

**TACKLING CORONAVIRUS (COVID-19)**  
CONTRIBUTING TO A GLOBAL EFFORT

## IMPLEMENTATION SUPPORT WEBINAR

*Improving the Legal Environment for Business in Central Asia:  
Focus on Kazakhstan*

# Digitalisation and the operational environment for SMEs

Wednesday, 9 June 2021

10:30 – 12:30 (GMT+2: France)

14:30 – 16:30 (GMT+6: Kazakhstan)

OECD Eurasia Competitiveness Programme



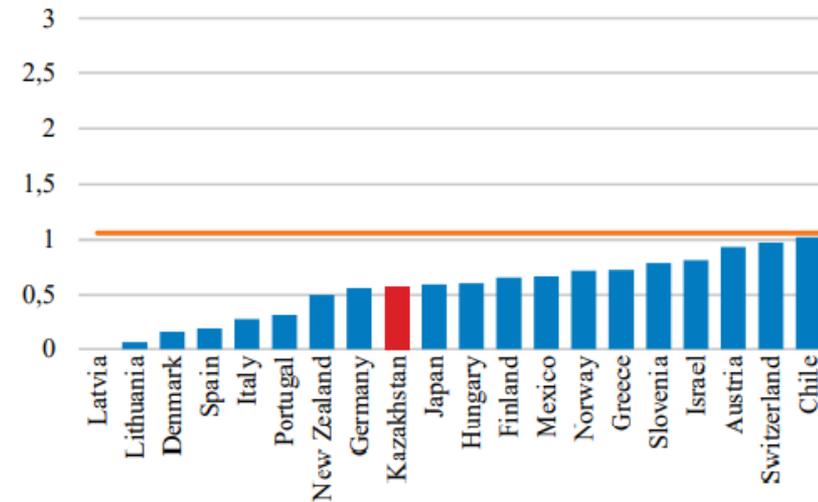
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## The *de jure* legal environment for domestic businesses has improved, but the regulatory landscape remains unpredictable and impact of changes on firms unclear

- The government has developed several **strategies, and legislations to support SMEs** including the **Roadmap 2020** and the **2015 Entrepreneurial Code (EC)**.
- The **Entrepreneurship Support Fund (DAMU)** and the **Entrepreneur Service Centres** were set up to ensure **effective implementation** of the reform agenda.
- The creation of a **physical and digital network of OSS called « Public Service Centres »** has simplified G2B licensing and permits services.
- The EC has established the requirement to undertake **Regulatory Impact Assessments (RIA)** before introducing any regulatory change.
- **COVID-19 has hit firms**, but the government has developed a comprehensive support package, complemented by several funds and legal acts.

The administrative burden on start-ups in Kazakhstan is below the OECD average



Index scale 0 to 6 from least to most restrictive  
Source: OECD 2018 PMR Database



## Reform priorities identified centre on the operational environment for SMEs, contract enforcement, and trade facilitation

Reform areas	Key findings and issues	Recommendations
Operational environment for SMEs	<ul style="list-style-type: none"> <li>• An <b>Entrepreneurial Code</b> has simplified the regulatory framework, but needs to be consistently implemented</li> <li>• The <b>number of licenses and permits</b> required to register a business has been <b>lowered and processes have been digitalised...</b></li> <li>• .... But, businesses express concerns about <b>license requirements that are non-transparent</b> as well as about <b>inconsistent decisions</b></li> </ul>	<ul style="list-style-type: none"> <li>➔ Consistently and thoroughly <b>implement the new code for entrepreneurs</b></li> <li>➔ Improve monitoring and impact assessment of regulatory reforms</li> </ul> <p style="text-align: right;"><b>Priority for today's discussions</b></p>
	Contract enforcement	TBD in July 2021 at regional level
	Trade facilitation	Discussed at LEB Working Group 1 (November 2020)



## Monitor the impact of reforms made to the operational environment for SMEs to address remaining administrative and institutional loopholes and implementation gaps

### Key findings and issues

- The government pursued significant reforms of the legal environment for domestic businesses, but **Kazakhstan's licensing framework remains complex, fragmented and unpredictable**, which creates **additional cost and time burdens** for firms.
- **Scope**: Some key regulatory changes are **outside the scope of the EC**, and some key licenses remain **outside the scope of the OSS**.
- **Access**: **Lack of information and absence of transparency** about changing/new license requirements for businesses, **difficulties in obtaining certain types of permits**, and **risks of revocation**.
- **Perception**: Licensing bodies continue to be seen as **unpredictable**, which creates **distrust of their impartiality**.
- COVID support measures for SMEs – and their eventual withdrawal – need to be **carefully monitored** to ensure they do not lead to additional complications in the operational environment for SMEs

### Recommendations

- ➔ **Raise public sector capacity** on licensing and permits, especially **at the local level**
- ➔ **Review and rationalise licenses and permits** (e.g. environmental permits)
- ➔ Carry-out an **impact assessment** of the EC, online OSS, and streamlined licensing procedures
- ➔ Use recovery planning to **review new automation measures for SME procedures**



## Use new ties developed between central and regional levels of government during the COVID-19 crisis to reinforce consistent implementation of business regulations

### Key findings and issues

- **Regional and sub-regional authorities** have been entrusted with the implementation of several crisis response measures.
- **Rapid further digitalisation of public services** was made possible through the **government portal egov.kz with** >240 services available, and the **digital tax administration for businesses**.
- Both outcomes represent an **opportunity for the government to:**
  - **Improve regional consistency** of the implementation of the new code for entrepreneurs;
  - **Assess measures** (with a focus on digital solutions) which best have relaxed administrative pressures for local SMEs; and
  - **Improve accountability** at all levels of government.

### Recommendations

- **Carry-out a RIA** to evaluate socio-economic outcomes of the EC, particularly for SMEs
- Use its outcomes as basis for a **public-private dialogue** on further steps to be taken
- **Extend permanently best-practices** observed locally during the lockdown to reduce the administrative burden on businesses



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# Thank you

For more information

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