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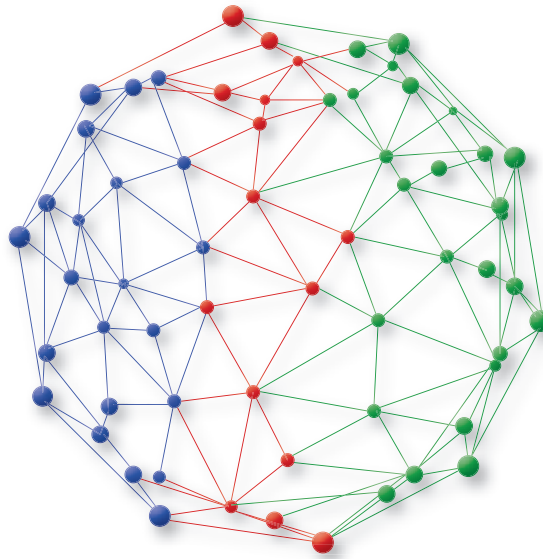
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# BAKU INTERNATIONAL INDUSTRY CONFERENCE



## CONFERENCE REPORT

Industrialization in the 21<sup>st</sup> century:  
Trends, approaches and best practices in  
industrial policy

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**Industrialization in the 21st century: Trends,  
approaches and best practices in  
industrial policy**

**Baku International Industry Conference**

**CONFERENCE REPORT**

**Organized by**

**The Ministry of Economy and Industry (MEI) of the Republic of Azerbaijan**

**United Nations Industrial Development Organization (UNIDO)**

**and the**

**German Federal Enterprise for International Cooperation (GIZ)**

**and**

**Supported by the Government of Azerbaijan**

**26-27 November 2014**

**Baku, Azerbaijan**

**Conference Venue:**

**“Four Seasons Hotel Baku”**

# Greetings to the conference participants

**Ilham Aliyev**, President of the Republic of Azerbaijan

*[Read by Mr. Shahin Mustafayev, Minister of Economy and Industry, Republic of Azerbaijan]*

Dear conference participants,

I welcome and congratulate you on the opening of the international conference on Industrialization in the 21st century: Trends, approaches, and best practices in industrial policy.

At present, industrial policy should be directed toward applying high-technology standards in accordance with competitiveness, efficiency, and environmental security; should be connected with scientific research; should respond to modern challenges; and should be based on new approaches.

It is not a coincidence that the conference is taking place in Azerbaijan, a country with a great industrial tradition. In our rapidly modernizing country, the development of industry is of particular importance, as demonstrated by the proclamation of 2014 as “The Year of Industry” in Azerbaijan.

The reforms carried out in Azerbaijan are in accordance with the requirements of our time. The successful implementation of government programmes, large-scale infrastructure projects, continuous improvement of the business and investment climate, government support of private-sector development and, above all, national political and macro-economic stability are creating opportunities to form strong industries in the country.

At present, economic diversification is a priority, and fulfilling this duty requires industrial development based on the application of best practices.

In this regard, I believe that the conference will support the efficient exchange of views in the field of industrial policy and help establish new cooperative relations.

Ilham Aliyev  
President of the Republic of Azerbaijan

**Li Yong**, Director General, UNIDO

*[This video message was introduced by Mr. Mohamed-Lamine Dhaoui, Director, Business Investment and Technology Services Branch, UNIDO]*

It is a great pleasure for me to join you for the opening of this important event.

Allow me to warmly thank the Minister of Economy and Industry, Mr. Shahin Mustafayev, for giving me this opportunity.

I am confident that the Baku International Industry Conference will serve as an important platform to help steer the global debate on industrialization trends in the 21st century.

It will also highlight modern approaches and policy instruments to foster inclusive and sustainable industrial development, formulate new strategies, develop common action, and build new partnerships.

These topics are highly relevant and timely in view of the ongoing global discussions on Sustainable Development Goals. As you may know, the proposed Goal 9 addresses the issues of building resilient infrastructure, promoting inclusive and sustainable industrialization, and fostering innovation.

As a specialized agency of the United Nations system, UNIDO is dedicated to promoting inclusive and sustainable industrial development. It helps its member states implement targeted policies, best practices, innovative solutions, and strategic interventions.

I welcome the decision of the President of Azerbaijan to declare 2014 “The Year of Industry.”

We all know that industry drives innovation and helps create new technological knowledge. Vital for job creation, sustainable livelihoods, and equitable growth, it is key to eradicating poverty.

A modern industry is also about environmentally sustainable technologies that help reduce consumption of non-renewable resources and minimize greenhouse-gas emissions. Such technologies stimulate innovation, technological change, and industrial diversification.

During this conference, we foresee the signing of a Framework Programme of Cooperation between UNIDO and the Government of Azerbaijan for 2014–2018.

This document will contribute to the inclusive and sustainable development of the economy of Azerbaijan. It will also support the strategic development priorities of the “Vision 2020.”

I am confident that this conference will help outline solutions and actions and expand partnerships to further promote and advance strategies and international cooperation in the field of sustainable industrialization.

I thank you for your kind attention and wish you all a productive and successful conference.

**Antonius Broek**, United Nations Resident Coordinator, Azerbaijan

It is a great pleasure to be with you here today, representing the United Nations system in Azerbaijan at this important international conference, which is convened by the government, in partnership with UNIDO and GIZ, to mark “The Year of Industry” in Azerbaijan.

Azerbaijan has made significant progress in lifting its socio-economic development to higher levels over the past decade. Its economic growth has been accompanied by improvements in the institutional and regulatory environments and gradually increased participation and roles in the regional and international economic arena.

Now, the country is pursuing an ambitious goal to evolve from a middle-income country into a high-income nation with a diversified and knowledge-based economy by 2020.

In fact, there is not a single country in the world that has reached a high stage of economic and social development without having developed an advanced industrial sector, with important roles for the private sector, small and medium-sized enterprises, and healthy competition.

Without doubt, enhancing competitiveness remains a fundamental prerequisite to raising prosperity, but it should be accompanied by transformations

that ensure that the benefits reach the entire population and contribute to sustainable development, in both rural and urban areas.

At the same time, competitiveness should be at the heart of the thinking about sustainability because competitive economies tend to be more innovative, more resilient, and better able to respond to external shocks and thus maintain high levels of prosperity.

Membership in the World Trade Organization (WTO) is contributing to these objectives, and it would also be beneficial for Azerbaijan and other countries to join the WTO.

Attaining higher levels of sustainability require that governments, businesses, the private sector, and civil society work together to address the emerging challenges and join hands in formulating and implementing longer-term industrial strategies, as they aim to do in Azerbaijan.

Progress on these challenges requires intensifying multi-stakeholder and inter-sectoral collaboration—for example, on environmental regulation, where a balance with productivity needs to be ensured; and on social inclusion, equal roles, and opportunities for men and women, youth, and persons with disabilities, which can be achieved only if businesses contribute to human-capital development.

The mounting social and environmental pressures observed in rapidly growing, developing, and emerging economies suggest that these dimensions are strongly interlinked and therefore should both be addressed at the same time and be a part of the sustainable economic development process.

New knowledge and experiences are making it possible to pursue economic growth, environmental sustainability, and social equity simultaneously.

Making the most of this momentum, while putting in place measures to mitigate risk and prevent loss of gains when a natural or human-induced disaster strikes—in other words, enhancing resilience—will be a major priority of global development in coming decades. And it will thus be part of the post-2015 development agenda and its new set of Sustainable Development Goals.

Two years ago, we celebrated the 20th anniversary of Azerbaijan's membership in the United Nations, and in 2015 we will celebrate the 70th anniversary of the United Nations.

By adopting the Charter of the United Nations and its national constitution, the country has confirmed its commitment to promoting democracy, the rule of law and human rights, and to advancing sustainable development—the core values of the United Nations.

Inclusive and sustainable industrialization is a key stepping stone toward sustained economic growth in Azerbaijan and to realizing its commitment to the UN Charter.

I would like to confirm the commitment of the UN to cooperate with the government and the people of Azerbaijan to promote inclusive and sustainable industrial development within the context of the new UN-Azerbaijan Partnership Framework, which is currently developing between Azerbaijan and the UN. The preparation of the framework is being coordinated by the Ministry of Economy and Industry.

Let me take this opportunity to sincerely thank Mr. Shahin Mustafayev, Minister of Economy and Industry, and his colleagues, as well as UNIDO, GIZ, and other development partners for making this important conference in Baku possible.

We hope this conference will serve as a milestone in promoting and pursuing inclusive and sustainable industrial development in Azerbaijan.

**Heidrun Tempel, Ambassador Extraordinary and Plenipotentiary of Germany to Azerbaijan**

I am very grateful to the Government of Azerbaijan—in particular the Ministry for Economy and Industry—and UNIDO for associating GIZ with the preparation and organization of this remarkable conference, and I welcome you all to Baku.

The goal of this conference fits the portfolio of the German Federal Agency for International Development Cooperation—GIZ—in Azerbaijan. We

are a key partner of Azerbaijan on projects to support economic diversification by means of trade and private-sector development in the non-oil sector. This reflects the German experience of concentrating on the needs of small and medium-sized companies. This acknowledges that they are very often the cradle of innovation and the creator of jobs and that they contribute a high degree of added value to a diversified economy.

Germany is among Azerbaijan's top three trading partners. In the non-food sector, Germany supplies machinery and modern technologies to the automotive sector. The German-Azerbaijani Chamber of Commerce is the second largest in the Commonwealth of Independent States after Moscow. We are happy to share the experience of our industrial policy during the last decades. This is why GIZ has taken responsibility for leading the second panel session on the role of industrial clusters, industrial parks, and territorial units.

Our main activities—together with the Government of Azerbaijan, and companies from the Chamber of Commerce—are to target education and vocational training to provide industry with the workforce needed for innovative manufacturing. In addition, we think that networking, exchanging experiences, and sharing best practices are important roads to open markets.

Therefore, we are very grateful to you, Mr. Mustafayev, and to the Ministry of Economy and Industry for holding high-level meetings on trade and investment. One particular project turned out to be very successful. This is a manager-training programme that has facilitated the exchange of highly skilled individuals from Azerbaijan to Germany to work on projects and coordinate a professional network and alumni association.

I am confident that this conference will be an excellent opportunity for all of us to share experiences and for Azerbaijan to benefit from a wide range of expertise. I wish all of you an interesting and fruitful conference.

# Abbreviations

<b>AIC</b>	Azerbaijan Investment Company
<b>Azpromo</b>	Azerbaijan Export and Investment Promotion Foundation
<b>CIS</b>	Commonwealth of Independent States
<b>ECO</b>	Economic Cooperation Organization
<b>EIB</b>	European Investment Bank
<b>EBRD</b>	European Bank for Reconstruction and Development
<b>EU</b>	European Union
<b>FDI</b>	foreign direct investment
<b>GDP</b>	gross domestic product
<b>GIZ</b>	German Federal Enterprise for International Cooperation
<b>GVC</b>	global value chain
<b>ICT</b>	information and communication technology
<b>IFI</b>	international finance institution
<b>IUMP</b>	Industrial Upgrading and Modernization Programme (UNIDO)
<b>MEI</b>	Ministry of Economy and Industry (Republic of Azerbaijan)
<b>NAR</b>	Nakhchivan Autonomous Republic
<b>SCIP</b>	Sumgait Chemical Industry Park
<b>SDG</b>	Sustainable Development Goal
<b>SEZ</b>	special economic zone
<b>SME</b>	small and medium-sized enterprise
<b>SOCAR</b>	State Oil Company (Republic of Azerbaijan)
<b>SRI</b>	Sustainable Resource Initiative
<b>UN</b>	United Nations
<b>UNAPF</b>	UN-Azerbaijan Partnership Framework
<b>UNIDO</b>	United Nations Industrial Development Organization
<b>WTO</b>	World Trade Organization



# Acknowledgments

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The organizers give special thanks to H.E. Ilham Aliyev, the President of Azerbaijan, whose declaration of 2014 as the “Year of Industry” generated the momentum for the Conference. Support was also given throughout from the Ministry of Economic and Industry, led by Shahin Mustafayev, Minister of Economy and Industry of Azerbaijan, and assisted by Zamin Badirxanov, Samad Bashirli, Ayaz Gadirov, Emin Mammadov, Zaur Mammadov, and Emin Mammadzada.

The UNIDO Director General, LI Yong, gave an enthusiastic endorsement to the conference and was represented by Mohamed-Lamine Dhaoui, Director, Business Investment and Technology Services Branch, UNIDO. The conference was also backed by Heidrun Tempel, Ambassador Extraordinary

and Plenipotentiary of Germany to Azerbaijan, and Antonius Broek, United Nations Resident Coordinator in Azerbaijan.

The three panel sessions were organized by different teams, in cooperation with each other. Panel session 1 on modern industrial policy and comprehensive industrial development was organized by the Ministry of Economy and Industry of Azerbaijan. Panel session 2 on industrial parks and clusters, international experiences in sustainable industrial policy, was organised by the German Federal Enterprise for International Cooperation and supported by Marc Beckmann and Tina Flegel. Panel session 3 on investment opportunities in Azerbaijan and leveraging the power of partnerships for pursuing inclusive and sustainable industrial development was made possible by the work of a team comprising Olga Memedovic, Solomiya Omelyan, Emina Alic, Nora Aoun, Gabriele Boldt, Simone-Anne Carneiro, Gaby Czasch, Mikhail Evstafyev, Silvia Fuereder, Thomas Jackson, and Orkhan Saidov. UNIDO is also grateful to Emin Mammadov from the Embassy of Azerbaijan to Austria.

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# Background information and objective

The conference “Industrialization in the 21st century: Trends, approaches, and best practices industrial policy” was held on 26–27 November 2014 in Baku. It was organized by the Ministry of Economy and Industry (MEI) of the Republic of Azerbaijan in cooperation with the United Nations Industrial Development Organization (UNIDO) and the German Federal Enterprise for International Cooperation (GIZ). The event brought together more than 300 participants, including high-level government officials and policymakers, private-sector stakeholders, and representatives of international organizations and financial institutions.

The conference was organized within the context of the 2014 “Year of Industry,” as decreed by the President of Azerbaijan. In accordance with the Presidential Decree, activities envisaged throughout 2014 included revitalizing and restructuring industrial enterprises, establishing new manufacturing entities, strengthening human resources and innovation in industry, and improving the relevant legal and regulatory frameworks for business, as well as advocacy and promotional activities for industry. Over two days, conference panelists reviewed and discussed industrialization trends in the 21st century and considered modern approaches and policy instruments to foster inclusive and sustainable industrial development.

The conference was preceded by a one-day workshop on “Industrial zones and clusters: International experiences in sustainable industrial policy,” organized by GIZ. The discussions and recommendations from the workshop were summarized and incorporated into the presentations delivered during the conference.

The objective of the conference was to review the main industrialization trends in the 21st century and consider modern approaches using various policy instruments to foster inclusive and sustainable industrial development in the emerging economies of Europe and Central Asia.

The conference brought together around 300 participants, including high-level government officials and policy makers, experts, private-sector stakeholders, and representatives of international organizations and development financial institutions. The conference served as a fruitful platform for discussions and exchange on best-practice experiences and how to benefit from international initiatives and programmes on multi-stakeholder partnerships.

The conference was structured in three substantive sessions. Session 1 provided an overview of the main industrialization trends in the 21st century, with a focus on Azerbaijan. It covered a broad range of issues related to the processes of industrialization and re-industrialization in this era of globalization, and how countries can manage the transition to sustainable, low carbon growth, and further to the wider debate on the new industrial revolution. Ministers, policy makers, and experts shared views on industrial development, policymaking, experiences, and best-practice approaches to development issues.

Following Session 1, specific sessions addressed the role of hard and soft business infrastructure such as industrial parks, zones, and cities as well as leveraging the power of partnerships for resource mobilization and investment promotion.

Session 2 covered the role of industrial clusters, parks, and zones as well as other geographical units. In pursuing inclusive and sustainable industrial development, it is necessary to put in place business infrastructure such as industrial parks in their various forms to attract investment, reward entrepreneurship, promote the generation and flow of new knowledge and technologies, support SMEs and their clusters, and create decent jobs.

Session 3 was dedicated to investment opportunities in Azerbaijan and to leveraging the power of partnerships for pursuing inclusive and sustainable industrial development. It highlighted the importance of multi-stakeholder partnerships and linkages for the

realization of business infrastructure development on the ground.

The conference focused on the following main topics:

**Session 1** reflected on the main trends in globalization of industry and trade; the processes of industrialization, deindustrialization, and re-industrialization in an era of globalization; why countries need to diversify in the first place; how resource wealth, or resource dependence, relates to long-term growth; the linkages between industrialization, infrastructure, and innovation; policies implemented in recent years and national industrial priorities in the countries of the region; and what strategies and instruments work best to pursue inclusive and sustainable industrial and economic development in the present global economic setting.

**Session 2** addressed the following key issues:

- Industrial park concepts, roles, and expectations as a means to accelerate economic growth and economic competitiveness.
- The role of parks in realizing the objectives of national and regional inclusive and sustainable industrial development strategies and relationships between parks and innovation strategies, networks, and infrastructure.
- Lessons learned and best practices from experiences of establishing industrial parks within broader development strategies.
- Park specialization and the expectations of various stakeholders, such as industry, firms, academia, local authorities, employees, and other civil-society stakeholders.
- Tools and methodologies to improve awareness and knowledge sharing through the exchange of international experiences on good practices and successful experiences of establishing and managing parks.
- Partnerships and linkages among park stakeholders, including businesses, universities,

and government representatives, aimed at using university resources more effectively for knowledge creation and commercialization in fully integrated industrial parks (benefiting from R&D, etc.).

**Session 3**, as a continuation of the discussions from Session 2, highlighted the importance of multi-stakeholder partnerships and linkages for the realization of industrial parks and zones. The session focused on the following issues:

- What innovative multi-stakeholder partnership models are used in Azerbaijan?
- What was the involvement of various stakeholders in the design of partnership programmes?
- Which mechanisms worked to mobilize resources of all stakeholders and which did not work?
- What role was played by the public sector to leverage resources from other UN agencies, multilateral development financial institutions, and the private sector?
- Which policy and regulatory frameworks, as well as effective incentives, can help redirect private investment toward sustainability while delivering financial returns attractive for investment?
- How to ensure the pooling of multi-stakeholder resources, such as human, financial, knowledge, and information, together in an integrated and effective way?
- What mechanisms have been established for coordination and implementation of the multi-stakeholder partnership programme?
- What has been established to promote accountability, transparency, and performance measurement?
- What concrete lessons have been learned from multi-stakeholder partnerships?

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# Summary

Industry and industrialization are firmly back on the policy agendas in rich, transition, and developing countries alike. A major reason for this renewed interest from policymakers is the potential for industry to act as an antidote to the socio-economic ills aggravated in many countries by the global financial crisis. Industrialization is acknowledged as a proven and effective path to lowering unemployment and inequality, promoting social inclusion, and eliminating poverty. A vibrant industrial sector is critical for innovation, job creation, and inclusive and sustainable economic growth. As industry develops, it increases value addition; enhances the application of science, technology, and innovation; and encourages the development of skills and education. It also provides opportunities for social inclusion and gender mainstreaming and generates opportunities for youth and marginalized communities.

Industry's contribution to diversification in countries rich in natural resources is particularly relevant to Azerbaijan and the wider Europe and Central Asia region, because a vibrant industrial sector increases countries' resilience against global shocks and reduces the impact of fluctuating prices of raw materials. It also helps overcome the stagnant growth associated with the middle-income trap.

A critical question is how countries can best support existing industries and nurture new sectors. Regional and international integration means that strategies and policies must reflect a more complex global economy. The majority of trade will be not in final goods but in parts and components. And the process of producing goods will be carried out across countries, with different stages of the production line located in whichever country has the necessary skills and materials at competitive cost and quality. As a dominant feature of international trade, leveraging engagement in global value chains is a priority for economies wanting to shift to sophisticated, skill-intensive, and high-value-added production.

Macroeconomic stability is a cornerstone of development, and Azerbaijan has been praised for a stable and business-friendly environment and for impressive growth in gross domestic product (GDP) in the 2000s. It enjoys good relations with important neighbouring export markets. Cooperation is strengthened by the shared intention of these countries to diversify from natural resources toward industrial sectors with high growth potential. Aware that the oil and gas sectors are unsustainable, Azerbaijan has prioritized investment in infrastructure, human capabilities, green and innovative industries, and cutting-edge technologies. It is developing the hard and soft business infrastructure to foster a diversified economy—with provisions to support small and medium-sized enterprises (SMEs), new technologies, industrial parks and zones, and international cooperation and partnerships.

Many countries need to do more to tackle corruption, improve transparency, and support businesses, such as mid-sized companies, which have huge potential for growth and job creation but are not well served by the banking sector. With better access to finance, combined with tax and regulatory incentives, some sectors could see rapid expansion. Women-owned businesses are also targets for international financial assistance, reflecting gender perspective that policymakers need to consider.

## **Business infrastructure**

Business infrastructure enhances the general business climate and provides an environment for entrepreneurs and innovative industries to thrive. A key instrument of business infrastructure is the new generation of science, industrial, and technology parks—and special economic zones (SEZs) and cities. They can attract investment, create decent jobs, support SMEs and their clusters, and promote flows of new knowledge and technologies. The SEZs offer regulatory frameworks that encourage business start-ups. And the industrial parks reduce transaction costs in

transition economies and address the lack of technological knowledge and information. By concentrating on business services and infrastructure and providing tenant companies with special tax incentives, the zones and parks are tools that countries can turn to if they have limited capacity and resources to raise the quality and competitiveness of the business environment across the board.

Industrial parks, zones, and cities act as catalysts for smart specialization, linking regional clusters and innovation systems and diffusing economic learning to the wider business community. They accelerate economic development by attracting investment and talented people, fostering technological learning and innovation, and creating jobs. Industrial clusters also tend to result in collective learning and innovative behaviour. While cluster development is usually better managed by the private sector, governments in countries with a weak private sector can put in place appropriate cluster-support structures, including infrastructure, logistics, regulatory frameworks, financial facilities, and various programmes for capacity building and cooperative technology development and innovation.

There is no blueprint for a successful cluster or technology park; policies that work in one country cannot be expected to do so in others. But there are some guidelines that planners of industrial parks, zones, and clusters can follow to ensure social, economic, and environmental sustainability. They need a long-term approach, with strong government support and the participation of stakeholders from government, the private sector, academia, and research institutions. Their strategies should be realistic and achievable and reflect existing comparative advantages, maximizing the use of existing resources and skills. The parks, zones, and clusters should be customized to attract investment and target firms in specific sectors. At the same time, strategies need an element of adaptability and flexibility, to respond to constantly changing technologies, interconnections, and the opportunities in global value chains. Also needed is a long-term outlook. Even the most successful parks

take several years to see results, and it takes time for profitable firms to emerge.

### **Partnerships for industrial development**

Partnerships between stakeholders are at the core of inclusive and sustainable industrial development. Development partnerships involving large companies, SMEs, research institutes, and the community at large can ensure that economic, social, and environmental perspectives are considered. The public sector, for one, brings a long-term vision to the national and regional innovation strategy. Research bodies, financial institutions, industry, and international organizations provide vital ingredients to innovative partnerships. The private sector brings its own expertise and investment.

Azerbaijan has improved its business environment and access to finance, both of which are important for growth in non-oil sectors. Historically, a substantial proportion of investment has been in oil and gas, but current portfolios include projects in infrastructure, energy efficiency, education, industry, commerce, and agriculture.

Azerbaijan's domestic investment company and international financial institutions have supported the construction of high-technology facilities. An example is the cement industry, which has benefited in recent years from the country's construction boom and investment in infrastructure. Cooperation with different stakeholders has created a world-leading sector that combines state-of-the-art technologies and systems with the highest standards of energy efficiency and sustainability.

The specialized international organizations are helping countries develop their industrial strategies and providing technical assistance in areas such as export promotion, government capacity building, and SME support. They are repositories of valuable knowledge and expertise in areas related to productive capacities and diversification, trade capacities, and energy and the environment. The way forward to successful industry policy is an inclusive approach to policy development, exchanging best practices and knowledge and building partnerships between various stakeholders.

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# Proceedings

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## Panel session 1

# Modern industrial policy and comprehensive industrial development

In his opening remarks, **the Chair, Mr. Ilham Aliyev**, Deputy Executive Director, Azerbaijan Investment Company (AIC), described how the path to development today is radically different from that in the past. Turning to **Mr. Shahin Mustafayev**, Minister of Economy and Industry of Azerbaijan, Mr. Aliyev praised Azerbaijan's combination of political stability, rapid economic change, and steady GDP growth. Azerbaijan's achievements are the outcome of a clear vision and strategy prioritizing industrial development, competitiveness, and diversification.

**Mr. Mustafayev** described Azerbaijan's experience of industrialization, from the discovery of oil in the 19th century to the growth of metallurgy, electronics, and food-production sectors during the 1970s and 1980s. In the wake of the USSR's disintegration, many industries lost their traditional markets and faced collapse. In response, the government steered the economy toward the market, privatized state firms, and implemented reforms aimed at creating a stable business environment. During this period, the country's natural endowments of oil and gas were important sources of income that allowed the country to establish the infrastructure necessary for a modern diversified economy. The high levels of economic growth witnessed in the 2000s are testament to these policies and to the government's commitment to ensuring macroeconomic and social stability.

Industrialization in Azerbaijan belongs to the global trend in developing and developed countries alike. In countries with large endowments of natural resources, industrial diversification reduces dependence on volatile oil and gas revenues. In Azerbaijan, manufacturing is expanding in new directions, such as furniture, petrochemicals, machinery, paper, military and space technologies and—importantly, given the construction boom in Azerbaijan—cement and steel. Regardless of the country's oil and gas wealth, new forms of energy generation are also emerging, including from domestic waste incineration.

Azerbaijan's policy mix includes SMEs, innovation and technology, industrial parks and zones, entrepreneurship, and international cooperation and partnerships, including with international development agencies. The government is working to raise the level of education and training to leverage the knowledge economy and facilitate linkages between domestic firms and foreign partners. Industrial parks and zones have paved the way for investment and job creation. The country's successful experience of parks is such that several more are planned.

The Islamic Republic of Iran is one of Azerbaijan's most important trading partners, and the two countries have strong business and cultural links. Like Azerbaijan, Iran's industrialization is based on natural resources and investment in infrastructure and human capital.

The **Chair** introduced the second speaker, **Mr. Mohammad Reza Nematzadeh**, Minister of Industry, Mining and Trade of the Islamic Republic of Iran. The Chair asked the Minister to comment on the respective roles of the private and public sectors.

The Minister remarked on two processes critical for stimulating industrial investment and competitiveness, efficiency, and uptake of new technologies—privatization and liberalization of labour and capital markets. Iran is enhancing its business environment and industrial sector through investment in modern technologies and processes, entrepreneurship promotion, competitiveness and productivity, and human capital. It encourages cooperation among scientific, training, research, and industrial institutions, including universities, and includes industrial associations in decision-making processes, as well as partnerships with leading international scientific and industrial institutions.

Iran's industrial and technological development policies aim at raising the share of industry in the economy and enhancing the value added of industry through the introduction of modern technologies and processes, increased competitiveness and productivity,

private-sector expansion, and investment in entrepreneurship and human capital. The government supports cooperation among scientific, training, research, and industrial institutions, including universities, and includes industrial associations in decision-making processes.

To boost the country's business-friendly credentials, non-tariff barriers have been abolished, financial institutions established, and business-friendly regulations implemented—including a law to protect intellectual property. Under the government's import substitution strategy, exporters receive support to identify new markets and benefit from special financial, political, and legal provisions. As in Azerbaijan, Iran supports industrial clusters, establishing partnerships between SMEs and large industries to foster synergies and competitiveness.

Iran enjoys economic, industrial, mineral, and agricultural advantages; it is the world's fourth-largest oil producer and has the second-largest gas reserves. In certain agricultural sectors, Iran is among the world's leading producers, and it exports large volumes of goods, such as saffron, pistachios, and pitted fruits.

The manufacturing; consumer goods; semi-finished, capital, and heavy goods; handicraft; and tourism sectors are expanding. Iranian engineering and construction companies are globally recognized for their capabilities. There is also strong potential in sectors such as automotive manufacturing, construction and building materials, food, pharmaceuticals, medical equipment, cosmetic products, electronics, machinery, metal and non-metal industries, minerals, advanced aerospace industries, nano- and bio-technologies, and stem-cell research. Iran has a highly qualified workforce and well-known expertise in medicine.

The Chair introduced **Mr. Vladimir Kavacic**, Minister of Economy of Montenegro, and questioned the Minister on investment in the energy and construction sectors and government plans to transform Montenegro into a regional energy hub.

Mr. Kavacic remarked that the top priority of every government is to raise competitiveness, attract investment, and create jobs. All countries are thus

competing at a global level to attract and create investment opportunities.

A cornerstone of Montenegro's economic development is macroeconomic stability, effectively achieved when the government introduced the euro 15 years ago, a move accompanied by policies targeting external investors. Montenegro today has a corporate tax rate of 9 percent, among the lowest in Europe. Montenegro also opened its borders, allowing the free flow of capital and labour. As a small country, the government signed free-trade agreements, including with the European Union (EU), the Russian Federation, and countries of the former Yugoslavia, giving Montenegrin firms access to a market of 800 million people.

Montenegro is using its natural assets and location to attract investment in two important sectors—energy and tourism. In terms of energy, the Government has ambitious plans to position Montenegro as a regional energy hub for Southeast Europe and is constructing in cooperation with Italy an undersea cable between the two countries to facilitate energy transmission. The scheme has significant potential to tap into rising investor interest in energy projects, especially green energy.

Aside from energy and tourism, Montenegro's main industrial sectors are food and metal processing. For business infrastructure, the country has nine business zones. The government also plans to launch a new set of incentives to encourage investment in industry, support SMEs, and establish industrial clusters. The Minister mentioned the positive experience of cooperation with UNIDO in developing clusters in the tourism industry.

Noting Russia's strong economic relations with Azerbaijan, the Chair turned to **Mr. Georgi Kalamandov**, Deputy Minister of Industry and Trade of the Russian Federation. Like Azerbaijan and Iran, the economic development model of Russia has long been based on the country's natural resources, mainly hydrocarbons.

**Mr. Kalamandov** echoed the previous speakers in stressing the importance of industrial diversification

to Russia's economic development, particularly a shift away from the oil and gas sector.

The Russian Federation wants to diversify its economy and is targeting industrial sectors with high growth potential. The law relating to industrial policy includes provisions on tax, industrial and technology parks, and measures to attract investment. Industrial-development strategies in the Russian Federation target the automotive, chemical, petro-chemical, oil and gas, forestry, and machinery sectors. The past decade saw progress in these fields, but the government has identified further potential for improvement and would like to see better management of the country's natural resources.

The Russian Federation supports regional integration and the elimination of cross-border trade barriers. It is a founding member of the Eurasian Customs Union, a free-trade union comprising five CIS countries. With a large potential market on its doorstep, the government promotes trade through an export insurance agency and is setting up an export-promotion body.

The next speaker, **Ms. Ghadah Al-Subaie**, Executive Director of the Saudi Arabian General Investment Authority, provided insights into the key factors that enable economic growth in Saudi Arabia.

Ms. Al-Subaie outlined Saudi Arabia's strategy, based on the same principles mentioned by previous speakers: human capital development, a strong private sector, diversified industries, and competitiveness. In addition, Ms. Al-Subaie emphasized the importance of open and strong government and effective coordination between relevant government bodies. In Saudi Arabia's experience, the six enablers of sustainable economic growth are:

1. Strong government support and coordination  
The Saudi government's 2020 vision foresees a diversified economy and open business environment, with reduced reliance on natural resources, a greater share of manufacturing in GDP, and a twofold increase in exports. The plan focuses on industrial sectors with the highest growth potential—energy, transport,

and information and communication technology (ICT). Launched in 2014, the investment plan coordinates the work of different government agencies. The plan will be operationalized using the national procurement process and agreements with large corporations, who will construct the infrastructure and provide training.

A stable macroeconomic environment and favourable tax regime provide assurances to the private sector. In Saudi Arabia, firms are permitted to carry financial losses forward indefinitely, which relieves start-ups' cash-flow pressures. Business facilitation centres assist companies in obtaining the necessary registrations, licences, and permits.

2. State-of-the-art infrastructure  
The transport infrastructure—comprising ports, railways, and highways—is essential for growth. Currently Saudi Arabia is implementing an ambitious 30-year (2010–2040) railway strategy.
3. Clusters and industrial cities  
Saudi Arabia's private and public industrial parks and economic cities and zones accommodate around 7,500 manufacturing plants and over 600,000 employees. Parks, zones, and clusters promote business linkages, pooling of resources, and exchange of knowledge and experiences. They strengthen SMEs; foster competition, innovation, and knowledge creation; and span whole value chains. Saudi Arabia has four clusters in the automotive, chemical, plastic, and pharmaceutical; metal and mining; and solar-energy sectors.
4. Knowledge and innovation  
Investment in knowledge and innovation is fundamental to guaranteeing future sustainable growth. In Saudi Arabia's experience, the transfer of knowledge, information, skills, and human capital has proved as important to the economy as foreign direct investment (FDI). The international community

has an important role to play in transferring knowledge.

5. Talent pool and human capital  
Education is particularly important in a country with a large youth population. The government has established 35 colleges of excellence to equip youth in different regions with the skills required to meet the country's industrial goals.
6. Private-sector capital  
It is essential to move away from government funding toward markets and the private sector, which bring—in addition to finance—knowledge and expertise.

The Chair turned to the representatives of the international organizations and asked what their respective bodies contribute to industrial and economic development.

**Mr. Shamil Aleskerov**, Secretary General of the Economic Cooperation Organization (ECO), explained that ECO's 10 member states are demonstrating a revived interest in industrial policymaking. Countries understand that manufacturing industries are high-value-added sectors that should be promoted and supported. At the same time, the situation today is markedly different from early periods of industrialization. ECO countries need strategies and policies that reflect the growth of global and regional value chains and distribution of production among many countries. Further, the green economy and green industry should be taken into account in industrial policies and strategies.

ECO cooperates with countries to develop policies for sustainable industrial development. It has organized three ministerial meetings, resulting in a strategy and action plans for industrial development for the region.

**Mr. Sergei Ivanov**, Deputy Chairman of the Executive Committee, CIS Deputy Executive Secretary, spoke about the well-developed cooperation among CIS countries, which is particularly valuable as member states share similar challenges and opportunities in their industrial development. In 2012, CIS

countries established an industrial policy council and endorsed a framework agreement on industrial cooperation. Mr. Ivanov also highlighted the establishment in 2011 of free-trade zones, replacing over 100 bilateral agreements, allowing countries to trade freely throughout the CIS.

The Chair asked the final speaker, **Mr. Mohamed-Lamine Dhaoui**, Director of the Business Investment and Technology Services Branch, UNIDO, to elaborate on the organization's contribution to economic growth and regional integration of developing countries and economies in transition.

**Mr. Dhaoui** remarked that no country has reached a high degree of economic and social development without a strong industrial sector. This observation helps to explain the growing demand from member states for UNIDO's services, including countries rich in natural resources. UNIDO provides technical assistance in export promotion, government capacity building, and SME support and has extensive experience in helping countries to develop industrial strategies, including Saudi Arabia's 2020 industrial plan.

UNIDO is a repository of valuable knowledge and expertise in areas related to productive capacities and diversification, trade capacities, and energy and the environment. UNIDO advocates inclusive and sustainable industrial development as a critical strategy to ensure economic growth and eliminate poverty. This concept is strongly correlated with and embedded in Azerbaijan's industrial development plans.

Mr. Dhaoui outlined UNIDO's work in fostering economic growth and regional integration and singled out its Industrial Upgrading and Modernization Programme (IUMP), which focuses on those economic sectors with a comparative advantage and assists SMEs in these sectors through human-capacity building and by strengthening national technical-support institutions.

In conclusion, Mr. Dhaoui referred to the Framework Programme on Cooperation between the Government of the Republic of Azerbaijan and UNIDO that he had signed on behalf of the UNIDO Director General with Mr. Shahin Mustafayev,

Minister of Economy and Industry of Azerbaijan. The Programme will contribute to realizing the goals of the Government of Azerbaijan of raising competitiveness in the industrial sector, boosting non-oil

exports, and creating jobs. UNIDO is ready to assist the Government of Azerbaijan and other governments in the region in the successful implementation of their industrial policies and development strategies.

## Panel session 2

# Industrial parks and clusters: International experiences in sustainable industrial policy

The panelists in **Session 2** discussed outcomes of the previous day's workshop organized by GIZ on international experiences in sustainable industrial policy and industrial zones and clusters. The panel addressed the following key issues:

- Industrial park concepts, roles, and expectations as a means to accelerating economic growth and economic competitiveness.
- The role of parks in realizing the object of national and regional inclusive and sustainable industrial-development strategies; and the relationships between parks and innovation strategies, networks, and infrastructure.
- Lessons learned and best practices from experiences of establishing industrial parks within broader development strategies.
- Park specialization and the expectations of various stakeholders, such as industry, firms, academia, local authorities, employees, and other civil-society stakeholders.
- Tools and methodologies to improve awareness and knowledge sharing through the exchange of international experiences on good practices and successful experiences in establishing and managing parks.
- Partnerships and linkages among park stakeholders, including businesses, universities, and government representatives, aimed at using university resources more effectively for knowledge creation and commercialization in fully integrated industrial parks (benefiting from R&D, etc.).

The session was moderated by Dieter Reineke, Meo Corporate Development GmbH, Germany. The panelist group consisted of Tolga Özbolat, ODTÜ Teknokent Yönetim A.Ş.; Michael Guth, ZENIT GmbH; Björn Vogler, PM & Partner, Marketing Consulting GmbH; Zaur Mammadov, Deputy Director, Sumgait Chemical Industry Park (SCIP); and Vilayat Valiyev, Director of the Economic Reforms Scientific Research Center.

In his introductory remarks, **Mr. Dieter Reineke** stressed vital tenets of park and cluster design, such as taking advantage of country or regional competitive advantage, learning from international experience and best practices, and using parks and clusters to access global value chains.

The first speaker, **Mr. Tolga Özbolat**, ODTÜ Teknokent Yönetim A.Ş., spoke on the types of industrial parks and clusters, and their contribution to transforming innovative ideas into new products, processes, and marketing strategies. Parks vary according to location, land, ownership, specialization, facilities, services, and the level of symbiosis between companies. But they should be designed to reflect the needs of local businesses and the markets they are targeting. They must respond to constantly changing technologies, inter-connections, and global opportunities offered by the globalization of industry. In particular, parks can connect local firms with the global economy by providing the infrastructure, human capital, and know-how to help domestic firms access global value chains.

Industrial policy in Azerbaijan faces two major challenges. First, average wages in the oil and gas sector, relative to other sectors, are rising. It is therefore difficult to generate new products and services that are competitive with imports. Second, oil and gas revenues are beginning to decline. The focus of industrial policy should be on using public money wisely. International experience shows that in terms of industrial development, governments should limit themselves to a number of functions, namely providing infrastructure, higher education, and vocational training; and creating a favourable business environment. Industrial policy often fails because governments target industrial sectors that have no comparative advantage in the country. Azerbaijan's relatively small domestic market and limited regional economic integration with neighbouring countries are additional challenges. The Government of Azerbaijan should

therefore set realistic long-term targets for the non-oil industrial sector.

**Mr. Michael Guth**, ZENIT GmbH, advised policymakers to reflect on ways to connect the key actors involved in the innovation system: universities, state bodies, industry, and scientific institutions. Nowadays, maintaining strong interactions among relevant actors is as important to innovation as the adoption of new technologies.

There is no blueprint for a successful cluster or technology park; policies that work in one country may not do so in others. Experience shows that policymakers should focus on a country's comparative advantage. As an example of poor planning, a technology park for manufacturers of automotive parts and components in Vietnam failed because the local prices were too high compared to neighbouring countries.

Mr. Guth urged countries to provide opportunities and role models for young and talented people to fuel an entrepreneurial culture, which is often weak in economies dominated by natural resources. The technology park incubator concept is a good approach. Overall, cluster and technology-park policy needs to be embedded in a comprehensive policy strategy.

**Mr. Björn Vogler**, PM & Partner, Marketing Consulting GmbH, outlined 10 guiding principles for governments to follow to ensure social, economic, and environmental sustainability. First, take a long-term approach to assure partners of government commitment. For instance, Saudi Arabia's strategy does not expect innovative and profit-making firms to emerge in its industrial cities for 15–20 years. Even economic zones and cluster success stories take 5–10 years to build momentum.

Second, the government should base its strategy on a critical assessment of the country potential, investment potential, and target groups. Countless examples show how clusters fail because of overly ambitious strategies.

Third, consider synergies and trade-offs among clusters, zones, and parks. Each has a different focus, and planners should consider carefully which best reflects the national or regional context and government objectives and priorities.

Fourth, consider economic, environmental, and social sustainability from the outset.

Fifth, maximize use of existing resources and skills. A dental technology cluster in Germany is a good example. When the traditional jewellery industry became uncompetitive, the manufacturing skills in handling precious metals and operating precision machinery, which were at risk of disappearing, found a new application in dental technology.

Sixth, align the strategy, incentives, and regulatory framework. For instance, provide incentives that correspond to a cluster approach.

Seventh, explore different ways to attract investment and innovative businesses, such as custom-made facilities or services and investment in specific skills.

Eighth, remember that zones and clusters cannot replace comprehensive economic reform. Zones are, however, an ideal place to test reforms, policies, and environmental standards.

Ninth, encourage parks and zones to cooperate and learn from each other.

Last, integrate zones and parks into the wider economy and use them to foster regional integration.

**Mr. Zaur Mammadov**, Deputy Director of Sumgait Chemical Industry Park (SCIP), described how the park was developed to provide high-technology facilities for companies in the non-oil sector, based on global best practice. The park planners considered location and transport links (SCIP is 31 km from Baku and 45 minutes from the airport), as well as potential future growth (the park covers 300 hectares, although future phases will increase the territory to 1,200 hectares). The park benefits from Azerbaijan's strategic location on the crossroads between Europe and Asia and emerging markets of neighbouring countries with which Azerbaijan has free trade agreements. Another advantage is Azerbaijan's oil and gas sector, providing a guaranteed source of inputs for chemical production in the park.

SCIP is a place to work and live, with accommodation, leisure facilities, and a hotel. In partnership with Stuttgart technical university, the park is also planning to open a vocational school, based

on the German education system, for 500 students in three major areas—construction, chemistry, and mechatronics. Links between the school and the park’s tenant firms will generate employment opportunities for students.

Sumgait offers free services, facilitating visas, licences, and permits; and mediating between residents and government institutions. In addition, firms benefit from a seven-year exemption from tax on corporate income, property, land, and imported equipment.

The park supports the country’s established chemical industry. In the 1980s, more than 40 percent of chemicals produced in the former Soviet Union came from Sumgait. Further opportunities have been identified in mid- and down-stream production. The current construction boom, for instance, has increased the demand for materials, such as paint, insulation, bitumen, and polymer-based products. Many of these materials, which are currently imported, could be produced in Azerbaijan.

**Mr. Vilayat Valiyev**, Director of the Economic Reforms Scientific Research Center, spoke about clusters and industrial parks in Azerbaijan.

Azerbaijan is putting in place a regulatory environment to support industrial parks and clusters and foster research, innovation, and technology transfer. The Government’s current development strategy for 2013–2018 has highlighted issues and policy lessons for industrial parks, special economic zones (SEZs), and clusters, such as weak links in the innovation and education system and a lack of partnerships between academia and industry. Some universities in Azerbaijan are remedying this situation by setting up technology parks on their premises. At SCIP, an R&D centre promotes links between science, technology, and industry. The government is also eager to support areas of competitive advantage, and clusters are planned in the viticulture and aluminium sectors.

**Mr. Reineke** pointed out that long-term strategic planning should have built-in flexibility in order to react to globalization and the fast-moving world. **Mr. Özbolat** recommended in-depth research to help

decision makers target particular sectors. If Azerbaijan wants to target the ICT sector, for instance, it can do so in two ways: as a separate sector or as a cross-cutting technology that meets the needs of the oil sector. Whichever approach is taken, important issues such as human capital and infrastructure need to be considered during the planning stage.

**Mr. Reineke** asked how clusters and parks can be viable and attractive to national and international business. For instance, in the United States, the defence industry is the driving force behind Silicon Valley.

**Mr. Vogler** suggested that, for a first step, all stakeholders—the government, the private sector, academia, and the research sector—come together to discuss how to move the park or cluster forward. The best ideas come from a multi-stakeholder process involving all parties.

**Mr. Özbolat** remarked that industrial parks need a long-term outlook; it takes several years for even the most successful parks to see results and for profitable firms to emerge. A further caution is that industrial parks, clusters, and special economic zones (SEZs) are not a fix for all problems.

**Mr. Reineke** asked the panelists to reflect on clusters and industrial parks in remote areas.

**Mr. Vogler** reiterated that there is no blueprint to parks and clusters in remote geographical areas. Experience shows, however, the challenge of attracting foreign investment to special economic zones (SEZs) that are located far from industrial agglomerations and infrastructure. The cluster concept can be more easily adapted to rural settings, but once again you have to look at the specific context.

**Mr. Mammadov** agreed that parks take time to mature. SCIP is on the right track, building up the number of resident firms and increasing inward investment. Azerbaijan has made progress since the 1990s in energy, infrastructure, and education. Today, the country is developing its own concepts of industry, R&D, and educational development.

**Mr. Guth** argued that there is no reason why remote areas should not be able to apply the same policy instruments as other areas. Clusters and technology



parks are tools that can overcome regional disparities, which otherwise could become a hindrance to smooth economic development. Remote regions must also

develop regional innovation and development strategies, and technology parks and clusters might be suitable instruments.

### Panel session 3

## Investment opportunities in Azerbaijan and leveraging the power of partnerships for pursuing inclusive and sustainable industrial development

**Session 3** continued the discussions of Session 2 and highlighted the importance of multi-stakeholder partnerships and linkages for the realization of industrial parks and zones. The session focused on the following issues:

- What innovative multi-stakeholder partnership models are used in Azerbaijan?
- What was the involvement of various stakeholders in the design of partnership programmes?
- Which mechanisms worked to mobilize resources of all stakeholders, and which did not work?
- What role was played by the public sector to leverage resources from other UN agencies, multilateral development financial institutions, and the private sector?
- Which policy and regulatory frameworks, as well as effective incentives, can help redirect private investment toward sustainability while delivering financial returns attractive for investment?
- How can stakeholders ensure the pooling of multi-stakeholder resources—such as human, financial, knowledge, and information—together in an integrated and effective way?
- What mechanisms have been established for coordination and implementation of the multi-stakeholder partnership programme?
- What policies have been established to promote accountability, transparency, and performance measurement?
- What concrete lessons have been learned from multi-stakeholder partnerships?

The session was moderated by **Ms. Olga Memedovic**, Chief, Europe and Central Asia Bureau, UNIDO. The group of speakers consisted of **Mr. Stephen Taylor**, Director, Technology Transfer Department, AREA Science Park, Trieste, Italy; **Mr. Jaani Pietikäinen**, Deputy Head of Division, Eastern Neighbours and

Central Asia Department, European Investment Bank (EIB); **Mr. Bruno Balvanera**, Director for the Caucasus, Moldova and Belarus, European Bank for Reconstruction and Development (EBRD); **Mr. Famil Saidov**, Minister of Economic Development of the Nakhchivan Autonomous Republic (NAR); **Mr. Rufat Mammadov**, President, Azerbaijan Export and Investment Promotion Foundation (Azpromo); **Mr. Rovshan Najaf**, Executive Director, Azerbaijan Investment Company (AIC); and **Mr. Fuad Musayev**, Commercial Director of the NORM.

**Ms. Olga Memedovic** opened the session and provided an overview of UNIDO's mandate of inclusive and sustainable industrial development, an approach that encourages policymakers to consider the full impact of industry, not only on economic growth, but also on the environment and social cohesion. To move the sustainable industrialization agenda forward, UNIDO promotes the design and implementation of industrial strategies and policies that are inclusive from the outset and involve all stakeholders to ensure that environmental, social, and community benefits are included.

UNIDO fully supports Azerbaijan's designation of 2014 as a year of industry, which is a further indication of industrialization's ascendance on the agenda of development policymakers around the world. This was confirmed by UNIDO's first global forum on inclusive and sustainable industrial development, held at UNIDO headquarters in June 2014. The event attracted 250 participants from 82 countries, including 19 ministers. During the discussions, several countries highlighted the importance of productive capacity building and accelerated industrialization through global value changes, while respecting social and environmental concerns.

We are entering an era of industry. Countries around the globe recognize that a vibrant industrial sector is a source of innovation, job creation, and growth. For middle-income countries, such as

Azerbaijan, investment in productive and human capabilities and in new innovative industries and technologies to enhance competitiveness, access new markets, and avoid the middle-income trap has become a priority. The European Commission has called for an industrial renaissance and for European Union (EU) countries to raise industry's share of GDP to 15–20 per cent by 2020. The international community will soon agree upon the new Sustainable Development Goals (SDGs) that will establish the development agenda for 2030. Goal 9, “Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation,” is a clear endorsement of industrialization to meet these goals.

The question is how to realize the SDGs on the ground. And the purpose of this session is to discuss the potential of leveraging the power of partnerships between different stakeholders to scale up investment for industrial diversification in Azerbaijan. The aim is to create partnerships at the country level to combine the best capabilities of the public sector (such as, for instance, in regulation, addressing social concerns, and providing public goods) and the private sector (driving innovation, efficient delivery of private goods and services, prospects for more choices, and economic diversification). We also need international organizations, such as the UN system; and development financial institutions; banks like the EBRD, World Bank, and International Finance Corporation; as well as the capabilities and knowledge of civil society.

**Mr. Stephen Taylor** drew on his experience as director of the technology transfer department at AREA Science Park in northeast Italy to outline the role of local support systems in fostering creativity, innovation, and new technologies, and in linking the research world with commerce and industry. Technology transfer and industrial liaison offices in universities, research centres, and science parks affect regional innovation systems in a variety of ways. AREA Science Park promotes partnerships and works closely with entrepreneurs to identify opportunities, find solutions to business problems, and locate the right competencies in the research community. These

partnerships and collaborations, facilitated by face-to-face contact, turn creativity and new ideas into products and services with market potential, adding value to research. The park receives public funding and is an example of government, the research world, and industry working together to drive economic growth.

Partnerships involving large companies, SMEs, research institutes, and the community at large ensure a variety of perspectives. The public sector, for instance, is in a position to give vision to the research and industrial communities because it can dedicate the energy and resources to thinking about the long-term future and to helping plan the regional eco-system strategy through foresight and business intelligence activities. It can anticipate change by identifying emerging technologies. The public sector drives the innovation ecosystem by funding education and research, universities and research centres. Research bodies, financial institutions, industry, and international organizations provide their own vital ingredients to innovative partnerships. It is also important to involve the private sector in the innovation process, to bring them to the point where their potential return and reduced risk justify their investment.

Innovation is the only long-term sustainable growth mechanism.

The job of a technology transfer department is to analyse the issues and uncertainties surrounding technology commercialization and consider the long-term implications, including the impact on the environment, and on industry's ability to develop new products and services and to take them to market. It evaluates the viability of new products at key points, taking forward those projects with a chance of commercial success. These elements help to identify immediate and medium- to long-term opportunities. The department provides support to entrepreneurs during the crucial early project-development stage, when there is little interest from the private sector.

A key advantage for tenants of science, industrial, and technology parks is the availability of services to help companies and researchers develop together. This is as important at the research stage as in product

commercialization. In an innovation eco-system, clusters, parks, and special economic zones help to drive technology. They are facilitators of scientific and international collaboration and allow regions to compete on a global scale and help businesses understand value chains. Experimentation in key technology areas is a great way to drive emerging technologies and to involve the business community and general public, who are ultimately the long-term clients.

**Ms. Olga Memedovic** reiterated the importance of business eco-systems and partnerships and active engagement with all stakeholders in an innovation eco-system, particularly in the globalized economy, where the majority of trade is in parts and components of industrial products and not in final goods.

The next presentation offered the perspective of an international financial institution. **Mr. Jaani Pietikäinen**, Deputy Head of Division, Eastern Neighbours and Central Asia Department, European Investment Bank (EIB), spoke about the bank's operations in the region and in Azerbaijan.

The Luxembourg-based EIB is the EU's financial institution. It was founded in 1958 under the Treaty of Rome and operates in the 28 EU member states and more than 130 other countries. The bank is an AAA-rated, policy-driven institution raising funds in capital markets to on-lend to eligible investments supporting EU policies and priorities. The EIB offers attractive interest rates and long maturities to projects that score high in terms of EU objectives and are consistent with the bank's commitment to support sound and sustainable investments.

The bank supports projects that contribute to economic development in countries that have signed association or cooperation agreements with the EU or its member states. It does so at its own risk, under mandates from the European Parliament and the Council of the European Union, or using budgetary funds provided by member states or by the EU budget. The EIB is the largest supranational borrower and lender in the world.

In 2013, the EIB signed loans worth €71.7 billion. The majority of financing—almost 90

percent—went to projects in EU member states, and 10 percent to projects outside the EU. The EIB has been working outside the EU for almost 50 years. In Eastern Neighbourhood countries, the EIB finances investment projects that support the European Neighbourhood Policy, in particular the Eastern Partnership launched in 2009. The EIB has significantly stepped up its lending activity in the region during the last four years to reach a record level of €1.8 billion in 2013. By end of 2013, EIB lending in Eastern Neighbourhood countries had reached a cumulative total of €4.9 billion, financing 55 investment projects and providing credit lines to support SMEs.

The EIB's core products are medium- and long-term loans, corresponding to the technical and economic life of the financed projects, especially the financing of infrastructure projects. The terms offered by the EIB exceed what the market can offer (for up to 25 years or even longer). Typical direct EIB loans are worth more than €25 million. (EIB can finance up to 50 percent of the project costs.) For smaller projects, the EIB normally lends indirectly through credit facilities granted to local financial intermediaries. The EIB cooperates extensively with other international financial institutions, in particular the EBRD, with which the EIB has co-financed almost half of its loan portfolio in the Eastern Neighbourhood. The EIB also has a subsidiary, the European Investment Fund, which operates inside the EU and candidate countries and is an investor in venture capital and private equity funds.

In line with its EU mandate, the EIB focuses on:

1. Private-sector development (in particular, support to SMEs).
2. Development of social and economic infrastructure (including transport, energy, environmental infrastructure, information and communication technology (ICT), and the social sector).
3. Climate-change mitigation and adaptation (renewable energy, energy efficiency, and sustainable transport).

The EIB's extensive experience in financing projects, its in-house sector expertise, and its deep knowledge of European policies facilitate the identification of projects that match both national and EU priorities. The bank's project-appraisal procedure considers technical, economic, financial, environmental, and social aspects, as well as credit risks.

The EIB acts as a flag carrier for EU policies outside the EU, contributes to the dissemination of best practices, and facilitates the participation of other financiers in EU priority projects. As the EU's policy bank, the EIB supports the EU's objectives for cooperation with Azerbaijan and the government's strategic objectives of industrial development and diversification. The EIB finances, among other projects:

1. Education: investments related to the development of educational facilities (both capital expenditure and human resources).
2. Industrial and business parks: financing the construction of facilities contributing to business infrastructure.
3. Capital expenditures of enterprises: small and medium-sized projects (less than €25 million) through intermediary banks in Azerbaijan, and large projects (over €25 million) directly through EIB senior loans.

The first EIB loan to support SMEs in industry, trade, and services, signed in 2014, followed the signing of the Framework Agreement between the Republic of Azerbaijan and the EIB.

The EIB seeks to cooperate with other key institutions (for instance, UNIDO, the Government of Azerbaijan, and other international financial institutions) on sharing best practices for the industrial development of Azerbaijan. The EIB has in-house sector expertise in all projects that it finances. If the bank finances an industrial-park development, it is imperative to have a clear strategy for the development of the park. Here, UNIDO can play a key role in implementing the project, and other international finance institutions (IFIs) can share knowledge and insure the project quality.

**Mr. Famil Saidov**, Minister of Economic Development of the Nakhchivan Autonomous Republic (NAR), spoke on the vision and strategies of the province, and on the possibilities of partnerships.

The NAR, one of 10 economic zones in Azerbaijan, has undergone an economic transformation in the post-Soviet period. With support from various IFIs, the Republic ploughed investment into industrial development, and the government pursued a strategy of creating favourable investment conditions, including the establishment of industrial parks and zones. The economy has subsequently witnessed impressive growth rates: in 2013 GDP grew by 10 percent. The Republic has rich natural resources, including fossil fuels, marble, gypsum, sand, copper, and gold. Companies from Canada, the United States, and Turkey are operating in these industries, especially in the mining sector. Today the NAR exports a range of products, including cement, furniture, automobiles, plastics, mineral water, and fruit juice.

**Ms. Olga Memedovic** observed that the NAR has a clear vision for industrial development that involves technological modernization, upgrading, moving up value chains, and adding value to natural-resource industries. The authorities are taking a strategic approach to international partnerships, investment, and the use of business infrastructure. Given the government's commitment to sustainable industrial development, there is enormous scope for future partnerships.

The presentation by **Mr. Bruno Balvanera**, Director for the Caucasus, Moldova, and Belarus, European Bank for Reconstruction and Development (EBRD), elaborated on the role of IFIs in building partnerships for promoting inclusive and sustainable industrial development and provided insights on the tools that these institutions use to align the interests of different partners for the benefit of all.

The EBRD is an international financial institution that promotes market-economy transition in 34 countries from Central Europe to Central Asia. The bank is owned by 64 countries and two inter-governmental institutions and has a capital base of €30 billion. In

2013 the EBRD had a cumulative business volume of €86 billion.

The EBRD has key operational and institutional strengths, with extensive knowledge of local economies and business environments and practices. It acts as a business partner—sharing risks, including political ones—and is a catalyst for access to additional equity, debt, and trade finance. The bank also maintains high standards for corporate governance and compliance. Institutionally, the bank is an internationally recognized financial partner with a long-term perspective. It combines close working relationships with governments and shareholders with strong political leverage due to its unique mandate and shareholder structure.

As of 2014, the EBRD has 153 projects in Azerbaijan (see Boxes 1–3 for examples of the EBRD's work in Azerbaijan), with a net cumulative business volume of €2 billion and a portfolio worth €870 million. The largest share of funding is for infrastructure-related projects (€352 million); followed by energy (€313 million); financial institutions (€120 million); and industry, commerce, and agriculture (€84 million). Azerbaijan's industrial development is built on its oil wealth, and historically about 40 percent of investments in Azerbaijan have been in the natural-resource sector. For instance, the EBRD was a principal source of finance for the Baku-Tbilisi-Ceyhan pipeline, which was an important milestone of investment and integration in the region.

The EBRD's strategy for Azerbaijan was finalized in close consultation with the authorities and mirrors the government's vision of industrial diversification and sustainability. Non-oil growth depends on continuous improvement to the business environment and better access to finance. The bank promotes market-driven economic diversification and provides both direct financing and financing via local partner banks by on-lending to local SMEs through credit lines. In Azerbaijan, gradual improvements to the business climate have allowed non-oil growth of around 10 percent in each of the last three years. The government is targeting high-technology and petrochemicals sectors,

leveraging access to cheap energy and abundant raw materials, combined with taxation and regulatory incentives. If this is coupled with better access to finance, growth in these sectors can be rapid. This is particularly acute for SMEs throughout the country. The bank pays particular attention to the specific support that women need in business. Access to finance for women-owned and -run businesses is relatively poor, especially in rural areas.

After the oil and gas sector, infrastructure is a priority area for investment. The bank is closely involved in infrastructure and transport development, especially road transport in rural areas to support agriculture. The financial sector is a further priority area. Mid-sized companies have huge potential for growth and job creation but are not well served by the banking sector. The total size of registered banking assets as a percentage of GDP is very low compared to that found in the EU. Hence, the EBRD is working to improve capital and equity markets, in which Azerbaijan is at a very important stage of development.

In addition to addressing financial needs, the EBRD provides technical assistance to companies, particularly SMEs, through its Business Advisory Services and Enterprise Growth Programmes. These initiatives provide advice on restructuring, corporate governance, financial management, quality control, and health and safety.

Despite improvements to the governance and business environment, more progress is needed to tackle corruption and improve transparency. Azerbaijan ranks at 80 in the World Bank's *Doing Business*. This is welcome, but there are three areas that remain as hurdles: construction permits, access to electricity, and customs.

The bank's cross-cutting activities include energy and resource efficiency. Countries with access to cheap energy are often slow to implement energy-efficiency measures. The EBRD's Energy Efficiency Programme finances investments in energy-efficiency technologies for industries and households. The Sustainable Resource Initiative (SRI) promotes efficiency, innovation, and competitiveness in energy, water, and

materials. And it combines financing, technical assistance, and policy dialogue to champion efficiency and renewable energy. Material efficiency is already an important part of the EBRD's activity, pursued via tools such as waste audits and market assessments for waste reduction.

The EBRD is starting to actively promote sustainable energy in Azerbaijan. The programme was launched in 2014 with credit lines worth US\$123 million available for the South Caucasus. It provides loans to local companies with serious energy-saving potential and to residents for household use.

*Box 1: Example of EBRD's projects—Matanat-A*

One of the EBRD's priorities in Azerbaijan is to support the growth of the non-oil private sector by investing in dynamic SMEs. In 2013, the EBRD provided financing to Matanat-A, a fast-growing manufacturer of construction materials based near the capital Baku. The EBRD financed €7 million for a new production line for gypsum plaster and dry mixes.

*Box 2: Example of EBRD's projects—Embawood*

In 2013, the EBRD provided a US\$12 million loan to Azerbaijan's largest furniture manufacturer, Embawood, to finance further improvements of the company's production facilities and improve quality control. Parts of the loan were used for energy efficiency improvements at its three production units. These were complemented by a total of €120,000 in technical cooperation funds provided by the Early Transition Countries Initiative and the EU's Neighbourhood Investment Facility through the Regional Energy Efficiency Programme for the Corporate Sector.

*Box 3: Example of EBRD's projects—Holcim*

In 2009, EBRD provided a €120 million loan for modernization and reconstruction of Garadagh Cement, the leading cement producer in Azerbaijan, to support the company's drive to improve energy efficiency and expand production. This was the largest non-oil and -gas FDI in Azerbaijan to date. The loan financed the introduction of state-of-the-art dry process production technology at Garadagh Cement, to bring the plant in line with international environmental standards. The project also allowed Garadagh Cement to reduce its CO<sub>2</sub> emissions by almost 10 percent. The company has become a world leader in environmental best practices in the construction-materials sector.

**Ms. Olga Memedovic** referred to the EBRD's work in supporting women in business, noting the strong correlation between industrial diversification and women's participation in business.

**Mr. Rovshan Najaf**, Executive Director of the Azerbaijan Investment Company (AIC), spoke about investment opportunities in the industrial sector and the role of the company.

AIC is a state-owned equity investment fund established in 2006 to support development in the non-oil sector via termed-equity injections in partnership with local and foreign investors. The Supervisory Board—comprising the Minister of Economy and Industry, the Executive Director of the State Oil Fund, the First Deputy Minister of Finance, the Deputy Chairman of the State Committee on Property Issues, and the Deputy Governor of the Central Bank—is the supreme governing body of the company.

The priority objectives of AIC are the integration of new technologies and know-how, modernization, innovation and competitiveness, and the development of capital markets. Concentrating on development of the non-oil sector of the national economy, AIC prioritizes areas for potential enlargement of its portfolio that coincide with the sectors targeted

by the government for immediate development. The total value of projects with AIC investments currently stands at over US\$1.1 billion.

In addition to equity investment, AIC has expertise in market trends in priority economic sectors, in investment opportunities for foreign and local investors, and in technical support for market research and surveys, as well as in the development of business plans and financial models.

AIC has a minority shareholder engagement in projects, allowing it to contribute to strategic decision making but avoiding daily operational and management interventions. Then, once the investee company is operating successfully and generating income, AIC sells its shares.

A recently inaugurated major project in the non-oil industry is the Baku Shipyard—the most advanced shipyard in the Caspian region. The project, which cost US\$470 million, was implemented jointly by AIC, the State Oil Company (SOCAR) of Azerbaijan, and Singapore’s Keppel Corporation. The shipyard has secured three large contracts since its inauguration in 2013.

The other flagship investment of AIC is the modern cement production plant “Holcim Azerbaijan.” The majority shareholder in the project is a global leader in cement production—Swiss Holcim. The EBRD is a co-investor (see Box 3). In 2012, its dry kiln production facility became operational and is currently the model for all new Holcim Group cement plants.

In October 2014, AIC was given a mandate to develop and manage so-called Industrial Estates, designated manufacturing compounds where AIC will provide the necessary infrastructure and administrative and logistical support to SMEs. The aim is to enable the most business-friendly environment to manufacture goods and provide services.

AIC is focused on ensuring sustainable and dynamic development to build a highly innovative and competitive and knowledge-based economy. Industrial diversification requires the establishment of state-of-the-art production capacities, alongside

conventional industries. In this regard, the construction of new high-technology facilities is an important direction of industrialization. New opportunities for the expansion of electronic-equipment manufacturing and pharmaceuticals production are currently under consideration.

The government provides soft loans and discounted leasing instruments, constant reform of tax and customs regimes, and effective investment and export promotion tools to serve the non-oil industrial sector. Azerbaijan needs to build local capacity for R&D, to promote SME innovation, and support start-ups.

Azerbaijan may be a small country, but it is a regional leader in terms of economic power, competitiveness, macroeconomic stability, and infrastructure. The Azerbaijan Investment Company is a reliable partner for exploring opportunities in the country.

**Mr. Fuad Musayev**, Commercial Director of the Norm Cement Company, spoke about investment opportunities in Azerbaijan’s construction sector, which has seen huge growth over the past decade thanks to investment in the country’s infrastructure.

In 2014 Azerbaijan opened the largest cement plant in the Caucasus. The plant is fitted with advanced energy-efficient technologies and is certified as meeting European standards. The plant adheres to the principles of sustainable development: application of the latest technologies; a qualified and skilled workforce; and strict environmental standards.

**Mr. Rufat Mammadov**, President of the Azerbaijan Export and Investment Promotion Foundation (Azpromo), spoke on investments in Azerbaijan’s industrial sector and the role of the private sector.

Azpromo is a joint public-private initiative, established by the Ministry of Economy and Industry (MEI) of Azerbaijan in 2003, to contribute to economic development by attracting foreign investments in non-oil sectors of the economy and by stimulating exports. Azpromo’s mission is to sustain economic growth and diversification by maximizing FDI inflows and effectively utilizing export capacities.



The four pillars of Azpromo's activities are promoting Azerbaijan as a business location, helping international companies set up business in Azerbaijan, helping companies based in Azerbaijan access foreign markets, and improving the business and investment climate.

The agency operates as a "one-stop shop" to assist and advise foreign-based firms, in areas including information on legal requirements, licences, and permits. Azpromo works closely with partners, including investment companies, to attract attention to business opportunities, as well as industrial and high-technology parks.

Azpromo also maintains close relations with international investment–promotion agencies, chambers of commerce, governmental organizations, and other business-promotion institutions and has signed memorandums on cooperation and partnership with over 67 such organizations from 36 countries.

In closing the session, **Ms. Memedovic** asked the panelists to summarize in a few words the critical factors for building partnerships to scale up investment in Azerbaijan. **Mr. Mammadov** emphasized partnerships, stability, profitability, and market predictability; **Mr. Musayev** spoke of marketability and reliable partners; and **Mr. Pietikäinen** recommended access to a variety of financing sources.

# Closing remarks

**Ms. Melanie Wiskow**, Project Manager, GIZ, spoke.

The conference and preceding industrial-parks workshop were inspiring. GIZ was honoured to work with the Ministry of Economy and Industry (MEI) and with UNIDO in the organization of a conference that has made a clear contribution to promoting the main trends, modern approaches, and best practices in industrial policy. The need to rethink industrial policies has been highlighted by distinguished speakers during the first session and proved that the formulation of inclusive and sustainable industrial policies is relevant to governments in the region and beyond.

Industrial parks and clusters were singled out as valuable instruments of industrial policy and were the focus of the GIZ workshop “Special economic zones and industrial clusters: International experiences in sustainable industrial policy.” Industrial parks and clusters are an important component of the Government of Azerbaijan’s policies to develop the non-oil sector.

The aim of the workshop and Session 2 of the conference was to generate concrete recommendations for industrial development in Azerbaijan. Policymakers, practitioners, and researchers exchanged experiences and best practices for developing and managing industrial zones and clusters.

Special economic zones provide specific regulatory frameworks to encourage business, while industrial parks reduce transaction costs in transition economies and address the lack of new technological knowledge and information. As areas with an optimal business environment, they overcome insufficient infrastructure and weak institutions. They accelerate economic development by attracting investment and talented people, fostering technological learning and innovation, and creating jobs.

To maximize their potential, industrial parks should be linked to regional clusters and innovation systems, not only creating backward and forward linkages, but also diffusing economic learning throughout

the wider business community. Industrial clusters also tend to result in collective learning and innovation. While cluster development could be led better by the private sector, governments in countries with a relatively weak private sector might initiate the process by putting in place appropriate cluster-support structures, including regulatory frameworks, infrastructure, logistics, financial facilities, and various programmes for capacity building and cooperative technology development and innovation.

Speakers and participants over the past few days have stressed that parks and clusters should build on existing skills in a country or region. Therefore, each country has to find a unique and innovative way to implement and support such models. At the same time, the dynamic of globalization means that parks and clusters should be embedded in international value chains, which is an additional motivation to look at inclusive and sustainable industry policy from an international perspective.

This conference was highly relevant and beneficial for all participants, and the Government of Azerbaijan will draw useful conclusions for policymaking. GIZ is certainly prepared to support this process in the future on behalf of the Government of Germany.

**Ms. Olga Memedovic**, Chief, Europe and Central Asia Bureau, UNIDO, spoke next.

The 2030 Development Agenda and the 17 Sustainable Development Goals (SDGs), in particular SDG 9 on resilient infrastructure, sustainable industrialization, and innovation, place industrialization and industrial strategies and policies solidly in the development agenda over the coming decades. The SDGs and the proposed goal on infrastructure, industrialization, and innovation will determine the allocation of financial resources and official development assistance of the international community. Each SDG has associated targets, and different instruments will be used to achieve them.

The conference heard that industry increases productivity, stimulates job creation, and generates income. In this way, it contributes to poverty eradication and provides opportunities for social inclusion and gender mainstreaming, among other areas. It creates decent jobs for youth, which is an acute problem in many countries of the world. Industry increases value addition; enhances science, technology, and innovation; and encourages investment in skills and education, thus providing the resources to meet the broader objectives of inclusive and sustainable industrial and economic development. Industrialization is also important because it promotes new innovative green and environmental technologies. There is investment potential in this sector, particularly for Azerbaijan, which is import dependent on these technologies.

UNIDO, as an industrial development organization, signed a Framework Programme on Cooperation with the government. This important document commits both sides to implementing projects in line with the strategic priorities of the country. During the panel discussion on investment opportunities and leveraging the power of partnerships, each panelist underlined how their institution contributed to the country's strategic priorities. They align their activities and contribution to the government's thematic priorities. UNIDO similarly develops technical-cooperation projects based on countries' development priorities.

**Mr. Niyazi Safarov**, Deputy Minister of Economy and Industry, Republic of Azerbaijan, spoke next.

The successful organization of the conference reflects Azerbaijan's economic achievements and vision, a cornerstone of which is industrialization. Over these

days, interesting and relevant topics related to industrialization were discussed. The first panel provided a conceptual overview of development strategies in a global context. The second panel was dedicated to institutional mechanisms and industrial zones and parks, and other institutional supporting mechanisms. The last session tackled various issues related to investment.

The conference generated significant conclusions: that sustainable development or sustainable economic growth as a strategy has to be carefully planned and implemented. Particular emphasis needs to be placed on sectors and regional development of industry. That is certainly the case in the Nakhchivan Autonomous Republic (NAR), where a regional development strategy has succeeded in achieving high levels of growth.

As underscored by far-sighted policies and leadership, Azerbaijan is implementing sustainable growth policies. Most importantly, the Azerbaijan 2020 strategy has been adopted, and long-term priorities identified, based on global experiences. Azerbaijan is developing as an industrial country. The years following the Soviet era took a heavy toll on infrastructure and the economy. In many ways, Azerbaijan had to start from the beginning, and therefore the great strides made have to be admired and appreciated.

The government is championing industrial parks and zones, and we have a strong relationship of cooperation with UNIDO and GIZ. The Framework Programme on Cooperation signed between UNIDO and the Government of Azerbaijan will pave the way to pursue these objectives, and there will be many more projects under this framework as part of the government's stringent support for entrepreneurs. This conference will strengthen cooperation with our partners and stakeholders.

# Conference programme

## 26 November 2014

09:00–09:45

**Wreath-laying ceremony.**

*Venue:* Alley.

09:00–10:30

**Registration of participants.**

10:30–11:10

**Official opening of the conference and plenary session.**

*Venue:* SEGAH room.

*Greetings:*

*Greeting from the **President of the Republic of Azerbaijan Ilham Aliyev**, to the Conference Participants*

[read by] **Shahin Mustafayev**, Minister of Economy and Industry, Republic of Azerbaijan.

**LI Yong**, Director General, UNIDO

[video message introduced by **Mohamed-Lamine Dhaoui**, Director, Business Investment and Technology Services Branch, UNIDO].

**Antonius Broek**, UN Resident Coordinator.

**Heidrun Tempel**, Ambassador Extraordinary and Plenipotentiary of Germany to Azerbaijan.

11:10–11:20

**Signing ceremony for the *Framework Programme on Cooperation between the Government of the Republic of Azerbaijan and UNIDO.***

11:20–11:30

**Coffee break.**

11:30–13:00

**Panel session 1. *Modern industrial policy and comprehensive industrial development, Ministry of Economy and Industry (MEI) of the Republic of Azerbaijan.***

*Venue:* SEGAH room.

*Moderator:* **Ilham Aliyev**, Deputy Executive Director, Azerbaijan Investment Company (AIC).

*Speakers:*

**Shahin Mustafayev**, Minister of Economy and Industry, Republic of Azerbaijan.

Topic: *Recent achievements of Azerbaijan economy and future development perspectives.*

**Vladimir Kavacic**, Minister of Economy, Republic of Montenegro.

Topic: *Industrial development policy of the Republic of Montenegro.*

**Mohammad Reza Nematzadeh**, Minister of Industry, Mining and Trade of the Islamic Republic of Iran.

Topic: *Industrial development policy of the Islamic Republic of Iran.*

**Georgi Kalamanov**, Deputy Minister of Industry and Trade of the Russian Federation.

Topic: *Industry policy of the Russian Federation and future development perspectives.*

**Ghadah Al-Subaie**, Executive Director, Saudi Arabian General Investment Authority.

Topic: *Industrial development in Saudi Arabia.*

**Sergei Ivanov**, Deputy Chairman of the Executive Committee, CIS Deputy Executive Secretary.

Topic: *Industrial policy of CIS countries and future development perspectives.*

**Shamil Aleskerov**, Secretary General, Economic Cooperation Organization (ECO).

Topic: *Industrial policy of ECO member countries and future development perspectives.*

**Mohamed-Lamine Dhaoui**, Director, Business Investment and Technology Services Branch, UNIDO.

Topic: *Industrial modernization and upgrading.*

**13:00–14:30**

**Lunch**

**14:30–16:30**

**Panel session 2.** *Industrial parks and clusters: International experiences in sustainable industrial policy, German Federal Enterprise for International Cooperation (GIZ).*

*Venue:* SEGAH room.

*Moderator:* **Dieter Reineke**, Meo Corporate Development GmbH.

*Speakers:*

**Tolga Özbolat**, ODTÜ Teknokent Yönetim A.Ş.  
*Topic: Development of industrial parks and clusters.*

**Michael Guth**, ZENIT GmbH.  
*Topic: Experiences in setting up, managing and scaling up industrial parks and clusters.*

**Björn Vogler**, PM & Partner Marketing Consulting GmbH.  
*Topic: Economic and societal sustainability.*

**Zaur Mammadov**, Deputy Director, Sumgait Chemical Industry Park (SCIP).  
*Topic: Establishment and development of Sumgait Chemical Industry Park (SCIP).*

**Vilayat Valiyev**, Director of the Economic Reforms Scientific Research Center.  
*Topic: Development perspectives of clusters and industrial parks in Azerbaijan.*

17:30

**Departure for Baku Business Center.**

18:00

**Industry awards.**  
**Banquet hosted by the Ministry of Economy and Industry (MEI).**  
*Venue:* Baku Business Center.

**27 November 2014**

09:00–10:30

**Business meetings between local and foreign business representatives.**  
*Venue:* SHUR room.

10:30–10:45

**Coffee break.**

10:45–12:45

**Panel session 3.** *Investment opportunities in Azerbaijan and leveraging power of partnerships for pursuing inclusive and sustainable industrial development, United Nations Industrial Development Organization (UNIDO).*  
*Venue:* SEGAAH room.

*Moderator:* **Olga Memedovic**, Chief, Europe and Central Asia Bureau, UNIDO.

*Speakers:*

**Mr Stephen Taylor**, Director, Technology Transfer Department, AREA Science Park, Trieste, Italy.

Topic: *Science, industry and technology parks as tools to attract investment and stimulate local industrial development.*

**Mr Jaani Pietikäinen**, Deputy Head of Division, Eastern Neighbours and Central Asia Department, European Investment Bank.

Topic: *Building partnerships for promoting inclusive and sustainable industrial development in Azerbaijan.*

**Mr Bruno Balvanera**, Director for the Caucasus, Moldova and Belarus, European Bank for Reconstruction and Development (EBRD).

Topic: *The role of development financial institutions in building partnerships for promoting inclusive and sustainable industrial development in Azerbaijan.*

**Mr Famil Saidov**, Minister of Economic Development of the Nakhchivan Autonomous Republic (NAR).

Topic: *The vision and strategies of the Nakhchivan Autonomous Republic (NAR) and the possibilities of partnerships.*

**Mr Rufat Mammadov**, President, Azerbaijan Export and Investment Promotion Foundation (AZPROMO).

Topic: *Promotion of investments in Azerbaijan industrial sector: role of private sector.*

**Mr Rovshan Najaf**, Executive Director, Azerbaijan Investment Company (AIC).

Topic: *Investment opportunities in the industrial sector and the role of AIC in the realization of these opportunities.*

**Mr Fuad Musayev**, Commercial Director, NORM Ltd.

Topic: *Investment opportunities in the construction sector of Azerbaijan.*

**12:45–13:00**

**Closing remarks.**

Venue: SEGAH room.

*Speakers:*

**Ms Melanie Wiskow**, Project Manager, GIZ.

	<b>Ms Olga Memedovic</b> , Chief, Europe and Central Asia Bureau, UNIDO.
	<b>Mr Niyazi Safarov</b> , Deputy Minister of Economy and Industry, Republic of Azerbaijan.
<b>13:00–14:00</b>	<b>Lunch.</b>
<b>14:00–18:00</b>	<b>Visit to Sumgait Chemical Industrial Park LLC and Sumgait Technologies Park LLC.</b>





Baku International Industry Conference  
26–27 NOVEMBER 2014  
BAKU, AZERBAIJAN  
Conference Venue:  
“Four Seasons Hotel Baku”