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CCAMTAC Regional Webinar “Navigating Industrial Policies”

April 29, 2025

Introduction and Moderation:

Mr. Nurdaulet Abilov, Economist, CCAMTAC

Presenter:

Ms. Zsoka Koczan, Lead Economist, European Bank for Reconstruction and Development

Intervention:

Ms. Iva Petrova, Division Chief, Middle East and Central Asia Department, International Monetary Fund

A rapid development of digitalization and AI, transition towards carbon-neutral energy sources, and geoeconomic fragmentation have led to the changing landscape of production which poses major challenges for many countries who had leading positions in certain industries. In addition, recent supply chain disruptions after the pandemic have incited countries to seek more self-sufficiency in critical industries. Hence, industrial policies have attracted considerable interest from economists, policymakers, and the public as the number of industrial policy interventions have been on a rising trend for the last several years.

During the webinar dedicated to industrial policies, Zsoka Koczan presented the findings from the Transition Report of the European Bank for Reconstruction and Development (EBRD) on industrial policies and discussed the objectives and tools of industrial policies as well as some regional comparisons. In her presentation, the speaker delved deeper into the reasons behind the resurgence of industrial policies, linking it to a growing demand for state intervention in various economies. She highlighted that this demand has been particularly pronounced in post-communist regions, and among older respondents there. Zsoka noted that the recent global crises, coupled with the pandemic's aftermath, have led to rising demand for the state to step in to provide insurance.

Furthermore, the speaker discussed the regional variations in industrial policy focus, noting that economies are shifting away from growth and productivity objectives to environmental and regional development objectives. She pointed out that the administrative capacity of a country plays a critical role in the effective implementation of industrial policies. Countries with lower administrative capabilities often face significant challenges in executing their industrial strategies, which can hinder their overall economic development.

The presenter also examined the role of geopolitical fragmentation in shaping industrial policies. As countries navigate a landscape marked by trade tensions and shifting alliances, there is a



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concerted effort to enhance national self-sufficiency in critical industries. This shift has prompted many governments to adopt protective measures and incentivize local production. However, such strategies are not without risks, as they can lead to isolationist tendencies and may disrupt established global supply chains. Additionally, the speaker addressed the critical need for a balanced approach to industrial policy implementation, cautioning against the potential pitfalls of excessive state intervention, and emphasizing that while government support can be beneficial, it must be carefully calibrated to avoid market distortions. The presentation advocated for policies that promote innovation and competitiveness, arguing that fostering a dynamic private sector is essential for sustainable economic growth. Finally, the presenter underscored the importance of collaboration between the public and private sectors, suggesting that partnerships can enhance the effectiveness of industrial policies and drive forward-looking economic initiatives.

Iva Petrova's presentation focused on the IMF's approach to industrial policies, based on IMF's guidance for the coverage of industrial policies in surveillance. She emphasized the importance of clarity in defining the objectives of industrial policies, arguing that a well-articulated framework is crucial for accountability and effectiveness. The framework entails justifying the use of industrial policies—e.g., to address a macro-critical market failure—designing appropriate policy instruments, assessing their costs and benefits, evaluating their macroeconomic implications, and ensuring adequate implementation capacity. She also pointed out that without such a framework, it would be challenging for governments to assess the effectiveness of their interventions and to adapt strategies as needed. This clarity not only helps in tracking progress but also instills confidence among stakeholders, including investors and the public.

Iva further elaborated on the role of industrial policies in the growth strategies of CCA countries and the need to advance broader structural reforms first, as they are estimated to have a very significant impact on growth in the region. Structural reforms, especially those related to strengthening governance, such as transparency and accountability, are essential to support confidence and foster a favorable business environment. Cross-country experience also shows that robust governance is a precondition for introducing industrial policy tools, even if their use is justified to correct externalities or market failures. Appropriate mechanisms for monitoring and evaluating policy outcomes, allowing for adjustments based on real-time data and feedback, would not only enhance the effectiveness of industrial policies, but also build public trust in governmental initiatives.

During the Q&A session, participants raised various topics concerning the timing and implications of adopting industrial policies. Questions centered around the risks associated with increased state intervention in the economy and the potential long-term effects on market dynamics. The speakers addressed these concerns, emphasizing the need for a pragmatic approach to policy formulation and the importance of assessing national objectives to guide effective industrial strategies. The interactive dialogue underscored the complexities of navigating industrial policies in today's rapidly changing economic landscape.