

Can the National Action Plan Raise the Level of Competition in Azerbaijan's Economy?

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On 11 September, by order of the President of the Republic of Azerbaijan, the "[National Action Plan for 2027–2029 on the Development of Competition and the Prevention of Monopolistic Activity](#)" was approved. The President's [order](#) emphasized that the National Action Plan was approved "with the aim of strengthening the environment of free competition, eliminating monopolistic activity, expanding business and investment opportunities, and ensuring the sustainable development of the national economy and its readiness for global challenges." In the Action Plan itself, the main objective is defined as "stimulating private investment and achieving sustainable, competitive economic growth by improving the competitive environment in goods and services markets."

However, based on a review of the activities included in the document, we can clearly see that the planned activities are not sufficient to achieve the objectives stated either in the order or in the document itself. According to the Plan, the three-year activity priorities include diagnostics of product markets, improvement of regulatory tools, competitive neutrality, a competition map, scientific and analytical capacity, and inter-agency cooperation.

Although the main objective formally declared by the document is "improving the competitive environment," the actual objective of a large part of the measures is "creating the institutional and analytical capacities of competition policy." This can be seen from the measures. For example:

- preparation of a methodology;
- preparation of a system of indicators;
- preparation of a competition map;
- establishment of a research center;
- updating educational programs;
- establishment of a coordination mechanism;
- establishment of a consultation mechanism;
- preparation of a communication plan.

Even the implementation of a number of key measures is defined as “proposals to be prepared and submitted to the relevant authorities.”

All of these are measures aimed at creating institutional capacity, that is, “capacity building.” Of course, these are very important for a new competition system. But the implementation of these measures should not be expected to result in an improvement in the competitive environment: It may be possible to report that “the measure was implemented,” but it may also not be possible to say that “competition improved.”

In fact, it would be more accurate to call this document an “Action Plan for Strengthening the Institutional, Analytical and Methodological Basis of Competition Policy.”

A program document aimed at “improving the competitive environment” should have started with a diagnosis of the current state of the competitive environment in the country. However, the “Analysis of the Current Situation” section of the Action Plan is, in fact, not a diagnosis of the competitive environment. It describes the history of the legal framework, strategic documents, macroeconomic results, the adoption of the Competition Code, and institutional development. It does not contain a systematic assessment, or baseline, of the current situation regarding market concentration, market entry and exit, prices and margins, the economic value of state intervention, the market shares of

state-owned enterprises, and differences in competition across sectors.

This gap directly affects the effectiveness of the program: When the objective is defined as “raising the level of competition,” the initial level of competition and the specific market mechanisms that need to change should be known.

In the World Bank’s B-READY 2025 data, the “Market Competition” section is measured across three pillars. For Azerbaijan, the regulatory framework score is 52/100, public services 45/100, and operational efficiency 39/100. The overall score for this section is 45/100. This figure is not “the level of competition in Azerbaijan’s economy”; it is an external benchmark measuring the rules, public services, and their implementation that support competition (World Bank, 2025).

The competitive environment cannot be measured only by the number of antitrust violations. Under modern approaches, at least five dimensions are examined together:

- market structure and concentration;
- ease of market entry and exit;
- firm behavior;
- state intervention through regulation, resource allocation, procurement, and ownership;
- outcomes: price, quality, productivity, innovation, investment, and consumer choice.

The World Bank’s Markets and Competition Policy Assessment Toolkit proposes diagnosing market structure, dynamics, and productivity together with government interventions. (World Bank, 2021) The OECD Competition Assessment Toolkit shows that government policy may restrict the number and variety of market participants, their ability to compete, incentives for competitive behavior, and consumer choices. Therefore, competition impact assessment for both existing and new

regulations should become an institutional mechanism. (OECD, 2019)

International experience shows that programs built on the basis of diagnosing the state of competition by sector produce more concrete results. For example:

- In Romania, the OECD identified 227 problematic regulations and 152 recommendations in construction, transport, and food processing. (OECD, 2016)
- In Mexico, 228 legal texts were reviewed and 107 restrictions on competition were identified. (OECD, 2018)
- In Tunisia, 447 potential restrictions and 351 recommendations were identified across 163 legal texts in the tourism sector, and the possible benefit from implementing the main recommendations was estimated at approximately 1.2% of 2018 GDP. (OECD, 2023)

These examples give reason to say that identifying the problems through diagnosis before preparing the program is extremely important.

Where can Azerbaijan start?

Instead of spreading limited economic and administrative resources across all markets at the same time, it is more appropriate to start with the areas where distortions to competition create the largest economic spillovers. The starting point should not be to “increase competition in all markets,” but to create a map of the state’s economic footprint, priority markets, and barriers to competition.

- *A complete map of the state’s participation in the economy:* which institution participates in which commercial market, and what special rights and support opportunities does it have?
- *Selection of priority product markets based on objective criteria:* economic importance, concentration, state footprint, barriers to entry, consumer impact, and spillover effect;
- *Identification of a complete list of state interventions:*

subsidies, tax exemptions, guarantees, special rights, tariffs, quotas, procurement, and access to land and infrastructure.

- *Entry and exit dynamics*: the creation of new firms, market exit, bankruptcy, and the market share of young firms.

- *Real outcomes*: price, margin, quality, productivity, investment, innovation, and consumer choice.

- *Diagnosis of antitrust enforcement*: data and enforcement capacities regarding cartels, dominant position, concentration, and state aid.

Notes and References:

World Bank – Markets and Competition Policy Assessment Toolkit –

<https://www.worldbank.org/en/topic/competition-policy/publication/the-markets-and-competition-policy-assessment-toolkit>

World Bank – B-READY 2025 Azerbaijan –

<https://www.worldbank.org/content/dam/sites/b-ready/documents/pdf/economy/2025/azerbaijan-2025.pdf>

OECD – Competition Assessment Toolkit –

https://www.oecd.org/en/publications/competition-assessment-toolkit-principles-version-4-0-volume-i_5f9fa6ca-en.html

OECD – Competition Assessment Reviews: Romania –

https://www.oecd.org/en/publications/oecd-competition-assessment-reviews-romania_9789264257450-en.html

OECD – Competition Assessment Reviews: Mexico –

https://www.oecd.org/en/publications/oecd-competition-assessment-reviews-mexico_9789264288218-en.html

OECD – Competition Assessment Reviews: Tunisia 2023 –

https://www.oecd.org/en/publications/oecd-competition-assessment-reviews-tunisia-2023_a80cda01-en.html