluster.com/about-us/the-twist-cluster.htm?lng=en

place within the 12 months preceding the application; French-language Belgian feature films that have not been released in cinemas in Belgium and whose first presentation at festivals in Belgium or abroad took place within the 12 months preceding the application; Programs consisting of at least 5 short or medium-short French-language Belgian majority productions (with a minimum duration of 70 minutes), whose first presentation at festivals in Belgium or abroad took place within 20 months preceding the application.

The aid can be granted in the amount of 2.000 EUR for DVD, or 4.000 EUR for a DVD and Blu-Ray edition. An additional aid of 500 EUR is granted in the event of subtitling of the film specifically adapted for the deaf and hard of hearing and/or audio description in French intended for the blind and visually impaired. In any event, the aid may not exceed 50% of the costs of publishing the DVD and/or Blu-Ray.[85]

4.1.7.5. Promotion and visibility

Wallonie-Bruxelles Images (WBImages) is the official agency for international promotion of audiovisual industry of the Walloon-Brussels Region. It is co-financed and co-managed by the CCA and Wallonie Brussels International, a body responsible for international relations in the FWB. WBImages' mission is to boost international exposure of Belgium's French-language films by organizing and taking part in promotional events, providing presence at international festival and market events, as well as by facilitating access of Walloon-Brussels professionals to the audiovisual market.

The André Delvaux Academy, established in 2010 by the Francophone Film Producers Association (UPFF) and Pro Spère, association of audiovisual and cinema creators and performers, aims to be a tool for promoting French-speaking Belgian cinema primarily with the domestic audience. Currently, its main project consists of the organization of the yearly ceremony of the "Magritte du Cinéma", a Belgian counterpart of the French César Awards.

4.1.7.6. Training aid

Each year, the CCA offers assistance to audiovisual professionals for the participation in training courses in the audiovisual field (writing, production, distribution, marketing, legal aspects etc.), aimed at deepening their theoretical and practical knowledge. More than 230 training courses are available,[86] organized by recognized Belgian and international organizations, including training courses organized by the Creative Europe - MEDIA program.

The CCA provides up to 50% of registration fees, with a maximum of 1.250 EUR per aid. The assistance is available to producers, professionals and graduates in the audiovisual sector, of Belgian nationality or nationals of a EEA Member State, and residing in the Walloon or the Brussels region.

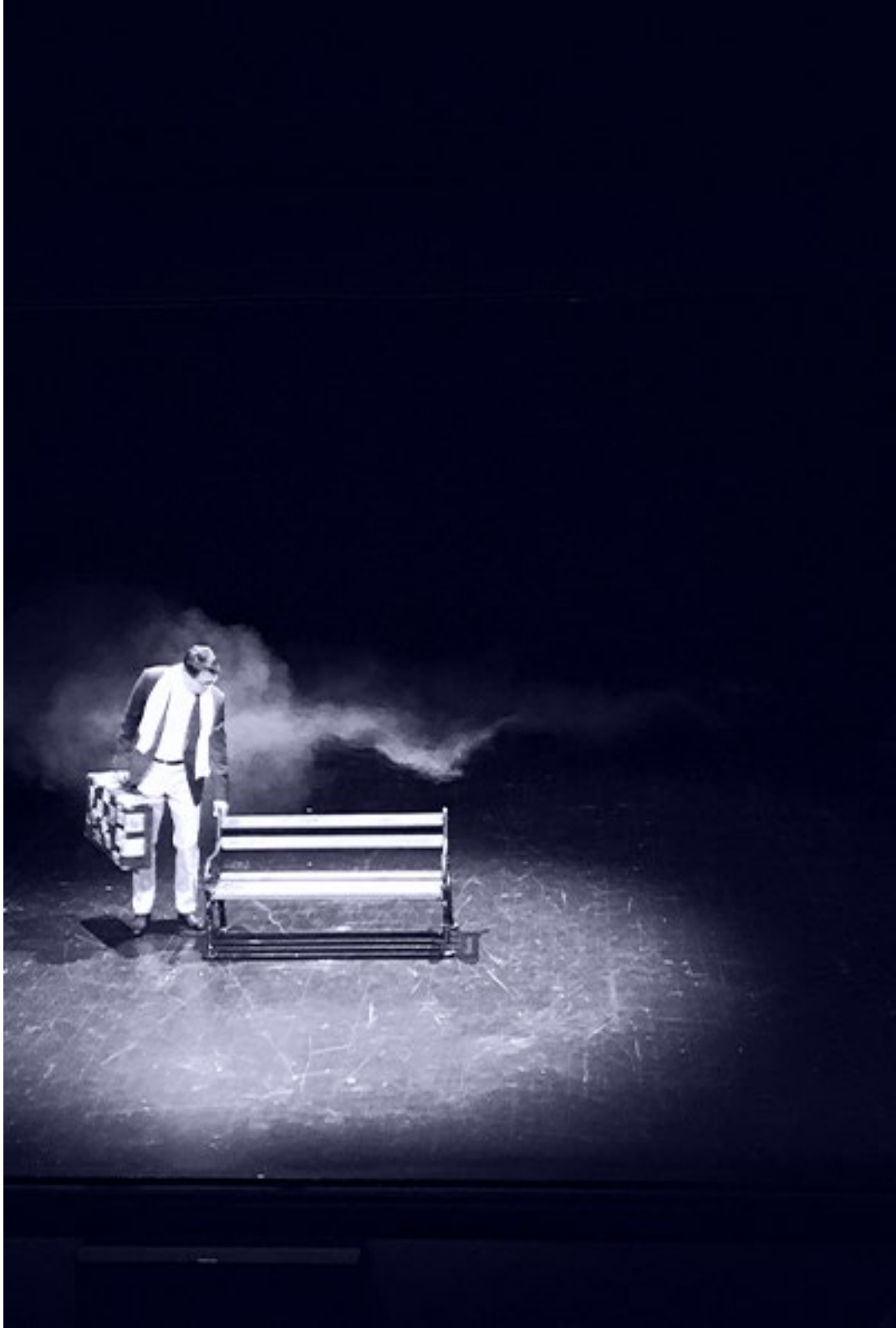
85 CCA (2021), https://audiovisuel.cfwb.be/aides/aide-promotion-diffusion/aide-edition-dvd-bluray/

86 The list of eligible courses is available here: https://docs.google.com/spreadsheets/d/e/2PACX-1vRIIxt-ynTVAJ7pz5SL95vt2YIhFChVYXRQyOknLSfbP0D9cjgME1pQhvu2JvAFAI_BntVUZOSRfAiD/pubhtml

4.2. Belgium FL (Dutch-speaking Community)

4.2.1. Highlights and good practices

- Flanders has a very vibrant and dynamic audiovisual production sector, thanks to government policy choices and decisions to invest in local creative potential and talent development, as well as exportable audiovisual productions. This is especially the case with Flanders' high-end television series that enjoy huge international success.
- Public funds are designed to finance strategic areas that, besides film, include television and video games. The regional fund offers economic benefits by demanding that the production is expenditure is made in Flanders: in the recent years, each euro invested by the fund generated 8EUR of eligible expenditure in the region. Due to a favourable environment created by the federal fiscal incentive the Tax Shelter, Belgium is a very attractive destination for film co-productions.
- The public service media VRT is of crucial importance for the Flemish independent production sector. Many independent producers work exclusively with it.
- Distributors of audiovisual media services and VOD providers have an obligation to invest in production of television audiovisual works, either through direct investment in the form of co-production or pre-acquisition of rights, or through a levy, *i.e.* an indirect contribution to the VAF/Media Fund which finances works made for television.
- Flanders created a supportive environment for the development of talents and infrastructure for the digital creative industry, especially animation and games.
- Flemish companies have been both early adopters and innovators in the field of audiovisual technology, which has



helped small companies develop into significant players in the global entertainment industry.

- Talent development through hubs, incubators, coaching, education opportunities, etc. is an important part of sustaining a vibrant audiovisual sector.

4.2.2. Policy and governance framework

The Dutch-speaking Community of Belgium (Flanders) shares many of the same features such as distinctive cultural and economic remits to that of the French-speaking community, with fiscal matters being on a federal level, but nevertheless has a different approach to audiovisual policy which seems more centralized, coherent and pragmatic, resulting in a more dynamic and innovative media landscape.

The legal and regulatory context in relation to various forms of support for the film and audiovisual industry is predominantly shaped by Government initiatives fulfilling both cultural and economic objectives, and, to a certain extent, by investment obligations imposed on audiovisual media industry players established under the Media Decree.

Flemish audiovisual policy in general is particularly focused on original exportable content, digital technologies and new creative media forms, backed by concrete measures such as action plans and funding mechanisms.

4.2.2.1. Sectoral governance

The Flanders Audiovisual Fund (VAF) is a cultural fund established by means of the so-called VAF Decree.[87] The VAF is a non-profit association, an institution of the Flemish Community and works on behalf of the Flemish government in its exercise of cultural objectives. It implements the Flemish film policy, but also plays a role in the preparation of the policy together with the competent ministries, mostly by providing professional services, data collection and analyses. The Flemish government also grants support, through its economic fund Screen Flanders, to audiovisual productions and co-productions that spend all or part of their budget within the Region of Flanders and is made available by the Agency for Innovation and Entrepreneurship, which is a governmental organisation.

The VAF policy, both in terms of content and finances, is supervised by government commissioners, i.e. the representatives of the competent Flemish minister(s). They also attend the meetings of the VAF board, which is comprised of 11 members: 7 nominated by the government, and 4 independent directors.

The VAF is in constant consultation with the professional audiovisual sector in Flanders. In addition, the VAF organizes structural consultations several times a year. The VAF/Film Fund has by far the widest range of powers and fields of action. With regard to these competences, the VAF meets three times a year with representatives of the various professional organizations within the so-called Consultation Committee, a structure created by the VAF to organize the dialogue with the profession, consisting of representatives of the VAF and the Flemish audiovisual sector who were appointed by their professional association or supporters. The Consultation Committee has an author and a producer for each category. For the fiction sector, in addition to the producers and directors, the screenwriters also sit

87 Decreet houdende machtiging van de Vlaamse regering om toe te treden tot en om mee te werken aan de oprichting van de vereniging zonder winstgevend doel Vlaams Audiovisueel Fonds, https://www.vaf.be/sites/vaf/files/vaf_decreet_-_versie_aanpassing_27052019.pdf

on the committee. At the meetings of this structure – about 3 times a year – all themes relating to the functioning of the VAF and to the broader context of the Flemish audiovisual sector are discussed. All members can propose agenda items.

In addition, the VAF organizes separate ad hoc consultations with professional associations to discuss specific topics, such as the Screenwriters Guild, the associations of directors, producers and film organizations.

The role played by the VAF/Media Fund and the VAF/Game Fund is much more limited and specific. For this reason, separate consultations are scheduled for these funds once a year. The participants in these meetings include, for the VAF/Media Fund, the TV channels and professional organizations, and for the VAF/Game Fund, the representatives of the Flemish gaming industry.

The VAF provides detailed information and reports on its activities and decisions available on its website.

4.2.2.2. Professional associations

4.2.2.2.1. SACD/SCAM

The support offered to the collecting societies representing authors (SACD for cinema and TV fiction and SCAM for multimedia authors) described in section 3.1.2. is applicable in Flanders as well.

4.2.2.2.2. VOFTP

The Association of Flemish Independent Film and TV Producers (VOFTP) aims to promote the economic and commercial interests of the Flemish independent film & television producers in two ways:

- by keeping its members informed and involved in legal, business and other relevant developments relating to the audiovisual sector, and
- by defending the interests of the Flemish independent television and film production sector towards broadcasters, the press, stakeholders in the wider media sector, research institutions, government agencies/companies, advisory bodies and employers' organisations.

In addition, VOFTP also functions as a think tank in which all current matters relating to the sector are discussed and where joint positions are taken. It also produces legal guidelines and standard agreements, as well as provides information and organize seminars, events and networking for its members.

4.2.2.2.3. Flanders Doc

Flanders Doc represents a group of documentary film makers and documentary producers in Flanders. It is a platform where new-generation film makers and producers meet, create contacts and exchange experience.

4.2.2.2.4. Flanders District of Creativity

Flanders DC is a non-profit organization, supported by the Flemish Government, aiming to enhance the competitiveness of creative businesses, such as game studios, by boosting entrepreneurship, research and internationalization. Their main tools include advising (advice on feasibility of creative ideas, business models and strategies, financing, marketing and communication, production and sales, HR and recruitment, intellectual property, international entrepreneurship, managing and detecting opportunities for growth etc.), and enhancing visibility and international presence of creative talents from Flanders to a broad audience (through local campaigns, awards and events).

4.2.2.2.5. FLEGA

Flemish Game Association (FLEGA) gathers Flemish individuals and companies active in or connected to the Flemish game development ecosystem (developers, service providers, educational institutions,

researchers, local publishers…), proactively promotes their interests, advise members and encourage them to share information and knowledge, represent members in communication with government, non-videogame sectors and international organizations.

4.2.3. Market and industry

As far as the film industry is concerned, the Flemish market is to a certain extent very similar to the French-speaking one. Being a small territory in the vicinity of a bigger, same-language market, it is focused primarily on co-productions, which are also largely supported by the available funding schemes and an attractive federal tax shelter system. Both major funding schemes, the cultural and the economic one, are public, which does represent a challenge, especially since Flemish broadcasters and other audiovisual market players do not have an obligation to contribute financially to the film fund. As already mentioned, Belgian films are generally suffering from insufficient and declining funding, as well as decreasing production budgets. However, it seems that, unlike in the FWB whose audience is not especially fond of domestic cinematography, the Flemish audience is more likely to support domestic production, a fact that some ascribe to a strong cultural identity and the overall cultural ecosystem that is appreciative of local talent. The official figures are available only at a national level: in 2018, the national market share was ca. 11%, which is below the EU average.[88] However, Flanders as a community of 6.5 million inhabitants, has an average of 1.8 million cinema attendances of Flemish (co)productions per year,[89] making for the market share of 27.7%. Many Flemish films are also successful internationally.[90]

But what really makes Flanders stand out is its very successful television industry, both prolific and popular: in 220, 111 Flemish features, 13 short movies and 35 Flemish series were shown on a broadcast in Flanders.[91]

The creative sector in Flanders provides an important contribution to the economy and is a major source of employment and added value. The Flemish government's policy choices made early on have had an impact on the overall dynamics of the sector. The foundation of these policies was television: first the public service media VRT, which underwent a significant reform in the 1990s making it more open to new initiatives, innovative forms of creative content and collaborations with independent producers. Commercial television followed, making the original, local TV production central for the development of the Flemish audiovisual industry. Today, high-end TV series from Flanders enjoy a world-wide reputation.

Even though the development of original TV fiction is highly expensive compared to acquiring foreign rights for content, it was fostered by both the public service media (which has the obligation to invest in independent production) and private broadcasters and distributors (which have the obligation to invest in audiovisual production). Today, the VRT and two private broadcasters (DPG and SBS) are the main commissioners and producers of TV drama in Flanders. Since 2014, digital television distributors Telenet and Proximus have been increasingly investing in television fiction as well, partly by funding VOD rights to enlarge their pay-TV subscription catalogues, and partly because of the investment obligation. The independent production industry is scattered across more than 60 companies, of which an average of 8 are consistently involved in TV fiction production.[92]

88 EAO (European Audiovisual Observatory) (2019), EU box office revenues dropped in 2018 as EU market share increased, 9 May 2019. https://www.obs.coe.int/en/web/observatoire/home/-/asset_publisher/9iKCxBYgiO6S/content/eu-box-office-revenues-dropped-in-2018-as-eu-market-share-increased
89 VAF (2021), Flemish film in numbers, https://www.vaf.be/kennisopbouw/vlaamse-film-cijfers
90 In 2018, a total of 71 Flemish titles were selected 104 times for the 40 most important international film and television festivals, including the Cannes, Toronto and Berlin festivals. Flemish (co)productions, including animation projects, received 300 awards.
91 VAF Annual Report for 2020, https://www.vaf.be/sites/vaf/files/jv_vaf_2020_new.pdf, p. 124.
92 Raats, Tim and Iordache, Catalina (2020). From Nordic Noir to Belgian Bright? Shifting TV Drama Production and Distribution in Small Markets: The Case of Flanders. VIEW Journal of European Television History and Culture, 9(17), pp. 79–92. DOI: http://doi.org/10.18146/view.243

The government's goal to increase commercial return on TV fiction translated into a slight increase in the budget of the Flanders Media Fund (VAF/Media Fund). The management contract 2018-2021 of VAF included some changes to this end: to boost the quality of screenplays (and thus enhance the exportability of the series), screenwriting grants went up from 25.000 to 75.000 EUR, while production support for exportable high-end drama went up from 800.000 to 1.125.000 EUR. Aside from a subsidy mechanism and the abovementioned investment obligation for distributors, the fiscal incentive of the tax shelter has been of crucial importance in sustaining high levels of production. Estimates reveal a tax shelter adds over 85 M EUR.[93] The availability of these additional funding mechanisms reduced the necessity to attract co-production or co-financing support from foreign markets.

More recently, a similar strategy is being applied to new creative content such as gaming, for which a specialized funding mechanism has been set up.

4.2.4. Funds and subsidies

There are two main public funds in Flanders.

The VAF operates three distinctive funding mechanisms: the VAF/Film Fund, the VAF/Media Fund and the VAF/Game Fund. Each has its own Management Agreement[94] concluded between the Flemish Government and the VAF for three years with its own objectives, rules and assessment systems. In addition, each type of support within one of the three funds is governed by its own General Terms and Conditions.[95]

Screen Flanders[96] is the economic support measure for audiovisual works in Flanders. It falls under the remit of the Ministry of Economic Affairs, in close cooperation with the Ministry of Culture. The general legal framework for the support provided by Screen Flanders is defined by the Screen Flanders Decree, as well as the Ministerial Decree implementing it.[97]

4.2.4.1. The VAF/Film Fund

The VAF/Film Fund supports so-called "single" creations – one-piece, stand-alone works in the categories of fiction, animation, documentary, film lab and innovation lab. Projects in virtual reality and augmented reality can also be supported. The VAF/Media Fund supports television series and their cross-media applications, as well as web series. The VAF/Game Fund supports the production of video games. Within these funds, various financial grants can be awarded, which correspond to the successive stages in the creation process: scriptwriting, development and (post) production. Games are referred to as pre-production support and production support.

The focus of the VAF is to support local talent, i.e. major Flemish projects. However, the VAF can also support co-productions with other regions at home or abroad, in which the role of the Flemish partner is subordinate to the initiating maker/producer. Minority co-production can only apply for support if creative talent from Flanders is involved in key positions and 50% of the overall financing is confirmed. In addition, 100% of the support must be spent in Flanders and Brussels region – this can be changed by mutual agreement if justified, but the expenditure may never be less than 60% of the amounted granted.

93 Ibidem.
94 VAF (2021), https://www.vaf.be/downloads/download-beheersovereenkomsten
95 VAF (2021), https://www.vaf.be/download-reglementen
96 https://screenflanders.be/en/
97 Ministerieel besluit houdende uitvoering en wijziging van het besluit van de Vlaamse Regering van 8 december 2017 tot toekenning van steun aan audiovisuele werken van het type lange fictie-, documentaire of animatiefilm, of animatiereeksen, https://www.etaamb.be/nl/ministerieel-besluit-van-23-februari-2018_n2018011582.html

The annual budget available for production support is 11 M EUR (Film Fund), 5 M EUR (Media Fund) and 1.4 M EUR (Game Fund).

The Film Fund co-finances the production of individual films in various genres: fiction, animation, documentary and experimental film. Feature films, medium-length and short films are all eligible. The support is limited to 50% of the total production budget, but it can be increased to 60% for co-productions or 90% for difficult[98] and low-budget films.

The VAF/Film Fund works with a system of fixed amounts for the following categories: fiction, [99]animation[100] and documentary.[101]

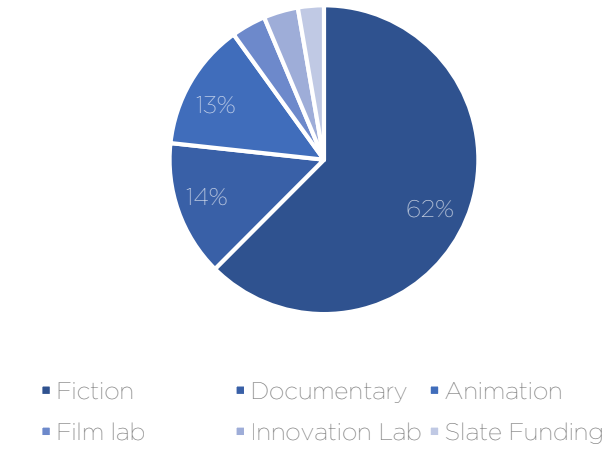


Figure 16: Breakdown of VAF/Film Fund allocation in 2020 by genre; source: VAF

98 "Difficult" production includes fiction and animation (low-budget project, debut project, youth project, author's project, Dutch-language project or a project that touches on Flemish cultural identity or Flemish cultural patrimony and heritage, or which is based on a Dutch-language work) or documentaries of notable artistic or cultural value; short and medium-length films in the categories of fiction and animation of notable artistic or cultural value, or FilmLab and Innovation Lab projects.
99 For maximum awarded amounts for each category of works, please refer to VAF (2021), https://www.vaf.be/vaste-bedragen-fictie

4.2.4.2. The VAF/Media Fund

The Media Fund supports television series and their cross-media derivatives – in particular high-quality fiction, animation and documentary series. It is also open to web series.

Support is awarded only when a television series is developed in co-production with a Flemish TV broadcaster. Again, the support is limited to 50% of the total production budget (60% for co-productions, 80% for difficult and low budget audiovisual works). For applications concerning foreign series, at least 50% of the financing must be guaranteed, with at least 20% of funding coming from Flanders. It is also a requirement that a Flemish television broadcaster should be financially involved in the production of foreign series.

In addition to public funding, the Media Fund is fed from contributions coming from TV distributors and VOD providers (see section 4.2.6.2. and 4.2.6.3.).

Figure 17: Breakdown of VAF/Media Fund allocation in 2020 by genre; source: VAF

100 https://www.vaf.be/vaste-bedragen-animatie
101 https://www.vaf.be/vaste-bedragen-documentaire

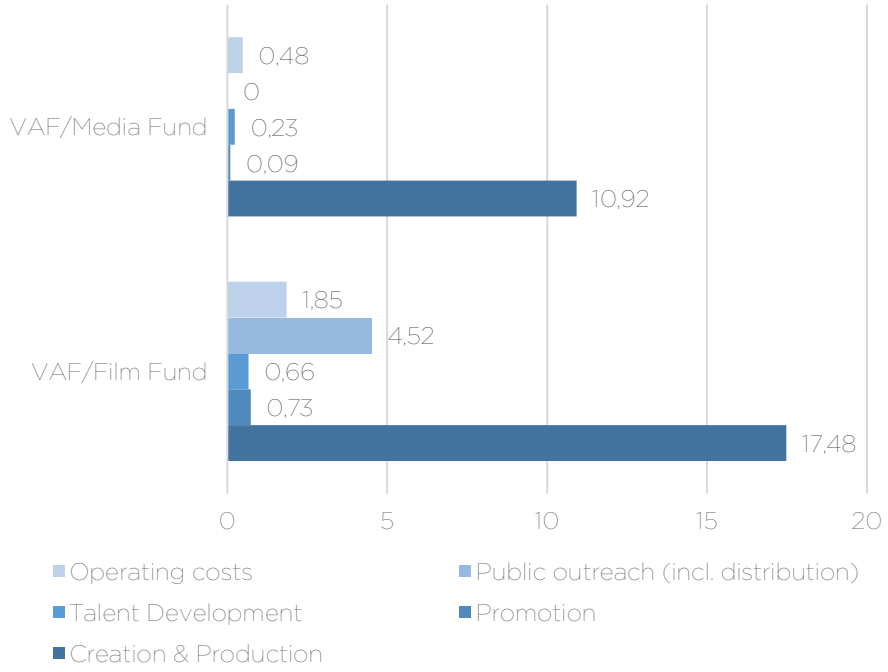


Figure 18: Comparison of VAF/Film Fund and VAF/Media Fund expenditures in 2020; source: VAF

4.2.4.3. The VAF/Game Fund

Support to the gaming industry has been in the Flemish government's focus for its significant international potential. In 2018, it approved the Gaming Action Plan with the general objective to allow the Flemish game sector to grow into a mature sector within the creative industry in the short or medium term and to connect with the European and international games industry. The focus is on more investments in the Flemish game sector, a specific support and guidance offer tailored to game developers, internationalization, a coordinated game policy and awareness raising about the theme of gaming.[102] There are 71 video game studios in Belgium, almost exclusively located in Flanders.

The Game Fund co-finances the development of video games, defined as an interactive game that can be played by one or more players on a digital platform, such as a PC, game console, smartphone or tablet. Different financial incentives are awarded, depending on the stage of the creation process: pre-production support (e.g. further elaboration of the concept, gameplay, story etc) and production support (the effective realization of the game).

Aid can only be requested by and granted to legal entities whose registered office is located in Flanders or the Brussels Region. In the case of co-productions with Wallonia or a game developer from a European country, the developer must always act as applicant.

4.2.4.4. Screen Flanders

Screen Flanders is open to Belgian-based independent producers, as well as to foreign producers that work with a Belgian co-producer, since it covers only the expenditure invoiced by a company whose operating headquarters are in Flanders. The applications and promotion of the fund is managed by the VAF.

Eligible works include fiction, documentary or animation films with a minimum length of 60 minutes, as well as series consisting of at least three episodes.

In 2020, the vast majority of supported project was fiction (96%), whereas the percentage of documentaries and animation were negligible. However, this should not be interpreted as a trend, since 2020 was an extraordinary year:

102 Department for Culture, Youth and Media (2021), https://www.vlaanderen.be/cjm/nl/media/beleidsthemas/gaming

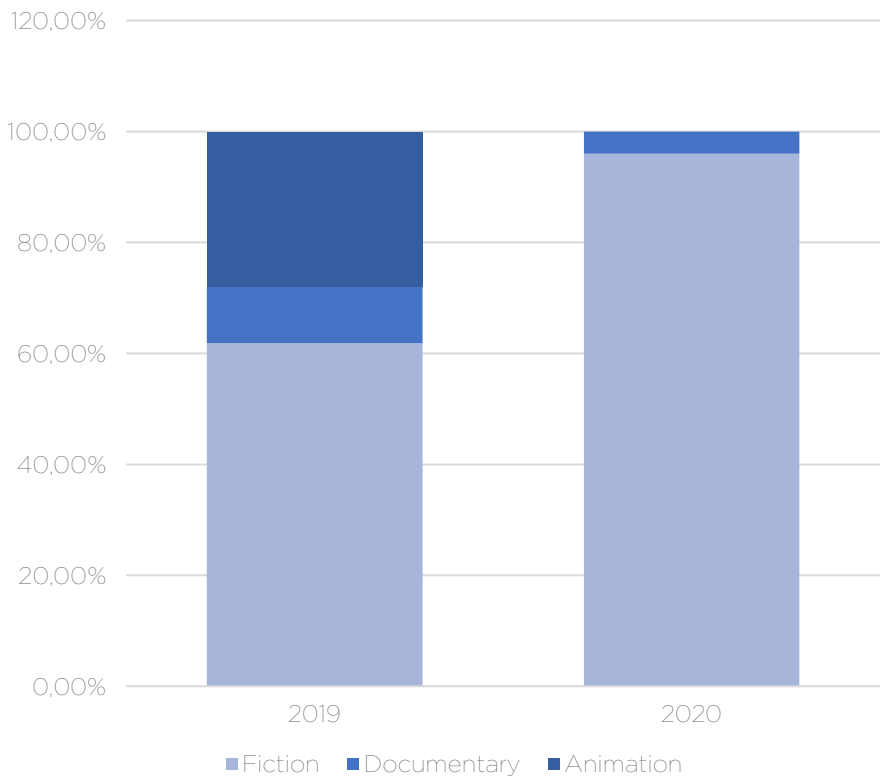


Figure 19: Breakdown of Screen Flanders funds allocated in 2020 by genres; source: VAF

The annual budget of Screen Flanders currently amounts to 3.5 M EUR and is made available by the Agency for Innovation and Entrepreneurship, which is a governmental organisation. The support is awarded in the form of refundable advances on net receipts. From these net receipts, a percentage needs to be repaid corresponding to the proportion of total support awarded by Screen Flanders in the overall financing of the audiovisual work. Furthermore, a minimum of 250.000 EUR (VAT excluded) eligible production costs must incur in Flanders. The support can cover up to 50% of the total production budget for the project (60% for co-productions that receive funding from more than one member state, and 75% for a difficult production), the maximum amount awarded not exceeding 400.000 EUR.

Every euro invested in a production by Screen Flanders must yield at least one euro of audiovisual expenditure in the region. However, the economic effects of the support granted are much more significant: in 2020, the eligible costs in Flanders for the 19 approved projects amounted to 27.910.483 EUR, which means that every euro invested by the fund generated 7.97 EUR of eligible expenditure in Flanders. This ratio has been on a steady rise since the creation of the fund in 2012.

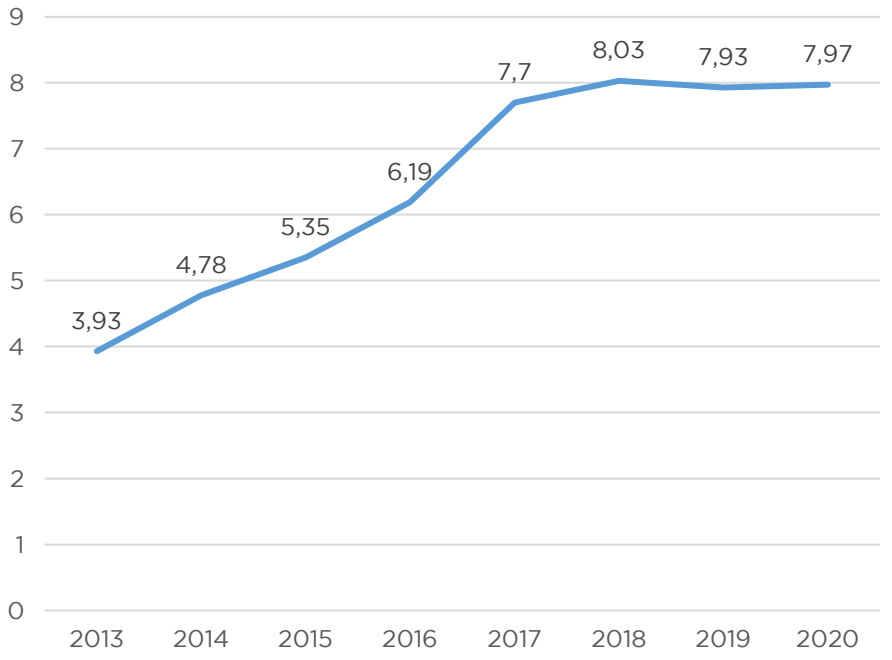


Figure 20: Eligible expenditures per euro invested by Screen Flanders; source: VAF

4.2.4.5. The Antwerp Film Bonus

The Antwerp Film Bonus is a financial incentive attributed by the city of Antwerp to productions with a great international appeal, which are entirely or partly set in Antwerp and make use of local crew and facilities.

The Antwerp Film Bonus is designed to be complementary to the other existing financing tools in Flanders. Therefore, only productions that have already been supported by one of the regional funds (VAF, Screen Flanders, …) can apply for funding. Productions are evaluated on their local economic return (minimum of 10 exterior shooting days, number of nights in the city, local crew and suppliers…), which is measured through a point system. With a budget of 50.000 EUR, the city aims to support a maximum of two productions each year.

4.2.5. Fiscal incentives

The aim of the Belgian fiscal incentive Tax Shelter is to attract international co-productions. It is a federal scheme and applies in Flanders in the same way as it does in the French-speaking Community, the FWB (see section 4.1.5.).

The data for 2020 show that out of 134 M EUR of investments in the audiovisual sector made through the Tax Shelter at the national level, 79 M EUR were made in the FWB, and 55 M EUR in Flanders. This slight disproportion can be explained by the fact that the FWB attracts a significant number of co-productions from France, and increasingly more from Canada. Flanders, like its French-speaking counterpart, does benefit from international co-productions seeking to shoot in Belgium for its infrastructure and technical know-how (many British TV series are filmed in Belgium). In addition, new potential is seen in the fact that Tax Shelter expanded in 2019 to include video games, a development that Belgian companies specializing in VFX and 2D/3D animation welcomed as being crucial to making this industry more relevant on international level. German investments in this regard are particularly worth mentioning.

4.2.6. Investment obligations and levies

Market players have quite different obligations in terms of investments in audiovisual works. Apart from the VRT, the broadcasters do not have an obligation to make either direct investments or to pay levies – their obligations only concern investing in local content to be broadcast in their own programmes, and not to external production. Distributors and, as of recently, VOD providers, must make mandatory contributions but can choose between an investment and a levy i.e. an indirect contribution to the VAF Media Fund. However, the contributions are directed to the television production only and not to financing of film industry. There is no obligation of investment (levies) imposed on cinemas, video industry or other market players.

The following graph shows the share of indirect contributions coming from distributors and VOD providers in the total VAF Media Fund budget for 2020.

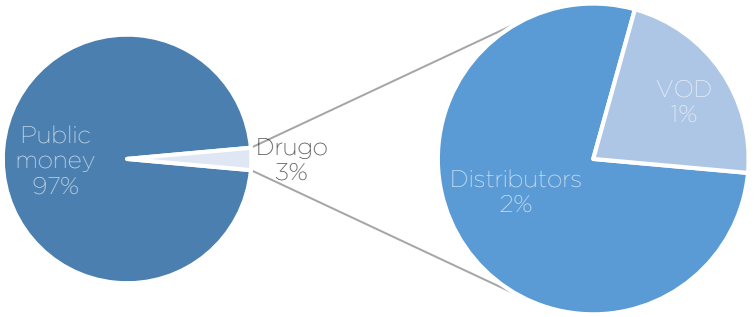


Figure 21: Share of levies in the VAF/Media Fund budget in 2020; source: VAF

Figure below demonstrates the division of contributions in terms of genres of audiovisual works supported by the distributors and VOD services in 2020.

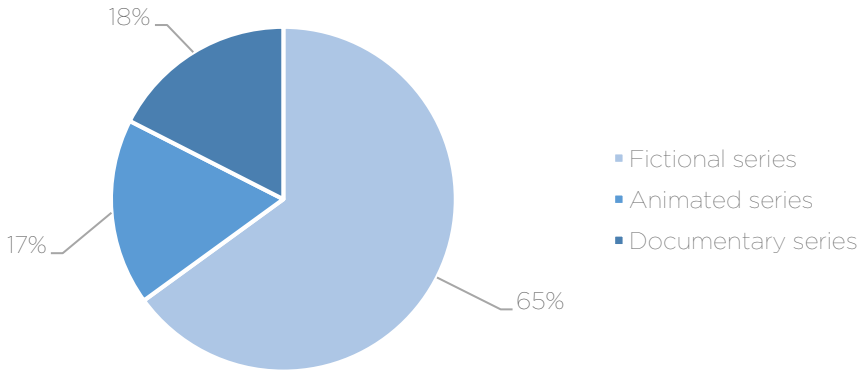


Figure 22: Distributors' and VOD providers' investment in 2020 per genre; source: VAF

4.2.6.1. Public service media

In line with the Management contract 2021-2025 concluded between the Government and the VRT, the public service media is obliged to invest 18.25%, or a minimum of 500.000 EUR of its total income (excluding exchange deals, the Brussels Philharmonic and restructuration costs) in external production – again, this obligation concerns TV production only. This percentage is expected to grow to 20% by 2025. On top of this, the VRT is obliged to invest additional resources amounting to 33% of its income from commercial communications.

The VRT must invest in the co-production of at least 15 episodes of documentaries annually, 22 of which at least 8 author documentaries (one-off documentary film or episodes per series).

According to the VAF Annual Report for 2020, the majority of approved applications for projects in the Media Fund was submitted by the VRT as co-producer, in total 51 out of 82 applications.

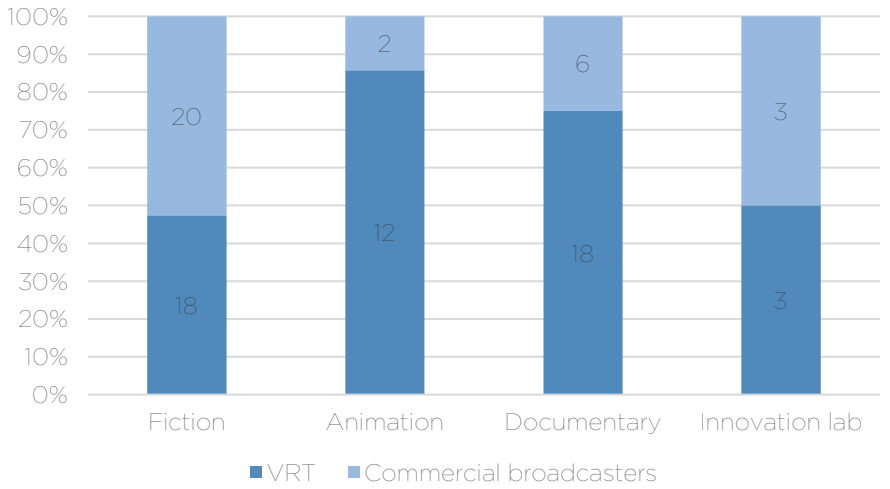


Figure 23: TV co-production of VRT and commercial broadcasters in 2020 by genre; source: VAF

An independent study conducted in 2018 by imec-SMIT, VUB concludes that the VRT is "one of the most important levers for the preservation of Flemish quality fiction, children's fiction and documentaries".[103] VRT's crucial importance for the Flemish

103 Raats, Tim, Tintel, Stephanie and Ballon, Pieter (2018), Is VRT supporting economic growth?, 7 December 2018, https://smit.vub.ac.be/wp-content/uploads/2019/05/Policy-Brief-20.pdf

independent production sector is partly explained by clear government commitments for investment. The analysis showed that:

- between 2014 and 2017, the VRT spent an annual average of 58.5 M EUR on the independent production sector;
- VRT cooperates with a large diversity of producers (not only TV, but also documentary and film producers) - 68 producers per year on average;
- VRT cooperates mainly with medium-sized and small production companies;
- VRT cooperates mainly with Flemish companies rather than subsidiaries of international companies;
- for a lot of Flemish producers, VRT is the only client. 43% of the companies working with VRT for television production have not worked with any other broadcaster in the past three years.

The policy of investing in high-quality Flemish TV fiction with international potential paid off: the income from the sale of VRT fiction has risen remarkably since 2016, and Flemish TV series are recognized abroad. With the help of the Flemish Audiovisual Fund, the tax shelter scheme and foreign investors, the VRT can make high investments in the sector, increasing the budgets for fictional series. Fiction series with higher budgets, in turn, are much more likely to be sold to, international VOD providers.

4.2.6.2. Distributors

Distributors are required to participate in the production of audiovisual works either in the form of a financial contribution to the co-production of audiovisual works, or in the form of an equivalent financial contribution to the Flemish Audiovisual Fund to be used for financing of quality Flemish independent production of TV series. The contribution can be calculated either as 1.30 EUR per subscriber, or a lump sum of 3 M EUR.

As is the case in the French-speaking community, cable operators predominantly chose to contribute to the audiovisual fund in the past, but this changed with the arrival of IPTV and competition from other platforms. Nowadays, distributors mainly invest in co-productions and pre-acquisitions, with only a handful of smaller ones opting for the indirect contribution.[104] Only 3% of total VAF Media Fund budget comes from distributors' contribution.

4.2.6.3. VOD providers

The obligation of levies of VOD providers was introduced by amendments to the Media Decree[105] that came into force in January 2019. Private VOD providers are able to choose between a financial investment (direct contribution) and a levy to the Flemish Audiovisual Fund. As is the case with distributers, the direct contribution will be directed to independent quality Flemish productions in series form (fiction, documentary or animation series) produced in co-production with the public broadcaster of the Flemish Community and/or the television broadcasting organisation recognised and/or registered in Flanders, and for which the Flemish Government and the VAF conclude a management agreement.

This obligation also applies to non-domestic VOD services, i.e. the services under the competence of another EU Member State targeting the Flemish Community.

The VOD providers must contribute 2% of their annual revenue, based on the previous year, from the second year preceding the year of the contribution obligation. In the case of VOD providers based in another Member State that target the Flemish Community, the

104 In 2020, only four distributors opted for a contribution to VAF.

105 https://vlaamseregulatormedia.be/sites/default/files/mediadecreet_27_maart_2009_20vs2.pdf

revenue is calculated on the basis of the income obtained by offering services to residents of Flanders.

Two years since it was introduced, the Department of Culture, Youth and Media has announced a review of the current investment obligation that are expected in 2021.[106] The motivations to review were threefold. First, in September 2020, a domestic SVOD called Streamz was launched in Flanders, jointly operated by leading distributor Telenet and leading private broadcaster DPG Media. Streamz was marketed as the "Flemish Netflix". Since Streamz is a subsidiary company of a distributor, it became clear that the current regulations for investment obligations of distributors are insufficiently adapted to the new market reality; in a similar vein, the market reality also resulted in the Flemish audiovisual fund changing the eligibility criteria for its television support scheme, allowing Streamz to directly cater for government subsidies.[107] Second, various players have been lobbying for an extension of the existing investment obligation to video sharing platforms as well. And third, stakeholders have argued that the current levels of investment obligation made by VOD providers such as Netflix are considered too low to compensate for the disruption they are said to cause in the Flemish audiovisual ecosystem.

In its Media Concentration Report for 2019 and 2020, the media regulator VRM also concludes that it is necessary to review the current rules in order to create a level playing field between the distributors and VOD providers. Under the current rules, when a distributor service provider owns shares in a media group of a television broadcaster, it may be that it will only use the compulsory contribution for the benefit of its own channels. This, in turn, can lead to inequality between the different service providers.

4.2.7. Other instruments and contributing factors

4.2.7.1. Removing administrative barriers

All funding systems available in Flanders, as well as the federal tax incentive Tax Shelter, are open to foreign production companies, which need to apply with a local production company, but are not imposed any other administrative requirements.

4.2.7.2. Logistic support and filming infrastructure

Flanders offers a strong filming infrastructure, which goes hand in hand with the country's general commitment to attracting investments in the audiovisual industry. Flanders boasts with "highly skilled talent both in front and behind the camera that are sought after internationally, authentic film locations, state-of-the-art studio complexes and post-production services."[108] It is home to multiple film studios and sound stages, including high-tech XR studios, motion-capture studio and 3D scanning services, as well as nine animation studios covering the whole range of animation techniques, from 2D hand-drawn and computer animation to 3D/CGI and stop-motion.

Screen Flanders provides information and assistance to both domestic and international filmmakers regarding location scouting[109], incentives and production and post-production services in the Flanders Region.

Besides, there are five local film offices situated in the region's key cities Antwerp, Bruges, Ghent, Leuven and Ostend, offering support and introductions to film crews, and issue film permits within their city boundaries. Other Flemish cities, such as Aalst, Genk, Kortrijk, Mechelen and Roeselare, also actively promote themselves as film

106 Komorowski, Marlen et al. (2021), pp. 16-17, full reference above.
107 Raats, Tim and Evens, Tom (2021), 'If you can't beat them, be them'. A critical analysis of the local streaming platform and Netflix alternative Streamz. MedieKultur 2021, 70, pp. 50-65.
108 Screen Flanders (2021), https://screenflanders.be/en/screen-flanders-testimonials/flanders-i-we-are/#id928310f4-edbf-479e-bb75-f09323a283bc
109 Screen Flanders (2021), https://screenflanders.be/en/locations/all-locations/

locations and have central coordinators for film permits. The Agency for Nature & Forests, which oversees many nature reserves, forests and parks in the Flanders Region, also has its own film office, which issues permits and carries out risk assessments for film and photo shoots in its locations.

4.2.7.3. Hubs for new forms of audiovisual creation

Flanders is home to many creative companies combining talent in programming, hardware development, VR and game design, incubation options and ICT infrastructure:[110]

- The creative industry largely benefits from many R&D centres and scientific institutes active in the region. Imec,[111] Flanders' strategic research centre for nano- and digital technology, is also engaged in gaining new insights into game design, virtual reality and relevant phenomena such as image sensors and vision solutions.
- Several sector-dedicated incubators help new game developers or middleware providers find their feet in Flanders, providing them with ambitious game studios, affordable office space, administrative services and development tools.
- Several universities in Flanders provide practical bachelor's and master's degrees relevant to creative media and digital communication.
- Worth mentioning is also an initiative by VRT in close collaboration with RTBF, called Future Media Hubs, representing an international network of media organisations that focuses on innovation through collaboration and knowledge sharing. Its main goal is to foster innovation and accelerate the development of the media industry and their local ecosystems by facilitating partnerships between public as well as commercial media organisations. There are four different hubs available: Sandbox Hub (an innovation accelerator, enabling members to form partnerships with start-ups, help develop their innovations and scale up their businesses, while introducing new technologies, ideas and insights to the media organisation in general), Video Snackbar Hub (a community working on web video, live streaming, future broadcasts and other emerging formats), Open Labs Hub (inspiring European media organisations to increase their involvement in young, digital and creative creators) and Game Hub (inspiring broadcasters to explore new ways of telling stories with interactive gaming technologies and engage their audiences with immersive experiences).[112]

4.2.7.4. Distribution support

Only the VAF/Film Fund offers international distribution support to films that comply with the following criteria: the film was formally invited to participate in the official selection of a top or priority festival; an international sales agent recognized by the Fund is associated with the film; and the application must be submitted within 12 months of the first public screening (world premiere).

4.2.7.5. Promotion and visibility

4.2.7.5.1. Flanders Image

Created in 1989, Flanders Image (a division of VAF) is the audiovisual export agency in charge of the international promotion of productions supported by the VAF. It is the sole official representative of Flanders' content and talent at all key international

110 Brussels is one of Europe's most prominent IT hubs and among the continent's high value-added service regions. It owes its position to the strong concentration of American and European IT multinationals in Brussels and Flanders, especially in the fields of integration and business process outsourcing.

111 https://www.imec-int.com/en
112 https://www.futuremediahubs.com/

festivals and markets: it produces publications, informs curators and buyers, runs market and festival booths, etc.

Since 2016, the Flanders Image organizes an annual event CONNEXT (held as a virtual platform RE>CONNEXT[113] in 2020, also scheduled to take place virtually in 2021). It is designed as a networking platform where Flemish content is put on the radar of the international industry at an early stage, and where film and TV-makers from Flanders and Brussels pitch new projects, present work-in-progress and show recently-completed features, documentaries and series in a direct contact with professionals from all over the world. It is an invitation-only event, including only the top players from the industry. The programme features presentations and screenings of Flemish films and series, meetings with directors and producers and networking opportunities with the Flemish audiovisual industry, alongside conference sessions.

Flanders Image also created its own promotional VOD platform www.screener.be, intended for professional use only: it provides access by international professionals interested in selecting or acquiring audiovisual content made in Flanders and Brussels.

4.2.7.5.2. The VAF International Promotion Support

This is a special line of support offered by both the VAF/Film Fund and the VAF/Media Fund for majority VAF-supported works nominated for specific awards or in the context of special programs such as foreign festivals or retrospectives. Furthermore, the fund provides support in the form of repayment of travel costs for creators of a majority VAF-supported work selected for an international film festival.

Finally, the VAF also awards a premium for the development and elaboration of professionally developed promotional material during the entire production phase (from pre- to post-production).

4.2.7.6. Training aid and talent Development

Under its Talent Development programme, the VAF offers support to professional film- and series makers, especially young ones. It comes in form of scholarships and grants for courses, internships, online courses etc., translation grants training initiatives, screenplay or TV series development or production coaching, animation development coaching, VAF campuses with a variety of workshops, seminars and information sessions for audiovisual professionals, international partnerships etc.

VAF talent development initiatives can help debuting film professionals be put on a map: for example, VAF awards the so-called “VAF Wildcards” to recently graduated filmmakers who can win the opportunity to film their first work with a starting budget and an individual coach. There is a similar programme for young scriptwriters who, by winning the VAF Scenario Wildcard, get a financial reward and professional coaching, but also attract the attention of established producers.

Another example is the Rotterdam Lab, a training initiative for debuting producers at the International Film Festival Rotterdam. Every year, the VAF sends a starting, promising Flemish producer to the Rotterdam Lab where they can have valuable networking opportunities.

113 https://connext.flandersimage.com/

4.3. Iceland

4.3.1. Highlights and good practices

- Filmmaking is an important feature of Icelandic economy, employing a significant number of people and having a positive effect on other fields, most notably tourism.
- Iceland is an attractive shooting location for international high-profile productions for three main reasons: its landscape, its skilled and hard-working crews, and a solid reimbursement system.
- Despite the growing success and revenues that are being created by the film industry, the government realized that it should take pro-active measures in order to maintain and increase competitiveness, aware there is a fierce international competition that also offers highly skilled filming staff, excellent services and attractive fiscal incentives, and has come up with a comprehensive action plan for the next decade.
- The government also realized that the increased investment in the film industry will only bring more value to the economy, so a large part of the plan concerns strengthening and enhancing the existing funding schemes, as well as introducing new fiscal incentives.
- Great emphasis is put on collaboration between public and private stakeholders: public initiatives and private endeavours seem to complement one another, with a common goal of making Icelandic filmmaking a well-known international brand.

- The collaboration of the public service broadcaster with partners from the Nordic region, under the auspices of the Nordvision platform, can be a great source of inspiration on how regional co-productions, collaboration on format development and sharing of experience can result in genuine and recognizable high-quality productions.

4.3.2. Policy and governance framework

Despite Iceland's small population of ca. 350.000 inhabitants, the profile of Icelandic filmmaking has grown enormously in recent years. Turnover within the film and TV industry has tripled over the last decade and averages 27.5 billion ISK per year (ca. 180 M EUR), almost the same as in the dairy or meat industry in Iceland.[114]

Filmmaking has become an important feature of Icelandic culture and economy over the last decade: the share of the television and film industry in GDP is 0.6%, and export revenues were around 15 billion ISK (ca. 100 M EUR) from 2014-2018, not counting indirect impacts on tourism and other related field. At the same time, the government investment in film funding schemes amounted to 10 billion ISK, which represents a 50% return.[115] The industry employs thousands of Icelanders, with an increasing number of young people wanting to work in the industry. Consequently, the number of companies in the industry has doubled in five years, especially in film production.

The impact of filmmaking is also noticeable in other industries: it is estimated that for each job in filmmaking, 1.9 jobs are created elsewhere. This is most visible in tourism: in a survey by the Icelandic Tourist Board in 2019, 34.7% of tourists said that the reason for coming to the country was seeing Icelandic landscape on screen.[116] Indeed, filmmaking is an important part of how Iceland markets itself abroad and attracts foreign tourists.

As Iceland is a member of the EEA, films and television programs made in Iceland receive European content status and can thus be released in Europe without affecting any quotas on the release of non-European content material. Icelandic production can also receive grants offered by the EU and its member states.

Icelandic Film Policy from 2020-2030 sets our four objectives broken down into individual actions needed to achieve the final goal of strengthening the foundations of the industry:

- Create a thriving film culture that promotes the nation's identity and supports its language.

This objective places great emphasis on public institutions and investment, and calls for further development of the system of public support, as well as for a better coordination between different fields, such as film and television. Some of the specific actions proposed include: increase financial contribution to the Icelandic Film Fund; establish new investment fund for TV projects to boost the production, sales and distribution of scripted television series, as well as to use dividends from the reimbursement scheme for further investments in this area; expand the role of the IFC in accordance with the increased success and predicted growth of filmmaking, greater involvement of TV industry in IFC's activities, stronger promotional and marketing efforts abroad, facilitating conferences and educational activities etc.

114 FRÍSK (Association of Rights Holders in the Television and Film Industry) (2021), https://frisk.klapptre.is/helstu-malefni/

115 Government of Iceland, Ministry of Education, Science and Culture (2020), Icelandic Film Policy 2020-2030, https://www.government.is/library/01-Ministries/Ministry-of-Education/200826%20Film%20Policy%20Iceland%20-%20English%20version.pdf

116 Filmmaking in a Wider Context. An appendix to the Film Policy 2020-2030 (2021), https://www.stjornarradid.is/verkefni/menningarmal/kvikmyndastefna-2020-2030/

- A more diverse and ambitious film education in order to ensure that Icelandic film content has as much appeal as possible and provide a clear alternative to foreign content.

To this end, it is planned to promote film and media literacy, introduce specialized film programmes and courses for high schools and establish university-level film education.

- A stronger competitive position and a better working environment.

This objective recognizes that a solid infrastructure and strong incentives will be critical for the development of the industry in coming years, the most important being the continued public support through a robust funding system and competitive incentives. Targeted measures to be implemented include: strengthening of the reimbursement scheme; incentives such as incremental reimbursements tied to the number of elements done by a project in Iceland to be considered; encouraging private investment by introducing a wider variety of incentives including tax breaks for those who invest in Icelandic film projects; development of film clusters through collaboration with other industries, most notably tourism.

- Making Icelandic filmmaking a well-known international brand.

Measures include promotional and travel grants for strengthened international promotion, branding Iceland as a year-round shooting location, also family-friendly, sustainable and promoting gender equality.

4.3.2.2. Sectoral governance

The Icelandic Film Centre (IFC) is a publicly funded organization whose role is to provide funding for Icelandic films, to promote them abroad and to nurture film culture in Iceland by supporting festivals, seminars, workshops and other networking opportunities for film professionals.

The IFC was established in 2003, with a new Film Law[117] reflecting the Icelandic government's growing support of domestic filmmaking. The IFC took over the responsibilities of the older Icelandic Film Fund, established in 1979, which enabled the start of regular film production in Iceland. The Centre follows the Regulation on the Icelandic Film Fund[118] set by the Ministry of Culture and Education and is entirely financed from the public budget.

There are two ways in which filmmakers can receive funding for their projects: by applying for grants from the IFC and by applying for Iceland's 25% reimbursement scheme.

The investment schemes are public, and the Ministry of Education, Science and Culture is involved in film management. However, there is also a strong presence and collaboration with the industry:

- When evaluating applications for grants from the Icelandic Film Fund, the IFC uses a so-called advisory system. The system is based on the Nordic model and has proven successful in the Nordic countries. The advisory system was introduced in Iceland in 2003 by a regulation, replacing a three-member allocation committee that met once a year to review existing applications. In the consulting system, an individual, a film consultant, with solid knowledge and experience in the field of films is tasked with evaluating applications artistically regarding financial and

117 https://www.althingi.is/lagas/nuna/2001137.html

118 Regulation on the Icelandic Film Fund, www.icelandicfilmcentre.is/media/skjol/229_2003-Film-Fund-Regulation-ENGLISH.pdf

implementation factors. Film consultants are self-employed part-time specialists who evaluate applications for grants and may not have an interest in the distribution or work outside the IFC related to Icelandic filmmaking.

- The Film Council is the IFC body intended to advise the government and make proposals for policies and goals in the field of film art. The Minister appoints seven members to the Film Council for three years at a time, chairman and vice-chairman without nomination, and the other five representatives according to the nominations of the Icelandic Filmmakers' Association, the Icelandic Film Producers' Association, the Icelandic Film Directors' Association, the Icelandic Film Owners' Association and the Icelandic Artists' Association. Deputies are appointed in the same way.
- Every four years, the government and the filmmakers' interest groups make an agreement on film-making policy for the period in question.
- The committee in charge of devising the Icelandic Film Policy from 2020-2030 was comprised of representatives from both the Icelandic government and the film industry. The process of the committee was threefold, and the first step was to listen to the input of the film industry. Several meetings were held with prominent stakeholders within the industry, and a survey of 500 members of the industry was conducted to gather their ideas and suggestions. The actions proposed in the film policy include creating regular dialogue between film industry and the government. More specifically, it is suggested that more professional organizations and stakeholders, such as TV stations, should become members of the Film Council to ensure for wide-ranging, dynamic discussion both within the industry and in consultations between the Film Council and the government.

4.3.2.3. Professional associations and initiatives

Icelandic Filmmakers Association (FK)[119] is open to all professionals in filmmaking, with the aim to promote their common interests.

It also operates the FK Author's Fund, fuelled by contributions from film directors, cinematographers, sound engineers and editors who own copyrighted material shown on television and in cinemas in Iceland, and awards grants to authors whose works premiered on television, cinema or by other means (for the first screening of the work).

The FK also offers education opportunities by organizing various courses and providing housing for seminars.

4.3.3. Market and industry

The Icelandic film and television production sector has grown fast in the recent years. Around 8-10 full-length features appear annually, 3-4 TV fiction series along with various other TV programming output, and dozens of documentaries and shorts. Icelandic films regularly appear at international film festivals, gathering many awards,[120] and several are widely sold and screened. Icelandic films also generally enjoy much enthusiasm from the domestic audience - the average attendance to domestic films is quite high, around 5% of the population.

Recent years saw the rise of Icelandic TV series that managed to attract huge international attention and recognition, such as the aforementioned *Trapped, Valhalla Murders* and *Katla*, the first Icelandic television series produced by Netflix. Several factors contributed to the international popularity of these formats. First, there is already a general increase of non-English language drama,

119 https://fkvik.is/

120 In 2020, a total of 60 Icelandic films were selected for 161 international film festivals and 5 Icelandic film focuses. They won a total of 21 international awards.

and Scandinavian drama in particular. The so-called *Nordic noir*, a specific genre of crime TV drama, has enjoyed foreign success for several years now. However, it should be noted that the rising popularity of TV series in general means that there is fierce competition not only from other Scandinavian countries, but also from other European countries such as Belgium, so it is crucial to create a competitive advantage. For Iceland, it was a combination of its remarkable landscape and highly skilled film professionals. The Icelandic landscape has generally played a major role in the foreign projects that have been filmed in Iceland and, as already mentioned, has played a part in increasing the number of tourists coming to Iceland. Many tourists, for example, have explicitly come to Iceland to visit the Game of Thornes filming locations. As for the Icelandic film professionals, they were able to benefit from the presence, knowledge and skills of international filmmakers.

In recent years, Iceland has become a hot spot for international film making, with a number of large productions filming there, such as Star Wars, Interstellar, Game of Thrones, Black Mirror, Thor to name a few. Several Icelandic production companies specialize in production services and have received excellent international recognition, along with the Icelandic crew members working on those productions. Icelandic production companies also produce or co-produce several films abroad on a regular basis. Several Icelandic directors, writers, directors of photography, art directors, sound designers, editors, visual designers, actors and other filmmakers regularly work on films around the world, including large scale productions.

Besides the skilled professionals, its natural beauty and variety of landscapes that cannot be found anywhere else, Iceland also has and an effective reimbursement scheme. However, knowing that factors such as exchange-rate fluctuation, distance from other countries, weather and limited daylight etc. could work against Iceland's competitive position in the field, the government decided to work on a plan to strengthen it and create conditions for Icelandic filmmaking to continue to thrive.

Filmmaking is recognized as an industry that has the potential to bring great value and competitiveness to the Icelandic economy. Based on the great achievements so far, the government realized that increased investment in the film industry will only bring more value to the economy. With that in mind, in 2019, Iceland's Minister of Education, Science and Culture, appointed a committee of representatives from both the Icelandic government and the film industry to create a new, comprehensive policy for filmmaking and film culture in Iceland until 2030. The committee was tasked with drawing up an action plan based on the new policy, which would cover film culture, film education, the development and production of films and TV projects, and the international promotion of Iceland as a location for filming. The result was the Icelandic Film Policy from 2020-2030. Stronger competitive position is recognized as one of the Film Policy priorities, taking into consideration that a solid infrastructure and strong incentives will be critical for the development of the industry in coming years, the most important being the continued public support through a robust funding system and competitive incentives. Targeted measures to be implemented include strengthening of the reimbursement scheme (incentives such as incremental reimbursements tied to the number of elements done by a project in Iceland to be considered), encouraging private investment by introducing a wider variety of incentives including tax breaks for those who invest in Icelandic film projects and development of film clusters through collaboration with other industries, most notably tourism.

4.3.4. Funds and subsidies

The Icelandic Film Fund operates under the auspices of the IFC. In line with the new film policy for the years 2020-2030 which, among others, establishes a new fund for television fiction, the budget of the Film Fund was increased by 35% and currently amounts to an equivalent of 10.2 M EUR.

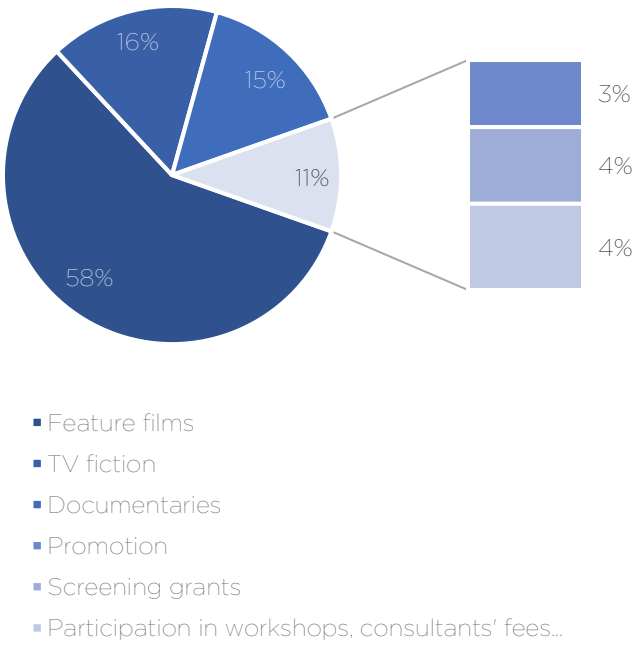


Figure 24: Breakdown of the IFC funding in 2020; source: IFC

Grants from the Film Fund can go to screenwriting, development and production, including post-production and promotion of finished films, in the following categories: full-length feature films for theatrical release, short films, documentaries and television fiction. To be eligible for a grant from the Film Fund, a work must be made by Icelandic producers or in co-production with foreign parties, but in the Icelandic language or having a clear Icelandic cultural or social reference. Grants for television fiction are awarded subject to the programme being intended for television and transmission rights having been secured by a broadcaster with a wide distribution. The broadcaster may neither have a controlling interest in the production nor in an independent production company applying for a grant for a television fiction programme, whether in terms of ownership or shareholding or regarding its commercial position.

Other grants awarded by the Fund include grants for national film festivals, promotional grants for the promotion and marketing of complete films, as well as for participation in foreign film festivals, grants for participation in workshops and courses, and special screening grants for screenings of Icelandic films in domestic cinemas, in proportion to the total value of tickets sold.

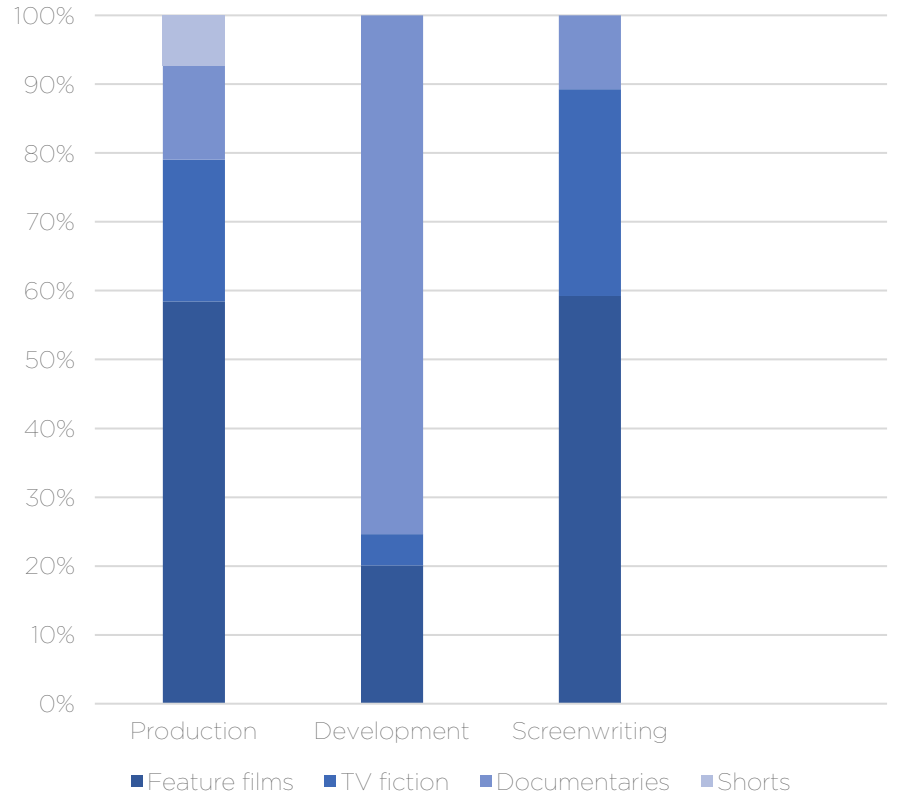


Figure 25: Distribution of IFC grants in 2020/2021; source: IFC

4.3.5. Fiscal incentives

Iceland offers the reimbursement of 25% of the costs incurred during the production of films and television programs in Iceland. The reimbursement system is based on a special legislation[121] under the auspices of the Ministry of Industry and Innovation, which has entrusted the IFC with its supervision under a special agreement.

The reimbursement is available to both domestic and foreign parties, provided that certain cultural and production conditions are met.[122] It is calculated based on the total production cost incurred within the European Economic Area (EEA), provided that more than 80% of the total production costs are incurred in Iceland. The calculation of the reimbursement is based on the total cost of producing films or television programmes, irrespective of which phase of the production generates that cost.

The production concerned should be conducive to advancing Icelandic culture, promoting Icelandic history or natural environment, or enhancing the experience, expertise, and artistic ambitions of the filmmakers involved in the project. In particular, the production criteria give advantage to projects that use Icelandic filming crew and production and post-production services. This initiative has therefore a specific goal in mind other than that connected to attracting foreign investment, namely the advancement of domestic filming skills and infrastructure.

The reimbursement scheme is considered simple, straightforward and effective, and has over the years attracted a large foreign investment that would not otherwise have taken place. It is of great importance to the Icelandic film industry as well as to many service providers throughout the country, the key factor in attracting foreign projects that then hire domestic staff. According to the statistics published in the Icelandic film policy 2020-2030, the reimbursement scheme amounts to 8.3% of the total turnover of film production in Iceland in the years 2014-2019. Last but not least, Iceland has received a lot of international attention due to the high-profile productions, which is also having an effect on the increase in tourist arrivals.

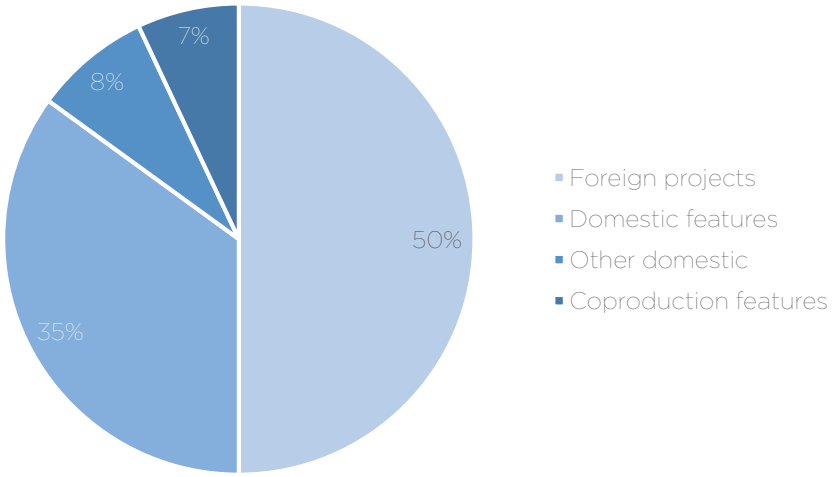


Figure 26: Reimbursement scheme 2014-2019; source: Ministry of Education, Science & Culture

121 Act No. 43/1999 on temporary reimbursements in respect of film making in Iceland, https://filminiceland.com/the-legislation/
122 Icelandic Film Centre (2021), Project evaluation, http://www.icelandicfilmcentre.is/media/skjol/Filmreimbursements_Iceland_Culturaltest.pdf

When the reimbursement system was first introduced at the beginning of 2000s, the rate was 12%, and it was gradually increased over the years. The industry has been pushing the government to further increase the reimbursement rate to meet the fierce competition from other countries that offer various forms of attractive fiscal incentives. As already mentioned, it is precisely the need to preserve competitiveness has led the government to introduce certain measures with the view to strengthening the reimbursement scheme and developing tax incentives.

4.3.6. Investment obligations and levies

The investment obligation is optional, except for the public service broadcaster Ríkisútvarpið (RÚV). There are no investment requirements for non-linear AVMS providers or distributors.

4.3.6.1. RÚV

Under the Public service contract between the Ministry of Education, Science and Culture and RÚV for the period 2020-2023,[123] RÚV is obliged to support independent production by buying or co-producing content with independent producers of TV series, movies and documentaries for an amount corresponding to 12% of the collected licence fee. In 2020, the RÚV invested an equivalent of 4 M EUR excl. VAT in purchase or co-production of works made my independent producers.

The RÚV's policy until 2021 puts great emphasis on the production of Icelandic material and content for young people. It established a drama council and hired a script consultant, with the objective to launch 2-3 TV fiction projects each year. As a result, the offer of Icelandic content has increased by 66%, while the American content has decreased by 42%. The RÚV is behind the production of the aforementioned TV series. Twice a year, it organizes pitch sessions called Idea Days, giving the opportunity to creators, authors, producers and others to present ideas and proposals for program material to RÚV's program directors. The aim is to further diversify the RÚV's program offerings, open up the development of ideas and strengthen the relationship between the RÚV and independent producers.

In accordance with the new policy, the RÚV has increased co-operation with producers, the media, cultural institutions and the creative industries by, among other things, making facilities, equipment and services more accessible. To this end, organizational changes have also been made within the RÚV and a special unit has been established, the RÚV Studio, which services the leasing of equipment and facilities to independent producers and other media. A specialized television and film studio as well as a recording studio and other technical facilities are now available for rent to independent producers of television and film material, whether it is production for RÚV or others.

4.3.6.2. Other broadcasters

As far as other broadcasters are concerned, the investment is optional: the Media Act[124] requires linear AVMS providers to, as far as possible, reserve at least 10% of their transmission time, or alternatively 10% of their programming budget, for European works created by producers who are independent from broadcasters. Nevertheless, they spend considerable resources on the purchase of program material from domestic producers. Private broadcasters such as Stöð 2 and Síminn have been powerful producers and co-producers of Icelandic material, including purchases of exhibition rights.

123 https://www.ruv.is/sites/default/files/thjonustusamningur2020.pdf

124 https://fjolmidlanefnd.is/wp-content/uploads/2020/05/Media-Act-38_2011.pdf

4.3.7. Other instruments and contributing factors

4.3.7.1. Favourable administrative and business environment

Despite its size, Island has become famous for its start-up culture. It offers low bureaucracy and simple tax structures, a youthful, well-educated and tech-enlightened work force, and plentiful opportunities for early-stage funding.

4.3.7.2. Logistic support and filming infrastructure

Iceland has long been an attractive shooting destination for many reasons: dramatic, otherworldly landscapes, a location midway between the US and Europe, and a solid 25% incentive. Iceland's small footprint makes it easy to travel, and the crews are said to be highly skilled, speak perfect English, and have a hard-working mentality accustomed to long hours – yet most studio productions choose to bring their own heads of department.[125]

A major step forward was made in 2018 when the Icelandic film director Baltasar Kormákur founded Reykjavik Studios. The studio began operation in a building that used to house a fertilizer plant and is now an 8.000 m² complex featuring an open studio with a 16-metre-high ceiling, one of Europe's largest and most advanced. Located a 15-minute drive from downtown Reykjavik, it is envisaged as a hub for film companies and other creative outlets. It already accommodates equipment rental companies, props firm, recording studio… The construction of smaller stages for TV series is underway, as well as the construction of nearby apartment buildings and office spaces. The plan is to make a film neighbourhood with apartments, a hotel, restaurants and art galleries, a sea-water pool and a ferry dock – with a view to offering foreign productions a one-stop shop, so that the whole film can be shot in Iceland instead of just outdoor scenes. With the support of the Iceland prime minister who helped approve special permits and safety measures, Iceland became one of the first countries to open for international crews during the Covid-19 pandemic. Reykjavík Studios has been fully booked, partly for Netflix-related projects. Rental houses and service companies that offer a full range of assistance from location scouting to post-production are growing too.

Film in Iceland[126] is the country's official film commission. It is a part of Business Iceland, a public-private partnership established to improve the competitiveness of Icelandic companies and to stimulate economic growth. Its principal mission is to be a source of information about Iceland as a filming location, such as its legal framework, assistance with applying for fiscal incentives, a full list of available production services etc., but also some less typical promotional activities such as advertising an active volcanic eruption as an excellent opportunity for filming[127].

4.3.7.3. Hubs for new forms of audiovisual creation

The Government has a very good grant scheme through the Technology Development Fund, and there are several venture funds and private investors interested in start-up investing in Iceland[128]. Gaming, visual effects and virtual reality are among the biggest fields: Reykjavik is home to some major virtual reality entertainment studios such as the CCP Games[129] and Solfa Studios[130], as well as Reykjavik Visual Effects,[131] an award-winning visual content studio, specializing in VFX for film and television, VR and special venues projects.

125 Mitchell, Wendy (2021), 'Iceland', World of Locations, November 2020-April 2021, p.44.
126 https://www.filminiceland.com
127 Film in Iceland (2021). 'A small volcanic eruption at the Reykjanes peninsula', https://filminiceland.com/volcanic-eruption-in-iceland/
128 Billing, Mimi (2019), 'Insider view: Iceland, in the perfect spot halfway between Europe and the US', Sifted, 10 July 2019, https://sifted.eu/articles/iceland-startups-hub/
129 https://www.ccpgames.com/
130 http://www.solfar.com/
131 https://rvx.is/

4.3.7.4. Distribution support

The Icelandic Film Fund does not provide direct support to distribution and sales of Icelandic film and TV content but contributes indirectly through its support to participation in film festivals, markets, and other events.

4.3.7.5. Promotion and visibility

As already mentioned, the Icelandic Film Fund provides promotional grants for the promotion and marketing of complete films, as well as for participation in foreign film festivals. The IFC runs a database[132] containing information on Icelandic films and filmmakers, including trailers and posters.

The Icelandic Film and Television Academy (ÍKSA) is a joint initiative by three professional associations in Iceland (the Filmmakers Association, the association of Icelandic film producers and the association of film directors) with the aim is to enhance the Icelandic film and TV industry. Its most extensive project is the Edda Awards, the annual film and TV awards in Iceland. The Academy also handles the selection of Iceland's contribution to the pre-selection of the Oscars.

The National Film Archive of Iceland is a public service institution that deals with the preservation of film culture by collecting, documenting and preserving films and related material. It researches Icelandic film culture and publishes studies in this field.

4.3.7.6. Nordvision

The Icelandic public service broadcaster RÚV is a member of Nordvision,[133] an international collaboration platform between the Nordic public service broadcasters, established in 1959.

Nordvision's main task is to promote and strengthen the public service media in the Nordic region through co-productions, programme exchange, collaboration on format development and sharing of experience. Besides RÚV, the partners are DR (Denmark), NRK (Norway), SVT (Sweden) and Yle (Finland), and 4 associated partners: KNR (Greenland), KVF (Faroe Islands), UR (Sweden) and Sveriges Radio (SR, Sweden). The partners generate more than 4.500 TV programmes per year.

Nordvision is coordinated through several programme groups targeting different genres. The programme groups normally meet twice a year, and these meetings are also an opportunity for the producers to pitch an idea to the representatives from all five Nordic public broadcasters to gain development and co-production support from Nordvision. If the project in question is a collaboration between at least two of the members, it is also possible to apply for financing from the Nordvision Fund.

The Nordvision Fund provides funding for research and development as well as production. The Fund gets its revenues from cable distribution of the partners' TV programmes in the Nordic countries. Support is awarded to Nordic co-productions and joint projects. Although only the partners are allowed to apply for support, the actual production can take place inhouse or externally.

In 2020, the Nordvision Fund awarded 14 M EUR for a total of 96 projects, 13.5 M EUR of which went to production support across 58 projects. As shown in the graph below, almost 90% of episodes made

132 https://www.icelandicfilms.info/
133 https://www.nordvision.org/

in co-production was TV drama: the five Nordvision partners collaborated on as many as 77 Nordic TV series. Children's drama, adult drama, youth drama and factual series are currently the main areas of collaboration.

High-quality drama productions are precisely what Nordic public service media have become most famous for. They claim that this clear focus on drama reflecting Nordic culture and identity fits naturally with the public service mission, with a genuine and recognizable offering that sets Nordic public service apart from other content providers. To ensure that it remains a trademark of the Nordic public service broadcasters also in a digital world, the Nordvision partners have launched an initiative called Nordic Twelve (N12) - a yearly package of 12 Nordic drama series available on-demand, with 12-month rights in the Nordic region.

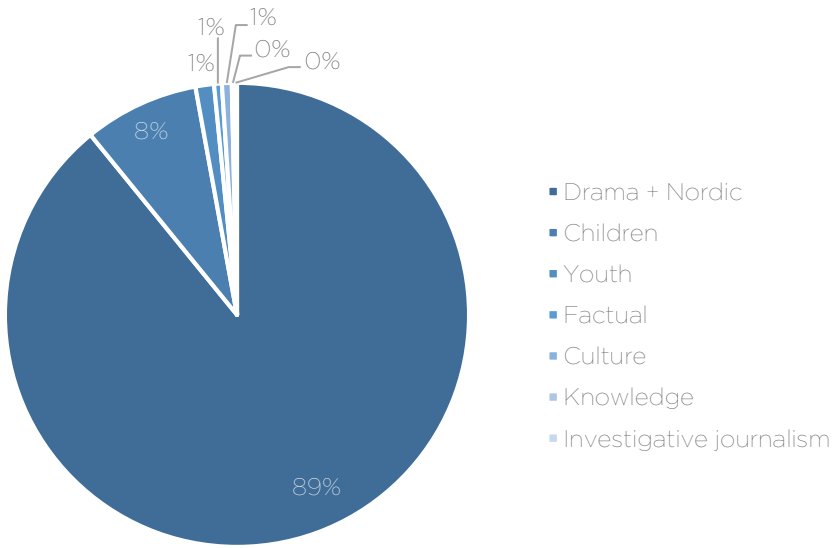


Figure 27: Nordvision co-productions per programme category; source: Nordvision.

4.4. Ireland

4.4.1. Highlights and good practices

- The Ireland's case demonstrates how the previously unfavourable position alongside a much larger and dominant audiovisual market can be transformed in a competitive environment for both domestic and foreign audiovisual production.
- Ireland is offering one of the largest, most diversified, flexible and quickly adaptable variety of measures and support schemes.
- One of the country's most outstanding characteristics is its extremely favourable tax environment, one of the most competitive in the world, combining universal and film-specific tax incentives.
- The decentralized governance of the sector is shared among the culture and business-oriented state and public institutions, with a high degree of dialogue with the industry and professionals.
- A high-level interdepartmental Steering Group, comprised of representatives of ministries and agencies involved in the audiovisual industry, oversees the implementation of the Audiovisual Action Plan.
- The Government's key strategic documents include strong references to potentials of audiovisual sector and a commitment to action, together with specified (significant) funds for targeted support to individual business segments, as well as cultural and societal objectives, showing an exemplary public policy oriented towards the film and audiovisual industry.

4.4.2. Policy and governance framework

Like many other EU countries, Ireland is running late in transposing the revised AVMS Directive. The pre-legislative scrutiny of the Online Safety and Media Regulation Bill 2020 (the Bill) commenced in April 2021 and has not been finished yet by the time of submitting this report. When enacted, the bill will transpose the AVMSD into Irish law and will have significant implications on other countries, insofar as Ireland will be responsible for regulating transnational video-sharing platforms with European headquarters established in Ireland, such as YouTube, Facebook and Apple. Ireland is also one of the largest hubs of SVOD and TVOD services in the EU.[134]

In the case of television broadcasting, the Bill envisages that the share of European audiovisual works will be calculated by reference to transmission time. For on-demand services, the share should be based on 'titles' of films, documentaries or series in the provider's catalogue. The Bill provides that the new Media Commission, which will replace the current regulatory authority BAI, shall issue rules on the low turnover and low audience exemptions, in line with the European Commission's guidelines. The Media Commission will also set rules on the obligation on on-demand services to ensure 'prominence' of European works. The Media Commission will be also empowered to make regulations on a levy, based on revenues earned within Ireland, to be paid by audio-visual media service providers.

The current approach is based on an effective system for attracting foreign investments, inclusive of a very competitive (12.5%) rate of corporate tax for all companies, which contributed to the decisions of global tech companies to use Ireland for their EU headquarters. In the audiovisual sector, the system is complemented with other fiscal incentives, such as the tax credit "Section 481", R&D benefit from a 25% tax credit, relief for expenditure on intellectual property, zero-rated VAT of specific goods and services.[135]

The country's film policy is supported by the Audiovisual Action Plan,[136] which sets high-level, strategic priorities with the aim to develop a vibrant media production and audiovisual sector, and to bring new economic opportunities.

The government initiative Global Ireland 2025[137] also recognises the importance of Irish cultural heritage in putting Ireland on the world stage and in expressing national identity. It seeks to promote Irish arts, heritage and culture to new generations and new audiences across the world and plans to double the size of Ireland's film production sector through the rebranded Screen Ireland, which has been allocated 200 M EUR for a 10-year capital investment programme.

4.4.2.1. Sectoral governance

In the content producing sector, there is a decentralized model of governance with a high degree of direct communication with the audiovisual industry and professionals. The key responsibilities are shared by the following government bodies or independent agencies:

- Department of Culture, Heritage, and the Gaeltacht is responsible for policymaking in the field of protection and presentation of Ireland's heritage and cultural assets.
- Screen Ireland is the development agency for the Irish film, television and animation industry.
- Department of Communications, Climate Action and Environment is responsible for policymaking in broadcasting,

134 Greece, Christian (2021), full reference above.
135 IDA Ireland (2021) Taxation in Ireland. https://www.idaireland.com/invest-in-ireland/ireland-corporate-tax
136 Department of Culture, Heritage and the Gaeltacht (2021), Audiovisual Action Plan, Creative Ireland Programme Pillar 4: Ireland as a Global hub for the production of Film, TV Drama and Animation. https://www.gov.ie/en/publication/de571-implementation-of-the-audiovisual-action-plan-second-progress-report/
137 Government of Ireland (2025), Global Ireland Ireland's Global Footprint to 2025. https://www.ireland.ie/media/ireland/stories/globaldiaspora/Global-Ireland-in-English.pdf

including, among others, the support for a diverse and plural media sector and high-quality public service broadcasting.

- Broadcasting Authority of Ireland (BAI) which will soon be replaced by Media Commission.
- Department of Business, Enterprise, and Innovation is responsible for tax and business-related policymaking.
- Enterprise Ireland is responsible for the development and growth of Irish owned enterprises and assistance to companies across the country, including those involved in animation, film, games, post-production and virtual reality.
- IDA Ireland is national investment and promotion agency aimed at promoting and supporting foreign investment to Ireland.

4.4.2.2. Professional associations

There is a range of support networks, guilds and associations of film professionals and industry stakeholders in Ireland:

- Each year the Screen Directors Guild of Ireland (SDGI)[138] grants to one of its members the Finders Series Award. The grant offers the selected Irish director of a fiction film or a documentary, shot in Ireland, an opportunity to showcase their work at the Directors Guild of America in Los Angeles to an audience of key American distributors, agents and press, with a view to securing an American distribution deal. The directors must be members of SDGI. The operating costs of SDGI are subsidised by the IFB.
- In 2005 the SDGI established the Screen Directors Collecting Society of Ireland (SDCSI) as the collecting body for copyright of audiovisual Irish works nationally and internationally.
- The Writers Guild of Ireland (WGI)[139] is the representative body in Ireland for writers for the stage, screen, radio and digital media. Its operating costs are subsidised by the IFB.
- Screen Producers Ireland (SPI)[140] is an organisation representing independent film, television, animation and digital producers in Ireland. They support the continuance of the Irish Film and Television production tax incentive, Section 481. The key stakeholders they cooperate with include broadcasters, Screen Ireland, BAI, Enterprise Ireland, and Government departments.

Others include trade associations and representative bodies of animation and VFX companies, location managers, cinematographers etc.

4.4.3. Market and industry

For decades, the Irish audiovisual market has been in the shadow of its British neighbour. The geographical, cultural and language proximity with the British market, which is one of the largest and strongest in Europe, significantly impacted the development of Ireland's domestic cinema and television industries.

The European Audiovisual Observatory data indicate that the language of the country is important in terms of its audiovisual market performance. In 2017, Ireland was the main export market for British films, with 1.423 films (10% of British film exports) and the United Kingdom was the main market for Irish film exports, with 89 films (12% of Irish film exports). Both countries were, with 29%, the main market for Maltese film exports (2 films). And the same is true for cultural proximity.

138 https://www.sdgi.ie/
139 http://script.ie/
140 https://www.screenproducersireland.com/

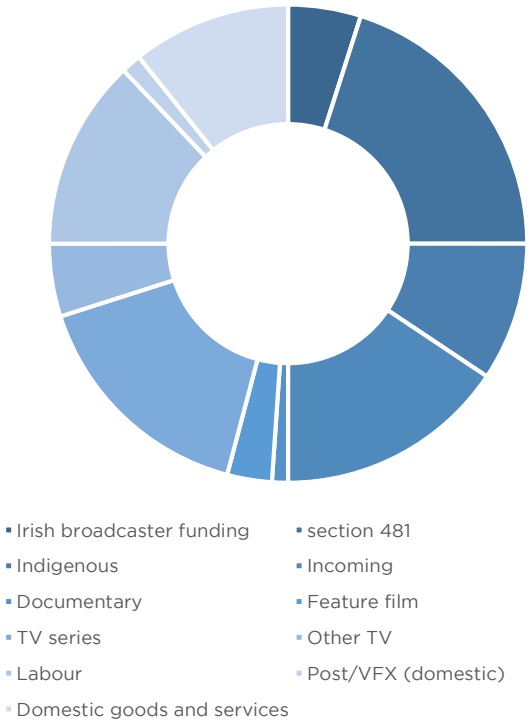


Figure 28: Expenditures on independently produced film and TV production in Ireland, 2016[141]

Olsberg SPI with Nordcity, in their study on the Ireland's audiovisual market potential, found that both films and TV programmes, either by domestic Irish producers or foreign producers, stimulate significant expenditures within Ireland on cast and crew, and the purchase of local supplies and services. For example, expenditures on the independent production of films and TV programmes in Ireland totalled 290 M EUR in 2016. Out of this, 181 M EUR were generated by incoming productions originating from outside Ireland, including Hollywood films shooting on location in Ireland; 108 M EUR in expenditures were generated by domestic Irish productions. 185 M EURin expenditures were generated by TV series; feature films accounted for 35 M EUR; documentaries for 12 M EUR and other types of TV programming for 57 M EUR 149 M EUR ere payments to cast and crew; 15 M EUR was paid to domestic post-production/VFX studios; and 123 M EUR was paid to domestic suppliers of goods and services (e.g., accommodation, vehicle and equipment rentals, legal and accounting services).[141]

Following their assessment which determined that Ireland could double its employment in this sector within five years, the Minister for Culture, Heritage and the Gaeltacht launched a new incentive package worth 200 M EUR. Ireland's audiovisual and animation industry is currently worth more than 1 billion EUR for the Irish economy, and this new plan, set out under the Creative Ireland Programme, promises to not only double the number of full-time industry employees to an estimated 24.000, but to grow its gross value to nearly 1.4 billion EUR.[142] Ireland has a long history also in the games industry and this is an area where the Governments sees further development opportunities, including in areas outside the capital or other big cities.

4.4.4. Funds and subsidies

The national plan Investing in our Culture, Language and Heritage 2018–2027 envisaged an investment of 200 M EUR in media production and the audiovisual industry through Screen Ireland, which has so far seen an annual increase in its funding allocation in budgets of 2019, 2020 and 2021. In 2020, in addition to its budgetary allocation, Screen Ireland was allocated extra funding for the ongoing support to the audiovisual sector adapting to the Covid-19 realities.

141 Olsberg SPI with Nordcity (2017), Economic Analysis of the Audiovisual Sector in the Republic of Ireland, p. 30.

142 https://www.creativeireland.gov.ie/en/news/new-government-plan-set-to-double-employment-in-irish-audiovisual-sector/

4.4.4.1. Screen Ireland

Éireann/Screen Ireland (FÉ/SI) replaced the Irish Film Board (IFB) in 2018 as a part of the aforementioned national plan. The new name indicated the body's increasing interests beyond the world of cinema.

The Screen Ireland funding is based on repayable loans. As the only source of public funding for feature films directed towards a cinema release, Screen Ireland's primary focus are works in Ireland that are made to be shown on the big screen. Other objectives are directed towards the support of other high-quality audiovisual works. Currently available funding schemes cover an outstandingly diverse range of aspects and genres of audiovisual production, ranging from crew development, strategy and financial planning support, television drama development, television animation development, actors showcase, screenwriters' developments, to distribution and publicity support and building of audiences.

Culture criteria are enshrined in decision-making process of funding granting. "Strong preference" is given to submissions on behalf of projects, which:

- are conceived, written, produced and/or directed by Irish talents;
- entail new and emerging Irish talent in key creative roles;
- tell Irish stories, drawing on and depicting Ireland's culture, history and way of life;
- depict Irish view of the world and of itself.

In addition, "serious attention" is given to:

- strongly Irish projects (in terms of setting, characters, etc.) that are to be directed by non-Irish talents, where the director's track record gives Screen Ireland an assurance of quality;
- projects that involve an Irish producer as minority co-producer, where Screen Ireland is convinced of the quality of the project and the amount of Screen Ireland's investment corresponds to the level of involvement of Irish personnel, elements and facilities in the project;
- submissions on behalf of works to be made wholly or predominantly in Gaelic.

Cultural criteria are also examined during the assessment process. A project is considered for production funding only if the production company can show that it makes an ongoing significant contribution to the culture and development of the film and TV industry in the Republic of Ireland.[143]

4.4.3.2. The Arts Council

The Arts Council of Ireland[144] is the Irish government agency for developing the arts. It has a long history (since 1951)[145] of being an autonomous body acting under the authority of the Department of Arts, Heritage & Gaeltacht. Its mission is to manage public funding of the arts (architecture, circus, dance, film, literature, music, opera, street art, cinema, visual arts). In the film sector, its role complements the one of the national film agency in terms of funding by supporting experimental, imaginative and highly creative films and documentaries. It also funds activities aimed at development of cinema audiences, digitalisation of cinemas, film awards and film festivals. The Arts Council also has an important role in the television sector, where it complements the work of RTÉ, TG4 and BAI.

143 Screen Ireland Production Funding Guidelines 2019.
https://www.screenireland.ie/images/uploads/general/Production_Funding_Guidelines_2019_1.pdf

144 https://www.artscouncil.ie/home/
145 www.irishstatutebook.ie/eli/1951/act/9/enacted/en/index.html

4.4.3.3. Cine 4

The broadcasting sector also contributes to development in the audiovisual industry. Cine4' is an initiative between TG4, Screen Ireland and the Broadcasting Authority of Ireland (BAI), to develop original feature films in the Irish language. To date, EUR9.6 million has been allocated through this scheme. In 2019, a sub-scheme of 575 kEUR to develop a new teenage drama was launched.

4.4.3.4. Broadcasting Authority of Ireland (BAI)

The BAI[146] is the national regulatory body of Ireland, created by the 2009 Broadcasting Act,[147] following two predecessors: the Independent Radio and Television Commission (IRTC – 1988) and the Broadcasting Commission of Ireland (2001). BAI's is a traditional audiovisual media regulator, which also manages the Broadcasting Fund,[148] which grants funding for radio and television programming, for archiving of content related to Irish culture, heritage and experience, and participates in a co-production scheme.

Sound & Vision 4 is a funding scheme for television and radio programmes, financed through the Broadcast Fund which comprises 7% of the annual net receipts from television license fees. The Sound & Vision 4 supports high quality programmes on Irish culture, heritage and experience, local and community broadcasting, and programmes to improve adult literacy.

The Archiving Scheme is a Funding scheme for the archiving of programme material. It provides subsidies for the development of an archiving culture in the Irish broadcasting sector with the aim to contribute to the preservation of Ireland's broadcasting heritage.

The Canada-Ireland Co-Development Incentive is a collaboration between the Canada Media Fund (CMF) and the Broadcasting Authority of Ireland (BAI). It funds the co-development of eligible audio-visual projects between producers from Canada and Ireland.

4.4.5. Fiscal incentives

Together with France, Germany and Iceland, Ireland has a long tradition of fiscal incentives.[149] One of the most competitive corporate tax in the world (12.5%) forms the foundations of a very favourable tax regime, [150] in which even mechanisms that are not primarily aimed at audiovisual producers create positive effects for this sector, for example the R&D Tax Credit, as well as the intellectual property regime which provides a tax write-off for broadly defined IP acquisitions and zero-rated VAT for film productions when the master negative is being exported. Fiscal incentives are operated through the general national budget.

The Irish long-established Film and Television production tax shelter, Section 481, was replaced by a tax credit on 1 January 2015.[151] This followed a series of previous modifications of tax incentive schemes that have been in place since the 80s (tax shelter, Section 481, as of 1997, tax relief, Section 35, as of 1987, and the Business Expansion Scheme, created in 1984).

This tax credit allows a production company to deduct from their corporate tax 32 to 37%[152] of eligible production expenses (all cast and crew working in Ireland, all goods and services sourced in Ireland and post-production expenses), with a maximum of 80% of the whole production budget or 70 M EUR per project, whichever is lower. Projects with eligible expenditure lower than 125.000 EUR or with

146 https://www.bai.ie/en/
147 www.irishstatutebook.ie/eli/2009/act/18/enacted/en/html
148 https://www.bai.ie/en/broadcasting/funding-development-3/
149 Milla et al. (2016), p. 70, full reference above.
150 https://www.idaireland.com/invest-in-ireland/ireland-corporate-tax
151 Milla et al. (2016), p. 74, full reference above.
152 Additional reliefs are available in "assisted" (less developed) regions for 5 years with 5% additional tax credit available in 2019, 2020, and 2021, 3% in 2022, and 2% in 2023.

total production cost lower than 250.000 EUR cannot apply for Section 481.

In 2014, the responsibility for managing the Section 481 scheme was transferred to the Irish Revenue Commissioners, i.e. the Irish tax and customs governmental department. The Ministry of Arts remained in charge for the cultural test.

The fiscal incentive applies to feature film, television drama, animation and creative documentary, provided that they passed a "cultural test." Its objective is to safeguard that the project contributes to promoting Irish culture.

The modification of the scheme in 2015, reforming it from a tax shelter to a tax credit and making it more transparent, resulted in a substantial increase of eligible projects and brought benefits for various audiovisual genres. In 2019, further changes were made to the administration of the Section 481 tax credit. Along with extending the relief to 31 December 2024, a new Regional Uplift was introduced to provide an incentive to productions that located in areas defined as "assisted regions".

4.4.6. Investment obligations and levies

So far there are no industry levies for the financing of film funding in Ireland.

The introduction of levies, imposed on domestic and foreign AVMS providers (both VOD providers and broadcasters, domestic and foreign), has been envisaged in the near future in the context of the AVMSD transposition. It is planned that the levy will be used for funding the Media Commission and for audiovisual grant schemes to support. However, the levy will not be implemented until a review of its viability has been conducted by the Media Commission. Like in the case of content quotas, the levy will not apply to digital platforms that do not meet the criteria for AVMS providers or to AVMS providers with a low audience or low turnover.

Since the proposal is still in the legislative procedure, the final solution has not been determined yet. The main clarifications are needed in the following: the determination of the system for charging, cross-jurisdictional issues, and the lack of concrete mechanisms in the Directive obliging service providers, subject to the levy, to provide financial information to regulatory bodies administering the levy.[153] A significant degree of cooperation between member States will be needed, in order to avoid duplication in the charging arrangements and to ensure that broadly harmonised approaches are adopted to levy and revenue calculation.

It is estimated that the new measure could generate funding for the Irish independent production sector in the range from 26 M EUR to 125 M EUR, over five years.[154]

4.4.7. Other instruments and contributing factors

4.4.7.1. Logistic support and filming infrastructure

There is a number of world-class film studios and post-production companies in Ireland. In all major filming locations, there are local film offices offering logistic and administrative support to producers. All information is easily reachable via an interactive Infrastructure Map including key filming locations, major studios and local offices.[155]

The Government also offers capital support for the enhancement and protection of artists' workspaces. In 2019, the Culture Department

153 Komorowski, Marlen et al. (2021), p. 18-19, full reference above.
154 *Ibidem*, pp. 17.
155 https://www.screenireland.ie/map

launched a new 4.7 M EUR capital investment scheme for arts and culture centres.[156]

4.4.7.2. Oversight of Industry by Steering Group

A high-level Steering Group has been in place to oversee implementation of the Audiovisual Action Plan since 2018. It is comprised of representatives of the following ministries and agencies involved in the audiovisual industry:

- Department of Tourism, Culture, Arts, Gaeltacht, Sports and Media;
- Department of Finance;
- Department of Further and Higher Education, Research, Innovation and Science
- Department of Enterprise, Trade and Employment;
- The Revenue Commissioners;
- Screen Ireland;
- Broadcasting Authority of Ireland;
- IDA Ireland;
- Enterprise Ireland.

4.4.7.3. Distribution and promotion support

Screen Ireland offers also:

- distribution support in the amount of 90% of the total distribution budget, up to a maximum of 75.000 EUR;
- direct distribution in the amount of 80% of the total distribution budget, up to a maximum amount of 15.000 EUR;
- publicity support: up to a maximum amount of 5.000 EUR.

Distribution support[157] covers the following costs: publicity and promotion costs of qualifying films in the Irish market, such as media space costs (TV, press, radio, outdoor, online); publicity costs (media screenings, talent visits, festivals in Ireland; PR agency fees; and promotional costs (trailer design and edit; website; talker screenings; special promotions; the manufacture and distribution of merchandise for promotional use). This scheme does not cover: creative and production costs of key art, posters, press ads, TV/radio spots, press book; costs of creating DCPs of either film or trailer, censorship submission, market research; despatch costs, tracking costs; and VPF costs.

Distribution support is awarded based on a selective process in the form of limited-recourse loans recoverable from a share of revenues from the exploitation of the film. The repayment of these loans is applicable once the distributor expenses and commission, agreed in advance with Screen Ireland, have been recouped.

Direct distribution[158] covers costs of release prints; trailer design and creation; creative and production costs of key art, posters, and advertising; censorship submission; media space costs; and marketing, publicity and promotional costs.

Publicity support[159] is awarded selectively and is non-repayable.

4.4.7.4. Support to guilds

Screen Ireland provides subsidies to industry and professionals guilds, e.g., the Writers Guild of Ireland, the Screen Directors Guild of

156 Department of Culture, Heritage and the Gaeltacht (2021), Audiovisual Action Plan, p. 33, full reference above.
157 https://www.screenireland.ie/funding/distribution-loans/distribution-support/
158 https://www.screenireland.ie/funding/distribution-loans/direct-distribution/
159 https://www.screenireland.ie/funding/distribution-loans/publicity-support-fund/

Ireland and Screen Producers Ireland, for covering their operational costs.

4.4.7.5. Additional schemes for TV Drama

According to Ireland's Audiovisual Action Plan, TV Drama has a significant potential for growth and employment in the Irish audiovisual sector. It is estimated that an annual investment of 10 M EUR in TV Drama funding would generate co-production expenditure in Ireland of up to 50 M EUR per year. For 2020, Screen Ireland received additional 3 M EUR to invest in high-end TV drama. The Jobs Stimulus also announced an additional 2 M EUR to be made available for the Sound and Vision Scheme, and BAI awarded more than 2.5 M EUR to drama projects.[160]

4.4.7.6. A new tax incentive for the digital gaming industry

A new tax incentive for the digital gaming industry may benefit regional development. Synergies of a number of small independent games companies in the regions and animation sector may help contribute to promotion of the gaming industry across the country. An unexpected contributing factor is the shift towards remote working imposed by the pandemic, which may represent an opportunity for growth amongst companies in the regions.[161]

160 Department of Culture, Heritage and the Gaeltacht (2021), Audiovisual Action Plan, p. 15-16, full reference above.

161 *Ibidem*, p. 19.

4.5. Lithuania

4.5.1. Highlights and good practices

- In just a few years Lithuania succeeded to boost its previously modest audiovisual production and change its image both at home and in the international environment.
- The film community has been very vocal in advocating its interests, thus significantly contributing to the successful reforms of this sector's governance towards a greater autonomy from the state.
- Lithuanian case shows that fiscal, legal and governance reforms can be encouraged by strategic and collective efforts of all stakeholders. If, on the other hand, reforms serve just particular interests, it is less likely that they contribute to an overall revitalization of the national audiovisual sector.
- The entrepreneurial dimension of filmmaking is essential for the film industry growth and is not hindering cultural and artistic dimensions of the audiovisual sector.
- A smart tax incentive scheme can have positive unplanned effects in times of crisis.

4.5.2. Policy and governance framework

The institutions that shape and implement Lithuanian film policy are the Ministry of Culture, the Film Policy Council and the Lithuanian Film Centre.

The Ministry of Culture is advised by the Film Policy Council. The Council is a collegiate and advisory institution under the Ministry of Culture, functioning on a voluntary basis and dedicated to the film policy. Its goal is to provide the Minister of Culture with proposals for

strengthening the Lithuanian cinema, state funding and development programmes, preservation of film heritage, and to participate in the drafting or improvement of legal acts governing the field of cinema.

The Lithuanian Film Centre is a state institution, established under the Ministry of Culture. Its remit is defined by the 2011 amendment on the Law on Film, according to which the Film Centre's main tasks are:

- participation in the formation of State film policy;
- implementation of the State film policy;
- organisation of tenders for State funding of film projects;
- allocation of the State funding for film projects;
- advising film producers on the preparation of film projects;
- exercising control over the use and reporting of State funding;
- managing the Film Register;
- labelling of films (age-rating labelling).

Besides the Law on Film, the Law on Public Information is relevant for the audiovisual sector, as it is one of the laws transposing the revised AVMSD to the Lithuanian national law. Several amendments transposing AVMSD entered into force by the end of 2020.[162]

4.5.2.1. Sectoral governance

The Lithuanian audiovisual framework has been marked by its specific formation during the era of Soviet Union and *"a number of political changes that directly influenced the development of film making"*.[163] With the restoration of the country's independence, the whole concept of 'national cinema' had to be re-invented and it took many years for film policies to adapt to the changed environment.[164] But in the last decade there was a breakthrough in the success of Lithuanian film, first on the national level with box-office records and also outside the domestic market with more films attracting foreign audiences and film critics.[165]

Authors attribute this success, often labelled as "renaissance" of the Lithuanian film, to the changed model of governance with a greater autonomy from the state and to the introduction of the tax incentive scheme. With the establishment of the Lithuanian Film Centre (LFC), founded in 2012, the responsibility over the sector was decentralized and the relations with the industry improved. Another important step was corporation tax relief, adopted in 2014, attracting private investors to fund up to 20% of the production budget for movies financed in Lithuania. The national film community contributed significantly to the gradual abandonment of a state support as a welfare system and adoption of the idea that public money should be treated as an investment in film sector, in particular to promote its competitiveness.[166] Following these two milestones, the production of domestic films increased in Lithuania by almost 50% compared to the period of 2009–2011.[167]

4.5.2.2. Professional associations

There are several audiovisual professional associations and initiatives advocating the interests of film producers and film professionals. The most visible include the following:

- Lithuanian Filmmakers Union;
- Independent Producers Association of Lithuania;
- Alliance of cinema authors;

162 European Audiovisual Observatory (2021), Revised AVMSD tracking table, 27 July 2021. https://www.obs.coe.int/en/web/observatoire/avmsd-tracking
163 Gilaitis , Aleksas (2019), 'Where are/were films in Lithuania?', Studies in Eastern European Cinema, DOI: 10.1080/2040350X.2019.1708047, p. 1.
164 *Ibidem*, p. 11.
165 Mitkus, Tomas and Vaida Nedzinskaite-Mitke (2017), 'Promoting competitiveness in creative industries: changes and trends of Lithuanian film industry in 21st century', Creativity Studies, 10:1, 14-25, DOI: 10.3846/23450479.2016.1207719, p. 2.
166 *Ibidem*, p. 3.
167 LFC (2021), http://www.lkc.lt/en/

- Association of Cinema Exhibitors;
- Lithuanian Association of Cinematographers;
- Association of Film industry.

4.5.3. Market and industry

According to the data of Lithuanian Film Centre, in 2019, 57 film production companies have been active, in addition to 10 professional associations, 3 organisations that defend rights of the creators working in audiovisual sector and copyright in general, 1 incubator of audiovisual arts, 3 local film offices, 11 film distributors, 28 cinemas, and 17 other companies that provide services of post-production, film montage, casting, camera rental, search for filming locations, sound recording and subtitling. Lithuanian and foreign films have been featured in 16 Lithuanian film festivals.

Indicators	2014	2015	2016	2017	2018
Average admissions per capita	1.11	1.13	1.29	1.44	1.53
Total number of admissions (without festivals)	3 234 595	3 330 518	3 668 370	4 060 159	4 265 414
Gross Box Office (in EUR)	14 378 587	15 391 806	17 724 516	20 392 625	22 444 111
Lithuanian films gross box office (in EUR)	3 333 829	2 126 232	3 463 809	4 536 088	6 250 538
Average ticket price (in EUR)	4.29	4.62	4.83	5.00	5.26
Total number of cinemas	28	28	27	27	26
Domestic films market share (%)	23.18	13.81	19.50	21.47	27.9
European films market share (%)	13.90	17.80	8.50	14.00	11.8
US films market share (%)	60.28	65.48	71.50	64.62	58.7
Other countries films market share (%)	2.64	2.91	0.50	0.94	1.6
Total number of national premieres	14	10	13	11	21
Total number of national feature films produced	8	11	21	15	28
Total number of films distributed	261	290	291	309	351

Table 4: Lithuanian film industry, 2014-2018; source: Lithuanian Film Centre

After the restoration of the country's independence in 1990, the Lithuanian film industry was one of the smallest in Europe. During the first decade, only 20 domestic films were created, while in its second decade, after the establishment of the Lithuanian Film Centre in 2012, about 60 domestic films were created. After the introduction of the Film Tax Incentive, in the period between 2014 and the end of 2017, investors in Lithuania provided funds for 68 films: 22 domestic, 23 co-production and 23 foreign. In total, over 8.5 M EUR was invested in film production in Lithuania in this period, 1 M EUR (11%) for domestic films, 2.8 M EUR (33%) for co-productions, and 4.8 M EUR (56%) for foreign productions. In 2020, out of 12 funded foreign production projects, 8 were Scandinavian (mostly Swedish crime series). The table below shows the distribution of funds for domestic films by genre.

Genre	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Feature films	6	4	2	4	11	8	11	21	15	21
Documentary	10	11	9	18	17	18	11	18	5	22
Short films	9	13	19	1	5	7	9	9	14	7
Animations	6	4	8	10	7	7	4	10	7	4
Total	31	32	38	33	40	40	35	58	41	54

Table 5: Domestic films produced in 2009–2018; source: Lithuanian Film Centre

4.5.4. Funds and subsidies

Lithuanian Film Centre (LCF) provides funding for development and production of the domestic films. Debut films are also eligible for support. The budget of the LCF has grown significantly since its establishment.

	2015	2016	2017	2018	2019
Budget of LFC (EUR)	3 073 737	3 519 000	4 619 000	6 423 000	6 431 000

Table 6: Total budget of Lithuanian Film centre in 2015–2019; source: LCF

The LCF funding scheme is selective and is based on the cultural test. Main selection criteria are quality and originality of the project, director's and producer's track record, and financial aspects.

The funding can be allocated only to legal persons, organisations or subdivisions established in the Republic of Lithuania or another State of the EEA and it may not exceed:

- 90% of the film development budget;
- 50% of the film production budget;
- 90 % of the experimental film production budget;
- 60% of the co-produced film production budget;
- 75% of the co-produced film production budget with countries from OECD list*.

Maximum amount of the subsidy for production of a full-length feature is 725.000 EUR.

4.5.5. Fiscal incentives

Lithuanian Film Tax Incentive offers production companies up to 30% of the budget when they select Lithuania for their filming and a local donor is motivated by the opportunity to reduce the taxable income due to funds granted free of charge for the production of a film. The incentive was enacted in January 2014 as a new policy measure to foster local and foreign film production. It is regulated by the Article 172 of the Lithuanian Law on Corporate Income Tax.

The incentive scheme involves a foreign production company, a Lithuanian production company, a local donor providing financial support to the film and the Lithuanian Film Centre that administers the scheme. Producers can apply at any time during the year. Since only local companies can submit the application, foreign filmmakers need to partner with local production companies if they are interested in the incentive. The local companies also take responsibility of finding a local film donor willing to invest up to 30% of in the production budget in exchange for a reduced corporate income tax.

Even in 2020, affected by the pandemic, the number of film projects and investments of production companies under the Lithuanian film tax incentive scheme rose significantly. LCF reports that in 2020, the film producers, participating in the scheme, have received 11.3 M EUR for film production under this scheme. International film producers have spent almost 27 M EUR in Lithuania. In 2019 the expenses in this category were 15 M EUR. In just a year the number of funded films almost doubled. In 2020, 58 new films received funding: 37 domestic, 9 co-productions and 12 foreign productions.[168]

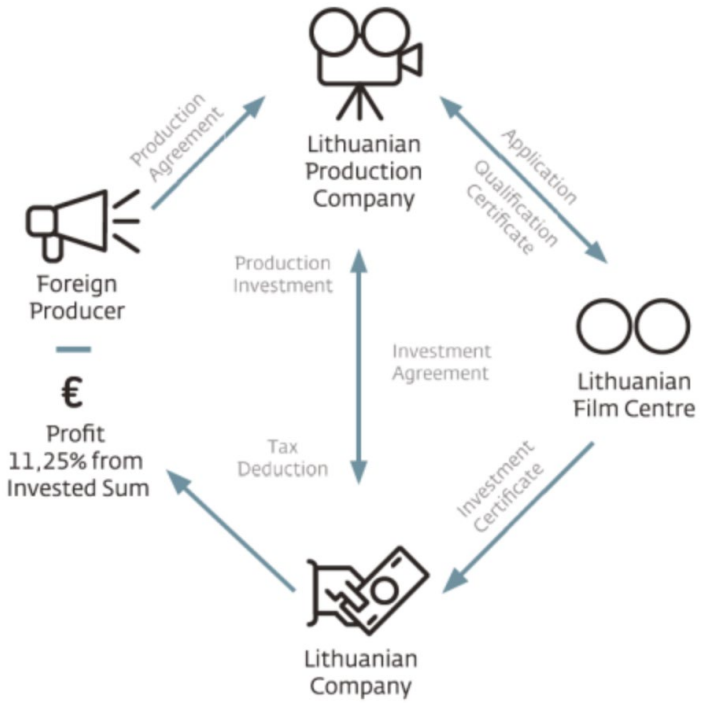


Figure 29: Visualisation of the Lithuanian Tax Incentive Scheme; source LFC

The tax incentive is popular among the domestic film producers as well. Since its introduction in 2014, domestic films have received 5.9 M EUR in investment. Almost half of this sum (2.5 M EUR) was invested in 2020, among others by several (49) new investors which have not used the scheme before. This can be attributed to the increase of the incentive from 20% to 30% in 2019. Also, due to the Covid-19 pandemic, businesses were looking for ways of preserving as much profit as possible.[169]

168 LFC (2021), 2020 the year of the pandemic – the most successful for the Film Tax Incentive, 25 January 2021. http://www.lkc.lt/en/2021/01/2020-the-year-of-the-pandemic-the-most-successful-for-the-film-tax-incentive/

169 Ibidem.

4.5.6. Investment obligations and levies

There are no investment obligations or levies existing or foreseen in Lithuania.

4.5.7. Other instruments and contributing factors

4.5.7.1. Logistic support and filming infrastructure

Besides the Audiovisual Arts Industry Incubator with its studios and post-production facilities, the providers participating in the Vilnius Film Cluster are also offering broad range of film, animation and TV production and production services for any stage of production. Among others, the Vilnius Film Cluster is implementing projects partly financed by the European Union Funds, and Lithuanian business support agency.

Short films production is in the focus of Lithuanian Shorts, a Lithuanian Short Film Agency, a non-profit multifunctional organisation, founded in 2012, that provides a systematic and coordinated presentation and promotion of Lithuanian short films nationally and internationally.

Besides, there are local film offices situated in the country's main filming locations: Vilnius Film Office, Kaunas Film Office, and platform for Klaipėda Locations. Apart from being engaged in promotion activities, they provide information, assistance, mediation between local authorities and filmmakers, location scouting and management, and take care for permits.

4.5.7.2. Hubs for new forms of audiovisual creation

Audiovisual Arts Industry Incubator (AMII)[170] is a creative and technical base, located at the Faculty of Theatre and Film of Lithuanian Academy of Music and Theatre in Vilnius. Its purpose is to help young representatives from the film industry to gain deeper theoretical and practical knowledge in the field of professional cinematography. Incubator has become the biggest educational audiovisual art industry centre in the Baltic countries.

170 http://amiincubator.com/#about

4.6. Luxembourg

4.6.1. Highlights and good practices

- Luxembourg has a very well-developed media industry market with many global media companies based there.
- Favourable legal measures and various mechanisms have been implemented since the end of the 1990s to support and encourage audiovisual production.
- Due to its size, Luxembourg relies predominantly on co-productions. Low requirements and the existence of specialized funds aimed at cross-border partnerships, attracted co-productions from all over the world.
- The proactive measures taken by the government had a spilling effect on the competence of the local production industry and technical infrastructure. Local producers, talents and crew gained experience by working on international projects. Even though Luxembourg did not have a tradition of filmmaking, its productions have multiplied and gained international recognition.
- The success of film production made Luxembourg government take measures to promote the development of other sectors: television formats, animation and extended reality.

4.6.2. Policy and governance framework

Luxembourg is one of the EU hubs for the establishment of television channels that target other countries.

It attracts a large number of broadcasting companies thanks to its regulatory landscape:

- simple and fast licencing procedures, possible to apply in English;
- low cost of set up/annual fees (flat fee only meant to cover the administrative costs of the audiovisual regulator ALIA);
- no additional regulations besides the minimum prescribed by the AVMS Directive;
- no language or local production quota requirements;
- maximum flexibility on advertising;
- liberal program classification categories.

In order to fall within the jurisdiction of the Grand-Duchy of Luxembourg, it is sufficient to have the head office in Luxembourg and to take the editorial decisions in Luxembourg, as set out in the AVMS Directive. This means that a lot of other, support and back-office functions can be located in the country of destination. In 2020, out of a total of 152 linear TV services falling under the jurisdiction of Luxembourg,[171] 128[172] TV services (or 84.21%) were aimed at non-domestic markets. More than several (22 in total in 2020) services licenced in Luxembourg are established outside the EU/EEA, in countries such as Japan, Ukraine or Russia, but fall under the jurisdiction of Luxembourg for using its satellite uplink.

4.6.2.1. Sectoral governance

The Film Fund Luxembourg (FFL) is a public body created in 1990 and supervised by the minister responsible for the audiovisual sector and the minister responsible for culture. It implements the overall policy of the government's support for audiovisual productions. The FFL is financed from the state budget and, to a lesser extent, by remuneration charged for its services, as well as external funding from potential donations. The Fund's mission refers to, among other things, the promotion of cinematographic and audiovisual works, the dissemination and circulation of Luxembourg films in Luxembourg and abroad, and the allocation of subsidies in the form of financial aids, grants and reimbursements.

The FFL co-operates closely with the audiovisual industry representatives (see section 4.6.2.2.) in promoting the sector's development. Members of its Selection Committee include independent consultants and industry representatives.

4.6.2.2. Professional associations

There are several audiovisual professional associations and initiatives which cooperate closely with the Film Fund Luxembourg (FFL) cooperates in promoting the sector's development:

- Luxembourg Producers Association (ULPA);
- Luxembourg Screenwriters and Film Directors Association (LARS);
- Federation of Animation and Virtual Image Professions (FMAIV) bringing together producers, technicians and artists working in the animation, video games and new image technologies sector in Luxembourg;
- Luxembourg Film Technicians Association (ALTA).

4.6.3. Market and industry

The media market in Luxembourg is extraordinarily rich compared to the size of the country. Luxembourg has a very well-developed media industry market, hosting headquarters of many global media and satellite companies. There is a very mature business ecosystem

171 L'Autorité luxembourgeoise indépendante de l'audiovisuel (ALIA), Annual Report 2020, pp. 46-51.

172 Schneeberger, Agnes (2021), Audiovisual media services in Europe: Supply figures and AVMSD jurisdiction claims – 2020. Strasbourg: European Audiovisual Observatory, p. 23.

around broadcasting services, with major satellite players providing uplink services, technical players such as Broadcasting Center Europe which provides for all necessary technical support services especially in terms of play out services as well as with experienced managers and consultancy services. Furthermore, Luxembourg has a very central geographical position and good accessibility which means that skilled workforce (also from the surrounding countries such as France, Belgium or the Netherlands) can be attracted quite easily.[173]

Although it is far from having a long and rich tradition of national cinema, in recent years, the Grand Duchy has found its place in the international film industry.[174] The first homegrown films in Luxembourg were 1960s low-budget erotic titles, produced by filmmakers from France searching to get around tax and censorship laws. Over time, the country started to attract other low to mid-size (mostly French and Belgian) productions, or productions looking for an authentic "Old Europe" setting.[175] In the 1980s, the Luxembourg film industry was beginning to gather pace thanks to some new names on the domestic film production scene. Driven by success of several domestic productions, the Luxembourg Government decided to promote this new aspect of the Grand Duchy economy. Due to a considerable government investment, after it adopted a number of public support schemes in the early 1990s aimed at promoting the development of audiovisual production (including founding of the Film Fund),[176] Luxembourg's production structures became more professional. The presence of two audiovisual giants - RTL Group and SES - had also helped attract many innovative companies in the sector to the country. As a result, the cinema sector in Luxembourg developed rapidly during the 1990s.[177]

In the absence of a domestic market enabling to make a homegrown feature film profitable, most national companies focus on co-productions with foreign companies from all over the world. Luxembourg actors, directors, producers and technicians have learned how to get a piece of the action and managed to make a name for themselves as evidenced by an increasing number of Luxembourgian films appearing in major international film festivals.[178] The number of production companies grew exponentially; currently, there are 27 production and 9 post-production and sound companies. What started as an economic incentive, began to have cultural impact as well: films shot in Luxembourgish started to attract local audiences.[179]

The Film Fund is strongly fostering co-production and offers several co-production incentives, carefully tailored so as to fit with schemes elsewhere.[180] In addition to the funding schemes, the country created other favourable conditions for co-production: there are no requirements related to spending or shooting in the country, no requirements regarding the nationality of the talent, cast and crew or related to the underlying copyrights (and how they are linked to the country), and no requirements regarding the script/shooting language. The Film Fund's data for 2019 reveal that, out of 35 projects granted production assistance, only 11 have a Luxembourgish director. Similarly, less than half of the projects granted writing and development aid were written by scriptwriters from Luxembourg.[181]

173 NautaDutilh (2019), Brexit and broadcasting: Luxembourg as the ideal gateway to provide audiovisual media services throughout the EU (without a major impact on operations in the UK!), 22 January 2019, https://www.e-nautadutilh.com/95/3536/landing-pages/brexit-and-broadcasting--luxembourg-as-the-ideal-gateway-to-provide-audiovisual-media-services-throughout-the-eu-(without-major-impact-on-operations-in-the-uk).asp?sid=0d4367f0-1646-4015-b163-d41e68c6197b
174 The Luxembourg Government (2020), https://luxembourg.public.lu/en/invest/key-sectors/audiovisual-production.html
175 Shadow of the Vampire (2000), one of the biggest titles shot in the country.
176 https://filmfund.gouvernement.lu/en.html
177 While some 110 films of all genres (documentaries, feature-length films, shorts) were produced between 1899 and 1989, 120 were produced between 1990 and 1999. In 1992, the film Hochzäitsnuecht by Pol Cruchten was the first 100% Luxembourg feature film presented at the Cannes Festival.
178 Luxembourg Presidency of the Council of the European Union (2005), https://web.archive.org/web/20100421235925/http:/www.eu2005.lu/en/savoir_lux/culture/pays_cine/index.php
179 E.g. Andy Bausch's The Unemployment Club registered more than 40.000 admissions in 2002, which was close to 10% of the total population.
180 For example, Netherlands-Luxembourg-UK co-production Marionette (2020), which shot in Scotland and Luxembourg, was able to access the UK tax credit, the Dutch cash rebate and the Luxembourg incentive.
181 Film Fund Luxembourg Annual Report for 2019, http://www.filmfund.lu/t/documents/annual-reports-balance-sheets

On the other hand, the production funding system managed by the FFL relies on only one funding option. Even though the funding mechanism has been enhanced from a fiscal incentive to the financial aid in form of advance payments, it is still the only one available to an ever-increasing level of demand. The domestic producers claim that the funding cap seems to have been reached, Luxembourg being a small market and lacking investment partners that other countries have such as television broadcasters or distributors.[182] Therefore, producers are proposing developing complementary systems, such as those that use venture capital as recourse.[183]

As far as television is concerned, as already mentioned, Luxembourg is home to a large number of broadcasters. Numerous audiovisual productions are made in Luxembourg, but most of them are not aimed at a local audience. For this reason, in 2014, RTL Télé Lëtzebuerg (channel broadcasting mainly in the Luxembourgish language) and the FFL issued a call for television concepts and formats that would be made by Luxembourg authors, giving them an opportunity to practice their skills in this format. For the broadcaster, even though there is no formal obligation to invest in independent production, this meant fulfilling its public-service mission in a way it would not have been able to do independently. The call prompted a tremendous response, with 45 projects submitted. A series of original documentaries was selected, entitled "routwäissgro", created by a group of 13 independent directors from Luxembourg and offering a fresh look at Luxembourg society. Encouraged by a favourable response from the public, RTL Télé Lëtzebuerg and the FFL expanded their collaboration to include a children's programme showcasing animated series produced for the international market by Luxembourg studios, and a popular detective series *Capitani* shot in Luxembourgish, that is also featured on Netflix.

The Film Fund also signed a partnership agreement with the FWB-RTBF from Belgium for the co-production of TV series. In 2019, it participated financially in two projects: Unit 42 and Unseen.

The latest forms that are being supported and have gained momentum in Luxembourg are the animation and virtual image sectors, with specialized producers and studios, as well as specialized studies in animation drawing offered by two higher education institutions in the country.

4.6.4. Funds and subsidies

4.6.4.1. National Audiovisual Production Support (AFS)

At the moment, the FFL offers only one support mechanism for audiovisual productions: the so-called National Audiovisual Production Support (AFS).

AFS is a selective scheme which provides discretionary loans to producers to support the creation (assistance with scriptwriting and the development of cinematographic or audiovisual projects) and production (or co-production) of cinematographic and audiovisual works. Selective financial assistance is in principle reimbursable and capitalized with the aim of reinvesting in future projects of the beneficiary company.

Beneficiaries of the scheme are companies established and taxable in Luxembourg. In addition, companies are only eligible if their principal objective is the production of audiovisual works and they effectively produce such works. Eligible works are feature-length fiction, animation and documentary, series belonging to these genres, as well as short-length animation, transmedia and XR projects. Eligible works

182 As explained above, the vast majority of broadcasters licenced in Luxembourg target other countries.

183 Cineuropa (2016), https://cineuropa.org/en/newsdetail/312232/

may be intended for theatrical, television, online and/or other screens (smartphone, virtual reality headset, etc.).

All applications are evaluated by a selection committee based on artistic and cultural, but also economic criteria, considering the project's distribution, dissemination and exploitation potential and the planned marketing strategy, its content as well as its target audience (festivals, exploitation, distribution). The economic impact of the work is assessed and quantified using a points-based evaluation framework, which affects the calculation of the awarded amount. The amount of aid also depends on the genre or type of production (fiction, documentary, animation, etc.), as well as the number and responsibilities of Luxembourger citizens or residents involved in production. The applicant is required to contribute at least 10% of the total production cost. Luxembourg is currently tweaking its funding arrangements to make it even more internationally relevant. At present, producers are rewarded for hiring technicians and cast, shooting and for bringing investment into the local economy. However, with more and more projects looking to come to the country, it became clear that Luxembourg needs a system that would allow for more productions with less governmental support. Under the envisaged system (like the economic funds offered in the neighbouring Belgium), the money given to a producer will have to be spent in the local audiovisual industry.[184]

4.6.4.2. Other mechanisms and grants

Besides the AFS, the Fund also awards the following smaller grants:

- Scholarships. A non-refundable aid intended for training of professionals active in the Luxembourg audiovisual production sector: actors, authors and/or screenwriters, directors, technicians, animation professionals, producers having a proven link with the Luxembourg audiovisual and/or cultural production sector. The Fund covers the costs of registration fees, travel and partly the accommodation costs.
- Aid for authors. A non-refundable grant intended for writing of a first script version of a feature film or animation or a detailed concept of a feature film documentary.
- "Carte blanche" aid. A non-refundable subsidy which consists in contributing in whole or in part to the financing of a cinematographic or audiovisual work on a reduced budget (having an original, creative and unique artistic approach; made in an experimental, "laboratory" or innovative context; promoting emerging talents, artists, actors, technicians in the making).
- Aid for music videos. Aims to support video clips of Luxembourg artists produced with the contribution audiovisual professionals with a proven link with the Luxembourg audiovisual sector.

There are also funding mechanisms focused on cross-border international partnerships:

- Cineworld. This is a specific funding mechanism within the AFS, intended to encourage co-productions with filmmakers from countries with low audiovisual production capacity. It aims to support ambitious international author cinema projects (the condition is that one of the director's previous works have been selected in a category A international festival), while encouraging Luxembourg audiovisual professionals to go beyond their traditional co-production partnerships. The share of the Luxembourg producer cannot be less than 10% of the film's budget.
- The cross-border co-development scheme of the Greater Region.[185] Created in 2015, this scheme is the result of a cross-border agreement between three national and three regional

184 KFTV (2021), Luxembourg, https://www.kftv.com/country/luxembourg/guide/production-guide

185 The Greater Region comprises Luxembourg, Region Grand Est (France), Saarland (Germany) and the German-speaking Community (Belgium).

film funds in the Benelux and Germany. The scheme's primary objective is to strengthen cross-border audiovisual and film cooperation and encourage co-productions between its members. The granting criteria establish that there must be at least two co-producers involved, and at least one of them must be established in the Greater Region and the other one in a different country from the one based in the Greater Region. Support is intended for theatrical and TV feature and medium-length projects (documentaries, animation, fiction or television formats) as well as for new media projects (web) in French, German or Luxembourgish intended for commercial theatrical exploitation or broadcasting. The project must prove it has the potential to be caried out and/or shot in the Greater Region – the applicant is requested to submit an estimate of their expenses in the region in the application form.

- The Luxembourg-Canada Incentive. A collaboration between the FFL and the Canada Media Fund to support the co-development and co-production of audiovisual projects. The initiative is aimed at television works and feature-length animations, and also targets the sectors of augmented and virtual reality, transmedia projects, as well as innovative technologies – areas of expertise particularly well developed in two countries.
- Luxembourg-Ireland Co-development Fund for Female Filmmakers. This co-development fund is a collaboration between Film Funds Luxembourg and Screen Ireland aiming to reduce the gender gap in the film industry and support women in their career development in the audiovisual sector. At the same time, the fund aims to encourage and facilitate co-production opportunities between the two countries.

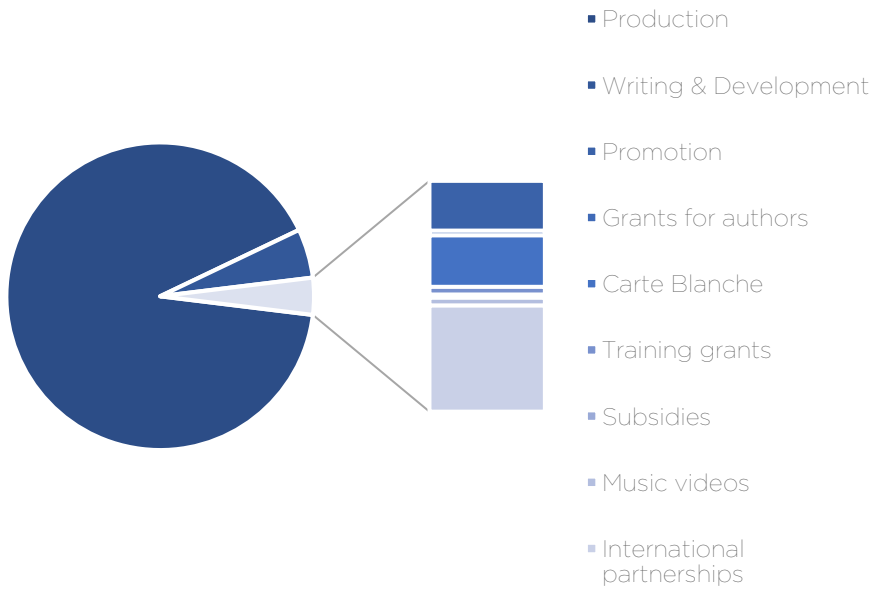


Figure 30: Awarded support of FFL in 2019 by type of activity; source: FFL

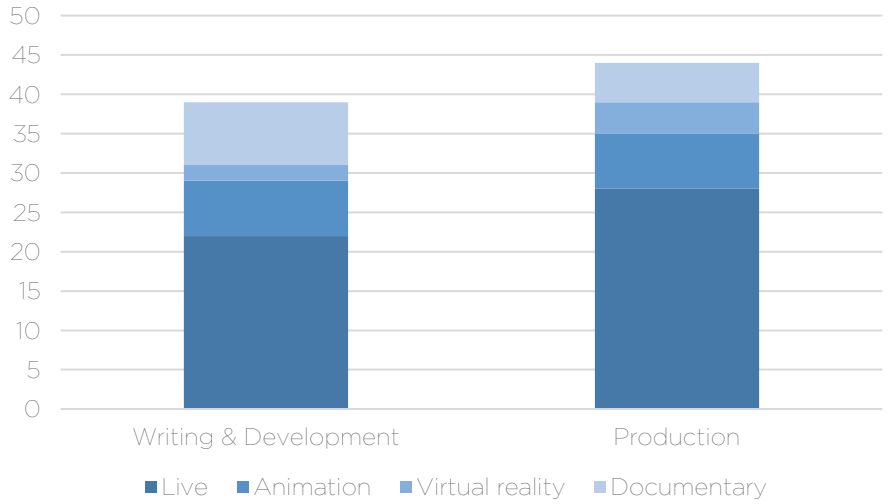


Figure 31: Breakdown of AFS by genre; source: FFL

4.6.5. Fiscal incentives

The main legal framework for public funding in Luxembourg is the Law of 22 September 2014 on the National Fund to Support Audiovisual Production (FNAV).[186] This law substantially modified the Luxembourgish support scheme for audiovisual works, which had existed for more than two decades: until the entry into force of the FNAV, the promotion of the Luxembourg film sector took two forms, a fiscal regime of so-called "certificates of audiovisual investment" and a film fund.

The certificates were issued by the competent ministry with the approval of the FFL to companies investing in audiovisual productions, allowing them to reduce their overall tax burden by a maximum of 30%. However, due to the economic crisis and because the attractiveness of the certificates of investment has substantially lessened (given the modest profits of production companies, producers sometimes decided to sell these certificates to other capital companies who would use them to reduce their taxable income), the FNAV entirely abolished the fiscal incentive scheme. Instead, it constructed the new film fund, which now functions as a selective support scheme and is equipped with more resources. Nevertheless, many agree that the tax shelter system was crucial for attracting bigger productions to Luxembourg, which in turn helped the film industry, infrastructure, talent and skills develop and flourish.[187]

4.6.6. Investment obligations and levies

Neither linear nor non-linear[188] audiovisual media service providers have an obligation to invest in audiovisual works or finance them indirectly by way of levies. The same applies to distributors of audiovisual media services.

4.6.7. Other instruments and contributing factors

4.6.7.1. Favourable legal environment

Luxembourg has a very favourable legal and regulatory environment for attracting foreign media players (see also section 4.6.2.). In

186 https://legilux.public.lu/eli/etat/leg/loi/2014/09/22/n1/jo
187 Roberts, Duncan (2010), 'A film industry has emerged of which Luxembourg should be proud', Paperjam, 30 April 2010, https://paperjam.lu/article/news-a-film-industry-has-emerged-which-luxembourg-should-be-proud
188 Since 2010, VOD providers had a general obligation to "promote, where practicable and by appropriate means, the production of and access to European works", which in theory meant an option to invest in pre-acquisition, co-production or production of works. However, the amendments to the Grand-ducal regulation setting the rules applicable to European and independent works pursuant to the AVMS Directive (available here: https://legilux.public.lu/eli/etat/leg/rgd/2001/04/05/n1/jo) in February 2021, replaced this provision, keeping only an obligation of VOD providers to reserve 30% of their catalogues for European works, without any investment obligation.

particular, the media legislation does not impose any additional obligations on audiovisual media service providers besides those required by the AVMS Directive, and there are no language or local production quota requirements which makes Luxembourg particularly suitable as the base for services targeting the audience of other countries.

4.6.7.2. Removing administrative barriers

Simple and fast licencing procedures as well as low cost of set up grant Luxembourg competitive advantage in attracting foreign media players to establish their headquarters in the country.

4.6.7.3. Logistic support and filming infrastructure

The promotion of the audiovisual industry has led to several major projects being filmed in Luxembourg. Furthermore, as the industry has grown it has developed a core of skilled technicians and experienced administrators. On an international level, co-producers have earned a reputation of reliability. Over the course of approximately twenty years, technicians have acquired a high level of expertise, reinforced by their multilingualism. Most Luxembourgers grow up learning French, German and English, which makes communication with working partners easy. Today, Luxembourg boasts with modern film studios such as the Filmland,[189] as well as post-production facilities and distribution companies.[190]

The animated films sector has experienced a similar success the film production sector. There are six animation studios active in the country. They either develop their own productions or co-productions or hire out their services to foreign productions. Support mechanisms for audiovisual production have worked perfectly as incentives in this sector, thereby helping to establish a genuine industrial platform at a very high level.

4.6.7.4. Hubs for new forms of audiovisual creation

For the past several years, the Film Fund has focused on promoting new content with a particular emphasis on the immersive works and the production of virtual and augmented reality. There are two virtual and augmented reality studios in Luxembourg, and XR (extended reality) works are eligible for funding in the various initiatives offered by the Fund. Since 2017, the Luxembourg City Film Festival hosts a Virtual Reality Pavillion where the festivalgoers are able to discover a selection of award-winning immersive creations, and professionals are offered practical workshops combining virtual reality and augmented reality. The Fund also supports the “Atelier Grand Nord XR” events built around virtual reality, augmented reality or mixed reality, bringing together Francophone XR professionals to discuss their projects with experts and to create links with the aim of promoting the work of peers on future productions or co-productions.

4.6.7.5. Distribution support

The Luxembourg Film Fund does not provide distribution support.

4.6.7.6. Promotion and visibility

Founded in 2012, the Luxembourg Film Academy (D'Filmakademie) aims to encourage national cinematographic creation, promote Luxembourg cinema and increase its visibility with the public, and to serve as a consultative body between the representative members of the cinematographic sector. In collaboration with the FFL, the

189 The studio complex in Kehlen is a one-stop shop for audiovisual production, offering 4.000 m² of studio space as well as construction workshop facilities, offices and technical resources. Two studios are equipped with water tanks, and post-production and special effects companies, as well as service companies, are available on-site.

190 The Film Fund offers a directory of all companies working in the industry, available here: http://www.filmfund.lu/industry-guide/per-type

Academy organizes the Lëtzebuerger Filmpräis every two years, a prize which rewards the best Luxembourg films.

D'Filmakademie launched a VOD platform www.vod.lu in order to make Luxembourgish productions accessible to as many people as possible.

Luxembourgish films are also available on Sooner,[191] a VOD platform dedicated to independent cinema and offering a catalogue of over 7,000 films. The platform is a part of the UniversCiné Belgium, an initiative of 36 Belgian film producers and distributors from 2008 and joined in 2014 by 80 French and Luxembourg producers and distributors.

4.6.7.7. National Audiovisual Centre (Centre national de l'audiovisuel - CNA)

The aim of the CNA is to collect, restore, preserve and disseminate Luxembourg's national audiovisual heritage. As part of its production activities, the Centre supports the creation of documentaries and other audiovisual productions based on archived films.

4.6.7.8 Training aid

The FFL grants small non-refundable aid intended for training of audiovisual professionals, covering registration fees, travel and accommodation expenses.

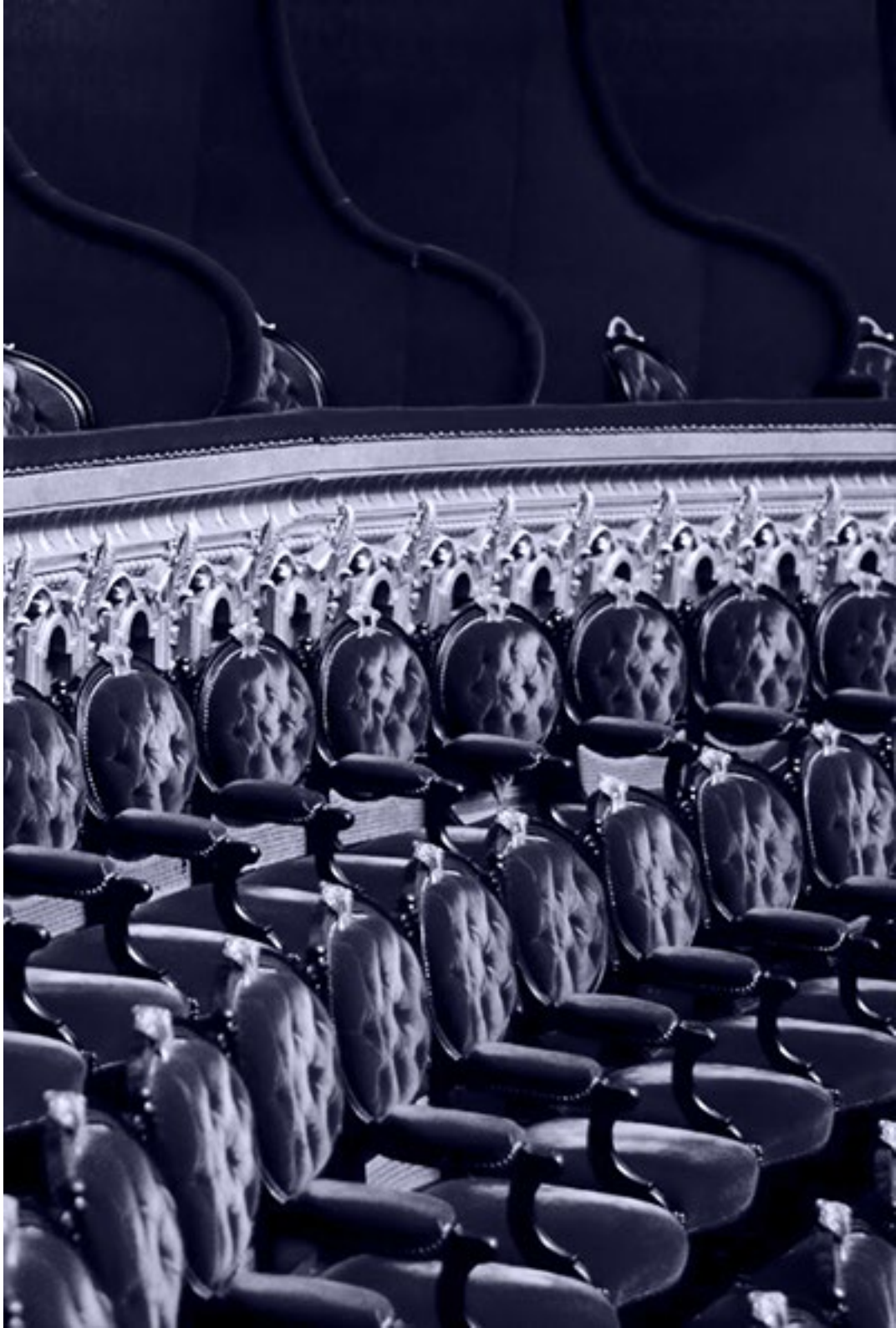
191 https://sooner.lu/

5. KEY OBSERVATIONS AND POLICY RECOMMENDATIONS FOR SMALL LANGUAGE ENVIRONMENTS

This chapter is dedicated to a comparative analysis of the selected markets. It first provides key observations about policy and governance frameworks, market and industry characteristics, funding and fiscal measures, as well as investment obligations and other policies available in the studied countries or language communities. Secondly, the comparison identifies the most important factors contributing to the competitiveness and accessibility of audiovisual content in the examined cases, and leads us to the best practices, which can serve as examples to be followed. These recommendations are structured around the core areas that are suggested to be addressed by audiovisual policies of small countries and small language environments in order to increase their competitiveness in the audiovisual market while preserving their languages and cultural diversity.

5.1. Key observations

The selected case studies provide evidence for the following key observations:



5.1.1. Policy and governance framework

- The most prominent film nations have abandoned top-down governance of public film institutions for more participatory models of governance, involving representatives of industry and professionals.
- Governments tend to take a proactive stance in the development of nations' audiovisual industries by implementing a wide variety of policies and measures supported by various public bodies and other institutions, in pursuit of both cultural and economic goals.
- The audiovisual policy objectives are defined by national strategies and action plans and their implementation is steered by interdepartmental bodies, including ministries, agencies and funds, responsible for audiovisual sector.
- Successful public film policies go beyond the logic of social corrective and the means to support niche artistic creation that cannot be marketed. They treat public funds as an investment in the creative industry at large to promote its competitiveness, while also safeguarding its quality and cultural relevance.
- Filmmaking and audiovisual production in general are recognized as very important branches of national economies with a strong potential of growth and employment.
- Pursuing economic objectives can have a positive effect on cultural objectives, since the international success of domestic content is partly due to its authenticity and originality, including local language, landscapes, cultural references etc. (e.g. Scandinavian or Flemish TV drama).
- There is a growing importance attached to findability, discoverability and accessibility of local and European audiovisual content; the public policy measures include establishment of specialised on-demand platforms (e.g. in Luxembourg).

5.1.2. Market and industry

- Successful production ecosystems are supported by public policies that are flexible and respond quickly to the rapid market changes and new trends.
- The role of regulatory structures in promoting investments in audiovisual production and promoting understanding of market developments is recognized by policymakers.
- The most successful small nation screen industries have reformed top-down governance models towards more participatory governance models. In order to efficiently adapt to the constantly evolving audiovisual sector, the involvement of all stakeholders in the sector, both public and private, is of crucial importance.

5.1.3. Funds and subsidies

- In a funding scheme which operates with limited public funds, allocation of funds most often follows a selective scheme supporting cultural and artistic goals. In environments where there are no purely economic funds in place, the fund allocation schemes that take into account both artistic/cultural and economic objectives offer better effects in terms of competitiveness and accessibility.
- Relying predominantly on public funding and legacy support schemes is not sufficient anymore to maintain competitiveness and support changes brought about technological development, new forms of audiovisual creation and the changes in consumption patterns.
- The export potential of national audiovisual sectors can be increased by the openness of the countries' public support schemes to other audiovisual formats and forms of creation than films, such as TV fiction, and increasingly games.

5.1.4. Fiscal incentives

- Financial frameworks and instruments supporting foreign investments and co-production can significantly contribute to the export efficiency and overall wellbeing of a small country audiovisual industry.
- Fiscal incentives such as reimbursement schemes and especially tax shelters are among the most important mechanisms for attracting foreign (co-)productions.
- Foreign productions, especially if coming from large European production companies or Hollywood, are normally larger in size compared to film projects of small countries and can thus bring higher direct and indirect fiscal revenues, employment of film professionals and earnings of other companies providing services in film locations, as well as benefits for municipalities and citizens. There is also a positive effect on the competence of local producers and technical crews as increased production levels help increase their expertise and skills.
- Hosting productions from abroad positively impacts not only the domestic audiovisual industry but also other branches of the economy, most notably tourism.

Incentives	Tax shelter	Rebate	Tax credit	VAT privileges
Belgium FR	▪			
Belgium FL	▪			
France	▪		▪	
Ireland			▪	▪
Iceland		▪		
Lithuania		▪		
Luxembourg		▪		
Slovenia		▪		

Table 7: Types of financial incentives

5.1.5. Investment obligation and levies

- In countries where audiovisual media service providers and/or distributors have an obligation to contribute financially to production of audiovisual works and where there is a chance to opt either for investment or for financial contribution, the money is increasingly invested in their own productions and co-productions/pre-purchase and not as indirect support to audiovisual creation through levies paid to film funds.

- Even though there are countries like France where the film funding is predominantly feed by levies imposed on market players, making it virtually independent from public financing, in small markets it is unrealistic to considerably rely on industry support.
- In any case, the opportunities offered by imposing a financial obligation on foreign audiovisual media services providers targeting domestic audience can provide for additional sources of domestic film funding and can contribute to the level playing field in the globalized audiovisual market.

Investment or levy	Cinema	Public service media	Private domestic broadcaster	Private domestic VOD provider	Foreign broadcaster	Foreign VOD provider	Distributor
Belgium FR		▪	▪	▪	▪	▪	▪
Belgium FL				▪		▪	▪
France	▪	▪	▪	▪		▪	▪
Ireland*							
Iceland*		▪	▪				
Lithuania							
Luxembourg							
Slovenia		▪					

Table 8: Mandatory direct investments in production or levies to audiovisual funds

*The introduction of these measures is envisaged in the context of the AVMSD transposition.

5.1.6. Other instruments and contributing factors

- Favourable legal and regulatory environment, with low administration burdens and easy to navigate, is an important feature of successful audiovisual frameworks.
- Services such as logistics support, production and post-production facilities, business hubs, innovation centres and promotional activities, organised at the national level or by cities or regions, can significantly facilitate operations of the industry and contribute to its competitiveness, but also to attractiveness of the country or region for foreign productions.
- An important part of sustaining a vibrant audiovisual sector is to create a supportive environment for the development of talents (through funds, coaching, education opportunities) and infrastructure (hubs, incubators) for the digital creative industry.

5.2. Best practices and policy recommendations

Smaller audiovisual markets are characterised by a limited number of players and by the public service media often playing a key role in supporting the independent production sector. Funds available to public service media are however limited and other traditional sources of audiovisual production financing are also declining in size. Increased non-linear viewing and shifts in advertising spending contribute to market success of over-the-top SVOD players like Netflix or Amazon, who are becoming increasingly important stakeholders, also in terms of investment in audiovisual production. Yet, the main funders of European audiovisual production are still governments and broadcasters.

Various strategies can be used to tackle this imbalance. Besides the imposition of investment obligations or levies on new industry players, even if they target domestic markets of EU countries from abroad, states can diversify their support schemes and ensure additional forms of financing through strengthened co-productions or pre-financing deals with distributors. Due to the small size of their markets, it is inevitable for small countries to strategically open up to cross-border co-financing collaborations, such as Nordvision in the Nordic countries.

One of the catalysts for growth can also be attention to quality, for example by prioritising screenwriting and high-concept TV fiction, with the aim of developing distinctive, and thus more attractive, original content, which may be picked up for international remakes.[192] Related to that, transnational platforms and services offer increased opportunities for export which can be exploited by small countries as well. The popularity of European series from small countries on Netflix indicates the cross-border potential of small markets film industries.

The following factors can be identified across the selected markets as key indicators on the capacity of a country's policy, governance and funding frameworks to promote and support sustainability, growth and cultural relevance of national audiovisual production:

- Flexibility and adaptability of public policy.
- Inclusive and participatory policy making and implementation.
- Coordinated inter-departmental or inter-ministerial approach.
- Diversity of funding mechanisms across formats, technologies and stages of creation.
- Availability of fiscal incentives.
- Easy-to-navigate legal and regulatory environment.
- Export of original local production.
- Inclusion in international (co-)productions.
- Foreign productions and co-productions filming in the country.
- Availability of filming infrastructure, including post-production facilities.
- Innovative forms of audiovisual creation.
- Talent development.

192 Raats, Tim and Iordache, Catalina (2020), full reference above.

These factors are related to good practices in approaches to strengthening the national audiovisual production and increasing its domestic and cross-border competitiveness. The selected case studies of small-market countries/communities are a rich source of examples to be followed.

5.2.1. Stimulating artistic and production quality

- The joint management of the Series fund by the national film fund CCA and the public service broadcaster RTBF in the French-speaking part of Belgium resulted in increased production quality and contributed to the emergence of new writing talents through various training programmes and workshops for authors, screenwriters, producers and filmmakers.
- In Flanders, there is a strong focus on high-concept genre, with the Media Fund increasing its efforts to put screenwriting more at the centre of its training and networking initiatives.
- The Icelandic public service broadcaster RÚV established a drama council and hired a script consultant, with the objective to launch 2-3 TV fiction projects each year. Twice a year, it organizes pitch sessions called Idea Days, giving the opportunity to creators, authors, producers and others to present ideas and proposals for program material to RÚV's program directors.
- Increased co-operation of a national public service broadcaster with producers, other media companies, cultural institutions and creative industries can yield to good results. In case of the Icelandic RÚV a special unit has been established, the RÚV Studio, which services the leasing of equipment and facilities to independent producers and other media. A specialized television and film studio as well as a recording studio and other technical facilities are available for rent to independent producers of television and film material, whether it is production for RÚV or others.
- The predominant common feature of these good practices is the strong role of public service media companies.

5.2.2. Promoting investment

- Tax breaks. The Belgian Tax Shelter, which allows investors to obtain in return a tax deduction reducing the taxable profit, covering as much as 42% of the qualifying audiovisual expenditure in Belgium, is deemed to be invaluable to the industry and the most important driver in its growth and development.
- Economic funds. In Belgium, the regional economic funds fulfil a specific economic objective of fostering the development of the local audiovisual industry by creating employment and stimulating local expenditure. The figures on returns on investment speak volumes about the benefits for the local economy: each euro invested generates 5.6EUR of eligible expenditure in Wallonia and 8EUR in Flanders respectively.
- Reimbursement schemes. Iceland offers the reimbursement of 25% of the costs incurred during the production of films and television programmes. It is considered a key factor in attracting foreign projects and has, over the years, attracted a large foreign investment that would not otherwise have taken place.
- Investment obligations and levies. Belgium has imposed obligations on audiovisual media service providers to contribute financially to the production of audiovisual works. In the French-speaking part, both linear and non-linear (VOD) providers have this obligation, and it has been extended from domestic to cover also foreign AVMS providers targeting the French-speaking audience. In the Flemish Community, the obligation of financial investment or levies applies to VOD providers only, both domestic and foreign.
- Autonomy and participatory governance. Lithuania with most similarities among all the studied countries with Slovenia, has

experienced a considerable growth in audiovisual production and gross box office due to a successful introduction of Film Tax Incentive in 2014, and a greater degree of autonomy and industry participation in the sectoral governance.

- Favourable legal environment. Luxembourg film industry – being too small to sustain homegrown productions – is strongly fostering co-production partnerships from all over the world. Among others, it is known for its very favourable co-production conditions: no requirements related to spending or shooting in the country, no requirements regarding the nationality of the talent, cast and crew or related to the underlying copyrights (and how they are linked to the country), and no requirements regarding the script/shooting language.
- Promotional initiatives. An annual networking event CONNEXT in Flanders brings international buyers to Belgium to showcase the latest Flemish productions. It is an opportunity for film and TV-makers from Flanders and Brussels to pitch new projects, present work-in-progress and show recently completed features, documentaries and series in a direct contact with professionals from all over the world.

5.2.3. Enhancing circulation, accessibility and competitiveness

- In allocation of public funds, some countries, e.g. Luxembourg, take into consideration criteria related to circulation and accessibility, such as the project's distribution, dissemination and exploitation potential, marketing strategy and the target audience (festivals, exploitation, distribution). With a view of catering to more international co-productions, the national (cultural) fund borrows some features of the strictly economic funds applying criteria such as the number and responsibilities of domestic crew, amount of money spent in the country etc.
- Ireland reformed its film fund into the national development agency for the Irish film, television and animation industry Fís Éireann/Screen Ireland, and offers, besides its extremely favourable tax environment, one of the largest variety of measures and support schemes covering different aspects of production process.
- Flanders managed to create a distinctive Flemish TV drama brand thanks to a combination of government and film agency policies supporting exportable TV series. First of all, there was a shift from a purely domestic to an international focus. A special funding mechanism under the auspices of the Flanders Audiovisual Fund (VAF) was introduced (VAF/Media Fund). Co-productions with the public service broadcaster and other broadcasters became a golden standard in order to have bigger budget productions with export capacity.
- Nordvision: a regional collaboration platform connecting Nordic public service broadcasters can be a great source of inspiration on how regional co-productions, collaboration on format development and sharing of experience can result in genuine and recognizable high-quality productions, stable production volume and pre-secured export distribution channels.

6. POLICY RECOMMENDATIONS FOR THE REPUBLIC OF SLOVENIA

This chapter provides specific policy recommendations for the Republic of Slovenia as designed based on the findings of the case studies. The main focus of the suggested recommendations are measures with the potential of improving the competitiveness of the Slovenian audiovisual production, while preserving national cultural values.

6.1. Context and challenges

Slovenia is one of the countries with the least diversified allocation of funds, a part of the group of smaller countries with no alternative sources of public financing beyond public funds and a tendency to concentrate their resources around production and investing less in other activities, such as development of projects and distribution.[193] In comparison with other Central European countries or most former Yugoslavia countries, Slovenia has one of the lowest budget allocation for public funding of audiovisual production. Among the EU countries, it also holds the second to last place in the ranking of five-year spend in theatrical production, because of the drastic (50%) drop of investment in audiovisual production in 2010-2014. Most

193 Cf. Milla, J. T., Fontaine, G., and Kanzler, M. (2016), Public financing for film and television content. The state of soft money in Europe. Strasbourg: European Audiovisual Observatory, pp. 65-66.

countries reported growth during this period, ranging from a few percent to 150%.[194]

In an increasingly competitive region Slovenia took 5 years more than the neighbouring Croatia (often considered as a regional success story) to introduce the cash rebate system. When Slovenia did launch its scheme in 2017, it was with a slightly higher share (25%) than its neighbour, but with a few times lower available funds. The fund rounded to 1 M EUR can be however increased if a larger production is interested in filming in Slovenia, pursuant to the Government's consent. Since then, Slovenia has attracted several international productions of both films and series, starring among others Rosamund Pike, Naomi Watts and Mads Mikkelsen.

One of Slovenia's advantages is its geography. The country is located at the crossroads of the Mediterranean, Alpine and Pannonian landscape, and is rich in forests, rivers and castles, as well as medieval, baroque, art nouveau and modernism architecture, including industrial and brutalist style. Slovenia's small size and its good road infrastructure, all within one- or two-hours' drive from the capital Ljubljana and easily reachable from several international airports, allows Slovenia to provide film crews with a variety of filming locations, compared to some other small countries.

Other advantages are its talents and the public studio infrastructure, which is however becoming outdated and would require a significant investment in modernisation, in order to compete with the countries in the neighbourhood investing heavily in the filming infrastructure.

In Slovenia, Netflix, Amazon and CME's Voyo (which has a local production unit) are dominant players in SVOD. In 2020 the share of Netflix was 38%, Voyo took 23% and Amazon 22%.[195] However, with only 2% share of SVOD revenues in total audiovisual market revenues, Slovenia is one of the countries with the lowest share of SVOD in Europe.[196] Because of its small market potential, the country has a relatively low bargaining power versus the SVOD giants.

On the other hand, weaknesses that are not impossible to tackle include:

- The top-down governance system with strong involvement of the government.
- Regulatory frameworks at the national and local levels, governing different aspects of audiovisual production, that have not yet been adapted to the digital and global reality.
- The lack of coordination at the administrative level to ensure a strategically supportive ecosystem.
- Low and poorly diversified public funds.

6.2. Recommendations

The following recommendations, while being tailor-made for Slovenia and its specific situation, are also relevant for other small EU member States and can be easily adopted and applied to their market realities, since they take into account common challenges, such as the ones posed by new market players, as well as draw inspiration for the experience and success stories of other small-market countries studied in detail in Chapter 4.

194 *Ibidem*, p. 65.
195 Greece, Christian (2021), p. 19, full reference above.
196 Ibidem.

6.2.1. Policy and governance framework

- The model of sectoral governance should be updated to ensure more participation of the industry, professional associations and other stakeholders in both policy- and decision-making, with the aim of wide-ranging, dynamic discussion between the industry, professionals, film agency and the government.
- The Government should devise a national Strategy and Action Plan for the development of audiovisual sector, in close collaboration with the SFC, the industry and professional associations. Similarly to the Icelandic Film Policy 2020-2030, this plan should recognize audiovisual production as an important economic branch and cover all strategic aspects, individual actions and the role of each stakeholder.
- The strategy and action plan should be accompanied by a comprehensive reform of the legislation governing the audiovisual sector, which is now fragmented. The reform should aim at adopting an umbrella law in the field of film covering the tasks and responsibilities of each stakeholder and aiming to fulfil both cultural and economic goals of the film industry.
- Regulatory structures have yet to adapt to new entities in the market, therefore it is important to make sure that policymakers clearly understand their role and their power. As illustrated by the Irish example, the audiovisual regulators are becoming more involved in matters of audiovisual production funding (e.g. through ensuring compliance of audiovisual media providers with their investment obligations). The competent ministry should therefore organize training programmes in order to increase the knowledge and capacities of policymakers, regulatory structures, the industry, filmmakers and film agency for monitoring and understanding the market developments in order to ensure timely responses to the quickly changing market circumstances and informed decisions on where the public investment makes sense.
- The national film agency (SFC) should be transformed from a state-controlled administrator of budgetary funds, dedicated to predominantly cinematographic works with high cultural and artistic value, into a film development agency that both supports and promotes artistic creation as well as attracts investments (e.g., by following examples of Screen brussels and Screen Ireland). In order to achieve both goals, it is crucial that the reform supports its independence, institutional and human capacity.
- Removing administrative burdens for filmmakers and providing them with support for navigation in the legal and regulatory framework is necessary in order to increase the competitiveness of a market and facilitate foreign investments. To this end, an inter-ministerial task force should be established, responsible for steering and coordination of activities assigned to the ministries of culture, finance, economy, public administration, education, environment, labour, internal affairs and foreign affairs, as well as representative associations of municipalities and cities. The Irish high-level Steering Group can provide for inspiration on how such a task force can function.
- One of the roles of this platform should be to create a user-friendly digital one stop shop for filming-related permits (environmental, road closure, labour related etc.), as is successfully being done by Wallimage Tournages in the French-speaking part of Belgium.
- Fiscal, legal and governance reforms can be encouraged by strategic and collective efforts of filmmaker's community, as the case of Lithuania confirms. If the advocated reforms are favouring interests of certain factions, it is less likely that they would result in an overall revitalization of the national audiovisual sector. The competent ministry and the SFC

should provide for regular joint consultations with the representative associations in Slovenia, inspired by the Icelandic example where the government and the filmmakers' interest groups every four years make an agreement on film-making policy for the period in question.

- To help the industry and professional associations, which often work on a voluntary basis and with limited funds, the government should provide some support, e.g. via subsidies and grants, legal advice, educational activities, professional training, networking opportunities, facilitation of international business relationships etc., as shown by the case study of Belgium - Flanders.
- The examples of Lithuania and Belgium - Flanders, where the initiatives have been implemented to boost entrepreneurship and innovation in the digital technologies sector and new forms of audiovisual creation, show that the entrepreneurial dimension is essential for the film industry growth, since they create the majority of the sector's added value, while not hindering cultural and artistic dimensions of the audiovisual sector.
- In addition, the results of such initiatives are felt not only by companies and professionals of the film industry, but also companies and individuals who service the film sector: providers of accommodation, catering, transportation and other technical services. The government should therefore work closely with local authorities in order to implement specific measures aimed at supporting small and medium enterprises active in and around the film industry.

6.2.2. Funding scheme

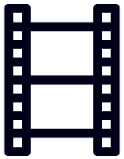
- In today's complex and constantly evolving audiovisual market, it is necessary to maintain a flexible and diversified funding scheme that is able to follow technological changes and changes in consumption habits so as to enable creations across platforms and formats, as well as different phases of creation (development, production, post-production). This should be done with close cooperation and involvement of the industry, including creators, in order to be able to, as accurately as possible, identify priorities and potentials.
- As we can learn from the case study of Lithuania, it is necessary to shift from the idea of state support as a welfare system to the idea that public money should be treated as an investment in film sector. Taking into consideration indirect economic effects of the audiovisual industry and great potentials for return on investment, the government should provide for more public funding, also by exploiting the possibility of local and regional funds, in combination with other incentives suggested below.
- The public fund allocation scheme should take into account both artistic (cultural) and economic objectives, as shown by the case study of Luxembourg which, as a small country with only one funding system available, also takes into consideration criteria such as the project's distribution and exploitation potential, market strategy etc.
- To ensure the necessary flexibility and responsiveness of the regulatory framework and funding policies, more decision-making power and autonomy should be granted to the national film agency.

6.2.3. Promotion of investment

- In order to ensure growth and competitiveness of the audiovisual market, the naturally limited available public funding in a small country such as Slovenia inevitably needs to be complemented by financing schemes that use outside sources. The government should implement a wider variety of measures to attract private and foreign investments and promote co-production opportunities.
- Cross-sectoral initiatives and stronger cooperation with tourism sector including signing of memorandum of understanding, with a view of creating a strong brand of Slovenia as a filming destination should be undertaken to enhance the foreign investment that can lead to larger audiovisual budgets, higher quality and productivity.
- A national campaign on economic effects of filmmaking in local municipalities, targeting local authorities, decision-makers and services providers should be undertaken in order to raise their awareness on the importance of the audiovisual industry and their ability to seize the opportunities it offers to the local economy. Drawing inspiration from Belgian regional funds, local and/or regional economic funds should be established in order to foster the development of the local audiovisual industry by creating employment and stimulating local spending.
- As the most stunning film locations in Slovenia can be found in the country's nature parks (i.e. 38 parks, covering 13% of its territory) and are thus under special nature protection regimes, Slovenia should develop a strategy for dealing with filming requests in protected areas, provide better access to information and one-stop shop system for acquiring permits, while abiding by ecological and nature-preservation requirements. As observed in Flanders, its Agency for Nature & Forests, which oversees many nature reserves, forests and parks in the Flanders Region, has its own film office.
- The total annual amount provided for feature, documentary and animated co-productions with a minority Slovenian share production should be increased in order to boost the participation of the Slovenian filmmakers in international co-productions system.
- The uptake of Flemish TV fiction exports demonstrates how a coherent set of activities can bring a significant impact: an outward-looking strategy of producers and broadcasters with an eye on return on investment was accompanied by intensified promotion of TV fiction at international buyers' markets and higher production grants awarded by the VAF.
- In Slovenia as well, promotional and marketing efforts abroad should be enhanced. The Government should adopt a more proactive policy which takes into consideration film industry as an economic branch and include it in its economic diplomacy efforts. Examples of action could include participation of producers in economic delegations or organizing professional industry-only networking events and pitch sessions such is the CONNEXT event in Flanders.
- Funds, traditionally reserved for promotion of films, should be invested also in promotion of TV series and other genres with high export potential, as we can learn from the case study of Iceland.
- Private investment is an important part of film production and it is necessary to encourage it. In addition to the existing rebate scheme, a wider variety of incentives should be introduced, including tax breaks for both individuals and companies that invest in film projects and the creative industry at large, as it has been successfully done in Ireland, Lithuania and Belgium.
- The existing rebate scheme should be constantly reviewed and revised, when necessary, in order to insure its sustainability and attractiveness. The examples of the studied

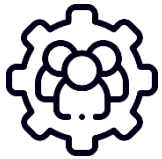
countries show that reimbursement schemes are essential for the growth of the domestic film industry; however it is also recognized that they need to be flexible to adapt to the growing international competition. The case study of Iceland highlights incremental reimbursements tied to the number of elements done by a project in the country.

- The legislation should provide for the obligation of audiovisual media service providers (both linear and non-linear), domestic as well as foreign targeting the domestic audience, to contribute financially to the production of audiovisual works, following the example of Belgium.
- In addition, a clear obligation of VOD providers, both domestic and foreign targeting the domestic audience, to ensure promotion and prominence of Slovenian and European works should be introduced, especially having in mind the new distribution and business models that have been accelerated by the COVID-19 pandemic.



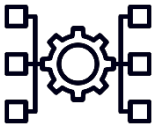
6.2.4. Promotion of local production

- Drawing inspiration from the initiatives taken in this regard in the French-speaking part of Belgium, the film strategy should provide for specific measures to support TV series.
- The successful examples of countries such as Belgium and Iceland show that the focus on original and high-quality formats, rather than a mere quantity of supported projects, increase the likelihood of attracting foreign attention and therefore exports and investments. The public funding should therefore have a stronger focus on the development and screenwriting phase, including investments in education and training.
- As also observed in the French-speaking part of Belgium, the public service broadcaster plays a crucial role in supporting independent production, among others by co-managing a special fund dedicated exclusively for TV series.
- The RTV SLO should collaborate with the SFC in order to implement measures aimed specifically at independent production, such as training programmes, workshops, script consultants, use of archives, leasing of technical facilities and equipment, as is successfully being done in Iceland.



6.2.5. Regional collaboration initiatives

- The study provides examples of successful cross-border cooperation schemes that involve countries from the wider region that share historic and cultural ties (e.g. Nordvision) or neighbouring regions from different countries (e.g. the Greater Region cooperation between three national and three regional film funds in the Benelux and Germany).
- Pooling of not only resources but also ideas, talents, connections etc. can greatly enhance the production of original content and higher quality projects and guarantee a greater stability of resources and income.
- Slovenia should actively seek collaborations with partners from the neighbouring countries and regions in order to establish a platform for the joint production of TV series.
- There should be alignment and harmonisation of procedures, forms and other documentation requested in film agencies tenders in the region, to reduce administrative burdens and inconsistencies between the approaches of regional film agencies and allow for more efficient and effective applying for funds and better compatibility of schemes.



6.2.6. Infrastructure

- In an environment where many other European countries are implementing a wide variety of initiatives aimed at making them a filming hub, a competitive advantage might come from offering a one-stop shop, allowing for the entire productions to stay in the country and thus reducing the costs of travel, transport, engaging with multiple filming crews etc., as is being done in Iceland.
- In combination with easy and fast access to a variety of locations, the case study of Belgium – Flanders confirms that it is necessary to further develop the technical infrastructure including state-of-art indoor facilities offering a variety of services for both production and post-production.
- To this aim technical upgrade of publicly owned VIBA film studio and its long-term development is essential.
- There is also a potential for creating a studio infrastructure in the Eastern part of Slovenia (close to international airports of three neighbouring countries) that should be explored.
- The SFC should devise a repository of both publicly and private owned buildings and locations suitable for filming as this would ease scouting for film locations and increase the visibility of different locations, following the example of Screen.brussels and Screen Ireland interactive map.
- Local authorities should be encouraged to implement a scheme for supporting affordability of business premises for domestic and resident filmmakers and producers.

6.2.7. Talent, employment, skills

- Slovenia should introduce high-school programmes and diversify university-level education programmes – such as introducing bachelor's and master's degrees on creative media and digital communication, as in Flanders – to meet the trends and staffing needs in the (trans)national creative sector.
- More efforts should be invested both by the government and the SFC in informal education and international exchange of knowledge and experience. Inspired by the Flanders DC or the Audiovisual Arts Industry Incubator in Lithuania, a similar hub should be established in Ljubljana to help young professionals to gain deeper theoretical and practical knowledge.
- In addition to training courses and assistance related to the creative process (e.g. script doctor, script editing trainings), the educational programmes should help audiovisual professionals gain knowledge on the business aspect of their profession (development of business models and strategies, financing, legal issues, marketing and communication, production and sales etc.),
- Slovenia should invest in further promotion of film literacy in schools and outside schools, as well as amateur film and audiovisual production, so that all demographic groups are addressed.

6.2.8. Innovation

- As can be learned from the experiences presented in this study (in particular the case of Flanders), creation of a stimulating environment for innovation and creativity can have a spill-over effect on the entire industry. Slovenia should therefore support new and innovative forms of audiovisual creation (transmedia works, video games, extended reality, special effects…), including the development of new business models e.g. by fostering start-up investments and helping establish hubs and incubators, as in Flanders and Iceland.

- In particular, targeted measures for stimulating the development and growth of the gaming industry should be adopted. Video games have enjoyed enormous popularity, growing international potential and return on investments, which is why several other small-market countries such as Ireland and Belgium (Flanders in particular), decided to focus on this particular form of audiovisual creation as part of the wider efforts to strengthen the digital creative industry. Slovenia's creative potential in this regard should be stimulated by measures, such as special funding schemes for video games and, if possible, fiscal incentives, such as those in Belgium and Ireland, as well as supportive environment for the development of talents (training, establishment of incubators, office space or infrastructure for game developers, administrative services, development tools etc.).

6.2.9. Audiovisual heritage

- There is a large potential of audiovisual heritage re-use, including on on demand platforms, therefore more efforts for digitisation of the national audiovisual heritage are needed, as well as measures for improving its public accessibility.

- The case studies confirm that besides public funds for digitisation, there are other possibilities for state supported measures aiming at promotion of preservation and re-use of such content.

- These approaches can include sub-quotas for heritage works, heritage-based obligations for thematic pay TV channels focused on cinema and stimulating rates of investment obligations (like in France); financial support for documentaries and other audiovisual productions based on archived films (like in Luxembourg); or a diverse set of schemes supporting preservation of audiovisual heritage, including the one promoting the archiving culture in broadcasting (like in Ireland).

7. TAKEAWAYS FOR EU AUDIOVISUAL POLICYMAKING

At a time when even large and economically powerful countries must work hard and quickly to be able to follow the actions of transnational digital giants, to react to them and to shape them in the interests of their citizens and industries, small countries are in a significantly deprivileged position.

The EU audiovisual framework has been always characterised by ambiguities, such as the removal of national barriers and liberalization (within the EU) versus industrial and cultural protectionism (against the US). The latest revision of the AVMSD in 2018 strengthened tensions between mechanisms promoting unity (in terms of single market) and those allowing for diversity (based on particular national interests) in the context of the European audiovisual policies. In the changed global audiovisual landscape these dualities continue to impact small and large EU states in varied ways.

The new video streaming service providers cannot be accommodated inside the EU regulatory frameworks easily. Especially if there is a substantial discretion for member states in applying the instruments of these common frameworks, large countries with sizeable markets and strong economies can benefit from the EU audiovisual policies to a greater extent than small ones. The reasons for that are twofold: the common EU frameworks are normally better aligned with interests of large EU countries and the

bargaining position of these countries against the industry is stronger.

While the needs of small countries are not at the forefront of EU policy making, one-size-fits-all solutions do not seem to have the desired effects at EU level either, as they lead to fragmentation of audiovisual policy. In a situation where everyone is competing with everyone, the fragmentation of regulatory and tax regimes and state aid schemes is inevitable. But global challenges in a changed audiovisual ecosystem controlled by (non-European) technology giants cannot be addressed at the local (national) level.

Due to the intrinsic transnationality of European audiovisual production, characterised by co-production schemes and high mobility of talent, the failure of individual national cinemas, which are lagging behind in the "all against all" match, is not in the interest of anyone. In shaping European audiovisual policies, the EU should therefore keep in mind all this specifically European diversity, which, after all, is precisely the feature that makes the European audiovisual production original, special – and also competitive in the global streaming war. To preserve this distinctive diversity, the EU audiovisual policies should pay a special attention to the specific contextual challenges of small countries. These often go beyond just the question of market size and include situations determined by the proximity of (large) neighbours with similar language.

Instead of implicitly stimulating the regulatory, tax and funding competition among its member states, which does not necessarily lead to a greater sustainability of the European audiovisual production, the EU should invest more effort in supporting cross-border audiovisual collaboration and alliances, with the aim to preserve the main asset of European audiovisual production, the one that lends it a distinctive character and competitive advantage on a global scale: its specific cultural and linguistic diversity.

As shown by case studies presented in this study, it is precisely small countries that contribute significantly to this cultural and linguistic diversity (the global success of Nordic TV series seems to confirm this), so it is necessary that any common policy and action take into account the need to support growth and competitiveness of their audiovisual production.

Building on the findings from this study, recommended courses of action on the part of the EU, to be requested by the small member-States, include the possibilities presented below.

7.1. Affirmative-action fund distribution

Various support schemes are adopted and implemented by the EU in this sector, such as the EU Creative Europe support schemes and the European Commission's Action Plan to Support Recovery and Transformation. Such schemes would benefit from, for example, introduction of the principles of "affirmative action", policies and practices seeking to include small countries (in this case productions and languages), enhancing their capacities in the sector where small countries are underrepresented.

Small Member-States could request to open a dialogue on the possibility of an affirmative-action approach to the distribution of EU funds for their audiovisual production, for the following reasons:

- Due to the market size, large(r) member States have better chances for monetization of their audiovisual production on their national markets;
- Large(r) Member-States have better availability of national funds and a greater diversification of fund origins;
- Large(r) Member-States have a higher income potential from the implementation of the possibility of imposition of

investment obligations or levies to non-domestic AVMS providers, stemming from the revised AVMSD.

Affirmative action in allocation and distribution of content-related funds is essentially the revision of standards and practices to ensure that the industry is supported from the largest marketplace of ideas and talent, while ensuring the representation of players coming from the small states. Less exclusionary policies are designed to support the best talent, enable accessibility and visibility of small languages, and thus further enrich the European cultural values.

7.2. Advisory platform for audiovisual policy

The study suggests establishment of closer ties and co-operation between, on the one hand, national film funds, entrusted with allocation of film-related content and, on the other, the national media/communications regulatory authorities, who are, in some cases, entrusted with enforcement of content quota and investment obligations, as well as allocation of media pluralism funds. Such recommendations can be translated to the level of the EU, in terms of support for such co-operative arrangements.

For example, the European Commission can direct financial, technical and administrative support for creation of an advisory platform of representatives from these institutions, as well as ensure their continued effective co-operation. This would lead to a more concerted fund distribution efforts and a common approach to difficulties such as the assessment of eligible nationality of European works. The cooperation of regulators would significantly contribute to the increased knowledge on the changed (and changing) market realities in terms of online services and platforms, with the aim of ensuring the proper financing, findability and promotion of European audiovisual works. Also, such arrangements would lead to a better long-term sustainable flow of cross-border co-productions. Finally, the European Commission would have a more direct and efficient feed-back from national representatives on all matters pertaining to the film industry.

7.3. Participation of the audiovisual industry

As confirmed by the successful practices described in the case studies, direct and regular involvement of representatives of the audiovisual industry and professionals in the decision-making processes and consultations is crucial for the success of policies on the EU level.

A structured periodic cooperation with the representative associations would provide the European Commission with necessary support in ensuring timely responses to market changes and designing frameworks that would increase the industry's competitiveness on a global scale.

7.4. Findability and discoverability

The European Commission should provide continuous support for the distribution of European works, including the support for smaller and independent distributors, and incentives aimed at better circulation of smaller films.

With regard to the gatekeeping role of digital intermediaries, the European Commission should develop programmes and regulation for improving and facilitating the findability and discoverability of the European audiovisual works on digital platforms in all languages of the European Union.

The design of online services, which target EU users, and algorithmic decisions that promote content should allow for prioritisation of European audiovisual works and make them more discoverable or prominent on devices or user interfaces, so that users are more likely to notice them. To avoid fragmentation and increase effectiveness, these measures should be implemented on the EU level and should also support improved accessibility of European audiovisual works for persons with disabilities and elderly.

The possibility of creating a pan-European platform, in cooperation with European public service media, for European audiovisual works, including the European audiovisual heritage, to be made available to EU citizens, should also be explored. An added value of such a platform would be promotion European audiovisual creativity and cultural diversity worldwide.

The European Regulators Group for Audiovisual Media Services (ERGA),[197] a body which brings together heads or high level representatives of national independent regulatory bodies in the field of audiovisual services to advise the European Commission on the implementation of the AVMS Directive, should be further empowered in its monitoring and reporting activities in order to ensure compliance with AVMSD requirements regarding the promotion and prominence of European audiovisual works in on-demand catalogues – an obligation that in many cases exists only on paper and is in fact not properly enforced, as shown by a publication of the European Audiovisual Observatory.[198]

7.5. Fostering co-production

Within their respective competencies and in the framework of their various co-production support schemes, the European Commission and the member States of the European Union should have a more prominent role in facilitating co-productions and cross-border circulation and distribution of films and audiovisual works.All case studies demonstrate how international co-productions, while preserving the individual linguistic and cultural specificities, significantly contribute to international success of productions with participation of the studied countries, their wider dissemination and thus greater accessibility.The improved competitiveness of the European audiovisual sector, also in terms of its recognizability as a brand, can in particular be achieved through higher quality and originality, which is why any collaboration schemes should take into account very early stages of creation and production.

197 Please see the ERGA's website for more information on the body: https://erga-online.eu/
198 European Audiovisual Observatory (2020), Mapping of the regulation and assessment of the nationality of European audiovisual works. Strasbourg: European Audiovisual Observatory.

7.6. The role of PSMs

As can be learned from the case studies of Belgium and Iceland (also through its participation in a pan-Nordic platform of *Nordvision*), public service media are of crucial importance for the independent production sector and high-quality TV production in general.

The most successful models are building on enhanced cooperation of public service media companies with independent producers in an inclusive and empowering way. The European Commission should promote this kind of cooperation and should support public media services in providing opportunities for independent producers in the creation and promotion of European content.

A possible avenue for the European Commission could involve the cooperation with the EBU and European public service media on exchanging experience, practices and opportunities in creating, distributing and promoting audiovisual content in Europe and globally.

7.7. Pool of trainings for professionals

Throughout the study, the need for continued, systemic and innovative training programmes for film industry professionals, film fund representatives and other stakeholders in this area is highlighted. In order to provide the training on latest trends and techniques in the industry, small countries would benefit from a centralized pool of expertise, which can best be organised on the level of the European Union.

The European Commission could direct its efforts into the establishment of an online film resource centre, inclusive of training documentation depositories, audio and video tutorials, podcast discussions, promotion of European cultural heritage, etc. This centre would engage in the organisation of continued training programmes for professionals, as well as trainings for trainers, which would then best serve the training needs in the member States. Finally, under the auspices of this centre, annual film conferences could be held, bringing together the representatives from all member-States and facilitating dialogue and co-operation, highlighting the needs of the industry, and serving as a platform for discussion with public policy makers on the European level.

ABOUT THE AUTHORS

Created in 2013, Wagner-Hatfield is a research and consulting company offering numerous services pertaining to policy, regulation and strategy in the media and digital economy sectors. Wagner-Hatfield is inspired by and founded on the principle of promoting and engaging in new, emerging forms of institutional relations, and building innovative approaches to public policy & management, expertise & capacity-building, corporate development and communication strategies. As a forward-looking organisation built on years of experience Wagner-Hatfield is dedicated to reconciling public interest and private entrepreneurship by addressing challenges such as efficiency and pragmatism of rules and legislations, innovation in public governance, impartiality of arbitration, as well as the quality of working relationship between regulators and private actors.

Our main field of expertise is audiovisual media regulation, where we offer: high-quality research and evidence-based policy recommendations; drafting, reviewing and implementing media legislation and broadcasting codes; advice and training/capacity building for media regulatory authorities and ministries. Topics we are specialised in include: material scope of media regulation (online media, social networks, video-sharing platforms); jurisdiction issues; licensing and related systems; promotion of domestic and European works and financial support schemes to audiovisual creation; media concentration and transparency of media ownership; independence of media regulatory authorities; hate speech; fight against disinformation; protection of minors; commercial communications; articulation between self- and co-regulation and statutory regulation; media and information literacy.

The following persons were involved in the preparation of this study:

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Jean-François Furnémont, the Founder and CEO of Wagner-Hatfield. He has authored several political science books and publications on media policy and regulation.As Director General (2003-2014) of the audiovisual media regulatory authority (CSA) of the French-speaking Community of Belgium he was involved in development of the CSA's approach to promotion of European works, largely recognized as good practice. In 2011-2014 he chaired the Board of the European Platform of Regulatory Authorities (EPRA) and previously contributed to its work as vice-Chairman in 2008-2011. Promotion of domestic and European works and financial support schemes to audiovisual creation are in the focus of his recent work. He is the contributing author of the "Mapping of the regulation and assessment of the nationality of European audiovisual works" (commissioned by the European Audiovisual Observatory, 2020) and of the "Mapping of national rules for the promotion of European works in Europe" (commissioned by the European Audiovisual Observatory and EFAD, 2019).

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