

**Culture &
Creativity**

EU-Eastern Partnership Programme



DEVELOPING CULTURAL AND CREATIVE INDUSTRIES IN AZERBAIJAN

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CONTENTS

1. Executive Summary	4
<i>Team and Acknowledgements</i>	8
2. Creative Industries in the EU	9
3. Mandate and Methodology	11
4. Developing Cultural and Creative Industries – Regional Analysis and Detailed View on Azerbaijan	14
4.1 <i>Brief analysis of the national context</i>	14
4.2 <i>Recognising CCl's transversal character</i>	16
4.3 <i>Setting up participatory policies and platforms</i>	21
4.4 <i>Building on emerging creative hubs</i>	23
4.5 <i>Easing access to specific funding and support</i>	26
4.6 <i>Improving creative entrepreneurial education and skills</i>	27
4.7 <i>Developing audiences and markets</i>	32
4.8 <i>Encouraging internationalisation and cooperation</i>	35
5. Recommendations on Developing Cultural and Creative Industries in Azerbaijan	37
5.1 <i>Policy-making, Participation and Platforms.</i>	41
5.2 <i>Infra-structure, Funding and Frameworks</i>	43
5.3 <i>Skills, Audiences and Markets</i>	45
5.4 <i>Internationalisation and Cooperation</i>	46
Appendix A: Bibliography	49
Appendix B: List of Participants in Workshops, Interviews and Site Visits	51

1. EXECUTIVE SUMMARY

The Cultural and Creative Industries (CCIs) have been recognised by the EU and integrated into its policy documents and programmes for more than a decade. This report provides a bird’s-eye view of the cultural and creative industries sector in the six countries of the EU-Eastern Partnership: Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine, but most importantly, it provides country-specific view on challenges and tailored recommendations for CCIs in Azerbaijan.

Azerbaijan’s main general opportunities:	Azerbaijan’s main general challenges:
<ul style="list-style-type: none"> > Efforts to diversify the economy by developing non-oil industries and promoting its competitiveness based on innovation. > Simplification of business registration through a “one-stop shop” system aiming at promoting entrepreneurship. > Tax incentives for resident companies of industrial and technology parks promoting agglomeration and collaborations. > Tourism development is considered relevant priority area, including the valorisation of cultural heritage. > Announced goal to increase the share of funding for education in GDP to reach indicators of developed countries. > Strengthening the links between science and production in view of innovation and better response to market needs. > The level of internet usage and coverage in Azerbaijan provides adequate environment for ICT development. > Industrial development goals open up the stage for digital technologies and content creation prospects. > Promotion of cooperation between the State and the civil society. 	<ul style="list-style-type: none"> > Complicated access to finance and to global markets is hindering SMEs’ business development opportunities. > Complex cross-border mobility alongside outdated infrastructure hinder regional and international tourism potential. > Remaining gap between public authorities and civil society preventing development of PPPs. > Civil society operates in a densely controlled environment with some limitations to the plurality of expressions and access to information channels.

Specific Opportunities and Challenges

1. Recognising CCIs’ transversal character in Azerbaijan

Opportunities	Challenges
<ul style="list-style-type: none"> > Current legislative framework in the field of culture has introduced a more entrepreneurial model promoting management and private initiative. > Promotion of cultural activities in regions are 	<ul style="list-style-type: none"> > High level of centralisation and state’s strong gatekeeping position. > Absence of a national framework to promote the creative economy development.

included in the new policy of increasing initiative at local level as well as in tourism development strategies.

- > Recognition of CCIs as a driving force for tourism development.
- > Ongoing process of developing UNESCO Culture for Development Indicators in view of monitoring the sector's wider impacts.

- > Lack of interactions between tourism stakeholders and CCIs community limits tourist offer and cooperation with associated businesses and services.

2. Setting up participatory policies and platforms

Opportunities	Challenges
<ul style="list-style-type: none"> > Government intention to develop civil society – in which cultural NGOs have been recognised - and give it a more active role in political processes (Development Concept – Azerbaijan 2020). 	<ul style="list-style-type: none"> > Lack of involvement of CCIs professionals in decision-making is deepening the gap between public authorities and civil society. > Wide gap between institutionalised state funded culture and independent scene. > Legal framework for independent sector remains complex and restrictive. > Weak collective organisation and collaboration practices among culture and creative community.

3. Building on emerging creative hubs

Opportunities	Challenges
<ul style="list-style-type: none"> > Some private creative hubs and co-working spaces have emerged focusing on arts and creativity as well as shared business development spaces. 	<ul style="list-style-type: none"> > Complicated access to spaces for independent professionals. > Public cultural venues lack management practices and openness towards the creative community. > Limited offer of creative hubs linking arts and creativity and business.

4. Easing access to specific funding and support

Opportunities	Challenges
<ul style="list-style-type: none"> > Specific support to NGOs is announced, notably the development of a framework to support private sponsorship (Development Concept Azerbaijan 2020). > State support for IT entrepreneurship might serve as model for the CCIs development. > Relevance given to development of cinema and publishing within State programme. > Considerable number of independent film production companies that became eligible for state funding. 	<ul style="list-style-type: none"> > State funding to culture lacks systematic competitive procedure, which would include the specific character of creative industries. > Lack of incentives and specific regulation for charity and sponsorship. > Limited access to funding and lack of specific tax framework for culture and creative projects and enterprises. > Deficient copyright awareness and management. > Independent scene is fragile and alternative proposals are rare.

- > Book publishing sphere is mostly dominated by State.
- > Absence of an up-to-date audiovisual legal framework addressing new challenges brought by digital technologies and ensuring open market competition.
- > Media market lacks conditions for fair competition and pluralism of players and contents.

5. Improving creative entrepreneurial education and skills

Opportunities	Challenges
<ul style="list-style-type: none"> > Government goals to invest in encouraging access to education. > Emerging initiatives promoting education and skills development in the CCl's. 	<ul style="list-style-type: none"> > Lack of strategic management and communication skills and understanding of contemporary sphere of arts and creativity among CCl's community. > Shortage of skilled professionals due to absence of education and training offer in new CCl's disciplines. > Promotion of creativity and entrepreneurship are missing from general education and training offer. > Absence of a specialised jazz school building on Azerbaijan reputed international prestige.

6. Developing audiences and markets

Opportunities	Challenges
<ul style="list-style-type: none"> > Baku's night and music scene is lively and responding to its growing number of visitors. > Emergence of interesting audience development strategies among some arts and culture institutions. 	<ul style="list-style-type: none"> > Cultural institutions lack contemporary audience development strategies. > Weak communication and marketing component of cultural and creative projects. > Absence of specialised culture and creativity media outlets hindering valorisation and dissemination of local talents. > Decreasing cultural participation due to weak adaptation of new forms of dissemination and consumption. > High costs of translation and dubbing into Azerbaijani language. > Insufficient investment in the local jazz scene to adequately respond to audience's growing interest.

7. Encouraging internationalisation and cooperation

Opportunities	Challenges
<ul style="list-style-type: none">> Cultural diplomacy strategy is linked to positioning Azerbaijan as a hub between Europe, Middle East, Russia and Asia.> Ministry of Culture and Tourism has declared intention to start the process of negotiation with the EU to become member of the Creative Europe Programme.> Baku is branded as a city of large-scale international events.> Strategy to put Azerbaijan in the international map of contemporary culture.> Greater international engagement and visibility regarding cinema and film.> Emerging fashion industry's international events have the potential to become a platform for designers in the region.	<ul style="list-style-type: none">> CCI community has limited resources and support for being present in the international market scene.> Few internationalised companies or products due to burdensome customs policy.> Azerbaijani carpets have diminished competitiveness in the international market.> Excessive production costs diminish Azerbaijan's capacity to become a location for foreign film production.> Slow implementation of ratified European Convention of Cinematographic Co-productions.

Recommendations for developing CCIs in Azerbaijan

1. Policy-making, Participation and Platforms.

- > *Mainstream CCIs into diverse policy areas*
- > *Promote participation and joint collaborations*

2. Infra-structure, Funding and Frameworks

- > *Facilitate access to available spaces*
- > *Provide an enabling environment for CCIs*

3. Skills, Audiences and Markets

- > *Develop management and communication skills*
- > *Promote wide dissemination strategies*
- > *Engage and diversify audiences*

4. Internationalisation and Cooperation

- > *Establish and promote "Creative Azerbaijan" internationally*
- > *Promote internationalisation of cultural and creative professionals*

Team and Acknowledgements

Cristina Farinha, Senior Expert (Portugal), author.

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2. CREATIVE INDUSTRIES IN THE EU

The cultural and creative industries (CCIs) have been recognised by the EU and integrated into its policy documents¹ and programmes for more than a decade. The creative economy, a wider sector that goes beyond traditional arts and culture disciplines and comprises a larger number of interconnected activities and sub-sectors has a potential that is being acknowledged by other international organisations such as the Council of Europe, different United Nations organisations² as well as by national, regional and local governments and institutions worldwide.

Prior to this the sector's capacity to generate non-market values had long been considered in terms of symbolic, non-material and educational input. More recently, there has been a growing understanding that the sector can impact the economy directly and indirectly by generating growth and jobs, stimulating innovation, and contributing to social and sustainable development.

Research and data collected worldwide support this assumption. In the EU, the core creative industries generated 558 billion Euros in value added to GDP - approximately 4.4% of total European GDP, according to data from 2011.³ These industries represent approx. 8.3 million full time equivalent jobs or 3.8% of the total European workforce. Statistics also show that most CCIs have a higher percentage of youth employment than in the rest of the economy, and the sector has proven very resilient compared to others during the 2008 economic and financial downturn in Europe. Global economic data for 2013⁴ shows Europe leads this sector and is becoming a catalyst for development. The CCIs generate 3% of world GDP (2,250 billion US Dollars in revenues) and provide 29.5 million jobs worldwide.

Despite this growing recognition, their development has been slowed down by the fact that the CCIs overlap diverse policy areas such as culture, education, economic and urban/regional development. In recent years, the debate about the role of CCIs in the EU has focused on following key issues:

- > *Mainstreaming CCIs into the EU strategic agenda to foster a holistic European wide ecosystem. CCIs remained largely absent and an untapped resource in the EU2020 strategy⁵. At a higher level, some EU institutions are recognising the role of culture in achieving the Sustainable Development Goals and efforts are being made to consider culture as a key driver in its response to the 2030 Agenda for Sustainable Development. The EU needs to further acknowledge and invest in CCIs and explore its potential to contribute to growth and employment; to become a catalyst for innovation; and a key element in global competition and soft power. Innovation,*

¹ Such as the Communication on promoting the cultural and creative sectors for growth and jobs in the EU (2012), the Communication on cultural heritage (2014) and the European Parliament Resolution on a coherent EU policy for cultural and creative industries (2016).

² UNESCO – United Nation Organisation for Education, Science and Culture; UNCTAD - United Nations Conference on Trade and Development; UNDP-United Nations Development Programme.

³ Tera Consultants (2014) The Economic Contribution of the Creative Industries to the EU in terms of GDP and Jobs.

⁴ Ernst & Young (2015) Cultural Times: The first global map of cultural and creative industries, CISAC-International Confederation of Authors and Composers Societies.

⁵ https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-economic-governance-monitoring-prevention-correction/european-semester/framework/europe-2020-strategy_en

entrepreneurship and CClIs have been officially ear-marked as cross-cutting topics⁶ in EU programmes such as Horizon 2020 research and innovation, COSME for SMEs (including Erasmus for Young Entrepreneurs), Start-up Europe, Erasmus+, INTERREG-Territorial Cooperation and the EU structural and cohesion funds.

- > ***Integrating the competitive advantage of CClIs into regional development “smart specialisation” strategies for regional promotion, innovation and social-economic development.*** CClIs have the capacity to interact with other activities that often give rise to agglomeration and clustering effects that tend to contribute to a high proportion of added value locally. Several EU regions have been channelling structural and cohesion funds to CClIs, especially for mapping assets, resource mobilisation, strategic partnerships and clusters and improving the infrastructure and services.
- > ***Recognising CClIs strategic relevance for urban development policies, notably through the European Capitals of Culture (ECOCs) initiative.*** Cities have always been suitable locations for artists and creatives to thrive. Emerging creative hubs, new hotspots where professionals create, meet, collaborate and showcase their work are becoming drivers for city regeneration, giving new functions to abandoned industrial areas or disused buildings, which attract parallel services and businesses. ECOC, the EU long-standing flagship initiative, has evolved from an international artistic and cultural programme into a more structural initiative, which engages cities to include cultural development and CClIs into the strategy of their development policies. ECOCs bridge European cooperation and culture with innovation, tourism and urban planning stakeholders.
- > ***Incorporating CClIs into innovation and research and development (R&D) programmes.*** The capacity of CClIs to contribute to innovation processes has been only gradually recognised and supported. Since 2010 the Innovation Union (an EU2020 flagship initiative)⁷ has highlighted that innovation is increasingly driven by non-technological factors such as creativity, design, branding and new organisational processes. The initiative also noted that user-driven innovation processes and the role of CClIs in establishing meaningful relations and connecting with audiences and citizens are important.
- > ***Promoting spill-over effects in other industries and society.*** CClIs have a strategic position to bring about spill-over effects in other industries and fields, as they overlap art, science and technology. Cultural and creative skills can be valuable for other professional areas, CClIs can provide content for ICT, impact tourism and be integrated into several stages of value chains, notably manufacturing and high-end industries. This catalytic potential is also a resource for social innovation, health care and social challenges, such as environmental issues. Breaking down silos and fostering cooperation among diverse policy areas are required to facilitate this cross-sectorial fertilisation as well as promoting clusters where different stakeholders can collaborate.
- > ***Refining capacity to respond to new opportunities that digital technologies bring into CClIs value chains.*** The fast development of digital technologies is making the internet the main marketplace, thus contributing to the increasing complexity of creative industries value chains. This means CClIs need to constantly learn new skills and

⁶ 2015 Council conclusions on 'Cultural and creative crossovers to stimulate innovation, economic sustainability and social inclusion'.

⁷ European Commission (2010) Communication on Europe2020 flagship initiative Innovation Union.

adapt their means of remuneration. ICT is also bringing new opportunities for CClIs regarding business models and more direct forms of interaction with audiences based on co-creation and further user-engagement. The EU is monitoring the digital change in creative value chains to address all consequent market imbalances, build capacity and foster diversity of contents and expressions.

- > ***Improving access to finance, notably through the EU's new CClIs guarantee facility.*** Access to diverse funding sources is a crucial barrier for CClIs. The Creative Europe Programme (2014-20) earmarked €121 million to a financial mechanism acting as insurance to financial intermediaries (e.g. banks) offering loans to CClIs initiatives. The financial intermediaries will be also provided training programmes to better understand the needs of CClIs projects.
- > ***Promoting cross-border networking and alliances of creative hubs and creative entrepreneurs*** – The European Commission is supporting European Creative Hubs Network⁸ (ECHN) and Creative Tracks⁹. These pilots are building up communities by circulating information and promoting gatherings, peer-to-peer training programmes, mapping, matchmaking facilities and competitions, and offering a common stage for these support structures across the globe to share and learn from each other.
- > ***Developing a qualitative and quantitative understanding of CClIs impact – the Cultural and Creative Cities Monitor¹⁰.*** The European Commission together with Eurostat – the EU statistics office – and its Member-States, as well as international organisations such as UNESCO and OECD, have been working on the improvement and international harmonisation of data collection and analysis of the contribution of CClIs to economy and to overall society. There is a growing need to further invest in new ways of capturing CClIs qualitative effects. Other information-gathering methods such as storytelling and interviews are being considered. In 2017 the European Commission and the Joint Research Centre launched the Culture and Creative Cities Monitor. This platform maps and monitors CClIs assets in selected cities (currently 168) and measures their quantitative and qualitative value and impact in a systematic and comparable way. This tool is a step to support efforts to put culture at the heart of cities' development agendas and to develop new ways of analysing and producing evidence for CClIs.
- > ***Highlighting the role of CClIs to EU external relations in opening up new markets and contributing to sustainable development and cultural diversity across the globe.*** The EU Council has recently adopted conclusions that endorse the European Commission communication¹¹ on the new EU strategic approach to international cultural relations. Recognising the pioneering role of Europe in the CClIs sector, it will contribute to creating a conducive environment for CClIs to continue expanding creating growth and employment, support cultural production as driver for tourism and development, while opening up new channels of communication, intercultural dialogue and peace building.

3. MANDATE AND METHODOLOGY

⁸ <http://creativehubs.eu>

⁹ <http://www.creativetracks.org>

¹⁰ <https://composite-indicators.jrc.ec.europa.eu/cultural-creative-cities-monitor/>

¹¹ European Commission (2016) "Towards an EU Strategy for international cultural relations".

This report provides a bird's-eye view of the cultural and creative industries sector¹² in the six countries of the EU-Eastern Partnership: Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine, but most importantly, it provides country-specific view on challenges and tailored recommendations for Azerbaijan's CCIs.

The mandate is to analyse the current state of CCIs in these countries, identify their main challenges and opportunities, to draw recommendations, set directions and further steps ahead. This approach intends to go beyond simply targeting policy-makers at national and the EU level. It is designed for all those interested and potentially intervening in the CCIs diverse ecosystem. The key target groups include: Policy-makers and authorities from the Eastern Partnership region at all levels – national, regional and local –, the EU and international counterparts; the various sector professionals from all disciplines and sub-sectors, their organisations, enterprises and institutions and all related stakeholders notably from education and business community that are connected with the CCIs development agenda.

Regarding the scope of CCIs used in this report, the term “cultural and creative industries” encompasses a diverse and dynamic spectrum of disciplines or sub-sectors that are different in each country. These disciplines are constantly evolving and interacting therefore it is not feasible to set strict definitions and define clear-cut concepts, however these references were used to guide the preparation of this report:

- a) *The starting point is the concept of cultural and creative sectors contained in the regulation¹³ establishing the Creative Europe Programme. It includes an extensive definition, that comprises all activities based on cultural values and/or artistic or other creative expressions, including, inter alia: architecture, archives, libraries and museums, artistic crafts, audiovisual (including cinema, videogames, multimedia and television), tangible and intangible culture heritage, design (including fashion design), music and literature, performing arts, publishing, radio and visual arts.*
- b) *Cultural and creative expression is specific to each country. In each of the six Eastern Partnership countries other related activities could be considered if they demonstrate potential, e.g. ICT, media, communication and advertising, fashion and luxury goods, gastronomy, wine production and cultural tourism.*
- c) *The report focuses mostly on how to promote and improve the conditions for the development of these disciplines, sub-sectors or activities within the CCIs, that are either scalable and/or able to generate income and become sustainable and contribute directly to economic growth and employment.*

The preparation process for the report was planned to last over six months period, from autumn 2016 to spring 2017. Fieldwork was based on intensive missions to the region's six capital cities (in Ukraine, Lviv was also included). In these field trips, interviews, meetings and discussions took place with main stakeholders, including

¹² In addition, the EU-EaP Culture & Creativity Programme has commissioned national sub-sector reports for gathering further specific insights on cultural heritage, audiovisual/film, performing arts, and literature. Moreover, to have regional perspectives to CCIs development, there is an ongoing process of piloting a creative town/region in each of the 6 countries: Sisian (Armenia); Shamkir (Azerbaijan); Svetlogorsk (Belarus); Mtskheta-Mtianeti (Georgia); Orhei (Moldova); and Kosiv (Ukraine). Finally, the Programme has launched a cultural indicators development initiative, taking place in most of the EaP countries that will give an overview of CCIs cultural, economic and social contributions. More information: <http://www.culturepartnership.eu/>

¹³ Article 2, Chapter I of the Regulation (EU) No 1295/2013 of the European Parliament and of The Council of 11 December 2013 establishing the Creative Europe Programme (2014 to 2020).

policy-makers and creative professionals and organisations, individually and within group workshops. The mission also included visits to creative hubs, venues and institutions. Data collection and feedback was complemented by desk research on existing literature and references.

While the EaP countries have many common elements, these countries also have significant differences. These countries share many common challenges in developing their CCIs agendas and might benefit from common actions, but they might translate differently. This report identifies the main challenges and opportunities to develop CCIs in Ukraine. Many of the challenges are shared with several other countries (and regions) in other parts of the globe, including in other parts of Europe and the European Union. As CCIs are related to a new economy based on talent/human resources and creativity, the sector's development requires the creation of a whole new ecosystem. There are no ready-made solutions available.

For each challenge, the report proposes examples from the European Union countries. Some cases are long-lasting proven initiatives, others have just started and are yet to be fully evaluated. These examples¹⁴ from other countries intend to be inspirational, they give account of practices that can either be replicated with the necessary local adaptations and/or serve as starting point for EaP countries to investigate and from there develop their own distinct solutions. Recommendations for promoting the sector development are presented for a short-term perspective as well as for a mid-term perspective.

¹⁴ Examples were chosen according to what fitted best the challenges under analysis and based on literature as well on the expert's knowledge.

4. DEVELOPING CULTURAL AND CREATIVE INDUSTRIES – REGIONAL ANALYSIS AND DETAILED VIEW ON AZERBAIJAN

4.1 Brief analysis of the national context¹⁵

Opportunities

- > *Efforts to diversify the economy by developing non-oil industries and promoting its competitiveness based on innovation.*

The Government plans to diversify the economy, investing in the development of export of traditional production spheres, such as electro-technology, electronics, light and food industry. Alongside, it previews also the promotion of entrepreneurship and creation of a favourable environment for development of new types of activities and products, based on cooperation of state-run and private sector.

- > *Simplification of business registration through a “one-stop shop” system aiming at promoting entrepreneurship.*

The initiative is designed to shorten the business registration process for entrepreneurs. Additionally, further development of National Entrepreneurship Fund, demonstrates the Government’s new vision and structured approach to entrepreneurship development. The fund provides means for businesses by improving their overall access to finance.

- > *Tax incentives for resident companies of industrial and technology parks promoting agglomeration and collaborations.*

The State policy is promoting industrial agglomeration and clustering in parks, through VAT exemption on import of equipment for construction, scientific research works, and other related activities.

- > *Tourism development is considered relevant priority area, including the valorisation of cultural heritage.*

In the process of diversification of the economy, tourism has been included in the State agenda as one of the priority development areas, including the creation of relevant cultural tourism routes based on national, historical-cultural, socio-economic and natural features.

- > *Announced goal to increase the share of funding for education in GDP to reach indicators of developed countries.*

This funding intention goes along changes in the education system to expand access, increasing the importance of lifelong learning and virtual education and the role of ICT and knowledge of computer networks.

¹⁵ Many of the opportunities acknowledged in this chapter are based on announced goals within the Presidential Decree signed in December 2012 “Azerbaijan – 2020: Look into the Future” Development Concept (http://www.president.az/files/future_en.pdf)

- > *Strengthening the links between science and production in view of innovation and better response to market needs.*

There is an acknowledgment that innovation requires strengthening of scientific and technological potential. The Government is interested in developing mechanisms to carry out applied scientific studies in line with the requirements of the market.

- > *The level of internet usage and coverage in Azerbaijan provides adequate environment for ICT development.*

The territory of Azerbaijan is well covered by internet and its usage has been increasing, notably in the areas of online media and internet-based television. Furthermore, blogs and social media platforms are becoming also more widely used.

- > *Industrial development goals open up the stage for digital technologies and content creation prospects.*

The goals to diversify the economy and foster innovation bring along the need to constantly develop new products and services. Digital technologies provide a platform for knowledge and content development and their wide dissemination. This context provides a favourable basis for the development of CCIs, especially design and ICT.

- > *Promotion of cooperation between the State and the civil society.*

In view of the intended socio-economic development, the Government considered necessary to deepen further the civil society engagement. The modernisation of relations and cooperation between the State and civil society and the stimulation of activities of NGOs are among the official goals.

Challenges

- > *Complicated access to finance and to global markets is hindering SMEs' business development opportunities.*

Some business development bottlenecks remain, such as those related to trading across borders, the tax system and access to funding. Most of the start-ups are financed privately by entrepreneurs themselves or through private borrowing as a result of complex lending requirements. SMEs have limited availability and restrictive conditions to credit, such as short or non-existent grace period and high interest rates or collaterals, as well as expensive processing payments.

- > *Complex cross-border mobility alongside out-dated infrastructure hinder regional and international tourism potential.*

Persistence of visa entry barriers and enduring conflict in Nagorno-Karabakh creates an unstable setting for visiting the region and prevents potential collaborations regarding tourism and cultural heritage routes. Furthermore, basic tourist infrastructure is still poor outside of Baku, such as accommodation, information services and signs, and availability of English speaking guides.

- > *Remaining gap between public authorities and civil society preventing development of PPPs.*

Despite recent openness towards an increase of cooperation among the public and private sector, there is a lack of mutual trust, which is crucial for developing public-private partnerships. Regular communication channels and joint procedures are still largely missing.

- > *Civil society operates in a densely controlled environment with some limitations to the plurality of expressions and access to information channels.*

Despite the existing legislation on freedoms of expression and association which are in line with international standards, there are still existing challenges regarding the application of the law in practice, including certain barriers to establish collective organisations, accessing official information, interference to the work of journalists and social networks activists. These challenges can lead to self-censorship which may cause some limitations to the diversity of expressions, including in the internet (regulated by extension of the law on mass media). It is however important to note, that the official position of the Azerbaijani authorities' states that all fundamental freedoms are fully provided in Azerbaijan, including freedom of expression, media freedom, freedom of assembly, religious freedom. For example, Azerbaijan declared 2016 a year of multiculturalism to highlight Azerbaijan as a good example of peaceful co-existence between different religions and ethnic groups.

4.2 Recognising CCI's transversal character

The CCIs have a multiple and transversal character, that impacts economic and social development. This potential is still under-recognised in EaP countries – as well as in many other parts of the globe - at all levels, from policy makers and authorities, to society in general, including sector professionals themselves. This (proto) sector is hardly considered as an integral part of the economy partially due to weak existing evidence concerning its contribution to overall growth and quality of life. For many culture and economy represent two distinct fields without any interaction. Culture is still considered a luxury by many, an approach remaining from former Soviet tradition. It is seen as a sector with low productivity and need for resources.

It is also difficult to fully comprehend the concept of CCIs, because the sector is open and multiple, includes several different disciplines, activities and professions, that on their turn may interact and add value to many different other sectors and domains. This notion may even vary according to different regions, cultures or policies. This makes it difficult to communicate and acknowledge the nature of the sector.

Many cultural sector professionals within the sector have a hard time in identifying themselves with the CCIs agenda. Each discipline is distinct with autonomous histories and paths. Consequently, their differences are more often accepted and put forward than their common elements. Few recognise the advantages of integrating the CCIs umbrella concept that could facilitate the sector's coordination and interaction, but also allow them to speak with common voice and get more visibility. Many cultural and creative professionals see this reformulation as a drift towards commercialisation of culture field that would explore its material output or profitability. They see this as a problematical shift as they fear the instrumentalisation of culture. According to Professor Pier Luigi Sacco¹⁶ this reaction reflects a pre-industrial culture 1.0 logic in which producers are remunerated not as part of a market transaction but

¹⁶ "Culture 3.0: A new perspective for the EU 2014-2020 Structural Funds Programming", April 2011, European Expert Network on Culture, Brussels.

rather as symbolic exchange of gifts between artist or cultural producer and patron – whether an individual or the state itself. In this context, production and access to culture is limited and conditioned by social and economic barriers.

Culture 3.0 concept by Pier Luigi Sacco (2011)¹⁷

Culture 1.0	Culture 2.0	Culture 3.0
<ul style="list-style-type: none"> • Based largely on patronage model • Typical of a pre-industrial economy • Culture is neither a proper economic sector of the economy nor it is accessible to the majority of potential audiences • Cultural production lives entirely on subsidies and could not survive otherwise 	<ul style="list-style-type: none"> • Cultural and Creative Industries, that produce economic value and are even profitable, but they represent a specific sector of the whole economy • Audiences expand significantly, whereas cultural production is still severely controlled by entrance barriers • Characterized by an explosion of the size of cultural markets 	<ul style="list-style-type: none"> • Characterized by innovations that not only cause an expansion of the demand possibilities, but mainly and expansion of the production ones • Transformation of audiences into practitioners (thereby defining a new, fuzzy and increasingly manifold notion of authorship and intellectual property)

Technological and economic development has gradually been modifying the sector’s foundations. Like many other countries, the EaP countries have witnessed the growth in jobs considered “creative” and in the increase of creative components in jobs previously considered “routine” or “mechanical”. This change has had a considerable impact on educational systems, social welfare and policy makers in working out how to develop and retain human capital. In most EaP countries the success of hi-tech outsourcing and the information technology industry has been more visible and scalable and therefore has had a bigger impact on policy makers and investors. Unfortunately the CCIs have mostly remained in the shadows of this technological boom.

The culture sector needs new, dynamic organisational or business models in this transition, even when profit is not the final goal or purpose. Pier Luigi Sacco recalls that the culture sector’s non-material output – in welfare, sustainability, innovation, local identity and social cohesion need to be given appropriate attention. However, the traditional culture sector often resists this change of logic. Even for many of the sector’s entrepreneurs and companies for whom profit making is consensual and one of the goals, e.g. music, audiovisual, media, ICT, design and architecture, CCIs are still a “strange” agenda, that they do not take as their own nor see benefits of belonging to.

The sector’s different disciplines still mostly work in silos in a competitive and not very collaboratively. Collective organisation (meaning informal alliances and platforms, umbrella organisations and other sectorial associations) is still in an early phase or

¹⁷ Pier Luigi Sacco, 2011. “Culture 3.0: A new perspective for the EU 2014-2020 structural funds programming.” *European Expert Network on Culture Paper*, April 2011. <http://www.interarts.net/descargas/interarts2577.pdf>

weak and professionals lack coordinated action and shared agendas. The sector lacks a joint voice that could advocate its role and lobby for its interests. Formerly prestigious and powerful trade unions of the Soviet era that spoke on behalf of different artistic and cultural disciplines and professions still function, but most of them seem not to respond to the sector's current needs and concerns, even though some have been reorganised in order to attract new generations. The current market economy brings new values and dynamics and a silo mentality does not allow most of these structures to open up and embrace them. The institutionalised cultural sector is fearful of losing its status and privileges and the atomised independent cultural and creative sector had a fast transition to market economy, which did not develop into stronger and collective structures. Therefore neither have recognised the role and full potential of CCIs as a unifying concept. The sector still concentrates on the "I" - individually focusing in pursuing projects in competitive manner - not on the more collaborative mode of the "We".

CCIs' transversal and cross-sectorial potential notably for economic growth and job creation is still not evident for many. There is a lack of data to back up the arguments and convince stakeholders. New methods to collect and measure both quantitative and qualitative data-sets are needed to give new insights into the potential impact of the sector that goes well beyond figures. The current new economic framework requires new indicators. The crossover character of CCIs that adds value to other sectors, its indirect and invisible impacts, calls for cross-sectorial and cross-disciplinary analysis that may shed new light onto this phenomenon. In most EaP countries the process of developing UNESCO Culture for Development Indicators (CDIS) is under way. Armenia, Azerbaijan, Georgia, and Ukraine have developed the CDIS with the support of the EU-EaP Culture and Creativity Programme - as well as Moldova.¹⁸ This framework is an excellent practice, that allows countries to establish basic indicators to map the place of culture in the economy and society and provides a baseline for discussion and policy development at a national and international level.

The transversal dimension of CCIs is difficult to address since it implies a radical change in the way national governments, regional or city councils and institutions are organised and how they function. The strict division into policy areas without common or coordinated actions or budgets is not the most efficient way to establish and implement successful policies in culture and creative industries. Current access and use of digital technology have blurred the distinction between producers and users. Production now incorporates user-driven inputs, so there is an equal need to develop schemes and communication that allow citizens to actively participate in policy-making.

A change of views and in practice is therefore needed in relation to research and innovation in order to recognise the sector's capacity to impact the economy. Innovation is currently seen merely as technologically-driven and within the context of production, there is a need to consider the potential of non-technological innovation. Artistic and cultural processes are also research-anchored, creating specific knowledge, which demands long-term investment. The sector has great potential for its capacity to engage and give expression to users/audiences, to change organisations, but also to manage and generate new value from knowledge. Research

¹⁸ In addition, in Moldova a recently study has also contributed to measure the CCI sector economic impact validating its potential. "Assisting Moldova's Competitiveness Champions: Selecting Two Further Industries", USAID Moldova, 2016.

and technology might well develop new ideas and products, but cultural processes test, check and socialise new technology.

Launching specific CCIs policies to use their potential effectively are still at an early phase. Tourism acknowledges the distinctive role of culture but favours connections between the ministries of culture and economy and not with a broader CCIs perspective. CCIs policies are issued often by one stakeholder, mostly the Ministry of Culture, but this sector requires jointly designed and implemented programmes and tools that cover more policy areas. A wider perspective should be taken into consideration when designing CCIs policies, programmes and tools and more stakeholders should be involved and targeted.

In many EaP countries there are inter-ministerial working groups that discuss and divide CCIs roles. To be effective and gather adequate resources, different policy areas and respective budgets could be channelled to convey a joint national strategy for CCIs spanning the economy, enterprise, research, technology and innovation, education, regional and urban development. It may be useful to create specific and independent cross-ministerial task forces to coordinate and develop CCIs which also include the private sector/businesses and professionals (cultural institutions, NGOs and entrepreneurs). These task forces could ensure interaction and synergy. They could also represent the sector within the policy-making process, promote research and monitor and evaluate policies.

4.2.1 International examples

Centre of Excellence for CCIs in Germany

- > *The **Centre of Excellence for Cultural and Creative Industries**¹⁹ was created in 2007 by a decision of the German Parliament and resulting from a cross-ministry initiative, i.e.: The Federal Ministry for Economic Affairs and Energy and the Federal Government's Commissioner for Culture and Media. It functions as a Berlin-based intermediary, advocate and matchmaker that informs, supports and builds trust between policy makers and multipliers, CCIs, academia and other industries. It provides a broad range of services and expertise focused on CCIs professionalisation and capacity-building (notably promoting entrepreneurial skills), cooperation between CCIs and other sectors, research of relevant trends and developments and offering CCIs professionals a neutral platform for networking.*

For more examples, see *Creative Industries Council*²⁰ (UK) and *Brainport Eindhoven*²¹ (The Netherlands)

4.2.2 Opportunities in Azerbaijan

- > *Current legislative framework in the field of culture has introduced a more entrepreneurial model promoting management and private initiative.*

The Law on Culture from 2012, followed up by a Concept for Culture (2014) and a state programme for activities 2014-2020, have responded to latest social-economic changes. The current legal framework makes provision, among others, for: protection

¹⁹ <http://kreativ-bund.de>

²⁰ <https://www.gov.uk/government/groups/creative-industries-council>

²¹ <http://www.brainport.nl/>

and effective management of cultural heritage and traditions; approaching museum business; diversification of funding sources; and encouragement of private initiatives.

- > *Promotion of cultural activities in regions are included in the new policy of increasing initiative at local level as well as in tourism development strategies.*

The State programme proposes a more flexible management at central level combined with more initiative at local level. Some regions like Qabala and Ganja develop seasonal programmes and festivals put forward by professionals based in Baku following tourism seasons. There has been investment in the recovery of theatre houses and other venues. This new policy orientation, when articulated with decentralisation efforts, may build on pilot projects that are setting the way for mapping and developing CCI policies in smaller towns and regions. The Azerbaijani pilot town in the Creative Towns and Regions Initiative by the EU-EaP Culture and Creativity Programme was Shamkir.²²

- > *Recognition of CCIs as a driving force for tourism development.*

The Ministry of Culture has been developing a programme for 2017 that considers the role of CCIs for tourism development under the slogan “Building a Creative Nation”. A national roadmap for tourism development has been recently approved. Azerbaijan has been positioning as a cultural tourism destination, based on its rich cultural heritage and traditions and integrating into world tourism routes like the Great Silk Route.

- > *Ongoing process of developing UNESCO Culture for Development Indicators in view of monitoring the sector’s wider impacts.*

A process of applying the UNESCO methodology of Culture for Development Indicators supported by the EU-EaP Culture and Creativity Programme will be concluded by January 2018. This relevant initiative will allow filling the gap of the absence of national datasets on this field. It will gather evidence for the actual impact of the sector in Azerbaijan and establish an international comparative framework for permanent monitoring of the sector performance and impacts. This structure is important to inform policy-makers and highlight evidence and arguments for the sector’s development.

4.2.3 Challenges in Azerbaijan

- > *High level of centralisation and state’s strong gatekeeping position.*

The Ministry of Culture and Tourism acts as gatekeeper over the whole cultural policy system: decision-making, funding and coordinating activities with regional and local authorities and professional organisations. Independent cultural operators need to require and obtain permits to be able to carry on their public activities.

- > *Absence of a national framework to promote the creative economy development.*

Current policy to promote innovation and entrepreneurship in the economy and the references to CCIs in culture and tourism development policy documents are not yet translated into a structured joint policy to develop an overall favourable ecosystem. It

²² Final report for Shamkir mapping: <https://www.culturepartnership.eu/en/article/report-shamkir>

requires reforms from education and training systems, to a streamlined funding system, investments in promotion and internationalisation, and further development of media. The multitude of policy areas involved demands an inter-ministerial approach. Moreover, the existing Culture Concept 2014 is also missing an articulated roadmap that concretely plans actions ahead.

- > *Lack of interactions between tourism stakeholders and CCIs community limits tourist offer and cooperation with associated businesses and services.*

Besides poor tourism infrastructure, the sector is missing a high-quality souvenir industry. It lacks necessary links between tourism stakeholders and CCIs to work with traditional arts and crafts to improve existing products and services.

4.3 Setting up participatory policies and platforms

The ecosystem approach of CCIs brings a larger step that is fundamental for EaP countries. That is bridging the gap between public authorities and citizens. The mutual lack of trust hinders the development of a civic and participatory culture. In order to allow CCIs to thrive and unleash its crossover potential, diverse stakeholders need to contribute and interact. All have a role to play in this shared responsibility agenda: State and regional/local authorities; businesses and private sector; and civil society.

Top-down one-sided state policy and action is insufficient to trigger innovation and creativity *per se*. Equally the sector's common reaction "let us do our own business alone" is not enough either. While there are few good examples in the EaP countries, there is still a long way in order to build a participatory culture that is not simply based on one-off events. Participatory discussions and open consultation are essential but they should lead to concrete action plans and implementation (even if partial and/or dependent on further political negotiations). This approach includes policy discussions and formulation, but also its consequent shared implementation, monitoring and evaluation, preferably through effective public private partnerships (PPPs) that are not yet common or even regulated in this sector in most countries. To nurture such a culture entails a long-term investment as it involves a change of mind-set and practice. It is about building up and upholding processes, much beyond their mere results.

New platforms and alliances are needed to open new channels among diverse stakeholders. Formal or informal, databases, web platforms or clusters, and joint structures are crucial to showcase, mediate and promote mutual acknowledgement and activate collaborations and linkages. These platforms may constitute the sector's collective and legitimate voice to represent and engage in dialogue with the authorities. The CCIs sector in EaP countries lacks these intermediary organisations bringing together state/public authorities, artists/creatives and citizens/users. Cluster initiatives for instance may gather all those that are or might be interested in this field, including education, training and research; urban planning and development authorities; to users and audiences.

It is essential for the CCIs sector to promote and network, to join forces and build partnerships for their field and for business development, and also to have a clearer voice and better political representation. Creative hubs play also an important role in community development. This is particularly relevant for EaP countries, where a lack of trust is still prevalent. National funding programmes that create networks and clusters and establish creative hubs could help develop a culture of active engagement and participation.

Mappings and public consultations at national, regional and local level should become standard practice by CCIs in order to identify resources as well as discuss and define policy-making initiatives. They can also run online consultations, working groups and public hearings. Mappings and participatory budgeting can be a good testing ground to activate civic participation. Participatory budgets, for instance, are being implemented throughout Europe at diverse political levels including in some EaP cities and it is an instrument that can contribute to activate citizenship, regional ownership, policy-making ownership and increase trust.

4.3.1 International examples

Norwegian Innovation Clusters²³

- > *In the early 2000s the Norwegian cluster programme was founded on the premises that enterprises that collaborate are more innovative, productive and competitive. This financial scheme encourages bottom up shared initiatives by co-funding their collaborations and undertakings. Annual open calls provide up to three years of support based on business plans. The cluster resources, potential for growth and position in the industry are just as important as whether the initiative is participatory, the leadership share a common interest and whether the cluster project has common ownership. It funds clusters on three levels of development: (1) emergent, (2) mature with a national market presence, and (3) mature with an international market presence.*

For more examples, see more: Participatory Budgeting Portugal²⁴ and Culture Map Valletta²⁵

4.3.2 Opportunities in Azerbaijan

- > *Government intention to develop civil society – in which cultural NGOs have been recognised - and give it a more active role in political processes (Development Concept – Azerbaijan 2020).*

In this framework, the enhancement of cooperation between government agencies and civil society institution is being pursued. Furthermore, NGOs are to be involved in the preparation of public programmes as well as participate in the work of public commissions.

4.3.3 Challenges in Azerbaijan

- > *Lack of involvement of CCIs professionals in decision-making is deepening the gap between public authorities and civil society.*

Despite new impetus to promote civil society, channels of communication with authorities and policy-making processes are irregular and weak, deepening the mistrust between policy makers and practitioners.

- > *Wide gap between institutionalised state funded culture and independent scene.*

²³ <http://www.innovationclusters.no>

²⁴ <https://opp.gov.pt>

²⁵ <https://www.culturemapmalta.com/>

There is a perceived divide between official state cultural institutions and venues and the independent operators, which in turns hinders the development of collaborations and communication between them.

> *Legal framework for independent sector remains complex and restrictive.*

The framework in which civil society organisations operate remains burdensome. It includes restrictive access to funding and dependency on the state since donations remain difficult; constant permissions requirements for activities to be authorised, as well as high level of bureaucracy involved in decision-making.

> *Weak collective organisation and collaboration practices among culture and creative community.*

Professionals recognise that there is a lack of interactions at the horizontal level within CCIs. The CCIs lack visionary leaders as well as joint umbrella organisations for information sharing, networking and advocacy. The system of cultural unions generally does not cater the needs of younger generations of emergent professionals nor respond to current market needs, there are no collective organisations or joint platforms that may voice and represent the sector.

4.4 Building on emerging creative hubs

Several new IT and creative hotspots, or “creative hubs”, have been emerging throughout the EaP countries as well as in the rest of Europe in response to the current needs of the sector. It is still a recent phenomenon in some EaP countries and the majority of them are private initiatives with little or no support from public authorities. These hubs serve and showcase the dynamic entrepreneurial spirit of the creative and business communities following global trends.

Creative hubs have different shapes and set-ups. Most are physical spaces – but can also be digital platforms and virtual networks – and may incorporate co-working spaces, incubators or accelerators, fablabs or city labs, but above all they personify a new community. In many cities, they start to occupy abandoned buildings in the centre, in derelict spaces or in former/actual industrial sites and neighbourhoods. While inhabiting and gradually renovating them, they bring forgotten parts of towns back to life and contribute to land and urban development. These are places for working, meeting, learning and interacting; where knowledge is shared and transferred. Creative hubs assume different functions and offer various products and services: Work locations and offices; master classes and workshops; mentoring and coaching; business clubs; matching events, hackathons, etc. Above all, hubs facilitate project and business development and build communities.

These new work locations contribute to blurring lines between disciplines and hierarchies. While creative professionals come together to meet, discuss, create and perform across cultures, disciplines, languages and profiles, more attention is given to experimentation and methodology. Interaction in hubs stimulates artists and creative professionals used to focussing on their own individuality to associate and collaborate with the rest of the creative community and beyond. This interest in organising collectively is a matter of survival in this ever-changing competitive environment. Sharing know-how and resources within common spaces diminishes skill gaps. Creative hubs are new venues or organisations for the sector, as they are versatile and flexible places that experiment and interact. Public cultural institutions in EaP countries often do not provide favourable conditions for private operators to

use their venues, their facilities are expensive to use/rent, thus their potential and facilities are under-used. This region is highly equipped with theatres, opera houses, museums, film studios but many of them are not facing the challenges that new opportunities pose.

Many hubs are ICT based or ICT dominant, but CCIs are also part of these ecosystems. Fewer hubs are orientated on art, or invest in projects that might not necessarily be profit making - but sustainable; other hubs have social entrepreneurship as a main focus, promoting projects and businesses that focus on cohesion and inclusiveness; and some hubs are labs that provide cities with solutions to their challenges.

In EaP countries most creative hubs have been established from the bottom-up, while in some European countries creative hubs came out of a top-down institutional initiative. The latter have led in many cases to brand new spaces that take a long time to populate. Many hubs may be vibrant and crowded, but they are also fragile. The maintenance bills are high and sustainability is hard to achieve; teams and activities are a constantly struggling to keep up; hub managers often lack all the necessary skills to deal with businesses in this specific sector; many miss connections to other similar hubs in the same city or country; to other regional stakeholders – schools, policy makers, investors, industry, and to international peers.

Creative hubs can make significant contributions to CCIs business development, community strengthening and urban renovation. Creative hubs can revitalise neighbourhoods and under-developed city quarters. It is a good investment to allow access to empty or non-used spaces and venues for CCIs. Free or low-costs rents and simplified procedures can support many new initiatives. Supporting teams and operations in the initial years and integrating them into wider city/region and sector development plans can provide an impetus towards their structural sustainability and take them to new heights. As new stakeholders, hubs can build on their achievements and social capital and become the basis for the development of potential Public-Private Partnerships (PPPs), which have yet to have a legal basis in some EaP countries

4.4.1 International examples

IncrediBOL!²⁶ (Italy)

- > *IncrediBOL! was born in 2010 as a city of Bologna pilot project, to provide tools to develop entrepreneurship in the CCIs. Today it is a well-established network with diverse partners and works across the Emilia-Romagna region. It started to issue annual public calls for creative entrepreneurs offering small cash contributions, space free of loans and advisory services, training and promotion. Proposals were matched with city locations - often closed or empty municipal spaces. Creativity has proven as a key factor to redevelop the city and contribute to its economic regeneration. As a result, recently a new “micro-requalification” programme was launched to redevelop public spaces through art and creative interventions.*

²⁶ <http://www.incredibol.net/>

For more examples, see *Subtopia*²⁷ (Sweden), *Telliskivi Creative City*²⁸ (Estonia), *Nova Iskra*²⁹ (Serbia) and *Poligon*³⁰ (Slovenia)

4.4.2 Opportunities in Azerbaijan

- > *Some private creative hubs and co-working spaces have emerged focusing on arts and creativity as well as shared business development spaces.*

Some multidisciplinary venues emerged as result of private initiatives to serve as focal points for artistic and creative development as well as professional and community building. They provide space for co-working, developing professional skills, as well as showcasing. Some also propose several educational programmes for the wider audiences. Baku also hosts a few co-working spaces that promote shared and informal working environment for the young generation of freelancers, entrepreneurs, programmers and designers.

Local examples:

*ASmart Creative Hub.*³¹ Private creative company created by group of experts specialising in culture and art development. Main goal is to provide a creative space for young artists, designers, specialists in art and for people who have a passion for arts. The hub organises long and short-term courses, workshops, performances and screenings, debates, exhibitions, as well as makes available free co-working spaces for artists.

*Baku Business Factory.*³² Established in 2015, it supports youth business initiatives. Young people can realise their ideas in various business fields by accessing an office, mentor's assistance and financial support as well as take part in professional trainings.

*Yarat Contemporary Art Space.*³³ Established in 2011, it is a private initiative dedicated to nurturing an understanding of contemporary art in Azerbaijan and to creating a platform for Azerbaijani art, both nationally and internationally. Promoting a contemporary art vision, it organises a myriad of events and educational and professional development activities, incl. visual arts, performance, dance, design, videoart. The Yarat Residency studio hosts international and national artists in residencies in the studio resulting of public calls.

4.4.3 Challenges in Azerbaijan

- > *Complicated access to spaces for independent professionals.*

Private venues are rare and expensive to maintain. The State acts as gatekeeper regarding access to public infrastructure, houses of culture and halls. Administrative and legal impediments prevent often access to state cultural venues and heritage to

²⁷ <http://www.subtopia.se/>

²⁸ <http://telliskivi.eu>

²⁹ <http://novaiskra.com/>

³⁰ <http://www.poligon.si/>

³¹ <https://www.facebook.com/AsmartCreativeHub/>

³² <http://bbf.az>

³³ <http://www.yarat.az>

independent players. As a result, independent professionals have difficulties in finding appropriate places to rehearsal, perform or present their work.

- > *Public cultural venues lack management practices and openness towards the creative community.*

Public infrastructure is missing an up-to-date evidence-based management that includes efficient planning and programming, but also new relationship with audiences/users as well as with the overall professional creative community. Public venues do not serve as spaces for experimentation and showcase of young emergent professionals.

- > *Limited offer of creative hubs linking arts and creativity and business.*

Despite some co-working spaces, as well as arts centres, only few initiatives emerged in Azerbaijan, particularly in Baku, linking business development and creativity.

4.5 Easing access to specific funding and support

Many European countries recognise the challenge of the complicated access to finance for CCIs resulting from their specific nature and value.³⁴ The main obstacles are: the small size of most creative organisations, their predominantly intangible assets, their sources of revenue, their reliance on intellectual property rights as a driver for growth, their weak managerial skills and their lack of knowledge of and contacts in the business world.

European public business development services and private investors, from banks to business angels, are not familiar with CCIs operational and business models. CCIs do not qualify to loans for certain SME's funding programmes and schemes often because they lack guarantees. CCIs face similar problems in accessing finance in EaP countries. The difficult and limited access to finance, poor infrastructure, unfriendly legislation, weak incentives in developing a charitable culture, etc. mean they are not considered favourable business partners.

Public funding of independent culture (NGOs) needs greater clarity and better criteria in relation to the transparency of selection processes, regularity of support and sustainable development. State support for SMEs does not consider CCIs' specific nature and therefore needs further diversification, especially in relation to accommodating their micro-dimension. Local operators have little access to international co-productions and partnerships, because they often lack sufficient matching funds and adequate regulatory framework by the state. There are currently no incentives or tax deductions for private donations and sponsorship to CCIs. Intellectual property rights (IPR) protection laws are often neglected due to a lack of awareness among professionals or monitoring agencies. Restrictive regulations for online and offline trade and export also hamper business internationally.

The fund-raising skill in most of the sector operators is weak, especially for international grants. CCIs need more information, contacts and networking to identify and test the right partners, as well as resources to invest in long-term planning requirements. Some alternative and interesting funding endeavours are being

³⁴ The OMC working Group of EU member-states report "Towards more efficient financial ecosystems" has described this main issue and compiled a set of best practices.

developed by entrepreneurs, e.g. crowdfunding platforms, but structural improvement is needed in public systems and legislation to ease access and diversify funding alternatives for the sector.

4.5.1 International examples

PMV - Cultuurinvest³⁵ and STARTS – Investment Fund for Cultural Enterprises³⁶ (Belgium)

- > *Two regional funds promoted respectively, by the Flemish Government – PMV - Cultuurinvest; and by the Walloon Government – STARTS. Both schemes provide specialised loans and equity investments to the diverse phases of business development, accompanied by coaching and advice to enterprises (SMEs) as well as not for profit organisations in the CCLs.*

For more examples, see AWS VINCI Vouchers in Creative Industry³⁷ (Austria) and National Lottery³⁸ (UK)

4.5.2 Opportunities in Azerbaijan

- > *Specific support to NGOs is announced, notably the development of a framework to support private sponsorship (Development Concept Azerbaijan 2020).*

Within the national plan on the development of civil society, the support from state and private organisations is previewed, as well as an increase of financial aid to NGOs projects and programmes. Furthermore, the stimulation of private sector donor's activity is also previewed. A creation of a donor's institute as well as a strategy and state programme are announced to give impetus to corporate social responsibility.

- > *State support for IT entrepreneurship might serve as model for the CCLs development.*

The Ministry for Communications and High Technology has been investing in creating the necessary conditions for the development of innovative entrepreneurship and start-ups, including simplification of administrative procedures; creation of high technologies parks and establishing venture capital funds.

- > *Relevance given to development of cinema and publishing within State programme.*

State strategy gives relevance to cinema and publishing due to their historic tradition and future potential. Unlike other post-Soviet countries that saw a severe decay in state funding to film making in the 90's, Azerbaijan cinema production kept on due to private investment from oil and gas revenues. Moreover, literature, notably folk (oral) and poetry, are ancestral art expressions in Azerbaijan and the internet/social networks and the removal of Soviet censorship have been favouring production. The State also acknowledges the fact that audiovisual products are of high demand, notably digital audio and video. The State strategy in these fields includes a programme to promote printing, book business and libraries; as well as a vast 10-year programme for cinema – 2008-2018 - that covers all aspects from financing,

³⁵ <http://www.pmv.eu/nl/financiering-voor-ondernemers/leningen/cultuurinvest>

³⁶ <http://www.start-invest.be>

³⁷ <https://www.aws.at/foerderungen-1/vinci-voucher-in-creative-industries/>

³⁸ <http://www.lottery.culture.gov.uk/>

commissioning and production through to exhibition/screening facilities. It previews the establishment of new cinemas in Baku and provision of state of the art film archive and heritage facilities.

- > *Considerable number of independent film production companies that became eligible for state funding.*

The existing State and private support to film making allowed the emergence of several private production companies operating alongside state owned studios. They have also become eligible for state funding.

4.5.3 Challenges in Azerbaijan

- > *State funding to culture lacks systematic competitive procedure, which would include the specific character of creative industries.*

State funding in the culture sector lacks a necessary structured procedure with a competitive format, managed by an independent body (e.g. Cultural Endowment or Arts Council) mandated to issue public calls, select, distribute and monitor the use of funds. Furthermore, besides state cultural institutions and few acknowledged NGOs, new creative disciplines and entrepreneurial projects are not included.

- > *Lack of incentives and specific regulation for charity and sponsorship.*

Despite announced intentions, charitable organisations and other NGOs do not have any tax exemptions or benefits. Revenues from entrepreneurial activities from NGOs or charitable organisations are taxed when pursuing their constituent goals. Furthermore, there is a lack of favourable legal framework including tax benefits supportive of sponsorship and corporate social responsibility from big companies. The only benefit for donors is potential prestige and status, therefore proposals from emerging professionals are hardly given support. Foreign donations coming from outside Azerbaijan are not permitted.

- > *Limited access to funding and lack of specific tax framework for culture and creative projects and enterprises.*

The CCIs features are not taken into account when accessing other sources of funding, notably bank loans. Their fragile financial capacity as well as absence of material guarantees hinders their access to credit. It also lacks specific solutions like microloans and specific guarantees. The use of crowdfunding is not well established and adopted by the sector with almost no initiative in this field. Moreover, creative enterprises lack specific favourable legal framework, notably a specific tax environment. The law (2012) that allows differentiations for culture in taxes per spheres and regions, especially between Baku and the rest of the country, has not been fully implemented.

- > *Deficient copyright awareness and management.*

Existing legal frameworks are compliant with EU standards; however, several copyright and other intellectual property rights constraints remain. Monitoring and information is lacking in the distribution of cultural products and services. Moreover, professional's awareness of their rights and how to be remunerated is low and collective management lacks necessary accountability.

- > *Independent scene is fragile and alternative proposals are rare.*

In areas such as theatre there are few independent producers, due to complex and unstable access to funding. State cultural institutions do not normally present alternative and more contemporary proposals - like physical theatre - and the precariousness of the independent sector makes it hard to invest in introducing new trends.

- > *Book publishing sphere is mostly dominated by State.*

Existing State funding approval for independent projects is limited and complex. Most funding comes from foreign support for cultural exchange or few local sponsors. Access to distribution channels is also limited and centralised in few outlets in Baku.

- > *Absence of an up-to-date audiovisual legal framework addressing new challenges brought by digital technologies and ensuring open market competition.*

Despite cinema's dedicated state programme, the current law on cinematography dates back from 1998 and it is based on a top-down state commissions model. It distorts the market in terms of diversity of expression and does not allow competition to develop. Additionally, private support needs a new impetus, notably to boost international co-productions, since investment from private sector has declined due to oil and gas crisis. A new draft law for audiovisual has been discussed but not yet approved. The new changes brought by digital technologies into distribution and consumption need to be addressed.

- > *Media market lacks conditions for fair competition and pluralism of players and contents.*

Despite the fact that main principles for media and broadcasting activity are in line with international regulations, recent amendments to existing law have been raising concerns. The mass media market is unable to function without political or financial support from third party while advertising market is poorly developed. Moreover, due to political sanctions, self-censorship among media outlets and journalists is common, including in the internet (regulated by mass media law). Media outlets ownership and sources of income are not transparent, thus preventing application of anti-monopoly laws. Additionally, there are obstacles to access to official information and reported cases of interfering the work of social network activist and journalists. Finally, pluralism of contents is poor. There are remaining limitations to foreign TV contents in public channels - claimed to intend to stimulate local production.

4.6 Improving creative entrepreneurial education and skills

In view of the emergence of a new economic paradigm means educational and training institutions from schools to universities need to open up and connect more with regions and communities. Educational institutions need new approaches in how to design and conduct academic and vocational education that is more practical, resilient and entrepreneurial. Embracing the approach of lifelong learning would offer this. Many universities in EaP countries are prestigious for their technical quality notably in film, performing arts and music. However technical or artistic skills are not enough for young professionals to thrive, develop projects and start enterprises in the global market. Moreover, creativity and innovation are now being recognised as essential skills in other professions. All levels of education therefore need to integrate culture and creativity into their courses and develop creative skills and thinking and

cultural practice and participation from early childhood. Lifelong learning needs to be promoted and teaching standards improved for pre-school to higher education, formal and non-formal institutions.

CCIs have also been impacted by the growth in digital media, globalisation, cross-border and cross-cultural collaboration. This creates a need for strategic and relational skills that deal with working in plural and multi-layered markets. Creative professionals need strategic, management and communications skills. Strategic skills rationalise the ways projects, businesses and careers are conceived and managed. A professional today has to be a creator, a manager, a researcher, a public relations specialist and a polyglot. All creatives need skills in how to negotiate, lead and discuss ideas, objectives and plans with partners. The need for continuous training increase in this more demanding and competitive market. Professionals have to be permanently on top of their game otherwise they risk losing contracts, schedules, deadlines, contacts and partners. Time management is fundamental especially when joint research and reflection are needed for a project, which is under pressure to produce outputs. Professionals have to reinforce their communication skills to overcome the obstacles caused by a lack of time, trust and mutual knowledge in non-hierarchical, multilingual and multi-sectorial temporary teams.

There are several examples of alternative educational and training projects and initiatives in EaP countries that fill the gaps and respond to these new needs. They are run by NGOs and established educational and cultural institutions. The challenge consists of how to integrate these new learning methods into the educational and training systems' official mainstream offer and how to engage different stakeholders to take up active roles in this development.

4.6.1 International examples

Escalator - Creative Industry Kosice³⁹ (Slovakia)

- > *Escalator is an intensive programme of training and development of creativity, talent and professionalisation for those working in the creative field, individuals or enterprises/groups promoted by Creative Industry Kosice. Initially participants identify their needs and define their objectives through interviews with foreign mentors. This forms the basis of a “tailor-made” training and support programme of workshops, seminars, coaching, mentoring, business and strategic planning, research and development, study tours and pilot implementation.*

For more examples, see OTELO regional network of youth creative centres⁴⁰ (Austria), Creative Partnerships⁴¹ (Lithuania), Royal College of Art Innovation⁴² (UK) and Tallinn University of Technology - Innovation and Business Centre Mektory⁴³ (Estonia)

4.6.2 Opportunities in Azerbaijan

³⁹ <http://cike.sk/en/project/escalator>

⁴⁰ <http://www.otelo.or.at/>

⁴¹ <http://www.kurybinespartnerystes.lt/>

⁴² <https://www.rca.ac.uk/research-innovation/innovationrca/>

⁴³ <https://www.ttu.ee/mektory-eng>

- > *Government goals to invest in encouraging access to education.*

Government documents affirm education and skills development as one of the country's priorities. Education and training goals have been associated with economic development and innovation, as well as wider participation in cultural life.

- > *Emerging initiatives promoting education and skills development in the CCIs.*

Some pilot initiatives have emerged, from public as well as private sector, willing to promote education and skills for the CCIs sector in new settings: articulated to market trends and needs as well as in new collaborative environments.

Local examples:

Icherisheher Centre for Traditional Arts.⁴⁴ It is a laboratory for young people to develop new approaches to fine arts and crafts while preserving passion for national and traditional sources of arts. It cooperates closely with English partners through the Prince's School of Traditional Arts in London.

Sabah.⁴⁵ Joint ministerial initiative launched by Ministry of Education to enhance the quality of higher education by creating innovative learning environments which produce skilled literate students capable of meeting the demands of the labour market. In the case of culture, the Ministry of Culture had the purpose to develop a new cluster among students from 13 educational institutions, including the Academy of Fine Arts. Approx. 20 "Sabah" students will become high-class experts that will be able to fill necessary niches in cultural and creative industries.

4.6.3 Challenges in Azerbaijan

- > *Lack of strategic management and communication skills and understanding of contemporary sphere of arts and creativity among CCIs community.*

Higher education curricula in CCIs lacks integration of strategic managerial competences as well as interactions with society/market and practitioners. CCIs community, whether operating in public or NGO sector, is poorly skilled regarding the budgeting and financing, sales, development of sustainable business models, fundraising, marketing, branding and partnership development. It lacks lifelong learning offer. Furthermore, education is often inward and does not connect with the market practitioners or latest trends. In some cases, school's technical equipment is outdated hindering student's acquaintance with contemporary techniques and machinery.

- > *Shortage of skilled professionals due to absence of education and training offer in new CCIs disciplines.*

New artistic and creative areas and disciplines, many emerging around ICT development, but also associated services and business require new education and training offers, notably in cultural tourism sector. In Azerbaijan, several established profiles in the market have shortage of professionals – e.g. industrial, fashion and graphic designers as well as sound producers and lighting experts in the film industry;

⁴⁴ <https://www.facebook.com/IcherisheherCentreforTraditionalArts/>

⁴⁵ <http://sabah.edu.az>

as well as some areas are still missing an education offer, such as those connected with communication and management in the CCIs.

- > *Promotion of creativity and entrepreneurship are missing from general education and training offer.*

Top-down formal education system does not promote debate nor contemporary topics. Creativity, initiative-taking and innovation are not sufficiently valued nor promoted. Schools and academia are not connected with surrounding environment nor responding to its issues, international connections are irregular.

- > *Absence of a specialised jazz school building on Azerbaijan reputed international prestige.*

Quality and dynamics of jazz scene in Azerbaijan, particularly its unique style “mugham jazz”, has international acclaim. Yet local musicians need to go abroad in order to study and develop their talent and skills further; look for connections and labels to be able to get contracts and enter competitive markets.

4.7 Developing audiences and markets

CCIs’ potential and transversal features are still little known by policy-makers and much of society in EaP countries. Many CCIs professionals are not the sector’s best advocates. CCIs remain largely absent in media and public discourse except among niche audiences in capitals or big cities. Active and contemporary cultural venues and institutions are difficult to find in regions and rural areas, even on the outskirts of capitals and distribution systems are under-developed. Cultural houses/clubs (*dom kultura*) across the country need more resources and consequently up-to-date cultural and creative content. Developing audiences and a demand for cultural content is also crucial. This requires increasing the number of distribution channels. The different markets within EaP countries and different regulations and languages make it difficult to internationalise and operate across borders.

The digital revolution is blurring the distinction between creators and consumers, since content can be distributed without mediators to target audiences. Cultural production and access to new content are two phases of the same process, according to Pier Luigi Sacco. In his culture 3.0 model participation becomes a generator of value as its economic and social effects can be larger than market mediated distribution. User engagement and participation demands a new economic and social environment and framework that requires trust and dialogue between different stakeholders.

Most cultural institutions and many creative enterprises and professionals need audience engagement, communication and marketing skills. Box office sales and communications tend not to be a priority for many traditional and established institutions because they target a cultivated and familiar elite that frequently attend events. For the independent scene, the lack of strategic and planning skills and a shortage of long-term investment contributes to poor communication strategies. Most independent creatives seem to have difficulties with self-promotion, branding and market positioning and rely on sales points or parallel commercial initiatives. The shortage of value chain intermediaries - managers, agents, producers and especially marketing experts, public relations officers and communication specialists has a significant negative effect on the sector’s development because these professions

have the expertise to select, target and disseminate content and develop user engagement.

The diversity of expressions and content in national media is another challenge. Television can play a crucial role in promoting CCIs and contribute to building recognition and awareness and thereby increasing demand. This powerful tool is not being used to its full potential. In EaP countries there is a need to critique and a need for specialised journalists and media experts that can write about CCIs personalities, stories and successes. There are some interesting media platforms, that promote urban culture, festivals, lifestyle, cultural tourism, etc.

EaP countries are known for the diversity and quality of some of their festivals for films, music and theatre that take advantage of their geopolitical location to bridge East and West. These festivals have been important focal points for audience and business development and tourism attraction. Several of them keep a programme running all year round, and in some cases, develop initiatives that go beyond the capital cities, despite difficulties.

4.7.1 International examples

OSTV - Canal180⁴⁶ (Portugal)

- > *Open Source TV channel (OSTV) is entirely dedicated to culture, arts and creativity, combining TV and internet on the same platform. It broadcasts innovative content, created by a new generation of artists and producers, and develops cooperation projects with partners around the world.*

For more examples, see HELMET city library network⁴⁷ in Helsinki (Finland), Kinodvor City Cinema⁴⁸ in Ljubljana (Slovenia), Opgang youth audience-based theatre⁴⁹ (Denmark), Laznia Nowa Theatre & Cultural Centre⁵⁰ (Poland) and Science Gallery⁵¹ (Ireland)

4.7.2 Opportunities in Azerbaijan

- > *Baku's night and music scene is lively and responding to its growing number of visitors.*

In the capital, new amateur theatres and other cultural venues, as well as music clubs, are thriving and responding to the city's growing number of visitors and tourists. They have become privileged stages for the country's CCIs.

- > *Emergence of interesting audience development strategies among some arts and culture institutions.*

The emergence of strong cultural organisations in terms of initiative-taking and management, reflected mostly in their audience development and communication

⁴⁶ <http://canal180.pt/en/>

⁴⁷ <http://www.helmet.fi/>

⁴⁸ <http://www.kinodvor.org/>

⁴⁹ <http://opgang2.dk/>

⁵⁰ <http://www.laznianowa.pl/>

⁵¹ <https://dublin.sciencegallery.com/education>

strategies, such as **Azerbaijan's National Art Museum** and **Carpet Museum** – may set a good example for others to follow.

Local examples:

***BOUTIQUE ONE**⁵² Concept store that showcases and sells under one single brand the production from diverse group of independent designers from Caucasus and Eastern Europe, notably from Azerbaijan, but also Georgia, and Ukraine.*

***Azerbaijan Kelagayi**⁵³ Pure silk hand-made scarfs and jewels. Designed, branded and promoted in a contemporary form yet inspired in traditional designs and shapes of the Azerbaijani “kelagayi” traditional art.*

***Azerbaijan Carpet Museum**⁵⁴. Created in 1967, it is since 2014 located in a new seaside building architectonic masterpiece created by Austrian architect Franz Janz. Besides being one of the main storage of samples of Azerbaijan weaving culture, it has become a research-training and cultural-educational centre where many events, such as exhibitions, international symposiums, and conferences, classes and lectures are held. Educational programmes target diverse age groups, children and families.*

4.7.3 Challenges in Azerbaijan

> *Cultural institutions lack contemporary audience development strategies.*

Most cultural institutions, such as theatre houses and museums, have secured niche audiences and have few concerns over audience development and the ticket sales. In general, personnel lack necessary qualifications to draft and implement contemporary communication, marketing and audience development strategies, notably to perform guided tours and integrate interactive features into their events.

> *Weak communication and marketing component of cultural and creative projects.*

The general awareness regarding Azerbaijani young entrepreneurs and creators are rather low among Azerbaijani population. Entrepreneurs invest a lot of effort into product development itself yet little in communication and marketing thus they are capable of limited reach to the audiences. Often this is due to lack of necessary training, knowledge in marketing and management and skills in attracting and engaging with audiences.

> *Absence of specialised culture and creativity media outlets hindering valorisation and dissemination of local talents.*

Excepting for some urban culture, entertainment and fashion/style online platforms, there is no offer of arts, culture and creativity specialised online or TV outlets that can disseminate and voice the sector achievements and stories.

> *Decreasing cultural participation due to weak adaptation of new forms of dissemination and consumption.*

⁵² <https://www.facebook.com/BoutiqueOneBaku>

⁵³ <https://www.facebook.com/Azerbaijan-Kelagayi>

⁵⁴ <http://azcarpetmuseum.az/>

Cultural operators are not responding to the new ways young generations consume culture, most notably films but also books. As a result, audiences are decreasing among young people in cinema, but also performing arts and museums and reading. Moreover, distribution systems are poor – especially outside of Baku – and online sales systems and advertising are weak and not up to date.

> *High costs of translation and dubbing into Azerbaijani language.*

Since Azerbaijan is a small language market, dubbing and translations are costly and require specific support programmes. Recent changes in alphabet also provoke difficult market adaptation and audiences outreach.

> *Insufficient investment in the local jazz scene to adequately respond to audience's growing interest.*

Despite growing international interest notably by tourists and visitors coming to Baku, and recent opening of many music clubs, quality jazz venues to play and attend live concerts are still rare.

4.8 Encouraging internationalisation and cooperation

EaP countries are gradually engaging in the international arena by using culture as a soft power ambassador that builds their distinctive identity. Many are initiating international tourism campaigns and using culture as a central element based on their rich cultural heritage. However, CCIs have not yet been integrated into economic and trade diplomacy in relation to export and investment campaigns. EaP countries could develop the potential of local creative talent and human resources and their contribution to the added value of the economy in new national promotional campaigns. The small market size of most of these countries makes internationalisation a necessary step so that CCIs can enlarge audiences and scale up their activities.

The opportunities for professional mobility and circulation are easing although conditions differ between EaP countries. There are no travel restrictions for EaP citizens to travel around the region. Five EaP countries demand no visas or invitations for entry to EU citizens. However, the citizens of three EaP countries are subject to restrictions when travelling to the EU. Moldova, Georgia and Ukraine have seen their visa requirements waived to the Schengen area. The on-going conflict in five EaP countries feeds instability that affects international exchange, trade and collaboration.

All EaP countries participate in major international cultural organisations and have signed international cultural conventions, e.g. within the UNESCO framework. They are active partners in several Council of Europe and EU cross-border projects,⁵⁵ targeting cultural heritage, museums, film, crafts and publishing.

One of the region's biggest achievements is participation in the EU's Creative Europe Programme. Three EaP countries are now members and others are in the process of negotiation or considering membership. The benefits go beyond funding for different dimensions of cooperation in culture and media. The Programme gives EaP countries

⁵⁵ "Kyiv Initiative"; Strengthening Creative Industries in Armenia, Azerbaijan and Georgia: Heritage Crafts – Common Platform for Development"; "The Book Platform"; "Black Sea Animation Programme"; "Let's Talk about Film in South Caucasus!", are some examples.

the opportunity to engage alongside with European peers in co-creation and co-productions. Developing partnerships is basic to most of Creative Europe strands project requirements. The programme funds formal and informal training and peer to peer learning activities for sector professionals that helps them stay in touch with potential international partners. The disadvantages are many operators in EaP countries need more international contacts and project management skills and most calls require 40-50% of co-funding which prevents many from getting involved.

Festivals in EaP countries promote the region and trigger the internationalisation of CCIs. Competitions, festival programmes, parallel showcases and talks all promote content and creatives at home and abroad and lead to local artists and producers participating in similar events abroad. Festivals host many foreign professionals, producers, directors and related businesses. Some export their concept to other cities abroad and organise “spin-offs”. Many festivals also engage in international networks that feed continuous contact and access to opportunities for the region’s professionals and organisations. Festivals in general are most prepared to engage and take advantage of the Creative Europe Programme.

The majority of EaP countries⁵⁶ are active in the Creative Business Cup (CBC), a global platform for innovative businesses based in Copenhagen. CBC is a year-round initiative that empowers entrepreneurs in creative industries and coordinates national competitions. Local contact points promote the national competitions and the winners then go on to compete in an international event. CBC members and participating entrepreneurs have the opportunity to develop their skills and build links with investors and global markets.

Operating in the international environment requires a specific set of skills as well as pool of material resources. Professionals recognise their lack of scale to cope with the vast dimension of the international market, thus their need to network, find partners, reflect together and disseminate information. This challenge calls for an upgrade in capacity building for the sector in developing long-term strategies, and increasing managerial skills such as fundraising and networking. Institutions need to include internationalisation in their policy priorities and implement programmes and tools that allow CCIs to work transnationally.

4.8.1 International examples

Go International⁵⁷ (Austria)

- > *This is an internationalisation initiative created in 2003 to support and brand Austrian businesses as reliable and interesting partners abroad. It supplies individual enterprises with the expertise, tools and opportunities to market their offer internationally. It is coordinated with other Austrian economic and trade agencies who provide additional direct financial support instruments.*

⁵⁶ Belarus, Georgia, Moldova and Ukraine

⁵⁷ <https://www.go-international.at/>

Tallinn Music Week⁵⁸ (Estonia)

- > *TMW started in 2009 as an initiative to internationalise the music industry through a conference and talent showcase festival. It has since then broadened its concept into an all-encompassing weeklong city festival, covering arts, design, technology, city space, food culture and various social issues. It is now a meeting point for European creative communities.*

For more examples, see:

Regional centres promoting CCI internationalisation - Catalan Institute for Cultural Enterprises⁵⁹, Flanders DC⁶⁰ and NOMEX Music Export Programme⁶¹

European and international networks and platforms - Creative Business Cup⁶², Creative Tracks – Talents without frontiers⁶³, European Creative Hubs Network⁶⁴, European Festivals Platform⁶⁵ and the Creative Europe Programme⁶⁶

4.8.2 Opportunities in Azerbaijan

- > *Cultural diplomacy strategy is linked to positioning Azerbaijan as a hub between Europe, Middle East, Russia and Asia.*

Azerbaijan is officially positioned externally in the crossroads of continents, building ties at different geo-political levels and participating on European, Arab and Turkic international organisations. Its cultural diplomacy is based on heritage, religious tolerance and diversity. Culture is considered the best ambassador for this young and developing country. Government has been paying great attention to cultural legacy as an international distinctive factor, assuming that it is the source of Azerbaijani strength, national history, past and culture.

- > *Ministry of Culture and Tourism has declared intention to start the process of negotiation with the EU to become member of the Creative Europe Programme.*

Discussions are underway between the Government and the EU in view of Azerbaijan's membership of the Creative Europe Programme. This step would open doors to local operators to engage in wider European cooperation. Participation gives access to relevant co-funding opportunities, as well as access to diverse partnerships and international visibility and most of all know how.

Local example: Baku Process.⁶⁷

Initiated in 2008, it is a global platform for exchange and discussion on major contemporary challenges related to intercultural dialogue and sharing of related universal values. This unique common space has taken responsibility for delivering the global

⁵⁸ <https://tmw.ee>

⁵⁹ http://cultura.gencat.cat/ca/departament/estructura_i_adreces/organismes/icec/

⁶⁰ <http://www.flandersdc.be/nl/promotie>

⁶¹ <http://nordicmusicexport.com>

⁶² <http://www.creativebusinesscup.com/>

⁶³ <http://www.creativetracks.org/>

⁶⁴ <http://creativehubs.eu/>

⁶⁵ <http://www.effe.eu/>

⁶⁶ <https://ec.europa.eu/programmes/creative-europe/>

⁶⁷ <http://bakuprocess.az>

agenda on the dialogue among Western and Eastern civilisations. The Azerbaijan President and Ministry of Culture leads this platform alongside partners such as UN organisations and Council of Europe. It consists of an annual large event integrating parallel inter-ministerial meetings, gatherings of international task force groups and world forums.

> *Baku is branded as a city of large-scale international events.*

Baku has turned into an international hub for various large-scale cultural and sports events such as competitions, exhibitions and meetings, spanning: Baku 2015 European Games; 7th Global Forum of the UN Alliance of Civilizations 2016; Annual Formula One Grand Prix, from 2016 on; World Forum on Intercultural Dialogue, and many others.

> *Strategy to put Azerbaijan in the international map of contemporary culture.*

The cultural offer is being enriched and diversified with support to contemporary but also traditional proposals: architectural highlights Heydar Alyev Centre (Zaha Hadid, 2012) and Carpet Museum (Franz Janz, 2014); and international festivals such as Qaraqarayev festival of contemporary music and Qabala Festival, among others.

> *Greater international engagement and visibility regarding cinema and film.*

Azerbaijan was pioneer in cinema production and filmmaking was a prestigious activity during Soviet times which led to be part of its national identity. The international promotion of Azerbaijan cinema was included in the State programme, including an application to join Eurimages (not yet effective member); the establishment of the Azerbaijani pavilion in Cannes; and greater attention to promote co-productions, notably with Turkey, Georgia, Germany, Spain and the Russian Federation. As a result, a new generation of film directors is well connected and recognised in international scene.

> *Emerging fashion industry's international events have the potential to become a platform for designers in the region.*

Azerbaijan Fashion Week as well as Mercedes Benz Baku Fashion Week are becoming well-known professional platforms for emerging designers from Azerbaijan, as well as from the Caucasus, Eastern Europe and beyond. They showcase productions, bring international guests, as well as business retailers and press.

Local examples:

Azcinemaonline.⁶⁸ Online cinema platform meant to promote Azerbaijani cinema internally and internationally, including diverse genres, documentaries and databases. Led by Narimanfilm (the biggest private studio production company) with state support combined with Union of Cinematographers and other private sponsorship.

Azerbaijan Arts Council.⁶⁹ Independent platform to promote artists mobility, created in Baku in 2006. Today there is an extensive network of Arts Councils united by the idea of art development and cooperation. The essence of the Arts Council work is to provide

⁶⁸ <http://www.azcinemaonline.com>

⁶⁹ <https://www.facebook.com/ArtsCouncilAzerbaijanOfficial/>

support foreign artists to exhibit or perform in collaboration with peer councils abroad, i.e. provide artists with accommodation, gallery to exhibit their works, PR and information support to their oeuvre.

Baku Jazz Festival.⁷⁰ Jazz has been thriving since the beginning of the XX century in Azerbaijan. International festival initiated in 2005 and became a hot spot for jazz for both professionals and audiences. It puts forward a competition and a programme that includes mugham jazz unique local style that attracts many foreigners. It organises several educational and professional parallel activities as well as connects jazz with other art forms, notably film.

4.8.3 Challenges in Azerbaijan

- > *CCIs community has limited resources and support for being present in the international market scene.*

Despite official efforts towards the country internationalisation, the professionals lack a structured process of promotion and support. It lacks capacity to take part in international project partnerships and outlets. State or international organisations support to participate in international markets, festivals, missions or fairs abroad are irregular and not systematic, which prevents long-term planning and investment.

- > *Few internationalised companies or products due to burdensome customs policy.*

There are excessive customs regulations and taxes on export as well as on online sales. There are also problems with logistics and banking systems that do not provide international services. Furthermore, the sector operators do not possess the skills and contacts necessary to position beyond borders. Companies need to be coached and prepared to identify and establish contacts and partnerships and exposure/promotion on international markets. On the other side, import of materials and equipment are expensive due to high customs taxes. This affects fine arts, audiovisual but also the fashion industry.

- > *Azerbaijani carpets have diminished competitiveness in the international market.*

Despite UNESCO designation of world intangible heritage, the current work of the Carpet Museum and the fact that there is now carpet specific education at the State Academy of Fine Arts in Baku, the carpet industry did not yet recover from old-fashioned production system and long-absence of quality education. The sub-sector still lacks a specific sector strategy and regulation to qualify and innovate and reposition internationally.

- > *Excessive production costs diminish Azerbaijan's capacity to become a location for foreign film production.*

Existing Film Commission policy to attract foreign investment and promote Azerbaijan as a shooting place, despite diversity of landscape, fails to high costs of the country that discourages non-state players to invest. Moreover, local films also fail to sell abroad, apart for diaspora or some TV channels.

- > *Slow implementation of ratified European Convention of Cinematographic Co-*

⁷⁰ <https://www.bakujazzfestival.com/>

productions.

Despite ratification of the Convention, the slow implementation and the absence of national film certificate prevents from full benefit of official co-productions at international level.

5. RECOMMENDATIONS ON DEVELOPING CULTURAL AND CREATIVE INDUSTRIES IN AZERBAIJAN

5.1 Policy-making, Participation and Platforms.

- > **Mainstream CCIs into diverse policy areas**
- > **Promote participation and joint collaborations**

5.1.1. Short term actions

a) **Elaborate a state programme with a roadmap for developing CCIs in Azerbaijan.**

Existing strategic visions in force for culture (Law on Culture, Culture Concept 2014) as well as Azerbaijan's Concept Development 2020 pave the way to the Ministry for Culture and Tourism to elaborate a comprehensive state programme for CCIs with a clear roadmap ahead. The CCIs programme should define specific objectives and consequent actions and tools to be implemented within a clear timeframe that reflect goals already incorporated in the existing documents. The programme should focus on issues related to raising awareness, capacity-building, strengthening cooperation across government departments as well as between government and private sectors, developing necessary infrastructure, providing necessary services for creative entrepreneurs, facilitating access to finance, support clustering and networking, encourage internationalisation and exports, and strengthen links with other industries.

b) **Create a joint taskforce linking tourism and CCIs to put forward specific national programme for cultural tourism and associated business development.**

A taskforce should be put into place to define a support programme for tourism development that focus on building Azerbaijani's potential through investing in CCIs projects and businesses. Local players in this field – manufacturers, craftsmen, wine and food producers and hospitality service providers – should be supported to connect and give opportunities to CCIs professionals and enterprises to develop joint products and services and to connect to wider audiences. Cultural artefacts and handicraft, such as carpeting and weaving, smithing and jewellery-making should be promoted and commercialised. CCIs can also contribute to enrich tourism offer regarding experience, active and creative tourism; as well as support information and communication tools and campaigns.

c) **Conduct local cultural and creative resource mappings**

Mapping exercises need to be conducted at city/regional level to identify existing infrastructure, venues, organisations, events, stakeholders and all other assets. This process allows clear understanding of existing and potential resources and constitutes a planning tool for the sector stakeholders and public authorities for further development of territories and communities, improvement of city/regions fabric and pushing local economies. These exercises can also promote community engagement and awareness, if conducted transparently and in collaboration with cultural professionals. Collected data should be mapped and showcased in interactive platforms. The maps could use the Creative Towns and Regions Initiative's

mapping exercise⁷¹ of the EU-Eastern Partnership Culture and Creativity Programme, which has published a handbook⁷² on carrying out these mapping exercises.

d) Encourage and support the development of CCI professional alliance.

The cultural and creative community, including companies and NGOs should gather and organise collectively a joint informal platform across the country. This process is crucial for breaking the sector's fragmentation and establish a joint platform that is able to represent and dialogue with authorities.

5.1.2 Mid-term actions

a) Introduce a joint national policy framework for CCIs development.

Elaborate a national policy framework for CCIs development, result of a taskforce, mandated by Ministry of Culture and Tourism with participation of other Ministries, notably Education, Economy, Communications and High Technologies and Foreign Affairs. The diverse CCIs' stakeholders should be consulted and engaged in the decision-making process.

b) Establish a CCIs council to promote inter-institutional interactions.

This inter-ministerial body should play the role of facilitator and communication platform between key stakeholders - policy-makers, cultural and creative institutions and independent operators. It would take in charge CCIs political representation, implementation and monitoring. Furthermore, it would be responsible to establish further working groups and discussions – online platforms should also be promoted, for identifying obstacles and challenges and proposing potential recommendations. The CCIs council should work closely with the sector's professional alliance.

c) Organise a CCIs cluster to promote coordination and crossovers with stakeholders throughout the value-chain.

Following the creation of CCIs professional's alliance, the creative industries should gradually include other stakeholders such as culture institutions, local authorities, academia, research centres and other business partners. A joint cluster can become a platform for wider cross-sectorial collaborations, notably promoting the interaction with IT and other industry's stakeholders.

d) Support the establishing of networks, clusters and creative hubs.

The creation of associations/hubs/clusters/co-working spaces that can serve as focal points to convene, interact and provide information, advice and advocacy for the sector development should be facilitated administratively and supported with operational grants funding line for ramp up years. Clusters are important structures to promote crossovers and linkages between diverse stakeholders, industry-university initiatives and links to other industries. The interaction and engagement of IT stakeholders in these collective platforms is also relevant in order to be able to scale up and diversify business models.

⁷¹ The pilot region in Azerbaijan is Shamkir.

⁷² <https://www.culturepartnership.eu/en/article/mapping-and-strategy-building-handbook>

e) Develop comprehensive audiovisual and media policy and legal framework to increase international competitiveness of the sector.

The audiovisual and media sector requires a new updated legislative and policy framework that addresses the new challenges of a competitive global markets. This framework should provide conditions for a diversity of players, ensuring a fair pluralistic market competition as well as address new distribution and consumption models brought by new digital technologies. The Azerbaijan Film Commission mission and strategy should be revised accordingly. Moreover, media freedom of speech should be legally, judicially and economically guaranteed to allow the environment for development of multiple and independent players. Rules to ensure transparency of ownership and sources of funding should be implemented. The recommendations in this field are described in detail in two reports by EU-EaP Culture and Creativity Programme: Sub-Sector Report for Developing Film Sector in Azerbaijan⁷³ and Policy Brief on Establishing Film Commission in Azerbaijan⁷⁴.

f) Establish CCIs research and monitoring body.

It should follow up the work being done for establishing UNESCO Culture for Development Indicators, crucial to allow international comparison of datasets. The sector institutions, organisations and multiple stakeholders have also to be engaged in this process so quality data is collected and monitoring processes are integrated. The monitoring and evaluation of public policies and support tools and programmes should also be incorporated and open access and dissemination of data needs to be considered.

5.2 Infrastructure, Funding and Frameworks

- > **Facilitate access to available spaces**
- > **Provide an enabling environment for CCIs**

5.2.1. Short-term actions

a) Facilitate and support creative projects' access to venues and public spaces.

Allowances based on project proposals and/or public tenders should be given to small-scale independent initiatives, especially when they manage to co-fund, to ease and support access of CCIs professionals to spaces, whether public (e.g. within cultural institutions) or when disused. Creative hubs, artistic and cultural venues that have proven dynamics and management capacities should also benefit from the process. It will have a positive effect on city-level regeneration initiatives.

b) Support the creation of a network of business, IT and creative hubs throughout the country.

The State should provide grants to the establishment and operation of business, IT and creative hubs that provide conditions for business and project development as well as interactions among wider CCIs and IT community. Special incentives should be given to initiatives stemming from outside of Baku. This programme can be

⁷³ <https://www.culturepartnership.eu/en/article/sub-sector-report-az>

⁷⁴ <https://www.culturepartnership.eu/en/article/az-policy-brief-on-establishing-a-film-commission>

developed alongside the Ministries of Communications and High Technologies and the Economy.

c) Create incentives to encourage private sponsorship and investment in CCIs.

Tax incentives/deductions included within an adequate legal framework should be designed to give benefits to sponsors and other investors supporting the CCIs field. These incentives are crucial to make the sector more attractive, especially for companies' corporate social responsibility. It should be accompanied with information campaign for CCIs special features and processes as well as potential so to raise awareness of the financial and business community for the sector specificity. The allowance of partial tax exemption of revenues from entrepreneurial activities of charitable organizations/NGOs when further allocated to pursuing constituent goals should also be pursued. The State should also mediate and facilitate guarantees for investors and private sector – banking, business angels, and venture capital - in the same way as being done for IT entrepreneurship. Special packages of incentives should also be put in place to attract foreign investors in CCIs, most notably in the film production.

d) Promote CCIs crowdfunding campaigns and platforms.

Crowdfunding should be promoted by launching information and awareness campaigns targeting the CCIs community. Furthermore, tax exemption or reduction should be levied for donations to projects in the field.

e) Set up an arm's length competitive funding system – with specific features for audiovisual and publishing, decentralisation and NGOs.

A new relationship ought to be developed between state and the sector, that structures and puts in place a transparent and systematic process of grants programme that is inclusive and adapted to diverse players: cultural institutions, independent/NGOs and also creative companies/entrepreneurs. It should follow an arm's length principle, ensuring equal access and a monitoring process. It should be based on project's proposals and evidence-management evaluation. In the specific case of CCIs businesses funding line, intended for operators who want to set up and develop a business in the CCIs adapted to its different life cycles, it should be developed jointly with Ministry of Economy within its SME's policies and programmes. Furthermore, this funding system should comprise special sub-programmes and incentives to promote specific sub-sectors, such as audiovisual and publishing, as well as NGO's organisation and activities and decentralised proposals coming from regions and towns outside of Baku.

f) Introduce innovation vouchers for promoting industry crossovers.

A system of innovation vouchers should be launched by the Government to encourage other businesses to invest in creative services - such as manufacturing, electronic and optical products, computers, machinery and equipment, among others.

5.2.2 Mid-term actions

a) Promote evidence-based management and collaborations in between state institutions with independent and start-up community.

Gradually introduce more flexible and evidence-based management of CCIs projects, organisations and institutions to which public funding should be dependent on. This will help to create opportunities for qualifications and career development and lifelong learning alongside evaluation of leadership and staff, promotion of strategic planning, including marketing and communication, and business models. In the case of state cultural institutions, the opening up to collaborate and work alongside with the independent sector and other creative entrepreneurs should be promoted. The promotion of networks and collaborations among cultural institutions associated with touring schemes are also fundamental to create synergies.

b) Monitor and raise awareness for copyright and develop collective management accountability.

There is a need to raise awareness for copyright procedures among all the sector stakeholders and to reform and simplify copyright and related rights laws to favour CCIs. Collective management accountability should be further developed, particularly by supporting collective management societies to develop a more transparent collection and distribution of royalties. Assessment and monitoring of copyright industries impacts and dynamics should be fostered by developing inter- institutional relations among competent authorities to facilitate data collection. Finally, new forms of remuneration and business models based on open sources and commons licencing should also be considered and explored.

5.3 Skills, Audiences and Markets

- > **Develop management and communication skills**
- > **Promote wide dissemination strategies**
- > **Engage and diversify audiences**

5.3.1 Short-term actions

a) Promote mobility and exchanges for students and young graduates/entrepreneurs.

A joint programme from Ministries of Culture and Tourism and Education should sponsor regional and international mobility and internships for students and young graduates and entrepreneurs in schools/universities, creative hubs and other CCIs organisations and companies.

b) Introduce entrepreneurial and communication skills development within artistic and cultural curricula in universities.

Higher education establishments should include management courses – including strategic and communication skills and audience development skills – on the diverse artistic, cultural and creative curricula. These courses should make necessary links to the sector organisations and institutions as well as overall society to provide cases for students to work on. Links and joint working groups between arts and creative disciplines students and business and management students should be encouraged. It should also favour research in the CCIs field, data collection, organisation of guest lectures, open universities, online courses, and competitions in this area.

c) Launch pilot projects of international peer-to-peer learning and exchanges for creative entrepreneurs and culture professionals.

Jointly promoted by Ministries of Culture and Tourism and Education, targeting the whole CCI community, institutional and independent, this informal training programme should promote exchanges among practitioners, with the guidance and mentorship of skilled international mentors and entrepreneurs. It should develop alongside a structured platform, database and tracker of mentors and alumni to promote networking. In parallel, education establishments should also provide alternative learning and capacity building programmes, with the participation of practitioners for the industry's lifelong learning offer.

d) Create a CCIs information and training platform for professionals and amateurs.

This online platform would disseminate opportunities for the sector professionals and organise targeted training and peer-to-peer learning – masterclasses, workshops and seminars with practitioners and international experts and professionals. Furthermore, the platform should also make available online courses for all those interested in developing their artistic and creative skills, most particularly amateurs in the country's traditional crafts such as carpet and weaving, literature and poetry and jewel making.

e) Set up a network of shops/workshops for local CCIs products.

These shops/workshops shall serve as focal points for dissemination of creative works and products – carpets, jewels, publications, films, other crafts and local produce. Museums and other cultural venues should include these shopping stands serving as showcases and sales points for the Azerbaijani CCIs products.

5.3.2 Mid-term actions

a) Integrate makerspaces and clubs within schools and higher education establishments.

Starting up as pilot projects, gradually informal working groups in the form of “clubs” should be integrated into schools from early age education. These groups, mediated by artists and other CCIs professionals, should explore creative competences and processes as well as team dynamics to come up with proposals to issues raised in curricula disciplines or given by surrounding environment/society.

b) Support the creation and maintenance of CCIs contents media platforms.

State should support the creation and maintenance of CCIs contents media platforms – blogs, digital platforms, TV and radio channels – to raise awareness of the potential and dynamic of the sector, showcasing key players, stories and achievements to raise its profile and value.

c) Establish an international public jazz school.

In order to develop a solid education and training basis for the development of jazz professionals, building on the country's tradition and heritage, a specialised jazz school should be created. It should closely involve local practitioners and the existing events and venues as well as bring international experts and operators.

5.4 Internationalisation and Cooperation

- > **Establish and promote “Creative Azerbaijan” internationally**
- > **Promote internationalisation of cultural and creative professionals**

5.4.1 Short-term actions

a) Create a focal point “Creative Azerbaijan” to support and promote Azerbaijani CCIs abroad.

This focal point would act as intermediary with two articulated missions: inform and build the capacity of the sector internally; and to promote Azerbaijani CCIs abroad. The sector requires support for international projects: provide information and contacts, notably via maintaining updated database of partners, investors, networks, consortia and projects; make linkages with international companies; provide coaching and training for cooperation and export procedures and know-how; identify and develop applications to international funding opportunities. Secondly, it should develop a communication and branding plan to promote the country through its CCIs talents, contents, products/services. Organise showcases and events on CCIs home and abroad. This effort should also be articulated with tourism authorities for including cultural tourism as one of the targets.

b) Create an international cultural and creative tourism platform

This platform should be the entry point to Azerbaijani tourism showcasing the country’s cultural tangible and intangible heritage and creative contemporary produce and services.

c) Set up an efficient mobility grants scheme to participate in international circuits.

A flexible and agile grants scheme – with several regular calls per year – should be set up to support and facilitate international travels, notably to: identify and meet partners, engage in networks, participate in residencies and expose in international fairs, missions and festivals.

d) Pursue the membership of Creative Europe Programme.

Azerbaijan should continue and conclude negotiations with the EU in order to become a member of the Creative Europe Programme. Joining the programme should be accompanied by pre-accession wide campaign of information and skills development.

e) Establish the legal basis for defining “national film” and become a member of Eurimages to support official co-productions.

A legal framework to define “national film” which is a legal requirement to be able to set up and have benefits from official co-productions. Furthermore, the membership of Eurimages should be concluded to provide Azerbaijani filmmakers and other professionals opportunities to take the full advantage of available European support measures.

f) Build on and reinforce the existing Eastern Partnership cooperation.

Continue and strengthen peer-to-peer learning, sharing, knowledge, information, policy development, communication, and advocacy and awareness raising for the potential of CCIs in EaP countries. Pursue joint capacity building mobility programmes associated with project grants and common platforms to showcase local talents and resources.

5.4.2 Mid-term actions

a) Strengthen Azerbaijan’s cultural diplomacy to include culture and creative industries into the strategic perspective.

The Ministry of Culture and Tourism alongside Ministries of Foreign Affairs and Economy should jointly develop an external relations policy for CCIs. Azerbaijan’s contemporary and traditional culture, IT and creative talent should be associated with its diplomatic relations and export and trade missions, in order to strengthen Azerbaijani cultural links with other cultures; and an incentive for attracting investments and open up new markets for tourism.

b) Promote favourable regulatory conditions to foster international trade, including favouring investment in film-making.

In order to develop international trade in the CCIs, a more flexible and favourable regulatory framework should be put in place. The much-needed measures include: customs regulations, notably VAT exemption for export of creative services and goods, or import of raw materials and equipment; set up a flexible framework for digital distribution and online sales, notably releasing from costly commissions and fees. Furthermore, a special package of tax incentives and other beneficiary conditions should be promoted to attract foreign investments, especially from companies making business in Azerbaijan, as well as reinforcing the Film Commission strategy to better position the country as a film location platform.

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APPENDIX B: LIST OF PARTICIPANTS IN WORKSHOPS, INTERVIEWS AND SITE VISITS

Baku, 3rd – 4th October 2016

Organisation

Elizabeth White, British Council Azerbaijan
Sevinj Aghazada, EU-EaP Culture and Creativity Programme

Interviews and meetings

Alessandro Bianchi, EU Twinning Project, Support to the Ministry of Culture and Tourism of the Republic of Azerbaijan
Aytekin Guluzade, Ministry of Economy, Division on Cooperation with the EU
Dilara Ibrahimova, British Council Azerbaijan
Farid Abdullayev, Yarat Contemporary Art Space
Leyla Efendiyeva, Baku Jazz Festival
Ramil Abbakirov, Ministry of Culture and Tourism, Division for Cooperation with International Organisations
Raziya Isayeva, Khazar University
Shirin Melikova, Azerbaijan Carpet Museum

Joint meeting with culture and creative experts

Amina Melikova, Azerbaijan National Museum of Art and Azerbaijan Kelagayi
Dadash N. Mammadov, Art Council Azerbaijan
Esmer Abdullayeva, ASmart cultural hub
Farid Yusifoglu, Custom AR
Fatimat Aghamirzayeva Association "Carpet World" Quba Art Centre
Jahangir Salimkhanov, Creative management consultant
Javid Guliyev, Hipnotica
Nariman Mammadov, Nariman Film
Natavan Aliyeva, Natavan Gallery and Club
Rasim Karaja, Alatoran magazine and publishing house
Sabina Shiklinskaya, curator, Goethe Institut Tblisi
Sabuhi Mammadov, AR Production
Sevinj Aslanova, Azerbaijan Photography Union
Tarlán Rasulov, DOM theatre/Yug State Theatre
Zinet-i Zishan, Khalil Khalilbeyli

Site Visits

Asmart Creative Hub
Azerbaijan Carpet Museum
Azerbaijan Kelagayi (shop)
Baku Jazz Festival
Boutique One (shop)
Heydar Aliyev Centre
Baku Jazz Festival
Khazar University
Yarat Contemporary Art Centre



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