

RECONCEPTUALIZING FILM POLICY AND ITS MODEL IN THE BALTIC FILM INDUSTRIES: FROM POLITICAL ECONOMY TOWARDS MISSION ECONOMY

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Abstract. In the recent years financial support for national film production in Lithuania, Latvia and Estonia has risen up to a level that was not possible when the film policy was still in the development stage. Consequently, the stability of financial support growth for national film production allows to question the current film policy model in the Baltic film industries in regard to mission economy approach where goal orientation, market shaping and co-creating, finance and long-term orientation towards dynamic institutions, sustainability, value and the collective process involving business, government and public participation. The development of film policy model is also related with film distribution and exhibition processes since only when the Baltic States were celebrating their 100-year anniversary in 2018, first steps that were related with mission-oriented goals and policies were taken. Methodology is based on critical analysis of statistical data (quantitative descriptive statistics) and film policy and its regulation documents (qualitative content analysis). Accordingly, evaluation of analysis results and recommendations for improving film policy model is formulated.

Keywords: film policy, the Baltic film industries, national film production, mission economy, innovation.

JEL Classification: D2, L1, L5.

Introduction

21st century is full of challenges that were brought by globalization. Film policies also started to be reconceptualized according to globalization and the influence of Hollywood and national governments. For instance, Goldsmith et al. (2010) emphasized that contemporary phenomenon of globally dispersed high-budget film and television production now rests on a balance between the interests of the Hollywood “design centre” and state defended “location interests”. As it is noted by Mingant and Tirtaine (2018), Hollywood has now become a partner not only to collaborate with, but also to use in order to pursue one’s own objectives. It sometimes also stands as a mere background context for policy-makers intent on devising national policies centred on their own domestic and regional context.

Following Waisboard (2016) argument on general media policy, state has been a central actor in two ways: as the arena for articulating and negotiating public demands, and as a set of institutions responsible for passing and enforcing policies affecting media systems within a limited geographical territory.

Since countries around the world are seeking to achieve economic growth that is smart, innovation-led, inclusive and sustainable, a direction is needed (Kattel & Mazzucato, 2018). One of the directions is related to shaping future markets rather than fixing various failures in them, because industrial and innovation strategies can be critical pillars to achieve transformational change, for instance, identifying and articulating new missions that can galvanise production, distribution, and consumption patterns across various sectors (Kattel & Mazzucato, 2018). Therefore, public sector and its organisations can set the directions – design, implement and evaluate innovation policies and use their dynamic capabilities to set mission-oriented policies.

The aim of this paper is to evaluate the current film policy model in the Baltic film industries, therefore, these objectives were set:

1. identify the innovations being implemented in the institutions responsible for the film policy;
2. analyze the results of co-production between the Baltic States and statistical data of financial support for national film production, distribution and its market shares;

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3. evaluate the current state of partnerships between institutions responsible for the formation and implementation of film policy and businesses operating in film production, distribution and exhibition.

1. Film policy

Flew et al. (2016) is emphasizing three main actors in film policies: the state, the market and civil society. As it is shown in Figure 1, the traditional film policy paradigm was relevant before globalization. Now there are some changes about different state agencies, private actors and competition and how absolute control of the state moved to governance, in which it is possible to find a fragmentation of authority and the emergence of new actors, which power is mainly shared among national regulatory authorities, international intergovernmental agencies, civil society representatives and the corporate sector (Iosifidis, 2016).

For instance, in European Union feature film has been the primary preoccupation of European audiovisual policies, at national and supra-national level (Herold & Golser, 2018). To put it more precise, film production support is received in form of direct subsidies at the national level, film distribution and exhibition public aid measures are applied at the EU level.

As Finney (2002) notes, there are different mechanisms for raising and distributing money for film. He also mentioned at least seven mechanisms, which consists of five for film production support and two (selective and automatic) for distribution. Production support is characterized as follows (Finney, 2002):

1. Soft, culture-orientated subsidy system, where the investment is rarely recouped and mostly applies to smaller countries where their minority language and size of market makes commercial recoupment almost impossible. Territories that have soft,

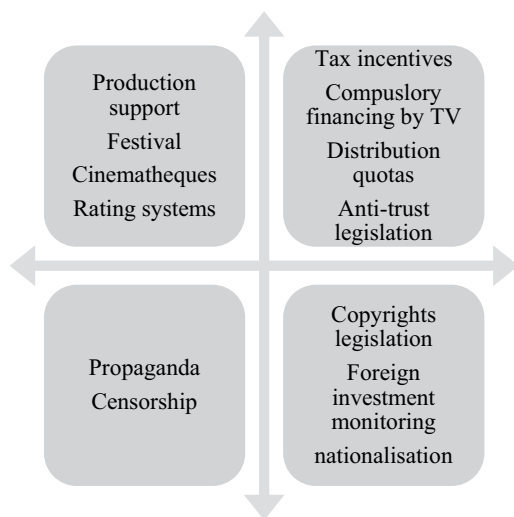


Figure 1. The traditional film policy paradigm (source: Mingant & Tirtaine, 2018)

culture-orientated funding systems include the Nordic countries, Benelux, Portugal and Greece.

2. Regional, economic loans. This system drives the main German “economic” Laenders, where interest-free loans are awarded in return for a production obligation to spend about 50 percent of that loan in the relevant region.
3. The “tough” repayable-loan mechanism, which more closely matches an equity investment than a subsidy loan. This approach requires both a cultural remit to support new talent and projects that otherwise would not reach the market-place, and to take a tough enough position to see some of its funds recouped on a regular basis. This model is applied by the Nordic Film and TV Fund. Culture and language are sometimes raised as obstacles to such a strident, commercial approach.
4. Automatic aid, which is one of the leading kinds of production support used by the French system. Producers registered with the Centre National de la Cinematographie (CNC) can apply for CNC funds annually. The level of annual subsidy is calculated as a percentage of a CNC levy on the gross theatrical receipts on all films (including imports) released during the year. Receipts from films made by each French producer and released in the previous year are added up and the producer gets a share of the levy in proportion to those receipts. The subsidy is only paid if it is to go straight back into film – either to pay off debts on former projects, or the more likely case of re-investment in new productions.
5. Selective aid is also represented by the French system. Grants are handed out to projects normally on the basis of a screenplay, and are deliberately given to first-time or new directors, and to challenging or interesting cultural work.
6. Tax incentives that attract private finance for production.

Film policy implementation also varies in different countries and especially in post-soviet countries in Eastern Europe. There are interventionist support systems and more economically liberal approaches with mix of restrictive measures.

2. New trends in film policy

In the early to mid-1990s government institutions in Europe were re-evaluating their financial support mechanisms, therefore, film support institutions started to pay more attention to build viable film industries based on commercial success (Morawetz et al., 2007) and that meant policy change from “protect the national culture” to “build the local industry” strategy. Later regional film funds became visible and now subnational film policies instead of national and supra-national (Cucco, 2018), cross-border level of collaboration is proposed as innovation in “trans-subnational” relation (Steele, 2018).

Since European film industries are fragmented, certain solutions to this type of production model were proposed – mostly moving away from regional and national territorialization to a more European-friendly model, which would be larger, supra-national bloc where film projects could operate seamlessly in several European countries (Steele, 2018).

Cucco (2018) extends the role of subnational governments with three points that the local intervention: is no longer limited to offering films to the public, but also includes the production stage; no longer has purely cultural aims, but also economic aims; requires a major financial commitment.

For instance, to Foray (2018) more promising strategy appears to be to encourage investment in programs that will complement the country's other productive assets to create future domestic capability and interregional competitive advantage. This particular strategy is called “smart specialization” and also describes the process aimed at transforming the economic structures of a region or any other geographical unit through the formation and development of new transformative activities. According to Foray (2018), transformative activity is a key concept and could be perceived as neither an individual project nor as a sector as a whole but rather a collection of innovation capacities and actions, that have been extracted as it were from an existing structure or several structures, to which can be added extra-regional capacities and that is oriented toward a certain structural change. Moreover, the process by which priorities and transformative activities can be identified should not be perceived as a process on which resources must be economized or that should be speeded up at all costs or implemented only by the government, but more as a process of learning about the capacities and opportunities specific to the region's economy that is useful and productive.

3. Methodology

In order to evaluate the current film policy model in the Baltic film industries, two methods were employed. Content analysis of documents (Bryman, 2004) and critical analysis of statistical data (financial support for national film production and market share by admissions), which is illustrated in Figure 2. For content analysis the regulation and internal documents of Lithuanian Film Centre,

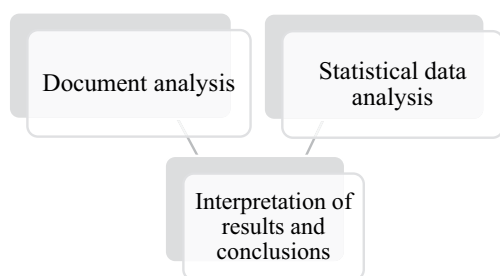


Figure 2. Research methodology

National Film Centre of Latvia and Estonian Film Institute were selected.

The use of mixed-method approach allows to capitalize on the strengths of each while offsetting their respective weaknesses and is useful when it comes to data evaluation and triangulation, which could be useful when different aspects of a phenomenon are studied, and where the relationship between macro and micro levels are explored (Bryman & Bell, 2007).

4. Aims, objectives and innovations by institutions responsible for the formation of film policy in Lithuania, Latvia and Estonia

There are three main institutions responsible for the film policy formation, implementation and development in the Baltic film industries – Lithuanian Film Centre, National Film Centre of Latvia and Estonian Film Institute. Current institutional film policy model in the Baltic film industries is illustrated in Figure 3.

All three institutions define their aims and objectives similarly. Lithuanian Film Centre's aim is to participate in designing an effective film and audiovisual sector policy and to foster sustainability of the Lithuanian Film Industry (Lithuanian Film Centre, 2023). The National Film Centre of Latvia implements the national policy in the cinema and film industry and one of its functions is to promote sustainable development and competitiveness of its industry (National Film Centre of Latvia, 2009). Estonian Film Institute has an objective of granting support to enable the creation of high-quality works of Estonian cinematography that speak to the audience and to facilitate the appreciation, development and distribution of Estonian cinematography (2021).

All institutions support national film production, co-production and distribution. While analyzing the innovations that were implemented recent years ago, Lithuanian Film Centre implemented Sustainability guidelines

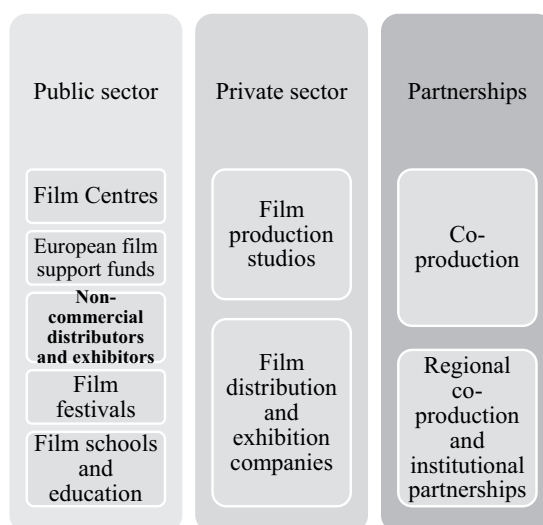


Figure 3. Current institutional film policy model in the Baltic film industries (source: author)

and principles for the projects that were financed (2023). These guidelines are based on environmental, social and economic sustainability. One of the principles is to foster innovations and efficient modern management and use of financial support by those who received funding allocated by Lithuanian Film Centre.

National Film Centre of Latvia in accordance with Development Planning System Law (Likumi, 2014) introduced public participation process, which involves citizens, society and non-governmental organizations in the policy-making process (National Film Centre of Latvia, 2021). The purpose of public participation is to ensure that decisions taken by public administration are in line with the needs of the public.

Estonian Film Institute mostly focuses on its cinematography being viable, original and internationally successful and easily accessible to the public and fostering minority co-production, its screening and arthouse cinema support for the diversification of film repertoire (2021).

One of the ways to foster co-production is through tax incentives. For instance, Lithuanian Film Tax Incentive came into effect in 2014 and from 2019 it offers to save up to 30 percent of the film production budget (Lithuanian Film Centre, 2023). In Latvia Riga City Council Co-Financing Programme for international film productions started to operate in 2010 and Latvian Co-Financing Fund in 2013, which allows cash rebate up to 40–50 percent (National Film Centre of Latvia, 2023). In Estonia it is possible to apply for Film Estonia Funding, which allows up to 30 percent of their support and three regional funds – Tartu Film Fund, Viru Film Fund and Film Fund of Estonian Islands (Estonian Film Institute, 2023).

In 2018 Ministries of Culture of the Republics of Lithuania, Latvia and Estonia signed Programme of Cultural Cooperation for the years of 2019–2022. In the article number 7 it was indicated that “The Parties shall foster co-operation in the field of cinema and audiovisual production, and facilitate joint promotion of the Baltic film and audiovisual production within the Baltic States and abroad. For this purpose the Parties shall consider the possibility of establishing a co-production fund for films and TV-productions between Estonia, Latvia and Lithuania“ (2018).

Regional co-operation with the Nordic Council of Ministers and other regional organizations in order to promote the contribution of culture to sustainable development and competitiveness of the region was indicated too (The Ministry of Culture of the Republic of Lithuania, The Ministry of Culture of the Republic of Latvia, The Ministry of Culture of Estonia, 2018).

5. Co-production results, financial support for national film production in the Baltic film industries and its market shares

The results of co-production between Lithuania, Latvia and Estonia presented in Table 1 show that during 100-year anniversary, which was celebrated in the year of 2018, the number of co-produced films was the highest.

Table 1. Number of co-produced films between Lithuania, Latvia and Estonia in 2015–2018 (source: Lithuanian Film Centre, 2023)

Years	Co-productions between Lithuania and Latvia	Co-production between Lithuania and Estonia	Co-productions between all Baltic States
2018	3	1	1
2017	3	–	–
2015	1	–	1

One of the factors that also influenced the rising number of co-productions and national film production was the constant growth of financial support from 2012 (the results are indicated in Figure 4).

Average financial support for national film production in Lithuania was 3 654 605,57 EUR, in Latvia – 5 572 228,29 EUR and in Estonia – 8 728 200,71 EUR during 2012–2018 period. Another factor that shows the potential of the Baltic film industries is the market share of national feature films that were exhibited in cinema theatres. In 2018 the market share of national films was the highest in Lithuania, Latvia and Estonia (Table 2).

Although financial support for national film production in the Baltic film industries and market share of national films exhibited grew, there is still lack of partnerships between public and private sectors in regard to inclusion of businesses into decision making while executing film policy.

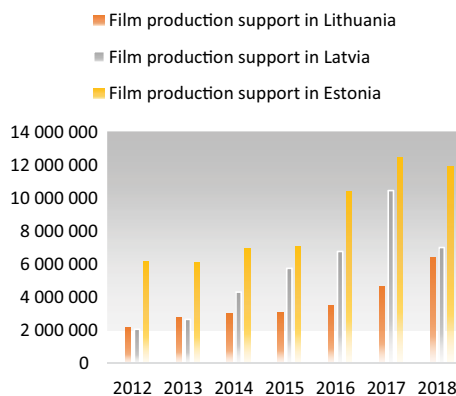


Figure 4. Film production support in the Baltic film industries in 2012–2018 (source: Facts and Figures 2016, 2020)

Table 2. Market share of national feature films (exhibition) by admissions in Lithuania, Latvia and Estonia during 2012–2018 (source: Facts and Figures 2016, 2020)

Years	Lithuania	Latvia	Estonia
2018	27.51 %	22.06 %	17.85 %
2017	21.47 %	7.84 %	8.04 %
2016	19.5 %	7.38 %	10.54 %
2015	13.81 %	3.81 %	11.33 %
2014	23.18 %	7.58 %	4.73 %
2013	16.49 %	6.03 %	5.90 %
2012	2.88 %	4.51 %	7.57 %

The analysis of the regulation documents of expert commissions who evaluate the applications to receive financial support for feature film production shows that members of film distribution or exhibition companies are not involved. For example, the activity of commissions is determined by the rules approved by National Film Centre and “specialists who have the knowledge or working skills in the film industry and who do not represent the interests of the project submitters <...> at least one member of the commission shall be a representative of the National Film Centre” (National Film Centre of Latvia, 2019).

According to Lithuanian Film Centre regulations, only members from film production companies, film art creators or film critics can be members of expert commission, which consist of three members in Lithuanian Film Centre (2021). According to Conditions and procedures for supporting the development, production and distribution of films used by Estonian Film Institute (2021), “applications that are deemed compliant shall be evaluated by an evaluation committee formed by the granting authority” and there is no clear statement about how the evaluation committee is being formed. Only criteria that is mentioned is impartiality, independence with regard to the applications and applicants that they are to evaluate and withdrawal from committee in the event of conflict of interest.

Market shaping and co-creating is executed through allocation of financial support for national film production, but it lacks involvement of members of film distribution and exhibition businesses that would bring new ideas for value creation and in that way would help shape and co-create the film distribution and exhibition markets. Also, the involvement of representatives from the mentioned sectors and their participation in decision making would encourage new management practices while enhancing the approach of dynamic institutions. Therefore, another possible partnership that could add value and foster regional competitiveness is partnership between Lithuanian Film Centre, National Film Centre of Latvia and Estonian Film Institute and not only in fostering co-production, but establishing a regional film fund and sharing good financial support administration and application evaluation process management practices.

Consequently, goal orientation towards a certain mission was set before 2018 when the Baltic States were preparing to celebrate 100-year anniversary. One of the innovations that started to be used in the Baltic film industries was – financial support for national film distribution, which was based not only on conditions and procedures, but film visual identity, popularization and accessibility strategy (Dabrovolskas, 2022).

Conclusions

Film policy in the Baltic film industries is constantly being developed. There are already steps taken toward sustainability, society involvement and financial support

allocation for national film distribution, which conveys mission economy approach.

Mostly mission economy approach was visible before and during the celebration of 100 years of the Baltic States since institutions responsible for the formation of the film policy administered the highest amount of financial support for national film production and the market shares of national films exhibited were also the highest. Also, during 2018 there was the highest number of co-productions between the Baltic States. Therefore, the potential of mission-oriented film policy is acknowledged, but goal orientation should be continued since later it can affect financial support and the viability of the film industries in the long-term.

For the goal orientation and fostering of innovations, market shaping and co-creating in the Baltic film industries and their film policy execution - partnerships between public and private sectors are recommended. Specifically, partnerships between institutions that are developing film policy and businesses from film distribution and exhibition sectors and partnerships between institutions that are responsible for the formation of the film policy in Lithuania, Latvia and Estonia. As official document analysis showed, mostly members from film production, film art creators, film critics or specialists who have the knowledge and are impartial, independent and not directly connected with applicants can participate in decision making that later shapes film policy in the Baltic film industries.

Since the article and its research was mostly focused on the evaluation of the current situation of the film policy in the Baltic film industries in relation to national film production and co-production – there are certain limitations. For instance, attention was mostly paid to the recent trends of co-production between Lithuania, Latvia and Estonia, the growth of financial support for national film production and its market shares in exhibition, existing cultural cooperation and some institutional novelties related with sustainability and society involvement, but it did not involve the analysis of film distribution and exhibition processes that also has an impact for the film policy.

Consequently, the object of further research will be focused more on the interrelation between film distribution, exhibition and film policy management processes and also on the construction of film policy model for small film industries based on all mentioned processes.

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