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The importance of public funding for the European film industry

International Business
Bachelor's thesis

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The creative and cultural industries are continuously facing budget cuts around Europe. In light of these country-level cuts, public funding from institutions like the European Union are becoming more and more valuable. This thesis explores how different EU public funding projects have affected and will continue to affect the European film industry and its success. The study is conducted as a literature review and focuses on economic theoretical literature and academic studies on public funding, EU funding projects and country-specific examples of film success.

The findings show various links between EU based funding and the growing success of European film. Especially economically there is a clear positive correlation between EU public funding and economic growth of the industry. Cultural benefits are also explored while using a critical lense to evaluate potential improvements as well. Based on the evaluation of past country-specific examples, this thesis draws conclusions regarding future outlooks. It explores future trends and initiatives to show that the EU will continue to have a crucial role in the European film industry's success.

This thesis contributes to a deeper understanding of the value of public funding for the film sector. It discusses important and relevant aspects of public funding and reflects on current changes in the industry and their effects. This thesis contributes to a broader discussion of public funding and the creative sector benefiting industry professionals, decision makers and academics alike.

Keywords: public funding, film industry, the European Union, audiovisual industry, economic value, cultural value.

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Kulttuurialoihin kohdistuu jatkuvasti budjettileikkauksia monissa Euroopan maissa. Näiden kansallisten leikkausten vuoksi julkisen rahoituksen, kuten Euroopan unionin tarjoaman tuen, merkitys on kasvanut entisestään. Tämä kandidaatintutkielma tarkastelee, miten eri EU:n julkisen rahoituksen muodot ovat vaikuttaneet ja tulevat jatkossakin vaikuttamaan eurooppalaiseen elokuvateollisuuteen ja -alan menestykseen. Kandidaatintutkielma on kirjallisuuskatsaus, joka keskittyy kauppatieteiden kirjallisuuteen ja akateemisiin tutkimuksiin julkisesta rahoituksesta, EU:n julkisen rahoituksen muodoista ja maakohtaisista esimerkeistä elokuva-alalta.

Tutkielman löydökset osoittavat monia erilaisia yhteyksiä EU:n julkisen rahoituksen ja elokuva-alan menestyksen välillä. Erityisesti myönteisiä taloudellisia vaikutuksia löytyy paljon EU:n tarjoaman tuen ja elokuva-alan kasvavan menestyksen välillä. Tutkielma käsittelee myös julkisen rahoituksen kulttuurillisia vaikutuksia, keskittyen myönteisten vaikutusten lisäksi myös kritiikkiin ja kehitysehdotuksiin. Menneiden, maakohtaisten vaikutusten perusteella tutkielma vetää johtopäätöksiä myös tulevaan. Tutkielma käsittelee erilaisia tulevaisuuden trendejä ja direktiivejä osoittaakseen EU:n jatkuvan ja keskeisen roolin elokuva-alan menestyksen kehityksessä myös tulevaisuudessa.

Tämä tutkielma syventää ymmärrystä siitä, miten julkinen rahoitus vaikuttaa elokuva-alan menestykseen. Se käsittelee tärkeitä ja relevantteja julkisen rahoituksen muotoja ja esittää keskeisiä alalla tapahtuvia muutoksia ja niiden vaikutuksia. Tämä tutkielma osallistuu laajempaan keskusteluun julkisesta rahoituksesta ja luovista aloista, josta alan ammattilaiset, päätöksentekijät ja akateeminen tutkimus voivat hyötyä.

Avainsanat: julkinen rahoitus, elokuva-ala, Euroopan unioni, audiovisuaalinen ala, taloudellinen arvo, kulttuurinen arvo.

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1 Introduction

In recent years many European cultural sectors have faced significant cuts and financial challenges (Santini 2025, 1). In the light of these challenges the European film industry has also been affected. Due to these budget cuts the importance of public funding from different institutions like the European Union (the EU) are increasingly significant for cultural sectors (Santini 2025, 1), like the European film industry. Public funding has been found to have a positive correlation with the success of European film, for example in Germany (Weber et al. 2022, 259) and therefore its presence in the industry is vital. This thesis explores this relationship between the two, public funding from the EU and the success of the industry.

The success of the film industry in Europe is valuable both economically and culturally. From an economic perspective the film industry generates notable amounts of money to Europe. In 2023 European box office revenues reached a total of €7,2 billions, rising close to pre-pandemic numbers. (Carollo 2025, 1.) The cultural and creative industries (CCI) employ over 7,7 million people in 2022, which constitutes 3,8% of the European workforce (Borrione et al. 2024, 462). These numbers are to show the significance and importance of the industry and of this topic. This study is conducted to bring important knowledge to decision makers and industry professionals about the effects of cultural policy making and public funding on the film industry.

The topics of European film and public funding in the creative industries have been separately well researched for decades. However, there relatively few studies on the relationship of the two, that comprehensively present the need to implement film industry support systems (Orankiewicz 2022, 91). Some studies have been made on a country-specific level about public funding and its effects on that specific film industry (e.g. Papadimitriou 2018; Weber et al. 2022; Borrione et al. 2024). These studies have shown positive correlation between public funding and the success of these specific industries. On the other hand, studies at a Europe-wide level have also been made but most of them focus on only one specific funding mechanism (e.g. Potschka et al. 2013; Romero-González & Palma-Martos 2019; Lind 2023). The findings of these studies will be further discussed later in this thesis as examples of both cultural and economic effects. As can be noted, there is still a gap in studies where the effects of a variety of EU public funding projects on the success of film are explored at a Europe-wide level.

The topic of this thesis is very relevant in a broader discussion of public funding and the importance of film in European culture. Research shows that public funding remains to be the most significant form of funding for the film industry, contributing 27% of the total financing volume (European

Audiovisual Observatory 2025, 1). Public funding is defined in a governmental context as a resource-allocating system to support public goals (Shoup 2017, 3). From there it can be mirrored to the EU and its functions considering the film industry. Public funding can be further divided into direct and indirect public funding, both of which are used in the EU. This thesis will focus on public funding that goes beyond borders such as the EU's Creative Europe funding programme. It excludes country specific legislation as it varies so drastically between European countries. Public funding and its effects are explored to understand the relevance of these public EU funds for the success of the whole industry.

Cultural policy refers to how culture is evaluated and supported in politics. Throsby's (2000) theory on cultural policy defines culture and its meaning in policy making processes. This theory highlights the dual sense of culture where the value of cultural goods is divided into two, cultural and economic value. This dual value can be reflected into the EU cultural policy making process as both aspects are highly relevant and evaluated in decision-making. The connection of cultural policy and public funding is key in this thesis and will be explained in following chapters to establish a theoretical framework.

Lastly, it is important to note that European film is not a simple term to define as it generalizes a whole continent into one. However, European film can be defined based on the characteristics that European countries share. Traditionally, European film has been defined as an opposite to Hollywood by being more artistic and high-quality compared to the commercialized film in the United States. It is also important to note that a film can be a representation of its own national culture and be a representation of European culture. (Papadimitriou 2018, 217.) This thesis will therefore use a generalized term of European film and use country-specific examples to draw conclusions on a European level.

The main question *Why is EU public funding important for the success of the European film industry* is divided into three sub-questions:

- What kinds of public funding does the EU offer for the European film industry?
- How has public funding affected the European film industry in the past?
- How is public funding likely to affect the European film industry's success in the future?

The first section will begin by using theoretical lenses to deeper define cultural policy and public funding in a general level as they establish the basis for the discussed topic. In defining these complex

terms Throsby's theory on cultural policy will be used to define culture and its meaning in policy making processes. After establishing the definition of culture, public funding and its sub-categories are explained. Public funding is explained at a government level before reflecting it to the EU's functions. After establishing this base, the first section will continue to present examples of public funding that the EU has offered or currently offers to support the European film industry.

The second section of the thesis will explore past studies and statistics on how these funding instruments have affected the European film landscape in the past. It will evaluate both the economic and the cultural effects by using country-specific examples from the last decade or so. The aim of this section is to show patterns in the effects of public funding. From these country-specific examples conclusions can be drawn to generalize how funding correlates to the industry's success. While the main focus of this section is on the success of the industry, it will also discuss aspects of improvement and criticism that these funding projects have received.

Lastly, the third section will focus on future outlooks of the industry and its funding. It will discuss future trends that the industry is currently facing and their effects on shaping the whole film sector. After establishing the most relevant current trends it will discuss future directives and initiatives that are under planning from the EU. The directives in focus are those which answer to the current trends as discussed. The focus is on on-demand service platforms and artificial intelligence as they are the rising topics of the industry.

2 Cultural policy and EU public funding for the film industry

2.1 Cultural policy

Before delving into the different forms of public funding that the EU offers for the audiovisual sector in Europe and their effects, cultural policy should be defined and discussed. In order to understand how culture is viewed in policy making and how the EU's policies affect the industry, it is first important to define the key basis of what culture and cultural policy are.

2.1.1 The dual sense of culture

Culture has been defined in countless of ways throughout history and depending on the research area. This thesis will focus on the dual sense of the term, considering the cultural and the economic value. In short economic value is a concrete number for example a price of a good. It has to do with the utility and the worth that individuals or markets give to a commodity. According to Throsby's dual sense of culture the economic value is further divided into two, private and public goods. Private-good value is harder to measure and less concrete. For example, the personal value or the impact that a movie has on a viewer cannot be measured. Public-good value is measurable and easy for example the set price of a cultural good. (Throsby 2000, 23-26.) The fact that there is an economic dimension to the cultural activities that cultural policy tries to address shows that the economic value of culture is an important policy concern (Throsby 2000, 148). The measurability of cultural goods is what makes it such a difficult and unique branch of funding. Even the economic value is not only based in concrete numbers as the private-good value complicates the measuring.

Cultural value is more complex as it is unmeasurable. In short, it is an indication of the merit or worth of a work or experience. (Throsby 2000, 19) However, its definition has been debated by researchers and there is no precise definition (Angelini & Castellani, 2019, 174). To define cultural value the social context must be considered. In short, the starting point of cultural value assumes that the term 'value' indicates positive characteristics and from there on out it is in the spectators' mind what is or is not considered 'valuable'. (Throsby 2000, 26-27.) This definition of cultural value has somewhat been accepted in cultural economics literature, but other researchers have adjusted or added on to it (Angelini & Castellani, 2019, 176). To simplify the meaning of culture, this thesis will focus on European culture as a whole. Even though Europe itself is not one cultural identity that can easily be defined but a coalition of identities (Pogorel & Preta 2024, 79.) European culture has its particularities that can be generalized. Pogorel & Preta (2024, 79) characterize European culture as having an emphasis on freedom of creation, openness and diversity.

Even though Throsby's definition of culture is dated, it is still a good basis of how value is measured in cultural goods and is a theory that is cited in more recent research as well. In the following sections newer theories and findings will continue to further build upon this base theory. To this day the dual sense of culture is used in the EU as well as in academic literature (e.g. Pratt 2020; Angelini & Castellani, 2019). The following section will explore how cultural policy is set in the EU by focusing on this dual sense of culture.

2.1.2 Cultural policy setting in the EU

Understanding the dual value of culture helps to understand how it is evaluated in politics and the policy making processes. For long, there has been an interest in the relationship between culture, society and states. Especially since the Second World War there has been an emphasis on culture by international agreements, such as the UN, attempting to integrate cultural policy into the wider context of economic policy formation. (Throsby 2000, 143.) Cultural policy in Europe is also founded in the idea that culture cannot be left alone to the whims of the market. It is a public good that should not only be enjoyed by the cultural elite (Van der Ploeg 2006, 1217).

The EU's policy-making process involves multiple stages, starting with agenda-setting and policy formulation. This is where issues are identified and potential policies are developed. Once formulated policies go through decision-making processes which involve various EU institutions like the European Commission, the European Parliament and the Council of the EU. Lastly, the implementation often involves member states and other key stakeholders. (Dewey 2008, 101-103.) Cultural policymaking follows this same system. However, it is important to note that the EU cannot legally dictate the harmonization of cultural policy in Europe and therefore cultural policy most often involves soft law instruments and soft power. For example, the EU uses non-enforceable recommendation to guide Member States. In the end, Member States hold authority for their own cultural policy development, and the EU can mainly recommend and shape preferences instead of using hard power. (Dewey 2008, 101.)

The EU approaches cultural policy using the same dual sense, as presented above by Throsby, focusing on both the cultural and economic value. As Throsby (2000, 148-150) highlights the economic and cultural outcomes should be placed at the same level in the evaluation of policy initiatives and therefore the policy valuation is not complete if only the economic value is considered. The main aspects of cultural value that the EU focuses on in policy making are to cultivate international understanding, to foster a shared sense of identity and to advance cross-cultural engagement. (Dewey 2008, 99-100.) Through decades the EU has implemented different programmes

to help establish these goals, to protect the common cultural heritage and to promote a better awareness of culture (Sassatelli 2007, 31). Economic value is of course considered in policy making as well. The main focus is on the cultural sectors' market growth as for example the film industry tries to compete with Hollywood (Lind 2023, 170). The economic success of any industry effects social cohesion and job creation which in whole affect the whole society (Sassatelli 2007, 31-32).

This policy making process is important to understand as it drives EU public funding. Public funding mechanisms are the primary tool to implement the EU's cultural objectives (the 'soft law' approach) (Dewey 2008, 111). Public funding and the EU's different forms of funding will be further discussed in the following section.

2.2 Public funding

Public funding describes and analyses government actions such as services, subsidies and welfare payments. Public funding in short is about a resource-allocating system that makes little use of the pricing mechanism. (Shoup 2017, 3.) It means money or other resources that are provided by the government to support public goals like education, scientific research or cultural activities. When the market fails to produce desired good in a desired manner the government may intervene to try and restore production back to an optimal level. There are various ways how a government is able to do so. Public funding takes many forms including tax incentives, subsidies, public guarantees and penalties. (Ulbrich 2011, 25.)

Public funding can be further divided in two, direct and indirect funding, depending on how the government provides resources to the recipient. Direct public funding refers to financial support mechanisms where funds are transferred directly to the receiver. This includes grants, loans and subsidies. (OECD 2016, 30.) Indirect public funding on the other hand entails support that does not involve a direct monetary transfer but rather the provision of goods, services or financial advantages that reduce campaign or operational costs. Indirect funding can be in the form of tax incentives or state aid. (OECD 2016, 44.)

Public funding at a government level can be mirrored to the EU which acts similarly to a government in this sense. It too offers direct and indirect funding for its member states and cross-border projects in a variety of fields including the audiovisual sector. (European Union 2025). These EU funding methods will be further discussed with examples in the following sections to demonstrate both direct and indirect funding mechanisms.

2.2.1 Direct public funding in the EU

The EU has a variety of ways of direct funding, such as grants and subsidies, to support the European film industry. This section presents a few of them to highlight their relevance and importance for the audiovisual sector. The chosen examples are the most notable ones that the EU offers and were chosen for that reason. (Potschka et al. 2013, 265; Tzioumakis & Molloy, 2016, 661)

The EU's focus on the success of the audiovisual sector dates back in history. A notable directive that is the basis of many current directives and frameworks is *the Television Without Frontiers Directive* (TVWFD) established in 1989 that focused on broadcasting and film (Vlassis 2017, 103). This directive can be seen as corner stone for EU policy making regarding the audiovisual industry. The directive was designed precisely to take into account new developments such as cable and Pay TV, programme sponsorship and teleshopping. (Busson et al. 2016, 19.) TVWFD had two basic principles: to free the movement of European television programmes within the internal market and to ensure that European film is broadcasted through European TV channels (EUR-Lex 2008). Since the late 1980's, the audiovisual field has faced significant changes due to technological advancements and therefore in recent years the audiovisual sector has moved closer to the middle of EU's policy making (Vlassis 2017, 103-104).

The Creative Europe Programme 2021-2027 is the most significant funding programme that the EU currently offers to support the European film industry. It was first created in 2014 as the current programme is a continuation of the Creative Europe Programme 2014-2020 (Potschka et al. 2013, 265). The programme was created to support European cooperation in the audiovisual, cultural and creative sectors. It offers unique opportunities for European industry professional for cooperation and development of their activities. (Finnish National Agency of Education, 2025.) From the previous Creative Europe Programme 2014-2020, the budget has grown from €1.47 billion to €2.44 billion to enforce its two main goals; to protect and develop European culture heritage and diversity and to increase the competitiveness and economic potential of, especially, the film industry. (About the Creative Europe Programme, The European Commission, 2023.)

The Creative Europe Programme is divided into three strands: The CULTURE strand, the MEDIA strand and the CROSS-SECTORAL strand. The most relevant for the European film industry is the *MEDIA strand* as it focuses on the audiovisual sector by supporting the industry's development, distribution and promotion of European works. The audiovisual sector refers to movies, TV, documentaries, video gaming and immersive content. In addition to supporting the audiovisual sector, the MEDIA strand aims to encourage cooperation, nurture talent, support innovative solutions and

engage with, especially, younger audiences. (Creative Europe MEDIA Strand, The European Commission, 2023.)

Yearly the Creative Europe Programme awards MEDIA grants to support movie and TV production companies, distributors, festivals, the gaming industry, educational institutions and other industry players (Media Desk Finland, 2025). To focus the grants more specifically to industry needs, the MEDIA strand is again divided into four clusters: the Content Cluster, the Business Cluster, the Audience Cluster and the Policy Support and Awareness Cluster. The different clusters offer grants to specific need such as cross-border cooperation, training, distribution, audience development and outreach activities to name a few. (Creative Europe MEDIA Strand, The European Commission, 2023.)

Eurimages is a cultural support fund established by the European Council in 1989. It aims to promote the European audiovisual industry by providing significant financial support. Similarly to the Creative Europe Programme, one of Eurimages' main agenda is to encourage cooperation between industry players in different countries. Eurimages' main focus is on cross-border co-production within but also outside its Member States. (Romero-González & Palma-Martos 2019, 124.) The fund has two main missions, culturally its mission is to support pieces that reflect the variety of European society whose "common roots are evidence of a single culture". Economically the fund, along commercial success, aims to demonstrate that film is an art form and should be treated as one. (Yilmazok 2019, 89.) Eurimages has a yearly budget of approximately €27.5 million that is mostly made up of contributions from Member States. Eurimages' financial support is in the form of loans, soft-loans or subsidies, and they are granted three times per year. (Culture and Cultural Heritage 2025.) Eurimages financial support can also be divided into four support schemes: Feature Film Coproduction, Film Marketing & Audience Development, the Promotion of Co-production and Exhibition (What we do—Eurimages 2025).

Together the Creative Europe Programme and Eurimages contribute yearly almost €3 billion to the European film industry. Together their main goals are economically enhance the competitiveness of European film especially against Hollywood (Lind 2023, 170) and culturally encourage cross-border collaboration and the protection of European culture.

2.2.2 Indirect public funding in the EU

The EU partakes in indirectly supporting the film industry by establishing frameworks for member states to follow. The nature of films as "experience goods" is that they require high upfront investment and have uncertain demand (Hugenholtz & Poort 2020, 168-169), making them risky for investors.

As examples of frameworks this thesis will explore *tax incentives* as tax policy is the basis for encouraging private investment to the cultural sector (Orankiewicz 2022, 95). This chapter will also cover investment instruments, specifically *MediaInvest*, as they are key part of indirect financial support and also aim at attracting private investments to the industry (MediaInvest – Factsheet, 2022).

The EU does not directly offer tax incentives for the film industry, instead it establishes legal frameworks that facilitate and regulate the Member States' ability to maintain their own national tax incentive schemes. The overall objective behind these frameworks is to create a balance between the American and the European film industries. Approximately 70% of the European film market share in 2019 was held by American films while European films only held around 25%. (Lind 2023, 170.) With these legal frameworks the EU aims to level the playing field.

In EU countries many different tax incentives have been implemented in order to support the domestic film industry. There are two main forms of tax incentives, which differ based on the timing of the incentive. The first one is a deduction from income before tax obligation (tax shelter), and the second one is a tax deduction (for example tax credit). The tax shelters are designed to attract high net-worth individuals and high-tax companies who are allowed to reduce investments in qualifying production against their tax liabilities. (Olsberg & Barnes 2014, 3). Tax credit on the other hand helps reduce the existing taxes that are due. The basis of the idea works similarly to cash rebates but instead of receiving money back, the spending on film production simply reduces the tax bill. (Orankiewicz 2022, 96-97.) These tax incentives are used widely around EU Member States for example in Ireland where tax policy, Section 481, offers up to 40% tax credit on eligible investments. Research has found that a significant part of Irish production is driven by these incentives and they have also helped attract large-scale film production to Ireland from abroad. (McLoone 2007, 69-70; O'Brien 2025.)

The EU's main investment instrument is the *InvestEU Programme* which was created to support sustainable investment, innovation and job growth in Europe. With the EU budget guarantee that is provided to International and National promotional banks, the InvestEU Programme aims to set in motion nearly €400 billions in private investments to the audiovisual sector thus increasing investment flows in the industry. These investments are in the EU's top priorities as they include the digital transition and innovation. (InvestEU Programme—InvestEU, European Union 2024) MediaInvest is part of this larger InvestEU Programme, under the area Creative & Cultural Sectors. It was created by the European Commission and is now managed by the European Invest Fund (EIF). MediaInvest is an equity investment instrument that is designed to help European audiovisual production and distribution. The main goal of MediaInvest is to mobilize private investors and to

increase equity investment volumes. European investors are highly unaware of the potential of European production and distribution companies, which in turn have high growth potential but are lacking in funds. MediaInvest aims to bring these parties together and to strengthen the competitiveness of the audiovisual sector in Europe by supporting a total of €400 millions of investments between the years 2022-2027. (MediaInvest 2022.)

To summarize the above mentioned different forms of public funding that the EU offers in support of the audiovisual sector in Europe, see Table 1 below. All discussed funding instruments and their main purpose and way of working is listed to summarize the main points of this chapter.

Table 1 A summary of different forms of EU public funding and their key elements

Public funding instrument	Key elements
<i>Direct funding</i>	<i>= funds are transferred directly to the receiver</i>
Creative Europe Programme	<ul style="list-style-type: none"> • The most significant funding programme • Awards grants • Supports European collaboration, training of industry professionals, audience development etc.
Eurimages	<ul style="list-style-type: none"> • Supports pieces that reflect European culture • Aims for commercial success and establishing film as a key player in arts • Eurimages' financial support is in the form of loans, soft-loans or subsidies
<i>Indirect funding</i>	<i>= does not involve a direct monetary transfer but rather the provision of goods, services or financial advantages that reduce costs</i>
Tax incentives	<ul style="list-style-type: none"> • The EU established frameworks that allow Member States to create tax incentives • Tax shelters (deduction from income before tax obligation) • Tax credit (helps reduce existing tax burden)
MediaInvest	<ul style="list-style-type: none"> • Under the InvestEU Programme • An equity investment instrument • Main goal is to mobilize private investors and to increase equity investment volumes

As discussed, these above-mentioned forms of public funding are extremely relevant for the audiovisual industry. They all effect the industry in different ways but are all needed as they contribute to different aspects of the industry. In the following chapter their effects will be explored further through the dual sense of cultural value.

3 The effects of public funding on European film industry

3.1 The effects in the past

In evaluating the effects of the before mentioned forms of funding from the EU to the audiovisual industry Throsby's (2000) dual sense of culture will be used. Using Throsby's dual sense, the following section will discuss public funding's cultural and economic effects. As discussed above this dual evaluation is used within the EU when setting cultural policy and funding programmes. Both cultural and economic goals are evaluated in the decision-making process and therefore in this section both effects are explored to evaluate the results of the presented forms of public funding.

3.1.1 Cultural effects

The main goal of the EU regarding culture is to enhance co-operation across borders and the standing of European culture. In order to achieve these goals, public funds offered by the EU such as Eurimages, have been set in place to allow support for many European collaboration projects. In Greece for example, Eurimages, has allowed for cross-border collaboration while still maintaining the authentic national culture in said films (Papadimitriou 2018, 229). That is the key value of EU, to encourage cooperation while preserving national cultures. European culture as whole has in its core freedom of creation, openness and diversity. There is no censorship and no imposition of pre-defined European cultural values. International players are welcomed and encouraged, as long as they comply with EU's common cultural diversity rules. (Pogorel & Preta 2024, 79-80.)

Programs like the Creative Europe programme have supported cultural and creative sectors by enhancing capacity, networking opportunities and the creation of new cultural products and services. For example, in Italy more than half of the organizations participating in the programme stated that their involvement allowed them to develop new ways of working, acknowledging the programme's capacity to encourage innovation of management models and processes. This involved adopting innovative management models and processes and enhancing their capacity to respond dynamically to sector demands. (Borrione et al. 2024, 472-474.)

Regardless of the positive effects EU funding, like Eurimages and Creative Europe, has had, for example in Greece and Italy, it has still failed at making a drastic change in the industry and working culture as a whole. Eurimages has offered unique and valuable opportunities for the projects that it has funded, but it has had little effect on transforming the Greek film industry more broadly. It has taken much longer to actually facilitate an industry-wide change towards co-production and a more Europeanised mindset. (Papadimitriou 2018, 223.) Similarly, public funding in Germany has had more of an economic than a cultural effect compared to Italy. Instead of strengthening local and cross-

border projects, public funding in Germany has caused the industry to be even more centralized to mainly two cities, Berlin and Munich. (Mossig 2019, 274.) Programmes like Eurimages have also received criticism as it runs the risk of turning into a fund only for co-productions among the rich European countries that can afford to subsidize national cinema (Tzioumakis & Molloy, 2016, 662), a so-called elite. This criticism is due to the fact that a criterion of Eurimages is that the project must have secured already fifty percent of its funding before applying (Eurimages 2025, 10-11).

3.1.2 Economic effects

The economic objectives of public support are aimed at strengthening the domestic film industry, promoting national economic development through creative sectors and increasing the international competitiveness of the market (Orankiewicz 2022, 93; Weber et al. 2022, 260). The economic impact of public funding, including EU instruments like Creative Europe and Eurimages, alongside with national tax incentives and subsidies, has been multifaceted. The main focus of these has been primarily on managing risk, attracting investment, structuring co-production and promoting the industry's competitiveness against the dominance of American cinema (Parc 2020, 459).

In general, the public funding that the EU has offered, direct and indirect, has demonstrated a positive impact on the economic success of the European film industry. More specifically there is a positive effect on both local and global box office revenues (Weber et al. 2022, 259-278). Alongside this, public funding has increased production levels and growth of the production sector as well as the size of certain area-specific film sectors. It has been studied that countries with public incentives for the audiovisual industry have a larger film sector. The growth of the industry through public funding has also created job growth and skill improvement. (Olsberg & Barnes 2014, 6-8.) For example in Italy, 133 cultural organizations from the MEDIA sub-programme benefited from public funding allowing new projects to gain their initial boost as well as crucial aspects of future development to gain needed support (Borrione et al. 2024, 463).

One of the primary functions of public funding is to lower investors' risk by reducing the initial investment required to launch a project (Weber et al. 2022, 259). In Spain and France, a public guarantee system has been beneficial in reducing investors' risk. The public guarantee system refers to a system where the state guarantees the repayment of loans. (Orankiewicz 2022, 97.) In addition to encouraging Member States to offer these public guarantee systems to help industry players, the EU offers public guarantees for the film industry as well. As part of the Creative Europe Programme (2014-2020), the European Investment Fund managed an initiative called the CCS GF (Cultural and Creative Sectors Guarantee Facility). The CCS GF offered EU-backed guarantees for loans which

made it easier for especially micro-businesses and SMEs (small and medium-sized enterprises) to secure financing. (European Investment Fund 2020.)

Since the tax incentives and frameworks set by the EU allows for international companies to enjoy them as well, it has attracted more and more players from, for example the United States, to join the European film landscape (Lind 2023, 181; Pogorel & Preta 2024, 76-77). On-demand services such as Netflix, Amazon Prime and Disney+ are now the largest audio-visual producers in Europe. The EU is also succeeding in film distribution as through its aid it has expanded the viewership of European productions far beyond Europe itself. In recent years there can be found many European examples of movies or TV shows that have gained wide success in and outside of Europe. (Pogorel & Preta 2024, 77-78.) Examples of these TV shows are, among others, Netflix shows *Lupin* and *Casa de Papel*, which gained huge success in Europe and Northern America. Part of this success is collaboration with major American production companies like Netflix. These cross-Atlantic collaborations are highly regulated by the EU but as can be seen they have their benefits in expanding viewership. As a whole EU's endeavours have generated opportunities for local job creation and the development of the audiovisual sector. (Pogorel & Preta 2024, 74-78.)

Although there has been noted positive effects in box office revenues, job creation and over all the growth of the industry, it has also been argued that at large the revival operations that have been more or less in action since the 1940's have not caused any major benefit to Europe's film companies nor has it contributed significantly to the development of the industry (Messerlin & Parc, 2020, 485). However, only a minority holds this view as most research does agree that public funding has helped the industry in an economic way as can be seen in the examples presented above.

3.2 Effects looking forward

3.2.1 Future trends

The main trend currently shaping the audiovisual sector is the rise of *on-demand services*. On-demand audiovisual services are services that are provided for the viewing of the programme at the moment chosen by the user and at their individual request. (Directive (EU) 2010/13, 2010) Examples of these on-demand audiovisual services are streaming platforms like Netflix, HBO Max and Disney+. These streaming platforms, also known as *Over-the-top* (OTT) platforms, have already fundamentally transformed the film industry all around the world by reshaping the dynamics of film production, distribution and consumption (Zhongyu & Hashim 2025, 185). Before, consumers used to view films and TV series from the television but now the same is done on OTT platforms which have replaced traditional TV. OTT platforms offer on-demand content over the internet, which allow viewers access

to a broad range of movies, TV shows and exclusive originals. This means that unlike ever before consumers are able to tailor their entertainment experience based on their personal preferences. (Patni & Ansari 2024, 76.)

These OTT platforms have and will continue to affect both the economic and cultural side of the film industry in Europe and across the globe. Economically, OTT platforms have caused a major change in both the financing and the distribution of films. The industry no longer revolves around box office revenues, physical distribution and theatre releases. Instead, a new source of income can be found in digital streaming and subscription-based access. (Zhongyu & Hashim 2025, 192.) The finance structure has also been affected due to the fact that these OTT platforms are now spending more and more on original content. Nowadays, films can be launched straight to the platform with little to no activity towards cinemas or film festivals. A great example of this is Netflix whose original productions are exclusively available on their own platform and nowhere else. (Orankiewicz & Adamczak 2025, 58; Zhongyu & Hashim 2025, 192.)

The film industry has also been significantly affected culturally by OTT platforms. On a positive side, OTT platforms allow consumers to watch international films more easily, which gives them access to explore content from different nations and cultures. However, there is also a downside to OTT platforms and their effects on culture. The dominance of American players such as Netflix has sparked worries in standardization of the industry and its creativity. Smaller, local, industry players are struggling to compete in a market full of English-language content. (Zhongyu & Hashim 2025, 193-194.)

Another growing trend in the world in general is *artificial intelligence* (AI). Artificial intelligence is a technology that augments human thinking in machines. It allows machines to perform human-like actions and learn from data and problem solve. In today's fast-paced world of technology AI is transforming industries and our ways of working. (Tsiavos & Kitsios 2025, 1.) AI is not only transforming industries like healthcare and education but also the media and entertainment industry. AI already has started to play a big role in the entire filmmaking process. (Datta & Goswami 2021, 666.) AI has taken a role in the creation, production and distribution aspects of film and is therefore reshaping the entire value chain of film creation (Tsiavos & Kitsios 2025, 3-6). From pre-production phases like casting processes and scriptwriting to the production phases like cinematography and optimizing scenes and even to post-production phases like marketing and distribution, AI has a role in every step (Ngugi 2025, 2-7).

Even though, AI has streamlined many processes and has many positive effects for the industry's efficiency, many ethical and legal dilemmas have emerged. One major concern involves deepfake technology which is able to manipulate audio and video to create fake content that seems real. This raises issues of misinformation, consent and authenticity in the audiovisual sector. (Ngugi 2025, 9.) Copyright issues are also a major concern when addressing AI-generated content. This leads to legal uncertainty and a gray area for intellectual property rights issues and compensation (Ngugi, 2025, 9; Tsiavos & Kitsios 2025, 6). Lastly, similarly to many other industries, AI threatens industry professionals as it may take over human tasks (Tsiavos & Kitsios 2025, 6).

The film industry is in need of governance frameworks that protect creative authenticity, ensure privacy and maintain the need for humans while also embracing new technological advancements (Tsiavos & Kitsios 2025, 6). These frameworks should guarantee justice in all aspects and cultural inclusivity. It is important to note that while AI can eliminate linguistic and cultural barriers, artistic integrity and emotional impact of films must be preserved. (Uddin et al. 2025, 35-36.) In addition to eliminating these major barriers and in hand shaping the market, AI will transform funding from traditional models to projects that integrate AI (Tsiavos & Kitsios 2025, 3). It will also help predict the success of films (Tsiavos & Kitsios 2025, 3).

3.2.2 Future directives and initiatives

The Political Guidelines for the European Commission 2024-2029 highlight the importance of culture as part of what defines the unique identity of Europe. The guidelines emphasize making it easier for people, especially younger generations, to benefit from Europe's rich and diverse cultural heritage. (Call for evidence, European Commission, 2025) This chapter will go through some key directives and initiatives that are important steps in making these goals come true.

The revised *Audio Visual Media Service Directive* (AVMSD) is an example of a regulatory framework that was established by the European Union in 2016 to govern audiovisual media services in the digital age and to ensure fair competition and diversity in the European film industry (Vlassis 2017, 102). Throughout time the EU has attempted to strengthen the European audiovisual sector through both economic and cultural measures (Kostovska et al. 2020, 545). The AVMSD coordinates requirements concerning two main types of audiovisual media services: Television broadcasting and On-demand audiovisual services. Television broadcasting refers to an audiovisual media service provided for simultaneous viewing of programmes based on schedule, including live streaming and webcasting. (Directive (EU) 2010/13, 2010.) On-demand audiovisual services as defined earlier allow the viewing of a given programme at any moment the user wishes.

The AVMSD's most revised version extend previously established regulations to address the challenges of digitalization on the audiovisual market, a market which is currently heavily dominated by the United States (Kostovska et al. 2020, 545). Its goals are, among others, to provide rules to shape technological developments and to level the playing field to allow emerging audiovisual medias to have a fair chance in succeeding in the market (Audiovisual Media Services Directive—AVMSD, European Commission, 2025).

Many of the key objectives and provisions are stated in the Directive 2010/13/EU of the European Parliament and of the Council of 10 March 2010 on the coordination of certain provisions laid down by law, regulation or administrative action in Member States concerning the provision of audiovisual media services. One of these core objectives of the AVMSD is to take measures in order to transition national markets to a common programme production and distribution market that ensures free competition and legal certainty (Directive (EU) 2010/13, 2010). Another key objective of the directive is based in the same idea that was previously presented by Throsby (2000) that audiovisual media services are both cultural and economic. The directive mandates the EU and its member states to take into an equal consideration the cultural value of the industry in their actions to promote diversity of their cultures. The directive also aims to protect public interest including cultural diversity, the right to information, media pluralism, the protection of minors and consumer protection. (Directive (EU) 2010/13, 2010)

The AVMSD, though not a new directive, is remarkable to this day and looking forward. It has and will continue to set basis for how OTT platforms are allowed to operate in the European market and will continue to ensure that European projects are given space on these platforms. By Article 16 of the directive TV broadcasting is affected as they must ensure, where practicable, that broadcasters reserve a majority proportion of their transmission time to European works. In addition, 10% of the programming budget should be allocated to for European works created by independent producers. (Directive (EU) 2010/13, 2010.) According to Article 13 on-demand audiovisual media services must also promote the production of and access to European works. This promotion can be done in forms of financial support or by sharing European works in the programme catalogue. (Directive (EU) 2010/13, 2010.)

The *EU Digital Single Market* (DSM) is an ambitious initiative by the European Union aimed at creating a unified digital economy across its member states. It is a regulatory and economic framework established to secure the four freedoms: free movement of goods, services, people, and capital within the EU, specifically targeting the digital economy. (Weckström et al. 2025, 15.) As

previously stated, the European cinema faces significant barriers in international distribution. Films produced in minority languages struggle to compete with larger-scale productions made in English. The DSM aims to eliminate national barriers to online transactions, building on the common market concept designed to remove trade barriers among the Member States. (Pierdonati & Hauk 2025, 1) The DSM fundamentally challenges film financing because the sector has historically relied on territorial exclusivity which is a system that conflicts with the DSM's goal of borderless circulation (Hugenholtz & Poort 2020, 168-170).

One main concern that this DSM aims to address is the take over of OTT platforms. Some large platforms control important ecosystems in the digital economy and have emerged as gatekeepers in digital markets. They have accessive power and are able to act as private rule-makers. Their rules can result in unfair conditions for businesses using said platforms and in less choice for consumers. (Afilipoaie et al. 2022, 13; The Digital Services Act package | Shaping Europe's digital future, European Commission, 2025)

As an attempt to regulate the power of these platforms, in 2017 a Portability Regulation was adopted (Regulation 2017/1128 2017). This regulation effectively ended geo-relocation for subscription-based online audiovisual services like Netflix. It ensures that EU consumers travelling across the EU have continued access to the services they subscribed to in their home countries. This means that the services are "deemed to occur solely in the subscriber's Member State of residence," allowing content providers to offer content based only on licences secured in that country, thus overriding territorial limits. (Hugenholtz & Poort 2020, 175).

Another key initiative by the EU that will shape the future of the audiovisual industry is the new *Culture Compass* framework. The development of the Culture Compass was announced by the European Commission at the beginning of its 2024-2029 term. (Culture Compass for Europe—Culture and Creativity 2025, 1) The new Culture Compass is multifaceted in its goals and ambitions. In the centre is improving the working conditions of artists and cultural professionals and further unlocking the competitive potential of creative industries. The Cultural Compass's main goals are to clarify the main principles and objectives that drive cultural policy making in the EU, improve coordination and consistency between EU funding tools and policies supporting culture, help the EU and its Member States respond better to current and future challenges, support regular dialogue with industry players and lastly enable process tracking. (Georgescu 2025, 4.)

A key component to answer the before mentioned future trends, is also to develop an AI strategy under the Culture Compass specifically for the creative industries (Von der Leyen 2024, 6). Since

there is no set strategy yet, it is only possible to speculate on the goals and effects of this initiative. The main focus of the new AI strategy should be in addressing the ethical and copyright related issues that are rising (Von der Leyen 2024, 6.). The main concern of industry professionals is in preserving the rights and the integrity of creators' works and personal data. (ESCA 2024, 3.) These issues are discussed above and are aspects that will be in the centre of the new AI strategy. However, AI will also affect the funding of the audiovisual sector and therefore this is also an aspect that should potentially be covered in the new AI strategy. Beyond streamlining processes and helping with commercial success, AI is able to predict the overall profitability of a project. These AI-driven predictions are major drivers for investment decisions. (Tsiavos & Kitsios 2025, 3.) This affects EU funding as well since funding decisions will no longer rely only on artistic conjecture.

4 Conclusions

This thesis examined how public funding offered by the EU affects the success of the European film industry. The main question was further divided into three sub-questions to help draw conclusions. After presenting examples of EU public funding for the audiovisual sector the thesis examined how these funding projects have affected the industry in the past. From there the thesis looked at future trends and directives. The future outlooks focused on two key trends that are rising and how those will affect the industry and its funding.

From the thesis it is clear to say that the EU is a major contributor to the wellness of the industry. The EU is clearly very committed to the enhancement of the cultural sector in general as well as the film industry more specifically. This can be said based on the continuous efforts in growing market shares and fostering cross-border collaborations with new initiatives and directives. Unlike many of the Member States the EU does not plan on cutting from the cultural sector but instead views it as an important sector both economically and culturally. The economic value of the sector is not missed as it is a great source of revenue and employment around Europe. The cultural value has a great emphasis within the EU as film is a key factor in preserving the European cultural identity.

When looking at the correlation of EU funding and nation-level film success we can see that public funding does have a positive effect. Examples mentioned from Greece, Spain, Italy and France show that public funding is a key player in boosting country-specific industries. In addition to awarding grants and subsidies to support the industry, the tax incentive frameworks set by the EU have also encouraged more money to move in the market. The European film industry is more and more attractive to foreign investors which allows for private investments. Culturally EU's efforts have also been successful in protecting the cultural heritage of European countries and Europe as a whole. However, the EU has struggled in creating a bigger shift in working habits within the industry that would be more cross-border-focused. It has also been argued that initiatives like Eurimages only benefit rich European countries and are at risk at creating a creative 'elite'. It is therefore clear that public funding has great economic benefits but cultural benefits can differ between countries and projects. In whole the EU's efforts in reinforcing the standing of European film and fostering cross-border collaboration has been successful.

Future outlooks for the industry look promising. The EU is constantly working on new initiatives and directives to react to new trends and issues. Two of the biggest current trends are the takeover of OTT and the rise of AI. The EU is working hard to address both trends in order to maintain a fair market for all players. These efforts focus on limiting the United States market share and controlling AI in

regard to copyright, integrity and job protection. The world is moving fast and new rules and frameworks must be set in place quickly to protect the film industry. It is also important not to become too narrow-minded on solely these two issues but instead continuing to fund and support the industry as it grows and tackles these challenges. Initiatives like the new Culture Compass are promising in ensuring funding for the film industry in the future as well. The EU has clearly recognized its role as an industry player, and it must not be forgotten in the future either.

As mentioned in the beginning of this thesis, this research is valuable to industry professionals and decision makers. Based on the findings of this study decision makers should be aware of the importance of public funding for the film industry and should continue their efforts in enhancing funding projects and opportunities. Decision makers should focus on both the economic and the cultural value of film as often the cultural value is forgotten at least at a national level. As discussed, the current funding projects are not without their flaws and therefore another aspect that decision makers should focus on is improving existing funding methods. The aim of these funding projects is to level the playing field not to create an elite within Europe.

As discussed, the industry is at a pivotal point with new technologies rising and shifting current processes. Many new directives and initiatives are currently under planning which is why it is possible to only speculate about their effects. The topic of EU public funding for the industry continues to be very important. Studies made at the EU-level are rare compared to those on a country-specific level. Further research of this topic is needed in order to fully grasp the effects that public funding has on film industry players around Europe. Especially studies showing the connection between funding and the industry's success are hard to find even though they are highly relevant for film industry professionals and decision makers at a national and EU level. Empirical studies where different industry players are interviewed are to be especially helpful in understanding the true impact of the EU and its funding projects. It is vital to get the voices of the ones most affected heard.

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Appendices

Appendix 1 Artificial Intelligence

I hereby declare that Artificial Intelligence was used in this thesis as an aid while researching articles. ScopusAI was the only form of AI that was used to help find relevant, peer reviewed articles. I declare that I have used said AI tool with the necessary care and caution, have fully disclosed their use according to university guidelines and take full responsibility for all the content that is presented in this thesis.

1. Tool: ScopusAI

- **Stage of use:** Research of articles
- **Purpose of use:** I used ScopusAI to research potential articles and other academic writing in order to find peer reviewed material on specific topics more efficiently.
 - **Example prompt 1 (September 22, 2025):** “What are the most significant forms of public funding that the EU offers for the film industry”
 - **Example prompt 2 (November 4, 2025):** “AI and its effects on the European film industry”
- **Verification:** ScopusAI suggested multiple articles out of which I chose some to use in my thesis. I carefully explored all articles and after reading through them selected the ones that were best fit for this thesis. For example, the article *Tsiavos & Kitsios (2025) The digital transformation of the film industry: How Artificial Intelligence is changing the seventh art* was found through using ScopusAI. All research was done independently and all articles were thoroughly read without the use of AI. I retained final control over which articles were used and how they were used.