



## Kazakhstan – March 2023

### The results of the analysis of the competition on the pharmaceutical market

The Agency for Protection and Development of Competition of the Republic of Kazakhstan (hereinafter referred to as the “**Agency**”) has published the final results of the analysis of the state of competition on the market for the sale of medicines on the territory of the Republic of Kazakhstan (hereinafter referred to as the “**Analysis**”).

The Analysis has been carried out in accordance with the Entrepreneurial Code of the Republic of Kazakhstan and the Methodology for analyzing the state of competition on the goods market.

The analysis of the market for wholesale and retail sales of medicines covered the period 2019-2021.

The purpose of the Analysis was:

- ✓ determination of the level of competition;
- ✓ identification of market entities occupying a dominant or monopoly position;
- ✓ development of a set of measures aimed at protection and evolvement of competition;
- ✓ prevention, restriction and suppression of monopolistic activities.

The boundaries of the goods market for the sale of medicines are determined as the boundaries of cities of regional significance.

#### **Economic and administrative barriers**

Based on the results of the Analysis, the following barriers were identified that impede market entry:

- Economic barriers - the necessity to make significant initial capital investments in renting or purchasing premises, pharmacies, warehouses, stores, medical devices, as well as long payback periods of these investments, i.e., entering this market will require large costs for renting or purchasing premises, etc., purchasing consumables, medicines in volumes ensuring wholesale and retail sales;
- Administrative barriers, such as licensing, large number of reports, compliance with mandatory sanitary measures, storage requirements for certain types of medicines, medications, etc., availability of pharmaceutical education and knowledge of algorithms for



storage and distribution of goods in the wholesale and retail sale of medicines, quality control of medicines.

## **Results of the Analysis**

According to the assessment of the state of the competitive environment, the wholesale segment of the pharmaceutical market is characterized as:

- highly concentrated with undeveloped competition in the following regions: Kostanay, Pavlodar, West Kazakhstan, Karaganda, Almaty, Aktobe, Atyrau, Mangistau, North Kazakhstan regions and Astana;
  - moderately concentrated in the East Kazakhstan region.
- The market for wholesale sale of medicines in Turkestan, Akmola, Kyzylorda, Almaty, Shymkent, Zhambyl was not analyzed.

The retail market is characterized as:

- highly concentrated with the undeveloped competition in the following regions: Kostanay, Shymkent, Zhambyl, Pavlodar, West Kazakhstan, Aktobe, Atyrau, Mangistau, Almaty;
- moderately concentrated in Astana, East Kazakhstan region, Turkestan, Akmola, North Kazakhstan region, Almaty;
- low-concentrated in Karaganda region (2020 and 2021).

## **Promotion of competition**

In order to develop competition, is the Agency recommends to:

- decrease the terms of approval of the drafts of the Kazakhstan National Medicinal Formulary and the list of medicines subject to price regulation, as well as draw up a single list;
- withdraw all over-the-counter medicines from the state price regulation;
- automate the process of price formation (in order to exclude the human factor, and accelerate registration in all lists), use reference pricing for medicines manufactured by more than 3 manufacturers;
- provide for the liability and revocation of the marketing authorization for manufacturers and suppliers creating anticompetitive conditions, namely, registering low marginal prices without further supply;
- maintain the national medicine's registration (MA) procedures for the period of the non-stable geopolitical situation following the examples of the Russian Federation and the Republic of Belarus;

- determine the schedule for the meetings of the formulary commission;
- digitalize the application process and further merge into a single formulary list (instead of the 8 existing ones);
- monitor price behaviour (Ministry of Health in conjunction with the Agency);
- creation of medicines database (single classifier/labeling), creation of “Parsing” platforms for Ex-Works prices, distributors and retail prices.

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