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Annual Report on Competition Policy Developments in Kazakhstan

-- 2023 --

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Kazakhstan

1. Competition Policy in the Republic of Kazakhstan

1.1. General trends of competition policy in the Republic of Kazakhstan

1. According to the World Bank, the Republic of Kazakhstan is experiencing a slowdown in economic activity. Overall, the debt burden is declining, but the inflow of foreign direct investment is decreasing. Low growth rates may further delay the resumption of economic development¹.
2. In this regard, experts have identified the development of private business as a driving force of economic growth.
3. However, an unfavorable competitive environment is one of the main constraints to private sector growth. The environment in which many companies operate is characterized by long-standing structural problems associated with the legacy of the unfinished transition to a market economy.
4. Limited competition in commodity markets, partly due to the large presence of state - owned enterprises, distorts the business environment and creates an unequal condition for private sector firms. These distortions prevent the reallocation of resources in favor of firms with higher productivity and growth potential².
5. The World Bank experts used the Bertelsmann Transformation Index (*hereinafter - BTI*) to assess the perception of the foundations of market competition and the implementation of antimonopoly policy in the Europe and Central Asia Region Economic Report.
6. Central European countries, where institutions are aligned with European Union principles, tend to score high on the BTI. At the same time, Central Asian countries, including the Republic of Kazakhstan (*6 points, previously 5 points*), are in the greatest need of improvement according to the BTI indicators.
7. At the same time, as noted in the World Bank's Europe and Central Asia Regional Economic Report, the aspect of the competitive environment for which the worst results are observed is state ownership. Thus, state ownership is identified as the main problem related to the development of competition in the region. Obstacles of this kind are imposing, with the lowest scores among the countries of the Europe and Central Asia region, including Kazakhstan.
8. For the dynamic development of private business, it is necessary to minimize government involvement in the economy as much as possible and focus on reforms that promote a competitive environment and free markets.
9. In this context, it should be noted that the Head of State in his speech at the enlarged meeting of the Government³ noted the need to take systemic measures for comprehensive

¹ World Bank Kazakhstan Monthly Update, March 2024;

² World Bank, Europe and Central Asia Regional Economic Report, Spring 2024.

³ Extended meeting of the Government with the participation of the President of the Republic of Kazakhstan from 7 February 2024 // <https://www.akorda.kz/ru/glava-gosudarstva-provel-rasshirenoe-zasedanie-pravitelstva-714237#>;

liberalization of the economy. At the same time, effective privatization was identified as the key direction of liberalization of the economy.

10. Taking into account the existing problematic issues, the Head of State at an enlarged meeting of the Government together with the agencies for strategic planning and reforms and for the protection and development of competition, instructed to prepare a Decree on the liberalization of the economy. In implementation of the announced instruction of the Head of State, a Decree “On measures to liberalize the economy”⁴ (*hereinafter - Decree 542*) was developed and adopted, aimed at ensuring freedom of entrepreneurship by developing competition, reducing State involvement in the economy and reducing business costs.

11. Decree 542, among other things, provides for measures aimed at effectively reducing the share of the state in the economy. In particular, the creation of the National privatization office under the Agency, which will be responsible for the formation of privatization conditions that will exclude the facts of unjustified delays in procedures, overestimation of requirements to potential buyers and the consolidation of assets with the risks of monopolization.

12. The implementation of the Decree will give additional impetus to a large-scale and accelerated reduction in the share of the state sector in the economy, as well as freeing up economic space for private entrepreneurship.

1.2. Improvement of legislation in the field of competition protection

13. In 2023, the work on improvement of the legislation in the field of competition protection of the Republic of Kazakhstan was continued.

1. The methodology for analyzing the state of competition on commodity markets was revised. The timeframe for planned analyses was reduced from 12 to 6 months and for unplanned analyses to 3 months. At the same time, for the purposes of competition development, the qualitative indicators for assessing the state of competition during planned analyses were strengthened. Moreover, the stages and procedures for conducting analyses for the purposes of competition regulation during unplanned analyses were optimized.
2. At the legislative level, the practice of suspending the Agency's acts (notifications, order to initiate an antimonopoly investigation, other actions of antimonopoly officials within the framework of the investigation) in case of their appeal to the courts has been excluded. This will significantly reduce the timeframe (from 72 to 10 months) for measures of antimonopoly response.
3. Regulation has been ensured for conglomerates (monopoly groups of companies) that, using limited resources and infrastructure, restrict the access of other entities to the relevant and related commodity markets. Analysis and monitoring of conglomerates' activities will make it possible to warn unjustified price increases for monopoly products of large holdings and thereby reduce the economic burden and marginal costs of small and medium-sized business entities that use these products in the sale of goods or services provision.
4. For the first time the work on digitalization of the Agency's activities has been started. To date, the data system "Ormek" has been launched, also the Information

⁴ Decree of the President of the Republic of Kazakhstan dated 8 May 2024 № 542 "On measures to liberalize the economy" <https://adilet.zan.kz/rus/docs/U2400000542>;

and Analytical System for Competition Analysis has been developed, and the data system "Database" is being developed.

At the same time, the "sixth antimonopoly package" provides for legislative amendments and additions with regard to granting access to information of state bodies constituting tax, commercial and other secrets protected by law.

5. In view of the large number of legal acts adopted by state authorities that restrict business access to markets, a new tool for assessing the impact on competition of regulatory legal acts has been introduced. This do not allow the establishment of administrative, economic, technical and other barriers to business entities, as well as the competition restriction in the markets by state bodies and organizations.
6. In order to improve the quality of expert and analytical work, the Analytical Research Centre for Competition Development under the Agency was established in November 2023, which will provide methodological support for the Agency's activities in implementing the competition development policy.

1.3. Limiting the share of state participation in entrepreneurship

14. The high level of state presence in entrepreneurship is a constraint to the development of competition in commodity markets. In order to develop private entrepreneurship and competition, the most important task is to reduce the share of state participation in entrepreneurial activity. Efforts in this direction are being made, including through privatization and limiting the activities of quasi-state sector entities (*approval of company's establishment, limitation of types of activities*). The measures being implemented to limit state participation in entrepreneurship are aimed, among other things, at reducing state-owned entities and state assignments.

1.3.1. Regulation of state-owned entities

15. According to Article 193, paragraph 13 of the Entrepreneurial Code (*hereinafter - the Code*), the antimonopoly authority annually analyses the activities of certain state monopoly entities, entities with special rights and submits proposals to the Government on the transfer of activities referred to the sphere of state monopoly, special rights to the competitive environment.

16. In addition, the Concept⁵ envisages an action to reduce the number of state-owned entities through the development of a corresponding draft law.

17. In addition, in his Address to the people of Kazakhstan dated 1 September 2022, the President instructed to transfer already established state-owned entities to a competitive environment or to define them as monopolists and, as a consequence, to regulate their activities under special antimonopoly law.

18. The Agency has carried out significant work in the past year, in particular:

19. First, two entities with the special rights were deprived of their exclusive rights.

20. Second, within the framework of the existing tasks, consideration of appeals of individuals and legal entities, as well as interaction with state authorities, the activities of some state-owned entities were studied, and as a result it was proposed to deprive them of their operator status, or to limit the scope of their activities.

⁵ Decree of the President of the Republic of Kazakhstan dated 22 June 2022 No. 938 "On Approval of the Concept of Protection and Development of Competition in the Republic of Kazakhstan for 2022-2026"

21. Third, an additional 19 active monopoly entities have been identified whose functions are enshrined in existing laws.

22. Among them, 9 operators are currently being analyzed, 4 are recognized as subjects of special rights based on the results of the analysis and included in the Register, 3 have signs of special rights, and 3 operators do not meet the requirements of a subject of special rights.

23. The presence of operator (*referred to state-owned entities*) status of quasi-state sector entities, in the absence of regulation, distorts or eliminates competition on commodity markets. Reducing the number of operators will ensure demonopolization, optimize state expenditures and create favorable conditions for the development of entrepreneurship and consumers. The Agency permanently blocks attempts by state bodies to introduce amendments to legislative acts granting special rights to subordinate organizations.

24. Fourth, antimonopoly response measures were taken in relation to entities of state monopoly and special rights. Thus, in 2023, the antimonopoly authority issued instructions to 9 subjects of special rights to stop violations of the Code norms and (or) eliminate its consequences in terms of compliance with the restrictions established by paragraph 6 of Article 193 of the Code.

25. Fifth, an examination was conducted of more than 1,000 services provided by the 15 subjects of state-owned monopoly and special rights. At the same time, a total of over 67 million dollars of expenditures were optimized from the projected 327 million dollars.

1.3.2. On monitoring of activities

26. In the light of the growing trend of increasing presence of state-owned companies in the entrepreneurial environment, the Agency monitors quasi-state-owned enterprises for the presence of approvals for the types of activities carried out.

27. The results of the monitoring indicate non-compliance of quasi-state sector entities with the "yellow pages" principle.

28. In this regard, the Agency issued **22** instructions to the above-mentioned entities, **16** of which have been executed, **6** of which are being appealed in the courts.

1.3.3. By the list of activities

29. The List of permitted activities for quasi-state sector entities was updated. The analysis of the current List showed the absence of quasi-state sector entities or undeveloped level of competition in some types of activities. Therefore, the Agency proposed to exclude 123 types of activities.

30. This work is being carried out in conjunction with a set of measures to introduce a new format for the List of permitted types of activities.

1.3.4. On privatization

31. In accordance with subparagraph 27) of Article 90-6 of the Code, the Agency annually, not later than January 5 of the year following the reporting year, submits to the Government of the Republic of Kazakhstan proposals for transferring to a competitive environment state-owned enterprises, legal entities more than fifty percent of shares (stakes in the charter capital) of which belong to the state, and their affiliated legal entities; and proposals on updating the list of activities carried out by legal entities, more than fifty per

cent of shares (stakes in the charter capital) of which belong to the state and legal entities affiliated with them.

32. Further, the proposals made by the Agency are considered by the State Commission for Economic Modernization under the Government (*chaired by the Prime Minister*), where a decision is made on the inclusion of the proposed companies in the Comprehensive privatization plan.

33. Thus, based on the results of the analyses carried out in 2023, the Agency has formed another list of 43 enterprises to be transferred to the competitive environment mainly in such areas as education, dentistry, municipal solid waste, mass media and other areas. The List was sent to the Presidential Administration and the Government to continue further work.

1.3.5. Institute for State Assignments

34. As part of its efforts to minimize government involvement and the impact of the institution of government assignments on competition, the Agency analyzed the interim results of the comprehensive measures taken and implemented.

35. Thus, the analysis showed that with the annual decrease in the number of state assignments, there is a dynamic of increase in the volume of financing in total terms.

36. For example, in 2022 compared to 2021, while reducing the number of state assignments from 157 to 119 units, the amount of funding increased by 81% from 406 to 735 million dollars.

37. Stated facts have become possible, among other things, due to the current practice when state bodies apply the institution of state assignments everywhere, often using it to maintain subordinate organizations.

38. Based on the above, for the qualitative implementation of the competition policy, the work on the revision of indicators was carried out, providing for:

- transition from quantitative indicators to summarized values (*in monetary terms*);
- Setting annual progressive targets for the amount of funds subcontracted to the private sector through competitive procedures (*2023 - 5%, 2024 - 7%, 2025 - 9%, 2026 - 10%, 2027 - 15%*).

39. In view of the above, the Agency has been worked to subcon done to transfer a certain amount of funds to the private sector through competitive procedures.

40. Of the available 825 million USD as a result of this work, 48 million USD (*or 5.9 percent*) was transferred to the competitive environment.

1.3.6. Monitoring of state support measures

41. The Agency is vested with the functions of monitoring the activities of persons providing state support measures to ensure equal access of entrepreneurship entities.

42. To ensure systematic and timely monitoring, the Agency developed and approved the Regulations on monitoring the activities of persons providing state support measures and the Regulations on approval by the antimonopoly agency of draft regulatory legal acts providing for the introduction of new state support measures.

1.4. Detection and suppression of violations

43. The Address of the Head of State K.K. Tokayev of 1st September 2022 noted the excessive administrative regulation of prices, which reduces the investment attractiveness of sectors of the economy, leads to a shortage of goods and dependence on imports, and the need for a phased rejection of state interference in pricing and the prevention of illegal interference in entrepreneurship activities.

44. At the same time, the Address of the Head of State K. Tokayev of 1 September 2023 pointed out that a number of basic industries are dominated by a few large players, which leads to market distortion.

45. In this regard, in the past 2023, an important task was to prevent unjustified involvement of entrepreneurship entities in the orbit of antimonopoly control, its reorientation towards large businesses that have the ability to control and exert significant influence on commodity markets, as well as to improve the effectiveness of preventive measures and the quality of conducting investigations.

46. Thus, during the year, the antimonopoly regulation practice was analyzed in terms of investigations conducted and carried out, as well as antimonopoly response measures, in particular, notifications on the presence in actions (inaction) of signs of violation of the legislation of the Republic of Kazakhstan in the field of competition protection (*hereinafter - notifications*), instructions to eliminate violations of the Code and eliminate its consequences, warnings on the inadmissibility of violations of the legislation in the field of competition protection (*hereinafter - warnings*).

47. Based on the results of this analysis, appropriate approaches were developed, a number of officials of the antimonopoly authority were brought to disciplinary responsibility for illegal actions (inaction). As part of the development of the sixth antimonopoly package, it is planned to supplement the competence of the antimonopoly authority to develop and approve the methodology for establishing signs and investigating violations of the legislation of the Republic of Kazakhstan in the field of competition protection.

48. Overall, for 2023, the antimonopoly authority issued 238 notifications, with execution remaining stable at 85 percent.

49. The twofold reduction in the number of notifications sent is due to increased control by the Agency over their issuance by the regional competition departments, strict compliance with the principles of legality, admissibility and proportionality.

50. In addition, 56 warnings were issued in 2023, with an increase of 70% in the number of warnings issued compared to 2022, which is due to the active use of this institution for preventive purposes.

51. In 2023, 94 investigations were completed (2022 - 133). The 29% decrease is also due to increased monitoring and a shift in emphasis on their relevance, quality and legality.

52. As before, the focus is on antimonopoly violations affecting the restriction or elimination of competition, namely anti-competitive agreements, abuse of dominant or monopolistic position and anti-competitive actions of state authorities.

53. In the first place there are investigations (31) related to abuse of dominant or monopolistic position, which meets the objectives of increasing public welfare in general, since any unlawful strengthening of one or more entities in the market leads to irrecoverable losses of public welfare due to the effect of market monopolisation, which entails restriction

and elimination of competition and (or) infringement of the legitimate rights of market entities or an indefinite number of consumers.

54. Furthermore, there are anticompetitive agreements (24) and investigations of state and local enforcement agencies for anticompetitive practices (24).

55. In turn, the Agency's practice of investigating unfair competition that does not significantly affect the general conditions of circulation of goods in the relevant commodity market remains at a low level, which is due to the elimination of excessive regulatory impact, reducing the repressive potential of the prohibition.

56. Moreover, the issue of eliminating administrative responsibility for unfair competition is being considered. Entities who have suffered as a result of its commission will be compensated for damages through civil proceedings.

57. The key result in shifting the focus to large business was a 2.5-fold increase in the volume of administrative fines collected. Thus, the country's budget received almost 100% of fines for violation of antimonopoly legislation. Companies paid 12 million USD (93.3%) out of 12.9 million USD.

58. In general, the investigations completed in 2023 resulted in decisions:

- administrative proceedings were initiated in **62** investigations (66%);
- **21** investigations (22.3%) were discontinued (*1 due to the expiry of the statute of limitations*);
- prescriptions were issued in **4** investigations (4.3%).
- **7 investigations** (7.4%) were referred to law enforcement agencies.

59. At the same time, the issue of promptness of antimonopoly response measures deserves special attention, namely the fact of delay in connection with the suspension of investigations on the basis of appeals against procedural actions of the antimonopoly authority in court. In this regard, paragraph 66 of the National Plan⁶, provides for legislative changes to address this issue.

60. The Supreme Court together with the Agency prepared an analysis of certain issues of legislation in the sphere of antimonopoly regulation.

61. This made it possible to identify systemic deficiencies and, in order to address them, to define basic approaches for the investigation procedure.

62. The results of last year's activities show that there is a positive trend in improving the quality of the measures taken, including in investigations that had a public resonance.

1.5. Regulation of economic concentration

63. In order to improve the quality and accessibility of the state service on economic concentration, the Agency together with JSC National Information Technologies worked on digitalization of the state service "Consideration of applications for consent to economic concentration", which is now available only in online format.

⁶ The nationwide action plan to implement the Address of the Head of State to the people of Kazakhstan dated 1 September 2023 "Economic Course of Fair Kazakhstan", approved by the Decree of the President of the Republic of Kazakhstan dated 16 September 2023 № 353.

64. Thus, since the beginning of the year, 91 applications have been received, 45 of them in paper form and 46 in electronic form. Consequently, the share of applications received in electronic form today is 50.5%.

65. Moreover, in 2022 we introduced the institution of trustees at the legislative level. The OECD notes that competition authorities in many countries use the trustees to effectively facilitate the enforcement decisions on deals and independent monitoring. Trustee must be independent and is appointed or approved by the antimonopoly authority in cases of both complex unbundling operations and the need to monitor the enforcement of behavioral conditions.

66. Thus, the institution of trustees has become widespread in the practice of antimonopoly authorities in foreign countries, as it provides a professional, expert approach to the implementation of the antimonopoly authority's decision, developing optimal solutions together with the business and constructive interaction with the antimonopoly authority.

67. In this regard, in order to ensure monitoring and control over compliance with the terms of economic concentration deals, in 2023, the Agency Chairman's Order No. 216-MA dated 31 August 2023 approved the register of trustees, which included experts from different sectors of the economy. This order is available on the Agency's website.

68. In general, in 2023, during the review of the applications received, it was found that 7 transactions were made without the consent of the antimonopoly authority. In connection with this, mentioned market players were brought to administrative responsibility. The total amount of fines is 13.1 thousand USD.

1.6. Control of commodity exchanges

69. The Agency, within the framework of the powers and functions assigned to it, carries out licensing of activities in the field of commodity exchanges and state control over compliance with the legislation on commodity exchanges and on counteraction of legitimization (laundering) of incomes received by illegal means, and financing of terrorism.

70. For the year 2023:

- 2 commodity exchanges were liquidated by court decisions due to the fact that their activities did not meet the requirements of the legislation;
- 2 commodity exchanges voluntarily returned licenses for the right to engage in commodity exchange activities, which were also subject to court rulings on their forced liquidation;
- 4 commodity exchanges reissued licenses due to changes in names and locations. Within the framework of prophylactic control without visiting the subjects (objects) of control, in the reporting period the Agency sent 10 recommendations to commodity exchanges to eliminate violations of the law, 8 of which were fully executed.

71. In addition, 2 commodity exchanges were brought to administrative responsibility for violation of licensing norms under part 2 of article 464 of the Code of Administrative Offences, the total amount of fines was 1250 USD.

72. Based on the Agency data, 1 commodity exchange was brought to administrative responsibility by the resolution of the Ministry of Trade and Integration under part 1 of article 268 of the Code of Administrative Offences on the fact of participation of the

commodity exchange employee in exchange transactions with imposition of a fine in the amount of 578 USD.

73. The above amounts of fines have been paid in full.

1.7. International cooperation

74. The Agency is working to strengthen international co-operation with foreign antimonopoly agencies, both within the framework of international integration associations and on a bilateral basis.

1.7.1. Interaction with OECD

75. In execution of paragraph 9 (*Conducting the second OECD Expert review "Competition law and policy in Kazakhstan"*) of the Action Plan for 2022-2025, the Prime Minister of the Republic of Kazakhstan signed the Decree of the Government of the Republic of Kazakhstan dated 7 November 2023 № 988 "On signing the Agreement between the Government of the Republic of Kazakhstan and the Organization for Economic Cooperation and Development on the implementation of the project" "Second OECD Expert Review "Competition law and policy in Kazakhstan"" (*hereinafter - Agreement, Review*).

76. In order to increase the transparency and efficiency of the Agency's work, including better application of economic analyses, the **Office of Chief Economist** has been established.

77. The Agency studied the mandate and main functions of the chief competition economist of the European commission (EC) and compared it with similar experience and practices of the Federal Trade Commission (the U.S.).

78. Based on the data reviewed, the institution of the Chief economist has been implemented in practice by the Agency through assigning the relevant functions to the Director of the Chairman's Secretariat (Department), under whose authority there are Chairman's advisers, including those on regime and economic risks, as well as other staff members.

1.7.2. Interaction within the co-operation with the EAEU and the CIS

79. The Agency is working on the digitalization of the Eurasian Economic Union (*hereinafter - the EAEU*) within the EAEU General processes for ensuring the electronic workflow between member states of the EAEU and the Eurasian Economic Commission (*hereinafter - the EEC*).

80. Work in this area will simplify procedures for the exchange of documents that do not contain confidential information between the EEC and antimonopoly authorities of the EAEU member states when monitoring compliance with general rules of competition in cross-border markets and competition (antimonopoly) legislation, as well as when introducing state price regulation and challenging the decision to introduce it, and when extending the period of application of state price regulation.

2. Analyzing the state of competition in separate commodity markets

81. In accordance with subparagraph 11) of Article 90-6, Article 196 of the Code, the antimonopoly authority is vested with the competence to analyze the state of competition

on commodity markets. Analysis of the state of competition on commodity markets is a key tool for the implementation of competition policy, which predetermines the adoption of relevant decisions on the identification of market players occupying a dominant or monopolistic position, the development of a set of measures aimed at protecting and developing competition, prevention, restriction and suppression of monopolistic activities.

82. In total, about 40 commodity markets were analyzed in 2023. In most cases, these are unscheduled analyses of commodity markets, conducted as operational measures, which is conditioned, among other things, by the implementation of instructions, measures that are provided by the Complex of anti-inflationary response measures, as well as instructions of the Presidential Administration and the Government of the Republic of Kazakhstan. Moreover, unscheduled analyses of commodity markets were conducted on the basis of incoming applications from individuals and legal entities.

83. Additionally, it should be noted that in 2023 only 16 commodity markets were analyzed by the Agency in the planned mode:

1. Oil trading market;
2. Retail market for commercial gas;
3. Retail markets for municipal coal;
4. Retail market for electricity;
5. Telecom market;
6. Market of connection and traffic transit services;
7. Market for the operation of grain wagons;
8. Market of rental reinforcing bars for reinforced concrete structures;
9. Market for services in solid minerals extraction;
10. Wholesale rice market;
11. Wholesale market for chicken eggs;
12. Market for grocery retail services by retail chains and large commercial entities;
13. Market of professional expertise services for medicines and medical products for the formulary committee;
14. Market for storage and transport services of medicines and medical products procured by a single distributor;
15. Market for services of access to electronic trading platforms with the purpose of retail sale of goods;
16. Market for mortgage housing lending.

84. According to the market concentration coefficient (CR) and the Herfindahl-Hirschman market concentration index (HHI), the analyzed markets belong to type 1 market – highly concentrated with a low level of competition development (*in some cases they belong to a market with moderate concentration*).

85. During the analysis of commodity markets, it was established that barriers to entry into the market for potential competitors and new entities are economic restrictions in the form of significant capital expenditures (*high tax burden, rent, trust management, etc.*), access to infrastructure and resources.

86. In addition, there are administrative restrictions introduced by government bodies: the existence in legislation of norms that hinder the development of competition, a high share of state participation, and preferential rights of national companies.

87. Based on the results of the analysis of commodity markets within the framework of the implementation of the Concept for Protection and Development of Competition in the Republic of Kazakhstan for 2022-2026, the Agency, together with government sectoral agencies, adopted 5 industry roadmaps for the development of competition in 2023.

88. Work in this direction continues.

3. Challenges facing the antimonopoly authority

89. In 2024, the Agency's activities will focus on implementing the provisions of Order No542.

90. First of all, reducing government involvement in the economy.

91. This is a priority area in the Agency's activities. It envisages a large-scale and accelerated reduction in the share of the public sector by ensuring an efficient and balanced privatization process.

92. The National Privatization Office founded by the Agency will have to ensure that by the end of this year:

- elaboration of criteria for state assets that will be subject to mandatory privatization;
- analyzing the activities of existing quasi-public sector entities with regard to the possibility and expediency of transferring non-core assets to a competitive environment, taking into account regional specifics;
- forming a list of state assets subject to privatization (*defining for each of them the conditions and methods of implementation, including IPO, SPO, auctions and others*). At the same time, now the approval and adjustment of the list of objects subject to privatization will be possible only by decision of the Supreme Council under the President of the Republic of Kazakhstan on reforms. This will eliminate the practice of excluding enterprises from the Privatization Plan for various reasons at the initiative of local executive and central state bodies and prevent the increasing presence of the state in entrepreneurship;
- providing the possibility of privatization of objects at the initiative of private entrepreneurship subjects through the formation and implementation of an application list of state assets subject to privatization. This new approach gives the entrepreneur the right to choose the object of privatization. The object will be subject to sale if there is a private initiative;
- monitoring the progress of privatization of state assets.

93. In order to improve the efficiency of state property management, reduce state participation in entrepreneurship and create conditions for the development of the private sector, a new format of the list of permitted activities for quasi-public sector entities is to be introduced, providing for the mandatory indication of geographical boundaries for each code of the general classifier of all types of economic activities, the name of the entity with state participation carrying out a certain type of activity. Also, including the period of presence of the entity in a particular market of goods and services, as well as the renewal

of the previously existing moratorium on the creation of entities in the quasi-public sector, taking into account the exceptions provided for in Decree No542 (*until the end of 2026*).

94. The measures being implemented to limit the share of state participation in entrepreneurship will also be continued within the framework of the Agency's activities to reduce the number of state – owned entities and the volume of state assignments.

95. The second important direction related to the liberalization of the economy is gradual price deregulation. It should be noted that over the last few years the practice of applying direct and indirect price regulation has expanded. Direct state regulation of prices for services of retail suppliers of petroleum products (*petrol stations*), liquefied petroleum gas (*LPG stations*), pharmaceuticals (*pharmacies*), socially important food products (*shops, markets, retail chains*) has been introduced. In addition to retail sales, accordingly, price limits are set for wholesale suppliers of these services and goods.

96. On the example of the markets of oil products and liquefied gas, it was a direct cause of the reduction of investments in the exploration and extraction of energy resources, their production (*processing*) volumes, and on the gas market to a sharp increase in consumption.

97. In turn, the disparity between external and domestic prices has led to a massive overflow of fuel and lubricants and liquefied gas, and an increase in transit consumption, reaching 10% of total domestic consumption.

98. Administrative measures aimed at limiting the export of products, differentiation of prices between transit and domestic consumers, between the population and entrepreneurs are of short-term stabilizing nature, but do not eliminate the basic causes of annually arising deficits in the country.

99. In particular, the establishment of different prices for diesel fuel for transit and domestic vehicles caused massive abuses by employees of petrol stations who sold cheaper resources to owners of transit vehicles under the guise of domestic consumers. Due to the absence of price restrictions, the cheaper resource intended for petrol stations and households went to large industrial consumers.

100. At the same time, the high marginality of such operations due to the large difference between market and state-established prices predetermined the widespread use of intermediary shadow schemes.

101. In the pharmaceuticals market, unbalanced price regulation caused a reduction in the range and quality of medicines sold in Kazakhstan. Moreover, there was a "pulling up" of prices for certain commodity items to the price-caps set by the state.

102. Price control in the food commodity markets was included a wide range of direct and indirect measures. This includes price setting by municipal bodies (*akimats*), restrictions on trade markups, administrative bans in the form of agreements (memorandums) with suppliers, antimonopoly compliance, investigations of competition law violations, commodity interventions through social enterprise corporations and Food corporation, and restrictions on the export of agricultural goods.

103. Setting prices for socially important food products by *akimats (in case of exceeding the threshold prices)* was practically not applied due to the high-risks of goods transfer between regions of the country and difficulties of administration in conditions of a significant number of retail suppliers of goods. For the same reason, the state control of trade markups is non-systemic, fragmented and does not have a significant impact on pricing.

104. Commodity interventions in the markets of socially important food products contained high-risks of misuse of budget funds due to the absence of transparent mechanisms of procurement and sale of goods along with discretionary rules regulating the activities of social entrepreneurship corporations. In this regard, these funds are currently redirected directly to producers of agricultural commodities through forward purchases and to support working capital.

105. The application of administrative bans and antimonopoly control measures in the agro-industrial complex markets, which depend on natural and climatic factors, the state of world food markets, prices for imported raw materials and supplies, as well as state support measures, increases the already high-risks of entrepreneurial activity in this sphere. This caused a decrease in investment attractiveness and low growth rates of agricultural production.

106. In turn, international experience shows that direct government intervention in pricing leads to an average 15% reduction in productivity.

107. Thus, measures are being taken to remove direct price restrictions with the possibility of applying antimonopoly control measures and indirect price regulation (*commodity interventions, export restrictions, government support measures, etc.*) under the conditions of lower production and investment growth rates in the energy, agricultural and other commodity markets subject to: price regulation; ineffective administrative control over the targeted use of cheap resources; increased shadow *intermediary* schemes in social markets, and low concentration of their retail segment.

108. Decree No542 provides for the phased abolition (*until 31 December 2027*) of the maximum number of provisions of national legislation that directly or indirectly restrict the freedom to form prices and tariffs, with the exception of monopoly markets. Measures are already being implemented to gradually deregulate prices for certain types of medicines, petroleum products and socially important food products.

109. The implementation of this direction will stimulate the growth of private investments and improve the quality of services. At the same time, ensuring a smooth transition to balanced pricing is important, in connection with which the following issues are being worked out: development and improvement of the exchange trading system; launch of an effective mechanism of compensatory measures for citizens; provision of state targeted social assistance and housing payments for the payment of utilities using digital technologies.

110. An important task is to ensure equal and transparent access to state support measures for private entrepreneurs. Decree 542 provides for a number of relevant instructions:

- ensuring the provision of state support measures for entrepreneurship by analogy with state services in order to standardize the procedure for their provision;
- completion of the introduction of a digital format of interaction between the state and business by creating a digital ecosystem, including the provision of state support measures based on the "single-window" principle;
- development of an effective mechanism for calculating and accounting for the counter liabilities of businesses when state support measures are providing.

111. Decree No542 also sets the task of a gradual transition from commodity-specific subsidies to preferential lending in order to increase the effectiveness of state support measures for the agro-industrial complex. Here it should be noted that today subsidizing the costs of producers to reduce the price of their products is carried out in the markets of

food products. At the same time, this type of subsidies, which forms a "closed" group of annual recipients of subsidies and is characterized by the absence of obligations to increase production volumes and low impact on the level of price growth, has shown its economic inefficiency.

112. An important aspect is procurement, public and quasi-sectors. It is advisable to consider them as an additional tool for business support with a focus on SME support. In this area, it is planned to actively promote work on digitalization of state support measures and simplification of access to public and quasi-public procurement.

113. Procurement reforms promise significant improvements in the transparency and fairness of procurement processes, the introduction of yellow pages principles to limit the participation of public entities in procurement where private alternatives are available, and the opening of the market to greater competition.

3.1. Improving the activities of the antimonopoly authority

114. Throughout the history of the antimonopoly authority of Kazakhstan despite the presence of control functions, regular interaction with law enforcement and judicial authorities, no work on digitalization has been carried out. This directly affected the efficiency, quality and effectiveness of activities and requires a solution in terms of legislative improvement and digitalization. In this regard, the Agency, together with the Ministry of Digital Development and Aerospace Industry, will continue comprehensive work to create the Agency's digital ecosystem. In particular, it is necessary to continue work on the development of the Agency's Information System - Database. This will improve the efficiency and effectiveness of work, as well as reduce corruption risks.

115. At the same time, it should be noted that the administration of information systems in competition authorities in other countries is performed by specialized IT departments, which not only provide technical support, but also develop strategies for the improvement and implementation of new technologies. Units responsible for the implementation and administration of information systems are represented in competition authorities both near and far abroad. In this regard, the issue of creating a similar unit in the Agency will be worked out.