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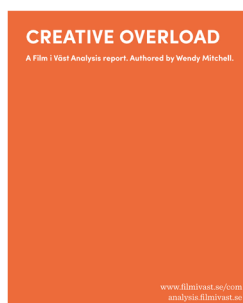
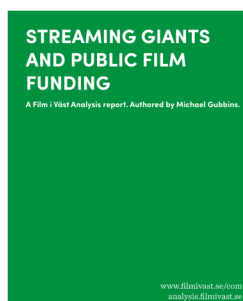
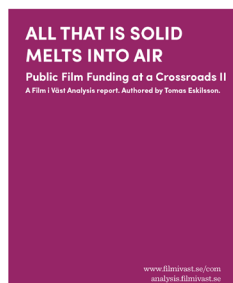
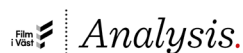
# *Analysis.*

## **PUBLIC FILM FUNDING AT A CROSSROADS II**

Focus group:  
Eastern Europe

**Authored by Petar Mitric, Joanna Szymanska**

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## ABOUT PUBLIC FILM FUNDING AT A CROSSROADS

*All that is solid melts into air* – *Public Film Funding at A Crossroads II* was launched in Venice in August 2022. Along with the first report *Public Film Funding at A Crossroads* it can be downloaded at [www.analysis.filmivast.se](http://www.analysis.filmivast.se). Here you also find the ten territorial reports, executive summaries, with strong links to the main topics. There you also find **Michael Gubbin's** report *Streaming Giants and Public Film Funding* and **Wendy Mitchell's** study *Creative Overload*.

Appendix 1	Topics for the interviews
Appendix 2	Survey to filmagencies
Appendix 3	Status of Article 13's transformation across Europe
Appendix 4	Presentation of the experts

### Focus group

Eastern Europe (Assistant Professor **Petar Mitric**, Producer Joanna Szymanska)

French speaking Europe (Senior Consultant **Vincent Leclercq**, Senior Consultant Philippe Reynaert)

German speaking Europe (Senior Consultant **Manfred Schmidt**)

The Nordics (**Katarina Krave**)

UK (**Bengt Toll**, Associate Professor **Lydia Papadimitriou**)

### Close-up

Flanders (Producer **Ilse Schooneknaep**)

Italy (Senior Consultant **Rickard Olsson**)

Netherlands (Senior Consultant **Doreen Boonekamp**)

Portugal (Visiting Professor **Nuno Fonseca**)

Spain (Journalist **Irene Jiménez**)

French speaking Belgium (Senior Consultant **Philippe Reynaert**)

## EAST EUROPEAN FOCUS GROUPS

***In this Avoiding the trap of the middle growth:***

### **A SUMMARY OF THE EAST EUROPEAN FOCUS GROUPS**

This report summarizes discussions about five specific themes that crystalized as the most recurrent and most urgent for the East European (hereinafter EE) industry professionals and film funds.

The major point of discussion is, unsurprisingly, an increasing presence of the global streaming platforms and how local producers can strengthen their negotiating position when collaborating with them. Film professionals are also interested in exploring policy solution for regulating the streamers and the best ways of formulating and implementing these solutions.

Furthermore, EE countries keep experiencing the audience crisis as well as an additional drop of cinema attendance after the pandemic, and film producers are very curious about exploring new strategies for reaching audiences.

The contested notion of independence is another prevailing theme. EE industries are still searching for the most accurate and most realistic definition of independent producer/company/work. Finally, the EE industry professionals acknowledge that European co-production is still crucial for them and foresee many positive developments around it in the future. The report ends with a number of tips that EE producers gave anonymously to public film funds that intend to reform in the coming years.

Generally speaking, the EE audiovisual industries experience a surge of new types of business models. A small independent production company from the region can today (unlike in the recent past) produce content using different business models. These models include:

- Traditional way through public film funds and European co-production



**Petar Mitric** is Assistant Professor at the Section of Film Studies and Creative Media Industries at the University of Copenhagen. He has published widely in European film policy and co-edited the book *European Film and Television Co-production: Policy and Practice*. He has also collaborated as a consultant with many European organizations, including the Czech Film Fund, Film i Väst and TorinoFilmLab.

Producer and development executive, industry activist, **Joanna Szymanska** is a



graduate of Film Studies and Law. Alumna of international workshops including: EAVE, ACE and Torino Script Lab (Story Editing). In her 15+ years career she produced numerous shorts, feature-length fiction films and international co-productions. She is a founding member of Polish Producers Guild and a former member of European Film Academy Board (term 2017-2023). She is currently working on her PhD at Lodz Film School.

- Collaboration with streaming services
- producing (high-end) TV drama for broadcasters or with support from telecom operators
- Teaming up with a bigger company to ensure a better cashflow, connections with new market players, and a stronger negotiating position while making financing deals and creative decisions
- Taking advantage of the increasing production incentives in one way or another

This new reality makes producers more active and curious about the development of the film industry in the coming years. They are both hopeful and anxious when it comes to collaborations with global streamers. At the same time, they are increasingly critical of the traditional European business models. The major points of this criticism are:

- Producers need shortcuts because they develop projects for too long according to the rules of the old system. Ironically, the rules of the streaming platforms are much clearer. They are quick and include no second agenda. The funds are the opposite. You waste a year talking to a fund just to be turned down. It is slow and non-adaptive to the global trends
- The cost of production is growing, while the soft money that producers can get from public film funds is still the same
- Too much dependence on public film funds creates “the trap of the middle-growth”. Producers wish to avoid it by making films for bigger audiences and bigger festivals, securing better cashflow, hiring more people, etc.
- The language around European cinema as exclusively auteur-driven needs to be “demilitarized” by inviting less antagonism and more collaborations with the other market players. The collaborations are particularly necessary regarding the transfer of the knowledge about the audience outreach that the European arthouse sector dramatically needs.

### **1. THEME: Working with streamers**

*“When Netflix came, we all naively believed that they want to produce our Romas, but we ended up producing one-month-films for platforms”*  
(a focus group participant)

The collaboration with global streaming platforms varies from country to country across Eastern Europe. Poland has the most advanced relationship with platforms primarily due to the size of the Polish film industry and the market of almost 40 million people. Thus, the number of Netflix originals in Polish language is only increasing,

providing both jobs for industry professionals and plenty of popular content for Polish audiences. Some other EE countries also collaborate with streaming platforms due to their production incentives (e.g., Czechia and Croatia), but these collaborations still result in few or no local originals. The local producers in these countries are mainly service providers on large international productions. A number of EE countries still receives (almost) no attention from the global streaming platforms as countries with low audiovisual capacities, tiny languages and insufficient amount of subscribers. These countries are still figuring out the strategies for attracting collaborations with global platforms in any form.

Collaborations with global streaming services in EE Europe bring multiple specific advantages and new opportunities such as:

- Young producers sometimes straight after film schools open their own companies and produce ambitious projects in collaborations with streaming platforms. That is how, for example, the first Czech HBO original series was done
- Instead of relying solely on sometimes slow and untransparent public funds, producers have an alternative to turn to a more efficient type of funding that comes from the streamers
- Despite a popular tendency to pretend to dislike streamers, in reality everybody wants to work with them as they offer fast and bulky financing
- The countries with strong presence of streaming platforms almost eradicated piracy (e.g., Poland and Czechia)

However, these collaborations bring also a series of challenges:

- Even though platforms sometimes take small projects (e.g., creative documentaries and quirky arthouse films) from newcomers and unknown companies, they increasingly tend to choose bigger partners who can deliver several projects and commercial (often low-brow) audience-pleasers at the same time
- (Small) production companies lack negotiation skills and power. Producers find it difficult to convince Netflix to choose projects that local producers are most passionate about
- Streaming services tend to support writers and projects rather than producers who often end up being just executors
- In many EE countries, Netflix buys local films only for the local territories, they do not distribute them globally
- When you produce for a global platform, you do not have a final cut. You develop the project yourself, and then in the end the financiers have the final word

## **2. THEME: Regulating streamers:**

*“More people cause more problems, so why invite different stakeholders to the policy formulation process?”* (a focus group participant)

One solution to some of the above challenges is to regulate the streaming services in order to integrate them efficiently in the local ecosystems and empower the local producers and talent. However, the process of formulating and implementing such regulations is slow in EE and lags behind many countries in the rest of EU. There are, in fact, only three countries in the regions (Poland, Croatia and Romania) that introduced obligations for streaming services to invest into the local productions, while Czechia is expected to do it very soon. The major obstacles to regulating streaming services are:

- Many countries' markets are too small and weak to impose investment obligations on global streaming platforms. The platforms' lobbying capacities on both the local and European levels are much stronger than the ones of local stakeholders
- With or without regulation, funds in many EE countries would easily support a producer who made (any) deal Netflix in order to attract Netflix to work with local talent and make some national content more visible globally
- Some funds do not see the reason why a Netflix production could not be supported by a public film fund. If platforms use production incentives why would not they use the money from the public film funds? For example, the new HBO film about Franz Kafka by Agnieszka Holland received almost 1 million euro from the Czech Film Fund and thus became a co-production between a global streaming platform and a public film fund.
- There is very little joint policy discussion that invites and involves all stakeholders. Thus the process of making policies and regulations remains untransparent, inaccessible to many market players and does not reflect the reality.
- More transparency of film funds could show the marks of success and tell filmmakers how to do things better and improve the policy effects. But some selective funds are secretive, one never knows what they think, how they make decisions, or if they do something wrong. It is additionally problematic considering that they are deciding on the taxpayers money.
- Many countries are waiting for the political climate to change in order to open the film law and introduce investment obligations. The waiting-time is often too long.
- There are still too many EE countries that struggle with extremely high level of piracy, which does not make them appealing to streamers investments.

- In some countries, the fund is passive and want the producers to do all the policy work and take initiatives. Producers need to animate them, lobby through their associations, and write laws. There is a lack of ambitions and expertise on the fund's side.
- The EU's Audiovisual Media Service Directive (AVMSD) enables policymakers in large and high-production countries to introduce obligations for global services to invest in the local content. However, this Directive has been useless in most of the small East European countries as it does not follow the reality in these countries. The European Commission needs to reformulate the Directive to make it applicable and meaningful in all EU countries.

### **3. THEME: What happens with the notion of independence?**

*"True independence is being able to say no in any context. But at the certain point you decide to get married and you have to stick it through."* (a quote from a participant)

The EE film professionals recognize the importance of defining the notion of independence in the new streaming world, but they still struggle to find the most appropriate definition. Below are the most recurrent reflections on independence:

- One is truly independent only when they use their own money for production
- Truly independent producers do not rely only on a single financing source regardless of whether it is a market player or public selective shames
- Independent producer has freedom to take creative, financial and political risks
- Independent producers accept to take responsibility for their decision
- There is a tendency that platforms and studios are buying production companies to produce in-house, which makes the once independent producers dependent
- More independence is secured by negotiating long-term partnerships with transparent players who plan to stay in the market or have promising successors. Many EE projects, for example, fell through after HBO suddenly changed its policy and transformed into HBO MAX. Producers had no alternative source to finance these projects otherwise.
- Many producers associate independence with editorial freedom to do projects they like and are passionate about.
- Independence is privilege to cater to your own needs by owning the company and avoiding (too many) investors.
- Working with public funds or public service broadcasters does not

necessarily make producers more independent than working with global platforms. Commissioning editors in television stations can limit producers' creative independence. Likewise, in the small EE countries where you cannot produce a film without public money, film funds tend to force producers into substantial creative changes regarding the film's tone, genre, the gender of the main character, etc. European co-productions tend to be too long (5-6 years sometimes), which is a huge price tag for producers, limiting their financial independence and business development. In addition, co-productions sometimes make producers dependent on different political decisions, personal taste of selection committees, pressure to work with certain type of filmmakers coming exclusively from certain type of film schools, etc.

Furthermore, industry professionals acknowledge a particular link between independence and the retention of IP-rights, but they still struggle to position themselves regarding this matter when it comes to collaborations with streaming services. Their opinions give a highly nuanced picture:

- Sitting on the rights forever is not crucial for independence. Independence comes rather with skills to make the best business deals.
- Fighting for IP religiously can result in cashflow problems.
- IP does not have a value for the majority of European films after they are produced. They seldom recoup and only every 10th project get remakes. IP is more relevant in the TV world.
- The US streaming platforms will never accept to share IPs before they first start testing it as a model in the US. The EU and individual countries cannot impose it beforehand.
- (Young) producers are not aware of how much they should be paid for their IPs. The hunger for producing makes them sell too quickly.
- There are producers who fight to make films with public funds for too long, and then streamers show up and acquire the project together with the producer who become their in-house producer.
- More independence might come with more license-agreements and more focus on keeping the right to films (such as remake rights and rights to the created universe and merchandises around a film). The rights to series can stay with the platforms.
- It is crucial at which stage a producer approaches a global streaming platform. If you go with a 10-pager and sign the development and productions contract based on it, the platforms will be heavily involved in developing and co-creating the content. Thus, the initial 10-pages are not the IP.



#### 4. THEME: The audience problem and the future of cinemas

*“The funds need to find out: WHAT IS THE NEW CINEMA ABOUT? how should we be able to make it?”* (a focus group participant)

In EE, there is a general drop in admissions. Indeed, people are gradually returning to cinemas after the pandemic, but the numbers are not getting back to the 2019-level, and some new cinema-going patterns are emerging. People mostly go to see big American spectacles, while it feels like there is a permanent drop in admissions for domestic films. In Poland, for example, there is 30% lower share of Polish films than before the pandemic (domestic share is 13% right now). In Lithuania, there is a drop from around 23% to around 15%. However, there are exceptions (e.g. Czechia and Serbia) where large domestic share remained unaffected by pandemic. That happens, however, mostly thanks to some specific types of domestic films (e.g., romcoms, historical epics, biopics) which still occasionally sell over one million tickets. People tend to see them both in cinema and then again when they are available on TV or VoD. However, even in such territories, the other types of films score lower admissions than in 2019.

The general emerging patterns in cinema-going are:

- Cinemas show primarily what people cannot find online or on TV. And what it is?
  - Big shows such as Marvel titles, *Top Gun* or highly entertaining comedies
  - In cinema multiplexes, there is suddenly space for demanding arthouse films such as *Aftersun* or *Quo Vadis, Aida?*. Even though they are available for a very short period and in the smallest rooms, it was not the case before pandemic.
  - The so called “middle-cinema” titles that dominated theaters before the pandemic has been taken away by Netflix.

Should fewer films be made in a more competitive environment? There is an opinion that EE countries may be producing too many cinema films, which results in many lost films that end up nowhere. The festival programmers also agree that they receive too many films from the region of various quality. Too many films make the market clogged and to promote so many films is impossible.

The public funds in EE support have no resources to make epics for cinema screens and they are reserved for the expensive US productions. Instead the funds could focus primarily on smaller theatrical distribution, while the middle-cinema content should be primarily directed towards VoD with an option to combine it with a theatrical

release when it makes sense.

The majority of filmmakers develop projects without (sufficient) thinking about the audiences. Therefore, there are too few publicly-supported audience successes, even within the support schemes for commercial films. Filmmakers should be more aware of and realistic about the potential audience groups and numbers or be able to prove why a certain film is relevant and necessary to make. It is not necessary that every film reaches a big audience, but every filmmaker needs to think about the audience regardless of how small it is. The funds need to force producers and directors to take audience research more seriously. Funds also need to help filmmakers experiment and grow, as well as to identify the socially relevant topics and focus on projects pursuing those topics. Finally, the supported films should represent the taxpayers whose money goes into the public film funds, and talk to them. The funds need to follow and cater to all kinds of audiences instead of cherry-picking the best arthouse projects, or finance the mediocre arthouse while searching for the good ones.

The funds need to define better their notion of quality and include also the audience-related requirements in the quality-measurement criteria. As of now, funds often do not understand from the applicants what their goals really are with certain projects (50,000 admissions?, Cannes Premiere?, etc.) and how any goals might be achieved.

Last but not least, many EE films might be great, but they get lost as there is too little support for distribution and promotion. Many EE film funds do not allow producers to include the P&A budget in the production costs. Public support for distribution exists in some countries, but it is minimal. There is lack of understanding among the public film funds that reaching an audience is expensive in the new world, even for the films with an obvious audience potential.

The cinemas cannot compete with streamers as it is much cheaper to stream films than see them in a theater. But the TV stations can have a better strategy for producing European TV series that would compete with the streamed titles. It is not happening enough in EE as TV stations are mainly introvert, self-sufficient and conservative. There are some exceptions such as the Czech Television that engages in ambitious European TV co-productions and saves some projects after they are offered a bad deal with the streaming services.

Another option to compete with the streamers is establishing more local East European VoD platforms that offer popular content. There is an example of a platform called Voyo that covers several East European territories, has more than 500,000 subscribers as of now and also produces local original content. It particularly works in the territories where audiences traditionally watch a lot of local content.

### **5. THEME: The future of European co-productions**

The European co-production is still praised by many EE producers as the mother and the father of great stories. Co-productions have a big cultural value and inspire other filmmakers. Also, they are still crucial for small markets in terms of accessing non-national audiences, internationalization and de-provincialization. Co-producing invites diversity of partners and stories and constant professional development. Co-production will remain the prevailing business model in the future in many small EE countries where global streamers have no interest to come.

Nevertheless, the new streaming world will also make European co-production evolve. Co-productions are expected to develop into multiple models depending of the ambition of the film regarding the distribution, the number of co-producers and the necessary budget. Co-productions also require some innovations now when the cinema theaters are in crisis as European co-productions are primarily meant for cinemas. In the coming years, this can be solved by building stronger relationship between the audience and the director, hoping that the audience will come back for the name. Cinema theaters need to organize more events around the films, special releases, second release on VoD, a shorter theatrical window when necessary. There will be no copy-paste release strategies like it was the case in the past. Finally, producers will need to be more quick and adaptable when it comes to engaging also in TV co-productions and public funds will have to support them in that.

Finally, there is a question about how environmentally-friendly co-productions are? Will the emergence of virtual production studios and AI simplify or kill the classic European co-production? How to reduce travelling of co-producers, cast and crew? How much of it can be moved online?

### **6. The list of recommendations for the public film funds by the focus groups' participants**

- Support cinemas to help them survive
- Increase the percentage of the levy that the global platforms are obliged to pay for the local content
- Keep the close and collaborative relationship with producers
- Be a visionary, be progressive
- Declare your policy openly/be transparent. Make sure that the experts who evaluate the projects do it in accordance with the set policy
- Blind first reading of submissions without knowing the director or producer.
- Give clear markers of success and procedures

- Design your audience and educate them
- Do not micromanage and do not be afraid to hire people who are smarter than you
- Fight for equality and be on the lookout for new talent
- Try always to imagine how you want to see your national cinema in 15 years.