



Public Funding for Film and Audio-Visual Works in Europe: Key Industry Statistics 2010–2014

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1 Public Film Funding: Key Statistics

The *European Audiovisual Observatory* (in the following abbreviated as *Observatory* or “OBS”) is a public service body and part of the Council of Europe in Strasbourg, France. The *Observatory* was created in 1992 in order to collect and distribute information on the various audiovisual industries in Europe. By making this information available, the *Observatory* aims at promoting greater transparency and a clearer understanding of the ways in which the audiovisual industries in Europe function, both from an economic and legal point of view.

In 2016, the *Observatory* published a report entitled *Public financing for film and television content—The state of soft money in Europe (2016)*.¹ This chapter summarizes some of these reports’ key statistics and insights concerning the scope and level of direct public funding² for film and audiovisual works in Europe. It tracks the following three key indicators related to direct public funding:

¹In this report, the *Observatory* analyses the development of public measures designed to foster the film and audiovisual sectors, in particular film production, between the years 2010 and 2014. The report covers direct public funding, fiscal incentives, legal obligations for broadcasters to invest in film and audiovisual content as well as guarantee facilities for securing access to private financing. The 2016 report follows two comprehensive reports on public funding published in 2011 and 2004 respectively (*Public Funding for Film and Audiovisual Works in Europe 2011*) and *Public funding for film and audiovisual works in Europe—A comparative approach (2004)*.

²This chapter does not address other film policy measure to foster film and audiovisual production including fiscal incentives, legal production investment obligations for broadcasters or guarantee facilities (a loan guarantee facility commits to cover parts of the losses of a bank which provides loans, in this case to film or audiovisual productions, if the borrower fails to repay the loan. In the case of a public loan guarantee facility public funds are used to cover the bank’s loss should the situation arise).

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- (1) *Number of active public funding bodies in Europe* (2010–2014),
- (2) *Income of funding body* by type of source (government budgets, levies, etc.) (2010–2014), and
- (3) *Spend of Film and AV Funds* by type of supported activity (i.e. *Activity spend*) (2010–2014).

In line with the Observatory's mission, the analysis pursues a "big-picture", pan-European approach which is meant to complement and provide benchmarks for research carried out at national level.

The following methodological aspects need to be taken into account when interpreting the data: Firstly, diverging definitions of indicators pose a challenge to the comparability of data. The main obstacle to a comprehensive quantitative analysis of pan-European trends of film and audiovisual public funding lies in the fact that the same indicators are defined differently, not only across Europe but, sometimes, also between different funding bodies within the same country. By administering a questionnaire based on clearly defined methodological definitions and discussing ambiguous data with representatives of film funds, the *Observatory* tried to improve the comparability of data. Certain differences however remained and this has to be kept in mind when comparing data between countries and interpreting aggregate analysis results.

Secondly, data coverage is not fully comprehensive and aggregate data have to be considered estimates. The availability of data varies between countries and funds. However, it is generally very small funds for which data are not always available. As these smaller funds have a very limited impact on cumulative figures, the partial lack of these data does not have a significant impact on the overall insights.

Thirdly, the *Observatory* defines a "public funding body" (hereafter also referred to as "fund", "public fund" or "film fund") as a legal entity which provides direct public or state subsidies and grants to film or audiovisual projects, grants loans at preferential rates or transfers resources from one branch of the industry to another, either ordered or assisted by public authorities.³ Importantly, this definition excludes private funds, institutions and foundations, as well as publicly funded banks and credit institutions. Equally, institutions devoted to fostering and promoting the film and audiovisual industries which do not offer grants or loans (e.g., film commissions, public export institutes or public film promotion associations) do not fall under this category either. However, in case such promotion activities were undertaken directly by a film fund in addition to its operation of direct support schemes, these actions were taken into account in the analysis of activity spend.

Fourthly, the *Observatory* distinguishes between public funding bodies operating at the following three administrative levels: (1) *Supranational funds*:

³From a legal perspective, the term "public fund" refers to a variety of legal constructs. Depending on the country and legal status these range from government departments to statutory corporations, among others. They are mainly financed either by the state budget and/or through mandatory or voluntary contributions from the industry.

Funds involving several countries (pan-European) or aiming at non-European countries (outreach); (2) *National or federal funds*: Those established by the central or federal government, regardless of whether they operate as a government department or an independent agency; (3) *Sub-national funds*: Including funds at community, regional and local levels.

Fifthly, the study covers all 28 EU Member States except Malta plus Albania, Bosnia and Herzegovina, the Former Yugoslav Republic of Macedonia, Iceland, Norway, Russia, Switzerland and Turkey.

And finally, when interpreting data on public film funding, it has to be kept in mind that direct funding is only one of several film policy instruments a country can implement in order to foster its film and audiovisual industries. Direct public funding has to be evaluated in context of a country's entire film policy system which may include various types of fiscal incentives, obligations for broadcasters to invest directly into film and audiovisual productions, public loan guarantee facilities or other forms of industry regulation. This is particularly true when comparing data between countries. However, such a country driven analysis goes beyond our analysis chosen in this chapter. In this context it is also important to recall that the pan-European figures of some of the indicators are heavily influenced by the situation in the largest countries. When interpreting pan-European total or average figures one consequently has to keep in mind that the situation in individual countries or at different funding levels might be quite different from the cumulative pan-European figures, whose main purpose is to provide benchmarks for analysis carried out at national levels and to raise questions stimulating further research addressing individual aspects in further detail.

As for data collection, data was gathered from all European public film funds which were operational in any of the years between 2010 and 2014.⁴ In addition to a generic questionnaires, we used annual reports and financial statements published by the individual film funds as well as interviews with officials in the funds.⁵

This chapter is organized as follows: First, we will show the development of the number of European film and audiovisual funds and their breakdown by funding body type on a country-by-country basis. Then, we will look into the development of funding body income and the shifting importance of the various financing sources. Further, we will analyse funding body spend, i.e. the volume of public support granted to the film and audiovisual industry, including a breakdown by targeted type of activity (e.g. creation of works, distribution, exhibition, etc.). Finally, key findings of the analysis and a research outlook are laid out in the conclusion.

⁴Please note that data were not available for all funds and/or indicators. Data availability for the individual indicators is described in the sections dedicated to them.

⁵A part of the data collection was carried out by Online Film Financing (OLFFI) (www.olffi.com), an online database of public funding and tax mechanism schemes, and Cine-Regio (www.cine-regio.org), a network of regional film funds in Europe, which supported the *Observatory* in its data collection efforts.

Table 1 The number of public film funding bodies by Type (2010–2014)

| | 2010 | | 2014 | | Change | |
|------------------------|------|-----|------|-----|---------|--------|
| | # | % | # | % | Created | Closed |
| Supranational funds | 19 | 8 | 19 | 8 | 5 | –5 |
| National/federal funds | 62 | 25 | 63 | 25 | 3 | –4 |
| Sub-national funds | 167 | 67 | 167 | 67 | 12 | –12 |
| Total | 250 | 100 | 249 | 100 | 20 | –21 |

Source: European Audiovisual Observatory

2 Funding Body Population

The *Observatory* could identify a total of 249 public film funding bodies actively operating in 2014 in the 35 European countries covered in its study. This practically equals the number of 2010. As illustrated in Table 1, Sub-national funds (bottom line in table) accounted for around two-thirds of the total funding population (i.e., 167 funds), while National/federal funds represent 25% (i.e., 62 funds), and Supranational funds 8% (i.e., 19 funds).

Despite the fact that the overall funding body population in Europe remained stable between 2010 and 2014, there have been several changes in the structure and organisation of funds in Europe over this 5-year time period. To name just a few: Most regional screen agencies in the UK merged and integrated within *Creative England*⁶; in Poland, the Polish Film Institute (Polski Instytut Sztuki Filmowej), the country's national film funding body, continued to foster the launch of regional funds in the country; several Eastern European and Baltic countries (e.g., Czech Republic, Hungary, Latvia, Lithuania) created a film funding body independent of their respective Ministry of Culture, hitherto in charge of the film and audiovisual funding portfolio. In total, 20 new funds were created while 21 funds closed their operations between 2010 and 2014. It comes as no surprise that the category of *Sub-national* funds was the most dynamic area, with 12 new sub-national funds becoming operational and 12 closing.

2.1 National and Sub-national Funds by Country

As illustrated in Table 2 below the countries with the largest number of funding bodies are those which have established a funding system based on national as well as sub-national funding bodies. Despite accounting for two-thirds of the total funding population, sub-national funds were established in only 15 countries while at least one national/federal fund existed in all European sample countries

⁶*Creative England* is a not for profit organisation that supports the creative industries in the United Kingdom. It was formed by the consolidation of a number of regional film commissions into one body after the UK government dismantled the *United Kingdom Film Council* in 2011.

Table 2 Number of national/federal and sub-national public film funding bodies by country (2014)

| Rank | Country | National/Federal funds | Sub-national funds | Total funds | % Share |
|------|---------|------------------------|--------------------|-------------|---------|
| 1 | FR | 2 | 40 | 42 | 18 |
| 2 | DE | 5 | 19 | 24 | 10 |
| 3 | AT | 6 | 16 | 22 | 10 |
| 4 | SE | 2 | 19 | 21 | 9 |
| 5 | IT | 1 | 16 | 17 | 7 |
| 6 | ES | 1 | 15 | 16 | 7 |
| 7 | NO | 2 | 10 | 12 | 5 |
| 8 | GB | 2 | 8 | 10 | 4 |
| – | PL | 1 | 9 | 10 | 4 |
| 10 | CH | 4 | 5 | 9 | 4 |
| 11 | BE | – | 4 | 4 | 2 |
| – | DK | 1 | 3 | 4 | 2 |
| 13 | EE | 3 | – | 3 | 1 |
| – | FI | 2 | 1 | 3 | 1 |
| – | IE | 3 | – | 3 | 1 |
| – | LT | 3 | – | 3 | 1 |
| – | LV | 2 | 1 | 3 | 1 |
| – | NL | 3 | – | 3 | 1 |
| 19 | BA | 1 | 1 | 2 | 1 |
| – | HU | 2 | – | 2 | 1 |
| – | RU | 2 | – | 2 | 1 |
| – | SK | 2 | – | 2 | 1 |
| 23 | AL | 1 | – | 1 | 0 |
| – | BG | 1 | – | 1 | 0 |
| – | CY | 1 | – | 1 | 0 |
| – | CZ | 1 | – | 1 | 0 |
| – | GR | 1 | – | 1 | 0 |
| – | HR | 1 | – | 1 | 0 |
| – | IS | 1 | – | 1 | 0 |
| – | LU | 1 | – | 1 | 0 |
| – | MK | 1 | – | 1 | 0 |
| – | PT | 1 | – | 1 | 0 |
| – | RO | 1 | – | 1 | 0 |
| – | SI | 1 | – | 1 | 0 |
| – | TR | 1 | – | 1 | 0 |
| | Total | 63 | 167 | 230 | 100 |

Source: European Audiovisual Observatory

with the exception of Belgium where public film funding is exclusively administered at regional/community level.

With its total of 42 public film funds, France clearly stands out in the European public film funding landscape. It is followed by Germany, Austria and Sweden, all of which feature between 21 and 24 public film funds. Along with Italy, the top five countries alone accounted for more than half of the entire European film funding population.

As an indicator, the number of funding bodies illustrates the different ways in which public support for the film and audiovisual sector is organised within a country. There is consequently no direct correlation between the size of the country and the number of funding institutions. This is clearly reflected by the data shown in Table 2 below which features Austria and Sweden among the top five European countries in terms of number of funding bodies. The data further show that the number of funds operated at the various administrative levels (national/sub-national/local) is not necessarily linked to the levels of autonomy given to regions/communities/etc. which, broadly speaking, defines whether a state is characterised as a central or federal state. For instance, Austria, a federally-shaped state, operates six national funding institutions, the largest number of national funding bodies in all of Europe. On the other hand France, a centrally organised state, features the by far largest number of sub-national funds (40).

Finally, it should be noted that the number of funding bodies as such is not a meaningful indicator to measure the level of public support provided to the film and audiovisual sector. The latter will be analysed in Chapter “Film Governance in the EU: Caught in a Loop?” Activity Spend.

3 Funding Body Income by Type of Fund

The *income* of a public funding body refers to the financial resources from all sources available to the fund. It is defined as the annual sum of the monetary amounts entering its accounts for the first time during the year. In the context of this analysis income does hence not refer to the amount of money available in a given year, but to the amount of new financial resources entering the fund; in other words, reserves and carryovers from previous years are not counted as income.⁷

Income includes amounts received through fees, taxes or transfers from other funds well as amounts generated by the fund, including e.g. repayments, revenues from copyrights or self-generated income. When a fund includes activities other

⁷This is a methodological choice taken by the *Observatory*. Indeed, some funds consider all incoming sources during a given year as income rather than taking into consideration only those amounts entering the fund for the first time. In these cases carryovers or surpluses from previous years have been discounted from the total income. The same applies to allocations to or from reserves; as for returns, these amounts were also discounted if they had already been accounted for as “spend” during previous years—normally, when a grant or subsidy (or part of it) is returned during the year it was granted, the fund does not take the amount into account as spend.

than those related to the film and audiovisual sectors under its purview, only the income related to film and audiovisual activities has been taken into account.

A part of the income of a fund can be spent in financing other funds—for example, a federal fund may receive an allocation from the State budget to be transferred to several regional funds. Since data for our analysis has been gathered from each individual fund, the transfers to and from other funds have to be discounted in order to avoid double-counting.

Income data generally refer to the funds' fiscal year which typically coincides with the calendar year which is why data is collated for the calendar year. In case a fund's fiscal year deviates from the calendar year, the *Observatory* attributed it to the year in which the majority of the reported activity took place.

Income data were not always available for all the funds identified. For some, generally smaller sub-national funds, no income data were available at all. In these cases it was estimated to equal the corresponding annual activity spend. Since our data show that income and spend figures are generally quite similar, this approach is regarded as a reasonable estimate. For other funds income data were only available for some of the years between 2010 and 2014. In the latter case, annual income was estimated to equal the fund's income in other years, unless evidence suggested otherwise.

Data on the breakdown of funding body income by financing source were comparatively difficult to obtain and rely more heavily on estimates than other indicators. In case of data missing for individual years, the proportional contributions from the individual financing source was estimated to equal their proportional contribution to the fund's income in other years, unless evidence suggests otherwise.

In case no data was available for any of the years, the breakdown of a fund's income by financing source was estimated based on the average financing breakdown of other funds administered at the same level (national or sub-national) within the country for which data were available. In order to guarantee that these estimates were representative, they were only calculated when the financing breakdown was available at least for one third of the funds and for at least one third of the cumulative income within the corresponding funding type sample.

3.1 Volume and Development of Funding Body Income

The *Observatory* estimates that the cumulative financial resources available to public film and audiovisual funds across Europe⁸ amounted to approximately EUR 2.5 billion in 2014. This is about 3% higher than in 2010. As shown in Table 3 below, total income of public funds increased⁹ from EUR 2.44 billion in 2010 to EUR 2.55 billion in 2011, but then remained relatively stable until 2013 before decreasing slightly (by EUR 39 million) in 2014. When adjusted for inflation

⁸Estimated based on data for 214 public funds in 33 countries (without Russia and Albania).

⁹Measured in nominal terms.

Table 3 Income of public film funds 2010–2014 by type (in EUR million)

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2014–2010 (%) | Avg | Avg % share |
|---------------------------|------|------|------|------|------|---------------|------|-------------|
| Supranational funds | 146 | 158 | 172 | 167 | 162 | 11.4 | 161 | 6 |
| National/federal funds | 1896 | 1981 | 1954 | 1944 | 1883 | −0.7 | 1932 | 76 |
| Sub-national funds | 436 | 446 | 476 | 488 | 517 | 18.7 | 473 | 19 |
| – Transfers nat → sub-nat | −34 | −33 | −37 | −38 | −41 | 20.2 | −37 | −1 |
| Total income | 2443 | 2552 | 2565 | 2560 | 2521 | 3.2 | 2528 | 100 |

Source: European Audiovisual Observatory

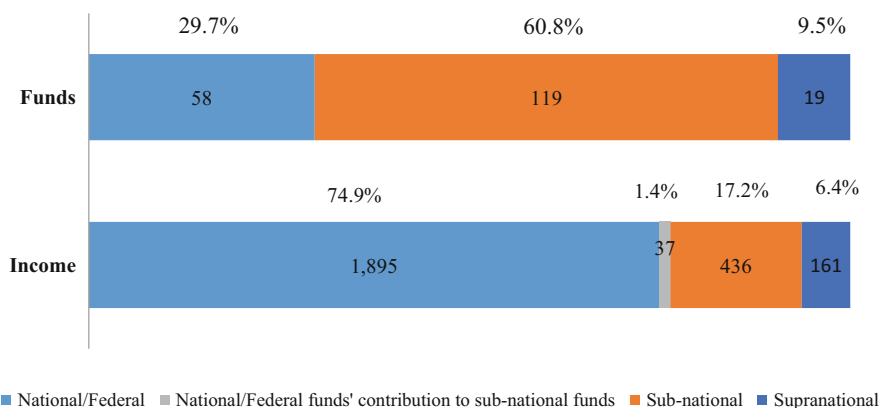


Fig. 1 Income compared to number of funds by type (average 2010–2014). Note: Number of funds refers to average number of funds between 2010 and 2014. Average income by funding type is expressed in EUR million. Source: European Audiovisual Observatory

the data show a steady and more balanced growth trend from 2010 to 2013 and a more moderate decrease in 2014.

National funds, which represent 30% of the funding body population (see Fig. 1) for which income data were available, administered three quarters of the total financial resources available to public film and audiovisual funding bodies (EUR 1.9 billion on average). 19% (EUR 473 million on average¹⁰) of the cumulative income was taken by Sub-national funds which represented 61% of the sample funding body population. In turn, Supranational funds accounted for 9.5% of the sample funds and 6% of the resources (EUR 161 million on average), the vast majority of which was taken by pan-European funds as outreach funds only accounted for a small portion.

¹⁰Including income transfers from national/federal funds (EUR 37 million on average).

It is interesting to see that the 3.2% growth in overall income of funding bodies between 2010 and 2014 was caused by an 18.7% increase (EUR 82 million) in the income of *Sub-national funds* and an 11.4% increase (EUR 17 million) in that of Supranational funds, while the cumulative income of national funds marginally declined by 0.7% (EUR 13 million). Taking into consideration income transfers from national to Sub-national funds, income of national funds decreased by 1.1% (EUR 20 million).

3.2 National and Sub-national Funding Body Income by Country

It is not surprising that it is the larger countries which provide the highest amounts of financial resources to public film and audiovisual funds. France clearly stands out in the European film and audiovisual funding landscape in this regard. As shown in Table 4 below, French national and Sub-national funds could rely on a cumulative annual average income of EUR 917 million between 2010 and 2014, accounting for 37% of the total income of national and sub-national funds in Europe. In comparison, film funding bodies in Germany, the second largest European country in terms of funding income, could resort to an average income of EUR 334 million, almost EUR 600 million less than in France. Cumulatively, the top ten European markets, which include the UK, Italy, Austria, Spain, Norway, Sweden, Switzerland and the Netherlands, accounted for 85% of the total income to public film funds in the 33 countries covered.

In 2014, the cumulative income of national and sub-national funds was up 2.7% compared to 2010, with 20 countries showing an upward trend while incoming resources went down in the other 13 countries tracked. The most relevant growth in relative terms took place in small and medium-sized countries, such as Latvia (192%), Luxembourg (150%), Macedonia (114%), and Croatia (100%). The most relevant decline in public funding income was registered in France (EUR -62 million, -7%) and Spain (EUR -40 million, -31%).

It must be noted that the absolute amounts of the financial resources available to public funds need some contextual interpretation and cannot be used to compare overall public support to the film and audiovisual industries between countries. As mentioned in the Methodology chapter, direct public funding is only one of several instruments a country may choose to support its film and audiovisual industries. A country may for instance opt to offer fiscal incentives, oblige broadcasters to directly invest in film productions or provide public loan guarantee facilities. When measuring and evaluating public support to the film industry all these film policy measures have to be taken into account. This however goes beyond the scope of this chapter which concentrates on direct public funding granted by film funds.

When comparing funding income between countries, absolute values should furthermore be complemented by weighted indicators such as the funding income per inhabitant or funding income as a share of GDP. Leaving France aside, these weighted indicators are generally expected to be much higher in small and medium-sized countries.

Table 4 Income of national and sub-national public funds by country 2010–2014

| Rank | Country | 2010 | 2011 | 2012 | 2013 | 2014 | 2014–2010 (%) | Avg | Avg % share |
|------|---------|------|------|------|------|------|---------------|------|-------------|
| 1 | FR | 930 | 988 | 906 | 895 | 868 | –7 | 917 | 39 |
| 2 | DE | 320 | 324 | 335 | 361 | 332 | 4 | 334 | 14 |
| 3 | GB | 181 | 174 | 245 | 176 | 180 | –1 | 191 | 8 |
| 4 | IT | 96 | 92 | 117 | 121 | 114 | 20 | 108 | 5 |
| 5 | AT | 73 | 84 | 73 | 80 | 88 | 21 | 80 | 3 |
| 6 | ES | 126 | 109 | 68 | 56 | 87 | –31 | 89 | 4 |
| 7 | NO | 69 | 75 | 83 | 85 | 85 | 24 | 79 | 3 |
| 8 | SE | 70 | 76 | 79 | 85 | 78 | 12 | 77 | 3 |
| 9 | CH | 49 | 60 | 71 | 68 | 66 | 34 | 63 | 3 |
| 10 | NL | 66 | 67 | 62 | 78 | 64 | –2 | 67 | 3 |
| 11 | BE | 44 | 46 | 53 | 58 | 64 | 45 | 53 | 2 |
| 12 | DK | 42 | 48 | 50 | 51 | 52 | 23 | 49 | 2 |
| 13 | LU | 16 | 31 | 41 | 55 | 40 | 150 | 37 | 2 |
| 14 | PL | 35 | 35 | 38 | 37 | 38 | 10 | 36 | 2 |
| 15 | IE | 38 | 38 | 35 | 35 | 35 | –9 | 36 | 2 |
| 16 | FI | 29 | 30 | 30 | 29 | 28 | –3 | 29 | 1 |
| 17 | PT | 12 | 11 | 9 | 8 | 24 | 99 | 13 | 1 |
| 18 | HU | 18 | 27 | 20 | 21 | 19 | 6 | 21 | 1 |
| 19 | CZ | 13 | 9 | 6 | 12 | 12 | –8 | 10 | 0 |
| 20 | TR | 14 | 12 | 9 | 7 | 11 | –18 | 11 | 0 |
| 21 | HR | 5 | 8 | 7 | 11 | 11 | 100 | 9 | 0 |
| 22 | LT | 7 | 7 | 7 | 11 | 10 | 43 | 8 | 0 |
| 23 | RO | 7 | 7 | 12 | 9 | 10 | 34 | 9 | 0 |
| 24 | EE | 6 | 6 | 6 | 6 | 7 | 23 | 6 | 0 |
| 25 | SK | 8 | 7 | 6 | 7 | 7 | –8 | 7 | 0 |
| 26 | BG | 5 | 5 | 6 | 6 | 6 | 31 | 6 | 0 |
| 27 | IS | 3 | 3 | 4 | 7 | 5 | 51 | 4 | 0 |
| 28 | SI | 5 | 6 | 4 | 5 | 5 | 0 | 5 | 0 |
| 29 | GR | 5 | 4 | 3 | 5 | 4 | –27 | 4 | 0 |
| 30 | LV | 1 | 2 | 2 | 2 | 4 | 192 | 2 | 0 |
| 31 | MK | 2 | 2 | 4 | 4 | 4 | 114 | 3 | 0 |
| 32 | BA | 2 | 1 | 1 | 1 | 1 | –33 | 1 | 0 |
| 33 | CY | 2 | 2 | 1 | 1 | 1 | –33 | 1 | 0 |
| | Total | 2297 | 2394 | 2393 | 2393 | 2359 | 3 | 2367 | 100 |

In EUR million. Estimated

Source: European Audiovisual Observatory

3.3 How National and Sub-national Funds Are Financed

Across Europe public film funding bodies are financed from a variety of sources, whose distribution can differ significantly between the different types of funds (national, sub-national, supranational) as well as country by country. In order to

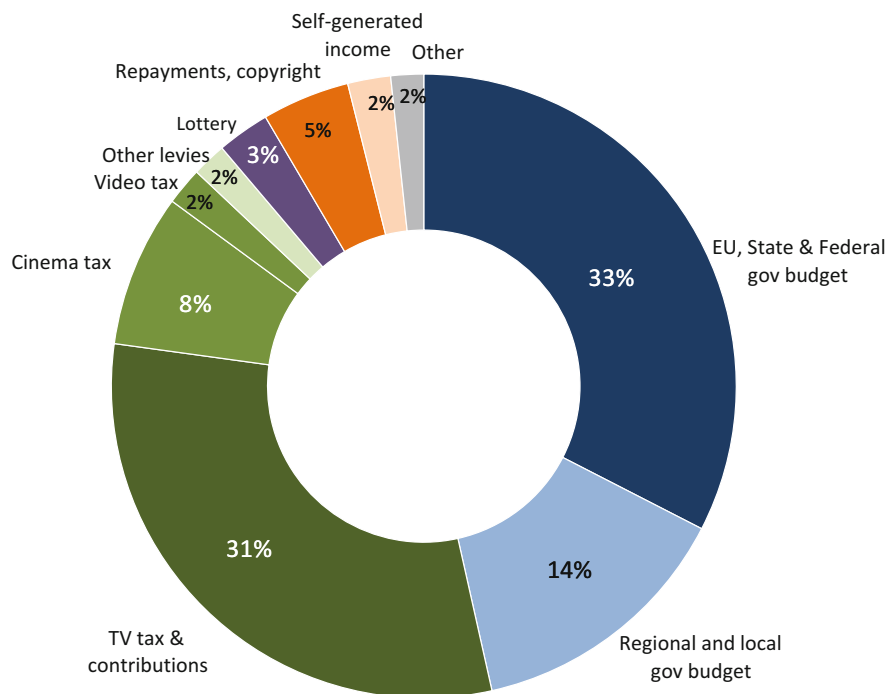


Fig. 2 Average income breakdown by financing source (2010–2014). Note: Refers to cumulative average income of national and sub-national funds across Europe. Estimated. Source: European Audiovisual Observatory

compare financing models between countries, the *Observatory* analysed the breakdown of national funding body income by its financing sources.¹¹ As illustrated in Fig. 2 below, income from public sources is the single most important financing component of public funds with an average of 33% of income coming from state, federal or EU budgets, and 14% coming from community, regional or local public authorities. Altogether, public sources hence provided 47% of the cumulative financial resources (on average) of national and sub-national film funds in Europe.

The television industry is the second most important contributor, accounting for an average of 31% of total national funding body income. This figure includes contributions from national and regional public or private television broadcasters

¹¹National funding body income refers to the cumulative income of national/federal and sub-national funds. Supranational funds were hence not taken into consideration for this aspect of the analysis.

and, for some countries, from distributors of audiovisual services. Financial resources coming from the TV industry can take the form of levies/taxes, mandatory or voluntary contributions.¹²

Taxes/levies on cinema exhibition still remain an important financing source in several countries and account for 12% of total funding body income in Europe. Taxes on exhibition take two principal forms: either a tax or surcharge on the price of cinema tickets or a tax on exhibitor revenues more generally.

Funds in 13 out of the 33 countries studied generated parts of their income from repayments and copyright exploitation. On a cumulative level this financing source contributed about 5% to the aggregate financial resources of film funds in Europe. In as few as five countries film funds are partly financed by proceeds from the national lottery. Lottery funding is a particularly important financing source in the United Kingdom where it accounted for 27% of the income, compared to only 3% on the European aggregate level. This makes it a slightly more important financing source than taxes on sales and rentals of video, other levies and self-generated income, each of which accounts for 2% of total film funds' income.

Of course, these summary data is heavily influenced by the income mix in the larger countries, particularly France which relies more heavily on taxes and levies than most other countries. When excluding France from calculation, it becomes evident that the vast majority of European film funds actually depends more heavily on income from public sources than the overall average figure suggests: excluding France, public sources contributed on average 69% of the financial resources available to national and sub-national film and audiovisual funds outside of France (with 53% coming from state, federal or EU budgets and 16% coming from community, regional or local authorities), while broadcasters contributed only 11%.

The case of France illustrates the fact that the income compositions can vary significantly from the pan-European average. Another example is the UK, where lottery proceeds represent a more important financing source than in any other country due to the UK government's decision to allocate resources from the *National Lottery Fund* to finance the *British Film Institute*. In contrast, levies on broadcasters play a marginal role in financing the film and audiovisual funds in the UK as the contributions from this sector to the industry are channelled through mandatory contributions for broadcasters to directly invest in production.

There is no "European model" for financing film funds and it is consequently difficult to sum up the financing models of public film and audiovisual funding bodies on a pan-European level. One can, however, highlight the following general characteristics.

Firstly, income from public sources tends to be the most important source in the vast majority of countries: They contributed more than 75% of the national funding body income in 21 of the 33 countries tracked (more than 95% in 16 countries). In

¹²Importantly, these contributions are not to be confused with legal obligations for television companies to invest in film production—these often run in parallel to film funds but they do not provide a direct budgetary resource to film funds.

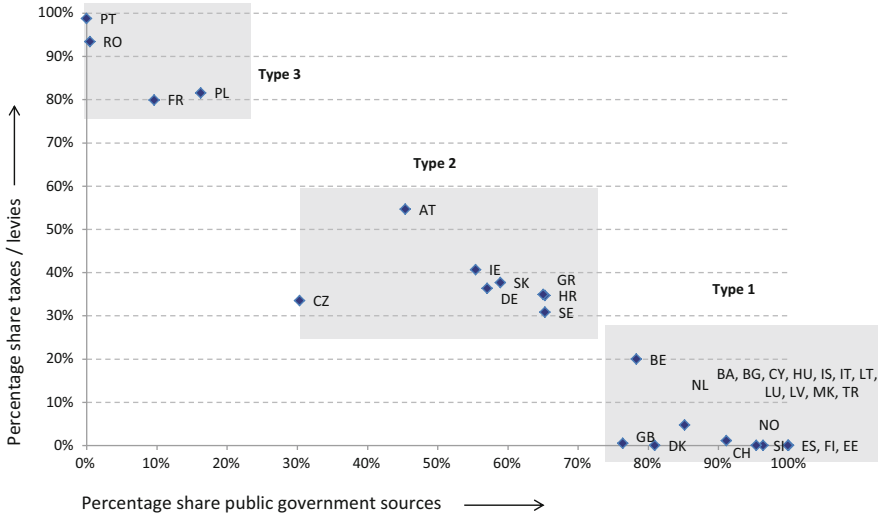


Fig. 3 Share of public sources versus share of taxes/levies by country (2010–2014, on average). Note: In % of cumulative average income of national and sub-national funds. Estimated. In Austria, the shares refer to national/federal funds only, while in Bosnia and Herzegovina only sub-national funds were considered. Source: European Audiovisual Observatory

turn, contributions from public authorities accounted for <10% of the total national funding body income in only three countries.

Further, taxes and levies contributed to the financing of funds in 17 out of the 33 countries studied. Only in four of these countries did taxes and levies account for more than 80% of the income: namely, in France (80%), Poland (81.5%), Portugal (98.7%) and Romania (93.4%).

Generally speaking one can distinguish three types of financing models based on the relationship between the percentage shares of public sources on the one hand and taxes/levies on the other hand (see Fig. 3): First, countries in which the clear majority of resources come from government budgets and levies plays a comparatively minor role. 20 of the 33 countries tracked fall into this category. Contributions from public sources represented more than 55% of total resources and levies accounted for <10% of the total. This appears to be the most common formula both in smaller countries as well as in countries where public funding mechanisms have been created recently. Some of Europe's leading funding markets also fall in this category, including the UK, Belgium, the Netherlands and Switzerland.¹³

¹³It must be noted, however, that the fact that the contributions from the industry (broadcasters, video industry, on-demand services) to the public funds were lower in relative terms does not mean that these do not contribute to the public financing of films and audiovisual works, since in some countries this contribution is made via mandatory obligations to invest directly in their production.

Second, nine countries feature a fairly even distribution between public sources and taxes/levies as the two main sources of funding income. This group includes Germany, Austria and Sweden, which have some of the highest public funding levels in all of Europe.

The third type refers to countries where industry levies constitute the main source of funding income and public sources play a comparatively minor role. Only four countries fall into this category: France, Poland, Portugal and Romania. In all four of these countries industry levies contributed more than 70% of the total income available to funds.

As mentioned before income compositions generally differ significantly between national and sub-national funds. As might be expected, sub-national funds are more dependent on income from public sources than their national counterparts. While funds from public budgets (state, regional, local and EU) accounted on average for 40% of the income of national funds in the analysis period, the share of public budgets was as high as 79% in the case of sub-national funds.

3.4 Shifts in the Income Structure of Funds?

As shown in Table 3 above, the cumulative income of sub-national funding bodies increased by EUR 82 million (18.7%) from 2010 to 2014 while the cumulative net income of national funds actually decreased by EUR 20 million (1.1%). Adding up the income of national and sub-national funds for the purpose of analysing the development of contributions from the various financing sources gives an increase of 2.7% (EUR 62 million) in the cumulative income of national and sub-national public funds over the time period 2010–2014. Despite this relatively steady evolution of overall income one can observe certain changes within the cumulative financing structures of national and sub-national funds. The most evident one concerns the contribution of taxes/levies which started to decline in 2011 and dropped by almost EUR 120 million to EUR 952 million in 2014. Since most of the income generated through taxes and levies is concentrated in just a few countries—Germany and France together accounted for 93.8% of the income generated through taxes/levies—most of the evolution over time is explained hence by the decline of contributions from broadcasters and the video industry in these few countries.

Cumulative contributions from broadcasters dropped from EUR 790 million in 2011 to EUR 682 million in 2014. This decline can be explained in part by the overall decrease of broadcasters' revenues in Europe in recent years, probably as a consequence of both the financial crisis and the shift of spend in advertising from traditional media to the Internet. It seems that the decrease in broadcasters' contributions has opened an income gap which is not only affecting the financing of film and audiovisual funds, but also the mandatory or voluntary direct investments of broadcasters in film and audiovisual productions.

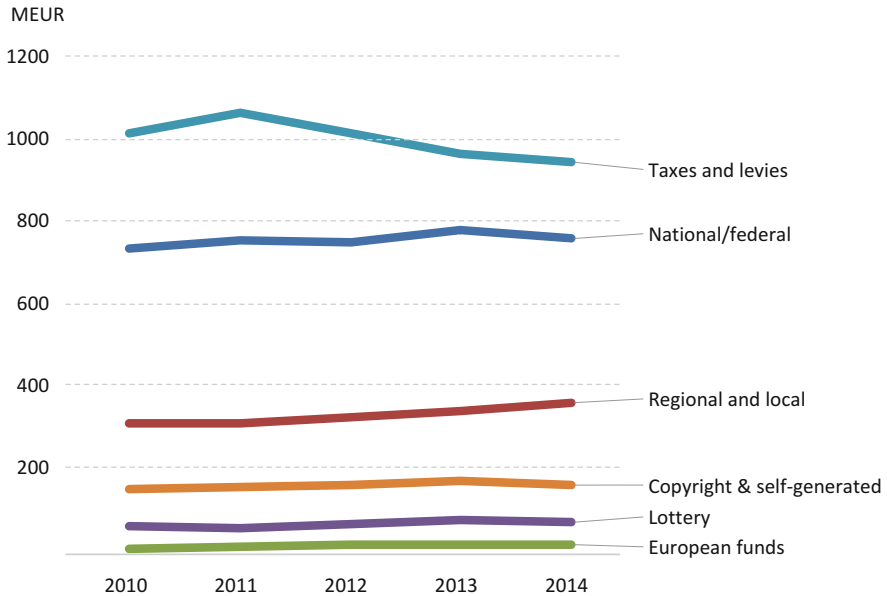


Fig. 4 Contributions to income of national and sub-national funds by source 2010–2014. In EUR million. Estimated. Source: European Audiovisual Observatory

Less relevant in absolute terms, levies on the video industry also decreased during the period of analysis, down by 33% from EUR 52 million in 2010 to EUR 35 million in 2014. The decline in contributions from the video industry however affected primarily France, Germany, Romania and the Slovak Republic which together account for almost 100% of the cumulative income from this financing source.

As illustrated in Fig. 4, the decline in income generated through taxes and levies was largely compensated by an increase in contributions from national/federal, regional, community and local governments. This could also partially explain the slight decline in the income of national funds between 2010 and 2014 as national funds depend more heavily on taxes and levies as a source of income than sub-national funds.

4 Activity Spend

Activity spend is defined as the amount spent by the fund on its activities. It has two components: *Funding spend*, i.e. the direct subsidies paid out to companies and/or individuals in the sector; and *Spend on other activities related to film and audiovisual activities* including e.g. promotional or networking activities. Overheads are not included in our definition of *activity spend*.

Direct funding support generally is measured in either *amounts paid out*¹⁴ or *amounts committed*.¹⁵ For the purpose of this analysis data on committed amounts have been retained whenever possible, as they provide a realistic view of the activity of the fund during the year and tend to be in the public domain more frequently than amounts paid out. Data on amounts paid out has been used only where no data on committed funding was available as well as in the case of activities directly carried out by the fund such as the organisation of promotional events, which consequently cannot be measured in terms of support awarded.

Data on *activity spend* is partly estimated as it was not always available for all the funds identified. For some, generally smaller sub-national funds, no data were available at all. These funds could not be included in the analysis sample. *Activity spend* and income could not be analysed for Russia and Albania due to the lack of data. For all other countries covered the lack of data on *activity spend* did not have a significant impact on the overall results at country level, let alone at pan-European level.

4.1 Volume and Development of Activity Spend

Based on data available for 214 funds the *Observatory* estimates that European public funds cumulatively spent approximately EUR 2.4 billion in 2014 in support of film and audiovisual projects in the 33 countries covered for this indicator. That is 13% more than in 2010. As shown in Table 5, total *activity spend* of public funds steadily increased from EUR 2.13 billion in 2010 to EUR 2.41 billion in 2014.

National/federal funds provided the lion's share of funding to the film and audiovisual industries accounting on average for 73% of total activity spend between 2010 and 2014, followed by sub-national funds (20%) and supranational funds (7%).

The differences between funding income and *activity spend*, with *activity spend* being lower than income, are mostly explained by the fact that the *Observatory's* definition of *activity spend* does not include overheads and is, whenever possible, based on funding awarded rather than funding actually paid out.

The fact that *activity spend* has been growing significantly stronger than income raises the question of whether the steady growth of spend has led to the exhaustion or decrease of the reserves of the funds in some countries.

Activity spend of funds is evidently directly linked to funding body income. The ranking in Table 6 which shows the development of *activity spend* of national and sub-national funds per country, consequently closely matches the ranking of countries by funding body income (Table 4). Again, France clearly stands out

¹⁴*Amounts paid out* refer to funding paid out to successful applicants during the year, regardless of when the awards were awarded.

¹⁵*Committed amounts* refer to the total funding awarded during the year, regardless of when or if the payment takes place.

Table 5 Funding body activity spend in Europe 2010–2014

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2014–2010 (%) | Avg | Avg % share |
|------------------------|------|------|------|------|------|---------------|------|-------------|
| Supranational funds | 156 | 168 | 178 | 176 | 173 | 11.4 | 124 | 7 |
| National/federal funds | 1544 | 1640 | 1681 | 1724 | 1747 | 13.1 | 1667 | 73 |
| Sub-national funds | 428 | 428 | 452 | 469 | 493 | 15.2 | 454 | 20 |
| Total income | 2128 | 2236 | 2311 | 2369 | 2414 | 13.4 | 2292 | 100 |

In EUR million. Estimated. Based on a sample of 214 funds in 33 European countries
Source: European Audiovisual Observatory

with national and sub-national funds cumulatively providing on average EUR 917 million in direct support to film and audiovisual projects per year between 2010 and 2014. This represents 39% of the total *activity spend* of funds in all of Europe. France was followed by the other four largest EU markets, Austria, and Sweden, which together accounted for almost 80% of the total *activity spend* of public film funds in the 33 countries covered in the analysis.¹⁶

In 2014, *activity spend* was up in 18 countries compared to 2010, while 15 countries registered lower levels of funding spend. The most relevant growth in absolute terms was registered in France (+EUR 151 million), the UK (+EUR 35 million) as well as Germany, Luxembourg, Italy, Switzerland where *activity spend* increased between EUR 22 and 26 million. In relative terms Latvia and Luxembourg stood out with an increase in *activity spend* of 192% and 175% respectively. The most relevant drops in levels of *activity spend* in absolute terms were registered in Spain (EUR –42 million) and Poland (EUR –13 million).

4.2 Development of Activity Spend

The lion's share of the cumulative public funding in Europe went to the creation of works (comprising script writing, project development and production of theatrical and TV films): EUR 1.44 billion was dedicated to the creation of works. This represents 63% of the cumulative annual average *activity spend* of EUR 2.29 billion. EUR 938 million (41%) went to the production of theatrical films, EUR 434 million (19%) to TV production, EUR 67.3 (2.9%) million to the development of theatrical films and EUR 6.2 million (0.27%) to the development of TV content.

The time series data shown in Table 7 suggests some gradual shifts in the allocation of public support between 2010 and 2014. Even though public support

¹⁶It needs to be kept in mind that, when comparing public financing support to film and audiovisual industries, the absolute volume of direct public funding provided needs to be interpreted in context of other film policy instruments such as fiscal incentives or regulations obliging broadcaster to invest in film and audiovisual productions.

Table 6 Activity spend of national and sub-national public funds by country 2010–2014

| Rank | Country | 2010 | 2011 | 2012 | 2013 | 2014 | 2014–2010 (%) | Avg | Avg % share |
|------|---------|------|------|------|------|------|---------------|------|-------------|
| 1 | FR | 725 | 836 | 876 | 888 | 876 | 21 | 840 | 39 |
| 2 | DE | 367 | 392 | 391 | 415 | 393 | 7 | 392 | 18 |
| 3 | GB | 147 | 89 | 115 | 120 | 182 | 24 | 131 | 6 |
| 4 | IT | 83 | 88 | 118 | 109 | 107 | 28 | 101 | 5 |
| 5 | ES | 123 | 104 | 63 | 50 | 82 | -34 | 84 | 4 |
| 6 | AT | 61 | 74 | 65 | 73 | 80 | 31 | 71 | 3 |
| 7 | SE | 64 | 70 | 73 | 77 | 71 | 11 | 71 | 3 |
| 8 | NO | 54 | 57 | 62 | 66 | 65 | 20 | 61 | 3 |
| 9 | NL | 67 | 64 | 65 | 65 | 63 | -6 | 65 | 3 |
| 10 | CH | 40 | 50 | 60 | 61 | 63 | 55 | 55 | 3 |
| 11 | DK | 41 | 48 | 49 | 50 | 50 | 24 | 48 | 2 |
| 12 | BE | 36 | 37 | 45 | 44 | 46 | 27 | 42 | 2 |
| 13 | LU | 14 | 30 | 38 | 50 | 39 | 175 | 34 | 2 |
| 14 | PL | 43 | 32 | 36 | 39 | 30 | -30 | 36 | 2 |
| 15 | FI | 27 | 29 | 30 | 27 | 27 | 2 | 28 | 1 |
| 16 | IE | 27 | 29 | 30 | 27 | 24 | -9 | 27 | 1 |
| 17 | TR | 14 | 12 | 9 | 7 | 11 | -18 | 11 | 0 |
| 18 | CZ | 12 | 12 | 9 | 9 | 10 | -13 | 11 | 0 |
| 19 | HU | 18 | 11 | 3 | 12 | 10 | -43 | 11 | 1 |
| 20 | LT | 7 | 8 | 7 | 10 | 10 | 38 | 8 | 0 |
| 21 | PT | 11 | 9 | 8 | 7 | 10 | -8 | 9 | 0 |
| 22 | HR | 7 | 8 | 6 | 7 | 9 | 21 | 7 | 0 |
| 23 | RO | 9 | 5 | 4 | 8 | 7 | -17 | 7 | 0 |
| 24 | SK | 7 | 6 | 6 | 6 | 7 | -4 | 6 | 0 |
| 25 | BG | 5 | 5 | 6 | 6 | 6 | 23 | 6 | 0 |
| 26 | IS | 3 | 2 | 2 | 6 | 4 | 32 | 4 | 0 |
| 27 | LV | 1 | 2 | 2 | 2 | 4 | 192 | 2 | 0 |
| 28 | EE | 3 | 3 | 3 | 3 | 4 | 31 | 3 | 0 |
| 29 | SI | 5 | 5 | 4 | 4 | 3 | -32 | 4 | 0 |
| 30 | MK | 4 | 1 | 1 | 2 | 3 | -24 | 2 | 0 |
| 31 | GR | 3 | 2 | 3 | 2 | 2 | -23 | 2 | 0 |
| 32 | BA | 1 | 1 | 1 | 1 | 1 | -33 | 1 | 0 |
| 33 | CY | 2 | 1 | 2 | 0 | 0 | -87 | 1 | 0 |
| | Total | 2030 | 2126 | 2192 | 2256 | 2298 | 13 | 2180 | 100 |

In EUR million. Estimated. Based on a sample of 214 national and sub-national funds in 33 - European countries

Source: European Audiovisual Observatory

Table 7 Total funding body activity spend by activity 2010–2014

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2014–2010 (%) | Avg | Avg % share |
|--------------------------|------|------|------|------|------|---------------|------|-------------|
| Creation of works | 1382 | 1405 | 1442 | 1481 | 1511 | 9 | 1444 | 63 |
| Exhibition | 181 | 183 | 191 | 188 | 203 | 12 | 189 | 8 |
| Distribution | 169 | 180 | 160 | 166 | 159 | –6 | 167 | 7 |
| Promotion | 73 | 83 | 88 | 90 | 81 | 12 | 83 | 4 |
| Events (festivals, etc.) | 67 | 65 | 63 | 66 | 70 | 4 | 66 | 3 |
| Other | 257 | 319 | 369 | 378 | 390 | 52 | 342 | 15 |
| – Training | 55 | 54 | 48 | 49 | 76 | 38 | 56 | 2 |
| – Structural funding | 37 | 94 | 119 | 111 | 76 | 104 | 87 | 4 |
| – Audience dvlpmnt | 1 | 0 | 4 | 4 | 32 | 2348 | 8 | 0 |
| – Film archives/heritage | 32 | 31 | 29 | 29 | 32 | –2 | 31 | 1 |
| – Media literacy | 18 | 18 | 25 | 22 | 22 | 25 | 21 | 1 |
| – Video games | 6 | 12 | 11 | 13 | 16 | 195 | 12 | 1 |
| – Multimedia | 6 | 6 | 8 | 8 | 7 | 16 | 7 | 0 |
| – Other | 102 | 103 | 124 | 142 | 130 | 27 | 120 | 5 |
| Total | 2128 | 2236 | 2311 | 2369 | 2414 | 13 | 2292 | 100 |

In EUR million. Estimated. Based on sample of 214 funds in 33 European countries

Source: European Audiovisual Observatory

for the creation of works remained the by far biggest support category and steadily increased between 2010 and 2014 in absolute terms from EUR 1.38 billion to EUR 1.51 billion corresponding to an overall growth of 9%, its share of total *activity spend* actually decreased slightly from 65 to 63% as support to the exhibition sector and promotion activities increased even more strongly, namely by 12%.

The most notable other increase in support volumes concerned activities cumulated in the “Other” category: structural funding (which more than doubled from EUR 37 million in 2010 to EUR 76 million in 2014), audience development (which jumped from EUR 1 to 4 million between 2010 and 2013 to EUR 32 million in 2014), training (up 38% from EUR 55 million to EUR 76 million) and video games (where support almost tripled from EUR 6 million to EUR 16 million).

The only activity category that actually registered a noticeable decline in funding volumes was distribution with support for distribution of theatrical films decreasing from EUR 169 million in 2010 to EUR 159 million in 2014.

This breakdown of cumulative spend by all funds (supranational, national, sub-national) provides a big-picture reference point for more detailed analysis of funding patterns which can vary significantly between individual funds, funding body types and countries.

For instance, it is not surprising to observe that breakdown of the cumulative supported granted by supranational funds differs significantly from the overall breakdown presented in Table 7. Given the fact that the largest supranational fund, the *MEDIA Programme* (part of the European Commission's *Creative Europe* framework programme), does not directly support production but focuses its support activities, among other activities, on distribution, exhibition, project development and training activities, these categories claim a larger share of support than they do in the overall funding body *activity spend*: On average, 25% of total support granted by supranational funds was given to theatrical distribution projects (compared to 7% of the overall funding body *activity spend*); Exhibition accounted for 12% of supranational funding (compared to 8%) and project development, which is counted as a part of creation of works, took on average 13% of supranational support (compared to 3%). Support for theatrical production on the other hand accounted for only 20% (compared to 41%). Supranational funds dedicated on average 9% of their support to training activities, which only accounted for 2% of the overall funding body *activity spend*. In terms of evolution of spend by type of activity over time, a steady increase of supranational resources devoted to theatrical production can be observed in combination with a less pronounced decrease of spend on distribution.

When interpreting these figures it is important to keep in mind that there is a high concentration of funding spend among supranational funds with the three largest funds (*MEDIA Programme*, *Eurimages* and *Ibermedia*) accounting for 86% of overall expenditure.

Furthermore, one could observe variations in spend pattern between the national and the sub-national funding levels. For instance, theatrical production spend was of overall greater importance at the sub-national level, accounting on average for 52% of the total, compared to national funds, where it accounted for 42%.

These differences can be explained in part by the fact that funding patterns in France, the country providing the largest amount of public funding, differ from those in other countries: France provided an exceptionally large proportion of its public support to the creation of audiovisual (TV) works, the exhibition sector and promotion activities while providing a comparatively low share of funding to the production of theatrical films. Excluding funding provided by French funds, 61% of the cumulative spend of all other European national and sub-national funds went to the creation of theatrical films, compared to 45% when including France in the calculations. On the other hand, excluding France public support to the creation of TV works would only account for 9% of total spending of national and sub-national funds in Europe (compared to 29% when France is included); similarly the share of exhibition would drop from 8% (including France) to 2% and the share of spend on promotion activities would drop from 3% (including France) to 1%.

This illustrates the fact that pan-European breakdown of *activity spend* is actually not representative for public funding in the majority of smaller and medium-sized countries.

5 Conclusion: An Emergent Financing Gap?

This chapter presented key industry statistics on the volume, structure and development of direct public funding between 2010 and 2014 from an aggregate European perspective. Essentially, it has to be stressed that the data for these indicators can vary significantly between individual funds, types of funds and/or countries. The situation in individual countries or at different funding levels might be quite different from the cumulative pan-European figures, which nonetheless provide a valuable reference point for more detailed analysis.

Furthermore, it needs to be kept that mind that direct public funding has to be evaluated in context of a country's entire film policy system which may include various types of fiscal incentives, obligations for broadcasters to invest directly into film and audiovisual productions, public loan guarantee facilities or other forms of industry regulation. In this context it is worthwhile to mention that the data clearly show that both, public funding spend as a whole as well as public support for the creation of film and audiovisual works, in particular production, has been steadily increasing between 2010 and 2014, despite the establishment of 14 new fiscal incentives schemes since 2008. Hence, the data disprove the hypothesis of financial resources shifting from public funding to fiscal incentives.

In fact, direct public funding may well have come to play a proportionally more important role in financing European theatrical works, as broadcaster investments seem to have declined over the same period and pre-sales/minimum guarantees have reportedly become more difficult to obtain, particularly for small and medium budget films. This leads to the important question: Is there a financing gap emerging for European film production which cannot be filled by public funds? If so, how can access to private financing be improved?

Further, it has to be asked to which extent the financing structures of public funds are being impacted by changes in the film and audiovisual value chain as the physical home video market collapses, TV advertising revenues come under pressure while on-demand services grow. In the time period analysed, contributions from new players, such as on-demand services, to the financing of public funds and/or investment in the production of film and audiovisual works were negligible as most countries had not yet put in place any regulation to this effect, while contributions from levies on broadcasters declined in most European countries.

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