

## Finance and Co-productions in Brazil

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The purpose of this chapter is to present an up-to-date (as of 2011) account of the funding available to filmmakers in Brazil, with particular consideration being given to the advantages and disadvantages to be gained from making co-productions.

From an economic perspective, the audiovisual industry plays a strategic role in the dissemination of information and therefore in the decision-making process of the world economy, not to mention the capacity of generating products, employment and income. It was estimated that the revenue of the audiovisual industry in Brazil in 1997 was about \$5.5 billion, equivalent to approximately 1 per cent of Gross Domestic Product, compared with 1 per cent in Argentina, 0.5 per cent in Mexico, 1.1 per cent in Europe and 2.7 per cent in the USA.<sup>1</sup>

The four main American distributors enjoy the largest slice of the Brazilian market while the remaining market share is occupied by small independent distributors. From time to time, the major players, such as Columbia, Sony, Fox, Warner and UIP, have also invested in the distribution of Brazilian products. In this case, the company also acts as the producer, profiting from fiscal exemption in the remittance of foreign currency used in the co-production of Brazilian films (through Article 3A, resources secured through fiscal renouncement). Examples of this practice include *Tropa de Elite 2 (Elite Squad 2, 2010)*, with over 11 million

<sup>1</sup> Iafa Britz, 'Brazil–Europe: Notes on Distribution, Finance and Co-Production', in *Exploiting European Films in Latin America*, Media Business file, n. 09 (Spain: MEDIA Business School, 2002), pp. 21–8.

viewers in Brazil, *Se eu fosse você 2 (If I Were You 2, 2009)* and *Dois Filhos de Francisco (Two Sons of Francisco, 2005)*. See Table 1.

**Table 1: Biggest Box Office Intakes since 1995<sup>2</sup>**

	Film	Year	Admissions	Box Office (R\$)	Studio	Distributor
1	<i>Tropa de Elite 2 (Elite Squad 2)</i>	2010	11,023,475	89,277,934.02	Zazen Produções Audiovisuais Ltda.	Zazen Produções Audiovisuais Ltda.
2	<i>Se eu fosse você 2 (If I Were You 2)</i>	2009	6,112,851	50,543,885.00	Total Entertainment	Fox Film do Brasil
3	<i>Dois Filhos de Francisco (Two Sons of Francisco)</i>	2005	5,319,677	36,728,278.00	Conspiração Filmes	Columbia TriStar do Brasil
4	<i>Carandiru (Carandiru)</i>	2003	4,693,853	29,623,481.00	HB Filmes	Sony e Columbia
5	<i>Nosso Lar (Astral City: A Spiritual Journey)</i>	2010	4,060,304	31,820,375.748	Cinética Filmes e Produções Ltda	Fox Filmes do Brasil
6	<i>Se eu fosse você (If I Were You)</i>	2006	3,644,956	28,916,137.00	Total Entertainment	Fox Filmes do Brasil
7	<i>Cidade de Deus (City of God)</i>	2002	3,370,871	19,066,087.00	O2 Filmes	Lumière e Miramax Filmes
8	<i>Lisbela e o Prisioneiro (Lisbela and the Prisoner)</i>	2003	3,174,643	19,915,933.00	Natasha Enterprises	Fox Filmes do Brasil
9	<i>Cazuza – O tempo não para (Cazuza: Time Doesn't Stop)</i>	2004	3,082,522	21,230,606.00	Lereby Produções	Columbia TriStar do Brasil
10	<i>Olga (Olga)</i>	2004	3,078,030	20,375,397.00	Nexus Cinema e Video	Lumière
11	<i>Os normais (So Normal)</i>	2003	2,996,467	19,874,866.00	Missão Impossível Cinco Produções Artísticas	Lumière
12	<i>Xuxa e os duendes (Xuxa and the Elves)</i>	2001	2,657,091	11,691,200.00	Diler & Associados	Warner Bros.

<sup>2</sup> The source for this information is Ancine, 2010; see [www.ancine.gov.br](http://www.ancine.gov.br) (Last accessed 4 October 2011).

13	<i>Tropa de elite</i> ( <i>Elite Squad</i> )	2007	2,417,754	20,395,447.00	Zazen Produções Audiovisuais Ltda.	Universal Pictures do Brasil
14	<i>Xuxa Pop Star</i> ( <i>Xuxa Popstar</i> )	2000	2,394,326	9,625,191.00	Diler & Associados	Warner Bros.
15	<i>A mulher invisível</i> ( <i>The Invisible Woman</i> )	2009	2,353,136	20,498,576.00	Conspiração Filmes	Warner Bros.
16	<i>Maria, mãe do filho de Deus</i> ( <i>Mary, Mother of the Son of God</i> )	2002	2,332,873	12,842,085.00	Diler & Associados	Columbia TriStar do Brasil
17	<i>Xuxa e os duendes 2</i> ( <i>Xuxa and the Elves 2</i> )	2002	2,301,152	11,485,979.00	Diler & Associados	Warner Bros.
18	<i>Sexo, amor e traição</i> ( <i>Sex, Love and Betrayal</i> )	2004	2,219,423	15,775,132.00	Total Entertainment	Fox Filmes do Brasil
19	<i>Xuxa abraçadabra</i> ( <i>Xuxa in abraçadabra</i> )	2004	2,214,481	11,677,129.00	Diler & Associados	Warner Bros.
20	<i>Os normais 2</i> ( <i>So Normal 2</i> )	2009	2,202,640	18,978,259.88	Globo Filmes	Imagem Filmes

Every audiovisual activity in Brazil is regulated and supervised by the National Film Agency (ANCINE), a special and independent autarchy linked to the Ministry of Culture that acts as a strategic unit in fomenting film production in Brazil, lending support to foreign co-productions and creating and implementing public policies and specific funds in order to meet the increasing demands of this constantly developing market.

It is important to note that all foreign screen productions carried out in Brazil must be reported to ANCINE and will require the participation of a national production company which will be responsible for production to the agency and other federal, state and municipal bodies. There is a clear distinction between the business models followed by Brazilian and foreign producers: one is production services and the other is international co-production. The term Production Services refers to when an international producer only wants to carry out his work at a location or studio in Brazil, without the use of the national partner's resources, simply hiring a national company that will be responsible for carrying out the work and providing the necessary support for recruitment, logistics, lease of equipment, and so on. For US and European producers, offshore deals are a means of lowering costs and hedging their financial bets at a time

when the banking crisis has made film production loans at home harder to come by.

An International Co-production takes place when there is an association of one or more companies in the joint production, with the following types of partnerships:

- When the co-production involves a Brazilian company and a partner originating from a country with which Brazil maintains a diplomatic co-production relationship. The minimum compulsory nature of the Brazilian partner's participation in the patrimonial rights of the work will be specified by the abovementioned diplomatic agreement;
- When the co-production involves a Brazilian company and a partner originating from a country with which Brazil does not maintain a diplomatic co-production relationship. In this case, there is a minimum compulsory nature of the Brazilian partner's participation in at least 40 per cent of the patrimonial rights of the work.

The international co-productions are also protected by two different procedures regarding the resources invested by the Brazilian partner and which will guarantee its participation in the enterprise: when there is an intention of securing funds by using mechanisms of fiscal renouncement for the financial participation in the project; or when one simply wants to obtain Brazilian Product Certification without receiving incentive funds.

It is worth recalling that, in both cases, the works carried out under the terms of the co-production agreement will be considered as national works in all the participant countries and, therefore, will consider all the benefits stated in the effective country legislation of each co-producer.<sup>3</sup>

It is also worth noting that an international co-production is an effective way to accumulate a large production budget and share other resources, experience and knowledge. Thus, as long as content regulations, tax incentives and government agency funding are in place, it makes sense to have special arrangements that enable international co-production to qualify. The fear with international co-productions is that they end up being mid-Atlantic or 'Euro-puddings' without artistic merit or national orientation, unlikely to contribute to external benefits in the country of

<sup>3</sup> Aliança Brasileira de Film Commissions (Abrafic), *Manual de Exportação de Locações e Serviços Audiovisuais Brasileiros* (2008). Available at: [www.abrafic.org](http://www.abrafic.org). (Last accessed 11 June 2009).

either of the partners. This concern does seem to have largely abated in recent years, however.

Projects qualified through bilateral and multilateral international co-production treaties are recognised as national productions for both partners. They count as domestic content for quota purposes and are eligible for investment from any government funding agency in place, while private investors are eligible for any tax incentives. In this case, a co-production undertaken under a bilateral or multilateral treaty is considered a 'treaty co-production'. International co-productions that are not undertaken under the auspices of a co-production agreement are sometimes known as 'co-ventures' or 'non-treaty co-productions'. Even where there is a co-production agreement, some international co-productions will not be made under its auspices. This may be because the way the project is structured does not allow it to qualify under the terms of the treaty, or because the benefits derived from having the project qualify are judged not worth the cost of the bureaucratic hurdles to be surmounted.

It is considerably more difficult for a non-treaty co-production than a treaty co-production to qualify as a domestic production for quota purposes. The non-treaty co-production must typically meet the same content and expenditure requirements as domestic productions, and the home partner must have equal decision-making responsibility for all creative elements.

Producers may not always eagerly embrace the co-production mode; it adds cost, complexity, and a need to compromise. However, it is often the only strategy which allows producers to accumulate the large budgets necessary to produce films that can compete effectively on the international market.

Regarding international co-productions, the following potential benefits can be identified:

1. **Pooling of financial resources:** increasingly, producers are unable to raise the funds necessary for a 'world class production' from the domestic market. An international co-production may generate this level of funding through financial contributions from a foreign partner.
2. **Access to a foreign government's incentives and subsidies.** If a project is structured so that it counts as domestic content in the market of each partner, it will be eligible for foreign as well as domestic government subsidies and perhaps tax incentives. International co-production treaties facilitate this.

3. **Access to partner's market.** Improved access is likely to occur for several reasons. First, the foreign partner is likely to have better knowledge regarding the distribution process in his/her domestic market and better connections to key players. Secondly, the foreign partner will have superior knowledge of the features demanded by viewers in his/her market and can help ensure the film possesses such attributes. Thirdly, where quotas are in effect, a treaty co-production will qualify.
4. **Access to a third-country market.** The partner may enjoy superior knowledge regarding the distribution system of the third-country market and better connections with key players in it.
5. **Learning from partner.** Learning opportunities may be anticipated if the partner has greater experience in marketing, film production processes or general management.

### **Brazilian Production Funding Mechanisms**

Co-productions are a sign of the Brazilian film industry's growing prestige and its emergence from two decades in the financial doldrums. Once among the most active in Latin America, the nation's filmmaking industry was decimated by devaluations, hyperinflation and shifting government policies.<sup>4</sup>

A neoliberal influx began to figure on the horizon in 1990 with the election of Fernando Collor de Melo. Ironically an heir to the traditional methods of right-wing populism, Collor demagogically assumed a 'dismantling of the state apparatus', which was basically a ruinous blow to the public sector. This proved particularly disastrous in the cultural area, where institutions and budgets were wiped out, staff laid off and a whole project-funding system effectively torn down overnight. The determination was that the market should be the criterion for sustaining artistic production.<sup>5</sup>

After making just two movies in 1991, the federal government launched its fiscal incentives policy, which allowed for the gradual resumption

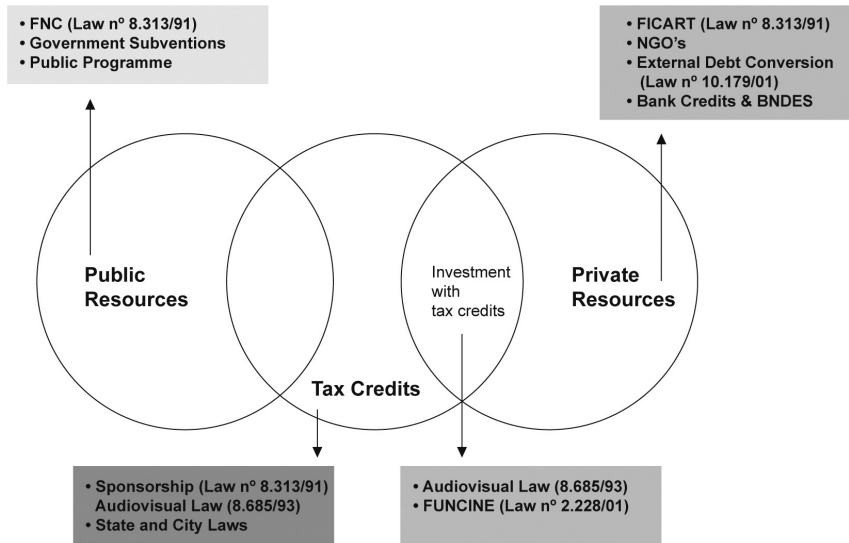
<sup>4</sup> Chris Kraul, 'Brazilian Film Industry's Resurgence Aided by Foreign Co-producers', *Los Angeles Times*, 22 December 2008. Available at: <http://articles.latimes.com/2008/oct/23/business/fi-brazfilm23> (Last accessed 10 September 2011).

<sup>5</sup> Isaura Botelho, *Marketing cultural: um investimento com qualidade* (São Paulo: Informações Culturais, 1998).

of Brazilian cinematographic production, and Brazilian filmmakers completed 90 productions in 2008, of which a part were partnered by Italian, Portuguese, Canadian and Spanish-American producers.

During the administration of President Luis Inácio Lula da Silva, the incentive laws remained a key to the competitiveness of the Brazilian film industry. Annual national film output rose progressively as a result of this incentive policy, and we are seeing favourable new structural parameters for the development of a film industry in Brazil, such as the Audiovisual Sector Fund. With US\$ 18,981,503 available in 2008, this Fund is directed to all the links in the productive chain and the single most important innovation in comparison with the existing policies is the introduction of loans with sound perspectives for financial returns.

**Figure 1: Brazilian production funding mechanisms**



Source: Anders, 2008

The structure of Brazilian resources of funding (see Figure 1) is basically composed of Public Resources (FNC, Government Subventions and Public Programmes), Tax Credits (Sponsorship, Audiovisual Law and State and City Laws) and Private Resources (FICART, NGOs, External Debt Conversion and Bank Credits & BNDES [the Brazilian Development Bank]).

Although these funding mechanisms are greatly diversified, Brazilian

film is still completely dependent on two resources, both of which come from the Audiovisual and Rouanet laws. Both the Audiovisual and Rouanet laws allow companies to tax deduct sums invested in Brazilian films. The Audiovisual Law has two core devices: Article 1 determines that companies can deduct up to 3 per cent of total tax returns on condition that the money is channelled into audiovisual production; and Article 3, which provides incentives for foreign distributors to invest in national film production (as co-producers), offering up to 70 per cent tax rebate on profits remitted abroad.<sup>6</sup>

To cite an example, of the R\$7 million it cost to produce Fernando Meirelles' *Cidade de Deus* (*City of God*, 2002), R\$5.5 million was invested by O2 Filmes, while the remaining R\$1.5 million was raised through the incentive laws. This parcel of R\$1.5 million came through Article 3 of the Audiovisual Law, which made the distributor Lumière a co-producer and exclusive rights-holder for nationwide distribution. Cases like this confirm the importance of the incentive laws and government policies in nurturing domestic film production.<sup>7</sup>

Breno Silveira's *Dois Filhos de Francisco* had Columbia as co-producer (and distributor) through Article 3. This is an interesting case, as the co-producer and distributor actually *invited* the Brazilian producer Conspiração Filmes to come on board, and he was involved in the script and production right down to the master copy. This is not common practice at the Brazilian division of Columbia, but proved effective in producing a mass-interest film – and ran counter to the market rule, by which co- and associate producers have no power to interfere so directly in the creative process.<sup>8</sup> Another example of participation by a major player – in this case Disney – that became a co-producer under Article 3 is Cao Hamburger's *O ano em que meus pais saíram de férias* (*The Year My Parents Went on Vacation*, 2005). According to the director, 'People seem to be looking for fresh ideas and different environments', and 'It probably comes from globalization, the interest in new cultures' (Kraul, 2008, n.p.). Other sources of funding, such as distributor advances, State

<sup>6</sup> Paulo Sérgio Almeida and Pedro Butcher, *Cinema: desenvolvimento e mercado* (Rio de Janeiro: Aeroplano, 2003).

<sup>7</sup> João Paulo Rodrigues Matta and Elizabeth Regina Loiola da Cruz Souza, 'Cidade de Deus e Janela da Alma: um estudo sobre a cadeia produtiva do cinema brasileiro', *Revista ERA/FGV*, 49 (2009), 27–37.

<sup>8</sup> Belisa Figueiró, 'O desafio de lucrar com o cinema', *Revista de CINEMA* (2007). Available at: <http://www.cenacine.com.br/?p=404>.



and Municipal Laws for cultural incentives, municipal tax (fiscal) exemption laws and risk investors, are usually marginal in the film's budget.

In addition to fiscal incentives, it is also necessary to stress the importance of direct promotion policies implemented through competitions and edicts from the Ministry of Culture, the State oil company Petrobrás, the Brazilian Development Bank (BNDES) and ANCINE, as can be seen from Table 2. A new investment alternative for the film industry comes in the form of the National Film Industry Financing Fund (Fundos de Financiamento da Indústria Cinematográfica Nacional – FUNCINES). This resource allows financial institutions duly accredited with the Central Bank to set up funds for investment in independent Brazilian film and audiovisual products, as well as undertakings associated with the film production chain. The first FUNCINE – BB CINE, managed by Banco do Brasil – was launched in 2004. FUNCINE funds are expected to inject credit into both distribution and screening, filling the gaps in the commercialisation of national cinema.

Recently, the Brazilian Development Bank (BNDES) created the Audiovisual Productive Chain Support Programme (PROCULT), whose general objective is to support the development of the Brazilian Audiovisual Industry, considering the specificities of the sector. PROCULT covers the lines of production, distribution, marketing, exhibition and infrastructure services.

As illustrated in Figure 2, a co-production can be eligible for Brazilian Tax Credit benefits when:

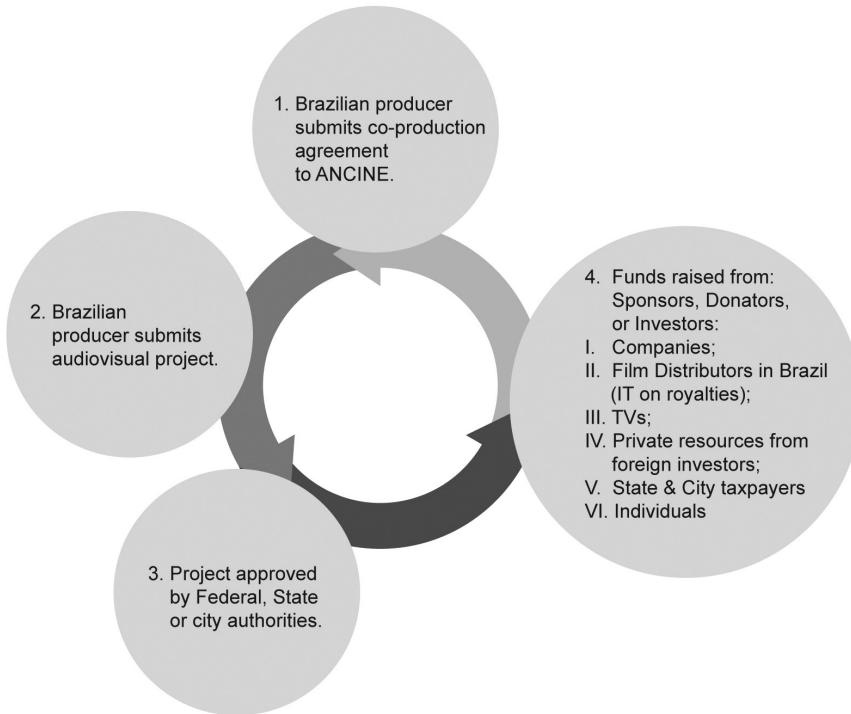
- A Brazilian independent production company submits the coproduction agreement, signed according to the treaty, for ANCINE'S approval;
- A Brazilian production company presents the project to ANCINE describing content, budget, and desired funding mechanisms;
- A national producer has, according to its curricula, to raise tax credit funds;
- ANCINE performs a technical analysis and approves the project; from there on, the national producer sets about raising funds directly with investors/sponsors. Investors/Sponsors deposit funds in the project's bank account under the producer's management.

Basically, there are two modalities for Co-Production Public Funding: Investments or Sponsorships. *Investments* are when a company purchases ownership rights of the audiovisual product with tax credit money (equity acquisition), and *Sponsorships* are when tax credit money does not allow

**Table 2: Direct ANCINE Incentives (2003–2009)**

<b>Direct ANCINE Incentives</b>	<b>2003 (R\$)</b>	<b>2004 (R\$)</b>	<b>2005 (R\$)</b>	<b>2006 (R\$)</b>	<b>2007 (R\$)</b>	<b>2008 (R\$)</b>	<b>2009 (R\$)</b>
Development	500,000.00	1,020,000.00	–	–	–	–	–
Production	4,490,000.00	–	–	–	3,695,370.26 *	–	–
Completion	1,906,049.00	6,819,984.00	1,948,500.00	–	–	–	–
Turnover Bonus	–	–	4,162,000.00	7,500,000.00	8,380,065.00	8,176,052.24	9,300,000.00
Quality Bonus	–	–	–	1,000,000.00	500,000.00	700,000.00	700,000.00
Universalization of Access	–	–	–	–	–	542,986.00	–
Audiovisual Sector Fund	–	–	–	–	–	–	29,485,586.80
<b>Sub Total – ANCINE Edicts (R\$)</b>	<b>6,896,049.00</b>	<b>7,839,984.00</b>	<b>6,110,500.00</b>	<b>8,500,000.00</b>	<b>12,575,435.26</b>	<b>9,419,038.24</b>	<b>39,485,586.80</b>
Ibermedia (contribution Fund in US\$)	450,000.00	596,550.79	600,000.00	788,068.05	1,041,148.49	1,073,949.58	798,092.45
Brazil-Argentina Distribution	500,000.00	180,000.00	240,000.00	–	–	–	–
Brazil-Portugal Co-production (em US\$)	300,000.00	300,000.00	300,000.00	300,000.00	300,000.00	300,000.00	300,000.00
Brazil-Galicia Co-production	–	–	–	–	–	R\$ 300,000.00	100,000.00
<b>International Total (em R\$)</b>	<b>2,803,025.00</b>	<b>2,802,321.41</b>	<b>2,429,970.00</b>	<b>2,367,962.50</b>	<b>2,611,886.68</b>	<b>2,823,533.19</b>	<b>2,288,168.83</b>
<b>Total Direct Incentives (R\$)</b>	<b>9,699,074.00</b>	<b>10,642,305.41</b>	<b>8,540,470.00</b>	<b>10,867,962.50</b>	<b>15,187,321.94</b>	<b>12,242,571.43</b>	<b>41,773,755.63</b>

**Figure 2: System workflow for a co-production which intends to take advantage of Brazilian Tax Credit benefits**



Source: Anders, 2008

ownership rights to be purchased by the investing/sponsor company. Among the Sponsorship Mechanisms we can find the Rouanet Law, the Audiovisual Law and State and City regulations. Among the Investment Mechanisms there are FUNCINES, the Audiovisual Law (Article 3) and Article 39.

Brazilian producers are frequently accused of having a ‘subsidy trap’ mentality, spending most of their time chasing public funds. They are dependent on the state and secure funding through connections and lobbying. State investments in cultural projects can be seen in Table 3 (a–c): in 2010, the biggest investor in Brazilian cinema through the Rouanet Law as well through the Audiovisual Law was the state-owned company Petrobrás (investments from Petrobrás account for 56 per cent of all such monies invested in nationally produced projects).

**Table 3: Sums invested by Supporters/2010 – Rouanet Law – 8313/91 (R\$ Thou)**

(a)

#	Supporter	Sum	%
1	Petrobrás – Petróleo Brasileiro S/A	1,620	56.06
2	Redecard S/A	930	32.18
3	Linha Amarela SA – Lamsa	150	5.19
4	Dyfry do Brasil Duty Free Shop Ltda	100	3.46
5	Eletrobrás – Centrais Elétricas Brasileiras S.A.	46.3	1.60
6	Serra do Mar Produtos de Petróleo Ltda.	15.5	0.54
7	TORIBA VEÍCULOS LTDA	14.0	0.48
8	Lismar Ltda	7.0	0.24
9	Rio Preto Produtos de Petróleo Ltda.	2	0.07
10	Unipetro Dourados Distribuidora de Produtos de Petróleo Ltda	1	0.03
11	Unipetro MS Distribuidora de Petróleo Ltda	1	0.03
12	Unipetro Ourinhos Distribuidora de Petróleo Ltda.	1	0.03
13	Unipetro Prudente Distribuidora de Petróleo Ltda.	1	0.03
14	Unipetro Nova Andina Dist. Petróleo Ltda	1	0.03
<b>Total</b>		<b>2,889.79</b>	<b>100</b>

Source: Ancine (2010)

(b)

**Sums Raised per Incentive Mechanism – R\$ Thou – 2010**

Incentive Mechanism	2009	2010	Variation (%)
Article 1 A – Law 8,685/93 (Audiovisual Law)	50.576,8	64.710,4	27.9%
Article – Law 8,685/93 (Audiovisual Law)	36.684,8	24.266,1	-33.9%
Article 3 – Law 8,85/93 (Audiovisual Law)	23.540,9	29.686,9	26.1%
Article 3 A – Law 8,685/93 (Audiovisual Law)	2.500,0	28.201,0	1028%
Article 39 – Law 2,228–1/01	11.801,4	12.474,6	5.7%
FUNCINES – Article 41 – Law 2,228–1/01	1.850,0	6.600,0	256.8%
Law 8,313/91 (Rouanet Law)	8.549,6	2.889,8	-66.2%
<b>Total</b>	<b>135.503,46</b>	<b>168.828,87</b>	<b>24.6%</b>

Source: Ancine (2010)

(c)

**Sums Allocated per Supporter – Art.1 A of Law 8,685/93 –  
R\$ Thou – 2010**

Rank	Supporter	Sum	%
1	Petrobrás - Petróleo Brasileiro S/A	18,180.63	28.1%
2	CIA de Saneamento Básico do Estado de São Paulo – SABESP	7,564.96	11.7%
3	Cia Vale do Rio Doce	3,874.28	6%
	VALE S/A	290.92	0.4%
4	Banco Nacional de Desenvolvimento Econômico e Social – BNDES	2,386.38	3.7%
5	NATURA COSMETICOS S.A.	1,758	2.7%
6	AMBEV BRASIL BEBIDAS LTDA.	1,200	1.9%
7	Tetra Pak Ltda.	1,100	1.7%
8	Banco BMG S.A.	1,050	1.6%
9	CEMIG GERAÇÃO E TRANSMISSÃO S/A	625	1%
	CEMIG DISTRIBUIÇÃO S/A	425	0.7%
10	CIA Brasileira de Metalurgia e Mineração	1,009.2	1.6%

Source: Ancine (2010)

The film and audiovisual market in Brazil has an annual turnover of 8 to 10 billion dollars, which puts it somewhere between eighth and tenth in the world ranking.

If TV productions are well positioned when it comes to exportation, especially given the high level of industrialisation the made-for-TV business has achieved in Brazil, the same cannot be said for Brazilian cinema. According to data from Ancine, the national film board, there are currently an estimated 170 feature films ready for release or in production. This has led Brazilian filmmakers, producers and public administrators to draw the same conclusion reached by former president Fernando Henrique Cardoso when he famously declared that it was time to ‘export or die’. For Silvio Da-Rin, former Audiovisual Secretary at the Ministry of Culture, the present co-production policy does not simply aim to increase investment in Brazilian productions, but also broaden the range of market possibilities for those films. This government stance has found expression in policies such as the Cinema of Brazil Programme, created in 2006 through a partnership formed of the Ministry of Culture (MinC), the Audiovisual Secretariat (SAV), the Brazilian Trade and Investment Promotion Agency (Apex) and the Audiovisual Industry Union of São Paulo State (Siaesp).

Between the launch of the Cinema of Brazil Programme<sup>9</sup> and July 2009, 73 of the 147 participant companies indicated that business between Brazil and other countries had exceeded R\$ 64 million, with the sale of 239 audio-visual products. During this period, the most significant business was done with Germany, Canada, Spain and France. In 2010, business volume stood at US\$45.8 million, with 25 co-production agreements closed, 23 films selected for important festivals and 540 international sales generated. Many of these films were sold and distributed on the commercial circuit.<sup>10</sup>

Through the participation of Brazilian producers at the most prestigious international film festivals (Rotterdam, Cannes, Clermont-Ferrand, among others), as well as at Brazilian film festivals, business meetings have yielded agreements that attract external investments in new audiovisual projects. An initiative of a Brazilian Association, the Brazilian Film Commissions Alliance (Afracic), and Apex, recently released a manual that contains a description of the relevant entities, the main rules, norms and procedures to be observed in the development of transnational productions and co-productions in Brazil (Afracic, n. p.).

Co-production is a much abused term: it may refer to any form of co-financing (a pre-sale to a television channel, theatrical distributor or foreign territory) or creative and financial collaboration between various producers (including broadcasters). In recent years, co-financing arrangements have been more popular than inter-governmental co-production agreements.<sup>11</sup> Tables 4 and 5 and Figures 3 and 4 provide an indication of the number and types of co-production.

<sup>9</sup> The Cinema of Brazil programme has 95 associate companies, including the biggest Brazilian production companies, such as O2, LC Barreto, Gullane, Tambelini, Conspiração and Casa de Cinema de Porto Alegre.

<sup>10</sup> See the Agência Brasileira de Promoção de Exportações e Investimentos (Apex) website. Available at: <http://www.apexbrasil.com.br/portal/publicacao/engine.wsp?tmp.area=426&tmp.texto=7803>. (Last accessed 15 August 2011).

<sup>11</sup> Anne Jäckel, *European Film Industries* (London: International Screen Industries/British Film Institute, 2003).

**Table 4: Number of international co-productions made per year**

(a)

Year	Number
1995	1
1996	0
1997	1
1998	3
1999	3
2000	5
2001	2
2002	4
2003	4
2004	8
2005	5
2006	9
2007	9
2008	15
2009	10
<b>Total</b>	<b>79</b>

Source: Ancine (2009)

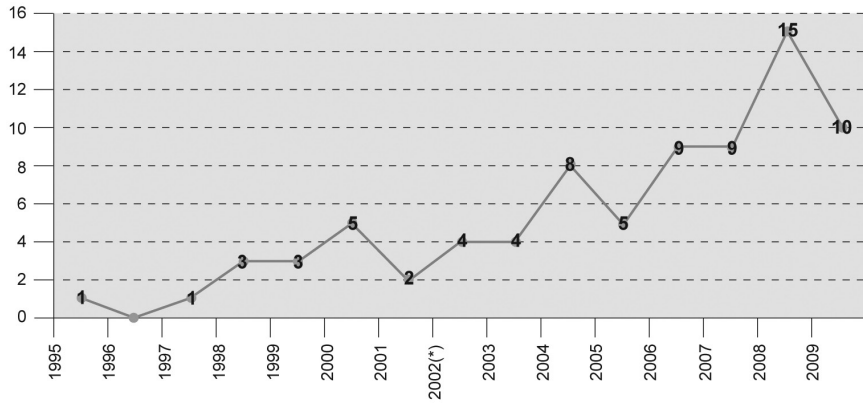
(b)

**Number of international co-productions underway in 2008**

Stage	Number
Post-Production	13
Filming	4
Pre-Production	1
Fund-raising	9
<b>Total</b>	<b>27</b>
<b>Grand Total</b>	<b>106</b>

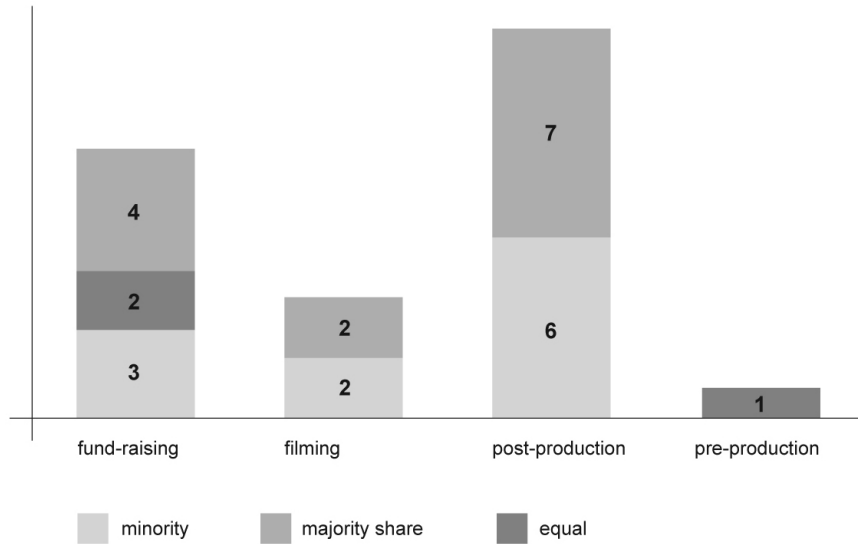
Source: Ancine (2009)

**Figure 3: International co-productions year by year**



Source: Ancine (2009)

**Figure 4: Number of international co-productions underway in 2008 and the share of Brazilian patrimony involved (minority, equal and majority share)**



Source: Ancine (2009)



Of these international co-productions 49 per cent involve partners from other Latin American countries. In addition to the Latin American Film Co-production Agreement and the Ibermedia Programme, the creation of the 'Mercosul Audiovisual' programme, in partnership with the European Union (EU), has strengthened audiovisual co-production ties between Brazil and Europe through the injection of some €1.8 million.<sup>12</sup>

The phenomenon of co-productions in Brazil is quite recent. However, everything suggests that this will be the future production format. The Brazilian government has as policy of stimulating co-productions through the expansion of institutional relationships among film institutes and bilateral and multilateral agreements. (See the lists below.)

### **Brazil's Bilateral Agreements in the Audiovisual Sector**

- Film Co-production Agreement Brazil–Germany (2005)
- Cooperation and Film Co-Production Agreement Brazil–Chile (1996)
- Co-production Agreement Brazil–Canada (1995)
- Co-production Agreement Brazil–Argentina (1988)
- Co-production Agreement Brazil–Venezuela (1988)
- Co-production Agreement Brazil–Portugal (1981)
- Co-production Agreement Brazil–Italy (1970)
- Co-production Agreement Brazil–France (1969)
- Co-production Agreement Brazil–Spain (1963)

### **Brazil's Multilateral Agreements in the Audiovisual Sector**

Latin American Film Co-production Agreement (1989) – Argentina, Cuba, Mexico, Panama, Venezuela, Colombia, Ecuador, Nicaragua, Peru, Dominican Republic and Brazil

### **Cooperation between ANCINE and other institutions<sup>13</sup>**

Ibermedia Fund

Portuguese–Brazilian Film Co-production Protocol

Galician Audiovisual Consortium Cooperation Protocol

<sup>12</sup> Programme orchestrated by MINC in September 2008, during a special meeting of Recam (Mercosul Board of Film and Audiovisual Authorities) at the Rio Film Festival, and implemented by the Audiovisual Secretariat (SAV) in 2009.

<sup>13</sup> Co-production 'Protocols', under an umbrella agreement, are simpler and establish more concrete measures, such as financial support. The Brazil–Portugal Protocol, which launched the *Edital Luso Brasileiro*, is a case in point, with awards of up to US\$ 150,000 for Portuguese/Brazilian productions.

### Co-Production Cases

*Blindness*, by the director Fernando Meirelles, a co-production by O2 Filmes (Brazil), Rhombus Media (Canada) and Bee Vine Pictures (Japan), had a budget of CDN 27,975,000.00, and was the first feature film to come out of the Brazil–Canada Agreement. In addition to a \$25 million budget for this adaptation of the novel by José Saramago – a sum hitherto unthinkable for a film produced exclusively with funds from Brazilian fiscal incentive laws, Meirelles’ partnership also ensured the movie’s distribution through the powerful Fox. The result: besides the 630,000 tickets sold in Brazil, the film’s release abroad, in countries like the USA, Canada and Japan, was also assured.<sup>14</sup> Table 5 gives details of the overall funding structure for *Blindness*.

Co-production agreements hold various benefits for Brazilian producers. Cláudia da Natividade, who produced the film *Estômago* (*Estomago: A Gastronomic Story*, 2007), by Marcos Jorge, highlights that ‘co-production ensures that a Brazilian film will be released in at least one other country’, adding that, ‘in the case of European partnerships, European certification helps a lot in terms of access to the international market’ (Rodrigo, n. p.). These comments are corroborated by the fact that two-thirds of the Latin American output that secured European distribution between 2002 and 2006 were co-productions with European countries. For other Brazilian producers, co-production gives the film the marketing advantage that goes with mixed-nationality movies; provides access to production funding and international distribution; facilitates an exchange of experiences and allows for the division of costs and fundraising. As long as the important matter of accessing all the conceivably relevant sources of public funding is not the one-and-only all-important reason for taking the co-production route, collaboration can be extremely fruitful. Project content is the most fundamental and relevant factor in cementing such partnerships. If the film’s story genuinely requires the involvement of producers from different countries because of location or talent, then other advantages are likely to emerge in due course: a ‘division of labour’, with each co-producer tackling not just the public funding sources, but also the distributors, television channels, banks and insurance companies in their own terrain.<sup>15</sup> The film *Jean Charles* (2009), by the

<sup>14</sup> Márcio Rodrigo, ‘O cinema brasileiro mira o exterior’, *Gazeta Mercantil*, São Paulo, 10 October 2008, p. 8.

<sup>15</sup> Pardo, Alejandro, *The Audiovisual Management Handbook* (Madrid: MEDIA Programme, 2002).

**Table 5: Financing Structure for *Blindness***

	Equity US\$	Soft US\$	Loan US\$	Advance US\$	Total US\$	Totals US\$
Canada – Telefilm and Corus	4,500,000				4,500,000	
Canada – Allance Atlantis				1,375,000	1,375,000	
Canada – Tax credits		1,500,000			1,500,000	
Canada – OMDC			400,000		400,000	7,775,000
Brazil – Article 3°.		1,500,000			1,500,000	
Brazil – Article 1° e 1A (BNDES, FIAT, C&A)		1,950,000			1,950,000	
Brazil – Pref. Paulínia		150,000			150,000	3,600,000
Japan – Cinema Investment			10,000,000		10,000,000	
Japan – Cinema Investment	3,000,000				3,000,000	13,000,000
Advances Italy and Scandinavia				2,500,000	2,500,000	
Producers and Director deferrals	1,100,000				1,100,000	3,600,000
<b>Total (US\$)</b>	<b>8,600,000</b>	<b>5,100,000</b>	<b>10,400,000</b>	<b>3,875,000</b>	<b>27,975,000</b>	<b>27,975,000</b>

Source: O2 Filmes, 2008

Brazilian director Henrique Goldman, is a case apart, because it did not have the support of a formal coproduction agreement between the two countries – hence it is an ‘agreement-free coproduction’ or ‘co-venture’. The executive producer was Stephen Frears. While the funding process involved both the Brazilian film agency (Agência Nacional do Cinema) and the UK Film Council, the movie was financed through transnational financial operations conducted by the Brazilian and British production team, rather than through any political or diplomatic effort on the part of the respective competent organs.

Under Brazilian law, a film is considered national when the director is Brazilian, when two-thirds of the team is Brazilian (including the cast) and

when 40 per cent of the rights belong to a Brazilian producer. However, even when a film is 100 per cent Brazilian, the Brazilian producer rarely holds 40 per cent of the rights – this is because these are shared with the distributor (in the case of *Jean Charles*, the distributor Imagem), the investors, co-producers and actors, and so on. In order to obtain Brazilian funding for the film *Jean Charles*, the director and producer Henrique Goldman had to donate a percentage of his rights to the Brazilian production company, which meant that the latter held over half of the rights.

Today, to make international co-productions viable, the legal instruments that guarantee and legalise the flow of funds and the tapping of international markets need to be broadened. A formal agreement between Brazil and England would greatly facilitate these financial, taxation and legal matters, as a single system would be adopted by two countries that normally follow radically different procedures.

Table 6 shows forms of co-production funding provided by Intermedia in 2009.

**Table 6: Intermedia funding 2009**

<b>Ibermedia 2009</b>			
<b>Co-Production Modality – Majority Share Brazil</b>			
<b>Project</b>	<b>Brazilian Production Company</b>	<b>Director</b>	<b>US\$</b>
<i>Peso da massa, leveza do pão</i> (Weight of the Dough, Lightness of the Bread)	Taiga Filmes e Video	Julia Murat	150,000
<i>Entre vales e montanhas</i> (Between Valleys and Mountains)	Polo de Imagen Ltda.	Phillipe Barcinski	140,000
<i>Amor Sujo</i> (Dirty Love)	Bananeira Filmes	Paulo Caldas	110,000
<i>Carta para o futuro</i> (Letter to the future)	Urca Films Ltda.	Renato Martins	50,000
<b>Total</b>			450,000
<b>Co-Production Modality – Minority Share Brazil</b>			
<b>Project</b>	<b>Brazilian Production Company</b>	<b>Director</b>	<b>US\$</b>
<i>El facilitador</i> (The Facilitator)	Tambke Filmes Ltda	Victor Arregui (Ecuador)	70,000
<i>O manuscrito perdido de Fradique Mendes</i> (The Lost Manuscript of Fradique Mendes)	Refinaria Produções Ltda	José Barahona (Portugal)	40,000

<i>Mundialito</i> (Gold Cup)	V2 Cinema	Sebastian Bednarik (Uruguai)	25,000
<i>Embargo</i> (Embargo)	Diler & Associados	Antônio Ferreira (Portugal)	100,000
<i>Exilados</i> (Exiles)	Polo de Imagen Ltda.	Mariana Viñoles (Uruguai)	12,000
<b>Total</b>			247,000
<b>Development Modality</b>			
<b>Project</b>	<b>Brazilian Production Company</b>	<b>US\$</b>	
<i>A marcha</i> (The march)	Geral Ltda.	14,087	
<i>Getulio, meu pai</i> (Getulio, my father)	Elimar Produções	14,977	
<i>D. Felix e o Tempo redondo</i> (D. Felix and Round Time)	TIJD Produções Artísticas	15,000	
<i>Sempre em Outro Lugar</i> (Always Somewhere Else)	Bananeira Filmes	15,000	
<i>Sobre Rodas Latinoamerica</i> (On the Wheel Latinoamerica)	Abbas Filmes	15,000	
<i>Tudo isto me parece um Sonho</i> (All of this looks like a dream)	Sarue Filmes Ltda	15,000	
<i>Clandestinos</i> (Clandestines)	Hkauffmann Produções Ltda.	12,000	
<b>Total</b>		101,064	
<b>Screening Modality</b>			
<b>Cinema</b>	<b>Company</b>	<b>State</b>	<b>US\$</b>
Usina Unibanco de Cinema	Usina de Cinema Ltda.	MG	48,000

Table 7 shows co-production funding from Brazil and Portugal.

**Table 7: Brazil–Portugal Co-productions – 2009**

<b>Coproduction Projects Brazilian Minority Share</b>			
<b>Project</b>	<b>Brazilian Production Company</b>	<b>Director</b>	<b>Sum (US\$)</b>
<i>O Grande Kilapy</i> (The Great Kilapy)	Raiz Produções Cinematográficas Ltda.	Zeze Gambôa	150,000
<i>José e Pilar</i> (Jose and Pilar)	O2 Cinema Ltda.	Antônio Miguel Gonçalves Mendes	150,000
<b>Total</b>			<b>300,000</b>

<b>Coproduction Projects Brazilian Majority Share</b>			
<b>Project</b>	<b>Brazilian Production Company</b>	<b>Director</b>	<b>Sum (US\$)</b>
<i>Quase Memória</i> (Near-memory)	J. Sanz Produção Audiovisual Ltda.	Ruy Guerra	150,000
<i>Cresci na Mangueira</i> (Raised in Mangueira)	Bossa Nova Filmes Criações e Produções Ltda.	Geórgia Guerra Peixe	150,000
<b>Total</b>			<b>300,000</b>
<b>Total Brazil–Portugal Co-Production</b>			<b>600,000</b>

Table 8 shows types of films with Brazilian–Galician co-funding.

**Table 8: Brazil–Galicia Co-productions – 2009**

<b>Documentary – Co-Production Project Brazilian Minority Share</b>				
<b>Project</b>	<b>Brazilian Production Company</b>	<b>Director</b>	<b>Sums Approved</b>	
			<b>Agência Nacional do Cinema</b>	<b>Consórcio Audiovisual da Galícia</b>
<i>Brasil Somos Nós</i> (We Are Brazil)	Bossa Nova Films Criações e Produções Ltda.	Robert Bellsolà	R\$ 100,000	€40,000

<b>Fiction – Co-Production Project Brazilian Galician Minority Share</b>			
<b>Project</b>	<b>Brazilian Production Company</b>	<b>Director</b>	<b>Sums Approved</b>
			<i>Onde Está a Felicidade?</i> (Where is the Joy?)

### *Concluding Remarks*

In 2008, the total invested through local, regional and national incentives, subsidies and support programmes in the audiovisual sector was US\$ 182 million (see Table 9). Meanwhile, the sums invested through international agreements (Ibermedia, Brazil–Portugal Co-production Agreement, Brazil–Galicia Co-production Agreement) during the same period totalled US\$ 2 million (see Tables 6–8).

**Table 9: Totals invested by Brazilian sources<sup>16</sup>**

Supporter	Sum (R\$)
BNDES	113 million
Fund raising Article 3 Audiovisual Law	63.4 million
Festivals	59.9 million
Audiovisual Sector Fund	37 million
Cultural Petrobrás Programme	30.3 million
MINC (SAV)	13.6 million
Rio Grande do Sul	12 million
São Paulo (State)	8.5 million
São Paulo (City)	8.4 million
Paulínia	5 million
Cinema of Brasil Programme	5 million
Brasília	4.3 million
Rio de Janeiro (City)	3.5 million
Bahia	1.3 million
<b>Total</b>	<b>365.2 million</b>

Brazil has a cinema network that does not surpass two thousand theatres – the vast majority being occupied by Hollywood fare. As such, transnational financing programmes are important not so much for the sums invested in nurturing national output, but for the chance they give Brazilian filmmakers to reach audiences outside the limited circuit of their home country (Rodrigo, n.p.). As such, international co-productions through Article 3 of the Audiovisual Law have enhanced film industry performance, with foreign players in charge of distribution (the majors) and exhibition (Cinemark and UCI). This amounts to an internationalisation of the Brazilian film market, with the denationalisation of control over the economics of national film.<sup>17</sup> National film performance has come to depend directly upon partnerships between producers and distributors in order to assure the minimum conditions to compete for screen space.<sup>18</sup>

<sup>16</sup> Source: Figueiró, Belisa, 'Cinema terá R\$ 365,2 milhões em 2008', *Revista de CINEMA* (2008).

<sup>17</sup> André Gatti, *Distribuição e exibição na indústria cinematográfica brasileira (1993/2003)* (Campinas: Universidade Estadual de Campinas, 2005).

<sup>18</sup> João Paulo Rodrigues Matta, *Análise competitiva da indústria cinematográfica brasileira no mercado interno de salas de exibição de 1994 a 2003* (Salvador:

Both the Audiovisual Law and the Rouanet Law are tax exemption laws, meaning the collection of financial resources for the production of a film depends on the profits of Brazilian companies. Very few producers are able to raise funds from a single source and most films entail a multiplicity of deals. The diversification of sources of funding would appear to be one of the possible ways of guaranteeing minimum stability for the area, especially in this time of global economic crisis. This diversification is healthy for any sector, as it gives the professionals more room to manoeuvre and, given the resulting 'broader spectrum of taste', it increases their chances of having their projects accepted.

Although the Brazilian film market is the tenth largest in the world in terms of box-office intake and the seventh largest in terms of audience, it could not be described as self-sustaining.<sup>19</sup> Such a dependence on resources coming from these laws, as well as the de-structuring of production, represents the main problems for the definitive establishment of a film industry in Brazil.

Universidade Federal da Bahia, Faculdade de Administração, Núcleo de Pós-Graduação em Administração, 2004).

<sup>19</sup> André Klotzel, *O potencial da indústria cinematográfica no Brasil*, 2 vols (Campinas: Inovação Uniemp, 2006), vol. 2, pp. 18–19.