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Global Think-Tank

SOCIAL ECONOMY FOR AZERBAIJAN: A KEY COMPONENT OF SUSTAINABLE DEVELOPMENT?

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Contents

Abstract	3
Abbreviations	4
1) Introduction	5
2) Social Economy - What is it?	6
2.1) Three Sector Model	8
2.1.1) Social Economy Organizations	10
Non Commercial SEOs	10
Civil Society Organizations	11
NGOs	11
Trade Unions	12
Foundations	12
Commercial SEOs	13
Social Enterprise	13
Cooperatives	14
2.1.2) Private Sector	16
2.1.3) Public Sector	17
3) Social Economy in Azerbaijan: Current Situation	18
3.1) Market Structure of SEOs	22
3.2) Financial Structures of Social Economy for and in Azerbaijan	23
4) Economic and Social Added Value: Consolidation of Social Asset	25
5) Sustainable Development through Social Economy	26
6) Development Strategies of the SE in Azerbaijan	28
Conclusion and Recommendations:	31
References:	34

Abstract

The paper aims to bring readers' attention to the Social Economy as an alternative economic system and reanimate the development of a Social Economy sector in Azerbaijan. At the moment, the term Social Economy does not have a fixed definition and, therefore, this study tries to provide an explanation of it. Moreover, this paper describes the implications and benefits of the Social Economy in and for Azerbaijan and offers mechanisms for its further development. The study explains the Social Economy's necessity for the future sustainable development of the country, as there are important correlations between the two. There are many opportunities that can be opened by this sector and, thus, the country should develop a social-welfare-maximization approach to the economy.

Abbreviations

CSO - Civil Society Organizations

GDP - Gross Domestic Product

GPI - Genuine Progress Index

IGO - Intergovernmental Organization

NGO- Non - Governmental Organization

NCO - Non - Commercial Organization

NPO- Non- for - Profit Organization

SE - Social Economy

SEO - Social Economy Organization

SDGs - Sustainable Development Goals of United Nations

SPI - Social Progress Index

SRM - Strategic Road Map

SMEs- Small and Medium-sized Enterprises

1) Introduction

This paper is an introduction to the Social Economy (SE) in Azerbaijan. The concept of the Social Economy is not well defined and this analysis tries to provide a definition of it to enable its further development. Currently, available literature and the understanding of SE are quite weak and, therefore, our purpose is to define the concept and aid in its development process, adapting it especially to Azerbaijan, to help address the country's sustainable development needs. This will, hopefully, spur further offshoot studies and may be applied to other, similar countries.

Moreover, the paper explains the benefits the SE can bring to Azerbaijan and the correlation between SE and the United Nations' Sustainable Development Goals¹. According to preliminary research, it was discovered that the SE comprises only 1,4% of Azerbaijani GDP and NGOs and other Social Economy Organizations (SEOs) account for just 0,3% of GDP (for 2017), both paltry figures. Additionally, from 2006 until 2016, the SE weakened further and is currently in an ever-expanding recession.

Social Economy Organizations (SEO) are key components to enact the SE. SEOs consist of both non-commercial and commercial organizations whose end goals are not to maximize the profits they make, but rather to achieve the welfare-maximizing objectives they set for society. They serve as examples of proper democratic governance for their members and the society as a whole. SEOs promote sustainable development, fair trade, social cohesion, democratic citizenship and other humanitarian values, while at the same time contributing to a country's economy.²

Moreover, if managed well, they can make people in the country better off. However, SEOs need an enabling atmosphere in which to function and thrive. Creating such an environment is a difficult process which requires many reforms and deliberate strategies with the active involvement of both the public and private sectors, of government and citizens.

The development of the SE can reinvigorate the Azerbaijani economy and aid it to diversify and further develop; however, rising oil prices since 2017 have had a distortive influence on the speed of reforms in Azerbaijan, creating pessimistic expectations for the near future.³ The improved economic situation makes the government less willing to facilitate the implementation of both new and previously adopted policies. Therefore, reinitiating the SE in the country is not expected to start until the government finds itself facing a long contractionary economic gap. As such,

¹ United Nations, 17 Sustainable Development Goals

<https://www.un.org/sustainabledevelopment/sustainable-development-goals/>

² A Note on the Economics of Philanthropy, The Graduate Institute, Geneva

<https://repository.graduateinstitute.ch/record/295337/files/HEIDWP19-2017.pdf>

³ Higher Oil Price: Sustainable or Temporary Economic Growth?, CESD, p. 9

http://cesd.az/new/wp-content/uploads/2018/04/CESD_Paper_Oil_Price_and_Azerbaijan_Economy.pdf

instead of a top-down development, there can be a bottom-up approach: citizens can start taking a lead in pushing for reforms for SEOs. The goal of this research is to influence the sustainable bottom-up development of the SE, even if this scenario seems currently unlikely due to the non-liberal nature of the SE sector in Azerbaijan.

The situation for SEOs in Azerbaijan is presently not very promising due to various factors such as a problematic legislative framework, low awareness of the importance of SE, misguided perceptions, and an unwillingness to take action to reverse the aforementioned developments, all of which come together to prevent SEOs from performing effectively, or at all. Hence, there is a pressing need from both the sides of the government and the country's citizens to work collaboratively in developing the SE and SEOs in the country. The process of achieving a natural or optimal level of SEOs in a country, based on international experiences, is explained in upcoming parts of the paper.

This research aims to explain what the SE is on a global scale and provide a working definition of SE through a rigorous exploration of its characteristics. It analyzes the role of SEOs as tools of the SE and as promoters of social and economic development. Later, the study describes the importance of the Social Economy for sustainable development and assesses the current situation of the SE sector in Azerbaijan, with relevant projections to induce Azerbaijani citizens and the government to acknowledge its centrality to the develop goals of the Azerbaijani government. The research on the topic of SE was carried out with qualitative research methods in addition to a quantitative approach. It provides major policy and reform recommendations for the development of this sector.

2) Social Economy - What is it?

The definition and the concept of the Social Economy (SE) are not well defined and this section will explore its characteristics in order to come to a working definition for the term.

Potential reasons for the current underdevelopment of the concept of SE are a lack of research carried out on the topic and other complications, such as a lack of awareness on its importance, self-interested political and economic systems, economic crises resulting from non-resilient economic structures and its non-traditional approach to the economy. The aforementioned reasons compound to prevent further development of the SE. Hence, it is of high importance to review the characteristics of the SE as a means to define it and make its achievement implementable.

First and foremost, the SE sector, regardless of its structure, follows philanthropic values which should not be neglected in any circumstances⁴ – it positions people before profit and inserts the idea of social values, common welfare and responsible development into the economy.⁵ SE differs from the current economic system which does not really care about people and, through its inattention, creates additional harm to society, the environment and itself. SE, by contrast, positions people and other humane perspectives, rather than materialistic values like money and wealth, at the center of the economy.

Furthermore, in the SE, Gross Domestic Product (GDP) growth, profit-maximization and individual wealth accumulation are not the final purposes of economic activity. Traditional economic organizations operate in the market to maximize their individual gain; their major focus is the monetary remuneration they gain in return for their activities. However, in a changing world, the SE emphasizes the value of people and universal humanitarianism as a means to improve the world.

Therefore, SE stands in contract to the existing economic approach of Neoclassical Economics⁶, which positions economic growth as a key goal even at the cost of others.⁷ At the moment there are various new economic growth indicators being developed that try to capture the idea of development better than the metric inputs of GDP, they include the Genuine Progress Index (GPI), Social Progress Index (SPI) and many others.⁸ These indicators are potential alternatives for future economies to holistically assess their performance.

In its essence, the SE replaces a profit-maximizing mindset with a social welfare-maximization approach. Social welfare-maximization is a way of improving the well-being of societies, inducing decent work, quality education, better access to opportunities, healthy environment and societies, and strong partnerships within communities, through economic activities. Thus, in SE, it is important for the economy to progress while, at the same time, enable societies to flourish and develop sustainably.

Additionally, the goals of economic agents, such as households, firms and other types of organizations part of SE are both generating prosperity and achieving socio-economic objectives to improve the lives of all. Hence, the economic agents

⁴ Philanthropy means the love of humanity and the SE is perceived as the economic philanthropy.

⁵ Nathalie Monnet, Ugo Panizza; A Note on the Economics of Philanthropy; The Graduate Institute Geneva <https://repository.graduateinstitute.ch/record/295337/files/HEIDWP19-2017.pdf>

⁶ Neoclassical Economics is the mainly used economic theory at the moment in the world economy and also known as mainstream economics.

⁷ Here with the idea of humanitarianism is the philanthropic values, good for all and solidarity meant

⁸ World Economic Forum, GDP is destroying the planet. Here's an alternative, 31.05.2018 <https://www.weforum.org/agenda/2018/05/gdp-is-destroying-the-planet-heres-an-alternative/> AND Social Progress Imperative, Social Progress Index <https://www.socialprogressindex.com/overview>

understand the necessity of strengthening the roots of economic, social and environmental development for a common good to enable a sustainable future. SE's pure purpose is identified by social objectives which serve to develop the country and achieve environmental, social and economic sustainability.

People need to understand the importance of the SE and how active participation is key to obtain social well-being in order to engage further in the process of its development. Social Economy Organizations (SEOs) are taking the lead in implementing SE and setting communal goals for societies to fulfill. SEOs act as a tool to achieve SE, where economic agents can take part in the development of their community, society and region with a bottom-up development approach.⁹ SEOs require partnerships among various economic agents to strengthen their approach to resilient development and for this reason, varying types of SEOs will be explored in the following section.¹⁰

In order to assess how SEOs contribute to the SE, we may summarize the aforementioned characteristics of SE to come to the following working definition :

Social Economy is an economic model illustrating a system for world economies to operate whilst encouraging the sustainable progress and development of society as a whole. The SE replaces profit seeking attitudes as the core of economic activities with social and human factors and focuses on fair and sustainable development. It follows the tenets of humanitarianism by engaging in economic activities in an altruistic manner.¹¹ Its core ideology is economic philanthropy - to help and care for others, improve democratic citizenship and to establish a better economy for all. It uses such an approach to tackle social, economic and environmental problems, to enable genuine progress in a community and to pursue other activities furthering the common good.

2.1) Three Sector Model

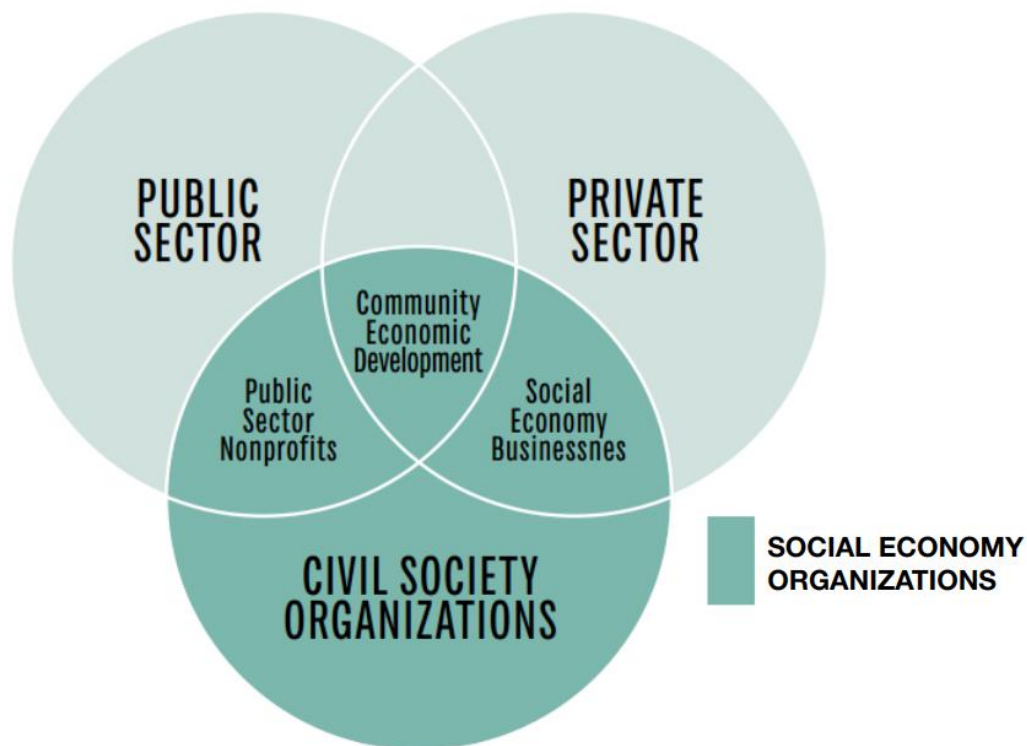
This part of the paper will explore how different sectors participate in SE and provide a general overview of each type organization acting in the market. Moreover, this section will demonstrate the areas where SEOs intersect the public and private sectors, which helps the SE to enlarge its operations and achieve more ambitious goals.

⁹ Bottom-up approach refers to the development model where advancement starts from the bottom of the society, from people with their individual leaderships and reshapes the state and the private sector. Whereas in a top-down approach the change starts from the government and evolves the society.

¹⁰ Ștefan Cojocaru, Lucian Sfetcu; Partnerships in Social Economy; Procedia - Social and Behavioral Sciences; <https://doi.org/10.1016/j.sbspro.2013.08.659>

¹¹ Altruism is an opposite of egoism and altruistic economic agents do not only think of themselves, but also care for the others in a given society, community or a region. Thus, they consider the happiness of other human beings, which is non-self-interested behaviour.

Diagram 1: Three Sector Model; An Interactive View of the SE



Source: ANSERJ Canadian Journal of Nonprofit and Social Economy Organizations Research, vol. 1, no. 1. Quarter and Mook 2010

Diagram 1 above provides a fast overview of the Three Sector Model and show where all three sectors intersect. Civil Society Organizations form the core of SEOs, but they overlap with both the Public and Private sectors to encompass additional organizations. Although the Private and Public sectors are not explicitly part of the SE, they play an important role in developing it through their partnerships.

The overlap of all three sectors drives the best possible outcome at any given time. This group, made up of Public Sector Nonprofits, Community Economic Development and Social Economy Businesses, are hybrid types of organizations because they act as part of the public or private (or both) sectors while maintaining a charitable mission. The many overlaps of all three sectors demonstrates the adaptability of SEOs, an important advantage that enables their operational development in all parts of the world.

In the end, all SEOs regardless of which sectors they encompass, operate to achieve the sustainable development of the community they serves and, as a result, achieve a sustainable world.

2.1.1) Social Economy Organizations

Firstly, SEOs are tools of the SE and they are based on collaborations between different groups in the economy including people, corporations and government. All SEOs share similar organizational values, like social justice and inclusion, democratic governance, environmental protection, resilient and fair economic development, etc.

Additionally, SEOs' activities can address the needs of a country, such as unemployment, fair economic development, social welfare, justice, democracy, strong institutions, decent work, quality health and education systems, building a resilient economy, reducing inequality, creating sustainable communities and many other developments. Thus, the Sustainable Development of a country can be achieved through integrating effective and adaptable working mechanisms of the SEOs in the country and it can connect long-term perspectives to present economic activity.

SEOs want their members to thrive and be successful. Help, care and universal respect are the fundamental drivers for their objectives and the purpose for the existence of SEOs. The rising level of well-educated people plays a vital role in the development of SE, as they recognize the importance of contributing to the others in the community. SEOs facilitates the active participation of citizens in the whole economy by involving them in its activities and by giving them the space to express their thoughts and enhance their personal abilities.

Before moving to the explanation about the types of SEOs, it must be understood that to be considered a SEO, an organization must be aligned with the purpose of the SE to improve the social condition of all.

Social Economy Organizations have mainly two types of organizations 1) non-commercial and 2) commercial organizations, and they operate for a social purpose by providing their goods and services to improve the well-being of a community while addressing the ones in need and adding a social value to the economy. Below are discussed the different types of SEOs, such as Civil Society Organizations which include NGOs, Trade Unions; Foundations; Social Enterprises; Cooperatives and Credit Unions.

Non Commercial SEOs

Non Commercial SEOs include Civil Society Organizations (CSOs) and Foundations. They have their own funding strategies and are constantly involved in raising funds to sustain their activities. The following paragraphs will describe different types of CSOs and Foundations in more detail.

Civil Society Organizations

CSOs are the main drivers of SE and have a defining position to induce both the private and public sectors to shift to more responsible activities in the quest for achieving sustainable development. CSOs hold a fundamental position for institutional development. CSOs operate to rebuild social and civil life, because it is an elementary component of a progressive society.

CSOs consists of Non-Governmental Organizations (NGOs), Trade Unions, Credit Unions, Volunteer Associations and Student Organizations, all of which are the backbone of the SE. They drive innovation within the economy, society and environment forwards. Moreover, CSOs provide for greater social inclusion and deal with the following problems: Social injustice, Economic Growth, Development Programs, Environmental Protection, Poverty, Human Rights and other social issues.

NGOs

NGOs are non-commercial, not-for-profit and member-owned entities who tackle problems in the country that governments do not deal with or neglect. Additionally, they can report problems discovered in society to the government and offer policy recommendations. NGOs can be thought of as troubleshooting desks to identify what policies have been enacted successfully or incorrectly by the government and are a key component of democratic governance.¹² They play a crucial role in determining the position of civilians through their vast array of activities. NGOs have their own individual visions and missions to lead a positive change and there are local, regional or global NGOs in accordance to their desired impacts. Volunteer Associations and Student Organizations share very similar objectives to NGOs, but they are less organized due to the high turnover ratio.

At the moment NGOs are the most active SEOs in Azerbaijan, but their activities are also quite limited due to several legislative changes enacted in 2014 and the subsequent controls imposed to hinder NGOs from growing.¹³ Additionally, many NGOs in Azerbaijan do not have the ultimate purpose of contributing to society, but rather use grants and other financial support from the government and other donors as a means to earn money, revealing a broken understanding of SE. Therefore, Azerbaijan needs to work on educating society on what NGOs are and impose better audit or control measures to impede fraud from occurring. This, however, it is not only a task for the government- citizens need also take part in it.

¹² Law Code on Non – Governmental Organizations in Azerbaijan Republic
http://www.e-qanun.az/alpidata/framework/data/0/f_511.htm

¹³ More complications for NGOs in Azerbaijan, OBC Transeuropa
<https://www.balkanicaucaso.org/eng/Areas/Azerbaijan/More-complications-for-NGOs-in-Azerbaijan-133415>

Trade Unions

Trade Unions are organizations developed by workers for workers; its members join together to protect worker and labor rights. Trade Unions reshaped the working conditions of today's employees and are still involved in doing so for future workers. They have had a significant influence on advocating for better wages, workplace safety, benefits and overall working conditions of employees. Their activities are rather restricted, yet very important in ensuring social justice in an economy, as the fundamentals of an economy begin with employment. Trade Unions are crucial in ensuring workers' voices are heard not just by their employers but also by the government, in order to make further amendments to the Labour Code of the country. In addition, they can influence which rights are protected.

The Trade Unions united under the Azerbaijan Trade Unions Confederation (Azərbaycan Həmkarlar İttifaqları Konfederasiyası) are inactive and their presence in protecting workers' rights is limited.¹⁴ Although Trade Unions have high levels of membership in Azerbaijan, their current situation is worsening and workers are disillusioned with them. They do not do collective bargaining to improve working conditions and, hence, their existence is rather for the sake of preserving the image of trade unions rather than achieving any ends for their members.

Foundations

Foundations are non-commercial charitable SEOs established with an objective to improve social welfare either through financing other SEOs' activities or their own charitable mission. They play a crucial role in facilitating the development of SEOs by providing them with finances.

There are two types of foundations: 1) Public Foundations and 2) Private Foundations.

Private Foundations are owned by a person, family or company. The owners of private foundations are exempt from several taxes and receive other monetary privileges, as well as being offered various other non-monetary benefits, such as being well-recognized and well-respected in society. Therefore, private foundations are on the rise amongst wealthy families and corporations as a method to deliberately avoid taxation and, in some cases, to bolster their image and seem to act in a benevolent manner. There are some Private Foundations in the country, they do operate, but their work in the society is restricted due to their small numbers.

Public Foundations, or Public Charities, are established by the public to serve the public. Public Foundations gather their funds and finances through voluntary

¹⁴ Azerbaijan Trade Unions Confederation
<http://ahik.org/articles/category/fealiyyet-istiqametleri>

donations from members, the society at large, enterprises or the government. There are many public foundations world-wide which are established upon philanthropic values. They are meant to contribute to social development and other more specific issues through personal voluntary investments for future generations.

The situation of Foundations in Azerbaijan is of high importance and requires public attention to progress. Public foundations are almost non-existent in Azerbaijan, which is a very desperate position, because they are extremely vital in addressing public problems, but it is expected their numbers will improve. If the number of public foundations will grow, they can aid in the further development of society through their activities and even use their own funds to finance other non-commercial SEOs in the country.

Commercial SEOs

Commercial SEOs include Social Enterprises and Cooperatives. They are directly involved in generating their own profits, but the profit is acquired to finance philanthropic organizational objectives to address economic, social and environmental development issues.

Social Enterprise

Social Enterprises are business SEOs established to pursue a social or charitable mission. Moreover, they are for-profit commercial organizations which are involved in the sale of goods or services to achieve their humanitarian organizational vision. Social Enterprises are also protective umbrellas for other types of SEOs and they reinvest the majority of their profits to achieve their organization's altruistic objectives to reach a greater social good.

Traditional firms or businesses hold a profit-maximization approach, but social enterprises focus on alternative profit, which is for all and not of materialistic value. They can be considered a useful cohesion of ordinary businesses and economic philanthropy. Social Enterprises commit a certain percentage of their profits into non-commercial SEOs or directly to society through their charitable activities.

The term Social Enterprise was coined only in the last two decades of the 20th century, but obtained international recognition quickly. When perusing research on the topic, it was seen that the term "Social Enterprise" was often interchanged with the "Social Economy". Consequently, some scholars misinterpreted the notion of Social Enterprise and equated the term with Small and Medium-sized Enterprises (SMEs). It is true, many commercial SEOs are SMEs, but it does not mean that all SMEs are Social Enterprises, while most SMEs operate as ordinary for-profit businesses.

In Azerbaijan, due to the existing legislative framework, Social Enterprises cannot be registered as Social Enterprises or SEOs; they are rather registered as Limited Liability Companies (LLC), although even this number is quite low.

Cooperatives

The term cooperative derives from the word “cooperate” - when people get together and work collaboratively towards a common purpose. Additionally, the idea of cooperatives is based on solidarity. In a cooperative many people with various backgrounds unite and collect their investments in order to achieve certain goals. They work together to make decisions for the goods and services they produce.

Cooperatives are jointly-owned and democratically controlled organizations producing goods and services with the purpose to address its members' decisions. There are, according to their operations, both for-profit and not-for-profit cooperatives. Cooperatives are the most widespread SEOs in the world, utilizing almost all kinds of operations to maximize the benefits of their members and contribute to the communities they perform in. The profits made through the sale of goods and services produced by cooperatives are divided among their own members or reinvested into the cooperatives' operations in order to enlarge their activities.

The idea of a cooperative is also about accepting and allowing other people to be involved in decision-making processes and share the value of equality in an organization. ¹⁵ Cooperatives require everyone to work together in order to perform effectively. Cooperatives cannot exist with only one person, the more people you bring together, the greater the opportunities to achieve cooperative strength.

Cooperatives do not function under a dictatorial or totalitarian regime, all decisions are made by the group and for the group. Everyone is equal with an equal vote regardless how large of an investment they made; whether 5 USD or 5 billion USD, everyone has the same voice. Each person has a unique voice and allowing all to be heard injects elements of a democratic life-style into member's lives. Thus, it initiates the democratization of a country from the smallest units, integrating democratic values into everyone's everyday lives.¹⁶

After the financial crisis in 2008 the cooperatives, mutual funds and social enterprises started to become popular for the economic activity, because the economies were in crisis and people wanted to form their own entities in Social Economy and the trust in the mainstream economy was on decline. Moreover, during periods of crisis, they are most resilient for-profit organizations and they hold quite

¹⁵ Cooperatives are the hope of Azerbaijani Agricultural Economy, June 2016

<http://www.ekspress.az/az/yazarlar/5574-kooperativler-nbsp-aqrar-sahenin-uuml-mididir>

¹⁶ Cooperatives are the hope of Azerbaijani Agricultural Economy, June 2016

<http://www.ekspress.az/az/yazarlar/5574-kooperativler-nbsp-aqrar-sahenin-uuml-mididir>

vital position in development of Small and Medium sized Enterprises (SMEs) due to member led democratic governance structure and diversified operations with long-term perspectives.¹⁷

Worldwide there exist approximately 2.6 million cooperative organizations and they employ more than 250 million people. In some developed economies, cooperatives employ more than 12% of all workers. Thus, in G20 countries, the turnover of co-ops is upwards of 3 billion USD in total.¹⁸ Cooperatives are prevalent in all sectors of the economy and, thus, encompass the following types: Agricultural Cooperative,¹⁹ Utility Cooperative, Financial Cooperative (also known as Credit Unions or Banking Cooperatives), Housing Cooperative and Federal Cooperative.²⁰

Credit Union - Banking Cooperatives

Credit Unions are banking cooperatives which provide services similar to ordinary banks and financial organizations but, unlike ordinary banks, they do not seek to maximize their own profits but rather focus on the shared values of their members and maximizing social welfare for a common good. The capital of credit unions is used to benefit humanity and not to produce more abstract profit for a small group of shareholders and, thus, it enforces the sustainable development.

Credit unions hold a vital position in assuring local development and allocation of finances to the development of the SE sector. They seek to use profits to improve the benefits their members gain and facilitate to the development of other SEOs. Hence, credit unions help its members in creating opportunities to expand their economic activities while reinvesting back into the society. Moreover, there are strong collaborations with other credit unions to support one another, so they do not compete.

Credit unions engage in sustainable finance practices to generate long-term benefits for both clients and society at large. Sustainable finance, known also as sustainable investment, refers to financial services which take into consideration where money will be allocated and what kinds of impacts might arise from it.²¹

¹⁷ Statistics on Cooperatives - International Labour Office (ILO)

https://www.ilo.org/wcmsp5/groups/public/---dgreports/---stat/documents/meetingdocument/wcms_222036.pdf

¹⁸ United Nations Expert Group Meeting on Cooperatives; World Council of Credit Unions Cooperative Banks, Credit Unions and the Financial Crisis

<http://www.un.org/esa/socdev/egms/docs/2009/cooperatives/Crear.pdf>

¹⁹ "About Agricultural Cooperation" Law of the Azerbaijan Republic, June 2016

<http://cis-legislation.com/document.fwx?rgn=88937>

²⁰ Azerbaijan Sets Requirements on Organization of Cooperative Market, 2016

<http://en.apa.az/azerbaijan-economy/agrarian-industry/azerbaijan-sets-requirements-on-organization-of-cooperative-markets.html>

²¹ The Economist, "What is Sustainable Finance?", 17.04.2018

<https://www.economist.com/the-economist-explains/2018/04/17/what-is-sustainable-finance>

Sustainable finance benefits the society alongside bringing profits to stakeholders. Hence, it takes into account environmental, social and governance issues.

Credit unions, like other cooperatives, survived the financial crisis of 2008 far better than traditional financial institutions. Credit Union's financial health and performance even improved in the post-crisis period (2008 until 2010), whereas ordinary banks and financial institutions were on a massive decline.²² This reality serves to show the importance of Credit Unions for a resilient and sustainable economy. There are currently 70 credit unions in Azerbaijan, however, there used to be 76. The shrinking number is a clear indicator of the slow decline in the popularity of banking unions and reveals a policy area which needs to be addressed by the government and people of the country.²³

2.1.2) Private Sector

The private sector consists of for-profit private entities and has a defining position in the development of the Social Economy. Because of its huge cash-flow, it can embrace SEOs through financial support and, therefore, it should improve its organizational, economic, social and environmental practices.

As discussed previously, during the 20th century CSOs played a crucial role in inducing private corporations to allocate resources for the development of SEOs and, at the moment, many non-commercial SEOs, such as NGOs, Foundations, Volunteer Associations, Student Organizations and others, benefit from the flourishing interest of for-profit organizations in SEOs. The SEOs provide businesses with future talents and developed business partners, which explains the egoistic altruism of the private sector for SEOs, where they once again seek for profit-maximization as an end goal.

Corporate Social Responsibility (CSR) strategies of businesses enable them to cooperate with society and aid in the development of the civil sector. Traditional corporations with the help of CSR strategies have shifted their economic operations and adopted more holistic and social perspectives. Hence, the pull-side factors of SE keep attracting more and more private businesses to invest in SEOs that can bring innovation to economic development to their partnership.

Furthermore, the collaboration of the private sector and SEOs is still not at a desired level, not just in Azerbaijan but in the whole world. One of the reasons for this observation is the small number of strong SEOs that are driving actual change in the world and in the country. Another reason may be that the private sector has not fully understood the value that can be brought from SEOs. Moreover, the limited

²² Birchall and Johnston, Resilience in a Downturn: The power of financial cooperatives, p. 19-32
https://www.ilo.org/empent/Publications/WCMS_207768/lang-en/index.htm

²³ Financial Market Supervisory Authority of the Azerbaijan Republic, "Number of Credit Unions",
<https://www.fimsa.az/az/List%20of%20Credit%20Unions>

understanding of SEOs by businesses also hinders the improvement of cross-sectoral interaction. This difficulty can be solved through the forward-looking opportunistic leadership of SEOs in the community.

The collaboration of businesses and SEOs is an innovative approach to improving social welfare in Azerbaijan and reducing inequality. At the moment, few businesses cooperate with SEOs, because businesses are not truly aware of added value that can be brought by the SEOs, but this number is on the rise.

2.1.3) Public Sector

The Public Sector portion of the aforementioned Three Sector Cooperation Model is the government, which is derived from the public to serve the public.

The public sector plays a crucial role in the world as it takes citizen's initiatives and support to further develop the wellbeing of a country. The public sector in Azerbaijan has a defining role in promoting SE, because it directly influences the framework under which SE performs. The legislative uncertainties that can emerge in defining the existence and roles of SEO can lead to difficulties and, hence, it can prevent the SE from growing or working properly. Moreover, government and other institutions define the principles and operational scope of such organizations, because of their legislative and executive powers. The public sector is the one which facilitates development mechanisms for the SE in Azerbaijan, while it controls the allocation of benefits, privileges, tax cuts or exemptions, amendments to the legal system, specific conditions and grants. It can also provide necessary resources to SEOs, especially those non-commercial organizations, in order to ease their difficulty in accessing finance for rent and their basic activities.

The public sector in Azerbaijan can reshape the comprehension of the citizens on the topic of the Social Economy through new policies and encourage partnerships. It is important for the Azerbaijani government to show its support for SE and SEOs and remove existing barriers, while the Azerbaijani government has a prominent role in society and people may be afraid to act against public decisions.

Public-Private partnerships enable SOEs to diversify their activities and enlarge their positive impact on more economic operations. For a transitioning economy like Azerbaijan, these partnerships would certainly benefit all three sectors, because in the end they help to establish a healthier society, economy and environment. Hence, the commitment of all three economic sectors can make the best possible outcome to strengthen the community.

The previous sections have striven to clarify what the Social Economy is, what organizations are part of it, and what kind of work SEOs engage in. The study

continues with an exploration of the SE's current position in Azerbaijan and its correlation with the Sustainable Development of the country.

3) Social Economy in Azerbaijan: Current Situation

Presently, the SE sector in the country is close to non-existent and still declining. At the moment, the SE is not clearly defined by the state and there is little to no legislative framework regarding it, an issue which needs to be addressed to facilitate its development. There is a need for the government to develop a new strategic plan including the integration of the SE. In the country's Strategic Road Map (SRM), SE sectors mentioned sparsely, an issue which needs to be readdressed because the strong and sustainable development of Azerbaijan cannot be ensured by only a small presence of SEOs.

Table 1 found on the following page demonstrates a general overview of the current situation of the SE in Azerbaijan by displaying the types of SEOs found in Azerbaijan and their share in the country's GDP. The GDP of Azerbaijan in 2017 totaled 70135 mln AZN and the SE sector had a mere 1.4% share of total GDP, which comes to 987,3 mln AZN. This indicator reveals the desperate need for further reconsideration of the SE sector and its development in Azerbaijan, while it is necessary not only for the diversification of the economy, but also for further human development.

Table 1: Share of Social Economy Organizations in Azerbaijan economy in 2018

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

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 current policies of SEOs under the Azerbaijani government is not well-developed and, therefore, we encountered difficulties in gathering information relevant to their activities. Therefore, table 1 was developed by gathering information from various state agencies.

Considering the data found from separate sources, it can be seen that co-operatives 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 by do not operate in humanistic or benevolent manners. The major reasons for their existence are tax and legislative benefits, which induce housing companies to build in the name of co-cops. At the moment, in Azerbaijan, Housing Cooperatives are the most widely encountered SEOs and are locally known as “Mənzil-Tikinti Kooperativləri (MTK)”. Although they are widespread, most of them do not align with the definition of the cooperatives and SEOs characteristics, such as democratic governance, maximizing benefits for its members, helping the society to develop, etc.²⁴ The housing cooperative sector is mostly misused for the

²⁴ “On Cooperations” Law of the Azerbaijan Republic

purpose of gaining tax cuts and other legal benefits. Thus, they do not perform as a cooperative in their essence.

Therefore, if we exclude co-ops from our calculations of the SE sector in Azerbaijan (due to the fact that they are not well aligned to their SEO status and objectives), SEOs comprise only 0,25% of GDP in Azerbaijan which is at an extremely low figure. 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 the SE can encourage, which can be monetized later in other sectors. Hence, we can project the negative consequences which can emerge due to an inactive SE sector can be unprecedented for Azerbaijan, if this issue will not be tackled purposefully.

The most active and visible SEOs in Azerbaijan are NGOs, because they are the only organizations that can be considered as true SEOs in purpose. NGOs accounted for 0,03% of GDP in 2017. Although they are just a subtle fraction of the whole economic operation in the country, the activities of NGOs in Azerbaijan are led mainly on voluntary basis, with the leadership of motivated young people, and without money with in-kind support, such as Student Organizations, Volunteer Associations. However, the role of NGOs in reshaping the economy and future of the country is expected to be quite high, because they involve citizens in their activities and improve their abilities and focus on actual economic, social and environmental difficulties in the community. Hence, they play an important role in and have unprecedented potential for the country's development.²⁵

Table 2 below reveals the changes in the contribution of non-commercial SEOs to the Azerbaijani economy from 2005 until 2016. The economic participation of non-commercial SEOs has dropped by 0.67 percentage points in 2016, compared to 2005. One of the reasons for this development is the sharp growth of oil revenues and the growth of the oil sector in the economy since early 2000s.

<http://www.e-qanun.az/framework/1753>

²⁵ Nonita Yap, NGOs and Sustainable Development, International Journal, Vol 45, Issue 1, pp. 75 - 105

<https://doi.org/10.1177/002070209004500103>

Table 2: Share of Non-commercial SEOs in the Azerbaijani economy 2005-2016

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

The share of non-commercial SEOs declined almost two times from 2014 onwards, because in 2014 the Azerbaijani government restricted the flow of international funds into the country, especially to Civil Society Organizations. Due to this development, CSOs became mostly dependent on local donors, which limited their ability to access finance, severely limiting their activities and, therefore, preventing them from aiding in the development of the country.

While analyzing the current situation of the SE in the country, we clearly see the lack of and declining interest in the social sector, because of governments contrary interventions, such as establishing barriers for new SEOs to enter the market, access funding, operate freely in the country and other relevant limitations.

Table 3 below shows the role of non-commercial SEOs in consumption, employment, value added and income in Azerbaijan during 2015.²⁶ In 2015, non-commercial organizations (NCOs) accounted for only 0.28% of the total economy. At a normal rate, they should be around 4-5% of the economy. This natural rate can ensure a desired level of SEOs' activities in an economy and address existing social, economic and environmental problems, spread values of democratic governance, enable socially excluded people to be a part of the economy, contribute to a country's overall development, and other benefits. Therefore, the table 3 reveals an urging need for the government to address the depressed situation of NCOs in Azerbaijan.

²⁶ State Statistical Committee of the Azerbaijan Republic, "Statistical Yearbook of Azerbaijan-2017", p. 387
https://www.stat.gov.az/menu/6/statistical_yearbooks/source/stat-yearbook_2017.zip

Table 3: NCOs serving households in Azerbaijan in 2015

	Total enterprises and organizations across the country	Non-commercial organizations serving households	
		Million Manat	Share in total GDP
General release of products and services	78991.1	221.6	0.28%
Intermediate consumption	29470.1	64	0.22%
Total value added (at basic prices)	49521.0	157.6	0.32%
Wage Payments	10965	40.7	0.37%
Total Profit (Mixed Income)	38168.7	115.3	0.3%
Consumption of fixed assets	3643.3	8.7	0.24%
Net Income	34525.4	106.6	0.31%
Income from property	12999.5	5.2	0.04%

Source: State Statistical Committee of the Azerbaijan Republic

According to the analysis of Table 1, Table 2 and Table 3, we can reach the conclusion that the Social Economy sector requires major reforms and new policies to enable its development in Azerbaijan. It is of high importance that Azerbaijan recognizes the necessity of SE and takes the initiation of restructuring SEOs for the durable development of the Azerbaijani economy.

3.1) Market Structure of SEOs

This section will provide information about the structure of domestic market which would enable SEOs to be developed to initiate the SE in Azerbaijan.

Table 3 demonstrates the types of SEOs and can be used by the government to develop a relevant market structure for them to function in. It describes the market structures of SEOs in accordance to the international experiences of other countries and adapted to the local realities of the country.

Table 3: Social Economy Organizations' Market Structure in Azerbaijan

Commercial Organizations	Non-commercial Organizations
Cooperatives	Non-Governmental Organization
Credit Unions	Foundations
Social Enterprises	Trade Unions
	Volunteer Associations
	Charities

Market structures are not defined in Azerbaijan yet, but if they will be defined, they can ease the development of SEOs by removing legislative barriers and providing a clear perception for the people about how such organizations could operate. At the moment many structural challenges exist, but they need to be overcome. Such efforts were added to the Strategic Roadmap of the Azerbaijan Republic 2020; however, the implementation of reforms in Azerbaijan decreased after rising oil prices since 2017.

There are various SEOs, including NGOs, Foundations, Trade Unions, and Cooperatives, that operate in the country with the focus of making individual profit and the idea of democratic governance is dismissed. However, as an SEO they should reinvest the money back to support the organizational objectives for the society's development or share amongst its members and they need to be fully democratically led entities, otherwise they cannot be considered as a part of the Social Economy.

The following section emphasizes the need for market structuring on the topic and local authorities have to adopt those definitions and changes into their operations.

3.2) Financial Structures of Social Economy for and in Azerbaijan

In SE, commercial organizations make a profit by operating in the market through collaboration and partnerships; however, the profit is not gained for individual wealth but rather to meet social goals and perspectives. Non-commercial, non-for-profit organizations operate through voluntary donations, membership fees, grants and other financial mechanisms. They distribute all accumulated wealth amongst members or reinvest into their operations.

Finances for non-commercial organizations come from:

- 1) foundations
- 2) government funds
- 3) companies
- 4) voluntary donations
- 5) membership fee
- 6) goods and services sold (to support activities aligned with its objectives)

Non-commercial organizations get their finances from Foundations, Companies, Governments and other sources as voluntary donations to support their activities. There is a need for strongly established back-up mechanisms to ensure their monetary sustainability. Therefore, in comparison with other commercial SEOs, non-commercial organizations have the continuous challenge in acquiring funding.

However, in Azerbaijan, the financial situation SEOs operate in is quite tricky. Non-commercial SEOs can get a small amount of money from government funds but they do not have many other alternative sources, such as international donors and foundations. In accordance to the amendments made to the Code of Administrative Offences and Laws on NGOs and Grants in 2013, an international or foreign financing body must be registered under the both Ministry of Justice and Ministry of Finance of the Azerbaijan Republic, which is not feasible for most international foundations to achieve.²⁷ In practice, to be registered by both ministries, organizations are required to have a local office in Azerbaijan. Fulfilling the aforementioned registration process for foreign organizations is very difficult and, additionally, there are artificial barriers to prevent them from officially being registered in the country. Thus, the finances coming outside of the country for the local CSOs are mostly limited in Azerbaijan, which is one of the main issues for enhancement of the sector and should be clearly considered as a recommendation to the government.

Additionally, companies and their Corporate Social Responsibility Strategies are not very supportive, as many of them face their own financial difficulties or are simply not interested. Therefore, it is recommended for the government to impose a tax or other mandatory financing mechanism (up to 1% of revenue) on the private sector for financing non-commercial SEOs.

To compound the problem, the Foundation Sector and Social Enterprises are weakly developed, so the SEOs cannot benefit from much finances through those sources as well.

²⁷ The CACI Analyst, Azerbaijan Restricts NGO Funding, 02/20/2013 issue
<https://www.cacianalyst.org/publications/field-reports/item/12654-azerbaijan-restricts-ngo-funding.html>

4) Economic and Social Added Value: Consolidation of Social Asset

This section analyses the added value of the SE and sums-up some previous parts of the research to emphasize the findings of this research.

SEOs are involved in various activities to foster environmental, social and economic development. Therefore, worldwide, they are considered as effective tools or mechanisms to tackle with prevailing issues in a society. In the case of Azerbaijan, SEOs can help the economy to diversify, improve democratic governance and increase the quality of democracy, encourage social and sustainable development, enhance common welfare, evolve society's mindset towards philanthropy and many other benefits covered in earlier sections.

The SE can play an important role in generating employment, especially for the socially excluded members of society.²⁸ For example, in the European Union, SEOs employ more than 11 million workers and play a crucial role in building a resilient economy, which is difficult to attain in a capitalist economy. Although SEOs do not have a huge role in the employment generation of the population overall, they contribute to the diversification of an economy, enabling the sustainable development of a given society for future generations. In Europe alone, around 160 million people are members of Social Enterprises and this number does not include members of non-commercial SEOs, which is an exponential amount.

Moreover, the collaborations established because of SEOs in an economic system can reshape citizens' worldview of helping one another as a societal good and, eventually, evolve the current profit-maximizing mindset into one based on a social-welfare-maximization approach.

The added value of the SE can create a long-term lasting impact for the good of all in the economy rather than for the good of small percentage of wealthy people. Thus, the sector has a major role in tackling inequality through societal development for Azerbaijan, which can connect the Sustainable Development Goals for Economic and Social well-being in the country.

The long-term benefits of liberalizing the environment Azerbaijani SEOs operate in are: creating a more resilient economy allowing for purposeful organizations to contribute to the country, social innovation, inclusive employment, lessened

²⁸ European Commission, Social Economy in the EU
https://ec.europa.eu/growth/sectors/social-economy_en

inequality and improved social justice.²⁹ The SE creates space for people to participate, cooperate and engage in the community they live in and to make decisions while empowering them to reach an objective, thus enabling the sustainable development of the society as a whole.

Overall, SEOs play a vital role in building new economic, social and environmental policies to enforce better reforms in society through their purposeful activities. They have a lot to offer to the country to enable its bottom-up development through the active involvement of citizens. It can allow citizens to bring their ideas into action in order to flourish the country through the effective usage of its current resources.

5) Sustainable Development through Social Economy

Existing economic systems harm not only social justice, welfare, sustainable development and common good, but they are also very vulnerable in their performance. Therefore, sustainable development initiatives can lead economies of the world to shift towards the existing alternative, Social Economy, which is more flexible and resilient in comparison to the Classical and Neoliberal Economic models.

Sustainable Development as a concept gained traction after the United Nations adopted the Sustainable Development Goals (SDGs) in 2015, to urge all countries to strive achieving it until 2030.³⁰ There are 17 SDGs and they cover almost most of the actual problems in the world, e.g. ending poverty, inequality and hunger, taking environmental and climate change actions, building strong democratic governance and institutions, establishing peace and justice, etc. ³¹ Each country has their National Committee to meet their country goals and the UN supports them throughout this processes.

Considering the working definition of the SE of this study, there are clear correlations between Sustainable Development and the Social Economy, because SE strives to attain economic, social and environmental sustainability in the world. Hence, SE is of the main component to achieve sustainable development and the way towards attaining the UN SDGs. Therefore, countries and Intergovernmental

²⁹ Inclusive employment is employing socially excluded people, such as people with disability, minorities, LGBT, elderly or other kinds of discriminated people.

³⁰ United Nations Development Programme, World leaders adopt Sustainable Development Goals <http://www.undp.org/content/undp/en/home/presscenter/pressreleases/2015/09/24/undp-welcomes-adoption-of-sustainable-development-goals-by-world-leaders.html>

³¹ United Nations, Sustainable Development Goals <https://www.un.org/sustainabledevelopment/sustainable-development-goals/>

Organizations (IGOs), like the UN, should advise and urge the nations of the world to shift towards the SE.

Sustainable Development is a future state of development that can be achieved after a lot of conscious efforts, but governments or international organizations are unable to achieve, if they are left alone to tackle it. Social Movements created by SEOs strengthen the community relative to a specific objective, like unemployment, decent work, quality education, climate change, economic and social development, etc. Therefore, SEOs are considered very effective in achieving development programs and fostering future sustainable leaders for sustainable development of the world.

The diagram 2 below was created by the author throughout the course of this research and is based on the experiences of other countries. It demonstrates the long-term development stages of Social Economy and achieving the Sustainable Development.

Diagram 2: Development of Social Economy and Achievement of Sustainable Development



The road to attain sustainable development is explained in 5 steps, but there need to be more attentive strategies at each step in order to achieve the goal. It is important to keep in mind that these steps must be taken through the commitments of all three sectors working in partnership, otherwise, it will take too much time for civil society to reach them on its own, due to legislative, financial, operational and other constraints. The present situation in regard to the SE damages the existing development mechanisms of the country and impedes further improvement of the sector. Therefore, the country is in need for experts on the topic to facilitate the following development steps.

Firstly, the initiation of Social Economy will enable citizens to be empowered and increase their awareness on social problems as well as understanding the importance of the SE for a better Azerbaijan. Government organizations, such as the Ministry of the Economy and State Statistical Committee, can define SE better and publish data on the sector.

As second step comes Structural Changes, which is mainly for Legislative amendments and it can ease most of SE barriers in the country. As long as the SE is not clearly defined, the development of the sector will remain under a question mark.

Thirdly, the development of SEOs will result in the establishment of diversified Social Economy Structures in the country and lead to the diversification of the society, enhancing active citizenship and the development of the country.

At the fourth step through a bottom-up approach development mechanism the country can reach an improved level of environmental, social and economic advancement. Then, a better Azerbaijan can be achieved at this stage, where citizens and the government will be happier while the country will flourish.

Finally, if all aforementioned four steps will be well-implemented and realized, then Azerbaijan can achieve its sustainable development in the long-term. Although, it may seem, in theory, quite easy with only 5 steps, they all careful attention and political will. However, if all citizens and enterprises will unite, this idea can be achieved with more ease than the government working alone.

To summarize this section, economic agents in the Social Economy have the perception to make a better world for us to live in and we can understand the role of SEOs as a sound mechanism of the SE to achieve SDGs. The Social Economy is a long-term investment, but it must be made in order to ensure Azerbaijan's prosperous future. Several immediate actions need to be taken in order to jump start the process of supporting the SE. First and foremost, Social Economy Organizations must be defined with appropriate legislation. Next, the pressure put on the CSOs needs to be removed in order to allow more open participation in the civil society and to attract local innovations.

6) Development Strategies of the SE in Azerbaijan

For the greater development of the SE, it is crucial that more people, ideally everyone, know about its basic features, otherwise it cannot be securely established. However, in Azerbaijan, awareness of its importance is very low and sometimes misused by organizations. Therefore, there is a clear need for greater understanding of the Social Economy and its working mechanisms.

Democratic governance and organizations need a certain level of educated people to be able to run them. Furthermore, in order to operate in the SEOs, the economic agents - in this scenario citizens - need to clearly comprehend what is going wrong in society in order to be able to tackle those problems. In this case, educational

background and experience play crucial roles for the effective development of the Social Economy in the country.

Development of Social Economy requires clear attention for a concrete and lasting change in the economy, society and environment. Taking this into account, it is necessary to impose more efforts for the greater development of the SE; however, the expertise of the government is low on the topic. Therefore, establishing a Social Economy Development Council in the country can help the advancement of the SE in Azerbaijan.

Educational reformation is also high of importance to enable the bottom-up development approach. The Economics education system at domestic Universities in Azerbaijan is heavily focused on business and neoclassical economics, which instills students or future leaders with a materialistic and self-interested perception of the world after graduation, thus enabling them to be neglecting world citizens.

The education system does not promote social collaborative values; however, in Social Economy, the focus is the community and, for that, citizens need to be well educated. Therefore, trainings at educational institutions are necessary to raise awareness about the understanding of the social economy. The education system needs to be holistic and promote practical and pluralistic knowledge in order to grow responsible leaders for our society.

At the moment, teaching at school or university does not teach this to students, making it difficult for them to understand what the SE is or why they should participate in it. That is why changing the educational system is considered the first step for achieving greater impact of the Social Economy in Azerbaijan.

However, educational support should not be initiated only from the state. SEOs should also be allowed to take active part in their own development in order to enable safe and sustained establishment.

Stimulating Mechanisms are required to back up the safe development of the SE in the country. SE needs additional support from both citizens and the government. Stimulation of the whole process by the government can be a great asset that the Azerbaijani Social Economy Sector does not have at the moment, due to the lack of resources and encouraging policies for private sector.

The Azerbaijani government can offer the following special conditions to SEOs, such as tax cuts or tax exemptions, reduction of fiscal burden, providing resources both financial and in-kind, developing specific legislative framework, eased registration and other possible policies from international experience that can facilitate their sustainable development. Also, imposing a tax or obligation on businesses, as mentioned earlier, can be vital.

Moreover, the government can establish new educational programs about the Social Economy at Public Universities and provide finances for developing local experts on the topic of Social Economy. Later, the government can offer representative rights for CSOs in developing recognition and legal reforms of Social Economy to enhance its transparency and anti-corruption activities, which can decrease the costs for the government and help the bottom-up development of the country. The government can empower SEOs and stimulate their active presence in the community and it can foster their perception from the private sector and citizens which can be the one of the most important assets for SEOs.

If we compare another oil economy, such as Norway, the situation regarding economic resources and oil funds is similar to Azerbaijan's, but attitudes and perceptions are different from the citizens, governments and institutions. Norway approached sustainable development with a bottom-up approach, but Azerbaijan with a top-down approach, leading to an unknown development path. Azerbaijan chooses to stimulate the consumption economy to try to boost its short-term economic growth, without paying attention to long-term perspectives.

All-in-all, it is worth mentioning that an investment made into the Social Economy can be considered as one made into the country's sound and resilient development. SEOs are building social assets, the country's social capital, by means of empowering citizens to actively be involved in solving the country's existing problems, so that we can ensure the sustainable development of the country for its future generations.

Conclusion and Recommendations:

The paper addressed key issues relevant to the Social Economy in the world and, particularly, in Azerbaijan. The study explored the different tools of the SE, which are mainly SEOs. After explaining various SEOs and their connections with the public and private sector, it explored the prevailing situation in Azerbaijan. Then, the paper examined the correlation between the Sustainable Development Goals of the United Nations and the Social Economy. Additionally, it proposed a development mechanism for the Azerbaijani government with 5 steps.

Through the research, a definition for SE was developed through analyzing its characteristics:

“Social Economy is an alternative economic system to existing economic structures and places social factors at the core of economic activity, in order to foster fair and sustainable development with philanthropic values.”

The ever-increasing consumption economy and corporate profits are threatening the future of the world. It creates a bubble that can burst and is not based on increasing the well-being of society, the economy or the environment. Therefore, the concept of the Social Economy is expected to achieve more popularity in the near future as a potential solution to existing problems.

This paper is an introductory tool for the country to take the initiative and inform citizens and institutions for the urging need towards social development. There are many more facets of the topic which can be explored, and this is a task for other citizens. The implementation of more sector-detailed research is of high importance. In accordance to the results of this research, it is crucial for the Azerbaijani government to take steps to establish the Social Economy Sector and enable its further development. The government should invest in the long-term perspectives of its people, rather than in infrastructure and other short-term stimulating measures.

The development of the Social Economy can facilitate the strengthening of the Azerbaijani Economy as a whole, as it will develop its population as active citizens. However, the development procedure requires deliberate attentive efforts from both the Azerbaijani government and citizens. Therefore, both of them need to be well communicated

The Social Economy sector is, at the moment, in its infant stage, making up just 03.% of GDP in Azerbaijan. Although Azerbaijan has a ways to go, it is one of the most important (but largely ignored) topics and the government, together with its citizens, needs to take forward-looking actions to develop its Social Economy.

There can arise questions such as “can Azerbaijan achieve it?” and our answer is “most certainly yes”, but clear strategies are required to be developed to integrate Social Economy as a vital issue to the country. Deliberate plans require the Azerbaijani government to sacrifice some of its existing approaches to develop new, fresh ones. From the side of people, more attention is required to collaborate with public, private and other social sector organizations in order to enhance the economic sector of SEOs. Moreover, good practices are required to be encouraged in society from both the government and its citizens.

In order to achieve a greater participation in the SE sector, CESD puts forward the following policy recommendations and ideas:

Recommendations:

- ***Define Social Economy in Azerbaijan*** within the legislative framework which will provide clarity to public, private and civil institutions about which organizations are considered SEOs in accordance to the Law Code of the Azerbaijan Republic. Company and corporate law changes can safeguard the social economy development in Azerbaijan.
- ***Develop plans for initiating the Social Economy*** and its further development strategies in addition to the Strategic Road Map.
- ***Educational assessment to integrate Social Economy*** into the curriculum. This will enable strong stimulating mechanism for a lasting and solid change for the SEOs and Sustainable Development of the country.
- ***Reformation of the Education System towards a more holistic*** one will enable people to develop their perception of the world in a broader and more reasonable sense. This is not only applicable to Azerbaijan, but most developing countries, including many developed ones. If the education system grows blindfolded people, then we never can achieve the sustainable development.
- ***Launch Council for Social Economy Development*** to allocate revenues from increasing oil price towards facilitation of Social Economy with the Council. It can also help monitoring the development path of the sector in the country, which is high of importance.
- ***Enhance legislative framework*** to integrate Social Economy sector and lessen the barriers for the citizens to be engaged in the sector. Additionally,

new laws need to be integrated to previous ones fully, otherwise they might contradict after adoption. Therefore, this requires attentive steps in

- ***Publish statistical data*** of Social Economy Sector. At the moment the existing data about SEOs is very weak and difficult to access. Moreover, the State Statistical Committee needs to define the Social Economy Sector with specific criteria.
- ***Impose a tax on businesses*** to pay up to 1 percentage of their revenue (profit) to NCOs and other SEOs which can be a best practice for Azerbaijan at the given moment, as the companies showing merely a small interest to help SEOs.
- ***Creating Accounting and Auditing principles*** for SEOs so that there will be official statistical data about the sector and transparency can be secured. Additionally, it will help monitoring the activities of SEOs, as they are also subjected to the fraudulent events too.

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