



GOBIERNO DE COLOMBIA

Impacts of the CINA incentive on the Colombian audiovisual industry

Law 1556 of 2012 and Law 1955 of 2019

PRODUCT3: FINAL REPORT
DECEMBER 16, 2022



Proimágenes Colombia



conometría
Consultores

PROIMÁGENES COLOMBIA

Claudia Triana de Vargas
Directora de Proimágenes Colombia

Silvia Echeverri Botero
Directora de Comisión Fílmica Colombia

Andrea Afanador Llach
Directora de Fomento Nacional

Carlos Moreno Calderón
Directora de Planeación y Proyectos

Manuel Alejandro Pinilla
Director Administrativo y Financiero

Mateo Londoño Rueda
Director Jurídico

Ricardo Jiménez
Subdirector de Comunicaciones

Diego Bustos
Subdirector de Planeación

Juan Camilo Granados
Coordinador de Planeación

PROIMÁGENES COLOMBIA – COMISIÓN FÍLMICA Y PROMOCIÓN

Silvia Echeverri Botero
Directora de Comisión Fílmica

Camila Flórez Luna
Subdirectora de Promoción Comisión Fílmica

Ángela María Navarro Jaramillo
Subdirectora de Fondo Fílmico Colombia y CINA

Carolina Méndez Jiménez
Subdirectora de Operaciones FFC y CINA

María Fernanda Gallo Sánchez
Coordinadora de Proyectos CINA y FFC

Silvia Velandia Rueda
Asesora Comunicaciones Comisión Fílmica

Karen Dueñas Rovira
Administradora Productos Digitales

Catalina Rodríguez Franky
Diseñadora gráfica

COMITÉ PROMOCIÓN FÍLMICA COLOMBIA – CPFC

Arturo Bravo
Viceministro de Turismo

Jorge Ignacio Zorro
Viceministro de la Creatividad - Ministerio
de Cultura

Carmen Cecilia Caballero
Presidenta Procolombia

Mauricio Reina Echeverri
Delegado del Presidente de la República
de Colombia

Jaime Abello Banfi
Delegado del Presidente de la República
de Colombia

Alina Hleap Borrero
Representante de los Productores – CNACC

María Fernanda Céspedes Ruiz
Directora de Audiovisuales, Cine y Medios
Interactivos- Ministerio de Cultura

Claudia Triana de Vargas
Directora de Proimágenes Colombia

ECONOMETRÍA CONSULTORES

Diego Sandoval
Director del estudio

María Camila Arias
Coordinadora del estudio

Manuela Mejía
Experta cualitativa

Santiago Mayorga
Analista cualitativo

Sergio Castellanos
Analista cuantitativo

TABLE OF CONTENTS

INTRODUCTION	1
CHAPTER 1	3
CHAPTER 2	6
1.1 Generation of direct and indirect employment	6
1.1.1 Direct Employment	7
1.1.2 Indirect Employment	8
1.2 Labor price analysis	9
CHAPTER 3	17
CHAPTER 4	23
CHAPTER 5	25
5.1 Issuance and commercialization process of CINAs	25
5.2 General aspects	26
5.3 Factors to improve the marketing of certificates	27
CHAPTER 6	28
6.1 Positive externalities	28
6.2 Negative externalities	29
CHAPTER 7	30
7.1 Case study: La reina del sur	33
7.1.1 Motivations for applying for the incentive	33
7.1.2 Perception of the presentation and selection process	34
7.1.3 Impact of the CINA on the project	34
CHAPTER 8	36
8.1 Sectorial challenges	37
CHAPTER 9	38
9.1 Conclusions	38
9.2 Recommendations	40
ANNEX 3. COMPANIES INTERVIEWED	41
ANNEX 4. OPPORTUNITIES FOR IMPROVEMENT AT THE ADMINISTRATIVE LEVEL OF PROIMÁGENES	41
ANNEX 5. INSTRUMENTS FOR INFORMATION MANAGEMENT AND GENERATION OF RESULTS OF THE CINA SYSTEM	41

LIST OF FIGURES

Figure 1.1 - Total projected budget of completed and ongoing projects under the CINA modality: 2020-2022* _____	3
Figure 1.2 - Expenditures on audiovisual services (SA) and expenditures on audiovisual logistic services (SLA) of completed, ongoing and approved projects covered by CINA certificates: 2020-2022* _____	3
Figure 1.3 - Status of CINA projects 2020 to 2022 _____	4
Figure 1.4 - Percentage of expenditure by type of service for CINA projects 2020 to 2022 _____	4
Figure 1.5 - SA and SLA expenditure by type of production of CINA projects 2020 to 2022 _____	5
Figure 1.6 - Number of projects being filmed benefited by CINA: 2020-2022* _____	5
Figure 1.7 - Actual days (left) and years (right) of recording per year and incentive type: 2020-2022 _____	6
Figure 2.1 - Total crew jobs: 2020-2022* _____	7
Figure 2.2 - Total cast jobs: 2020-2022* _____	7
Figure 2.3 - Total jobs generated in contractors 2020-2022* _____	8
Figure 2.4 - Total number of jobs generated by the CINA 2020 - 2022* projects according to the date of project approval _____	9
Figure 3.1 - Expenditures on audiovisual services (SA) and expenditures on audiovisual logistic services (SLA) of completed and ongoing projects CINA: 2020-2022 _____	17
Figure 3.2 - Composition of expenditures on audiovisual services (SA) and expenditures on audiovisual logistic services (SLA). Average 2020-2022 _____	18
Figure 3.3 - Weight of the different items of expenditure on audiovisual services. Average 2020-2022 _____	19
Figure 3.4 - Weight of the different items of expenditure on audiovisual logistics services. Average 2020-2022 _____	20
Figure 3.5 - Dynamics of expenditures made in the country by CINA productions _____	22
Figure 4.1 - Growth of exports in services _____	24
Figure 4.2 - Annual and quarterly balance of trade of audiovisual services US\$ million per year and quarter: 2000-2022* _____	24
Figure 5.1 - Process of issuance of CINA certificates _____	25

LIST OF TABLES

Table 2.1 – Total number of direct jobs, contractors and indirect jobs generated by the CINA 2020 - 2022 projects* _____	9
Table 2.2 – Average daily wage at constant 2021 prices by Management positions and by filming year: 2016-2021 _____	10
Table 2.3 – Average daily wage at constant 2021 prices by production positions and by filming year: 2016-2021 _____	11
Table 2.4 – Average daily wage at constant 2021 prices per photography positions and per shooting year: 2016-2021 _____	12
Table 2.5 – Average daily wage by grip position and by filming year of completed projects as of September 2022 _____	12
Table 2.6 – Average daily wage at constant 2021 prices by art positions and by filming year: 2016-2021 _____	13
Table 2.7 – Average daily wage at constant 2021 prices per sound charges and per filming year: 2016-2021 _____	14
Table 2.8 – Average daily wage at constant 2021 prices per electrical and light charges and per filming year: 2016-2021 _____	14
Table 2.9 – Average daily wage at constant 2021 prices per electrical and light charges and per filming year: 2016-2021 _____	15
Table 2.10 – Percentage changes between 2016 and 2020 and 2021 salaries for charges over tariffs in pesos _____	15
Table 3.1 – Average of audiovisual services expenditure items per project _____	19
Table 3.2 – Average of SLA expense items per project _____	20
Table 3.3 – SA and SLA expenditures in the country by foreign productions and their relation to CINA certificate values for completed or approved projects - Figures in billions of pesos _____	21
Table 3.4 – Revenues or net fiscal cost to the Government of the CINA under different scenarios of total payments to the State _____	22

LIST OF ACRONYMS

ASCAD	Colombian Association of Management Assistants and Continuing Operations
ATAAC	Association of Art Workers for the Audiovisual Industry in Colombia
CAST	Main actors and/or actresses, supporting actresses, extras and extras hired
CINA	Certificate of Audiovisual Investment in Colombia
CPFC	Colombia Film Promotion Committee
CREW	Technical and artistic personnel employed
DGCINE	General Directorate of Cinema
DIT	Digital Image Technician
DNP	National Planning Department
FFC	Colombia Film Fund
GMF	Financial tax levy
ICA	Industry and commerce tax
VAT	Value added tax
MTCES	Quarterly sample of foreign trade in services
OTTs	On the Top
PIB	Gross Domestic Product
SA	Audiovisual services
SLA	Audiovisual logistics services
TV	Television

INTRODUCTION

This document corresponds to the final report of the study on the measurement of the impacts of the CINA¹ incentive carried out by Econometría Consultores for PROIMÁGENES.

Law 1556 of 2012 aims to encourage film activity in Colombia, promoting the national territory as an element of cultural heritage for the filming of audiovisuals and through these, the tourist activity and the promotion of the country's image, as well as the development of the film industry.

The first instrument developed within the framework of the Law was the establishment of the Colombia Film Fund (FFC), which applies a rebate of up to 40% for the production of cinematographic works in the country, the resources of which come from the National Budget. In 2019, Law 1955 of 2019 was issued, which extended Law 1556 in the following aspects: it extended its validity for 10 years; it extended it to other audiovisual genres, and created a new stimulus system, in addition to the FFC, with the Certificates of Audiovisual Investment in Colombia, CINA.

CINA is an exclusive tax incentive for foreign audiovisual projects (films, series, video games, music videos and advertising production) that hire local Colombian services. The new instrument is aimed at foreign investors who make audiovisual productions in Colombia and who do not file income tax returns. CINAs operate as taxable securities tradable in the stock market, corresponding to 35% of the value of the investment made in the country in audiovisual services and audiovisual logistics services.

Through Agreement 2710 of 2020, the Ministry of Culture contracted PROIMÁGENES to manage CINA's Incentive System. This contract also involves the management of the contribution to producers; the necessary accreditation for the issuance of CINAs by the Ministry of Culture and support for the development of the Colombian audiovisual industry, the promotion of Colombia as a filming scenario and especially in aspects of training of the required professional offer. Decisions on the awarding of CINAs are made by the Colombian Film Promotion Committee, CPFC.

Since 2020 and with a projection until December 2022, CINA has generated a total investment of \$1.8 billion in the Colombian audiovisual industry. CINAs are tax certificates with a value equivalent to 35% of the expenses of foreign audiovisual productions in audiovisual services and logistic services (hotel, food and transportation) contracted in the country by the foreign producer. CINAs are transferable to Colombian income tax filers and function as an income tax discount. The maximum amount of CINA certificates that may be awarded is determined each year by the CPFC. Once the process of issuing the CINA has been completed and after the project has been executed, the producer can sell the CINA on the secondary market through a brokerage company.

¹ This report corresponds to the Final Report of contract No. 028 of 2022 between PROIMÁGENES and Econometría Consultores. It collects PROIMÁGENES' comments on a FIRST version delivered on November 4, 2022.

The first five chapters of the Report are dedicated to measuring the economic impact of CINAs and refer to the resources and productions made in the period 2020–2022; the effects of CINAs on employment (direct and indirect) and tariffs for the Colombian audiovisual industry; the calculation of the net fiscal balance of the incentive on the State's finances; an analysis of the trade balance of the audiovisual sector; and an examination of the market for CINA certificates. These aspects allow us to conclude about the positive correlation that the CINA incentive has shown in the country's fiscal balance, with the expansion of the sector, its exports and the growth of the national audiovisual industry.

The following (Chapter 6) presents a summary of the positive and negative externalities that NAIC has had and a more general analysis of the implications that CINA has had for the Colombian audiovisual industry (Chapter 7). Chapter 8 presents a proposal to PROIMÁGENES for a series of indicators to be adopted for better monitoring of CINAs. Finally, the document presents a series of conclusions and recommendations derived from the analyses carried out.

On the other hand, and as a methodological note, it is pointed out that the quantitative analyses were supported by a design based on mixed quantitative-quantitative methods, supported by sixteen semi-structured interviews with key agents of the audiovisual industry ecosystem. These included the participation of national producers and service companies, international studios, national integrated producers, stockbrokers and professionals from the audiovisual sector in the country, the agents to be interviewed were in all cases decided and agreed with PROIMÁGENES who, as key leaders in this process, were in charge of facilitating the information to contact these agents and/or made the initial contacts.

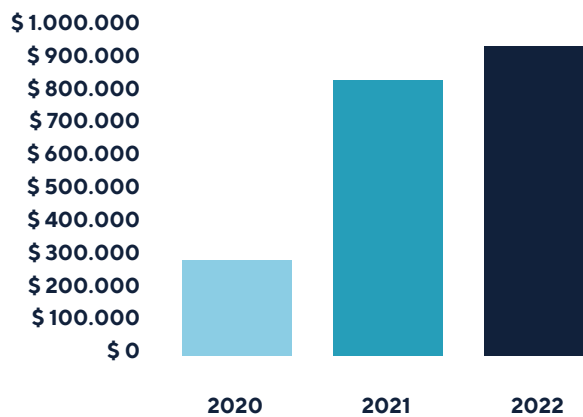
The purpose of the qualitative exercise was for the interviews to help explain key results or findings from the review and systematization of the CINA projects, as well as to provide the vision of the agents based on the operational process of the incentive, its effects both on the beneficiary projects and on the Colombian audiovisual sector, and their vision of the present and future of the sector. As a complement to the interviews, a case study on the production of La Reina del Sur was conducted.

The interviews were conducted with the informed consent of the agents. Likewise, after authorization from the interviewees, recordings were made of the qualitative exercises in order to have a record that would allow for greater detail of the information provided. Three Colombian audiovisual services companies, one service company and producer, three international production companies and other industry players participated in the interviews.. The information from the interviews was organized in a data collection matrix that allowed systematizing the questions from the qualitative instruments with the answers provided by the participants.

MAGNITUDE OF CINA RESOURCES

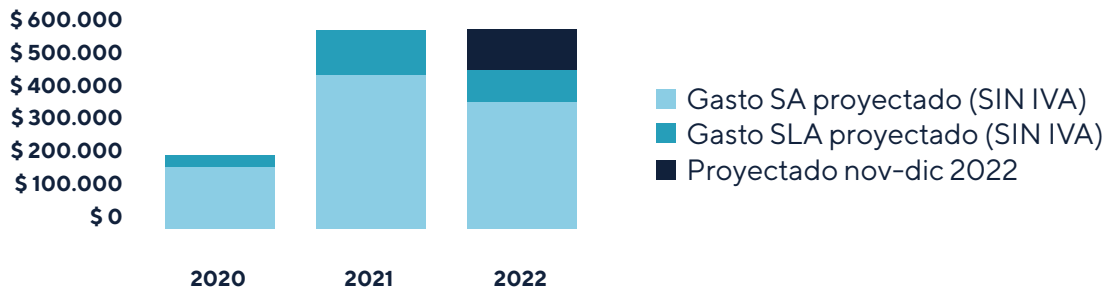
The information presented below was analyzed with the database provided by the CPFC as of September 2022 and with projected data for the remaining months of the year 2022, this database includes information on both the CINA incentive and the FFC incentive. However, in this section only the information from the CINA incentive was taken into account. Figure 1.1 shows the total budget of completed ongoing or approved projects that have applied for the CINA incentive. Since the inception of the incentive, it can be seen how the total values, projects and total value of certificates have increased since its establishment in 2020. Figure 1.2 shows the audiovisual and logistical expenses incurred directly in the country.

Figure 1.1 - Total projected budget of completed and ongoing projects under the CINA modality: 2020-2022*.



*For 2022 the projection is presented until December 2022.
Source: Based on information from PROIMÁGENES.

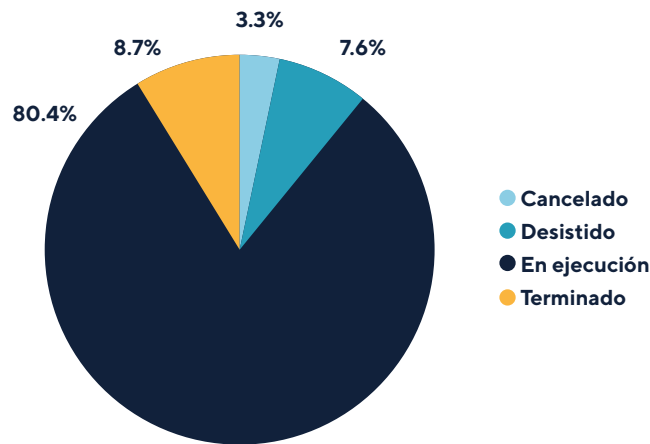
Figure 1.2 - Expenditures on audiovisual services (SA) and expenditures on audiovisual logistic services (SLA) of completed, ongoing and approved projects covered by CINA certificates: 2020-2022*.



*For 2022 the projection is presented until December 2022.
Source: Based on information from PROIMÁGENES.

As of October 5, 2022, 77 projects have been submitted to the CINA incentive, of which 87.0% have been approved (59 projects in execution and 8 completed), 3.9% (3 projects) have been cancelled and 9.1% (7 projects) have been withdrawn, being 2022 the year with more projects in execution (45 projects: 30 already approved and 15 planned), where in terms of expenses, 68.0% of the total budget of the projects is in audiovisual and logistical services. In the country, expenditures total \$219,204 million for completed projects, \$1.2 billion for projects under execution and \$406,256 million for projects projected in November and December 2022, accumulating a total of \$1.8 billion. All these expenses include the payment of taxes and parafiscal contributions.

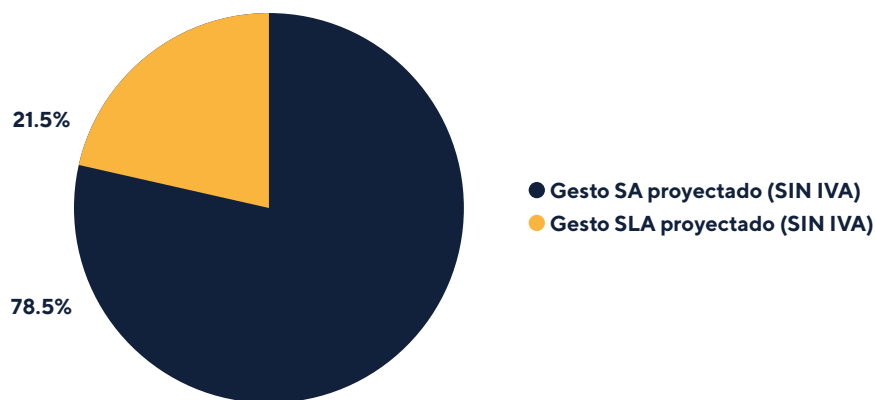
Figure 1.3 - Status of CINA projects 2020 to 2022.



Source: Based on information from PROIMÁGENES.

Of the expenses incurred in the country subject to consideration, 78.5% corresponded to Audiovisual Services (AS) and 21.5% to Audiovisual Logistics Services (ALS).

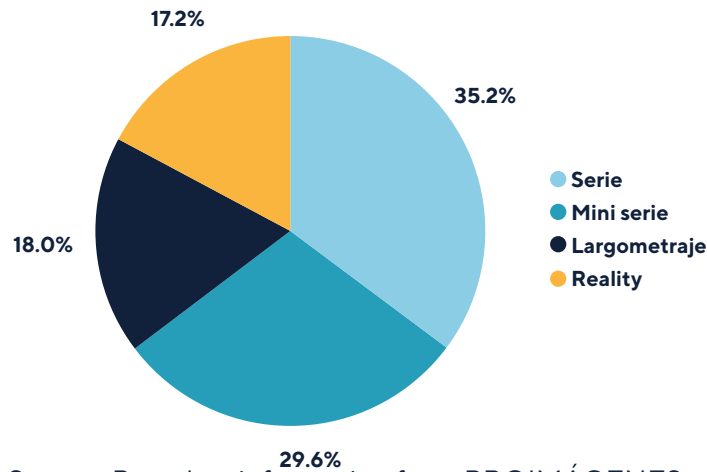
Figure 1.4 - Percentage of expenditure by type of service for CINA projects 2020 to 2022.



Source: Based on information from PROIMÁGENES.

On the other hand, the following figure shows the total expenditure on audiovisual and logistical services broken down by type of production. This shows that most of the expenditures are for series productions (35.2%), followed by miniseries (29.6%), feature films (18.0%) and realities (17.2%).

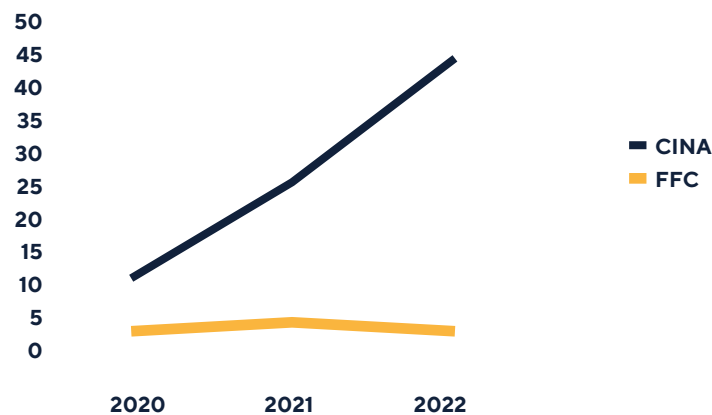
Figure 1.5 - SA and SLA expenditure by type of production of CINA projects 2020 to 2022.



Source: Based on information from PROIMÁGENES.

However, in order to analyze the economic effects, mainly in relation to employment, it is necessary to consider the number of projects under implementation that benefit from the incentives. Specifically, the following figure shows the number of projects benefiting from the CINA incentive, which in 2022 had already reached 30 projects under implementation and 15 planned.

Figure 1.6 - Number of projects being filmed benefited by CINA: 2020-2022*.

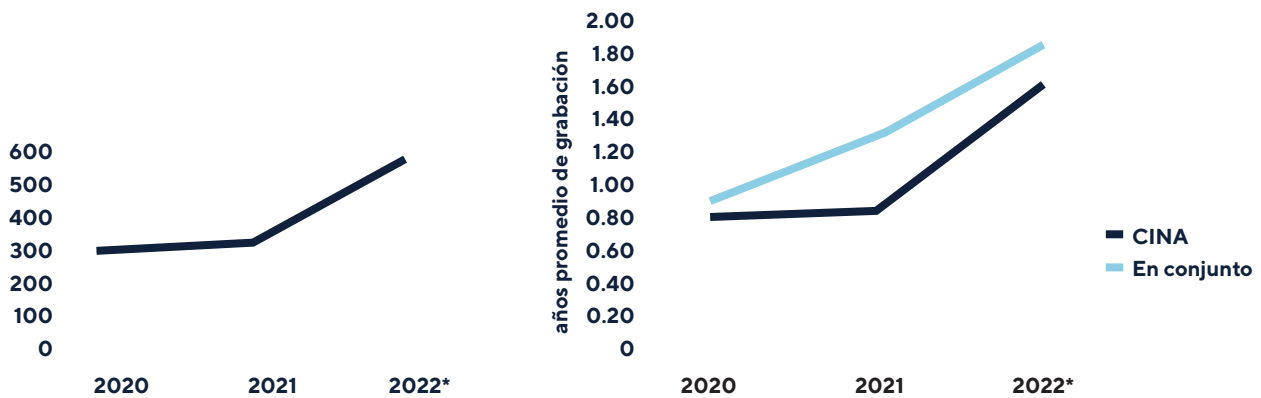


*For 2022 the projection is presented until December 2022.

Source: Based on information from PROIMÁGENES.

The increase in the number of projects executed in each year has an impact on the cumulative shooting time per year, as shown in the following figure. For 2022, considering the approved projects and the estimate of projects to be approved until December in the CINA incentive, an estimate of the number of recording days was made according to the years 2020 and 2021. However, it also highlights that since 2021 there is more than one effective year of recording when adding the recording days of the projects under both incentives and since 2022 the recording days of the projects under the CINA incentive alone add up to more than 1 year of recording.

Figure 1.7 - Actual days (left) and years (right) of recording per year and incentive type: 2020-2022.



Source: Based on information from PROIMÁGENES.

Chapter 2

EMPLOYMENT AND LABOR COSTS

The effects of the application of the CINA incentive on direct and indirect employment and labor costs are presented and discussed below.

The information used for the analysis corresponds to that contained in the database prepared by PROIMÁGENES Colombia. To date, the CINA has 67 projects (59 projects under implementation and 8 completed).

1.1 GENERATION OF DIRECT AND INDIRECT EMPLOYMENT

The analysis of direct and indirect employment generation was carried out with information from the 67 CINA incentive projects (59 projects under execution and 8 completed). It is divided into two parts: the first part explores employment, how it has behaved over time and how it is categorized within the different film projects. The second part deals with the analysis of labor costs and examines the discussion surrounding this variable.

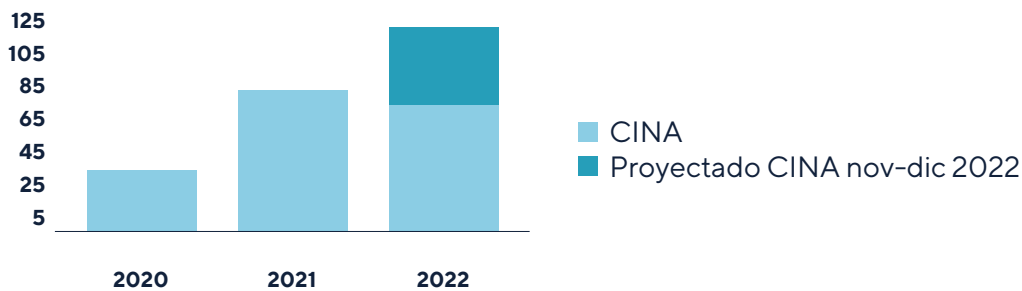
1.1.1 Direct Employment

One of the characteristics of the audiovisual sector is that most of the jobs linked to it are of a temporary nature and generally tend to have the same duration as the time allocated for the filming of the projects. This form of employment usually depends on four aspects: technical capacity, experience, network of contacts and frequency of projects.

The human team hired for the development of a project is divided into two groups: Above the line, refers to those responsible for the creative development, production and direction of a film or television program, while below the line corresponds to people who are not considered key cast members or technical crew roles. This group of people reflects the direct employment of the production, on the other hand, the employment generated by spending on film logistics services (transportation, hotels and food) and other expenses associated with the film project, correspond to the logistics contractors of each production.

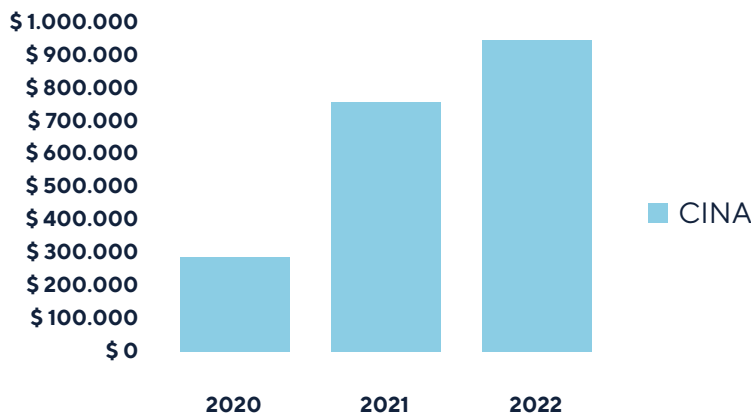
The following figure shows the total number of direct jobs generated by the CINA. In the year 2020 the number of direct jobs for crews reaches 36, for the year 2021 the amount increases to 84 jobs, and for the calculation of the year 2022 it was projected with the 15 projects that are pending approval, and a total of 121 direct jobs were estimated. On the other hand, in terms of the number of cast, the CINA projects also reflect a significant growth in the three years it has been in operation, reaching a total of 4734 jobs in 2022.

Figure 2.1 - Total crew jobs: 2020-2022*.



*For 2022 the projection is presented until December 2022.
Source: Based on information from PROIMÁGENES.

Figure 2.2 - Total cast jobs: 2020-2022*.

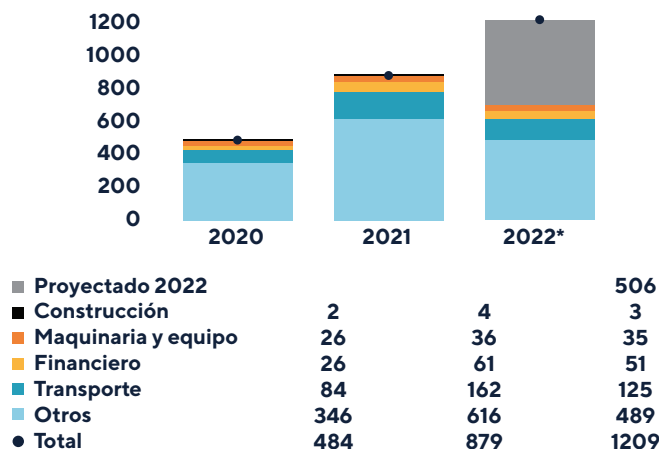


*For 2022 the projection is presented until December 2022.
Source: Based on information from PROIMÁGENES.

To analyze the direct employment generated by the CINA projects, we took into account expenditures on film logistics services and expenses associated with equipment rental, locations and rental and art services, categories identified in the projects' financial reports.

The following figure shows the direct jobs generated by hiring contractors in each of the sectors, and it can be seen that the group of other services is where most indirect employment is being generated, followed by transportation and the financial sector. The graph shows the table with the values for each of the items obtained for each year.

Figure 2.3 -Total jobs generated in contractors 2020-2022*.



*Estimates for 2022 are made taking into account the projection until December 2022.

Source: Based on information from PROIMÁGENES.

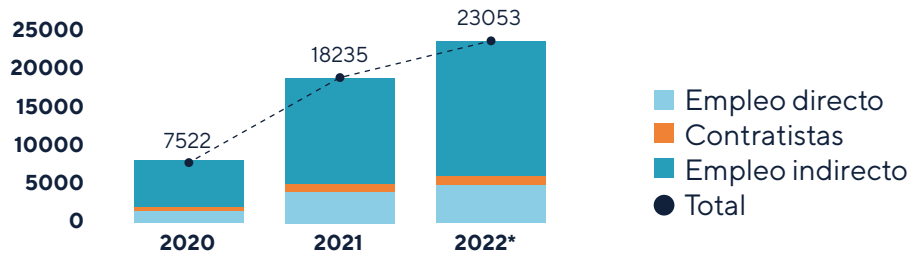
1.1.2 Indirect Employment

Based on the employment multipliers developed in the DNP for (Hernández, 2012), the respective multipliers for the sector were identified, which are constructed with the information recorded in the 2007 national accounts.

To identify the related economic sectors, expenditures were aggregated as follows: air transportation, land transportation and other transportation were grouped into the transportation and communications sector, which has a multiplier of 0.88 jobs per million pesos spent in the sector; equipment rental was associated with the machinery and equipment sector which has a multiplier of 0.23; location rental was associated with the construction sector, which has a multiplier of 0.03 jobs per million pesos; administrative expenses were associated with the financial sector, which has a multiplier of 0.53; finally, expenses for food, tourism and rental and art services were grouped in the other services sector, this sector has a multiplier of 2.31 jobs per million pesos; it is necessary to take into account that to use the multipliers it is necessary to take the values to constant prices.

When analyzing the ratio between indirect jobs and direct jobs (to calculate this value we took the sum of total jobs generated over total direct jobs generated) we find that a direct job in film services is generating an average of 2.83 jobs in the other sectors of the economy. The following figure shows the total number of jobs generated by the benefited projects. It can be seen that in recent years more jobs have been generated, which is consistent with the greater number of projects.

Figure 2.4 - Total number of jobs generated by the CINA 2020 - 2022* projects according to the date of project approval.



* Estimates for 2022 are made taking into account the projection until December 2022.

Source: Based on information from PROIMÁGENES.

The following table also summarizes the employment impacts, disaggregating direct employment into direct employment (technical and artistic personnel, actors and extras) and indirect employment.

Table 2.1 - Total number of direct jobs, contractors and indirect jobs generated by the CINA 2020 - 2022 projects*.

	2020	2021	2022*
Direct Employment	1480	3882	4810
Contractors	484	879	1209
Indirect Employment	5558	13474	17034
TOTAL	7522	18235	23053

*Para 2022 se presenta la proyección hasta diciembre 2022.

Source: Based on information from PROIMÁGENES.

1.2 LABOR PRICE ANALYSIS

For the analysis of this information, information from completed projects was reviewed and examined, since these are the ones that have the financial report, from which the information for the analysis of labor prices is extracted; a total of 23 statistical and financial reports were analyzed. The information is broken down by type of film service and position. Specifically, information on projects benefited by the FFC and the CINA was included. This is due to the fact that the projects report this level of detailed information only after the completion of the projects, and at this time only eight CINA projects have been completed. It is considered that including information from completed FFC projects does not bias this analysis, since in terms of costs, proportions and types of human capital, the projects covered by both benefits should share the same labor employment characteristics².

Within the structure of the financial report that PROIMÁGENES delivers for the projects, specific charges are defined; however, depending on the person in charge of filling out the document, this could end up with a greater number of charges in the different types of cinematographic services. To standardize the analysis, use was made of the charges defined in the structure of the financial report. The breakdown presented below is by type of service and is the one used in the analysis presented below:

² The projects completed under the FFC analyzed are cinematographic works; under the CINA there are serialized projects that in some way have different structures and production times, although they have certain similarities.

- Direction personnel
- Production personnel
- Photography
- Grip - Operations on set
- Art Department
- Sound Department
- Electrical and lights
- Post-production

The analysis performed for each of the types of film services is summarized in a table in which the average salaries in pesos per day are included for each of the positions. In order to make wages comparable, the values were converted to 2021 prices by means of the GDP deflator, and daily wages in dollars of the respective year are also included. It should be noted that some projects may have paid salaries that are outside the statistical ranges of the available information; for this reason, an outlier exclusion criterion was used, which consists of not using data that are outside the range of two standard deviations from the mean.

· Direction personnel

Observing the behavior of the average salary in constant pesos, in these positions it can be seen that the salary of the first assistant has been increasing since 2016 going from 500 thousand pesos per day to 644 thousand pesos per day, a much smaller increase is observed in the position of the second assistant, where it went from receiving 325 thousand pesos per day in 2016 to 365 thousand pesos per day in 2020.

Table 2.2 - Average daily wage at constant 2021 prices by Management positions and by filming year: 2016-2021.

THOUSANDS OF PESOS (2021)							
POSITION	2015	2016	2017	2018	2019	2020	2021
Director		1196				1752	483
1st assistant director		500		506		644	389
2nd assistant director	316	325	443	341	317	365	165
Second unit manager		717				449	
Script supervisor	295	316	376	342	427	312	
Casting Director		1022	624	797	309	415	302
Casting Assistant		75	204	23	429		

DOLLARS							
POSITION	2015	2016	2017	2018	2019	2020	2021
Director		370				470	129
1st assistant director		155		166		173	104
2nd assistant director	104	101	144	112	95	98	44
Second unit manager		222				120	
Script supervisor	97	98	123	112	128	84	
Casting Director		316	203	261	93	111	81
Casting Assistant		23	67	8	129		

Source: Produced in-house based on information from PROIMÁGENES as of 07/14/2022.

· Production personnel

When observing the average salary received by the field producer had its highest point in 2020 (420 thousand pesos/day), however, in the following year it decreased. On the other hand, the highest point for the leaseholder was in 2020 (491 thousand pesos). In this aspect it is necessary to remember that the salary that is received by the different positions in the different services is not regulated, so it will depend on the importance of the position within the production, so there are projects where a much higher salary is paid to a position than in other projects.

Table 2.3 - Average daily wage at constant 2021 prices by production positions and by filming year: 2016-2021

THOUSANDS OF PESOS (2021)							
POSITION	2015	2016	2017	2018	2019	2020	2021
Line producer	738	506	1183	591		518	788
Production Manager	633	469	737	536	537	360	1039
Production Coordinator	253	566	258	297	200	274	283
Production Supervisor			506				273
Field producer	316	415	410	288	250	420	342
Location manager	253	310	281	397	278	491	294
Chief accountant	228	167	280	338	281	235	281
Translator or interpreter		1469	299	495			

DOLLARS							
POSITION	2015	2016	2017	2018	2019	2020	2021
Line producer	244	157	385	194		140	210
Production Manager	208	145	240	176	161	96	278
Production Coordinator	84	175	84	98	60	74	76
Production Supervisor			165				73
Field producer	104	128	133	94	75	113	91
Location manager	84	96	92	130	83	132	79
Chief accountant	76	51	91	110	84	63	75
Translator or interpreter		454	97	162			

Source: Produced in-house based on information from PROIMÁGENES.

· Photography

When considering the salary of the most frequently hired positions, it can be seen that the salary of still photographers has not had a definite growth trend; on the other hand, in still photography (except for 2016), it can be seen that there is a slight growth trend, a trend that is much more clearly observed in the average salary received by the cameraman.

Table 2.4- Average daily wage at constant 2021 prices per photography positions and per shooting year: 2016-2021

THOUSANDS OF PESOS (2021)							
POSITION	2015	2016	2017	2018	2019	2020	2021
Director of photography		1097	3448	1485		1491	1083
Cameraman		594	793	551		734	692
Focus puller		511	422	422	611	403	552
Steadicam	2277	1001	322	2.042	2321	931	2000
Digital image technician	2113	655	690	427	446	350	413
HD Technician						344	
Still photo	296	355	420	323	402	6433	350

DOLLARS							
POSITION	2015	2016	2017	2018	2019	2020	2021
Director of photography		339	1123	487		400	290
Cameraman		184	259	181		197	185
Focus puller		158	137	138	184	108	148
Steadicam	750	310	105	669	699	250	534
Digital image technician	696	203	224	140	135	94	110
HD Technician						92	
Still photo	97	110	137	106	121	1727	94

Source: Produced in-house based on information from PROIMÁGENES.

• Grip - Set Operations

When observing in detail the behavior of the stagehand's salary, it can be seen that it represents its highest peak in 2018 (806 thousand pesos/day), on the other hand, the salary of the best boy grip has had an increase over time.

Table 2.5 - Average daily wage by grip position and by filming year of completed projects as of September 2022.

THOUSANDS OF PESOS (2021)							
POSITION	2015	2016	2017	2018	2019	2020	2021
Stagehand	338	438	470	806	632	524	
Best boy grip	448	327	466	658	512	116	517
Crane grip		520	575			346	
Dolly grip	215	284	423	325	356	285	

DOLLARS							
POSITION	2015	2016	2017	2018	2019	2020	2021
Stagehand	111	136	153	264	190	140	
Best boy grip	148	101	151	216	154	31	138
Crane grip		161	187			93	
Dolly grip	71	88	137	107	107	76	

Source: Produced in-house based on information from PROIMÁGENES.

· Art Department

When looking at salaries it can be seen that in the art direction the average daily salary has been increasing over time. Nothing conclusive can be drawn regarding the costumer's salary since no clear trend can be identified. The average salary of make-up artists does not show any particular behavior; on the contrary, the salaries of props and air fresheners or set designers show a constant and positive growth.

Table 2.6 - Average daily wage at constant 2021 prices by art positions and by filming year: 2016-2021

THOUSANDS OF PESOS (2021)							
POSITION	2015	2016	2017	2018	2019	2020	2021
Art Director	633	631	1163	735	621	1048	1389
Production Designer		588			687		755
Art Producer		329	214	580	226	215	617
Costume designer		425	497	547		438	378
Costumer	296	286	254	767	646	405	250
Make-up artist	633	649	241	673	413	8325	483
Hairdresser		234	159	189	179	202	
Prop man	316	294	335	345	483	456	450
Decorator or scenographer	380	311	352	641	269	401	500
Construction manager			138	278	429	163	

DOLLARS							
POSITION	2015	2016	2017	2018	2019	2020	2021
Art Director	208	195	379	241	187	281	371
Production Designer		182			207		201
Art Producer		102	70	190	68	58	165
Costume designer		131	162	179		117	101
Costumer	97	89	83	251	195	109	67
Make-up artist	208	201	79	221	125	2234	130
Hairdresser		72	52	62	54	54	
Prop man	104	91	109	113	146	122	120
Decorator or scenographer	125	96	115	210	81	108	134
Construction manager			45	92	129	44	

Source: Produced in-house based on information from PROIMÁGENES.

· Sound Department

When analyzing the average salary of these two positions, it can be seen that the salary of the sound engineer does not have a marked trend and moves between a range of 400 and 800 thousand pesos per day. The same behavior applies to the position of microphone operator.

Table 2.7 - Average daily wage at constant 2021 prices per sound charges and per filming year: 2016-2021

THOUSANDS OF PESOS (2021)

POSITION	2015	2016	2017	2018	2019	2020	2021
Sound manager	525	420	821	1038	649	589	622
Microphone operator		261	276	292	247	671	

DOLLARS

POSITION	2015	2016	2017	2018	2019	2020	2021
Sound manager	173	130	268	340	195	158	167
Microphone operator		81	90	96	74	180	

Source: Produced in-house based on information from PROIMÁGENES.

· Electrical and lights

The average electrician's salary has had a positive growth trend since 2014, by observing the behavior of the salary in dollars it can be seen that this increase has been progressively since 2015. Likewise, for the positions of gaffer and lighting technician, a progressive salary behavior can be identified.

Table 2.8 - Average daily wage at constant 2021 prices per electrical and light charges and per filming year: 2016-2021

THOUSANDS OF PESOS (2021)

POSITION	2015	2016	2017	2018	2019	2020	2021
<i>Gaffer</i>	557	561	569	628	644	731	691
Lighting engineer	448	402	370	980	566	575	400
Electrician	423	376	598	537	542	445	408
Power plant operator	190	152	360			337	200

DOLLARS

POSITION	2015	2016	2017	2018	2019	2020	2021
<i>Gaffer</i>	183	173	185	206	194	196	184
Lighting engineer	148	125	121	321	171	154	107
Electrician	140	117	195	176	163	120	109
Power plant operator	63	47	117			91	53

Source: Produced in-house based on information from PROIMÁGENES.

· Post-production

Since these positions are not hired very frequently, it is not possible to perform a serial analysis on the average value of the daily salary.

Table 2.9 – Average daily wage at constant 2021 prices per electrical and light charges and per filming year: 2016-2021

THOUSANDS OF PESOS (2021)							
POSITION	2015	2016	2017	2018	2019	2020	2021
Editor		572				367	
Post-production director						840	
Post-production coordinator		80				327	























































DOLLARS							
POSITION	2015	2016	2017	2018	2019	2020	2021
Editor		177				98	
Post-production director						225	
Post-production coordinator		25				88	

Source: Produced in-house based on information from PROIMÁGENES.

Table 2.10 summarizes the percentage changes for the different positions analyzed with respect to 2020 and 2021, with 2016 as the base reference year. Cells highlighted in green correspond to increases, while cells in red correspond to decreases in salaries. As can be concluded, the changes in the cost of labor have not followed a clear indiscriminate trend, but rather for approximately half of the charges there has been an improvement in the rate and for the other half a deterioration. There is no general trend by year either. For management personnel, it is observed that between 2021 and 2020 all positions have decreased their rates, probably because competition in the market has led to break-even rates in the national market. In the other charges there appear to be some rate improvement effects.

Table 2.10 – Percentage changes between 2016 and 2020 and 2021 salaries for charges over tariffs in pesos.

DIRECTION PERSONNEL	VAR % (2016VS 2020)	BALANCE (2022-2016)
Director	46.4% ■	-13.2% ■
1st assistant director	28.6% ■	6.4% ■
2nd assistant director	12.2% ■	-36.9% ■
Second unit manager	-37.4% ■	
Script supervisor	-1.3% ■	
Casting Director	-59.4% ■	-129.8% ■
Casting Assistant		

PRODUCTION PERSONNEL	VAR % (2016VS 2020)	BALANCE (2022-2016)
Line producer	2.5% 	58.4% 
Production Manager	-23.2% 	98.4% 
Production Coordinator	-51.5% 	-101.5% 
Production Supervisor		
Field producer	1.2% 	-16.4% 
Location manager	58.5% 	53.5% 
Chief accountant	40.1% 	107.7% 
Translator or interpreter		
PHOTOGRAPHY	VAR % (2016VS 2020)	BALANCE (2022-2016)
Director of photography	36.0% 	34.7% 
Camerman	23.7% 	40.1% 
Focus puller	-21.1% 	-13.1% 
Steadicam	-7.0% 	92.8% 
Digital image technician	-46.6% 	-83.6% 
HD Technician		
Still photo	1714% 	1712% 
GRIP	VAR % (2016VS 2020)	BALANCE (2022-2016)
Stagehand	19.6% 	
Best boy grip	-64.5% 	-6.3% 
Crane grip	-33.5% 	
Dolly grip	0.1% 	
ART DEPARTMENT	VAR % (2016VS 2020)	BALANCE (2022-2016)
Art Director	66.0% 	186.0% 
Production Designer		
Art Producer	-34.6% 	52.8% 
Costume designer	2.9% 	-8.3% 
Costumer	41.8% 	29.4% 
Make-up artist		-25.5% 
Hairdresser	-13.8% 	
Prop man	55.1% 	108.1% 
Decorator or scenographer	28.9% 	89.9% 
Construction manager		
SOUND DEPARTMENT	VAR % (2016VS 2020)	BALANCE (2022-2016)
Sound manager	40.2% 	88.4% 
Microphone operator	156.7% 	
ELECTRICAL AND LIGHTS	VAR % (2016VS 2020)	BALANCE (2022-2016)
Gaffer	30.4% 	53.5% 
Lighting engineer	43.0% 	42.4% 
Electrician	18.4% 	26.9% 
Power plant operator	122.5% 	154.5% 

POST-PRODUCTION	VAR % (2016VS 2020)	BALANCE (2022-2016)
Editor	-35.9% ■	
Post-production director		
Post-production coordinator	309.5% ■	

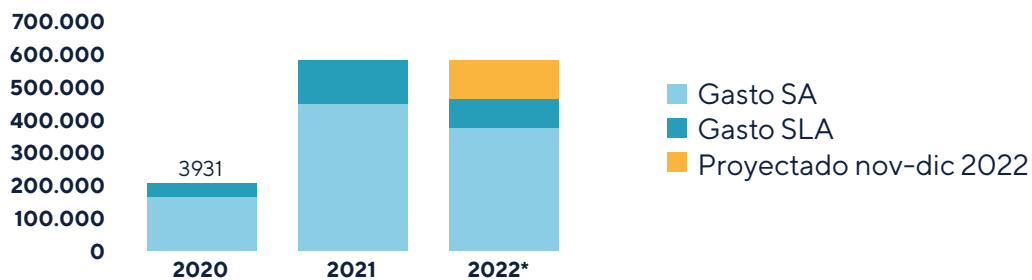
Source: Produced in-house based on information from PROIMÁGENES

Chapter 3

CINA'S FISCAL BALANCE SHEET

Law 1556, also known as the 'filming law' or the 'Colombia filming law', was enacted in 2012 with the objective of promoting the national territory as a scenario for filming cinematographic works. Initially, this law contemplated the creation of the Colombia Film Fund (hereinafter "FFC"), to grant a consideration based on resources from the National Budget, of up to 40%, to those who made cinematographic works in the country. Subsequently, Law 1955 of 2019, corresponding to the National Development Plan for the period 2019 - 2022, introduced three significant changes to Law 1556 of 2012: it extended its validity for 10 years, extended it to other audiovisual genres, and incorporated a new stimulus system in addition to that of the FFC, based on the so-called 'Certificates of Audiovisual Investment in Colombia ('CINA'). Under the FFC modality, the resources depended on the direct allocation of the nation's general budget. On the contrary, under the CINA incentive, the State is able to support and promote the audiovisual sector without directly affecting its general budget, ensuring that this sector can be strengthened independently of eventual fiscal costs to the State, as will be seen below. Figure 3.1 shows the expenditures for CINA productions in 2020 to 2022.

Figure 3.1 - Expenditures on audiovisual services (SA) and expenditures on audiovisual logistic services (SLA) of completed and ongoing projects CINA: 2020-2022.



Source: Produced in-house based on information from PROIMÁGENES as of 13/10/2022.

Note: VAT is not included in the graph or others.

In terms of expenditures, the CINA projects that have been completed so far have represented an expenditure in the country of 219,204 million pesos and those currently being executed are expected to accumulate a total expenditure of 1.21 billion pesos. In this sense, the percentage of execution over the projected investment reached 15.4%, taking into account only the projects that have been reported as completed.

Audiovisual services expenses are those related to the payment of services directly associated with audiovisual production, while audiovisual logistical services are those related to services outside the audiovisual industry, but which are required to carry out the production.

Figure 3.2 presents a detailed list of these expenses and Figures 3.4 and 3.5 show the percentage that each item occupies within these types of expenses.

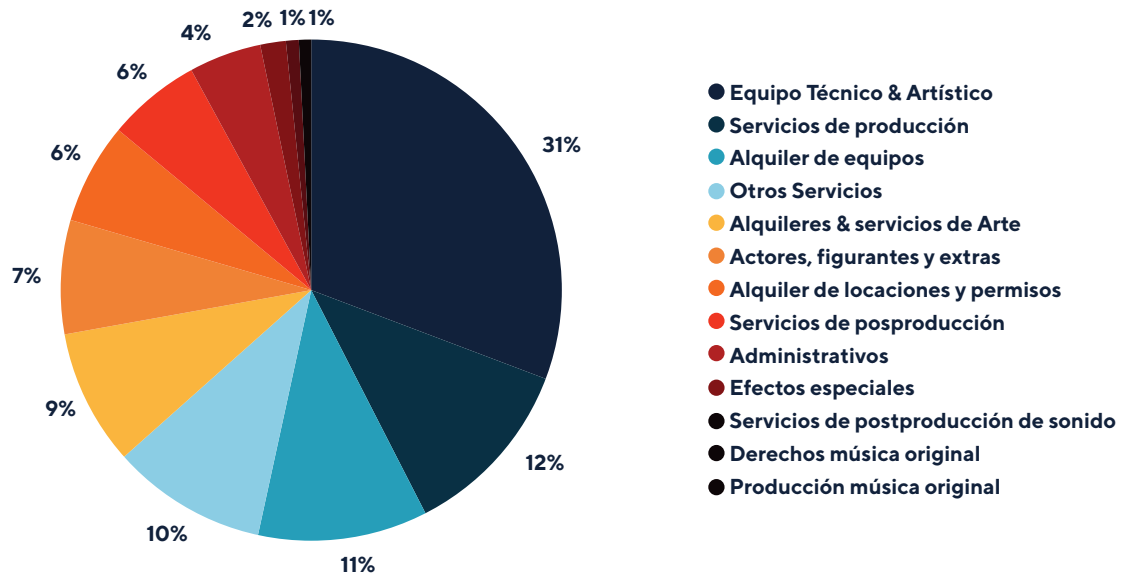
Figure 3.2 - Composition of expenditures on audiovisual services (SA) and expenditures on audiovisual logistic services (SLA). Average 2020-2022.



Source: Produced in-house based on information from PROIMÁGENES.

The following is a section of descriptive statistics in which it is possible to conclude on the average magnitude of each expense item and the proportion they occupy within the expense categories.

**Figure 3.3 - Weight of the different items of expenditure on audiovisual services.
Average 2020-2022**



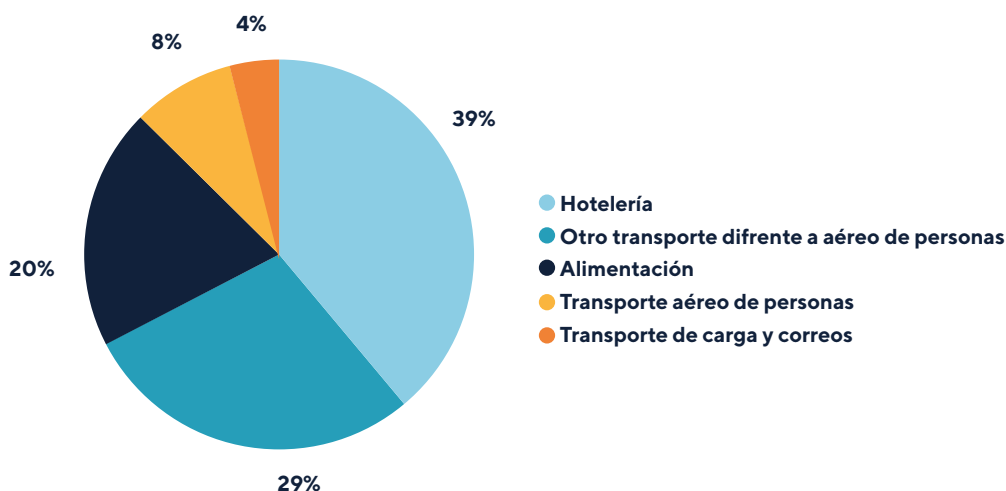
Source: Produced in-house based on information from Proimágenes with information from 2020-2022 projects.

Table 3.1 -Average of audiovisual services expenditure items per project.

ITEM	ITEM SHARE	AVERAGE VALUE PER PROJECT
Technical and Artistic Team	30.86%	4,480,224,068
Production services	11.74%	1,704,208,262
Equipment Rental	10.97%	1,592,527,359
Other Services	9.93%	1,441,817,984
Rentals & Art services	8.71%	1,263,886,123
Actors and extras	7.29%	1,058,762,011
Location rentals and permits	6.49%	942,450,984
Post-production services	6.07%	881,842,212
Administrative	4.52%	656,423,632
Special effects	1.62%	235,092,438
Sound post-production services	0.89%	129,193,637
Original music rights	0.53%	77,250,608
Original Music Production	0.37%	53,506,908

Source: Produced in-house based on information from Proimágenes with information from 2020-2022 projects.

Figure 3.4 - Weight of the different items of expenditure on audiovisual logistics services. Average 2020-2022



Source: Produced in-house based on information from Proimágenes with information from 2020-2022 projects..

Table 3.2 - Average of SLA expense items per project.

ITEM	ITEM SHARE	AVERAGE VALUE PER PROJECT
Hotel	38.64%	1,534,584,726
Other than air transportation of persons	28.85%	1,145,628,723
Food	20.12%	799,146,155
Air transportation of people	8.61%	341,779,293
Freight forwarding and couriers	3.78%	150,176,254

Source: Produced in-house based on information from Proimágenes with information from 2020-2022 projects.

Consequently, once the expenses have been incurred, the CINA certificate is equivalent to 35% of these expenses by means of a tax certificate that the project manager must sell on the market.

In this sense, for the total expenses reported and projected at this time for the projects already completed and those under execution in 2022, it is expected that the respective securities issued by the State will be of the order of \$428,619 million pesos, which will be used in the payment of income taxes of the holders of the securities in the coming years.

As a first approach to identify the fiscal balance that the incentive has on the economy, the ratio of pesos entering the economy for each peso of a CINA bond was calculated. For this analysis it is assumed that the revenues come from foreign resources, since the projects that apply to the law are carried out by international production companies. Table 3.1 shows this relationship for the years in which CINA has been in effect. In practical terms, for each peso of a CINA certificate, 2.86 pesos enter the national economy as foreign investment.

Table 3.3 – SA and SLA expenditures in the country by foreign productions and their relation to CINA certificate values for completed or approved projects – Figures in billions of pesos.

YEAR	SA+SLA EXPENDITURE	COMMITTED AMOUNT OF AUDIOVISUAL INVESTMENT CERTIFICATES - CINA	RATIO OF WEIGHTS OF FOREIGN INVESTMENT IN THE ECONOMY PER WEIGHT OF NAIC CERTIFICATE
2020	200.954	170.334	2.86
2021	568.753	195.860	2.86
2022	454,919	159,222	2.86
Total	1,22 billion	428.619	2.86

Source: Produced in-house based on information from PROIMÁGENES as of 13/10/2022. Millions of current pesos. Note: VAT and projections for November and December 2022 are not included.

Now, in addition to the resources that directly enter the national economy from investments made by international producers, the country also benefits from tax payments, social security payments and other contributions to the national and territorial State that correspond to payments to actors, services, rents, personnel, among others, directly.

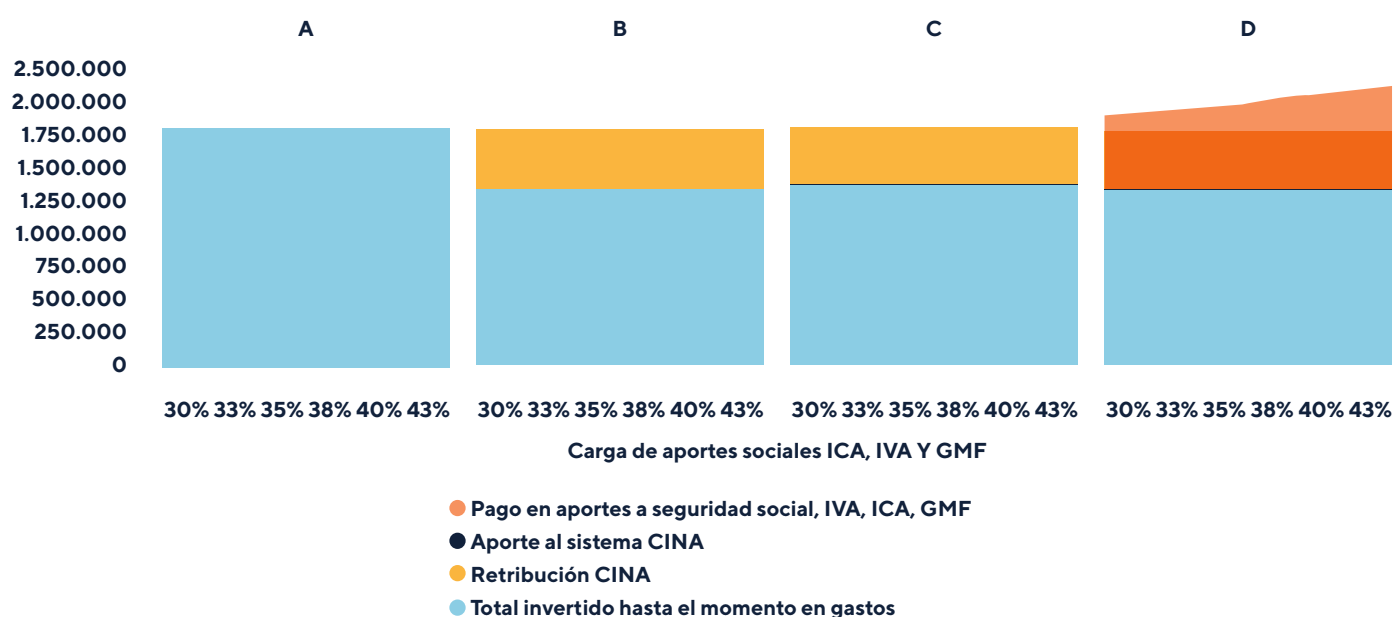
According to estimates by some of the production companies interviewed in this study so far, a total of 1.3 billion pesos had been committed by companies to spend on projects that applied for the CINA certificate. According to the database provided by Proimágenes, including other expenses and projections for November and December 2020, this amount reaches 1.8 billion and 1.3 billion excluding VAT and other expenses. Of this total without VAT and other expenses, the CINA certificate covers 35%, so the net foreign investment that the country has received (only in expenses) at this moment is around 1.3 billion pesos in the two and a half years that CINA has been operating. This investment that is entering the country is not a minor figure, since it represents about 6.3% of the revenue that is expected to be raised through the recently approved tax reform³. This situation is even more favorable considering that these are additional resources that are entering the country without directly affecting the public budget.

On the other hand, with the aim of creating a mature sector and making the mechanism sustainable in the long term, a contribution system was designed for the sector, in order to generate resources to cover operating expenses and other expenses, such as training programs. This mechanism consists of a contribution of 5% of the certificate. The following figure shows the composition of the total expenses according to the part corresponding to the CINA certificates, the 5% part of the certificate corresponding to the CINA system, managed by PROIMÁGENES. It should be noted that most of these resources are used to support the training of national technical teams and the promotion of the certificate. Taxes⁴, social security payments and other payments to the State must be deducted from this value. According to different estimates, these payments to the State may represent a value ranging from 30% to 43% of total production costs.

³ According to Portafolio, the tax reform plans to collect 21.5 billion pesos in 2023. Thus, the 1,345 billion represent 6.3% of this figure: <https://www.portafolio.co/economia/gobierno/reforma-tributaria-asi-quedaron-las-metas-del-recaudo-572311>

⁴ It should be noted that these productions, since most of them are exported, do not have to pay VAT. Therefore, only VAT paid in the country and not compensated by DIAN is taken into account.

Figure 3.5 - Dynamics of expenditures made in the country by CINA productions.



Source: In-house production based on information from Proimágenes and interviews with actors of the audiovisual industry. A: Expenditures invested in productions; B: Net expenditure investment after deducting CINA incentive. C: + Contribution to Proimágenes; D: + Contribution in parafiscal taxes, VAT, ICA and GMF and other payments to the State.

However, since upon commercialization of the tax certificate, the production companies benefiting from the CINA must return a value equivalent to 5% of the title to the CINA System managed by PROIMÁGENES with the objective of building a fund to strengthen the human capital of the sector in Colombia, a figure equivalent to \$22.75 billion is received, which should be delivered to PROIMÁGENES with the cut-off of the progress of the projects to date. In this sense, this contribution reduces the CINA cost from 455 billion to 432 billion (see Table 3.4). In addition, it is emphasized again, that these are resources that contribute to the development of the national industry without having to affect the general budget of the Nation. This can be seen intuitively by observing a reduction of the orange band between Figures B and C in Figure 3.5.

Table 3.4 - Revenues or net fiscal cost to the Government of the CINA under different scenarios of total payments to the State.

EXPENDITURE / rate of payments to the State	TAX BALANCE SCENARIOS ACCORDING TO SOCIAL SECURITY CONTRIBUTION RATIO + VAT + ICA + GMF AND OTHER CONTRIBUTIONS					
	30%	33%	35%	38%	40%	43%
Total, invested so far in expenses	1,8bill	1,8bill	1,8bill	1,8bill	1,8bill	1,8bill
CINA CERTIFICATES	-455,000	-455,000	-455,000	-455,000	-455,000	-455,000
Contribution to CINA System	22,750	22,750	22,750	22,750	22,750	22,750
Payment of social security contributions, VAT, ICA, GMF and others	540,000	594,000	630,000	684,000	720,000	774,000
CINA'S NET TAX BALANCE SHEET	+107,750	+161,750	+197,750	+251,750	+287,750	+341,750

Source: Produced in-house based on information from PROIMÁGENES as of 13/10/2022.
Figures in millions of pesos.

It is clear that part of the expenses invested in the country correspond to different taxes and contributions such as employees' social security contributions, ICA, VAT, local contributions and the 4/1,000. According to the producers interviewed, these expenses total approximately 560 billion pesos for the projects financed as of the cutoff date. This figure corresponds to about 30% of total expenses. To be more realistic, Econometria performed a sensitivity analysis by varying the total rate of contributions to the State from a minimum value of 30% to the 43% mentioned by some of the producers in the sector based on their own experience.

Thus, the contribution of the CINA projects to taxes, contributions and other payments to the State varies from \$540 billion to \$774 billion (see Table 3.4). Consequently, the net fiscal cost of the CINA, starting from 35% of the value of the CINA certificates, minus the contribution to the CINA system and minus the payment of taxes and contributions, ends up representing a positive fiscal balance between \$108 billion and \$342 billion (see overlapping green graph in Figure 3.5 D).

Taking the value of 35% for contributions and payments to the State, which is very realistic, the net fiscal effect of the NAIC would mean a positive balance for the State of \$198 billion to date. This is a very favorable value, considering that in addition to this positive fiscal balance, direct audiovisual investment in the country and a significant number of direct and indirect jobs are being maintained. In this regard, in interviews with companies in the sector, most stated that, if it were not for the CINA, they would not have chosen Colombia to come to produce. Thus, this positive net fiscal effect plus the rest of the investment are important flows of resources that have entered the national economy and that would not have arrived without the CINA.

Chapter 4

EFFECTS ON THE BALANCE OF TRADE OF THE AUDIOVISUAL SECTOR

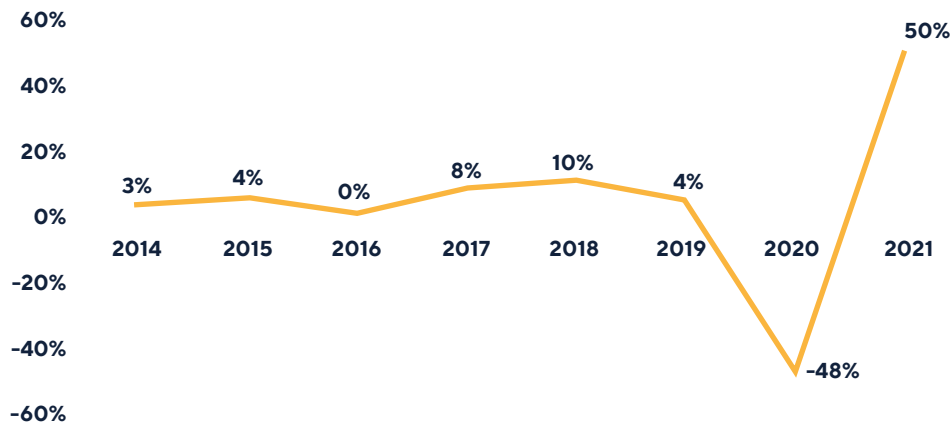
The objective of this chapter is to analyze the behavior of the country's exports of audiovisual services and licenses to reproduce or distribute related audiovisual products. For this purpose, two secondary information sources are used: the quarterly sample of foreign trade in services (MTCES) of DANE and the services annex of the balance of payments of Banco de la República. The data sources were analyzed for the period 2013-2021, which corresponds to the period in which the FFC and the CINA were implemented, taking into account that the key years of change in the operation of these incentives were:

- **2013:** FFC begins operations pursuant to Law 1556 of 2012.
- **2020:** The FFC is modified to accommodate cinematographic works, series and music videos - aimed at Colombian or foreign companies that must hire a national audiovisual services company. CINAs are created for cinematographic works, series, music videos, video games and advertising works - aimed at international companies that must contract a national audiovisual services company.
- **2020 - second semester:** CINA begins operations.

Based on this sequence, we first analyzed the historical level of exports in the entire services sector and then detailed the performance in the balance of payments in the subsector of personal, cultural and entertainment services, with special emphasis on "Licenses to reproduce and/or distribute related audiovisual products" and "Audiovisual and related services".

In general, the service sector has been increasing its exports since 2013 (see Figure 4.1). In 2020 there was a sharp drop, probably a consequence of the economy-wide contraction triggered by the pandemic; however, in 2021 78% of 2019 exports recovered, so it is possible to state that the services sector trend will manage to recover from the pandemic shock.

Figure 4.1 - Growth of exports in services.

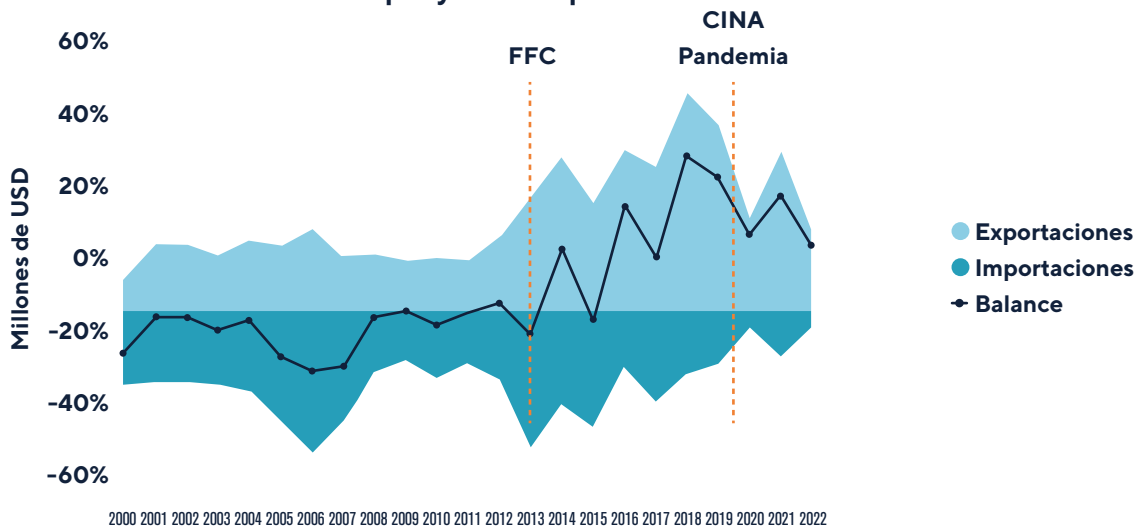


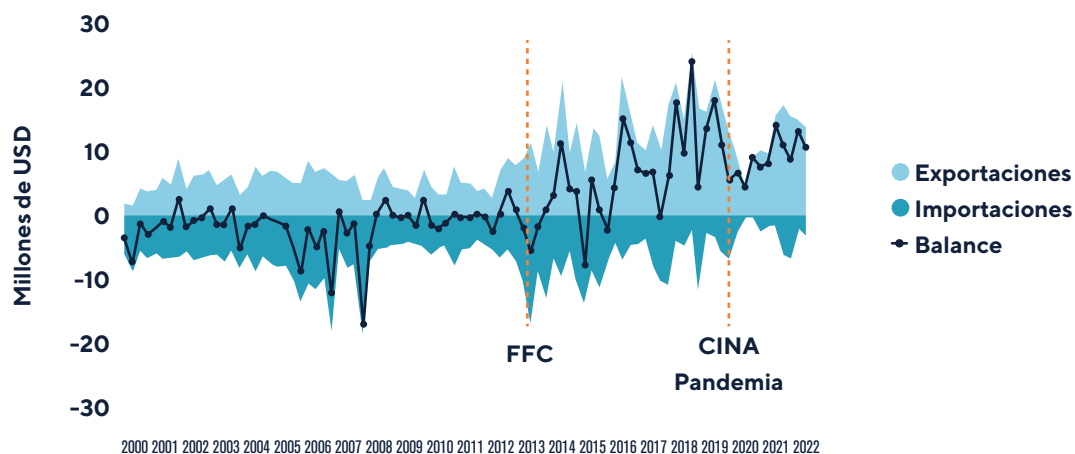
Source: Prepared by the authors based on MTCES from DANE.

The subsector that has grown the most between 2013 and 2021 was the "other business services" subsector, which grew by 107%; followed by the "personal, cultural and leisure services" sector, which grew by 37%, despite the pandemic. On the other hand, the other subsectors have decreased in their level of exports, with the exception of the travel subsector.

Focusing on "Audiovisual services which is the one that brings together the productions benefited by the CINA and the FFC, it is found that since 2013, the year in which the FFC came into operation, exports of audiovisual and related services" has been increasing, going from US\$27.2 million in 2012 to reach US\$80.4 million in 2018. While the sector was affected by the pandemic, it has seen its recovery in 2021, which accumulated 86.4% of exports for the year just before the pandemic.

Figure 4.2 - Annual and quarterly balance of trade of audiovisual services US\$ million per year and quarter: 2000-2022*.





Source: Own elaboration based on BanRep balance of payments with last cut-off date II quarter 2022.

In addition, it is noted that, thanks to the rapid take-off of exports in the sector, the balance of trade of audiovisual and related services went from being historically negative (US\$21.9 million in 2006) to positive with US\$22.6 million in just one year of operation of the FFC in 2014. It is worth highlighting that the balance remained positive even during the COVID-19 pandemic. Finally, it is worth noting that with the NAIC, the drop-in export activity that occurred during the pandemic was fully recovered.

Chapter 5

MARKET ANALYSIS OF CINA CERTIFICATES

This chapter is approached from three key perspectives for the current and future CINA market: the general process of issuing and marketing CINA certificates, the general perception aspects of users and, finally, the aspects to be improved for a good marketing of certificates.

5.1 ISSUANCE AND COMMERCIALIZATION PROCESS OF CINAS

First of all, it is key to understand the process of marketing CINA certificates. Figure 5.1 shows the process for issuing the CINA certificate. First of all, at the time of planning the production, production companies must ensure that their projects meet the requirements established by the regulations and apply. Next, Proimágenes is in charge of evaluating the application, verifying that the project complies with the requirements, requesting additional documents and authorizing the project. Based on this, the CPFC approves or disapproves the project, sets the budget and orders the execution of the Filmación Colombia contract. The producer has a maximum of twenty (20) days after approval of the project to sign the contract. Subsequently, the producer must set up a trust to manage (and pay into this account) the budget for the expenditure. From this moment on, the producer must execute the project within the deadlines established in the regulations (depending on the type of production). Upon completion of the production, the producer must accredit the budget expenditure, and such accreditation will be enabled by Proimágenes, which will communicate it to the Ministry of Culture, and the latter will be ultimately responsible for issuing the CINA certificate.

Figure 5.1 - Process of issuance of CINA certificates



Source: Manual for the negotiation and use of the CINAs. (PROIMÁGENES).

5.2 GENERAL ASPECTS

In general, the CINA incentive is a novelty for both producers and certificate buyers. This is reflected in the fact that several of the producers interviewed stated that they have not yet completed the process of obtaining the CINA certificates. Additionally, the producers recognized throughout the interviews that the operational process related to receiving this incentive is particularly different and new for all parties, although they are aware of several similar incentives in other countries. This is because the process of negotiation and sale of the CINAs is in an incipient stage, considering that very few projects have completed the process that must be followed before the issuance of the certificates. Most of the projects are still in the content production phase and a few others are in the accreditation phase, stages prior to the issuance of the CINAs. In the month of August, ten (10) operations of purchases and sales of CINAs were carried out, with prices between 91% and 99% with an average of 95% of negotiation price. It is important to consider that price variations are due to factors such as the nominal value of the certificate, the negotiation date in terms of whether they are days of greater demand due to tax payments and market conditions that determine the variation. The following are the reference trading prices.

Table 5.1 - CINA purchase and sale transactions recorded in August 2022.

Type of operation	Month	Nemo	Type of certificate	Transaction	Reference Price
Purchase and sale	2022-08	CINAS	CINAS-AUDIOVISUAL INV. CERT	Purchase	98,00%
Purchase and sale	2022-08	CINAS	CINAS-AUDIOVISUAL INV. CERT	Purchase	91,00%
Purchase and sale	2022-08	CINAS	CINAS-AUDIOVISUAL INV. CERT	Purchase	98,00%
Purchase and sale	2022-08	CINAS	CINAS-AUDIOVISUAL INV. CERT	Purchase	93,00%
Purchase and sale	2022-08	CINAS	CINAS-AUDIOVISUAL INV. CERT	Purchase	98,31%
Purchase and sale	2022-08	CINAS	CINAS-AUDIOVISUAL INV. CERT	For sale	98,00%
Purchase and sale	2022-08	CINAS	CINAS-AUDIOVISUAL INV. CERT	For sale	99,59%
Purchase and sale	2022-08	CINAS	CINAS-AUDIOVISUAL INV. CERT	For sale	93,00%
Purchase and sale	2022-08	CINAS	CINAS-AUDIOVISUAL INV. CERT	Purchase	95,00%
Purchase and sale	2022-08	CINAS	CINAS-AUDIOVISUAL INV. CERT	For sale	95,00%
				Average price	95,66%

Source: Proimágenes and MinCultura.

5.3 FACTORS TO IMPROVE THE MARKETING OF CERTIFICATES

On the other hand, regarding the sale prices of certificates, the interviewees agree that it depends on the time of the year in which the transaction is made. For example, during the tax season, the demand for certificates is much higher. However, although it may be easier to sell, it was noted that there are no significant fluctuations in transaction prices or discounts, which have remained relatively stable. Some interviewees reported that, on average, certificates are sold for prices ranging from 90% to 96% of the total value of the certificate.

Regarding the trading mechanism, the companies decide which entity will have custody of the certificate. Thus, the companies benefiting from the tax certificate decide whether to make the sales through the stock exchange or if, on the contrary, they do it directly with the entity or person who will be the client, the latter being the most popular so far. This reveals an unintended consequence of the incentive. Local producers are also innovating in the offer of new services, such as logistical support and marketing of tax certificate.

In addition, it was confirmed that in all cases it was reported that legal entities are the purchasers of the tax certificate. According to the agents interviewed, splitting the certificate into several parts facilitates their commercialization and management. Now, although the sale of the certificates does not constitute a particularly important bottleneck, the need to make known the existence and benefits of the CINA certificates to both legal and natural persons was pointed out. From the experience of marketing other types of tax certificates in the country, it is known that they can be very well received as long as they are adapted to the needs of the buyers.

One of the companies that administers the tax certificates mentioned that an important bottleneck is the obligation imposed on the purchasers of the certificate, who must purchase the certificates at least three days in advance in order to be able to make them effective in their respective tax requirements. For example, if a client (natural or legal) buys a certificate and wants to make it effective in his income tax return, he must give notice or initiate the procedure at least three days before the moment it becomes effective. In the words of the interviewee:

"This wait is absolutely unjustified. Among other things, because the process could perfectly well be done automatically and because many entities and individuals leave the payment of their tax liabilities until the last minute. In addition, the certificate is already theirs, many times they find out just at that moment and it generates inconveniences and multiple problems" (Interview, interview with certificate custody-administrator company, 2022).

This discourages the commercialization of the certificate because generally the entities seeking to acquire these products are in a hurry, and this requirement makes the attractiveness, instead of being a good alternative, become an additional cumbersome procedure.

Finally, it should be noted that the interviewees consider that the tax certificates have been very well received by the market. They point out that, although the process is not particularly complex, it has been new for everyone and has been full of constant learning.

POSITIVE AND NEGATIVE EXTERNALITIES OF CINA

The establishment of CINA in 2020 has meant an unprecedented growth of the audiovisual industry in Colombia. As an individual instrument, it constitutes projected investments –since the last two and a half years– of resources from foreign producers and companies of the sector for a total value of \$1.6 billion⁵.

As discussed in several parts of this document, these resources have brought several advantages and challenges to the audiovisual industry in Colombia. This chapter highlights some of the positive and negative externalities that the establishment of CINA has brought.

6.1 POSITIVE EXTERNALITIES

The main positive externalities, i.e., those positive effects not contemplated in the justification and adoption of the CINA are:

- 1.** CINA is a unique instrument in the region, since countries with a much longer film tradition than Colombia, such as Mexico and Argentina, do not have it, and in view of the success of the Colombian instrument have recently tried to adopt similar mechanisms, but have not succeeded, as has happened in other countries such as Uruguay. Thus, this dynamic has contributed to the consolidation of the region at the international level, to the extent that the CINA represents something very new and Colombia has become a reference, not only for investments, but also as an example of a successful policy that has managed to articulate with very good results the national and international private sector with initiatives and entities of public and mixed nature.
- 2.** The incentive has made it possible to carry out and finance projects whose stories and themes are from the country with resources from international companies, constituting an important support for the development of creative agents in the Colombian audiovisual sector.
- 3.** A growing externality is the generation of tourism to Colombia. This activity has an enormous growth potential to the extent that the audiovisual productions benefited by the CINA and others that have not used the certificate, present to the whole world the great possibilities of nature tourism combined with the option of visiting several cities and small towns with excellent lodging facilities, shopping, beaches and other attractions in a relatively small space, as is the case of Colombia. This has been the experience of several countries, which through films and other audiovisual products have generated large tourist flows, as is the case of New Zealand, Ireland, Turkey and other countries.
- 4.** Similar to tourism, CINA has been developing other very important productive activities such as new digital products and developments, virtual commerce, hotels, restaurants, and a very relevant aspect such as the design and operation of a new stock market, through the participation of financial entities and stock brokers, who have participated in the commercialization of CINA certificates in economic sectors other than the audiovisual industry.

⁵ Includes the projection of approved CINA projects until December 2022.

5. The dynamization of the sector has improved the possibilities of rapid promotion in the different professional specialties of the audiovisual sector, together with better conditions and salaries, are factors that have encouraged an increase in the interest of many young people to enter educational programs in activities related to the audiovisual sector. These possibilities range from short courses to professional careers. This was indicated by one of the professionals participating in the qualitative exercises:

"It is true that nowadays many "kids" who are trained in cinema, in other professional or technical careers, already have other incentives and other ideas in mind, they know that there are good possibilities to enter the sector and to go up -of course with effort and dedication- but it is no longer seen as something impossible to make a good career in this, on the contrary..." (Interview, professional department head, 2022).

6. Many small and medium-sized production companies have managed to grow considerably, actively participating in the production of international productions within the framework of the CINA incentive. This is what one of the interviewees pointed out:

"We started as a small company making short films and videos, but little by little we have been able to consolidate ourselves to the point of working with large international studios (...) I think that without CINA, growth would have been much more complicated and delayed" (Interview, Colombian audiovisual services company 2022).

7. Finally, a positive externality is the formation of specialized unions in the different activities of the industry, as is the case of the recent Association of Art Workers for the Audiovisual Industry in Colombia (ATAAC) and the Colombian Association of Assistant Directors and Continuing Directors (ASCAD). Associations that have been consolidated in recent years and have raised discussions around educational issues, tariffs and articulation of the Colombian audiovisual sector.

8. National productions have begun to implement the good practices that have been implemented in the country by the projects benefiting from the CINA incentive, which has improved production schemes.

6.2 NEGATIVE EXTERNALITIES

The main negative externalities of the establishment of the CINA are as follows:

1. Coupled with the positive externality of increased interest in audiovisual programs and careers, there is a negative effect in the slow response of training institutions to technical and professional training. This means that the gap between labor supply and demand does not diminish, which has an impact on the rise of salaries and rates in the sector, leading to small production companies not being able to hire personnel with the necessary experience and knowledge.

2. This increase in costs becomes a potential risk in the film sector. In Ireland, at the beginning of the application of its rebate rule, costs were low. This attracted great demand for local film services, which resulted in an increase in the sector's rates, leading to the loss of the competitive advantage, so that production companies migrated to other countries with lower production costs (interview with international production company). In other words, the factor that initially attracted the investment became the cause of their migration.

3. In Colombia, the cost of film services and, to a lesser extent, logistics services is still competitive with international costs, largely helped by the devaluation of the Colombian peso. However, it is clear that the value of wages for services has increased given their scarcity and higher quality. Taking into account the experience of Ireland and other European countries that have experienced the same phenomenon, it is important to implement strategies to encourage an increase in the labor supply, so that the growth in wages does not overflow, thus benefiting both parties, the qualified people by obtaining continuous and adequately remunerated jobs and the producers because they can have competitive costs.

Chapter 7

CINA AND ITS IMPORTANCE FOR THE COLOMBIAN AUDIOVISUAL INDUSTRY

In general, the agents interviewed stated that the country's audiovisual sector 10 or 15 years ago was quite small and that regulatory developments such as Law 1556 have helped to develop and position the Colombian audiovisual sector in the region and the world. This was mentioned by one of the participants in the qualitative exercises:

"In the last 10 years the sector has changed, we have become international referents, Colombia is very well positioned internationally. Before, the technical characteristics were very inferior. Today we have developed equipment, technical chains and people's capabilities to develop very good content." (Interview, Colombian audiovisual services company 2022).

In this sense, all interviewees agree that the Colombian audiovisual sector is currently experiencing significant and sustained growth for several years, thus, the country has never seen so many foreign audiovisual productions produced simultaneously or in parallel. This boom described by several of the interviewees is due (as already mentioned), on the one hand, to the accelerated and global growth of audiovisual content platforms, which causes the number of productions to increase rapidly, as well as to the fact that audiovisual projects made particularly in Spanish and in Latin America are being considered.

However, this does not in itself explain the role played by Colombia and the current state of its audiovisual sector. For those interviewed, this is particularly due to incentives such as CINA, which have allowed the country to generate a series of capacities that, beyond the economic incentive, constitute an indisputable attraction for foreign studios that see Colombia as a very good option for their productions.

As argued in Chapter 4, the dynamics of the balance of trade of audiovisual and related services in the country went from being negative by US\$7 million in 2013 to being positive by US\$42 million in 2021, demonstrating a strong recovery after the first year of the pandemic caused by Covid-19. Another important aspect of the impact of the incentives is the fact that they have not only managed to improve exports of audiovisual products, but have also replaced the demand for imports with domestic supply, which corresponds to a valuable industrialization process for the sector and the country's economy.

Some important figures that exemplify the impact of CINA on the Colombian audiovisual sector are as follows:

- The CINA projects completed to date and the projection of those approved by the end of 2022 indicate that in Colombia over the last three years, audiovisual projects have been launched in the country amounting to nearly 1.6 trillion pesos of foreign investment.
- According to estimates by some of the production companies participating in the qualitative exercises, to date, a total of 559,000 million pesos had already been committed by the companies in expenses related to parafiscal contributions, VAT, ICA and GMF and other payments to the State in projects that applied for the CINA certificate. Although this figure is high, according to the calculations presented in chapter 3 of this report, a realistic estimate is that the fiscal balance for the State has been positive in the amount of around \$23 billion.
- The CINA has allowed that in 2022 in Colombia there are about 23.000 permanent jobs (direct and indirect) linked to the audiovisual industry. Of this total, a significant part are highly specialized jobs with cutting-edge technology in one of the most modern and dynamic service sectors of the current international environment.

In this regard, one of the main effects of the CINA in the sector is the strengthening and improvement of the capacities of the technical teams. The interviewees stated that the greatest gain has been the development and specialization of these teams of professionals. On the one hand, the fact that many more audiovisual projects are being carried out in the country has not only had an impact on the demand for technical teams and the improvement of their salaries and working conditions, but has also allowed them to have an accelerated training process (compared to previous years when the number of productions in which they participated was much smaller), which has allowed people to have significant experience in fewer years than before, as one of the participants indicated: *"one could take up to 3 or 4 years before to be in 3 productions, and they were small productions, now that same thing can be done in a year and a half or two years"*.

On the other hand, as indicated by the context of the interviews, the incentive has allowed Colombian technical teams to be part of international productions, generally large, with much greater production requirements and possibilities, which have become fundamental learning schools for the teams. In this sense, the interviewees usually emphasize the fact that being able to work alongside major world industry references, who are part of the productions, has allowed them to be trained through highly significant professional experiences.

Regarding the sufficiency of equipment and professionals, the interviewees agree that, although there is an increasing number of trained personnel and the demand is always being met with Colombian people, there are some profiles that are still difficult to find in the country, as pointed out by one of the participants:

"It could be said that there is more demand for equipment than supply, it is necessary to bring in people from abroad to fill in because some positions are not being found here. Some of these areas to develop would be: special effects (it is no longer enough with the few companies that exist in the country), the issue of locations can also develop better professionals, there are those who seek the locations, but there is a lack of people to manage locations for large-scale productions, also for special effects makeup, these would be the most specialized, but there is a lack of coordinators of marine issues, in Colombia there are none, even the support divers are missing and you have to bring them from outside." (Interview, Colombian audiovisual services company 2022)

In this sense, participants agree on the need for academia, universities and technical education institutions to focus and update their curricula taking into account the current requirements of the sector. In general, the agents interviewed identify a certain disconnection between academic spaces and the audiovisual industry; the existence of such common spaces for participation, communication and training are considered vital to analyze and think jointly about the Colombian audiovisual sector.

However, some of the national participants mentioned that given the high demand for professionals for the realization of various productions in the country, sometimes there are people who occupy very important roles (especially as heads of department) without having the experience and knowledge necessary to perform these functions and meet the requirements that the profile needs, this situation may result in production risks, reprocesses, increased costs, etc. that may affect the quality of productions made in Colombia. This is how one of the interviewing professionals put it:

"It is that there are many people that one says, "But, when did this happen? You see them as assistants with little experience and in the next project they are already department heads, it doesn't really make sense... I think it's great that people can move up and have better and better positions, I went through that process myself, but there is no reason for them to do it without the necessary knowledge and experience. What happens is that this ends up affecting production because if a department head does not know how to do his job well it affects the whole production and the foreigners are there noticing it and they cannot explain what is happening..." (Interview, professional department head, 2022).

In general, the members of technical teams interviewed for the study considered that in recent years the increase in the number of productions shot in the country has had a positive impact for them. However, they agreed on the need for regulations to be established by the competent authorities that clearly indicate minimum pay for the different positions, based particularly on the experience of the professionals hired. It was common to mention the case of the Dominican Republic where such tariff regulations are made through the General Directorate of Cinema (DGCINE).

Another deficiency noted by the interviewees is that there is still a need for the supply of professionals and production support services to be developed much more outside Bogotá. Cities such as Medellín and the cities of the Atlantic Coast are still far from the capacities of Bogotá.

On the other hand, with regard to the supply of services such as catering, hotel services, transportation, etc. the interviewees consistently consider that although there are offers of companies that provide these services, on many occasions they do not have the experience, personnel and/or infrastructure to attend large-scale productions such as many of those that are carried out, so they are overwhelmed, particularly in the case of catering, in the case of hotel services, it is mentioned that although in large cities the offer may be sufficient in these aspects, in intermediate municipalities it is very difficult to have adequate spaces. In general, it is also considered a weakness that most of the personnel of these companies do not speak English, which hinders the dynamics of communication.

7.1 Case study: La reina del sur

As part of the qualitative approach in the project, a case-based analysis study was developed to observe in greater detail and specificity the experience and perspective derived from a specific project. In this sense, the Case Study corresponds to a research process focused on the description and detailed in-depth examination of a defined case. In this way the analysis *"incorporates different points of view, narratives and contexts... which allows a greater understanding of its complexity and, therefore, the greatest learning from the particular case (based on the experience)"*.(Durán, 2012, pág. 128)

As indicated in the introduction to the report, the case selected for analysis was the third season of the series La Reina del Sur. The case included an interview with the international studio that directed the production, another with the Colombian production company and two interviews with the heads of the creative and technical teams.

As with the rest of the qualitative exercises, the selection of the case to be carried out was made by the PROIMÁGENES team, among the main criteria taken into account to choose this production were:

- The fact that it was a well-known international production with previous recording experiences in other countries (and in Colombia) allowed the actors to make comparisons between the experiences in Colombia vs. the experience in other countries.
- That it was one of the largest productions made with the CINA incentive.
- That the previous season of the series had already been filmed in the country, but without the incentive, thus making it possible to establish differential analyses between filming in the country with and without the incentive.
- The production had already finished shooting and was in the final stages of the process.

The following is the case study, broken down by some stages and key aspects:

7.1.1 Motivations for applying for the incentive

The interviews conducted showed that the international studio in charge of the production was already aware of the CINA incentive and was very interested in using it to shoot the project. In this sense, one of the main trends regarding the presentation of the incentive is confirmed: many of the studios and/or international platforms already know about the incentives for the film industry in the country, particularly about CINA, and are aware of the potential benefits that this incentive would have for their project.

Regarding the experience of the previous season in the country and its importance when applying to the CINA, one of the actors interviewed pointed out:

"On the other hand, in the previous season of the production we had already shot part of the project in Colombia (but without the incentive because it did not exist yet), at that time the experience was quite positive so they (the studio) considered that Colombia was a very interesting destination. This, added to the incentive, increased the studio's interest in applying to CINA and being able to shoot in Colombia." (Interview, Case Study, 2022)

It is worth mentioning that due to the uncertainty generated by the Covid-19 virus, the international study had to consider whether or not to continue with the project. However, it was finally decided to continue (having the incentive was fundamental for this decision) and given that Colombia was the country that offered the most possibilities for locations (given the impossibility of moving to other countries in an agile manner) it was decided to concentrate filming in the country. Approximately 89% of the 60 episodes were filmed in Colombia.

7.1.2 Perception of the presentation and selection process

The incentive submission process is perceived as quite clear and composed of a series of well-defined steps and/or requirements. In this sense, the information and support provided by PROIMÁGENES was quite detailed and constituted a fundamental support during the entire submission process.

Another factor that facilitated this process for the interviewees (particularly for the Colombian production company) was having previous experience in the selection processes of other incentives in the country, such as the FFC, the selection requirements, times and documents required are similar between the two incentives.

In fact, although the international study had not been presented before to other incentives in the country, he said that the process is not particularly complex:

"for those who are used to applying for this type of incentives in other countries, the Colombian requirements are not strange or complex, it is normal and it is within what public or mixed entities usually consider when selecting participating projects" (Interview, Case Study, 2022).

In this regard, although interviewees suggested some bottlenecks, particularly related to the timing of the selection process, in general it was felt that the thoroughness of the process provided guarantees for all parties involved.

7.1.3 Impact of the CINA on the project:

Among the main advantages and positive effects of having received the incentive are the following:

- Having larger budgets that translate into higher quality projects for audiences. In this regard:

"I don't think we would have cancelled the project for not having the CINA, but it is certain that the result would have been different, it is not the same to have 10 cents to do something than to have 13 or 14 cents, that allows us to do much better things... our objective as a studio is quality and we always look for places that help us to guarantee that quality, if I have a bigger budget it is highly probable that I can do better things, it is not an immediate causal relationship, but believe me it contributes a lot." (Interview, Case Study, 2022).

- In line with the previous point, among the main aspects or advantages in this area is the possibility of being able to go to more and better locations, have specialized and larger work teams (which translates into shorter working hours for the entire team), as pointed out by an interviewee from a Colombian audiovisual services company:

"A first fundamental impact would be the improvement of conditions. With the CINAs, investors are willing to have larger budgets, which makes it possible to pay better salaries and conditions and hire more people. By having more people, those who work can rest better. In our production we recorded 5 days a week, not six days a week. There is a lot of welfare in wages and conditions. Although not all companies do it, there are possibilities for it to be done." (Interview, Case Study, 2022)

- The department heads interviewed confirmed this point; in general, they received salaries and working conditions that were comparatively better than in most of the audiovisual projects they had worked on. For example, all the members of the technical teams had employment contracts, not the classic service contract, which was something quite new not only for the crew members, but also for the production company and the studio. Also, they had shorter daily recording days of 5 days a week (as opposed to 6 days, as is normally the case). They also pointed out the importance of being able to work hand in hand with internationally renowned professionals.

Regarding the experience with locations, three recording studios were rented from another production company, two of them already built and another one developed specifically for the project. Filming also took place in many streets, offices, apartments and houses in the central and peripheral areas of Bogotá. In addition, filming took place in other areas such as Girardot, Ibagué, Guatapé, Santa Marta and Villa de Leyva.

The main advantage offered by the country in terms of locations has to do with the wide range of landscapes, climates and territories widely adaptable to the requirements of most productions, was fundamental. In general, although the incentive was not the only reason for the decision to shoot the project in Colombia, it did play a fundamental role and had a positive impact by allowing for a much more comfortable budget, which made it possible, among other things, to improve the working and contractual conditions of both the technical and professional crews and the other service companies hired. It was also noted that the very dynamics of the incentive and the different stages that comprise it allow the relationship between international studios and Colombian production companies to go beyond a one-time contractual relationship and establish stronger and more lasting ties over time.

ANALYSIS OF PERSPECTIVES AND CHALLENGES OF THE COLOMBIAN AUDIOVISUAL INDUSTRY IN THE SHORT AND MEDIUM TERM.

Both the actors interviewed, and the quantitative calculations presented in the first chapters of this report confirm a clear trend of growth and consolidation of the Colombian audiovisual industry.

In general, the agents consulted agree that the future of the Colombian audiovisual sector, in five to 10 years, is quite promising. They believe that if the current incentives and the industry's international growth levels continue, the Colombian sector will continue to grow and consolidate itself as a regional and global benchmark for the production of international productions.

In this sense, several of the interviewees pointed out that the current dynamics of the sector in the country have not only strengthened the development of international studio shoots in Colombia but have also constituted an important impulse for the development of audiovisual products of national origin. This strengthening of the creative sector of the Colombian industry is explained, in part, by the possibility of acquiring experience in international filming from figures who are references for the world audiovisual sector, as well as the serious and responsible work that international studios have seen in the country. In general, interviewees expect this trend to continue:

"There are a couple of very good and award-winning series that have been made by the big platforms in that sense and that will continue and strengthen as the studios see the talent and that it is possible to do it here, not only the service companies are strengthened to tell stories from abroad, but also the creative people from here who tell Colombian stories, stories from here to be seen around the world..." (Interview, professional head of department, 2022). (Interview, professional department head, 2022).

However, when asked what would happen if incentives such as the CINA were dismantled in the country, the interviewees expressed growing concern about such a possibility, since it would be directly reflected in the reduction of the number of international projects shot in the country. In general, the agents that were interviewed consider that there are countries in the region that have reasonable rebate-type incentives and that, with the disappearance of the CINA in Colombia, the other countries would take advantage of it to try to bring productions to their own countries. Although the interviewees agree that the elimination of the incentives would have negative effects, they also point out that it would be difficult for the sector to go back to the state it was in 15 or 20 years ago, largely because the effects of CINA and other incentives have allowed showing a country with important competitive advantages that go beyond tax or economic incentives. This was indicated by one of the interviewees:

"It would be very negative, I don't dispute that, the number of projects being carried out in the country would drop quite a lot. But it is not true that we would go back to 15 or 20 years ago and that is precisely because of the CINAs, because thanks to them we have shown ourselves as a good and interesting destination, of course the platforms will come less and do fewer projects, but they will not stop coming" (Interview, Colombian audiovisual services company 2022).

Some of the country's competitive and comparative advantages over the rest of the world go beyond incentives. On the one hand, the process experienced in recent years has allowed us to have highly trained technical teams and labor with great experience in the sector; on the other hand, pre-production and production costs are relatively low –compared to other countries in the region– largely due to the strengthening of the dollar against the peso, a situation that has worsened in recent years. Also, the country has a wide diversity of climates, landscapes and territories that allow for locations adaptable to multiple needs. Finally, Colombian production and service companies have a great deal of experience, which makes them very interesting partners for international studios and platforms.

The interviewees consider that the dismantling of the CINA would bring with it a decrease in income for the country's companies and enterprises that are part of the audiovisual market and an increase in unemployment for those working in the sector, since the labor supply would decrease considerably as the number and size of productions in Colombia decreases.

8.1 SECTORIAL CHALLENGES

Although the interviewees consider that Colombia is already a regional benchmark for audiovisual productions, the interviewees are confident that in the medium term – and if favorable internal and external conditions continue – the country will be able to consolidate its position as a reference in the world. However, the interviewees pointed out several important challenges that the sector must face in order to achieve this goal, among which the following stand out:

- 1.** A first challenge that cuts across the vast majority of the interviews conducted is that of maintaining the incentive. In this sense, it is essential to maintain the current conditions of the incentive, particularly that a relative level of fiscal quota is constantly guaranteed in the medium and long term.
- 2.** On the other hand, and in line with the previous point, it is important to maintain a strategy of international promotion of the incentive and audiovisual infrastructure offered by Colombia.
- 3.** With particular emphasis from the heads of the international and national production companies interviewed, the need to guarantee a system based on attracting foreign investment for the realization of audiovisual projects without government intervention or interference in creative aspects such as the themes to be addressed in such projects was mentioned.
- 4.** It is also important to advance in the discussion on the standardization and regulation of minimum payment rates for members of the technical, creative and other teams hired during product development. It is essential that such discussion include the recurring requests of the members of the technical and creative teams of the sector, as well as the studios, production companies and audiovisual services companies working in the country. Such discussion should take into account the legal possibilities of strict regulations, as well as the convenience for the development and sustainability of the country. As mentioned by several stakeholders, dialogue and agreements among stakeholders could be the best option in this regard.
- 5.** It is essential to streamline and facilitate the processes for using locations, spaces, buildings, etc. that are owned and used by public entities (Ministries, Mayors' Offices, Governors' Offices, Armed Forces, etc.). These processes should be more transparent and standardized; most of the time it is not very clear with which specific agency or official the process should be carried out. It is also important that the costs associated with the use of such spaces be realistic, as sometimes it can be too costly.

6. It should expand, improve and update the academic and technical offer for the training of qualified jobs to meet the growing demand of the sector. In this sense, it is important that -on the one hand- educational programs are offered (both at technical and technologist level as well as undergraduate and graduate) that are in tune with the current needs of the international audiovisual field, covering aspects and roles in which today there is very little supply in the country, for example, special effects, location management, filming in aquatic spaces, etc.

In this sense, it is essential to resume and strengthen the Projects of National and Strategic Interest - PINES, conceived as a strategy for, among others, the rationalization and optimization of procedures and formalities before government entities for projects that due to their conditions, economic impact and/or characteristics are considered of national interest, such as the audiovisual projects that use the CINA incentive.

Chapter 9

CONCLUSIONS AND RECOMMENDATIONS

Este capítulo final del informe contiene una serie de conclusiones y recomendaciones que se derivan del análisis de los diferentes efectos que han tenido los CINA en la industria audiovisual colombiana, desde su establecimiento en 2020.

9.1 CONCLUSIONS

This final chapter of the report contains a series of conclusions and recommendations derived from the analysis of the different effects that CINA has had on the Colombian audiovisual industry since its establishment in 2020.

1. In its short existence, CINA has made Colombia one of the major centers of activity in the world audiovisual industry. Its content in Spanish makes it a global leader in this market, although this does not imply that many of them have also been translated into different languages, in addition to the production of several products in English of great worldwide acceptance. The foreign investment attracted by CINA since 2020 is \$1.8 billion pesos. CINA is a unique instrument in the region, since countries with a much longer film tradition than Colombia, such as Mexico and Argentina, do not have it. The CINA has also generated a broad impact on other sectors such as tourism, digital services and hotel, restaurant and logistics activities⁶.

2. The analysis of the fiscal effects of the CINA shows that the total investment made in the productions supported by the CINA has generated a series of payments to the State for parafiscal contributions, taxes, fees and other payments to public entities. These payments have had a positive fiscal effect on the State's finances. In the evaluation, a sensitivity analysis of the net result of this fiscal balance was carried out, varying the total rate of contributions to the State from a minimum value of 30% to the 43% mentioned by some of the producers in the sector based on their own experience. Thus, if we take the value of the CINA certificates, minus the contribution to the CINA System and minus a tax and contribution payment of 35% for contributions and payments to the State, something very realistic, the net fiscal effect of the CINA would mean a positive balance for the State of \$197,750 million to date. This is a very favorable value, taking into account that in addition to this positive fiscal balance, foreign and national investment in the national audiovisual industry is being encouraged in a very relevant way, and around 12,000 highly qualified direct and indirect permanent jobs are being generated.

⁶ Includes projection through December 2022.

Other conclusions that complement and give a broader context to the two conclusions above are the following:

A. On competitiveness:

- Colombia has become one of the world's major centers of activity for the audiovisual industry. The quality of its support instruments, especially the CINA and having a comparatively lower cost than competing countries, together with the advantage of having numerous and very diverse locations, and the high quality of the local teams of professionals in film activities and logistical support developed in the last 10 years in the country, ensure foreign producers a place with important competitive advantages over other countries in the world.
- This increased competitiveness has been associated with the growth and consolidation of several national production companies, which, starting from a small size and capabilities, have been consolidating their position as relevant producers at the international level in recent years.

B. Characteristics of the projects:

- Expenses for audiovisual services represent the most important expense item.
- The type of production that is most often carried out through the CINA is the series.
- The number of approved projects has increased significantly since 2020.

C. Employment and labor costs

- Since the CINA came into force, employment generated by audiovisual productions in the country has increased significantly. In some cases, there is a shortage of supply for certain technical positions.
- In terms of salary trends, there is an upward trend for the positions of directors, technical production personnel, art department, electrical and lighting.

D. CINA resource multiplier

- According to the national accounts analysis carried out in the evaluation, for every peso of a CINA certificate, 2.86 pesos of resources enter the economy. In other words, the multiplier of the certificates in total resources spent in the national economy is 2.86 times.

E. Balance of trade

- An analysis of exports of Colombian audiovisual industry products shows that since 2013, when the FCC came into operation, exports of audiovisual and related services" has been increasing, rising from US\$27.2 million in 2012 to reach US\$80.4 million in 2018. While the sector was affected by the pandemic, it has seen its recovery in 2021, which accumulated 86.4% of exports for the year just before the pandemic.

· Likewise, there has been a reduction in imports of audiovisual and related services in parallel with the increase in exports, which has meant a positive and growing balance of trade for the sector.

F. CINA certificates market

· The market for CINA certificates is still in a maturation stage, and it is possible that, due to the novelty and lack of experience with the process, the number of actual marketing of the certificate is still moderate compared to what could be expected in a more mature future stage.

· Some delays and reprocesses were identified in the application for CINA certificates that affect the agility of the process and inconvenience the beneficiaries.

· So far, relatively few producers have marketed CINA certificates. The discount when selling them ranges between 90-96% of their value.

9.2 RECOMMENDATIONS

The results and findings of the evaluation, both in its quantitative and qualitative aspects, allow us to establish a series of recommendations and actions to strengthen the CINA system. The main aspects to consider are the following:

- Spaces for dialogue and discussion between academia and industry should be created. In this regard, it is also recommended that efforts be made to expand the educational offerings (refresher programs, diploma programs, technical programs, undergraduate and graduate programs) in line with the requirements of the industry and that the curricula of existing programs be updated. Since in this case the industry has developed more than the academy, it is the academy that must adjust to the industry.
- It would be good to establish "directories" or "catalogs" of logistics service companies such as catering, hotel, etc. in different parts of the country that have the experience and capacity to meet the demand. In some parts of the country, it can be very difficult to find adequate supply (capacity, quality, language, etc.).
- It is recommended that differentiated processes and times be established for the production of "short term" audiovisual products such as music videos and commercials. Some actors in the sector point out that the main reason for the lack of participation of this type of content in the CINA is that the requirements and times of presentation to the incentive do not coincide with the production needs for such content. These are made in a short time and it is not possible to go through long and exhausting selection processes, which, although they may be worthwhile for the production of a film or series, are not convenient for commercials and music videos.

It is recommended that greater publicity be given to the existence of the CINA certificate and its advantages in the stock market. At present, CINA is not widely known among stock market operators.

BIBLIOGRAPHY

Durán, M. (2012). *El estudio de caso en la investigación cualitativa*. San José, Costa Rica: Universidad Estatal a Distancia.

Hernández, G. (2012). *Matrices insumo-producto y análisis de multiplicadores: Una aplicación para Colombia*. *Revista de Economía Institucional*, 203-221.

PROIMÁGENES. (s.f.). *Negociación y uso de los CINA (Certificados de inversión audiovisual)*. Bogotá D.C.: PROIMÁGENES.



GOBIERNO DE COLOMBIA

