

## Mid-term review of the production incentive for the audiovisual industry

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Business Finland's audiovisual production incentive has been in use from 2017 to 2019. The purpose of the audiovisual production incentive is to increase international interest in Finland as a production country and to promote the growth, development and internationalization of Finnish companies. This mid-term review has studied the realization of the impact targets set on the production incentive as well as the other effects of the incentive on the operational environment. Material for the review was gathered until February 2020; it does not include an investigation of the changes due to the coronavirus epidemic.

### Business Finland's audiovisual production incentive has responded to the transformation of the market

#### The audiovisual production incentive has responded to the transformation of the market

A major structural change is in progress in the globally growing audiovisual market. Serial content distributed via different platforms has grown in relation to movies distributed at theaters. In Finland, the strongest growth in the audiovisual industry has occurred in the production companies of movies, videos and television programs. The audiovisual production incentive has made it possible to fund serial production, among other things.

From 2017 to 2019, the audiovisual production incentive has been granted to 58 productions in total. The compensation has been a bit less than EUR 0.5 million per production on average. TV series have received the most incentives with regard to the number of recipients as well as the amount in euros. For example, productions that have received compensation due to the audiovisual production incentive have been sold to international streaming services. The combined budgets of domestic productions that received an audiovisual production incentive from 2017 to 2019 are approximately EUR 200 million in total.

### The audiovisual production incentive has promoted the entry of new funders into the audiovisual industry

#### The production incentive has already proved its competitiveness during its first years

The international competition between productions in the audiovisual industry is high, and the incentive systems of different countries play a major role in it. Based on the review, the audiovisual production incentive is seen as competitive compared to similar incentives in other countries. The low level of bureaucracy related to the incentive and the speed and agility of the application process are considered as especially good aspects. Together, the incentive system and reasonable production costs are Finland's attraction factors.

An added value to the incentive is that it has brought new funders to the audiovisual industry and made it easier to find total funding. Business Finland is seen as a stable and

reliable funder; even more than the support measured in euros, it makes finding other funding easier. The share of international funding out of the total budget of domestic productions has increased slightly, and acquiring it has become easier.

**The information for the mid-term review was gathered by February 2020**

The nature of the mid-term review has been participatory, and it has been based on close interaction with the key interest groups. Among others, the production companies and production coordinator companies that have applied for the production incentive have been heard as a part of the review. The most important way of ensuring the participation of companies has been the electronic survey directed at production companies (25 responses in total) as well as interviews of production coordinator companies. In addition, some production companies were also interviewed. The document analysis included material on the types of funding handed over to the evaluators by Business Finland as well as publicly available materials, such as statistics. Material for the review was gathered until February 2020; it does not include an investigation of the changes due to the coronavirus epidemic.

**Results and impacts on the business of companies as well as employment**

**The growth of the companies that received the production incentive was clearly stronger than the growth of companies in the field on average**

<b>Results</b>	<b>Impacts</b>
<p>From 2017 to 2019, the audiovisual production incentive has been granted to 58 productions in total. The compensation has been a bit less than EUR 0.5 million per production on average. TV series have received the most incentives with regard to the number of recipients as well as the amount in euros.</p> <p>The productions that received the production incentive for the audiovisual industry directly employed a total of approximately 4,000 employees in the field for periods of different lengths. On average, one production that received the audiovisual production incentive employed approximately 70 people in Finland.</p>	<p>The growth of the companies that received the production incentive for the audiovisual industry was clearly stronger than the growth of companies in the field on average. The companies that received support grew a total of 68% from 2014 to 2018, while the growth of all companies in the field was 22%.</p> <p>The production incentive has strengthened employment in the industry. The audiovisual industry is small, however. On the level of the national economy, the impact of both direct and indirect employment is inevitably limited.</p>

**The production incentive has promoted participation in joint productions and encouraged the domestic production to remain in Finland**

**The original goal for bringing large-scale foreign productions to Finland was not reached**

**Competence in the audiovisual industry and quality of productions have improved – meanwhile, the scarcity of human resources in the audiovisual industry in Finland poses a challenge**

**The problem is that the different goals set for the production incentive guide the allocation of funding in different directions.**

## **Reaching the goals of the production incentive**

The production incentive has been very important for the realization of the productions that received the incentive. In accordance with the original goal, the incentive has encouraged the domestic production to remain in Finland and be transferred here. Based on the review, most of the productions that received the audiovisual production incentive would not have been realized without it. For example, the production incentive has made it possible to transfer serial productions that were previously filmed abroad to Finland and implement completely new productions in Finland.

In contrast, bringing major foreign productions to Finland has progressed slowly compared to the original goal. The processes involved in large international productions are long, which requires a predictable funding system. The weaknesses of the incentive system are especially its unpredictability, poor recognition and annual total budget.

It must be noted that the production incentive has indirectly improved the quality of productions. Thanks to the resources enabled by the incentive, it has been possible to add more filming and post-production days, which has promoted the realization of high-quality productions. A significant added value of the incentive is manifested in increased expertise. At the same time, lack of competence poses a challenge to the audiovisual industry in Finland, because the human resources are not sufficient.

## **Recommendations of the mid-term review**

Based on the mid-term review, the funding strategy should be reconsidered with regard to the audiovisual production incentive, because currently the different goals set for the production incentive guide the allocation of funding in different directions.

### RECOMMENDATIONS

1. **For the funding strategy, the key strategic goals of the funding should be specified.** Currently, the different goals set for the production incentive guide the allocation of funding in different directions, and it is not possible to attain the goals at the same time. In the funding strategy, it should be specified if the goal is to:
  - a. strengthen the industry and its prerequisites in Finland comprehensively, which is served by granting support widely to different actors;
  - b. increase the export from the industry, which is served by focusing the support on a small number of productions with potential for international success;
  - c. develop production services and attract international productions to Finland; or
  - d. try to ensure that IP rights remain in Finland, which in turn is served by supporting concept development, scriptwriting and the initial stages of production, for example.

At the moment, the goals include all of the above, and in practice, reaching them simultaneously is impossible with the current resources.

2. **Evaluation of the funding terms and conditions in relation to the goals.** The funding terms and conditions should be specified in accordance with the chosen strategy, and they should support the strategy in question. Because there are multiple goals, the funding terms and conditions may currently lead to partially unwanted results. In its current form, the production incentive serves serial production especially well. In movie productions, the share of funding from the Finnish Film Foundation is typically more than 40%, which limits the use of the production incentive. In turn, the requirement that 20% of the total budget of domestic productions must come from abroad often means that services related to post-production, such as VFX work, are transferred out of Finland. These and the other funding terms and conditions should be evaluated in relation to the specified funding strategy, and the necessary changes should be done based on it.
3. **Strengthening international marketing.** Regardless of the funding strategy, the production incentive requires strong international marketing to support it. Movies and TV series cannot grow very much if they rely only on the domestic market; growth requires entry to the international market. Even though the internationalization of the audiovisual industry has been strong in recent years, Finland is still largely unknown as a production country, and the competition for productions is high. In the future, a national operator, such as Creative Business Finland, should be responsible for the marketing of "Finland as a production country" and coordinate the effort. It should also be considered if the marketing should be focused more broadly on the whole market of moving images than the audiovisual production incentive, and what concepts should be used in the marketing in order to take the development trends in the field and the changes in consumer behavior into account extensively enough.

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