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Development tool or civil society actor?

Understanding social
enterprise in Kyrgyzstan

ABOUT THE AUTHORS

This paper is an adapted version of a study of social enterprises in Kyrgyzstan carried out by INTRAC for the British Council in partnership with Social Enterprise UK in 2017-18.

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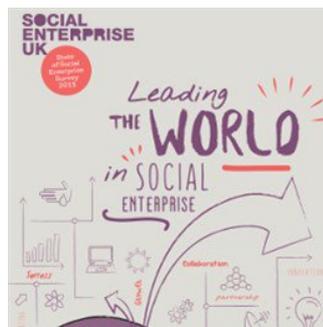
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PROJECT PARTNERS



The British Council global social enterprise programme



Social Enterprise UK, partners in INTRAC's study for the British Council

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1. INTRODUCTION

This learning paper examines the phenomenon of social enterprise (SE) in the transition context of Kyrgyzstan in Central Asia. Coming from a civil society angle, it looks at what kind of organisations describe themselves as social enterprises, what they do, who their leaders are, and what challenges they face. All this takes place within a political, social and economic context where development gains are hard-won. Therefore the other main topic of the paper is what contribution social enterprise currently makes to development, for example in its focus on the poorest in society or on job creation.

The aims of the paper are:

- To present a short account of the development and current state of social enterprises in Kyrgyzstan today;
- To consider how government and donor policies in as much as they affect SEs;
- To discuss the priorities and needs of SEs, especially those based within CSOs.

The paper is exploratory and follows INTRAC's previous [Praxis paper on social enterprise in Kyrgyzstan](#),¹ where the focus was on the start-up process. The present paper draws on a study on social enterprise in Kyrgyzstan, funded by the British Council in 2017-18, and is more interested in further stages of development, including:

- The registration, management and organizational aspects of SEs;
- "Hybrid" aspects of SEs, i.e. where they show a mix of profit and non-profit aspects;
- Social entrepreneurship as a strategy for developing services, reach and sustainability of CSOs;
- The role of women, youth and people with disabilities in SE leadership, i.e. the "inclusion" aspect of SEs;
- The nature of the jobs created within SEs;
- The capacity building needs of SEs as they were presented to us during our study.

The paper considers the definition, objectives, sectoral focus and beneficiaries of social enterprise in Kyrgyzstan today. It looks at social enterprise development, management and other challenges. Finally, it reflects on capacity building and other support needs identified by social enterprises and experts. Six case studies relating directly to the key issues are presented. In this way, we have sought to produce a well-rounded description of key elements of social enterprise in Kyrgyzstan today.

2. BACKGROUND

2.1. The rising interest in social enterprise

In recent years, the possibilities of social enterprise to meet the needs of deprived and vulnerable communities, and at the same time to offer CSOs a chance of achieving greater financial sustainability, have attracted a lot of attention in the development sector. INTRAC has itself investigated these possibilities in several publications.²

¹ Buxton, C. 2017. 'Strategies for civil society sustainability: social enterprise development in Kyrgyzstan', Praxis Series Paper No.3, Oxford: INTRAC.

² Hailey, J. and Salway, M. 2016. '[New routes to CSO sustainability: the strategic shift to social enterprise and social investment](#)'. *Development in Practice*, 26(5): 580-591; Hayman, R. 2015. '[Is the future private? Sustainability, social enterprise and \(my\) social conscience](#)'. *INTRAC blog*, 22 January 2015.

Hayman, R. 2016. '[Unpacking civil society sustainability: looking back, broader, deeper, forward](#).' *Development in Practice*, 26(5): 670-680.

On the one hand, social enterprise seems to address social and economic issues in a way that could be very positive. By developing paid services or local products for sale, CSOs could extend their range of activities with poorer groups in society. As a concept, social enterprise builds on the considerable interest shown around the world for developing income generation activities that would reduce the dependence of civil society on grants and charity. In fact, the interest in social enterprise is by no means new, when we consider the importance of co-operatives all around the world in promoting democratic and collective entrepreneurship, often on a non-profit basis.

In the UK, the social enterprise sector has expanded steadily over the past 15 years. One of the main coordinating bodies, Social Enterprise UK, now has 1,200 members. It defines social enterprise as “a business with primarily social objectives whose surplus is principally reinvested for that social purpose in the business and in the community.”³ Successive UK governments have promoted social enterprise and a new form of registration was recently created to encourage this activity – the Community Interest Company. According to Social Enterprise UK, these new initiatives are generally younger and faster growing than the average small business. Just over 30% of them work in deprived areas of the UK and most do some business with the public sector.

On the other hand, the term social enterprise begs a couple of basic questions. The first is about how easy or difficult it is to truly combine non-profit and for-profit aims or functions. In more developed countries, the rules and standards of charity legislation, indeed company legislation, are getting more and more complex every year. Competition in both the non-profit and for-profit sectors is tougher all the time. So being a successful manager of an organization with combined social and economic aims and rules to follow is quite a challenge.

Secondly, the term social enterprise is interpreted in different ways in different countries. These differences reflect important aspects of national profit and non-profit traditions and existing legislation, but they also make it difficult to compare social enterprises across countries or to develop an overall view about the social enterprise sector as a whole. It is still not very clear what the added value of social enterprise is, i.e. what extra social results it can achieve compared with non-profit CSOs, on the one hand; and what extra economic results it can achieve compared with small business, on the other.

BOX 1: ENTERPRISES VERSUS ENTREPRENEURSHIP

An article by Gulnara Dzhunushalieva, published in 2016, focused on four countries in the Eurasia region: Russia, Ukraine, Kazakhstan and Kyrgyzstan. She created a database of 180 organisations including 30 in Kyrgyzstan and found that although social entrepreneurship is a new phenomenon in the Eurasia Economic Union countries, it already includes activities of a wide variety of actors – social activists, social innovators, social business, social enterprise, business with corporate social responsibility, socially-oriented business, socially responsible business, and social reformers. Another main focus of attention in this study – as well as for important players like Ashoka and Synergos - is the individual skills and attitudes of the social entrepreneur. Dzhunushalieva quotes Bill Drayton, founder of Ashoka, that the social entrepreneur is an individual with innovative solutions to society’s most pressing social problems: “what defines social entrepreneurs is their core personality is committed to the pursuit of the good of all.” They also have to find a comprehensive approach to the problem being tackled, and innovative methods of tackling it. She found that 83% of the entrepreneurs in her study had these characteristics.

Source: G. Dzhunushalieva. 2016. ‘The establishment of social entrepreneurship movements as a response to transformation of governments’ social policies (The Case of Four EAEU Countries)’, *Journal of Business and Economics Review*.

³ G. Dzhunushalieva. 2016. ‘The establishment of social entrepreneurship movements as a response to transformation of governments’ social policies (The Case of Four EAEU Countries)’, *Journal of Business and Economics Review (JBER)*, Vol. 1(1) 2016, 17-25. Available at SSRN: <https://ssrn.com/abstract=3000225>

2.2. Social enterprise in Eurasia region

This learning paper grows out of a national study of SEs carried out by INTRAC's office in Bishkek Kyrgyzstan for the British Council between November 2017 and February 2018, with support from Social Enterprise UK and in partnership with the Association of Social Entrepreneurs (ASA) in Kyrgyzstan (see Box 2). Social enterprise has gradually emerged onto the agenda of governments and civil society agencies in the Eurasia region over the last ten years (see Box 1 above). This process has been fastest in the Russian Federation and Kazakhstan, where significant new government funding was found to support SEs in the post-2005 period. Kyrgyzstan differs significantly from both those countries, not just because it is much smaller but because it is more aid-dependent. Nonetheless, the legal environment for civil society shows a lot of similarities across the FSU / Eurasia region; that is, laws for civil society, social and economic policy tend to take as a starting point the experience and formats elsewhere in the region. Kyrgyzstan is well known as offering a free and open environment for civil society, and hence one of the issues for this study was to what extent CSOs in Kyrgyzstan are making use of the environment and their supporters among the international development agencies to develop these new forms of work. And what is the level of public interest and support for this?

BOX 2: PARTNERS IN THE STUDY: THE ASSOCIATION OF SOCIAL ENTREPRENEURS

One of the key partners and stakeholders in the study was the Association of Social Entrepreneurs (ASE), founded by a group of social entrepreneurs in 2012. ASE's mission is to promote social entrepreneurship and public-private partnerships in Kyrgyzstan and the Central Asia region as an effective tool for improving the socio-economic status of the population. Under the leadership of its founder and first director, Mirbek Asanagariev, the Association has paid special attention to the possibilities that social enterprise offers to the mobilisation and employment of people with disabilities.

ASE has already made a significant contribution to the establishment and development of social enterprise in Kyrgyzstan. By late 2017, it had provided financial support to more than 30 start-up social enterprises and had trained 2,500 change-makers around Kyrgyzstan based on a curriculum developed with the international Youth Action Net. Together with training participants, ASE has developed more than 100 new social enterprise projects.

This study was the first attempt to collect qualitative and quantitative information with which to measure social enterprise activity in Kyrgyzstan. INTRAC's team surveyed 148 social enterprises in Kyrgyzstan's capital Bishkek, its second city Osh, and across five *oblasts* (provinces). The study brought together information from a major questionnaire, desk research, analysis of government, donor and NGO statistics, expert interviews, and six consultation and outreach meetings at national and *oblast* level. The participatory aspect of the study was important, since it allowed the team to collect a wide variety of experience and views within a 'sector' that is hardly yet defined as such. INTRAC's decision to work with well-established NGO partners in two cities and four *oblasts* enabled us to gather a well-balanced sample. Though it was quite limited in numbers of SEs surveyed, it included urban and rural, as well as new and older organisations working in different economic and social sectors.

One of the first steps for the INTRAC team was to decide which criteria for social enterprise to use. This was done with the help of a consultative process at national level, with not just civil society but national experts from the government and business sectors. As a result, 75 out of 148 organisations were identified as meeting INTRAC's criteria, and detailed analysis was carried out on their aims, activities, beneficiaries and future prospects.

3. DEFINING SOCIAL ENTERPRISES IN KYRGYZSTAN

3.1. The legal position

While there is no official definition of social enterprise *per se* in Kyrgyzstan, income generation activity by CSOs is permitted and carefully defined. Article 12 of the 1999 Law of the Kyrgyz Republic 'On Non-Profit Organizations' states:

"A non-profit organization has the right to engage in economic activities, including production, without distributing gained profits between the founders, members, officials, other employees and members of the management bodies. Such activities may include the production and sale of goods, performance of work, provision of services with remuneration and other types of entrepreneurial activities, unless they contradict to goals and objectives of the organization."

Restrictions laid down in the law:

- Profit-making should not be the main goal of creating an organization;
- Profit should not be distributed among participants, founders or members;
- The entrepreneurial activities of a non-profit organization should not contradict its aims and objectives;
- Charitable organizations have significant tax preferences. However, there are strict requirements for expenditure (98% for charity and 2% for administrative costs) which mean that very few organisations have shown interest in registering as a charity.

In the absence of an official definition or special laws on social enterprise, deciding how to define social enterprise was a major issue at the start of the study. So INTRAC and the British Council organised a national consultation meeting in Bishkek to assess the main features of social enterprise that are important in Kyrgyzstan. As a result of the consultation, the following four criteria were chosen for the purposes of the study:

1. A social enterprise must have a clearly defined community, social or environmental purpose;
2. It must be involved in trading, that is, selling goods and services for money;
3. It must have rules on limits to profit distribution to private shareholders;
4. It must be independent of the state.

During the consultation and planning process, the team considered two other criteria that the British Council and Social Enterprise UK have used in other country studies:

- A democratic governance structure
- A focus on innovation in production or services

After discussion it was decided not to include these criteria, important as they are for the character of SEs and their work. Many small and medium enterprises (SMEs) and CSOs would find it difficult to meet them, and for such a fledgling sector as SEs we decided that it would be too ambitious and too many organisations might fail the test, making the achievement of a reasonable sample very difficult.

3.2. Applying the criteria

Given that there is no legal definition of social enterprise in Kyrgyzstan yet, it is impossible to 'officially' exclude or include organisations from this category. A large number of organizations – 148 in total – took part in our survey (see figure 1). It is important to explain that the surveyors, at the very outset of the interview, asked whether respondents wanted to answer questions on behalf of their social enterprise, or on behalf of the organization as a whole. The assumption here was that in many cases social enterprise activities may only be part of the organisation's work, e.g. where a NGO has some paid services alongside its main grant-funded activities. It was

essential for the team to identify characteristics of an organization and its work that can be firmly linked to social enterprise.

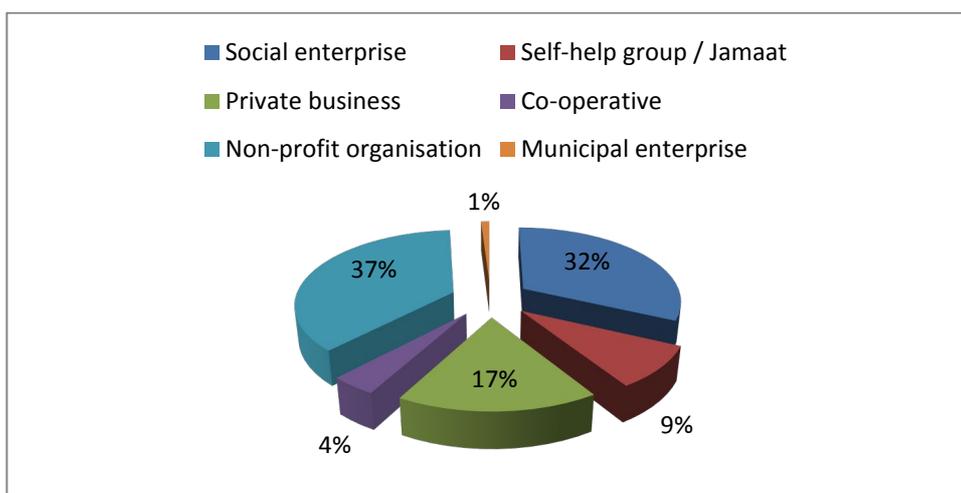


Figure 1: Legal status of organisations surveyed

Figure 1 shows that just 32% of survey respondents defined their organisation as a social enterprise, while other respondents preferred to answer on behalf of a private business, non-profit organisation, co-operative, *jamaat*⁴ or municipal enterprise. So for two-thirds of respondents, the ‘social enterprise’ entity is not yet their whole organisation, or what they are and what they do is not yet defined as ‘social enterprise’ in a full sense.

The biggest single category of respondents that referred to other forms of registration was non-profit organisations (37% of total respondents). Private businesses made up 17% of total respondents and co-operatives 4%. Unregistered self-help groups and *jamaats* made up 9% and municipal enterprises 1%.

The next stage in the analysis was to apply the four essential criteria to the organisations that responded to the survey. 75 out of the 148 respondents to the survey met all four criteria. Those that did not meet the criteria were not included in the quantitative analysis that is presented in sections 4 and 5 of this paper.

Issues arising:

- The civil society sector can be seen as one of the main seedbeds for the development of social entrepreneurship. For quite a long time already, it has been promoted by donors as a strategy for income generation. Hence it is quite appropriate to pose the question: is social enterprise a ‘civil society actor’? And if so, what kind of an actor?
- More recent development trends focus on the stimulation of start-ups and youth entrepreneurship, and several youth organisations play a leading role in this field. Other NGOs support farms and cooperatives in rural areas, with a main focus on boosting agricultural production.
- The conditions that proved most difficult for organisations to meet were: a) ‘A social enterprise must have a clearly defined community, social or environmental purpose’. Many organisations do not have formally stated purposes of this kind; and b) ‘It must have rules on limits to profit distribution to private shareholders’. Many organisations have relatively undeveloped financial systems where what is done with profits is not clearly laid down.

⁴ A *jamaat* is a traditional community group.

3.3. The hybrid nature of SEs

Our expert interviews highlighted the hybrid nature of social enterprises. Some respondents approached the issues from a civil society angle, others from a business angle, and a third group focused on the relation of social enterprise to government policies and priorities. The responses to the question of ‘what is the special nature and role of SEs?’ show this range of opinions very clearly:

- SE must have a triple commitment – to social, environmental and economic aims (NGO leader and social entrepreneur).
- A social entrepreneur is oriented on solving social problems (university lecturer).
- A social entrepreneur includes vulnerable groups and helps them to find a job. An employer who offers work to people from these groups is making a contribution to the development of the country (head of tourism development association).
- An enterprise focused on meeting the needs of closely defined social groups (i.e. not the wider market) (provincial government official).
- A social enterprise teaches people how to earn a basic wage by sharing experience and teaching business skills (youth leader).
- Business works for itself while social enterprise helps the government through its involvement of people with disabilities and other vulnerable groups (university lecturer).
- The social enterprise must have a social idea. It can’t just be about employing two people with disabilities. The idea must be sustainable and address a problem in the long term (SE start-up training manager).
- The social entrepreneur has to invest not just money but inspiration, time and energy (INGO programme manager).

The hybrid nature of social enterprises makes it quite important to assess what distinguishes them from 1) civil society organisations, and 2) small and medium business.

4. DISTINGUISHING FEATURES AND FUNCTIONS

4.1. Sectors and activities

Our study revealed an impressive range of sectors, objectives, activities and target groups in which social enterprises are represented in Kyrgyzstan today. In our sample of 75 organisations, the most frequently mentioned sectors were social care (12%), education (11%) and retail (11%). By contrast, production sectors were slightly less well represented; here the leaders were food and drink (9%), agriculture (8%) and sewing (8%). The overall message is what a wide variety of sectors could be seen even in our relatively small sample.

As will be seen in the pages that follow, our study had a clear gender focus. We discovered, for example, that women led social enterprises were twice as likely to work in retail as men (14.3% to 6.1%) and significantly more in social care (14.3% to 9.1%). Perhaps we can explain this by recalling that women got involved in small retail trading activities (*chelnoki*) from the early 1990s, as a survival strategy when other occupations collapsed. Their concentration in social care, by contrast, reflects women’s traditional role in society and the “feminisation” of the social sector in Kyrgyzstan. In our sample male-led social enterprises dominate in agriculture (15.2% to 2.4%) which also reflects society at large.

Examples of different kinds of social enterprise can be seen in the six case studies in this paper. The first of these, on Jalalabad Rural Advisory Services, shows how a SE grew out of a mainstream

rural development programme. Operating as a SE itself, it has also spawned a number of other money-earning economic initiatives in a support role to the main organisation.

Case study 1: Jalal-Abad Rural Advisory Service (JA RAS)

Jalal-Abad Rural Advisory Service offers consultations and training for rural communities in agriculture and enterprise development across southern Kyrgyzstan. Its social mission is to contribute to poverty alleviation and improved agricultural productivity. JA-RAS began existence as a programme funded by Helvetas (Switzerland) in 1999 and was registered as a national non-profit organisation several years later. The organisation works with co-operatives, family farmers and self-help groups, always focusing on self-sufficiency. In 2013, Jalal-Abad Rural Advisory Service established a new limited liability company called “Union of Consultants”. It has ten members, all of them experienced agricultural professionals. Their aim is to supply and meet farmers' demand for good quality, certified materials for agricultural production along with advice on their use.

Key points to note:

- 1) RAS-Jalalabad was one of seven *oblast*-based units nurtured by Helvetas over an extended period of time, with a carefully designed localisation strategy.
- 2) After localisation it continued to develop with large grants and contracts from agencies like World Bank, GIZ and USAID – as well as maintaining close relations with Helvetas. Within this wider organisational context, the Union of Consultants is quite a small subsidiary unit, providing unique and valuable services to local farmers but not of primary importance to the financial sustainability of RAS-Jalalabad.
- 3) The social enterprise approach is demonstrated clearly in almost all the parent organisation's activities, that is, they almost all have a money-earning or resource mobilisation function.



Participants in a workshop for farmers with Rural Advisory Services Jalalabad

4.2. Objectives and beneficiaries

The social enterprises in our sample have a diverse range of objectives (see table 1). The most popular answers were improving a particular community (63%), creating employment and enterprise opportunities (57%), and supporting vulnerable people (55%). Other frequent responses included supporting women and girls (39%) and promoting education (33%).

As far as beneficiaries are concerned, the most frequently mentioned were long-term unemployed (61%), followed by families in crisis (44%), individuals with a physical, learning or mental disability (28%), children from one-parent families (28%), and older people (25%).

The focus on supporting a community reflects what we were told several times in expert interviews and outreach meetings, that is, social enterprise is “business that helps people”.

Moreover, the focus on helping vulnerable groups like women and girls is not surprising considering the priority given to this work in a number of long-term development programmes. Finally, location is an important factor for social enterprises. Therefore it is worth noting that about a quarter of our respondents came from Bishkek itself, plus a small amount from neighbouring Chui *oblast*. About one-fifth came from Kyrgyzstan's second city, Osh and the surrounding *oblast*. The three other *oblasts* accounted for slightly less than 20% each. This was a very even coverage and gives a fairly good representation of SEs across the country.

Objective	Respondents %
Improving a particular community	63%
Creating employment and enterprise opportunities	57%
Supporting vulnerable people	55%
Supporting women and girls / gender equality	39%
Promoting education	33%
Improving health and wellbeing	28%
Supporting vulnerable children and young people	27%
Supporting other organisations	21%
Promoting innovative or alternative technologies	21%
Protecting the environment	17%
Providing access to products/services	17%
Addressing financial exclusion (lack of financial resources)	15%
Providing affordable housing	3%
Other	13%

Table 1: Social enterprise characteristics: details from the British Council study

Our second case study, like the first, shows social enterprise activities originating in a development programme, this time in the health field. However, in this case the SE remained within the parent organisation and independent financing remains a challenge.

Case study 2: Reproductive Health Alliance (RHA)

The Reproductive Health Alliance provides paid healthcare services in Bishkek and Karakol. Their two clinics opened in 2007 and were at first considered mainly as a base for training and education of health professionals, funded by donors. About 2,000 women received more than 6,000 reproductive health related services every year, including family planning, pregnancy management, diagnosis and treatment of sexually transmitted infections, safe abortion, as well as treatment of gynaecological diseases.

However, in 2012 donor support ended and the question was whether to close the clinics or continue their work on a self-financing basis. It was a painful transition period for everyone. For staff at the clinics that had previously provided free treatment to vulnerable population groups, it

was psychologically difficult to start selling their services. For RHA itself, there were new financial risks.

Gradually, the employees learned how to price their services and develop a business plan. The clinics achieved a good reputation in the medical services market and were competitive. However, RHA had to modify its objectives. It closed the Karakol clinic so as to focus attention on Bishkek. Today the Bishkek clinic, while maintaining its social mission to be accessible to all, is gradually reaching the level where basic expenses for its operation and salaries to employees can be covered through fee-based services. The clinic still participates in RHA's development projects, but depends less on donor funding.

RHA's mission is to provide services for all women and girls, regardless of age, health status, nationality, income and place of residence. Alliance clinics are places where the right to choose is recognised, where a person's sexuality is respected, where modern and safe technologies are used to protect clients' health and rights. More than 65% of clients in the clinics are young people under 25 years old.

"It's amazing, but we did not lose our clients," RHA director noted, "Almost all our clients accepted the new rules and agreed that it was necessary to pay for high quality. Many clients returned to us after searching for and getting services in other clinics, as they recognized that we had high class professionals and low prices. The main thing is that we were able to maintain a very important subdivision in our organization, where new thinking and new approaches to interaction between the NGO and clients are being formed".

Key points to note:

- 1) While the social enterprise does not yet provide extra income for RHA's core non-profit services, it has enabled the organisation to reach new clients and prove itself as a quality health provider that can compete with the government and private sector.
- 2) RHA continues to promote its mission actively and money-earning services have not diminished this.
- 3) The Bishkek clinic remains under direct control of the Alliance.

4.3. Social enterprise leadership: the contribution of women and youth

One of the most interesting results of our survey was that 56% of social enterprise leaders are women, while 44% are men. The percentage of women leaders in this new sector is much higher than the numbers of women top managers in business in Kyrgyzstan, but also a bit higher than the percentage of women leaders of CSOs. According to the World Bank's 2013 enterprise survey, the percentage of companies where women are top managers was 28.8%⁵. A study by the Association of Civil Society Support Centres (ACSSC) in the same year showed that 60% of NGO leaders were men and 40% women⁶. So one important conclusion of our study is that social enterprise is an attractive option for women and many women are leaders and managers in this sector.

40% of respondents in our sample were aged under 35 years, and another 40% were aged 44-65 years. This suggests that there are two distinct categories of social enterprise leaders in Kyrgyzstan. One group is younger and another is significantly older. It is hard to compare this result with the figures for civil society (the ACSSC 2013 report showed that 4% of leaders of NGOs were aged up to 28 years old, and 78% aged 28-59 years old). Unfortunately, there are no statistics for age of business managers or owners in Kyrgyzstan with which to make a comparison.

Further analysis of the results, linking the gender or age of SE leaders to the objectives of their organisations, showed that women leaders were twice as likely as men to be supporting women

⁵ World Bank Group. 2013. Kyrgyz Republic: Country profile

⁶ ACSSC, 2013, The status and prospects of development of the non-governmental sector in Kyrgyzstan

and girls (50% of women respondents), and young people were more commonly focused on employment and enterprise projects (63.6% of younger respondents). This was an interesting finding.

Our 3rd and 4th case studies show youth initiatives of the type frequently supported by social enterprise start-up projects in Kyrgyzstan. In reality, probably more than half those attending these training programmes never launch a SE as such, although they may have a very interesting and valuable social project. In both the cases shown below, there is a serious attempt to develop and maintain income generation work, but the business model has not yet proved itself.

Case study 3: “Min Jumush” cleaning company

The social enterprise “Min Jumush” was established in November 2015 after its founder Aidana Madaminova, participated in a training program organised by the Association of Social Entrepreneurs and won a grant to start a business providing students with money-earning opportunities while continuing their studies. “It was my dream since I was a student. I saw how students who came from the regions were hardly surviving. They often had not enough money for the very essentials. Students borrowed money from their friends and acquaintances. Quite often there were cases when they dropped out of their studies in order to earn money,” recalled Aidana.

Initially, “Min Jumush” employees were invited to clean buildings, yards and windows, but their range of services gradually expanded to meet clients’ demands for babysitting services, minor furniture repairs, plumber, electrician, dish-washing, and loading vehicles. In autumn, the number of orders increased 2-3-fold in the traditional wedding season, and in spring they were called on by owners of private houses cleaning up their houses after the winter. To achieve sustainability, the team produced information leaflets and booklets with slogans such as “You rest while we work”, and “Your daily cares are our work”. The social enterprise was registered as a Sole Proprietor “Madaminova”.

Aidana emphasizes transparency and accountability for the organization’s activities to its employees as a main success factor: all staff know the amount of payment they will receive for each contract taking account of the type of work, the cost of cleaning materials and necessary deductions for tax, etc. Another important factor was signing of service agreements with clients outlining the scope of work, deadline, and cost of services. “I am proud that I have managed to organize work for young people coming to the city and show that one can earn money through work and combine work with studies”, she told us. At the start of 2018, the social enterprise employed 10 people - 7 girls and 3 young men. Aidana and her team were discussing plans to expand the business, employ up to 50 students and open a branch in Jalal-Abad.



Workers at cleaning company Min Jumush

Main issues:

- 1) This case shows the advantages of a well thought-out management approach, with attention to both staff and client needs.
- 2) Min Jumush remained highly dependent on its founder and general manager. Its registration as sole proprietor reflects this.

Case study 4: “Culture Café”

Culture Café is a new social enterprise located in the remote mountain region of Naryn. As well as the café, it offers catering services (e.g. coffee breaks and buffets), premises and office equipment for rent (e.g. for training workshops and round-table events). Culture Café defines its social mission in three main ways. First, it promotes employment of students within the café; second, it provides café users with good quality, healthy nutrition at low prices; and third, the café functions as a platform where issues of local importance (ecology, values and cultural heritage preservation) can be discussed.

The café was initiated by four female students in 2017 with the financial support of the German Embassy and the International Department of Naryn State University. It currently employs five people – four young women and one young man. The café has special days: e.g. “Erkin (open) microphone”, the cinema “Bizdin tilek”, as well as monthly book festivals, poetry evenings and fairs for craftswomen.

Key points to note:

- 1) This is a good example of an initiative that benefited from training and a small start-up grant from international sources.
- 2) The staff team (four of whom were founders) each have their own area of management responsibility (services; events; cleaning and hygiene, PR) similar to a co-operative.
- 3) The café draws support from an active youth sector in Naryn with a strong core of experienced leaders. Often it provides services for events being organised by the nearby Youth House.



The student founders of Kultur Café Naryn

4.4. Job creation from social enterprise

85% of social enterprises in our sample reported having full-time paid staff. Of these, the mean amount of staff employed full-time was 11 persons. This was a surprisingly big amount and is due to the inclusion of 4-5 organisations with a large workforce: for example, two sheltered workshops and an educational institution with several sites.

In interviews with social entrepreneurs and local experts, job creation was mentioned time after time as one of the biggest social impacts, and in particular the employment of people from vulnerable groups. Their view was largely borne out by the survey results. For example, women made up the majority of full-time, part-time and seasonal staff as well as volunteers; and in many organisations there were twice as many women as men. Employment of people with disabilities was also very high, even if this was weighted by a few larger organisations focused on them.

One first issue to note is that around a smaller core of full-time workers, we can see a significant number of other part-time, seasonal workers and supporters of different kinds. Around 60% of the social enterprises surveyed employ part-time or seasonal staff, and just over 40% work with volunteers. It was difficult to assess whether jobs created in SEs are quality jobs, with decent work conditions. Secondly, jobs in the civil society and small business sectors are highly insecure, often without formal work contracts, and the situation in social enterprise may not be far different.

Our 5th case study demonstrates how a membership organisation managed to launch a SE (at the second attempt) and how it has become necessary to pass it into different management hands. It also illustrates the opportunities and challenges in employing disadvantaged groups within the SE.

Case study 5: “Alpha taxi”

“Alpha taxi” was set up in 2011 by the Public Association “Union of People with Disabilities Ravenstvo (Equality)”. The initial idea was twofold: to provide people with disabilities with affordable transport, and to develop employment opportunities for young women with disabilities as operators. The social enterprise is based in the regional centre, Karakol, and operates across Issyk-Kul region. At first the service experienced problems due to competition with other taxi services in the area and was forced to suspend services.

However, in 2015 the situation changed when Ravenstvo won a social enterprise grant from GIZ (Germany) with which to buy new computer technology and to develop better quality adverts for the service. Alpha Taxi took on three young women with disabilities as operators and provides work for about 30 other staff (mainly drivers). It is now one of the leading taxi firms in Karakol. Subsidized transport continues to be provided for people with disabilities and Alpha Taxi has given advice to disability groups planning to establish similar transport services in other *oblasts*.

Key points to note:

- 1) The taxi service has now achieved financial stability. It is registered as a separate company, with its own manager, and rents office space from Ravenstvo.
- 2) The service continues to provide subsidized, adapted transport services for people with disabilities. However, the manager of Alpha Taxi noted that the operator services is tough work and the facilities in the office are not suitable for employees using wheelchairs. Hence maintaining the commitment to employ people with disabilities to some extent remains a challenge.

5. DEVELOPMENT AND MANAGEMENT CHALLENGES

5.1. Social enterprises are mainly young organisations

Our survey revealed that the majority of social enterprises are new organisations set up since 2010. By contrast, we interviewed one co-operative that was registered in 1937. All the other social enterprises in our sample were founded after Kyrgyzstan’s independence in 1991. It is quite difficult to say why more organisations were created in one year than the next, although of course start-up programmes will have a direct impact on the numbers.

Organisation development challenges for social enterprises identified in the course of the study include:

- Governance in a hybrid situation, i.e. ensuring that the board of directors or management team of the social enterprise reflects this new activity (not just the non-profit activities of a CSO).
- Finding a manager to lead social enterprise activities. INTRAC’s previous study of SEs showed clearly that if the leader of a NGO tries to take on management of the SE as well, this could lead to problems⁷.
- Setting up discrete financial systems for money-earning activities. This will be essential for compliance with both government and donor requirements.
- Dealing with extra pressure from government agencies and inspectors. This was noted in several expert interviews as a risk for any new or expanding business; and an inevitable challenge for CSOs in taking on government social service contracts.

⁷ Buxton, C. 2017. ‘Strategies for civil society sustainability’, op cit.

- Balancing social, environmental and economic objectives. The case studies in this paper show that there are clear tensions between social and economic objectives. The same goes for environmental objectives that almost always have an extra cost (e.g. using renewable materials).
- Creating and maintaining decent jobs. It should be noted that small businesses often use family labour at low or no cost and this is a familiar feature in the civil society sector too. The risks associated with use of family or unpaid labour were highlighted in INTRAC's previous report on SEs.
- Dealing with changes in the environment for civil society and business.

The monitoring of SE start-ups has hardly begun in Kyrgyzstan. At the same time, it is well known that less than half of all new small businesses survive more than one year, and given the extra challenges, it is unlikely that the proportion of successful social enterprises will be higher than this.

5.2. Most social enterprises have a relatively small turnover

Our questions regarding turnover and profit were clearly sensitive ones since 20% of respondents declined to answer them. However, the survey revealed one very interesting piece of information: 50% of social enterprises surveyed reported an annual turnover of less than 10,000 USD; and this includes 25% with a turnover of less than 1,000 USD. This shows that most enterprises are still quite small and fragile.

We found that women-led social enterprises were more likely to have lower turnover (1-10,000 USD per annum) than men-led enterprises (57.2% of women to 39.4% of men), and the figures for SEs led by younger people were very similar. Business turnover was lower in SEs in the *oblasts* - 62.6% in the *oblasts* with 1-10,000 USD per annum, as opposed to 25.9% in the two cities. 23 out of 41 social enterprises with less than 5 years of operation reported income turnover of less than 10,000 USD.

In our sample, grants and equity (capital) were the most frequent sources of finance (49% and 43% respectively), followed by in-kind resources that could include free use of premises and equipment (27%) (see figure 2). For example, many local authorities in Kyrgyzstan are able to offer premises on good terms.

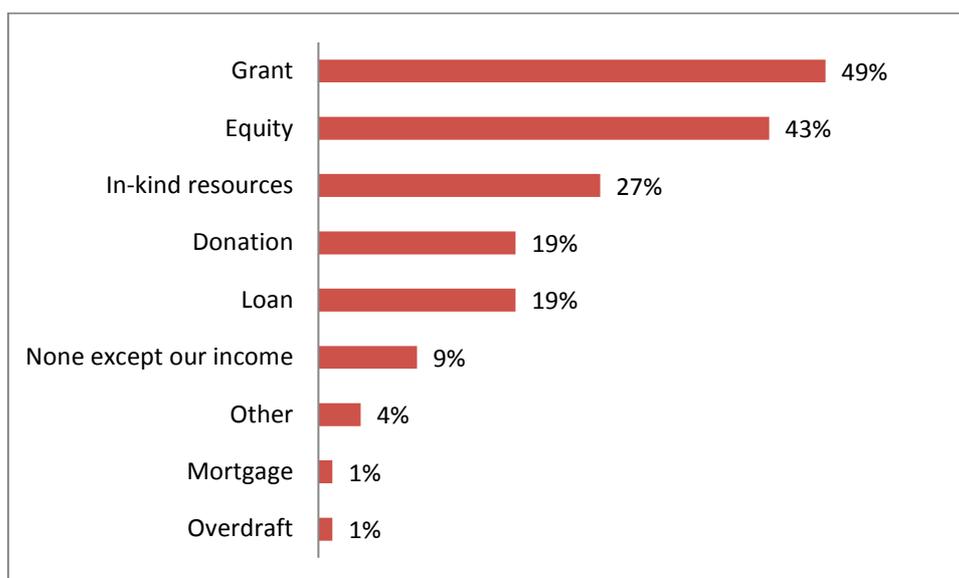


Figure 2: Sources of finance

From this we can see that men were more likely to use equity than women (57.6% of men, compared to 31.7% of women). The same was true for city-based social enterprises compared to

oblast-based businesses. Not surprisingly, grants were more used by social enterprises emerging from the NGO sector compared to those with a background in the private sector. Thus, 62.2% of NGO-based social enterprises used grants, compared to 32.4% of those with a private sector background.

5.3. The financial prospects of social enterprises are quite uncertain

Encouragingly, 64% of respondents in our sample reported a profit or surplus last year and 21% broke even. This left just 7% who made a clear loss (and 8% who did not answer this question).

When asked about their turnover expectations next year, 88% of respondents said that they expect their business to grow. This positive mood was very even among all categories, and is very encouraging compared to business more widely, where according to the ILO 2016 survey only 39% expected to see an increase in turnover next year⁸.

Some 67.7% of respondents aim to attract new customers or clients in the next year, while 53% aim to increase sales with existing customers or diversify into new markets, with 50% hoping for new investment or finance.

5.4. Barriers to growth

Financial issues, such as access to grants or other forms of finance, were among the most often mentioned barriers for social enterprises. Thus, 45% of sample respondents mentioned problems in accessing grants, and 32% had problems in accessing other forms of finance (see figure 3). This is despite the wide range of donors, banks and micro-credit organisations operating in Kyrgyzstan. Moreover, the overall lack of awareness of social enterprise in Kyrgyzstan was mentioned by 33% of respondents as a significant barrier. We can perhaps conclude that on the one hand, the financial hurdles are still significant; on the other, lack of public recognition makes it difficult for social enterprises to explain their added value or to compete with other SMEs.

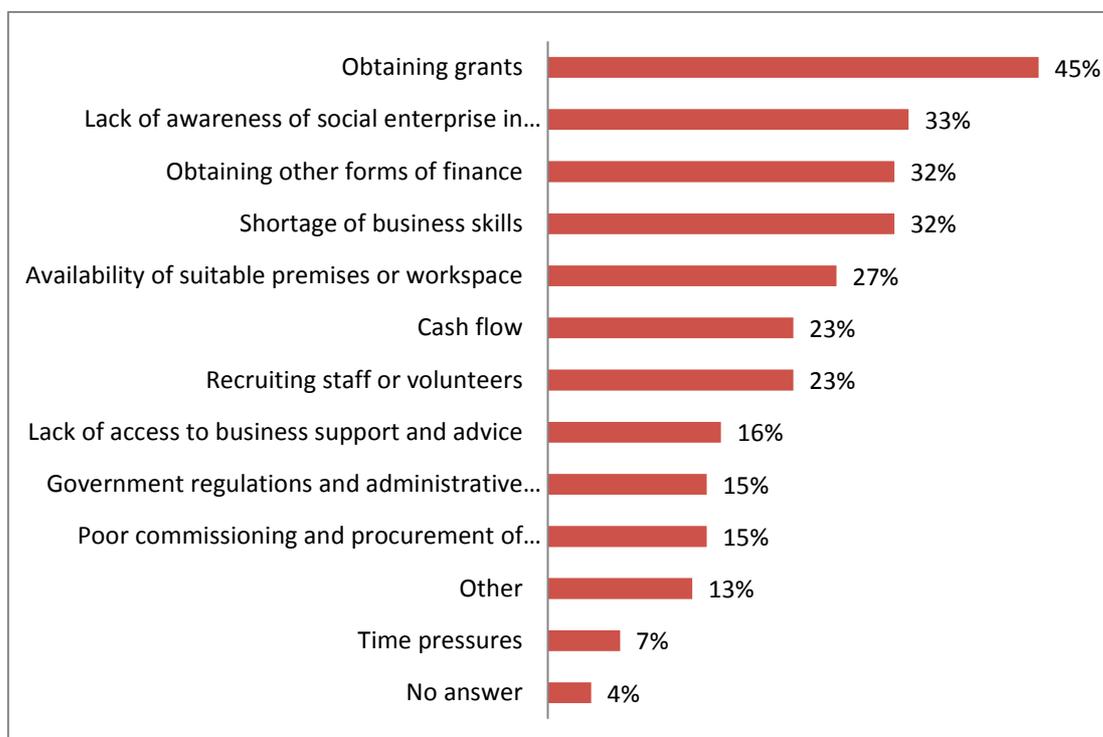


Figure 3: Barriers to growth

⁸ ILO. 2016. 'Favourable conditions for viable enterprises in Kyrgyzstan.'

A common problem is lack of business skills (32% of respondents). Secondly, the gender and age breakdown of answers showed that women leaders may have more experience with grants: only 38.1% of women reported difficulties in accessing grants, compared to 54.5% of men. Finally, access to microcredit is still a challenge despite the social objectives of SEs.

5.5. Managing the clash between social investment and business objectives

A final challenge faced by SEs is how to strike the balance between social and business objectives. An INTRAC case-study of micro-credit agencies (MCA) set up within NGOs in Central Asia in 2007 provides several lessons for social enterprises set up within NGOs which remain relevant.⁹ The study identified two models of relationship between the NGO and MCA. In the first model, the two units have separate structures but a representative of the NGO is involved in strategic decisions for the MCA. In the second, the two organisations are managed by one leader. In both approaches there was a period of time where the NGO covered MCA expenses and sometimes there was not a full division between their book-keeping systems and expenditure. The study found that management of the MCA needed different technical skills – finance and business related – that the NGO leader often did not have. On the other hand, leadership was required to make the MCA successful in its own new area of operation.

The services offered by MCAs set up by international donors were usually intended to be various groups of the poorer sections of society. However, very soon the need to promote credit-paying services led to dilemmas and a tendency to move up-market away from the poorest groups served by the NGO to those who could pay more for services. A careful balance had to be kept here. The report recommended: 1) NGO and MCA leaders to be informed about each other's responsibilities and strategies; 2) the importance of good regular communications between the NGO and MCA; 3) the laying down of clear written procedures for interaction; 4) the priority of better marketing of MCA products; 5) a strategy for maintaining credit services to poorer groups to be jointly worked out.

Our 6th case study illustrates that these challenges remain pertinent. Case study 6 considers the problems faced by a NGO in managing a growing microcredit operation. After the two units parted company, the pressures on the microcredit agency to accommodate itself to normal business practices came at the expense of its original social aims and investments.

Case study 6: Micro-Credit Company (MCC) "Arysh Invest"

MCC "Arysh Invest" provides loans to residents of new residential areas (squatter settlements) in Bishkek. Their clients include small businesses as well as consumer and housing loans. They were established by one of INTRAC's long-term NGO partners in Kyrgyzstan, NGO Arysh, at the end of the 1990s, and their social mission is to improve living standards of the residents of squatter settlements by providing high-quality financial and consulting services. Their loan portfolio at the end of 2017 was KGS 87 million (approx. 1.25 million USD) and they employed a total of 15 credit officers and other staff.

The parent NGO Arysh is one of the pioneers of the modern civil society sector in Kyrgyzstan. The organisation came into being at the end of the 1980s, mobilising the inhabitants of informal settlements around Bishkek via self-help groups and residents' associations. Arysh played a key role in improving infrastructure and basic facilities in a dozen or more settlements, helping people to build homes and lobbying the authorities for essential services. These communities were the original clients for Arysh Invest services.

The development of a new micro-credit company has been to a large extent driven by legal and financial pressures. In 2002 a Law on Microfinance Organizations came into force in Kyrgyzstan, according to which only specialized lending institutions licensed by the National Bank could

⁹ Djamankulova, K. and Sydykova, Z. 2007. 'NGOs and their microcredit organisations', internal unpublished paper, INTRAC.

provide loans, so the microcredit arm of Arysh became a distinct legal entity. Its starting capital had been received from the Dutch development agency ICCO, but as demand grew, Arysh Invest discovered that its loan portfolio was too small to fully cover its costs and thereby attract new commercial loans from the banks or other investors. In 2009, a painful decision was made – to increase interest rates up to the market level (36%), while the interest rates for self-help groups was kept at the lower rate of 27.6%-30% per annum in order to meet its obligations to recurrent clients. That year MCA “Arysh-Kench” achieved operational self-sufficiency and at the beginning of 2010 for the first time received a commercial loan and gradually started to increase its coverage of clients.

Several years later, the management of Arysh Invest came to the conclusion that its non-profit registration was preventing it from attracting more investors and expanding micro-credit activities. It was decided to transform into a commercial organization, a microcredit company. MCC “Arysh Invest” remains committed to socially responsible financing and supports the global SMART Campaign to protect clients. The company regularly conducts market research, customer satisfaction surveys, improves services and conducts consultations and training sessions for clients. With the help of its loans, clients have opened and expanded their business, created jobs, improved housing conditions, provided education to their children and acquired assets (cars, land, furniture, household appliances, etc.).

Key issues:

- 1) How to combine a social mission with pressures connected with economic expansion in a market economy.
- 2) The changing relation between the NGO founders and the new management of the daughter enterprise.

6. WHO CAN SUPPORT THE DEVELOPMENT OF SOCIAL ENTERPRISES IN KYRGYZSTAN?

In this section we focus on two issues. First the legal and policy environment for SEs, giving a very brief overview of the conclusions from the British Council study. Second, we consider briefly the main players from civil society, government, business and international development who are interested in the development of SEs.

6.1. Conditions for social enterprise in Kyrgyzstan today

Experts interviewed for the study were quite divided in their opinions about how favourable the conditions for SE are in Kyrgyzstan today. Some respondents were disappointed by the lack of targeted government or private sector support; as one social entrepreneur put it: “Everything comes down to the goodwill of social entrepreneurs themselves.” (NGO-SE manager).

By contrast, others consider that existing government support for small business (e.g. low interest loans) are quite suitable for SEs: “We already have the basis for support of SEs” (government secretary to official business and investment council). This contradicts the view that special support will be necessary for SEs to compete with mainstream business.

A workshop on the relation of SEs to the business sector produced some heated statements to the effect that mainstream private business is itself social in nature because it creates jobs and pays taxes. Representatives of business associations were clearly not in support of giving social enterprise any special advantages in the market.

A good example of government policy that could help the development of SEs was its priority of regional (i.e. local development) in 2018, also the “40 Steps” programme announced by Prime

Minister Sapar Isakov in autumn 2017. However, participants noted that both these programmes are rather general and lacking in specifics at the present time. Respondents were quite cautious about the potential of government funded social services provision (social order) as an income source for SEs. First, this programme is as yet very limited in scope and largely dependent on foreign funding. Second, there is a short contract timescale and government money often comes late, so the receiving CSO has to invest its own funds at the start. Third, as we noted above, entering the government tender and contract system means becoming subject to a new range of tax and other checks.

Finally, one respondent noted the increasing importance of religious (mainly Muslim) giving to social initiatives at local level. Some of these take the form of socially-oriented enterprise.

Gulnara Dzhunushalieva points out that social entrepreneurship development could have major importance in the FSU region due to the dramatic fall in social services and social development funding due to GDP decline since 1991: “Our analysis indicates that countries which experienced a transformation of government social policy have a greater variety of social actors.” The article concludes that social activists and reformers can play a key role in creating a new stable system for targeted social groups. Social entrepreneurship is one mechanism for doing this.¹⁰

6.2. The main players in social enterprise support

The study revealed that many different actors have an interest in social enterprise, both in the cities and the regions, but that few are SE specific. For example, small business incubators were first introduced in Kyrgyzstan over 10 years ago, some opened by the government, others by international donors or business associations. They are an important potential source of support to SEs and usually focus on start-up grants.

The lead agency for investment policy in Kyrgyzstan is the Ministry of Economic Development and Trade. Although state organisations pay great attention to improving the investment climate, as evidenced by the creation of investment councils at different levels, the concept of “social impact” and “social investor” are still not very familiar. At the same time, the international development sector provides major investment for social impact, for example, through international financial institutions and the development of microfinance (see Box 3 below). One of the latest trends is loans for the implementation of green technologies, for example the European Bank for Reconstruction & Development for energy-efficient technologies.

BOX 3: IMPACT INVESTMENT: GLOBAL TENDENCIES TO SUPPORT LARGER ENTERPRISES

A 2015 report by Yasemin Saltuk for J.P.Morgan notes that more than half of impact investors target “competitive market rate returns” despite the social aspect of their investment. The biggest sector for investment is housing (27%), followed by microfinance (16%). Most investment is concentrated in companies’ growth and mature stages (28% and 52% respectively), while only 9% is devoted to the two earliest stages – start-up and venture - combined. Eastern Europe and Eurasia lag far behind other regions for investment, the most favoured being Sub Saharan Africa, East and Southeast Asia.

This report suggests that social enterprises in Central Asia are not among the overall priorities for impact investors, but that some investment could come through microfinance, for example. Another positive factor is that about a third of impact investors explicitly target gender equality or women’s empowerment. This is an area where local social enterprise is quite strong.

Source: Yasemin Saltuk (2015) ‘Global Social Finance: Eyes on the Horizon.’

¹⁰ G. Dzhunushalieva. 2016. ‘The establishment of social entrepreneurship movements as a response to transformation of governments’ social policies (The Case of Four EAEU Countries)’, op. cit.

Several transnational companies have contributed to social investment in Kyrgyzstan, for example the Kumtor gold mining company which uses microfinance programmes to stimulate social activity, or Coca Cola's support for social initiatives and SE start-ups. Business councils and associations are active at both national and provincial levels. Many of these bodies promote corporate social responsibility and they all prioritize SME development; but few directly mention social entrepreneurship. According to one respondent, it would take some kind of financial incentive offered by the government to get big business more involved in social enterprise.

The only formal SE network in Kyrgyzstan to date is the Association of Social Entrepreneurs (see Box 2). However, there are several other networks that have an interest in social enterprise without being specifically devoted to it. Some work with co-operatives, others with microcredit agencies, others with small business. At city level in Bishkek and Osh, the JIA employers association has an explicit social mission and brings together young business people with new ideas. Experts interviewed for the study expressed a wish to see new platforms and "hubs" that could support individual entrepreneurs. One respondent said that without these forums it was hard to see how a social enterprise "boom" could be created – and this is what is needed to make the current initiatives more effective.

7. CAPACITY NEEDS AND DEVELOPMENT PRIORITIES

7.1. Needs at the start-up phase

During 2016-17 INTRAC implemented a project to train and provide grants to 10 new NGO-based SEs from the north and south of Kyrgyzstan. The grantees ranged from local women's business associations, to village water user groups, to NGOs working on education and training issues. One of them was the taxi service that forms case study 5 in this paper.

The results of this were written up in a Praxis research study in 2017¹¹ INTRAC concluded that the main challenges for SE start-ups were:

- Developing an idea for SE;
- Conducting market research;
- Understanding enterprise finances;
- Developing leadership and identifying staff for the new SE.

Where grants are awarded to SE start-ups, INTRAC recommended a minimum of one year continuing support for most of the new businesses. The most important forms of support are: 1) provision of access to locally based experts with small business advice experience; 2) facilitation of peer-to-peer networking between SE managers, 3) sharing experience on management and governance issues.

It is important that international development donors are aware that SE start-up is not a quick solution for their exit strategy from partnerships with local NGOs.

7.2. Needs for consolidation and development

The expert interviews carried out for the British Council study confirmed the points raised above and identified some key issues. According to the experts, social enterprises need:

- Tax and other financial incentives from government or banks. This was considered particularly important if SEs are to truly compete with the for-profit sector. Their social aims come at a cost and therefore some kind of extra help is necessary.

¹¹ Buxton, C. 2017. 'Strategies for civil society sustainability', op cit.

- New training modules in topics like organisation development and project management. The modules should be offered in both the formal education system and the informal (adult education or civil society based) sectors.
- Discussion and development platforms for SEs. At present the ASE is one of the very few agencies offering this.
- Practical support from local government. This can take several forms – from expert advice to access to small (e.g. stimulation) grants, to provision of physical facilities and planning permissions.
- Funding or professional support for publicity and information dissemination about the character, role and potential of SEs in society.
- Mentoring for young people who are thinking of starting up a SE.
- Loans by donors or government (e.g. for purchase of equipment) that are manageable (i.e. low interest, with flexible payback terms) and create a stimulus for the development of the enterprise.
- Training opportunities for social entrepreneurs to upgrade the skills of their trade (i.e. not just generic business training but access to specialised technical courses) – see Box 4.

BOX 4: TRAINING AVAILABLE IN THE HIGHER EDUCATION SECTOR

The first attempt to bring social enterprise into higher education was made in 2014 with the setting up of a Social Entrepreneurship Education Institute by the Alliance for Social Entrepreneurs, USAID and Synergos Institute, working with Ashoka and Schwab Foundation and Aga Khan Development Network. The initiative covered Kyrgyzstan, Kazakhstan and Tajikistan. The aim was to assess the environment, identify and raise awareness among stakeholders, pilot new ideas and draw Central Asia into the global social enterprise movement. The Alliance team worked with existing and potential stakeholders in the academic, government, business, NGO and media sectors. Their recommendations included setting up a new social enterprise course in a number of universities. A group of people was brought together to develop new ideas and education/ training materials for this purpose.

Key aspects for teaching of social enterprise in higher education included: 1) a focus on innovation and creative thinking, 2) the need to counter negative views about entrepreneurship associated with problems of the transition period, 3) learning from the first shoots of social entrepreneurship in the region and start-ups that already exist; 4) developing an approach that will help strengthen practical skills, is human-centred and focuses on pressing social problems in the region.

The Continuing Education Department at the University of Central Asia has continued to offer support to social entrepreneurs, in particular through the training and grants programme funded jointly with Coca-Cola and run four times since 2012. The American University of Central Asia recently opened a Social Entrepreneurship course whose first students graduated in 2017. State-funded universities do not yet include social enterprise in their curriculum. However, in eight state universities resource centres for NGO management studies have been set up and here short-term modules on SE are being developed.

Sources: Report of meeting to create the Social Entrepreneurship Education Institute in Central Asia, supported by Aga Khan Development Network and USAID and hosted by Kyrgyzstan National University, November 2014

8. CONCLUSION

This report represents a first attempt to describe and assess the character and role of social enterprises in Kyrgyzstan today. We hope our conclusions will help develop this exciting new form of activity with a balance between social, environmental and economic objectives.

8.1. The external environment for social enterprise

Across the world there is interest in social enterprise. This can in part be explained by the political and economic crises affecting the government and private sectors in recent years. Capitalism has earned itself a bad name through the activities of the major banks and needs to promote a softer social image. In the former Soviet Union it is associated with corrupt privatization and low efficiency. The civil society sector is affected by declining funds and the donors and international NGOs are keen for their local partners to find local income sources. Governments are keen to outsource services in the most money-efficient way they can. All this provides opportunities for social enterprise. The rapid increase of social enterprise in Russia has been supported by major funding from government and leading business oligarchs. It is quite likely that governments of other countries in the region will take a lead from the Russian formulation of definitions and policy in relation to social enterprise.

Nonetheless, this is still quite a way off in Kyrgyzstan. Ideas around social enterprise are often based on other international practice and English-speaking sources alongside Russian ones. Many experts believe that it would be good to adopt a special law for the development of social enterprise, but others argue against any special measures or privileges for SEs. Meanwhile, government policy and regulations for small and medium-sized businesses already mention the link between entrepreneurial activities and social and environmental issues (e.g. employment of vulnerable people). The inclusion of the concept “social enterprise” in the new law on state order is a big step in this direction. These changes can be viewed as a result of discussions that have taken place in Kyrgyzstan since around 2014.

8.2. Social enterprise as a development tool

NGOs already have the right to engage in entrepreneurial activities subject to staying within their social mission. The report shows what a wide spectrum of individuals and organisations are interested in social enterprise in Kyrgyzstan. Women make up 56% of leaders of social enterprises, while young people aged up to 36 years are leading the way in social enterprise start-ups. Social enterprises are working in almost all areas of the economy while education, social care and retail are common sectors. The objectives of social enterprises are diverse, but include emphasis on support to unemployed people and empowerment of the local (urban or rural) community.

This is a new and emergent sector; as we have seen, almost 50% of the social enterprises in our study have an annual turnover of less than 10,000 USD and for 25% it is less than 1,000 USD. A significant amount of enterprises have no paid staff. But these organisations are growing, are optimistic about the future and are genuine businesses. While NGO-based social enterprises, in particular, are able to access grants, for three-quarters of the respondents to our survey grants make up less than 10% of their annual income.

A range of support programmes are also emerging to assist practitioner entrepreneurs, whether organised by the Association of Social Entrepreneurs, the University of Central Asia, the UK-based development agency Enactus or others. This is helping to increase the popularity and attractiveness of the idea of social enterprise among young people. However, we note that while investment and impact investment is increasingly mentioned in various reports, there is little detail about how the impact of programmes to support social enterprise will be assessed. And this will hold back development.

8.3. Social enterprise as a civil society actor

The social enterprise sector in Kyrgyzstan is largely being led by CSOs, supported by international development organisations with a long-term interest in bringing together economic and social objectives for poor and vulnerable groups of the population. The Association of Social Entrepreneurs has played a lead role in this and is making efforts to bring in support for individual social entrepreneurs from the business sector. So, social enterprise is currently best seen as a sub-sector mainly located within civil society but intersecting with the business sector too. Many growing social enterprises are still located within CSOs or managed at arm's length by them. More and more organisations are interested in this field and we hope that this report can help clarify some of the challenges in making their work effective and sustainable.



Consultation meeting in Osh for INTRAC's social enterprise study

USEFUL LINKS ON SE IN KYRGYZSTAN

Forums and Networks

Association of Social Entrepreneurs

<https://www.asekg.org/>

The Union of Cooperatives of the Kyrgyz Republic

<https://cooperativ.kg/>

Association of Microfinance Organizations

<http://amfi.kg/>

JIA Business Association

<http://jia.kg/>

The Enactus network (former Sife groups)

<http://enactus.org/>

Women's Forum Kurak

<http://kurak.kg/>

Non-profits and NGOs

TES-Center

<http://tes-centre.org/>

International Center for Not-for-Profit Law (ICNL)

<http://www.icnl.org/about/staff/kyrgyz.html>

Fund Soros Kyrgyzstan

<http://soros.kg/programmes/grazhdanskoe-uchastie>

Youth of Osh, Naryn Economic Development Centre

<https://www.youthofosh.kg/>

Community Development and Investment Agency of the Kyrgyz Republic (ARIS)

<http://www.aris.kg/en>

Destination network

<https://www.facebook.com/destinationkarakol/>

<https://www.facebook.com/destination.osh/>

<https://www.facebook.com/naryndestination>

Agrolead

<http://agrolead.org/>



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