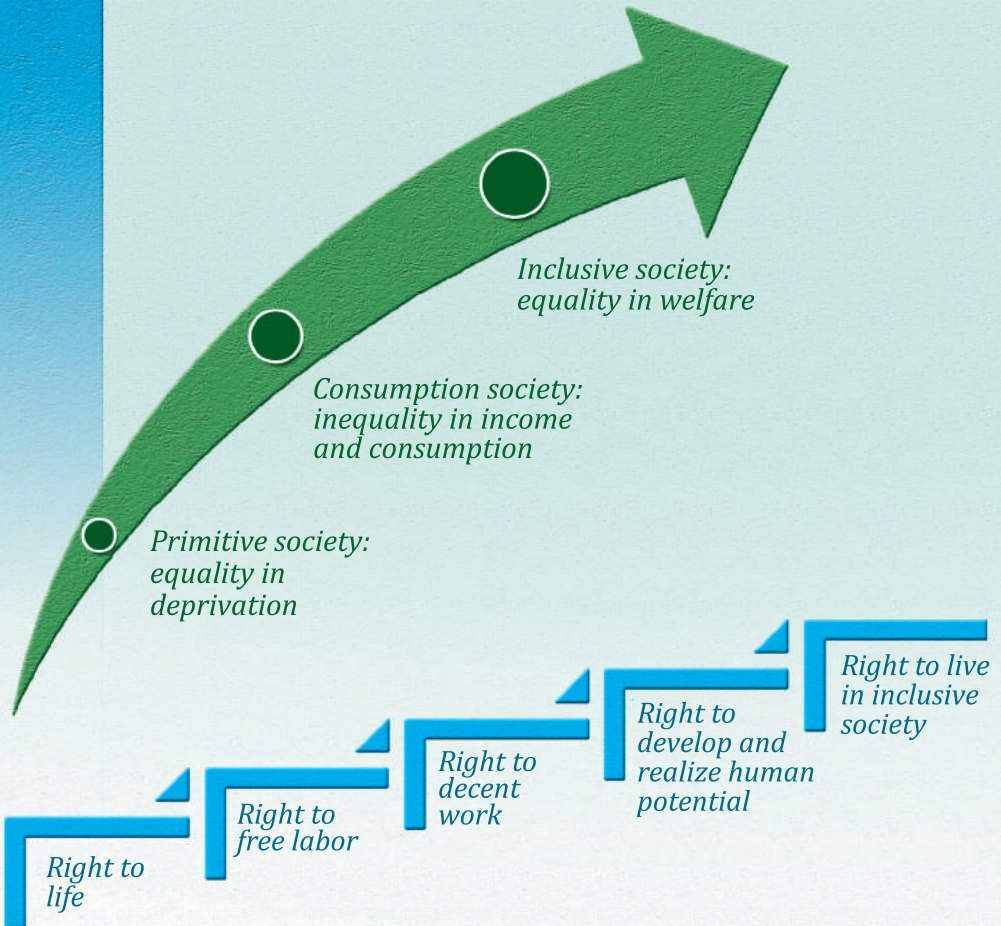


URKHAN ALAKBAROV

FUNDAMENTALS OF INCLUSIVE DEVELOPMENT MANAGEMENT

(Textbook for tertiary schools)



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A48 Fundamentals of inclusive development management.

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Inclusive development, which ensures the comprehensive development of the state and improvement of the welfare of all citizens of the country, is one of the main priorities of the modern public administration. It becomes clear from the 2018 comparative analysis of inclusive development indicators, conducted by international organizations in participating countries, that the success in this field is mostly related to the use of innovative technologies by public administrations. This is evident by the successful example of the Republic of Azerbaijan, which provides the highest effective use of the existing economic capacity for the inclusive development of the country. To maintain continued future progress in this direction it is important to establish, maintain and continuously improve the knowledge base and skills in monitoring, planning and management of sustainable inclusive development. This textbook serves to achieve this goal and has no analogue in the world. The textbook is intended for in-service training of social and development policy planners, managers and decision-makers, students of social studies and related sub-specialties and fields, as well as for technical experts working in the field of sustainable inclusive development.

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From the author

I consider it to be my duty to share with the reader when and how the idea to write this book came about. The idea to put together the textbook and relevant curriculum emerged after the publication of Inclusive Development Index of the 107 countries by the World Economic Forum held in Davos in 2018. Inclusive development can be defined as a way of the state's progress in which the comprehensive development of the country occurs in a way where all citizens feel the positive outcomes of this process. According to the above-mentioned document, Azerbaijan's inclusive development index is 4.69 and the country is ranked third in the world among countries with emerging economies. Among the countries included in this group, Azerbaijan leads the way ahead of many members of the European Union, and the Organization for Economic Co-operation and Development. This occurs despite the fact that the economic opportunities of those countries are far superior to Azerbaijan's current economical capabilities. Further, in-depth study of the above-mentioned documents showed that Azerbaijan's inclusive development indicators are higher than the corresponding indicators of a number of countries with higher level of economic development. Azerbaijan's inclusive development index is higher of the inclusive development indexes of the USA, Japan, Italy, Israel, Spain, Portugal, as well as Turkey and Russia among others.

These greater results, despite fewer funds, have been achieved primarily through effective public administration, as well as the use of new principles and technologies. The basis of the successes gained in the Republic of Azerbaijan is the result of the implementation of a deeply thought-out state governance strategy set by the national leader of Azerbaijani people Heydar Aliyev and creatively developed by President Ilham Aliyev. Realization of this strategy has led to the fact that the Republic of Azerbaijan made significant progress on all indicators taken into consideration by international organizations. Over the past fifteen years, income, savings, employment levels and welfare of the population saw significant increases along with the greater efficiency of resource utilization, with lesser impact on global climate change, and the amount of external debt of the Azerbaijan Republic has been kept at the optimal level. Health indicators also have improved, while poverty levels and income distribution among the population have started to meet high international standards and demographic structure of population maintains positive trends. Overall, significant progress has been made in the social sphere of the country. The First Vice President of the country, President of the Heydar Aliyev Foundation, Mrs. Mehriban Aliyeva's role should be emphasized in the progression and development of this field.

All indicators mentioned above are used by international organizations when evaluating the development level of a country and setting comparative benchmarks. Azerbaijan's high rating position was determined using these specific indicators of the inclusive development as compared to ratings of all participating countries.

Such achievements can only be gained through the application of innovative technologies in the governance, planning, management and monitoring of the national development process.

It is therefore most important to document practical experiences and consolidate knowledge base gained in this field to maintain continued progress in achieving sustainability of high-level inclusive development in the future. The textbook presented serves for this purpose.

Textbook “Fundamentals of Inclusive Development Management” is an original textbook currently without an analogue in the world. The author considers himself obliged to express his deepest gratitude to everyone who helped develop this textbook. It would be impossible to create this book without valuable ideas and materials presented by Z.Habibova, Doctor of Political Sciences, and L.Sultanova, PhD in Economics. I would like to express my special gratitude to them.

Academician, Prof., Dr. Urkhan Alakbarov

INTRODUCTION

Humanity had a difficult development path, while always striving to improve its quality of life and raise the standard of living. To achieve this goal at various stages of society's formation and development, mankind has set various purposes and benchmarks for itself. If the early stages of human society were anchored by the fundamental aim of survival, subsequent stages saw more complex goals and targets such as the right to work free from slavery, feudal relations and exploitation. Factors such as development opportunities for political and legal institutions and civil society as a whole have become an important driving force of development. The developments of science and technological advancement under the conditions of effective state governance have led to a significant increase in educational, professional training and cultural advancement of the general population. As a result major part of the world's population saw increase in the life expectancy along with significant improvements in quality of life.

However, the above-mentioned advancements were not universal and inclusive with large population groups being left behind. The international community being concerned with lack of universality and inclusiveness adopted the concept of inclusive development as the most up-to-date priority for economic and social development.

The word "inclusive" which in this context can be defined as "comprehensive" or "embracing", in combination with the word "development" already presents an idea about the essence of the concept. Inclusive development can be characterized as a process which covers all components of the national development with its positive results being appreciated by all citizens of the country.

Fundamentals of inclusive development management

The degree of a country's readiness to move towards inclusively developing society is assessed by a number of economic and social indicators. The sustainability of this process, i.e. the long-term prospect of inclusive development and its potential preservation in the future, is also calculated based on a group of economic, environmental, social and demographic indicators. The Inclusive Development Index, which is used by international organizations, was prepared on the basis of these complex inclusive growth indicators.

The 2018 report from the World Economic Forum in Davos contains information about the state of inclusive development in 107 countries. According to this report, the Republic of Azerbaijan has achieved great successes in sustainable inclusive development. The report provides information that the indicators of the Inclusive Development Index of the Republic of Azerbaijan are superior to the relevant indicators of a number of countries included in the G7 (Group of Seven), European Union, and Organization for Economic Co-operation and Development (OECD). However, almost in each of these countries, the economic basis for inclusive development is higher than that of Azerbaijan. These countries also report a higher GDP (Gross Domestic Product) per capita than Azerbaijan. The case of Azerbaijan then draws attention due to achieving high results developed in the context of relatively limited material resources. Studies show that the Republic of Azerbaijan achieved these high results thanks to the development strategy founded by the national leader Heydar Aliyev and creatively realized by President Ilham Aliyev.

Though less than 30 years have passed since the restoration of the country's independence, the development and introduction of new principles for the management of state development by President Ilham Aliyev, as well as the broader use of the complex of innovative public administration

technologies, demonstrated to the whole world that technology plays a primary role in the management of sustainable inclusive development.

This textbook is based on new knowledge and achievements in planning and management of inclusive development. The aim is to develop the necessary knowledge and practical skills for the processes of sustainable inclusive development at a global, national and regional level. The textbook was developed on the basis of new ideas, practices and knowledge created and successfully implemented in the Republic of Azerbaijan. In this regard, the presented textbook doesn't have any analogue in the world. As most of the terms used in the book are new, there is a glossary at the end of the textbook.

The textbook is intended for students, and also those studying at master's and doctoral programs in sustainable development management, international relations, law, economics and politics and various subjects related to the basis of state governance. The textbook is also necessary for continuous education of civil servants and their in-service training at refresher courses.

1. CHARACTERISTICS OF SOCIETY MANAGEMENT AT VARIOUS STAGES OF HUMANITY DEVELOPMENT AND OPPORTUNITIES FOR INCLUSIVE DEVELOPMENT

Various stages in the development of human society. Pre-industrial, industrial and post-industrial periods. Factors that limit inclusive development in modern times. Global challenges to sustainable inclusive development.

- 1.1. The purpose of section*
- 1.2. Keywords and concepts*
- 1.3. Inclusive development potential in different stages of human development*
- 1.4. Main stages of societal development*
- 1.5. Inclusive development potential of the pre-industrial society*
- 1.6. Inclusive development potential of the industrial society*
- 1.7. Inclusive development potential of the post-industrial society*
- 1.8. Negative trends observed at the present stage of societal development*
- 1.9. Global challenges to inclusive development*
- 1.10. Test yourself: questions and tasks*

1.1. The purpose of section

A new and modern theory was formed in the field of public administration in the second decade of the XXI century. This theory is known as inclusive development. Inclusive development is a special method of addressing economic, social and ecological problems that are observed in society. It is a form of public administration that is comprehensively developed and applied by the state, so that each citizen can feel the positive results of this process. To bring this case to realization, it is essential to have comprehensive knowledge in this specific field of public administration. Besides historically accumulated information, it is important to integrate lessons learned from contemporary approaches, which provide for sustainability and inclusiveness of national development process. In this regard, the analysis of the conditions required for inclusive development is specially and purposefully examined throughout different stages of progression of human society. The analysis begins in the early pre-industrial stages of society, progresses through the industrialization cycle, and concludes with the analysis of the post-industrial cycle. At the same time, the existing and emerging challenges limiting the implementation and sustainability of inclusive development are visited in this section. Thus, several specific terms characterizing limited development situations in modern societies are introduced in this section. These terms are development without future, development without equality, and development with technology lag. Section further elaborates on other challenges experienced in implementation of inclusive development process and on the ways to address these challenges.

1.2. Keywords and concepts

Inclusive development; Areal; Development without future; Development without equality; Development with technology lag; Gross Domestic Products (GDP)

1.3. Inclusive development potential in different stages of human development

In all stages of societal progression people tend to improve their life, using all available opportunities to achieve this purpose. Starting from the earliest stages of society and progressing through subsequent stages of development, humans have always tried to improve their welfare and quality of life. This goal would be traditionally achieved through two methods. First, people would have tried to expand their area of influence. For instance, at early stages of societal development people would strive to expand the territories that are used for hunting, fishing, as well as for gathering of food and edible and medicinal plants. At the same time, stones and other items would be collected for creation of the simple tools and construction of shelter and dwelling settlements. These trends have been observed at every stage of the evolution of human society. The formation of the idea of private ownership only served to accelerate this process, with these trends becoming much more apparent in feudal society and subsequent stages of mankind development. As a result, differences in consumption, living standard, and quality of life have rapidly escalated.

Constant improvement of collective and individual knowledge and skills become a parallel path societies followed to improve quality of life. Experience has shown that amassing a greater base of knowledge not only improves individual standard of living but also serves as a foundation for the development and growth of society as a whole.

Naturally, individuals from various societies have diverse methods for increasing their own potential, obtaining new information and abilities and reaching high levels of expertise.

Individual change and growth can usually be attributed to the effort of an individual, however in many scenarios other factors pose significant barriers limiting access to education and knowledge, as the result these individuals develop less competitive skills leading to lower social and income status. Natural factors and environmental constraints also present limitations, all resulting in inequalities in economic wellbeing, quality of life and consumption patterns.

As it is mentioned, another target of inclusive development is to remove the observed considerable differences and disparities in the field of consumption. Inclusive development cannot be attributed to the societies experiencing poverty, hunger and deprivation. It is important to note that historically steps were taken to tackle these issues by all human societies well before the creation of inclusive development as an idea and a concept.

The methods deployed by various societies and cultures to address poverty and deprivation are vast and have been implemented in a multitude of ways. Understanding how individual societies and cultures deploy these coping methods is important for the design of inclusive development programs. It is equally important to maintain a robust system of monitoring of these programs both at national and decentralized levels through the sets of specific and measurable indicators.

1.4. Main stages of societal development

Inclusive development of a modern society is based on the evolution of views around management of the societal development process and the innovation and emergence of new management technologies. Several approaches are known

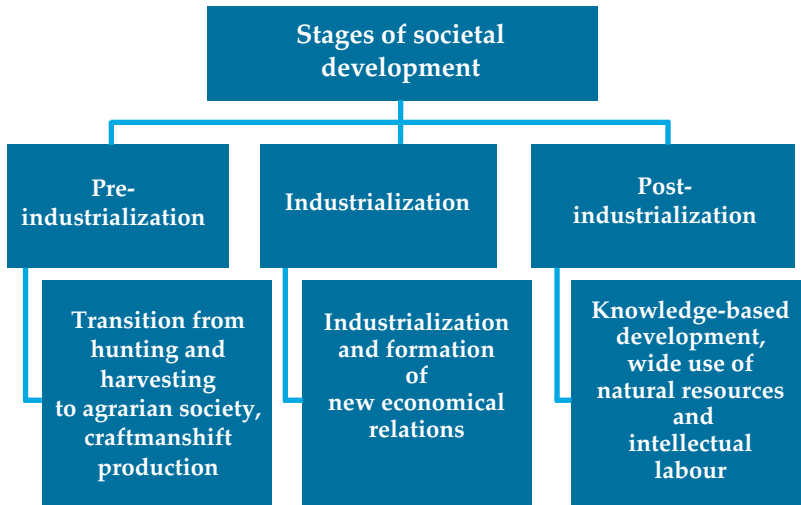


Figure 1.1. Characteristics of pre-industrialization, industrialization, and post-industrialization stages

for the classification of stages observed in the development of society. One of them divides the process into 3 basic stages: pre-industrial, industrial and post-industrial.

This type of classification is based on characteristics of economic relations in various historical periods and participation of people in this process. Each of these stages has encompassed certain historical periods and have not been unequivocal. But each stage has its own specific characteristics making it different from other periods. These characteristics depend on both the existing technological development in the society, and the social structure of the society.

Inclusive development as a specific term and a new concept in public administration became widely accepted in the second decade of the XXI century. As is it defined today, inclusive development is a type of public administration that develops and raises the welfare of every citizen.



The hunters in the primary community structure

The characteristics of inclusive development and the indicators used for assessment of this process are all concepts and products of the XXI century. But analysis of various historic events and sources of information shows that the elements of the inclusive development were previously among the issues faced by all public administrations and governance structures build by humankind.

As shown in the figure 1.1., the pre-industrialization period was the first stage of society and its formation. From a historical standpoint this period is a longest lasting stage in comparison to others, lasting until the year 1800. This stage of development is divided into 2 sub-periods. In terms of economic relations, the first period was the hunter-gatherer society, while the second is known as the agrarian society.

The special demographic situation was observed in both stages. The population of the world was not high while hunting



*Rock hunting pictures in Gobustan, 10th-8th millennium B.C.,
The Republic of Azerbaijan*

and labour tools were extremely simple. For these reasons the use of tools in the formation of society did not produce substantial damage to the environment, as a small population armed with simple tools had a rather limited capacity. In this situation emerging ecological damages were restored in a natural way. This means that from the ecological point of view there is no obstacle for inclusive development at that particular stage of society.

Other characteristics of inclusive development also existed in the pre-industrialization stage. For instance, although the hunting and working tools were created individually in the initial period of hunter-gatherer society, evidence suggests that the loot from hunts and expeditions was equally divided among society members.

Industrialization period began from the year 1800 and lasted until the 1960s. Certain characteristics of inclusive development are also observed in industrialization and post-industrialization periods. For instance, formation of opinions about the equal opportunity society, creation of various societal functions and organizations and development of the indicator frameworks to evaluate and monitor social development. All of these prove that elements in the current construct of inclusive development concept have emerged through various stages of evolution of human society.

1.5. Inclusive development potential of pre-industrial society

The pre-industrialization cycle can be represented by two stages. The first stage, at its core level, can be characterized by the formation of primary communities. This stage is also known as hunter-gatherer society. The basic function of people in this stage consisted of hunting, fishing, and harvesting, while the broader goal was focused on surviving.

In this stage of development, people lived in a communal structure, and equally shared all returns that came as a result of their activities. This is one of the main characteristics of inclusive development, the means for eliminating of non-equalities in consumption. There was no place for inequality in a hunter-gatherer society. At the same time other characteristics of inclusive development were not observed in this society. For instance, one of the conditions of inclusive development is a long-lasting lifespan and a standard of living conducive to creative output.



Irrigation of the gardens with “Shaduf” Egypt

The average lifespan of people in this stage of societal development rarely crosses the age limit of 30. This leads to the fact that inclusive development was impossible in this society. In general, it should be mentioned that various other conditions of this stage were not relevant to the inclusive development requirements.

The same situation was observed in the period that is known as an agrarian stage in the pre-industrial stage of human history. This stage is characterized with expanding environmental impact. People obtained new territories, used forest lands for agrarian purposes, built residential areas, roads and irrigation systems. This stage is known also as a period of formation of new specialties and professions. Lands, domestic animals, work tools became a special property, making their owners rich and influential

comparing to others and equal rights communities give space to an increasingly unequal world.

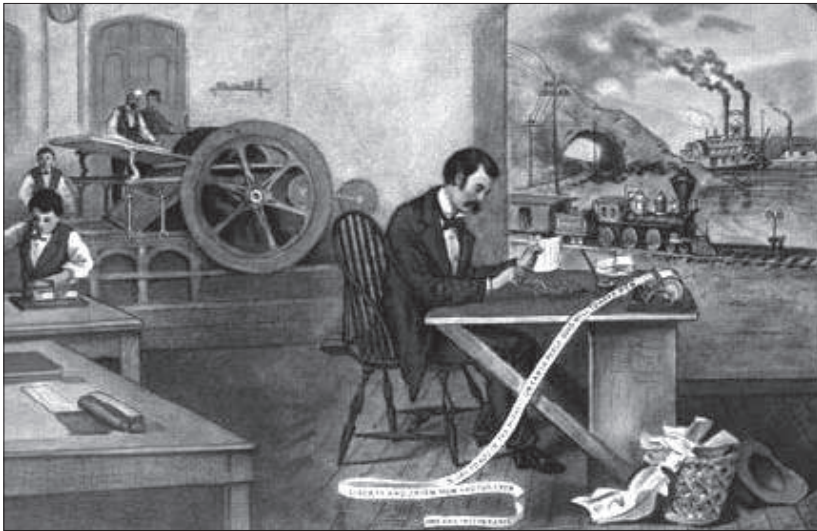
The importance of private property increased in the feudal stage of societal development, on one hand economic development was on increase, on another economic differences between the rich and poor started to grow, laying the ground to the inequalities to be addressed by the inclusive development concept. It must be noted that societies attempted to react to the differences in level of income and consumption through charity and basic assistance programs.

The formation process of some religions also occurred in the pre-industrialization stage of mankind's development. In many cases, religious rules set up a struggle against different forms of societal inequality encouraging charity and giving. For instance, in the Islam, rules such as fitra, zakat, and khums had the potential aim to eliminate poverty and to reduce sharp differences in income and consumption. Many religions and cultures encourage various charity and giving acts with purpose to eliminate poverty and reduce human suffering.

In general, it should be mentioned that the large disparities in the level of economic development observed at the stage of pre-industrialization, manifesting in high differences of people's income, did not set a favourable stage for inclusive development. This period was also characterized with shorter average lifespans, wide spread burden of disease, escalating to epidemics and pandemics - factors which did not facilitate inclusive development either.

1.6. Inclusive development potential of industrial society

Another stage of societal development is industrialization. This stage started with the organization of industrial production in the XVIII century. The first industry enterprises were formed in England in 1740-1780, but then they were formed in Germany and other Western European states. In the industrial community, people learned not only to use the power of wind and water, but also the power of steam and electricity. The rapid growth of industry and machinery production enhanced the impacts that societies had on the environment. Large-scale and rapid exploitation of various types of natural resources were implemented. Environmental pollution and industrial waste contamination continued to grow day by day. At the same time, the difference between income and consumption level of people increased rapidly.



Industrial community of XIX century

This period was also marked by intense colonization of overseas territories by industrialized countries. Exploitation of natural resources of the colonies and their populations paved the way for the rapid growth of the economy of the colonizing states. This situation at the same time cleared the way for implementing different social and cultural development projects in the colonial states. This stipulated the formation of international stratification due to the material assurance indicators.

It should be mentioned that some vital changes also occurred in the daily life of the people in the industrialization society. The lifestyle of millions of people was improved, science and education developed rapidly. But, besides this, the process of non-effective usage of natural resources in the society, and contamination of the environment was ongoing and booming. The main two factors stipulated the increase of use of natural resources and aggravation of contamination of the environment. One of them was the rising number of the global population. Another factor was the increase of per capita consumption in the industrial society. World statistics show that both factors impact inclusive development in a negative way.

It is clear that the industrialization society faces a greater number of challenges to manage to create favourable environment for inclusive development. Preventing climate change processes takes a special priority among the crucial challenges to be addressed. Therefore, indicators of inclusive development also include the amount of greenhouse gases emitted into the atmosphere. This process started in the industrialization period and has persisted into the post-industrialization period (Figure 1.2.).

The emission of the greenhouse gases in to the atmosphere impacting the global climate changes is determined by the special indicators, such as measuring carbon dioxide emissions (in metric tons) per capita.

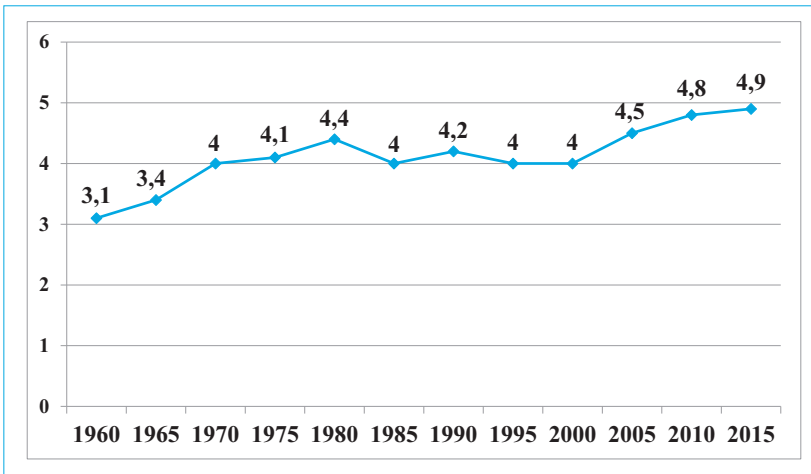


Figure 1.2. Carbon dioxide emissions per capita (tons). Information source: World Bank, 2018

As it seen in the figure 1.2., every year, the amount of the emitted greenhouse gases per every citizen of our planet keeps on increasing, despite already being at an alarmingly high level. This is observed both in industrial and post-industrial societies.

1.7. Inclusive development potential of post-industrial society

Another stage of societal development is post-industrialization. This period, at the same time, marked a new stage of growth primarily as result of interaction between society and the environment. The beginning of post-industrialization can be traced to the 1960's and is marked by an increase in funds allocated for the development of science by many countries (Figure 1.3.).

It is known that human development indicators of education, health and economic wellbeing of population are

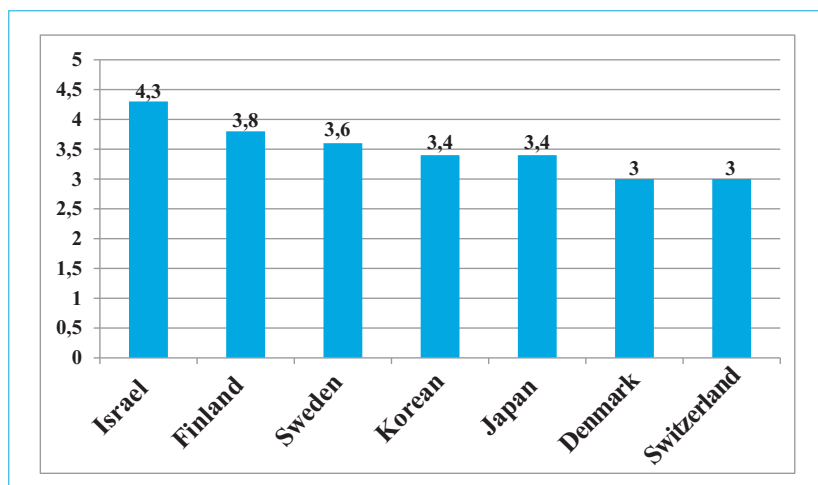


Figure 1.3. Countries with the most financial resources for science (percentage of GDP). Information source: UN, 2018

key in determining the overall development level of a state. According to these factors, 47 countries in the world are classified as countries with high-human development indicators. These states are considered as leaders of the post-industrialization stage. The bases of these achievements are various factors, including attention to science. On average, these states direct the 2.5% of their Gross Domestic Product (GDP) to the development of science. Figure 1.3 introduces data about the states that spend more than 3% of their GDP on science. Israel should be mentioned specifically among these states. This state directs the 4.3% of its GDP to the development of science. The second country in the world in this field is Finland. That country directs 3.8% of GDP to the development of science. Sweden, The Republic of Korea, and Japan are also valuing the development of science and direct 3% of their GDP to the scientific research. This type of policy provides conditions for innovative development of mentioned

states and enables inclusive development through innovation, evidence and new technology.

Intensive exploitation of the natural resources is continuing in the post-industrialization stage, combined with strong scientific progress. But in this stage, scientific and technical progress clears the way to the usage of new, natural resource preserving technologies and the expansion of alternative energy use. This is the main factor for inclusive development.

In post-industrialization stage, high achievements were gained in all fields of science. The importance of information and communication technologies should be mentioned in this stage of development. The expansion of communicative opportunities and their arising to a new level paved the way to the increase of knowledge and expansion of coverage in the fields of innovative management and production technologies. The average lifespan of the population became longer, availability of social goods and services increased and the quality of life improved in many states in the post-industrialization stage. All of these are essential for the states with inclusive development.

Besides this, there were many events that prevented the formation of inclusive development and its sustainability in this time period. The most modern and advanced technology created in this period was used in wars and military conflicts. Use of advanced weaponry caused multiple and scaled humanitarian tragedies in various parts of the world, larger and smaller scale raging conflicts caused enormous destruction and resulted in unprecedented levels of population displacement and human suffering. Despite these conditions, the time of post-industrialization society is the period during which the concept of inclusive development is articulated in this scall for the first time. The post-industrialization society is closer to the inclusive development because of the overall economic and technological progress made.

1.8. Negative trends observed at the present stage of societal development

The process of development is complex and multi-dimensional. Development is largely seen as a positive process, and use of a term “developed person” or “developed state”, carries a notion that the person or the state are the bearers of positive qualities and values. But development is a dynamic process and both positive and negative factors can cause further advancements or set-backs. For instance, a healthy person can become sick. Natural disasters such as flood, tsunamis can caused devastating human and economic losses and such a development dynamic can't be considered a positive one, despite still altering the direction and development of society. Political and economic crises can also develop and layer additional risk for the state and its population. Therefore, the development process in itself will result in change, but the direction of that change can be both positive and negative.

The aim of each state is to ensure the positive change and the development that results in qualitatively new achievements. However, along with positive changes, there also negative trends in the development of society. These are the risk factors for the formation of an inclusive society and the sustainability of this process. These include development without future, development without equality, and development with a technology lag (Figure 1.4.).

The term “Development without future” was first put towards circulation by the UN at the end of the XX century. Development without future reflects a situation in which the ever-increasing irrational use of non-renewable natural resources takes place. The number of people on the planet

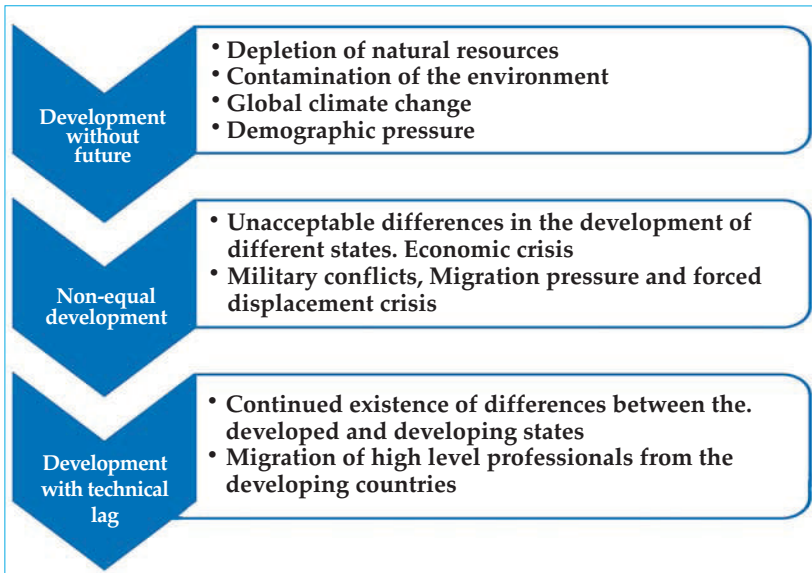


Figure 1.4. Types of development that limit the opportunities for inclusive development

continues to grow, the consumption per capita of goods and services is increasing, which requires increase in consumption of resources and energy.

This implies a rise in natural resources and energy consumption. The current generation tries to meet their needs while the interests of the future generations are often ignored.

To prevent development without future it is crucial to have information on its main characteristics. The basic characteristics of the development without future are: 1) excessive use of energy and raw materials for the production of Gross Domestic Product (GDP); 2) the environment is highly degraded and contaminated; 3) insufficient use of alternative energy sources, other renewable resources, and recycling of waste; 4) innovative



Impact on global climate changes

technologies are not properly mobilized for the management of resources.

It should be noted that in 2015, the United Nations General Assembly and the World Summit on Sustainable Development aimed to eliminate these adverse trends in the world. However, currently observed problems in the field of adverse development appear to be factors limiting opportunities for inclusive development.

The term “Development without equality” is also put in circulation by the UN. It was proposed at the end of the twentieth century. This term is applied where the levels of income and consumption are varied sharply in different countries. For instance, according to the World Bank, in some European countries in 2018, per capita income is 100 times more than in some countries on the African continent. This is a manifestation of international unequal development. This situation manifests itself also from within the countries

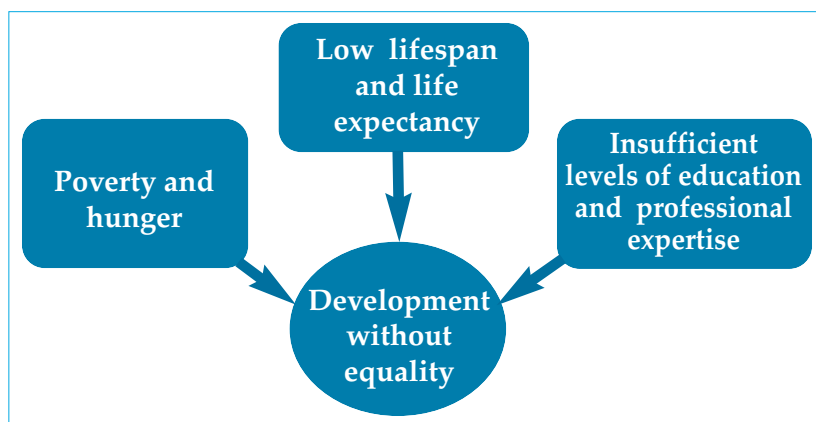


Figure 1.5. Factors of development without future limiting inclusive development opportunities

across the globe. For instance, in a number of South American countries, the average income of top 20% of the richest people exceeds ten times the average income of 20% of the poor. Both manifestations of development without equality limit the potential for inclusive development of some countries. (Figure 1.5.)

The term “Development with technology lag” was first used in the Human Development Report of the Republic of Azerbaijan in 1996. The meaning of this term is that developing countries tend to opt for development of a new modern industries to achieve rapid development in the economic and social spheres. Usually, implementing this type of projects takes time. Typically, this time is used for planning of a production facility, defining financial sources, purchasing and installing equipment, and staffing.

During this ideation phase, as a rule, a more up-to-date and current product that serves the same objective is created in developed countries. As a result, the product

created in a developing country does not have high competitiveness on a global market. Developments in the country are still taking place, but this process has been accomplished with a technological lag. In developing countries and countries with transition economies, development planning should be based on a long-term outlook that aims to account for and prevent such situations. Development with technological lag is a serious factor limiting the possibility of sustainable inclusive development.

1.9. Global challenges to inclusive development

From the information provided in the previous sections we have witnessed many positive changes that have taken place in the lives of people throughout the history of human society development. The average lifespan and life expectancy around the world has increased, many countries saw growth in the economic and social sectors, and overall levels of education and availability of workforce trained in various occupations have improved. The achieved results have formed a basis for the upgrade and transition to a new stage of economical and social growth. The international community has proposed the concept of inclusive development as such next stage.

The achievement of inclusive development objectives faces several economic, social and environmental challenges. Some of these challenges are global and they are an essential condition of inclusive development. Information on most global challenges that hinder inclusive development is presented in Figure 1.6.

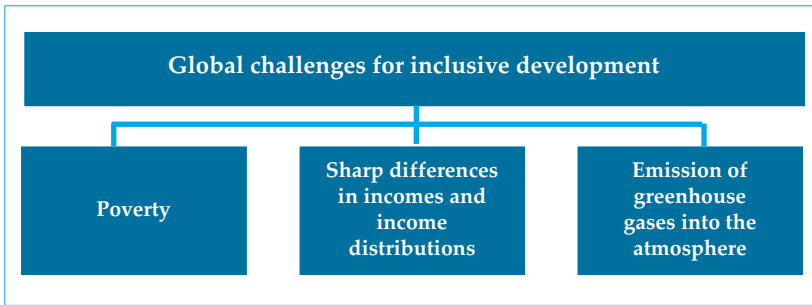


Figure 1.6. Global economic, social and environmental challenges that limited the inclusive development

Inclusive development level of the states is determined in the base of several indicators. Inclusive development indicators presented in Figure 1.6 are both national and global.

Effective responses to challenges such as global climate change can only be realized on the basis of internationally agreed measures if each country is able to reduce poverty or reduce disparities in income distribution in its territory.

Over the last ten decades, levels of emissions of carbon dioxide (CO₂) and other greenhouse gases in the world have increased as a result of rapid population growth, economic and agrarian expansions, and intensification of transportation. In turn, this leads to climate change and increasing temperatures of our planet, which results in some regions experiencing devastating storms, tsunamis and drought (Figure 1.7.).

Figure 1.7 shows that many incidents of global climate change often lead to economic, social, and political complications. Obviously, the fight against climate change should be strengthened to achieve inclusive development aims.

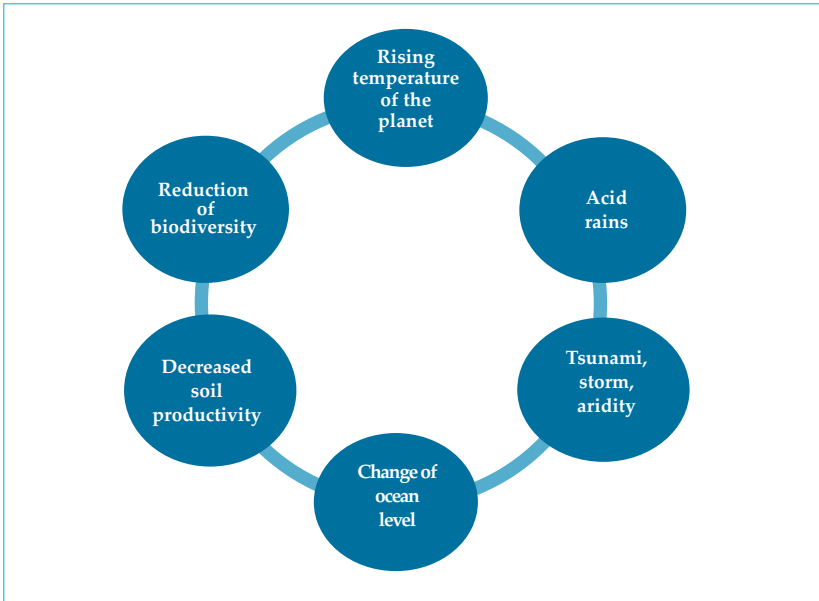


Figure 1.7. Some of the consequences of global climate change

For the continued development of post-industrial society it needs to possess with a well-qualified workforce which has knowledge and skills to plan and work from the inclusive development perspective. The importance of educating talent in this field cannot be overstated. The success of this policy can be determined by a number of indicators, such as the percentage of students enrolled in higher education in the field of natural and technical sciences (Figure 1.8.).

A high percentage of students in mathematics, natural sciences, engineering, and agricultural specialties tells us about the policy aimed at developing the real economy in the country, which can serve as a basis of inclusive

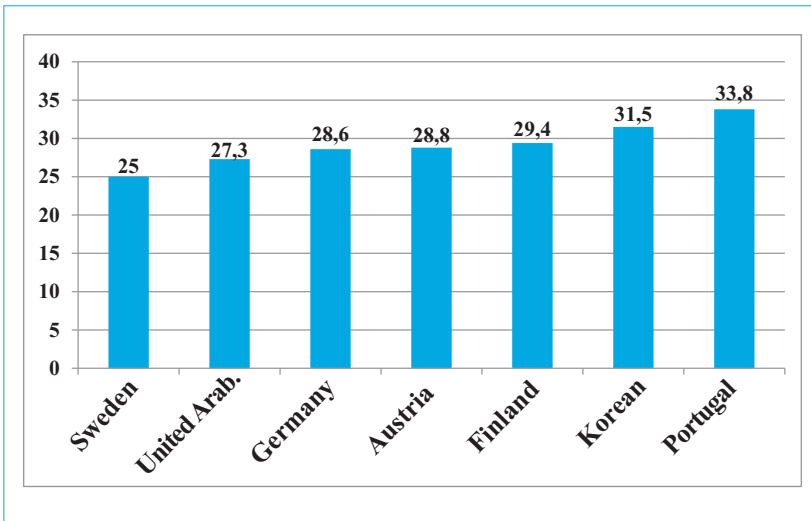


Figure 1.8. Percentage of graduates studying in the natural and technological fields. Information source: UN report, 2018

development. Figure 1.8 provides information on mathematics, physics, chemistry, biology, and other natural sciences, as well as graduates of engineering specialties. The Figure 1.8 shows the countries with the high levels of human development index. In this group of states, percentage of natural and technical sciences holds a minimum of 22% of the graduates.

1.10. Test yourself: questions and tasks

1. What is inclusive development? Outline its key characteristics.
2. Identify the main stages of society development and characterize them separately.

3. Characterize the pre-industrialization stage of societal development.
4. Characterize the industrialization stage of societal development.
5. Characterize the post-industrialization stage of societal development.
6. Analyse what characteristics of pre-industrialization, industrialization, and post-industrialization meet the demands of inclusive development.
7. What are greenhouse gases and how do they impact global climate change?
8. What is development without future?
9. What is development without equality?
10. What is development with technology lag?

2. SUSTAINABLE DEVELOPMENT AS THE MAIN FACTOR OF MANAGING GLOBAL RISKS

Modern trends in the management of the inclusive development process. The relevance and main characteristics of sustainable development. Formation of a sustainable development concept and its role in inclusive development; Transitioning from equality in deprivation into equality in welfare.

- 2.1. The purpose of section*
- 2.2. Keywords and concepts*
- 2.3. Modern trends in managing development process*
- 2.4. Formation and implementation of sustainable development concept*
- 2.5. Global forums for sustainable development*
- 2.6. Sustainable development goals*
- 2.7. Inclusive development: from equality in deprivation to equality in welfare*
- 2.8. Test yourself: questions and tasks*

2.1. The purpose of section

In the first section of the textbook it is shown that mankind faced a number of challenges until it reached the current stage of development, and these challenges sometimes even questioned the future of successful development of human society. From the information presented in this section, readers will find that people have always been facing such challenges as societies advanced in the pursuit of progress. While the main challenge for people in the early stages of development was to protect their lives in challenging environmental conditions, at the later stages attention is shifted to avoiding further environmental contamination and degradation. Contamination and degradation of the environment are having global effect and are the cause of global climate change. Economic, social and humanitarian consequences of environmental degradation, impact caused by growing and frequently recurrent natural phenomena such droughts, floods, tsunamis and climate change are serious factors that hinder the development of human society. The prevention of these negative processes and the elimination of irreparable global problems are only possible with the use of modern scientific and technical achievements and the application of innovative public administration technologies. It is an essential condition for the establishment of an inclusive society. The knowledge reader acquires in this section demonstrates that inclusive society can only exist in sustainable development environment. One of the aims of this section is to form knowledge in the field of sustainable development, which is the foundation of inclusive development. This knowledge is important as achievement

of sustainable development goals is a global development priority. This section also provides the reader with background information about indicators of inclusive development, allowing to monitor and manage the process.

2.2. Keywords and concepts

Pandemic; Biodiversity; ESIA (Environmental and Social Impact Assessment), Group of Seven (G7), Organization for Economic Co-operation and Development (OECD), Corporate Social Responsibility; Sustainable Development Goals.

2.3. Modern trends in managing development process

The term “development” in the classical meaning of this word indicates the process of transition to a more advanced state of being, passage from simple to a more sophisticated form, and change from old to the new qualitative state.

As development is a constantly changing process, changes can take place in different ways. This means, at the same time, that the outcomes of the development process can have a different impact on society. In the preceding section, it was found that development cannot always be considered a positive process. It was mentioned that the development of some events and processes can become a source of risk for any person or society. For example, development of infectious diseases can cause serious illness, epidemics and pandemics endanger the lives of a large group of people.

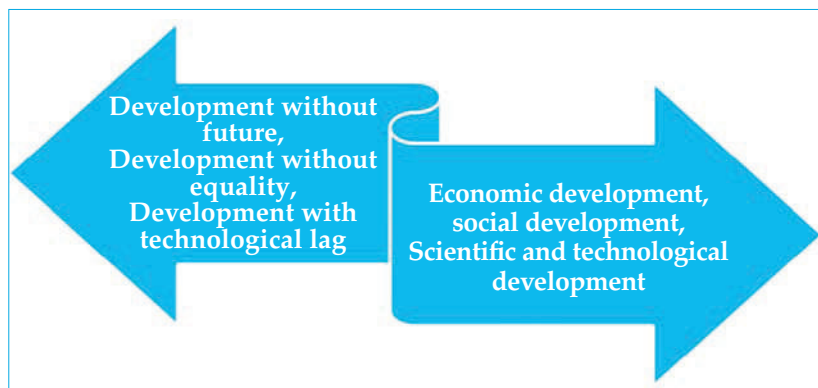


Figure 2.9. Positive and negative trends in the management of development processes

Irrational economic development causes environmental degradation and leads to climate change, disasters such as storms, tsunamis, volcanic eruptions, floods lead to deaths, destruction, economic losses and induces other adverse consequences. Current meteorological processes in various regions of our planet show that global climate change is a serious risk for inclusive development and that the development term may have a negative meaning.

As it is known, the development of society can also proceed in various directions. Positive trends are described as economic, social, humanitarian or political progress. Scientific, technologic and cultural progress is also an important achievement of successful governance and development process. In other cases, as a result of poor governance, the potential for inclusive development is wasted because investments are made into another form of development, such as development without future, development without equality, and development with technology lag.

The choices in management of development effectiveness can be presented as a conveyor, or as a scheme. The tapes of conveyor move in different directions. One of the directions is towards new progressive choices resulting in positive changes that are happening in economic, social, humanitarian and environmental fields. In contrast, development choices can result in negative outcomes. The negative consequences are the depletion of natural resources, environmental contamination and degradation, demographic imbalance, and biodiversity reduction. This is reflected in the movement of the conveyor belt in the opposite direction (Figure 2.9.).

For this reason, during the planning of economic and social activities, the long-lasting perspectives of this process should be taken into account and the possibility of negative consequences should be thoroughly assessed. Various factors can be related to such negative risks (Figure 2.9.). The effective management of these risks is the main driver of inclusive development and sustainability of this process.

2.4. Formation and implementation of sustainable development concept

The economic development, availability of modern transport, information and communication technologies has radically changed the lives of people. The scientific and technological revolutions of industrialization and post-industrial era, application of innovative technologies in public administrations have created conditions for raising the development process to a new level. Across the globe quality of life and average life expectancy of population have improved and new opportunities for intellectual

development, technological advancement, and social integration have emerged.

At the current stage, development of human society is at a very high level. But even at this historically highest level of progress contradicting pressure points of economic, environmental and social nature continue to exist. New challenges specific to the context of the post-industrialization development have emerged and they require adequate solutions. These challenges are largely related to economic, social, and environmental issues.

International community pays considerable attention to the recognition of emerging challenges and makes these topics central to the agenda of international negotiations and discussions. The most influential among these forums is the UN General Assembly, one of the six main organs of the United Nations. Specific topics of international development are discussed at international conferences and World Summit which bring together heads of states, politicians, international development institutions, private business representatives, non-governmental and civil society institutions and organizations and independent experts. Sustainable and progressive development and formulation of a common, uniform global strategy in that direction were central to the international negotiations agenda at the global forums and conference, paving the way for development of the sustainable development concept.

2.5. Global forums for sustainable development

As a term, sustainable development was for first time used at the United Nations Conference on the Human Environment held in Stockholm, Sweden from June 5–16, 1972.

Fundamentals of inclusive development management

Deliberations and the outcomes of the conference were instrumental in creating a global consensus that interdependent challenges facing economic and social development, and the pressure of environmental degradation require constant monitoring and development of the evidence based strategies to address these challenges. Later, the UN has established a special World Commission on Environment and Development. The UN assigned the presidency of the Commission to the former Prime Minister of Norway, Mrs. G. Brundtland and Sudanese diplomat Mr. Mansuor Khalid, was named as the secretary. Additionally, 20 experts from 20 countries were included to the Commission. The structure of the commission ensured that it has at least one



United Nations Organization

representative per continent and that experts were of different substantial profiles to provide a variety of knowledge and perspectives.

The Commission prepared a special report entitled “Our Common Future”. This report was presented for discussion at the 42nd session of the UN General Assembly in New York in 1987. The recommendations of the report were endorsed at the UN General Assembly and the report itself provided the first conceptual definition of sustainable development.

The essence of this concept is integration of economic, social and environmental dimensions of development within the framework of a single policy, which takes into account the interests of present and future generations. According to the modern definition, sustainable development is a theory aimed at improving the quality of life for all citizens. It is expected to address the potential problems of current and future generations in economic, social and environmental spheres. Steady development is also a way of development that ensures the efficient management of natural resources and human resources. Sustainable development covers all aspects of human activity and is based on three principles:

1. Economic sustainability as the main factor in ensuring the sustained function of human society;
2. Social sustainability aimed at improving the quality of life through addressing poverty, inequality, instability and uncontrolled migration, root causes of conflicts and demographic pressures.
3. Environmental sustainability through environmental protection and biodiversity conservation. At his stage, the fight against global climate change is of particular importance.

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Schematically, sustainable development can be presented as a single managed system that takes in to account the interests of each participant and partner.

Participant and partner functions are implemented by organizations that form and implement economic, social, and environmental policies (Figure 2.10.).

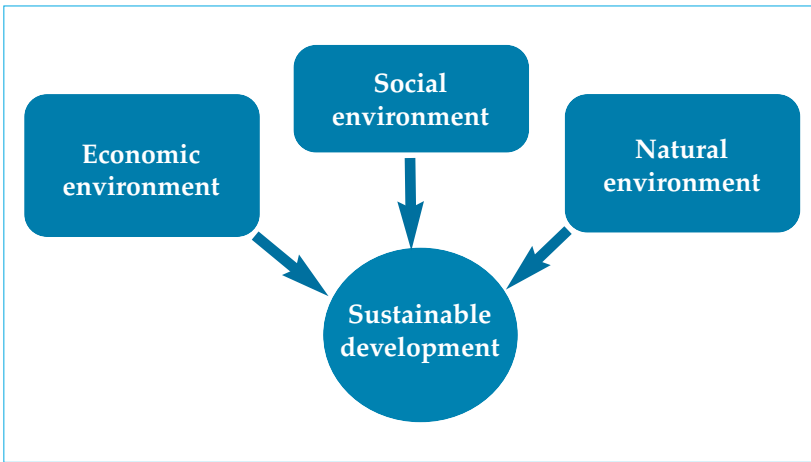


Figure 2.10. Main components of sustainable development

As it is known, one of the main features of sustainable development is that all three components - the economic, social and environmental spheres have the same power and none can be considered superior to the other. The economically advantageous project should be socially constructive and safe from the ecological point of view. This process is regulated by national law and international conventions. A specific environmental and social policy document should be developed to apply the economic project in any area. This document is called

“Environmental and Social Impact Assessment”. The purpose of the document is to analyse how the construction and operation of a planned economic facility will impact the environment and the social sphere. The project can only be approved if it is not only beneficial economically but will lead to improvement of the social sphere while at the same time not creating any environmental risks.

Responding to these requirements, the project will serve for sustainable development purposes. As the result in accordance with the requirements of international and national law, only after the due review and approval of project, banks or other financial institutions can allocate funds for the implementation. In light of these conditions, it is permitted to prepare other legal documents to initiate the project activities along with the allocation of financial resources. As an example, all economic, social and environmental projects implemented in the Republic of Azerbaijan meet the requirements of sustainable development. This is an essential condition of application of inclusive development.

It should be mentioned that once again that inclusive development is possible only in sustainable development context. Therefore, all forums on sustainable development can also be considered as a stage of inclusive development. From this point of view, the sessions of the United Nations General Assembly, world summits and other prestigious international events are crucial for the formation of an inclusive society. Information on such activities is presented in Table 2.1.

Fundamentals of inclusive development management

Table 2.1. The UN conferences and world summits dedicated to sustainable development

Year and Location	The name of the forum	The result of the work
1972, Stockholm	United Nations Conference on Human Environment	A declaration consisting of 26 paragraphs that meet the principles of sustainable development
1992, Rio-de-Janeiro	United Nations Conference on Environment and Development	A declaration consisting of 27 paragraphs that recommend ecologically important behavior and lifestyle principles
2002, Johannesburg	The World Summit on Sustainable Development	A declaration stating the basic principles of sustainable development
2012, Rio-de-Janeiro	The United Nations Conference on Sustainable Development Rio +20	A Declaration of "The future we want" document
2015, New-York	70 th Session of the UN General Assembly: "The Change of our world"	Acceptance of the document "Sustainable development goals" for 2015-2030
2018, Davos	World Economic Forum	Presentation of the inclusive development indexes of global countries

The United Nations Conference on Environment and Development held in Rio-de-Janeiro in 1972 was of particular importance in formulating and developing the concept of sustainable development.

This conference was dedicated to ecological characteristics of sustainable development. A total of 8000 officials from 170 countries, 3000 representatives of non-governmental organizations participated in the conference. The conference accepted a declaration consisting of 27 paragraphs on a different field of sustainable development and the optimal management of these areas. The specific paragraph about economic, social and ecological security of the society in the future is mentioned in this document. All paragraphs of this decision of the conference are aimed at achieving the goal of sustainable development.

A special program called "Agenda 21" has been adopted in the conference in Rio-de-Janeiro. This program is a recommendation for national governments and international organizations on sustainable development and involves a number of practical activities for the development of economic, social and ecologically sustainable growth. Poverty reduction is the key direction of the "Agenda 21" program. According to the program, special conditions should be created to eliminate barriers and to enable the poor to acquire financial, technological and informational resources to build a stable life. At the end of the conference, a special sustainable development commission was set up within the UN.

It should be noted, the next global forum to improve the concept of sustainable development has taken place during the World Summit in the city of Johannesburg, South Africa, in 2002. More than 100 head of states, 8000 subject matter experts, including from non-governmental organizations and the private sector participated in the summit. The main outcome of this high-level forum was an action plan adopted along with a declaration.

The following United Nations Conference on Sustainable Development was held in Rio-de-Janeiro in 2012. This event is

also known as the “Rio+20” because it took place 20 years after the UN conference held in the same city in 1992. The conference has been dated to the adoption of “The future we want” document and its presentation to the world community.

In terms of spreading theoretical knowledge and practical experience on worldwide sustainable and inclusive development, the most important recent forums were the UN General Assembly and the World Summit held in New York in September 2015. Representatives of non-governmental organizations, social unions and international development organizations also attended the meetings held with the participation of 193 countries world leaders. According to the results of these meetings, a document named Agenda 2030 for Sustainable Development has been adopted for 2015-2030.

As seen from the overview of the UN Conferences and world forums and summits had a great impact on formation of sustainable development as a basis for inclusive development. Information on the key conferences is presented in Figure 2.11.

The World Economic Forum held in Davos in 2018 holds great importance for inclusive development. This influential forum, with the participation of global political and economic leaders, has spread a report on the state of inclusive development in different countries around the world. The report shows that the Azerbaijan Republic has great results establishing an inclusive development society. The report presented to the world community shows that the indicators of sustainable inclusive development of the Republic of Azerbaijan are superior to a number of countries that are members of the Group of Seven (G7) and Economic Co-operation and Development Organization (ECDO), which have achieved high results in the field of

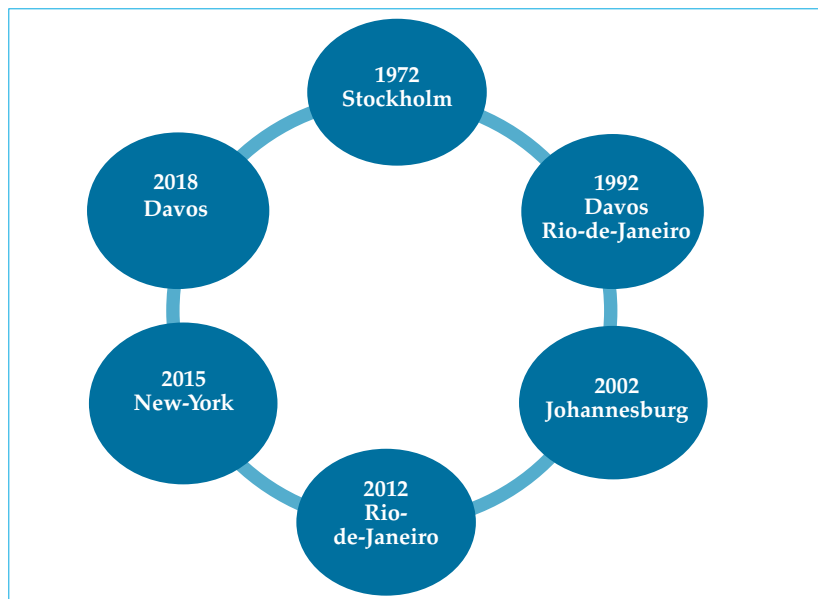


Figure 2.11. Global conferences dedicated to sustainable development

economic development. This data and the subsequent analysis are reflected in the specific sections of this textbook.

High-level international forums were important in formulating and disseminating theoretical knowledge about sustainable development and spreading positive experiences gained in this field. It should also be considered that many of these forums were held with the participation of world leaders. Therefore, the decisions and recommendations taken at the aforementioned level in many cases become part of state policy.

Along with politician and experts, prominent business leaders from the private sector participate in the UN Conferences and World Summits dedicated to sustainable development. In many cases, they represent international

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corporations and companies as part of their participation. Their involvement in international forums promotes the formation and development of the green economy and socially responsible business, which are an essential elements of inclusive development.

It should be noted that representatives of non-governmental organizations and media also take part in these forums along with government officials and experts.

Participation of diverse groups in these conferences is essential, it increases level of awareness and participation of broad platforms of stakeholders in sustainable development planning and implementation. Participation of non-governmental organizations and media representatives is essential to educate general public about emerging challenges and ways to addresses them, through promoting institutional and individual cultural change.

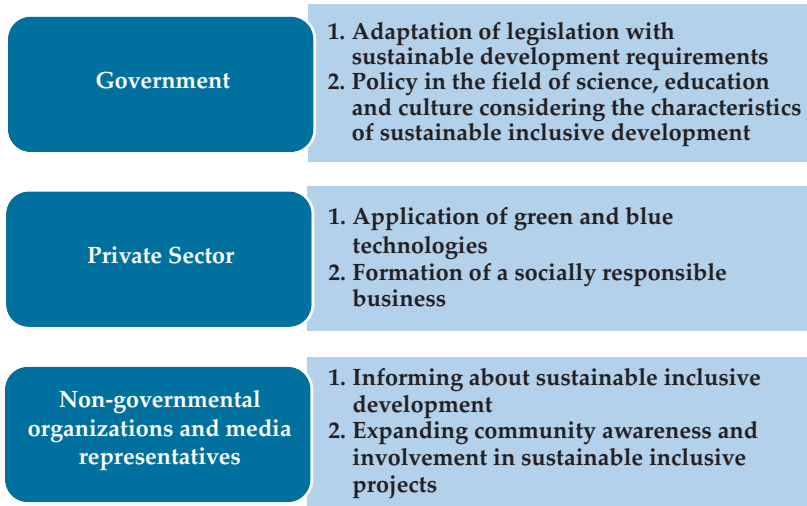


Figure 2.12. The role of global forum participants in the implementation of sustainable inclusive development principles

2.6. Sustainable development goals

In September of 2015, at the 70th Session of the United Nations General Assembly, ambitious “Transforming our world: the 2030 agenda for sustainable development” was adopted. This document includes 17 Sustainable Development Goals (SDGs) and 169 global targets, and describes itself as a “transformative plan of action for people, planet and prosperity that all countries and all stakeholders will implement”. Following the adoption of the Agenda 2030, the number of targets has increased and is still increasing. With the adoption of sustainable development as a global priority, 17 goals, that are planned to be met by 2030, were set to address various economic, social and ecological challenges. Because of the different development levels of various countries in the world, the challenges they face and solutions they must implement for sustainable development may in fact be different. The goals of sustainable development that form the basis of inclusive development can be grouped according to their meaning and significance (Figure 2.13.).

The information about the main groups of Sustainable Development Goals is presented in figure 2.13. As shown in the figure, these goals are intended to address challenges existing at different levels. Some of them target elimination of hunger and poverty, while others are aimed at inequality, including gender inequality. In some countries, these issues are largely resolved and they attach more importance to quality of education and effective healthcare as their next priority.

At the moment there are 193 independent nation states which are members of the United Nation. Due to the historic factors length of independence of these nation states is very different. They all have different level of development, diverse geographical locations, the demographic

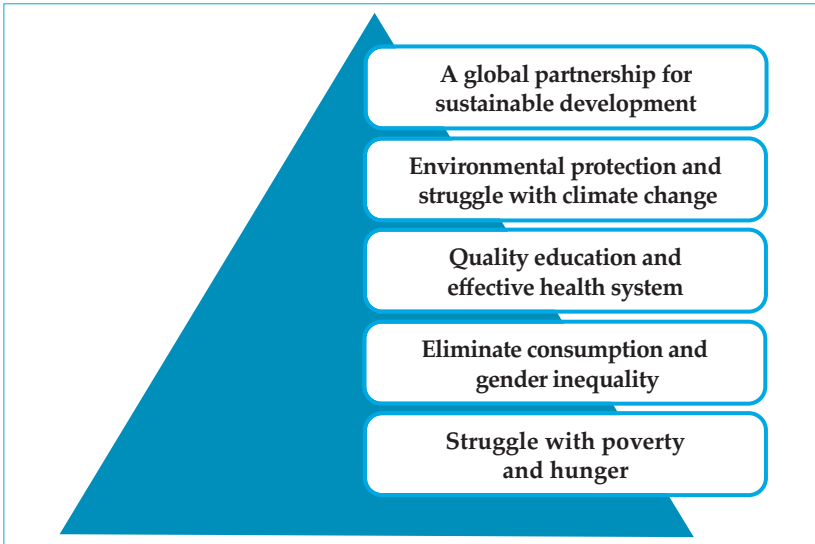


Figure 2.13. The main group of sustainable development purpose



Poverty and hunger

structure of the population and the richness of natural resources are all vastly different as well. The education level of population and occupational training, according to the human development index, is not the same either. For this reason, their struggles and paths to achieving sustainable development goals will also be different.

However, regardless of the level of development of the countries, there are two purposes, which are equally important for all countries of the world. A first group of them belongs to struggle with global ecological problems and climate change. The second group of Sustainable Development Goals that is important for all countries belong to the transfer of knowledge and skills, new technologies. Effective activity in both directions is very important in terms of achieving sustainable development goals, which is an essential condition for inclusive development.

2.7. Inclusive development: from equality in deprivation to equality in welfare

The history of mankind has gone through many stages in the development process. At different stages of development, the natural, economic, and social environment that encompassed people created opportunities for them to live and experience different levels of economic and social well-being. In primitive society, which is the first stage of the pre-industrialization process, very few, almost minimal conditions have been created for human existence. At this stage, the nature surrounding people was rich and ecologically clean. Also, the number of people and the population density was relatively low and this allowed rapid and unhindered movements towards new natural resources.

At the early stages of development of human society, the basic problems of people were to protect their lives

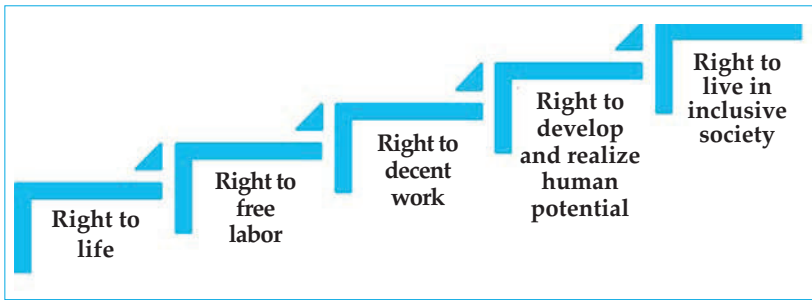


Figure 2.14. Different purposes at the stage of society development

from various negative influences. In this society it was impossible to talk about consumer inequality. All members of the society had equal rights and their consumption was very low but equal. Since the consumption of all members of the society is equal, such a situation can be conditionally considered as inclusive development in deprivation.

The period of pre-industrialization, the agrarian stage, created a different goals and challenges for people. Schematically, people wanted to achieve different purposes at various stages of human society development (Figure 2.14.).

If basic human problems existed in primitive society, free labor and exploitation were a major problem for most people at later stages. This was especially evident in slavery and feudal society. From history, it is known that under slavery, slaves rebelled to gain freedom and work freely in different parts of the world. Such conflicts and revolutions were frequently observed in the conditions of feudal society.

It should be noted that slavery did not come into being in history in the industrialization period. It was observed in the British colonies on the American continent, and later in the United States. The first slaves were brought to these territories in 1619 the following years seeing high numbers

of people brought into the country as slaves. For example, according to some historical data, slaves in some US regions accounted for about 30 per cent of the total population. Freedom was given to slaves in the United States on June 19, 1862. Based on this fact, the fight for freedom of labor on our planet continued until the second half of the XIX century.

The industrialization of society has formed new duties in terms of ensuring human rights. First of all, this was the right to decent labor and its adequate welfare. Practically, these facts show that the major problems of the industrialization period were related to the prevention of inequality, including the elimination of gender inequality. Decent assessment and compensation of labor, and the elimination of the sharp differences in this indicator is an essential condition for inclusive development.

The observed differences in people's incomes and consumptions are often associated with a level of education and a lack of professional training between income groups. For this reason, increased level of education and promotion of occupational training are among the main features of the post-industrial era. Individual motivation of society member is high to obtain best possible education and continued lifelong education is widespread. In general, increasing the level of education and professionalism in industrialization and post-industrial times is one of the methods used to overcome differences in income and consumption levels. The existence and development of information technology in modern society have created great opportunities for increasing knowledge and skills without the need for formal education.

According to international statistics in a number of developed countries a large proportion of young people of

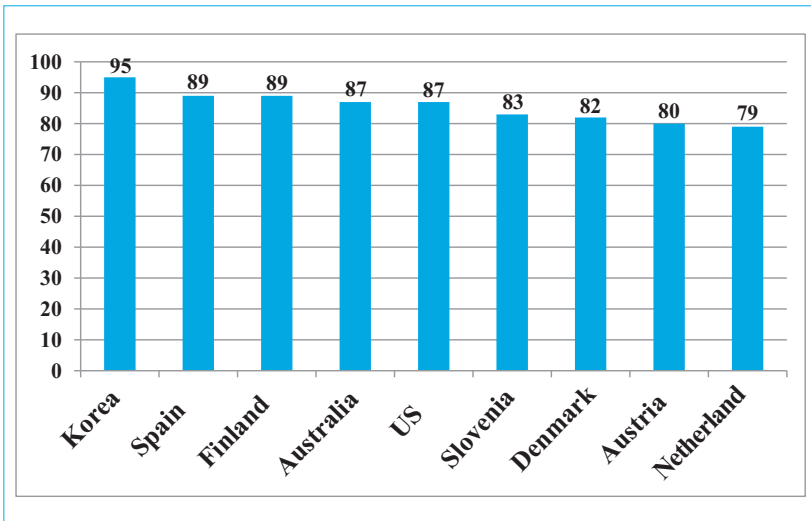


Figure 2.15. In the countries of the OECD, young people of relevant age study in tertiary schools, %. Information source: the UN report

the relevant age are actively studying in tertiary schools. The percentage of tertiary school students in different countries has been presented in Figure 2.15.

The information presented in the figure shows that about 80% of young people in the relevant age are getting higher education in some economically developed countries. The highest indicator in this direction was recorded in the Republic of Korea, where 95% of young people of appropriate age are students.

It should be noted that the high percentage of tertiary school students and the availability of higher education generally do not guarantee a successful career.

For example, as seen in Figure 2.15, about 90 per cent of the young people are involved in higher education in Spain. At the same time, the unemployment rate among

young people in this country is the highest in Europe. 49.4% of young people in Spain, including those with higher education, are unemployed. The reason for unemployment could be attributed to the fact the specialty choose by young people is not relevant to the requirement of the current and future labor market. This indicates that the selection of qualifications is an important element of the planning process, as one must consider the perspective needs of the future labor market during the selection of qualifications. Continuation of lifelong learning is an essential condition for ensuring a decent level of employment. It is also important in terms of establishing a personal career. High level of employment is an essential factor for inclusive development.

As it is shown, a new goal of social development has been formed at the current stage of the post-industrial

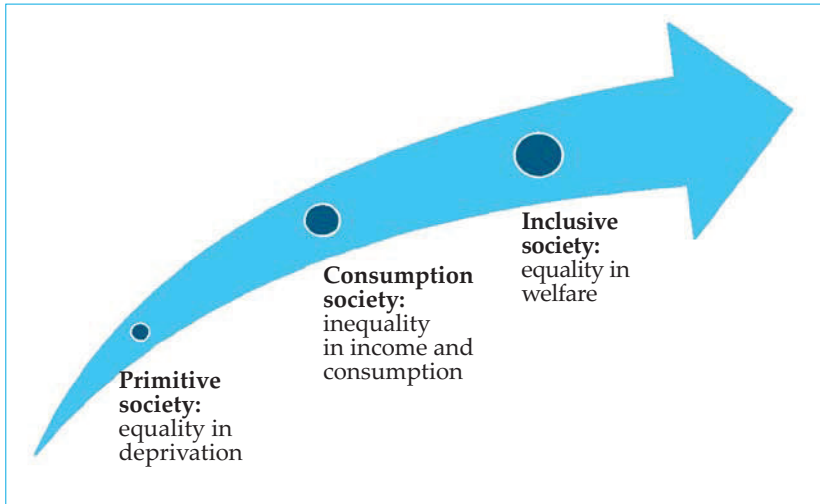


Figure 2.16. The concept of inclusive development: transformation from equality in deprivation to equality in welfare

period. The goal can be summarized as inclusive development. The evolution of inclusive development concepts is presented in Figure 2.16.

The figure shows information about the concept and essence of inclusive society in the context of historic development stages. In the early stages of the pre-industrialization, the inclusion of society provided for the survival of people and their minimal demands. In the following stages of mankind development, differences in income and consumption levels appeared to be continuously increasing. The differences in income and consumption throughout various stages of societal development have reached the highest levels in industrial and postindustrial stages. There always was an underlying need to move into an inclusive society. Therefore, this historical process can be characterized as “from equality in deprivations to equality in welfare”.

Undoubtedly, inclusive development does not mean that all people’s economic situation is exactly the same. Formation of inclusive development is a way of managing society so that it creates an opportunity for every citizen to live a decent life.

It should be noted that inclusive development can only be possible if on the basis of this process stood a successfully implemented sustainable development framework. Inclusive development can be planned and implemented only on the basis of long-term and successful sustainable development. The Republic of Azerbaijan has become one of the world leaders in terms of many indicators of innovative development as a result of the implementation of progressive management technologies. Information on the achievements of Azerbaijan in the field of sustainable inclusive development in the reports of the World Bank, the United Nations, and other

international development organizations are presented in the following sections of the current textbook.

This information also covers the new management technologies used for the first time in the Republic of Azerbaijan for the purposes of providing sustainable inclusive development.

It is important to have necessary knowledge in the planning and management of this process to ensure the establishment of an inclusive society. Therefore, knowledge about the factors that make inclusive development sustainable and the preservation of it for future generations is very important. Information about indicators that describe inclusive development is presented in the next section of the textbook.

2.8. Test yourself: questions and tasks

1. What are the positive and negative trends in the development of society?
2. What is sustainable development and what are its main elements?
3. When and for what purpose was the term of sustainable development introduced for the first time?
4. What global forums have been organized for the formation of sustainable development principles?
5. What is the role of government, non-governmental organizations and the private sector in realizing sustainable development goals?
6. What are the Sustainable Development Goals and when were they adopted?
7. What are the main goals of sustainable development?
8. What is inclusive development? Explain the meaning of the word "inclusion".
9. What are the goals at different stages of societal development?
10. What can you say about the sustainable development of the Republic of Azerbaijan?

3. FEATURES OF INCLUSIVE DEVELOPMENT AND THE MAIN INDICATORS

The indicators of sustainable inclusive development. Indicators of economic growth and employment indicators are used to characterize inclusive development. Struggle against poverty and sharp inequality in income distribution. Demographic and ecological indicators of inclusive development. The inclusive development index.

- 3.1. The purpose of section*
- 3.2. Keywords and concepts*
- 3.3. The principal indicators and index of sustainable inclusive development*
 - 3.3.1. The main groups of inclusive development indicators*
 - 3.3.2. The gross domestic product as the factor of inclusive development*
 - 3.3.3. Employment as an indicator of inclusive development*
 - 3.3.4. The lifespan of the population as an indicator of sustainable inclusive development*
- 3.4. Social indicators of inclusive development*
 - 3.4.1. General classification of social indicators of inclusive development*
 - 3.4.2. Struggling with poverty as an indicator of inclusive development*
 - 3.4.3. Income distribution as an indicator of inclusive development*
 - 3.4.4. Median incomes as an indicator of inclusive development*
- 3.5. The indicators characterizing the sustainability of inclusive development process*
 - 3.5.1. General characteristics of indicators reflecting the sustainability of inclusive development*
 - 3.5.2. The quantity of external debt*
 - 3.5.3. Demographic dependence as an indicator of the sustainability of inclusive development*
 - 3.5.4. The effect to the global climate changes as an indicator of sustainable inclusive development*
- 3.6. Inclusive development index*
- 3.7. Test yourself: questions and tasks*

3.1. The purpose of section

In the modern age, mankind faces a number of serious challenges. It is important to constantly upgrade the technologies used to support the sustainability and inclusiveness of the development processes while meeting said challenges. This demands constant updating of knowledge used in public administration, decentralized management, and institution management. The previous chapters of the textbook show that mankind is now facing many economic, social, ecological, demographic and political pressures. Among the problems people face are the sharp differences in poverty, income, and consumption. This also applies to the average lifespan and quality of life. Such differences are observed both from within the countries as regional differences persist, they are also evident when comparing situation of population in one country with another. The inequalities, among other factors, contributes to internal instability, growth of terrorism and armed conflicts, an increase in unregulated migration, and contribute to growing number of refugees and internally displaced persons. These negative processes, along with economic, social and humanitarian consequences, also lead to serious ecological problems. Among the ecological problems, global climate change and decrease in biodiversity have particular importance. The increasing number of storms and tsunamis perceived as a result of climate change in recent years, their severity, and the economic, social and humanitarian consequences all indicate the alarming state of the problem.

Obviously, the prevention of these negative processes and the increasing the level of people's welfare can be achieved by the introduction of new management technologies and their application in line with the principles of sustainable inclusive development. It is important for specialist to have appropriate

knowledge and skills in terms of inclusive development, planning and management of processes that ensure sustainability in achieving these purposes and goals.

The purpose of this section is to provide relevant knowledge to those who are studying in this field. The textbook provides information on inclusive development indicators for the first time, showing the rules of use in planning and managing development processes. Information on the Inclusive Development Index, based on these indicators, and ways to use it in the monitoring process are also included in the section.

3.2. Keywords and concepts

Inclusive Development Index (IDI); Sustainable development; Labor market; Labor efficiency; Purchasing power parity; G 20 (“Group of Twenty”); Quintile ratio; Median incomes; Absolute poverty; Relative poverty; Greenhouse gases.

3.3. The principal and economic indicators of sustainable inclusive development

3.3.1. The main groups of inclusive development indicators

In recent years, the term “inclusive development” has been widely used. The policy of inclusive development is intended for the comprehensive development of the country or the region within the country. According to inclusive development principles, positive results of this process should be reflected in the lives of each citizen. Inclusive development should cover all national and international programs, every aspect of the economic projects which is implemented in countries.

According to world standards, the assessment of the inclusive development situation, the international comparisons in this area are based on 12 different indicators. Indicators of inclusive development can be categorized into three main groups which are determined on the basis of various economic, social, demographic and ecological parameters (Figure 3.17.).

Data presented in Figure 3.17 shows that one of the most important conditions of inclusive development is economic growth and economic development. It is impossible to achieve inclusive development goals without an economic basis. But economic growth only creates conditions for inclusive development. Using these opportunities, successful social policy and innovative public administration are essential conditions of inclusive development.

However, inclusive development and the formation of a successfully developing society are not limited to the existence of these two essential conditions - a successful economic and social policy. It is also an essential condition for this process to be sustainable for future generations. For this reason, in Figure 3.17, all three groups have been presented, covering economic, social and sustainability aspects. Establishing an inclusive society is only possible through the complex application of

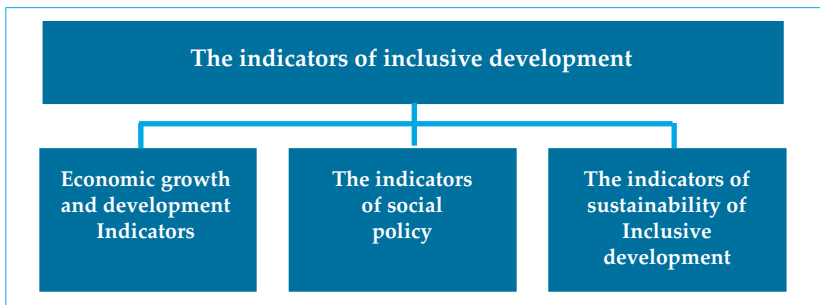


Figure 3.17. The main groups of inclusive development indicators

Fundamentals of inclusive development management

these aspects. First, inclusive development can only be implemented in a society which has the necessary human and financial sources. Secondly, social policy should be implemented in the community so that poverty, hunger and other deprivations can be eliminated, while inequalities in income and consumption can be prevented. The third group of indicators is related to the sustainability of the process and the preservation of this condition for future generations considering the importance of long-term perspective. These three principles provide the rationale for selection of sustainable inclusive development indicators.

First group indicators characterize the economic potential and labor resources needed for inclusive development. As a rule, the global or regional economic situation is estimated based on gross domestic product (GDP) per capita. Efficiency of policy intervention can be measured based on the changes in GDP as compares to other regions or countries. The level of employment of the population and labor efficiency are factors that reflect the country's economic and inclusive development.

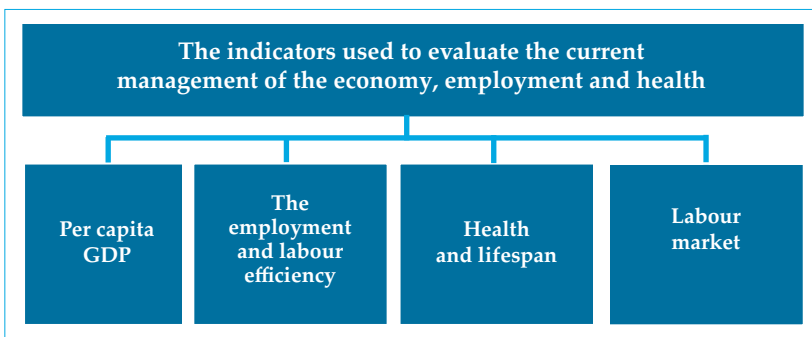


Figure 3.18. Indicators characterizing economic, employment and labor market for inclusive development

The situation of the labor market, demanding for highly qualified personnel is an essential condition of inclusive development guided by knowledge, evidence-base and innovation. Among the economic indicators of inclusive development there is also labor productivity. This is one of the indicators used to evaluate the current management of the economy (Figure 3.18.). It should be noted that all listed indicators are very important in terms of economic and technical support to implementation of inclusive development.

3.3.2. The gross domestic product as the factor of inclusive development

The favorable economic situation in the countries is an essential condition for planning, managing and maintaining the inclusive development and its sustainability. Only with existing economic opportunities can the sustainability of inclusive development be secured. At the same time, there are also conditions for the implementation of social programs are needed. Additionally, economic opportunities provide the foundation for innovative development by funding quality education, science and culture.

Different methods can be used to evaluate the economic potential of the country or the world. Simple, universal and widely used method is the quantity of GDP per capita and the changing dynamics of this indicator.

Development trends of GDP per capita in the world have been analyzed to evaluate the global position for inclusive development. The results of the conducted analysis are based on the data from international organizations presented in Figure 3.19. The analysis shows that on average favorable economic indicators are increasing across the globe. As Figure 3.19 shows,

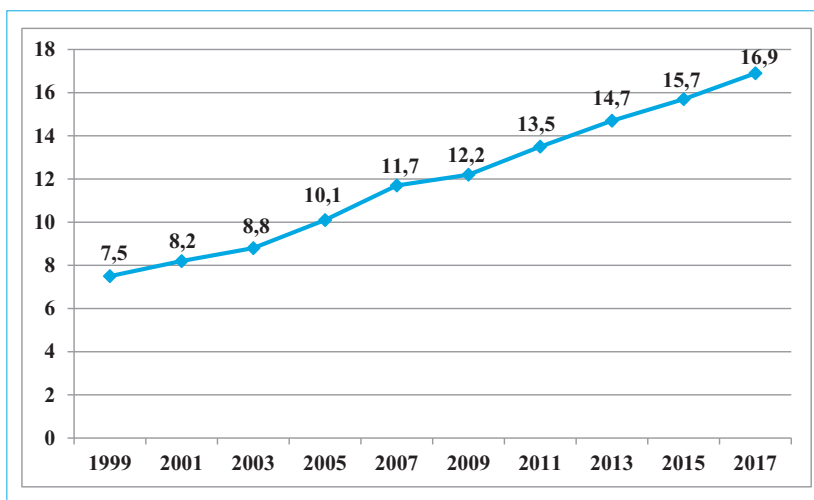


Figure 3.19. The growth of GDP per capita in the world, \$ 1,000, taking into account purchasing power parity (PPP). Information source: World Bank, 2018

according to the World Bank, the world economy has grown by 2.1 times in 2017 in comparison to 1999. It should be noted that the economic growth in the Republic of Azerbaijan has been faster than the average indicators across the globe. According to the World Bank, the quantity of GDP in Azerbaijan has increased 4.8 times in 17 years. This is one of the highest results observed worldwide. The analysis of successful economic growth observed in Azerbaijan is presented in a special section of the textbook.

It should also be taken into account that the information presented in figure 3.19 reflects the world average. In fact, in some countries, the rates of economic growth are much higher than the average world index. At the same time, according to the World Bank and UN statistics, there are countries where GDP per capita growth rates are much

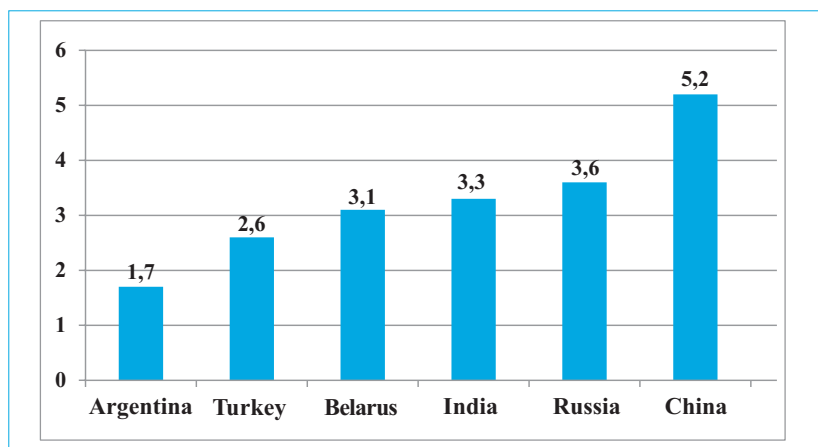


Figure 3.20. Fast growing world economics: the GDP per capita growth 2017 compared to 2000 folds. Information source: World Bank, 2018

lower. Primarily, this is observed in the economies of highly developed countries.

In countries where the economy has achieved great success, the quantity of GDP per capita has been high for a long time. As a result, the significant economic growth in these countries is unrealistic. For instance, in Norway, the quantity of GDP per capita with purchasing power parity in 2000 was \$ 36,950. In 2017, the quantity of GDP per capita in this country reached \$ 60,978. In this period the economy grew by 1.6 times. In China, where according to the international statistics the size of the economy is 3.5 times smaller than that of Norway, the economy grew by 5.2 times (Figure 3.20.). Undoubtedly, the growth of the economy is an important factor of sustainable inclusive development.

The data in Figure 3.20 refers to states with rapidly growing economies. During this period the economy of the

Republic of Azerbaijan increased by 4.8 times. The country's inclusive development potential has been analyzed in the following sections of the textbook.

To sum it up, the analysis shows that the world GDP is constantly increasing. There is also an increase in the economic potential of many countries. In some countries, growth is higher than in other. This shows that in many countries economic conditions have been favorable for the formation of a sustainable inclusive society.

3.3.3. Employment as an indicator of inclusive development

The employment of the population is one of the main economic indicators of an inclusive society. This indicator also shows the situation of the labor market. The situation with labor employment in the different countries of the world is determined by the condition of the economy and social policy of the state. Based on the indicators of employment and unemployment in different population groups, it is possible to evaluate labor market situation in different countries.

In the European Union countries, labor market conditions can be analyzed on the basis of data from the International Labor Organization. According to this data, unemployment among the EU countries is 11-12% of the working age population. While the situation is consistent in France and Italy, unemployment is higher in a number of countries of the G20. For instance, in Spain, 27% of the working age population is unemployed. Young people within the European Union countries are almost twice as likely unemployed when compared to the overall population.

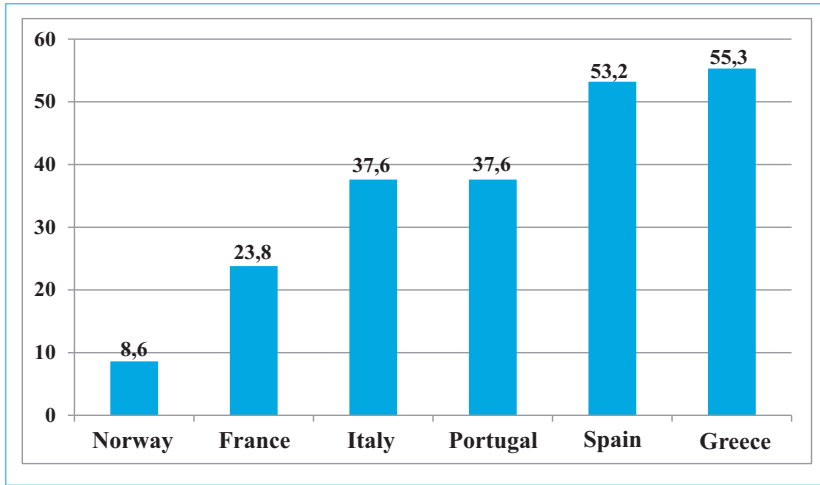


Figure 3.21. Unemployment among youth in some economically developed countries,%. Information source: The UN reports, 2017

This situation is observed in Greece, Portugal, Italy, and some other countries. Information on the level of youth unemployment in some economically developed countries is shown in Figure 3.21. This information was published by the UN in 2017.

It should be noted that employment problems are observed in other countries around the world. For instance, 25% of the labor population in South Africa, part of the BRICS (association of Brazil, Russia, India, China and South Africa) and G20 group, is unemployed.

In addition to the level of employment, labor efficiency is also important for inclusive development. Labor efficiency is measured by the quantity and value of the product produced in the country or in any organization or institution at the same unit of time. This is a very important economic indicator for inclusive development.

Labor efficiency depends on three main factors. The first is the technical and technological level of the country, institution, enterprise or any other entity being evaluated. The use of modern management and production technologies is an essential condition for increasing labor efficiency.

High level of education of employees and occupational training, efforts to increase their knowledge and skills in the area they are working on, are all important factors in raising labor efficiency. It is natural that the establishment of institutions that meet modern technological standards and are able to execute high level of staffing models, is an important condition for increasing labor efficiency and competitiveness. As a result, the third important factor for income increase and sustainable inclusive development is the development of the socially responsible business.

All these factors create conditions for implementation of a successful economic and social policy. In turn, this leads to sustainable inclusive development. For this reason, technological advancement, constant increase of employees' knowledge and skills, and social responsibility of business are important factors for inclusive development.

3.3.4. The lifespan of the population as an indicator of sustainable inclusive development

In recent years, published information in different countries demonstrates that people's lifespan and life expectancy is significantly higher than what is currently observed. Papers published in scientific and scientific-popular journals show that people's potential for longevity is at least 120-140 years.



Elderly population

In reality, the people's longevity is less and depends on the quality of the environment, their lifestyle and behavior. Thus, it is clear that both the observed average lifespan and life expectancy in the future are indicative of the economic, social and environmental factors reflecting on the quality of life of the human being. For this reason, the average lifespan indicator can be used as an indicator of inclusive development.

The use of longevity indices as a measurement factor of inclusive development is associated with the fact that the average lifespan and the age structure of the population are one of the most important indicators of economic potential. Generally, it should be noted that, in the history of human evolution, the lifespan of people has constantly increased. Analysis of existing statistical information shows that the reason for the low average lifespan was the high level of child mortality in some countries. From the analysis of historical monuments and ancient manuscripts, it is clear that the average lifespan in ancient times in Roman Empire was 28-30 years.

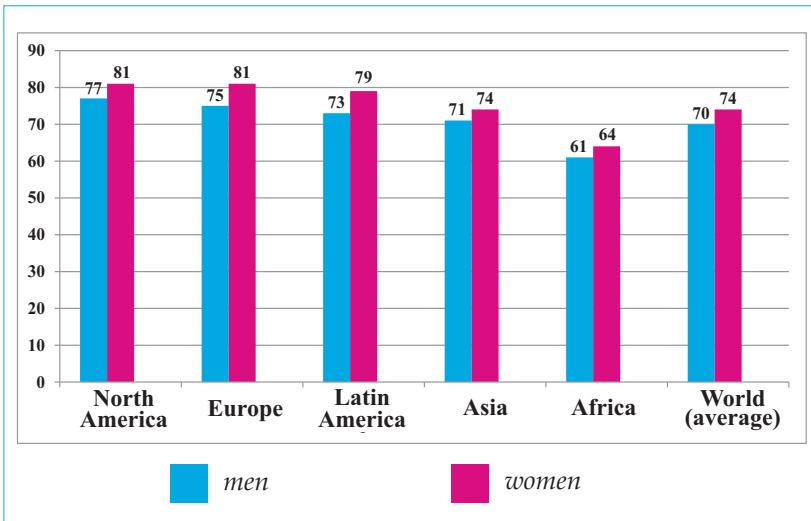


Figure 3.22. The average lifespan of men and women in different regions of the world (age). Information source: The UN Population Fund, 2018

Researchers came to this conclusion as a result of the analysis of more than two thousand five hundred gravestone inscriptions on ancient cemeteries of Rome. In accordance with the historical data, the average lifespan of the Ancient Egypt inhabitants was even shorter and amounted to 25-27 years.

The average lifespan of people was not high at the beginning of the 20th century. For instance, in that period, people in European countries lived on average for 42-45 years. However, the average lifespan in the world including, including Azerbaijan, has increased as a result of the decline in child mortality, health promotion and social reform. As a rule, the average lifespan of women is higher than that of men. This situation is observed in all continents (Figure 3.22.).

It should be noted that according to world statistics over the last 80 year the average human lifespan on our planet has increased by 20 years. This shows that from demographical perspective conditions for sustainable inclusive society are shaping up around the world. The transition to inclusive society can take place in a number of countries, including the Republic of Azerbaijan. Information on opportunities in Azerbaijan is presented in the following sections.

The tendency to increase the average lifespan is observed throughout the world. The retirement age for women and men increased in a number of countries. Other countries, however, re-evaluate the possibilities for implementing this measure. The increase in the average lifespan in the world is undoubtedly linked to the achievements in the economic and social spheres and the development of medical science, all creating favorable conditions for sustainable inclusive development.

Thus, the analysis shows that favorable conditions exist to provide for sustainable and inclusive development in many countries of the world. Economic development, demographic dynamics and employment characteristics are essential drivers towards continued sustainability of this process.

3.4. Social indicators of inclusive development

3.4.1. General classification of social indicators of inclusive development

The successful implementation of social policy is an essential condition for the sustainability of development and the creation of an inclusive society. The main social indicators for inclusive development are presented in figure 3.23. As can be seen from the figure, three groups of

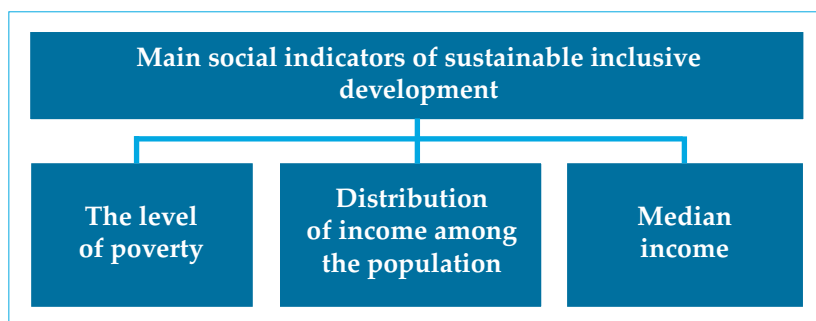


Figure 3.23. The social indicators that characterize inclusive development

indicators are a priority in terms of planning and management of inclusive development. The first group of indicators is related to the alleviation of poverty. Eliminating poverty is an essential condition for sustainable development. It is identified as a central priority of the Agenda 2030 among 17 Sustainable Development Goals. Poverty is present at different levels in all countries and its elimination must be universal.

In addition to poverty, the income distribution within the countries, and difference in income levels between the countries are indicative of the challenges to achieve sustainable inclusive development. Therefore, eliminating the sharp differences in income and consumption, between the countries as well as from within countries is important indicator of inclusive development. For example, according to information released by the UN and the World Bank in 2018, per capita income in Norway is \$ 63,350 per year. In Central African Republic, the per capita income is only \$ 725 a year, which is 90 times less than that of Norway. This can be regarded as an example of a sharp difference between the incomes of citizens of different countries.

According to international statistics, the sharp differences in incomes and consumption in the same country were recorded in Brazil, South Africa and some others countries. It is clear that the high level of poverty, sharp differences in income and consumption are considered to be a risk for sustainable inclusive development. Therefore, it is possible to draw conclusions on the extent to which any country is ready for inclusive development based on the analysis of the indicators.

It is known that there are sharp differences in the distribution of income among the population may exist. Under such conditions, identifying the average income indicator in the country cannot tell the truth about the economic situation of all segments of the population. For this reason, while evaluating the social policy of the country for inclusive development, median incomes are taken into account, not the average incomes. The median income is a social indicator used in the calculation of the Inclusive Development Index. The use of median income as an indicator of inclusive development is justified in the next chapters of this textbook.

3.4.2. Struggling with poverty as an indicator of inclusive development

Obviously, the poverty situation creates an understanding of the overall level of development in any country. At the same time, it is evident that high poverty limits access to inclusive development opportunities. For this reason, national and international organizations are undertaking measures aimed to eliminate poverty. The struggle against poverty has special importance in the formation of an inclusive society.

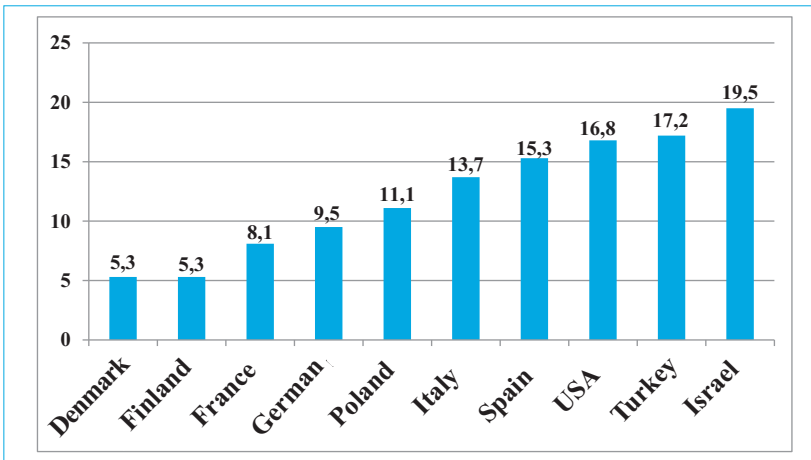


Figure 3.24. Poverty rates in some OECD countries, the percentage of the population. Information source: OECD statistics, 2017

With this in mind, one can confidently state that poverty and its levels are of particular importance among the indicators of inclusive development. It should be noted that Sustainable Development Goals are also expected to deliver poverty elimination or substantial reduction in poverty throughout the world by 2030.

Poverty is observed in all countries of the world but at different levels. This becomes apparent when analyzing the level of poverty in some developed countries, members of the Organization for Economic Co-operation and Development (OECD) (Figure 3.24.). As it is well known, the OECD is the unity of 37 countries with high results in development.

The information presented in the figure shows that there is even poverty in countries with a high average per capita income. However, the percentage of poor in these countries is different. OECD and G7 countries have lowest levels of poverty standing at around 5%. This level of poverty is

observed in the Czech Republic, Finland, Denmark and some other countries. The high level of the population's average income in the country is not a guarantee of a low poverty level. For instance, some 15-20% of the population in the OECD countries is poor. USA, Turkey, Spain, Great Britain, Israel and others are included in this category. These figures show that the level of poverty in the country depends not on the wealth of the country, but on the effectiveness of this struggle. The level of poverty is a factor affecting the process of inclusive society.

It should be noted that the poverty level in the Republic of Azerbaijan is very low (5.5%). This is the result of a policy of sustainable inclusive development in the country. The experience of the Republic of Azerbaijan in struggling with poverty is analyzed in the special section of the textbook.

3.4.3. Income distribution as an indicator of inclusive development

Poverty is the ultimate manifestation of deprivation that humanity faces today. However, the sharp differences observed in the distribution of income among the population are also a serious factor limiting inclusive development. The extremely sharp inequality in income and consumption can be observed both within one country and between countries. It is not accidental that the UN and the World Summit for Sustainable Development have set targets expected to reduce the inequality of income and consumption by 2030 so that every citizen should feel the results of inclusive development. For this reason, the fair distribution of income among the population is used as an indicator of inclusive development.

Monitoring of the distribution of incomes between various population groups and the effectiveness of state policy in this field is always carried out by international organizations. This monitoring can be done in several ways. As is known, one of them is a Gini indicator, which has its own calculation. In practice, this indicator can be expressed in two ways: Gini coefficient and Gini index. Both approaches have the same meaning. The difference is that the Gini coefficient ranges from 0 to 1. Gini index varies between 0 and 100 and expressed as a percentage. This means that if Gini coefficient is 0.31, then Gini index will be 31. On the basis of both indicators, it turns out that in this hypothetical case, the income deviates 31% from the normal distribution. In cases where the deviation is small, the income is considered fair, and the public policy in this area is considered successful.

The Gini indicator is used to estimate the extent to which the policy of inclusive development in the country is successful. According to international statistics, the lowest Gini indices are registered in Northern European countries. Norway, Sweden, Finland occupy a special place among these countries with Gini index around 26 - 30. The low Gini index in the emerging countries indicates the existence of a successful social policy in these countries and the high level of social development and economic security for the country's citizens. The highest coefficient is observed in Africa, Asia, and South America. For example, Brazil's Gini Index is 51.5, Panama 50.7, Colombia 53.5, South Africa 63.4. It should be mentioned that there is no connection between the richness of the state and Gini indicators. It is possible to come to such a conclusion when comparing Gini indicators for the states included in the

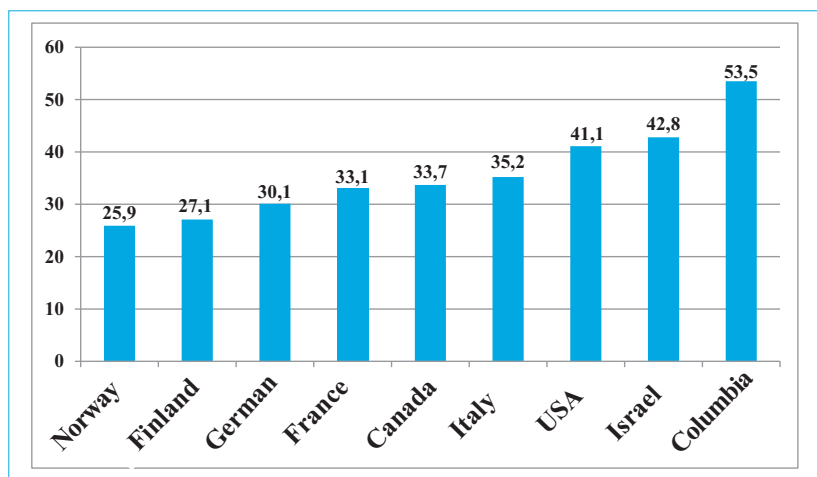


Figure 3.25. Gini index in the countries of the Organization of Economic Cooperation and Development (OECD). Source of information: OECD Statistics, 2017

Organization for Economic Co-Operation and Development (OECD). It is known that this group includes 37 states with high economic output. As a rule, these states are distinguished by successful economic and social policies. Gini coefficients of some states included in this group are shown in Figure 3.25. The figures presented are from the OECD statistics.

As noted, the lower the Gini indicator, the social policy of the state is considered to be one of the most successful and is valued as a fair division of income among the entire population. From Figure 3.25 is clear that, the fair distribution of incomes is observed in Germany, Norway, and Finland. In other states, the Gini indicator is not high, and sometimes rarely passes 40 percent. Rather, as shown, a higher Gini indicator is more common in South American states. In

each of these states, 50-60% of the population was registered without the normal income distribution.

It should be mentioned that, despite the short period of independence, the Republic of Azerbaijan has achieved great success because of the successful social policy. According to the data of international organizations, the Gini coefficient in Azerbaijan (around 31) can be compared with the states included in the OECD and the G7. Information about a social policy of Azerbaijan, that is an essential condition of sustainable inclusive development, is presented in a special section of the textbook.

In the assessment of the effectiveness of social policy in the state, along with the coefficient of Gini, the other is Quintile ratio. In calculating this indicator, which evaluates the effectiveness of the social policy, the population is divided by income level into five categories: 20% of the population with different income in each group. Then 20% of the average income for the richest group is divided by the average income of the poorest 20%. The obtained figure indicates the status of the social policy as the price of the Quintile ratio. The smaller figures represent the success of social policy, which serves the interests of sustainable inclusive development. With the smaller figures representing the quintile ratio, the incomes are almost equal for the major 60 % of the middle class population and this creates favourable conditions for sustainable inclusive development.

The data presented in Figure 3.26 are based on the OECD statistics, the World Bank and the UN's 2017-2018 based on reports published over the years. The results of the quintile analysis show that, despite the fact that the OECD countries acted within the framework of a single

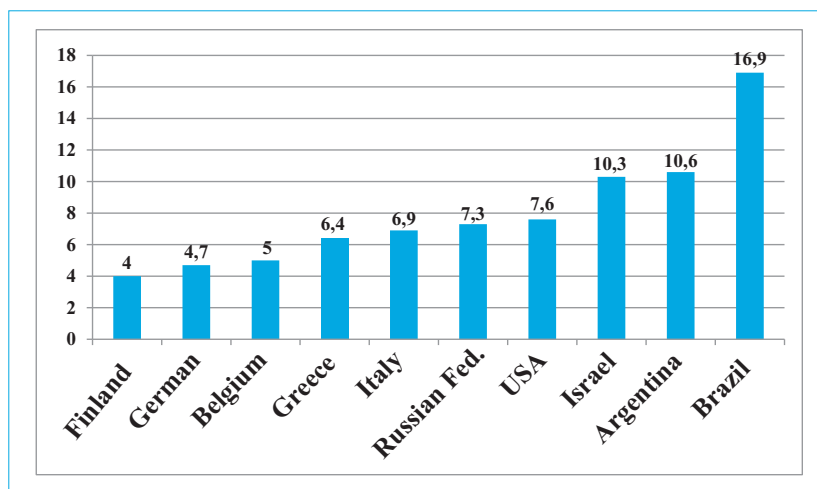


Figure 3.26. Quintile analysis of income distribution in the selected countries, including the members of the Organization of Economic Cooperation and Development (OECD) Information source: OECD and UN statistics, 2018

economic and social policy, they achieved different results in the distribution of revenue. In some cases, these differences can be 3 times and higher. Undoubtedly, the establishment of an inclusive society in countries where there is a large difference in the income of the population is not ideal or possible.

As it is known, according to the analysis of the reports of international development institutions, the Republic of Azerbaijan (Quintile ratio 4,8) has achieved great results in the optimal management of the social sphere for inclusive development. Knowledge about this experience is studied in the next sections of this textbook.

Fundamentals of inclusive development management

3.4.4. Median incomes as an indicator of inclusive development

Individual or household income is also taken into consideration in the social indicators used in the planning and management of inclusive development. This time median incomes are taken into account, not the average income of the population.

Median income is such kind of indicator that divides any population of the territory, or any occupational group into two parts: half of them have income more than the selected benchmarked amount, and the other half have income less than this amount. For example, if in any country the median income of the population is five hundred conventional units, it means that half of the population has more than five hundred and another half has less than five hundred. Median income can be counted for different professional owners like doctors, teacher, engineer, and others. The use of median income as an indicator of inclusive development stems from the fact that this indicator can clearly indicate the financial situation of citizens in comparison with the average wage. This is evident in the example presented in Figure 3.27.

Figure 3.27 shows the differences between the average income and median income that is analysed by an entity that has 80 employees. As it is seen from the figure, the highest income in this organization has 3 employees, who are the investors and managers of the enterprise. Their total income is 24,000 conventional units per month. The total income of 5 technical managers, who manage all production processes, is 10,000 conventional units per month. The total monthly earnings of 72 employees, who work in the enterprise and have a professional background, are 42,000

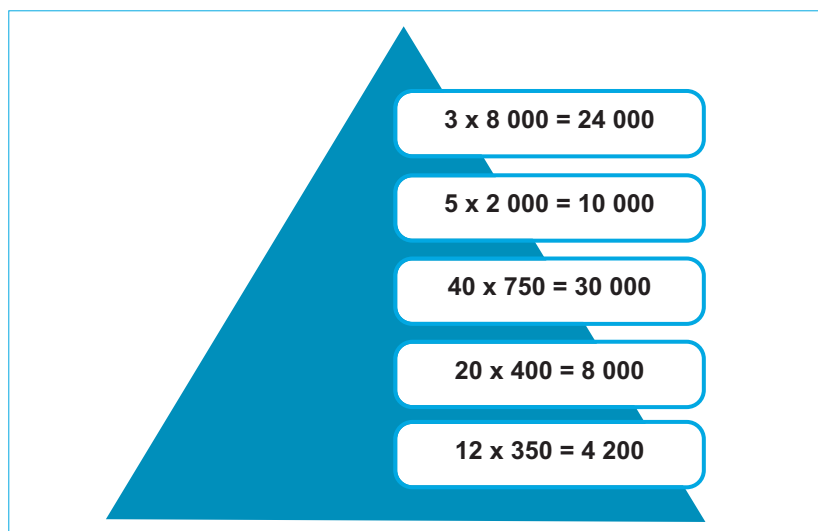


Figure 3.27. The difference between average and the median income in a conventional entity with 80 employees: median income 950 conventional units, median income - 750 conventional unit

conventional units. The total income of 80 employees is 76,000 and 950 conventional units in average. The median income is a total of 750 units in this enterprise. Half of the employees in this company earn more than this amount. If the chiefs of this conventional organization makes a decision to increase their own salaries, the average salary of employees will increase and the median income will remain at the same. As we have seen, the median income is a realistic indicator of the financial status of citizens and is therefore used to assess inclusive development.

It should be noted that the median income is also used to assess poverty. It is known that poverty can be manifested in different ways. For example, there is definitely a concept of poverty, which has a number of manifestations of this

deprivation. In the world, poverty is often referred to as absolute poverty. However, the notion of “relative poverty” is also known. Relative poverty is defined through median incomes. If the income of the state, territory or any specialty owner is less than the half of median income, then it can be attributed to a relative poorer group. For example, if an engineer’s earnings are twice as small as the median income for the engineering team, he is relatively poor. It can also be attributed to a resident of any state of the town. For example, if a resident’s income is 2 times less than the median income, he is referred to a relatively poorer group.

It should be mentioned that the median income can be counted not only for individuals but also for households. Household’s income includes the cost of all cash flows through the homeowner’s house, the value of agricultural and other products manufactured at home, and the cost of a free or discounted payment.

Thus, it is clear from the information presented that social policy is an essential condition of sustainable inclusive development. The effectiveness of social policy is determined by a number of indicators. The level of poverty, a division of income among the population, and median incomes are related to these indicators. The feature of inclusive development is that every citizen feels positive outcomes of the development. For this reason, all social factors, including the increase in the median income, are an essential conditions for inclusive development.

3.5. The indicators characterizing the sustainability of inclusive development process

3.5.1. General characteristics of indicators reflecting the sustainability of inclusive development

It is known that sustainable development is one of the ways in which mankind can provide for the current generation and not limiting the development opportunities for future generations. The world community has perceived sustainable development as a key priority of the twenty-first century and the third millennium. In order to ensure the transition to sustainable development, the UN General Assembly and the World Summit in September 2015 have set long-term sustainable development goals, known as Agenda 2030. Sustainable Development Goals also serve for inclusive development. It is important to have knowledge about the indicators that characterize the process of inclusive development in order to form an inclusive society and ensure it serves the interests of future generations, and optimize all these processes.

Based on the analysis, risks for inclusive development for future generations can arise for a variety of reasons. One of these reasons is that natural, material and financial resources are not sufficiently optimized. Environmental contamination, global environmental problems, and climate change are another source of risk for sustainable inclusive development. This also applies to other ecological problems, such as habitat destruction, to the health of people and the depletion of biodiversity. The mistakes made in lack of balanced social and demographic policy also limit the inclusive development opportunities of

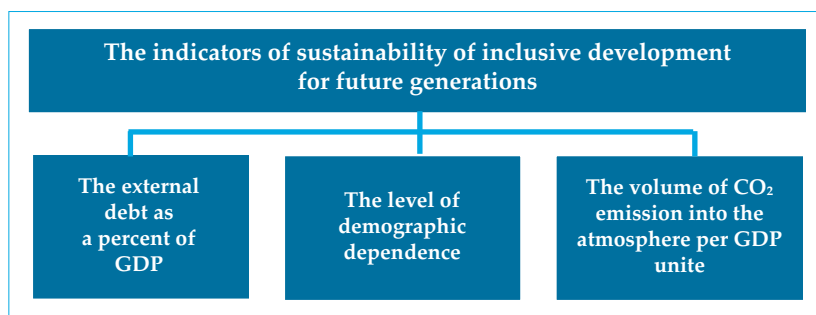


Figure 3.28. Indicators characterizing the sustainability of inclusive development

future generations. Human development, the development of the knowledge and skills of the population are the main factor of sustainable inclusive development.

The sustainability of inclusive development is only possible when it takes into account the interests of both the current and future generations when planning and managing the interventions in this area. Therefore, the importance of factors that may affect the quality of life of future generations should be assessed during inclusive development activities. Figure 3.28 presents information on indicators characterizing the sustainability of inclusive development. These indicators are used in the calculation of inclusive development index. As shown in the figure, these indicators cover some economic, demographic and ecological characteristics.

The quantity of external debt as percent of national GDP is used as an economic indicator characterizing the sustainability of inclusive development of the future generations. Another economic indicator of inclusive development that serves the same purpose is related to

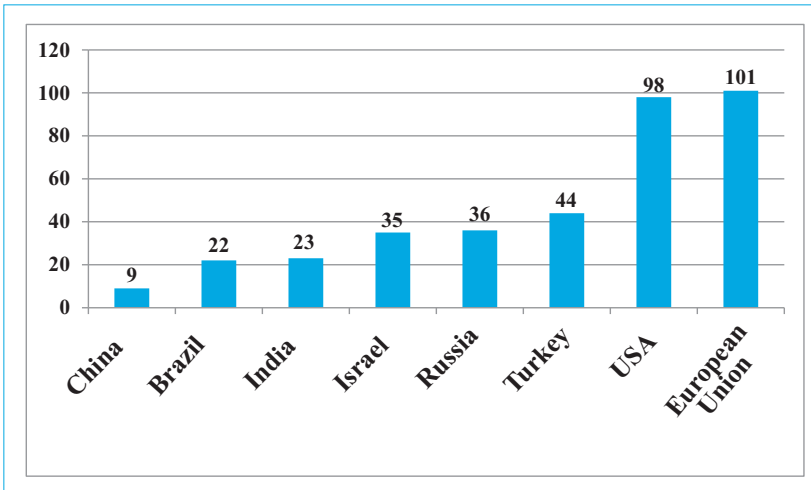
labor market situation. It was also proposed to use the demographic dependency index as a quantitative indicator of the inclusive development.

Global climate change is the next source of risk for sustainable inclusive development. Therefore, the volume of greenhouse gases emitted into the atmosphere is included in the list of sustainable inclusive development indicators. It is possible to evaluate the sustainability of inclusive development on the basis of all these indicators.

This section provides information on factors that influence the sustainability of inclusive development. This information is essential for the successful planning and management of sustainable inclusive development for current and future generations.

3.5.2. The quantity of external debt

The quantity of external debt of the country is one of the indicators characterizing sustainability of the inclusive development processes. This indicator is important for the sustainability of inclusive development. It is known that the external debt of the state requires constant service. This means that relevant to the taken debt, the debtor should pay interest taken into account in the contract to the lender organizations. The amount of these payments depends on the amount of debt. When the quantity of debt is high, the paid interest rates are also high. If the government debt is high, a situation may be created that the weight of existing debts becomes the problem of future generations. Therefore, according to accepted standards, the volume of external debt is one of the indicators of sustainability of the inclusive development processes.



*Figure 3.29. The external debt of some countries, the per cent of GDP.
Information source: International Monetary Fund, 2018*

In international statistics, the external debt situation in the country is determined by a special indicator. This indicator shows the ratio between the volume of external debt and the economic potential of the country. If the external debt is significantly less than the country's economic potential, then inclusive development can be considered sustainable. If the external debt is large and constitutes an important part of GDP, then this debt is risks for future generations and inclusive development.

The information shown in Figure 3.29 reflects the external debt of the countries in the second decade of the XXI century. As can be seen from the figure, the situation with external debt in various countries is different. The external debt of the People's Republic of China is not high and is only 9% of GDP. The US external debt is close to 100% of the country's GDP. In EU countries, external debt is at

the same level as GDP. Among the countries included in this group, the largest debt belongs Greece. The external debt of this country is 175 per cent of GDP.

As can be seen, the volume of external debt depends on the country's economic situation and the policy implemented in this area. It is clear that the external debt of a number of countries with high economic growth is also fairly high. In contrast, the external debt of the Republic of Azerbaijan is not high. Information in this field is presented in the special section of the textbook.

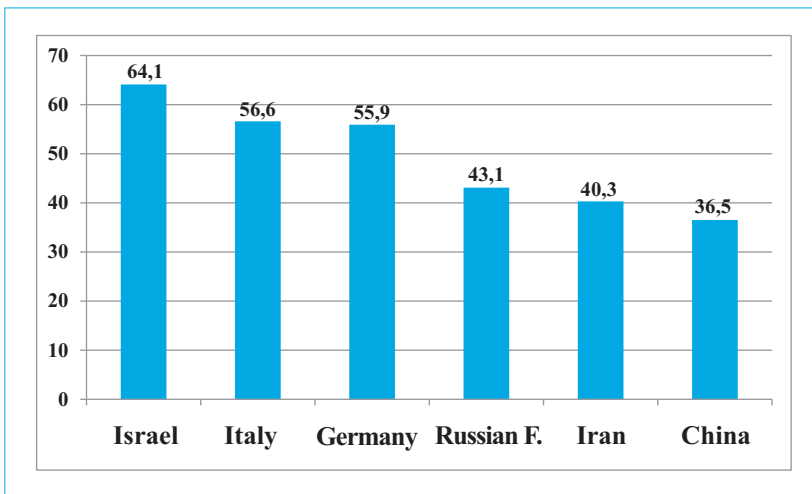
3.5.3. Demographic dependence as an indicator of the sustainability of inclusive development

The long-term perspective of inclusive development depends largely on the demographic situation. Historical information shows that in the year 1000, the population of the world was around 300 million. According to statistics, the world population at the beginning of the XX century has reached 1.6 billion. In the mid – XX century, in 1950, the population was 2.5 billion. There are currently around 7.5 billion people in the world. According to the UN Population Fund estimates, the number of people on our planet will reach 9.7 billion by 2050.

Along with the increase in the population of the world, consumption per capita also increased dramatically. The rapid increase in the population level on the Earth is a result of the high birth rate in Asian and African countries and an increase in the average lifespan that affects population growth. These two factors also mean that the age structure of population is changing. From the perspective of sustainability of inclusive development, the change in the age structure of the population is related to the proportion of the working age population to

the dependent population group. The proportion of people who can be classified as a dependent labor population is important for planning and managing sustainable inclusive development. According to international standards, the dependent group includes people aged 0-14 and above 65, while those with labor ability fall into the 15-64 years of age category. Assessment of demographic dependence is based on the determination of the number of children and old people per each hundred working age people.

The level of dependency is often called demographic load. This indicator is different in various countries. According to the international statistics, Israel has a high level of demographic dependency than some Western European countries. In order to overcome this deficit, some countries have organized migration of citizens from other countries on the basis of special programs.



*Figure 3.30. Demographic dependency in different countries.
Information source: The UN, Population Fund, 2018*

Information showing current dependency levels in different countries is presented in Figure 3.30.

It should be noted that, depending on the number and proportion of children and elderly in the dependent group, the demographic load is estimated differently. If the number of children in the dependent group is significantly higher than the elderly, it is regarded as a progressive demographic structure. Progressive demographic structure, with a high proportion of children in the dependent group, is observed in a number of Asian and African countries. These countries include Pakistan, India, Bangladesh, Nigeria, Somalia and a number of other countries. The regressive demographic structure is also known, along with progressive demographic structure. The nature of such a structure is that the dependent group is mainly represented by the elderly. In these groups, 0-14 years old population is small. The demographic structure of a number of countries, including some members of the European Union, is regressive. As a result of the situation, these countries are implementing a planned migration policy to attract foreign workforce and expand the labor pool.

The demographic load in the Republic of Azerbaijan is not high and the demographic structure of the population is characterized as progressive. Demographic structure of the population can be assessed as favorable in terms of sustainability of inclusive development in the country. This feature also has a positive impact on the country's inclusive development. Information about planning and management of sustainable inclusive development in the Republic of Azerbaijan is presented in the following sections of the textbook.

3.5.4. The effect to the global climate changes as an indicator of sustainable inclusive development

Among the most pressing global problems facing mankind is the prevention of climate change on our planet. The negative effects of global climate change are already being observed. According to experts, climate anomalies such as accelerated and intensified tsunamis, storms, floods, depletion of biodiversity and other similar phenomena that have been seen in recent years, are all results of global climate change. Some researchers also link acceleration and strengthening process of earthquakes relate to climate changes. The rise in levels of the oceans, changes in the chemical and biological composition of water, biodiversity, and other similar effects for the living world are due to climate change. Displacements observed in traditional climatic cycles in different continents and different seasons are also considered consequences of global climate change.

One can attribute multiple causes to global climate change. However, it is clear that human activities play a special and strong role in this process. Economic activity can affect global climate change in a variety of ways. For instance, activities such as deforestation, emission of greenhouse gases in the atmosphere as a result of industrial production and mass transport, agricultural activities that result in destruction of natural habitat, depletion of the ozone layer and many other anthropogenic activities are all key factors affecting global climate change. Expansion of fuel consumption is also a factor that is more likely to affect global climate change. Human activity in



Complications of global climate change in Mexico

this direction is associated with the emission of carbon dioxide (CO₂) and other greenhouse gases into the atmosphere. Consequently, carbon dioxide emissions into the atmosphere and the amount of the level of carbon dioxide have an impact on the future of sustainable inclusive development.

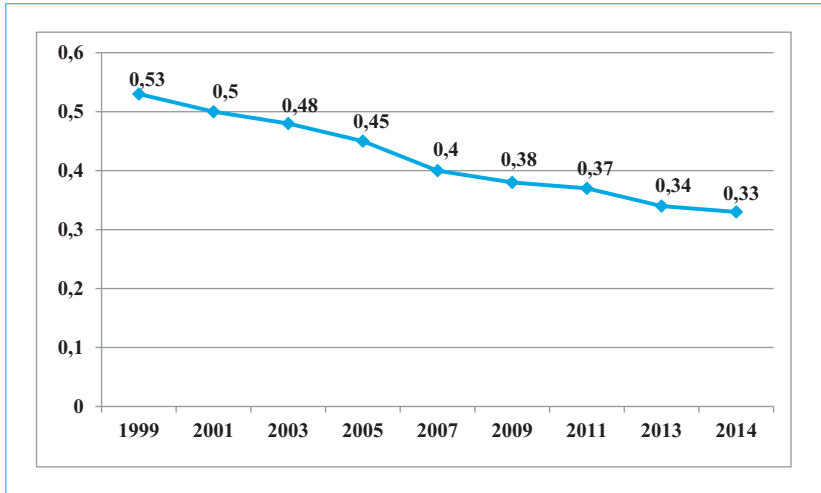
Given these, CO₂ has been suggested to be used as an indication of sustainable inclusive development in any area of atmospheric emissions. As the quantitative indicator of this factor influencing global climate change, the amount of carbon dioxide emitted into the atmospheric gas is generated during the production of a certain amount of GDP. The most widely used method is the amount of carbon dioxide (CO₂) emitted into the atmosphere against



Biodiversity

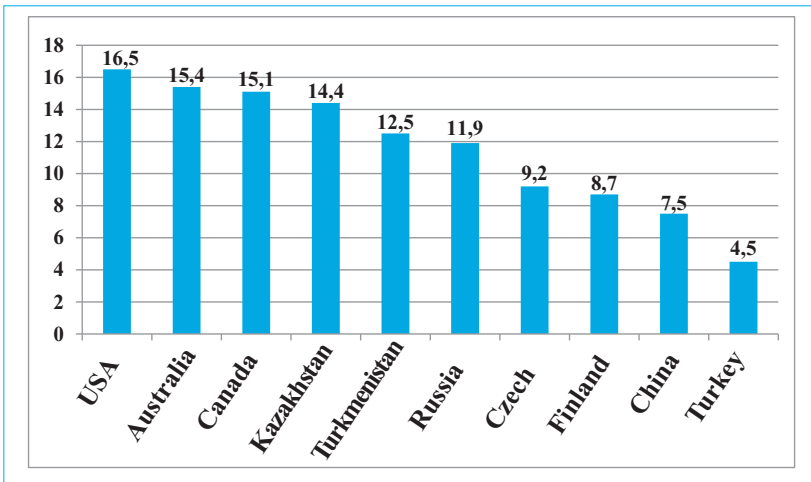
the US \$ 1 of GDP. The situation in the world has been presented in Figure 3.31.

Figure 3.31 shows that, as a result of technological progress in the world, the amount of carbon dioxide (CO₂) emitted into the atmosphere during production of each unit of GDP is decreasing. As carbon dioxide and other greenhouse gases are emitted into the atmosphere, the result of the increased use of alternative energy and the increased efficiency of using traditional energy sources is less visible. With regard to the total of carbon dioxide emissions into the atmosphere, as seen from many sources, this figure is constantly increasing in the world. Figure 3.32 presents information on greenhouse gases emitted by a number of countries.



*Figure 3.31. The amount of carbon dioxide released into the atmosphere during the production of GDP per 1 US dollar in the world.
Source of information: World Bank, 2018*

Figure 3.32 shows that the emissions of greenhouse gases in the atmosphere are still a matter of actual global concern. In some countries, the level of greenhouse gas emissions per capita is elevated and increasing. It should be kept in mind that the population of the world is also growing. This indicates that the number of greenhouse gases emitted into the atmosphere and the impacts on global climate change is increasing. The impact of some countries on global climate change is particularly startling when compared to their peers. For example, considering that the population of the People’s Republic of China is 1.4 billion, and the greenhouse gases generated per person, results in the country by default having a more polluted environment. In contrast, the population of the



*Figure 3.32. The number of tonnes of carbon dioxide emissions per year and per capita by world countries.
Source of information: World Bank, 2018*

United States is 325.7 million by the end of the year 2017. Considering that in this state, 16.5 tonnes of CO₂ emissions per capita and per year, it is clear that the United States has a significant adverse effect on climate change. It should also be noted that the United States has come out the Framework Convention on Climate Change in June of 2017. This further aggravates the hard situation with the environmental pollution through greenhouse emission.

Apparently, the situation that has emerged in the world with greenhouse gas emissions, which is an indicator of the sustainability of inclusive development, is unequivocal. This indicator is also reflected in the index of sustainable inclusive development. The incidence of the high amount of greenhouse gases in the atmosphere does not exceed the inclusive indicator.



Emission of greenhouse gases into the atmosphere

It should be mentioned that the amount of CO₂ emitted in the atmosphere in the Republic of Azerbaijan has dropped dramatically in the last fifteen years.

With all of this in mind, we can say that inclusive development indicators provide the basis for planning and effective management of this process for the present and the future.

3.6. Inclusive development index

Based on the information presented in this section of the textbook, we can say that through a number of indicators, the readiness of any country to transition to inclusive development can be assessed. The indicators are

comprehensive and approach inclusiveness and sustainability through a variety of perspectives. To shape the process of inclusive and sustainable development a careful assessment and planning for material and qualified human resources has to be put in place. The nature of these two factors and their assessment methods are provided in this section of the textbook. Based on the analysis of economic indicators, it is estimated that society is ready to move to the level of inclusive society. If it is necessary and the requirements have been met, measures must be taken and implemented to reach the level of inclusive development of society.

Evaluation of the economic situation and its components is essential to determine level of society's readiness for the inclusive sustainable development. If results of evaluation indicate that certain components require attention, respective action must be launched to address the shortcomings. Similarly, social development field must be analysed and based on the analysis of social indicators, it is determined if the social status of society is in line. If it is necessary, deficiencies are identified and improvement measures are being taken. Indicators of sustainability, which are the third component of inclusive development and play a vital role in ensuring its sustainability, are also analysed in the same way and improved as needed.

Thus, the potential of the state's transition to an inclusive emerging society is assessed based on the analysis of 12 different indicators relating to the economy, the social field, and the sustainability of the process. Obviously, this assessment should be based on quantitative indicators. For this purpose, the indicative development index is used. Calculation of this index is carried out by international

organizations. Knowledge about the indicators used in the calculation is presented in the current textbook.

The inclusive development index is calculated by international development institutions. Last time these calculations were published by the World Economic Forum (Davos, Switzerland). According to the forum, the achievements of the Republic of Azerbaijan in this field are very high. Information on the processes underlying these successes is presented in the following sections of the textbook.

3.7. Test yourself: questions and tasks

1. List the indicator groups that describe inclusive development.
2. What are the economic indicators of inclusive development?
3. What are the social indicators of inclusive development?
4. List and describe indicators that characterize the sustainability of inclusive development.
5. What is the median income and how is this indicator used?
6. What is the level of demographic load?
7. What are the progressive and regressive types of demographic structure?
8. How does the volume of external debt affect inclusive development?
9. What indicators are used to characterize income distribution among the population?
10. What is the Gini Index, the Gini Index and the Quintile ratio?

4. MODERN TECHNOLOGIES IN INCLUSIVE DEVELOPMENT MANAGEMENT

The role of management technologies in societal development. Inclusive development based on knowledge, as a factor of development. Synergetic technologies in sustainable inclusive development management. The use of complementary technologies in inclusive development management. The role of compensatory technologies in the implementation of inclusive development purposes. The complex use of the range of synergistic, complementary and compensating technologies as factors for increasing the efficiency of resource mobilization for managing inclusive development.

- 4.1. The purpose of section*
- 4.2. Keywords and concepts*
- 4.3. The role of various factors in the formation of inclusive development*
- 4.4. The role of natural resources in the inclusively developing society*
- 4.5. The role of financial resources in the formation of an inclusive developing society*
- 4.6. Human development as a factor of an inclusive development*
- 4.7. The importance of management technologies in organizing inclusive development*
- 4.8. Formation of inclusive development goals*
- 4.9. Innovative technologies in the management of inclusive development*
- 4.10. Synergetic technologies in inclusive development management*
- 4.11. Complementary technologies in inclusive development management*
- 4.12. Compensation technologies in inclusive development management*
- 4.13. Test yourself: questions and tasks*

4.1. The purpose of section

In the first sections of the textbook it has been shown that at this stage of societal development humanity has faced a range of new and growing challenges. These challenges cover various areas, such as economic, social, ecological and humanitarian. Global economic and social crises, set of military conflicts, non-regulated migration that covers many countries, as well as global climate change and the serious consequences stemming from all these processes require the formation of new approaches for social development management.

The previous section of the textbook is dedicated to studying the factors that determine the formation of an inclusive society. It has been established that economic and social indicators and environmental information can be used to plan and manage inclusive development.

The formation of an inclusively developing society requires knowledge of the factors that influence this process, increase its speed and improve its quality. This knowledge is extremely important for monitoring the state of inclusive development and for the formation of developing a society in this way. However, to achieve this goal, it is also important to have the necessary knowledge of the public administration technologies that ensure the creation of a sustainable inclusive society and their application.

It is evident that the problems related to ensuring inclusive development can only be solved with the help of continuously updated knowledge and modern

management technologies. The information presented in this section shows that the path of inclusive development of society goes through the optimization of management processes and the use of innovative technologies that operate in the economic and sociological sphere. The purpose of this section is to form knowledge about the ways for addressing the existing problems in economic, social, ecological and humanitarian areas.

Synergistic, complementary and compensating management technologies, as well as using them separately and in combination, are essential in inclusive development management. The information presented in the section, contributes to the formation of knowledge and skills on new technologies for managing inclusive development.

4.2. Keywords and concepts

Synergism; Synergetic technologies in the management of development processes; Complementarity; Complementarity technologies in the development processes management; Compensating; Compensating technologies in management; Human Development; Human Development Index; Purchasing Power Parity (PPP); Organization for Economic Co-operation and Development (OECD); Beneficiary.

4.3. The role of various factors in the formation of inclusive development

The modern world is very diverse. This diversity is observed both in natural and cultural, and economic and social spheres. Today, there are 197 officially recognized states in the world, 193 of which are active as members of the UN. The reports published by the UN, the World Bank and other international organizations show that economic and social indicators of these countries and their existing potential for transition to inclusive society differ greatly. These differences are related to the richness of natural resources, as well as the economic, social and human potential. There are a number of countries in the world with hundreds of millions of people, with a current state of economic, social and human potential which cannot be considered favourable for inclusive development. As an example, in spite of the fact that China and India with a population of several billion people have the most sufficient population in the world, their economic, social and environmental indicators necessary for inclusive development don't reach the required level.

The studies demonstrate that inclusive development of any country depends on various factors. These factors don't include the smallness or vastness of the territory of the country or its population size. The evidence and knowledge must be used to make informed choices for the most optimal management technologies for the formation of an inclusive society, skills and qualified technical experts and personnel are essential for the success.

Creating favourable conditions for inclusive development is associated with natural wealth of the countries. These can take form as both natural and financial resources. These

two types of resources are closely interconnected. Natural wealth and its efficient use, ensures the attraction of financial resources to the country. On the other hand, the flow of financial resources into the country creates conditions for the discovery of new natural resources, conducting researches in this field and improving the processing of already exploited natural resources. The availability of financial resources serves the development of science and sound academic infrastructure in the country, as well as the expansion of human potential. It is an essential condition for inclusive development. It is known that the development of human potential is an important innovation source that serves inclusive development.

Following on from the analysis of reports prepared by the World Bank and other international organizations, it is reasonable to conclude that the richness of natural resources is not sufficient for inclusive development. For example, according to reports published by the World Bank in September 2018, Equatorial Guinea has a per capita income of \$ 24,817, with purchasing power parity. This level of income is also registered in Greece. Although economic capabilities are at the same level, according to a report by the UN on Human Development, Greece resides in the 29th place and Equatorial Guinea resides in the 136th among 193 countries. According to a report by the Davos World Economic Forum for 2018, Greece's inclusive development index (IDI) is 4.49, and it resides in the 29th place among countries with advanced economy. Equatorial Guinea was not represented in the list in general. This shows that even if economic capabilities are important for inclusive development it can't guarantee successes.

This example demonstrates that, along with financial abilities, there are other factors that condition their

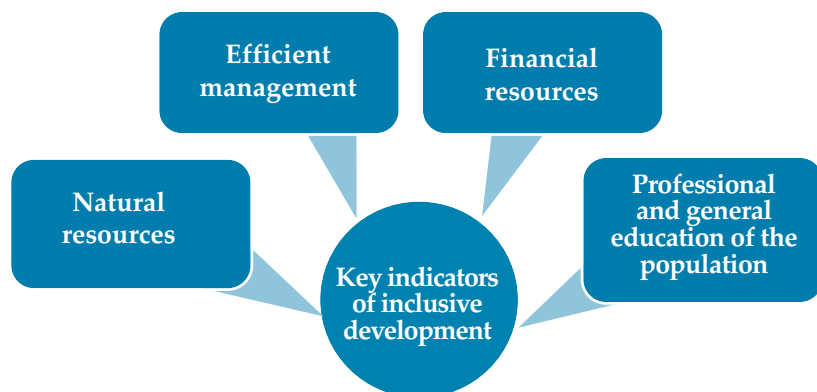


Figure 4.33. Key factors influencing inclusive development

developmental purposes. Management is a most important factor among the ones mentioned above. The general education and culture of people is an essential condition for the formation of an inclusive society (Figure 4.33.).

Thus, it is clear that the formation of an inclusive society, its sustainability, and provision for future generations depends on the existence of a number of factors. Knowledge of the effects of different factors on the inclusive and complex development is considered in the following sections of the current textbook.

4.4. The role of natural resources in the inclusively developing society

Inclusive development that meets global interests of mankind is a priority for all countries of the world. Importance of inclusive development is that, this innovative way of development provides comprehensive development

of the state while at the same time, ensuring that every citizen feels the positive effects of this process. Figure 4.33 provides information on the factors crucial for the formation of an inclusive society. It should also be noted that the significance of factors affecting inclusive development may be different in various countries. This section considers the existence and richness of natural resources and the impact of their optimal management on inclusive development. According to estimation by independent international experts, some countries are so rich in natural resources, that these deposits are characterized as “scattered on the ground.” According to independent experts the approximate value of natural resources available in these countries is presented in Table 4.2.

Table 4.2. Countries with the most natural resources in the world

Country	Main natural resources	Approximative value of natural resources
Russian Federation	Forest, oil, gas, coal, gold	\$ 75 trillion
USA	Forest, oil, gas, coal, copper	\$ 45 trillion
Saudi Arabia	Oil, gas	\$ 34.4 trillion
Canada	Forest, oil, uranium	\$ 33.2 trillion
Iran	Oil, gas	\$ 27.3 trillion
China	Forest, coal	\$ 23 trillion

Table 4.2 presents that in some countries there are quite a number of natural resources and these natural resources have specific features. Thus, part of natural resources in the Russian Federation, the United States, Canada and the People's Republic of China can be renewed. For example, \$ 28.5 trillion of the total value of natural resources in the Russian Federation falls on forest resources. This means that at least 38 % of the natural resources of the Russian Federation can be renewed and their operation can't be limited over time. According to this assessment the value of forest resources in the United States is \$ 11 trillion. This means that renewed natural resources make 24,4% of the natural resources of this country.

The richness of natural resources in different countries is estimated as a favourable condition for inclusive development. If natural resources simultaneously belong to a group of renewable resources, the opportunities for sustainable inclusive development will become even wider.

According to international estimates, Australia, Brazil, Iraq, Venezuela, China, Iran, Canada, Saudi Arabia, Russia, the USA, and other countries are among the countries that have a very high level of natural resources. For some of the countries in this group, inclusive development indexes were calculated in 2018. Figure 4.34 provides information on inclusive development indexes of countries rich in natural resources. The figure presents information only about countries where Inclusive Development Index is calculated by international organizations. Figure 4.34 provides information also about the Republic of Azerbaijan along resource-rich countries, according to classification by international organization. It is known that although



“Shah Deniz” gas and condensate field in the Republic of Azerbaijan

Azerbaijan has natural resources, according to the international classification, this country is not included in the group of resource-rich countries. However, according to the inclusive development coefficient, Azerbaijan overtakes a number of resource-rich countries. This is due to the fact that after the restoration of independence, especially over the past 16 years, Azerbaijan has achieved very high results in the economic and social spheres, as well as in the management of natural resources. According to estimation by international organizations, the inclusive development index of the Republic of Azerbaijan exceeds the majority of developed countries. Countries of the Group of Seven (G7), the OECD and member states of the European Union are also among these countries. The information provided in Figure 4.34 shows that the

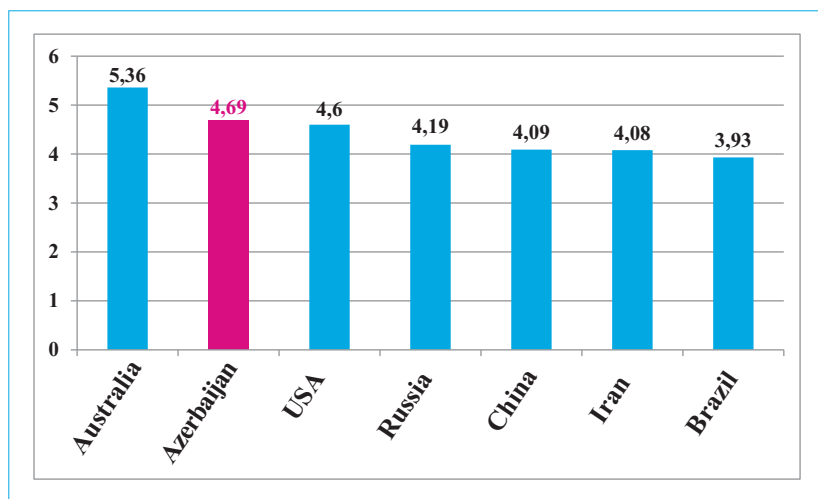


Figure 4.34. Inclusive development indexes of resource-rich countries and the Republic of Azerbaijan.

Information resource: Inclusive Development Indexes of countries, World Economic Forum, Davos, 2018

richness of natural resources does not guarantee high results in the field of inclusive development. Inclusive development indexes of resource-rich countries may be significantly different. For example, Australian inclusive development index (IDI) is very high and is equal to 5.36. Brazil, which is rich in natural resources, has an index of only 3.93, which is 1.4 times less than the Australian. It can be assumed that the existence of such a big difference depends on the natural resource management by various sectors of the country. At the same time, we should note that the natural resources of the Republic of Azerbaijan are relatively small in comparison to Brazil. Nevertheless, inclusive development index of Azerbaijan is much higher than that of Brazil and comes in at 4.69.

The provided information and its analyses shows that natural resources are very important from the point of view of the successful development of the country and the inclusiveness of this process. However, achieving best result depends on the management of these resources. For example, according to the UN, 94.4 % of the population of Australia, which has achieved better results in the field of inclusive development, has at least a secondary education. But in Brazil, this figure makes 53,6%.

Sure enough, natural resources are an important factor of inclusive development. However, according to the results of analyses conducted, it is clear that obtaining success in this area depends on optimal management, improvement of existing knowledge and skills. This can also be seen in the context of the Republic of Azerbaijan. Knowledge of new innovative technologies of management, which ensure the success of Azerbaijan is presented in the following sections of the textbook.

4.5. The role of financial resources in the formation of an inclusive developing society

The availability and amount of financial resources for the implementation of any planned project or activity is an important prerequisite. This is undoubtedly related to all kinds of activities, including planning and management of inclusive development. The absence or lack of finances seriously limits the implementation of any project. Therefore, it is necessary to make the best use of financial resources, including funds for the planning and management of inclusive development. This section of the textbook contains information

about optimal management of financial resources for inclusive development.

The analyses show that there is a limited relationship between existing financial resources and formation of an inclusive society. This is the reason why countries with the same economic opportunities have different achievements in the field of inclusive development. Table 4.3 shows the relationship between existing revenues and inclusive development in different countries. Revenues are estimated according to the level of gross domestic product per capita, and inclusive development is estimated according to the corresponding index.

Table 4.3 provides information on the economic potential of countries with emerging economies and inclusive development indicators. The information presented in the table shows that there is no direct relationship between economic opportunities and inclusive development. A comparative analysis of the indicators of the two EU member states makes it possible to clarify this point. For example, in Hungary, the annual gross domestic product per capita is \$ 28,375, also accounting with purchasing power parity (PPP). This is less than in Poland, which is an EU member state. In Poland, the total gross domestic product per capita is \$ 29,291, with PPP. Nevertheless, Hungary's inclusive index is equal to 4.74. This shows that the results achieved in inclusive development in Hungary are higher than in Poland, which is economically richer.

Fundamentals of inclusive development management

Table 4.3. Inclusive Development Indexes and GDP per capita of selected countries. Information source: World Bank, The World Economic Forum, 2018

State	Inclusive Development Index	Per capita income (GDP), USD PPP*
Lithuania	4.86	32,095
Hungary	4.74	28,375
Azerbaijan	4.69	17,398
Latvia	4.67	27,598
Poland	4.61	29,291
Romania	4.43	25,840
Bulgaria	4.41	20,329
Kazakhstan	4.26	26,409
Turkey	4.26	27,916
Russia	4.20	25,533

* Purchasing Power Parity

This trend has also been confirmed by another comparison. The indicators of the three post-Soviet countries such as Azerbaijan, Kazakhstan and the Russian Federation are discussed in such comparison provided below. The Republic of Azerbaijan has achieved the highest results in the field of inclusive development among these three countries. According to estimates by international organizations, the Inclusive Development Index (IDI) in the Republic of Azerbaijan is equal to 4.69. Inclusive development indexes of Kazakhstan and the Russian Federation are, respectively equal to 4,26 or 4,20. It should

be noted that GDP per capita in the Republic of Azerbaijan is lower than in Kazakhstan and Russia. This once again shows that the results achieved in the field of formation of the inclusive developing society are mostly related to the optimal management of this field.

Table 4.3 provides information reflecting the level of revenues and inclusive development indexes in 10 countries. According to international organizations, the lowest per capita income in this group was observed in the Republic of Azerbaijan. Nevertheless, the Republic of Azerbaijan resides in third place in terms of inclusive development. This once again testifies that inclusive development, which ensures the comprehensive development of society and has a positive effect on the well-being of citizens, is not limited to economic opportunities. There is no doubt that for the level of achievements in the field of inclusive development the role of innovative management technologies is of vital importance.

The analysis of inclusive development in countries with a high per capita income also confirms this idea. Table 4.4 provides information about countries which per capita income is \$ 50,000 or more. In this table, countries are listed according to the level of per capita income. Information provided in Table 4.4 once again proves that even a high level of income in countries does not provide an appropriate level of inclusive development. For example, among the 8 countries listed in Table 4.4, the USA takes the third place by the level of income. But according to inclusive development index it takes the last place in the mentioned group. As you can see in the table, per capita income in the United States makes \$59,531 USD and this figure exceeds the income Swedish citizens by 19%. However, the

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inclusive development index in Sweden makes 5.76 and it is by 21% higher than in the USA. The case with Sweden demonstrates that even at the expense of small funds it is possible to achieve high results in the field of sustainable inclusive development.

Table 4.4. Inclusive development indicators of countries with high per capita income

State	Inclusive Development Index	Per capita income (GDP), USD PPP*
Switzerland	6.06	65,006
Norway	6.08	60,978
USA	4.60	59,531
Iceland	6.07	53,518
The Netherlands	5.61	52,541
Austria	5.36	52,537
Germany	5.27	50,715
Sweden	5.76	50,069

The social policy pursued in these countries forms the basis of this difference. Comparison of social indicators of inclusive development in these two countries is evidence of above-mentioned issues. When comparing the Gini index in these countries, it turned out that this indicator is lower in Sweden. It testifies that in Sweden revenues are distributed more equitably than in the United States. From the above comparisons it is clear that the amount of funding is crucial for inclusive development, provided that this resource is managed properly.

So, provided information shows that inclusive development requires an integrated approach. Despite the fact that richness of natural and financial resources is an important condition for inclusive development, it is often not enough for success. Proper management of listed resources is an overriding term that provides inclusive development and its future preservation, and it must be accompanied by the development of human potential. Awareness of the dependence of inclusive development on human potential is presented in the next section.

4.6. Human development as a factor of an inclusive development

This section considers the relationship between inclusive development and human development. As is known, the term “human development” means raising the level of education of people and improving their health and financial condition. According to international standards human development quantitative indicator is the Human Development Index (HDI). It is obvious that human development level is an important factor that affects inclusive development. This is due to the fact that natural and financial resources that are crucial for inclusive development can be effectively used only with the proper level of education, knowledge and skills of human development. Concrete analyses should be carried out to learn the level of dependence of inclusive development on human development. The purpose of these analyses is to identify the relationship indexes of human development and inclusive development. Analytical results are presented in Table 4.5.

Fundamentals of inclusive development management

Table 4.5. Human development rating and inclusive development indexes in countries with high economic achievements

State	Per capita income (GDP), \$ PPP	Inclusive Development Index	Rating according to Human Development Index
Norway	60,978	6.08	1
Austria	52,557	5.36	2*
Switzerland	65,006	6.06	2*
Germany	50,715	5.27	4
The Netherlands	52,541	5.61	7
Spain	53,518	6.07	9
Canada	46,374	5.06	10
USA	59,531	4.60	10
Sweden	50,069	5.76	14
Finland	45,191	5.33	23
Qatar	128,378	-**	33
Saudi Arabia	53,844	-**	38
Bahrain	47,526	-**	47
Kuwait	71,943	-**	51

* - Austria and Switzerland have the same human development index and therefore both of them have the same rating.

** - Inclusive Development Index for these countries was not calculated.

At the first stage of the analysis in order to study the relationship between human development and inclusive development, the state of this process was analysed in countries with a highly developed economies. Such countries were selected for the comparative analysis, in which, according to the World Bank, the annual per capita

income was at least \$ 45,000 with the purchasing power parity. The information presented in Table 4.5 is related to the countries that achieved the highest results in the field of human development. The ranking of countries in the Table is based on the results achieved by them in the field of human development and their world rating. According to the Table, a high per capita income does not guarantee a high level of human development. For example, Norway, with annual per capita income of \$ 60,978, ranks first in the world in terms of human development. In Qatar, the annual income per capita is twice as high as in Norway and makes \$ 128,378. However, Qatar lags behind Norway in terms of the human development index. Qatar occupies only 33rd place in the world when ranked on human development. Norway, which has less economic capabilities when compared to Qatar, has been ranked first in the world for many years. A higher human development index means higher education, deeper knowledge and skills base of the population, but also a healthier population. These advantages are crucial for inclusive development. For this reason, high level of development indicates good conditions for inclusive development. These advantages are crucial for inclusive development. For this reason, a high human development indicates good conditions for inclusive development.

4.7. The importance of management technologies in organizing inclusive development

It is clear from previous sections of this textbook that joint influence of many factors is excessively important to build an inclusive society and to ensure its sustainability. It has been

indicated that abundance of natural resources is an important factor to create a condition for inclusive development. It is clear from comparative analyses presented above that financial resources are also an important factor of inclusive development. At the same time, for the inclusive development of the country and the sustainability of this process, high-level human development is an important condition. Only modern education, deep pool of knowledge, and high professionalism can ensure successful inclusive development.

All presented factors as well as natural, material, financial and human resources are very important blocks in building a society based on inclusive development. These factors are necessary, yet they do not guarantee efficient application of inclusive development principles. It is possible to build a society with inclusive development as its core foundation only when the necessary factors are managed correctly for the sake of current and future generations. For this reason, the management factor plays a decisive role among factors ensuring inclusive development (Figure 4.35.).



*Figure 4.35.
Role of resources,
human potential
and management
for reaching inclusive
development objectives*

The role of various factors has been presented in the figure 4.35 to achieve successful inclusive development. It is clear from the information in the figure that although material, financial resources and human potential are essential, it impossible to reach targeted purposes without effective management. In the figure, the scope of factors being inclusive development elements (4.35) shows that management is a decisive factor for inclusive development.

The role of various factors in achieving inclusive development has been presented in the figure 4.35. It is clear from the information in the figure that although material, financial resources and human potential are essential, it impossible to reach the targeted goals without effective management. As illustrated by the figure, management is a decisive factor for inclusive development.

Achieving success in any process as well as on the management of inclusive development is based on true planning and continually renewing management technologies. Operation sequence in this field has been schematically presented in the figure 4.36.

As seen from the figure, achieving success in the field of transition to inclusive society, firstly, begins from setting

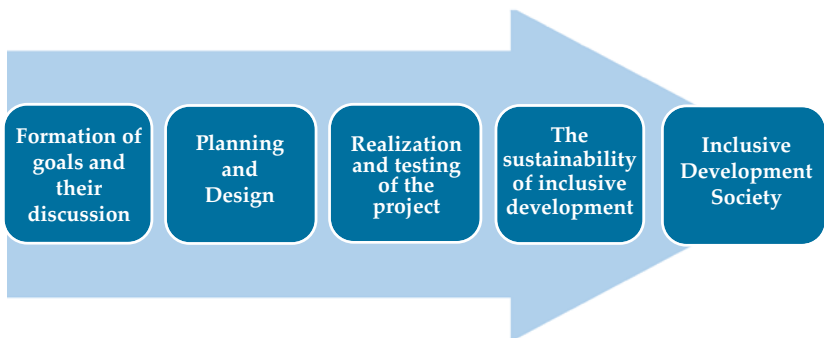


Figure 4.36. Main stages for planning and managing inclusive development

objectives. Setting objectives correctly lead to optimal mobilization of natural, human and financial resources.

It is important to involve right players and citizens in the process of setting objectives in the field of inclusive development. Public participation is important in the stage of setting inclusive development objectives and planning the operational aspects of the process. For this reason, the opinion of key players and affected groups is absorbed in the next project and its economic, social, ecological perspectives and this is taken into consideration during the decision-making process.

Involvement in the process of planning inclusive development can be implemented in several ways. Meetings with citizens and key players, public forums, personal appointments are highly significant for managing the first stage effectively. It is useful to involve representatives of non-governmental organizations, independent experts and representatives of mass media. In general, learning the opinion of every relevant party or every organization, while being interested in the field of building inclusively developing society, if necessary, taking utterances into consideration is an important method of modern management.

The second stage in building inclusively developing society is planning. In this stage the most important liability is to choose the performer. It is necessary to consider that performer should possess the potential to carry out this stage within planned time and with high quality. As a general rule, a performer is elected at the result of independent competition – tender. As usual, the participation of a few organizations in the tender is an important condition. In this stage, the main objective is to prevent the phenomenon of development with technology lag. Preventing indicated risk is essential for the sustainability of inclusive development. Establishing relevant institutions or industries meeting the requirements of society to ensure

inclusive development is usually also necessary. The organization performing this stage is elected with tender or competition.

The sustainability of inclusive development and ensuring this condition for next generations are among the most significant challenges facing the overall concept and its application. The optimal way to reach this goal is continually update knowledge and skills in the field of planning and managing inclusive development. In this regard, increasing the overall level of knowledge and skills in the field of inclusive development is of paramount importance. This, at the same time, optimal management of resources directed to inclusive development is also a requirement that needs to be met. The experience of the Republic of Azerbaijan in the field of effective management of inclusive development is proof of the viability of this methodology. Information about innovative technologies used in the country is presented in the next sections.

4.8. Formation of inclusive development goals

As indicated, successfully planning inclusive development depends on choosing final targets correctly. At the same time, it is clear that the condition of inclusive development in any country is identified on the basis of inclusive development index. It is necessary to remind that this index is calculated on the basis of three group indicators. Indicators pertaining to the first group is associated with economic growth and innovative development. Second group indicators embody social indicators of countries. But indicators classifying the sustainability of inclusive development and maintenance of gained results in this field for next generations pertains to the third group. Each of them is important for inclusive development and should

be taken into consideration during the realization of operation in this field.

It is clear that these indicators – achievements gained in groups – which determine inclusive development in different countries can be different. For example, any country can get high results in economic growth, but in a social field can be unsuccessful. At the same time, it is possible that any country is successful in economic growth and social field, but lags behind in terms of sustainability indicators which are an important factor of inclusive development. For this reason, when planning future action in the field of inclusive development management, the analysis of the situation and setting objectives correctly are regarded as the first step. During giving decisions on the

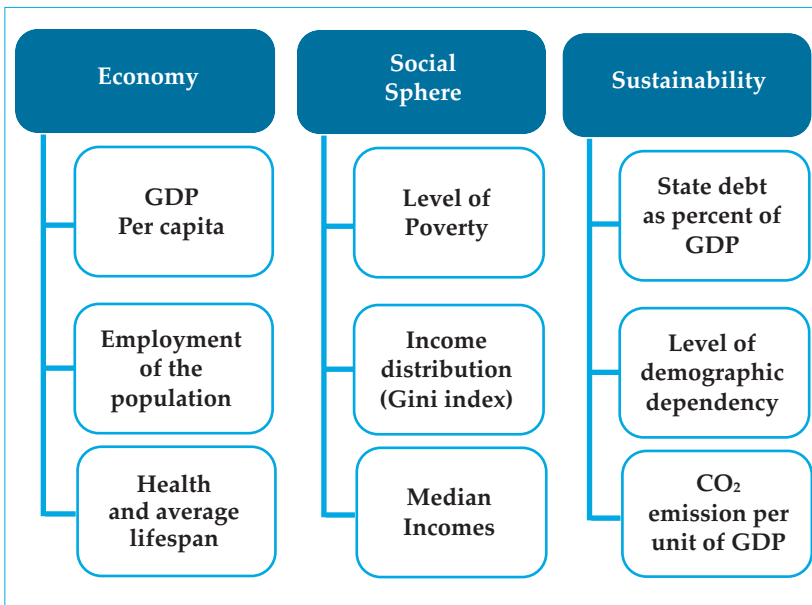


Figure 4.37. Indicators which should be taken into consideration when planning activities in the process of inclusive development management

management of this process and in the process of enhancement of indicators determining inclusive development, main indicators have been presented in Figure 4.37.

Successful management in the field of inclusive development begins with setting correct objectives. As indicated in the previous section, effective exploitation of resources is an important factor of successes. At the same time, it is clear that the three-group factor identifies the inclusiveness of development. These are economic, social indicators and indicators determining the sustainability of the development process. It is clear from the figure 4.37, which indicators should be taken into consideration in the establishment of inclusively developing society.

Information presented in the figure 4.37 is used during the calculation of inclusive development index. These indicators can be different in different countries. For this

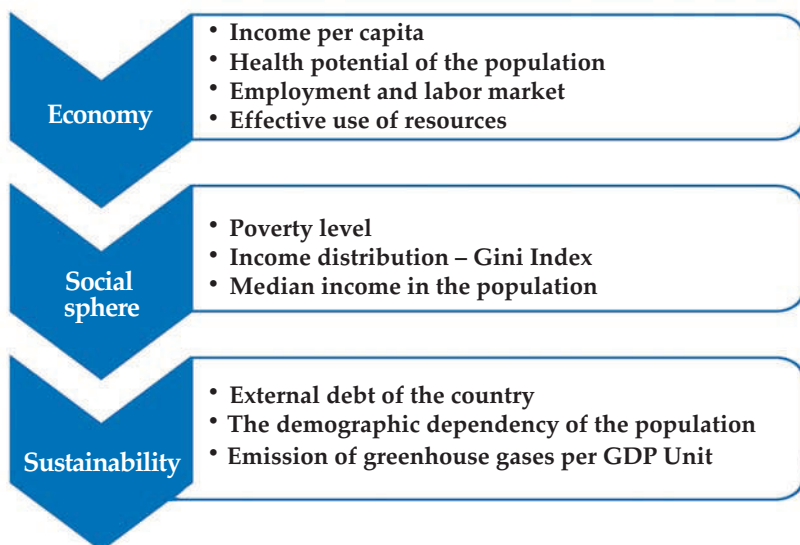


Figure 4.38. Assessment of readiness for building an inclusively developing society

reason, when planning activities in the field of inclusive development in different country or areas, these specifications should be taken into consideration.

When planning activities in the field of inclusive development, setting objectives correctly, as well as using material resources and human potential in the most optimal manner is essential for meeting crucial objectives. Therefore, during the planning phase taking key factors into consideration is important (Figure 4.38.).

As mentioned, the purpose of such analyses and evaluations is to reveal which components should be strengthened for the success and sustainability of inclusive development. The degree of preparation of key elements can be evaluated with ten-point grading scale or percent. For instance, it is uncovered at the result of these evaluations that society is ready for inclusive development, but poverty level or percentage of greenhouse gases emitted into the atmosphere should be decreased for optimal outcomes. The volume of



“ASAN service”. The Republic of Azerbaijan

future activities is identified and an action plan is formed to eliminate these shortages.

It is necessary to note that following a certain sequence is an important condition when planning action in this direction. This is also important for effective use of resources in order to achieve the goals of inclusive development.

It is clear that inclusive developing society can be built only on the basis of an effective economy. This condition is not enough on its own, but it is required for the overall success. For this reason, monitoring of preparation for inclusive development begins with evaluating incomes per capita and employment conditions. Only after preparation of the economic base, the necessity of other actions can be examined in the field of inclusive development management.

Inclusive development as a way of progress applies successes in the economy to the social field. During the monitoring of social policy for the sake of inclusive development in any country or any area, the level of poverty, level of median incomes and the level of incomes among different layers of the population are carefully examined. The Gini index is used to determine income distribution among the population.

If it becomes clear that policy persisted in the country in the process of monitoring ensures the creation of a required economic and social base for inclusive development, the question of sustainability of the overall process begins to take center stage. As usual, a new indicators are used during the evaluation of the sustainability of inclusive development process (Figure 4.37.). As a long-term economy indicator, the volume of a country's external debt is evaluated. As a quantity indicator of this parameter, "what percentage of the GDP is held as external debt" is regarded as the bottom line. These indicators are evaluated as part of sustainability because solving these problems falls

directly on the future generations. This can have a negative effect on the sustainability of inclusive development.

Demographic indicators should be evaluated during the monitoring of sustainability of society which develops inclusively. It is clear that demographic dependence level of population is identified as demographic indicator during the analysis of inclusive development condition. When the term demographic dependence is used, the labor pool of the country is evaluated to determine those who currently have labor ability (15-64) and those who are under dependence (0-14 and 65+). A society which has no high dependence degree is close to optimal conditions for inclusive development.

The next indicator of inclusive development sustainability is the amount of emitted greenhouse gases. The condition which has appeared in this field is usually identified on the basis of one indicator. This indicator is emitted greenhouse gases which affect global climate change. Two methods are used for the monitoring of this indicator. To what extent the country affects climate changes is calculated with the amount of carbon dioxide (CO₂) which is emitted into the atmosphere per \$1 GDP. This is usually calculated with kilogram or gram as a standard measuring unit. The second indicator is accepted as the result of innovative development happening in the majority of countries. Less energy wastage for the same economic output usually meets the requirements of inclusive development. The comparison of indicators of different countries creates the condition for identifying leaders in this field. In the condition of inclusive development the percentage of greenhouse gases are high.

Thus, carried out monitoring leads to the optimal planning and management of society. Monitoring process creates the condition for identifying main action directions and for optimal management of divided resources.

4.9. Innovative technologies in the management of inclusive development

Establishing an inclusive society and ensuring its sustainability in the future depends on the development strategy carried out by the state in this field. Along with the development strategy of the state, the technology policy carried out for achieving inclusive development purposes is of great importance in terms of success. The importance of management technologies used in the implementation of the technological policy is very great. Properly selected management technologies, an optimal material supply for planned activities, and mobilization of human potential guarantee the successful achievement of goals set in the field of inclusive development. At the same time, the use of innovative technologies is a very important tool for the formation of human potential. In general, the decisions adopted under efficient management conditions contribute to achieving the highest quality results against the lowest expenditure.

In recent years, the introduction of new innovative technologies has had a special place in the management of sustainable development. Theoretical bases and the way of application of these technologies in the sustainable inclusive development process were first developed in the Republic of Azerbaijan. For the first time, a complex of synergetic, complementary and compensational technologies was used while carrying out both national and international economic and social programs. As per the reports of the World Bank, the United Nations and other international organizations, the Republic of Azerbaijan is among the world's leaders in a number of economic, social and environmental indicators

as a result of the use of such innovative technologies. For instance, the public was informed on Inclusive Development Indices (IDI) of the world countries in the report of the World Economic Forum held in Davos in 2018. According to the published document, the IDI is equal to 4.69 in the Republic of Azerbaijan. This indicator of the Republic of Azerbaijan is higher than the indicators in some countries which have demonstrated high results in economical development. The countries included in the Group of 7 (G7), the European Union and the Organization for Economical Cooperation and Development (OECD) are among these countries. The achievements of Azerbaijan in the planning and management of inclusive development are analyzed in the next sections of this textbook. Now this information

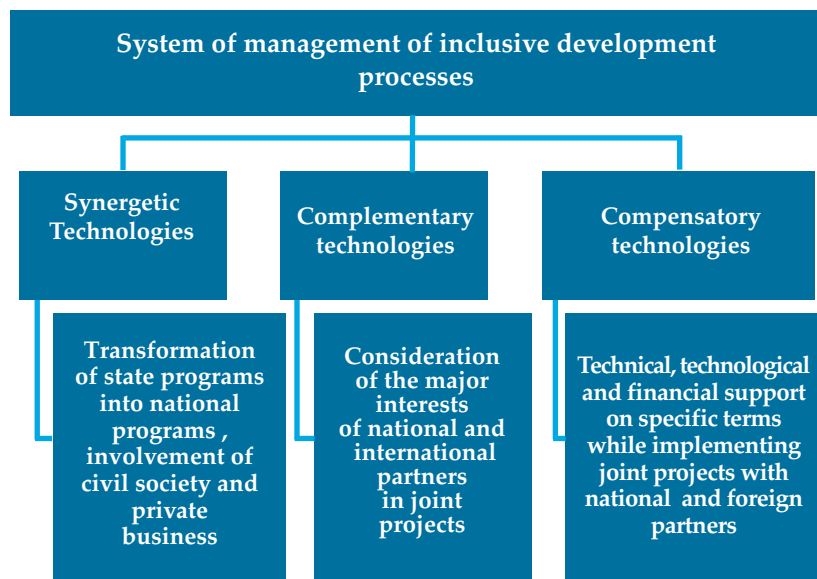


Figure 4.39. Complex system ensuring the effectiveness of the inclusive development management

is used to demonstrate the high efficiency of innovative management technologies used in the country.

Figure 4.39 presents information on technologies ensuring inclusive development and long-term sustainability. It shall be noted that the elements of this system could be used in the management of sustainable development earlier on in the planning process. However, these technologies have been used for planning and use of sustainable inclusive development as a complex unique multi-component system for the first time in Azerbaijan.

Thus, it turns out that new challenges formed in the field of continuous inclusive development stimulate the development of new technologies in managing these processes. Knowledge in this area is very important for the management of the state and the regions.

4.10. Synergetic technologies in inclusive development management

During the application of synergetic technologies in management, several project participants integrate their efforts into common purposes and within the framework of a single plan. Consequently, the project's efficiency improves, its quality rises and costs are reduced. During the application of synergetic technologies in management, the knowledge and skills of the project participants are used more efficiently. At the same time, projects managed by synergetic technologies create conditions for increasing the knowledge and skills of the involved staff. Synergetic technologies are profitable in terms of time and money spent on the project implementation.

Depending on the nature of the implemented activity, participants in various number and composition may be

involved to obtain a synergetic effect. As a rule, both state-run organizations and current business are involved in the implementation of projects related to the inclusive development. Non-governmental organizations and civil society representatives are also involved in the settlement of serious economic and social problems. When applying synergetic technologies in the management of inclusive development, the relations of the participants can be organized as shown in Figure 4.40. It shall be noted that only a part of the synergetic relations is reflected in this Figure.

Figure 4.40 shows information about the participants in economic and social projects implemented through the use of synergetic technologies and focused on inclusive development. One of the results of applying synergetic technologies in management is that state programs become



Figure 4.40. Organization of synergetic technologies in the management of inclusive development

national programs and at the same time, the civil society and private business are engaged in their implementation process.

As can be seen from the figure, the leading participants of the projects implemented with synergetic technologies in the field of inclusive development are public organizations. The main function of the state is, first of all, the creation of a favorable economic and political environment for the development process. The other function of public organizations is ensuring the innovation in development, thus creating the basis for the development of science, education and culture in other projects implemented using the synergetic technologies. It also applies to international cooperation.

Non-governmental organizations, civil society representatives are key participants in projects implemented with the synergetic technologies. The activities of non-governmental organizations include informing the society, preparing them for changes related to the inclusive development, making the community an active participant in this process. The activities of the First Vice President, the President of Heydar Aliyev Foundation, Mrs. Mehriban Aliyeva are a vivid example of efficient activities of state structures and civil society applied for the purposes of sustainable inclusive development.

Management of sustainable inclusive development envisages the wide participation of the private sector in this process. Their functions encircle two main directions. The development of social responsible business having great importance for the growth of inclusive development is the first direction. The development of the green economy as a result of the application of innovative technologies is another important function of the private sector (Figure 4.40.).

4.11. Complementary technologies in inclusive development management

Complementary technologies are part of a common strategy implemented in the management field of sustainable inclusive development. This strategy works based on the analysis of the interests and potentials of all stakeholders and beneficiaries working on economic or social projects (Figure 4.41.).

As illustrated in the Figure, the use of complementary technologies in the implementation of inclusive development projects aims to take into account the interests of all stakeholders involved in this process. If taking into account the application of complementary technologies together with synergetic technologies, it is clear that this process involves society as a whole. These examples show that the development strategy based on the innovative management technologies is the most effective way to build an inclusive society.

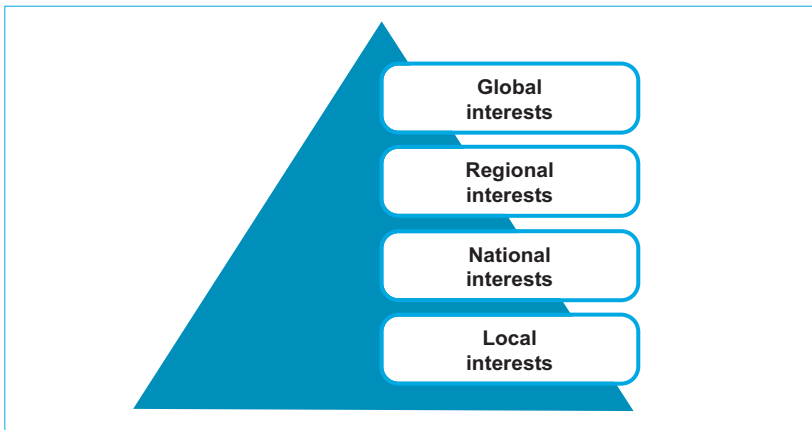


Figure 4.41. *Complementary technologies management of in inclusive development*



Global transport – logistics center in the Republic of Azerbaijan

The systems delivering oil and gas from Azerbaijan to the international markets can be given as an example for the importance of joint application of the synergetic and complementary technologies in the process of implementing economic and social projects.

These projects exerting positive impact on the economies of the countries involved and their social dimensions have also contributed to the development of the regions across the country. It shall be noted that these projects implemented with the considerable use of innovative management technologies are of global importance and serve to the energy security of the world.

The construction and operation of Baku-Tbilisi-Kars railroad can be given as an example for the great importance of the complementary technologies in the scope of modern management. Establishment of this railway has opened new opportunities for regional and global development. As a result of implementation of this project the time spent on transportation of goods from east to west and vice versa has been considerably decreased. Of course, transportation costs themselves have also become lower. The importance of the compensation technologies was great in managing the implementation of the Baku-Tbilisi-Kars project. The broader application of the compensation technologies in modern management is analyzed in the next section.

4.12. Compensation technologies in inclusive development management

The previous sections the construction of Baku-Tbilisi-Kars railroad was given as an example of successful application of complementary technologies.

This transport line is a part of the new “silk road” and is the shortest route connecting Southeast Asia with the European countries. In addition to the synergetic and complementary technologies, compensation technologies have also been used to manage this project.

Partners of joint economic or social projects are issued special privileges or unmatched technical, technological and financial support to achieve the objectives of the sustainable inclusive development in the application of compensation technologies. An example of the application of compensation technologies is the construction of the

Baku-Tbilisi-Kars railway. The Georgian government faced with the financial difficulties in the construction and rehabilitation of the section of the railway passing through this country. Under such circumstances, the Republic of Azerbaijan granted loans to Georgia on favorable terms, consequently, the railroad was constructed and is operating currently.

The application of compensation technologies in several types of management can be implemented within the framework of the state policy. The compensation technologies can also be applied within the corporate social responsibility policy of the private business. The compensation technologies can be used both for national, foreign and international partners. Figure 4.42 provides information on the compensation technologies and their characteristics.



Baku-Tbilisi-Kars railway line

The privileges used in the application of the compensation technologies are valid most often for the national physical and legal entities. The experience of using compensation technologies in the Republic of Azerbaijan can be evaluated as the most effective experience in managing sustainable inclusive development. According to the national laws, all physical and legal entities have the opportunity to benefit from privileged credits and taxes. Cheap loans, technical and technological support are part of the policy directed to support the entrepreneurship in the country. The role of innovative, as well as the compensation technologies is great in the achievements in the country's economic and social life.

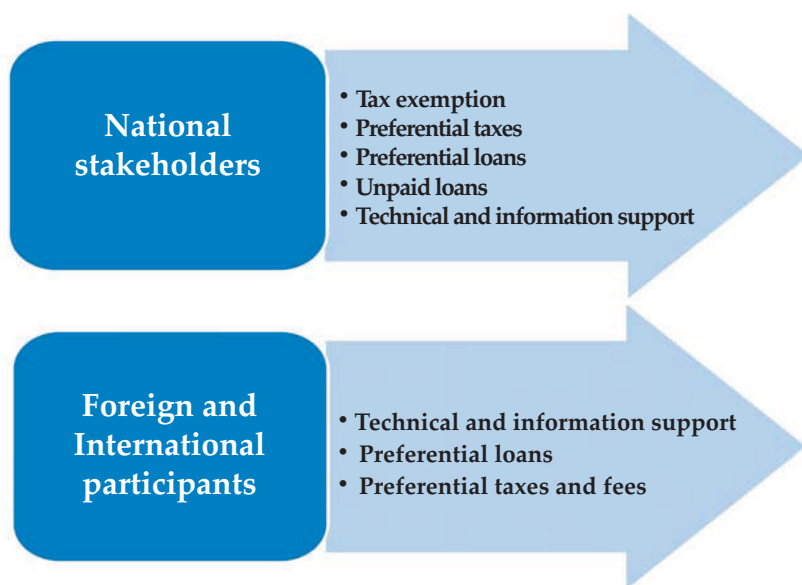


Figure 4.42. Elements of compensation technology for managing economic and social projects for inclusive development

It shall be noted that each management techniques described in this section is a very important tool for increasing the effectiveness of the management of sustainable inclusive development. It concerns separately synergetic, complementary and compensation technologies. The importance of these technologies increases especially when used in the complex form. Therefore, the stated knowledge and skills formed on its bases are important for successful public administration.

4.13. Test yourself: questions and tasks

1. Give examples of the fact that the existence of material and financial resources does not guarantee successful inclusive development.
2. Give examples using the indices of Azerbaijan and the former USSR on disconnectedness between the per capita income and inclusive development indices.
3. How are inclusive development indicators linked to the level of funding in high income countries? Give some examples.
4. What is the relationship between inclusive development and the level of human development? Give examples.
5. Give examples of inclusive development indicators of Azerbaijan in comparison with other countries.
6. What is the demographic dependence level?
7. Which ecological factor is taken into account during the evaluation of inclusive development?
8. Give examples of the synergetic management technologies.
9. Give examples of the complementary management technologies
10. Give examples of compensation management technologies.

5. INCLUSIVE DEVELOPMENT OF THE REPUBLIC OF AZERBAIJAN

Inclusive development as the priority of the national policy. Formation of human potential for sustainable inclusive development. Economic indicators of inclusive development in the Republic of Azerbaijan. Social indicators of inclusive development. Factors ensuring the sustainability of inclusive development.

- 5.1. The purpose of section*
- 5.2. Keywords and concepts*
- 5.3. General indicators of inclusive development of the Republic of Azerbaijan*
- 5.4. Formation of economic indicators affecting the inclusive development of the Republic of Azerbaijan*
- 5.5. Reduction of poverty in the Republic of Azerbaijan as the inclusive development factor*
- 5.6. Development of human potential as the inclusive development factor*
- 5.7. Distribution of income among the population*
- 5.8. Median and modal incomes as the inclusive development indicators*
- 5.9. External debt of the country as the sustainable inclusive development indicator*
- 5.10. Demographic structure of the population as the inclusive development risk*
- 5.11. Reduction of impacts on global climate change as the sustainable inclusive development factor*
- 5.12. Test yourself: questions and tasks*

5.1. The purpose of section

The analysis of current trends in the world shows that sustainable development reached the level where it's ready to transition into inclusive development, making it one of the key priorities for many countries, including the Republic of Azerbaijan. The main reason for taking inclusiveness as the first-degree priority in sustainable development is that the purposes set by this development pathway meet the interests of most of the world's population. One of the reasons of the attractiveness of inclusive development is that as a result of this process, the states develop thoroughly and the welfare of the population increases.

Achieving a high level of development and making this process sustainable for future generations is the national goal of the Republic of Azerbaijan. It is clear from the data of international organizations carrying out monitoring of the development processes around the world, that after regaining independence the Republic of Azerbaijan achieved high results in the field of sustainable development in a short period of time and is currently in position to raise this development to the level of inclusive development. The present purpose of the section is sharing knowledge, skills and lessons learned in the field of inclusive development based on the accumulated experience and success achieved in the Republic of Azerbaijan. It also spreads knowledge about the indicators of inclusively developing society.

Formation of knowledge about indicators of inclusive development at the national level is one of the purposes of this section. The present section of the textbook provides information on major economic, social and environmental

achievements providing inclusive development and analyzing the opportunities for the promotion to the world's leadership in the field of inclusive development of the Republic of Azerbaijan. Comparative analysis of inclusive development indicators of Azerbaijan with other countries is crucial formation and improvement of knowledge in the field of inclusive development.

5.2. Keywords and concepts

Demographic dependency of the population; Gini ratio; Palm method; Modal incomes; Median incomes; Purchasing Power Parity (PPP).

5.3. General indicators of inclusive development of the Republic of Azerbaijan

It was shown in the previous sections of the textbook that inclusive development and its sustainability serves as a global priority. It is caused by the fact that the inclusive development ensures the comprehensive development of the society and raises the welfare of the population. The level of inclusive development in different countries is assessed by a special indicator - the Inclusive Development Index (IDI). The IDI is developed by international organizations based on a number of indicators and is published in the form of an official report. The information presented in the previous sections about the indicators used in the calculation of the inclusive development index is very important for the formation of knowledge in this field.

The inclusive development index of the Republic of Azerbaijan has significantly increased in recent years. Figure 5.43 provides information about the factors ensuring this achievement. Despite a short period since the restoration of the country's independence, international assessments show that all the indicators that determine the state of inclusive development in the Republic of Azerbaijan have seen significant improvement.

It is already known that the availability of economic opportunities for ensuring successful inclusive development is an essential condition. In the absence of financial and



Figure 5.43. Factors ensuring growth in Inclusive Development Index in the Republic of Azerbaijan

other resources, as well as insufficient supply of human resources, the implementation of the projects in the field of inclusive development is impossible. The availability of the potential for inclusive development is determined on the basis of the specific economic indicators. These economic indicators include per capita income in the country, employment and unemployment levels of the population. Average life expectancy used as the health indicator of the population is also an important indicator of inclusive development. Figure 5.43 shows that there are economic conditions have been created for the formation of an inclusive society.

As it is known, sustainable inclusive development is such a method of public administration that comprehensive economic development is ensured at the first stage of its implementation. At the same time such a social policy is realized that every citizen feels positive results of inclusive development. Social policy in the Republic of Azerbaijan is one of the aspects of a country's overall development strategy. As a result of the policy implemented over the last fifteen years, social development indicators of Azerbaijan have significantly increased. It concerns both sharp reductions in poverty among the population and the fair distribution of income. These achievements are reflected in Figure 5.43.

The increase in the median income in the Republic of Azerbaijan indicates that the policy pursued within the framework of inclusive development policy shows positive changes in the life of the country.

It shall be noted that besides the increase in the median income of the population, the median income of households has also increased. The increase in median income is one of the factors affecting the growth in IDI in the country.

The impact of sustainable inclusive development of the Republic of Azerbaijan on the improvement of people's lives and the rise of IDI is estimated based on a few indicators. The improvement of living conditions in the country is also reflected in the decline in poverty. The poverty level is one of the indicators used to calculate inclusive development indices.

As it is known, the world community intends to strengthen the fight against poverty as outlined in the Sustainable Development Goals set for the time period between 2015-2030. The level of poverty has declined considerably in the last fifteen years in the Republic of Azerbaijan. At present, the level of poverty in the Republic of Azerbaijan recorded by the international organizations is one of the lowest in the world. As it is seen from Figure 5.43, this factor has exerted an impact on the growth of IDI in Azerbaijan.

When learning the indicators of sustainable inclusive development, it was clear that this group included distribution of income among the population. This is aimed at eliminating the imbalance observed in many countries in income division and consumption volume. These indicators have been analyzed in the Republic of Azerbaijan. The fair distribution of income between the populations is realized through the use of special indicators. As it is well known, Gini index, Quintile ratio and Palm indicator are of these indicators.

While calculating IDI, one of these indicators – Gini ratio is used. It is clear from the figure that this indicator is low in Azerbaijan and meets the requirements of the inclusive development. The sustainability of the inclusive development and observation of this situation in the life of the future generation are also studied while calculating IDI

for the countries. Three groups of indicators are used to evaluate these opportunities. These indicators are the volume of the country's external debt, the population's demographic dependence and the level of greenhouse gases emitted into the atmosphere. The information presented in Figure 5.43 shows that all three indicators are at an appropriate level in Azerbaijan. Hence, inclusive development observed in the country is at a high level and the opportunity to be sustainable in the future is also high.

The level of inclusive development in the Republic of Azerbaijan and the assessment of the future prospects of the situation require the study of all the indices affecting this process.

5.4. Formation of economic indicators affecting the inclusive development of the Republic of Azerbaijan

The analysis of the economic indicators of the Republic of Azerbaijan is very important from the point of view of the formation of a solid foundation of knowledge in the field of sustainable inclusive development. The data available in this area shows that despite the short time of independence, positive results have been achieved across all sectors of the economy. First of all, it shall be noted that according to the World Bank, GDP per capita has been significantly increased in the Republic of Azerbaijan. Figure 5.44 shows the dynamics of GDP per capita in 1999-2017 in the country. According to the World Bank's standards, GDP per capita in USD is shown while taking into account purchasing power parity.

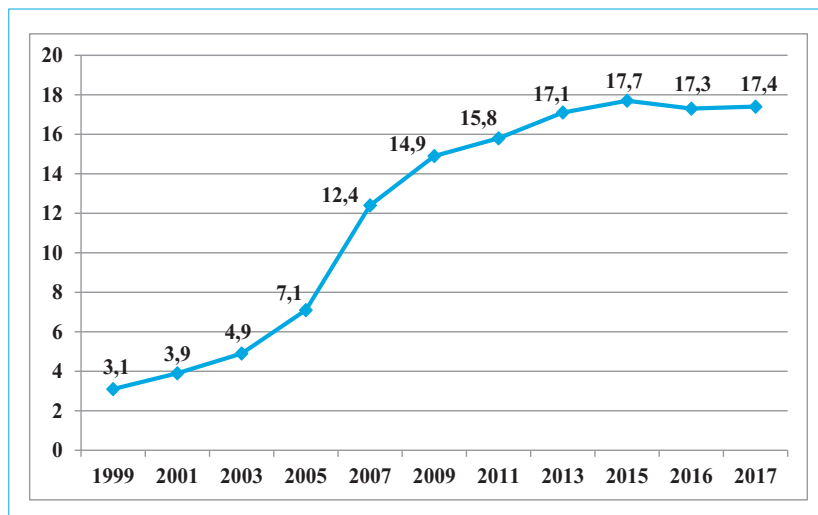


Figure 5.44. GDP per capita (USD with PPP) in the Republic of Azerbaijan. Information source: World Bank, 2018

Figure 5.44 shows that the per capita income has significantly increased in the analyzed period in the country. This process happened very fast between 2003-2017. Comparative analysis based on the data published by the World Bank in 2018 shows that the fastest economic growth among the former Soviet Union countries in those years was recorded in the Republic of Azerbaijan.

The achievements of the Republic of Azerbaijan in the economic sphere are compared with the countries included in the G20. As it is known, this group includes all members of the European Union and 19 fastest growing economies of the world. This list of countries includes China, India, Brazil, Turkey, South African Republic (SAR) and Russia amongst many others. The results of the comparative analysis with those countries are given in figure 5.45.

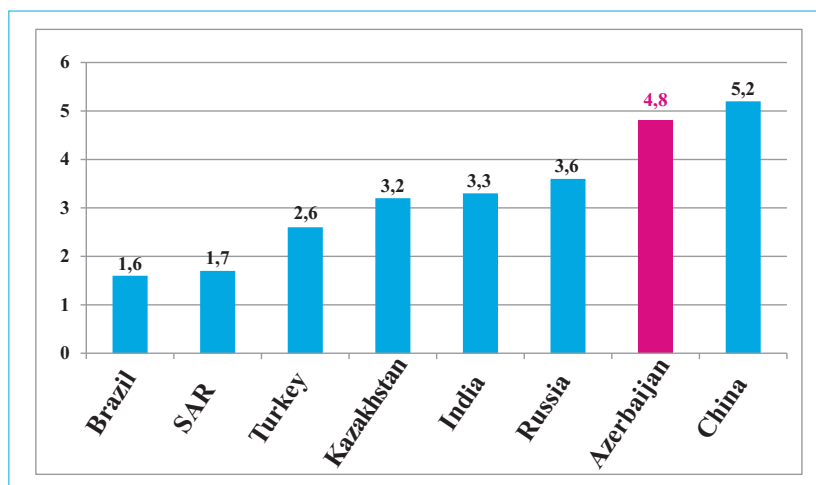


Figure 5.45. Rapidly growing economy in the world and the Republic of Azerbaijan: the GDP growth per capita in 2017 compared to 2000, folds.

Information source: World Bank, 2018

The figure shows the GDP growth rate in some countries in 2017 compared to 2000. It shall be noted that the rapid growth of economic indicators was observed in the countries included in this group, with the certain places recording double or triple growth.

Successful results in this direction were observed in Russia, Turkey, Kazakhstan, India and some other countries. It is clear from the figure that more than fourfold increase in average per capita income in that period was registered only in the People's Republic of China and in Azerbaijan.

It shall be taken into account that the average per capita income increased in the Republic of Azerbaijan against the background of population growth in the country (Figure 5.46.).

It is clear from the given analysis that the country's economy is growing rapidly. The application of innovative

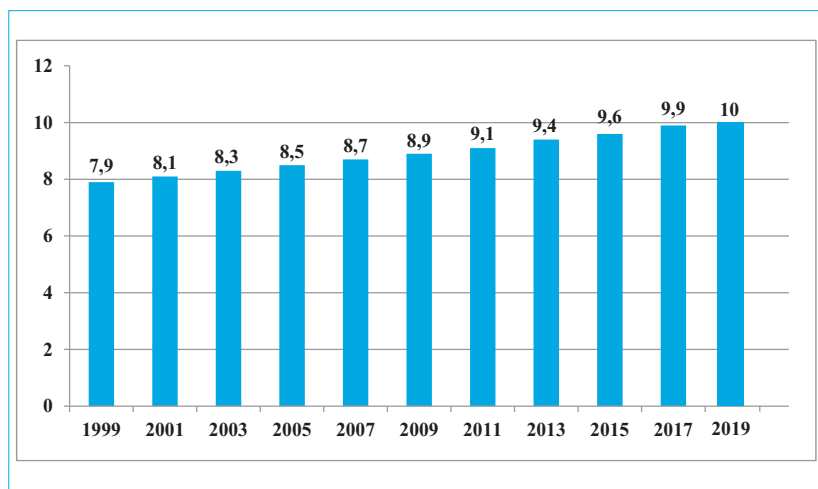


Figure 5.46. Dynamics of population growth in the Republic of Azerbaijan in 1999-2019, million people. Information source: The Republic of Azerbaijan State Statistics Committee, 2018

technologies in public administration shows that an appropriate economic basis has been created for the formation of a sustainable inclusive society in the Republic of Azerbaijan.

It is also important to consider employment and unemployment while evaluating the inclusive development level and calculating the inclusive development index. As previously mentioned, information regarding the average lifespan must also be considered while making an evaluation regarding the level of inclusive development within the country. All this information can be interpreted as part of the health indicator for population in the country.

A significant number of new jobs have been established in the country as a result of the development of industry and agriculture and expansion of services in the Republic of Azerbaijan. Diversification and modernization of the economy

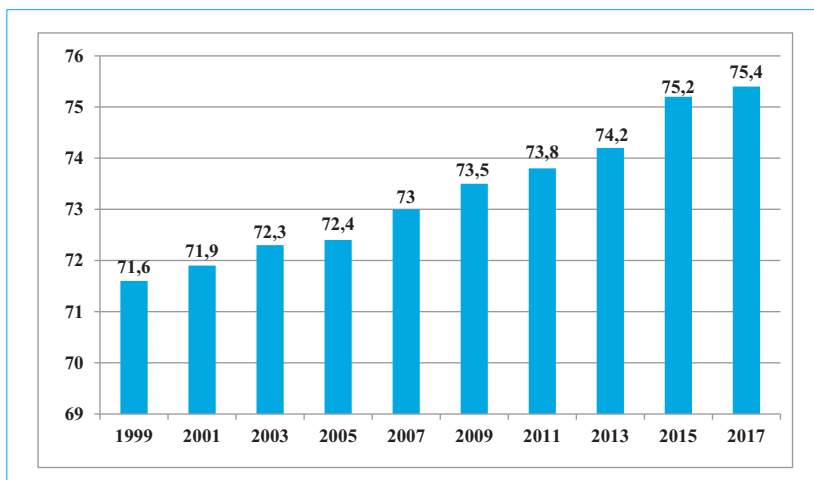


Figure 5.47. The dynamics of the changes in average lifespan in 1999-2017 in the Republic of Azerbaijan.

Information source: State Statistics Committee, 2018

ensured the employment of the population in modern branches of the economy. According to the official statistical data, the unemployment rate among the labor-able population in the country is currently 5%. When accounting for the fact that over the last ten years the population of the country has increased by around 1.5 million, increase in the average income of the population signals rapid growth of the economy. In turn, it means that there is a favorable environment for inclusive development. At the same time, according to the statistical data, the average life expectancy in the Republic of Azerbaijan in 2018 has increased to 75.4 (Figure 5.47.).

Thus, the analysis of the dynamics of growth of economic indicators of the Republic of Azerbaijan in recent years shows that the implemented development strategy establishes conditions for the formation of an inclusive society.

5.5. Reduction of poverty in the Republic of Azerbaijan as the inclusive development factor

The characteristics of inclusive development are that the economic achievements are directed immediately to the solution of the social problems of the population. Therefore, while evaluating the inclusive development index – while calculating index on inclusive development, the poverty situation in the country and the consequences of the struggle against poverty are analyzed. The fight against poverty, especially absolute poverty, is among the global challenges that is currently prioritized internationally. The fight against poverty was listed amongst the 17 Sustainable Development Goals adopted at the UN during the World Summit in September 2015.

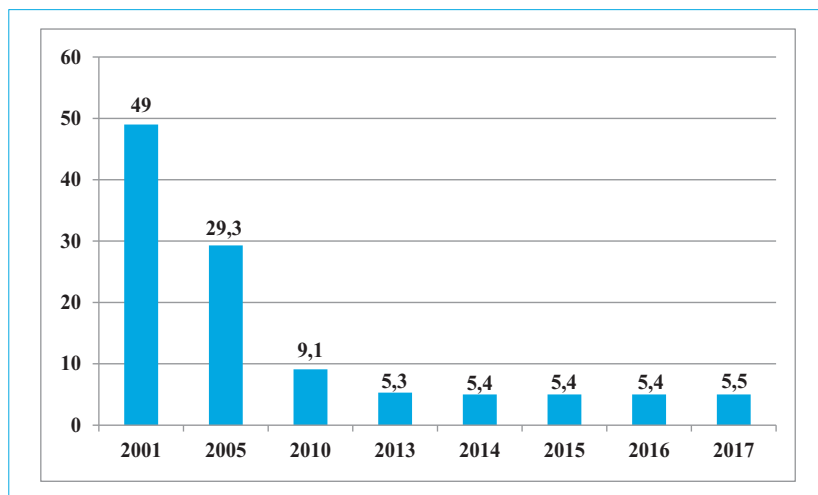


Figure 5.48. Dynamics of poverty reduction in the Republic of Azerbaijan, %. Information source: World Bank, 2018

In this regard, the dynamics of poverty reduction in the country has been analyzed while evaluating the state of inclusive development in the Republic of Azerbaijan. The results of the analysis are presented in Figure 5.48.

It is obvious from the information given in Figure 5.48 that a large part of the population was considered poor in the Republic of Azerbaijan at the beginning of the XXI century. The aggressive policy of the Republic of Armenia also affected the poverty level. As a result of Armenia's aggression against Azerbaijan in the Armenian-Azerbaijani Nagorno-Karabakh conflict, 20% of the territory of Azerbaijan was occupied, 1 million citizens of the country (13 percent of total population) become refugees and IDPs. Withdrawal of large percentage of territory and the emergency of a million refugees and internally displaced persons have aggravated the economic and social situation within the country. As of today, the four resolutions adopted by the UN Security Council on the unconditional release of the territories of Azerbaijan haven't been implemented by Armenia.

It shall be noted that the international law-based policy of the Republic of Azerbaijan will ensure the liberation of all occupied territories and return of refugees and internally displaced persons to their homes. At present moment, the liberation process of some of the occupied territories, their economic, social, demographic and ecological rehabilitation prove that this process shall be successful.

Analysis of the results achieved in the fight against poverty in the Republic of Azerbaijan shows that several factors are of particular importance in the settlement of this problem. The first factor in the fight against poverty is the four-fold increase of the economy in the country. This

factor stimulated the creation of a large number of new jobs in industry, agriculture and service, while also leading to an increase in income of the population. Another reason for the successful outcome of poverty reduction was the development of human potential.

It shall be noted that the international organizations also contributed to the implementation of national programs directed to fight poverty. In the early years of independence, the United Nations Development Program, the World Bank, UNHCR, World Food Organization and other organizations have supported the Republic of Azerbaijan in the struggle against poverty. The support of these organizations in fight against poverty in Azerbaijan was carried out in different ways. Allocation of foodstuffs and other financial resources for refugees and IDPs, technical, technological and expert advice are among the many forms in which this support manifested. Such measures, both individually and in combination, had a significant impact on poverty reduction in Azerbaijan.

Thus, it is clear that the process of planning and management of inclusive development begins with the analysis of existing problems in the social sphere. Privations, including poverty are the most widespread challenge. Poverty is observed in all countries, with varying levels. The precise definition and identification of the causes of these privations ensures the success of the fight against this situation. The experience of the Republic of Azerbaijan shows that successful fight against poverty is an important factor of sustainable inclusive development.

5.6. Development of human potential as the inclusive development factor

Activities aimed at addressing social problems in the Republic of Azerbaijan including human development are of particular importance. As it is known, the level of human development is assessed through the Human Development Index. According to the UN reports, the Human Development Index in the Republic of Azerbaijan is increasing year after year and the country has been included in a group of countries achieving high results in the field of human development since 2010.

The dynamics of change in the human development index in the Republic of Azerbaijan is presented in Figure 5.49.

It is known that, according to the international standards, human development index per each country is calculated based on three indicators. One of them is the level of education. The level of education is characterized by two indicators: the average period of education of the population in the country and the percentage of young people involved in an education program. These are very important indicators as they create an impression about the general level of working knowledge of the population, while on the other, they reflect the level of education by showing the percentage of young people aged 6-23 involved in the academic field. These two parameters are of paramount importance for the formation of a sustainable inclusive development society.

Another indicator of the level of human development in the country is the health of the population. The situation in this area is determined by two indicators. One of them is the life expectancy of the population. Another indicator of health is the rate of infant mortality. At the same time, while calculating the Human Development Index, the volume of per capita income is taken as the key economic indicator.

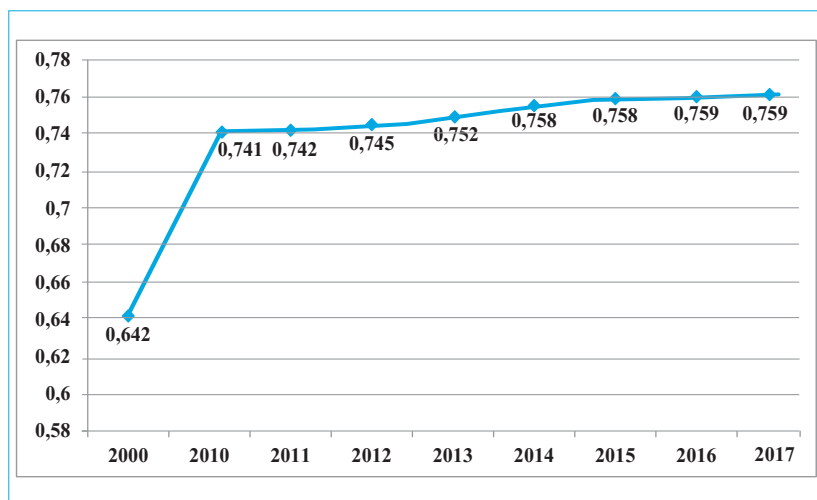


Figure 5.49. Dynamics of the Human Development Index in the Republic of Azerbaijan. Information source: UN, 2018

The increase in per capita incomes in the country and, in general, the rise of the economic situation has contributed to an increase of interest in education and health in the state level. After the restoration of independence, activities aimed at improving education in Azerbaijan have taken off with great results. One direction of these activities is strengthening the material base of the education. This activity is carried out through the construction of the new or major overhaul of existing educational institutions. At the same time, the process of modernization of curricula is also being implemented. According to the published data, more than three thousand new schools have been built or reconstructed in the country over the past 15 years. Programs for both secondary and tertiary education have been upgraded. These measures ensure the establishment and development of a high level of education in the country.

One of the characteristics of the formation of human development in the Republic of Azerbaijan is that the country is the initiator of inclusion of this area of study into the mainstream curriculum. For instance, according to the national education policy approved and launched by the national leader Heydar Aliyev, the teaching of sustainable human development at secondary school level has started in 2001. This implementation of similar programs in other countries would not begin until 2005, four years after Azerbaijan. In the same year, the United Nations and UNESCO announced the period between 2005-2014 to be a decade dedicated to education in the field of sustainable development. The initiative of the Republic of Azerbaijan which began this process four years before was evaluated as an “innovative idea and action” and information on the initiative of our country was globally disseminated by the UN.

This tendency was continued by the initiative of the President Ilham Aliyev in 2015 and staff training on a new specialty “Sustainable Development management” begun in tertiary schools of the country for the first time in the world.

Strengthening and expansion of the sport and medical facilities have also affected the increase of the human development index in the Republic of Azerbaijan. 50 Olympic centers and dozens of medical centers have been established throughout the country. All these measures are crucial in terms of inclusive development and ensuring the sustainability of this process.

The development strategy of the Republic of Azerbaijan confirms once again that the high level of human development is an important condition for sustainable inclusive development.

5.7. Distribution of income among the population

When evaluating activities in the field of inclusive development and calculating the inclusive development index within a country or set of countries, the income distribution among the population and the existing inequality in this area must be taken into account. According to the international standards, the quantitative indicator reflecting the fair distribution of income among the population can be determined on the basis of three different indicators. These are the Gini index, Quintile ratio and Palm Indicator. The Gini index is mainly used when calculating the inclusive development index. The other two indicators may also be included as an auxiliary tool in the analysis when evaluating inclusive development.

It is known that the Gini index is the indicator characterizing stratification of the unequal consumption in the society per the level of material security among the population. Thus, this indicator showcases the level of preparation for the transition to inclusively developing society within any country, including the Republic of Azerbaijan.

The readiness level of the countries in the creation of an inclusive society from the social point of view can be determined based on the comparative analysis. It is possible to use the Gini index of different countries in this comparison. The Gini index of the Republic of Azerbaijan has been compared with the same indicator of the G7 countries in order to assess the fair distribution of income in the country. The results of the comparison are given in Figure 5.50.

It is clear that the smaller the Gini indicated the less stratification by consumption is observed. This means that at the same time, the smaller the value of the Gini index, the more profitable the revenue is in the society. This is one of

the main requirements of the inclusive society. Data presented in Figure 5.50 show that according to Gini index, Azerbaijan is behind Germany and ahead of other “Group of Seven” (G7) countries. The Gini index of other 6 countries included in this group is higher than of Azerbaijan. Thus, the development strategy implemented in the Republic of Azerbaijan and the policy pursued in this area is aimed at the establishment and sustainability of the inclusive society.

According to the adopted standards, it is enough to use only Gini index to calculate the Inclusive Development Index (IDI). The Gini index was used when calculating the IDI for the Republic of Azerbaijan. However, the analysis of the other two indicators may also be helpful in evaluating the readiness of the country for inclusive development.

Therefore, knowledge about the Quintile ratio and the Palm indicator is important for the management of

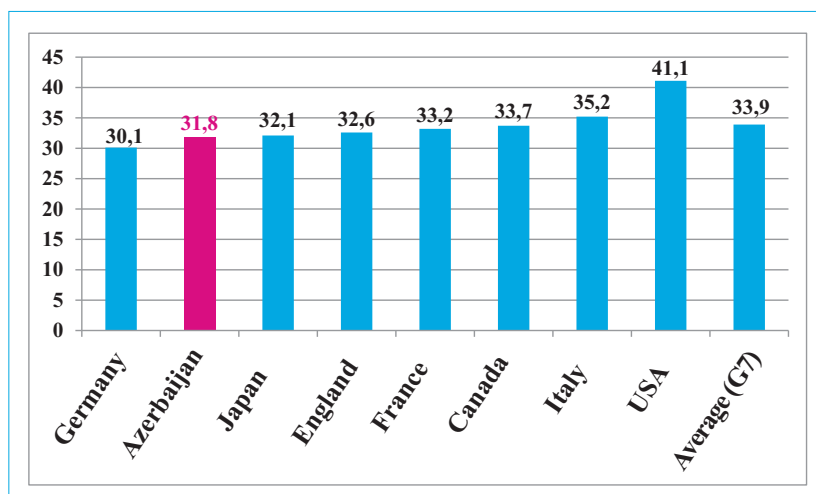


Figure 5.50. Gini index in the Republic of Azerbaijan and «Group of Seven» (G 7) countries. Information source: UN, 2017

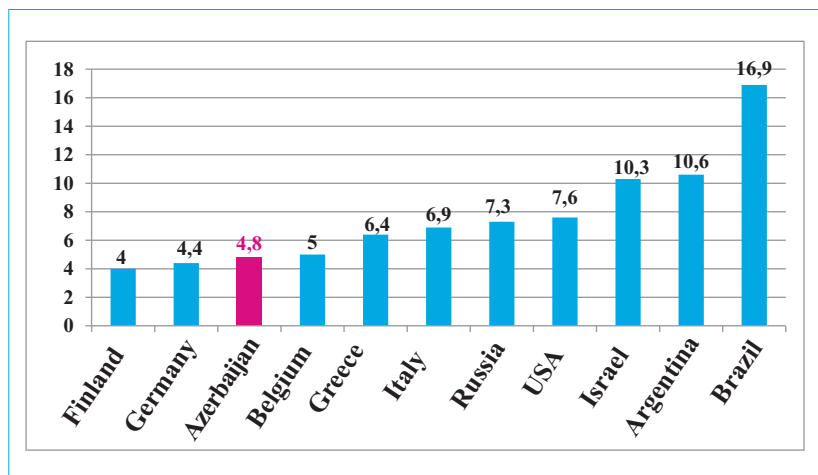


Figure 5.51. The values of Quintile ratio in the Republic of Azerbaijan and some OECD countries. Information source: UN, 2017

inclusive development. While evaluating the level of readiness of the Republic of Azerbaijan for the inclusive society, these two social indicators were also used.

The effectiveness of the strategy implemented by the Republic of Azerbaijan for inclusive development manifested itself while analyzing another indicator - the Quintile ratio. While evaluating the Quintile ratio, findings were made regarding the level by which the average income of the top 20% of the earners in the country exceeded the income of the 20% of the lowest earners in the country. When this figure is obtained the fair evaluations of the countries policy can be carried out.

The Quintile ratio of the Republic of Azerbaijan and some OECD countries is compared and analyzed in Figure 5.51. Comparisons and assessments show that the social policy of the Republic of Azerbaijan can be considered successful

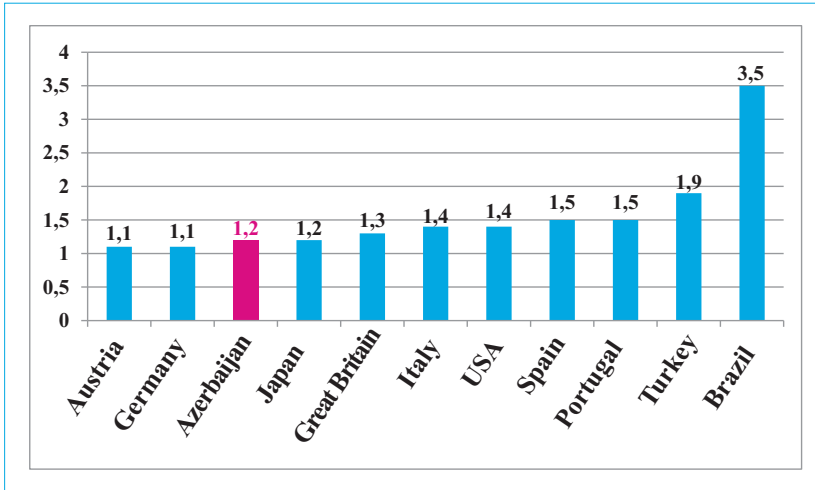


Figure 5.52. Palma ratio in the Republic of Azerbaijan and OECD countries. Information source: UN, 2017

when evaluating by the Palma method. Figure 5.52 clearly shows that the country's social policy indicators are higher than the achievements of Italy, Belgium, the United States, Israel and Russia, as well as other global leaders.

As mentioned above, an additional indicator, known as the Palma method is also used in international statistics. This indicator characterizes the uneven distribution of income among the population and has been used since 2011.

High level of the Palma indicator is the manifestation of unequal distribution of income among the population. The results of the analyses carried out by the mentioned method are shown in Figure 5.52. It is clear from the results of the analysis that the Palm indicator is favorable in Azerbaijan and meets the requirements of the inclusive society. Comparisons with other OECD countries also confirm this conclusion.

Thus, the analysis of inequality in income and consumption being one of the key indicators of inclusive development shows that Azerbaijan fully meets the requirements and demands of inclusive society. This is further highlighted when compared against countries that have achieving high economic successes in development.

It shall be noted that the evaluation of the situation in regard to inequality in income and consumption in Azerbaijan has been carried out by three methods used for this purpose. The results of all of three estimations show that the social indicators regarding the inequality meet the requirements of the inclusively developing countries.

5.8. Median and modal incomes as the inclusive development indicators

The process of formation of the inclusively developing society significantly depends on the financial situation of the population. A decent quality of life and a stable financial situation of the general population are essential conditions of inclusive development. Therefore, the income of the population is taken into account in the process of formation of the inclusive society. The income of the population can be expressed differently depending on the chosen statistics. As the indicator of revenue, the most commonly used indicator is GDP per capita in a selected year. This is the most commonly used statistical indicator for various economic and social studies. This indicator is too generalized and does not give information on the financial situation of each citizen in the country (Table 5.6).

Fundamentals of inclusive development management

Table 5.6. Information sources used for the evaluation of income

Gross income	Calculation methods	Possibility of use for calculation of IDI
Average income of the population	GDP per capita	Doesn't reflect the real condition. According to this indicator, everybody's income is the same
Incomes of the hired workers	Average remuneration of the hired workers	Doesn't reflect the real incomes. There is a great difference between the maximum and minimum values
Modal incomes	The most common income among the population	It can be used in the calculation of IDI
Median incomes	Incomes dividing the population into two parts according to their earnings. Half will fall higher than the median amount and half is will be lower	It can be used in the calculation of IDI

This is the result of inequality in income and consumption in many countries. As it is known, the level of inequality in income and consumption is determined by indicators such as Gini index, Quintile ratio and Palma indicator. Studies have shown that differences in consumption is not high in the Republic of Azerbaijan. But even though there are few differences in these countries, there is an inequality. Therefore, GDP per capita can not be used as the indicator of income in the country for the planning and management of inclusive development. It is proven by the fact that in some countries per capita income

calculated on the basis of GDP is higher, while the level of different sustainable inclusive development indicators can be lower.

The use of average wages of hired workers cannot be considered efficient to calculate the inclusive development index. According to the official statistics, the average remuneration in the Republic of Azerbaijan was 527 manat per month at the beginning of 2018. It is 6% more than in 2017. But this figure is an average. In reality the salary of some citizens is much higher than the average income, while others fall far below. For this reason, the median income indicator is used to calculate an inclusive development index. In this case, it is possible to learn more about the real income of the country's population. It shall be noted that in recent years, the median incomes of the population in Azerbaijan are constantly increasing. This is very important from the point of view of inclusive development.

According to the experts, modal incomes can also be used as an indicator of the inclusion of the index of inclusive development. But there are also factors that limit the use of this symptom. Limitations are primarily related to the fact that modal incomes are only revealed during the inquiry. Since gathering information in this fashion can be problematic, that indicator can be used as an auxiliary one.

Thus, it is clear from the information provided in this section that the policy carried out in the Republic of Azerbaijan is directed to the formation of an inclusive society in the country. The information provided in the section suggests the use of such methods in the planning and management of inclusive development while simultaneously ensure the sustainability of this process.

The sustainability of the inclusive development and preservation of this process for future generations is an important condition. For ensuring this condition, it is necessary to formulate knowledge about long-term indicators of sustainable inclusive development. Analysis of the experience accumulated in the Republic of Azerbaijan serves to increase knowledge in this field.

5.9. External debt of the country as the sustainable inclusive development indicator

Formation of a society based on inclusiveness principles is a global priority and is on the focus of attention of the world community. But high results of any country in the field of inclusive development are successful only in the cases when this process is sustainable and future generations can benefit from it. Availability of knowledge about the factors ensuring the long-term success and sustainability of this process is very important for the successful management of inclusive development. According to the international standards, one of the factors influencing the sustainability of inclusive development process is the volume of the external debt of the country. It was shown in the preceding sections that the high level of external debt in the country is one of the factors limiting the sustainability of inclusive development. This is due to the fact the relevant percentages shall be paid for external debts service every year.

If the public debts are high and are long-term, then the annual service fee on the debts and their return may

become a problem for the future generations. Therefore, the volume of external debt is one of the indicators for sustainability of the inclusive development process. It shall be noted that the volume of the external debt of the Republic of Azerbaijan is fairly low. According to official statistics, the external debt of the country currently accounts for 18% of the current GDP.

Although large external debt is a risk factor for future sustainable inclusive development, certain countries implement an economic policy that leads to a continued increase in external debt. As noted, the volume of the external debt in the Republic of Azerbaijan is not high and does not create risk for inclusive development or its future sustainability.

5.10. Demographic structure of the population as the inclusive development risk

As discussed in previous sections, demographic indicators are frequently used in the calculation of inclusive development index. The dependency degree of the population is one of the risk factors for sustainable inclusive development. The calculation of the demographic dependency indicator is based on the number of dependents (0-14, 65, and more) per each person within the labor-able (15-64 years). In the Republic of Azerbaijan, the share of the dependents per 100 labor-abled people is 38 persons. From a demographic point of view this is a fairly good ratio. The situation in this area is given in Figure 5.53.

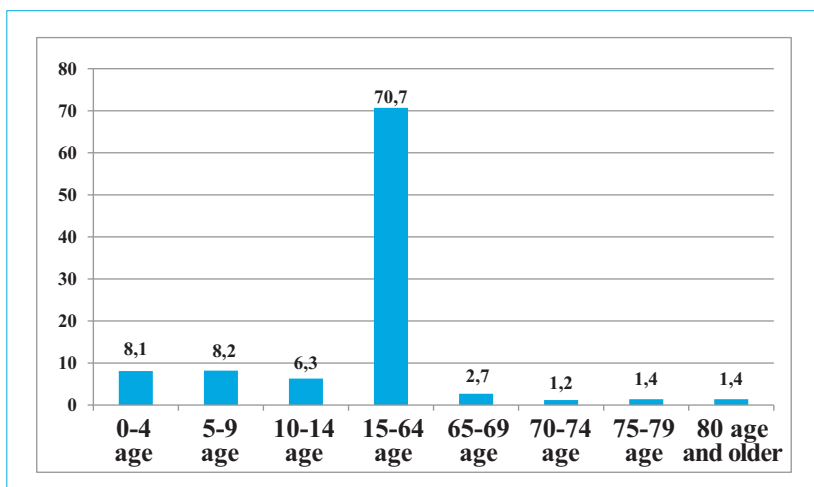


Figure 5.53. Age structure of the population in the Republic of Azerbaijan, %. Information source: The Republic of Azerbaijan State Statistics Committee, 2018

As noted, according to international organizations, the inclusive development index is quite high in the Republic of Azerbaijan. The data presented in Figure 5.53 show that the demographic situation in the country is likely to be favorable for high level of the inclusive development index in the future. According to the official statistic, 70.7 percent of the population of the Republic of Azerbaijan is laborable. As to the demographic dependent groups, the dependents mostly are the young people from the 0-14 age group. This means that the country will be supported by the labor-abled population in the future. This is a crucial factor in maintaining inclusiveness in the future.

5.11. Reduction of impacts on global climate change as the sustainable inclusive development factor

It is known that global climate change has a negative impact on many processes, including ones that are directly related to inclusive development. It is clear that global climate change causes many natural disasters (Figure 5.54.).

Figure 5.54 presents information on some of the effects of global climate change. Today the observed climate abnormalities include the change in the level and chemical composition of the oceans, loss of fertile land for

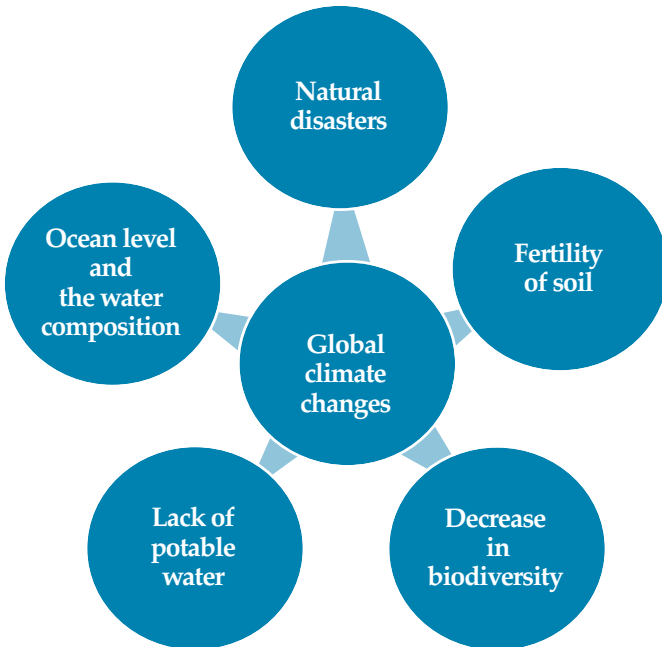


Figure 5.54. Some complications of global climate changes

agriculture, lack of food and potable water, and loss of biodiversity. Therefore, global climate change is examined as a factor affecting sustainable inclusive development and is considered when calculating the inclusive development index.

It is known that global climate change is associated with greenhouse gases emitted to the atmosphere. Valuation of this impact is based on two approaches. One of these methods is the amount of carbon dioxide (CO₂) emitted to the atmosphere per capita in a year and is expressed in tons as a unit of measurement. The amount of CO₂ emitted to the atmosphere against each \$1 USD of GDP is calculated as part of the second method. In this case, the amount of carbon dioxide emitted to the atmosphere is expressed in

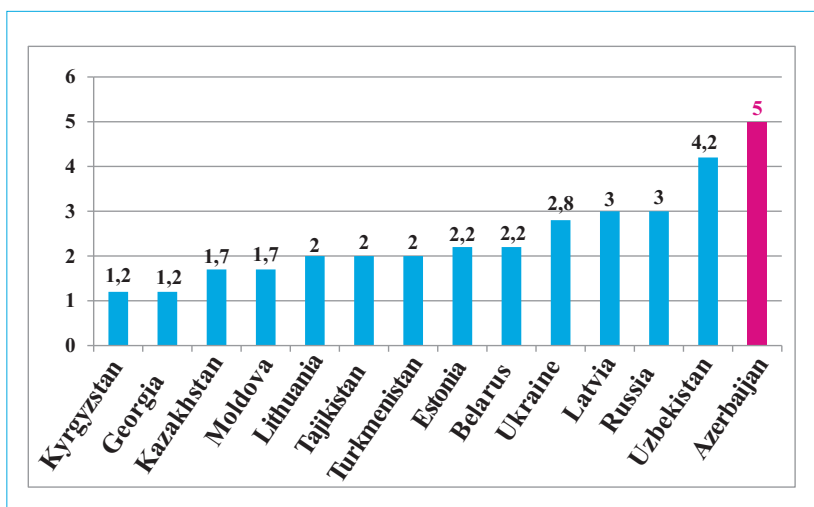


Figure 5.55. Dynamics of reduction of CO₂ emission to the atmosphere, 2000-2014, time. Information source: World Bank, 2018. *Last information published in 2018*

kilograms or grams, in US dollars taking into account the purchasing power parity. It shall be noted that the second method is used more commonly in the assessment impact of climate change. This is due to the fact that this method embraces more data and gives information about the benefits of innovative technologies in the development of a particular economy. Lower greenhouse gas emission during the production of the same value of GDP indicate the management of the production process on the basis of innovative technologies.

The Republic of Azerbaijan has achieved high results also in this aspect of inclusive development. This achievement is based on purposeful and deliberate policy, which has been directed to the achievement of all indicators of inclusive development. This activity is also related to the fulfillment of the country's obligations of international treaties. Figure 5.55 presents data on reduction of greenhouse gas emissions in the former USSR countries.

Figure 5.55. shows that the former USSR countries have reduced greenhouse gas emissions within fourteen years. However, the activities and commitment of these countries when it comes to implementation of international conventions are varied. The highest efficiency in this area was demonstrated by the Republic of Azerbaijan. According to this indicator, the achievements of Azerbaijan also surpass multiple post USSR states, some of which are currently members of the European Union.

It is obvious from Figure 5.56. that the Republic of Azerbaijan is one of the leaders among oil and gas exporters for this indicator of inclusive development.

It shall be noted that Azerbaijan has achieved a fivefold reduction in greenhouse gas emissions while producing GDP at the value equal to 1 USD for the last fifteen years. Therefore, Azerbaijan is behind only Norway among the oil and gas exporting countries for the mentioned indicator of inclusive development. According to the World Bank, to achieve the same economic outcome, countries belonging to this group emit greenhouse gas (CO₂) to the atmosphere 2.5-4.5 times more than Azerbaijan.

As it is seen from the figure, the Republic of Azerbaijan is a leader among the Caspian littoral states. Thus, the Russian Federation, Iran Islamic Republic and Kazakhstan emit the greenhouse gas 2.5 times more than Azerbaijan to

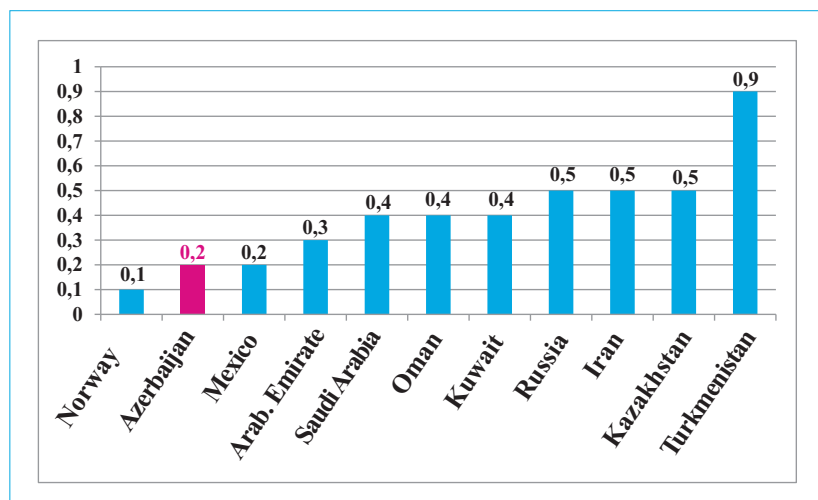


Figure 5.56. Greenhouse gases emitted to the atmosphere in oil and gas producing and exporting countries: kg per GDP at the value equal to 1 USD, with PPP. Information source: World Bank, 2018

gain the same economic benefits. In Turkmenistan, for instance, this figure is 4.5 times more (Figure 5.56).

It shall be noted that besides the greenhouse gas emissions to the atmosphere, the decline in forest lands worldwide also affects such global problem as climate change. According to the published expert estimates, the area of forests in the world decreased by about 6 million hectares. To contrast, in the Republic of Azerbaijan the restoration of forests and the establishment of new forest areas is taking place. Along with the governmental organizations, the activities of public organizations and civil society play a very important role in this process. The role of the movement IDEA, its founder and the leader, the

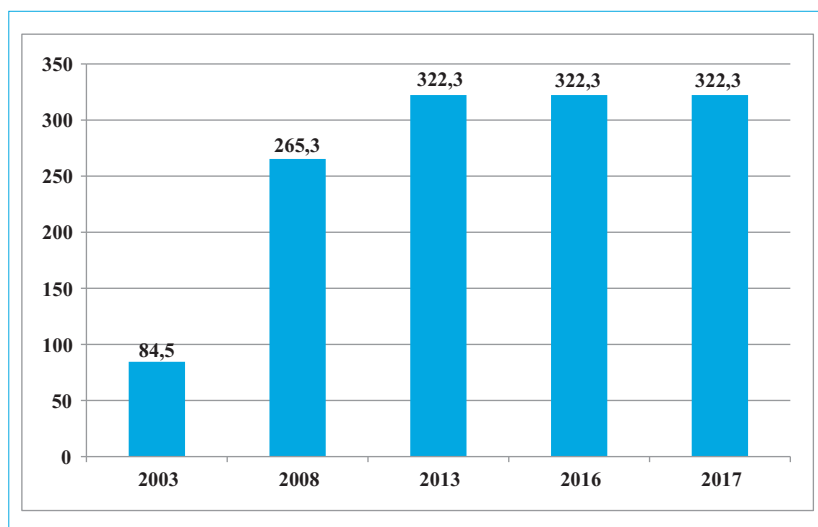


Figure 5.57. Dynamics of change of the area of protected natural areas in the Republic of Azerbaijan, hectare, 2003–2017.

Information source:

The Republic of Azerbaijan State Statistics Committee, 2018

Vice President of the Heydar Aliyev Foundation, Leyla Aliyeva is of particular importance.

It shall be noted that the proliferation of protected natural areas for long-term sustainable inclusive development is also crucial. Among the activities aimed at sustainable development and ensuring its inclusiveness in the Republic of Azerbaijan, special attention is paid to the increase of national parks, reserves and other protected natural areas. As a result, an increase in protected natural areas is observed (Figure 5.57.).

Thus, the information provided in this textbook shows that knowledge and skills in the field of innovative technologies used for managing economic and social development, are the key factors that ensure the formation of the inclusive society and the sustainability of this process. According to the reports of the international organizations, the Republic of Azerbaijan has achieved very high results in this sphere. The comparison of the achievements of the Republic of Azerbaijan with other countries proves it. The next section of the textbook is devoted to the formation of knowledge and skills in this area.

5.12. Test yourself: questions and tasks

1. Which achievements of Azerbaijan have led to an increase in the IDI?
2. How can the economic indicators of inclusive development be characterized in Azerbaijan? Give examples.
3. What are the poverty struggling mechanisms in Azerbaijan? Characterize the results.
4. How does human potential development affect inclusive development?

5. Which indicators are used to assess social policy under the conditions of inclusive development?
6. How are the indicators such as the Quintile ratio and the Palma index characterized in Azerbaijan? Make comparisons with other countries.
7. What are the median and modal incomes and how are they used to calculate the IDI?
8. What is the external debt of the country and how does this indicator affect the inclusive development?
9. How is the demographic structure of the Azerbaijani population?
10. How would you assess the dynamics of greenhouse gas emissions in Azerbaijan?

6. COMPARATIVE ASSESSMENT OF INCLUSIVE DEVELOPMENT IN THE REPUBLIC OF AZERBAIJAN

Economic and social strategies as the factors of sustainable inclusive development. Diversification of the economy. Innovative technologies in service industries. Correlative relations between economic potential and inclusive development. Comparative assessment of the situation of the inclusive development between the Republic of Azerbaijan and the countries of group of seven (G7), the European Union members, the Organization for Economic Cooperation and Development (OECD).

- 6.1. The purpose of section*
- 6.2. Keywords and concepts*
- 6.3. Diversification of industry and inclusive development*
- 6.4. Development of the agrarian sectors for inclusive development*
- 6.5. Social innovation as the factor of accelerating inclusive development*
- 6.6. International comparison of inclusive development indicators of the Republic of Azerbaijan*
- 6.7. Comparison of inclusive development indices of “Group of Seven” (G7), Organization for Economic Co-operation and Development (OECD) and the Republic of Azerbaijan*
- 6.8. Test yourself: questions and tasks*

6.1. The purpose of section

The aim of the present section is studying conditions that provide successful inclusive development in the context of the Republic of Azerbaijan and developing appropriate skills based on this knowledge. In order to achieve this goal, it is essential to deeply analyze the capacities of management of these processes, including global and national strategies that provide inclusive development, as well as economic, social and natural environment assessments as factor leading to inclusive development and sustainability of these processes. For this reason, this section will present examples describing the characteristics of national institutions in the industrial, agricultural and service sectors. This part of the textbook forms the knowledge that the key factor in providing inclusive development and sustainability of it in the future is the efficient management of these processes based on new ideas, knowledge and technology. Such a method of approach is based on a comparative assessment of inclusive development levels in different countries. Achievements gained in the field of inclusive development in the Republic of Azerbaijan are compared with the group of seven (G7) countries, the Organization for Economic Co-operation and Development (OECD) and the indexes of EU member countries. At the same time, the indicators of the former Soviet Union Republics are also involved in the comparative analysis. A correctly defined strategy based on modern knowledge and on the latest achievements in the field of inclusive development is the main factor that forms the foundation of knowledge and provides the basis of comparison. Thanks to the correctly chosen strategy and the application of modern management technologies, high results in the field of inclusive development are possible even in the context of a financial hindrance.

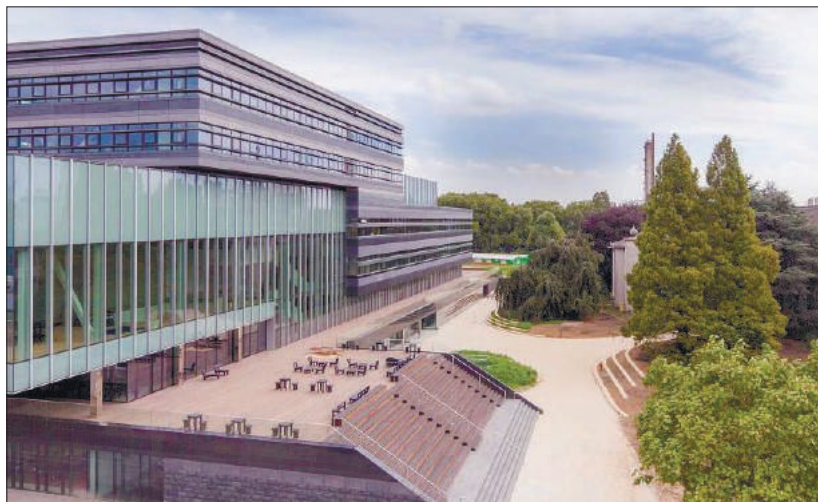
6.2. Keywords and concepts

Residents of industrial parks and industrial neighborhoods; The equivalent of energy in one kg of oil.

6.3. Diversification of industry and inclusive development

It is known that the multilateral development of the economy and the fast progress in the social sphere are the main characteristics of inclusive development. It is very important that every citizen feels positive results of inclusive development that is taking place within the country. Development of the economy of the country is an important term for achieving noticeable results in the field of inclusive development. At the same time, it is important that the industrial development must be implemented with the use and growth of innovative products with high competitiveness. This factor is significant for preventing technological development with technology lag.

Achievements in the indicated field can be gained in various ways. Among these, the key factor providing successful inclusive development is management technologies based on innovative knowledge. Innovative management technologies are the main factor for the achievements of the Republic of Azerbaijan in the field of inclusive development. Among these technologies are very important synergetic, complementary and compensatory technologies of public administration and their joint application. The effectiveness of the usage of these technologies also confirms the success of the economic growth of the Republic of Azerbaijan as growth achieved on the basis of sustainable inclusive development. The high results achieved in the development of the economy of Azerbaijan can also be seen in a comparative analysis of the economies of the



Chemical Industrial Park in Sumgayit city

G20 member states. Economic growth in Azerbaijan in 2017 was 4.8 times higher than compared to 2000. According to the UN reports at that period of time only one country had more economic growth than the Republic of Azerbaijan. The economy of the Republic of China, which came ahead, had grown 5.2 times during the same time period.

Clearly, such fast economic growth also conduces to the diversification of the economy and industrial diversification. This is an important term for providing the continuance of the future development process, including inclusive development. The main advantage of diversification of an industry, is that as a result of this process, the risk that may arise from production of a limited product or product set is eliminated. The development of the economy in different directions also contributes to increase the population's knowledge and level of professional training which limits or lowers social risks that can hinder the progress of inclusive development.



Free Economic Zone in Alat

It is not enough to have economic growth for achieving inclusive development goals and to provide sustainability of this process for future generations.

As already mentioned, a very important condition for the growth of inclusive development is the diversification of the economy and the application of innovative management technologies. After re-establishing the independence of the Republic of Azerbaijan, the main direction of the industrial sector of the economy was oil and gas production and export of these products. The development of this sector of the industry has also created conditions for the development of other sectors of the economy. Therefore, diversification of the industry was evaluated as an essential condition to provide sustainable inclusive development. This meant the development and growth of the non-oil sector in the Republic of Azerbaijan. Innovation and high competitiveness was an important factor for these newly established directions of the economy. The details describing the growth rate of non-oil sectors of the economy are presented in Figure 6.58.

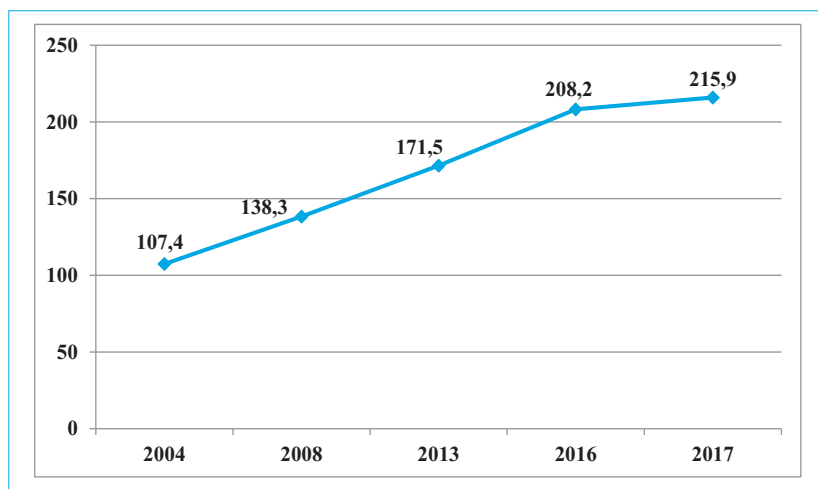


Figure 6.58. Non-oil sector growth rate, in percent, in comparison with 2003. Source of information: State Statistical Committee of the Republic of Azerbaijan, 2018

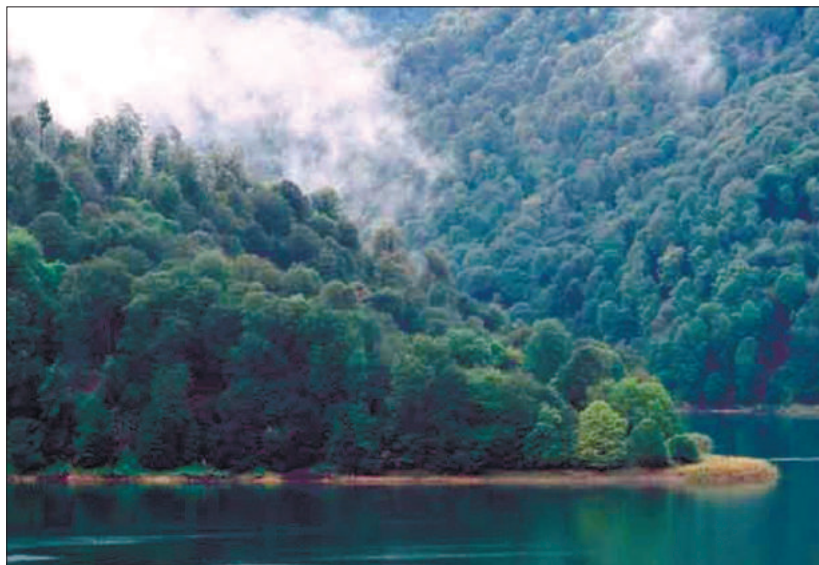
As can be seen from the figure, after 2004 the non-oil sector in the Republic of Azerbaijan has been rapidly developed. This process is the result of government policies directed at diversifying of the economy. The creation of special industrial parks and industrial neighborhoods in the country also is a display of this policy. The policy of providing special tax and customs benefits to industrial parks and businesses operating in industrial areas created the conditions for rapid growth and diversification of the industry and the economy. For this reason, there are seven industrial parks and four industrial neighborhoods currently operating in the country. They operate in different regions of the Absheron Peninsula, in cities and regions such as Sumgayit, Mingechevir, Neftchala, Hajigabul, Sabirabad, Masalli. The creation of industrial parks and industrial neighborhoods is an important condition for inclusive

development. Their activity provides the expansion of the economy, increasing the employment of the population, and the rise in revenues. This, in turn, has a positive influence on the health and longevity of the population. As it is known, health and longevity of the population are important indicators of society that has inclusive development. These indicators are also used to calculate inclusive growth coefficients.

It should be noted that industrial diversification in the Republic of Azerbaijan takes place in the context of the modernization of production and management technologies. In general, according to international organizations, natural and economic resources are used in the country with great efficiency. Efficient use of energy is a clear example of such efficiency, while also being a good indicator for the existence and application of new control technologies.

According to international standards, the condition of usage of energy efficiently in a certain country or in a certain area of the economy is determined by several methods. One of the most widely used methods is the amount of energy consumed in a country or in an enterprise for the production of a service or product at a value of \$ 1,000 USD, with purchasing power parity. The amount of energy containing in one kg of oil is accepted as a standard energy unit. A barrel consists of just about 136 kilograms of oil and its quantity depends on the content and characteristics of the oil extracted from different fields. The energy used in a country or industry can be obtained from different sources. This energy can be produced in nuclear and thermal power plants, or it can be accessed from the sun, wind or other means. However, in comparative estimates, the amount of energy per 1 kg of oil as an energy unit is used as a standard unit.

The main reason for choosing the amount of energy per 1kg of oil as standard energy unit is that oil prices are the



Goygol National Park



Shahdag National Park

same throughout the world for a certain period of time. This makes it possible to compare the usage of energy efficiency in different countries, while keeping a fairly even comparative field of view. Obviously, lower energy consumption for a product of the same cost reduces the value of the product or service being produced. As a result, the competitiveness of the product or service is enhanced. In these circumstances, economic activity using less energy is considered more efficient, causing the revenue in that country to grow. This is an important condition for full development, sustainability and longevity of this inclusive development process. On the other hand, usage of less energy for achieving the same economic or social aim means throwing out less carbon dioxide (CO₂) and other greenhouse gases that are harmful to the atmosphere. This means reducing impacts on climate change, which is an international priority. As discussed, the reduction of carbon dioxide emissions is one of the indicators used to calculate the inclusive development index.

There are other benefits from of high energy efficiency. For example, at present moment about 78% of the energy used in the world is derived from oil, gas, coal, and other non-renewable sources. Efficient usage of energy from these sources serves to protect them in the future. This, in turn, is an important condition for sustainability of inclusive development.

The Republic of Azerbaijan pays special attention to the increase in usage of energy efficiency for achieving inclusive development goals. This can also be seen from international comparisons of energy efficiency improvements in the country (Figure 6.59.). The information shown in the figure was published by the World Bank in 2018.

As can be seen from the figure, the efficiency of energy usage in the Republic of Azerbaijan in 1990 was two times lower than the global average. The same situation was

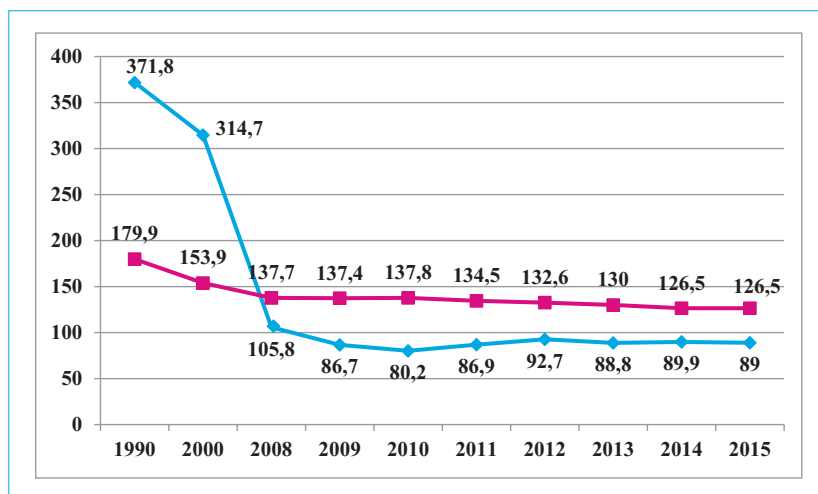


Figure 6.59. Energy spent for the GDP production in the value of 1000 USD in the world (average) and in the Republic of Azerbaijan.

Source of information: World Bank 2018

observed in 2000. However, according to the World Bank data from 2008, usage of energy efficiency in the Republic of Azerbaijan was 30% higher than the average world indicators. This trend is still improving.

It must be noted that the Republic of Azerbaijan is a leader among the former USSR republics for usage of energy efficiency. It is currently ahead of other leaders from the same region, including Latvia, Lithuania and Estonia, all of which were formerly part of the USSR and are currently becoming the member of EU. This can be obviously seen in Figure 6.60.

It must be noted that indicators of energy efficiency in Azerbaijan are several times higher than in other republics of the former USSR. For example, the structure of the economies of Azerbaijan and Kazakhstan is very close.

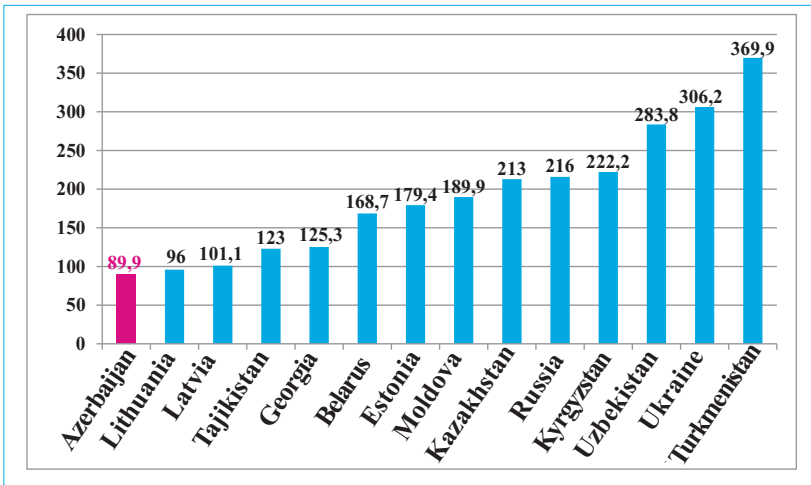


Figure 6.60. Energy used in the production of GDP in the value of US \$ 1,000 in the former Soviet Union (kg, oil equivalent).

Source of the information: World Bank, 2018

At present, the GDP volume of the Republic of Kazakhstan is higher than that of Azerbaijan. Nevertheless, Azerbaijan consumes two times less energy than Kazakhstan for the production of the same volume of GDP. This means that Kazakhstan uses twice much energy than Azerbaijan to get the same economic outcome. This means that twice as many greenhouse gases are thrown into the atmosphere. As mentioned numerous times throughout this text, the amount of gases thrown into the atmosphere is one of the indicators of inclusive development and is used to calculate the index of inclusive development.

The oil and gas industry holds a special importance in the economy of the Republic of Azerbaijan, however, the high energy efficiency in the country is not related to this factor. Comparative analysis of energy efficiency indicators of oil and gas producing and exporting countries prove this. At

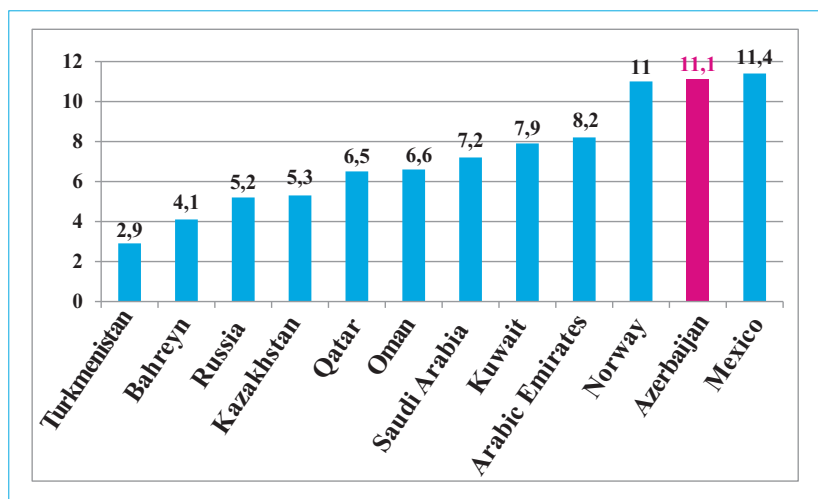


Figure 6.61. The value of GDP as a result of the usage of one unit of energy in oil and gas exporting countries, USD with PPP. Source of information: World Bank, 2018

present, the GDP volume of the Republic of Kazakhstan is higher than that of Azerbaijan. Nevertheless, Azerbaijan consumes two times less energy than Kazakhstan for the production of the same volume of GDP. This means that Kazakhstan uses twice much energy than Azerbaijan to get the same economic outcome. This shows that in this case emission of greenhouse gases increased two times. As mentioned numerous times throughout this text, the amount of gases emitted into the atmosphere is one of the indicators of inclusive development and is used to calculate the index of inclusive development. The oil and gas industry holds a special importance in the economy of the Republic of Azerbaijan, however, the high energy efficiency in the country is not related to this factor. Comparative analysis of energy efficiency indicators of oil and gas producing and exporting countries prove this.

From Figure 6.61 it is obvious that the differences in energy efficiency in oil and gas producing and exporting countries are noticeable. These differences are sometimes very high with some countries producing GDP at the value of 3-4 USD per units of energy, while in other countries this figure is several times higher (Figure 6.61.). Mexico, Azerbaijan and Norway are the countries that produce GDPs by using a single unit of energy. As the result by usage of a single unit of energy, these countries produce GDP in the value of \$11 USD with PPP.

It is known that there are about 136 kilograms of oil in a barrel. If the price of one barrel of oil in the world market is \$70 USD, which means the price of one kg of oil is about \$0.51 USD. It shows that, Mexico, Azerbaijan and Norway, which spend around \$0.5 USD per unit of energy, produce GDP with a separate value of \$11 USD. In comparison, this result is very high. Low energy efficiency in other oil and gas exporting surveyed countries is also presented in Figure 6.61. By using the same amount of energy, these countries produce 2.5-3.5 times less product and services than Azerbaijan. Obviously, the rational use of natural resources, including energy sources, is an important factor in inclusive development. For this reason, the high energy efficiency observed in the Republic of Azerbaijan can be considered as a positive influence on the process of inclusive development. High energy efficiency also indicates the innovative development of the country. It is obvious that the material support by the organization of the production process is not limited to the costs associated with energy supply. There are many other costs to provide the production process in industry, agriculture and services.

These costs include the creation and continuous improvement of workplaces at enterprises and organizations,

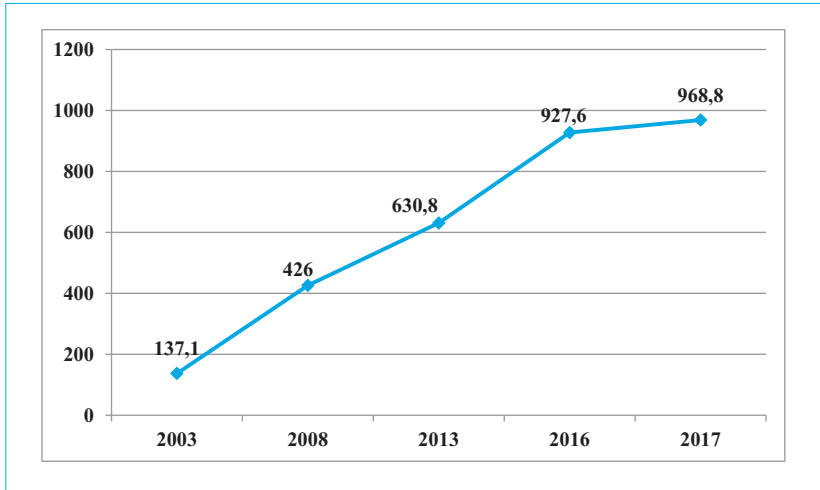


Figure 6.62. Average monthly salary of employees working in the industrial sector of the economy, shown in manat. Source of information: State Statistical Committee of the Republic of Azerbaijan, 2018

including logistic cost, products, the storage and sale of manufactured products, staff salaries, etc. High-efficiency management of energy resources indicates a high level of production and management in different fields of economy. This is an important condition of inclusive development. For this reason, usage of energy efficiency allows to think about the efficient management of many other fields of the economy. Thus, from the presented information, we can come into such a conclusion that diversification and modernization of industry are one of the most important conditions for sustainable inclusive development. High-efficiency management of resources, including energy resources, shows the usage of modern technologies in production and management areas.

6.4. Development of the agrarian sectors for inclusive development

As previously mentioned, inclusive development is a way of economic and social policy that ensures the country's comprehensive progress and the positive results of this process are felt by all citizens. The planned achievements in this area envision the development of the agrarian sector. The agricultural sector development is an important condition for the economic, social and cultural development of the country, especially rural areas. The development of the agricultural sector is not just related to the economic benefits of inclusive development. The development of villages and small towns, which are an essential condition for inclusive development, also depends on the level of development within the agricultural sector.

Obviously, for the formation of inclusive development and the sustainability of this process along with the growth

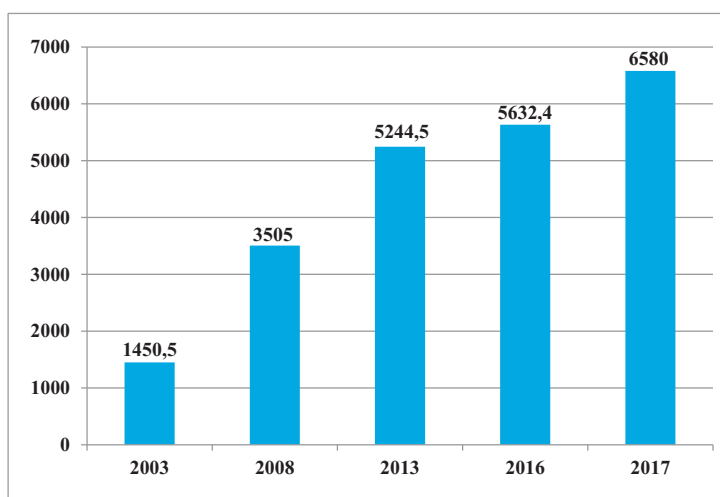


Figure 6.63. Growth dynamics of the value of the product produced in agricultural sector of the Republic of Azerbaijan, million manats.
Information source: State Statistical Committee of the Republic of Azerbaijan, 2018



The development of agriculture in the Republic of Azerbaijan

of the industry, the condition of the agricultural sector is of vital importance. Along with the economic importance, the agrarian sector also serves to maintain the demographic structure of rural areas at an optimal level. Formation of knowledge in this field is one of the purposes of the current textbook. Innovative policy carried out in this direction in the Republic of Azerbaijan is important for the formation of this knowledge.

Establishment of agricultural parks is one of the important steps taken in the development of agricultural sector in the Republic of Azerbaijan. Currently, 45 agroparks have been created in 30 regions of the country. Modern plant raising and cattle-breeding complexes operate in these agricultural parks. Logistic centers created in different



Modern agropark

regions of the country, equipped with modern equipment, also serve the development of the agricultural sector. Logistic centers also provide technical and technological support to agricultural enterprises and individual farmers.

The construction of modern greenhouse complexes also affected the development of the agricultural sector. At present, greenhouses complexes with large areas are established in different regions of the country. These complexes are also important in terms of achieving inclusive development.

It should be noted that as a result of the application of innovative management technologies, the efficiency of the agrarian sector of the economy has increased. Figure 6.63 demonstrated this increase. The figure shows the growth dynamics of the value of the product manufactured in agrarian sector starting from 2003 until 2017. As can be seen from the figure, the value of agricultural products manufactured in the country over the last 15 years has

increased by 4.5 times. The development of the agricultural sector serves to the creation of new workplaces, the increase of the incomes of the population, and the optimization of the demographic structure in rural areas.

The development of the agrarian sector in the economy of Azerbaijan has created conditions for the creation of new processing enterprises and logistics centers. Employment in the field of transportation and sale of agricultural products has increased. This allows the country to solve a number of demographic and social problems. The demographic situation has improved in rural areas as the agricultural sector and rural development have reduced the migration process of highly skilled workers. The increase in employment, income growth, diversification of the economy, and overall regional development have created conditions for the improvement of inclusive development factors.

6.5. Social innovations as the factor of accelerating inclusive development

Social innovation plays an important role in achieving sustainable inclusive development goals. "ASAN Service" is the first of such innovative technology applied in the Republic of Azerbaijan. The State Agency for Social Innovations has been established in Azerbaijan by the Decree of President Ilham Aliyev of July 2012. The process of formation of the centers serving the population has been started within this agency. In the "ASAN Service" centers, ten public organizations and a large number of private sector representatives serve to the population in a unique space. "ASAN Service" centers provide more than 300 services to the population. Issuance and replacement of identity cards, issuing international passports, updating driving licenses, issuing entrepreneurship documents and

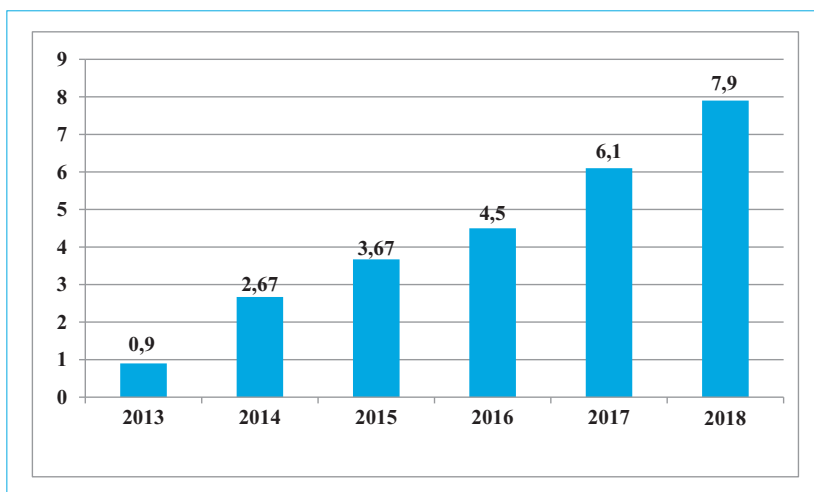


Figure 6.64. Number of appeals to “ASAN service” centers, million

etc. are all carried out within the center. At present, there are 13 “ASAN Service” centers in the country. 5 of them are in Baku and other “ASAN Service” centers operate in Ganja, Sumgayit, Sabirabad, Barda, Masalli, Gabala, Guba, and Mingachevir. Each center serves 1500-2000 people a day. “ASAN Service” centers served more than 23 million people by 2018. In 2018, a decision was made to establish the “ASAN service” center in Shamakhi.

As seen in Figure 6.64, applications to “ASAN service” centers are increasing year by year. As already noted, 23 million people used “ASAN service” centers as of the present moment. It should be noted that the initiatives of Azerbaijan in the field of social innovation have gained wide international support. In 2015, the Headquarters of UN awarded Azerbaijan’s “ASAN service” with an award to acknowledge activities in the field of “Improvement of Public Services”. At the present moment, some European and Asian countries intend to benefit from the application of this experience.

“ASAN Service” centers also serve as a center for the formation of a new generation of civil servants, who can provide services to the population at the most modern level. To achieve this goal, youth volunteers are employed at “ASAN Service” centers. They provide assistance to the population in various fields of documentation. Every year 2000 volunteers are employed at “ASAN Service” centers. Young people at service centers also increase their theoretical knowledge about administration and managing. To push the education component further, the Academy of Public Administration under the President of the Republic of Azerbaijan holds meetings, lectures and seminars with special lectures, public speakers and scientist, exclusively for the “ASAN Service” center volunteers.

6.6. International comparison of inclusive development indicators of the Republic of Azerbaijan

Inclusive development is a relatively new concept and has gained special popularity in recent years. This is due to the fact that inclusive development and its sustainability for future generations have been recognized by the international community as a global priority. Inclusive development is such a way of human progress that gives an optimal solution to economic, social, and environmental challenges facing humanity. Among the challenges to be addressed is the improvement of the welfare of the population and the elimination of the sharp imbalance in the revenues observed among different groups within a population. It is important to increase the employment of the population. Another factor that negatively affects inclusive development is a global climate change. The control of the volume of external debt of the country in providing successful inclusive development is also a crucial

factor for success, in addition to being an essential component of economic security of future generations. All of these points are indicators that shape the inclusive development factor.

Taking into account the relevance of the topic of inclusive development, the Davos World Economic Forum has monitored the situation in the various countries on the above-mentioned indicators. As a result of the conducted analysis, a report on the situation of inclusive development across the globe was published in January 2018. The report covers the information on the Inclusive Development Index for participating countries. According to the report, the highest results in the field of inclusive development worldwide were gained by Norway. This country's Inclusive Development Index (IDI) is 6.08. According to the information in this report, the lowest level of inclusive development is observed in Mozambique. The IDI in this country is 2.47. The inclusive development indices of all other countries are on the scale between the above-mentioned maximum and minimum indicators.

According to the report of the World Economic Forum, the IDI in the Republic of Azerbaijan is equal to 4.69. Due to this fact, the country is in third place among countries with an emerging economy. A description of the situation with sustainable inclusive development in countries with emerging economies is presented in Table 6.7. The table displays information about only those countries that are members of the European Union. Some of these countries (Russia and Turkey) are members of the Group of Twenty (G20).

As can be seen from the table, according to inclusive development indicators, Lithuania is in the first place among the countries with the emerging economy. This country is in the first position in terms of economic potential – the volume of gross domestic product per capita. Economic opportunities of this country have been properly assessed and mobilized by the government. As a result,

according to inclusive indicators, Lithuania is in the first place in this group. Hungary is in the second place in this group.

Table 6.7. Economic and inclusive development indicators of countries with a emerging economy

Country	Inclusive development index	Inclusive development rank	GDP per capita rank
Lithuania	4,86	1	1
Hungary	4,74	2	4
Azerbaijan	4,69	3	26
Latvia	4,67	4	5
Poland	4,61	5	2
Croatia	4,48	7	6
Romania	4,43	10	15
Bulgaria	4,41	11	18
Turkey	4,28	16	7
Russia	4,20	19	9

It should be noted that Hungary, which ranks in fourth place in this group for its economic potential, has strengthened its positions in the group by mobilizing existing and relatively limited economic opportunities for inclusive development. Poland, the second largest economics in this group, was in fifth place in terms of inclusive development.

Among the information presented in the report of the World Economic Forum, the information about the Republic of Azerbaijan is particularly noteworthy. This country uses existing economic opportunities more effectively. While calculating GDP per capita, the economic potential of the

Republic of Azerbaijan is not high in comparison with other countries included in this group. According to this indicator, Azerbaijan is in the 26th place among the countries with emerging economies. Nevertheless, Azerbaijan was third in this group for inclusive development indicators.

The information provided once again shows that only economic opportunities are not sufficient to achieve high results in the field of inclusive development. The public administration and management technologies applied to the formation of an inclusive society and their innovation are the key prerequisites for gaining success in this regard. Formation of knowledge and skills in this field is one of the main purposes of the current textbook.

Increasing fundamental knowledge and enhancing practical skills in the field of inclusive development management is of crucial importance. A comparative analysis of indicators of economic opportunities and inclusive development ratios of countries is also essential for gaining knowledge in this field.

The results of these analyses are presented in figure 6.65. In the same figure, the countries are divided into two groups. The economic opportunities of the countries presented in the first group are relatively high, while inclusive development indices are relatively low. They are placed on the left side of the figure. The difference between the economic capabilities and inclusive development indicators of a country is provided in brackets. For instance, Poland, which belongs to a group of countries with emerging economies, is second in this group due to its economic capabilities. GDP per capita in Poland is high, and it comes in second to Lithuania. It could be expected that this country would be second in terms of the inclusive development indices. However, the report published in

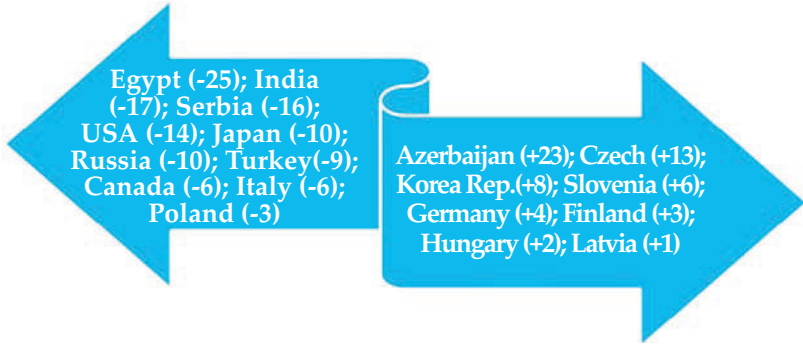


Figure 6.65. Countries which inclusive development indices are lower (in the left) and higher (in the right) than their economic opportunities. Information source: World Economic Forum, Davos, 2018

2018 shows that Poland is in the fifth place for this indicator. So, this country is placed on the left side of the figure and its indicator is “-3”. On the left side of the figure, those countries have shown that their economic capabilities are higher than their achievements in the direction of inclusive development. An example of such countries is the USA, Russian Federation, Turkey, Canada, Italy, Serbia, and other countries. It should be noted that most countries located on the left side of the figure are economically rich countries. The incidence of inclusive development in these countries is less than their economic potential, which is a sign of the need to pay more attention to the planning and management of inclusive society in these countries.

As explained, on the right side of the figure are the names of those countries whose achievements in the field of inclusive development are higher than the economic opportunities. For instance, Azerbaijan is 26th in terms of its economic capacities, i.e. GDP per capita. According to the index of inclusive development, Azerbaijan is in the

third place among these countries. This means that Azerbaijan has been more responsive to the formation of the inclusive development society. For this reason, Azerbaijan is in the right part of the figure and its index is “+23”. Along with Azerbaijan, this group includes Germany, the Republic of Korea, Finland, the Czech Republic and a number of other countries.

The information presented in Figure 6.65 shows that a wide range of economic and technological opportunities is not enough to achieve high results in the field of sustainable inclusive development. It becomes clear from the analysis that among these countries are members of the “Group of Seven” (G7) group such as USA, Japan, Canada, and Italy. These countries have high financial and technological capacities, and they have the human potential with modern knowledge and skills. It also applies to India, Poland, Argentina, and some other countries, which are not currently members of the “Group of Twenty” (G20).

There are also a number of countries that their inclusive development index is higher than the average per capita income. This group includes the Czech Republic, Germany, the Republic of Korea, Hungary, Peru, and some other countries. However, the highest results in this direction were noted in the Republic of Azerbaijan. This country is in the 26th place among the countries with emerging economies in terms of economic opportunities, and third place for inclusive development indicators. The achievement of this high score is primarily based on the availability of knowledge on the management of inclusive development and the utilization of this knowledge by civil servants. The teaching of innovative management techniques and sharing some of this knowledge is also one of the purposes of the current textbook. Innovative management technologies,

including synergetic, complementary and compensatory technologies, are being used in the Republic of Azerbaijan with the initiative of President Ilham Aliyev. This initiative has created such conditions that the highest result in the establishment of inclusive society, was achieved with the use of minimal material funds and the optimal management of available resources.

The Republic of Azerbaijan is included in a group of countries with emerging economies. However, Azerbaijan's high results gained in planning and managing inclusive development create conditions for comparisons with other countries included in other groups. Azerbaijan's inclusive development indicators can be compared with those with high incomes, including the "Group of Seven" (G7) and the OECD member countries.

6.7. Comparison of inclusive development indices of "Group of Seven" (G7), Organization for Economic Co-Operation and Development (OECD) and the Republic of Azerbaijan

From the information presented in this section of the current textbook, it is evident that the availability of modern knowledge in the field of developmental process management and the ability to apply them is an essential prerequisite for sustainable inclusive development. While high economic opportunities are a prerequisite for successful inclusive development, as seen in Figure 6.65, the inclusive development factors observed in some countries do not meet their economic capabilities. For instance, the US economy ranks 9th among the most developed countries for per capita income. With regard to the inclusive development index, the US is in the 23rd place (-14). Another example is

Japan. Japan ranks 14th among high-income countries for its per capita income. According to the inclusive development index, Japan is in the 24th place among the countries (-10) on the list. On the contrary, Azerbaijan ranks 26th among the countries with emerging economies for its economic capabilities but is third in the inclusive development index (+23). The positive balance between economic indicators and inclusive development indices is also observed in Czech Republic (+13), Korea Republic (+8), New Zealand (+5), Finland (+4), Germany (+4), and some other countries.

There are also countries where their per capita income indices and inclusive development indices coincide. For instance, according to per capita income, France ranks 18th among the highly developed countries. This country also is 18th according to the inclusive development index. Denmark and Sweden are in the same situation. Denmark is in 5th place among the economically developed countries. This country is in the 5th place of the group for inclusive development index. The same situation is observed in Sweden. This country is in the 6th place among the advanced countries in terms of both per capita income and inclusive development index. This means that these countries have fully mobilized their economic opportunities for inclusive development. This applies to both financial and human potential.

Thus, it is understood that for the mobilization and effective utilization of existing economic resources for sustainable inclusive development, countries of the world are divided into three groups (Figure 6.66.). The lowest section of the pyramid shows information about countries that belong to the negative group (-). This group includes



Figure 6.66. The pyramid of effective public administration of inclusive development in world. Information source: World Economic Forum, Davos, 2018

those countries that have not been able to fully use their economic opportunities to achieve the appropriate level of sustainable inclusive development.

At the second from bottom level of the pyramid presents information about the countries belonging to the zero group (0). This group includes countries that carried out their activities to form an inclusive society strictly within their economic capabilities. In the world rankings, they occupy the same place both in terms of per capita income and the inclusive development index. This group includes countries such as France, Sweden, Denmark, Lithuania, Senegal, and some others (Figure 6.66.).

The third group includes countries whose achievements in the field of inclusive development are higher than their economic opportunities. In turn, this group is divided into 5 subgroups. The first subgroup of countries includes those whose rating on the inclusive development index was higher than the per capita income rank from one to five points. These countries include Austria, Hungary, Belgium, Finland, Norway, Germany and some others.

The second subgroup unites those countries whose achievements in the field of inclusive development are 6-10 points higher than their economic opportunities. Representatives of this subgroup of countries are such countries as the Republic of Korea, New Zealand, Iceland, Slovenia, etc.

The third subgroup includes those countries that, while fulfilling the tasks of forming an inclusively developing society, have achieved great success, having exceeded their economic opportunities by 10-15 points. However, this group is represented only by one country - the Czech Republic, whose rank on the inclusive development index exceeded the rank on per capita income by 13 points, i.e. it is characterized as a country (+13).

In the next subgroup of countries (+ 16-20) not a single country is represented.

Finally, in the subgroup with the highest rank (+21-25), only Azerbaijan Republic is represented. According to the Report for the 2018 year of the World Economic Forum, the rank of the inclusive development index is 23 points higher than the rank on per capita income. In this system for analyzing the effectiveness of the public administration for sustainable inclusive development, the Republic of Azerbaijan is characterized as a country (+23).

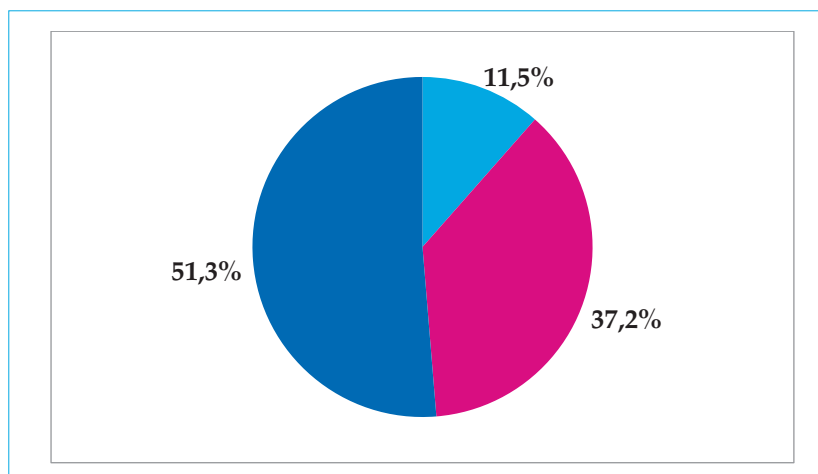


Figure 6.67. The proportion of countries differently using economic opportunities for inclusive development, percentage (explanation is in the text)

The report of the World Economic Forum contains information on the state of inclusive development and sustainability of this process in the long term in 107 countries of the world. Although, in accordance with this report, according to the inclusive development index, the Republic of Azerbaijan is the third among the countries with transitional economy, nevertheless, it is the first in the world in terms of the efficiency of using resources to build an inclusively developing society.

It should be noted that at the present moment countries are actively mobilizing their economic opportunities for sustainable inclusive development. Figure 6.67 reflects the proportion of countries mobilizing economic opportunities for inclusive development at different levels.

In Figure 6.67, the "0" group included those countries that their per capita income was overlapped by its inclusive

development index. As you can see from the Figure, they make up 11.5 percent of the countries in transition.

The second, “negative” group, includes countries where the per capita income indices are higher than the inclusive development indices. These are the countries where existing economic opportunities are not mobilized at the appropriate level for the formation of an inclusive society. This group of countries in transition is 37.1%. Inclusive development indices in third group countries are higher than per capita income. The number of countries represented in this group is higher. They constitute 51.3% of the countries in transition.

The submitted analysis shows that the comparison of income ranks and inclusive development ranks is an important tool for evaluating the state policy on inclusive development. It is important to use this method in the process of planning, management, and monitoring of inclusive development processes.

Having multilateral economic opportunities in the Republic of Azerbaijan, directing these processes to the welfare of the population are indicators of implementation of purposeful policy. The country’s inclusive development index proves it. This creates conditions for Azerbaijan’s inclusive development indicators to be compared against relevant indicators of developed countries with advanced economy. Figure 6.68 shows the comparison of the sustainable inclusive development indices of the Republic of Azerbaijan with the “Group of Seven” (G7) countries and the countries included in the OECD group.

As shown in the figure, Azerbaijan’s inclusive development index is equal to 4.69. This is the 23rd result among economically developed countries. For comparison, we can note that this number is equal to 4.60 for the USA.

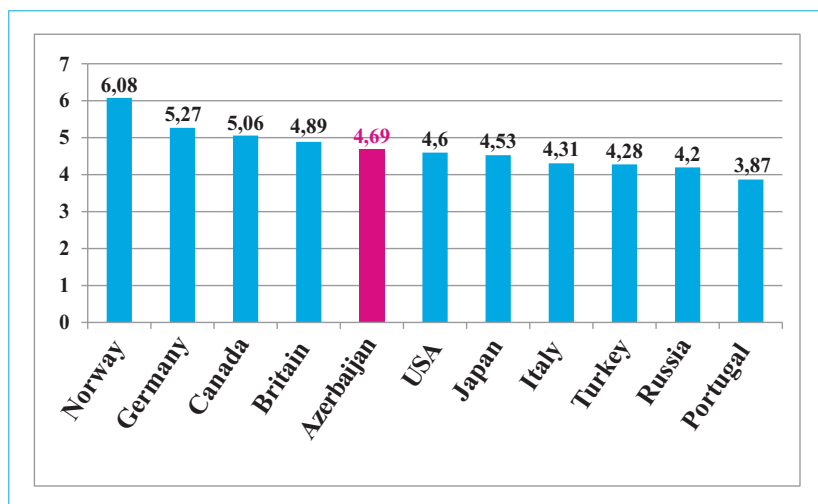


Figure 6.68. The Republic of Azerbaijan and inclusive development indices (IDI) of countries with advanced economies. Information source: World Economic Forum, Davos, 2018

Accordingly, Japan IDI is 4.53, Spain – 4.40, Italy – 4.31, and Portugal – 3.87.

As already mentioned, Azerbaijan is in the third place for the inclusive development index among the countries with emerging economies. According to this indicator, Azerbaijan has surpassed a number of European Union countries, including Poland, Latvia, Croatia, Bulgaria, Romania, and others. Azerbaijan’s inclusive development index is higher than a number of fast-growing countries which are included in a “Group of Twenty” (G20). Among these countries are China, India, Brazil, South Africa, and Turkey. The economic opportunities of these countries are higher than in Azerbaijan. This shows that modern knowledge and skills, innovativ technologies in public administration

are of particular importance in achieving sustainable inclusive development goals that are in line with global priorities. The knowledge presented in this section serves this purpose.

6.8. Test yourself: questions and tasks

1. What is the efficiency of energy use and how is this process monitored?
2. Compare the efficiency of energy efficiency in the Republic of Azerbaijan with the indicators of former USSR countries.
3. Compare the energy efficiency in the Republic of Azerbaijan with the indicators of the countries included in the G20 group.
4. Compare the energy efficiency in the Republic of Azerbaijan with the indicators of oil and gas producing and exporting countries.
5. What are the industrial parks, industrial neighborhoods, and what is their role in inclusive development?
6. What are the main development directions of the agrarian sector in Azerbaijan?
7. How is the country's inclusive development index related to its economic status? Give examples.
8. What is the inclusive development index of Azerbaijan compared to countries in emerging economies? Particularize comparable information.
9. Compare Azerbaijan's inclusive development index with inclusive development indices of countries with advanced economies.

URKHAN ALAKBAROV

Fundamentals of Inclusive Development Management

(Textbook for tertiary schools)

Executive Summary

Introduction

This text book examines the need for inclusive development as an essential element to address modern economic, social, ecologic and humanitarian challenges. In accordance with the assessments of international development institutions the Republic of Azerbaijan has achieved a significant progress in managing sustainable inclusive development.

According to the estimates of international organizations held in 2018, the indicators of inclusive development of Azerbaijan are higher than those of the more economically developed countries, members of the G 7, the European Union, the Organization for Economic Cooperation and Development. In the Republic of Azerbaijan, this achievement is attributed to the use of innovative technologies in the management of development processes. Based on this premise, the textbook aims to bring into a unified framework theoretical knowledge and practical experience of management of inclusive development to ensure the sustainability of this process.

**Chapter 1. Specific features of societal governance
at various stages of human development
and inclusive development opportunities**

The first chapter describes that humanity throughout its history has sought to ensure the improvement of its living conditions. At early stages of development of mankind, when the main occupation of people was hunting, fishing, gathering, all the obtained resources were divided equally. This can already be considered as signs of inclusiveness, achieved under the pressure of survival needs. At all subsequent stages of the development of mankind, contradictions in

the society grew proportionally to its stratification based on wealth and legal status. Today's level of development of society and resources the society has at its disposal creates a legal, economic, social and technological basis for inclusive development.

Chapter 2. Sustainability and inclusiveness of the development process as factors of global risk management

The chapter describes the challenges that mankind has faced at the present stage of civilization. The challenges that humanity has faced in the preindustrial, industrial and post-industrial phases of societal development are also discussed in the textbook. At the heart of these challenges several negative processes are identified and described as development without a future, development without equality and development with a technological lag. These processes, aggravated by the environmental degradation, including global climate change, find a solution in sustainable development as a basis for inclusive development. The chapter provides information on the sustainable development goals and their implementation in terms of inclusive development.

Chapter 3. Basic principles and indicators of inclusive development

The information in this section is aimed at building knowledge about indicators that characterize inclusive development. The chapter discusses 12 indicators which characterize the state of the economic and social base of sustainable inclusive development. Effects on global climate change are also among these indicators. The dynamics of changes in these indicators in different countries is analysed. The chapter assesses the significance of each indicator for inclusive development.

Chapter 4. Modern technologies for management of inclusive development

The information presented in this chapter is aimed at building knowledge on technologies for managing development processes

that are capable of ensuring the process of inclusive development with optimal use of material and human resources. It is shown that the method of combined use of synergistic, complementary and compensatory technologies can accelerate the process of forming an inclusive society and increase the efficiency of resource use.

Chapter 5. Inclusive development of the Republic of Azerbaijan

According to the Report on the state of inclusive development in the world, published in 2018 by the Davos World Economic Forum, the index of inclusive development of Azerbaijan is higher than that of a number of economically more developed countries. The chapter develops knowledge about the strategy for achieving this result due to the accelerated development of the economy, increasing the efficiency of the use of energy and other resources, significantly reducing greenhouse gas emissions into the atmosphere, and improving social policy. It is pointed out that the basis for all these achievements is the policy of the formation and development of human potential in the country.

Chapter 6. Comparative assessment of inclusive development of the Republic of Azerbaijan

This chapter discusses technologies for managing inclusive development based on economic diversification, social innovation and environmental initiatives. Comparison of indicators of inclusive development of the Republic of Azerbaijan with the countries of the Group of Seven, the European Union and OECD is presented. According to the data of the international development institutions published in 2018, the inclusive development indexes of Azerbaijan exceed similar indicators of such countries as the USA, Japan, Italy, Spain, Greece, Poland, etc. Knowledge is formed on how, in the conditions of relatively limited material resources, one can successfully plan and implement policies that ensure a high level of inclusive development.

GLOSSARY

Absolute poverty, abject poverty – has several definitions. According to a modern and more popular definition, absolute poverty is a lack of basic human needs, including deprivation of obtaining food, clean drinking water, medical care, education, and information. In modern concept, poverty is not only a shortage of income but also a lack of access to some basic services.

Areal – Spreading area of any living, including human. It can also be reflected in people's spreading areas in primary community conditions.

Biological diversity, biodiversity – All kinds of alive living in different environments (water, air, soil, surface area, etc.) are envisaged. The term biodiversity is an official term intended in international conventions. In the biodiversity documents prepared by the United Nations and other global development organizations, as well as the protection of all representatives of the live world in international conventions, is practically and at the same time ethically and aesthetically important.

Compensatory, compensatory technologies in public administration and management – characterized as replenishment, replacement, compensation or other actions to redress actual or potential losses, when the promotion of joint actions. Implementation compensatory technologies in the public administration and development management processes improves efficiency by presenting partners for joint activities on a grant or concessional financial, technological, intellectual, information or other assistance and support.

Complementarity, complementary technologies in public administration and management – is the mutual compatibility of two or more factors that are characterized by the advantage of a simple set of activities that are taken separately. Taking into account the interest and potential of all participants, complementary technologies in managing the development processes will improve efficiency. These management technologies widely used in the planning and management of sustainable inclusive development processes.

Development without future – It was first proposed by the UN and aimed at preventing adverse trends that can be observed in the development process. Unlike sustainable development, it is a way of development without the future of planning and management that serves the interests of contemporary generations and assumes to meet their demands. Meanwhile, the possibilities of future generations are limited. Such defective planning and management principles often ignore not only future generations but also the prospects for the development of contemporary generations.

Development with technology lag – New technologies are being applied to any country or region, these technologies are new for this space, but have no high competitiveness in the future. It is one of the factors that prevent the elimination of differences between developed and developing countries. Science and human potential are of particular importance in preventing this type of development.

Development without equality – The term was proposed by the UN and has been used to characterize the adverse trends observed in development. Development without equality indicates major differences in revenue and consumption among citizens of one or more countries. It is assessed with use of special indicators: Gini index, Quintile ratio, Palma indices. Development without equality has a negative impact on sustainable and inclusive development.

Environmental and Social Impact Assessment – It is a document that consists of a multidisciplinary approach, which combines the evaluation of the economic aspects of a project – based on cost-benefit ratios – with the impact on natural environment and social benefits. It is a document that is required when making a decision about the realization of any economic project.

Evolution – Development characterized by gradual quality changes. It relates to the development of any kind of living creature, including humans. The term “evolution” can refer to the development of any process as well as society.

Gross Domestic Product, GDP – A set of products and services that are created by citizens and non-citizens in the country to meet domestic and foreign needs. GDP per capita in any country during the year is used as an indicator of the level of economic development in international statistics.

Gini Index (*coefficient*) – Describes the fair distribution of revenues within the country between individuals or households. Gini can be expressed as a coefficient or as an index. The cost of the coefficient can vary between 0 (full equity in revenue distribution) and 1 (sharp inequality in revenue distribution), the cost of index between 0 and 100. Coefficient and index have the same value. For example, if the Gini coefficient is 0.31, this means that the Gini Index is 31. Both show that the deviation from the normal distribution differs by 31 percent. The lowest numbers in the world by the international organizations are registered in the Northern European countries and the highest figures are in Africa and South America. According to information of international organizations, this indicator in the Republic of Azerbaijan is better than the “Group of Seven” (G7) and many European Union countries.

Greenhouse gases – At the low layer of the atmosphere is the gas that affects the accumulation of solar heat and affects global climate change. As the quantitative indicator in international statistics, it is determined by the amount of carbon dioxide (CO₂) emitted into the atmosphere per capita during a given year. As an indication of the management of gases emitted into the atmosphere, the CO₂ emissions in the atmosphere are put against the production of GDP per \$1 US dollar, taking into account purchasing power parity in the country. This indicator is used to calculate the inclusive development index.

Gross National Product, GNP – It is the sum of market value of the latest products and services produced within one year in economic units belonging to national economy outside and within the country. The Republic of Azerbaijan invests in other countries and realizes economic activity in these countries. The cost of products and services produced by these enterprises is included in the Gross National Product (GNP).

Green lifestyle and green behavior – Lifestyle that meets the demands of sustainable development. The human or human team accepts volunteering. Related to economic activity and lifestyle. It is part of the expanding green movement in the world.

Green economy – Over the past 20 years, it is the direction that has been formed within the framework of economic science. According to representatives of this direction, the economy is a component of the natural environment, it is within its boundaries and is an integral part of it. The concept of green economy embraces the ideas of many other fields of economics and philosophy. The Green Economy Theory is based on 3 axioms:

- It is impossible to forever expand the impact area in a limited space;
- It is impossible to meet the ever-increasing demand for resources given the condition of limited resources;
- Everything on the Earth's surface is coherent.

“Group of Seven”, Great 7, G7 – The world's leading economies group. The group includes Great Britain, Germany, Italy, Canada, USA, France, and Japan. It is not an international organization, there is no permanent secretariat, program charter. The Summit of Group of seven is held in one of the participating countries by turn. At these summits, the general policy is negotiated and agreed.

“Group of Twenty”, Great 20, G20 – All members of the European Union and countries having leading economies of the world, including: USA, Australia, Argentina, Brazil, Great Britain, India, Indonesia, Italy, Canada, China, Mexico, Russian Federation, Saudi Arabia, Turkey, France, South Korea, South African Republic, and Japan are an alliance. 85 percent of global GDP and 75 percent of world trade are now concentrated in this organization. About two-thirds of the world's population lives in these countries.

Human Development Index (HDI) – It is also known as the coefficient of human potential development. This concept and term were proposed by the Pakistani economist and scientist Mahbub Ul Haq and his team of experts led by him in 1990.

Since then, the UN and other international organizations have been using this term for comparative assessments of the level of development in different continents and countries around the world. The human development index is calculated on the basis of three indicators: health, education and income.

The cost of the index starts from 0 and the maximum level is 1. In 2013, the maximum level of HDI was recorded in Norway (0.965) and lowest in Niger (0.304). The Republic of Azerbaijan has joined the group of countries with high results in human development since 2010. Until that date, the country was a member of a group with moderate human development.

Inequality – There is a sharp inequality in consumption and income between different categories within the citizens of different countries or within one country. Inequality within the country is characterized by social indicators such as the Gini index, Quintile ratio and so on.

Income median – Income median (salary) is an indicator that divides the income of households or population into two identical groups. It can be calculated for country, territory, or a group of professionals. For instance, if the income median of any of the professionals is 500 in any currency, this means that more than half of those professionals have less income than the given amount, and half of them earn less income than the given amount. In the same way, the income median generated by any country or territory is determined. Used in calculating the index of inclusive development.

Inclusive development – Inclusive development is one of the ways in which the country is progressing to cover all aspects of its growth. The results of inclusive development are felt by all citizens. Inclusive development also consists in ensuring that all marginalized and excluded groups are involved in the development process. It is a key priority of the 21st century.

Labor market – is the place for the formation of the demand and supply to the labor force. Here, the sale of a labor force to a certain extent is realized. The labor market is a system of social and economic and legal relations in the society, norms, and

institutions that ensure the normal and continuous recycling process of the labor force and effective use of labor.

Organization for Economic Co-operation and Development, OECD – Intergovernmental organization of developed countries, which guides the principles of democracy and market economy. Established in 1960. There are currently 37 members of the organization.

Purchasing Power Parity, PPP – reflects the difference in prices of the same goods and services in different countries and is demonstrated with the appropriate ratio. The PPP ratio is calculated on the basis of the comparison of the commodity basket, which is the sum of more than 500 goods and services accepted by the World Bank, in different countries. For instance, goods and services worth \$1 dollar in some Asian and African countries, cost \$15 dollars in the USA, and in Western Europe they are produced for \$20 USD. Per capita income in countries is generally given due to the international documents, with the consideration of the PPP. US Dollar, which are presented with the consideration of the PPP, is sometimes referred to as the “International US Dollar”. Revenue from the reports of international organizations, including per capita income, is mainly calculated with the consideration of US dollars and PPP. Such a standardized approach is crucial for international comparisons and the ability to obtain information about the real economic situation of the population in the country.

Quintile ratio – The quintile ratio (Latin - Quinta - is derived from the fifth one) is the ratio of 20% of the wealthiest residents or 20% of average household income in any country or territory to the average income of a group of 20% poorest residents or households. It is an indication of the social situation within the country. Low numbers show strong social policies. The lowest numbers in the world by the international organizations are registered in the Northern European countries and the highest figures are in Africa and South America. According to information of international organizations, this indicator in the

Republic of Azerbaijan is better than the “Group of Seven” (G7) and many European Union countries.

Relative poverty – Inability for any territory, individual or group of individuals to provide a standard of living for individuals or individuals belonging to that group.

Pandemic – An epidemic of contagious disease spread continually or globally. In the history of humanity, the pandemic is characterized as a factor affecting the demographic layout of the world.

Synergism, synergistic technology – it is the process of increasing the effectiveness of two or more factors, characterized by a significant advantage of the simple plural of each of the individual separately activity of interacting factors (incentives). Synergetic technology enhances the effectiveness of partners involved in economic, social and environmental programs through the optimization of natural, material and human resources management in the development process.

Sustainable Development Goals – A document adopted in September 2015 at the UN General Assembly and the World Summit. This document identifies goals as the elimination of poverty and inequality, effective use from natural resources and solution for environmental protection, a formation of human capacity, intensive transmission of knowledge and technology by 2030, and other 17 goals.

UN General Assembly – It is one of the six leading of UN agencies. It is the only organization where all the countries are represented at the same level: one country - one vote. Every September, representatives from all countries come to New York to attend in the next General Assembly. The 70th Anniversary Session of the General Assembly, held in September 2018, is dedicated to sustainable development, one of the key priorities for the world.

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Urxan Kazım oğlu Ələkbərov
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Bakı, AZ 1052, Fətəli xan Xoyski küç., 149
Tel.:(+994 12) 567-81-28/29; Faks: (+994 12) 567-82-68
E-mail: tahsil_az@yahoo.com



Urkhan Alakbarov, Academician, Professor Dr., Rector of the Academy of Public Administration under the President of the Republic of Azerbaijan

Dr. Alakbarov is a world renowned scientist and recognized expert in area of sustainable environment management using comprehensive approach embracing natural, economic, social and political determinants of development process. Dr. Alakbarov authored the concept of ecological civilization (1998), based on the «green» mentality and behavior (integrating demographic indicators, and culture of consumption), and a «green» economy. Professor Alakbarov served as a Vice-president of the National Academy of Sciences of Azerbaijan and led the work of several of its scientific institutions. Since 1985 Dr. Alakbarov closely collaborates in various capacities with the UN System Agencies such as UNESCO, UNDP, and UNICEF, in the years 2000–2010 he served as member of Advisory Council on Sustainable Development under the President of the European Bank for Reconstruction and Development (EBRD), London. Dr. Alakbarov is a member of various international committees, advisory councils, steering committees and editorial boards of journals that are based in USA, Great Britain, Netherlands, France, Turkey and others. He presented lectures and seminars on sustainable development and ecological civilization planning and management in various international development institutions including UNDP (NY), the World Bank (Washington), EBRD (London) and universities around the world: Michigan University, Kansas University, Rutgers University, Jackson State University, Lehigh University, Columbia University, Texas University (USA), Stockholm University (Sweden), Anadolu University, Chukurova University (Turkey), Greifswald University (Germany), Tel-Aviv University (Israel) and many others. Professor Alakbarov has published over 340 articles and scientific works and authored 34 books, including the world's first textbooks on sustainable human development for secondary schools and sustainable development and ecologic civilization management for tertiary schools. Concepts developed by Dr. Alakbarov are reflecting on the modern processes of socio-economic development are often quoted in published sources along with quotes from Mahatma Gandhi, Bill Gates, Barak Obama, Jimmy Carter, Ban Ki-Moon and other recognized experts and leaders.



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