



REPUBLIKA SLOVENIJA

MINISTRSTVO ZA GOSPODARSKI RAZVOJ IN TEHNOLOGIJO

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EVA /

GENERALNI SEKRETARIAT VLADE REPUBLIKE SLOVENIJE

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ZADEVA: Izvedba UNIDO projekta mednarodnega razvojnega sodelovanja "Razvoj inovacijskega ekosistema in podporne infrastrukture, vključno z Digitalnim izobraževalnim in inovacijskim centrom - DIIC v Azerbajdžanu" - predlog za obravnavo

1. Predlog sklepov vlade:

Na podlagi prvega odstavka 7. člena Zakona o Vladi Republike Slovenije (Uradni list RS, št. 24/05 - uradno prečiščeno besedilo, 109/08, 38/10 - ZUKN, 8/12, 21/13, 47/13 - ZDU-1G, 65/14 in 55/17) in 8. člena Zakona o mednarodnem razvojnem sodelovanju in humanitarni pomoči Republike Slovenije (Uradni list RS, št. 30/18) je Vlada Republike Slovenije na seji dne sprejela naslednji sklep:

1. Vlada Republike Slovenije je potrdila izvedbo UNIDO projekta mednarodnega razvojnega sodelovanja "Razvoj inovacijskega ekosistema in podporne infrastrukture, vključno z Digitalnim izobraževalnim in inovacijskim centrom - DIIC v Azerbajdžanu" v sodelovanju z UNIDO s sofinanciranjem Ministrstva za gospodarski razvoj in tehnologijo v višini 120.000 evrov.
2. Vlada Republike Slovenije pooblašča Ministrstvo za gospodarski razvoj in tehnologijo za izvedbo vseh opravil za uspešno izvedbo projekta iz prejšnje točke.

Stojan Tramte

GENERALNI SEKRETAR

sodelovanju s tehnološkim parkom Ljubljana - TP) (drugi dan z mednarodno zasedbo).

Namen drugega dneva konference je prenos izkušenj drugih držav v Azerbajdžan ter s tem spodbuditev razvoja inovacijskega ekosistema ter razvoj infrastrukture ob razumevanju izkušenj drugih držav in ekosistemov.

Cilja projekta sta razvoj in vzpostavitev digitalnega izobraževalnega in inovacijskega centra in njegova promocija z izvedbo mednarodne regionalne konference o industrijskih in tehnoloških parkih na sledeči način:

- razvoj in vzpostavitev dejavnosti digitalnega izobraževalnega in inovacijskega centra - DIIC,
- izobraževanje strokovnjakov (»train-the-trainers«),
- svetovanje in pomoč izvoznikom in uvoznikom,
- izmenjava dobrih praks na način študijskega obiska (»study visit«),
- interaktivna podpora strokovnjakov.

6. Presoja posledic za:

a)	javnofinančna sredstva nad 40.000 EUR v tekočem in naslednjih treh letih	DA
b)	usklajenost slovenskega pravnega reda s pravnim redom Evropske unije	NE
c)	administrativne posledice	NE
č)	gospodarstvo, zlasti mala in srednja podjetja ter konkurenčnost podjetij <u>Obrazložitev:</u> Preko projektov mednarodnega razvojnega sodelovanja Slovenija/MGRT v sodelovanju z UNIDO spodbuja slovenska podjetja, predvsem mala in srednje velika (SME), k širjenju ter prenosu njihovih tehnologij in znanja na nove prioritete izvozne trge. Spodbuja se iskanje nišnih trgov, tudi v oddaljenih regijah in možnosti prenosa novih inovativnih tehnologij. S tem se povečuje tudi njihova konkurenčnost na tujih trgih in znotraj specifičnih sektorjev (npr. zeleni industriji). Hkrati je to priložnost za vstopanje slovenskih podjetij na njihov trg.	DA
d)	okolje, vključno s prostorskimi in varstvenimi vidiki	NE
e)	socialno področje	NE
f)	dokumente razvojnega načrtovanja: <ul style="list-style-type: none"> - nacionalne dokumente razvojnega načrtovanja - razvojne politike na ravni programov po strukturi razvojne klasifikacije programskega proračuna - razvojne dokumente Evropske unije in mednarodnih organizacij 	NE

7.a Predstavitev ocene finančnih posledic nad 40.000 EUR:

(Samo če izberete DA pod točko 6.a.)

I. Ocena finančnih posledic, ki niso načrtovane v sprejetem proračunu

	Teškoče leto (t)	t + 1	t + 2	t + 3
Predvideno povečanje (+) ali zmanjšanje (-) prihodkov državnega proračuna				
Predvideno povečanje (+) ali zmanjšanje (-) prihodkov občinskih proračunov				
Predvideno povečanje (+) ali zmanjšanje (-) odhodkov državnega proračuna				
Predvideno povečanje (+) ali zmanjšanje (-) odhodkov občinskih proračunov				
Predvideno povečanje (+) ali zmanjšanje (-) obveznosti za druga javnofinančna sredstva				

II. Finančne posledice za državni proračun**II.a. Pravice porabe za izvedbo predlaganih rešitev so zagotovljene:**

Ime proračunskega uporabnika	Šifra ukrepa, projekta/Naziv ukrepa, projekta	Šifra PP /Naziv PP	Znesek za tekoče leto (t)	Znesek za t+1
Ministrstvo za gospodarski razvoj in tehnologijo	Projekt: št. 2130-19-0031 Razvoj inovacijskega ekosistema in podpome infrastrukture, vključno z Digitalnim izobraževalnim in inovacijskim centrom - DIIC v Azerbajdžanu	PP 603410 – Mednarodno razvojno sodelovanje	0,00 EUR	
SKUPAJ:			0,00 EUR	

II.b. Manjkajoče pravice porabe se bodo zagotovile s prerazporeditvijo iz:

Ime proračunskega uporabnika	Šifra ukrepa, projekta/Naziv ukrepa, projekta	Šifra PP /Naziv PP	Znesek za tekoče leto (t)	Znesek za t+1
Ministrstvo za gospodarski razvoj in tehnologijo	Evidenčni projekt: št. 2130-18-0005 Projekti mednarodnega razvojnega sodelovanja za obdobje 2018 – 2021	PP 603410 – Mednarodno razvojno sodelovanje	120.000,00 EUR	
SKUPAJ:			120.000,00 EUR	

II.c. Načrtovana nadomestitev zmanjšanih prihodkov oz. povečanih odhodkov proračuna:

Novi prihodka	Znesek za tekoče leto (t)	Znesek za t+1
SKUPAJ:		
7.b Predstavitev ocene finančnih posledic pod 40.000 EUR:		
/		
8. Predstavitev sodelovanja z združenji občin:		
Vsebina predloženega gradiva (predpisa) vpliva na: <ul style="list-style-type: none"> - pristojnosti občin, - delovanje občin, - financiranje občin. 	NE	
Gradivo (predpis) je bilo poslano v mnenje: <ul style="list-style-type: none"> - Skupnosti občin Slovenije SOS: DA/NE - Združenju občin Slovenije ZOS: DA/NE - Združenju mestnih občin Slovenije ZMOS: DA/NE Predlogi in pripombe združenj so bili upoštevani: <ul style="list-style-type: none"> - v celoti, - večinoma, - delno, - niso bili upoštevani Bistveni predlogi in pripombe, ki niso bili upoštevani.	NE	
9. Predstavitev sodelovanja javnosti:		
Gradivo je bilo predhodno objavljeno na spletni strani predlagatelja:	NE	
Gradiva ni mogoče objaviti na spletnih straneh ministrstva, dokler Vlada RS ne potrdi priprave projektnih študij in izvedbe projekta.		
10. Pri pripravi gradiva so bile upoštevane zahteve iz Resolucije o normativni dejavnosti:		
	NE	
11. Gradivo je uvrščeno v delovni program vlade:		
	NE	
<div style="text-align: center;">  <p>Eva Štravs Podlogar državna sekretarka</p> </div> <p>Priloge:</p> <ol style="list-style-type: none"> 1. Obrazložitev predloga projekta mednarodnega razvojnega sodelovanja 2. Sporočilo UNIDO o odobritvi projekta 3. Pismo o nameri Azerbajdžana UNIDOu 4. Priloga k obrazložitvi (projektna dokumentacija UNIDO) 		

Priloga 1

Obrazložitev predloga projekta mednarodnega razvojnega sodelovanja

A. Splošno o mednarodnem razvojnem sodelovanju Republike Slovenije

Republika Slovenija je glede na stopnjo gospodarskega razvoja od leta 2004 država donatorica uradne razvojne pomoči. Aprila 2018 je bil sprejet nov Zakon o mednarodnem razvojnem sodelovanju in humanitarni pomoči RS (ZMRSH, Uradni list RS, št. 30/18), ki opredeljuje cilje in način dolgoročnega načrtovanja, financiranja ter izvajanja MRS Republike Slovenije.

Ministrstvo za gospodarski razvoj in tehnologijo izvaja mednarodno razvojno sodelovanje (MRS) praviloma na način financiranja mednarodnih razvojnih projektov, ki se izvajajo preko UNIDO, skladno z ratificirano mednarodno pogodbo z UNIDO, z zakonodajo in sprejetimi kriteriji pri dajanju mednarodne pomoči.

Pravne podlage za določitev obsega, vsebine in načina izvedbe programa MRS RS so:

- Zakon o ratifikaciji Sporazuma o sodelovanju med Organizacijo Združenih narodov za industrijski razvoj in Vlado Republike Slovenije in Upravnega dogovora o posebnih namenskih prispevkih v Sklad za industrijski razvoj (MSZNIR) (Uradni list RS, št. 94/05);
- Zakon o mednarodnem razvojnem sodelovanju in humanitarni pomoči RS (Uradni list RS, št. 30/18);
- Uredba o izvajanju mednarodnega razvojnega sodelovanja in humanitarne pomoči Republike Slovenije (Uradni list RS, št. 74/18);
- Resolucija o mednarodnem razvojnem sodelovanju in humanitarni pomoči Republike Slovenije (ReMRSH) (Uradni list RS, št. 54/17), ki določa prednostna geografska področja, med njimi evropsko sosedstvo (točka 11 Resolucije), kamor spada Azerbajdžan;
- Zakon o izvrševanju proračunov Republike Slovenije za leti 2018 in 2019 (Uradni list RS, št. 71/17, 13/18 – ZJF-H, 83/18 in 19/19);
- Pravilnik o postopkih za izvrševanje proračuna Republike Slovenije (Uradni list RS, št. 50/07, 61/08, 99/09 - ZIPRS1011, 3/13 in 81/16),

MGRT usmerja MRS preko UNIDO po več kriterijih, ki so skladni s sprejetimi usmeritvami, Resolucijo o mednarodnem razvojnem sodelovanju in humanitarni pomoči Republike Slovenije, ki opredeljuje cilje, izhodišča, načela in načrtovanje MRS, geografske, vsebinsko-tematsko prednostne naloge, projekcijo obsega uradne razvojne pomoči in zagotavljanje sredstev zanje, ki jo je sprejela RS.

Med njimi sta pomembna naslednja dva kriterija:

- jasno izražen interes tiste države, ki želi pridobiti MRP (torej država prejemnica/koristnica pomoči), in
- razvojno pomoč lahko prejemajo le tiste države, ki sodijo v geografska prednostna področja MRS RS: Zahodni Balkan (brez držav članic EU), evropsko sosedstvo ter podsaharska Afrika, s poudarkom na najmanj razvitih državah.

MGRT prednostno obravnava projekte iz naslednjih sektorjev: avtomobilske industrije, lesno predelovalne industrije, področja turizma, izkoriščanja vodnih virov in projektov izgradnje vodne in druge infrastrukture, področja energetike (njihove učinkovite rabe) in področja zelenih (čistih) industrij / ekologije / okoljevarstva. V projektih in študijah MRS MGRT skuša identificirati relevantne primerjalne prednosti in konkurenčne zmogljivosti slovenskih podjetij z njihovo opremo, tehnologijo ali znanjem.

B. Predlog izvedbe projekta mednarodnega razvojnega sodelovanja "Razvoj inovacijskega ekosistema in podporne infrastrukture, vključno z Digitalnim izobraževalnim in inovacijskim centrom - DIIC v Azerbajdžanu" v sodelovanju z UNIDO

Izhodišča

Zagotavljanje kakovosti izdelkov in storitev na področju nastopanja na trgih EU je bistvenega pomena v najrazličnejših industrijah. S sodelovanjem Azerbajdžana pri trgovinski menjavi z EU in z namenom enostavnejšega pretoka blaga in storitev, so potrebe po primerljivosti tovrstnih izdelkov in storitev v Azerbajdžanu v porastu. Izdelki in storitve na trgu EU lahko potujejo zgolj z ustreznim certifikatom oziroma izjavo o skladnosti, ki pa mora biti verodostojna listina in mora temeljiti na strokovnih podlagah, kar spremljajo poleg kupcev in investitorjev tudi organi nadzora.

Poleg zakonskih zahtev morajo izdelki in storitve izpolnjevati tudi druge zahteve kupcev po kakovosti izdelkov kot npr. stabilnost in sledljivost v primeru serijske proizvodnje, okoljsko sprejemljivost, verodostojnost opravljenih preskusov in analiz s strani samih proizvajalcev, obvladovanje tveganj v dobavnih verigah, vodenju podjetij, krepitvi njihove inovativnosti in tržne konkurenčnosti ter nenazadnje trajno uspešnega poslovanja nasploh.

Tovrstne primerljivosti na mednarodne standarde in metode na področju Azerbajdžana v določeni meri obstajajo, vendar pa organizacijam primanjkuje konkurenčnega znanja, zato je postavitve digitalnega izobraževalnega centra - DIIC v Azerbajdžanu za celotno državo prava priložnost gospodarstvu za olajšan dostop do trgov Evropske unije kot tudi ostalih mednarodnih trgov, saj se tudi druge svetovne regije kot npr. ASEAN, SADC ... zgledujejo po načinu ureditve notranjega trga kot ga ima EU.

Zagotoviti ustrezno strokoven pristop k varnosti in skladnosti proizvodov ter verodostojnost listin o skladnosti pri medsebojnem trgovanju, kakor tudi varno poslovanje med poslovnimi partnerji Azerbajdžana in EU, bi morala biti prioriteta vseh zainteresiranih strani v trgovinskih odnosih, zlasti ekonomskih operatorjev (proizvajalcev, projektantov, monterjev, veletrgovcev, distributerjev) in kupcev, pa tudi regulatornih organov. Vendar slednji zagotavljajo le funkcijo nadzora trga, preventivo kot je ozaveščanje in izobraževanje ekonomskih operatorjev pa prepuščajo pobudi ponudnikov znanja na trgu, kakršen je na slovenskem trgu Slovenski inštitut kakovosti - SIQ.

Uvajanje mednarodnih standardov pa ni pomembno samo za dostopanje proizvodov na trge EU in okoliške trge Azerbajdžana, ampak tudi priložnost za slovenska podjetja, ki bodo sledila nosilcem tega projekta v Azerbajdžan.

Infrastruktura in inovacijski ekosistem - mreža podpornih inštitucij je izrednega pomena za razvoj visokokakovostnega in tehnološkega gospodarstva v vsaki državi. Obenem je inovacijska infrastruktura ključna za doseganje razvojnih prebojev, komercializacijo znanja in znanstvenih dosežkov in pozicioniranje države v mednarodnem ekosistemu in globalnih verigah vrednosti. V Azerbajdžanu podporna in inovacijska infrastruktura še ni razvita, zato je pomembno organizirati konferenco, oziroma dogodek, ki bo spodbudil razmišljanje in načrtovanje le-te.

Cilji in namen

Cilji projekta sta razvoj in vzpostavitev digitalnega izobraževalnega in inovacijskega centra - DIIC in prenos izkušenj ter s tem spodbuditev razvoja inovacijskega ekosistema in razvoj infrastrukture ob razumevanju izkušenj drugih držav in ekosistemov na mednarodni regionalni konferenci na sledeči način:

- razvoj in vzpostavitev dejavnosti digitalnega izobraževalnega in inovacijskega centra,
- izobraževanje strokovnjakov »train-the-trainers«,
- svetovanje in pomoč izvoznikom in uvoznikom,
- izmenjave dobrih praks na način študijskega obiska (»study visit«),
- interaktivna podpora strokovnjakov.

Namen projekta je dvig konkurenčnega znanja za nastop podjetij Azerbajdžana na trgih EU in drugih trgih, skozi izobraževanje osebja, širjenja znanja v organizacijah in prenosa dobrih EU praks.

Izkušnje proizvajalcev na notranjem trgu EU nakazujejo, da prav praktičen pristop k razvoju skladnih, tržno zanimivih proizvodov predstavlja velik izziv. Zaradi raznolikosti proizvodov, njihove ureditve s sektorskimi tehničnimi predpisi, kakor tudi številnih trženjskih, tehničnih in organizacijskih izzivov povezanih z učinkovitostjo in sledljivostjo njihove izdelave, je trajna podpora v obliki storitev digitalnega izobraževalnega in inovacijskega centra gospodarstvu Azerbajdžana potrebna. Vloga takšnega centra je informativno-svetovalne narave, z nudenjem strokovnih informacij in tehničnih/organizacijskih svetovalnih storitev gospodarskim subjektom Azerbajdžana pri vstopanju na trg EU. In obratno, digitalno izobraževalni in inovacijski center nudi strokovne informacije gospodarskim subjektom iz EU pri vstopu na trg Azerbajdžana in na regionalne trge Osrednje Azije.

Digitalno izobraževalni in inovacijski center bo združeval lokalne svetovalce in strokovnjake, ki se bodo usposobili za izvajanje storitev strokovne podpore gospodarskim subjektom v okviru tega projekta. Gre za tako imenovani »train-the-trainers« program, kjer predkvalificirane lokalne (azerbajdžanske) svetovalce ali strokovnjake, ki že delujejo na zgoraj navedenih področjih, nadalje usposobijo priznani slovenski in EU strokovnjaki s posameznih relevantnih področij.

V Azerbajdžanu bo za namen promocije vzpostavitve infrastrukture in inovacijskega ekosistema organizirana dvodnevna konferenca, kjer se bo v dveh delih obravnavalo:

- krepitev infrastrukture kakovosti ter postavitve razvojno izobraževalnega in inovacijskega centra za dvig konkurenčnega znanja za nastop podjetij Azerbajdžana na trgih EU in drugih trgih (prvi dan) (v sodelovanju Slovenskega inštituta kakovosti - SIQ) in
- izgradnjo ustrezne infrastrukture za tehnološke in industrijske parke v Azerbajdžanu (v sodelovanju s tehnološkim parkom Ljubljana - TP) (drugi dan z mednarodno zasedbo).

Končni namen drugega dneva konference je prenos izkušenj drugih držav v Azerbajdžan ter s tem spodbuditev razvoja inovacijskega ekosistema ter razvoj infrastrukture ob razumevanju izkušenj drugih držav in ekosistemov.

Glavne aktivnosti

1. Vzpostavitev izobraževalnega in inovacijskega centra in digitalne platforme (vključno z usposabljanjem in gradivi za usposabljanje na daljavo)
 - IT oprema
 - E-učenje / Webinarji / Prenos v živo
2. Podpora za vzpostavitev finančne stabilnosti in povečanje ozaveščenosti o pomembnosti krepitev blagovnih znamk
 - Identifikacija trenutnega stanja, priložnosti in analiza vrzeli
 - Razvoj orodja za izboljšanje poslovnega modela, prilagojenega poslovnemu kontekstu AZ za doseganje trajnostne uspešnosti azerbajdžanskih podjetij
 - Pilotni projekti nadgradnje poslovnih modelov v izbranih podjetjih iz različnih sektorjev (storitve in proizvodnja)
 - Usposabljanja izbranih tematik v povezavi z dobrimi praksami slovenskih podjetij
 - Razvoj marketinških strategij in dejavnosti za promocijo storitev, vključno z novimi storitvami
3. Podpora malim in srednje velikim podjetjem za nastop na trgih EU
 - Identifikacija trenutnega stanja, priložnosti in analiza vrzeli
 - Razvoj programa »train-the-trainers« - določitev skupine strokovnjakov Azerbajdžana in tematike usposabljanja (nastop na trgih EU)
 - Razvoj programa usposabljanja in tematike usposabljanja (nastop na trgih EU in trajnostno delovanje)
 - Usposabljanja izbranih tematik v povezavi z dobrimi praksami slovenskih podjetij
 - Študijski obisk v Sloveniji - izmenjava dobrih praks s slovenskimi podjetji
4. Mednarodna regionalna konferenca o industrijskih in tehnoloških parkih v Bakuju
Krepitev prepoznavnosti projekta, učinek razširjanja, izboljšanje inovacij v ekosistemu, ponovljivosti izvedenih aktivnosti in razširjanje projekta.

Koristi za Slovenijo

SIQ je neodvisna, neprofitna ustanova, ki deluje na področju ugotavljanja skladnosti izdelkov in procesov ter na področju meroslovja in usposabljanja. SIQ že več kot 50 let sodeluje z organizacijami pri njihovih prizadevanjih za vstop na trge, povečanje produktivnosti, izboljšanje kakovosti in doseganje odličnosti. Kot partner slovenskim podjetjem bo v izobraževalnem in

inovacijskem centru povezovalni člen za krepitev poslovnih vezi v AZ, za gradnjo podjetniške mreže in nadaljnji prodor na trg AZ in sosednjih trgov.

Podpora UNIDO bo slovenskim podjetjem omogočila predstavitev svojih tehnoloških dosežkov in inovacij ter s tem podporo slovenskim podjetjem pri izboru izvajalcev za druge projekte v Azerbajdžanu. Projekt bo gospodarstvu Azerbajdžana pomagal postati konkurenčnejši na mednarodnih trgih in zanimivejši za neposredne tuje investicije, kar lahko močno poveže to državo s trgi EU.

V organizacijo izvedbe konference se bo vključil slovenski inovacijski ekosistem (tehnološki parki, inkubatorji, pospeševalniki, pisarne za prenos tehnologij).

Pozitivni učinki

S prenosom dobrih praks EU bo mogoča rešitev dejanskih problemov gospodarstva pri udejstvovanju azerbajdžanskih podjetij na trgih EU. Digitalni izobraževalni in inovacijski center - DIIC bo tudi stična točka za slovenska podjetja za sodelovanje v tej regiji. Olajšano bo poslovno sodelovanje med obema trgoma z vzpostavitvijo povezav za poslovna združenja, za zagotavljanje trajnostnega sodelovanja na institucionalni ravni.

Takšno sodelovanje nudi podporno okolje za poslovne subjekte in poslovne vezi med trgi, ki omogočajo medsebojno razumevanje pravil o dostopu do trga, regulativnega okolja za podjetja in službe za pomoč podjetjem ter zainteresiranim strankam. To bo tudi priložnost za vstopanje slovenskih podjetij na njihov trg, ki bodo sledili podjetju, ki bo sodeloval pri izvedbi aktivnosti v projektu.

Pri vzpostavljanju infrastrukture in inovacijskega ekosistema - mreži podpornih inštitucij so pričakovani naslednji pozitivni učinki:

- prenos izkušenj,
- razvoj ekosistema,
- promocija Slovenije in njenih gospodarskih dosežkov,
- razvoj povezav s ciljem obojestranskega sodelovanja.

Predlog finančne projekcije v EUR

naslov študije	<i>"Razvoj inovacijskega ekosistema in podporne infrastrukture, vključno z Digitalnim izobraževalnim in inovacijskim centrom - DIIC v Azerbajdžanu"</i>
začetek projekta	01. januar 2020
država prejemnica pomoči	Azerbajdžan
trajanje projekta/študije	15 mesecev
ocenjena vrednost celoten projekt v EUR	199.725,50
predlog financiranje RS (PP) v 2019 v EUR	120.000
financiranje iz naslova obresti pri UNIDO v EUR	79.726,50
sodelovanje slovenskih podjetij	SIQ - Slovenski inštitut za kakovost in TP - Tehnološki park Ljubljana
SKUPAJ financiranje iz RS v EUR	199.725,50
vodenje projekta/študije in nadzor	UNIDO Dunaj

Priloga 2



Fw: Project doc for AZERBAIJAN
MILICA DOBIVIC, Olga - zB Janez.Rogelj@gov.si
Kp: "IAKOVLEVA, Iana", "AUTHRIED, Oliver"

22. 11. 2019 17:46

Dear Janez,

Please find attached the revised project document for Azerbaijan incorporated all comments received from you.

The project concept document has been internally approved under the number SAP 190 347, title: *Development of innovation ecosystem and support infrastructure, including Digital Education Centre (DEC) in Azerbaijan.*

If no further comments on the project document from your side the project document (attached) will be submitted the internal process leading to executive Board final approval.

Kind regards,

Olga



- UNIDO - ProDoc Azerbaijan Final.docx

Priloga 3:



ƏZƏRBAYCAN STANDARTIZASIYA İNSTITUTU | Azərbaycan Standardizasiya İnstitutu | Azərbaycan Standardization Institute | Azərbaycan Standartlaşdırma İnstitutu

Your ref No. ASI 06/19
Date: 06 september 2019

Ms. Olga Memedović Ph.D.
Deputy Director
Department of Trade, Investment and Innovation
UNIDO

Address: Vienna International Centre Wagramer str. 5
P.O. Box 300 A-1400 Vienna, Austria
Tel: +43 (1) 26026-0
Fax: +43 (1) 2692669

Dear Ms. Olga Memedović Ph.D.,

Azerbaijan Standardization Institute presents its compliments to the United Nations Industrial Development Organization (UNIDO) and has the honor to transmit herewith the letter of intent signed by Dr. Namig Tagiyev Director General of Azerbaijan Standardization Institute addressed to Olga Memedović Ph.D., Deputy Director Department of Trade, Investment and Innovation of UNIDO.

Azerbaijan Standardization Institute appreciates UNIDO's intention to implement development project for strengthening quality infrastructure and establishing development training center to improve competitive knowledge of Azerbaijanian SME's accessing the EU market and other markets.

Hereby, we would like to express our readiness to support UNIDO activities for getting acquired and sharing knowledge and experience, as well as best practice to promote following activities:

1. Support to SME's for assessing EU market (presentations, information materials on relevant matters and new guidelines etc)
2. Create Digital Platform to for Training Center (including distance trainings and training materials)
3. Support for increase of Brand Awareness of AZSTAND
4. Support to establish financial sustainability (business model enhancement)
5. Support for joining ICN (International Certification Network)

Azerbaijan Standardization institute avails itself of this opportunity to renew to the United Nations Industrial Development Organization the assurances of its highest consideration.

Sincerely,

Dr. Namig Tagiyev
Director General of Azerbaijan Standardization Institute



UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

Project of the Republic of Azerbaijan

Project number:	SAP 190 347
Project title:	Development of innovation ecosystem and support infrastructure, including Digital Education and Innovation Centre (DEIC) in Azerbaijan HC2 (Advancing Economic Competitiveness)
Thematic area code	HC21 (Investment, Technology, and SME development)
Starting date:	1 January 2020
Duration:	15 months (tbc)
Project site:	Azerbaijan
Government	Ministry of Transport, Communications and High Technologies of the Republic of Azerbaijan
Co-ordinating agency:	Republic of Azerbaijan
Counterpart:	Innovation Agency (tbc)
Executing / cooperating agency:	
Project Inputs:	EUR 175 000
- <i>UNIDO inputs:</i>	
- <i>Support costs (13 %):</i>	EUR 22 750
- <i>Coordination levy (1%):</i>	EUR 1 977,50
Counterpart inputs	
- <i>Grand Total:</i>	EUR 199 725,50

Brief description:

The Ministry of Transport, Communications and High Technologies of the Republic of Azerbaijan in its letter, dated 1 August 2019, requested UNIDO support in acquiring and sharing knowledge, experience, and best practices for promoting innovation ecosystem building and support infrastructure for enhancing the competitiveness and innovative enterprises in Azerbaijan. Following UNIDO consultations with the representatives of the Ministry of Economic Development and Technology of Slovenia, Ljubljana Technology Park (PTP) and Slovenian Institute of Quality and Metrology, and the Permanent Mission of Slovenia, of 11 September 2019, at UNIDO HQ, the Slovenian government expressed the interest to fund the proposed project.

The project objective is the innovation ecosystem building, including fostering an environment for StartUp and ScaleUp and skill upgrading, as well as raising awareness on the opportunities and challenges of the fourth industrial revolution (4IR) for pursuing Inclusive and Sustainable Industrial Development (ISID) in Azerbaijan. The project will establish a Digital Education and Innovation Centre (DEIC) for fostering 4IR technological learning and innovation, through provision of training, and raising awareness on the opportunities and challenges of 4IR for innovation, entrepreneurship and competitiveness in middle income countries.

The project contributes to the envisaged Sustainable Development Goals (SDG), in particular, SDG 9 (Build resilient infrastructure, promote sustainable industrialization and foster innovation) and SDG 8 (Promote inclusive and sustainable economic growth, employment and decent work for all).

Approved:

Signature:

Date:

Name and title:

On behalf of

..... :

**On behalf of
UNIDO:**

A. CONTEXT

A.1 BACKGROUND

The capability to innovate, develop, implement and integrate 4IR technologies and technological systems to specific industry conditions and country contexts, along with the willingness to regularly re-skill and up-skill the workforce will be crucial. All countries will need to adopt a systemic approach to technological learning and innovation and skill development and upgrading to ensure a smooth transformation to the 4IR. Consequently, the demand for reforms in Technical, Vocational Education and Training (TVET) systems will increase. In many developing countries, Technical, Vocational Education and Training (TVET) institutions are unable to adapt their training to the needs of the 4IR, and the private sector, forerunner of 4IR, is insufficiently involved in developing and updating TVET curricula.

4IR technologies are creating opportunities to realize economic, social and environmental gains and achieve the Sustainable Development Goals (SDGs). The economic benefits of the adoption of 4IR technologies and business models result from an increase in revenues owing to lower operating costs, improved manufacturing process control, more reliable manufacturing and higher productivity, higher product quality and customer involvement in the production process. The environmental benefits of 4IR technologies include greater resource efficiency and effectiveness, wider access to electricity and water, reduced emissions of greenhouse gases and other pollutants. They have the potential to eliminate waste through circular economy business models that consume renewable material resources and keep materials from finite stocks in an infinite loop. The social benefits of 4IR technologies include improvements in human cognition, health and physical capabilities, better food security and safety, greater worker safety, better access to food, sustainable energy and universal healthcare, enhancements in creativity and innovation, creation of a knowledge society, and opportunities for disadvantaged and vulnerable population groups as well as small and medium sized enterprises (SMEs) to participate in the real economy.

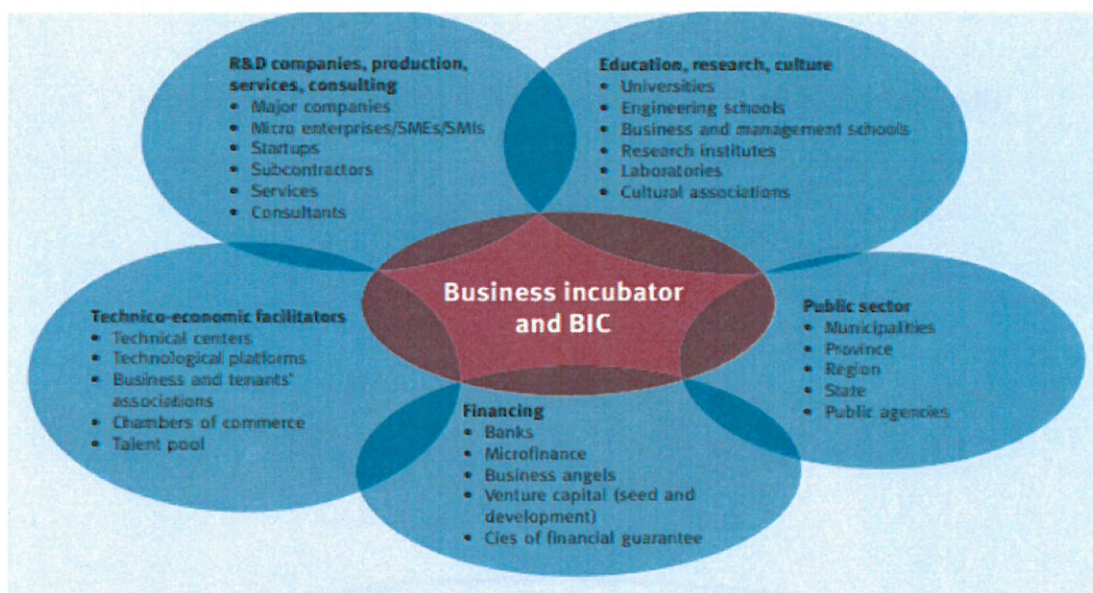
Alongside these benefits, there are multiple challenges and risks. Those include threats of a rising technology gap between countries; job losses and rising unemployment for some workers; slow institutional changes (in norms, standards, regulations); cyber security threats to industrial security; ethical issues; and threats to global peace and security arising from the military uses of new technologies.

Despite the rising affordability of 4IR technologies, they do not diffuse evenly across countries because of low absorptive capacities to benefit from affordable 4IR knowledge and technologies in some countries. Countries with high capabilities in science, technology and innovation (STI) as well as in institutional adaptations will be the first to reap the benefits of breakthroughs in 4IR technologies. Consequently, the technological and institutional gap between countries will widen. Even developed countries with advanced capabilities in STI and institutions will find it difficult to sustain their global competitiveness, as the geography of

innovation shifts from high-income (HICs) to middle-income economies (MICs), such as China.

Moving from successful MICs with innovation potential to an innovation powerhouse remains hard. Challenges to be addressed by MICs are manifold. Many MICs have an inadequate structure of human capital formation and low levels of innovation, R&D and technology absorption. Their institutions are weak and systemic opportunities for interactive learning are largely absent. There is a lack of industry-academia collaborations and public-private partnerships in research and development (R&D); business environments are not conducive to technological learning, innovation and inclusiveness towards disadvantaged and vulnerable population groups (women, youth, people with disabilities, indigenous populations and ethnic minorities) and SMEs; and an embedded approach to industrial governance is weak or absent. The primary barrier to SMEs' transition to 4IR is the lack of soft and hard infrastructure (traditional and modern such as in IT) required for innovation. Inadequate information and awareness, finance, communication and innovation technology infrastructure, skilled workforce and supportive government policies are the key impediments. Upgrading and developing skills and knowledge are required to meet the demands of the 4IR for new qualifications and remote, flexible and on-demand work.

Figure 1 Innovation ecosystem schematic



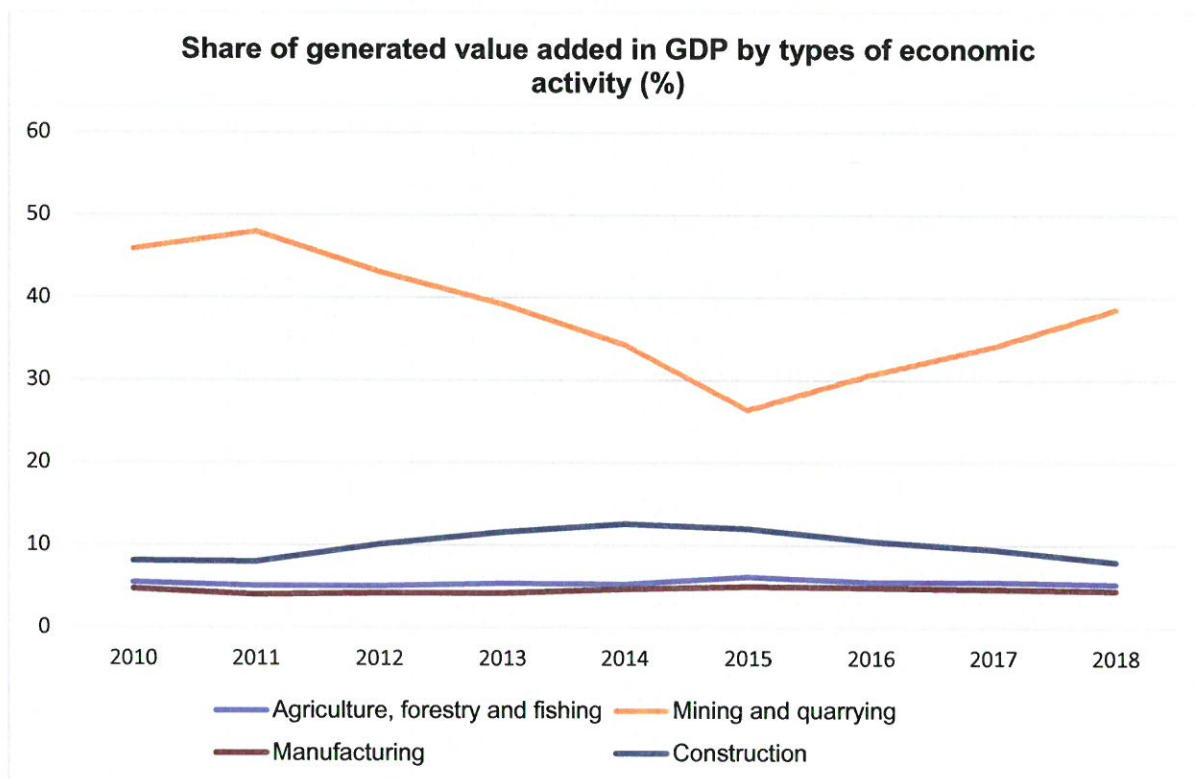
These conditions put many MICs far behind HICs in pursuing innovation ecosystem approach. In an innovation ecosystem (Figure 1), all actors, including SMEs and their clusters in special economic zones, industrial and technology parks work cooperatively and competitively to support new products, satisfy individual customer needs or solve social problems. They work together to incorporate the next round of innovations, which are beyond the capacity of any single organization—or even any traditional industry. Their diversity and collective ability to learn, adapt and, most importantly, to innovate together—are key determinants of their longer-term success. They engage in international collaboration in

global value chains and innovation networks and compete on a global scale, thus creating forward and backward linkages in value chains (national, regional and global).

A.2. COUNTRY CONTEXT

Azerbaijan is a MICs and resource rich country. The country has made progress in socioeconomic development, ever since its independence in the early 1990s. Economic growth of Azerbaijan is dependent on the oil sector, which comprised 43% of total GDP in 2017 (figure 2). After a recession in 2016-17, real GDP growth recovered in 2018, driven by higher oil prices, and reached 1.4%. Growth in the non-oil sector was boosted by manufacturing growth, which strengthened by 7.9% in 2018. In 2017, ICT sector generated revenue of AZN 1.038 million (approx. \$610 million), or 1.5% of GDP (2.2% of non-oil GDP).¹ Medium hi-tech and hi-tech industries make up 13.7% of the manufacturing value added in Azerbaijan's economy. According to official statistics, real GDP grew by 2.5% year on year in the first half of 2019, accelerating from 0.2% in the year-earlier period. The acceleration was supported by the hydrocarbons sector as well as non-oil GDP growth, supported by favourable monetary policy². Industrial production (dominated by the hydrocarbons sector) grew by 2.2%, compared with 0.7% in the year-earlier period.

Figure 2






Source: The State Statistical Committee of the Republic of Azerbaijan

¹ <https://www.azstat.org/MESearch/details?lang=en&type=2&id=444&departament=20>

² Economist Intelligence Unit http://country.eiu.com/FileHandler.ashx?issue_id=708397254&mode=pdf

In 2017, Azerbaijan ranked below Armenia, Belarus, Kazakhstan, and Russia among the CIS countries in the UNIDO Competitive Industrial Performance Index (Table 1).

Table 1 UNIDO Competitive Industrial Performance Index.

Country	Income classification by the World Bank *	UNIDO Competitive Industrial Performance (CIP) Index		
		Rank in 2017	2017 Indicator (0-1)	Rank in 2016
 Azerbaijan	Upper middle income	115	0.009	107
 Belarus	Upper middle income	46	0.067	47
 Kazakhstan	Upper middle income	66	0.037	69
 Kyrgyzstan	Lower middle income	118	0.008	121
 Armenia	Upper middle income	99	0.013	99
 Moldova	Lower middle income	106	0.01	110
 Russia	Upper middle income	31	0.109	32
 Tajikistan	Low income	129	0.004	133

*The World Bank classification, 2020, <https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups>

The CIP Index covers three main dimensions, each consisting of two indicators. These dimensions are: i) the capacity to produce and export manufactured goods, ii) technological deepening and upgrading, and iii) world impact. The higher the scores in any of the three dimensions, the higher the country's industrial competitiveness and its CIP Index.

According to the Global Competitiveness Index 4.0, rankings (WEF, World Competitiveness Report, 2019), which maps the factors and attributes that drive productivity, growth and human development in the 4IR era and which covers 141 economies, accounting for 99% of the world's GDP, the Russian Federation (43rd) ranked on top Eurasia's competitiveness rankings (43rd), followed by Kazakhstan (55th) and Azerbaijan (58th) (figure 3), both improving their performance over 2018. Fostering innovation capability would help Azerbaijan to achieve a higher competitiveness performance and advance the process towards structural change in the 4IR era.

Figure 3 Competitiveness Index Rankings

Rank	Economy	Score ¹	Diff. from 2018 ²	
			Rank	Score
48	Mexico	64.9	-2	+0.3
49	Bulgaria	64.9	+2	+1.3
50	Indonesia	64.6	-5	-0.3
51	Romania	64.4	+1	+0.9
52	Mauritius	64.3	-3	+0.5
53	Oman	63.6	-6	-0.8
54	Uruguay	63.5	-1	+0.8
55	Kazakhstan	62.9	+4	+1.1
56	Brunei Darussalam	62.8	+6	+1.3
57	Colombia	62.7	+3	+1.1
58	Azerbaijan	62.7	+11	+2.7
59	Greece	62.6	-2	+0.5
60	South Africa	62.4	+7	+1.7
61	Turkey	62.1	-	+0.5
62	Costa Rica	62.0	-7	-0.1
63	Croatia	61.9	+5	+1.8
64	Philippines	61.9	-8	-0.3
65	Peru	61.7	-2	+0.4
66	Panama	61.6	-2	+0.6
67	Viet Nam	61.5	+10	+3.5
68	India	61.4	-10	-0.7
69	Armenia	61.3	+1	+1.4

Striving for a future of sustainable growth, the Government of Azerbaijan has prioritized the modernization of the oil and gas sector, the petrochemical industry, economic diversification, alternative and renewable energy sources, expansion and development of trade in goods and services and improvement of the foreign trade and investment structure.³

Transformation towards a knowledge-based and innovation driven economy is among the top priorities of the government's strategic planning (figure 4).

Figure 4 Moving from factor driven to innovation driven economy



Innovation policy in Azerbaijan

Innovation and/or innovative growth is a vital part of a number of state programmes, as well as legal and regulatory acts of the Republic of Azerbaijan. The term 'Innovation' defined in the state law on Education, as 'progressive novelties developed based on various institutions, scientific researches'.⁴ The main approaches of the state innovation policy of the Republic of Azerbaijan are described in the Law on 'Science' adopted in 2016.⁵ The Law includes a number of principles on the direction of state policy in the field of organization, management and development of scientific and innovation activities. It also envisages the identification of strategic directions for the development and improvement of the state innovation policy.⁶

³ Economist Intelligence Unit. Country Report. November 2014

⁴ <http://edu.gov.az/az/page/72/302>

⁵ http://science.gov.az/uploads/PDF/Elm_haqqinda_Azerbaycan_Respublikasinin_Qanunu.pdf

⁶ Article 4 of the Law envisages that the state policy on the scientific innovation is implemented along the following directions: a) identification of the strategic directions for the development and improvement of the state innovation policy; b) creation of favourable terms for financing innovation projects, attracting and promoting investments; c) establishment of scientific innovation subjects –integrative science, education and entrepreneurship centres, techno-polis , scientific and technology parks, technological incubators, innovation funds, and information databases on innovations; d) establishment of high-tech based production areas, supply of market and entry to foreign markets; e) study of innovative development practice and its use in the preparation of development strategy.

The President of Azerbaijan approved major strategic roadmaps for the national economy and for its 11 key sectors on December 06, 2016. The strategic Road Map on the National Economic perspectives comprises an economic development concept and action plan for 2016-2020, a long-term outlook until 2025 and a broader outlook for the period beyond 2025.⁷ The policy is largely sector specific and fragmented; though in general includes an innovation component.

The Road Map for the national economy includes the action on 'promoting the education-research-innovation way of development in higher education institutions' to stimulate the effectiveness of the 'education-research-innovation' environment through educational clustering (i.e. university clusters).⁸ Furthermore, the Road Map contains actions to stipulate the development of a knowledge-based society founded on the development of scientific research activities and encourages investments in innovation, as well as improvement of infrastructure to develop human capital in the country. In this context, the government plans the development of an innovation state strategy, with the purpose to establish innovative clusters, facilitate the digital transformation and the development of an e-government system.⁹

Innovation is a key element of the national development agenda and respective strategies, and is featuring in legal and regulatory acts listed below.

- State Strategy on the development of education in the Republic of Azerbaijan
- National Strategy for the development of Information society during 2014-2020
- Azerbaijan 2020: Look into the Future” Concept of Development
- State Program for the development of industry in the Republic of Azerbaijan for 2015-2020
- National Strategy on High Technology (2020–2025)

The **Innovation Agency** was also established under the **Ministry of Transport, Communications and High Technologies of the Republic of Azerbaijan**, based on the State Fund for Development of Information Technologies and the High-Tech Park Limited Liability Company, in accordance with the Decree № 325 of President of the Republic of Azerbaijan Ilham Aliyev dated November 6, 2018. The Agency assists local businesses in acquiring modern technologies, organizes their transfer, supports innovation-oriented scientific research and encourages innovative projects, including start-ups by funding them through grants, concessional loans and venture capital fund.

⁷ http://ereforms.org/store/media/ekspert_yazilari/islahat%20icmali/mart/strateji%20yol%20x%C9%99rit%C9%99si%20-eng1.pdf

⁸ “The establishment of university clusters will stimulate the implementation of researches and improvements and the application of the scientific results to the production, and hence the efficiency of the 'education-science-production' relations will be improved”

⁹ <https://menafn.com/1098703867/Minister-talks-on-plans-to-create-ICT-innovation-clusters-in-Azerbaijan>

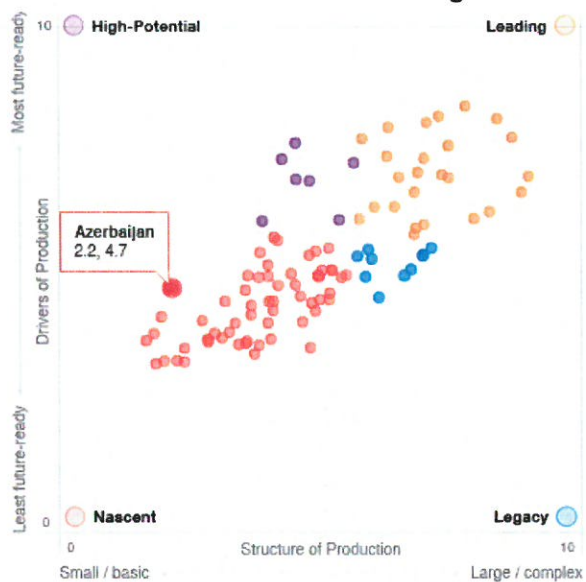
The Innovation Agency goal is promoting the production of innovative and high-tech products and the provision of services under the “*Made in Azerbaijan*” brand, as well as creating conditions for existing local brands to enter in the international arena, to identify products and services for digital transformation, to support intellectual solutions on robotic and cloud technologies, large-scale data processing and artificial intelligence. The Agency also has a Business Incubation and Acceleration Centre to support the ideas of young people, to form a base of innovative ideas, as well as to develop and improve innovative products and high technologies. The Business Incubation operates 24 hours a day, 7 days a week¹⁰.

There are ongoing international and national initiatives aimed at strengthening and broadening Azerbaijan’s innovation ecosystem, where new technologies and business models are more and more embraced by all the stakeholders involved. These initiatives include: Centre for Sustainable and Operational Social Security — DOST, Accelerator Labs, InnoLand Innovation and Incubation centre, Social Innovation Lab, Cleantech Ideation Bootcamp, the first robotics lab for children in Baku¹¹.

Challenges ahead: the level of innovation activity remains low

Despite the importance given to innovation in the current legislation, the level of innovation activity and performance of Azerbaijan remains low and requires rapid improvement. The level of expenditures on research and development (R&D) at present is around 0.19% of GDP, which is significantly lower compared with the world average and most of the countries in the region. For comparison, the level in the Russian Federation is 1.1 % and in Ukraine around 0.45%.

Figure 5 Archetype of Azerbaijan’s Readiness for the Future of Production Ranking 2018



Source: WEF Readiness for the Future of Production Report 2018

Azerbaijan is analysed on how well it is positioned for shaping and benefiting from the changing nature of production in the era of 4IR, by the WEF Readiness for the Future of Production Assessment (figure 5). This measurement has two main components, the structure of production at which Azerbaijan’s score was 2.2 out of 10 possible points, ranking the country on place 95 out of 100 in 2018. For the second component, drivers of production, Azerbaijan reached a score of 4.7, which positioned the country on rank 62. When looking at the driver Technology and Innovation in particular, Azerbaijan’s score accounted for 4.1, which ranked the country on the 55th place. Its score for ability to innovate was 2 out of 10, the one for technology platform on the other hand was higher accounting for 6.2.

¹⁰ <http://www.mincom.gov.az/en/view/organization/16/>

¹¹ <http://www.az.undp.org/content/azerbaijan/en/home.html>

Against this background the country is classified as nascent, or among those countries the least ready for the future of production by the World Economic Forum (figure 6).¹²

Figure 6

Readiness for the Future of Production Assessment 2018			Ability to Innovate 0-10 (best)	
Driver: Technology & Innovation				
Index Component	Rank /100	Value		
Driver: Technology & Innovation 0-10 (best)	55	4.1	2.06 State of cluster development 1-7 (best)	66 2.0
Technology Platform 0-10 (best)	49	6.2	2.09 Company investment in emerging technology 1-7 (best)	32 4.3
2.01 Mobile-cellular telephone subscriptions /100 pop	75	106.3	2.10 Gov't procurement of advanced technology products 1-7 (best)	20 4.7
2.02 LTE mobile network coverage % population	79	41.0	2.11 Companies embracing disruptive ideas 1-7 (best)	11 4.3
2.03 Internet users % pop	31	78.2	2.12 Multi-stakeholder collaboration 1-7 (best)	21 4.2
2.04 FDI and technology transfer 1-7 (best)	27	5.0	2.13 R&D expenditures % GDP	24 4.4
2.05 Firm-level technology absorption 1-7 (best)	40	4.9	2.14 Scientific and technical publications Number per Billion PPP\$ GDP	80 0.2
2.06 Impact of ICTs on new services and products 1-7 (best)	39	5.0	2.15 Patent applications applications/million pop	85 3.2
2.07 Cybersecurity commitment 0-1 (best)	51	0.6	2.16 Venture capital deal volume US\$ millions	78 0.15
			2.17 Venture capital deal volume per size of economy US\$GDP	96 42.9
				97 0.8

Source: WEF Readiness for the Future of Production Report 2018

ICT Sector development in Azerbaijan¹³

The Ministry of Transport, Communication and High Technologies (MTCHT) is responsible for both ICT policy and regulation. Its remit is broad, covering telecommunication, information technology, and postal services, as well as transport and oversight over several telecommunication operators.

In terms of policy, the President approved a strategic ICT road map that outlines 3 key strategies and 10 priorities, with achievement targeted for 2020. Implementation will be critical to address shortcomings in the sector that are constraining development of the digital economy. The implementing cost of the road map has been budgeted at AZN585 million, with funding from the government, private sector (including foreign investment), as well as bilateral and multilateral partners.

Value added of the ICT sector, which includes publishing, broadcasting, telecommunication, and computer and information services, made up 2.2% of non-oil GDP in 2017. Azerbaijan's ICT sector generated revenue of \$610m in 2017, or 1.5% of total GDP.

Employment in the ICT sector totalled 61,700 persons and accounts for 1.3% of employment. Telecommunication accounted for 88% of total sector revenue, suggesting that Azerbaijan has yet to exploit its existing hard infrastructure through a vibrant computer and information service industry.

¹² http://www3.weforum.org/docs/FOP_Readiness_Report_2018.pdf

¹³ <https://www.adb.org/sites/default/files/institutional-document/484586/aze-digital-development-overview.pdf>

Although the sector has grown since 2010, the growth rate has been less than that of the overall economy; consequently, its share of GDP has declined. The ICT sector dominated by the telecommunication services and low growth rates present a challenge to the government's aspirations for sector revenues to surpass those of oil.

Figure 7 Research and development expenditure (in percentage of GDP)

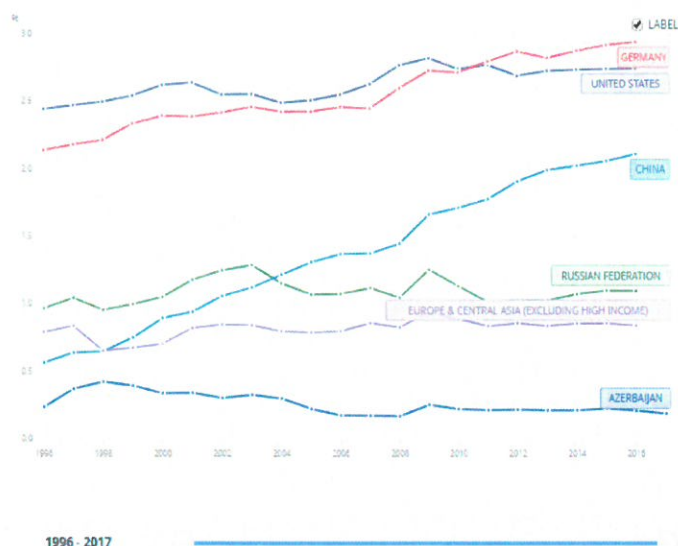


Figure 2. Research and development expenditure (% of GDP) – Azerbaijan, Russian Federation, United States, Germany, China, Europe & Central Asia (excluding high income)

Most of R&D funding in Azerbaijan (around 80% in 2011) originates in the public sector, whereas the business sector (even in the presence of the strong FDI-dominated oil and gas sector) provides only about 20% of the funding (figure 7).

Azerbaijan's score on the Global Innovation Index (GII), which is simple average of the Input and Output Sub-Index scores, was quite low when compared to other countries in the region. In 2019, the GII of Azerbaijan was 30.2, which ranked Azerbaijan only in 84th place out of 129 countries¹⁴.

In recent years, major steps have been taken by the government to improve innovation activity and the commercialization of science and research in the country, including the establishment of a number of techno-parks and agencies, including the innovation agency and the agency for Public Service and Social Innovations (ASAN Service). ASAN (which translates as 'easy' in Azerbaijani) is the country's one-stop shop solution for effective and transparent public service delivery, which received the UN Public Service Award in 2015.

Doing Business in Azerbaijan

The World Bank placed Azerbaijan under the 10 economies worldwide, which show major improvement in the performance of the Doing Business indicators in 2017/18. The country implemented eight business regulatory reforms making it easier to do business. Among other things, Azerbaijan facilitated dealing with construction permits, made it easier to get electricity such as facilitating more reliable power supply, reducing connection costs and improving process efficiency. Additionally, the country made registering property easier, strengthened access to credit as well as legal rights of borrowers and lenders and facilitated the trade across borders. Hence, Azerbaijan increased the business environment and addressed pressing development needs by strengthening legal and economic institutions.¹⁵ In doing so, Azerbaijan tackles its key economic challenge of developing a diversified

¹⁴ https://www.wipo.int/edocs/pubdocs/en/wipo_pub_gii_2019.pdf

¹⁵ https://www.doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB2019-report_web-version.pdf

economy in order to secure sustainable growth in the long term, embrace opportunities and overcome challenges sparked of by developments initiated by 4IR.

B. REASONS FOR UNIDO ASSISTANCE

To better understand the challenges and opportunities of 4IR, the Ministry of Transport, Communications and High Technologies of the Republic of Azerbaijan, requested UNIDO's support in acquiring and sharing knowledge and experience, as well as best practices to promote innovation ecosystem building and enhance competitiveness of innovative enterprises in Azerbaijan in the era of 4IR. As requested by the Ministry of Transport, Communications and High Technologies of the Republic of Azerbaijan in its letter dated 1 August 2019, UNIDO will support Azerbaijan in acquiring knowledge and sharing experience, as well as introducing best practices to promote innovation ecosystem building and to facilitate enhancement of competitiveness of innovative enterprises in Azerbaijan (see Annex II).

Following UNIDO consultations with the representatives of the Ministry of Economic Development and Technology of Slovenia, Ljubljana; Technology Park (PTP) and Slovenian Institute of Quality and Metrology, and the Permanent Mission of Slovenia, of 11 September 2019, at UNIDO HQ, the Slovenian government expressed the interest to fund the proposed project.

The UNIDO mandate is to assist countries to achieve inclusive and sustainable industrial development (ISID). The concept of ISID is closely aligned with the 2030 Agenda and associated Sustainable Development Goals (SDGs), the new development framework that seeks to transform our world and guide all global, regional and national development endeavours up to 2030.

The UNIDO mandate of fostering ISID is based on the recognition by Member States that poverty eradication can only be achieved through strong, inclusive and sustainable industrial development, underpinned by the effective integration of the three dimensions of sustainable development: economic, social and environmental. The ISID concept assumes that:

- Every country achieves a higher level of industrialization in their economies and benefits from the globalization of markets for industrial goods and services.
- No one is left behind in benefiting from industrial growth, and prosperity is shared among women and men in all countries.
- Broader economic and social growth is supported within an environmentally sustainable framework. It also implies supporting industrial development while protecting the environment and making efficient a
- The unique knowledge and resources of all relevant development actors are combined to maximize the development impact of ISID.

UNIDO's goal of achieving ISID is explicitly recognized and anchored within the internationally agreed 2030 Agenda. Through SDG 9, the Member States of the United Nations call upon the international community to "build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation". ISID therefore serves as a primary engine not only of job creation and economic growth but also of technology transfer, investment flows and skills development. In addition to Goal 9, all other SDGs incorporate some industry-related aspects and targets.

To realize UNIDO's ISID mandate and achieve the 2030 Agenda and its SDGs, uptake of new 4IR technologies is key. Innovation, division of labour and job creation dynamics will be different under the new paradigm created by 4IR, bringing up inevitable questions of the readiness of countries to respond to the new industrial revolution. The organization's mission is to foster ISID through the development, transfer and adoption of advanced technology at the global, regional, national and sectoral levels.

To achieve its vision and mission, UNIDO works with the United Nations system and other international organizations, governments, businesses, academia, development finance institutions and civil society in leveraging new 4IR technologies to advance industrial development to become more knowledge and innovation driven with a focus on agrofood/agribusiness, energy, manufacturing and circular economy approaches.

UNIDO also addresses four cross-cutting areas for building capacity to absorb 4IR technologies including promoting knowledge creation and commercialization and skill building; ensuring the inclusion of vulnerable sections of the population such as youth, people with disabilities, ethnic minorities and women, and promoting small and medium-size enterprises' contributions to the real economy; building institutions (norms, standards and conventions); and leveraging multi-stakeholder partnerships.

The core thematic areas and cross-cutting areas directly address the three pillars of sustainability (economic, environmental and social) and UNIDO's strategic thematic priorities: creating shared prosperity, advancing economic competitiveness, safeguarding the environment and strengthening knowledge and institutions.

The development results are achieved through a mix of UNIDO's core complementary functions: technical cooperation; analytical and research functions and policy advisory services; normative function and standards-related activities; and convening function and partnerships for large-scale investment, knowledge and technology transfer, networking and industrial cooperation (see also Section C2):

- Carrying out research to support evidence-based policy advice for ensuring smooth structural transformation to the 4IR.
- Convening and building multi-stakeholder knowledge platforms to address key issues related to the 4IR, such as setting up new norms and standards for interoperability, ensuring security and privacy, addressing loss of jobs and demand for new skills, and building multi-stakeholder partnerships for supporting uptake of 4IR technologies.
- Developing technical cooperation projects on the deployment of 4IR technologies for industrial modernization and upgrading, including advocating smart energy; addressing climate change mitigation; promoting the circular economy; ensuring industrial safety and security; addressing 4IR skills and gender gaps; and building the national, regional and sectoral innovation systems for the creation of new knowledge and its commercialization and for smart specialization.
- Strengthening strategic partnerships with a variety of development stakeholders, including governments, finance institutions, the business sector, United Nations entities, academia and civil society to leverage financial and technical resources to maximize UNIDO's development impact on the ground.

Exploiting its dense network of partnerships, UNIDO advances cooperation and provides advice and technical support to develop and strengthen national, regional and sectoral systems of innovation and business innovation ecosystems.

To enhance national innovation ecosystems, UNIDO has undertaken a series of country innovation system reviews and made recommendations on how to strengthen them. UNIDO has ample and long-term experience in mapping and measurement of innovation in general and systems of innovation and firm-level innovation in particular for technically supporting evidence-based policy within the developing country context. Providing assistance for the development of national innovation systems through the development of skills and technical capacity is clearly stated part of the UNIDO mandate: “UNIDO will also provide technical assistance, methodologies and tools for the creation and strengthening of national innovation systems (paragraph 78, Medium-Term Programme Framework)”.

UNIDO utilizes its convening power, in collaboration with its partners, to generate awareness on the conditions e countries to smoothly transition to 4IR by organizing conferences and Expert Group Meetings, including follow-up reports and recommendations, and site visits to pilot factories for policymakers and experts; producing guiding tools on 4IR uptake; providing trainings to policymakers and representatives of the private sector and academia; and establishing knowledge sharing platforms on the opportunities and challenges brought about by this exponential technological change for different geographical regions and with special focus on LDCs.

UNIDO has organized different global and regional fora events on 4IR technologies sharing the associated opportunities and challenges, as well as its impact on specific regions, including:

- An event during UNIDO’s 50th Anniversary in 2016: Opportunities and challenges of the New Industrial Revolution for developing countries and economies in transition;
- An event during the World Summit on the Information Society (WSIS) forum in 2017: *Preparing for the 4th Industrial Revolution*.
- Events during the 2nd and 3rd BRIDGE for Cities events in 2017 and 2018: *The belt and road initiative – Industry 4.0 in sustainable and smart cities*; Urban Issue Hub (II) – *Smart City: Smart Productivity and Trade* – focusing on Industry 4.0 implementation in Shanghai.
- An event during the 17th Session of the UNIDO General Conference in 2017: *Industry 4.0 - the opportunities behind the challenge*.
- An event organized in collaboration with the Brookings Institute with a regional focus on Africa in 2018: *Industry 4.0 and Africa*.
- An event during the Science, Technology and Innovation (STI) Forum at the UN Headquarters in New York in 2018: *Industry 4.0 and Digital Strategies - Challenges and Opportunities to achieving*
- *The First Regional Conference on Industrial Development – Unlocking the potential of Industry 4.0 for Developing Countries* held in Bali, Indonesia in November 2018. Organized by UNIDO, and the Ministry of Industry and the Ministry of Foreign Affairs of Indonesia. The conference encouraged knowledge sharing to raise awareness about the challenges and opportunities of Industry 4.0, and discussed the role of multilateralism and regional cooperation in preparing countries in Asia and Pacific for smooth transition to Industry 4.0.
- *The Global Forum on Naturally Based and Convergent Technologies* held in Sochi, Russia in September 2018. Organized by UNIDO and Russia’s National Research Centre Kurchatov, in cooperation with the Russian Ministry of Industry and Trade,

around 500 participants discussed topical issues concerning the development of nature-inspired technologies and convergent technologies (nontechnology, biotechnology, information technology and cognitive and social sciences-NBICS) driving the new industrial revolution, and the risks and challenges associated with exponential development of these technologies including the marginalization of some countries from these processes. The event stressed the importance of having coherent Science, Technology and Innovation Strategies and industrial strategies and monitoring of these processes so that no one is left behind.

- UNIDO organized the conference “*From Lean Management to Industry 4.0*”, which took place in Minsk, Belarus, from 17 to 18 October 2018. The conference addressed issues such as the disruptive potential of the fourth industrial revolution and the convergence of technologies, as well as the importance of being prepared to deal with the challenges related to these processes.
- Conference on “*Leveraging Industry 4.0 technologies for industrial innovation and upgrading in Belarus*” was conducted on the 16th of May 2019 in Minsk and addressed such issues as: importance of innovation and ecosystem building, platform approaches, and methodologies for assessing the maturity of small and medium-sized enterprises to adopt Industry 4.0 technologies.
- The *Industry 4.0 and Creative Economy: Promoting Inclusive Ecosystem in the Digital Era* seminar held in Vienna International Centre on 8 July 2019 organized by UNIDO in cooperation with the Government of Indonesia. The seminar provided a proactive platform to find creative approaches to manage the transition to Industry 4.0.
- *BRIDGE for Cities 4.0: Connecting cities through the new industrial revolution* was held in Vienna on 3-4 September 2019. It provided a wide and multidisciplinary perspective on how cities can tap into advanced technologies and new industrial solutions to enhance the quality of life for their citizens by reducing cities’ carbon footprint, improving public services as well as creating new jobs and attracting skilled labour.
- UNIDO GC18 Side Event on Fostering innovation and connectivity for smoot transformation to Industry 4.0, addressed the role of Industrial Artificial Intelligence and convergent technologies for ISID and the implication of 4IR technologies for the future of industrial skills, industrial safety and security and regulatory aspects related to ensure safety and security.

These events highlight UNIDO’s expertise and experience in creating knowledge sharing platforms. These events debated how UNIDO could help developing countries address opportunities and challenges stemming from the 4IR in the context of the 2030 Agenda for Sustainable Development and underlined the pivotal role of UNIDO in raising awareness of the potential of 4IR technologies to realize the SDGs.

Governance of 4IR technologies will be a key, and UNIDO continues to shape the discourse for regulatory aspects and for setting norms and standards to ensure access and interoperability of 4IR technologies and systems; and to address safety, security and ethical issues raised by new technologies, as well as jobs replacement, and the future of work under the 4IR. This also involves convening for setting up new digital norms and standards for interoperability in the digital ecosystem; ensuring security and privacy; addressing qualitative and quantitative changes in skills and jobs; and building multi-stakeholder partnerships for supporting digital economy projects. Innovation, knowledge sharing and exchange, and the development of strategic partnerships are vital to realizing the potential of 4IR technologies for achieving the SDGs.

UNIDO's technical cooperation programmes address 4IR and realizing material resource efficiency and effectiveness, including energy efficiency and circular economy; smart agri-food and agribusiness; smart mining and manufacturing; as well as cross-cutting issues such as training and reskilling and learning-by-doing; reforming regulatory and addressing standards for interoperability in 4IR; ensuring industrial safety and security; providing guiding tools for 4IR technology uptake by MSMEs; the use of E-commerce; digital innovation ecosystem building for fostering 4IR technological learning and innovation; and fostering partnerships across the UN-system, South-South cooperation, as well as with leading private sector companies that are major providers of new technologies driving the 4IR.

UNIDO has further devised a comprehensive strategic framework for policymakers to leverage the benefits of advanced 4IR technologies in establishing smart parks and special economic zones, as a spatial policy instrument for advancing regional economic development and economic integration.

The technical cooperation project on lean management and digital kaizen, executed by UNIDO and launched in March 2018, focused on practical shop-floor interventions in pilot companies as well as on awareness-raising events for the industrial sectors, including on issues related to lean management, Kaizen and moving to digital kaizen. The two phases of the project resulted in cutting costs of USD 4 million in total and rising productivity by more than 50 per cent. Within the framework of this project, UNIDO also organized a conference on shifting from lean management to "Digital Kaizen" in the era of 4IR in Belarus in October 2018.

UNIDO has been working with governments, business associations and individual companies to address industrial development problems. In many fields, it has appropriately earned a reputation as a neutral and honest broker, playing a vital role in building up co-operation and co-ordination. Its services are designed and integrated and can be tailored to the specific country contexts. An example of such a tailored project is the Intelligent Manufacturing Technology (IMT) project in China, for which UNIDO has collaborated with the China International Centre for Economic and Technical Exchanges (CICETE) with an aim to improve the penetration rate of ICT in SMEs in Shanghai.

While implementing the projects and programmes, UNIDO makes available its tools, methodologies, manuals, guidelines and training kits, allowing the counterparts to apply the best international practices in different areas of technology promotion and transfer. UNIDO established International Technology centres (ITCs) and Investment and Technology Promotion Offices (ITPOs) acts as new global mechanisms for building up partnerships with other institutions and enterprises in both public and private sectors.

At the same time, well-forged links with industrial associations, academic and research institutions, non-governmental organizations and other international agencies (UN and non-UN institutions) ensure that time and resources are not wasted by duplicating services. In the areas of technology and innovation, UNIDO is transferring its rich global experience in building up awareness about modern technologies and innovations and providing countries with access to technology sources and relevant technical support services to manage technological change for enhanced productivity and competitiveness of local manufacturing industry. Further, UNIDO has documented experience of innovation work in a developing country context, an issue that is crucial for implementation of Industry 4.0.

C. THE PROJECT

C.1. Objective of the project

The project will contribute to ISID and realization of SDG 9 and other SDGs.

The **objective** of the project is promoting innovation ecosystem building, with a focus on StartUp and ScaleUp, skills upgrading and leveraging the opportunities and addressing challenges of the 4IR for enhancing Azerbaijani's SME competitiveness and market access.

C.2. The UNIDO approach

UNIDO promotes social inclusion, economic competitiveness and environmental sustainability through providing an integrated package of services across its four complementary functions: policy advice; norms and standards setting; technical cooperation; and convening and building partnerships for knowledge transfer, networking and industrial cooperation.

Supporting Member States to pursue ISID in the era of 4IR requires approaches along all of UNIDO's core functions:

- UNIDO policy advisory work to support the design of effective policies and government (or state) regulation, including on industrial safety and security, and to develop institutional capacities of government agencies to adopt innovative approaches to improve their regulatory effectiveness, and increase their monitoring capacities.
- UNIDO's normative function and standards-related activities to support the development and formulation of international industrial safety standards.
- UNIDO technical cooperation programs and projects to build capacities of governments and industry to manage industrial safety according to the risks they are exposed to and share knowledge on best practices in addressing industrial safety issues.
- UNIDO's convening role to bring together representatives of policymakers, experts and practitioners, international organizations, academia and civil society from different countries and geographical regions to share their knowledge, experience, and discuss best practices on dealing with industrial safety and security issues and better prevention of possible transboundary negative spillovers from industrial accidents.

Through its technical cooperation activities, UNIDO specifically supports industrial innovation, product, process, functional and value chains and human skill upgrading, through tailored made curricula programmes. UNIDO programmes furthermore support the business environment reforms that support the private sector (for profit and not-for-profit) to grow and contribute to knowledge, technology and job creation, and hence economic growth. Effective enabling environment reforms for the private sector to grow and sustain in the era of 4IR, include turning informal into formal economy; provision of business and innovation infrastructure such as development of smart SEZs and innovation parks enabling innovation ecosystem development; prudent legislation; and provision of adequate finance, information, knowledge, skills and other business development services for SMEs and their clusters.

Building business and innovation infrastructure is of a vital importance for enhancing competitiveness and development of knowledge and innovation - based economy in the

present global economic setting of exponential technological progress driving the 4IR forward.

UNIDO works in partnerships with the national governments, the private sector, academia and civil society to enable SMEs to transition to 4IR technologies. Governments will need to act more directly to provide access to finance and technical know-how and to invest in infrastructure, business environment reforms and in building innovation systems (national, regional and sectorial) and the digital business ecosystems.

UNIDO, industry associations, financial institutions and governments, work in partnership to set up SME innovation ecosystem platforms, establish pilot learning factories and demonstration centres, design training curricula to develop new workforce skills, and explore methods and best practices to support SME digital transformation and bridge the digital gender gap.

For mapping and measurement of innovation in general and systems of innovation and firm-level innovation in particular UNIDO has developed a set of tools and a remote online survey methodology including personal interviews that have been operationalized in the field and is ready for use in technical cooperation projects.

Likewise, UNIDO has a considerable global experience in undertaking national systems of innovation and firm-level innovation surveys in various industrial sectors, as well as on foreign direct investment. UNIDO is normally involved from design of questionnaire and creation of sample stage to the final stages of report writing and dissemination and presentation of results. This is also supported by numerous peer-reviewed and research publications. Finally, UNIDO incorporates findings from surveys in its technical cooperation work as well as to inform policy.

UNIDO's uses **theory of change** approach in delivery of its services, underpinned by an actor-based, behavioural change results chain logic, which identifies the key institutions and actors targeted by UNIDO's interventions, as well as their reactions, knowledge, capacities and changes in practices and behaviours influenced by the Organization.

C.3. RBM code (see Annex 17) and thematic area code¹⁶

HC2 (Advancing Economic Competitiveness)

HC21 (Investment, Technology, and SME development)

C.4. Expected outcomes

Azerbaijan's innovation ecosystem strengthened.

Stakeholders capacitated to understand the potential of the digital transformation and to adapt industry 4.0 technologies.

C.5. Outputs and activities

Output 1: Digital Education and Innovation Centre - DEIC established	
Activities	Responsibility

¹⁶ The theme codes are: EAE, PRP and TCB

1.1. Organise an inception Expert Group Meeting (EGM) in Azerbaijan for project stakeholders with balanced participation by gender	PTC/TII/BCI
1.2. Develop terms of reference for the identified partner institution that hosts the Digital Education and Innovation Centre	PTC/TII/BCI
1.3. Establishment of a digital platform for E-learning / Webinars / Live streaming to enhance a StartUp and ScaleUp ecosystem	PTC/TII/BCI
1.4. Develop e-learning toolkits for digital platform on topics such as: -business coaching modules on innovation, excellence management and digital transformation; -training on workforce skills requirements for digitalization - industrial safety and security practices -lean management methods -marketing strategies -advice and support to exporters and importers to access EU market	PTC/TII/BCI
1.5. Conduct training workshops for stakeholders on building the StartUp and ScaleUp ecosystem	PTC/TII/BCI
1.6. Organize study exposure visit (e.g. to Slovenia) for selected partners to showcase international best practices in innovation ecosystem building	PTC/TII/BCI
1.7. International regional conference on innovation ecosystem building and project results in Baku and develop accompanying advocacy material	PTC/TII/BCI
1.8. Produce project report including recommendations on how to further support institutions in the uptake of 4IR technologies.	PTC/TII/BCI

C.5. Timeline of the activities

Activity	Months														
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1.1.															
1.2.															
1.3.															
1.4.															
1.5.															
1.6.															
1.7.															
1.8.															

C.6. Risks

Risk	Level	Mitigation
Lack of institutional/industry buy-in	Low	The presence of several key institutions and industry at the inception EGM and the timely sharing of information with counterparts as well as awareness raising sessions.
Delays in implementation due to multi-stakeholder approach	Low-Medium Risk	Minimized through adoption of a participatory approach at all stages, sound communication with participating agencies and national stakeholders, as well as the setting and monitoring of key milestones and targets.
Different segments of industry may perceive varying degree of benefits depending on their absorptive capacity and ownership of the project objectives.	Low	To the extent possible, the project will attempt to assess recipients' absorptive capacity and adjust the sophistication level of the training to match that capacity.
Provision of facilities for the training center are not provided sufficiently or are not provided on time.	Medium	Alternative hosting organizations and facilities could be contacted to avoid disruptions to the implementation plan.

C.7. GENDER MAINSTREAMING POLICY

The project aims at encouraging women and youth to participate in the project workshop, EGM, conference, trainings and study tour, and to ensure that women and men, as well as persons with disabilities, equally benefit from capacity building and other activities wherever possible. The project will ensure gender balance on panels during the conferences organized as part of the project. The project will also benefit from the equal participation of women and men in both project management and as beneficiaries, partners and key stakeholders of the project, and in this regard will liaison with women association in the country.

In compliance with the UNIDO gender mainstreaming guidelines, the project will further provide the basic "I Know Gender" online course in the UN Women e-Learning Campus (<https://trainingcentre.unwomen.org>) for learning and promoting relevant issues. The project management team will also strive to encourage gender parity in planning the project activities and will ensure that recommendations and policy reviews prepared during the project implementation will be gender-responsive, and liaison with women association will be established

D. INPUTS

D.1. Counterpart inputs

- The Government of Azerbaijan contributes to organizing the EGM and international conference: hospitality, conference premises, translation (TBC) and technical equipment;

- The Government of Azerbaijan provides facilities for the Digital Education and Innovation Centre - DEIC.

D.2. UNIDO inputs

The project management will be led by the UNIDO Business Environment, Cluster and Innovation Division under the Department of Trade, Investment and Innovation, in close consultations with counterpart institutions.

E. BUDGET

The proposed budget is **EUR 199,725.50** including support costs and coordination costs, covering a 15-month period.

BL	Description	2020	2021	Total
Outcome: Azerbaijan's digital innovation ecosystem strengthened.				
The stakeholders from government, intermediary organizations and industry (SMEs) capacitated to absorb (adapt, adopt and disseminate) 4IR technologies				
Output 1: Digital Education and Innovation Centre established				
11	International experts	25,000	10,000	35,000
15	Project travel	6,000	4,000	10,000
16	Staff travel	4,000	4,000	8,000
17	National experts & admin staff	12,000	15,000	27,000
21	Subcontracts	25,000	14,000	39,000
30	In-country training, workshop, and study tours	15,000	15,000	30,000
35	Expert group meeting (EGM)	8,000	10,000	18,000
51	Miscellaneous	6,000	2,000	8,000
Sub-Total Output 1		101,000	74,000	175,000
TOTAL Net Budget		101,000	74,000	175,000
Programme Support Cost (13%)				22,750
Total programme budget				197,750
The 1 % coordination levy				1977,5
Total				199,725. 50

F. MONITORING, REPORTING and evaluation

Reporting, monitoring and evaluation will be conducted in accordance with the provisions of the UNIDO technical cooperation guidelines and applicable UNIDO policies. Monitoring, reporting and evaluation will be carried out in a participatory and systematic way. Quantitative and qualitative performance indicators will be applied to guide monitoring, reporting and evaluation of the project. The final report should reflect all aspects of the implementation of the project over the reporting period. The descriptive sections of the final report will contain an assessment of the outcomes of the project.

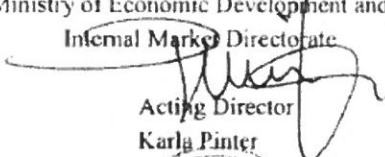
G. LEGAL CONTEXT

The Government of the Republic of Azerbaijan agrees to apply to the present project, mutatis mutandis, the provisions of the Standard Basic Assistance Agreement between the United Nations Development Programme and the Government, signed on 6 January 2001.

Note:

Document received and approved on 04 December 2019.

Ministry of Economic Development and Technology
Internal Market Directorate


Acting Director
Karla Pinter



