**Film Industries of South Asia: The Way Forward for Children’s Cinema:**

**A Research Study with Policy Recommendations**

Prepared by Catherine Masud

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Promoting culturally relevant films for young audiences

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**I. Introduction**

In December of 2013, at a roundtable session of the South Asian Children’s Cinema Forum (SACCF) held under the auspices of the Kerala International Film Festival, one of the major topics of discussion was the need for a new policy framework to address the interventions necessary to develop and promote children’s cinema in the different South Asian nations. In order to create this framework, it was agreed that a wider study was first required of the existing context of the film industry in each country, and by extension the broadcast industry, with a historical view and an analysis of the policies currently in place. Out of this analysis specific policy objectives for each country with regard to children’s cinema could be formulated

Thus a plan was chalked out for a series of in-country visits combined with extensive background research. In the succeeding chapters, we outline the major findings of this research on a country-by-country basis. As India has been an industry leader in all respects for the region, we precede our analysis of the smaller South Asian nations with a look at the major policy initiatives in India in recent years, with reference to specific states that have shown the greatest successes.

**II. Methodology**

For the country studies based on study tours, we used two main sources for our work: interviews and written/online resources. For those sections of the research for which there was no study tour (India and Bhutan), our findings were exclusively based on written/online research. Our general approach was to do overall background research on each country before undertaking a study tour during which interviews were conducted. This was followed by a more intensive research phase, the findings of which were collated with the information gleaned from interviews, to then be incorporated into each country analysis. Each analysis concludes with a set of recommendations tailored for the specific local context and circumstances.

1. Interviews:

* Key individuals from the production, distribution and exhibition sectors of the film industry, both commercial and independent
* Professionals in the broadcast sector, both government and private
* Government officials in the concerned organizations and ministries
* Film festival organizers
* Representatives of film-related associations and platforms
* Researchers/academics working in this field
* People specializing in the development of children’s content

2. Written/online sources:

* Books and articles on relevant aspects of film policy
* Government policy documents such as film rules, censorship codes, film policy guidelines, broadcast/media guidelines etc.
* Annual reports of film and media-related entities
* Unpublished research studies/papers on relevant topics
* Newspaper/journal reports

**III. Approach and Structure**

Each country analysis (with the exception of India) has been divided into five main sections:

1. Executive summary: outlining the major findings of the research
2. Historical overview and contemporary context: giving the longer view of the evolution of the industry in each country, with a look at the present context including the broadcast sector
3. Challenges: an analysis of the major issues facing the industry and broadcast sector, with special focus on children’s cinema
4. Recommendations: an outline of possible measures to be taken to address the challenges identified in the industry, again with special reference to children’s cinema

Despite a shared colonial legacy, each country was found to have its own unique set of circumstances and challenges, and as such our recommendations had to be tailored to fit those particular contexts, drawing on existing strengths as well as weaknesses. We found it helpful to organize our analyses by phases of production, and as such we have structured each section by a look at (a) pre-production and production; (b) distribution; (c) exhibition. Additional categories were (d) broadcast industry and (e) children’s cinema/TV content.

**IV. Film Policy and Incentives to the Industry**

There are many ways in which governments around the world have chosen to incentivize the development of their respective film industries. The developed world has often been a trailblazer in this regard, but countries such as India, Hong Kong, China, Iran, and South Korea have also taken major strides in recent years. Many governments in emerging economies also grasp the potential importance of film to the local economy and society, and also as a vehicle for changing international perceptions and even attracting foreign investment.

There are four main types of incentives that can be provided through government initiative as effective measures to promote development and growth in the film sector:

1. Financial Incentives for Producers: Governments provide subsidies or grants for concept development and/or partially or fully financing the making of the film. Special institutions are established which finance and/or insure filmmaking. Given that access to capital is the biggest bottleneck, especially if one is making an ‘art’ (non-commercial) kind of film, this subsidy goes a long way in overcoming the working capital problem of film makers. The governments also provide various income tax related incentives to augment financial incentives.
2. Production Facilities for Producers: The government invests in making film cities with paraphernalia like studios, sets, cameras, lights, post-production labs, office spaces, etc. (This is similar to establishing incubation centers). In addition, these facilities are made available to producers at reduced rates to create further incentives for (say) a preferred local language film. These production facilities and low rates of using them significantly reduce the financial outlay of film makers.
3. Availability of Screens for Producers: Once additional support that some governments provide to producers is creating a certain quota of time and screens available to them for exhibiting their films. Another way of doing this is by putting quantitative restrictions on the number of films that can be imported. The WTO under article IV of the GATT allows such quotas for local films.
4. Tax incentives for Exhibitors: Many times the governments reduce entertainment and/or other local taxes on exhibitors to reduce the price of the tickets charged to cinema patrons. This reduced price leads to increased demand and, consequently, higher profitability for the film industry across the value chain.

**V. The Indian Example: Policy Measures by the Government of India**

The Indian Film industry is the largest in the world, with over 2000 Indian feature films annually certified by the Central Board of Film Certification. It is also possibly the most complex industry in the world, with numerous regional film industries, each of which produces more films than many European countries.

NUMBER OF FEATURE FILMS MADE AND CERTIFIED IN INDIA

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Total Number of Films**  | **2010** | **2011** | **2012** | **2013 ( April – Dec)**  | **2014 (April –Dec)** |
| **Celluloid** | 1274 | 1255 | 1602 | 744 | 19 |
| **Video** |  852 | 862 | (data not available) | (data not available)  | (data not available) |
| **Digital** |  | 45 |  | 980 | 1432 |
| **Total**  | 2126 | 2162 | 1602 | 1724 | 1451 |

Interestingly, the film industry in India did not find favor with the Government in its early years. According to Ganti (2004), the industry was seen as low quality (frivolous and corrupting) entertainment not worthy of government support. Instead, the ‘highbrow’ entertainment was promoted in the form of establishing institutions and academies to revive and support the “traditional art” and high culture. However, with the passage of time, and in the face of demands of the industry, the attitude of the government changed. In 1960, a Film Finance Corporation was established which progressed to become National Film Development Corporation (NFDC) by 1980. The role of NDFC was broad, from financing and producing films of ‘high artistic content’ to providing loans for construction of cinemas, importing and exporting films and encouraging film cooperatives. NDFC financed 149 feature films within the five years of its existence with the Academy Award winning film ‘Gandhi’ as its most notable achievement. Other institutions set up for the development of the film industry were National Film Archives, the Film and Television Institute, and the Directorate of Film Festivals amongst other.

The real boost to the Indian film industry came in May 1998 when it was granted the long sought-after ‘industry’ status. This formally came into effect in 2000. This status allowed many concrete benefits, such as lower electricity tariffs, eligibility of loans from banks and public development financial institutions, and increased networking with global film giants, etc. According to Ganti, the BJP government with its neo-liberal economic and cultural nationalist political agenda was instrumental in these developments. BJP carried out the famous nuclear tests in the same week when the industry status was awarded to the film industry. The Indian government and the press now celebrates Bollywood as a “symbol of indigenous/native ingenuity and success” and as a vehicle to project “India’s ‘soft power’ within the region.”

The regional cinema in India, interestingly, has always felt threatened by Bollywood. Consequently, the various States of India (such as Maharashtra, West Bengal, Tamil Nadu, etc.) have offered special incentives to regional cinema in order to protect the regional cultures and economies. These governments have provided a variety of incentives to producers and exhibitors with very positive impacts on film production.

**a. Incentives/Facilities provided by the Indian State Governments**

In order to better assess the ways in which India has evolved into a model for the region, the following analysis looks at policy initiatives and their impact in some states which have emerged as regional film industry leaders: Maharashtra, Tamil Nadu, Gujarat, Andhra Pradesh, Kerala and West Bengal.

1. Background

* National cinema is considered a medium through which a nation can express its culture and national identity. However, in an increasingly globalized world, art forms such as national cinema are compromised by the importation of commercial films from larger developed film industry’s such as Hollywood and Bollywood.
* Therefore, to better compete with larger well established film industries, [specific types of] cinema requires government incentives to survive, thereby helping preserve not only a nation’s film industry but by extension its cultural identity.
* Countries like France have long used various incentive measures to promote their national cinema. Even newly developed countries like South Korea have implemented policy tools to support its national film industry.
* India however, being a large and diversified country with 22 officially recognized languages, takes cultural conservation to a regional level – cinema is an essential cultural icon that goes beyond the realms of nation-state – and into the space of linguistic and cultural representation (within the sub-continent).
* Therefore, understanding the measures used by the different Indian states to protect their regional cinema from the onslaught of Hollywood and Bollywood has important learning opportunities and external validity.

2. Executive Summary & Structure

An analysis of the value chain of the film industry reveals four main mechanisms by which governments can stimulate development and growth of this sector:

 Pre-Production/Production:

1. Subsidies & Grants

1. Production Facilities

Distribution/Exhibition:

3. Entertainment Tax Exemption

4. Screen Quotas

* To assess the impact of these measures, the landmark study on the Pakistan Film Industry by Haque et al (2013) looks at the recent growth in the regional film industry with the help of data on annual number of films certified. To further help attribute the growth of the regional film industry to the above mentioned government measures, this study undertakes a comparative analysis between a state that used all of the measures (Maharashtra) with another that did not resort to any such incentives (Kerala).
* The conclusion is that though all of the above mentioned measures do make a difference, the provision of quality production facilities at subsidized rates has the largest impact in promoting regional cinema.

3. Pre-Production/Production: Subsidies and Grants

* ***Andhra Pradesh:*** Industry experts from the Andhra Pradesh Film Chambers of Commerce state that in the late 80s and early 90s, when the Telugu film industry moved from Chennai to Hyderabad, to support this shift, the government provided subsidies of INR 200,000 to INR 1 million to 40 films a year, provided the film was produced in studios and labs situated within the state and was adjudged a “good film” (having a positive social message) by a government committee constituted for this purpose. In 1997 however, due to political changes in state governance, the film industry fell out of favor and this practice was amended where the subsidy is now given to only 2 films a year meeting the above mentioned criteria.
* ***Gujarat:*** In the 1980s the Gujarat government introduced a subsidy of INR 500,000 per film for Gujarati language films produced in studios situated within the state.
* ***Maharashtra:*** In 1997 the state government introduced an INR 1.5 million subsidy for every second venture that a Marathi film producer took up, provided the film was produced within the state. In 2005, films produced on 35 mm received an INR 3 million subsidy which was later reduced to INR 2 million and given to only 5 producers a year (source: Film Federation of India).
* ***Tamil Nadu:*** Industry experts state that in the early 90s the state government provided INR 1.5 to 2 million in subsidy to 30 Tamil films a year, provided they were produced within the state and similar to the practice followed in Andhra Pradesh, were considered “good films”. Though this measure still exists, it has been revised downwards to INR 700,000 and as per industry sources the subsidy has not been released since 2010.

4. Pre-Production/Production: Production Facilities

* ***Andhra Pradesh:*** Interviews with experts from the AP film chambers of commerce along with data gathered from the official government portal reflects that in order to facilitate the move of the Telugu film industry from Chennai to Hyderabad, the state government allotted 35.482 acres of land to private studious at subsidized rates. This area is now known as “Film Nagar” because of the number of film studios situated here.
* ***Maharashtra:*** In 1977 the state government established the Dada Saheb Phalke Film City comprising of 44 outdoor shooting locations and 16 indoor studios along with post production facilities. In 2005, to incentivize Marathi cinema, the government launched a scheme allowing Marathi producers to rent the facilities at a 50% subsidy. For example, the cost of renting an averaged sized indoor studio for 3 days for a non-Marathi film is INR 56,000 whereas a Marathi film is charged only INR 28,000. Further, labor charges for set construction and maintenance per 8 hour shift for a non-Marathi film amounts to INR 28,000 but is only INR 14,000 for Marathi productions.
* ***Tamil Nadu:*** In 1994 the government set up MGR film city an integrated complex similar to the film city in Mumbai. As per industry experts, the facilities were provided at discounted rates for Tamil productions when compared with private studios. However, the film city has recently been facing financial difficulties and is to be converted to a Knowledge Park. Industry experts have stated that though the film city was once important, the Tamil film industry has matured beyond the government sponsored unit and have large enough budgets to afford private studios.

5. Distribution/Exhibition: Exemption from Entertainment Tax (ET)

* ***Gujarat****:* Since the 1980s the Gujarati government has been providing an ET exemption to all Gujarati language films produced within the state, where as all non-Gujarati films are charged 40%.
* ***Karnataka****:* As per the 1996 amendment to the Karnataka Entertainment Tax Act, all Kannada films produced within the state were exempt from ET, while non-Kannada films would continue to pay 40%. A survey of multiplexes in Bangalore conducted in 2013 showed that this exemption from ET for Kannada films translated into at 26% price reduction for consumers (Hindi films average ticket price was INR 144 while for Kannada films it was INR 114).
* ***Maharashtra****:* In 2008, the state government introduced an ET exemption on all Marathi language films produced within the state. Films in other languages are charged 45% entertainment tax.
* ***Tamil Nadu****:* In 2009 the state government ruled that all Tamil language films produced within the state would be exempt from ET, while ET on non-Tamil films would be 15%. However in 2011, the government tightened the ET exemption rules stating ET exemption will only be granted to Tamil films that promote language and culture as adjudged by a special committee appointed by the government.

6. Distribution/Exhibition: Screen Quotas

* ***Karnataka:***In 2004, the state introduced a measure restricting non-Kannada film releases to 24 screens (of which 17 screens were earmarked for Bangalore city). Considering that as of 2011, Bangalore alone had close to 190 screens, this quota restricted non-Kannada releases to less than 10% of the city’s screen. However, in 2012 the Competition Commission of India (CCI) barred this practice.
* ***Maharashtra:*** A government order, dating back to 1968, states that cinemas are required to screen 112 shows of Marathi films in a year. This order was largely overlooked until in 2010 the government began cracking down on non-compliance. Some factions are now aggressively lobbying to up this number to 500 shows a year.

In 2002, the state introduced an additional incentive measure amending the Entertainment Tax Act to provide concessions on duty paid by a cinema hall if it allots one screen exclusively for Marathi films for one month in a year.

**b. Impact Assessment: Growth in Regional Film Industry**

1. Evidence of Growth

• Since 2005, the proportion of regional films produced as a percentage of total number of films has been steadily increasing.

• Of the 1255 films that were certified in 2011, 1043 were in 22 Indian regional languages.

• PwC’s 2010 figures estimate the box office collections of regional cinema to be USD 335 million.

• In a separate study PwC found that Large Bollywood production houses like UTV, Reliance, Eros, Balaji and Yash Raj films have all entered the regional market. In fact more than half of UTV’s line-up for the next 2 years are regional films.

• The industry is also finding ancillary revenue streams in the form of television rights. As per the 2011 FICCI-KPMG study of the M&E industry, 68 regional channels were slated to go live by the end of the year as compared with just 36 mainstream channels. In fact large production houses like Sony, Zee and Star now have channels dedicated to regional films.



• The data coupled with industry reports demonstrate the growth in the regional film industry. Such growth would not have been possible without the supportive measures taken by the various state governments.

2. Comparative study of Maharashtra and Kerala

**The Maharasthra Model: Background**

* A comparison of the growth in the Marathi film industry with the Malayalam film industry shows that over the past few years Marathi films have witnessed a resurgence, which is remarkable given the unique and difficult position it holds compared to other forms of regional cinema.
* *Direct competition with Bollywood:* Mumbai is the capital of Maharashtra and the production center for both Marathi films and Bollywood. This means that in addition to competing with Bollywood for screen time, it also has to compete with Bollywood for production facilities and film professionals. The Malayalam film industry does not face this hurdle.
* *Migrants:* Since Mumbai is the commercial capital of India, it attracts a large number of immigrants from across the country, diluting the demand for Marathi films at urban cinemas. As per the 2001 Census, only 68.9% of the state’s inhabitants are native Marathi speakers, compared to 96.8% of Kerala's inhabitants speak Malayalam. Furthermore, most Marathis are bilingual and also speak Hindi, this is not the case in Kerala. These factors make Maharashtra a ripe market for Bollywood.
* Thus to overcome these hurdles the state has taken all four incentive measures to promote Marathi cinema.

**Impact Assessment**

• Though both industries were at similar points in 2005, the Marathi film industry has outperformed the more robust Malayalam industry in spite of the hurdles it faces.

• The average year on year growth for the Marathi film industry is 12.5% vs. 6.3% for the Malayalam film industry.

• Media reports suggest that budgets for the Marathi film industry have grown from INR 3-4 million to INR 20-30 million

• Media reports also show that during the first quarter of 2010, Marathi films outperformed Bollywood films at the box office

• Large Bollywood production houses like Balaji Telefilms and UTV Motion Pictures have now entered the Marathi film industry

• 2007 saw the launch of Zee Talkies, the first 24 hour channel dedicated exclusively to Marathi films

**Summary of Incentive Measures in Maharashtra**

1. Entertainment Tax: Introduction of ET exemption on Marathi films in 2008, all other films pay 45%. Unlike the Maharashtra Government, the Kerala government has a blanket Entertainment Tax rate of 30% and has not implemented any promotional measures.
2. Subsidies and Grants: In 1997 and INR 1.5 million subsidy was introduced for every second Marathi film produced. In 2005, films produced on 35 mm received an INR 3.0 million subsidy which was later reduced to 2.0 million and given to only 5 producers a year.
3. Screen Quotas: Government order dating back to 1968 states that cinemas should screen 112 shows of Marathi films per year. From 2010 government begins to monitor compliance and enforce penalties. 2002 Amendment to the Entertainment Tax Act provides concession on duty paid if the cinema allots one screen for Marathi films for one month in a year.
4. Production Facilities: A 2005 scheme allows Marathi producers to use state-run production facilities like the Dada Saheb Palke Film City at a 50% concession.

The outperformance of the Marathi film industry versus Kerala’s is illustrated in the following chart comparing the annual number of films certified in each state from 2005-2011:



• Given that the Marathi film industry has outperformed the Malayalam film industry, which is relatively well established and does not face the same hurdles as the Marathi film industry, this feat can be attributed to the government incentives used.

• Industry professionals have stated that although all 4 incentive measures helped, the provision of production facilities at subsidized rates is the most helpful of all.

**Maharashtra: Feature Films Certified 2010-2014**

**Total Number of Marathi Feature Films**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Language  | Films Certified in 2010 | Films Certified in 2011 | Films Certified in 2012 | Films Certified in 2013 | Films Certified in 2014 |
| Marathi  | 116 | 106 | 123 | 121 | 106 |

**Number of Children’s Feature Films Made**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Language  | 2010 | 2011 | 2012 | 2013 | 2014 |
| Marathi  | 5 | 4 | 3 | 3 | 8 |

On an average 4% of the total number of films made in Marathi are Children’s Films.

\*(These are approximate figures based on internet research some films may not be listed on the internet at all)

**c. Conclusion & Recommendations**

1. Production Facilities

The provision of quality production facilities is one of the cornerstones of an effective policy framework for building regional film industries.

* ***Maharashtra*** is the only state that has implemented all four incentive measures comprising of subsidies & grants, production facilities, exemption in entertainment tax and screen quotas. Therefore industry experts are able to give a comparative view of the relative impact of different measures. According to the report of Haque et al the provision of quality production facilities at subsidized rates was the most helpful of all the measures taken by the government.
* Again according to the Haque report findings, officials in the ***Andhra Pradesh*** film Chambers of Commerce also echoed this sentiment. They stated that the provision of land at subsidized rates by the government to the private studios was instrumental in helping establish the Telugu film industry in Hyderabad. It was due to this initial incentive measure taken that helped ensure the present strength of the Andhra Pradesh film industry, which media estimates suggest is just marginally smaller than ***Tamil Nadu***, the largest of the regional film industries. Even experts from the Tamil film industry state that during the 90s, the MGR film city was essential in helping establish the prominence of the Tamil film industry.
* Given the success witnessed by these states, media reports suggest that the ***West Bengal*** government is looking to construct 2-3 film cities in the coming years as Public Private Partnerships (PPP). ***Gujarat*** is also another state that might be looking into this possibility.

2. Benefits of Gaining “Industry” Status

* In 2000, the Indian Film fraternity was officially granted “Industry” status by the Government. Though such pronouncements are largely symbolic, they help change negative perceptions and raise credibility thus enhancing access to capital. As we shall see later in this report, Bangladesh followed suit with a similar strategy in 2012.
* Prior to gaining industry status, the film industry in India (as in Pakistan and Bangladesh) was perceived to be built on informal institutions, ripe with mafia funding and money laundering. Though there were no official regulations barring banks and corporations from extending finance to the industry, this negative perception acted as a deterrent for institutional investment and financing from such large, publicly traded entities.
* Therefore, gaining industry status raised credibility and legitimized the extension of credit and capital. The benefits of gaining industry status are illustrated in greater detail below:

**Perquisites**

* As per section 80HHF of the income tax act, individuals engaged in the export of film software will benefit from deductions with regard to profits earned.
* The industry also enjoys a reduction in customs duty on cinematographic cameras from 40% to 25%. Customs duty on the import of different cinematographic equipment such as films is also reduced from 15 to 5%. Additionally, countervailing duty on such items is abolished.

**Entry of Corporates**

* After the declaration of Industry Status, large corporate entities have begun investing in the film sector.
* Entities like Reliance have media & entertainment subsidiaries such as Reliance Entertainment that not only fund mainstream cinema but also fund regional films.
* Reliance entertainment has produced 13 regional films during the period of 2007-2012.

**Access to Capital Markets**

* Since gaining industry status the rise in credibility has helped production houses also gain access to public money. For example media & entertainment giant UTV, went public in 2005 and Eros International listed in 2010.
* Such access to capital helped these studios undertake new ventures in the regional film industry. As per PwC more than half of UTV’s line up for the next two years are regional films and Eros plans to release as many as 60 regional films over the coming years.

**Foreign Investment**

* The formalization of the film industry has also attracted large foreign studios. For example, in 2012 Disney announced that it has now bought a controlling stake in UTV.
* Domestic studios are also collaborating with foreign production houses such as Fox, Paramount and WB for both production and distribution.

**State of the Film Industry and Children’s Cinema in Afghanistan**

Report on October 2014 Study Tour

1. **Executive Summary**

Our research findings on Afghanistan show a film industry that is not surprisingly struggling to cope amidst the ongoing conflict. In the midst of that, there are some promising signs of hope. The major observations based on the research are as follows:

* Afghanistan has a strong legacy of government support for the arts and particularly cinema dating from the establishment of a separate government bureau, Afghan Film, in the late 1960s, which thrived during the Soviet period in the 1980s.
* Although Afghan Film’s role as a producer has been severely curtailed, they have some facilities as well as a parallel ‘travelling’ exhibition system that tours the country.
* Due to decades of war and particularly under the Taleban, public viewing of cinema in theaters has almost ceased in Afghanistan – currently there are only 4 theaters in operation, all in Kabul.
* A handful of commercial makers are still active in the country however, and produce films that are distributed primarily through DVD, television, and foreign markets target the expat Afghan community.
* Independent filmmakers are also a small group, some of whom have produced internationally recognized films of artistic merit with international co-production support.
* On the other hand, the international donor/NGO community is fairly active in supporting independent filmmakers to make documentaries and shorts, and has also had a critical hand in establishing a public TV network, RTA, which is unique in South Asia as a government-run channel exclusively mandated to broadcast educational content.
* As far as children’s content creation is concerned, the one salient feature of the Afghanistan context is the presence of a dedicated government educational channel, ERTV, which has been largely funded by UNESCO. This channel can be a critical vehicle for distributing/broadcasting children’s films and creating both an interest in film among students and value for films among teachers and parents. At present ERTV has a 60km telecast radius, but a program of expansion for nationwide-reach is in the works. With a concrete program and vision, it is possible for ERTV to become a vehicle for socially responsible and inclusive films for children.
1. **Overview**

**a. Historical Background**

Beginning in the 1930s, Afghanistan’s small network of cinema halls began showing films from Bollywood and Lollywood to local audiences. However, Afghan film history and culture began in 1951 with the release of *Ishq Wa Dosti* (Love and Friendship), a Dari-language film produced from Lahore. The major turning point for the industry came in 1968, when Afghan Film was established with assistance from USAID. Afghan Film in its original mandate was chalked out to function as a production house, film institute and archive. Most of the initial productions of Afghan Film were short documentaries and newsreels that were shown in the theatres before commercial films. *Like and Eagle* (1972) was the first feature produced by Afghan film, and the first film to be shot entirely in Afghanistan. At this time laboratory facilities were completed to boast the industry’s infrastructure, and private studios such as Nazir, Shafaq and Aryana Films were established. Throughout the 1970s a series of feature films were produced by both Afghan Film and private studios, mostly comedies and family melodramas such as *Friday Night, The Suitor* and *The Smugglers*.

Following the communist takeover in 1978 and the Soviet invasion of 1979, Afghan cinema entered what many consider to be its ‘Golden Age’, lasting until the fall of the Soviet-supported Najibullah government in 1992. The Soviets boosted spending on arts and culture. A government supported Union of Arts was established which included different branches for fine arts, music, dance, and film. A number of high quality feature films treating social themes were made during this period with government assistance, including *Sabor-e Sarbaz* (Sabor the Soldier), *Fanar* (Escape) and *The Moments.* Still the overall output of the industry remained low compared to other countries in the region; not more than 40 features were produced between 1972 and 1992. Part of the reason for this was that the number of theatres still remained relatively low; even after the industry’s sustained growth period in the 1980s, there were still only 26 cinema halls throughout the country, 17 of which were in the capital Kabul.

With the advent of the Taleban in 1996, cinema – deemed ‘un-Islamic’ by the authorities – came under direct attack. Cinema halls were attacked and closed and many filmmakers fled the country or left their vocation. In 2001 Taleban officials gave the order to destroy Afghan Film’s archive of 3000 films. However, through the brave intervention of some Afghan Film employees, the core archive of 1000 film was saved.

After the fall of the Taleban in 2001, the industry’s recovery was slow due to the ongoing war. The availability of new digital formats facilitated the growth of smaller regional-language films, mostly cheap action-thrillers for the DVD market. Independent filmmakers began to emerge, such as Siddiq Barmak, whose film *Osama* (2003) brought Afghan cinema to the international stage. Small independent production houses such as Roya Film were also established at this time, producing documentaries and shorts for television and the festival market. Afghan Film again became active, primarily as a local partner/co-producer for international feature and documentary productions, and as a studio providing facilities (dubbing, camera, editing etc) for local filmmakers.

**b. Contemporary Context**

1. Production

Although precise figures are hard to come by, but according to Afghan Film, approximately 45 features were submitted for censorship in 2013, of which 20 were Afghani productions. The vast majority of films being produced are commercial Bollywood-style and action films, while each year 1-2 are ‘art’ films made by independent filmmakers, often as international co-productions. The average feature film budget is $50,000-70,000. The most successful commercial filmmaker, Selim Shahin, makes 3-4 films per year on an average budget of $80,000. The major sources of financing are overseas Afghan workers; for larger commercial films local DVD distributors also provide some financing in the form of advances. In addition to features, some 50-60 documentaries and shorts are made each year, including some children’s films. Many of these smaller films are commissioned by the donor/NGO community, some for television broadcast.

Afghan Film has ceased to produce its own features, although they still produce a limited number of documentaries and short fictions with donor funding. Instead they act as co-producer for all foreign productions filming in Afghanistan, providing facilities and technicians as needed, and managing paperwork and logistics. In the past 10 years they have co-produced some 20-25 films in this fashion. The last production was *Bushkazi Boys* (2012), an Afghan-American co-production.

2. Distribution/Exhibition

Currently there are only 4 cinema halls in operation in the country, all of them in Kabul. In addition, Herat has a hall that is used exclusively for film festivals. All other theatres were either damaged in the war or closed by the Taleban; many were turned into mosques. Commercial films, such as those made by Selim Shahin, are broadcast on private television channels such as Tolo Film on a per-screening rights basis; however there is little option for independents. Likewise DVD distribution also provides returns for commercial films, the most profitable market being the overseas one catering to Afghan expat communities. There is a limited foreign theatrical market also for the expat community. Thus independent filmmakers either turn to donors/NGOs for distribution support, or if they are lucky enough, get international distribution. Another platform could potentially be Film Festivals within Afghanistan; however at the current time there is no ongoing festival. For 5 years Afghan Film had organized a Human Rights Film Festival in collaboration with the French, British and German cultural institutes; however this festival was discontinued in 2012.

Interestingly, Afghan Film also runs an alternative distribution/exhibition circuit in the form of ‘mobile cinema’ units. Eight units tour the country every year, showing newsreels and comedies produced by Afghan Film (these are less likely to raise the ire of local Mullahs). Screenings are held in schools, community halls and gymnasiums as well as outdoor venues.

3. Censorship

The Censor Board functions under Afghan Film; historically the Board was often used to keep films in line with official government policy, such as during the Soviet and Taleban eras. However, currently the main role of the Board is to give permission to foreign film crews, as well as to issue certificates prior to theatrical release and television broadcast. In addition, the Board is mandated to give permission for Afghan films to be shown at festivals abroad. Ostensibly for security reasons, outdoor shooting permits must be obtained from the Board prior to shooting.

4. Broadcast Industry

In contrast to Afghanistan’s film industry, the broadcast industry is thriving. Afghanistan has over 75 channels in operation, and over 175 radio stations. RTA is the main State television channel, which operates under the Ministry of Information & Culture. RTA broadcasts to all 33 provinces, reaching the population through a combination of terrestrial and satellite networks. In 2013 editorial guidelines were created for the first time, as part of a process of institutionalizing the functioning of RTA beyond narrow political machinations. This was part of a Unesco-supported effort to update the National Media Law, the finalization of which has been delayed until the formation of the new government elected in 2014. The aim is to make RTA a ‘Public Service Broadcasting’ channel rather than a ‘State’ channel.

Unique to Afghanistan is a second government channel, ERTV, which is purely dedicated for educational programming. ERTV was original set up as a project by UNESCO. It is mandated to broadcast in schools, provide teacher training and literacy education, and raise public awareness about various health and social issues. Currently ERTV’s broadcast is limited to 13 hours within a 60km radius of Kabul; however future plans include expansion of broadcast time to 24 hours with a nationwide network. Most ERTV content is produced within Afghanistan, with the exception of some material from Japan (educational division of NHK), animations such as the Meena series, and old Sesame Street reruns. ERTV also produces radio programs for its 24-hour Radio division, such as ‘Voice of Afghan Women’ and various development communication programs.

1. **Challenges**
2. Production
3. No functioning platform for filmmakers, particularly independent ones. An umbrella organization representing the interests of filmmakers is essential for negotiation with other stakeholders in the industry (distributors and exhibitors for example) and pressuring for government reforms. Particularly in the small world of cinema in Afghanistan, it would be beneficial for commercial and independent filmmakers to join forces. The Filmmakers’ Union headed by Jawanshir Haidary seems for all intents and purposes to be defunct; it is basically a holdover from the Soviet era when government support was plentiful and unions were encouraged.
4. Lack of government support: in the new free-market Afghanistan, government support for local cinema has all but dried up, and the once proud Afghan Film has turned into a ‘one window’ facility for foreign television and film crews eager to exploit the war-torn location value of Afghanistan. With the new government set to take office at the time of our research visit, there was a certain degree of optimism about the receptiveness of a new administration to the idea of supporting and promoting the local film industry. The new President has expressed an interest in developing the cultural sector. However, the skepticism remains; During Karzai’s time Siddiq Barmak, fresh from the success of *Osama*, met with Karzai accompanied by other filmmakers to press for more government support, but in vain. Aside from the setback of the transition to a market economy, a key issue seems to be the continued power of the Islamic parties and the mullahs, who are allergic to anything remotely connected with cinema, although they seem to have no problem using audio-visual media to promote their own agenda.
5. Lack of private local producers: The big producers such as Aryana and Nazir, who had there heyday in the 1980s, have all but disappeared and the vacuum has yet to be filled. Commercial filmmakers such as Selim Shahin get their funding from overseas Afghans and private ‘black money’ sources, but most commercial productions are extremely low budget. For artistic films seeking better budgets/production values, there is no option besides self-financing or securing donor money/international financing/grants.
6. Taxation: In fact the government not only fails to provide any form of support, it actually *impedes* production. According to the filmmakers we met with at Roya Film House, the government levies a 2% tax on production companies, which is calculated from the budget for every project and must be paid in full by the end of the year. Given that there is so little funding to begin with (aside from the donors/NGOs), this tax policy puts a huge strain on filmmakers.
7. Technicians/Training: The lack of local technicians is a major challenge to the industry. There are no film/media training institutes in the country whereby technicians can receive formal skills training. On larger productions, crews must be brought in from places like Iran, India and Europe.
8. Security situation: Moreso than other countries in the study, security, particularly for outdoor shooting, is a major challenge in Afghanistan. Not only the sheer reality of it, but also the government clearance that is required in the name of security, which becomes and obstacle in and of itself. At the pre-production stage story treatments for documentaries, for example, have to be submitted to the Information Minsitry, the Military and Afghan Film prior to the commencement of filming for clearance.

b. Distribution/Exhibition

1. Theatrical: One of the biggest stumbling blocks for the industry is the total lack of any exhibition infrastructure. According to Siddiq Barmak, before 1979 there were 35 movie theaters in Kabul alone and many more in other provincial cities; now there are only 4 functioning theaters in the entire country (see II.b.2 above). The lack of halls depresses budgets and thus production values, limits audience demand, and creates a negative feedback loop whereby fewer and lower quality films are produced leading to more hall closures. Selim Shahin, who is Afghanistan’s most ‘successful’ commercial maker, stated that his next project was to establish his ‘own’ hall, because of his frustration with the limited release capacity in the exhibition sector.
2. Television: Many filmmakers complained about the rampant TV piracy of their films on the one hand, and the lack of support from state television on the other, as a major challenge. As in many other South Asian countries, the sheer number of channels is no guarantee of increased support for cinema; without any mandate from the government, neither the state channel RTA nor the private satellite broadcasters have any interest in airing anything but Bollywood movies (and the occasional Selim Shahin hit), let alone paying filmmakers for their work. Although Selim Shahin has regular contracts with Tolo TV and Channel 7 (he is paid $2000/single broadcast by Tolo), by and large TV channels are in the habit of being PAID to show films and other outside programming, either through donor sponsorships, or with support from the military (for films/docs glorifying the Army).
3. Censorship: The Censor Board has a very vague set of guidelines that make for a somewhat random censorship process based on notions of ‘vulgarity’ and ‘harming religious sentiment’. However, with so few theaters in operation anyway, and a rampant pirated DVD trade, this hardly seems to be an issue anyway. On rare occasions the government has stepped in *after* the release of a censored film, such as the case of *Kabul Express,* which was taken out of theaters*.* On the other hand, documentary filmmakers, whose films to not need Censor Board certification, face other restrictions at the production stage in the name of security (see III.a.4 above).
4. Copyright: no copyright law on the books in Afghanistan, but currently a law is *in process* under the Ministry of Culture (Roya is a member of the Review Board). Channel 7, one of the most popular entertainment channels, shows features on a regular basis without paying any royalties. And DVD pirates routinely copy and distribute films with impunity. Now in the digital domain also stores sell MP3 versions of films to be downloaded onto mobile phones and into computers. This happens elsewhere in the region also, but the presence of some form of copyright law places a check on institutional piracy, which is totally lacking in Afghanistan.
5. Film Festivals: There is no regularized film festival in the country where new films can be launched; on occasion donor-supported festivals have taken place over a limited time period, such as the Human Rights Festival under Afghan Film or the International Women’s Film Festival organized by Roya Film House in Herat.
6. Children’s cinema/TV content
7. Children’s cinema: There is hardly any children’s cinema to speak of in the country. Commercial filmmakers such as Selim Shahin feel this lack and suggest that a commercial ‘family’ genre should be developed to appeal to children and their families, rather than the usual romance/action fare. Afghanistan has one of the highest proportions of youth/children in South Asia, and it is a travesty if there is no meaningful local to appeal to this generation.
8. Television: ERTV, though unique, has limited reach as yet and its programming range is somewhat narrowly focused on training/education. There is also a local private channel geared to child viewers, which shows almost exclusively Cartoon Network-style programming.
9. **Recommendations**

Afghanistan’s situation is qualitatively different than the other countries of South Asia in that there is an ongoing war, and as such it is not realistic to expect that much change in the situation vis-à-vis the film industry and children’s cinema can be affected in the short term, so long as the security crisis continues. However, if we focus on the strengthening of existing institutions, such as Afghan Film and ERTV, which are in some respects unique in the region, there is reason to be somewhat optimistic.

1. Production
2. Revitalize Afghan Film as production entity: Increase government funding for Afghan Film with a Cinema Fund specifically earmarked for production grants to independent filmmakers, as per Afghan Film’s original mandate and function. As per Barmak’s suggestion, money for the Fund can be raised from a special tax on foreign TV programming, such as was done in South Korea. Some funding also needs to be channelized toward the purchase of new equipment and facilities, which have become quite outdated.
3. Encourage formation of National Media Academy. UNESCO already has a proposal on the table to set up a Media Academy in collaboration with the government using a curriculum developed by UNESCO. This Academy would serve as an umbrella for all media institutions, and would have a press/mass communications division as well as a technical training wing film/video. Although primarily intended to serve the journalism community, its function could be expanded to include those working in television and film.
4. Filmmakers’ platform: Establish Directors/Producers’ Association to represent broad interests of filmmakers across spectrum of commercial/independent, feature/documentary makers. The primary project of this Association would be to present the new government with a specific set of guidelines for re-invigorating the dying industry.
5. Abolish Production Tax: This government tax should be removed to relieve hardship on filmmakers who already have enough struggle to face as it is. Rather the government’s focus should be on giving tax breaks and incentives to the industry.

b. Distribution/Exhibition

1. Copyright Law: The protection of filmmakers’ right to their content is a moot point until the government takes the first step by passing a Copyright Law.
2. Family Theaters: Encourage government to allocate 2 Theaters (existing but currently not functioning) for family films. Commercial makers such as Selim Shahin say they would support such a move. Roya Film House has presented a proposal to the govt. that would give Roya the responsibility for running the theaters; the government would finance the project, possibly in collaboration with an international donor.
3. Television: Introduce mandate for RTA to allocate a certain amount of programming time for airing of documentaries and family-oriented shorts/features. Fixed rates for purchase of such films by RTA would be introduced, as is the case for Doordarshan. ERTV could also be given a similar mandate for privately produced educational programming.

c. Children’s cinema/programming content

1. Cinema Fund for children’s cinema: As part of the special Fund to be established under Afghan Film, a fixed allocation per year could be made for children’s cinema, as is the case with Bangladesh’s annual government film grant (1 out of 5 to be given for children’s films).

2. ERTV: This educational channel presents a unique opportunity in the region to develop and promote television content exclusively geared for children. Once it is expanded to the national level, with 24 hour programming (projected to take place by mid-2015), there will be a dramatically increased need for content. At present most of the program is devoted to classroom-style student education, teacher training and adult literacy. Programming can be further diversified to include locally or regionally produced animation, documentaries, and child/family-oriented features. As ERTV is a government channel it will not be subjected to the same pressures as private channels to broadcast the same old fare of Cartoon Network-style foreign animations with limited educational value or local cultural resonance.

3. School children to theaters: Siddiq Barmak pointed out the Tajikistan example, where the government has a monthly allocation for public schools to send their students to see films/plays. This could be introduced on a pilot project in Afghanistan, as part of the Family Theater Project.

4. Film/arts education in schools: Barmak and others also put forward a proposal to the Ministry of Education in 2002 to create a curriculum for art/music/cinema in public schools. The government, though initially interested, backed down under pressure from Islamist groups. At the extra-curricular level, the idea of bringing films to schools could be reintroduced as a ‘pilot’ project to a limited number of schools through something like the SACCF ‘Film Club’ project (in conjunction with a local partner such as Asia Foundation or UNICEF), whereby students are encouraged to take their own initiative to screen and study films.

1. **Interview Sources**

Much of the information in this report is based on a series of interviews conducted during our October 2014 study tour, supplemented by written documentation and online research. Our in-country coordinator was Latif Ahmadi, former President of Afghan Film and a founding member of SACCF. With a long career both in government and as a commercial filmmaker, Latif was able to connect us with government agencies as well as leading commercial and independent producers/directors. In addition, we had our own set of contacts, particularly in the development sector, which plays a major role in the media sector in Afghanistan. The individuals we met during our research tour (in order of meeting) were as follows:

1. Sayed Habibullah – Programme Officer, Communication & Information, UNESCO; Sayed overseas a project working with Educational Radio and TV
2. Roya Sadat & Aziz Dalder – President & General Manager respectively, Roya Film House, an independent production house producing TV serials, documentaries and shorts
3. Siddik Barmak – leading independent Afghan director (of “Osama”) and advocate for younger independents (many were also at the meeting)
4. David Mason & Berit Muhlhausen – Co-Directors, Mobile Mini Children’s Circus (MMCC)
5. Eng. Safiullah Zeer – General Director, Education Radio & TV (ERTV), a state channel devoted to educational & children’s programming
6. Afghan Film – Government filmmaking organization; met with group of officials including current President
7. Jawanshir Haidary – President, Filmmakers Union of Afghanistan
8. Najla Ayubi – Deputy Country Representative, Asia Foundation
9. UNICEF – Communications Officer for Afghanistan
10. Selim Shahin – Afghanistan’s leading commercial filmmaker

**State of the Film Industry and Children’s Cinema in Bangladesh**

By Catherine Masud

1. **Executive Summary**

Bangladesh is one of the larger film producing countries of the region, but like other South Asian countries, has witnessed a pattern of protracted decline, with recent attempts at revival. Based on our research work, the major points of our findings are as follows:

1. **Industry Decline**

The decline of the industry, dating from the late 1970s, is primarily due to the

following factors:

1. Excessive taxation at point of delivery (exhibition).
2. Excessive import duties on equipment and raw materials.
3. Lack of profit incentive to commercial producers who enjoyed production subsidies and lax repayment schedules for services rendered at government run facilities.
4. Bureaucratic mismanagement and corruption at government-run commercial industry hub FDC, leading to fall in standard of production and manpower.
5. Lack of national-level training institute to develop technicians and creative talent.
6. Over protection of the industry from Indian competition, which has deprived exhibition sector of badly needed earnings, and the government of revenue that could have been reinvested in the local industry as in other countries.
7. Lack of incentives to develop modern multiplex-style theatres and upgrade old theatres, which has been a central factor in the revival of the Indian industry.
8. A lag in digital to 35mm conversion of projection technology.
9. An outdated and restrictive Censorship policy, which has discouraged producers and impeded distribution.
10. Lack of quality local laboratory and other post production facilities.
11. Lack of a central coordinating body, like NFDC in India or Afghan Film in Afghanistan.

**b. Industry Advantages**

Despite this decline, the industry has several advantages in its favor:

1. Since the 1970s (with a few hiatuses), the Bangladesh government has been proactive in offering a series of annual National Film Grants. This has spurred the growth of the independent film sector.
2. The Bangladesh Government also offers National Film Awards, like India, to incentivize quality in the industry.
3. The Industry has established trade associations, such as the Producers’ Association and the Exhibitors’ Association, that can act as platforms for furthering industry agendas.
4. Since the 1970s (with some hiatuses), the Government has also held a national level Film Festival. In addition, several other film festivals (including a Children’s Film Festival) have been running on a regular basis.
5. Unlike Pakistan, Nepal and Sri Lanka, Bangladesh has a strong tradition of activism and coordination amongst independent filmmakers. This tradition had its early origin in the film society movement and later took organizational form in the Short Film Forum founded in the mid-1980s. One of the most interesting practices to have been developed through this activism is the tradition of parallel distribution, which is unparalleled in South Asia. This tradition can be advantageous not only for independents in general, but more specifically for the distribution of children’s films.
6. A sizeable and largely homogenous population, lacking any strong socio-religious stigma against cinema (unlike Pakistan or Afghanistan).

**c. Recent Reforms**

Against this backdrop, a number of critical reforms have been introduced within the past 4 years by the Bangladesh Government in a effort to save the industry:

1. Declaration of film as an industry (like India in 1998)
2. Elimination of entertainment tax (except 15% VAT)
3. Introduction of 7-year tax holiday for new theatres/refurbished halls
4. Reduction of import duties on cinema equipment (production & exhibition)
5. Reduction of utility tariffs for cinema halls (with special evening rates)
6. Establishment of national level government-run Film Institute
7. Lifting on ban of exhibition of Indian Films, to boost exhibition sector
8. Expansion of National Film Grants to include shorts, as well as specific allocations for children’s films
9. Establishment of permanent housing for National Film Archives with large exhibition spaces appropriate for national film events
10. **Overview**
11. **Historical Background**

Cinema has a long tradition in Bangladesh, with the first recorded screening of early silent shorts in 1898. In 1913 the first theatre, the “New Picture House” was built in Dhak. In 1928, the family of the Nawab of Dhaka produced the first short film of East Bengal, *The Good Girl*. In 1931 the newly formed Dhaka East Bengal Cinematograph Society, founded by the Nawab and his family, released their first feature film *The Last Kiss*.

Significantly, to raise money for wartime expenditures, during WWII the British rulers of pre-partition India had introduced an exorbitant wartime tax in the early1940s. This entertainment tax persisted in India, Bangladesh and Pakistan up until quite recently, as it provided an easy source of revenue, similar to other ‘sin’ taxes on cigarettes and alcohol. The tax, ranging from 65% to as high as 150%, has been credited with creating much of the havoc in the industry in these three countries.

In spite of the burden of taxation, the production of films continued to increase over the next decade, and at the time of Partition in 1947 there were roughly 80 halls in the part of Bengal that became East Pakistan (later Bangladesh). The first full length Bengali-language film to be produced in East Pakistan was *Mukh of Mukosh* in 1956. In 1957 the EPFDC (East Pakistan Film Development Corporation) was established as the base of the commercial industry. The FDC had its own studio space and equipment, and through this organization 20-35 films were produced annually during the 1960s. During this time the Dhaka industry (“Dhallywood”) had to compete with Hollywood, Lollywood (Lahore-based industry) and Bollywood, and yet it continued to thrive. In 1965, the distribution of Indian films in East Pakistan was disrupted due to the Indo-Pakistan War. An embargo on the distribution of Indian films was declared by the Pakistan government, which persisted for over four decades. One of the leading filmmakers of the 1960s was Zahir Raihan, whose *Jibon Theke Niya* (1969) broke box office records, while angering the Pakistani authorities for its subversive nationalist narrative.

Independence in 1971 ushered in a new era for Bangladesh cinema. In the interests of protecting the local industry, the new nationalist government extended the embargo on Indian films even though Bangladesh was no longer part of Pakistan. A national film grant was introduced in the 1970s that enabled many new Bangladeshi filmmakers, many returning from technical training at India’s renowned Pune Film Institute, to make their first feature films. Among these were the acclaimed *Surjo Dighal Bari* (1979) by Mashiuddin Shaker and Sheikh Niamat Ali, and Bangladesh’s first children’s film *Emiler Goenda Bahini* (1980) made by Badal Rahman.

In the 1980s the industry continued to flourish with some notable commercial successes, producing on average 80-100 films per year. But by the end of the decade and into the 1990s the industry began to decline. This was largely due to the internal structural issues earlier mentioned, although home entertainment alternatives such as VCRs and satellite television also contributed. Cinema halls began closing around the country, and by the beginning of the 21st century the number of halls had reduced to under 500, from a peak of over 1500 during the 1970s. The family-based, middle class audiences that had been the sales backbone of the exhibition sector since the 1960s began to abandon the halls. The bulk of the audiences, to the extent that they still came, were largely male and underclass. In a desperate bid to raise ticket sales, ‘cut piece’ films began appearing in the theatres. These were mainstream films, earlier passed by the Censor Board for release, which had pornographic ‘cut pieces’ spliced into them illegally. However, even these measures could do little to halt the inevitable decline of the industry; rather, they were symptomatic of its impending death.

Side by side with this crisis in the commercial industry, independent filmmakers were become active through organizations such as the Short Film Forum, founded in 1986. These young makers rejected studio-based production and financing, instead choosing to make self-financed or independently-financed films, often in 16mm, for distribution through parallel networks such as schools and municipal auditoriums. The first short and documentary film festival of the sub-continent was launched in Dhaka in 1988 under the auspices of the Forum, and the huge crowds of students and families the Festival attracted proved that middle class audiences were hungry for quality cinema.

Out of the independent filmmakers’ movement several makers emerged as promising young directors. A trio of filmmakers – Morshedul Islam, Tanvir Mukammel, and Tareque Masud – were the first to make their mark as notable talents. Morshedul Islam’s first short film *Agami* won the Silver Peacock at the Indian Film Festival in 1984. Islam went on to make a number of shorts and features, including the internationally award-winning *Chaka* (The Wheel, 1993). He also stands apart as the major children’s filmmaker in Bangladesh, having produced such notable children’s films as *Dipu Number Two* (1996) and *Amar Bondhu Rashed* (My Friend Rashed, 2011). Tanvir Mokammel was also active early on, having burst into the independent film scene with his short *Hooliya* (1984). Like Islam, Mokammel also went on to make several features, most notably *Chitra Nadir Parey* (On the Banks of the River Chitra, 1999). Like Islam, many of Mokammel’s films were released in those mainstream theatres catering to urban, middle class audiences. Tareque Masud’s started his career as a documentarian, with his film *Adam Surat* (The Inner Strength, 1989) on the painter S.M. Sultan. His *Muktir Gaan* (Song of Freedom, 1995) was a watershed film, breaking boundaries as the first documentary to be released in commercial theatres, and drawing record audiences. With *Matir Moina* (The Clay Bird, 2002), Masud brought Bangladesh’s cinema to global attention; the film won the Critics’ Prize at the Cannes Film Festival and became Bangladesh’s first official entry in the Oscar Competition. Although many of Masud’s films were released in commercial theatres, he maintained the tradition of parallel independent distribution, often taking his films on the road to show them directly to audiences in towns and villages throughout the country.

So by the early years of the 21st Century, it seemed that Bangladesh’s independent film industry had become ‘mainstreamed’, while the so-called mainstream industry had become marginalized. Channel I, one of the major private satellite channels, stepped in to capitalize on this new trend of independent cinema, opening a separate division and producing a string of films for theatrical release. Due to the limited number of halls catering to middle class audiences however, the main revenue earner for these ‘Channel I’ films was the TV premiere, heavily sponsored by advertisers whose ads often took up more broadcast time than the film itself.

Also with the turn of the century a new crop of young independent makers appeared, trained through the TV serial drama mill, who were more geared toward commercial formulas than their Short Film Forum forebears. Notable among them were Mostofa Sarwar Farooki who has had a string of successful features including *Third Person Singular Number* (2009)and *Ant Story* (2013), and Giashuddin Selim, whose romantic drama *Monpura* (2007) broke box office records.

1. **Contemporary Context**
2. Production

By the second decade of the 2000s, the decline in the industry had reached its lowest point. According to latest figures, announced at a high level Information Ministry meeting in 2012, the gross receipts figure on ticket sales for the previous year was only 7 crore taka (seventy million taka), down from over 60 crore twenty years previously. Only 30-40 feature films were being shot every year, many of them crudely produced low-end digital format productions that were later transferred to 35mm for distribution in Bangladesh’s aging network of halls. The average budget for such films hovered around 60 lakhs to 1 crore, far reduced from the higher budgets of star-studded features from a decade earlier. Commercial films produced through the FDC were financed largely with ‘black money’ (capital amassed through illegal means), and the overwhelming majority of these films were flops. One actor, Sakib Khan, seemed to be keeping the industry afloat with his charismatic presence, but even hall owners and fans were beginning to tire of his repetitive appearance in almost every single commercial film. Impress Telefilm, Channel I’s production wing, was still producing on average 5-10 films per year, and some of these films did better at the box office. Nasiruddin Youssuf’s *Guerrilla* (2011) was one such hit, which ran for four months to packed houses in Dhaka’s lone multiplex Star Cineplex. However, it was becoming increasingly clear that isolated hits would not salvage the flagging industry as more halls continued to close and production continued to decline.

2. Distribution/Exhibition

In 2007 the country’s first multiplex theatre, Star Cineplex, was established at the premiere Bashundhara Mall in Dhaka. The complex boasted three halls with state of the art 35mm projection systems and Dolby surround sound, and the latest Hollywood films were released in its theaters. The shopping mall/multiplex model was a new one for Bangladesh, although it had begun to take off a decade earlier in India, where a thriving network of modern multiplexes has driven the revival of the industry. However, the owners of Star Cineplex had an uphill battle; in spite of much higher ticket prices (on average Tk. 300 as opposed to Tk. 60 in other Dhaka halls), high entertainment taxes (in excess of 100%), exorbitant import duties of 100% on equipment, upfront payments for Hollywood print rentals, and premium mall rental rates meant that it would be years before they began to turn a profit. However, it was an important beginning. In 2014, taking advantage of a dramatic reduction in import duties, Star Cineplex expanded with the country’s first DCI-compliant digital cinema, and now it was possible to release the latest Hollywood and Bollywood films in the established DCP formats rather than the outmoded 35mm.

The reforms to the industry introduced in 2012-13 helped to spur the growth of multiplexes, and by 2014 three additional multiplexes had been established, two in Dhaka and one at the satellite town of Savar. As of 2015 many more were in the development stage.

Meanwhile pressure was building for the country’s aging network of traditional theaters to upgrade their facilities and make the shift from 35mm to digital projection. In 2013 a group of commercial producers banded together to form the distribution firm Jazz Multimedia, under whose banner over 30 halls were equipped with multimedia projection systems for digital format releases. Given the substandard technical specifications of the systems provided, which primarily used DVDs for projection in combination with low-end projectors, this was hardly a long term solution. However, it did for the time being reduce distribution expenses for many producers, who no longer had to convert their digital format films to 35mm and create expensive release prints.

As with the case of Pakistan, there has been a growing pressure from exhibitors to allow a loosening of restrictions on the release of Indian films. The logic of their argument is that in any case Indian films are being distributed throughout the country via Indian satellite channels, the internet, and pirated CDs/DVDs. Often pirate shops can be seen operating just outside theatres, selling copies of films which the theatres are not permitted to release. As part of the new reforms, the 1965 Embargo has been officially lifted and a limited number of Indian films are allowed release in Bangladesh. This measure met with stiff resistance from many producers, who felt threatened by the competition. However, the overwhelming demand for new content to stem the flood of hall closures eventually swung the debate in the favor of the exhibitors.

It is important to note that parallel distribution and exhibition continues to be a viable option and practice in Bangladesh, building on the tradition of the Short Film Movement. Many filmmakers such as Tareque Masud and Nasir Uddin Youssef have used this network of university and school auditoriums, municipal halls and other government venues (such as Shilpakala Academy and Shishu Academy theaters) as a means of distributing their films outside of commercial networks. The advantage of this practice is that filmmakers can circumvent the high entertainment taxes of commercial halls, and also have more direct control over publicity and monitoring of gross receipts. However, it also arguably takes away valuable time that could otherwise be spent on making films.

3. Censorship

The Bangladesh Censor Board has always been a dominant institution in the industry. It operates under the Censorship of Films Act (1963), the Bangladesh Censorship of Films Rules (1977), and the Code of Censorship of Films in Bangladesh (1985). While the first two were primarily concerned with rules and procedures, the 1985 Code dramatically expanded the terms under which a film would be considered to be ‘unsuitable for public exhibition’. These term of censorship included: (1) Perceived threats to security and law and order; (2) Content deemed harmful to Bangladesh’s international relations with other states or to Bangladesh’s ‘national image’; (3) Content deemed harmful to religious sentiment or inciting religious/sectarian hatred; (4) Immoral or obscene content; (5) ‘Bestiality’ which displays cruelty to animals or other content deemed to be too ‘horrific’ for spectators to view; (6) Content deemed to portray criminal acts in a sympathetic light or to denigrate the role of law enforcers; and (7) Plagiarized content reproduced without legal authority. The expanded powers of censorship laid out under these terms gave the Censor Board virtually unlimited authority to stop films from being released or to curtail their content as per the whims of the Government. Tanvir Mokammel’s *Karnaphulir Kanna* (2005) and Tareque Masud’s *Matir Moina* (2002) are examples of recent films that have been banned under these draconian censorship guidelines.

4. Children’s Cinema

Bangladesh is relatively well off as far as government support for children’s cinema is concerned, largely due to the active lobbying efforts of filmmakers such as Badal Rahman and Morshedul Islam. Currently out of an average of 6 films annually awarded the National Film Grant, 1 is earmarked for children’s cinema. In addition, a new grant for short films has been introduced, with funding for 8-10 films per year, out of which 2 are earmarked for children’s genres. Badal Rahman’s *Emiler Goenda Bahini* (1980) and Morshedul Islam’s *Dipu Number Two* (1996) and *Amar Bondhu Rashed* (2011) were made with support from government grants. In addition, the government-run Shishu Academy (Children’s Academy) has on occasion played the role of producer for children’s films such as Morshedul Islam’s *Shorot ’71* (2000).

The Children’s Film Society (CFS), a privately-run initiative, has been very active in involving children in film education, activism, and production. CFS holds an annual film festival which has also been quite successful, although support from government sources and private sponsors has been uneven.

5. Broadcast Industry

There are 3 state-owned broadcasters and over 35 private satellite broadcasters currently operating in Bangladesh. BTV, established in 1964 (originally founded as Pakistan Television), is the primary state channel. Additional state-owned channels are BTV World and Sansad Television (live telecasts of Parliamentary assemblies).

The first private satellite channel, ATN Bangla, was founded in 1997 as per new government regulations allowing for private broadcasters to operate. In 1999 Ekushey Television became the first privately-owned terrestrial broadcaster in the country. This was a first not only for Bangladesh but for South Asia as a whole, where private channels have been generally restricted to satellite-based transmission. Ekushey rapidly established itself as a premiere network in the region with original, high-quality programming. However, in 2002 Ekushey was shut down by the newly elected government, ostensibly on grounds of an illegal license although it was widely believed to be a political move. Since then, the number of privately-owned channels has continued to increase although without terrestrial license (even Ekushey eventually returned, but only as a satellite channel).

**III. Challenges**

Due to the recent reform measures mentioned above, many of the challenges facing the industry have been addressed, although it is too early to gauge the extent to which the new reforms will be properly implemented or measure their impact. Still many of the essential challenges and problems persist, listed as follows.

**a. Production**

1. Lack of institutional financing: Despite the declaration of film as an ‘Industry’ in 2012, institutional financers (banks) have been slow to come forward. This is in contrast with the situation in India, where many banks have made loans available to the industry as it flourished after the industry declaration was introduced in 1998. However, the overall situation in Bangladesh is considerably more inhospitable to institutional investors due to political instability, unchecked corruption, and lack of oversight mechanisms for loan recovery.

2. Facilities: The situation for facilities has dramatically improved in the past five years with the introduction of high-end digital cameras to replace the older 35mm formats; however there are limited facilities for quality post-production (particularly special effects, sound mixing and color correction), and there are no facilities capable of creating masters in international standard DCP formats.

3. Technical Training: Although the government’s establishment in 2014 of a national-level Film and Television Institute should be commended, the institute has yet to take proper form. It is currently housed temporarily at the offices of the Institute of Mass Communication, and has limited equipment and no studio space.

4. Role of FDC: Unlike its counterparts in India and Sri Lanka, Bangladesh’s FDC has a limited role as the organ of the commercial industry. A major challenge to the industry in this phase of transition under the new reforms is a central coordinating body to oversee their implementation. In addition, FDC could play a more active role as a producer/distributor for independents, much like the NFDC in India. Instead Government grants are issued directly by the Ministry of Information, which is a functional substitute but has little institutional continuity when governments change power.

5. Co-Productions: Despite a provision for co-productions with India, which has been often utilized, these co-productions are generally initiated from the Indian side due to the greater coordinating capacity of the NFDC and private producers. On the Bangladesh side there is no strong central coordinating authority to play this role, again due to the weak functioning of FDC.

**b. Distribution/Exhibition**

1. Digital projection conversion – The greatest technical challenge to the industry continues to be the changeover to digital projection technology from the outmoded 35mm systems. In 2014 a governmental-appointed committee was constituted (with the writer as a member) to research and propose a set of guidelines for an industry-wide initiative to upgrade the theatres.

2. Lack of transparency in collection of gross receipts – Another major stumbling block to the revival of the industry is the lack of any transparency in the process of tracking gross receipts. Unlike modern multiplexes, which come equipped with Digital Ticketing Systems (DTS), older theatres are supposed to track box office receipts manually, a system which is largely abused. Producers and distributors often hire human ‘counters’, but this is also an expensive and burdensome system to maintain.

3. Minimum Guarantee system – Related to the above point is the Minimum Guarantee (MG) system, according to which many halls, particularly those outside Dhaka, are required to pay a fixed sum upfront in order to receive a print of a new film. MGs are required by distributors and producers because of the difficulty of recovering money from gross receipts, but this system also places a heavy burden on strapped theatres as the amounts required can be quite high for a hit film. Thus district-level theatres often resort to running old films, which don’t attract audiences and thus make running theatres less viable.

4. Censorship – This continues to be an issue although discussions are underway as part of the reforms process to reframe the Censor Board as a Ratings Body as in the US, Australia, the UK and elsewhere.

5. Television Broadcast – Although private channels have consistently bought successful films for broadcast, BTV only occasionally does so and there is no written mandate to purchase nationally or internationally award-winning films, unlike India where Doordarshan is required to do so.

6. Copyright enforcement – This remains a major issue, as sections of popular films are routinely copied and shamelessly reused in other productions. Also digital uploads to internet streaming sites are rampant.

**c. Children’s TV Content**

Unlike state support for children’s cinema, there is little in the way of state

support for children’s television content. State channel BTV has a mandate for 1 hour of children’s content daily, most of which is allocated for poorly produced game shows and talent contests. A USAID-funded project to produce a local series based on Sesame Street (part of a global initiative) resulted in several seasons of *Sisimpur* content development and broadcast, but the international funding ended in 2012 and there has been no effort to continue the production with state or private support. Meanwhile private channels, aside from Ekushey TV in its terrestrial manifestation, have done next to nothing to develop children’s content, as there is little interest from advertisers.

**IV. Recommendations**

In June of 2012 a list of suggested reforms to the industry was submitted to the Finance Minister by a committee comprised of leading independent and commercial directors, producers and exhibitors. This list is included in Appendix A of this report. Many of the recommendations included in the list were subsequently implemented; the Industry Declaration had just been published one month before (See Appendix B). However, in this phase of transition, many problems remain at the level of implementation, and many issues are still unresolved. The following is an outline of the major recommendations for further reform in various sectors of the industry.

**a. Production**

1. Establish Lines of Credit – Given the importance of establishing a link between institutional finance institutions and the struggling film industry, a mechanism needs to be developed whereby banks are incentivized to extend lines of credit. Bangladesh may adopt the Hong Kong model of a Film Guarantee Fund (Haque et al, p. 81) that would assist producers in obtaining loans from participating lending institutions and would provide collateral where necessary to reassure jittery banks. The Bangladesh Bank could also play a role by creating a policy objecting whereby all banks registered in Bangladesh must devote a certain percentage of their loans towards cultural activities including film.

2. Film City – The establishment of a Film City outside of metropolitan Dhaka has been long talked about in industry circles as a necessary development for revamping and revitalizing the film sector. The Film City would have complete production and post production facilities including shooting floors, outdoor locations, sound stages, mixing studios and visual effects facilities. The FDC has limited space and the infrastructure is so outmoded and dilapidated that the physical plant would need to be completely reconstructed to ensure proper modernization. With the passing of the Film Institute Act in 2014, the idea now afloat is to incorporate the campus of the Institute into the plan for the Film City.

3. FDC - With the major infrastructure of the commercial industry shifted to the new Film City, the FDC could be transformed into more of an oversight and regulatory body for the industry, much like the NFDC in India or the NFC in Sri Lanka. It could also be mandated to play a more active role in promoting independents, taking over the role currently administered directly from the Information Ministry.

4. Establishment of ‘One Window’ Foreign Productions Bureau – Rather than the current system of complicated permissions and regulations, a single bureau, perhaps under a revamped FDC, could be created to facilitate a straightforward approval process for foreign productions and co-productions. For this purpose Bangladesh can look to the examples of countries such as Morocco and the UAE, which have facilitated international teams and joint productions.

**b. Distribution**

1. Censor Board to Certification Board – Reconstitute the Censor Board as a Ratings Body, removing many of the vague and draconian restrictions imposed in the 1985 Censor Code. Of course it may be prudent to keep some leeway for content restriction given the political instability of a country like Bangladesh, but it must be very specific and involve proper checks and balances. But the primary function of the Board would be to establish a specific set of ratings such as U, PG, PG 13 etc that is relevant in the Bangladesh context.

2. BTV – As the main state channel, BTV should play a more active role in promoting dissemination through broadcast of quality cinema. As in India, BTV should be required to broadcast major award winning films, and a reasonable price system should be fixed for purchase of broadcast rights of features, documentaries and shorts.

3. Intellectual Property Protection – Although IP (intellectual property) laws are on the books, these need to be more stringently enforced. Again a central regulatory body like the FDC can play a monitoring role (perhaps through a designated wing or IP Bureau), coordinating with law enforcement agencies where necessary.

4. Distributors’ Association – Unlike the Producers’ Association and Exhibitors’ Association, which a both relatively active, the Distributors’ Association has become a largely defunct body in recent years as the role of the distributor in a shrinking hall network has diminished. This body needs to be reconstituted and activated.

**c. Exhibition**

In November of 2014, a package of recommendations was submitted by the appointed committee for the upgrading of the nation’s cinema halls and establishment of new multiplexes. These recommendations have yet to be implemented and include the main following points:

1. D-Cinema/E-Cinema – The recommendations laid out a specific set of technical requirements with budget ranges for both DCI compliant D-Cinema and HD grade E-Cinema to be installed in theatres as part of an industry overhaul project to be partly financed by the government. As in India and Nepal, this digital projection infrastructure also has the potential to be linked via satellite to global distribution channels for simultaneous release of Hollywood and Bollywood blockbusters. In additional horizontal linkages between theatres can be easily established through fiber optic or other networks so that films can be streamed simultaneously in several theatres at once without having to send out prints/DCPs.
2. DTS (Digital Ticketing System) – An essential cornerstone of any exhibition reform program, DTS will ensure transparency throughout the industry as the revenue chain is backwardly linked from the point of ticket purchase and the division of gross receipts. With DTS, the Minimum Guarantee system which has been so burdensome to smaller halls will no longer be required by distributors and producers, who will have a clear assurance of share recovery from the box office. DTS systems can be linked electronically so that they are centrally monitored and updated on a minute-to-minute basis.
3. Hall refurbishment – This is also a critical part of the package of proposed reforms because not only the technology but the ambience of the halls must be upgraded to make the environment amenable for students and families, and middle class audiences in general. New seating, air conditioning, proper bathroom facilities, food courts/restaurants, can all be part of an integrated refurbishment plan.

In addition to the above, there are some other pertinent points for Exhibition:

1. Bank financing – For the above plan to be effectively implemented, banks must be brought into the picture to help finance the new theatres/old theatre renovations. Many theatres have the advantage of real estate value, which can be used as collateral for soft loans.
2. New shopping complexes – Introduce a building requirement for new shopping complexes of a certain size to include a multiplex in their construction plan. Also if old halls are closed to make way for new commercial development, this development must include a multiplex.
3. Amenity Plots – The idea of amenity plots has been introduced in India, Iran and other countries as a way of facilitating the construction of new theatres, given the high premium on urban real estate. These plots will be earmarked for theatres in towns of a population of half a million or more, at subsidized rates for long term lease.
4. National Film Theatre – While the other allied arts including Theatre and Fine Arts have dedicated performance and exhibition centers, film still lacks even a minimum venue at the national level. A dedicated National Film Theatre would become a center for showcasing artistic films, holding national film festivals and awards ceremonies, and hosting international film-related events. The currently under-construction National Film Archive Complex has three theatres of varying sizes incorporated in its plan; it is to be hoped that these will be utilized to provide just such a function.

**d. Children’s Cinema/TV Content**

1. Children’s Film Festival – This should be fully patronized by the government instead of having to function year to year on an uncertain budget pulled together from a patchwork of sponsors. The facilities of the National Film Center (in the Archives Complex) can be dedicated for this event.

2. Child audiences for theatres – Introduce a requirement for all children in public schools to attend a fixed number of cinema hall screenings per year (such as in China) of films of artistic merit/educational relevance. This would benefit the industry by increasing sales in the short term and building a youth audience of future regular patrons over the long term. It will also encourage financers/makers to produce more films of relevance to young audiences.

3. Alternative/School Distribution for Children’s Films – Building on the already well-established practice of independent filmmakers in Bangladesh, the mechanisms for alternative distribution (often spearheaded by the filmmakers themselves) can be strengthened by formalizing channels for school screenings, such as a requirement that all government-registered schools hold a certain number of film screenings per year. Furthermore, government entities such as Shishu Academy can introduce a mandate to use their network of halls around the country to screen children’s films according to a pre-designated plan and schedule.

4. Tax breaks for Children’s Films – Introduce a special package of tax incentives/breaks for films that have received censor certification as children’s films (as per the updated rating system see above). Exemption from VAT at all phases of production/distribution/exhibition for example.

5. Establishment of dedicated channel for children’s content. This channel might be under the PTV consortium, or it could be managed by a public-private partnership, but there should be some government involvement or content will revert to the standard non-educational, culturally inappropriate fare supplied to most satellite children’s channels.

6. A government project such as an Educational Fund should be established for the creation of locally appropriate children’s content. This content then could be fed into the regular programming stream of the children’s channel. The Educational Fund could partner with UNICEF, foreign governments and international animation houses to create educational series on various topics for use in schools as well as for TV broadcast.

**Interview Sources:**

1. Harun-Ur-Rashid – Joint Secretary, Film, Ministry of Information
2. Jahangir Hossain – Curator, National Film Archives
3. Nasir Uddin Yousuff – Senior Independent Filmmaker
4. Morshedul Islam – Independent Filmmaker
5. Junaid Halim – Film Educator and Technician
6. Sajjad Zahir – Head of Post-Production, FDC
7. Habib Khan – Commercial Producer
8. Mostafa Munwar – Puppeteer, First DG of BTV

**APPENDIX A**

**Suggested Guidelines for Film Sector Reform**

A package of proposals for reform of the cinema hall sector could be as follows:

**1. Tax holiday of at least seven years for new multiplexes with modern equipment, facilities and ticketing system.**

**2. Tax holiday of at least five years for renovation of existing halls (must include specified upgrades of projection & sound equip, and facilities improvement).**

**3. Introduction of zoning restrictions for shopping complexes: complexes above a certain size must include one multiplex cinema. In cases where site of old cinema being converted to shopping complex, inclusion of multiplex in plan will be required for approval.**

**4. Requirements should be set for qualification for the Cinema Hall for Tax Holiday including (if not followed tax concession will be withheld):**

**a. Standard seating, A/C, food concession, toilet and other facilities should meet certain specifications for audience comfort**

**b. All existing halls should be required to upgrade 35 projection equipment according to certain standards. Multiplexes should have both 35mm and digital projection facilities. Digital projection systems must follow international standard configuration for DCP-based 2K Projection.**

**c. All existing halls making upgrades and new theatres/multiplexes must install new audio systems with configuration for both stereo and Dolby surround sound.**

**d. Multiplexes should have at least three (3) screens.**

**e. For the major metro areas the minimum Multiplex total seating capacity (all screens combined) should be 1000 and for smaller metro areas and rural areas 800.**

**f. Electronic Cash Register (ECR) system in all halls for ticket sales.**

**5. Entertainment tax on hall tickets**

**a. Entertainment tax should be decreased to an overall ceiling, such as 20% for national cinema, 40% for foreign films (in order to promote national cinema), aside from those halls granted tax holiday for new establishment/upgrade of existing facilities.**

**b. The reduction of entertainment tax and other establishment taxes should benefit the producer, hall owners and other related parties, as well as the audience, through re-apportionment of share money as well as overall reduction in ticket price.**

**6. Specially reduced land/facilities/electricity tax rates for cinema halls to encourage preservation of existing halls and establishment of new ones (needs specification through involvement of concerned government bodies)**

**7. Tax concessions on import of projection and sound system equipment to be specified (as per new Industry policy)**

**8. Simplification of licensing and permits for new halls to speed establishment. Additional incentives for halls outside Dhaka metro area to encourage cinema hall networks in smaller cities and towns.**

**9. Censorship: simplification of censorship procedures, transform Censor Board into Certification Board based on rating system**

Suggested policy guidelines for production sector of film industry:

1. **Bank Loan should be provided according to the Industrial Policy 2010**
2. **Tax reduction/holiday to import raw materials, equipment and related machinery.**
3. **Suggested guidelines for the annual Government grant:**
	1. **A non-biased committee should be formed combined with Government officials and individuals from related fields.**
	2. **Govt. will provide annually grant for six (6) films and directly produce six (6) films.**
	3. **Short films should also receive similar facilities as feature films**
	4. **Grants should be provided to the Director, not Producer**
	5. **Applicants should provide full script along with Production and Financing Plan**
	6. **One Documentary, one children’s film, four (4) feature films (Among this 4 two (2) should be given to a debut filmmaker)**
	7. **Debut filmmaker should submit at least five (5) minutes of his/her own work to the committee to apply for the grant**
	8. **Bangladesh Television (BTV) could be associated to encourage the filmmakers by allocating prime time for government facilitated films.**
4. **The Bangladesh FDC, along the lines of India’s NFDC, should be empowered to directly produce and distribute films to encourage artistic development of the Film Industry.**
5. **Out of the new 60 crore govt. allocation for facilities upgrade to FDC, 25 percent (15 crore) should be spent to provide digital facilities including:**
	1. **Telecine (both film-video and video-film)**
	2. **Digital Intermediate (DI) suite**
	3. **DCP format mastering system for 2K-standard digital exhibition**

**Dated: 20 June 2012**

Filmmakers in Film Policy Guidelines Committee:

1. Catherine Masud

2. Nasir Uddin Yousuff Bachchu

3. Morshedul Islam

4. Hassin Manjare Murad

5. Sarwar Farooki

6. Golam Rabbani Biplob

**APPENDIX B**

**The Government of the People’s Republic of Bangladesh**

**National Film Industry Declaration**

Dated: 18 May 2012

**Background**

* 1957 April 3, Bangabondhu Sheikh Mujibur Rahman (then Provincial Minister of Industry and Commerce of East Pakistan) proposed The East Pakistan Fill Development Corporation Bill, 1957 at then parliament of East Pakistan. After that BFDC was established to promote Bangladeshi Cinema.

**Benefits for the future:**

• In character with the spirit of the 50th anniversary of independence, the government has adopted a strategy for overall economic development that will, by 2021, witness the creation of a strong industrial sector in which the percentage of GDP with industrial origin will grow from the present 28% to 40%, and where the proportion of the labour force employed will rise from the present 16% to 25%. What is needed above all for this to happen is that there has to be a continuous development of human resources, especially where it concerns manufacturing and energy security. The government will remain steadfast in taking environmentally-friendly and technologically-modern initiatives aiming at accelerating the growth of all important industrial sectors such as energy and fuel, agriculture and forestry, acquiring and processing of minerals, tourism and hospitality, construction, information and communications technology by mobilizing capital and manpower. Necessary reforms of all banks and public financial institutions will be carried out expeditiously, preparatory to meeting industries’ prevailing demand for long-term finance.

* Existing regime of industrial finance including such schemes as the Equity and Entrepreneurship Fund (EEF) will be reorganized and strengthened with provisions to meet working capital needs of the borrowers. A financial institution will not be allowed to participate in any new project investment unless the package included a binding provision offering accommodation of the working capital needs of the borrower. If the entrepreneur did assure the financing institution that the roll-out of the enterprise would not suffer due to the non-availability of working capital loan, such a loan proposal could be entertained.
* The Government will encourage the private sector to set up and operate venture capital funds. A deep and broad growing pool of venture-capital can throw life-lines at emerging and prospective firms, and can support firms with innovative technologies.
* Development of small, medium, micro, cottage and IT industries, including It enabled services, will be two cornerstones of government’s industrialization strategy. The achievement of this objective will be the organising principle governing the implementation of the Small and Medium Enterprise (SME) policy announced by the government. A comprehensive approach to the development of this sector will be adopted which will entail wide-ranging fiscal incentives, preferential access to finance, favourable trade policy, provisioning of land and site services, and the facilitation of technological and marketing support.
* The prevailing legal framework related to intellectual property rights will be revamped for nurturing industrial research and development, and ventures that intensively demand the husbanding of talent. As well, all reasonable assistance and encouragement will be accorded to such industries.
* Government will provide incentives to the banking sector to proactively exert itself in helping avert the fate of bankruptcy or acute financial distress by firms.

**Investment Incentive:** **Terms of the National Industrial Policy 2010**

* To ensure fair development there will be division of regions for tax-holiday against imported machineries including a list of developed and undeveloped areas and there will be an incentive package accordingly.
* Considering the development needs of local industries, Government has introduced a four-tier Custom Duty structure. Similar steps would be followed by the government while devising tax and excise laws in future.
* Duties and taxes on import of goods that are produced locally will be higher than those applicable to import of raw materials for producing such goods.
* Incentives for the growth of small, medium and cottage industry,
* Various incentives and financial support will be considered for women entrepreneurs to get themselves established in small, and cottage industries as well as medium enterprises.

 **Benefits Ensured for Now:**

* For everything related to film production, distribution and exhibition including BFDC, Cinema halls, censor board, all the utility bills (Electricity, Water, Sanitary, Gas etc) and tax will be paid according to the Industrial Category instead of Commercial Category.
* Equipment, raw materials, film etc used for filmmaking will get special consideration while importing.
* Banks will provide loans with low interest rate to the film producers and people related to film business.
* Government will provide tax holiday scheme for a definite period of time.

**State of the Film Industry in Bhutan**

Catherine Masud

1. **Overview**

Although a small country in terms of population (< 1million) relative to most of the other nations of South Asia, Bhutan has an active local industry with the following major features:

* Over 25-30 films on average produced per year, of which 1-2 are targeted for international audiences.
* Growing industry: 152 films produced in first decade of 21st century, while over 100 have been produced in last five years alone
* Budgets for commercial films quite low, ranging from $15-50,000
* Current number of theaters stands at 8, 7 of which only show local films. The revamped Lugar Theatre in capital Thimpu screens international cinema.
* The Bhutanese government has taken an active role in promoting the industry, and has commissioned a series of initiatives to evaluate, develop and promote the growth of this sector.
* Bhutan Film Association: local body bringing together film professionals in interest of better coordination and development of industry, established in 2013.
* Bhutan Film Trust: established in 2013 to improve quality of local productions and bring them international exposure.
* In 2015 first draft of National Film Policy completed.
* Broadcast Industry: National Channel BBS, along with 62 private TV channels licensed as of 2013.
1. **Major Challenges to Industry**

A report on the state of the industry commissioned by the Bhutanese Government in 2011 outlined the major challenges to the industry:

1. Lack of skilled professionals: Aside from a few training opportunities offered on an ad hoc basis by foreign donors/agencies, creative talent and technicians have very little professional training. Filmmakers multi-task as producers, scriptwriters, editors, distributors and even exhibitors.
2. Market: The market is still quite small, with only 20% of the population ever having been to a cinema hall, and the number of halls remains quite limited. In terms of international-grade productions, Bhutan has had significant success with breakthrough feature films like *The Cup* (1999), and *Travellers and Magicians* (2003), and documentaries like *School Among Glaciers* (2003), and *86 Centimetres* (2012)*,* but these have been few and far between.
3. Production Facilities: Bhutan lacks any fully equipped film studio with proper shooting floor and state of the art equipment.
4. Quality: Domestic commercial films are made on very low budgets, with low production values following a simple love story format for mass audiences.
5. Distribution: Bhutan lacks any professional distributors; producers themselves take their films around the country out of fear of piracy.
6. Exhibition Infrastructure: Low end projection facilities are usually being used (DVD playback, LCD projectors) in the limited number of halls. Outside of these halls, which are located in the main urban centers, films are shown in municipal halls, schools, and sometimes open air. There are sill too few screens to ensure a wider release and better financial return for investors. Most films have to wait 6 months or longer to premiere in Bhutan’s main theaters in the capital.
7. Ticket Sales: Total ticket sales/year estimated at 510,000 tickets, or .75 ticket per citizen. This is compared to the Netherlands, where on average 1.6 tickets are sold per citizen per year.
8. Piracy: There are no anti-piracy mechanisms in place, and producers are reluctant to share their films on DVD or with the broadcast media. DVDs are easily copied in Nepal/India and retailed through shops in urban centers.
9. Censorship: The censor code remains sufficiently vague that films may be arbitrarily passed or rejected, thus creating uncertainty among producers and inhibiting risk-taking and creative development of content.
10. **Recommendations**

The 2011 Report came out with some specific recommendations for improving the state of the Industry, including the following:

1. Formulate outline for innovation and strengthening of industry through development of a national master plan/film policy. This is now in process as of 2015 (National Film Policy Draft issued)
2. Foster establishment of Bhutan National Film Institute
3. Establish a national Film Fund to train talented film professional and support innovative, high quality productions. This has also been partially achieved through the creational of the Bhutan Film Trust in 2013.
4. Create a National Film Center: A complete and self-financing complex with modern theaters, restaurants, shops, training center, production hall, film studio, film commission department for foreign productions etc. The revamping of the Lugar Theater in 2015 is a first step toward achieving this objective.

In addition to the above the following recommendations might be added:

1. National Film Grant – This could be introduced by the Bhutanese government to spur non-commercial sector to create more original and high quality work.
2. Censorship – the Review Board could be reconstituted as a Ratings Body, with a clear set of guiding principles.
3. Incentives for new theaters – Introduce a Tax Holiday system to encourage investors in modern theaters/multiplexes (as in India and now Bangladesh), along with set of technical guidelines for these theaters.
4. Strengthen Piracy Laws and Enforcement
5. Digital Ticketing System – Increase transparency in the revenue chain, also as a means of attracting investment and encouraging filmmakers/producers
6. **Children’s Cinema in Bhutan**

Although Bhutan has yet to develop a trend of producing content for children either in the film or broadcast sector, the following might be noted as particular points of interest:

1. National Film Policy: It is notable that the Policy Draft mentions the need to develop more genres including children’s films as being a policy objective. This is a hopeful sign that the Bhutanese Government has a specific interest in the development of children’s cinema.
2. International Support: Significantly international donors such as the Netherlands have taken an interest in developing the Bhutanese Film Industry. This interest should also be harnessed to focus on children’s cinema.
3. Local Informal Distribution Networks: Bhutan has a tradition of informal distribution through schools and municipal halls. This practice can also be harnessed for distribution of children’s films in the country.
4. Sources

The following source materials provided information for this report:

1. *Film Industry Bhutan Report,* December 2011
2. *Bhutan Film Trust Report,* September 2013
3. *Bhutan Film Trust Report,* December 2014
4. *Bhutan Infocomm and Media Authority*, Annual Report 2013
5. *Bhutan National Film Policy*, Draft version, 2015
6. *Articles of Association,* Bhutan Film Association, 2013

**State of the Film Industry and Children’s Cinema in Nepal**

Report on September 2014 Study Tour

1. **Executive Summary**

The film industry in Nepal is a fledgling one by the standards of South Asia, and its growth has been impeded by political instability brought on by years of Maoist civil unrest and the unseating of the Royalist government.

The salient features of the industry and children’s cinema in Nepal are summarized as follows:

* A commercial industry dominated by Hindi-language imports from India, supplemented by low-budget local imitations of Bollywood action cinema, largely financed by Nepali migrant workers
* An independent film industry (including children’s films) that derives its main source of funding from the international donor/NGO sector
* A lack of a coherent Film Policy, particularly in terms of guidelines for censorship and co-production
* Very little government support for film, either in the form of grants, subsidies or infrastructural/educational facilities
* However at the exhibition level a higher entertainment tax bracket for foreign/Indian films purportedly helps protect the local industry and raises funds for the government’s Film Development Board
* In recent years the introduction of multiplex-style theaters with digital projection facilities has opened up distribution options, although in large part these theaters are exclusively intended for Bollywood and Hollywood imports.
* A broadcast industry that has no tradition of commissioning new productions or buying finished productions from outside producers. However the State Channel does produce limited children’s programming, although it is of low quality.
* A vibrant film festival scene including regional documentary festival Film South Asia as well as the well-established Kathmandu Mountain Film Festival, which has served to expand urban audiences and functions as a platform for highlighting local as well as international productions. A special emphasis on children’s cinema within this festival framework could also function to enhance the profile of this genre in Nepal.
1. **Overview**

**a. Historical Background**

By the standards of South Asia, Nepal’s industry is a fledgling one, far smaller than its counterpart industries in Pakistan and Bangladesh, not to mention India. The first Nepali-language film was D.B. Pariyar’s ‘Satya Harishchandra’, produced in Kolkata and released in Nepal in 1951. The first Nepali language film to be produced in Nepal itself was ‘Aama’, which was released in 1964. In 1971 the Nepal government established the Royal Nepal Film Development Corporation to spearhead the growth of the industry through government financing and facilities support. ‘Mann Ko Bandh’ (1973) was the first film to be produced by the RNFDC. Under the umbrella of the FDC the quality of films gradually improved and the latter half of the decade saw the production of several hit films including ‘Kumari (1978) and ‘Sindoor’ (1980). In 1980 the mandate of the FDC was expanded to provide support in terms of production financing and facilities rental to private producers. The 1980s thus saw a major growth of the industry in the private sector. During this decade several co-productions were initiated, between Bangladesh and Nepal (REF) and Pakistan, Bangladesh and Nepal (REF). The FDC was privatized in 1993 (with the government retaining a 30% share) and was renamed the Nepal Film Development Company. With the government taking a less active role in subsidizing the industry, and the subsequent political instability of the Maoist insurgency beginning in the mid-1990s, the industry suffered a serious setback. As the security situation deteriorated toward the end of the century, audience numbers dropped, halls were shut down, and production was cut back dramatically. With the end of the Civil War in 2005 and elections in 2008, the industry gradually began to recover and the present government is now in the process of drafting a new National Film Policy. A Film Development Board (FDB) was also established in 2000 under the Ministry of Information with the following mandate:

(a) To frame necessary policies and to present before the Ministry for the development and promotion of motion pictures.

(b) To prepare plans and programs for the development and promotion of motion pictures and to implement them.

(c) To do or cause to do necessary study and research for the development of film sector.

(d) To encourage private sector to produce qualitative motion picture in any language of nation and other national languages.

(e) To create an environment for producing motion pictures as to preserve the Nepalese arts and culture.

(f) To encourage foreign motion picture producer to produce motion picture which helps to introduce Nepal to the world without prejudice to the ritual, cultural, and social beliefs of Nepal.

(g) To reward or give incentive to the person who has given important contribution to the film sector by conducting film festivals.

(h) To make necessary arrangement to protect film artist devoted to preserve Nepalese arts and culture.

(i) To do or cause to do other appropriate acts for the development and promotion of motion pictures.

The following chart illustrates the rise and fall of the industry in terms of feature film production through the decades:

**b. Contemporary Context**

1. Production

The industry over the past five years has produced an average of 15-20 films/year. Commercial films are made with an average budget of NPR 50 lacs (500,000 Rs), while the rare hit may make a profit of NPR 20-30 lac. Most of the investment for commercial films comes from Nepali expats, many of whom are more interested in glamour than profits. As there are no film lab facilities in Nepal, and limited 35mm production equipment, producers have increasingly turned in recent years to digital formats and now films are made almost exclusively in digital formats, while theatres also have adopted either the e-cinema (HD) or D-cinema (2K DCI compliant) standards.

The Nepal Film Producers’ Association (NFPA) is the primary platform for the commercial industry; independent director/producers have not been granted access to membership, hence the initiative to establish their own parallel platform. Independent features are fewer and further between; 2-3 are made on average per year, mostly targeted to the major cities and the Nepali migrant community abroad. With new digital technology more readily available, the production of films, particularly independents, is steadily on the rise. Most independent producers are either self-financed or receive support from the international development/donor sector.

2. Distribution/Exhibition

Distribution outlets for mainstream cinema in Nepal include theatrical, DVD, and television (private). According to current figures, there are 117 theatres in operation across the country. Of these, 8 are multiplexes with international standard DCI-compliant facilities, while many of the smaller halls have digital e-cinema (HD) facilities. Nepal is also linked up to the Indian market through the satellite distribution technology provided by UFO/Scrabble Entertainment, which manages a sophisticated satellite-based content downloading system for theatres in S. Asia.

Besides national theatrical, a growing market is the overseas Nepali community, who view films in community theatres, via cable television, and increasingly via internet streaming. Distribution outlets for independent filmmakers are more limited, although film festivals such as Film South Asia and the Kathmandu International Mountain Film Festival have helped to highlight these films and bring them to audiences.

According to the current tax policy, theatre tickets for foreign films are taxed at a rate of 40%, the proceeds of which go to the Film Development Board. Local films are exempt from this tax; however, all films pay a 15% VAT on theatre tickets, as well as a municipal tax of 1%. There are no restrictions on the import of Hindi/Bollywood films; however, arguably the 40% tax levied against these films acts as a protective measure for the local industry, particularly as these funds go to the Film Development Board.

Although precise figures are hard to come by, the following table illustrates the annual industry turnover in terms of gross admissions revenue:

3. Policy Documents

Nepal has very little in terms of written policy specifically for cinema; hence the current effort to create a National Film Policy.

* *The National Broadcasting Act* (1993) lays out the parameters for private broadcasters including licensing rules, advertising, censorship, and penalties.
* *The National Media Policy*, updated in 2012, pertains to mass media as a whole including print, television, radio, and cinema. This document outlines the guiding principles of what the national media policy *should* be under the new post-royalist government, and suggests mechanisms for organizing and monitoring the various branches of the media. It also provides a set of guidelines by sector, including Broadcast, Print, Cinema and Advertising. However these guidelines are very broad in scope and lack specific modalities for the execution of the enumerated points, except to call for the concerned trade bodies to establish their own codes of conduct and guidelines.
* *The Motion Picture Rules* (2000) has a more specific set of guidelines for the industry, with detailed listings of distribution fees to be paid by producers at various levels of the sector, as well as rules and regulations for Cinema Hall management, facilities grading, licensing, and censorship.
* *National Film Policy* (2015) – Significantly, a National Film Policy was recently passed by Parliament in August of 2015. However, a translated version of the document has yet to be made available.

4. Censorship

The Motion Picture Rules lays out the framework for the functioning of the Censor Board, including the requirements for constituting the Committee, the functioning of the committee, the process of application for censorship, and the validity of certification (throughout the country). The Rules do not specify fees for censorship, although from our meeting with independent filmmakers we came to know that the rates were quite high (NRS 30,000-35,000 for features). Nor do the Rules specify a censor code. The lack of a specific written code has been a point of confusion for the Industry.

5. Broadcast Industry

*Overview*

At present there are 19 national channels operating in Nepal, of which 2 are State channels, Nepal TV (news and education) and Plus Channel (entertainment, including children’s entertainment programming). Additionally there are 6 international channels (i.e. Star, Sony etc) that are allowed access to Nepal’s broadcast market through satellite/cable. The National Broadcasting Act is vague with regard to oversight and regulation of the industry, with no mechanism of oversight specified, no caps on the number of channels allowed to operate, or requirements with regard to type and content of programming.

*Public Service/Children’s Programming*

The current Media Policy specifies as an objective that 20% of Public Service programming (on national TV/Radio) should be educational, and an additional 15% should be cultural. Estimated viewership for the State channels extends to 72% of the population.

For Nepal TV specifically, there is a Children’s Slot three times weekly from 5:30-6pm, while at 7:30pm once weekly there is a talk show program slot devoted to child-centered issues. Nepal TV also has two in house producers dedicated to producing children’s programming, which primarily consists of talk shows, documentaries, and talent shows. However, there is no *written* policy for State television outlining the requirements, scope, and content for children’s programming.

1. **Challenges**
2. Production
3. Lack of clear Film Policy: Anup Subedi and other independent filmmakers we met with felt the urgent need to develop and finalize a Film Policy. That an effort is underway to create a policy is encouraging, although Nepal has yet to ratify its own new Constitution, so a formal policy may take time to formulate.
4. Censorship: Without a written censor code, censorship of films is arbitrary and highly politically manipulated. Also censorship fees are prohibitive, and according to independent filmmakers we met, this is another factor in discouraging them to release their films. As yet also there is also no rating system for children’s films, which could otherwise encourage a special audience interest in this genre.
5. Lack of government support for cinema: Unlike many other countries in the S. Asian region (notably India, Sri Lanka, and Bangladesh), to date Nepal has no track record of government support or investment in production. The only financing available to independents is international donor/NGO money, with the occasional international grant/co-production.
6. Television: Either in terms of public or private channels, television doesn’t play any role in production as commissioning body or investor.
7. Co-productions: Nepal has no written guidelines, so confusion, and lack of incentives characterize this aspect of production.
8. Technical Training: Aside from a small program focused on electronic media at a private college, there is no film/TV institute for technical training in Nepal, and thus there are very few trained local technicians.
9. Distribution/Exhibition
10. Quality digital multiplexes exist, which are linked through the UFO satellite network with India, but these theaters largely run Bollywood/Hollywood films and the occasional local commercial feature.
11. Parallel exhibition: There is no tradition of parallel exhibition in Nepal such as through the school system; according to the independent filmmakers we met, some of whom have produced shorts and features for child audiences, schools don’t recognize film has educational value and are uninterested to bring it to the classroom or to encourage students to see films.
12. Taxation: Theater tickets are taxed across the board at a rate of 16% (VAT + municipal fee), with no exemption for independent/children’s films.
13. TV: Neither state television nor private channels have any practice of buying broadcast rights for docs/independent features/shorts. Airtime must be purchased in order to air privately produced programming.
14. Domination by Indian cinema (despite 40% tax) – no restrictions on import imposed by the Nepali government, which is deemed essential if the local industry is to see any real growth.
15. Donor/NGO funded films: One of the only sources of funding for independents, including children’s films, are Donors/NGOs. However, due to the lack of any strategy and funding for distribution these films are rarely seen, as we understood from talking to the group of independent filmmakers we met with.
16. Children’s cinema/TV content
17. Film Policy: The existing Motion Picture Rules make no mention of children’s cinema, and in the absence of a national Film Policy, there are no policy directives specifically geared to encourage films specifically geared for child audiences.
18. TV: According to Mr. Dev Acharya, Nepal TV has no written policy regarding children’s programming. Whatever programming exists is purely an informal commitment, and the programming that exists is unimaginatively produced and poor in quality. Nepal TV lacks any policy to purchase privately produced programs. ‘Maya and Max’, a children’s travel series produced with Danish funding, was broadcast on an airtime purchase basis. According to private television producers we spoke with, Nepal TV suffers due to its political appointees, who are not interested to improve content. As for the private satellite channels, Nickelodeon & Cartoon Network dominate the airwaves for children’s content.
19. Srijana Yonjon of ‘Maya and Max’ also mentioned the lack of a baseline study done to assess the market for children’s films/TV programming.
20. **Recommendations**

Based on our discussions and research, we have compiled the following list of policy recommendations for the industry and for children’s cinema/broadcast programming specifically:

1. General Policy Recommendations
2. Censor Code: Clearly defined censor code needed, with emphasis on role of Censor Board as ratings body. However very recently Nepal’s first National Film Policy has been passed by Parliament, and this document may serve to give more clarity to the role of the Government in terms of Censorship and other matters.
3. Film Development Board: Activate to provide certain number of grants per year for features/shorts/docs, following the model of India (under the NFDC) or Bangladesh (under the Ministry of Information).
4. Encourage co-productions with other S. Asian countries, int’l producers to widen market. Nepal market too limited; need to expand to create more opportunity for filmmakers. Clear policy needed, as well as incentives.
5. Broadcast Policy should also be updated to chalk out system for commissioning of films as well as paid broadcast policy. Special quota for indies/docs/shorts on State TV (both Nepal TV & Plus Channel)
6. At distribution level, establish quota for local cinema, particularly indies/docs to run for x number of days/year (all screens)
7. Have some controls on number of Hindi films in distribution
8. Taxation: Introduce a VAT exemption for films certified as independently produced or family/children films.
9. Update Broadcast Policy to establish system for State TV and private channels to commission films. Also reserve time slots for docs/shorts.
10. Film education: introduce cinema into school curriculum to enhance young people’s appreciation for film as art (“film literacy”). Create new generation of Nepalis with appreciation for film as integral part of cultural expression and identity.
11. Film/TV institute: Establishment of national institute to serve growing needs of film/broadcast industry.
12. Children’s Cinema/Broadcast Programming
13. Need marketing study for children’s film/TV programming to better understand interests and needs of young population of Nepalis and how this might be better reflected in content development, with the aim of creating locally relevant, socially responsible and appealing content.
14. Incorporate special requirements for children’s cinema in new Film Policy, such as government grant/VAT exemption/exhibition quota/minimal censorship fees for children’s films.
15. Festivals: Create special sections highlighting children’s films to encourage filmmakers and open the way for possible distribution.
16. Create rating category for children’s films.
17. Update Broadcast Policy to specify quotas for airtime of children’s programming on State TV & private channels.
18. Make provision for TV channels to *buy* programming for children produced by outside makers, rather than just showing on an airtime purchase basis.
19. Schools: Requirement for school students to attend at least one film per year. Also encourage distribution of educational/child-centered films in school system.
20. **Interview Sources**

Much of the information in this report is based on a series of interviews conducted during our September 2014 study tour, supplemented by written documentation and online research. Our local coordinator for the research visit was Kanak Dixit of Himal Association, who attended the original founding meeting of SACCF at the Kerala Film Festival in December 2012. As the founder of South Asia’s leading documentary festival Film South Asia, Kanak was well positioned to connect us with key players in the industry across all sectors. During the Kathmandu visit, we met with the following individuals:

1. Anup Subedi – Founder of Nepal Independent Filmmaker’s Society, a platform that is currently working with the government to develop a new National Film Policy
2. Shushil Oiha – Joint Secretary, Information Ministry, who is on the government’s Film Policy committee
3. Kedar Sharma – writer, educationist and radio producer, who produced a successful radio series for children with Radio Nepal
4. Basanta Thapa – Founder/Artistic Director of Kathmandu International Mountain Film Festival
5. Srijana Yonjan – Television producer and educationist who produced 12 episode children’s series ‘Maya & Max’ for airing on national television
6. Rajendra Dev Acharya – Head of Programming for Nepal TV
7. Kiran Joshi – CEO, Incessant Rain Amination Studio
8. Rupa Joshi, Unicef (Regional Office) –Communication Manager (& other team members), to give perspective on development sector involvement in children’s content creation for TV, Radio, schools distribution
9. Independent Filmmaker’s Society – met with a group of young filmmakers, some of whom had produced children’s films, to discuss challenges and trends in independent industry

**State of the Film Industry and Children’s Cinema in Pakistan**

Report on November 2014 Study Tour

1. **Executive Summary**

Our research into the film industry in Pakistan revealed an industry in a state of transition from prolonged decline to a revival that in many ways follows the Indian trajectory. We looked at both the film and broadcast industries in an effort to get a broader picture of the scenario, with a particular view to the scope and possibilities of developing children’s cinema & broadcast content, which in Pakistan is relatively minimal. A summary of the salient points of our research findings are as follows:

* In spite of a long and active legacy as a producer of commercial cinema in South Asia, Pakistan lacks any central government authority, comparable to NFDC in India or Afghan Film in Afghanistan, to oversea the industry.
* This is partly a reflection of the free market economic model that has dominated for much of Pakistan’s history.
* The industry saw its peak in the 1960s and 70s, and has been in steady state of decline since then.
* The contemporary turnaround, which began under Parvez Musharraf’s time, is attributable to a series of reforms aimed at boosting the exhibition sector through tax exemptions and loosening of import restrictions on Indian films.
* The growth of the ‘multiplex model’ has spurred the local industry into producing more and better films for largely middle class audiences, which have been returning to theaters for the first time in decades.
* The broadcast industry has also become involved in the industry revival, with large channels such as Geo opening film production wings.
* Independent filmmakers have also been active in the revival, pressing for reforms and organizing film festivals.
* Children’s cinema: Pakistan has established an important precedent for the region in terms of a practice of paid screenings in elite urban schools. This practice has been developed through the efforts of private initiatives for promoting children’s cinema, spearheaded by The Little Art, which also organizes the Lahore International Children’s Film Festival.
* In spite of these recent initiatives, children’s cinema still lags far behind India, Sri Lanka and Bangladesh, largely because of the lack of government support. Television programming for children also remains quite limited.
1. **Overview**

**a. Historical Background**

Historically the Lahore-based industry, or ‘Lollywood’, was second only to Bollywood, and in the decades before the 1947 Partition a steady stream of films emanated from the Lahore studios. The first film to be produced from Lahore was the silent movie *The Daughter of Today,* by G.K. Mehta. This was followed in 1930 by *Husnka Daaku,* by Abdur Rashid Kardar, who went on to establish the first film studio. From 1932 onwards Punjabi- and Urdu-language sound films began to be produced, many of which were distributed not only in Punjab but throughout the subcontinent. Notable films of this pre-Partition era were *Dulla Bhatti (1940), Mangti (1942), Zamindar, Khandan, Ravi Par, Patwari, Shireen-Farhaad, Dhamki*and *KaisayKahoon.*

In the years immediately after independence the industry faltered as many financiers and studio owners, mostly Hindus, migrated to India. Although there was some reverse migration of industry artists and technicians from Bombay to Pakistan as well, the violence and disruption of Partition, and the dislocation of thousands of people across borders created an unstable environment for filmmaking. The physical infrastructure of the industry had also been affected, with some studio facilities having been destroyed and others closed down in the rioting. However, by the mid-1950s the industry began to recover, and the period from 1956-1970 is known as the Golden Era of the Pakistan film industry. This period saw a marked increase in the production of films, and some of the greatest artists of commercial cinema came of age in this era. There were a number of smash hits from this time, including *Sangam, Shaheed, Kaneez, Armaan,* and *Chakori.* However, at the time of the 1965 Indo-Pakistan War an embargo on Indian films was introduced that adversely affected the exhibition sector.

After Bangladesh achieved independence in 1971, the industry suffered another setback as it lost the huge East Pakistan-based market, which accounted for between 20-35% of audiences, along with its production resources and talent. However, the industry adapted by producing more regional language films for the local market, and up until the late 1970s the industry saw a gradual recovery.

The real blow to the industry came in 1977 with the declaration of martial law under General Zia Ul Haq’s regime. A new draconian censor code, the Motion Picture Ordinance of 1979, was imposed that stifled the industry. This paradoxically led to the production of films containing more violence and vulgarity, since socially and politically relevant themes were off limits. Under the pressure of reduced production, cinema halls began closing down in the 1980s, a trend which continued over the next two decades. By 2000 the number of halls had decreased from over 1200 to approximately 175. The 1990s also saw the introduction of satellite TV, VCRs and cable channels, which led to the further reduction in cinema patrons and thus reduced film production. High entertainment taxation policies also depressed the already flagging industry, with an exorbitant tax of 65% on ticket prices introduced by Zia-ul-Huq. This tax policy dated back to the British era when a wartime tax had been introduced on cinema and theatre tickets to help finance the Eastern Front war effort. The decline on the Industry continued into the early years of the 21st Century, until a series of reforms began to be introduced in 2005/2006 to revive what by that point was a dead industry. As part of a revision in the National Film Policy in 2006, the ban on Indian films was gradually lifted, beginning with the re-release of the reconditioned classic *Mughal E Azam* in 2007. 2008 Shoaib Mansoor’s *Khuda Ki Liya* was also successfully released in India. In 2009 the 65% entertainment tax was lifted in Punjab. New, digital production and exhibition technology also opened up new vistas for the industry, with multiplex-style theatres spreading fast in the major cities catering to middle and upper-class audiences.

The following chart illustrates the rise and fall of the Pakistan Film Industry in the decades since Partition in 1947:

**b. Contemporary Context**

1. Production

Recent years have seen a gradual increase in production again thanks to government initiatives to reverse the decline of the Industry. A 2007 government-sponsored conference on the State of the Film Industry opened up a dialogue between Ministry officials, the mainstream industry and independent filmmakers. With the reduction in taxation, easing of censorship regulations, declaration of film as an Industry, and the growth of multiplexes, Pakistan is following in the steps of similar reforms a decade earlier in India, which led to the current boom of the Indian Industry. For the past several years on average 20-25 mainstream films for nationwide release have been produced per year, at an average budget of 5-8 crore. In addition smaller commercial films for regional markets such as Pushto are produced at a rate of 20-25 films/year, with budgets between 50 lakhs and 1 crore. Beyond this, 1-2 independent films are produced annually, a figure which is expected to grow as exhibition options also expand. An interesting player in Pakistan’s production sector is the Army’s ISPR (Inter Services Public Relations) wing, which produced the smash hit *Waar* (2013), a film that grossed over 18 crore. The ISPR now has its own high-end production setup including soundstages, cameras, cranes etc. As yet however these facilities have not been made available to private/independent filmmakers.

Sources of production financing for films has changed over the years. From the 1950s through the 1970s a sophisticating studio-based mode of financing and production was in place that enabled risk-taking over large number of productions. Studios were also linked with distributors and could arrange financing in the form of advances against release of films, and could defer payments from producers for the use of their own studio facilities. However with the decline of the studio system, not only financing but the availability of skilled manpower and technical facilities were adversely affected. Smaller financiers, who lacked the studio heads’ sophisticated taste and outlook, stepped into the shrinking market, often merely seeking a means to whiten their ill-gotten ‘black money’. However, with the recent revival of the industry, private TV channels such as Geo have opened up production wings (Geo Films, which produced the 2007 hit *Khuda Ki Liye*) and with the declaration of film as an Industry, institutional financiers are also stepping in. In addition, Cinepax Ltd, which is a major exhibitor, has also chalked out a plan to step into the production sector as a financier/producer, to meet the demands of an expanded exhibition capacity, which they in part created.

2. Distribution/Exhibition

The Distribution/Exhibition sector has seen dramatic growth in recent years, spurred by new policies that reduce the tax burden and increase the import of Indian films. Of the 4 or 5 main distributors, IMGC has the largest share (approximately 50%) of the market, focusing mainly on Indian and other foreign imports. Distributors pay 25-30 lacs in fees per foreign import, plus censor fees of 10 lacs. Added to that is the cost of prints and advertising (P&A) for the release, for a total cost to distributors of between 50 to 100+ lacs in Pakistani Rupees (PKR) per film. In addition a 35% entertainment tax is levied against imported films. Through a loophole in the regulations, Indian films are allowed limited import as ‘foreign’ films although technically Indian films still remain on the ‘restricted’ list. Now attempts are underway to remove these restrictions entirely.

As for exhibition, as of November 2014 there were 15 modern multiplex screens running in Pakistan, with another 9 slated to open in the first quarter of 2015. All together over 100 screens are in the pipeline to be opened by 2017, a phenomenal growth curve. When the first multiplex (IMGC owned) opened in Rawalpindi in 2007, they drew only 2000 customers in their first month of operation. Today, the average multiplex sees 2000 admissions per *day*. Currently 80-85% of gross returns on admissions sales nationwide are generated by multiplexes, which cater to well-heeled audiences and can charge disproportionately high ticket prices. According to the president of leading multiplex exhibitor Cinepax, a number of factors are driving the growth of the multiplex sector in Pakistan:

* Interest of new mall developers in the increased consumer traffic created by cinema.
* Transparency of distribution finances driven by professionalism and the built-in electronic ticketing system (ETS) model
* High profits for producers/distributors/exhibitors
* Audience demand for technically sophisticated and high quality projection
* Influx of Hollywood/Bollywood films (across all exhibition sectors, but Multiplexes stand to benefit most because of updated capability for surround sound/widescreen etc)

This recent growth in the exhibition sector – though initially driven by the loosening of restrictions on import of foreign (particularly Indian) films – is bound to backwardly link to spur the production output of the local industry. At the present time, according to the President of Cinepax, 48 Urdu-language films are currently under production, to meet the demands of a rapidly expanding exhibition sector and growing audience demand.

3. Policy Documents

• Motion Pictures Ordinance (1979): This critical document laid out far reaching regulations for censorship and certification under Zia-ul-Haq’s military regime. It repealed the previous Cinematograph Act of 1918 and the Censorship of Films Act of 1963. In 2014 there was an to reform it to better protect interests of filmmakers with the proposed Motion Pictures Act, but this document is still in the draft stage. However, under the 18th Amendment to the Constitution (2010), which creates a stronger federated structure for Pakistan’s governance, the Censor Board was decentralized and now each province has its own Board, which still follows the primary regulations, procedures and objectives of the 1979 Ordinance.

• Pakistan Electronic Media Regulatory Authority Act (2007) – An amended version of the 2002 PEMRA Ordinance, which in turn updated the rules and regulations for the broadcast industry laid out in the Pakistan Broadcasting Corporation Act of 1973.

• Industry analyses

1. “Current Impediments and Prospects of the Film Industry Revival in Pakistan”

A 2013 document compiled by 5 academics with Dr. Ehsan ul Haque as the Team Leader. This extensively researched paper commissioned by USAID is a thorough analysis of all sectors of the industry and provides valuable quantitative and qualitative information on the history, development, challenges and potential directions of the industry.

2. “An Agenda for Reviving Cinema In Pakistan”

A paper written by Kara Fest founder and independent filmmaker Hasan Zaidi for presentation at the 2007 Islamabad Conference, laying out a series of 10 major recommendations for the industry.

1. Censorship

As mentioned above, Pakistan’s Censor Board is still functioning according to the restrictive policies laid out under the military regime of Zia-ul-Haq. The 1979 Ordinance grants extensive powers to the government to deny censor certification (on such grounds as being ‘prejudicial to the glory of Islam’), suspend exhibition of certified films, and even regulate screenings of documentaries. It also lays out a strict process of penalization for those violating provisions of the Ordinance. In 2010 the Censor Board was decentralized into 3 regional Boards in Karachi, Lahore and Islamabad. This followed from Amendment 17 to the Constitution to strengthen state rights, but in practice it has made for a cumbersome process for producers/distributors as each board has its own internal politics and quirks and a film must go through 3 lengthy procedures in order to release at the national level.

1. Broadcast Industry

There are currently 90 channels broadcasting in Pakistan, of which 83 are private. PTV, established in 1964, is the main government terrestrial channel. In addition, PTV Home, PTV World (English Language), PTV News, and PTV Sports are some of the other government channels broadcasting at both the satellite and terrestrial level.

STN became the first private channel to broadcast in Pakistan in 1990. After the establishment of the Pakistan Electronic Media Regulatory Authority (PEMRA) in 2002 under Gen. Musharraf’s regime, which facilitated the licensing and regulation of the industry (with the stated aim to “facilitate and promote a free, fair and independent electronic media”), the private channels began to see rapid growth. Under PEMRA, over 90 satellite TV licenses have been issued, with some of the major broadcasters being GEO (several channels), ARY Digital, and ATV.

1. **Challenges**
2. Production
3. Independent filmmakers: No support for independent docs & features from private producers/institutional financiers (banks). Financing limited to NGO/Donor sources and international grants, to which many less established filmmakers don’t have access.
4. Facilities: as of last 5 years, Pakistan’s infrastructure & equipment base has dramatically improved, but the level of technical expertise is still far behind the situation in India. Also, new facilities such as those brought in by ISPR, remain out of reach of the vast majority of filmmakers.
5. Technical Training: Pakistan lacks a national-level film/television training institute. Small programs at private universities lack funding, facilities and faculty, and thus provide only partial training. Collaborations with international academic institutions is critical to improve the standard of these educational efforts.
6. Co-productions: unnecessary bureaucratic hassles make international/regional co-productions prohibitively complex, with numerous permissions and oversight required from different ministries. Other countries have learned that by encouraging foreign involvement in the film industry, the local industry benefits from the sharing of skills and know-how, the boosting of production values, the opening of foreign distribution markets, etc.
7. Lack of government support: no comparable entity to NFDC in India which acts as producer/distributor for independents
8. Distribution
9. Lack of leverage of producers: According to several filmmakers such as Farjad Nabi and Hasan Zaidi, distributors can push you out of theaters even if your film is doing well (no contractual obligations).
10. Lack of marketing: Distributors do very little to market films, they just act as intermediaries between producers and theaters, despite taking 15% on average of the proceeds from ticket sales.
11. DVD: No established distributors (too much piracy)
12. Absurd censorship restrictions: existing rules prohibit release of Pakistani films with Indian cast or crew (almost impossible as no technicians available in Pakistan), as well as very vague definitions for what is ‘permissible’ in terms of content.
13. The decentralization of the Censor Board into three distinct regional entities has led to delays, hassles and extra expense for producers and distributors.
14. Exhibition
15. Continuing restrictions on import of Indian films depresses potential growth rate of exhibition halls in Pakistan. These are films audiences are watching anyway on DVD/Television, so not releasing them in halls is only depriving govt of revenue and exhibitors of extra income that could be used for further upgrades/expansion.
16. No national film festival: Despite the great success of Kara Film Festival, which ran for 8 years in Karachi, there is no continuity due to bureaucratic hassles and lack of government support. In fact Kara was forced to run virtually ‘illegally’ for a number of years due to the lack of a mechanism for ‘official permission’. Also the government was requiring that all films should be censored in spite of a provision in the Film Ordinance that festivals should be exempted from censorship. There should be at least one national level festival for showcasing new films, along with national awards as an incentive to the industry and independent filmmakers.
17. Physical infrastructure: In spite of the growth of multiplexes, the overall situation of the physical infrastructure of Pakistan’s theaters is quite dire. Outdated equipment, dilapidated interiors make for a poor viewing environment, a factor which has been driving middle class audiences away for decades and contributing to the closure of old halls. Massive investments in the new digital production technologies is needed, along with refurbished environments.
18. TV channels do not buy outside content, they will only show something if an outside sponsor buys airtime. Contrast to India where State channels such as Doordarshan are mandated to purchase and broadcast national & internationally award-winning films.
19. No copyright enforcement (intellectual property not protected). This is the case across the board for exhibition outlets, including the internet, DVD/CD, television, and cable.
20. Children’s cinema/TV content
21. No special policy to encourage growth children’s cinema as special sector of industry. The last children’s film to be made was *Bedati* (1955). Geofilm currently developing a script for a children’s film. But no special incentives such as tax breaks from government side.
22. TV: no channel dedicated to children’s content. Some airtime for children on PTV, but mostly talk programs and talent shows. ‘Baby TV’ was an attempt in early 2000s to have dedicated private channel for small children/toddlers (mostly cartoons) but shut down in 2007 due to political unrest. Geo did a market study on child audiences with interest to develop more children’s programming, and DFID sponsored a series of child-centered programs as part of a 2-year project. But there are no policy directives for private channels in terms of allocating a certain amount of airtime to children’s programming.
23. However, at the private level the Lahore International Children’s Film Festival has been quite active in providing a platform for developing audience interest in this genre. Also, festival organizer The Little Art has trail-blazed an interesting practice of paid screenings of children’s films in elite private schools. This could serve as a distribution model for the region in terms of children’s cinema: a form of Robin Hood-style subsidization of children’s films, that also serves to develop audiences and value. It is no substitute for full scale mainstream distribution, but does offer an important source of surplus revenue.
24. **Recommendations**
25. Pre-production/Production
26. Film Development Fund: as in many other countries such as Australia and Canada, Pakistan could establish a Fund (possibly with revenue collected from the taxation on foreign films) that could provide seed money to film producers based on the quality of their project and their past records. Preference should be given to independent projects and a special allotment should be made for children’s films. A fixed number of films could be awarded this Fund every year, or over a 5-year period. The Fund could also have a smaller award for student film projects from selected film programs.
27. Establishment of a Film City in Lahore with fully-equipped indoor and outdoor locations. Also full-service camera and post-production equipment available to filmmakers on a rental basis, and accommodation arrangements for production teams.
28. National Film & Television Institute: this could be integrated into the Film City, or it could have its own campus. Would benefit from affiliation in the startup phase with an international film institute.
29. ‘One window’ Foreign Productions Bureau: a government bureau to facilitate all relevant permissions needed for foreign production teams to work in Pakistan.
30. VAT exemption: To encourage growth of industry, introduce an exemption from the 15% VAT rate on film production. This could be done as part of a 5-year plan of government interventions to promote the industry, to be reintroduced after the completion of the 5-year cycle.
31. Associations: The Pakistan Film Producers’ Association, which has been largely defunct for a number of years, should be reconstituted as an active body with representation across the industry for commercial and independent producers. This Body can play an active role in pushing for and monitoring reforms to the industry, and in protecting the interests of its constituents. At the formative phase, a study tour by key players of the Association to countries like India, the UK, the US, and China could be arranged to see the role that similar associations in these countries play. The government could take initiative in helping finance the secretariat for the association, which could eventually be based in the Film City.
32. Distribution
33. Indian Cinema: The ban on Indian film imports should be lifted, but retaining the excess entertainment tax on tickets to ensure a steady stream of revenue to the government, which can then allocate all or part of the proceeds to special industry-building projects such as the Film Development Fund, the Film City, or the Film & TV Institute.
34. Censor Board: The certification process should revert to the previous system of one centralized authority, rather than the three regional Boards currently under operation. Barring this, can frame a policy whereby a certificate from one Censor Board is acceptable to the others. The Board’s role should also be revised to a ratings body, as in other countries (including India). The rating system should be more specific (currently only two: U/Universal and PG/Parental Guidance) to follow the standard set in other countries such as the USA. Could have Membership on Board should be reconstituted to include more representation from film professionals, artists and intellections (don’t need representation from ISI and ISPR).
35. Increase bargaining power of Producers: The newly constituted Producers’ Association can develop a set of standard guidelines for release of films under contractual obligation, so that Producers are ensured that their films won’t be dropped from release after 1 or 2 days without notice or compensation. Part of these guidelines should also include a certain provisions for investment on the marketing side of film releases by the distributor.
36. Distributors’ Association: This body also has been largely defunct since the 1970s, but if reconstituted could play an important role in setting standards for this sector of the industry, and could represent the distributors in negotiations with the Producers’ Association (see Point 3 above).
37. Intellectual Property protection: Government should establish an IP Bureau to oversee enforcement of intellectual property rights, including those of filmmakers/producers, with strict penalties for infringement. This Bureau can serve as a watchdog agency against DVD, cable TV and internet pirates who currently operate with impunity. Loopholes in piracy laws and regulations need to be fixed as soon as possible.

c. Exhibition

1. As with the Producers and Distributors, the Film Exhibitors’ Association should be revitalized to look after the interests of its constituent members and provide a common platform for laying out standard guidelines for this sector.

2. Cinema Hall modernization project: The government should lay out a plan for the upgrading of existing halls and the establishment of new theaters with modern digital projection technology meeting international D-Cinema and e-Cinema standards. A coordinated plan could include the following provisions:

- Creation of standardized technical requirements for theaters. If these guidelines are met, theaters will qualify for a package of government tax breaks and incentives to facilitate business. Taxation on imports of needed technical inputs (such as projection equipment) should be lowered or lifted.

- Allocate amenity plots for new modern theaters/Multiplexes in urban centers with a population of 500,000 or more. Allot these plots on long-term leases contingent on construction of cinema theaters within two years.

- Encourage formation of modern cinema franchises. This will assist in documenting the economy, collection of taxes and financial security to banks, along with increasing bargaining power of the cinemas.

- Bank financing: encourage institutional financing for construction of new theaters. The property value of the amenity plots can serve as collateral.

3. Electronic Ticketing System: Make the ETS mandatory in all theaters to introduce full transparency for all stakeholders. The Film Exhibitors’ Association can play a role in monitoring and enforcing this system.

4. Broadcast policy for airing cinema: as an amendment to the PTV charter, the government could lay out a set of policies for public channels vis-à-vis the broadcast of films, including the introduction of a fixed rate structure for purchase of features, documentaries & shorts, and a requirement to air award-winning films (as in India).

5. Annual Film Festivals/Film Awards: The government should give full support to annual festivals showcasing Pakistani and international films. Festivals such as Kara should be encouraged to function. Each of the 3 major urban centers (Karachi, Lahore, Islamabad) should have its own festival, which may be privately operated. In addition, there should be one national level government festival, as well as ational Film Awards to encourage the industry.

d. Children’s cinema/TV content

1. Establishment of dedicated channel for children’s content. This channel might be under the PTV consortium, or it could be managed by a public-private partnership, but there should be some government involvement or content will revert to the standard non-educational, culturally inappropriate fare supplied to most satellite children’s channels.

2. A government project such as an Educational Fund should be established for the creation of locally appropriate children’s content. This content then could be fed into the regular programming stream of the children’s channel. The Educational Fund could partner with UNICEF, foreign governments and international animation houses to create educational series on various topics for use in schools as well as for TV broadcast.

3. Introduce a requirement for all children in public schools to attend a fixed number of cinema hall screenings per year (such as in China, where this is mandated) of films with educational relevance. This would benefit the industry by increasing sales in the short term and building a youth audience of future regular patrons over the long term. It will also encourage financers/makers to produce more films of relevance to young audiences.

4. School film distribution: encourage distribution of relevant films (children’s films or those with educational value) in the school system as a ‘parallel distribution’ model for producers/makers as well as a means of bringing quality films to children. This can build on the already established paid screenings model discussed above.

4. Film Development Board grants for children’s cinema: Ensure that among the award projects for support from the FDB, a fixed number of awards go to children’s films (say, 1 out of 5 films).

5. Other tax breaks: special package of tax incentives/breaks for films that have received censor certification as children’s films (as per the updated rating system see above). Exemption from VAT at all phases of production/distribution/exhibition for example.

6. Film literacy: Introduce ‘cinema studies’ into the curriculum of secondary school institutions to encourage interest in and appreciation for cinema.

e. National Coordinating Body

In addition to all the above-mentioned recommendations, Pakistan urgently needs a national-level film body to implement and monitor the reforms and incentives being brought to the industry. Nepal has a Film Development Board, India has the NFDC, Sri Lanka has the NFC, but Pakistan lacks any corresponding body. This should be a high-level body, a Pakistan Film Council with representatives from across the value chain of the film industry, including relevant government ministries, television, academia, allied arts, and the various sectors of the industry itself.

1. **Interview Sources**

This report is partially based on a series of interviews conducted during a study tour of Pakistan in November of 2014. Additional information came from official government documents, academic papers and online research. The coordinating partners in country were Usmaan and Samina Peerzada of Rafipeer Theatre Workshop, who had attended the founding meeting of SACCF in December 2012. As leading figures in the mainstream industry – in their capacity as actors, directors, and producers – as well as organizers of major cultural exhibition programs through Rafipeer, Usmaan and Samina were ideal hosts and liaisons. During our research tour, we met with the following people:

Lahore

1. Rafipeer Theatre Workshop – we met with several members of the Rafipeer team; aside from Usaman and Samina, also Usmaan’s brothers Salmaan, Saadan and Imraan, each of whom looks after a different aspect of Rafipeer’s operation, and members of their staff.
2. Abid Rashid Sheikh – Executive Director of IMGC Distributors, the largest commercial film distributor in Pakistan
3. Afzal Rashid – Director/CEO of IMGC Distributors
4. Pir Saad Ahsanuddin – President of Cinepax Ltd, Pakistan’s first dedicated multiplex theatre company and the largest exhibition chain in Pakistan.
5. Dr. Ashar Nadeem Syed – Head of Theatre, Film & TV at Beaconhouse National University (BNU)
6. Bilal Sami – Asst Professor of Theatre, Film & TV at Beaconhouse National University (BNU), who worked together with Ehsan Ul Haque of Lahore University of Managements Sciences (LUMS) to produce a detailed study of the Film Industry.
7. Sabiha Sumar – Independent filmmaker who has made a number of international co-productions for the Pakistani and European markets, for both theatrical and television release.

Karachi

1. Shoaib Iqbal –Director, The Little Art, founding Artistic Director of the Lahore International Children’s Festival and founding member of SACCF.
2. Farjad Nabi – Independent filmmaker who has won several international awards for his documentaries, and whose feature film *Zinda Bhag* was under release in mainstream theatres at the time of our visit.
3. Hasan Zaidi – Independent filmmaker and founder of Kara Film, Pakistan’s first platform for independent filmmakers and the organizing body of Pakistan’s first privately run film festival Kara Festival. Hasan also presented a paper with analysis and recommendations at a 2007 government-sponsored conference on the State of the Film Industry.
4. Imran Aslam – President of Geo TV, Pakistan’s largest private broadcaster.

**State of the Film Industry and Children’s Cinema in Sri Lanka**

Report on November 2013 Study Tour

**I. Executive Summary**

Our research on the Sri Lankan film industry helped us to identify some of the major challenges facing the industry at this time, and the future directions it is likely to take. Since our special focus was Children's Cinema, we also looked at the contemporary scenario in Sri Lanka for this genre, and the possible areas of improvement in terms of policy issues. The salient points of our findings for Sri Lanka are as follows:

* The major challenge facing the Sri Lankan industry at the time of research was the changeover to digital production and exhibition formats.
* Since the Golden Era of the industry in the 1970s, the industry has seen a steady decline in terms of number of productions and annual admissions. This decline parallels a decline in active government support for cinema.
* A revision in the Film Corporation Act of 1971, which established the government’s National Film Corporation (NFC) is badly needed to bring about a revival of the industry. The NFC has been weakened by its lack of monitoring authority and poor funding and resources.
* A unique system of ‘distribution circuits’, established in the 1970s, is now facing overhaul due to the declining number of theaters.
* Unlike other South Asian countries, Sri Lanka has a strong tradition of ‘family films’ with child-centered themes and protagonists. Many of these films draw large audiences and do very well commercially. This is unique and a hopeful model for the region, in terms of child-centered films without major star power proving successful at the box office.
* However no special provisions are currently in place to promote children’s cinema, either in the form of government production grants or distribution/exhibition subsidies, nor has television taken a role in developing local children’s content.

**II. Overview**

**a. Historical Background**

The film industry in Sri Lanka had its beginnings in the late 1940s, although most films in the early years were made in studios in South India. A watershed event was Lester James Peries first film *Rekawa* (1956), which was shot in outdoor locations with on location sound. This film attracted national and international acclaim, and was followed by several other important films by Peries including *Gamperilya* (1963), *Nidhinaya* (1970), *Pinhami* (1979), and *Kaliyugaya* (1982). His wife Sumitra Peries, an major director in her own right, established her reputation with *Gehenu Lamai* (1978), which was both a critical and box office success.

The 1970s was considered to be the "Golden Era" of the industry, with a dual government policy of protecting the local industry while providing an aggressive package of production loan and distribution incentives to local filmmakers. The 1971 State Film Corporation Act laid out a framework for a new policy aimed at promoting national cinema. A new body, the State Film Corporation (SFC) was established to provide loans to filmmakers based on the quality of submitted scripts, and a "classical circuit" of film distribution was established to market quality films of artistic and thematic merit. Thus a stream of critically acclaimed and successful films resulted during this period, and a new generation of talented filmmakers emerged. However, in 1977 with a change in government, the government film policy shifted to a free market model, marking the end of this era as protectionist measures were withdrawn and quality standards relaxed. In 1979 the government loan scheme, which was already under severe criticism due to the low recovery rate, was opened to "anyone interested to make films", and the resulting chaos and poor quality production led to the downfall of this policy.

The 1980s saw the beginning of the decline of the industry, with falling admissions, lack of new investment, a backlog of films waiting to be released, and an overall decrease in quality of local films. This period also coincided with the rise on television, and this decade saw an increasing trend of hall closures and reduced production output.

Beginning the 1990s a new generation of filmmakers began to emerge despite the flagging industry. These filmmakers, such as Asoka Handagama and Prasanna Vithanage, worked independently of the major local financiers, often self-financing their films or occasionally finding international co-producers. Some of them, such as Vimukthi Jayasundara, whose film *Sulanga Enu Pinasa* (The Forsaken Land) won the Camera D'Or at Cannes in 2005, achieved considerable international acclaim. However, in the local context their films often did poorly and some films (such as *Aksharaya* by Handagama) were subjected to severe government censorship.

The local film industry turnover, by the end of the first decade of the 21st Century, had slowed to a trickle, of 5.5 million admissions/year, down from peak film attendance of 74.4 million admissions/year in 1979. Likewise the number of theaters had also fallen dramatically, from 365 halls in 1979 to 167 in 2013. The reasons behind this decline are complex, primarily related to shortsighted film policies, but also linked to changes in technology and the introduction of multiple platforms for viewership. Again however, the inability of the industry and government to adapt proactively to these changes has resulted in the current impasse.

**b. Contemporary Context**

1. Production

Currently 20-25 feature films are produced per year in Sri Lanka. The majority of these are shot in digital formats and converted to 35mm prints to accommodate the technical requirements of local theaters, most of which are not yet outfitted for digital projection. Production budgets for medium-scale features run in the range of 80-1 crore Sri Lankan Rupees/LKR (USD $60K – 75K). International co-productions are rare; in recent years there have been a few ‘art films’ (such as *Sulanga Enu Pinasa*) that have acquired European co-production partners and have been distributed internationally. To date there have been no Indo-Sri Lankan co-productions, surprising considering the shared language with Tamil Nadu.

The government National Film Corporation (NFC as of 1980, formerly the SFC) provides some support in terms of facilities to filmmakers but has ceased its role in providing production funding in the form of soft loans. The NFC also provides some training support in digital production, but there is no national-level film institute in the country.

Most films in Sri Lanka are now shot in digital format in order to lower production costs. However, since most theaters still project in 35mm, producers have to convert their films from digital format to 35mm, and then make multiple prints, which is an added expense at the distribution level.

There is an active Directors’ Guild in Sri Lanka, with representation from both commercial and independent sectors of the industry. The Guild has taken a leading role in pressing for reforms to revive the flagging industry. A list of proposed reforms was submitted to the Ministry of Mass Media and Information, to be placed before the Cabinet for consideration for Parliamentary vote.

2. Distribution/Exhibition

Since the 1970s, five distribution/exhibition ‘circuits’ have been in operation in the country, four as private entities and the fifth directly under the government-run NFC (the Ritma Circuit with 53 theaters). This fifth circuit originally operated as an ‘art circuit’ to provide distribution outlets for the more artistic, quality films being funded and promoted by the government during the 1970s, but with the decline in the industry and the reduced output of quality local films, this role has become muddled. There is a Distributors’ Association, but it has weakened in recent years with the decline of the industry and closure of theaters.

There are currently 167 theaters operating in Sri Lanka, out of which only 2 are modern multiplexes (as of mid-2014). This is down from 365 theaters in 1978, when the industry was at its peak. EAP is the largest chain, owning 17 screens and controlling another 33 on a lease basis. The turnover for the industry in 2013 was estimated at 1.6 Billion LKR (USD $12 million), with EAP accounting for 1 Billion of those receipts as they control the most modern and popular theaters in the country.

The government takes a tax from gross receipts of anywhere between 7.5-25%, but this varies from locality to locality, which creates confusion for the industry.

After taxes, the breakdown of gross receipts is as follows:

* 10% to the distribution circuit
* 45% to the exhibitor
* 45% to the producer

In order to level the playing field between producers seeking to release their films in a limited number of theaters, the government introduced a 35-print limit per film release. This move has raised the ire of both commercial producers and private exhibitors, who would feel this restriction limits the amount of returns possible on larger films, thus discouraging investors and depressing the market. Producers of smaller films on the other hand feel this restriction is currently needed, as it frees up limited hall space and prevents a single major commercial feature from monopolizing the market.

3. Censorship

The Public Performance Board (PPB) oversees censorship, issuing certificates for theatrical release and foreign screenings. A rating system is officially in effect, but there are only two ratings, “adults only” and “general audiences”. Although as per the rules laid out in the 1971 Cinema Act the PPB is only supposed to function as a ratings board, in practice censorship decisions are often politically influenced and banning is not uncommon.

4. Policy Documents

The Cinema Act of 1971 established the State Film Corporation (which became the NFC) to act as a regulatory body for the industry, and empowered to make decisions regarding government support for production, importation of raw materials, the operation of distribution circuits, foreign film quotas, taxation, ticket pricing etc. According to the Act, Board of Directors consists of three ex-officio members (the Director of Information, the Director of Cultural Affairs, and the DG of Broadcasting) and 6 members appointed by the Minister of Mass Media and Information, of whom two should come from the Universities and two from the film industry.

5. Broadcast Industry

There are currently 46 broadcasters operating in the country, of which 7 are state-owned channels (2 Sinhala, 2 Tamil and 3 English language). ITN is the oldest and largest state broadcaster, established in 1979. In 1992 the government permitted the establishment of privately owned channels, and currently there are 39 such networks in operation, of which 14 are terrestrial broadcasters and the rest satellite. Young Asia Television (Sinhala/Tamil/English language) is a private broadcaster established in 1995 as Sri Lanka’s first and only public service broadcaster, with special focus on documentaries and social issue-based programming. In addition, there are 4 Sri-Lankan owned pay television networks.

**III. Challenges to the Industry**

1. Production
2. Lack of government support: The filmmakers/producers we spoke with agreed that given the crisis of the industry, the NFC needs to step forward and re-instituted a soft-loan facility to encourage production. According to those we spoke with, this failed when earlier introduced due to lax project selection standards and poor recovery practices. With a stricter selection policy and better oversight this could succeed in injecting much needed capital into the industry on the production side.
3. High investment costs for digital-35mm conversion: Currently, with the vast majority of theaters lacking digital projection facilities, the financial and logistical burden of converting digital masters to 35mm prints has fallen to the producers. Thus although production budgets have gone down due to the cost savings of no longer needing to purchase film stock or pay for processing, the expense of making a film negative and multiple prints is considerable. And given the poor recovery issues (later to be discussed) for producers at the exhibition level, this further depresses the production output.
4. Distribution/Exhibition
5. Distribution Circuits: With the overall decline in theatres and the restrictions imposed on release of films across different circuits (to 35 prints), this has meant that smaller circuits have been a stumbling block to wider releases. Across the board, between public and private entities, there is consensus that the circuit system needs to be changed. The current proposal being considered by the government is to consolidate the circuits from 5 in to 3; however, private exhibitors such as EAP believe the circuit system should be abolished all together to allow the free and unfettered circulation of films in a ‘free market’ economy.
6. Conversion to Digital Standards: At the exhibition level, this is the primary crisis as Sri Lanka’s theaters are burdened with outdated 35mm projection equipment. There has been much talk of establishing a digital standard in the industry, but a consensus cannot be reached about whether to enforce an all-theater single standard such as the higher quality DCP format, or to require higher-end urban based theaters only to install DCP technology (2K-4K quality) and to establish 'e-cinema' standards (HD quality) for theaters serving less well-heeled and smaller town/rural markets. To date the debate between these two options continues to rage, with some smaller exhibitors preferring the cost-saving 'e-cinema' option, while filmmakers/producers generally support an all-DCP standard. To resolve this dispute, all parties say that government guidelines should be set, with the NFC as a monitoring body, but that in itself is proving to be a hurdle do to the low priority the government has given this issue. A further issue is the expense of conversion; the government plans to finance 1/3 of the cost through soft loans, with the private sector covering the remaining 2/3, but even this expense is prohibitive to smaller exhibitors. I any case, according to EAP, this promised government support has yet to materialize. The government set a target of 50% theaters to be converted by the end of 2014, but as of yet only a handful have made the conversion.
7. Multiplexes: There is an urgent need for more modern multi-screen theaters. The introduction of such theaters is seen by producers and exhibitors alike as crucial to the growth and modernization of the industry. Multiplexes provide diverse options for cinema-goers, and thus expand possibilities for directors/producers to experiment with different genres. At the same time they provide more security for exhibitors who can leverage and adjust their losses more easily. Overall, with the introduction of the comfortable seating environments and high-quality projection standards of the modern multiplex model, viewing experiences around the country could be revolutionized and spur a growth in audience interest. In India, the entire film industry has been revived by the introduction of multiplex theaters throughout the country, facilitated by a proactive government policy that provided a secure package of financial incentives in the form of tax holidays to investors. Although the Sri Lankan Parliament passed a bill in 2007 outlining a Tax Holiday policy for new multiplex theaters (10 years) and revamped older theaters (7 years), in the absence of any clear guidelines for the technical configuration of these theaters, the implementation has been stalled. There are currently only two Multiplex theaters in the country (both in Colombo), although there are many investors ready to come forward. All await the finalization of policy guidelines around digital conversion and distribution circuit reform.
8. General Issues
9. Lack of coherent updated national film policy

This was a factor repeatedly mentioned by various interviewees as one of the major stumbling blocks to reviving the industry. There has been no comprehensive overhaul of film industry policy since the Film Corporation Act of 1971. Whether the issue was digital conversion, consolidating the distribution circuit system, the role of the NFC, or improving the scenario for children's cinema, it all came down to the establishment of new policy guidelines. In fact, the Directors' Guild had recently submitted a list of proposed guidelines to the government, with particular emphasis on setting standards for new digital cinemas, but this proposal is still waiting in the wings, stuck in perennial bureaucratic stasis. Here it is not merely a matter of concerned Ministry approval; such a proposal would have to go for Parliamentary vote, a process which is even more prone to petty political bickering. Until there is a clear interest from the top levels of government to reform the system as a priority, it seems unlikely that any major reforms will be forthcoming due to the current political climate.

1. Confusion about role of NFC

The National Film Corporation has the potential to play a leading role in guiding the reform process of the industry. The main confusion is whether NFC should be primarily a direct player in the industry, involved as a distributor/exhibitor in its own right, or primarily a support institution as a monitoring and mediating body between different players. In the current configuration, as an entity with its own private stake in the industry, the NFC is unable to fulfill a role as a 'neutral' institution in resolving industry conflicts or guiding policy reforms. One of the current proposals under consideration by the government is to make the circuit under NFC a separate entity, to relieve NFC of this responsibility empower it to play a more active role as an industry regulator. In addition, the government is also planning to set up a National Film Institute under the NFC, which would expand NFC's current training role.

Given the scope of the challenges now faced by the industry, and the lack of any central authority, it seems logical to streamline the NFC's multiple functions and empower it through a Monitoring Board to directly oversee the implementation of much-needed reforms.

**IV. Recommendations**

1. Production
2. Introduce a National Film Grant (as in India and Bangladesh) to promote better cinema. This could be awarded on an annual basis to a fixed number of films. NFC could function as the oversight body, with a selection panel of educators, cultural figures and industry representatives re-constituted annually. In addition, the NFC could institute a loan policy for producers to help pay for the cost of prints & advertising (P&A) to help offset costs for converting digital format films to 35mm and making release prints.
3. International co-productions: An NFC-led initiative to facilitate co-productions in order to expand investment possibilities and markets for Sri Lankan films. Although there have been a handful of Sri Lankan films made with European partners, to date there have been no Indo-Sri-Lankan co-productions. The most obvious market for expansion is Tamil Nadu, but due to formulaic restrictions of Indian Tamil cinema, Sri Lankan producers have been discouraged from investing. Children’s films could potentially bypass these limitations.
4. Distribution/Exhibition
5. Implementation of tax holiday: The tax holiday scheme introduced in 2007 should be implemented urgently in order to spur growth in the exhibition sector, which will backwardly link to the entire industry, as was the case with the Indian industry. A major component of the tax holiday would be to lift the entertainment tax, which is somewhat arbitrary anyway. In addition new halls/refurbished halls would receive tax breaks on import of new equipment, land tax, utilities tax etc.
6. Set Digital Standard: NFC should establish a set of official guidelines for the digital conversion of theaters, setting DCP as the projection standard for major urban centers to bring Sri Lanka in line with international digital standards.
7. Distribution circuits: As is commonly agreed (except for large distributors such as EAP, who think the system of separate circuits should be abolished entirely), the distribution circuit system needs to be revamped, with a consolidation into 3 circuits instead of 5.
8. Government tax on theater tickets: currently anywhere from 7.5-25%; this tax should be *fixed* across all theaters at a minimum level; have a two-tiered tax basis for local/foreign films.
9. Expansion of NFC-run National Theater (currently one hall) as a multi-theater, multi-purpose complex that could host major film events.
10. Re-introduction of International Film Festival to raise global profile of Sri Lankan cinema and give incentive to local makers (could be held at revamped National Theater Complex). Already several proposal shave been floated by different parties, but these are (yet again) awaiting government approval.
11. PPB (Public Performance Board): Introduce more ratings categories (such as one for children/family films) and formalize its role as purely a ratings body (de-politicize the Board).
12. Foreign film importation: Re-introduce restriction on the import of Indian films (was in place in 1970’s) to help protect local industry in this period of crisis, or alternately, raise entertainment tax on imported films and use funds to set up Film Fund for production grants under the NFC.
13. Children’s Cinema

Most people we spoke with agreed that children’s cinema could be a cornerstone of the revival of the industry. However, to date there have been no initiatives on the part of the government to promote this potentially significant genre. Several suggestions were made by producers as policy models to be incorporated into a reform package, including the following proposals:

1. Government production grants for children’s films, such as in Bangladesh.
2. Special distribution support in the form of specific allocations for screening of children’s films in theaters.
3. Waiver of taxes on ticket sales for children’s cinema (this of course requires that a censorship ratings category be created for children’s cinema).
4. Incorporating film appreciation into school curricula. The only measure currently in effect is a reduced ticket price (almost half the standard rate), mandated by the government, for school-age children in theaters.

A related issue is a standing confusion about what constitutes children’s cinema. Currently some of the larger producers have made successful films in the “social” cinema genre, family-centered films which also feature child actors. Although the audience these films draw also includes children, these films are not specifically targeted for children in terms of their content or genre. Before policy reforms to promote children’s cinema can be successfully implemented, the guidelines for what does and does not constitute a children’s film need to be clearly formulated by the PPB to avoid this confusion, particularly if a special rating is to be given to identify these films.

**V. Conclusion**

Given the scenario outlined above, dynamic leadership from the side of the government is the most urgent requirement for the resolution of the current industry crisis in Sri Lanka. Although they have their differences on specific points of policy, all private parties interviewed were in agreement on the principle of the needed reforms as stated above. Already several concrete initiatives have been made, such as the move by the Director’s Guild to submit a reform proposal to the government. The inability of government officials and politicians to give this issue the priority it demands is the primary factory delaying progress at the current juncture.

 **VI. Interviews Sources**

Much of the information in this report is based on a series of interviews conducted during our November 2013 study tour, supplemented by written documentation and online research. My visit was facilitated on the ground by Ashley Ratnavibhushana, NETPAC General Manager and Jury Coordinator, who is based in Colombo and is well-connected with a broad spectrum of people working in the film industry in Sri Lanka. He himself was an excellent resource person, and in addition to answering my many questions provided me with extensive written documentation on the industry. During my time in Colombo (in November 2013), I conducted interviews with the following people:

1. Asoka Handagama - Well known theatre, television and film director, who has made a number of films on controversial themes, as well as one children's film *Vidhu*

2. Dr. Somaratne Dissanayake - A leading film director whose films on 'family-centered' themes have afforded him considerable box-office success. He is also the president of the Film Makers Guild

3. Dr. Charitha Herath - Secretary of the Ministry of Mass Media & Information, Government of Sri Lanka

4. Ashoka Serasinghe, Chairman of the National Film Corporation, the main government body providing support services to and oversight of the Industry

5. Mr. Tushan, CEO of EAP, the main private exhibition chain in Sri Lanka

**ADDENDUM**

**Examples of Government Tax Incentives/Facilities in Developed Economies**

HONG KONG

Almost all of the developed countries have provided various support mechanisms or protection from ruthless competition to their local film industries. Countries like China have severely restricted the number of foreign films that can be imported and exhibited in China. Similarly, Hong Kong has undertaken the following steps (source: *The Economic Contribution of the Hong Kong Film and TV Industry*. (2009):

“The Hong Kong government has actively supported and promoted the filmed entertainment industry since 1998, notably by setting up the Film Services Office (FSO) to facilitate film production and the Film Guarantee Fund to provide financial aid to local production companies. The Hong Kong government recognizes that creative industries are important economic drivers as they help to increase the innovation capacity of the economy and generate future economic growth. The following are the entities established to support the film industry and related creative industries;

*Film Development Fund (FDF)*

The HK$300 million FDF was set up by the Government in 1999 to encourage more commercial investment in film productions, create a larger mass of film activity and more employment opportunities. The FDF generally supports small-to-medium films that are commercially viable with production budgets not exceeding HK#12 million. As at mid-June 2009, a total of 13 films projects and 29 other film –related projects had been approved.

*The Film Guarantee Fund (FGF)*

The FGF Scheme was designed to assist local film production companies to obtain loans from local participating lending institutions for producing films and to help create an environment conducive to the development of the film financing infrastructure in Hong Kong. The FGF operates on a revolving basis and the current maximum commitment is HK$25 million. Loans may not represent more than 70% of the budget for films with budgets not exceeding HK$7.5 million.”

UNITED STATES

The following list of incentives has been taken from *Film Flight: Lost Production and its Economic Impact on California* published by Milken Institute, 2010.

**California**

Details of tax credit

* 20% of qualifying local spending for qualifying features, movies of the week, miniseries, and new television series for basic cable
* 25% of qualifying local spending for qualifying “relocating” television series and “independent films” income tax credit
* Nonrefundable, nontransferable (except for “independent films” or transfers to affiliates) income tax credit, or sales and use tax credit; income tax credits cannot be applied until 2011
* No compensation caps (Except for above-the-line positions)
* Feature film budget cap of $75 million; “independent film” budget cap of $10 million
* $100 million funding per fiscal year from 2009/2010 to 2013/2014;<$10 million a year set aside for “independent films”; annual allotment on a first-come, first-served basis.
* Project criteria; > 75% of the production days or total production budget within the state; minimum budget of $1 million for a feature film, an independent film, and anew television series; minimum budget of $500,000 for MOWs and miniseries; “independent films” qualify if produced by a company that is not publically traded or owned > 25% by publically traded companies.
* Sales tax relief for productions available; yes
* Hotel occupancy tax relief available; yes
* Sunset/review; June 30, 2014

California Film Commission; [www.film.ca.gov](http://www.film.ca.gov)

**New Mexico**

Details of tax credit

* 25% of qualifying local spending
* Refundable (productions may benefit from either the gross receipts tax deduction / sales tax exemption or the 25% refundable tax credit; but not from both)
* Comp0ensation cap; $5 million per project on the credit for all “performing artist” compensation; there are no other project or funding caps
* Project criteria; none
* Hotel occupancy tax relief available; yes
* Sales tax relief for productions available; yes
* Loan program available; yes
* Sunset/review; none

New Mexico State Film Office; [www.nmfilm.com](http://www.nmfilm.com)

**New York State**

Details of tax credit

* 30% of qualifying local spending
* 4% to 5% on investments in construction and upgrades to qualified film production facilities
* Refundable film production tax credit
* project caps of $75 million in 2009; $85 million in 2010; $90 million in 2011 and 2012; $110 million in 2013; annual allotment on first-come, first-served basis (if exhausted, carries over to next year’s allotment)
* Project criteria: Qualified production costs at a qualified film production facility must be ≥ 75% of such costs within and outside NY (requires at least 1 day at a qualified facility on a set); if production costs at a qualified facility are < $3 million, then shooting days in NY outside qualified production facility must be ≥ 75% of shooting days within and outside NY. The investment tax credit is available for tangible property containing at least 1 soundstage ≥ 7,000 SF, which is principally used as a qualified film production facility and the taxpayer provides ≥ 3 qualified services, including but not limited to studio lighting grid, lighting and grip equipment, multi-line phone service, broadband information technology access, industrial scale electrical capacity, food services, security services, and heating, ventilation and A/C
* Sales tax relief for productions available: yes
* Sunset/review: December 31, 2013

New York State Governor’s Office for Motion Picture and Television Development: [www.nylovesfilm.com](http://www.nylovesfilm.com)

**New York City**

Details of tax credit

* 5% of qualifying local spending
* 1% of outdoor media (marketing credit)
* Refundable (to the extent not used to offset taxes, the refund will be paid in two equal payments in the current and following tax years)
* $30 million annual cap on first-come, first-served basis (if exhausted, carries over to next year’s allotment)
* Project criteria: Qualified production costs at a qualified film production facility must be ≥ 75% of such costs within and outside NYC; if qualified production costs are < $3 million, then shooting days in NYC outside qualified production facility must be ≥ 75% of shooting days within and outside NYC; location costs and post-production costs qualify if ≥ $3 million is spent in a qualified facility
* Sales tax relief for productions available: yes
* Sunset/review: December 31, 2011

The City of New York Mayor’s Office of Film Theatre & Broadcasting: [www.nyc.gov/html/film/html/index/index.shtml](http://www.nyc.gov/html/film/html/index/index.shtml)

CANADA

Details of tax credit

* 16% of qualifying Canadian labor expenditures
* Refundable
* No compensation or project caps
* Project criteria: Costs must be > C$1 million on worldwide basis within 24 months after start of principal photography for feature film or video; > C$100,000 per episode for series or pilot < 30 minutes; and > C$200,000 per episode for series or pilot ≥ 30 minutes.
* Eligible entities: An “eligible production corporation” must have a permanent establishment in Canada whose primary activity is the production of films or videos or the provision of film or video production services AND must own the copyright throughout production in Canada or must contract directly with the copyright owner; private broadcasting/cable subsidiaries are eligible
* Sunset/review: none

**British Columbia**

Details of tax credit

* 33% of qualifying British Columbia (BC) labor expenditures
* 15% additional credit on qualifying Digital Animation or visual Effects (DAVE)
* 6% additional credit on qualifying BC “regional” labor when > 50% of BC principal photography is done outside Vancouver area (pro rate number of regional days by total BC days), minimum 5 regional days required
* 6% additional on qualifying BC “distant” labor (calculated by pro rating number of days shot in “distant location” by total BC days; must first qualify for Regional Tax Credit).
* No compensation or project caps
* Project criteria: C$100,000 per episode for series or pilot < 30 minutes (exception: productions that consist of all or substantially all digital animation or visual effects); > C$200,000 per episode for series or pilot ≥ 30 minutes.
* Eligible entities: The production company must be a Canadian taxable company with a permanent establishment in BC whose primary business is film or video production or provision of production services; broadcasting/cable subsidiaries are eligible.
* Sunset/review: none

British Columbia Film Commission: [www.bcfilmcommission.com/production/index.htm](http://www.bcfilmcommission.com/production/index.htm)

**Ontario**

Details of tax credit

* 25% of qualifying Ontario (ON) labor expenditures and production expenditures;
* 20% additional credit on qualifying ON labor related to digital animation and special effects work
* No compensation or project caps
* Project criteria: Production budget must be > C$1 million worldwide for feature film or video; > C$100,000 per episode for series or pilot < 30 minutes; > C$200,000 per episode for series or pilot ≥ 30 minutes
* Eligible entities: The production company must be a corporation taxable in Canada, with a permanent establishment in ON, primarily carrying on the business of film, TV, or video production; broadcasters are eligible
* Sunset/review: none

Ontario Media Development Corporation: [www.omdc.on.ca/Page3142.aspx](http://www.omdc.on.ca/Page3142.aspx)

**Quebec**

Details of tax credit

* 25% of qualifying Quebec (QC) expenditures (not limited to QC labor)
* 5% additional credit on qualifying animation and special effects QC expenditures (not limited to QC labor); 20% qualifying animation and special effects credit for low-budget productions
* No compensation or project caps
* Project criteria: Production budget must be > C$1 million worldwide for feature film or video; > C$100,000 per episode for series or pilot < 30 minutes; > C$200,000 per episode for series or pilot ≥ 30 minutes
* Eligible entities: The production company must be a corporation taxable in Canada, with a permanent establishment in QC, primarily carrying on the business of film, TV, or video production; broadcasters are eligible.
* Sunset/review: none

Montreal Film and TV Commission: <http://ville.montreal.qc.ca/portal/page?_pageid=4497,7006316&_dad=portal&_schema=PORTAL&playMovie=false>

**Australia**

Details of tax credit

* 40% for qualifying feature films; or

20% for qualifying television productions/documentaries for producer offset; or

15% for qualifying local spend (QAPE) for location offset.

15% additional for post, digital, and visual effects (PDV) offset (can be claimed regardless of where the film was made)

* Tax rebate
* No compensation or project caps
* Project criteria: For location offset, if QAPE = A$15 million but < A$50 million, it must be ≥ 70% of total spending; if QAPE ≥ A$50 million, no percentage test; TV series must average ≥ A$1 million per hour; for PDV offset, minimum qualifying PDV spending = A$5 million; for producer offset minimum spending = $1 million for feature films, TV series, and tele-movies (lower spending test for documentaries and short form animation), and production must pass “Australianness test” (subjective), official co-productions automatically qualify
* Eligible entities: Australian resident company or non-resident with a PE and Australian Business Number (ABN)
* Sunset/review: none

Screen Australia: [www.screenaustralia.gov.au](http://www.screenaustralia.gov.au)

**Germany**

Details of tax credit

* 16% to 20% of qualifying local spending (up to 80% of the total production costs)
* Cash (financial aid) grant
* Project cap of €4 million per film (€10 million if local spending ≥ 35% of budget or if ≥ 2/3 of cultural characteristics awarded; €60 million per year)
* Project criteria: Minimum budgets for feature films is €1 million, animated films is €3 million, documentaries is €200,000; ≥ 25% of budget must be local spending or 20% if budgeted > €20 million; if €15 million local spending, no percentage test; cultural test
* Eligible entities: German production company or establishment
* Sunset/review: December 31, 2012

Germany Federal Film Fund: [www.ffa.de/content\_dfff/dfff\_leitfaden.phtml?language=en](http://www.ffa.de/content_dfff/dfff_leitfaden.phtml?language=en)

**UNITED KINGDOM**

Details of tax credit

* 25% of qualified film expenditures with total production expenditures of as much as £20 million in the UK; 20% if expenditures exceed £20 million
* Payable tax credit (cash rebate)
* No compensation or project caps
* Project criteria: Certified “British” film or official co-production; ≥ 25% of the “core expenditure” must be “UK expenditure”; intended for theatrical release
* Eligible entities: Qualified U.K. production company
* Sunset/review: none

UK Film Council: [www.uk舀lmcouncil.org.uk](http://www.uk舀lmcouncil.org.uk)

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