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# Baku Ecosystem Report

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# Authors & Acknowledgements

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Impact Hub is a global network focused on building entrepreneurial communities for impact at scale. With 110+ communities of 25,000 change-driven entrepreneurs in more than 65 countries across five continents, Impact Hub is one of the world's largest communities and accelerators for positive change. We contribute to the development of social enterprise ecosystems to drive collaboration and innovation around Sustainable Development Goals through locally rooted Impact Hubs, as well as with partners and allied networks.

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## **Disclaimer**

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# I. Foreword

This ecosystem report was developed to provide insights into the current state of the social entrepreneurship ecosystem in Baku, Azerbaijan. It was developed over nine months, which included a visit to Baku from an Impact Hub delegation to gain first-hand insights into the social entrepreneurship ecosystem.

Drawing on previous research, interviews and workshops with social entrepreneurs, entrepreneurial support organizations, funders and international organizations; this report showcases the current social entrepreneurship landscape in Baku, Azerbaijan. As a result of the research, an extensive mapping of ecosystem actors and mechanisms (programs, projects, events etc.) was developed. This mapping is presented in an interactive and continuously growing database and a functional ecosystem map.

In particular, this research and the functional map are enabling a panoramic view of the ecosystem, laying out the spectrum of various actors related with the ecosystem, identifying the gaps and crowded areas within the ecosystem, and spotting collaboration or partnership opportunities. This report offers some useful insights and recommendations for any entrepreneurship support provider committed to connecting entrepreneurs to knowledge, networks, expertise, and capital. Entrepreneurs will find useful insights on how to best navigate the ecosystem.



## II. Country Context & Ecosystem

Azerbaijan's economy has developed around its oil resources base, which accounts for the majority of the country's GDP. Two-thirds of the country is rich in oil and natural gas. State involvement in the energy sector is high. Thus, fluctuating oil prices impact the economy deeply. Oil and gas-related exports comprise a big majority share in the total exports in the country but provide limited employment. Diversification of the non-oil economy and the creation of productive jobs becomes a central challenge and a priority for Azerbaijan's development strategy in this regard<sup>1</sup>.

Azerbaijan's Socio-economic Development Strategy for 2022-2026<sup>2</sup> identifies five national priorities:

- sustainably growing competitive economy
- society based on dynamic, inclusive, and social justice
- competitive human capital and space for modern innovations
- great return to the liberated territories
- clean environment and 'green growth' country

According to the OECD (2019: 11), the diversification can also make growth in Azerbaijan more inclusive because the oil industry is capital-intensive and has limited technology and knowledge spill-overs to other sectors.

Agriculture becomes of strategic importance in terms of employment opportunities offered by the sector. Right now, agriculture is the biggest employing sector in the country with 34%, and food processing is a big manufacturing component. Azerbaijan, with 55% of the total land area being agricultural land, has the largest agricultural basin in the South Caucasus region. Yet, the agriculture sector's potential to support economic diversification is constrained by its low productivity (EBRD, 2019: 4).

Tourism development is considered to be another relevant priority area for the diversification of the economy. Prompted by the oil price shocks in 2014 and 2015, the government has started working on developing the tourism sector with a focus on cultural heritage.

<sup>1</sup> Information retrieved from <https://data.worldbank.org/country/AZ>

<sup>2</sup> The strategy was approved in July 2022 and is based on the Presidential order 'Azerbaijan 2030: National Priorities for Socio-Economic Development' approved at the beginning of 2021, please see [https://static.president.az/upload/Files/2022/07/22/5478ed13955fb35f0715325d7f76a8ea\\_3699216.pdf](https://static.president.az/upload/Files/2022/07/22/5478ed13955fb35f0715325d7f76a8ea_3699216.pdf) and <https://president.az/en/articles/view/50474>

## COUNTRY CONTEXT & SOCIAL ENTREPRENEURSHIP ECOSYSTEM

As a consequence of the protracted conflict with its western neighbor Armenia, repatriation of conflicted territories and internally displaced people is another area of priority connected with job creation and private sector development endeavors in the country.

Relations with the European Union are prioritized and are conducted under the Eastern Partnership umbrella. Relations with Turkic States, Islamic States, Eurasian States, Black Sea Region countries are developing. Relations with Turkey and Russia are important.

Azerbaijan has a young population, 7 million people out of the 10 million living in the country are in the working age bracket. Since unemployment is higher among younger citizens, youth entrepreneurship is promoted vigorously as a means to create self-employment opportunities. Similarly, women entrepreneurship is gaining momentum and is supported widely as the employment gap between women and men is high (ADB, 2021). Support for youth and women entrepreneurship is integrated into the action plans of related public bodies as well as business associations.

Tertiary education enrollment in Azerbaijan is 27%, which is low compared with rates in other countries in Europe and Central Asia with 68% on average (ADB, 2020: 79). This is mostly tied to the highly centralized state quota allocation system as well as geographical concentration of higher education institutions in Baku<sup>4</sup> along with quality and cost ratio. Skilled workforce development becomes a priority for the country in this respect.

Components and categories of the social entrepreneurship ecosystem have been examined for the purpose of this mapping study. Clusters such as SMEs, CSOs and their trading arms, cooperatives, social and impact entrepreneurs, green businesses, creative and cultural initiatives, as well as support or network organizations and actors supporting the Sustainable Development Goals (SDG) agenda have been reviewed to be able to define the general characteristics of the ecosystem. Descriptions presented below are harvested from consultation workshops, interviews and desk study findings.

The country has significantly improved and reformed its institutional, regulatory and operational framework for SMEs since 2018. The establishment of a dedicated SME Development Agency (KOBIA) at the end of 2017 (active since June 2018) has been a major milestone in shaping the support infrastructure. KOBIA has a mandate to provide services in promoting entrepreneurship, protecting entrepreneurs, facilitating SME financing, providing training and consultancy services, and serving as a one-stop shop.

Company registration procedures have been reformed as well. Applications can be made through a digital one-stop shop and access to information processes on requirements are simplified.

<sup>4</sup> ADB Report (2020: 79) maintains that 42 of the 51 public and private universities in the country are in Baku.

COUNTRY CONTEXT & SOCIAL ENTREPRENEURSHIP ECOSYSTEM

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Technology start-ups receive significant support compared to other enterprises. Technology parks operating in Azerbaijan offer entrepreneurs exemptions from real estate tax, land tax and VAT on all imported technological goods and services for up to seven years. Number of business incubators is increasing. Some incubators are launched by state universities but research and development infrastructure remains largely unavailable to the business community, and technology transfer offices are at a nascent stage (OECD, 2020: 366).

Azerbaijan, with support of EU’s regional initiatives has taken steps including the ratification of international agreements and adoption of the local policy framework to promote the green economy, as well as launching support mechanisms (EU-Azerbaijan Business Forum, 2021: 39). Azerbaijan also has various strategic and sectoral planning documents which call for the ‘greening’ of the private sector yet these calls do not target small enterprises (OECD; 2020: 366) which make up the majority of the social enterprise (SE) community.

Regarding the creative and cultural economy or industries, the current legislative framework in the field of culture has introduced a more entrepreneurial model promoting private initiatives (Farinha, 2018: .4). Baku is part of the UNESCO’s Creative Cities Network and the Ministry for Culture launched Kreativ Azerbaijan: Azerbaijan Federation of Creative Industries at the end of 2021 but as the Deputy Minister of Culture Elnur Aliyev maintains “Azerbaijan has creators but no industry yet”.

<sup>5</sup> See <https://lisenziya.gov.az/az>

<sup>6</sup> Kreativ Azerbaijan defines creative industries consisting of literature and publishing, design, music and theater, architecture and fashion, crafts and fine arts, film, audiovisual - video and photography, advertising, TV and radio broadcasting, games and creative technology. <https://creative.az/en/post/631>

<sup>7</sup> See <https://report.az/en/cultural-policy/deputy-minister-azerbaijan-has-no-creative-industry/>



COUNTRY CONTEXT & SOCIAL ENTREPRENEURSHIP ECOSYSTEM

Civil society organizations (CSOs) are not very active outside of urban centers and most of them operate in Baku. CSO activities are under strict control and scrutiny in the country. After a series of legislative restrictions introduced between 2014-2017, requiring CSOs to seek approval for and to register foreign grants with the Ministry of Justice, most CSOs grew trading arms functioning or identifying as social enterprises.

Although there is high interest in internationalization, the SE community has limited resources and support for being present in the international market scene. 80% of main customers are local individuals and 56% are local companies. In this regard, the Georgian ecosystem is very important for Azerbaijan. Some impact enterprises are registered in Georgia and operate in Azerbaijan. Relations and partnerships with organizations from Ukraine, Estonia and Belarus at the ecosystem level are very dense as well. Thus, the war in Ukraine had many adverse effects spilling over to the Azeri SE ecosystem. Many planned joint programs (training, support, peer events) have been canceled or suspended.

Cooperatives are a major driver in the social economy and entrepreneurship field in Europe, yet they are seen in Azerbaijan as the remnants of the Soviet management style. They are primarily used in rural areas by big families and collective farming practices in the agriculture sector. In 2016 the government enacted a new law simplifying procedures for creating agricultural production cooperatives in line with the diversification of economic activities strategy to increase productivity in the agriculture sector. According to the law, agoshops, green markets, cooperative markets, and wholesale centers can be organized under the cooperatives.

Azerbaijan officially committed to the attainment of the 17 Sustainable Development Goals (SDGs). An important document adopted by the Azerbaijani government is the Employment Strategy for 2019-2030 that encompasses most of the targets and indicators contained in SDG 8 focusing on decent work and economic growth.



## Summary Table: Azerbaijan SE Ecosystem Assessment

<b>strengths</b>	<b>weaknesses</b>
increasing interest towards entrepreneurship	underdeveloped private sector and SMEs
high youth population and involvement in the SE activities	negative perception on cooperatives
existing support from IGOs such as the UNDP	low trust among ecosystem actors
strong regional cooperation with Georgia, Ukraine, Estonia, and Turkey	isolation among public, private, civic and social sectors
government's priority agenda of the promotion of non-oil economic activities	high centralization of state powers & control over non-governmental activities

## III. Methodology

Impact Hub’s approach on mapping ecosystems has evolved over the years, informed by methodologies of expert organizations and the networks’ on-the-ground experience after successfully building Impact Hubs that support growing and developing ecosystems across varied markets, cultural, social and environmental realities in more than 65+ countries worldwide. The main phases of the ecosystem research consisted of the following activities:

- Desk review of literature and comparative analysis
- Review of existing practices, initial ecosystem benchmarking (using the OECD Better Entrepreneurship Tool and other ecosystem benchmarking categories) and initial ecosystem mapping (cataloging/indexing based on written materials)
- Data collection on the ground including field visits, interviews with related stakeholders, and two consultation workshops validating the needs and then the findings
- Synthesis and analysis of collected data and consultation findings
- Generation of a functional map of the SE ecosystem in Baku
- Formulation of some recommendations for ecosystem development and an enabling environment with a focus on the added value of the Impact Hub Network

## Desk Research

Existing literature on social entrepreneurship or the impact economy in Azerbaijan is very limited. Opinion pieces, published interviews, blog posts and newspaper articles transmitting the voices of practitioners are very few.

Most materials are reports from international development organizations. Reports and policy briefs from the EU Eastern Partnership, OECD, Asian Development Bank are the most comprehensive information materials. UNDP Azerbaijan’s commissioned study on social entrepreneurship (UNDP, 2022) and Education HUB’s survey findings from the ‘Collaborate for Impact’<sup>8</sup> Project in partnership with the European Venture Philanthropy Association (EVPA) provides the most relevant information on the profile of SEs in the country.

Reviewed studies and reports are listed in the reference section at the end of this document.

<sup>8</sup> Please see <https://collaborate4impact.org/downloads/a-snapshot-of-the-social-entrepreneurship-ecosystem-in-azerbaijan/>

## Interviews

18 interviews (12 of them face-to-face) were conducted with a spectrum of stakeholders in Baku. Interviewees were sampled out of an initial mapping of the Baku ecosystem. Interviews also provided validation for the initial desk research findings.

- 6 interviews have been conducted with social entrepreneurship support actors for understanding their needs for ecosystem development and for collecting localized and relevant information and resources for further examination
- 9 interviews have been conducted with social and impact entrepreneurs to understand their priorities and immediate needs
- 3 interviews with international donor organizations to understand future collaboration possibilities

## Consultation Workshops

Outputs of the first draft of the mapping study were shared with 22 stakeholders in an interactive workshop conducted in August 2022. The workshop focused on collecting feedback and further inputs into mapping. The first draft of the map listed key actors clustered according to the key functions within the ecosystem such as capacity development, access to finance, awareness and visibility, research and knowledge generation, policy and advocacy. This workshop also served as a validation checkpoint for the ecosystem benchmarking findings based on desk review and interviews.

For a final ecosystem assessment, an online workshop has been conducted in October 2022 with 13 participants using the OECD Better Entrepreneurship Tool to get local stakeholders to assess the ecosystem under the seven categories listed in the Tool: culture, institutions, regulations, finance, markets, skills, and impact. The Tool outlines how a developed ecosystem should look like and enables respondents to self-assess their ecosystem.

- Participants were given 4-7 statements per category through the online survey tool and asked to rate them in a scale from 1 to 10 (1 signifying complete disagreement and 10 signifying complete agreement)
- After the individual assessment, the participants were invited to discuss the results and reflect on their experiences. The chart displaying the session's collective survey results was presented to the participants and additional comments were collected.
- This workshop served as a validation milestone and as a forum to discuss and define a general framework of actionable next steps for creating an enabling environment in Baku. Previously drafted recommendations and actions were also discussed with the local stakeholders.

◊ See <https://betterentrepreneurship.eu/#entrepreneurship>

METHODOLOGY

## Mapping

Most mapping studies focus more on indexing or cataloging existing social enterprises and support actors or pinning them on actual geographical maps. Our mapping exercise focused on both stakeholder cataloging and ecosystem-level functions of the cataloged stakeholders. Functional ecosystem maps enable the user to spot:

- interactions not only between two actors but also interagency and international ties and partnership structures
- multiple functions carried out by ecosystem actors (e.g., intermediaries providing financial support, non-financial capacity building activities, knowledge generating activities, etc.)
- potential interactions with neighboring ecosystems including civil society sector, technology start-ups ecosystem, cooperatives, and the solidarity economy, and
- anchor institutions, and central ecosystem actors

Further information on the map is provided in Section IV dedicated to the mapping exercise.

## Other Activities

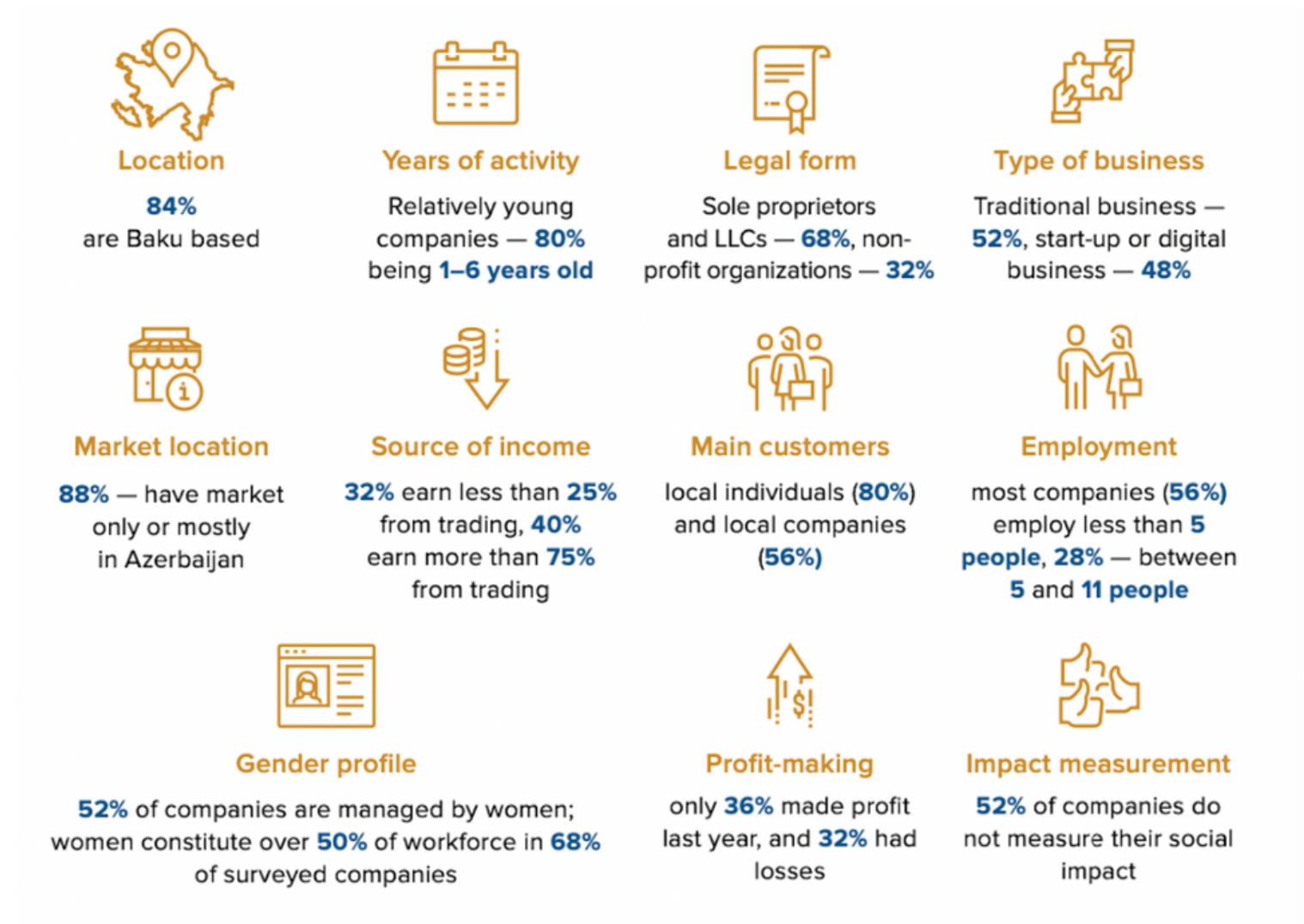
Meetings with local stakeholders focused not only on getting information but also sharing information with them from a global comparative perspective. A workshop on ecosystem building was conducted with 24 participants in July 2022. The workshop focused on how to establish and advance a social entrepreneurship ecosystem through collaboration and joint action. It helped raise awareness on Impact Hub methodology and work around the globe.

# IV. Findings & Recommendations

All findings indicate that there is growing interest in the social entrepreneurship field. The timing for this ecosystem study is matching the growing interest from all sectors (public, private, civic and social) as information materials at the ecosystem level is very limited.

Number of SEs in Azerbaijan is very low and there are no statistics or social enterprise/social economy disaggregated data. Essential support mechanisms (such as national membership or coordination platforms) are not established yet. Entrepreneurship training programs are designed for the early stage enterprises mostly.

As part of the EU-funded and UNDP-conducted ‘Developing innovation-driven and sustainable civil society in Azerbaijan’ project, a survey was held amongst 25 social entrepreneurs. The results show most enterprises are established in Baku and sell their goods and services in the local market. Most of these enterprises are microenterprises with teams of 5-10 people. In line with the average global SE profile, most social entrepreneurs are women and there is a gender balance. According to social entrepreneurs, the biggest challenges are lack of recognition (related both with regulatory frameworks and public awareness) and access to funding.



**UNDP’s summary infographic showing survey results in the EU-funded ‘Developing innovation-driven and sustainable civil society in Azerbaijan’ project (image credit: UNDP Azerbaijan)**



## FINDINGS & RECOMMENDATIONS

There is isolation between sectors (private, public, civic and social). Relations and interactions between actors are spontaneous and event-based or project-based. Partnerships usually dissolve at the end of projects. There is one dedicated platform<sup>10</sup> ensuring the flow of information and facilitating interaction among stakeholders. Some workshop participants shared that the consultation meetings helped them to meet some other social entrepreneurs for the first time.

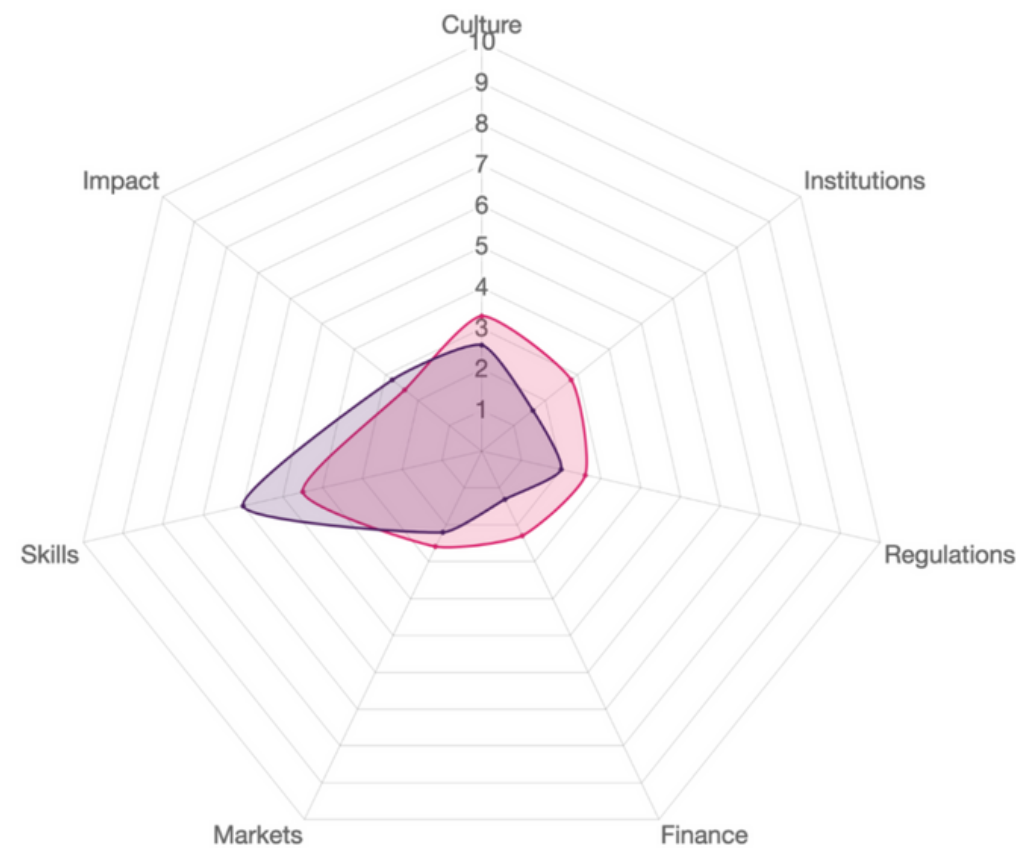
A community approach based on good scouting, inclusive of all stakeholders (citizens, intermediaries, knowledge generators, universities/research institutions, student organizations, financial institutions, grant providers, public sector/policy makers, municipalities, non-governmental organizations, private sector, international organizations and SEs) is necessary. Community building and weaving trust within the system is key. Encounters and collaboration among all actors need to be facilitated by space, program and community interventions. Intrapreneurship programs, targeting public and corporate employees, might help to create cross sectoral encounters. Rising coworking trend might also be able to address the isolation and trust issues.

<sup>10</sup> Please see <https://socialentrepreneur.az/> run by EduHUB.

FINDINGS & RECOMMENDATIONS

Azerbaijani social entrepreneurship ecosystem can be classified as a nascent ecosystem based on desk assessment and the validation workshop using the criteria in the OECD Better Entrepreneurship Tool<sup>11</sup>. Overall assessment of the radar chart presented suggests that there is much room for improvement in the Azeri SE ecosystem for each component of the ecosystem. The skills component of the ecosystem is assessed to be the most developed part which is also the case in many nascent ecosystems where training and mentoring opportunities are mobilized to increase the number of SEs in the pipeline.

On the other hand access to finance has been assessed as the weakest component as is the case in most ecosystems around the world even in the most developed ones. Yet it is important to note that the overall point averages in the chart are around 3 over 10 and it is safe to conclude that support provisions in all fields remain very limited.



Radar chart showing individual and group assessment results of the Azeri Social Entrepreneurship Ecosystem generated by the OECD tool.

Purple color marks individual views of the moderator whereas pink color marks the average results of the group attending the workshop.

Assessments and findings on the ecosystem characteristics will be outlined under the following categories in more detail:

- awareness and culture
- institutional and legal framework
- access to finance
- access to market
- skills & business development support including impact management

<sup>11</sup> See <https://betterentrepreneurship.eu/#entrepreneurship>

## Awareness & Culture

The ‘Better Entrepreneurship Policy Tool’ defines an ideal social entrepreneurship ecosystem as a place where awareness-raising activities are regularly conducted, statistical data on SEs is available, civil society and social economy organizations actively promote social entrepreneurship, and there are education opportunities on the subject mainstreamed into formal education<sup>12</sup>. Awareness and culture components in Baku are in the early stages of development, resulting in the following findings:

- Awareness of people on the street on social enterprises is very limited. Awareness on defining or differentiating the characteristics of SEs in general is very limited.

Lack of awareness or poor understanding of SEs is identified as the second biggest challenge they face by social entrepreneurs and support organizations in the surveys. Lack of awareness leads to lack of knowledge and collaboration which is an obstacle to maximize the social and economic potential of the SEs.

Outreach and communication activities are essential for cultivating information and bringing more visibility to SEs across Azerbaijan so that their products and services can generate sufficient market/target group awareness. Increased awareness will also facilitate access to markets for SEs by facilitating and incentivizing trade between mission-aligned organizations.

- There are no formal education opportunities (e.g. curriculum in high schools or master’s degrees) on social entrepreneurship. For creating entrepreneurial human capital, key entrepreneurial competences should be introduced at all education levels ensuring practical entrepreneurship experience as part of education-business cooperation (OECD, 2020, p.368).
- Research and development activities about SEs in Azeri universities are very limited and there is a need for incentivising.

<sup>12</sup> Countries with healthy civil society and social economy environments are better suited for fostering social entrepreneurship according to the OECD Better Entrepreneurship guidelines.



## Institutional, Legal and Regulatory Framework

According to the OECD Better Entrepreneurship Tool, SEs are legally recognized by institutional bodies in an ideal social entrepreneurship ecosystem - the institutional bodies ideally support and engage with them. There are effective coordination mechanisms building collaborations among government agencies and across the different levels of government. Policy making is inclusive and there is a formally endorsed strategy for SE development. Also an ideal social entrepreneurship ecosystem is an environment where legislation on SEs is pertinent and has been developed together with relevant stakeholders, and the administrative procedures specific to SEs are accessible and clear. In the case of the Baku Social Entrepreneurship Ecosystem, the following elements are identified:

- There is no statutory body for social enterprises in Azerbaijan except the registry system under the Ministry of Labor for sheltered workplaces for disabled people.
- There is a working group coordinated by the Ministry of Economy and KOBIA with participation from State Employment Agency, UNDP, ILO, GIZ etc. The group works on legislation and for the recognition of social enterprises in Azerbaijan. Some social enterprises have been invited to sessions, yet the majority of the interviewees stated that the participatory nature of these consultations needs to be enhanced.
- International certification or categorization methods are not commonly used in the country. Level of information as to international certifications is very low.
- Social entrepreneurship is mentioned in the public strategy documents in relation to social inclusion.
- There are some formal/legal entities that are considered social enterprises in Azerbaijan. Those are sheltered workspaces for disadvantaged communities and trading arms of non-governmental organizations.
- The Covid pandemic slowed down the impetus in partnership between the SE community and the universities, local administrations, and the Parliament. Events like Impact for Breakfast might catalyze the process now with normalization after the pandemic.

## Access to Finance

Access to finance is an important issue for any type of entrepreneurship. In an ideal ecosystem a diverse set of financial instruments and mechanisms are available for SEs and there are specialized providers supporting their access to finance. Awareness levels among mainstream finance providers are high and there are public funds or support provisions facilitating SEs' access to finance.

Social entrepreneurs and support organizations alike identify access to finance as the number one barrier in the country. In the Baku context, the access to finance is characterized by the following findings:

- Public grants are limited in number and not tailored for SEs, private investment is scarce and almost exclusively reserved for high-tech startups.
  - SEs usually apply to grants developed for other types of actors such as youth organizations or technology start-ups. Grants tailored for SE needs, taking into account the characteristics of target groups as well as market dynamics, are necessary.
  - There are no specific studies on the financing needs of SEs. Most of the time real needs of the SEs and finance options supplied/provided are mismatched.
  - Lending is mostly conducted by conventional bank finance, serving mainly to medium and large enterprises with high interest rates. Given the lack of tailored financing options to address their needs, micro and small enterprises continue to rely on personal loans (OECD, 2020, p. 360).
  - Microfinance is used traditionally to support livelihood activities and subsistence.
  - The financing market needs to be mapped for the use of SEs, cataloging main actors, types of intermediaries and types of opportunities supplied also internationally.
  - Crowdfunding is taking off with at least 3-4 platforms (mostly identifying as SEs themselves) promoting the concept/practice as an alternative way of access to finance, i.e., toxum, destekchi
  - There are no specific organizations or programs dedicated to financial development of SEs such as investment readiness programs or capacity-building for applying to larger grants.
  - There are no public funds incentivizing development of funding for SEs nor a recognition or award system for fund providers.
  - There are no training programs available for finance institutions and their staff nor are there any guidance documents/tools for finance institutions.
- Diversifying funding for SEs via capacity development in funding organizations and catalyzing innovative solutions such as fiscal sponsorship\* is recommended.

<sup>13</sup> Fiscal sponsorship is a good practice mainly used in the US to support unincorporated citizen-led initiatives, social enterprises or organizations without a tax-exempt status. The entity holding a tax-exempt status sponsors the activities or a project of the other entity/individual/group and carries out the fiduciary and administrative requirements.

## Access to Market

In an ideal ecosystem, SEs need to have proper access to both public and private markets. The level of access to markets depends on social procurement support provisions as well as SEs' use of new technologies to expand their own commercial opportunities and market access. In Baku, access to markets is limited:

- There is no overarching strategy for public procurement in Azerbaijan. There are no public procurement modalities used by municipalities or public agencies that prioritize buying from SEs. SME access to public procurement is not facilitated either. Yet there are shops operated by state agencies such as ABAD (focusing on small family businesses) and ASAN (i.e. DOST centers focusing on disadvantaged or socially excluded groups) in Baku.
- There are no training programs available for public procurement officials to inform them about procurement from SEs or social economy organizations.
- SEs do not have access to capacity building services for applying to government tenders or for partnering with big corporations.
- 'Buy Social' campaigns carried out by social enterprise network organizations around the world have not taken place in Azerbaijan yet due to the small size of the SEs and lack of network organizations representing SEs.
- There are no national certification systems facilitating access to the market and practitioner level of knowledge regarding existing international third party certifications is very limited.



## Skills and Business Development Support & Impact Management

Social entrepreneurs need easy to access training and mentoring mechanisms tailored for their needs to be able to develop well-functioning business and impact models. Intermediary networks ensuring communication among SEs are also necessary in an ideal ecosystem for peer learning and collaboration. In the Baku ecosystem, the following areas were identified:

- General institutional framework for business development support provision in Azerbaijan is highly fragmented<sup>14</sup>. Several bodies seem to perform overlapping tasks (i.e., providing training).
- There are dedicated training initiatives for SEs, yet most available training is concentrated at the entry level. Training programmes for later life-cycle stages are necessary to be able to support existing SEs.
- There are dedicated coaching and mentoring programs<sup>2</sup>, yet mentors are not knowledgeable about SEs. They are mostly subject experts on issues such as access to finance, marketing etc. Providing training to mentors on differing characteristics of SEs is crucial for enhancing motivation and efficacy.
- There are hubs and incubators where SEs can get access to support yet there are no all-year-round open support programs in the country.
- Impact measurement and management issues are gaining attention, but the number of open-access tools and guidelines are limited. Also there are no generally accepted impact metrics except SDGs<sup>15</sup>.
- There is no specific support provision or incentive for research on impact measurement.
- There is a high level of digital literacy among the active population, and internet usage is also high so online skill development and training programs might work effectively.

<sup>14</sup> A non-exhaustive list of main related government agencies including agencies for SMEs and ministries, financial institutions are:

- Ministry of Labor and Social Protection with its Agency for Sustainable and Operative Social Provision (DOST), and the State Employment Agency
- Ministry of Economy with its SME Development Agency (KOBIA) and ABAD (Azerbaijan Business Assistance and Development Program)
- Ministry of Youth and Sport with its Youth Policy 2022-2026 having provisions on youth entrepreneurship
- Presidency with its coordination and execution powers and strategy documents with a focus on innovation and entrepreneurial development
- Ministry of Transport, Communications and High Technologies with its Innovation Agency
- Ministry of Culture with its Creative Azerbaijan Network

<sup>15</sup> Please see <http://sdg.azstat.org:8484/en/home>

# V. Ecosystem Map

In order to develop efficient supporting measures, it is essential to gain a holistic understanding of the ecosystem, the existing actors and mechanisms. As part of this research, ecosystem mapping mainly focused on organizations and actors operating in Baku, as this was the main focus of this research. The ecosystem mapping in this study has three components:

1. a comprehensive index/[database](#) of ecosystem actors using [Airtable](#)
2. [network analysis](#) of the indexed ecosystem actors using [Graphcommons](#)
3. a [functional map](#) and visualization of the ecosystem using [Canva](#)

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## Database

An expanded and interactive catalog of approximately 270 ecosystem actors can be accessed at this database table. In the database, functions, sectors, info links, and geographical coverage of the listed actors are also presented. All possible organisms (actors or stakeholders) and mechanisms (accelerator, incubator award programs, platforms, regular event formats etc.) have been mapped during the study with the exception of projects and international support programs open to participation from all around the world.

	Name of the Ecosystem Actor	Pr	Select	Main Sector	Main Function	Coverage
1	ABAD   Azerbaijan Business Assistance and De...	1	mechanism	Public	capacity development market	National
2	Accelerator Lab Azerbaijan	1	mechanism	Public	capacity development policy/advocacy	International
3	ADA University	1	organism	Public	capacity development learning	National
4	ADO Theatre	1	organism	Social	social/impact enterprise	Local
5	AgroFresh	1	organism	Social	capacity development information/content	International
6	AQSIA   Azerbaijan Women's Entrepreneurship ...	1	organism	Civic	capacity development market	National
7	Art Garden	1	organism	Social	social/impact enterprise	Local
8	Artha Impact	1	organism	Social	capacity development social/impact enterprise	International
9	ASAN   State Agency for Public Service and So...	1	organism	Public	capacity development learning	National
10	Azerbaijan Young Entrepreneurs Network	1	organism	Civic	policy/advocacy	National
11	Azerbaijani Socks	1	organism	Social	social/impact enterprise	National
12	Bağbanın Bahçəsi	1	organism	Social	social/impact enterprise	Local
13	Baku Community Space	1	organism	Civic	capacity development	Local
14	Birge ve Saglam   Joint and Healthy Public Union	1	organism	Social	social/impact enterprise	Local
15	Braille Teach	1	organism	Social	social/impact enterprise	International
16	Buta Art and Sweets	1	organism	Social	social/impact enterprise	Local
17	Cavan Qalb	1	organism	Civic	learning capacity development	National
18	CHED   Childhood Health, Education & Social D...	1	organism	Social	social/impact enterprise	International

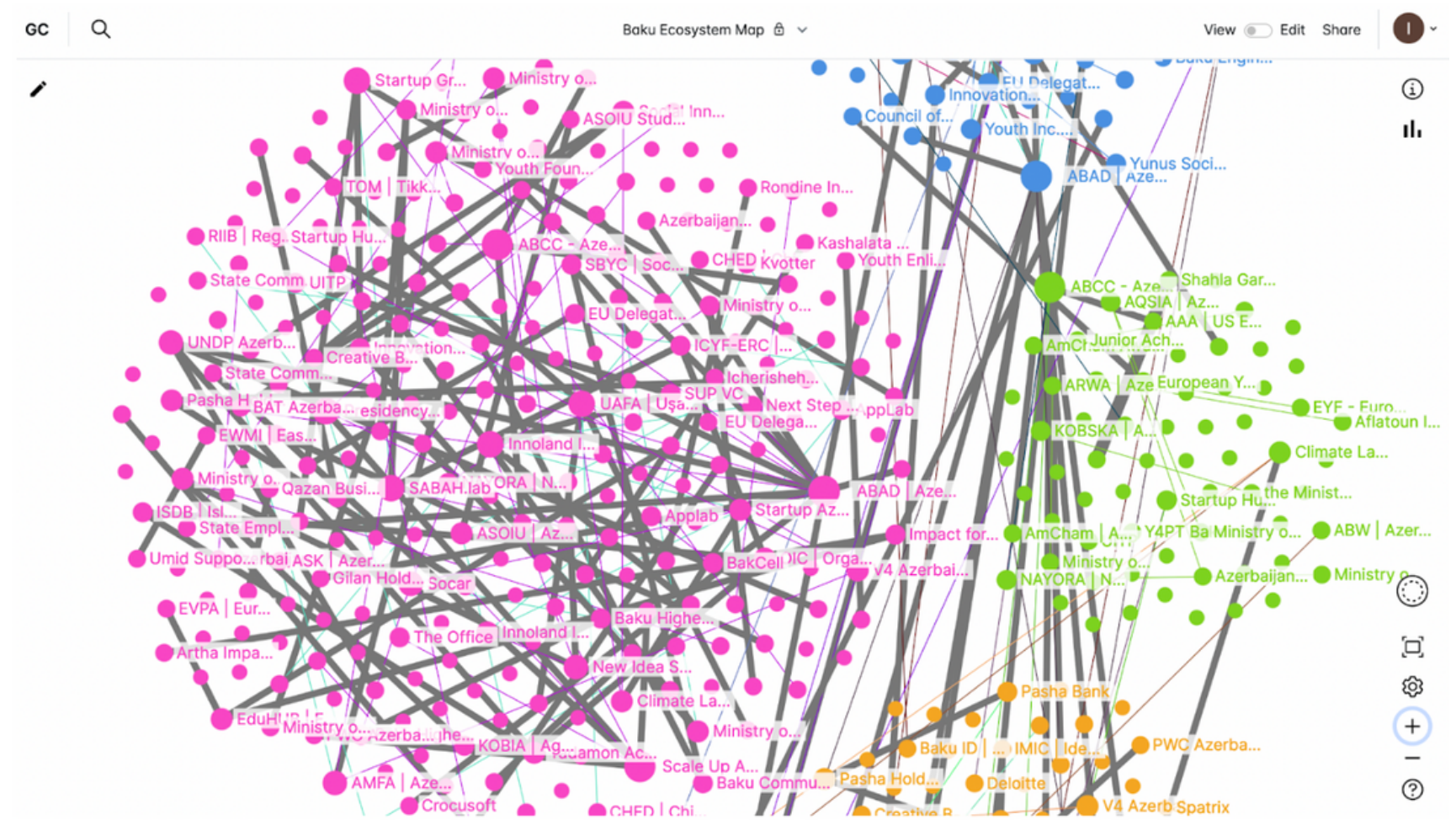
A screenshot of the index/database generated via [Airtable](#). For the full database click on the image or use this link

ECOSYSTEM MAP

# Network Analysis

A network analysis has been conducted on the map to get a panoramic view of the ecosystem, see the spectrum of various actors related with the ecosystem, spot the gaps and crowded areas within the ecosystem, and spot engagement and collaboration opportunities. Graphcommons is used as the main network analysis tool. Findings of the clustering<sup>16</sup>, similarity<sup>17</sup> and centrality<sup>18</sup> analysis has verified the interview and workshop findings. Here are some findings worth repeating:

- Public, private, social and civic actors are connected within each other instead of between each other. There is almost no intersectoral or cross-sectoral collaboration.
- Private sector is connected almost exclusively with the public sector. Connections between the private sector and the social sector are very few.
- A wide gap between the institutionalized and state-funded communities and the independent communities is evident.
- Centrality and dominance of public sector organizations is very evident.
- Peripheral and emerging positioning of the social sector is evident.



Screenshot of the network map generated by Graphcommons.

<sup>16</sup> In the cluster analysis, actors connected more to each other with many ties are clustered together.

<sup>17</sup> In the similarity analysis, two actors are considered similar if they share many common neighbors.

<sup>18</sup> Centrality analysis locates actors at the center of the ecosystem according to the number of connections they have. Most connected actors are positioned at the center of the network map.

## Functional Map & Visualization

A non-exhaustive list of major actors and mechanisms (programs, projects, events etc.) in the field of social and impact entrepreneurship are presented in a Canva visualization. Actors are categorized located based on the functions they carry out within the system in a metro map format to facilitate the ‘navigation’ for users.

The metro map design logic is modeled after the Scottish Social Enterprise Ecosystem Map<sup>19</sup> which was published as a part of ‘Scotland’s 10-year Social Enterprise Action Plan 2016-2026’. Only most relevant actors are included in the static visualization for user-friendly design purposes. An expanded list of actors can be accessed via the Airtable database

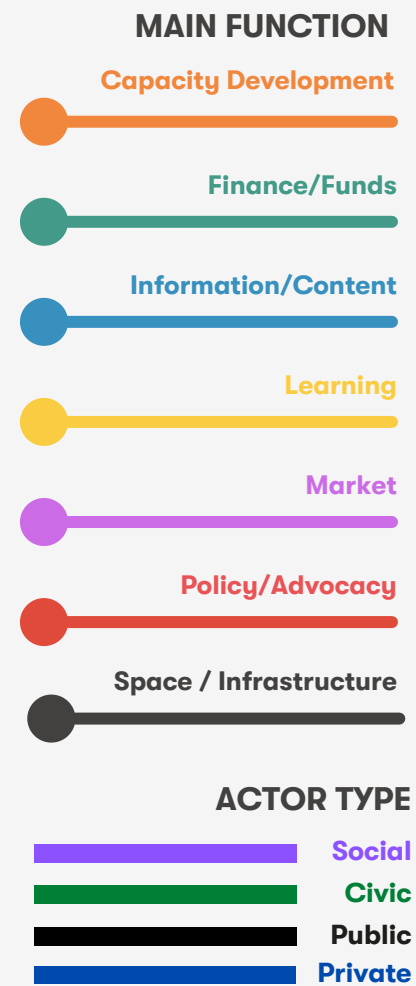
Primary functions are grouped in seven categories (capacity development, finance, information, capacity building, information, learning, market, policy, and space) using different colors. Actors or mechanisms with multiple functions are visualized as metro line connection hubs.

Social or impact enterprises that carry out ecosystem functions are also shown in the map. All other social/impact enterprises are presented in a list.

- Capacity building | actors or mechanisms providing capacity building and non-financial support services such as incubation, acceleration, mentoring, coaching, pro bono support, social impact, awards, fellowship, network, partnership etc.
- Learning | actors or mechanisms providing training and education
- Policy | actors or mechanisms working on advocacy and awareness areas such as policy development, advocacy, lobbying or local policies
- Information | actors or mechanisms providing content, data, information such as blogs or news platforms
- Market | actors or mechanisms providing or creating access to market pathways such as social procurement and accreditation, certification systems
- Finance | actors or mechanisms provide various types of finance such as investment, impact investment, grants, loan, credit, microfinance and crowdfunding
- Space or infrastructure | actors or mechanisms providing space, infrastructure and technology such as lab, fablab, coworking or technology facilities

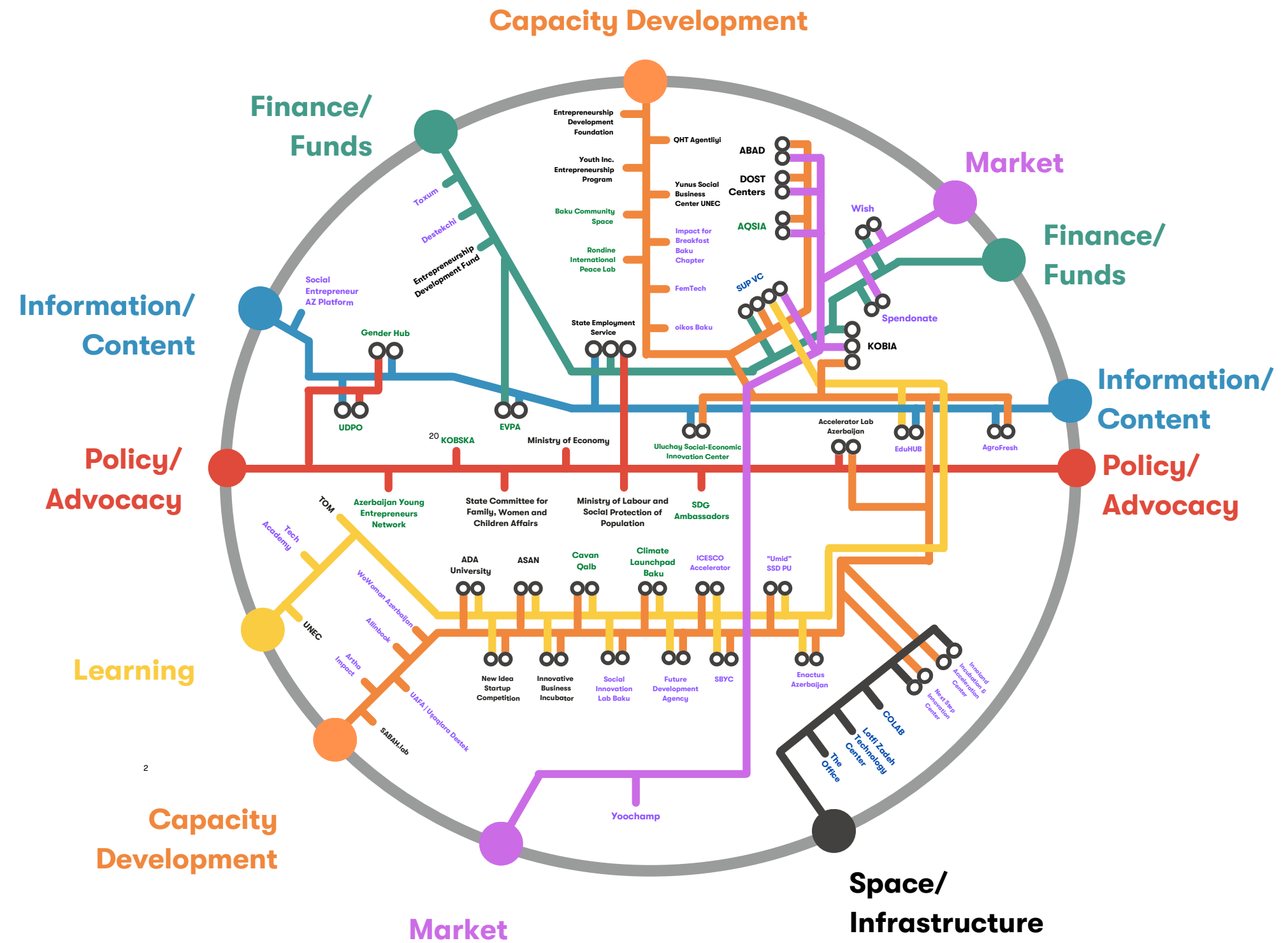
<sup>19</sup> Scottish Social Enterprise Ecosystem Map, 2019, commissioned by the Scottish government as part of Scotland’s 10-year Social Enterprise Action Plan 2016-2026; researched and collated by Community Enterprise, and designed by Social Enterprise Design Agency, BOLD. <https://communityenterprise.co.uk/assets/uploads/DOCUMENTS/2019/SE-Eco-System-Interactive-Map-Scotland-2019.pdf>

**Baku Social Entrepreneurship Ecosystem Functional Map\***



\*This metro map design logic is modeled after the Scottish Social Enterprise Ecosystem Map which was published as a part of Scotland's 10-year Social Enterprise Action Plan 2016-2026 researched and collated by Community Enterprise, and designed by Social Enterprise Design Agency, BOLD.

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**SOCIAL / IMPACT ENTERPRISE LIST:**

ADO Theatre / Allinbook / Art Garden / Artha Impact / Atababa Fyndygh Cooperative / Azerbaijani Socks / Bağbanın Bahçası / Bereket Cooperative / Birge ve Sağlam | Joint and Healthy Public Union / Birlik Cooperative / Bollug Production Cooperative / Braille Teach / Buta Art and Sweets / CHED | Childhood Health, Education & Social Development Foundation Course / CIGIR / Destekchi / EIMundo Group / Enjoy Chocolates / Gyzyl Alma Production and Consumer Cooperative / HAMSA / Hands Art / ICESCO Accelerator / Insight Hunter / Jalilabad Production Cooperative / Kashalata Cafe / Kekalove Adaptive / Kendistan Camping Azerbaijan / Kvotter / Lakeside Garden Ismayilli / Lia. / Lia, Smart Spinal Solution Inc. / LOVE by veganazer / Mektəbim / Next Step Innovation Center / Project Flat / SBAH.lab / Salaam Cinema / Sapla Sewing House / SBYC | Social Business Youth Center / Sumaks / Sunbul Production Cooperative / Topla / Tor Coffee Shop / Toxum.org / UAFA | Uşaqlara Destek / UDPO | Organization of Disabled Entrepreneurs / UITP / Uluchay Social-Economic Innovation Center / Vriently / WoWoman Azerbaijan / Yoochamp



# VI. Conclusion

Baku Social Entrepreneurship Ecosystem has many similarities with the global state of the SE ecosystem:

- average social entrepreneur profile is young and number of female founders is almost equal to male founders
- most social enterprises operate at micro-enterprise level
- public awareness regarding social enterprises is very low
- impact management or measurement activities are very limited
- the coworking<sup>1</sup> sector and the freelancer economy is on the rise
- there is ongoing government work for legislation and recognition
- regional disparities are evident with most entrepreneurial activity concentrated in big cities –Baku in this case

Azerbaijan has some differences and peculiarities in comparison to other country examples or the global average:

- Half of the SEs operate on a project-basis, although project grants is a typical way of financing for social enterprises worldwide, dependency on grants and specifically international development sourced grants is very high in the country.
- Trust levels among ecosystem actors are very low and lack of trust between the actors is creating high levels of isolation.
- Private sector is underdeveloped and its involvement and support for entrepreneurship is very limited.
- The level of engagement between civic and social sectors is low.
- There are a very limited number of social enterprise support organizations.
- There is high centralization of power and government resources and local administrations are not strong.
- The SME sector is underdeveloped and fragile.
- Number of cooperatives is low and cooperative activities are mostly limited with rural agricultural conduct whereas globally social cooperative models are an important part of the social economy.

CONCLUSION



Looking at this panorama, Impact Hub might be able to provide added value in the following areas:

- Impact Hub can complement existing entrepreneurship support organizations with training on growth, scaling and access to markets beyond entry level.
- Impact Hub can facilitate collaboration with relevant EU countries, Turkey and others which are of interest to the Baku ecosystem.
- Food and agriculture are key themes in the Azerbaijani context which are strong suits of the Impact Hub network.
- There is high interest in internationalization in the country and access to international markets which Impact Hub could bring.
- Most workshop participants and interviewees voiced the need for spaces that would help them meet with peers and possible collaborators which is a natural part of Impact Hub’s impact and business model.
- This ecosystem analysis and mapping aimed to serve as a first attempt to holistically map the current state of the social entrepreneurship ecosystem in Baku, Azerbaijan. As the ecosystem is constantly evolving, new actors and SEs are emerging or existing actors might be changing. Therefore, the ecosystem map is seen as a living document and a work-in-progress that can be updated by findings of other projects or ecosystem actors. To add to the [ecosystem database this form](#) can be used.

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