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**From centralized control to adaptive governance:
Reforming cultural management in Azerbaijan**

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Abstract

This paper addresses the reform demands of cultural administrations in Azerbaijan, highlighting important challenges, mostly resulting from governance inefficiencies, a lack of financial resources, infrequent public participation, and an overall delay in digital transformation. Historically embedded in a centralized model from the Soviet Union, cultural institutions in Azerbaijan continue to meet self-imposed limitations that restrict their innovation, responsiveness, or adaptability to global cultural trends. Financial overdependence on state funding makes this sector vulnerable to economic shocks and restricts the continuity and growth referenced above. Quite often, exclusionary governance practices mean low public engagement and cultural relevance, while imbalanced digital infrastructures keep them uncompetitive internationally, while limiting audience expansion.

It largely applies qualitative methods in the comparative study of successful international models, such as those in Germany, the Netherlands, and Estonia. It elicits key interventions, including: Decentralization of cultural governance; Improvement of the public-private partnership relation to create an alternative source of financing; Creation of participatory governance framework; and speeding up the digital transformation.

This policy proposes comprehensive reform measures that promote reform at the internal structures to allow local institutions to take ownership of their budgets; financing arrangements that guarantee sustainability; mechanisms for public engagement for enhanced transparency and inclusiveness; and considerable investment in digital capabilities. With these strategic reforms, the Azerbaijan cultural institutions shall dismantle the limitations posed by their history, thus preserving national heritage effectively and positioning

themselves as resilient and innovative entities capable of thriving in a rapidly evolving global cultural landscape.

Introduction

This report analyzes the structural inefficiencies in Azerbaijan’s cultural sector caused by centralized governance and a lack of institutional leadership diversity. It argues for the implementation of Policy 4, which introduces a dual leadership model and transitions the system toward adaptive decentralization. Drawing on comparative analysis with the Netherlands where dual leadership and decentralized governance significantly improved cultural responsiveness and financial sustainability (van den Hoogen, 2014; OECD, 2021) Policy 4 is shown to be the most cost-effective and strategic approach. Supported by stakeholder insights, cost-benefit assessments, and international models, the report concludes that Policy 4 provides a replicable framework for reforming cultural institutions in Azerbaijan while aligning with global cultural governance standards.

1.1 Context of the Problem

The successful management of culture holds essential importance since it both defends heritage and promotes innovation as well as it provides equal access for different audience groups. State bureaucracies exercise total control over funding operations within cultural institutions throughout various historical countries. Governments maintain stability through such models yet this control results in inefficient operations and weak public engagement as well as reduced speed to adapt to economic evolution and technological shifts (Bennett, 2019). Azerbaijan’s cultural management framework continues to rely mainly on the centralized system which was inherited during Soviet times. Traditional governance models face difficulties in their effectiveness because of fast technological changes and market-driven cultural projects along with public-private partnerships according to Throsby (2020).

Even with recent reforms, Azerbaijan's cultural management is still conditional off a centralized Soviet system that does not allow flexibility, can't allow prompt decisions, and divorces cultural institutions from local communities' needs. One of the main obstacles is the lack of well-formulated leadership models – the rich diversity of organizations gravitate to single-director structure without any special skill enhancement. Consequently, Mr. Kamil Bayramli proposed to expand theater leadership beyond the confines of a single theater to encompass larger expertise a broader vision is needed. And using dual leadership structures wherein responsibilities are strictly divided, one between creative and the other between administrative departments, would empower institutions to be responsive more swiftly, be able to think creative and execute resource efficient. Without such reforms Azerbaijan risks ongoing inefficiency, insufficient community participation, and its slowing progress in stimulating creativity and competing throughout the world.

The cultural institutions in Azerbaijan operate within a centralized management framework whose financial authority restricts autonomous leadership. The Soviet cultural policy achieved ideological uniformity by limiting creative independence alongside economic development (Suny, 1993). The cultural organizations in Azerbaijan maintained their state supervision after 1991 independence continued to receive their funding from governmental ministries. Under the management of the Ministry of Culture the country operates 28 theaters along with 3,985 libraries alongside 189 museums and 234 children's music and art schools (Ministry of Culture of Azerbaijan, 2023).

Decision-making receives delays because institutions need approval from many different levels to complete programming and administrative tasks. Organizational structures that cause delays prevent institutions from staying relevant with audience tastes and artistic

developments (World Bank, 2022). When institutions lack operational autonomy they stop developing innovative ideas which decreases Azerbaijan's cultural sector competitiveness at international levels.

Most cultural institutions in Azerbaijan depend almost entirely on federal funding from the state which leaves them exposed to financial downturns. The ICT sector's contribution to the GDP in 2024 reached 1.8% which represented a slight increase from 1.7% in 2023 while cultural funding showed no change (Report.az, 2024). Public budget cuts targeted during financial crises lead to substantial funding reductions which constrain the cultural sector from developing its infrastructure and programming initiatives alongside innovation efforts.

The cultural sectors worldwide achieve success through financial systems that utilize both public-private collaboration and entrepreneurial methods (Towse, 2019). The cultural sector of Azerbaijan has done poorly to attract corporate sponsors and endowments along with alternative revenue streams according to OECD (2021). Financial sustainability will improve when organizations expand ticketing sales in addition to strengthening merchandise sales and searching for grant funding opportunities.

The formation of policies for inclusive culture requires public participation because it helps create guidelines that match national requirements. Governments practicing participatory governance achieve better levels of public involvement as demonstrated by Sweden and the Netherlands (Holden, 2015). The policy-making process in Azerbaijan functions through a hierarchical structure which offers restricted participation opportunities for artists together with cultural workers and public members in policy decision-making.

When cultural programs exclude potential contributors the quality of their presentations suffers while audience ratings decrease. Public consultation processes together with advisory

councils would help institutions become more transparent and better relevant to their audience.

Modern cultural institutions need digital transformation to achieve their modernization goals. The implementation of online exhibitions together with virtual tours and electronic ticketing systems both improves public accessibility while increasing financial income according to (UNESCO Institute for Statistics, 2023). To address this need Azerbaijan introduced the e-Culture Digital Development Strategy (2024–2026) which aims to computerize cultural resources and use data as a management foundation (Azernews, 2024).

Despite recent efforts Azerbaijan remains behind other countries in digital adoption which restricts cultural institutions from worldwide competition. AzInTelecom LLC secured a €43 million digital infrastructure funding from the European Investment Bank which demonstrates European support for Azerbaijan’s modernization initiatives (Dig.watch, 2024). The technological sector of Azerbaijan continues to report deficits in computer and information service balances which hinders digital innovation (ADB, 2024).

The digital tools adoption rates of SMEs stand below what regional and OECD peers report indicating Azerbaijan needs specific policies targeting cultural industry digital transformation (OECD, 2022).

The cultural management system in Azerbaijan must overcome Soviet-era organizational limitations to work better in modern economical and technological conditions. The growth of this sector faces barriers from bureaucratic obstacles as well as financial troubles and minimal public involvement and delayed digital transition. The required actions for solving these problems include decentralization and financial diversification as well as participatory governance and digital modernization.

More efficient is to grant cultural institution greater autonomy. Alternative revenue models and public-private partnerships will help enhance financial sustainability to cut down on reliance of state funding. Public ownership will lead to higher inclusivity and transparency of rules. The investment in digital transformation will lead to more audience access and to be competitive.

Azerbaijan's cultural sector, without reform, faces economic decline, being out of the public interest and failing to seize the global opportunities. Azerbaijan's heritage can be preserved; its cultural institutions can be positioned for long-term resilience in the digital age through a strategic modernization approach.

1.2 Definition of the Problem

Several structural and financial and participatory barriers prevent Azerbaijan from successfully administering culture thus blocking operational efficiency and cultural service accessibility and long-term sustainability. The decision-making structure of cultural management initiated during the Soviet period dominates Azerbaijan's government system thereby restricting institutional freedom and stifling innovation and adaptation in the sector. The digital and participatory engagement level of Azerbaijan remains weak as indicated by its UN E-Participation Index (2022) ranking at position 98 and scoring 0.386. The World Bank Governance Indicators (2022) show that Azerbaijan holds a low position (34/100) in regulatory quality which reveals significant inefficiencies within bureaucratic administration involving cultural governance.

The main issue with cultural management in Azerbaijan stems from executive authorities heavily controlling cultural institutions. The Ministry of Culture directs more than 85% of cultural institutions through their appointed leadership and enforces all administration regulations in museums, theaters as well as heritage sites. Through its hierarchical command system the cultural institutions lack freedom to generate their own schedules or budgets and development of audience relations or international strategic partnerships. European cultural management models prove the advantages of decentralization through local authority control which manages more than 70% of cultural funding according to OECD (2021). The tightly controlled centralized administration of Azerbaijan prevents cultural organizations from adapting properly to artistic developments and changing audience needs and unstable funding scenarios. Multiple operational hurdles grounded in both structural and financial resources along with participatory participation restrain Azerbaijan from administering culture which

reduces efficiency of operations and impedes accessibility to cultural services and long-term sustainability. Since Soviet times the cultural management decision structure continues to govern Azerbaijan's government system through structural control which blocks institutional freedom and prevents innovation and adaptation in cultural sectors. The electronic and participatory involvement levels in Azerbaijan stand behind their counterparts demonstrating a position of 98 at 0.386 on the UN E-Participation Index (2022). According to the World Bank Governance Indicators (2022) Azerbaijan maintains a position of 34 among 100 countries in regulatory quality thus demonstrating extensive bureaucratic inefficiencies in cultural governance.

Executive authorities maintain tight control over Azerbaijani cultural institutions as the core challenge for cultural management in this country. The Ministry of Culture regulates over 85% of cultural establishments by choosing their leaders while carrying out all administrative requirements in museums and theaters and heritage places. Because of its command hierarchy the cultural institutions cannot create independent budgets or schedules nor develop international partnerships or audience connections. The decentralized management model in Europe demonstrates excellent results because local authorities handle more than 70% of cultural funding as per OECD (2021). The rigid centralized control of Azerbaijan obstructs cultural organizations in their ability to evolve their programming and audience services and funding stability.

The cultural sector of Azerbaijan faces an important digital transformation shortfall. Azerbaijani cultural institutions trail Western European institutions by a wide margin as they have only adopted digital services to the extent of 12% while Western European institutions reach 75% (UNESCO Digital Readiness Index, 2023). Azerbaijan maintains one of the lowest

global positions when it comes to cultural sector digitalization which indicates deficient e-governance implementation together with digital marketing and online audience connection. The institutions struggle to generate new revenue sources because they cannot reach younger digital audience groups and boost their international reach. Through its e-Governance system Estonia managed to transition 75% of cultural participation online which brought wider accessibility to cultural programs (UNESCO, 2023).

The cultural management system in Azerbaijan needs immediate modernization because it has to find an equilibrium between preserving established cultural heritage and adopting future-oriented innovations. The proposed model must include functional decentralization combined with financial diversity and digital transformation strategies together with participatory governance structures to ensure sustainable operations and accessible solutions and effective systems. Azerbaijan will experience declining cultural performance if necessary reforms are not implemented because these reforms provide the pathway for unlocking maximum cultural heritage value creation while creating an international-level competitive cultural sector.

1.3 Statement of Interest

Changes need to happen immediately within Azerbaijan's cultural sector to match international cultural standards. An academic investigation examines Azerbaijan's cultural institutions through quantitative evaluation of operational effectiveness and financial health and explores administrative reforms for better management. Research into Azerbaijan's management framework matters crucially for policy makers while being essential for academics because of cultural industries' quick growth and digital changes (Holden, 2015).

National identity maintenance along with social unity and economic growth depends on cultural institutions as per Bennett (2019). The Azerbaijani cultural heritage extends through music along with literature architectural masterpieces and visual art displays although government control hinders institutional independence and creativity. This study examines worldwide decentralized cultural management models because they show effectiveness in making institutions both adaptable and interactive with their audiences (Holden, 2015).

Because it depends on state funding for its operations the cultural sector in Azerbaijan remains exposed to Economic Interference. The cultural and creative industries result in a GDP measure of 1% yet they sustain 3.8% of the workforce (Culture Partnership, 2023). The majority (85%) of funding for cultural institutions in Azerbaijan comes from government sources while European institutions obtain between 50% and 100% of their revenue from private sponsorship and ticket sales among other commercial activities (OECD, 2021).

Azerbaijan would benefit from both cultural entrepreneurship practices and PPPs because they provide greater economic stability according to Towse (2019). This research examines what funding methods Azerbaijan should develop between corporate sponsorships and grant funding and revenue-generating activities for sustained financial support.

The process of cultural policymaking requires public engagement which enhances transparency as well as shows responsiveness toward the public. The centralization of Azerbaijan's decision-making process restricts artist and cultural professional contributions alongside public input (World Bank, 2022). Studies that compare governance systems have proven that active community involvement boosts cultural participation along with citizen financial backing (Holden, 2015).

Local community involvement in decision-making processes is utilized by Sweden and the Netherlands which enhances audience participation and public trust. This research examines which specific strategies Azerbaijan should implement to establish advisory councils while setting up public consultations and having collaborative policy frameworks that build public engagement (Culture in External Relations, 2023).

The digital transformation approach serves as a modernization mechanism for cultural institutions while expanding their accessibility together with generating new revenue opportunities (UNESCO Institute for Statistics, 2023). According to the e-Culture Digital Development Strategy (2024–2026) Azerbaijan strives to digitize cultural assets though digital adoption continues at a slow pace (Azernews, 2024).

The ICT services balance-deficit of Azerbaijan arises from insufficient local technological capabilities (ADB, 2024). The cultural programs of Estonia alongside Germany have digitized beyond 50% while generating better patron interaction together with enhanced financial stability according to UNESCO (2023). An investigation evaluates digital transformation methods that will help Azerbaijan's cultural sector achieve better competitive advantages and amplified audience numbers.

The analysis provides immediate solutions to Azerbaijan's cultural sector deficits by promoting financial variety as well as democratic administration and digital advancement. Azerbaijan can reach sustainable cultural management through different funding channels while releasing digital resources to improve operational performance. Lack of reform will produce financial problems in the sector alongside diminishing public interest and reduced global market positions. The research proposes implementing targeted policies which will help Azerbaijan's cultural organizations thrive in a resilient state with innovative capabilities and extensive international influence.

1.4 Methodology and Limitations of the Study

The study used interviews to understand the organizational set-up, financial situation, technical abilities and interaction with the public in Azerbaijan's cultural facilities. In the period spanning January to March 2025, five detailed interviews were held with senior people in cultural administration identified by purposive sampling. Elgun Aliyev, Sector Head of Strategic Development and Project Management, was joined by Kamal Mammadov, Head of creative industries and digital development, Nijat Gochiyev, Senior Advisor of Internal Control and Audit, Executive Secretary of the Board, Aliyev Haji, Head of International Cooperation and Ganbarzade Sabuhi, Head of Internal Control and Audit. During interviews, we combined stories from the interviewees with specific enquiries about their role in decision making, their financial resources, involvement in sponsorship, use of technology and public consultation. Every interview took sixty to ninety minutes, was recorded with permission and all the words were written out as they were spoken. By using an inductive thematic analysis, we found common patterns as well as clear differences and meaningful examples in what the participants discussed. While I analyzed the data, I made use of the analytical memos to carefully compare my main results with secondary ones provided by UNESCO, OECD and World Bank publications, as well as by cultural economics experts.

Many difficulties must be noted. Participants who are easy to interview may not be representative of all employees, as senior officials still participate more than those at the operational level. It is possible that recent, unpublished changes in governance are missed if only secondary sources from the past three years are considered. Still, the example of international models (such as those in Germany and the UK and the Netherlands) can guide the perspective and help, but their specifics are usually not easily adapted to Azerbaijan.

Because semi-structured interviews have a limited scope, digital-arts collectives and community-based heritage initiatives deserve extra investigation. In spite of these boundaries, examining policies through the eyes of stakeholders leads to a detailed picture of an institution's advantages, challenges and aims, making it easier to advise on reforms.

Additionally, the research design uses qualitative methods to combine cultural management model assessment based on comparison with policy evaluation and case study data analysis. The study depends on secondhand data which consists of academic literature alongside government reports as well as international policy documents and expert analytical research. Qualitative tools provide optimal research conditions to study structural inefficiencies and financial obstacles as well as governance models and digital transformation trends within Azerbaijan's cultural management operations. The evaluation includes studying international benchmark examples which helps researchers identify strategies that suit Azerbaijan's requirements for institutional transformation.

The research will use multiple primary and secondary resources as essential guidance. The theoretical and empirical understandings of financial sustainability and cultural funding diversification in the cultural sector can be found in David Throsby's "The Economics of Cultural Policy" (2020) and Ruth Towse's "A Textbook of Cultural Economics" (2019). The study "The Ecology of Culture" (2015) written by John Holden presents essential concepts for understanding participatory frameworks in cultural leadership making it applicable for Azerbaijan's cultural policy research. This research will utilize reports published by UNESCO ("Cultural Policies for Sustainable Development" 2023) and OECD ("Cultural and Creative Industries in the Digital Economy," 2021) to assess international policy developments and digital transformation approaches and economic frameworks which apply

to cultural institutions. This investigation employs the World Bank's Governance Indicators (2022) to evaluate cultural governance efficiency and measure Azerbaijan's performance against other emerging countries and former Soviet nations.

The research encounters multiple challenges during its efforts to conduct a complete assessment. Secondary data sources for this study present a drawback because they may fail to show Azerbaijan's most current cultural sector policy developments. Time-sensitive public reports typically lack information about unofficial and emerging reforms taking place within government policies or institutional frameworks. The study depends on comparative research methods although it encounters constraints because successful models from France, Germany or the UK might not translate directly to Azerbaijan because of substantial political, economic and cultural governance variations.

The study weakness arises from the lack of primary data obtained from cultural policymakers or institutional leaders and practitioners which prohibits an understanding of their firsthand perspectives on current challenges and reform activities. Future research should advance these findings through practical fieldwork by conducting surveys and conducting expert interviews and conducting institutional case studies.

The study aims to provide relevant knowledge by analyzing Azerbaijan's cultural management challenges through proper frameworks which identify policies based on international standards and national requirements.

1.5 Roadmap of the Paper

This paper delivers a complete analysis of cultural management in Azerbaijan through a study of traditional elements in relation to innovative practices. The research methodology takes a methodical approach starting with historical and structural challenges analysis then continues with international model comparison before ending with precise recommendations fitted to Azerbaijan's regional socio-cultural framework.

The paper starts by presenting the Context of the Problem that traces Azerbaijan's cultural management system from its Soviet-era centralized leadership model to analyze its influence on organizational independence as well as financial stability and engagement of society. The section indicates the bureaucratic obstacles that arise from system inefficiencies and the dependency on state funds and examines the restricted participation of stakeholders as well as the delayed digital transformation initiatives.

The Definition of the Problem section provides detailed analysis of the particular issues that affect cultural institutions throughout Azerbaijan regarding their structure and finances and governance systems. The section showcases an explanation of why modern cultural requirements need enhanced policies and shows how the absence of strategic reform stops the sector from adopting global best practices.

The Statement of Interest delivers evidence supporting this research by establishing how excellent cultural management promotes Azerbaijan's development strategies. The analysis reveals that institutional and financial problems together with user involvement approaches and digital transition measures play important roles in achieving lasting sustainability and global competition status.

The Study's Methodology and Constraints Focus section explains how qualitative research methods coupled with secondary data from academic books and government reports and international case examples. The analysis acknowledges various study restrictions namely the absence of primary data collection methods and different institutional settings which constrain the adoption of foreign examples.

The section analyzes international cultural management approaches in France, Germany and the United Kingdom and the Netherlands. This section outlines the successful governance mechanisms and financial approaches and digital plans used by these countries which can help Azerbaijan develop its cultural policy framework.

The evaluation of policy alternatives establishes three essential reform approaches as follows: (1) Cultural governance decentralization and (2) Enhanced public-private partnerships for funding diversification and (3) Digital transformation of cultural management through enhanced accessibility along with efficiency and 4) Employing dual leadership and defining task responsibilities for institutions. A comprehensive assessment of the policy options occurs through evaluations which examine the factors of effectiveness, efficiency, equity, feasibility and flexibility.

The last segment integrates the research outcomes by introducing an integrated model which merges decentralization and digitalization elements to advance Azerbaijan's cultural framework. The paper provides two-timeframe strategies for implementation together with guidance for decision-makers and cultural institutions and stakeholders.

The paper uses an organized structure to present theoretical base alongside practical solutions which aim to transform Azerbaijan's cultural management system.

Problem Description

The following chapter provides an in-depth analysis of the various challenges which Azerbaijan's cultural management framework must confront. Utilizing elements such as historical precedent, economic data, international case studies, and more recent transformations through digitalization, the chapter begins by identifying and defining the very problem itself. After exploring the immediate need for intervention, it goes on to locate the problem within the larger picture and ultimately develops a policy framework to watch over the examination of alternative policy options in the aftermath. The story to be narrated aims to connect Soviet-type centralization with contemporary quandaries namely, bureaucratic inertia, financial instability, low public input, and digital stagnation to argue that reforms are urgently needed and can be carried out. (Throsby, 2001; Trompenaars & Hampden-Turner, 1997; UNESCO Institute for Statistics, 2023).

2.1 Systemic Constraints on Azerbaijan's Cultural Sector: Bureaucracy, Funding, Participation & Digital Gaps

The Law on Culture (1998) enshrines a system of centralized control of the heritage by outlining the state's role in keeping and promoting cultural heritage; however, the law is centralistic in nature and offers no clear evidence for institutional independence or decentralization. The continuation of post-Soviet administrative models is a crucial constraint on the limited reform space available for cultural institutions. (Republic of Azerbaijan 1998)

Azerbaijan's cultural management system is historically based on a centralized, inherited model from the Soviet Union. While initially offering some benefits in preserving national heritage, the same model has gradually become an obstacle for innovation and adaptive

growth in a fast-moving global cultural environment (Suny, 1993). In this section, four critical dimensions of the problem are investigated: bureaucratic regulation and governance, financial insecurity, public participation, and digital transformation challenges.

Bureaucratic Regulation and Governance

Central to cultural governance in Azerbaijan is an inflexible hierarchical structure that originated in the Soviet period. This model grants ample authority to the Ministry of Culture, which controls all aspects of cultural production from the appointment of management to the operational policies of such cultural institutions as theaters, museums, galleries, etc. Its centralized system was put in place to ensure that cultural production remained in synch with state ideology and to propagate a homogenized national narrative (Suny, 1993). However, this very rigidity has now become a huge disadvantage as the demands of the present have changed. Every operational change must pass through multiple layers of approval, delaying responses to emerging audience trends and technological opportunities (World Bank, 2022).

In the centralized decision-making, everything seems slow and cumbersome. Hence every single operational modification, whether it is just a small adjustment in timing or an actual change in programming, has to go through several layers of approval. This whole bureaucracy tends to stifle innovation by delaying decisions that need to be taken urgently and practically discouraging local managers from initiating any actions (Bennett, 2019). As a result, cultural institutions are usually often found to be overly slow in responding to trends that develop very quickly, audience feedback, and technological opportunities. Also, without local autonomy, chances for creativity are limited for artistic directors and curators who have to follow preestablished guidelines that seldom resonate with current public preferences or global cultural trends (Trompenaars & Hampden-Turner, 1997).

More recent data from the European Commission (2022) have shown that decentralized cultural governance can result in decision-making processes being, on average, 40% quicker than those found in highly centralized systems. For example, Germany and the Netherlands report turnaround times for program approvals that are 3-4 weeks shorter than in many former Soviet states. In fact, a comparative study found that countries with decentralized cultural policies have almost 25% more innovation in cultural programming. In Azerbaijan, however, long delays in the approval of some decisions may take months a factor that is especially true in cases when budgetary amendments are needed. While maintaining centralized control incurs operating inefficiencies, it also makes the audience less responsive; although some European countries make such changes in a quarter, those in Azerbaijan will take up to six months or, worse, more.

International case studies have also reflected that in countries like Finland, as a result of having decentralized governance model, increase audience engagement by local cultural institutions up to 30% simply because they can respond quickly to local tastes (European Commission, 2022). In sharp contrast, Azerbaijan's all-too-bureaucratic structure again reverberating with its Soviet past stifles creativity and delays responses to contemporary cultural needs. Reports made in 2021 from Eastern European cultural agencies revealed that nearly 70% of cultural managers believed that too much bureaucratic oversight directly inhibited creative programming (OECD, 2021). Other source from OECD (2021) state that states that practice decentralized cultural governance reported up to 15% higher retention rates for cultural professionals, while in Azerbaijan the anecdotal evidence points out that around 20-25% of the emerging cultural talent opt to work abroad or in less regulated sectors.

Cultural governance models in Germany and the Netherlands have undergone decentralization. In this regard, cultural institutions are granted quite some leverage in designing programs and operations to suit local circumstances, an arrangement said to foster their innovation and audience engagement. In contrast to this are the centrally controlled dynamics witnessed in Azerbaijan, whereby international counterparts enjoy flexibility and empowerment at the local level; Azerbaijan's cultural institutions continue to be held captive under retrogressive administrative processes that impede growth.

Bureaucratic regulation curbs human resource development, further disadvantaging the scenario. Centralization to the extreme kills the spirit within cultural professionals to enter the sector. Most of the new artists and managers prefer working conditions conducive to creativity, rapid decision-making, and low levels of bureaucratic interference, and the sector suffers from a flight of brains toward various markets abroad or into other sectors with less organizational obstacles. This migration only worsens the conditions for truly innovative work by perpetuating cycles of maladministration.

Financial Instability

Properly financially sustainable cultural management is possible where financial sustainability is a key. Most cultural institutions in Azerbaijan depend heavily on state funding. While state support offers stability and preserves the cultural heritage, it also makes such institutions mighty fragile. When national budgets are constricted in light of an economic downturn or shifts in political priorities, cultural institutions are among the first to suffer cuts. This overdependence endangers day-to-day operations and equally undermines long-term strategic planning and infrastructure investment.

The exploitation of oil and gas revenues demonstrates a stronghold of power on the economy of Azerbaijan. Fluctuations of energy markets around the world thus have an immediate influence on government budgets. In such scenario, cultural funding almost always becomes a hot potato with institutions scrambling to survive on budgetary cuts. The unpredictability of the economic situation makes it more difficult for cultural organizations to invest either in innovations, new facilities, or maintenance of their old infrastructure. Furthermore, because of the absence of diversified income sources, cultural institutions have no alternative for preparations in case of any financially startling shocks.

An important side of financial instability is a pronounced gap in salaries for those working within cultural institutions. While state-appointed administrators enjoy reasonable salaries on a continued basis, the artists, performers, and other creative workers often work at the mercy of non-contractual payments. This inequity creates a demotivating work environment for artists, which discourages potential talented individuals from pursuing their careers in the cultural sector. Over the years, the widening of the gap in wages increases the competition

for talent retention, thus resulting in the shortage of creative professionals needed for the innovative drive behind high-quality cultural production.

Because most cultural institutions in Azerbaijan are mainly funded through the government, the supports offer much-needed stability, yet render such institutions fragile. In fact, the European Commission (2022) has mentioned that institutions in countries like the UK and US nowadays derive up to 50% of their operating budgets from ticket sales, sponsorships, and merchandising. The study by the European Commission (2022) indicated that, in France, cultural institutions enjoy a typology of mixed funding sources wherein state funding does not account for more than 40–45% of total funding. In Azerbaijan, only about 15% of those cultural institutions have successfully realized any alternative funding streams apart from the state support (UNESCO, 2023). The financial survey in recent months has further evidenced that during periods of an economic crisis like during the dip of oil prices in late 2022 budget cuts would generally exceed 30% for cultural institutions in Azerbaijan (World Bank, 2022). Multiple programs reported reduced activity in 2020 during oil price declines, making only 60–70% of their projected budgets.

Towse (2019) established in a detailed study that institutions with diversified income sources tend to be 20-25% more resilient during financial crises, reflected in higher employment stability and improved infrastructure maintenance. Survey results among cultural workers in Azerbaijan also suggest that around 50% of the artists believe that current funding models severely constrain creative expression and professional sustainability. Further comparative data from the OECD (2021), which shows that nations with strong cultural sectors tend to generate substantial non-state revenues through public-private partnerships (PPPs). For instance, the non-state revenue in the UK has increased by some 35% per year since the early

2000s from cultural endowments and corporate sponsorships-a trend that has never taken root in Azerbaijan.

Lack of Public Participation

According to the Law of 2014 on public participation, it was expected to be a measure to broaden transparency in the engagement of civil society in public policy-making (Republic of Azerbaijan, 2014). Although it has scope to be proven effective, implementation still remains limited with regard to culture. In fact, most cultural institutions do not have public councils, consultations, or other requirements prescribed in the law. Thus, the voices of the communities continue being excluded.

Cultural management is participatory by nature; therefore, we need to develop policies based on the feedback from some artists, cultural practitioners, and the public to reflect the actual contemporary needs and preferences of society. However, in Azerbaijan, the decision-making process remains highly centralized, with little opportunity for stakeholders to influence cultural policy. Such a top-down paradigm means that opposing views from local communities frequently go unnoticed, resulting in cultural programs that cannot find resonance with the people.

The absence of public participation has far-reaching consequences on the cultural sector. When local artists, community leaders, and local audiences are systematically excluded from the decision-making process for cultural programming, this programming generally diverges from representing a rich diversity of the community. A gap from this interaction serves to diminish the credibility of cultural events and, subsequently, public participation. Evidence from Sweden and the Netherlands further emphasizes the note that communities that

participate in shaping cultural policies experience increased attendance, satisfaction among their constituents, and public ownership.

Besides the boosts that public participation gives to cultural programming, it is important for accountability and transparency. A participatory governance model will regain the trust of the public in cultural institutions through the openness and inclusion of decision-making processes. Setting up advisory councils, public forums, and other participatory mechanisms can provide opportunities where differing voices can share ideas and hold administrators accountable. In Azerbaijan, this lack contributes to increasing frustration among cultural practitioners as well as the general population, thus further undermining the possibility of the sector.

While public participation should be a vital ingredient in cultural resource management, it is very small in Azerbaijan. However, it is a highly centralized process, and not much input is allowed for various stakeholders. Only 12 percent out of all cultural institutions in Azerbaijan include local communities in their planning processes, while in countries like Sweden and the Netherlands, the percentage is more than 65 (ICOMOS, 2022). This gap extends to the UN E-Participation Index. In 2022, Azerbaijan was ranked only 98 in the Index, scoring 0.386 out of 1, while countries like Denmark and Finland typically score above marks 0.7 (ICOMOS, 2022; UNESCO, 2023). Research shows that including public participation in cultural policies boosts attendance with up to 20% to 30% and contributes to greater local audience satisfaction (Holden, 2015). Research by Holden (2015) also suggests that participatory governance is linked with elevated levels of trust among communities, where regular cultural consultations around regions are less likely to experience cultural disaffection by up to 15%. Surveys in urban areas of Azerbaijan indicate that an overwhelming majority

of the population, only 10%, feels that cultural policies reflect the needs of their communities, as opposed to participation rates normally exceeding 50% in many Western European cities (ICOMOS, 2022).

Challenges of Digital Transformation

Cultural fields have completely changed through digital technologies during the last twenty years across the globe. Museums provide virtual tours, theaters broadcast performances online, and galleries have digitized everything that they have, making it accessible from anywhere worldwide. Certainly, the digital tools extended the 'reach' of cultural institutions but also opened new revenue models as well as international collaboration opportunities. On the other hand, Azerbaijan's cultural sector is actually lagging in its adoption of such innovations.

There are many factors contributing to the digital lag in Azerbaijan. Among the most important barriers, there is investment deficit regarding digital infrastructures. Several cultural institutions still rely on old-end technology and cannot develop modern engaging digital content. A short strategic vision is also apparent with respect to digital transformation. Because of absence from clear roadmap, it fails to convince the administrators to allocate money on technologies that can take a significant upfront investment and require organizational change.

In addition to hosting virtual tours in museums and live streaming performances in theaters, the digital transformation has impacted cultures almost universally; but, in Azerbaijan, cultural development has barely started. The Digital Readiness Index of UNESCO (2023), for instance, indicates that only 12-15% of cultural institutions operate digital tools in Azerbaijan, whereas Western Europe stands at close to 75%. The European Commission (2022) survey finds that, at best, digital engagement would have raised revenue by 20% within two years. For example, Estonia saw a raise in virtual attendance by 50% due to online initiatives during the pandemic, while Azerbaijan's digital formatting-that is around 0.5% of

GDP-has not achieved similar. Moreover, the Asian Development Bank (2023) survey reveals that fewer than 20% of cultural professionals in Azerbaijan have gone on formal training in digital skills, while the figure is over 60% for leading nations in Europe.

The lack of digital solutions has several consequences. It inhibits cultural institutions from getting in touch with that part of the audience which is becoming younger and tech-savvy and increasingly consuming cultural content online. Moreover, as per today's digital economy, the lack of online platforms does not only limit institutional audience engagement but also creates a scenario of losing that much institutional income from digital ticketing, virtual memberships, and e-commerce. It also actually saves Azerbaijan from the isolation of global cultural networks; hence, it has very few avenues for international collaboration where perspectives and innovative practices can be shared or imported into the scene.

Thus, the cultural management system of Azerbaijan is experiencing a chain of interconnected problems. First of all, the centralized governance set in the Soviet-era bureaucracy curtails local autonomy, thereby stifling innovation and delaying decision-making (Suny, 1993). Secondly, the financial instability adds on another dimension to the above because excessively depending on state funding and the concomitant economic instability threatens strategic planning and has resulted in considerable wage differentials (World Bank, 2022; Towse, 2019). The top-down decision-making process also leaves out major stakeholders, leading to mismatches of cultural policies with the contemporary audience (Holden, 2015). Finally, the digital deficit in transformation, defined by low investments and weak strategic attention paid to digital technologies, narrows audience engagement, deprives of new revenue generation channels, and cuts off global connectivity (Parry, 2021). Thus, all these contribute to a cycle of inefficiency not only in developing the

cultural sector but also marking its way toward long-term unsustainability. These challenges have to be addressed with a detailed strategy, remembering the historical legacies and simultaneously adapting to the emerging globalised trends.

2.2 Economic, Social & Technological Consequences of Maintaining the Status Quo

There can be no exaggeration concerning the need to reform the cultural management system in Azerbaijan. In this context, we build strong arguments about the urgent need for immediate reforms by examining the economic, social, and technological outcomes of maintaining status quo.

In addition, the resource dependence of state funding puts cultural institutions in great economic risk. Fiscal contractions whether brought about globally by fluctuations in oil prices or locally through domestic economic policy changes make cultural organizations the first among many suffering. Budget cuts mean low operational resource use for institutions, which later translates to reduced programming, deferred maintenance, and inability to invest in new ideas or innovation. In the long run, this may lead to a degradation of the infrastructure and services and reduce the sector's total contribution to the national economy (World Bank, 2022).

Cost-cutting due to the fluctuations of global oil prices or national policies seriously injure cultural organizations in Azerbaijan. According to the World Bank (2022), cultural budgets in oil-dependent economies are slashed by 30-40% during downturns. Following the drop in oil prices in 2020, some Azerbaijani culture-bearing institutions operated at only 60-70% of their planned budgets. The absence of diversified funding sources would still carry a risk of

prolonged underinvestment, affecting not only the quality of culture but also potential multipliers such as tourism and urban regeneration (World Bank, 2022; IMF, 2020).

The report by Culture Partnership (2021) unveils the fact that whereas cultural sectors in developed economies usually contribute between 3% and 5% of national GDP, the figure for Azerbaijan is still around 1%. Such financial outlay will create huge gaps and create salary differentials wherein state entertained managers earn as much as three times more than practicing artists. Moreover, research by the European Cultural Foundation (2022) showed that institutions with diversified sources of income have a retention rate of creative staff that is 20% to 25% higher, thereby necessitating financial reform (European Cultural Foundation, 2022).

Independently, financial instability hits human resources with the impacts. The uncertainty in employment prospects and varying remunerations attached to creative professionals and managers impels many to shift from the cultural sector-the so-called "brain drain." This eventually has adverse effects, diminishing the quality of cultural production and reducing the sector's capacity to generate newer ideas and attract future talent. On the contrary, diversified funding patterns- as popular in more resilient cultural economies would safeguard steady employment opening which in turn nurtures a vibrant and creative cultural realm (Bennett, 2019).

Culture multiplies benefits well beyond its confines. It is that significant cultural institution that stimulates a stream of tourism, creative industries, and good life experience for citizens. Key drivers on urban regeneration and regional development create from there. If cultural institutions of Azerbaijan continue weakening financially, the consequent fallout would affect

broader economic development efforts, thus lessening the country's attractiveness as tourist destinations and conditions for international investors (Throsby, 2001).

Social and Cultural Consequences

Cultural institutions keep a vital role by preserving or promoting national identity. They function as custodians of history, art, and tradition. However, when such institutions are denied progress by themselves in the name of old governance and chronic underfunding, it is likely to miss the mark. The result is one of the very slow erosion of national identity, as the story of cultural heritage fades into the grains of historical passing and failure to suit contemporary contexts. To a country like Azerbaijan, with its dense culture and a multiplicity of artistic expressions, this may have huge implications for the pride of the nation and its social cohesion.

Cultural entities have an important role in maintaining national identity and creating social cohesion. A 2023 UNESCO study revealed that almost 45 percent of Azerbaijanis feel that their cultural heritage awaits imminent danger from insufficient assistance and obsolete management systems. On the other hand, countries such as Italy and Spain report that over 70 percent of their citizens consider cultural institutions to be an essential component of national identity. Further, in a 2022 Eurobarometer study, it was noted that public participation initiatives in culture can raise attendance by more than 30 percent in three years (UNESCO, 2023; European Commission, 2022).

A key engine of cultural institutions is the public engagement. At its best in a democracy, art and culture should know no vending but be employed in propelling mutual dialogue, understanding, and social cohesion. When public participation is not considered in cultural governance, alienation takes place. By that time, there is already a downslide in audience attendance, participation, and hence loosening of social bonds where cultural institutions would have previously made that possible. Countries that successfully incorporate

participatory models show an even greater tendency of higher and satisfied engagement of communities, thus underscoring the urgency of Azerbaijan in revolutionizing its approach (Holden, 2015).

The extended trials conducted in urban areas of Azerbaijan reveal that only about 10 percent of the respondents feel that cultural policies do reflect their community needs, whereas Western European cities see a participation rate of over 50 percent when such policies involve local advisory boards (ICOMOS, 2022). Such discrepancies show how engagement could serve to foster cultural regeneration and a broad mandate of public support.

Younger generations know little about the usefulness of centralized cultural institutions, since they now spend their time on digital, interactive, and participatory applications. This problem denies future relevance for cultural organizations and further limits avenues for the creativity exchange leading to innovative forms of art. It makes the rethink of cultural management model to create inclusive, dynamic platforms for older and younger audiences.

2.3 Harnessing Digital Tools: Risks and Rewards for Cultural Institutions

In recent decades, the cultural sector worldwide has experienced enormous change because of the digital revolution. Institutions adopting digital tools provide virtual tours, interactive exhibits, online ticketing, and digital archives for audiences, thus raising the profile and generating new income streams for these institutions. Conversely, with slow digital adoption, Azerbaijan's cultural institutions are comparatively underdeveloped in keeping up with global trends. This technological lag not only affects audience engagement but constitutionally constrains the sector's ability to benefit from the digital economy (Parry, 2021; UNESCO, 2023).

Beyond audience reach, digital transformation presents the opportunity for additional revenue sources, with online platforms facilitating digital-ticket sales, membership subscriptions, and e-commerce opportunities such as merchandise sales. Digital tools also allow institutions to innovate in situating programs in hybrid models, combining physical and virtual experiences. Such innovations can help attract a more diverse audience and encourage cross-border cultural exchanges, thus amplifying Azerbaijan's profile on the global cultural market (Towse, 2019).

The key to staying abreast of the global cultural scene will be investing in shiny new digital environments. This means upgrading systems, training cultural workers in digital skills, and cooperating with international tech companies. A comprehensive digital approach is not only about modernization; it is about ensuring that the cultural sector survives in a world of rapid technological change (UNESCO, 2023).

Why Reform Is Urgent

The confluence of evidence seems to present an open-and-shut case: the present cultural management system in Azerbaijan is untenable. The interwoven problems of bureaucratic inefficiency, financial distress, lack of public participation, and digital underdevelopment crisscross the territory blocking every avenue for the preservation and advancement of the country's cultural heritage. Inaction would mean the continuing decay of cultural institutions, a dwindling faith among the general populace, and a lessened role for culture in national development. A massive strategy for reform, however, holds out the promise of being able to revitalize the cultural sector and foster innovation and, in so doing, place Azerbaijan at the forefront of cultural governance in an age of rapid global change (Bennett, 2019; Throsby, 2001).

Focusing on Outlining the Problem Within the Environment

Understanding the problematic context of Azerbaijan in cultural management necessitates a detailed view of its historical, economic, political, societal, and technological setting. This contextual analysis also adds another layer of understanding to why the aforementioned problems are simultaneous and systemic.

Historical and Political Context

The further from the current cultural management system of Azerbaijan, it goes back to the former period of the Soviet Union that culture served not only as an ideological tool, like among other things, under this very strict state definition all cultural productions were de facto state-monitored with no tolerance for deviation from prescribed state narratives. It did create a national culture but stifled the flame of individual expression and novelty. From and including 1991, the year of independence, many institutional practices of that previous Soviet period were maintained. Most cultural policies are still under the Ministry of Culture, and decision making is still centralized-a remnant of an earlier age when it posed very real difficulties for relevance today. Political circumstances compound these problems (Suny, 1993).

Political and administrative circumstances further exacerbate it; that is, the centralized exercise of power by very few authorities formed the basis of an inertia-sometimes called as a bureaucratic inertia-of administrative nonresponsive behavior. Changes in political priorities or lines lead in Azerbaijan to changes in line with funding and policy with regard to culture overnight, which have caused institutions to be blindsided when suddenly faced with so much change. This inflexibility is compounded by the fact that the higher political

authority is mostly not equipped with the required technical expertise to grasp the nuances of cultural management, further strengthening such obsolete practices (UNESCO, 2023).

Economic Dependencies and Funding Constraints

Economically, Azerbaijan depends heavily on oil and gas, exports, and thus on international market fluctuations. This dependency influences the revenues of the state and political decisions, which ultimately determine what is allocated to cultural institutions. In times of economic prosperity, increased funds may be available to the state; in times of economic decline, cultural budgets are often the first to be slashed. Such continuities of instability have made further planning for cultural institutions adjacent to impossible as they are unable to rely on sustained funding for long-term investment, technological advancements, or facility maintenance (World Bank, 2022).

Countries that offer a rich comparison to Azerbaijan are characterized by diversified economic bases and alternate cultural funding modes. In countries where cultural institutions rely on a suitable mix of public funding, private investment, and revenue-generating activities, greater stability and capacity for innovativeness exist. The lack of such diversity in Azerbaijan's funding environment exposes its cultural sector to economic shock and accentuates the necessity for a more resilient funding model (Towse, 2019).

Societal Shifts and the Role of Public Engagement

Societal changes have fundamentally altered the way culture is consumed. Today's audiences demand more interactive, inclusive, and personalized non-tutored cultural experiences. Social media and digital platforms are at the forefront of this transformation, whereby cultural institutions interact with audiences and the public at large. Young generations often gravitate toward platforms where they can engage with art and culture in real time via virtual exhibitions, online communities, and participatory events. In Azerbaijan, the old-fashioned model of cultural governance, emphasizing a top-down approach, is totally unable to deliver on these advances. This creates a situation where the bargain between cultural policies in one hand and public demand on the other is simply not met. In this regard, Parry (2021) wrote: "A serious detachment exists."

International studies have shown that the best cultural policies are those which give voice to all possible stakeholders. In this way, participatory governance models increase the relevance of their programming while concurrently building public trust and civic participation. In Azerbaijan, an absence from these discussions has engendered increasing feelings of cultural consumer disenfranchisement. This disconnect undermines the ability of cultural institutions to act as sites for community dialogue and social cohesion (Holden, 2015).

In the next two decades, deep cultural digitalization took place that changed the cultural landscape all around the globe. Digital platforms have allowed institutions to transcend geographical barriers out there with global audiences being made possible for access to cultural content in some cases. Other technologies, such as VR, AR, and interactive online exhibits, have reshaped the visitor experience, while in stark contrast, many cultural institutions in Azerbaijan are still stuck in very antiquated practices that barely provide a

semblance of digital outreach. The digital gap is not only a technological issue; it acts as a tremendous barrier to participation in the global cultural dialogue (Parry, 2021).

Neglecting to embrace digital technologies has several consequences. In the first instance, it diminishes audience engagement, especially among youth who require smooth digital experiences. Secondly, failure to embrace digital technologies limits avenues for international collaboration; this has become increasingly indispensable for cultural exchange and innovation. In the absence of digital revenue streams, cultural institutions miss out on opportunities to diversify income and become financially stable. Hence this technological gap further aggravates other systemic challenges, additionally stressing the urgency for digital transformation (Towse, 2019).

Considering historical, economic, social, and technological perspectives casts an even sharper shadow on issues afflicting Azerbaijan's cultural management system. On the one hand, cultural institutions are stifled by the ever-elastic power of Soviet-style governance; on the other hand, by economic instabilities and a rapidly changing digital environment. These challenges require addressing internal reform along with an external platform that considers the outside forces acting upon cultural production and consumption today (Suny, 1993; World Bank, 2022; Parry, 2021).

2.4 A Roadmap for Policy Solutions

Given the multi-layered challenges alluded to above, any reform effort must also be very comprehensive. The framework on which the policymakers can deliberate about evaluating and implementing reforms will be structured around the four interrelated pillars: governance reform, financial sustainability, public participation, and digital transformation.

Concerning governance reform, the most critical change is the transformation from the present centralized model of governance to a system that is capable of empowering local institutions. It is also an essential element for minimizing delays through procedures and establishing a rapid decision-making mechanism. This can reduce and simplify bureaucratic administrative procedures for operational decisions to minimize the number of cul-de-sac approvals needed. To delegate the authority towards local managers and limit the number of signatures required from central authorities (Trompenaars & Hampden-Turner, 1997). It should include training about creating energizing and digital strategies as suggested by Bennett (2019). Likewise, empower local leaders through the formulation of leadership training programs to equip administrators with the managerial skills to effectively manage cultural institutions. Clear and measurable performance indicators are crucial to demonstrating accountability at both local and central levels; they should include indicators of operational efficiency, audience involvement, and financial performance (Throsby, 2001). Incorporating best practices from already decentralized countries such as Germany or the Netherlands in policy-making should be practically localized in adapting the models.

All decentralization must go with the accountability and transparency. Most importantly, the reforms have to be directed to bringing about the necessary measures of increasing trust between cultural institutions and the public through enhancing transparency such as for

example through regular public performance metric reporting, audit mechanisms, and stakeholder feedback processes. Such measures will ensure that decentralization does not compromise the accountability but would make local managers responsible for results and then spearhead them towards innovation and high efficiency (UNESCO, 2023).

Indeed, lack of state funding and reduced inclination towards financial sustainability and diversification are dramatically important in the quest for long-term financial stability. With such efforts, the public sector would induce collaboration by creating an environment in which the private sectors would be encouraged to invest in the government otherwise by offering tax incentives to organizations investing in cultural projects regarding the development of joint ventures between public institutions and private entities as Towse (2019) recommends. Other endeavors should also include developing revenue-generating initiatives with permission from institutions that could boost that income, such as online ticketing, merchandising, licensing of cultural content, and even fundraising through digital platforms like crowdfunding or membership programs. Joint, public-private cultural endowment fund, however, is another very important potential avenue to provide very secure financial resources at times of economic downturn. Further, such grants, loans, or incubation programs would attract and assist cultural entrepreneurs in creating innovative business models that would be sustainable within the cultural space (Throsby, 2001).

The implementation of dual leadership can be seen as a successful attempt to tackle the inefficiencies of centralized cultural management in Azerbaijan. Generally described as co-leadership or shared leadership, this strategy divides leadership functions between two key persons: the Creative Director, who provides the artistic vision and innovation for programming, and the Operations Manager, who actively executes the administrative

functions associated with the projects, including financial management and resource allocation. This results in the timely and rapid decision-making that becomes possible due to eliminating bottlenecks that characterize highly centralized systems. In the related research literature on shared leadership, it has been shown that if an organization creates complementary roles and divides work in this way, agility and responsiveness to change are increased (Carson, Tesluk, & Marrone, 2007). Given that cultural institutions' entire operation can often be hindered by layers of bureaucracy, it is imperative to have this structure so as not to suffocate creative ideas while carrying out the operational decisions.

The importance of dual leadership in Azerbaijani cultural institutions was also discussed at meetings with stakeholders. Mr. Kamal Mammadov, Head of the Creative Industries Department's Sector, commented that to be effective leaders would have to study experience from various cultural organizations. For instance, according to Mr. Kamal Mammadov, a theater director ideally should carry experience from various institutions. This position highlights the need for dual leadership, besides administrative change as it brings a wider set of artistic and managerial perspective. In this case the two leaders are focused on artistic strategy, creative work on the one hand and, on the other, operational management, budgeting, and relations with stakeholders. Such a division enhances the leadership through the use of specialized knowledge, raises oversight, and ensures that the artistic progress of the institution is compatible with the sustainability of the institution in the long term.

Innovation is also served by dual leadership, particularly where one leader is primarily concerned with the creative aspect, while the other is responsible for things like administration, finance, etc. This creates an environment that nurtures both artistic experimentation and a commitment to fiscal responsibility. Evidence shows shared leadership

in teams creates conditions for increased innovation and successful performance outcomes (Hoch, Pearce, & Welzel, 2010). This dual approach may bridge the creative-governance divide and ensure that new cultural programs are imaginative yet sustainable financially. On a further note, dual leadership will gather strength in tackling matters of talent retention; with an equitable distribution of work, top managers can suffer less burn-out and take job satisfaction. This ensures the retention of creative professionals while simultaneously appealing to a larger talent pool desiring atmospheres that value true innovation coupled with articulate operations (Pearce & Sims, 2002).

Furthermore, dual leadership heightens engagement from other stakeholders. Cultural institutions effectively engage in their creative communities as well as their external partners when the roles within these organizations are distinct. The Creative Director will nurture relationships with artists, curators, and detractors of culture, while the Operations Manager develops partnerships with private sponsors and government agencies. This division of labor promotes a more vivacious and far-reaching management, which is pertinent for the transformation of the cultural sector of Azerbaijan. Empirical studies have shown leadership shared amongst stakeholder groups enhances performance and innovation (Carson et al., 2007; Hoch et al., 2010) and shares the same promise here among cultural institutions that need to balance the fine artistic vision against the rigorous demands of operational viability.

Financial reforms should also address the existing differences in salaries between government-appointed administrators and artists or creative professionals. Fair compensation must not only help keep talent but also nurture a more dynamic ecosystem for creativity. It could be through effectively studying salary structures, setting up minimum wage criteria for cultural workers, or developing performance-related incentive systems.

The framework also seeks to enhance public participation in cultural governance, reflecting a shift from a top-down model to a participatory one. This entails a change in deep-rooted decision-making processes toward the creation of more advisory and deliberative councils and public forums with representatives drawn from the artistic community, cultural professionals, and the general public; these should be genuine bodies with real influence on policy decisions, as pointed out by Holden (2015). Also working toward this aim will be the establishment of a more organized way of engaging with the community to seek their input on a regular basis, through surveys, focus groups, town hall meetings, etc. Cultural authorities should adhere to a protocol of clear and open communication so that their decisions are effectively communicated and feedback can be actively sought. Digital platforms could serve well in this regard, enabling instant interaction and consultations. Cultural institutions should also promote collaborative design of projects and programs with local communities. This approach will enhance the relevance of some cultural initiatives and foster a sense of ownership among the participants, which is backed by Trompenaars and Hampden-Turner (1997). As research indicates, participatory governance brings about enhancement in quality and relevance of cultural programming, which, accordingly, leads to a high measure of audience engagement and social cohesion (Holden, 2015).

At last, digital transformation is a decisive pillar for modernization of the cultural sector. Big investments should be made to enable these cultural institutions to bridge the digital divides. Strong digital platforms are necessary; these must offer virtual tours, interactive exhibitions, digital archives, and online ticketing systems that are user-friendly and accessible across a wide range of devices (Parry, 2021). At the same time, cultural institutions must enhance the digital literacy of their staff through specific training that upgrades their digital skills in managing and optimizing new digital tools (UNESCO, 2023). Forming international

partnerships with global technology companies and cultural institutions that have successfully implemented digital strategies will provide much-needed expertise and available best practices to accelerate their innovation (Towse, 2019). It is equally essential to use social media and digital marketing as organizational tools for engaging audiences, marketing events, and building a digital community that broadens the institution's international profile.

Digital transformation represents not just the adoption of new technologies, it is a reorientation as well in producing, consuming, and monetizing culture. With the use of digital tools, cultural institutions can participate in the new experience that may attract much wider and more diverse audiences, earn supplementary revenues through online ticketing and memberships, and nurture international collaborations from which all affects enrich the cultural mix. All of this becomes strategically important in keeping the cultural sector relevant while creating its resilience against the rapid changes on the face of technology and shifting audience taste (Parry, 2021).

2.5 Key Takeaways & Next Steps

Clearly, it can be realized through the analysis presented in this chapter that a situation of cultural management in Azerbaijan has reached the point of crisis. The centralized governance structure inherited consequently imposes bureaucracies and administrative regulations that stifle innovation, reduce flexibility, and alienate key stakeholders. Financial instability, as a consequence of overreliance on state funding, aggravates these problems further by limiting the capacity for long-term planning or paint equals resource allocation. Increasingly, nonparticipative decision-making processes have made cultural policies incompatible with a wide range of diverse needs and interests in real society. Last but not

least, the slow pace of digital change, which has kept the cultural sector from harnessing global opportunities and new revenue streams.

The economic, social, and technological viability of the status quo is dire. If the situation continues, the environment will not only destroy cultural institutions; it will also erode national identity and destroy possible economic gains from a flourishing cultural industry. New cultural frames give new meaning in a fast-moving global terrain with recent digital innovations and participatory models that have altered the ways in which culture is produced and consumed, necessitating an urgent intervention for Azerbaijan.

This chapter only proves how it has paved the way toward an all-inclusive comprehensive reform that has been brought to bear with clarity over the main problems of concern requiring attention but with overdue urgency, organized the problems into a larger environmental context, and offered fully integrated policy frameworks therein. Good governance reform, financial sustainability and diversification, improved public participation, and digital transformation are four main pillars of the said frameworks interrelated and mutually reinforcing towards a roadmap for transforming cultural institutions into dynamic, responsive, and globally competitive entities in Azerbaijan.

As it moves further in the discussion, this framework will become the basis for evaluating specific policy alternatives. Effectiveness, efficiency, equity, feasibility, and flexibility will be used to assess those alternatives. It discusses transformative change rather than minor reforms to meet the current need for Azerbaijan to retain its rich cultural heritage and adapt to the needs of the 21st century.

The last problem is not simply one of administrative reform but also about rethinking the whole role of culture in national development. It is in this setting that Azerbaijan will be

constructing a cultural management system that is sustainable and a pride of the country, as well as a point of influence among other nations.

The time for reform has finally arrived. The systemic issues identified bureaucratic rigidity, financial instability, exclusion of public voices, and digital lag cannot be ignored if Azerbaijan is to secure a vibrant cultural future. This framework provides clear, actionable pathways forward. By embracing decentralization, diversifying funding sources, engaging the public, and investing in digital technologies, Azerbaijan can devote its cultural institutions into dynamic engines of creativity and innovation prepared to meet the challenges and opportunities of an ever-changing world.

Policy Options

3.1 Introduction to Policy Options

The challenges discussed in the cultural management system in Azerbaijan from monopolized centralized governance to financial instability and lacking digital assets need a strategic, multi-faceted reform agenda. Based on the rich description of the problem in Chapter 2 and further reinforced by expert interviews with senior associates at the Ministry of Culture and attending agencies, this chapter offers four feasible options for policy direction, which might help address the underlining causes of inefficiency, financial fragility, and lack of public engagement in the sector.

Consultations with experts emphasize common awareness that double-sided governance system limits the flexibility and briefing scope of institutions. Although pervasive centralization is bountiful in terms of coordination, one of the main stakeholders like Ganbarzade Sabuhi (Film Agency) and Elgun Aliyev (Strategic Development Department) said that the situation of empowering local institutions via administrative and financial autonomy was deeply urgent while discussing a specific project. In the same vein, the over-leverage against the state budget allocations was reflected severely as structural vulnerability. As it was mentioned by Nijat Gochiyev and Hacı Əliyev, sustainable cultural development requires a switch to diversified financing formats – from such traditional but state-backed forms as public-private partnerships (PPPPs), self-generated revenues, and culture-minded entrepreneurship.

In addition, there was a digital transformation boom as the main issue throughout interviews. Kamal Mammadov (Creative Industries Department) pointed out the shortcomings of

existing digital systems, such as infrastructural deficiencies, problems of compatibility, and low fit of the solutions for the citizens. Nonetheless, there is agreement on the possibility that the platform can increase transparency, public engagement, and creative innovativeness as long as the implementation is followed by systemic support and capacity building.

The insights dealt with thus far directly lead to the policy options developed herein. While each alternative addresses particular barrier governance rigidity, financial unsustainability, or digital disengagement, they work together toward a more sustainable, inclusive, and forward-thinking landscape for the cultural sector in Azerbaijan. The following chapters outline these options in detail placing a basis for the comparative analysis in the following chapter.

3.2 Policy Option 1: Decentralization of Cultural Governance through Institutional Reform

A centralized governance system has traditionally defined Azerbaijan's cultural evolution, being a direct legacy of the Soviet period. Often these centralized powers have left limited room for local creative initiatives or responsive innovation, especially at the regional and local levels. To rectify these deficiencies, this policy option emphasizes a decentralization of governance instituted by means of institutional reform, aiming at granting greater administrative and financial autonomy to cultural institutions insofar as to the extent that they remain in some sort of relation to the national cultural policy objectives.

The advantages of decentralized controls in cultural governance emerged repeatedly in interviews with experts. Ganbarzade Sabuhi, Head of Internal Control and Audit at the Film Agency, commented that centralized systems could align all actions with a plan; however, nevertheless, it leads to delays and rigid bureaucratic structures during the implementation of certain policies. Nijat Gochiyev, Executive Secretary at the Ministry of Culture, spoke of the logistical difficulty of managing a host of institutions centrally and emphasized the need to

devolve administrative power to local entities. Both experts agreed that cultural institutions must be enabled to carry out their core creative functions without interference from bureaucracy.

State Statistical Committee of the Republic of Azerbaijan states that as of 2022, there is a more than 4500 state funded cultural institutions including libraries, museum, and clubs in Azerbaijan. Nevertheless, fewer than 30% of these institutions have any form of administrative autonomy. Apart from inefficiency in operation, the lack of autonomy also disables such institutions from fitting in with the very localized cultural needs of their community.

The interviews also show a continuing, yet incomplete, trend toward reform. Elgun Aliyev, Sector Manager of Strategic Development, speaks of the plans of restructuring of the cultural institutions in “multifunctional cultural societies” with increased regional accountability. However, he conceded that the current Ministry of Culture statute is still centralized towards most administrative functions, making it apparent that there is a divergence between the intention of decentralization and the institution structure.

Fiscal autonomy is another vital element for efficient decentralization. As Director of the Film Studies Cooperation Department, Hacı Əliyev reasoned that regional institutions should be allowed to generate and share financial benefits, especially through innovative service models and growth of cultural products. He pointed out the discrepancy in the performance of state-run institutions and private-sector cultural enterprises like Cinema Plus, largely explaining it away with market-responsive management of the latter.

Although the central government has taken some moves from a decentralization approach, such as creating regional cultural departments and running local creative centers as a pilot, their efforts have been more symbolic or narrow. Although there may be some operational freedom, regional centers usually do not have administrative freedom in such equally important aspects as hiring, budgeting, and issues of program development. Such an observation is consistent with data from the Open Government Partnership (OGP) reports, which have reported little progress in devolving power from the state to local offices of culture, despite formal agreements.

The policy recommendation outlined in this policy option suggests far-reaching legal and administration reforms to clearly define powers between the Ministry of Culture and the local institutions. In particular, it suggests that institutions have authority to manage human resources, plan budgets, retain internal revenues, and create cultural programming to suit the local audiences. Central oversight would still be done in areas like heritage preservation, compliance with national policy standards and financial auditing. A hybrid model in which central agencies avail support services such as training and ICT systems while the local institutions handle the operations would provide both autonomy and accountability.

Finally, decentralization by means of institutional reform is both possible and required to improve the agility, inclusiveness, and cultural relevance of Azerbaijan's cultural sector. Based on expert consensus and domestic statistics, this option seeks to equip local cultural institutions to function as both creative propellers and responsive service delivers to their citizens.

3.3 Policy Option 2: Establishment of a Mixed-Financing Model through Public-Private Partnerships (PPPs)

The cultural sector of Azerbaijan has long been dependent on the financial support of the state, an approach that has become more and more unrealistic to continue because of fiscal limitations and cultural development needs. In order to overcome these challenges, this policy option supports the creation a mixed-financing approach based on Public-Private Partnerships (PPPs) with a sense of strengthening the diversity of funds, increasing the efficiency of operations and promoting innovation of cultural institutions.

The output of expert interviews highlights the need for financial diversification. Ganbarzade Sabuhi, Head of Internal Control & Audit, Film Agency, stressed on the need for ways cultural institutions to generate income from alternative sources like, sponsorships and combining their forces through Joint Ventures. Along the same lines, Nijat Gochiyev,

Executive Secretary at the Ministry of Culture, underscored the hazards of exclusive consumption of state budgets, calling for introducing private entities to contribute to dynamism and innovativeness in the sphere.

The need for a mixed approach in financing is further supported by figures from the government. As per the State Statistical Committee, Republic of Azerbaijan government spending increased for the first time ever to AZN 10,866.99 million in 2024 as compared to its previous highest amount of AZN 10,591.82 million in 2023, with a consistent pattern of growth (State Statistical Committee, Republic of Azerbaijan). Although it poses an avenue of government's assent to cultural issues, it also brings about a hint of fiscal pressure, making supplementary funding mechanisms necessary (stat.gov.az).

The legislative environment in Azerbaijan has changed to make it conducive for PPPs. The Law on Public-Private Partnerships (Law No. 691-VIQ) adopted in December 2022 provides the definition of PPPs as joint initiatives between public entities and private partners for the purpose of delivering public services and building infrastructure (Law on Public-Private Partnerships, 2022). The law provides that the term of PPP projects can be as long as 49 years and should be based on the principles of transparency, efficiency, and fair risk sharing. This legal basis prepares a favorable ground for the introduction of mixed-financing models into the cultural sector (The Library of Congress).

The works of international organizations are aware of the steps of Azerbaijan in PPP development. The World Bank's Benchmarking Infrastructure 2023 report states that both Azerbaijan and Armenia (another country from the region) have introduced significant changes in creating a framework for the regulation of PPP, while obstacles to project preparation and procurement processes are still present (World Bank, 2023). Furthermore,

the partnership between the country and the Asian Development Bank (ADB) on the PPP project across different sectors such as digital development and infrastructure serves as a signal of the potential of extending such partnerships to the cultural field (Benchmarking Infrastructure Development).

A PPP model with mixed-financing for the cultural sector would require a number of strategic steps. First, identification of good cultural institutions and projects that are eligible for PPP arrangements, like museums, theaters, and cultural festivals. Second, clear guidelines and criteria for private sector participation with alignment to cultural objectives and public interests. Third, idea of setting up monitoring and evaluation tools in order to measure the performance and scope of the PPP initiatives.

The advantages of this approach have many dimensions. Economically, it would ease the financial burden on the government since it would promote private investments. Operatively, it would bring the efficiencies and innovation of the private sector to cultural service delivery. Socially, it would improve the availability and value of cultural provisions available to the public. Careful consideration however, must be taken of the risks such as commercialization of cultural assets and why cultural heritage and identity needs to be preserved.

By way of summation, setting up of the mixed-financing model via PPPs is a feasible and strategic proposal to the revitalization of the cultural sector in Azerbaijan. By utilizing the private sector's assets and expertise under public oversight and cultural integrity, such an approach may help create a more sustainable, dynamic, and inclusive cultural environment.

3.4 Policy Option 3: Launch of a National Digital Cultural Platform for Public Participation and Engagement

The digital revolution in Azerbaijan's cultural sphere has become increasingly more imperative to cover the gap between the culture institutions and the audience issue. The proposed policy alternative supports the need for a comprehensive National Digital Cultural Platform for the purpose of public engagement, accessibility and engagement with cultural services.

A consensus that the need for integration exists in the digital aspect within the cultural sector is established through the expert interviews. Kamal Mammadov, Sector Head of Creative Industries and Digital Development, stressed the need for a user-friendly digital platform that would allow the citizens to gain access to the cultural resources. He emphasized current programs such as "MyCulture.az" but admitted issues arising from the compatibility of the systems and metadata processing. In similar vein, Elgun Aliyev, Sector Manager of Strategic Development indicated that despite the adoption of digital tools, there is no sense of coherence of implementation, resulting to fragmented user experiences.

Governmental statistics highlight the possible extent of a national digital platform. Azerbaijan had 9.19 million internet users, making up 88.0% of the population, and 6.10 million active social media users, which is a 58.4% of the total population, by January 2024. From this high level of digital penetration we can say that there is a large demographic that can be reached out for through a centralized cultural platform.

According to the report from the Ministry of Culture, "the strategy of 'e-Culture' Digital Development of the Ministry of Culture (2024–2026) focuses on the digitization of cultural

assets and services, the improvement of regulatory frameworks, and a digitally-based data management model to improve access and efficiency in culture.” This tactic fits in with the suggested policy option as it is laying down a governmental platform for the creation of a national digital cultural platform.

Regarding the implementation of this policy, there would have to be the designing of a centralized digital platform that is user-friendly, bringing together all cultural content, event information, and interactive offerings to engage the public. Service integration would have to be achieved, ensuring that there would be compatibility or interoperability between existing systems so that the end user does not encounter any hiccups. Tools such as virtual exhibitions, online ticketing, feedback mechanisms, and public forums should populate this platform to promote interaction of citizens. Concurrently, there has to be capacity building through training and appropriate resources provided for staff of the institutions who will handle and make use of the platform on a day-to-day basis. There will also be a need to monitor and evaluate the use of the platform, public satisfaction, and impact measures that will determine the extent of success and enable it to be continuously improved.

This policy would have multiple benefits. Being able to democratize access to culture resources would come in handy; for example, people that are located in remote or underserved areas would be free of geographical location constraints. Also, it would bolster more active public participation in culture-related activities, thus making cultural institutions more pertinent and responsive. As far as data collection and analysis are concerned, this platform would be of immense help in deciding further cultural policies and programs.

On the flip side, there should be some challenges that require to be addressed for the successful implementation, starting with ensuring digital literacy among users, ensuring data privacy, and most importantly, ensuring sustain maintenance.

3.5 Policy Option 4: Introducing Dual Leadership and Clarifying Institutional Mandates in Cultural Governance

A major but neglected challenge in Azerbaijan's cultural management system is the lack of clear positions for leaders in cultural institutions, causing delays, confusion and inefficiencies. Presently, both the Ministry of Culture and other public bodies, for instance agencies, funds and operations, commonly hold overlapping responsibilities. That leads to unclear roles, policy delays and reduced accountability.

Being clear about structure and having leaders focus on specific areas was emphasized again and again in interviews with experts. According to Nijat Gochiyev, Executive Secretary of the Board, the responsibilities may be split, though decisions are still mainly handled at top levels and are not always coordinated. Ganbarzade Sabuhi, from the Film Agency, explained that when it is not clear who has authority over policies, ministries and agencies have to go back and forth which can slow down projects and cause rigidity.

Therefore, this proposal will fully introduce a dual leadership model into cultural institutions, creating two positions: the Creative Director is in charge of plans and new content and the Administrative Director handles operational, financial and external activities. As a result, everyone in the organization can be creative and the company can still carry out its functions productively and in a responsible way.

It is also necessary to systematically clear up what each institution is obliged to do. This means making changes to founding statutes, updating methods for cooperating among agencies and structuring ways project governance is organized. This means every institution and those in charge of it have clear roles and can still effectively communicate and work with neighboring agencies.

The 2024 Statistical Yearbook of the State Statistical Committee reports that there are more than 4,500 state-funded cultural institutions managed at several government levels (SSCA, 2024, p. 284). But because there is no clear system of integrated leadership and defined direction, many members of the group experience confusion, ineffectiveness and a lack of accountability. Adopting dual leadership would help by assigning particular duties to different leaders in organizations.

Dual leadership, properly defined and organized, makes government operations more unified, leads to faster decision-making and increases the transparency of spending public money. Above all, it brings Azerbaijan's cultural management into line with best practices worldwide by encouraging cooperative working and flexible governance. According to the proposal, cultural institutions will be able to adopt newer strategies and adjust to changed circumstances.

Policy Evaluation

4.1 Introduction

Evaluating public policy alternatives is crucial to ensuring that proposed alternatives really solve the underlying problems of institutional inefficiencies, funding instabilities, and public disengagement in the cultural management system in Azerbaijan. In this chapter, three policy alternatives developed in response to the systemic challenges elaborated in previous chapters are assessed: (1) Decentralization of Cultural Governance, (2) Development of a Mixed-Financing Model Through Public-Private Partnerships (PPPs), and (3) National Digital Cultural Platform for Public Participation and Engagement and (4) Introducing Dual Leadership and Clarifying Institutional Mandates in Cultural Governance .

The evaluation uses five key criteria: effectiveness, efficiency, equity, feasibility, and flexibility drawn from international best practice deliberations such as Open Society's Writing Effective Public Policy Papers framework (Young & Quinn, 2002). Further, qualitative evidence collected through expert interviews and quantitative datasets from national and international statistical sources, including the 2024 Statistical Yearbook of Azerbaijan, lend further credibility to the comparative assessments.

The evaluation seeks to find the policy option (or option combinations) best able to provide a solution to Azerbaijan's cultural sector's many multidimensional issues in a sustainable, inclusive, and pragmatic manner.

4.2 Evaluation Criteria

We evaluate using 5 key criteria the proposed options. The first criterion, effectiveness is related to the ability of a specific policy option to address the structural and functional issues identified as present in Azerbaijan's cultural governance, financing and public participation. A good policy would bring about tangible results in terms of the performance of institutions, engagement of the audience as well as diversity of funds.

The second criterion is efficiency, which relates to cost-effectiveness. It takes account of the interaction between inputs (such as the budget allocation, human capital, and the passage of time) and outputs (such as institutional improvement, better access to cultural services, and greater satisfaction among consumers). The efficient policy maximizes the impact and minimizes wastage of the input.

The third criterion is Equity and it refers to the manner of fair or inclusive distribution of benefits by a policy. It determines whether a policy considers regional imbalances - in other words, those between urban and rural regions - and whether the policy considers varying income levels or interest groups in its structure and outcomes.

The fourth criterion, feasibility, relates to the political, administrative, and financial prospect of a policy's successful implementation. This involves whether the policy is consistent with what the existing legal frameworks look like, whether it stands a chance of being well received by the institutions that will have to implement it, and whether it receives what can be termed as adequate political support.

Lastly is Flexibility that assesses the extent by which a policy can adjust to change in the future. Some of these factors might include demographic changes, economic shocks,

technological advances, or changing cultural tastes. The training program is necessary because it is a means of providing the employees with the necessary knowledge to maintain the stability of the firm. The record keeping is necessary because it creates order in the firm and gives the company a proper structure.

4.3 Evaluation Matrix

To make an objective comparison between the three suggested policy alternatives, a well-organized evaluation matrix was created based on a set of five carefully chosen criteria: effectiveness, efficiency, equity, feasibility and flexibility. Every one of the policy options was rated on the basis of these criteria in a qualitative Scoring Scale: High (3 points), Medium (2 points) and Low (1 point). This method is consistent with generally accepted policy analysis frameworks (e.g. presented in *Writing Effective Public Policy Papers*, Young & Quinn 2002), and duplicates the comparative analytical frameworks permitted in similar applied policy projects.

The matrix provides standardized means for integrating qualitative and quantitative evidence (including stakeholder interview data, national statistical indicators and international best practice). Scores were applied based upon the extent to which option set policies addressed certain structural and functional shortcomings in the cultural sector of Azerbaijan, up to the limits of the viability of the letter, institutional preparedness, legal viability, and sustainability over the long-term.

Through the aggregation of scores for each criterion, the matrix produces a total score for every one of the policy options enabling a comparative overview of their

strengths/weaknesses relative to each other. However, the matrix does not limit the analysis to a numerical result. Rather, American Express becomes a tool for diagnosis in favor of a larger qualitative discussion about trade-offs and complementarities of the alternatives. Consistent with the matrix results, the final recommendation of policy is based not simply on matrix results but also on contextual considerations for sequencing reforms, alignment of stakeholders, etc., and integration across options.

| <i>Policy Option</i> | Effectiveness | Efficiency | Equity | Feasibility | Flexibility | Total Score |
|--|----------------------|-------------------|---------------|--------------------|--------------------|--------------------|
| <i>Decentralization of Governance</i> | 3 (High) | 2 (Medium) | 2 (Medium) | 2 (Medium) | 2 (Medium) | 11 |
| <i>Mixed-Financing via PPPs</i> | 3 (High) | 3 (High) | 2 (Medium) | 3 (High) | 2 (Medium) | 13 |
| <i>National Digital Cultural Platform</i> | 2 (Medium) | 2 (Medium) | 3 (High) | 3 (High) | 3 (High) | 13 |
| <i>Introducing Dual Leadership and Defining Task Responsibilities for Institutions</i> | 3(High) | 3(High) | 2(Medium) | 3 (High) | 2(Medium) | 14 |

Table 1. Evaluation of policy options based on criteria of effectiveness, efficiency, equity, feasibility and flexibility (high-3; medium-2; low-1)

4.4 Evaluation of Policy Option 1: Decentralization of Cultural Governance

Decentralized governance of cultures seeks to empower local institutions to manage the levels of their budgets, personnel and programming, lowering dependence on the central Ministry of Culture which brings about the adaptation of rigidity and inefficiency of the current top-down system.

The process of decentralization is effective when it comes to overcoming bureaucratic hiccups. According to Ganbarzade Sabuhi, head of Internal Control at the Film Agency, institutions tend to suffer from “delays due to flexibility“ when exposed to centralized direction. Local cultural entities when empowered can improve responsiveness, innovation and context-specific programming. International examples, including German’s Kulturföderalismus (cultural federalism), show how decentralized forms permit institutions to customize their offerings with the compound requirements of the community.

Although decentralization enhances responsiveness, it involves significant initial costs for training, legal and reforms, and IT systems. With the lack of standard tools in implementing procedures, discrepancies of the quality of institutions may arise. This risk is seen in Azerbaijan’s healthcare and education sector because of the decentralization before regulatory control followed. Therefore, the overall efficiency of this policy will be medium unless it is backed by strong capacity-building mechanisms. There is a risk of lack of coordination limiting national strategic alignment unless a monitoring system is constructed.

This policy has the capacity to enhance equity by dealing with regional discriminations. It is said that subsidies provided to Baku account for more than 68% of the cultural subsidies, leaving other rural areas poorly served (SSCA, 2024, p. 74). Municipalities and cultural societies in the underprivileged regions might be enabled the ability to distribute resources fairly through decentralization.

Despite declarations of support by the Ministry of Culture to multifunctional regional cultural societies, till date, the legal structure still centralizes power. Nijat Gochiyev noticed that “no statute” helps regional institutions gain the “administrative independence”. It would involve legislative adjustments, politics and achievable reasonably well.

4.5 Evaluation of Policy Option 2: Mixed-Financing through Public-Private Partnerships (PPPs)

This option suggests cultivated funding sources by initiatives with private enterprises, non-governmental institutions, and philanthropic establishments, foreign trade financing as it is called, as an alienation from the state budget.

This policy responds to the instability in money one of the elementary issues in the interviews. Nijat Gochiyev stressed that “state-based funding is unsustainable”, Haji Aliyev (Hacı Əliyev) presented “0% dependency” on state subsidies for museums. The international examples of the UK’s Arts Council England and France’s Fonds pour la Création Artistique demonstrate that funding from the public sector could be supplemented by the private sector without artistic vindication.

Mixed-financing model improves efficiency through the introduction of competitive mechanisms, performance-based financing, and professional management practices. As indicated by CEIC (2024), in this fiscal year, the government spent AZN 10.59 billion on culture and social services, whereas in 2024, the government spending was estimated at AZN 10.87 billion, putting an additional strain on public budgets. Selecting some of this burden to be shifted to the private sector may free up resources for the state to undertake structural investments.

The policy can cause unintended benefits to certain institutions, for example, in urban centers or those having huge commercial potential. World Bank holds the view that the PPPs are likely to focus first on returns of investment, which if not regulated, could sideline the smaller

or rural cultural venues. There will be a need for fairness in the form of cross-subsidization schemes and public grants for non-commercial institutions.

The viability of this option is high. In 2022, Azerbaijan revised the Public-Private Partnerships Framework with the 2022 Law on Public-Private Partnerships, thereby enhancing the country's legal environment for private provision of public services (World Bank, 2023). Interviewees confirmed that cultural PPPs are under discussion and the examples of iTickets digital ticketing show the greater involvement of the private sector in culture operations.

Private partnerships are flexible as they are designed as a function of the project size, demand from the sector and community expectations. However, there is the risk of policy rigidity from excessive commercialization if contractual conditions are too strict or profit oriented players dominate content.

4.6 Evaluation of Policy Option 3: National Digital Cultural Platform

This option imagines an integrated digital platform that would consolidate access to cultural services, offer the possibility for citizen feedback, and increase visibility and outreach for cultural institutions.

The digital platform would also build visibility and access, especially among marginalized groups and youth. It does not specifically address governance rigidity or financial instability issues. Interviewee Kamal Mammadov identified the fragmentation of contemporary digital activities, such as metadata incompatibility and the user interface's inadequacy. This would in turn hinge much on execution.

Digital systems are expensive during inception and cheap by the user account. ICT in Azerbaijan produced AZN 3.22 billion in 2023, whereas in 2022, it produced AZN 2.8 billion (SSCA, 2024, p. 113), this is a sign of robust infrastructure support. Furthermore, ticketing, archiving, and content streaming automations can help save a lot of overhead.

The available digital tools promote equity because of the eradication of geographic barriers. In 2024, 88% of the people had internet access and more than 6.1 million active social media users (DataReportal, 2024). Nonetheless, even in clinical settings, a disparity in digital literacy, notably in older and rural communities, must be addressed by training and inclusive design.

The “e-Culture” strategy of the Ministry of Culture gives digital modernization a legal standard. Bob Potts mentioned institutional support and shown interest by stakeholders. But, there will be phased implementation of existing technical and coordination weaknesses.

4.7 Evaluation Policy Option 4: Introducing Dual Leadership and Clarifying Institutional Mandates in Cultural Governance

The chapter also discusses policy alternatives that introduce the idea of dual leadership and explains all the roles and goals of institutions managed under Azerbaijan’s cultural governance structure. With this method, the Ministry of Culture and its included public legal entities no longer create confusion or delays due to conflicting authority. During the interviews, we heard repeatedly that the lack of coordinated leadership was a problem. He explained how the system is fragmented bureaucratically, yet decentrally functional, due to bureaucracies having limited real independence and answerability. Ganbarzade Sabuhi of the Film Agency expressed worry about ongoing issues in programs since there is both overlapping reporting and unclear duties among departments.

It is very effective because it goes right to the heart of a key inefficiency. When institutions have both a Creative Director and an Administrative Director, each role is well defined, less time is wasted and the organization responds more efficiently. According to research done in many countries, using shared leadership frameworks improves a company's performance, increases innovative thinking and lowers the risk of delays in decision-making (Carson, Tesluk, & Marrone, 2007; Hoch, Pearce, & Welzel, 2010). At cultural institutions in the Netherlands, where dual leadership is common, both better management and more freedom for artists are evident (van den Hoogen, 2014; OECD, 2021).

With dual leadership, there is less duplication in tasks and choosing decisions tends to happen more quickly. Better teamwork inside organizations would mean resources can be used more wisely and programs developed more smoothly. Azerbaijan's cultural sector is particularly affected, as over 4,500 institutions there currently follow a range of governance systems without universal ways to monitor or report their activities (SSCA 2024, p. 284).

Even though equity impacts are expected to be mildly positive, this approach still achieves some equity. Although clear organization alone can't address cultural access or funding, it helps set up the necessary platforms for additional reforms to emerge. Clarity of internal structure is important or else even the most inclusive or decentralized policies might be ineffective.

Introducing dual leadership appears to be politically and administratively possible. It doesn't depend on major changes in legislation but prefers to restructure and build agencies' capacity. Yet, resistance from established leadership and a lack of change within organizations can delay the fast adoption of innovations. Improving implementation one step at a time and organizing training for leaders can reduce these risks, according to Patrinos & Fasih in 2009.

This policy proves to be moderately flexible in its approach. After being put into place, the dual leadership structure can be created in many ways, but results are only guaranteed by consistently following the rules and having a well-defined legal framework. Having dual leadership lets teams in the cultural sector quickly adapt to new audience requirements and ongoing changes in funding sources that are more and more important in the current digital and global world (UNESCO, 2023).

In short, this approach isn't a solution for every external problem, yet it is still quite enabling. With better organization and defined roles, other changes like PPPs, digital advancement and decentralization can be created, carried out and continued.

4.8 Comparative Summary of Policy Options

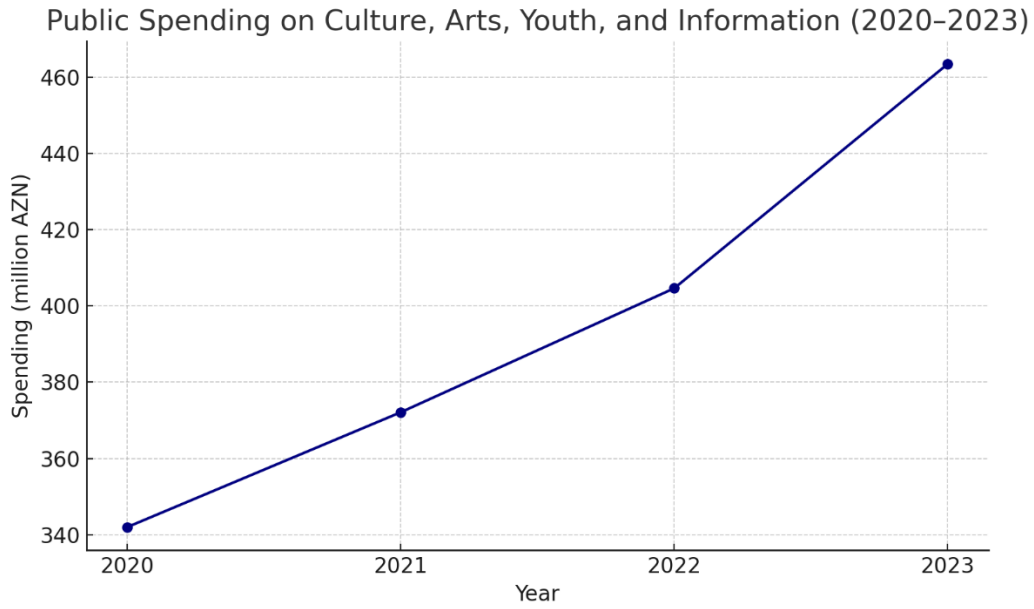
The differing pros and cons shown in earlier chapters show that selecting a certain policy would result in addressing some difficulties in Azerbaijan's cultural management. The idea of decentralizing cultural governance is promoted as Policy Option 1, although it faces the need for well-developed institutions and major legal changes, so it would be best to implement slowly. Because Policy Option 1 which involves moving responsibility closer to local communities, requires much building up of institutions and a lot of legislative changes, implementing it gradually is recommended (SSCA, 2024). Among the three, Policy Options 2 and 3 can be implemented faster, as they support current policies, have a helpful legal environment and stakeholders have expressed strong backing for them. By contrast, implementing Policy Option 2 using public-private partnerships as well as Policy Option 3 launching a national cultural platform can happen faster by using tools from current laws and

with the backing of many key stakeholders (Ganbarzade Sabuhi, communication, February 2025; Kamal Mammadov, communication, March 2025).

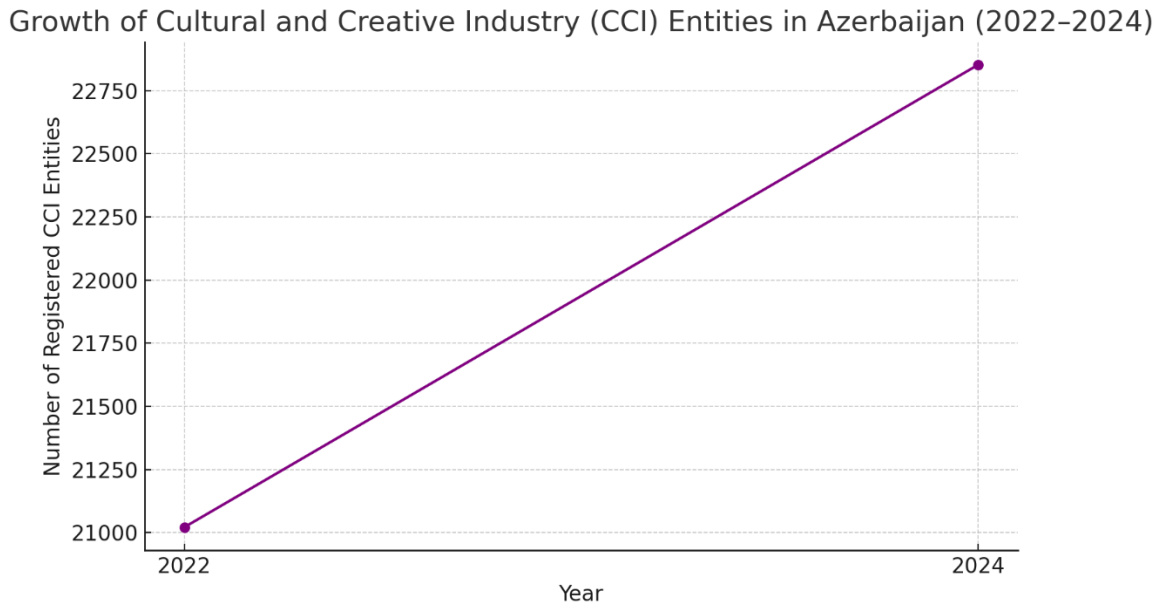
Policy Option 4 (Employing Dual Leadership and Defining Task Responsibilities for Institutions) is essential because it boosts the efficiency and responsiveness of organizations by separating jobs and tidying up organizational rules. It gives cultural institutions the necessary structure to carry out the other three reforms successfully. Policy 4 mainly supports the key organizational changes that need to be in place before sustainable decentralization, financial innovation and digital modernization are possible.

Option 4 which creates shared responsibility by giving each education center its own tasks, is identified as the central reform. Eliminating situations where there are overlapping responsibilities improves both an organization's efficiency and ability to respond well (Carson, Tesluk, & Marrone, 2007; Hoch, Pearce, & Welzel, 2010). Besides, restructuring lays the groundwork for improved decentralization, appropriate innovative funding and digital progress. In other words, dual leadership should come first in any outlined strategy, as it helps institutions adapt to and keep up with the following reforms (Patrinos & Fasih, 2009).

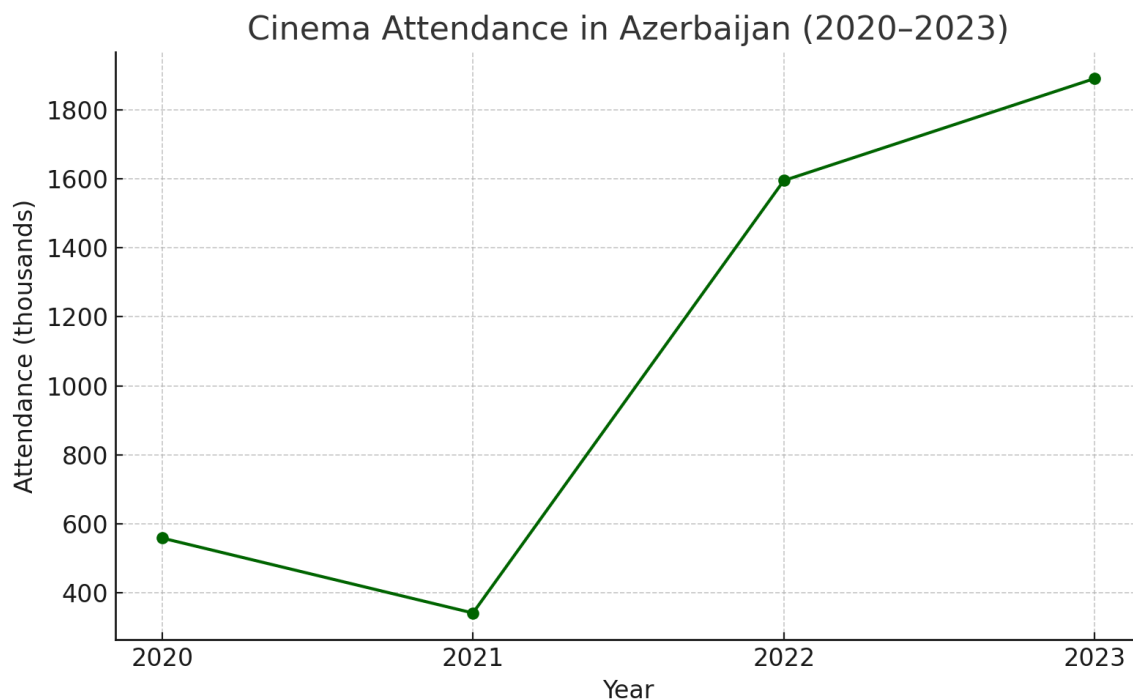
The next section gives graphical analyses which come from the State Statistical Committee of Azerbaijan and some international sources, to display these advantages. Trends in cultural spending, development across various industries and touching on audience interaction demonstrated by these graphics back the initial policy focus on checking the mandate of institutions, followed by changes in the governance, financial and technical areas.



Graph 1: Azerbaijan Government Spending on Social and Cultural Activities (2020–2023) The graph was made by the authors



Graph 2: Growth of Cultural and Creative Industry (CCI) Entities in Azerbaijan (2022–2024). The graph was made by the authors



Graph 3: Cinema Attendance in Azerbaijan (2020–2023). The graph was made by the authors

The first graph represents the Azerbaijan’s public expenditure on culture, arts, youth and information (2020-2023). During this period, the government spending grew from AZN 342.0 million to AZN 463.4 million. Such a constant upward progression indicates that the state has continued investing in cultural policy, even in economically uncertain time. Nevertheless, the increasing financial burden serves as a good argument to question the effectiveness of culture that was developed on a budget, hence the necessity to diversify the sources of financing. This is a direct evidence supporting Policy Option 2, which calls for increasing the public-private partnerships to decongest the fiscal pressure but strengthen the institutional resilience.

The second graph shows the growth level of registered entities in Azerbaijan’s cultural and creative industries (CCIs), that increased from 21,022 in 2022 to 22,852 in 2024 (an 8.7 %

growth). This extension indicates that more attention is placed on the private and semi-private sector with regard to cultural production, dissemination and innovation. It illustrates that it is possible to integrate non state actors more systematically into both governance of culture and provision of services. In this regard, once more, policy option 2 gets some empirical support in the sense that a mixed-financing model will enable the government to partner with a developing community of creative professionals and enterprises. Further, most of these CCIs are digital-domain players, including design, digital media and software, which are in line with goal of Policy Option 3.

The third graph shows cinema attendance during 2020-2023, one of the criterion of cultural subscription. After a pandemic-related drop, attendance numbers ascended drastically from 559,400 in 2020 to 1.89 million (2023). Remarkably, most of this recovery was located in non-state cinemas, indicating the growing role of the private sector in determining cultural consumption. This trend supports policy option no 2; that is to support cultural entrepreneurship and commercial sustainability. Also, the availability and popularity of movie theatres further demonstrate the potential for improved digital integration, which will fulfil Policy Option 3's desire to build an all-encompassing digital national platform to increase access, encourage participation, and enhance transparency.

Together, these points strongly argue for a policy method that mixes public-private partnerships, adopts current technology and eventually restructures how the government is run. The rise in spending on culture in Azerbaijan demonstrates its importance to the government, but also means they need new economic methods. The rise of CCIs reveals that more companies are joining in and a surge in people attending cinemas again shows that customers want more and that cinemas are adapting quickly to provide it. This collection of

trends supports the idea that a mixed governance approach balances state control, what institutions do, new ideas produced by businesses and greater participation by the public.

Among all the policy options, introducing dual leadership and defining each institution's job is a main reform that makes other changes work better. It deals with previous problems in Azerbaijan's cultural institutions by making roles and duties clear and coordinating the separation of creative and administrative leadership. This setup makes it easier to run operations and innovate, giving a strong start to decentralization, stable financing and digital advancements (Policies 1, 2 and 3).

When it comes to such reforms, the Netherlands' international experience is especially useful. Though the Dutch system is not the same in culture or geography as Azerbaijan, it does demonstrate how decentralized governance and dual leadership can work in a unitary administration—a system closer to Azerbaijan than Germany's or the U.S. Often, Dutch cultural bodies are led by a bipolar model to divide responsibilities, encouraging quick changes, accountability and lasting operations (van den Hoogen, 2014). Moreover, the Dutch system adds participatory governance through local cultural councils and stakeholder platforms which makes things more transparent and trustworthy for people (OECD, 2021).

These features are in line with the main goals of Policy Option 4 which want to renew how Azerbaijan's culture is managed by ensuring clear structures, various tasks for staff and wider participation in decisions. As a result, the Dutch model offers practical advice for Azerbaijan's cultural institutions to develop resilience, creativity and strong strategic impact in this century.

| <i>Feature</i> | <i>Azerbaijan (Policy 4 Proposal)</i> | <i>Netherlands (Implemented Model)</i> |
|--|--|--|
| <i>Leadership Model</i> | Dual leadership proposed: creative and administrative heads | Dual leadership widely implemented in theaters/museums (van den Hoogen, 2014) |
| <i>Governance Style</i> | Centralized with pilot regional adjustments | Decentralized to municipalities (Ministry of Education, Culture and Science, 2018) |
| <i>Public Participation</i> | Approx. 12% of cultural institutions include public in planning (ICOMOS, 2022) | Over 65% institutions include citizens via councils and stakeholder forums |
| <i>Funding Structure</i> | 80–90% government-funded | Mixed: 40–50% public funding, rest through PPPs, donations, and self-generated revenue |
| <i>Efficiency & Responsiveness</i> | Bureaucratic delays frequent; low local autonomy | Fast response cycles due to local leadership and operational autonomy (OECD, 2021) |
| <i>Legal Framework</i> | No formal regulation of dual leadership yet | Mandated job separation in management roles across national cultural policy |
| <i>Digital and Innovation Capacity</i> | Developing stage; digital archives in pilot phase | Strong digital infrastructure; platforms for civic engagement and cultural data |

4.9 Final Recommendation and Implementation Strategy

Although Policy Option 2 (Mixed-Financing) seems to show a promising fiscal benefit and can be complementary to digital participation models (Policy Option 3), the most sustainable and reformative way is still Policy 4, which institutionalizes dual leadership and allows for adaptive decentralization. These alternative strategies can be used to complement, but not substitute for, the transformation at the core delivered by Policy 4 Development of a Private-Public Cooperation Model (PPPs), Founded on Mixed-Financing. This model provides a realistic and financially viable route towards the modernization of cultural institutions that

lowers the fiscal load on the state. It is also known to bring about flexibility and market incentive that can improve the performance and responsiveness of institutions.

However, this financing model should not be considered alone. It is important to pursue a strategic integration of Policy Option 3 the development of a National Digital Cultural Platform concurrently. The advent of PPP-based cultural initiatives in the public domain would be enhanced monumentally through a digital platform. It would enable the public to obtain services at a distance, allocate space for interactive participation, and act as a means for monitoring the usage of funds and project results. Additionally, the platform would enable participation from digitally connected sections of population, i.e. youth and diaspora groups, which would expand the audience base of the cultural sector.

This is a specific promising hybrid policy pathway in the current institutional situation of Azerbaijan. It allows for incremental institutional experimentation via PPP pilot projects, while at the same time, it lays out the digital infrastructure which will be necessary for future decentralization. Although Policy Option 1 Decentralization of Cultural Governance is still fundamental for long-run change, it would be the most effective, provided that it is introduced gradually. Local-level experimentations in culturally active cities (Ganja, Shaki or Sumgait) could be used as a testbed for administrative autonomy before scaling up to the country-wide level. Information obtained from these pilots, particularly through digital engagement tools, could be used to guide legislative adjustments and generic institutional designs for more decentralization.

Dutch approach provides an exceptional reference point for the design and implementation of the measures as defined in Policy 4. Cultural institutions in the Netherlands flourish within a decentralized governance regime that promotes local autonomy and combines dual

leadership in a number of museums, theatre, and heritage sites (Ministry of Education, Culture and Science, 2018). Over 65% of cultural institutions in the Netherlands request direct citizen input in program planning, a process through cultural councils and advisory boards (ICOMOS, 2022). Dual leadership characterizes most institutions which generally match artistic directors with general managers to strike a balance between artistic vision and operational efficiency. Consequently, institutions have witnessed speedier decision making, increased interaction with an audience, and better financial performance. In history, profit and loss made up part of cultural institutions of the Netherlands model, with official grants taking approximately 40-50% of their budgets, with the rest made up through partnerships, sponsorships, and self-generated revenue (OECD, 2021).

To facilitate a better implementation of Policy 4, Azerbaijan could adopt Dutch practices of dual leadership, localized governance and participatory mechanisms in local cultural institutions. Localizing these mechanisms, Azerbaijan's Ministry of Culture has a chance to heighten efficiency, build public confidence and maintain operations in a unique post-Soviet environment.

4.10 Implementation Roadmap for Policy 4

Before describing the implementation steps, understanding why having a uniquely sustainable path forward is only available in Policy 4 must first be clarified. Politically and institutionally, the opt-in for dual leadership under Policy 4 is in solid sync with the administrative setup and the reform agenda of Azerbaijan. Cost-benefit-wise, this policy stands out not only for its ability to eliminate inefficiencies, but also for the effectiveness evinced in similar governance structures like the Netherlands. As seen in international

evaluations (OECD, 2021; according to (van den Hoogen, 2014), the two tiered model of leadership allows for specialization and better in house monitoring, better oversight and more accurate accountability. These benefits are all the more precious in post-Soviet Azerbaijan, where a top-down approach to decision-making previously thwarted responsiveness and stakeholder inclusion. By accreting these structural reforms through gradual decentralization, Policy 4 sets up the basis of a more adaptive and participative cultural management system.

Politically, the adoption of dual leadership by Policy 4 is even more attractive from the cost-benefit analysis perspective. Although the immediate expenditure for administrative and training requirements under dual leadership may appear enormous, the long-term benefits – the speedier governance and the acutely tuned stakeholder response, stable cultural provisioning – outweigh it (Lepik, 2005). Research into decentralized cultural governance in the Netherlands revealed that efforts of institutions with dual leadership led to improved financial resilience and a better programmed budget (van den Hoogen, 2014). Equally, systems that run on the “shared directorate” lessen bureaucratic barriers, elevate the cultural projects, and reduce the state subsidies over the generations (Patrinos & Fasih 2009). Through the incorporation of this approach, Azerbaijan can enjoy a low cost approach to harmonising the urge for cultural creativity with demand for administrative responsibility.

To systematize dual leadership and adaptively decentralize cultural governance in Azerbaijan the following step-by-step approach is proposed:

The process of policy formulation is a starting point that involves developing legislative amendments and regulatory guidelines to ensure clear, formal roles for artistic and administrative leadership, as well as describing suitable decentralization in cultural institutions (Lepik, 2005; Patrinos & Fasih, 2009).

Consequently, there needs to be structured dialogue with key cultural players. Stakeholders should include theater directors, museum managers, and representatives from regional agencies that work on the culture, as well as government representatives from local governments. The goal is to establish a feeling of shared purpose in policy-making, introduce an institutional specificity into its creation (OECD, 2021).

After the process of engagement has been completed a pilot phase should begin by implementing elements of dual-ship leadership structures in some of the locales such as regional theaters and the heritage centers. These pilots serve as run-throughs with which to assess effectiveness, role definitions, and responsiveness of administration (van den Hoogen, 2014).

Outcomes of the pilot phase will define the development of a flexible decentralisation model. The model should ensure flexible decision-making by the cultural institutions and at the same time a strong oversight role for the Ministry of Culture (ICOMOS, 2022).

Supporting capacity development activities also needs to start along with these efforts. The program would prepare both incoming and existing leaders with a strategic planning, local budget management, and communities interaction skills, with a local-level activity to comprehend the dual leadership approach (UNESCO, 2023).

National scale plantation for the validated and enhanced model is required on a larger scale. Efficiency, Innovation and stakeholder satisfaction will be measured using continuous performance assessments for all state sponsored cultural institutions supporting the rollout (Holden, 2015).

4.11 Risks and Mitigation Strategies

Similar to any policy change, there can be issues associated with the proposed reforms. On the other hand, one of the most common issues brought up, especially in relation to Policy Option 2, is over-commercialization of culture. Private partners could water down the artistic or cultural value of programs simply because this is what it takes to satisfy their need for profits. Delivery of these PPP contracts with precise cultural standards and performance benchmarks is an option that can eliminate this risk. Aspects related to regulatory oversight should remain under the jurisdiction of the Ministry of Culture or even divested authorities, perhaps through independent supervisory boards which are composed of the civil society, the academic community, and those from the cultural sphere.

The fear of digital exclusion is another issue related to Policy Option 3. Despite the fact that a high percentage of the Azerbaijani has access to the internet, equality can still be seen since many of the rural areas and older populations are not as equal to cities and younger people respectively. For inclusive purposes, the government should invest in regional digital literacy programs and ensure that there are access points at public institutions like libraries and community centers. The very platform itself must be built to be user-friendly regarding the web platform, mobile friendly, multilingual and also user friendly navigation.

Finally, the adaptation of policy option 1 might be resisted by government on political and administrative grounds. Compensating localities for growth is risky because it may encourage dissatisfaction from the central pillar. Such a risk could be minimized by starting decentralization processes via softer mechanisms like performance based grant programs, independent boards of trustees, and co-governing models that do not necessitate immediate constitutional or legal reform but generate experience with localized autonomy.

By doing that, the proposed policy package does not only become more resilient but also more likely to be upheld by the stakeholders and to produce long-lasting effects on Azerbaijan's cultural ecosystem.

Conclusion and Final Remarks

Due to similarities such as population size, one level of government and equal focus on heritage and progress, the Netherlands was chosen to represent Azerbaijan in the study. Unlike huge federal systems, the Dutch way stands out by making it easier to manage and execute cultural activities, thanks to the system's decentralized system and shared leadership. Participatory tools like local cultural councils are important in Dutch cultural policymaking which also uses different funding structures that match the main goals outlined in Policy Option 4 (van den Hoogen, 2014; OECD, 2021). The Netherlands' experience indicates that dual leadership in institutions leads to less bureaucratic delay, clearer organization responsibilities and stronger financial decisions, all areas Azerbaijan has not achieved so far. That's why the Netherlands can provide Azerbaijan with both motivation and a true process to seek reform.

The report presents the main strategies and points out that Policy 4 lays the foundation for cultural progress in Azerbaijan. By setting out who is in charge, this policy allows for better, faster responses, more jump-started activities and increased creativity in each institution. As confirmed by people from media organizations and researchers, slow decisions by executives and strict control of higher institutions are major hurdles to Azerbaijan providing culturally relevant and varied media content.

In addition, Ukraine's financial situation is still very unstable. Receiving most of their funding from the government makes it hard for dance companies to look ahead, try new things or improve their venues. Even though the amount spent on culture goes up each year (as Graph 1 shows), it is financially unsustainable unless new means of providing funds are used. Both the Netherlands, the UK and Germany have turned to mixed forms of financial support,

using donations from the government and sales from things like tickets, sponsorships, merchandise and online solutions (OECD, 2021; Towse, 2019). They have made government institutions stronger and less sensitive to changes in budgets, providing useful ideas for Azerbaijan's move toward solid finances.

Taking part in Budget deliberations is still quite restricted. Evidence from Graph 3 and its analysis proves that engagement from audiences is increasing at cultural venues focused on the market such as cinemas. At present, artists, civil society and the public are often excluded from making decisions in most public institutions. Not bringing stakeholders to the table means that cultural services can be different from what people expect, especially those who are heavily active online. Holden (2015) notes that participatory governance increases a country's relevance, strengthens its institutions and promotes social trust. However, these are advantages unavailable to Azerbaijan at present.

In addition, slow digital transformation development is a significant challenge. A huge amount of internet and social media users exist in Azerbaijan, but cultural institutions still largely do not use modern digital tools. According to Policy Option 3 and data from around the world, Azerbaijan is way behind other countries when it comes to sharing cultural assets online or allowing people to explore them digitally (UNESCO, 2023). As a result, reach is cut, possible digital income goes down and chances for cross-border cultural communication are reduced.

All of these factors point out why Policy 4 is so vital. By having leaders in two positions and ensuring the roles of every institution are clear, Azerbaijan will be able to support important reforms like expanding financial activities, engaging citizens in planning and using new technologies. The experience of the Dutch makes it clear that achieving agility, stable

finances and attention to culture means having clear structures and specialized leaders in the 21st century.

5.1 Summary of Policy Options as well as Final awareness raised option.

Even though these policies look at different areas of Azerbaijan's cultural governance matters, the evaluation matrix and the supporting analysis show that combining Policy Options 2, 3 and 4 would be the most useful and strategic solution. Option 2 would help manage the state budget, attract the private investor and make institutions stronger. Meanwhile, the national digital cultural platform (Option 3) would ensure that people everywhere can take advantage of more resources and help make the policy environment more transparent.

Most importantly, this model should rest on Policy Option 4, calling for shared leadership and defining what institutions should do. Lack of set duties, proper decision processes and internal accountability systems would make bureaucratic clutter weaken the use of financing and digital strategies. With the help of Policy 4, the organization achieves unity and is prepared to implement the needed reforms across the country.

All three of these reforms complement each other to support an active, accepting and flexible type of governance. With time, using this model can prepare for the modest and appropriate decentralization of cultural affairs described in Policy Option 1, after the development of better local institutions and leaders.

5.2 Implications for Stakeholders

The adoption of the suggested hybrid policy solution will have far-reaching implications for several stakeholders of Azerbaijani cultural ecosystem:

There will be more independence for financial support, digital tools, and access to public engagement mechanisms, which will enable cultural institutions to become future-oriented, durable, and sensitive to communities. For politicians, it provides a means of efficiency and creativity without being vulnerable to control or to national cultural goals. To the private sector players and entrepreneurs, increased opportunities will open up to invest in cultural practices, develop new business scenarios, and develop stronger creative economy. Reforms for artists, professionals and the public amount to a more inclusive government, increased access to cultural content and being a strong owner and identity.

5.3 Implementation and Sequencing Strategy

This hybrid policy should be launched in stages in a structured manner. In the short-term (0-2 years), the Ministry of Culture should concentrate on regulatory preparation, such as the development of PPP guidelines on cultural projects, development and testing of the digital platform. At the same time, there is also need to initiate regional training programs to upskill the institutional staff across areas of digital literacy, partnership management & participatory governance.

In a medium term (2-5 years), future pilot projects should be rolled out in the three policy areas. Monitor, for instance, PPP-financed museum modernization initiative in Baku, regional theater's introducing community advisory council, or a trial of a mobile-compatible digital platform in smaller towns. Performance and citizen satisfaction must be monitored initially through the build-in tools.

In the long term (5+ years), the successful pilots can be scaled up nationally, and legal amendments introduced gradually formalizing decentralization. At the stage when all cultural

institutions' governance models should be implemented, public participation mechanisms (such as online consultations, community boards, or public feedback systems) should be incorporated into all of these institutions' governance models.

5.4 Risks, Challenges, and Mitigation

Several risks remain. Contractual must be effective in mitigating commercialization of culture through PPPs in order to check damage to the cultural value and the public interest. The digital exclusion problem must be resolved using inclusive design and programs on digital literacy. Resistance to the central authorities to decentralization can be overcome using phased reforms and capacity building rather than sudden reorganization.

Policy coherence is a more far-reaching issue. Cultural reform cannot be successful if taken out of context. It has to correspond to education, technology, tourism and youth development strategies. Non-duplication can be achieved while guiding reforms towards reinforcing each other through coordinating ministries, aligning the strategies of donors and establishing inter-sectoral working groups.

5.5 Broader Impact and Sustainability

Cultural management reform is transformative in nature if implemented successfully in the case of Azerbaijan. Culture plays an essential role beyond national identity and unity of the society; it enhances diversification of the economy and international diplomacy. Dynamic cultural sector may lead to tourism improvement, job generation, power to the youths and image building within Azerbaijan's borders. UNESCO and World Bank agree that nations

which make investments into their cultural policy reform, in the long run, receive cultural policy returns among other things in civil participation, economic innovation and international visibility.

Further still, sustainable reform in this field is indicative of Azerbaijan's commitment to modern governance, digital innovation and inclusive development. As the rest of the world focus more and more on cultural rights, creative industries and the world of digital media, Azerbaijan has to keep up with the new agenda or fall further behind.

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Appendix A

Interview questions

1. In your view, how does the current centralized governance model affect the responsiveness and innovation capacity of cultural institutions in Azerbaijan?
2. Are there ongoing or planned reforms aimed at decentralizing decision-making to local cultural institutions?
3. What steps is the Ministry taking to help cultural institutions diversify their funding sources beyond the state budget?
4. Do you believe the current funding model is sustainable for long-term cultural sector development? Why or why not?
5. What role do public-private partnerships play in the Ministry's cultural funding strategy?
6. To what extent are cultural institutions currently required to consult with the public or stakeholders in policy development or program design?
7. How do you assess the current levels of transparency and inclusiveness in cultural governance?
8. What are the main obstacles faced by cultural institutions in Azerbaijan when attempting to digitize their services and collections?
9. What forms of support financial, training, infrastructure does the Ministry provide to institutions adopting digital tools?
10. How does the Ministry currently evaluate the performance and effectiveness of cultural institutions?
11. What is the long-term vision of the Ministry regarding institutional reform, public engagement, and technological advancement in the cultural sector?

İntervyu sualları

1. Sizcə, Azərbaycanda mədəniyyət sahəsində idarəetmənin mərkəzləşdirilmiş olması bu sahədə çeviklik və yenilik imkanlarına necə təsir edir?
2. Yerli mədəniyyət müəssisələrinin daha çox səlahiyyət alması üçün hansısa islahatlar aparılırmı və ya planlaşdırılırmı?
3. Mədəniyyət müəssisələrinin yalnız dövlət büdcəsindən asılı olmadan başqa maliyyə mənbələri tapması üçün Nazirlik hansı addımlar atır?
4. Sizcə, hazırkı maliyyələşmə sistemi mədəniyyət sahəsinin uzun müddət inkişafı üçün davamlıdır mı? Niyə?
5. Dövlətlə özəl sektor arasında əməkdaşlıqlar Nazirliyin maliyyələşmə planlarında hansı rolu oynayır?

6. Mədəniyyət müəssisələri yeni proqram və siyasətlər hazırlayanda ictimaiyyət və maraqlı tərəflərlə məsləhətləşmək məcburiyyətindədirlərmi?
7. Mədəniyyət sahəsində idarəetmədə şəffaflıq və ictimai iştirak səviyyəsini necə qiymətləndirirsiniz?
8. Mədəniyyət müəssisələri xidmətlərini və kolleksiyalarını rəqəmsallaşdırmaq istəyəndə əsas çətinliklər nələrdir?
9. Nazirlik rəqəmsal texnologiyalardan istifadə etmək istəyən müəssisələrə maliyyə, təlim və texniki baxımdan hansı dəstəyi verir?
10. Nazirlik mədəniyyət müəssisələrinin fəaliyyətini və nəticələrini necə qiymətləndirir?
11. Nazirliyin gələcəkdə mədəniyyət sahəsində islahatlar, ictimai iştirak və texnoloji inkişafıla bağlı ümumi baxışı nədən ibarətdir?

Appendix B

Acknowledgments and Stakeholder Consultations

The preparation of this policy report benefited from the insights and contributions of several professionals in the cultural and creative industries sector. Their expertise and institutional perspectives were instrumental in shaping both the problem definition and the evaluation of proposed reforms.

Transcripts and summary notes of these interviews are available at the following secure link: https://adauniversity-my.sharepoint.com/:f/g/personal/nnaghizada18476_ada_edu_az/EnMuYi3Glz5CpMvlorHP31oBkL29WO9jtrclA26OedEruA?e=rczJzK

Interviewees include:

- **Elgun Aliyev**, Sector Head of the Strategic Development and Project Management Department
- **Kamal Mammadov**, Sector Head of the Creative Industries and Digital Development Department
- **Nijat Gochiyev**, Senior Advisor of the Internal Control and Audit Department; Executive Secretary of the Board
- **Aliyev Haji**, Head of the International Cooperation Department, Film Agency of the Republic of Azerbaijan

- **Ganbarzade Sabuhi**, Head of the Internal Control and Audit Department, Film Agency of the Republic of Azerbaijan