




**STI Cooperation Network for  
EASTERN PARTNERSHIP COUNTRIES (IncoNet EaP)**

*training on*  
**INNOVATION in the  
EASTERN PARTNERSHIP**



**26-28 May  
2015**



**Minsk,  
Belarus**

2



# **INSTITUTE for SCIENTIFIC RESEARCH on ECONOMIC REFORMS (ISRER)**

*under the Ministry of Economy and Industry of the  
Republic of Azerbaijan*

## **Azerbaijan Case Study**

**Dr. Arzu HUSEYNOVA & Aynura ISMAYILOVA**

# The WAY of INNOVATIVE DEVELOPMENT: *the case of Azerbaijan*

3

## OUTLINE

- ▶ **Brief History**
- ▶ **Current Situation**
  - ▶ *Education Policy*
  - ▶ *Vocational Training*
  - ▶ *Activities of the Ministry of Economy and Industry (MEI)*
  - ▶ *Role of the Institute for Scientific Research on Economic Reforms (ISRER)*
- ▶ **Perspectives**

# BRIEF HISTORY

4

## Innovative activity period in Azerbaijan can be divided into three stages

- ▶ **70-80 years of the XX century**
  - ▶ *Large industrialization period*
  - ▶ *Establishment of the large industrialization entities and based on this policy increasing of innovative active period*
- ▶ **End of the XX century & beginning of the XXI century**
  - ▶ *By the collapse of the former Soviet Union, collapsing of the administrative system and transition to the new economic system, i.e. market economy*
- ▶ **Transition to market economy**
  - ▶ *Based on transition to market economy; development of innovative entrepreneurship & speeding up of economic activity*

# TRANSITION to MARKET ECONOMY

5

The **MAIN GOAL** of Azerbaijan's modern socio-economic development policy is transition to the **innovative development**

- *increasing the competitiveness of the national economy*
- *effective integration to the world economy*
- *Provision of sustainable short and long term socio-economic dynamic development*

# EDUCATION POLICY

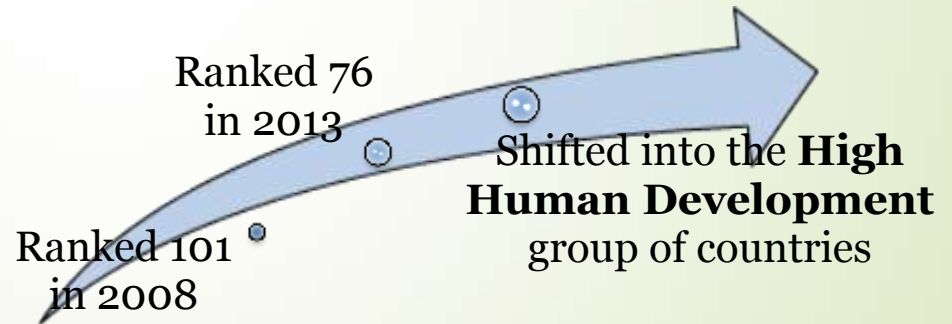
6

## *in international experience*

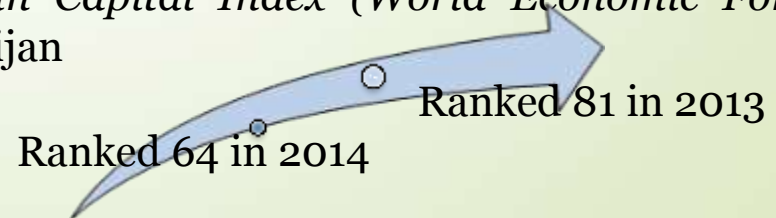
- Excising practice of the developed countries shows that **HUMAN FACTOR** plays key role in innovative development.
- The biggest and the main capital of the developed countries are **WELL EDUCATED and SKILLED HUMAN RESOURCES**.

## *in Azerbaijan*

- According to the **HDI** (*Human Development Index (UNDP)*) within the 187 countries Azerbaijan



- According to the **HCI** (*Human Capital Index (World Economic Forum)*) within the 122 countries Azerbaijan



# EDUCATION POLICY

7

- ▶ These indexes are using for **evaluation of human capital**, here emphasizing to the **efficiency of using human capital** and takes into account 4 main components:
  - i. education;*
  - ii. health and health care;*
  - iii. workforce and employment;*
  - iv. healthy working environment;*
  
- ▶ **Azerbaijan**
  - i. Ranked 71 (education indicator);*
  - ii. Ranked 94 (health indicators);*
  - iii. Ranked 55 (workforce and employment indicators).*
  
- ▶ So, according to the World Bank's calculation in 2013-2014 Azerbaijan ranked 39 place among 148 countries.

# EDUCATION POLICY

8

➤ National wealth ratio in % (based on World Bank's researches)

	Human capital	Production	Natural Resources
USA	76 %	19 %	5 %
European countries	74 %	24 %	2 %
<b>Azerbaijan</b>	<b>42 %</b>	<b>31 %</b>	<b>27 %</b>

➤ Taking into account the situation in former Soviet Union countries evaluation of indicators in Azerbaijan more or less close to indicators of Russia

*(national wealth (per person))*

	National wealth		National wealth (%)	Human capital (%)	Production (%)	Natural Resources (%)
	Total volume (trl. \$ USA)	Per person (thousand \$ USA)				
World countries	550	90	100	67	16	17
G7 and European Union countries	275	360	100	78	4	18
CIS countries	80	275	100	40	38	12
<b>Azerbaijan</b>	<b>1.3</b>	<b>166</b>	<b>100</b>	<b>42</b>	<b>31</b>	<b>27</b>
Others	100	30	100	65	15	20
USA	95		100	77	19	5
Russia	60	400	100	50	10	40



# EDUCATION POLICY

9

- ▶ Following the World Bank's calculations
  - ▶ *Based on practice and experience of high income-developed countries* ratio of human and social capital in **National Wealth** is very high ,  
*Such as **National Wealth** consists of human capital in 80%, and production in 17 % and natural resources in 2 %.*
  - ▶ *At the same time, increasing share of natural resources in National Wealth and decreasing share of human capital*  
*(the national wealth of the world's countries)*

Level of income (by countries)	Natural resources (%)	Production (%)	Human and social capital (%)
High income	2	17	80
Middle income	13	19	68
Low income	26	16	59
World countries	4	18	78
USA	3	16	82
Japan	0	30	69
Norway	12	25	63
Germany	1	14	85
Russia	44	40	16

# VOCATIONAL TRAINING

10

- ▶ Vocational Training in Azerbaijan
  - ▶ *lost popularity*
  - ▶ *lost their technical (both in equipment and personal) bases*
- ▶ Increasing need in well skilled staff in different specialties day by day
  - ▶ *This was the base of increasing of discussions of reestablishment of vocational training, formalization of structure based on modern technologies and so on*
- ▶ So, **“State Program on development of vocational training in the Republic of Azerbaijan (2007-2012 years)”** accepted
- ▶ Within the implementation of the State Program
  - ▶ *Repaired more than 20 vocational training schools*
  - ▶ *Established 2 vocational training center*
  - ▶ *Provided the necessary equipment 14 vocational training school*
  - ▶ *Manuals, textbook in different specification have been prepared in Azeri language*
  - ▶ *Promotional activities, steps have been taken, such as the number of applicants raised from 23 thousand up to 27 thousand*

## TECHNOPARKS: UNIVERSITY ↔ INDUSTRY COOPERATION

- ▶ Universities try to do their best on the way of innovative development
  - ▶ **Qafqaz Universiteti (QUTechnopark)**
  - ▶ *Studied practice of techno parks in USA, Sweden, Turkey, Russian Federation. Based on Turkish experience (i.e. METU Tecnopark, Istanbul Technical University, Yildiz Technical University) **QUTechnopark** has been established.*
- ▶ Others
  - ▶ **Khazar University's Technoparks** started operations;
  - ▶ *While ADA University, State Economy University, Azerbaijan Technic University, Azerbaijan National Academy of Sciences, Baku State University expressed their interest in establishment of Technoparks, too.*

- ▶ Diversification of production of competitive industrial products based on innovative and modern technologies, and increasing of scientific-research industrial areas by the *Decrees of the President of Azerbaijan, dated on December 21, 2011 and on December 28, 2011* established

## **Sumgait Chemical Industrial Park & Balakhani Industrial Park**

- ▶ **in Sumgait Chemical Industrial Park**
- ▶ **in Balakhani Industrial Park**
  - ▶ *For entrepreneurs and investors who are interested in reproduction areas*

# MINISTRY of ECONOMY and INDUSTRY

13

- ▶ **Studying of international practices:**
- ▶ Turkish experience selected as an international practice, METU Techno park establishment and management structure learned and analyzed
- ▶ In order to be effective in studying support of the Turkish Cooperation and Coordination Agency (TIKA) have been used:
  - ▶ *Studying experience, organized visits to the most organization (including technoparks, government bodies, financing structures) in Turkey;*
  - ▶ *Formalization of legislative bases used Turkish experience, too.*

# INSTITUTE for SCIENTIFIC RESEARCH on ECONOMIC REFORMS

14

*50 years*

- ▶ **ISRER** is founded in 1964 (under the State Planning Committee)
- ▶ Its activities primarily on the development of scientific foundations in ensuring continuity of dynamic socio-economic development accomplishing a number of important scientific milestones.
  - ▶ *Among such accomplishments, a newly-developed General Equilibrium Model of the Republic of Azerbaijan is of particular importance.*
  - ▶ *In short, this model called AzMod plays an exclusive role in the processes of efficient management, scenario planning and analyses, impact assessment, forecasting and policy analyses of the Economy. Concurrently, a Social Accounts Matrix of Azerbaijan was developed, which allows to present almost all economic indicators of the country in one table bringing together 47 different balance sheets in 7 blocks with 19 activity spheres and 5 economic agents.*
- ▶ **Research activities based on innovative development includes:**
  - ▶ *Cooperation with METU technopark and preparation action plan on behalf of **Research & Development Centre**, which is going to operate under the Sumgait Chemical Industrial Park*
  - ▶ *Promotion of Innovation (activities of experts)*
  - ▶ *Sharing of experience submitted a project proposal under HORIZON2020 (INT-02-2015)*





## **INSTITUTE for SCIENTIFIC RESEARCH on ECONOMIC REFORMS (ISRER)**

***Address:***

88a, H.Zardabi Avenue, AZ1011

Baku, Azerbaijan

Tel./Fax: +994124300215

Website: [www.ier.az](http://www.ier.az)

Emails:

[eim09@rambler.ru](mailto:eim09@rambler.ru),

[a-ismaylova@Hotmail.com](mailto:a-ismaylova@Hotmail.com)

