



# Economic and Social Council

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## Commission for Social Development

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**Follow-up to the World Summit for Social Development and  
the twenty-fourth special session of the General Assembly:  
priority theme: strategies for the eradication of poverty to  
achieve sustainable development for all**

### **Statement submitted by UMID Support to Social Development Public Union, a non-governmental organization in consultative status with the Economic and Social Council\***

The Secretary-General has received the following statement, which is being circulated in accordance with paragraphs 36 and 37 of Economic and Social Council resolution 1996/31.

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\* The present statement is issued without formal editing.



**Statement***Social entrepreneurship as a tool solving social and economic problems in small communities (The experience of the Republic of Azerbaijan)*

As an alternative to the slogan “Sole purpose of business is to make a profit”, the traditional thinking of business in recent decades, the motto “Main purpose of business is to contribute to the welfare of society” is put forward. Proponents of this motto propagandize the idea of “well-being of society and communities can be promoted through improvement of ‘social entrepreneurship’”. At present, social entrepreneurship institutions, assuming this approach as a basis, have gained strong support from politicians, government and non-profit organizations, and are developing globally.

The main purpose of this statement is to analyse the social entrepreneurship initiatives in Azerbaijan and the role they had in improving livelihoods of communities, particularly the conflict-affected and poor ones.

UMID has been carrying out the interventions for a long time to improve the livelihoods of conflict-affected communities, refugees, internally displaced persons, vulnerable families, and poor communities. To ensure the sustainability of these interventions and make them more effective, discussions were held with donor institutions, government agencies, local and foreign business representatives and determined that these are the following bases for social entrepreneurship in Azerbaijan:

- Traditional/classical economic and social development theories/paradigms need to change, modifications require new paradigms;
- Civil society organizations’ actors as a catalyst/initiator for innovative ideas—to mobilize market necessities, government bodies and voluntary resources to respond communities’ needs;
- The Government and international organizations prefer to support community’s “self-sufficiency” policy;
- Community-based income-generating projects (Azerbaijan Rural Investment Project, Socio-Economic Development Activity, British Petroleum, European Union) are, in fact, considered favourable occasion for sustainable development of communities which needs proper assessment. To make communities benefit, build social capital is a critical necessity. Social changes are at the focus of the overall change process and plays role of a ‘catalyst’, willingly or unwillingly influences the formation of market relationships, technology use, economic relationships, and management strategies over these changes.

In Azerbaijan, social entrepreneurship initiatives are being implemented in the following forms: i) Non-profits with income from products/services supplemented or not supplemented by external support and subsidies — Non-Governmental Organizations act as facilitators only, ii) For-profit company that pursues financial return and simultaneously generates social outcomes — This form is mainly applied in Azerbaijan.

### **Examples in Azerbaijan-World Bank and Azerbaijan Government**

- Community-based income-generating/livelihood projects are structured on the basis of social mobilization of communities — as preliminary stage of Social Entrepreneurship in communities;
- Key challenges Community Based Social Enterprise often face, including (i) lack of ownership of the community; (ii) unsound business models; (iii) inadequacy of capital; (iv) lack of management experience among the community leadership; and (v) the promoting institutions' learning curve;
- An ideal community Based Social Enterprise is the one that would not only make profit it would have very high degree of community involvement, and it would be professionally managed.

### **Advantages of the Approach**

- A large number of community members come together for a common goal;
- community members alone have shares, with no external agency or institution participation;
- the governing board is elected democratically and is representative;
- a business management team reports to a governing board;
- community members or leaders are trained in commercial skills (accounting, trading, negotiations, etc.).

### **Internally Displaced Persons Living Standards and Livelihoods Project**

Internally Displaced Persons Self-Reliance and Livelihoods — Internally Displaced Persons to achieving economic self-reliance and establish sustainable livelihoods, and help build their access to financial, social, physical, natural and human assets;

- (i) mobilization of community and/or women's self-help groups and provision of capacity building support,
- (ii) provision of micro-finance resources and business development skills for IDP individuals and self-help groups,
- (iii) vocational training and skills development and support for young people.

### **Model applied by UMID-Donors: United Nations High Commissioner for Refugees, European Union and British Petroleum**

- Company-based job trainings main essence of master's level teaching profession.
- Since 2003 to date, UMID has conducted on-the-job trainings within the apprenticeship component on the basis of a pre-developed study program- more than 1,000 young people involved.
- It allows the apprentice to gain technical knowledge and real practical experience, along with functional and personal skills, required for their immediate job and future career.
- This informal education can last between 4–8 months depending on the nature of occupations.

- During the training, they are also receiving training and consultations on entrepreneurship.
- Outcome — Community-based livelihood projects, social enterprise — 300 community-based livelihood/income generation enterprises — social enterprise

### **Social Entrepreneurship Initiatives in Azerbaijan-model**

- Fundamentals: community-based income generation and improvement of social welfare of communities using the income (Azerbaijan Rural Investment Project)
- Type: It is a business where profits not only Limited liability company, but also majority of community members benefit. So, a certain percentage (25% to 75%) of the earnings goes to community fund for the settlement of community problems.
- Transparency: Expenditure control, report to community members

### **Proposed model based on Azerbaijani experience**

#### Impact

- Pursuit of high social returns
- Process of creating value by bringing together
- Social capital

#### Outcome

- Community-based livelihood projects
- Social enterprise

#### Skills/Knowledge

- Apprenticeship
- Company-based Training
- Job training + Entrepreneurship trainings

#### Basis

- Community mobilization
- Leadership
- Work with youth, women and vulnerable groups

#### Which areas do these initiatives cover in Azerbaijan?

- Environmental — parks and public greenery
- Information services — computer repair, internet service, access to e-government portals
- Public services — barber/beauty parlors, car repair, electrical equipment repair, mobile phone repair, tailor, drinking water supply
- Financial services — accounting and tax services

- Training and business development — entrepreneurship training, apprenticeship, small business start ups
- Food and agriculture — production of dairy products, fruit and vegetable production, production of meat products

### **CHALLENGES**

- Non-adequate public infrastructure (electricity, pure water supply)
- Failure to comply the requirements of the contractual obligations of the parties
- The high level of dependence of the community members from donor's support
- Weak development of the legal-base on entrepreneurship.

### **MITIGATION**

- Regulation of activities together with local executive authorities, community members and relevant agencies.
- Legal education and awareness raising
- Capacity building, coordination and access to resources
- Education on Corporate social responsibility and Social Entrepreneurship, legal-base, advocacy and education

### **RECOMMENDATIONS**

#### **To develop and adopt a government policy on social enterprise:**

- Considering Azerbaijan reality, national and moral values, Azerbaijan's social-oriented policy, determination of the definition of social entrepreneurship venture.
- Establishing appropriate institutional oversight and co-ordination mechanisms for the sector-social enterprise policy and defining mechanisms to develop and champion the sector;
- Developing indicators to evaluate the impact of social enterprises.

#### **Capacity Building on Social Entrepreneurship**

- To study best practices, encourage existing, successful income-generating enterprises through sending social enterprises to the more advanced countries;
- Developing of a network among socioeconomic and community development companies and local enterprise offices to share knowledge, best practice;
- Developing the mechanisms for capacity building in the social enterprise sector to ensure that social enterprises are "investment-ready" and also have longer-term strategic plans to help improve access to finance,
- Including social enterprises and non-profit management along with the management of commercial organizations to the educational programs of the higher education institutions,
- Considering development potential of social enterprises at the local and community level to develop a national voluntary policy.

**Support further research**

- Research in the field of social entrepreneurship could be supported by governments and public research institutes;

**Funding**

- Social enterprises established to govern community-based livelihood projects can currently access many funding opportunities; however, to reduce reliance on grant/financial-aid, the sector needs to focus more on developing business opportunities.

All in all, the result of the research shows that one of the most effective approaches to solving socioeconomic problems in remote rural communities, refugee and IDP communities, as well as conflict-affected communities is the development of social entrepreneurship through community-based livelihood projects. For the development of social entrepreneurship, it is expedient to select community mobilization as a base, entrepreneurship and apprenticeship as an approach, and community-based livelihood projects as a method.

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