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# Social Entrepreneurship and the Private Sector

How does the Social Sector promote  
sustainable development?

Tbilisi, Georgia  
October 18<sup>th</sup>, 2018



# Content

- Social Entrepreneurship in the Azerbaijani Context;
- Social Entrepreneurship in context of labor migration;
- Social Entrepreneurship and Private Sector;
- Conclusions and Recommendations.

Presently, the SE  
sector in the  
country is  
marginal



At the moment,  
neither the Social  
Economy nor  
Social  
Entrepreneurship  
is clearly defined  
by the state

The Azerbaijani Context – Current Situation


Share of Social Economy Organizations in the Azerbaijani Economy in 2018 (Total turnover: \$ 580.741 million US)

		in mln AZN	Share in Social Economy	Share in GDP
Commercial	Co-operatives	805	81,50%	<b>1,15%</b>
	Credit Union	26	2,63%	<b>0,04%</b>
	Social Enterprises	0,5	0,05%	<b>0,001%</b>
	Solidarity Mutual Funds	0	0%	<b>0,00%</b>
Non-commercial	NGOs	21,7	2,20%	<b>0,03%</b>
	Foundations	65	6,56%	<b>0,09%</b>
	Charities	22,361	2,26%	<b>0,03%</b>
	Trade Unions	47,2	4,78%	<b>0,07%</b>
	<b>Total:</b>	<b>987,261</b>		<b>1,4% of total GDP</b>

*Source: Prepared in accordance with data gathered from State Statistical Committee of the Azerbaijan Republic, Ministry of Justice of the Azerbaijan Republic, Ministry of Finance of the Azerbaijan Republic, Ministry of Taxation of the Azerbaijan Republic, Azerbaijan Trade Union Confederation and the Council on State Support to NGOs by the CESD experts, 2018*

# The Azerbaijani Context – Current Situation

- Cooperatives have an important share of SE in Azerbaijan, contributing 805 mln AZN; however, the co-ops in Azerbaijan are not exactly operating as SEOs... they have the legislative distinction but do not operate for social goals.
  - The major reasons for their existence are tax and legislative benefits, which induce housing companies to build in the name of co-ops.
- That being acknowledged and excluding co-ops from calculations of the **SE sector in Azerbaijan, Social Entrepreneurship contributes only 0,25% to GDP.**
  - The optimal level of SEOs contribution to a country's economy is approximately 5%. It is ideal for the SE to contribute more to the economy because of the **additional value and innovation** they encourage, which can be monetized in other sectors.



# The Azerbaijani Context – Current Situation

- NGOs are the most active SEOs in Azerbaijan, but their activities are quite limited recent years.
- NGOs accounted for only 0,03% of Azerbaijani GDP in 2017.
- The role of NGOs in reshaping the economy and future of the country is high, because they involve citizens of all groups in their activities and improve their abilities and **focus on actual economic, social and environmental difficulties in the community.**

Share of Non-Commercial SEOs in the Azerbaijani Economy 2005-2016

**The share of non-commercial SEOs declined almost 2x from 2014 onwards because of new legislation.**

Years	Million USD	Percentage of GDP
2005	71.2	0.97%
2010	233	0.9%
2014	297	0.7%
2015	149.8	0.3%
2016	158.9	0.3%

*Source: State Statistical Committee of the Azerbaijan Republic*

## Why is Social Entrepreneurship so Low and why isn't the Private Sector interested in Partnership?

- Lack of and declining interest in the Social Sector, because of lack of access funding, creating limited partners for the Private Sector.
- No definition in national legislation.
- Private Sector not induced to cooperate with Social Sector because of **low-levels of capacity and specialization** and **few monetizable benefits**.



## Social Entrepreneurship and labor migrants

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In 2018, the quota for labor migrants has been 7.3 thousand people, which is 0.15% of the employed population.

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In 2018, the quota for labor migrants was reduced by 23% compared to 2016, and 8.5% compared to 2017 (Quota: 2016- 9480 people, 2017- 7980 people)

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In 2017, 87.6% of migrants coming to Azerbaijan for permanent residence were capable of employment.

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Every year about 50,000 foreigners or stateless persons apply for the right to temporary residence in Azerbaijan.

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The employment of immigrants creates an additional expense for entrepreneurs. The employer must pay an additional 350 manat (\$ 205 USD) tax for up to 3 months, 600 manat (\$ 352 USD) tax for up to 6 months, and 1000 manat (\$ 588 USD) tax for up to 1 year.

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During the years of independence (1991-2017), the number of arrivals for permanent residence in Azerbaijan was 136,000.

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In first 8 months of 2018, 827.3 thousand foreigners and stateless persons entered the country, which is 10% more compared to the same period of the last year.

# Factors contributing to the low participation of immigrants in the Social Economy



Slow growth of correlation between educational level and wage



Two categories of migrants coming to Azerbaijan:

Highly skilled immigrants – these migrants usually come to work in large companies by their invitation

Low educated immigrants – these immigrants mainly work in construction, logistics and trade spheres in Azerbaijan.



Low wages and monthly incomes weaken the attractiveness of the Social Economy Sector, such as non-governmental organizations, cooperatives and foundations.



Due to the low quota for labor migrants – only 1/7 of those who apply for labor migration get a positive response, discouraging many to apply in the first place.

# Factors contributing to the low participation of immigrants in the Social Economy

- The tightening of regulations for reviewing labor migration applications after 2015 – In order to reduce tension in the labor market, work permits are only given to needed occupations, which limits immigrants' opportunities to participate in social economic spheres.
- No field of Social Economy is included in the “List of activities that doesn't require to obtain a work permit for foreigners and stateless people travelling to the Republic of Azerbaijan on business trip for period of not exceeding 90 days within a year”.



SEOs **promote sustainable development**, fair trade, social cohesion, democratic citizenship and other humanitarian values through the **active participation of citizens**, while at the same time contributing to a country's economy.



SEOs activities **address the specific needs of a country** and community, like fair economic development, reducing inequality, creating sustainable communities and more.



SE can play an important role in **generating employment**, especially for the socially excluded members of society.



SE contributes to the **diversification of an economy**, enabling sustainable development of a given society for future generations. The added value of the SE can create **a long-term lasting impact for the good of all** in the economy rather than the good of a small percentage of wealthy people.



The long-term benefits of liberating the environment SEOs operate in are: **creating a more resilient economy** allowing for purposeful organizations to contribute to the country, **social innovation**, **inclusive employment**, lessened inequality and improved social justice.

# How does Social Entrepreneurship promote Sustainable Development?



# The Private Sector and Social Entrepreneurship

The Private Sector can engage in Social Entrepreneurship by **allocating resources** to the development of Social Economy Organizations and their activities.

**Corporate Social Responsibility (CSR) strategies** of businesses enable them to aid in the development of the Civil Sector

The Private Sector should enact CSR strategies and engage in Social Entrepreneurship not just to look attractive to local communities, but also because SEOs provide businesses with **future talents** and **developed business partners**. The cooperation can bring **innovation and further economic development** to both parties.

# How can the Private and Public sectors contribute to Social Entrepreneurship



THE PRIVATE SECTOR CONSISTS OF FOR-PROFIT PRIVATE ENTITIES AND HAS A DEFINING POSITION IN THE DEVELOPMENT OF THE SE BECAUSE OF ITS HUGE CASH FLOW, WHICH CAN EMBRACE SEOS AND CONTRIBUTE TO SOCIAL ENTREPRENEURSHIP THROUGH FINANCIAL SUPPORT.



THE PUBLIC SECTOR PLAYS A CRUCIAL ROLE FOR DEVELOPING THE SE AND PROMOTING SOCIAL ENTREPRENEURSHIP BECAUSE THE GOVERNMENT AND OTHER INSTITUTIONS DEFINE THE PRINCIPLES AND OPERATIONAL SCOPE OF SUCH ORGANIZATIONS, BECAUSE OF THEIR LEGISLATIVE, EXECUTIVE AND JUDICIAL POWERS.



TOGETHER, THESE SECTORS HELP TO ESTABLISH A HEALTHIER AND MORE SUSTAINABLE SOCIETY, ECONOMY AND ENVIRONMENT.

The background features several sets of concentric, curved lines in light gray and white, some solid and some dashed, creating a sense of motion and depth. A blue rectangular box with a white border and a white arrow-like shape at the bottom center contains the main title.

## The Azerbaijani Context – Mechanisms for further Development

- Define “Social Entrepreneurship” and the “Social Economy” in Azerbaijan
- Enhance legislative framework
- Launch Council for Social Economy Development
- Publish statistical data
- Creating better accounting and auditing principles for organizations engaging in both the Private and Social Sectors
- Reformation of the Education System

**Thank you**