

**Culture &  
Creativity**

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# REPORT ON DEVELOPING THE FILM SECTOR IN AZERBAIJAN

**Zora Jaurová**



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# 1. INTRODUCTION

Azerbaijan is proud of the long tradition of its cinema, since Frenchman Alexandre Michon made the first film in Baku in 1898, only three years after the Lumiere brothers in Paris introduced “cinematograph”. This was soon followed by more cinematic activities in the first decade of 20<sup>th</sup> century, not only in terms of film making, but also building infrastructure of cinemas and mobile cinemas all over the country. In the Soviet era, the big state film studio Azerbaijanfilm was built as a part of centrally planned development, and, despite of ideological control, it laid a foundation for the development of professional cinema in the country.

*“Towards the end of the Soviet era, Azerbaijanfilm, the country’s only studio, was turning out 7 or 8 films a year, commissioned by the State Cinema and the Central Soviet Television Service. Its annual output also included 20-25 documentaries and 2-3 animated films. From the earliest days, some 240 full-length features, over 50 short features, over 1,200 documentaries and about 100 animated films were made in our country.”<sup>1</sup>*

The centralized structure of the industry was applied not only in film production, but also in distribution, purchase of foreign films, maintaining the infrastructure of cinemas and all other parts of industrial cycle of cinema. For this reason, after the collapse of Soviet Union, the entire industry – similarly to the other sectors of the society – had to cope with the situation of difficult transition to democracy and market economy, which still continues until today. Obviously, in difficult first years of the transition, the cultural and creative industries were not the priority areas, which led to the rapid drop of film production.

The Azerbaijani film sector is centralized compared to other EU countries, which is apparent throughout the entire industry cycle – creative process, production cycle, distribution and sales. On the policy and regulation level, cinema is rarely understood as creative industry, i.e. an ecosystem, which combines artistic creation with commercial and business aspects. The role of state (performed via Ministry of Culture) is perceived as to organize and produce culture instead of creating conditions for free artistic expressions.

Difficult process of transformation of the society therefore brings challenges on many fronts - it is not only the role of culture and cultural policies in the democratic state, but also the role of culture and creative industries in economic development of the society.

The connections between cultural policies and economy, between creation and industry, and between favourable conditions for SMEs and flourishing of creative industries, specifically in film sector, need to be further explored and transformed to the policies on governmental level.

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<sup>1</sup> Information Observatory on Cultural Policy of the GUAM Countries, [www.observatory-guam.org/content.php?page=14](http://www.observatory-guam.org/content.php?page=14)



This current transformation is taking place at the same time as the global shift to the digital society, which has tremendous effect on the entire society, but specifically on film industry. The liberalization and democratization of creative means, which have made the film-making technologies and distribution accessible on totally new scale is changing the patterns of creation and consumption of audiovisual content. This means that Azerbaijan's film sector faces several difficult transformational challenges at the same time, but on the other hand creates an opportunity window for paradigmatic upgrade of the entire industry.

## **2. OVERVIEW OF LEGISLATION AND STRATEGIES**

Main legal provisions influencing the audiovisual sector in Azerbaijan are the Law on Culture, the Law on Cinematography and the State Program for the Development of Azerbaijani Cinema 2008-2018.

### ***2.1. Law on Culture (2012)***

This Act defines the objectives and principles of the state cultural policy in the Republic of Azerbaijan, subjects' rights and obligations in cultural activity, legislative, organizational, economic and social provision of culture sector, and regulates the relations occurring in establishment, collection, investigation, promotion and preservation of cultural resources. It declares that everyone has right to engage in creative activity and that all actors are entitled to equal conditions and defines various aspects of the cultural freedom (ethnic, religious, international etc.).

It is a standard cultural act with general provision on how culture is treated in a democratic society. According to the law, the state has a central role in the cultural sector, while declaring cooperation with non-governmental institutions. This law defines elementary principles in many areas, but doesn't concretize policy tools regarding distribution of funds, managing the cultural infrastructure, etc., which is the essential feature of effective legislation. It also doesn't link the respective areas of cultural policies with concrete institutions and governmental bodies, so it is not evident how and by whom the legislation is going to be implemented.

In addition, the law prohibits propaganda that can "harm independency, sovereignty, territorial integrity, constitutional order, economical, defensive, scientific-technical potential and national interests of the Republic of Azerbaijan". However, these terms are not defined more specifically in order to provide clarity that would safeguard the artistic freedoms for Azerbaijani film-makers, encourage the diversity in the film industry and support the development of high-quality cinematography.

## ***2.2. Law on Cinematography (1998, new version in preparation)***

The Law on Cinema was adopted by the Azerbaijani government and parliament during 1998 – 2000 with the aim to modernise the legal situation in culture. This act determines forms of state protection of cinematography, rights and obligations of natural and legal persons engaged in cinematography and “creates legal guarantee of the implementation of state policy in the sphere of protection and development of a specific type of art – cinematography”.

The competencies of the state in cinematography are defined here as mainly legislative activities, provision of complex basis and conditions for development, financing and international cooperation. The act also:

- > defines legal conditions for “national film”;
- > specifies organization of cinematographic activity (registration, IP, forms of cinematographic activities);
- > declares the protection of creative freedom;
- > defines rights of creative workers in audiovisual sector (including creating institutions and public associations);
- > defines the competences of State Film Fund – an institution established to protect audiovisual heritage (see below).

The law lacks necessary specificity when it comes to funding sources and distribution of funds, as well as management of resources. It mentions privatization of state cinematographic institutions, but only as a reference to other legislation on privatization. It doesn't provide details on how the sector is organized, or what are the main institutions and bodies responsible for implementation of policies in the field of cinematography.

Last year, the government introduced a legislative initiative leading to a revision of this law. The new Law on Cinematography (in preparation) will mainly try to improve the market conditions for producers and filmmakers and support their competitiveness mainly by temporary exemption of film production from VAT and custom duties. While the details of the VAT exemption are not yet clear, the government seeks to increase the volume of funds in the industry and to improve the conditions of people working in the industry. The zero-percentage custom tax is a measure mainly for upgrading the technological base of Azerbaijan audiovisual industry to modern standards and attracting modern foreign productions to shoot in Azerbaijan.

The general expectation from the new provisions is to attract more private investments into film industry.

The new draft of the Cinematography Law was agreed upon with the Ministry of Justice, submitted to the Cabinet of Ministers, received feedback from government agencies, then discussed at the parliamentary committee on culture in September 2014 and submitted to the parliament in 2015. In April and November 2016, the draft was discussed at the committee again and will be soon presented at the plenary session of the parliament.

### ***2.3. State Program for Development of Cinematography (2008-2018)***

In 2007 a Presidential Decree was issued to make the modernisation and transformation of Azerbaijan's audio-visual sector policies a national priority. This has been followed by the general action plan for next 10 years (approved by the Presidential Resolution No.2169 dated August 4, 2008), which sets the priorities for the modernization process.

The main features of the program are:

- > creating of a modern production base
- > supporting films of serious creative and cinematographic value
- > restoring distribution and exhibition infrastructures
- > modernizing and maintaining the state cinema network combined with privatizing other cinema venues
- > educating and training film professionals
- > dubbing films into the Azeri language
- > digitizing of national and other films
- > restoring, preserving, researching and promoting film heritage
- > promoting national films internationally and developing links with foreign distribution companies
- > cooperating internationally including co-production activities

This program had also some measures for the television industry, mainly the ban for foreign language series in all the Azerbaijani TV channels, with the aim to support domestic TV production.

While the Programme does not include a concrete roadmap, time plan or division of responsibilities, it has been the foundation for governmental activities over the last years. Apart from on-going modernization of cinema infrastructure, there have been some investments into internationalization of the film industry. State-owned studios started to participate in international film festivals, national pavilion was established at Cannes Film Festival for a few years, and some co-production have been made with Russia, Turkey, Belarus and other countries.

One of the largest investments was the construction and of the new building of State Film Fund, which is principally an archive, responsible for acquisition and storage of film heritage. It included also purchasing of modern technical equipment for archiving and digitization. The institution cooperates with similar archives in the region (Russia, Georgia, Belarus, Lithuania, etc.). They have restored and digitalized jointly with the Russian TV and Radio Fund a large number of films over the last years. All new national films are converted into a digital format and sent to the State Film Fund.

### ***2.4. Copyright and Related Rights Act (1996)***

This law defines basic principles of copyright protection in accordance with international standards and covers also audiovisual media. It is based on the continental concept of copyright as a personal right (not the Anglo-Saxon



approach, which highlights the commercial side of copyright). It gives a broad concept of the term "author" and wide range of measures for copyright protection. In the audiovisual field, authorship is not restricted to directors, scriptwriters and composers, but extends to cameramen and set-designers.

The law also defines other rights (performers' rights, producers' rights and TV and radio broadcasters' rights). The period for inherited rights is set on 50 years after the death of an author. Most of the financial conditions are based on the negotiations between the rights' owners and their IP users.

In addition, there is also Regulations of the Cabinet of Ministers on Cinema Distribution and Film Screening (No.165 dated 06.07.2006) and on Volume and Procedures of Bonuses and Other Payments to Creators of Films Produced under Government Contracts (No. 65 and Appendix 10 dated 11.05.2004) that have some effects on audiovisual industry in Azerbaijan.

## 3. OVERVIEW OF THE FILM SECTOR

### 3.1. Structure of the Film Production

In Azerbaijan the state-funded (and owned) film studios play a central role in the film sector. The state is represented mainly by Ministry of Culture and Tourism, that commissions films from six state studios (features from Azerbaijanfilm, documentaries from Salname and Yaddash, animated films from Azanfilm, debuts from Debut and satirical films and shorts from Mozalan). The annual budget for film production was over the last few years around 6 million AZN (ca 3.2 million EUR), more than half of it went to Azerbaijanfilm. The recent restriction to state budget caused a significant reduction to this amount in 2017 (1 million AZN).

The commissioning process is based on script competitions, organized by Ministry of Culture and Tourism every year. According to the Ministry, the plan for movie production “is prepared based on state interests as well as national moral values, socio-political and cultural priorities as well as artistic qualities, original creative concepts and relevance”. However, the process needs to be improved especially in terms of transparency and defining clear criteria and conditions.

The scripts selection is organised through the Advisory Board of Azerbaijanfilm, which submits the selected applications to the Ministry. This Board also prepares proposals for government contracts and films production plan for the next year, as well as scripts depository for future use.

The scripts are mostly produced by Azerbaijanfilm (director has no control over the crew selection or budget). The contracts can be also given to independent studios, if they can invest minimum 30% of the costs for the project with the remaining 70% funded by the Ministry.

Currently, there is a lack of available detailed statistical base on Azerbaijani film industry (e.g. number of people working in the sector, number of companies in the sector, market share, number of films produced, etc.). Better data would contribute to the evidence-based policymaking.

The structure of the sector consists of:

- > Six state film studios (the biggest is Azerbaijanfilm) – directly funded by state, use the majority of state funding for cinematography
- > Around 28 private studios – financed by private resources, foundations, other economic activities; they could participate on state funding sometimes
- > Independent producers – working freelance, using mainly private funding
- > Amateur production, mainly for on-line distribution

## **3.2. Key Players**

### **3.2.1. Azerbaijanfilm**

Azerbaijanfilm is the largest state-owned studio in Azerbaijan, in terms of funding directly connected to the Ministry of Culture and Tourism.

The studio has existed for more than 90 years. It is placed in a large, rather old complex in Baku and its equipment is in a need of updating and continuous investment. Government has plans to refurbish the physical and technological infrastructure with the help of a French investor, but this plan is currently in its initial phase. The studio has around 70 employees and contracts additional people for productions. As it might be sometimes difficult to find professionals for certain tasks, Azerbaijanfilm also hires professionals from abroad (e.g. Iran). The studio also hires technology and services from private companies.

Azerbaijanfilm has the production credits for films produced with state funding and handles all rights itself. Distribution is done by Azerbaijanfilm themselves or private companies are contacted. Recently there has been an apparent effort to work more internationally. After signing the European Convention on Cinematographic Co-Production, a few films were produced in partnership with foreign film companies – “Red Garden” with Russia, “Mahmud and Maryam” with Turkey, “Incomplete Memories” with Belarus, a few documentaries with France, Spain, Germany and Russia including the “Husein Khan Nakchivanski” documentary, “Sarylar – a Journey to the Karabakh Horse” with Germany, animation film “Torre” with an Italian film company.

Internationalisation of the Azerbaijani film industry is still an untapped potential and it needs further attention and prioritising. Most of the films produced by Azerbaijanfilm are made for the local market (some of them with limited theatrical release). There are some episodic sales to foreign TV channels and limited DVD release to Azerbaijanis living abroad. Azerbaijanfilm has also organised educational activities and training for young filmmakers more recently.

### **3.2.2. Private commercial studios**

Private investors mainly invest into commercial film production. This consists of mass market feature comedy shows, commercials and promotional video production. However, many private film studios also cooperate with Azerbaijanfilm on productions. One example that goes beyond this pattern is the Baku Media Centre, which is a larger private film studio, producing commercials, promo-videos, documentaries and shorts. It was established three years ago by a private foundation. Due to the private investors, they own a broad scale of filming equipment that meets international standards. Due to the limited availability of high-class film equipment in Azerbaijan they rent it also to the state film studios (Azerbaijanfilm).



Another example is Nariman Film, which was founded in 1994 and has become a fairly big production company. They produce their own projects (features, documentaries and commercials) mainly for the commercial market, but also provide production services for foreign productions (a full logistical and production package). Due to this operation they often supply services, which in the future could be provided by the Film Commission (discussions on setting up such commission are currently ongoing). They have launched their own video on demand (VOD) and online cinema platform [www.azcinemaonline.com](http://www.azcinemaonline.com). This is the first of its kind in former Soviet countries.

### ***3.2.3. Independent Film Producers***

In recent years Azerbaijan has witnessed the emergence of independent producers and directors, who are actively trying to keep up with European film-making and deliver films that can compete on the European and world art-house scene. The increasing demand for art-house production from audiences and the opening-up to Europe and rest of the world offers them opportunities to be part of global cinematography.

However, the state film funding still fails to tap into this potential, not encouraging more progressive projects to be realised or allowing the realisation of variety of film projects, including scripts with more bold, provocative and universal nature. There is apparent need for supporting diversity in the Azerbaijani film sector, which would help to raise international interest in the local film production as well as encourage cross-border cooperation.

As the independent film-makers have little chance to be successful in script competitions and associated funding, they usually invest money from other economic activities and their own resources. These filmmakers see international recognition of their work as their main aim and as the only way to upgrade and develop the film industry in Azerbaijan. Therefore, European networking, participation in international Programmes (like Eurimages) and attending festivals are of vital importance.

Only a few of the films produced over the last few years have been shown abroad. The biggest international success was the selection of the short film “Sonuncu / Last One” by Sergei Pikalov (Azerbaijan-Russian production) for the Cannes festival’s short movies competition in 2014 and premiere of the short film Torn by Elmar Imanov (Azerbaijani director living in Germany) at Director’s Fortnight section same year. When it comes to the artistic quality, one of the most interesting and internationally acclaimed film of the recent years is “Chameleon” by Elvin Adigozel and Rufat Hasanov, which was selected for Locarno IFF main competition in 2013.

### **3.2.4. Television market**

Azerbaijan has 47 registered television channels<sup>2</sup>. Four of them are public television channels broadcasting nationally. The 43 private television channels break down into 12 national television channels and 31 regional television channels. According to the Ministry of Communications and Information Technologies of Azerbaijan the television penetration rate in 2014 was 99%. The penetration rate of cable television in Azerbaijan totalled 28.1% of households in 2013, according to a study by the State Statistical Committee of the Azerbaijan Republic. Almost 39% of the cable television subscriber base is concentrated in major cities. The penetration rate of cable television totalled 59.1% in the city of Baku in 2013.

TV channels stick to producing classical TV formats (series, TV documentaries, news formats, entertainment formats, commercials, etc.) and in principle are not involved in film production. Since there is a state-owned studio system in film production, public television does not produce films with other producers as in many other European countries. The TV infrastructure also plays a role in the educational process and creates a labour market for film professionals.

### **3.2.5. Other organisations in the sector**

There are number of representative bodies for various subsectors of cinematography. The Union of Cinematographers of Azerbaijan has existed since 1963 as the traditional professional union (common in all the ex-Soviet countries). The organisation continued its work after independence. They started to organise the Baku International “East-West” Film Festival in 1996 and other film events. An alternative Cinematographers' Union of the Republic of Azerbaijan was established in 2012, uniting many members of the former organisation. They wanted to present Azerbaijani films in the international arena, shoot national films, organise international symposia and conferences and form cinema’s infrastructure. The Union has a strong connection to the Ministry of Culture and Tourism.

Since 1999, there has also been the Guild of Film Directors, which is the collective management organisation for rights of authors in the audio-visual sector. It has around 200 members and administers more than 5,000 titles (features, documentaries and animation) on a contractual basis by author, assignment and producer, according to available data. The guild is a member of AIDAA (International Association of Audiovisual Authors) and FERA (Federation of Film Directors of Europe).

The author of this report did not manage to gain a significant amount of information about other organisations in the sector. There is a mention of organisations like the Professional Film Actors Guild of Azerbaijan, the Association of Young Filmmakers of Azerbaijan, and the Guild of Producers (established in 2012, uniting 18 companies).

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<sup>2</sup> [https://en.wikipedia.org/wiki/Television\\_channel](https://en.wikipedia.org/wiki/Television_channel)

The Azerbaijan Film Commission says it exists to “fill in the gaps in production and marketing of films in Azerbaijan, which have appeared with the collapse of Soviet planned economy”. They offer services to foreign investors, directors and producers, who want to shoot in Azerbaijan, or distributors who want to buy Azerbaijani films. The information on their website<sup>3</sup> needs updating and the office is currently closed. However, there are ongoing efforts to re-establish effective services in this area in the near future. The EU-Eastern Partnership Culture and Creativity Programme has supported a preparation of Policy Brief on establishing a functioning Film Commission in Azerbaijan, the results of the study are expected to be published in October 2017.

### **3.3. Film education**

Before independence, many professionals working in Azerbaijan’s film industry (mainly directors and scriptwriters) were trained at the state institute for cinematography (VGIK) in Moscow, which was one of the most acclaimed film schools in the world. This is not the case anymore and nowadays only a few film professionals are trained abroad.

The one university-level education in cinematography is provided by the University of Culture and Arts of Azerbaijan in Baku that has a Film and TV Department. This schools runs BA and MA courses for directors, DOPs, scriptwriters, actors, set-designers, editors and critics. There is a need to further develop the curriculum, particularly in the fields of production and business training to prepare students for the industry side of film-making, and international exchange programmes could be encouraged to strengthen the international aspect of film industry. The school also needs significant and continuous investment to upgrade its quite outdated technical equipment and facilities. Currently students use the equipment of Azerbaijanfilm or go on work placements to state or private TV studios.

Technical professionals for the film industry are educated at several vocational schools in Baku, which also have limited technological capacity if it comes to equipment and modern technologies.

### **3.4. Cinema Infrastructure and Distribution**

The cinema infrastructure has undergone rapid changes over the last decades all over the world due to the digital shift, which has profoundly changed their operational models. In the post-Soviet area, this process has overlapped with transformation towards the market economy, including in the film distribution, as well as revising of cultural infrastructure in terms of volume, role and management.

While in 1990 there were 2,164 professional movie projectors in the country (fixed projectors in cinemas and mobile devices), today there are only 10 movie theatres in the entire country, most of them in the capital area. There are still

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<sup>3</sup> [www.afc.az](http://www.afc.az)

some local facilities in the countryside, which screens some films, but more in the form of community activities.

<b>Number of Movie theatres (at the end of the year)</b>	<b>2005</b>	<b>2010</b>	<b>2013</b>	<b>2014</b>
<b>Total number of movie theatres</b>	<b>21</b>	<b>9</b>	<b>10</b>	<b>7</b>
<i>Including:</i>				
State	20	8	7	5
Non-state	1	1	3	2
<b>Total number of seats</b>	<b>11 896</b>	<b>3 378</b>	<b>5 312</b>	<b>3 691</b>
<i>Including:</i>				
State	11 529	3 032	2 928	1 807
Non-state	367	346	2 384	1 884
<b>Number of visitors</b>	<b>115 400</b>	<b>83 400</b>	<b>183 900</b>	<b>235 800</b>
<i>Including:</i>				
State	79 00	20 900	105 500	154 700
Non-state	36 300	62 500	78 400	81 100
<b>Number of attendees of cinema shows per 1000 population</b>	<b>14</b>	<b>9</b>	<b>20</b>	<b>25</b>

Source: Ministry of Culture and Tourism, 2015; State Statistical Committee, 2015.

Table from: Azerbaijan Country Profile in Compendium of Cultural Policies and Trends in Europe, Council of Europe.

### *State-owned cinemas*

Part of the cinema infrastructure is owned by state, these cinemas are public institutions, operating under the Ministry of Culture and Tourism. The standard commercial cinema operation is usually only a part of their activities, they also organise other events, such as festivals, meetings, conferences, etc. The largest state-owned cinema is the Nizami Cinema in Baku. This cinema complex was founded 75 years ago and re-opened in 2011 following a large publicly-funded reconstruction project. It has 500 seats and is the biggest screen in the country. The screening programme consists of almost 50% domestic production, then Turkish mainstream production and Hollywood production with Russian or Turkish dubbing. All foreign language films must be subtitled in the Azeri language by law. The price of a ticket is between 2.50 USD (matinee) and 5.00 USD (evening).

### *Private cinemas*

Private cinemas are newly established venues, usually multiplexes in shopping malls or commercial areas. They are owned by local commercial investors and are completely digital with modern technology and cinema infrastructure. The largest cinema company is Park Cinema which opened its first multiplex in 2009. Now they operate five multiplexes, one of them is an open-air cinema outside Baku. The main share of their screening consists of films from major US studios (shown with Russian dubbing and Azeri subtitles), followed by Turkish films (mostly comedies). They release three to four bigger plus 10 smaller domestic films annually. The price range of the tickets is 2-8 USD,



which makes cinema quite affordable and popular in Azerbaijan. The cinema's profit share is 50% of the ticket.

### *Distribution*

Cinema distribution in Azerbaijan is mainly operated from Russia. The major Hollywood companies have their representatives covering the entire region, since there is no commercial benefit in having local distributors. Russian companies also distribute European film production. Turkish films are mostly distributed by TV companies, which operate in the region and own multiple rights for films. There are a few local distributors, most of them are sub-distributors for foreign majors. Domestic films are either distributed directly by production companies or often they don't have any theatrical distribution.

The main issue in theatrical distribution is language. According to the law introduced by the Azerbaijan government a few years ago, all the foreign films have to be subtitled into the Azeri language. This obligation had an impact on the distribution pattern, because the increased costs of subtitling influences the distribution of the less commercial, art-house or European productions.

The average successful Hollywood release will attract around 10,000 viewers, the most successful US film in cinemas ever (Fast and Furious 7) had 50,000 viewers. Turkish dramas can get up to 75,000 viewers. If there is a successful Azerbaijan film released, it can get up to 150,000 viewers, but these are mostly commercial comedy productions based on a popular cast from a TV series produced by private companies and investors.

The average attendance of the cinemas is stable and no major growth can be projected with current distribution patterns. The decisive element for the audience is the language of the film. That is why support for dubbing and subtitling would be an effective way to improve audience development not only in quantity, but also in developing new audiences, which could also help to boost local film production.

### **3.5. Festivals**

The first international film festival organised in Azerbaijan was the Baku International Film Festival East-West, which was launched in 1991. The festival wanted to become part of the international festival scene and to put Azerbaijan on the map of world cinematography as a film hub between Europe and Asia. It was organised by the Union of Cinematographers with generous support of the state. The festival ran for 11 years with the last of them in 2009.

The Baku International Audio-visual Festival was the initiative of the Film Director Guild of Azerbaijan and their ambition was to create a new international event for progressive cinematography. The last festival was held in 2007.

A few other festival initiatives have been organised over the last 20 years, but none of them has been taking place with regular intervals. The exception is the

Festival of European Cinema in Baku, organised every year since 2009 by the cultural institutes of European countries (e.g. British Council). This festival is popular and attended by a wide audience, even though films are screened in the original language with English subtitles (screenings are free of charge). This event is important mostly from a cultural perspective, but it does not include standard industry events.

### **3.6. International Context**

One of the main challenges of Azerbaijani film industry is the strengthening of its international connections and presence. There could be considerable benefits in developing standard cooperation measures with other countries. The Azerbaijani government started the application process to join Eurimages some years ago, a process that has not yet been completed. Joining Eurimages could carry significant change for the internationalisation of the Azerbaijani film sector, since it would help the industry by creating access to additional resources, encouraging co-productions, bringing new artistic ideas and favourably influencing development of domestic film policies.

The other issue is that Azerbaijan is surrounded and culturally connected to countries with quite developed film industries (like Russia, Turkey, and also to some extent Georgia), which could serve as an inspiration and impetus, but also which brings forward the issue of competition and market domination, that needs to be addressed by specific policies.

### **3.7. SWOT Analysis**

#### *Strengths*

- > *Cinema is a government priority. A 10-year plan for the development of cinema has been adopted and some areas are already advancing gradually (cinema infrastructure, new legislation, attempts to reach international markets). This shows the ambition to change.*
- > *There is a new generation of filmmakers, directors and producers, who are successfully trying to work internationally, bringing new artistic energy and new life to the industry.*
- > *Despite the economic issues, there are still significant financial resources available (public and private) connected to the country's oil industry.*
- > *There are number of important initiatives to support the development of Azerbaijani film sector, including the work done by the British Council and the EU-Eastern Partnership Culture and Creativity Programme to carry out projects and studies in the field.*

#### *Weaknesses*

- > *The overall understanding of the role of culture and cultural policies is still associated more with controlling and organizing culture and less with creating conditions for free artistic expression.*

- > *State-owned studio system is outdated in many respects. It is not only that this system doesn't allow the industry to grow into standard parameters and to create structures able to compete on global cultural markets, it is also its outdated size, internal organization, technologies far from being up-to-date and expensive operation, which make the system not delivering significant results.*
- > *There is no arm's length body or funding agency for the film industry that could bring additional expertise, openness and transparency to the film sector in Azerbaijan. The system lacks funding system which could balance the film sector by guaranteeing the development of both the state-owned film studios as well as the private film-makers and producers.*
- > *The thriving and competitive film industry cannot be built without high-quality and forward-looking education and training. Existing educational institutions lack update of film curricula and technological base to be able to provide the film industry in Azerbaijan with high-skilled professionals*
- > *The number of new digitised screens in Azerbaijan is low and these screens are mostly located in Baku, which means the access to audio-visual content in other parts of the country is rather limited.*
- > *There is a lack of existing measures encouraging private investment into the film industry (tax incentives, tax shelter, sponsorship legislation), which could diversify the current state-funding for film sector.*
- > *Azerbaijani cinema's international connections are currently few in number. The European cinema industry is increasingly based on co-productions, which could help not only to raise funds, but create markets and enlarge sales territories. There is a need for internationally recognised film festival in Azerbaijan, that could act as an engine for industry development and meeting place for international professionals. The industry also misses a functioning Film Commission, aimed to promote Azerbaijan as a competitive film shooting location for foreign productions.*

### *Opportunities*

- > *There is a range of good practice examples and stories of similar transformation of post-soviet film sector from the region, Baltic countries or Central and Eastern Europe (CEE) that can be used in peer learning and some solutions could be adapted in Azerbaijan. Experts and professionals from those countries could be invited to share their experiences and help with transformation.*
- > *The readiness to overhaul Azerbaijani film sector offers the opportunities to catch up with contemporary trends and build new infrastructure. Opportunities given by rapidly evolving digital technologies can be utilised more quickly, if there is no need to deal with strong analogue frameworks and regulations.*
- > *Cooperation is the key. In global economy, part of which is definitely the film industry, the size of market matters. Those, who are not big, have no other option than collaborate by all possible means. Azerbaijan cinema has*



several unique opportunities to create collaborative platforms and programs. The regional collaboration with neighbours can enlarge the market and bring new opportunities, collaboration with countries that have similar experiences with transformation (CEE, Baltic countries) can support peer learning. European cooperation can put Azerbaijan on the film map of Europe.

- > *There is untapped potential of private resources and their complementarity with public funds. Since the commercial part of the industry is not well developed yet, there is a huge potential in attracting private money into the film sector. If proper measures were introduced combining effectively used public money (to support creativity and artistic quality) with incentives supporting private investors to enter the industry, then cinema's development could be boosted in a relatively short time.*
- > *Attracting professionals from abroad by creating specific collaborative and exchange programs as well as targeted "headhunting" could bridge the gap towards internationally competitive cinema.*

### *Threats*

- > *The main obstacle to any modern cultural policies and development of cinema sector is the tendency to understand culture and cinema as an ideological tool which serves to specific political interests. Getting rid of such a practice will boost the artistic freedom and the competitiveness of the industry.*
- > *The transformation to modern film industry policies requires certain level of governance and complex management skills on the side of policy makers. Bureaucratic governance structures in the state-governed institutions together with missing human resources with necessary skills for modern policy-making could be one of the main barriers to upgrade of the film sector.*
- > *The difficulties that freelance and private film operators meet could threaten the viability of bottom-up initiatives, which are vital for a diverse and viable cultural sector.*
- > *There is a lack of skilled professionals for the film sector in Azerbaijan. The role of independent and experienced producers with access to funds and infrastructure is crucial for the development of cinema. These are missing now in Azerbaijan together with other specialized professions necessary for development of quality film products.*

## 4. RECOMMENDATIONS

### 4.1. Creating General Conditions

#### 4.1.1. Good data makes good policies

In order to create a new, effective and dynamic policies, there must be proper and structured data available about the film sector in Azerbaijan. Good data is the prerequisite to good policy making, but it is even more important in situation, where the sector is divided between state-controlled part of the industry and independent section, which operates in completely different conditions. Unfortunately, so far there is very little quantitative or qualitative data available on the state of film sector in Azerbaijan. Good statistical data defining the entire sector can lead to effective qualitative mapping, and subsequently producing analytical and comparative data. This can be used for creating effective, tailor-made policies, but also to measure their impact after they are introduced.

Once the data is available, it is important to make them available to the sector and public. Smart and open data includes also transparent information on state funding policies, and their assessment will help the entire sector to develop more professionally, transparently and become more attractive internationally.

Performance indicators (number of independent films, number of internationally recognized films, number of box office per film, amount of sales per film etc.) need also to be collected, analysed and published, in order to measure development and success of domestic production and in order to assess the effectiveness of the public funding and policies

***First step: Create a data-set, which will be collected and analysed over the long-term that complies with Eurostat surveys on creative industries and cinematography.***

#### 4.1.2. Balancing the state-owned and private film sector

The road to modern cultural policies and development of film industry leads through redefining the role of state in the process of cultural creation and respective industries towards the role of less-controlling partner, whose role is creating good condition for artistic creativity or thriving film industry rather than interfere with creative production process and its content.

This goes hand in hand with the necessity of introducing more principles of market economy into film industry in order to achieve the standard entrepreneurial environment leading to viable industry ecosystem and an effective use of public funding in its framework. It is important to bridge the gap between production funded by state, which exists outside of usual market and industry cycle, and the private producers who work only in a market environment. Public funds should be used to balance the market failure and to

create added value within its framework, not to compete with it. The aim of the reform in this area should be the creation of effective public-private ecosystem of film industry, which is less managed by state in terms of content and production, but more supportive of excellence and industry success measured by international standards. The key to this reform is better understanding of ecosystem of audiovisual production on the level of policies, which should perceive film as a creative industry and see the role of state in developing commercial part of the industry by creating favourable conditions for entrepreneurial activities in this sector.

One of the main tasks in this process will be to transform state-owned film ateliers and studios into more decentralized organization. This process needs to be approached with caution in order to maintain current industrial relations. Considering the current stage of the film industry development in Azerbaijan, the transformation could be framed by looking for a smart public-private solution, based on the profound revision of studio's management and activity scope. The future operation model could focus more on providing infrastructure, services and equipment to the industry than on own production. This will require a mainly professional management able to work within the international business environment, change of its legal status, transparent steering and controlling mechanisms (board of directors representing the entire industry, public control) and revision of the funding policies towards the film sector.

The change in the approach to film on governmental level must include also wider economy and policies in other areas, and be based on better understanding of creative industries. More attention could be paid what impact the film industry can have on the entire economy, international competitiveness and country branding.

#### ***First steps:***

- > ***A detailed audit of current operation of state-owned film studios, planning their reform in terms of ownership, management and role in the industry. Liberalization of their funding and economic performance.***
- > ***Based on the collected data, prepare a Film Sector Development Plan that focuses on commerce and entrepreneurship, setting up short and long-term goals with measurable indicators.***

#### ***4.1.3. Funding reform***

According to the current system, the funds for film production are distributed via a state-owned production company. As proved in many other European countries, the most effective and impactful funding systems in arts and creative industries are based on the arm's length system (art councils, cultural endowments, film funds, etc.) where the funding decisions are made by professionals in the framework of an independent sub-governmental agency. That is why the creation of the Azerbaijani Film Fund could be an important step towards the modern film industry becoming competitive on a European

scale. While considering new funding mechanisms, it is important to cover both funding for creation (artistic criteria) and support for industry (access to capital). In the film industry, it is also important to create effective measures for supporting distribution – domestic and international.

However, effective public funding is just an impetus for the industry, which must be supported by other more industrial and commercial measures. These could mainly focus on attracting private and foreign capital to invest in the film industry (through tax incentives, match funding, rebate schemes, investment funds and support for co-productions). Rebate schemes are the most obvious tool in this respect and as most European countries are competing in introducing generous schemes to attract foreign productions, it could be considered also in Azerbaijan. The country can offer interesting locations and heritage and relative safety, which could be its competitive advantage in comparison with some of the neighbours. However, without a functioning rebate scheme it would be difficult to compete with other countries and develop a domestic industry in terms of skills and equipment. Examples from other countries show that when a rebate scheme applies also on domestic production it creates enormous additional added value in industry development and attracts domestic capital to film production.

#### **First steps:**

- > *Prepare a plan for creating an arm's length Azerbaijani Film Fund, which would distribute public funds for audiovisual industry (several models of financing possible) with the help of experts from other countries.*
- > *Extend current initiatives aimed to attract public money into the sector – prepare the list of possible tax incentives motivating investors to invest private money (such as income tax reduction, VAT reduction, rebate scheme), collect data and prepare projections of such measures on the industry.*

#### *4.1.4. Infrastructure*

Due to the rapid digital and technological change, the current technological and physical infrastructure in the film sector needs continuous investment in order to comply with modern standards. Proper technology is needed to attract foreign productions and co-productions, which are vital for the further development of skills and capacities in the domestic industry. The main tools the state can utilise to achieve an upgrade of technological infrastructure are small scale state subsidies, accessible bank loans and eventually state guarantees offered to the sector, which would initiate infrastructure renewal. These financial instruments could be available to the entire sector and based on qualitative and public added value criteria.

The same applies to the cinema infrastructure, which is a vital part of the film infrastructure. The current network of cinemas needs significant upgrade and investment. Currently many of the films produced in Azerbaijan face difficulties in reaching theatrical release because of the need for more appropriate



infrastructure, which can handle art-house or niche audience cinematography, and there is a special need for cinema infrastructure outside of the capital. The process of recreating once popular cinemas all over the country will be long, but necessary.

***First step: Create a program to support small-scale equipment purchase and refurbishment that creates small venues, cinemas, film clubs and studios all around the country, and give support to their activities. This would improve peoples' access to audiovisual content, build a bigger film audience, develop new distribution patterns and support the entire industry.***

## **4.2. Supporting the Film Sector**

### *4.2.1. Emergence of Strong and Self-Organized Independent Film Sector*

The balance between the state-owned film sector and independent producers, filmmakers and film professionals is one of the key issues in strategic development of the Azerbaijani film industry. The change in this area is important and crucial for creating a viable, competitive and fair industry environment. Better recognition for the independent sector could lead to more transparent use of funds, and acknowledgment of their status and place in the industry in the framework of cultural policy. The government can achieve this by supporting bottom-up initiatives and engage them into partner dialogue about future policies. It is vital to put the safe-guarding of artistic freedoms for all creative professionals in the heart of any cultural policy, including film sector policy. This can be done through transparent and open funding measures and script competitions, that would allow the production of outstanding, bold and innovative ideas. That is how the foundation for strategic alliances and partnerships between government, independent artists and private sector could be created leading to modern and effective policies and competitive industry as their result.

***First steps: In cooperation with partners from other countries, creating a program to support the emergence of professional associations, NGOs and support structures in the film sector, including capacity building.***

### *4.2.2. Education – the key to long-term success*

Without good professional education and training it is not possible to build a strong film industry in a country. The current facilities and curricula in Azerbaijan needs to be further updated. The reform of the film education system is a long-term investment. It could include a new technological base, infrastructure and revision of curricula. The very nature of creative industries, which combines creative and business skills, needs to be considered in the educational reform and business courses and training must be introduced in the curricula for film professionals.

However, much could be done also in the short-term. Current training course provision by Azerbaijanfilm could be extended and carefully planned in line with the needs of the sector with a focus on scriptwriting and competence

building of producers. Scholarships and internship programmes enabling students to study abroad can be introduced by the government with a focus on attracting them to come back afterwards and work in Azerbaijan (seed grants, internships in domestic companies and studios, etc.). Systematic cooperation with experts, teachers, film professionals and educational institutions from abroad in the form of guest lectures, workshops and exchange programmes could be a foundation for educational reform mentioned earlier.

Educational programmes need to be extended to professionals and focus on audience development and promoting cinema to young people. Targeted support for subtitling and dubbing of a wide range of European and world cinema as well as educational activities connected to screenings (discussions, lectures, interviews etc.) would create higher film literacy in the population.

***First steps:***

- > ***Create a competence building program for film professionals in partnership with selected partners abroad in cooperation with Azerbaijanfilm and University of Arts.***
- > ***Select a board of international professionals, who would prepare and guarantee a pilot training program for the film industry development.***

*4.2.3. Internationalization*

One of the most effective ways of developing Azerbaijan's film industry is to be exposed to the international arena and cross-border cooperation. It can bring a lot of know-how in various areas and give an initial boost to the present state of the industry. While there are several existing cross-border links in the area of culture and film, the cooperation with neighbours could be more regular and institutionalised. Exploring regional collaboration options and establishing regional co-production schemes, programmes and initiatives could be a trigger for cinema in Azerbaijan and for more similar regional initiatives. Support for co-productions could go also beyond the regional scope. The initial step could be membership of Eurimages.

An important impetus for internationalising the film industry is having an effective and active Film Commission, which would promote the country as film shooting location for foreign productions. Such an office needs to have up-to-date information on the industry and its capacity using the mapping processes proposed above. By attracting new productions to Azerbaijan, the domestic industry will grow in volume, skills and artistic quality. It is important to ensure close links between the Film Commission and the entire sector (notably the non-state part). There is a close connection between the Film Commission's role (promoting the shooting destination) and competitive tax rebate offered by the country. A well-tailored and ambitious tax rebate scheme offering motivational percentage of in-country spent money back to foreign producers could be a decisive element. The rebate could also help domestic producers and attract more private money and investments into the industry.



An institution such as a Film Information Centre, Film Institute or Film Export Office could be established to promote and support the export of Azerbaijan films abroad and to promote the emerging industry. This institution could be managed in collaboration with professional associations and other players in the industry.

International film festivals are an important part of internationalising the film industry. Festivals attract industry professionals and create international awareness of the country and its cinema. The reinstatement of at least one or more international film festivals in Baku could be one of the priorities of the government and the industry itself. Initial investments into the international team and professional dramatic composition would be paid back by the recognition and interest of the international community.

***First steps:***

- > ***Azerbaijan will join the Eurimages, allowing producers the access to funds and international scene.***
- > ***Analyse the potential of regional collaboration and bilateral or multilateral funding schemes.***
- > ***Establish a Film Commission, prepare the concept for a tax rebate scheme (with the help of international experts).***
- > ***Set up an international advisory board to establish an international film festival in Azerbaijan.***

***4.2.4. Focus on digital development***

The digital shift has changed the film industry profoundly, offering more democratic access to technologies of creation and distribution, as well as new consumption patterns and business models. It creates new challenges for the industry, but the rapid progress creates a specific opportunity window even for countries and national industries, which are not currently in the front of the peloton. Investing into digitization of infrastructure and digital promotion and distribution tools for cinema (VOD platforms, streaming services, online marketing etc.) as well as supporting new business models and capacity building for producers could make a significant contribution to the new development of the industry in Azerbaijan and promote its achievements internationally.

Support could also include programs that encourage young people to work with digital film technologies and to teach them film making (1-minute video competitions, online courses etc.). These educational activities could develop film-loving audiences and help to recognize young talents and a future generation of filmmakers.



## 5. SUMMARY

The report has been written based on the available online content, written materials, provided by the Ministry of Culture of Azerbaijan and British Council, and several rounds of personal meetings and talks with various actors of Azerbaijan film industry.

The report offers an overview of present situation of the cinema and film industry in Azerbaijan, the strengths and challenges that the country faces in its effort to develop the industry into modern and competitive sector, and a complex set of recommendations and possible solutions, with suggestions for first steps of a roadmap.

The transitional state of Azerbaijan society and its geographical and cultural position holds a fascinating opportunity to come up with effective measures, which could boost the film industry in the country and make it a source of pride and identity of its citizens, visible in international context. The key to success as in all other creative industries' sectors is primarily led by artistic creativity and excellence, artistic freedom and public policies that create favourable conditions for unleashing creativity. Azerbaijan's government could reach out to the international community to look for solutions and invite experts and collaborators and co-produce internationally relevant cinema.

## NOTE

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