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## REGULATION OF ENTREPRENEURSHIP IN AZERBAIJAN AND ANALYSIS OF ITS CURRENT SITUATION

*It is noted here that in our country, "entrepreneurial activity" means an activity carried out independently by a person whose main goal is to make a profit from the use of property, the provision of goods, the performance of works or the provision of services.*

*During the research, many methods were used, including analysis, observation, comparison, statistics, systematization and generalization.*

*To determine the role of small and medium entrepreneurship in the development of economy in Azerbaijan by conducting comprehensive research based on world experience and to show the steps to be taken in this direction.*

*It can provide a useful database and the right direction for Small and Medium Enterprises operating in Azerbaijan and its regions. The results of the research can contribute to the efficient operation of Small and Medium Enterprises in Azerbaijan. At the same time, it can be used as a source in the teaching of subjects within the framework of research in universities.*

*In conclusion, let's note that the Republic of Azerbaijan's active commitment to the development of entrepreneurship is demonstrated by hosting and organizing important entrepreneurship forums every year. These initiatives underline the country's strategic approach to ensuring socio-economic development, particularly by promoting entrepreneurial spirit among the youth. The government of Azerbaijan is active in promoting entrepreneurship, cooperating with various institutions and supporting entrepreneurs.*

*The II Forum of Young Entrepreneurs, held in Baku in 2021, emphasized the commitment of youth to entrepreneurship in Azerbaijan and the promotion of dialogue between entrepreneurs, government representatives and representatives from both the public and private sectors. Led by multiple stakeholders, the event provided a platform to share success stories and discuss available entrepreneurial support.*

*Keywords: Azerbaijan, entrepreneurship, regulation, current situation, analysis.*

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## РЕГУЛЮВАННЯ ПІДПРИЄМНИЦТВА В АЗЕРБАЙДЖАНІ ТА АНАЛІЗ ЙОГО СУЧАСНОГО СТАНУ

*У статті зазначається, що в нашій державі під «підприємницькою діяльністю» розуміється діяльність, яка самостійно здійснюється особою, основною метою якої є отримання прибутку від використання майна, надання товарів, виконання робіт чи надання послуг.*

*Під час дослідження було використано багато методів, серед яких аналіз, спостереження, порівняння, статистика, систематизація та узагальнення.*

*Мале та середнє підприємництво в розвитку економіки Азербайджану шляхом проведення комплексного дослідження на основі світового досвіду та показати кроки, які необхідно зробити в цьому напрямку.*

*Дослідження може надати корисну базу даних і правильний напрямок для малого та середнього підприємництва, що працюють в Азербайджані та його регіонах. Результати дослідження можуть сприяти ефективній роботі малого та середнього підприємництва в Азербайджані. Водночас статтю можна використовувати як джерело при викладанні предметів у рамках наукових досліджень у вищих навчальних закладах.*

*На завершення зазначимо, що активна прихильність Азербайджанської Республіки до розвитку підприємництва демонструється щорічним проведенням та організацією важливих форумів підприємництва. Ці ініціативи підкреслюють стратегічний підхід країни до забезпечення соціально-економічного розвитку, зокрема шляхом сприяння підприємницькому духу серед молоді. Уряд Азербайджану активно сприяє розвитку підприємництва, співпрацює з різними установами та підтримує підприємців.*

*II Форум молодих підприємців, який відбувся в Баку в 2021 році, підкреслив прихильність молоді до підприємництва в Азербайджані та сприяння діалогу між підприємцями, представниками уряду та представниками як державного, так і приватного секторів. Під керівництвом багатьох зацікавлених сторін подія стала платформою для обміну історіями успіху та обговорення доступної підприємницької підтримки.*

*Ключові слова: Азербайджан, підприємництво, регулювання, поточна ситуація, аналіз.*

### INTRODUCTION

Azerbaijan's labor market, despite its diversity, is heavily reliant on the oil and gas sector, creating challenges compounded by educational deficiencies and skills shortages in the workforce. However, the government's efforts to promote small and medium-sized enterprises (SMEs) and labor market reforms indicate a positive change, emphasizing the need for priority workforce development, strengthened education-labor market linkages, and comprehensive protection of workers' rights.

Azerbaijan's labor market covers major industries such as oil and gas, construction, manufacturing, agriculture and tourism. However, the economy has faced challenges as a result of over-reliance on oil and gas,

highlighted by “oil shocks” and the COVID-19 pandemic. Efforts to develop the country’s human capital have been hampered, with approximately 66.8% of the active workforce formally unskilled and more than 60% of school leavers entering the workforce each year without qualifications. Diversification of the economy in the country emphasizes the importance of entrepreneurship. The government has promoted SMEs as catalysts for innovation, productivity and employment. This support includes financial assistance, simplified business registration and improved access to markets and networks.

### **METHOD**

During the research, many methods were used, including analysis, observation, comparison, statistics, systematization and generalization.

### **SCIENTIFIC INNOVATION**

To determine the role of small and medium entrepreneurship in the development of economy in Azerbaijan by conducting comprehensive research based on world experience and to show the steps to be taken in this direction.

### **PRACTICAL IMPORTANCE**

It can provide a useful database and the right direction for SMEs operating in Azerbaijan and its regions. The results of the research can contribute to the efficient operation of SMEs in Azerbaijan. At the same time, it can be used as a source in the teaching of subjects within the framework of research in universities.

### **MAIN PART**

After gaining independence from the Soviet Union in 1991, the labor market of Azerbaijan underwent significant changes as a result of the country’s transition from a centrally planned economy to a market-based economy. Today, Azerbaijan is a middle-income country with a high development index.

In recent years, the government has implemented measures to simplify the procedures for issuing permits for entrepreneurs and created an electronic portal. The “Strategic Roadmap for the production of consumer goods at the level of small and medium-sized enterprises” envisages the introduction of additional simplification measures for the necessary procedures, including access to financial opportunities for SMEs [1].

Let’s take a look at the legal framework that affects entrepreneurial activity. The Constitution of Azerbaijan (1995) and the Labor Code (1999) serve as the pillars of the country’s employment legal framework, guiding the relationship between employers and employees.

The introduction of the Law “On Employment” by the government of Azerbaijan in 2018 [2] created a comprehensive framework of employment policy in accordance with the Law “On Youth Policy of the Republic of Azerbaijan” [3], which strengthens the participation of young people in the formation of employment and entrepreneurship policy. Together, these legal documents create a supportive environment for workers, recent graduates and young entrepreneurs in Azerbaijan [4].

The strong relationship between state and non-state institutions shapes Azerbaijan’s employment and entrepreneurship policy. The Ministry of Economy implements state policy and regulates the formulation of the economic policy of the Republic of Azerbaijan, as well as the formulation of state policy in the field of entrepreneurship development and state support for entrepreneurship.

The Ministry of Labor and Social Protection of the Population of the Republic of Azerbaijan, established in 1992, supervises the regulation of the labor market and social protection. Major institutional reforms have facilitated economic development, and Azerbaijan’s membership of the International Labor Organization (ILO) since 1992 has led to the ratification of 58 conventions on various employment-related topics. The Labor, Employment, Social Protection and Migration Policy is determined by the ESM. It covers issues ranging from juvenile neglect to the social integration of ex-prisoners.

The Ministry of Labor and Social Protection oversees the State Employment Agency, which recommends public policy, oversees unemployment insurance funds, and promotes job opportunities. The State Labor Inspection Service ensures compliance with the Labor Code under the State Labor Inspection Service, while social insurance, labor pensions and benefits are ensured by the State Social Protection Fund. The Sustainable and Operational Social Security Agency coordinates with agencies to provide employment services such as jobseeker registration and job placement. The State Social Protection Fund provides mandatory state social insurance and additional voluntary social insurance, labor pensions, social benefits, targeted state social assistance, pensions and compensations.

The Small and Medium Business Development Agency (SME) under the Ministry of Economy supports the development of small and medium enterprises (SMEs) by providing services for SMEs and coordinating government services. Small and Medium Business Development Agency participates in the formulation of state policy for SMEs and ensures the quality of service to entrepreneurs.

The Confederation of Entrepreneurs of Azerbaijan (ACE) coordinates the activities of entrepreneurs and protects their legal and economic interests. He has implemented initiatives in the field of youth employment, especially entrepreneurship. AEC promotes youth employment and entrepreneurship through special commissions and initiatives, including the school-to-work transition survey and participation in the ILO Start and Grow Your

Business and Know Your Business programs.

As a result, this complex interaction of organizations, each of which has a different but complementary role, helps to attract employment, entrepreneurship and youth in Azerbaijan, and forms the basis of its socio-economic development.

Azerbaijan's Employment Strategy 2019-2030 emphasizes social partnership at all stages of implementation and advocates cooperation between the public and private sectors, including consultation with stakeholders during strategy implementation and evaluation. The Action Plan for the implementation of the 2020-2025 Employment Strategy envisages cooperation with the private sector and other institutions to create an appropriate regulatory legal framework and strengthen the relationship between employers and local agencies of the Employment Agency [5].

The Ministry of Labor and Social Protection evaluates the demand and supply of labor force and makes forecasts about the development of the labor market. They then use this information to formulate and implement policies on labor relations, employment, demography and social protection. Apart from that, along with other bodies, the Ministry of Labor and Social Protection also contributes to the creation of socio-economic forecasts.

Azerbaijan Confederation of Trade Unions contributes to labor market analysis and, in collaboration with the government, addresses youth employment and entrepreneurship issues. In 2021, Azerbaijan Confederation of Trade Unions prepared an analytical study on youth employment promotion strategies, and since 2011, Azerbaijan has participated in the Torino Process of the European Training Fund (ETF), benefiting from expert support in national consultations and projects such as "Adaptation". [6]

In 2016, the government launched the Strategic Roadmap for Vocational Education and Training to address skills mismatch across sectors. The Roadmap for Vocational Education describes the strategic vision for 2020 and defines the long-term plan for 2025 [7].

In 2018, a number of important legal documents were adopted to strengthen the vocational education system. These include the country's first Law on Vocational Education, Law on Employment and the Employment Strategy for 2019-2030 [8]. This employment strategy recognized the growing need for highly skilled workers with advanced competencies and targeted rapid improvements in education, training and skills development.

The socio-economic development strategy for 2022-2026 was defined for the implementation phase [9]. This strategy seeks to modernize the vocational education system, better adapt it to the demands of the labor market, and improve its coverage and quality. The main goals of the strategy include expanding the scope of vocational education, integrating employers into the vocational education system, improving the financing and management of vocational education, and increasing the professionalism of vocational education providers and management staff.

The government of Azerbaijan has prioritized the development of human capital in a number of political documents, including "Azerbaijan 2030: National Priorities of Socio-Economic Development" and "Strategic Roadmap for the National Economy and Main Sectors of the Economy" [10].

## CONCLUSIONS

The government of Azerbaijan is active in promoting entrepreneurship, cooperating with various institutions and supporting entrepreneurs. "Entrepreneurs' Day" is celebrated on April 25 every year since 2016 in order to encourage entrepreneurship in society, recognizing the growing role of entrepreneurs in the country's economy and employment [11]. The socio-economic development program until 2030 also aims to stimulate and support entrepreneurship in the country.

Active commitment of the Republic of Azerbaijan to the development of entrepreneurship is demonstrated by hosting and organizing important entrepreneurship forums every year. These initiatives underline the country's strategic approach to ensuring socio-economic development, particularly by promoting entrepreneurial spirit among the youth.

The II Forum of Young Entrepreneurs, held in Baku in 2021, emphasized the commitment of youth to entrepreneurship in Azerbaijan and the promotion of dialogue between entrepreneurs, government representatives and representatives from both the public and private sectors. Led by multiple stakeholders, the event provided a platform to share success stories and discuss available entrepreneurial support.

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