

Eurasia Partnership Foundation's Social Enterprise Program



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Today, social entrepreneurship is used widely. But what does it mean? There have been numerous attempts at defining social entrepreneurship, for example:

“Social entrepreneurship is the work of a social entrepreneur. A social entrepreneur is someone who recognizes a social problem and uses entrepreneurial principles to organize, create, and manage a venture to make a social change. Whereas a business entrepreneur typically measures performance in profit and return, a social entrepreneur assesses success in terms of the impact s/he has on society.”

There are two types of social enterprises: in one case, a profit-making enterprise is also concerned with social problems and a portion of its profits is allocated to those issues. In other words, in this case, business supports social activities or it is directly involved in them. This model is not far from the model of strategic corporate social responsibility or corporate social investment, which was being promoted by Eurasia Partnership Foundation (EPF) for many years. In another case, a non-governmental organization (NGO), in addition to its main activity, also establishes a business entity (although in some countries, it does not have a right to generate profit directly, as is the case in Armenia) the profit of which is used to fund a social mission.

Social Entrepreneurship (SE) for the benefit of local people

In 2009, with funding leveraged from the Czech Foreign Ministry, Eurasia Partnership Foundation initiated a pilot project on Social Entrepreneurship (SE) for NGOs through trainings, consulting and grant support for concrete entrepreneurial projects. The program aimed at assessing the development of SE as a viable business model for organizations that earn profit as business entities, but that are driven by their social mission.

The program began with an assessment of the non-governmental sector in Armenia, the legislative framework regulating non-profit organizations, and the state of social entrepreneurship in the country. Some thirty people from seventeen NGOs participated in an EPF-led, four-day seminar devoted to selecting, testing, and planning income generating ideas and/or practices.

The legislative analysis that was conducted aimed at outlining the existing legal framework that regulates the non-governmental sector in the Republic of Armenia. The study builds on the results of expert interviews and in-house research. The analyses of Armenian legislation on “non-governmental organizations” (particularly laws, government decisions and presidential decrees), as well as the research on legislation compliance allow us to conclude that Armenian legislation on non-governmental organizations can be classified as liberal.

It provides an opportunity for society to form unions without bureaucracy and obstacles, and to register their union as legal entity. The fact that there are about 5000 NGOs registered in Armenia confirms the liberal nature of the legislation. There is no obligatory requirement regarding the liquidation of the activity in cases when the organization does not operate, which also proves the liberalism of the legislation. On the other hand, NGOs do not have the right to generate profit. Concerning Armenian tax legislation, the analysis shows that it lacks essential incentives or extraction from the taxes for non-commercial organizations, which could promote their activity or may support their financial sustainability. Incentives in existing tax legislation are not enough for individuals to implement charity or to sponsor institutions of civil society. So, within the current legislative situation of Armenia, NGOs should establish income generating entities for conducting social entrepreneurship.

In early 2010, nine projects were submitted within the grant competition on SE and three of them were awarded EPF small grants which has been followed by a study tour to the Czech Republic (together with Georgian peer organizations) to learn the best practices of NGOs successfully generating resources through business activities.

As a result of that knowledge and the grants awarded, the



“Astghatsolq” Disabled Children’s and Parents’ NGO established a woodcraft production social enterprise in Chambarak community (www.handmadegifts.am), where four local people, two of them with disabilities, are employed. The NGO used the proceeds from the sales of the wooden handicrafts to establish a day-care center for local children, with a majority of them with disabilities or from marginalized groups, such as refugees or from single-mother families. The NGO was successful in attracting support from their local municipality and donor organizations to run the center through the start-up period.



Another project resulted in the establishment of quilt-making studios in Aghtala and the Yeghegnadzor communities by the “Armenian Young Women’s Association” NGO. These involve mainly socially vulnerable women who are engaged in making quilts and quilted handicrafts in those studios (www.shop.aywa.am).

The social enterprise model was successfully established in the south of Armenia, by the third grantee, the “Goris Youth Union” NGO, where local women produce bed-sheets, child-care linen and other manufactured products, which are then sold to local hotels, hospitals and in stores.

In 2011, EPF supported the initiative of the “Armenian Camp” Charitable NGO to set up a social enterprise (www.armcamp.am). Twenty people with limited abilities have been trained in the

production of ceramics, while the grantee will ensure employment at the newly established ceramics studio for at least the ten most skilful trainees. The social objective of this enterprise is the organization of particular types of sport training and sport events to promote sports among disabled people.

Social entrepreneurs are also open to share their experiences. They actively organize or take part in charity bazaars, community fairs, Christmas and Valentine holiday sales and other events where handicraft items are sold to the public.

The social initiatives authors’ words: “This program has critically changed my and my team’s understanding and perception of how an NGO should operate and help others. We are not totally independent from donors yet, but I see a prospective opportunity in the concept of the social enterprise, which can become the guarantor of our sustainability in the future”.

Eurasia Partnership Foundation (EPF) has extensive experience in the area of program administration and grant management in the South Caucasus. EPF is comprised of three locally registered offices in Armenia, Azerbaijan, and Georgia, each endowed with nearly thirteen years of experience in the field of grassroots civil society development. EPF is linked to the expertise and resources of the broader Eurasia Foundation Network via sharing programs, ideas, systems, and lessons learned, which enriches EPF activities in the South Caucasus. EPF’s mission is to equip people with the tools that enable them to shape their own future, empowering them to effect change for social justice and economic prosperity in the South Caucasus (www.epfound.am).

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