

Reducing Income Inequality In Azerbaijan In The Context Of Sustainable Development

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Abstract

Income inequality is a key determinant of whether economic growth is translated into broad-based social welfare and is closely connected with the United Nations 2030 Agenda, particularly Sustainable Development Goals (SDGs) 1, 8 and 10. This study examines income inequality in Azerbaijan from a sustainable development perspective and identifies policy directions that could reduce disparities without weakening long-term growth incentives. The study adopts a descriptive and policy-analytical approach and relies on secondary data from the State Statistical Committee of the Republic of Azerbaijan, the World Bank, the United Nations Development Programme, Azerbaijan's 2024 Voluntary National Review and relevant national strategy documents. The absence of a recent internationally comparable World Bank Gini estimate for Azerbaijan limits assessments based on a single headline indicator. Nevertheless, national household budget statistics for 2024 make it possible to examine income distribution by income groups, regions and urban-rural residence. The findings indicate that a sustainable inequality-reduction strategy should go beyond social transfers. It should strengthen the redistributive effectiveness of the tax-and-transfer system, expand formal and productive employment, reduce regional opportunity gaps, improve equal access to education and health services, and ensure that green and digital transformations are implemented according to just-transition principles. The study also argues that regular, transparent and internationally comparable publication of inequality indicators is an essential institutional condition for better policy targeting and evaluation.

Keywords: Income inequality, sustainable development, social policy, inclusive growth, Azerbaijan.

1. Introduction

The concept of sustainable development does not define development solely as an increase in gross domestic product or income per capita. Instead, it requires simultaneous progress across economic, social and environmental dimensions. From this perspective, income distribution is one of

the central indicators of the quality of growth and of the extent to which improvements in national prosperity are shared across society. High economic growth may reduce poverty, but when the gains from growth are concentrated among a relatively narrow segment of the population, access to opportunities, social mobility and human-capital accumulation may remain weak. Reducing income inequality should therefore be treated not only as a matter of social policy, but also as a condition for long-term productivity, resilience and social cohesion (Sen, 1999; Stiglitz, 2012).

The United Nations 2030 Agenda for Sustainable Development makes this relationship explicit. SDG 10 calls for reducing inequality within and among countries, while SDG 1 on poverty, SDG 4 on quality education, SDG 5 on gender equality and SDG 8 on decent work and inclusive economic growth are all directly connected with the distribution of income and opportunity. Income inequality is therefore not merely an outcome indicator. It is a cross-cutting factor that influences the capacity of societies to achieve several other sustainable development objectives at the same time (United Nations, 2015).

The issue has particular relevance for Azerbaijan. The country has sought to combine the fiscal and growth opportunities created by hydrocarbon revenues with economic diversification, human-capital development, regional development and social welfare goals. In the national policy document Azerbaijan 2030: National Priorities for Socio-Economic Development, one of the five priorities is defined as a dynamic, inclusive society based on social justice. The document emphasizes that economic growth should benefit all citizens, social protection should be fair and balanced development between Baku and the regions should be strengthened (President of the Republic of Azerbaijan, 2021). This policy direction places the reduction of inequality within the broader national development strategy rather than treating it as a narrowly defined welfare issue.

At the same time, the measurement of income inequality in Azerbaijan is complicated by differences in the coverage, methodology and timing of available data sources. In the World Bank's internationally comparable Gini series, the latest reported estimate for Azerbaijan remains the 2005 value of 26.6. Because that estimate is not recent, it cannot be used to describe current inequality or to make reliable contemporary international comparisons. By contrast, the State Statistical Committee publishes more recent household budget data, including information by income quintiles and deciles, economic regions, urban-rural residence and household characteristics. This situation suggests that income distribution in Azerbaijan should be assessed through a set of complementary indicators rather than through a single coefficient alone (State Statistical Committee of the Republic of Azerbaijan, 2025; World Bank, 2026).

The objective of this study is to analyse income inequality in Azerbaijan in the context of sustainable development and to develop an integrated framework of policy directions that may reduce inequality while supporting economic efficiency. Three questions guide the analysis: Through which channels does income inequality affect sustainable development? Which sources of inequality in Azerbaijan's current economic and social structure should receive policy priority? Which policy instruments can reduce disparities while preserving incentives for productivity, investment and employment?

2. Literature

Income inequality refers to differences in the shares of total income received by individuals or households. The Gini coefficient is the most widely used summary measure: values closer to zero indicate a more equal distribution, while values closer to one indicate greater inequality. However, the Gini coefficient does not show where in the distribution inequality is concentrated. For this reason, it should be complemented by quintile and decile income shares, the ratio between the highest and lowest income groups, the P90/P10 ratio, the Palma ratio, poverty indicators and measures of relative poverty based on median income. Within a sustainable development framework, monetary inequality should also be analysed together with inequalities in access to education, health care, regional infrastructure, digital opportunities and protection from environmental risks.

Kuznets (1955) argued that inequality could increase during the early stages of development as industrialization and urbanization transform the economic structure and then decline at later stages as institutions and redistributive mechanisms mature. Subsequent research has shown, however, that such a decline is not automatic. Piketty (2014) emphasizes the possibility of persistent concentration of income and wealth when returns to capital systematically exceed the rate of economic growth. Stiglitz (2012) stresses that market outcomes are shaped by institutions, competition policy, taxation, public services and political choices. These perspectives imply that inequality should not be treated as an unavoidable by-product of growth; it is also a result influenced by institutional design and public policy.

From the standpoint of sustainable development, the critical issue is that inequality generates feedback effects across economic, social and environmental systems. Limited access to high-quality education and health care among low-income households restricts human-capital accumulation, which in turn reinforces a cycle of lower productivity and lower earnings. Regional income disparities may increase internal migration pressures, housing costs and infrastructure congestion in large cities. Climate policy and the energy transition also have distributional consequences: increases in energy

prices may affect low-income households proportionally more, while new green investment and employment opportunities may be concentrated in particular regions or among workers with specific skills. The principle of a just transition therefore requires social equity to be incorporated into the design of environmental policy (UNDP, 2024a).

Previous studies on Azerbaijan also draw attention to both measurement issues and structural determinants. Ersado (2006) discussed whether exceptionally low inequality estimates observed in early household surveys could partly reflect data and measurement characteristics. Habibov (2012) compared the determinants of income inequality in Armenia, Azerbaijan and Georgia using household-level data. Khalilov and Huseyn (2021) examined the distributional effects of oil-revenue spending in Azerbaijan and highlighted the importance of institutional quality, diversification and the way natural-resource revenues are transmitted to the wider economy. More recent research has focused on the redistributive role of taxation and social expenditure as well as the possibility of adapting international inequality-reduction practices to the Azerbaijani context (Mikayilov et al., 2026; Zeynalli, 2025). Together, this literature shows that contemporary analysis must address data quality and economic structure simultaneously.

3. Methodology

This study is designed as a descriptive and policy-analytical investigation based on secondary data. The sources are grouped into four categories: (i) the 2024 household budget survey and income-distribution tables of the State Statistical Committee of the Republic of Azerbaijan; (ii) World Bank indicators on inequality and poverty and analytical work on human capital in Azerbaijan; (iii) United Nations and UNDP materials on the Sustainable Development Goals, Azerbaijan's 2024 Voluntary National Review and Integrated SDG Insights; and (iv) academic studies and national strategy documents related to income inequality and the structure of the Azerbaijani economy.

The analysis is conducted in two stages. First, the measurement of inequality, the timeliness and comparability of available data, and Azerbaijan's national development objectives are considered jointly. Second, policy instruments are classified under six areas: the tax-and-transfer system, the labour market, regional development, human capital, the green and digital transitions, and data governance. The main limitation of the study is the absence of a recent internationally comparable World Bank Gini observation for Azerbaijan. Accordingly, the 2005 Gini estimate is not treated as a measure of current inequality; it is cited only to demonstrate the comparability and data-timeliness problem. The study therefore avoids presenting a single point estimate as a complete picture of current income distribution.

4. Finding

4.1. Measurement Challenges and the Need for Up-to-Date Data

Reliable and comparable measurement is the first requirement for designing effective inequality policy. In the World Bank's Poverty and Inequality Platform and related indicator series, the latest internationally comparable Gini observation for Azerbaijan is 26.6 for 2005. That figure cannot be used to make direct claims about today's income distribution because the country's economic structure, wage levels, social transfers, urbanization patterns, energy revenues and labour market have changed substantially over the past two decades. The persistence of an old benchmark in global databases therefore requires methodological caution whenever Azerbaijan is compared with other countries using current inequality rankings (World Bank, 2026).

At the national level, a more recent statistical foundation is available. The household budget survey of the State Statistical Committee provides 2024 tables on per-capita income, quintile and decile groups, income sources, economic regions, urban-rural residence and household characteristics (State Statistical Committee of the Republic of Azerbaijan, 2025). Using grouped 2024 household-income data, Zeynalli (2025) calculates Gini coefficients of 0.202 from quintile distribution and 0.215 from decile distribution. These estimates are informative, but they should not be treated as directly equivalent to standardized World Bank microdata-based Gini estimates because results can vary according to income definitions, weighting procedures, grouped-data approximation and the choice between income and consumption concepts. A central policy implication is therefore the need to publish inequality measures regularly together with transparent methodological notes.

4.2. Social Welfare Policies and Inclusive Growth

Azerbaijan's 2024 Voluntary National Review reports substantial nominal increases over the preceding decade in the minimum wage, average monthly wage, minimum pension and the needs criterion used for targeted state social assistance (United Nations, 2024). These developments indicate an expansion in the capacity of social and labour-market policies to support household incomes. Yet nominal increases alone do not determine distributional outcomes. Their real effect depends on inflation, the consumption baskets of different income groups, the coverage and targeting of social assistance, and whether wage growth is broadly shared across sectors and regions. Distributional analysis must therefore distinguish between changes in nominal policy parameters and changes in real disposable income.

UNDP's Integrated SDG Insights for Azerbaijan emphasizes the role of fiscal, wage and social-protection policies in reducing inequality and highlights the strong links between SDG 10.4, SDG 1

and SDG 8. The same framework points to inclusive industrialization as a potential source of employment, particularly outside the capital (UNDP, 2024a). This reinforces an important distinction: reducing inequality is not synonymous with increasing transfers alone. Sustainable progress also requires the creation of formal, productive and adequately paid employment so that a larger share of households can generate stable market income. Social protection and productive inclusion should therefore be designed as complementary elements of the same policy architecture.

4.3. Regional and Structural Inequalities

An important dimension of inequality is spatial. Azerbaijan 2030 identifies balanced development between the capital and the regions as an element of a society based on social justice. This reflects the fact that regional inequality is not only a difference in monetary income. It also arises through differences in the quality of employment, infrastructure, education, health services, access to finance and opportunities for entrepreneurship. The effectiveness of regional development policy should therefore be assessed not only by the amount of public investment, but also by whether investment attracts private capital, strengthens local value chains, raises productivity and creates stable, higher-quality jobs.

The long-standing importance of hydrocarbons in Azerbaijan's economy adds a structural dimension to the distributional debate. The oil and gas sector generates high value added and fiscal revenues, but its direct employment capacity is relatively limited. Consequently, the way resource revenues are transmitted to the rest of the economy through the budget, public investment, infrastructure, social transfers and the development of non-oil sectors is crucial. Research on Azerbaijan's human capital and income distribution consistently points to economic diversification, institutional quality, competitive private-sector development and productive employment as key conditions for inclusive growth (Khalilov & Huseyn, 2021; World Bank, 2020; UNDP, 2024a).

5. Result

5.1. Strengthening the Redistributive Capacity of the Tax-and-Transfer System

One of the most direct instruments for reducing income inequality is the tax-and-transfer system. Effective redistribution, however, does not simply mean higher social spending. Transfers need to be accurately targeted, designed so that they do not create unnecessary disincentives to formal employment, and delivered through simple and accessible eligibility procedures. Overlap among programmes should be minimized, while households facing temporary shocks should be distinguished from those requiring longer-term support. Greater integration of digital social registries with income,

employment and household information can improve targeting, reduce administrative leakage and allow support to respond more rapidly to changes in household circumstances.

On the revenue side, the relative burden of indirect taxation on low-income households should be explicitly considered. Even when consumption taxes are levied at uniform rates, poorer households may bear a higher effective burden because they spend a larger share of their income on current consumption. For this reason, the taxation of essential goods, targeted compensation mechanisms and the structure of direct taxation should be assessed together. Zeynalli (2025) argues that Azerbaijan still has scope to strengthen the redistributive role of fiscal policy by considering taxation and social expenditure jointly. Mikayilov et al. (2026) similarly note that international experience with progressive taxation, well-targeted transfers and investment in social services can inform the design of an Azerbaijani model suited to local institutional conditions.

5.2. Expanding Formal, Productive and High-Quality Employment

In the long run, the most sustainable way to reduce income inequality is to expand access to productive and stable sources of labour income. Social transfers can reduce the depth of poverty and protect households from shocks, but they cannot by themselves solve structural labour-market problems. Policy should therefore support higher value-added private-sector employment, the growth of small and medium-sized enterprises, the reduction of informal work and wage growth that is consistent with productivity gains. Azerbaijan 2030 explicitly connects a larger private-sector role in employment, reduced informality and the formalization of incomes with the objective of social justice (President of the Republic of Azerbaijan, 2021).

Labour-market inequality is not only a matter of whether people have jobs; the quality of jobs also matters. Workers concentrated in low-paid, insecure or low-productivity activities have less capacity to finance education, health care, housing and skills development. Vocational training should therefore be linked more closely to actual labour demand, including through work-based learning, employer partnerships and outcome-based financing. Transition-to-work programmes for young people and women, childcare support and the broad diffusion of digital skills can also improve access to better-paid employment. In the regions, vocational and technical education aligned with local industry, agriculture, tourism and services can help reduce the spatial component of inequality.

5.3. Regional Development and Equality of Opportunity

Reducing interregional income gaps requires public investment to move beyond physical infrastructure alone and to support the development of local economic ecosystems. Transport and digital connectivity can improve access to markets, while finance, logistics, advisory services, skills

and business networks can raise the productivity of local firms. In traditional sectors such as agriculture and tourism, the use of technology, processing activities, certification, branding and stronger links with national and export markets can keep a larger share of value added within the regions. These measures are particularly important for increasing household incomes without making regional economies permanently dependent on public transfers.

The Great Return process also creates new distributional opportunities. In the territories being reconstructed, public infrastructure can provide the foundation for sustainable private-sector activity and long-term income sources for returning residents. However, the inequality-reducing effect of regional investment depends on the quality of the jobs created, the ability of local residents to access those jobs, the development of local suppliers and the continuity of education, health and other public services. Regional programmes should therefore be evaluated not only through investment volumes, but also through outcome indicators such as household income, employment quality, business formation, access to services and the share of local labour and suppliers in new economic activity.

5.4. Equal Access to Education, Health and Human Capital

Income inequality can be transmitted across generations. When children from low-income households have more limited access to quality education, foreign-language and digital skills, health services, extracurricular development and professional networks, differences in initial conditions can later be reflected in adult earnings. An effective inequality strategy must therefore do more than redistribute current income; it must also distribute future earning capacity more equally. Early childhood education, reductions in regional differences in school quality, stronger vocational education, need-based support in higher education and targeted measures for children at risk of educational exclusion are especially important in this regard.

UNDP human-development data place Azerbaijan in the high human development category. Strong national averages, however, do not imply that opportunities and outcomes are distributed equally across all groups. The success of social policy should therefore be assessed not only by improvements in aggregate indicators, but also by whether low-income and disadvantaged groups converge toward better-performing groups in education and health outcomes. Regular monitoring by income quintile, region, gender and household type would make it possible to identify where gaps are persistent and to target resources more effectively. Such disaggregation is also important for distinguishing income inequality from the deeper inequality of capabilities emphasized by Sen (1999).

5.5. A Just Transition in Green and Digital Transformation

A clean environment and green growth are among Azerbaijan's national development priorities. The energy transition, renewable-energy investment and improvements in energy efficiency can create new areas of employment and investment. Yet the costs and benefits of the transition may not be distributed evenly. Changes in energy tariffs, transport costs or employment in carbon-intensive activities can have stronger effects on low-income households and workers with limited mobility. Green policies should therefore be accompanied by distributional impact assessments, targeted energy-efficiency support for vulnerable households and reskilling programmes for workers whose jobs are affected by structural change. This approach can align environmental objectives with the principle of leaving no one behind.

Similar risks and opportunities arise from digital transformation. Digitalization can expand access to financial services, education, public services and new forms of work, but gaps in internet access, devices and digital skills can become new channels of inequality. For regional development in particular, high-speed connectivity should be combined with basic digital literacy, advanced skills pathways and support for SMEs to use e-commerce and digital payment tools. Public digital services should also be designed for users with lower skills or limited connectivity. In this way, technological change can become a broad-based instrument of inclusive growth rather than a process that mainly raises the incomes of already highly skilled workers and residents of major urban centres.

5.6. Data Governance and a Measurement Framework for Inequality

Data governance should be treated as a separate component of inequality policy. Regular household budget surveys provide an important foundation, but the results would be more useful for policy if they were systematically accompanied by internationally recognizable indicators such as the Gini coefficient, the Palma ratio, S80/S20, P90/P10 and income shares by decile and quintile. It would also be valuable to calculate separate inequality measures for market income, disposable income and income after social transfers. This would make it possible to quantify the redistributive effect of taxes and transfers instead of inferring it indirectly from changes in aggregate indicators.

National averages can also conceal important regional and demographic differences. Where sample sizes permit, distributional indicators should therefore be published by economic region, urban-rural residence, age, gender, education and household type. Secure and anonymized linkage between administrative records and survey data could further improve measurement by reducing problems such as income underreporting or the underrepresentation of high-income households in surveys. The concerns raised by Ersado (2006) regarding early Azerbaijani household data illustrate

how strongly measurement choices can influence inequality estimates. Better data governance would not only improve academic analysis; it would allow social programmes, fiscal reforms and regional policies to be evaluated against measurable distributional outcomes.

Table 1. Proposed framework for reducing income inequality in Azerbaijan

Policy area	Main instrument	Expected distributional effect	Related SDGs
Tax and transfers	Targeted transfers; distributional tax-impact assessment	Higher disposable income for low-income households	1, 10
Labour market	Formal employment, skills development, SME support	Convergence in wage income and job quality	8, 9, 10
Regional development	Local production, connectivity and service infrastructure	Narrower regional opportunity and income gaps	8, 9, 10, 11
Human capital	Needs-based access to education and health	Lower intergenerational inequality of opportunity	3, 4, 10
Green-digital transition	Energy support, reskilling and digital access	Fairer distribution of transition costs and opportunities	7, 8, 10, 13
Data governance	Gini, Palma, S80/S20 and microdata standardization	More accurate targeting and policy evaluation	10, 16, 17

Source: Prepared by the author based on national strategy documents, UNDP materials and the reviewed literature.

6. Discussion

Policy debate on income inequality in Azerbaijan should avoid two opposite simplifications. The first is the assumption that economic growth will automatically resolve inequality. Growth can reduce poverty, but the distributional outcome depends on the sectoral composition of growth, the capacity of expanding sectors to create employment, wage formation and the way public revenues are allocated.

These questions are particularly important in economies where natural-resource revenues play a significant role. The second simplification is to treat inequality as a problem that can be solved primarily through cash transfers. Transfers are indispensable for short-term welfare and social protection, but the underlying causes of inequality can persist if access to productive jobs, education, finance, infrastructure and regional opportunities does not improve.

For Azerbaijan, a more balanced approach is to combine predistribution and redistribution. Predistribution seeks to narrow inequalities before market incomes are generated by improving access to education, health, skills, capital, infrastructure and employment opportunities. Redistribution reduces disparities in market outcomes through taxes, social transfers and public services. When these approaches are implemented together, social policy does not have to be viewed as the opposite of economic efficiency. Broader access to human capital can raise productivity and labour-market participation, while well-designed social protection can help households manage risks, invest in skills and avoid negative coping strategies during economic shocks.

A sustainable development perspective further requires policy instruments to be evaluated for their environmental and intergenerational effects. For example, broad energy subsidies can protect household purchasing power in the short run but may weaken incentives for efficiency and allocate significant benefits to higher-consuming households. More targeted income support combined with energy-efficiency investment may produce better results for both equity and environmental objectives. Similarly, public investment in the regions may generate short-term employment, but its capacity to produce lasting income gains will remain limited unless infrastructure is connected with private investment, local entrepreneurship, human capital and access to markets.

A further conclusion of the analysis is that measurement infrastructure itself should be regarded as part of policy quality. Azerbaijan has detailed national household statistics, yet the lack of a recent internationally comparable Gini observation makes external benchmarking difficult. Closing this gap would strengthen monitoring of SDG 10 and allow the distributional effects of reforms to be evaluated more systematically. A national inequality dashboard combining monetary and opportunity indicators could also make policy trade-offs more transparent and support coordination among fiscal, labour, education, regional and environmental institutions.

6.1. Financing Policy Measures and Evaluating Their Effects

The sustainability of inequality-reduction policies depends on both the quality of financing and the measurement of programme outcomes. Azerbaijan's energy revenues have historically created important fiscal space for public investment and social expenditure. Over the longer term, however,

social policy is more resilient when it is supported by predictable and diversified revenue sources. Expansion of the non-oil tax base, lower informality, stronger tax administration and more efficient public spending can reduce the vulnerability of social programmes to commodity-price cycles. This approach is also consistent with the intergenerational principle that natural-resource wealth should be managed in a way that balances current social needs with the welfare of future generations.

Evaluation should focus more heavily on outcomes rather than budget inputs. The success of a vocational training programme, for example, should not be measured only by the number of participants but also by employment rates six or twelve months later, wage progression and the share of graduates entering formal employment. Social assistance programmes should be evaluated not only by transfer amounts but also through changes in the poverty gap, school attendance, labour-market participation where appropriate, and household resilience to shocks. Regional development projects should similarly track permanent jobs, local procurement, private investment and changes in household income alongside the volume of public capital spending.

For major social and economic programmes, ex ante distributional impact assessment and ex post evaluation could be standardized. Before new tax rules, tariffs, subsidy reforms or large public investments are introduced, their likely effects across income groups and regions can be modelled. After implementation, observed outcomes can be compared with those projections using household and administrative data, allowing programme design to be adjusted. Such a feedback mechanism would shift sustainable development policy from a focus on announced objectives and expenditure levels toward measurable social results and would improve the accountability of inequality-reduction initiatives.

6.2. A Phased Implementation Roadmap

A phased roadmap can improve the feasibility of the proposed measures. In the short term, priority should be given to measurement and targeting infrastructure. Regular production of inequality indicators from household budget surveys, closer coordination of social-support databases and the introduction of distributional impact assessment for major fiscal changes can improve decision quality without requiring large new spending programmes. At the same time, the sensitivity of low-income households to energy, transport, food and basic-service costs should be monitored more systematically so that the real purchasing-power effect of social support can be assessed during periods of inflation.

In the medium term, programmes that connect income support with productive capacity should be expanded. Working-age beneficiaries of social assistance could be offered voluntary skills development, job-search support and access to childcare, while vocational programmes could be

matched more closely with employer demand. Performance-based support for SMEs that create formal employment in the regions could strengthen the link between regional development and household incomes. Programme design should recognize the different barriers faced by women, young people, persons with limited work experience and those who have been outside the labour force for extended periods. In this way, social protection can evolve from a purely compensatory mechanism into a platform that supports transitions toward higher and more stable market incomes.

In the long term, inequality reduction should be integrated with the quality of economic diversification. If higher value added is created in export-oriented and technology-intensive activities, the benefits will be more inclusive when a broad segment of the labour force has the skills required to participate. Coordination among the education system, innovation policy, regional industrial clusters and private employers is therefore essential. Public investment appraisal should also include social-return criteria so that infrastructure is assessed not only for its contribution to aggregate growth but also for its effects on accessibility, regional opportunity and household earning capacity. This three-stage approach connects short-term protection, medium-term employment and long-term structural transformation within a single inequality strategy.

7. Conclusion and Recommendations

Reducing income inequality is a cross-cutting component of Azerbaijan's sustainable development agenda. It is connected not only with social welfare, but also with economic diversification, human capital, regional development, fiscal resilience and the green transition. The national commitment to a dynamic and inclusive society based on social justice provides an appropriate strategic foundation. Azerbaijan's 2024 Voluntary National Review points to substantial improvements in major wage, pension and social-assistance parameters, while current household budget statistics offer a more detailed basis for analysing distribution. At the same time, the absence of a recent internationally comparable Gini series demonstrates the need to strengthen the measurement architecture and to avoid drawing strong contemporary conclusions from outdated international indicators.

Six policy directions emerge from the analysis. First, the redistributive effect of the tax-and-transfer system should be measured regularly, and assistance should be targeted more precisely toward vulnerable households. Second, the sustainable reduction of inequality requires an expansion of formal, productive and high-quality private-sector employment. Third, regional policy should move from an input-oriented approach toward one based on results, with indicators for local jobs, household income, private investment and access to services. Fourth, need-based mechanisms should reduce income- and region-related gaps in education and health. Fifth, the costs and opportunities of green

and digital transformation should be managed through just-transition principles. Sixth, Azerbaijan should develop a regular national inequality-monitoring framework that includes the Gini coefficient alongside the Palma ratio, S80/S20, P90/P10 and income-share indicators.

The principal advantage of this framework is that it does not treat social justice and economic efficiency as competing objectives. Broader access for low- and middle-income households to quality education, health care, finance, digital infrastructure and productive employment can improve distribution while also supporting labour productivity, entrepreneurship, domestic demand and social resilience. Consequently, inequality reduction in Azerbaijan should be understood more broadly than the expansion of social transfers. The central objective should be to distribute opportunities, productive capacity and the ability to benefit from economic transformation more evenly across regions and social groups.

Future research could deepen the analysis by using household-level microdata. If access to the 2024 household budget survey microdata becomes available, separate Gini coefficients for market and disposable income could be calculated, the marginal redistributive effects of taxes and transfers could be decomposed, and spatial inequality could be estimated across economic regions. Microsimulation could also be used to assess the distributional effects of alternative tax, benefit and tariff reforms before implementation. Such empirical extensions would allow the policy framework proposed in this paper to be tested quantitatively and would contribute to a more measurable roadmap for Azerbaijan's progress toward SDG 10.

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