

Unclassified

English - Or. English

7 November 2025

**DIRECTORATE FOR FINANCIAL AND ENTERPRISE AFFAIRS  
COMPETITION COMMITTEE**

**Cancels & replaces the same document of 7 November 2025**

**Global Forum on Competition**

**Competition in the Healthcare Sector – Contribution from Azerbaijan**

**- Session II -**

1 December 2025

This contribution is submitted by Azerbaijan under Session II of the Global Forum on Competition to be held to be held on 1-2 December 2025.

More documentation related to this discussion can be found at: [oe.cd/chthc](https://oe.cd/chthc).

Mr Antonio Capobianco [[Antonio.Capobianco@oecd.org](mailto:Antonio.Capobianco@oecd.org)]

**JT03576368**

## Azerbaijan

### 1. Introduction

1. In 2023, the State Agency for Antimonopoly and Consumer Market Control under the President of the Republic of Azerbaijan, serving as the competition authority, conducted a market review of the pharmaceutical sector. The primary objectives of this review were to assess the state of competition within the sector, analyze the activities of market participants, provide recommendations to relevant regulatory bodies, and propose certain legislative amendments.

2. The sectoral review revealed that only 65% of medicines listed on the World Health Organization's (WHO) Essential Medicines List are registered in Azerbaijan, and merely 56% of these are imported. It was also found that 60% of the population could not distinguish between medicines and Biologically Active Food Supplements (BAFS). Moreover, the registration of medicines in the country takes longer than in neighboring states, and obtaining a license to operate in both wholesale and retail segments has been found to be a difficult process.

3. Additionally, as an extension of the research, an examination was initiated in August 2025 to investigate potential violations of competition law in the market for doctor consultation and medical examination-analysis services. The primary aim of this review is to determine compliance with competition legislation, identify any dominant market positions, and uncover possible agreements among market participants.

### 2. Definition of the Relevant Market

4. To assess competition within the sector, preliminary analyses were conducted to define the relevant market. These analyses concluded that the pharmaceutical market possesses unique characteristics distinct from other product and service markets. Unlike typical markets where substitutability of demand or supply determines market boundaries, in the pharmaceutical sector, consumption is largely guided by prescriptions from doctors or pharmacists. Consequently, product substitutability is limited, price elasticity is low, and consumer behavior plays a minimal role, rendering traditional market definition methods inefficient.

5. In defining the relevant market, it was noted that the European Commission primarily relies on the WHO's Anatomical Therapeutic Chemical (ATC) Classification for the pharmaceutical industry. Analyses were conducted in this framework. However, medicines imported into Azerbaijan are classified according to Harmonized System (HS) codes instead of ATC codes. Therefore, the relevant market was defined according to HS codes. Thus, a total of 12 relevant markets were defined for the sector. Each market was analyzed separately at the import, wholesale, and retail levels. Domestic production was excluded from the market analysis due to its negligible share of 1.1% of total medicines. This confirms that the pharmaceutical sector in Azerbaijan is largely import-driven. As of 2023, 5,658 medicines are registered in the country.

### 3. Regulation of the Pharmaceutical Sector

6. Like most countries worldwide, the pharmaceutical sector in Azerbaijan is regulated by the state. Regulation is carried out by the Ministry of Health and the Tariff Council in accordance with applicable legislation. The Ministry of Health oversees state registration for the import, production, and sale of medicines, issues licenses at both wholesale and retail levels, and enforces technical regulations, whereas the Tariff Council regulates wholesale and retail medicine prices.

### 4. Structure of the Relevant Market

7. Given the minimal share of domestically produced medicines, the relevant market was analyzed in import, wholesale, and retail segments.

8. In the import segment, although numerous economic entities import medicines, a small number of them hold the largest market shares.

9. In the wholesale segment, many importers sell medicines to a few large entities with significant market shares. Consequently, these large entities dominate both as buyers and sellers, which can potentially limit opportunities for small and medium-sized enterprises (SMEs) to sell to pharmacy organizations.

10. In the retail segment, the market is moderately concentrated, with a large portion of sales occurring through pharmacy chains. Most suppliers to these chains are the same economic entities with large shares in the wholesale segment.

### 5. Issues Identified During Competition Analysis

11. The study found that registering a medicine in Azerbaijan takes an average of 13.1 months, with re-registration averaging 12.9 months. These timelines, compared to neighboring countries, create entry barriers.

12. Changes in trade names or packaging formats also require re-registration. The requirement for packaging information to be provided solely in Azerbaijani, Russian, English, or Turkish, and the instruction manual exclusively in Azerbaijani, was identified as another market entry barrier.

13. The impact of high concentration in the wholesale segment on retail was assessed, highlighting potential competition risks.

14. Obtaining a license to operate a pharmacy is challenging. A few chain pharmacy organizations hold the majority of licenses, limiting market entry for independent pharmacy operators.

15. Pricing analysis revealed that both wholesale and retail medicine prices are set by the Tariff Council and often are not profitable. Large economic entities can subsidize losses via profits from other products (BAFS, medical supplies), whereas SMEs face difficulties importing unprofitable medicines, hindering market participation.

16. Public procurement analysis indicated that a limited number of economic entities dominate procurement within the sector.

## 6. Results of the Analysis

17. Based on the analyses, the following market entry barriers were identified:
  - the medicine registration process is complex, and even medicines approved in WHO-recognized countries with strict regulatory mechanisms are not eligible for accelerated registration, leading to shortages;
  - high market concentration poses potential competition concerns;
  - legislation does not restrict entities from operating in both wholesale and retail, nor limit the number of licenses they can obtain, increasing the market power of large entities;
  - any changes in trade names or technical characteristics trigger re-registration;
  - packaging information is restricted to certain languages, and the instruction manual is required to be in Azerbaijani only.
18. Public procurement practices, where multiple medicines for different disease groups are purchased under a single bid, exclude small economic entities.
19. Additionally, both wholesale and retail prices are state-regulated, and selling outside these limits is prohibited, reducing market dynamism and incentives for imports.

## 7. Proposals

20. In line with the above findings, the following proposals were made:
  - ensure that the same economic entities do not operate in both wholesale and retail segments;
  - limit the ability of entities to obtain licenses without restriction and simplify the licensing process for individuals;
  - support retail pharmacy organizations and create a state-run electronic wholesale platform;
  - accelerate registration for medicines registered in at least five WHO-recognized countries with strict regulatory mechanisms;
  - remove technical regulatory barriers preventing the import of generic medicines;
  - increase permitted languages on medicine packaging, relax the requirement for instruction manuals to be exclusively in Azerbaijani, and enable consumer access via QR code;
  - create a pharmaceutical portal providing detailed information on registered medicines to raise consumer awareness;
  - implement electronic prescriptions and integrate all medical institutions, allowing prescriptions by active substance rather than trade name;
  - classify medicines according to ATC codes in state institutions for better sector control;

- conduct public procurements for different medicine categories separately and ease participation requirements for SMEs;
- adjust pricing mechanisms for essential medicines and re-regulate prices;
- introduce a price ceiling for medicines and allow sales below this limit;
- amend legislation regarding over-the-counter medicine sales in large supermarket chains.

## 8. Conclusion

21. The sector is largely import-driven, and while many entities import medicines, those in the wholesale segment have market influence. The competition authority submitted the proposals to relevant state institutions.

22. In September 2024, amendments to the law on wholesale and retail medicine prices introduced a price ceiling mechanism.

23. Since 2024, the Electronic Prescription Platform has been operational, allowing prescriptions to include the active substance of medicines.

24. Discussions are ongoing with government authorities regarding the establishment of an electronic portal for wholesale and retail economic entities to conduct sales.

25. As part of the ongoing research, a market review concerning competition law violations in doctor consultation and medical examination-analysis services was launched this year, and research is currently ongoing at the Agency.