

**Business of film**



# The Benefits and Challenges of Co-Production

Understanding the Mechanisms of a Co-Production

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# Introduction

Over the last several years, there has been a boom in film and TV international co-productions. The reasons for this are multiple, including more international stories being created and better access to film financing. Furthermore, co-productions are better exploited and trigger more revenues.

But, co-production partnerships also come with certain challenges, especially language barriers. You may be communicating with partners who don't necessarily speak your native language.

By entering into a co-production, two producers at least will be sharing the IP, the production work, the decision process, and all associated responsibilities. This is a real commitment that needs to be carefully assessed.

What exactly is a co-production? What are the types of co-productions? What is a co-production treaty? When should you consider an international co-production? In this guide, we will answer these questions and open a path to explore in greater detail the mechanisms that rule a co-production.

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## What is a co-production?

A co-production is a business partnership between at least two production companies who decide to join their skills and networks to create an audiovisual work that they will co-own. It is not a joint venture nor a service agreement.

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# Type of co-production

A co-production can be local (national) or international.

- Local co-production means that all producers are from the same country. Local co-productions are quite customary and are sometimes ruled by the broadcasters' policies of that country.
- International co-production means that at least two of the production entities are based in different countries.

A co-production can be Official or Non-Official.

- An official co-production is a co-production between two producers located in different countries that is implemented within the framework of a co-production treaty and/or a multilateral convention.
- A non-official co-production is a co-production outside the scope of a co-production treaty.

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## What is a co-production treaty?

A Co-Production Treaty is an agreement between two countries to facilitate the development of audiovisual collaboration.



Most treaties only relate to film production. However, the more recent ones now include television and other audiovisual productions.

A co-production treaty between two jurisdictions comes with several technical and financial benefits.

One of the most important benefits is that under the framework of an official co-production, a project qualifies as a national production in each of the countries. This allows access to public funding in all territories of the co-production. And, the co-production can also qualify under certain TV quotas regulations, which increases access to additional fundings.

In return, the official co-production treaty comes with many obligations and compliances since the goal of these treaties is to offer a fair ratio between expenditures and funding in each country of the co-production.

The treaties also provide for a minimum share of ownership for the minority co-producer. In order to qualify as an official treaty co-production, some countries will require the film to score a minimum number of points of the national cultural test.



**National Cultural Test:** These tests comprise a series of questions with a number of points allocated depending on your response. You pass the cultural test if you receive the minimum number of points required.

A complete list of Cultural Tests available in Europe is accessible on [OLFFI.com](http://OLFFI.com).

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# Why consider an international co-production?

## Creative Reasons

Certain projects require a co-production for obvious creative reasons such as location, story, languages, actors,, etc. Therefore, the choice of potential co-production countries with which to co-produce becomes obvious.

## Financial Reasons

For other projects, producers will mainly consider a co-production for financial reasons.

This can be done within two specific frameworks:

1. applying to **production incentives** that do not require a formal co-production structure  
**and/or**
2. entering into an **official co-production structure** that can top the production incentives with other direct or indirect financial support schemes.

## Market Reasons

A co-production structure often ensures that the film will be more broadly distributed theatrically (which is also often a key requirement from funding institutions) and could secure more television presales.

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## Finding the right international co-production partner

Some projects have an **obvious co-production potential from the development stage** and may be worth developing with a co-producer in order to nurture the creative input from an international creative team.

For developed projects – whereby the creative elements are already in place - analyzing the organic needs of the project and determining which country to work with is the first step.

In the case of a project already developed, any minority co-production partner will expect the majority producer to have already gathered a certain market validation in their own territory and to have secured some funding.

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## Conclusion

Over the last several years - in addition to mainstream co-production projects - there has been an increase in co-production

structure for arthouse projects, with specific “world cinema” funds set up to encourage such collaboration.

However, in order to avoid misunderstanding and complication, it is always necessary to discuss upfront the skills, resources, cash flow as well as expectations in advance, followed by setting out legal and financial documentation.

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