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**Global Forum on Competition**

**SUBSIDIES, COMPETITION AND TRADE – Contribution from Kazakhstan**

**- Session II -**

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This contribution is submitted by Kazakhstan under Session II of the Global Forum on Competition to be held on 1-2 December 2022.

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

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## *Subsidies, Competition and Trade*

### *Impact of subsidies on competition*

#### **- Contribution from Kazakhstan –**

#### **1. Introduction**

1. The most important task is to increase the measures of state support for private entrepreneurs on competitive principles. Now there is a personalization of state support - mainly large businesses are supported.
2. It should be noted that the provision of any state support is a distortion of competition in the market. The existing system of non-transparent determination of the conditions for the admission of entrepreneurs to state support exacerbates the impact of the assistance on competition, that can have a serious impact on the market.
3. A number of state business support programs in the Republic of Kazakhstan provide for exclusive conditions for renovation of fixed assets to large companies in the quasi-public sector, thereby creating discriminatory conditions that contribute to increased market monopolization and non-competitive position of other market participants.

#### **2. Selective patronage or favoritism that distorts competition**

4. In practice, various regulatory legal acts distort competition in the market. For example, more than 50 market entities endowed with special rights were identified, including 4 private business entities authorized to implement certain economic functions and monopoly services, within the framework of the analysis conducted by the antimonopoly authority in 2021.
5. As a result of selective patronage or favoritism, the «effet utile» principle of competition is violated. This principle restricts the adoption by state bodies of decisions that unreasonably endow market participants with market power, the provision of support measures that distort the allocative efficiency of competition, as well as the assignment of special rights to market entities.
6. The practice of favouritism or selective support is also manifested in the provision of State support measures to individual companies, which acts as a disincentive to competition in various sectors of the economy.
7. One of the manifestations of selective patronage or favouritism is also the uncompetitive allocation of limited resources. In some commodity markets, the distribution system is still preserved in the form of various kinds of plans, delivery schedules. Despite the possibility of forecasting the system of flows in the economy, such a system creates prerequisites for restriction of competition due to the lack of clear distribution criteria.
8. Moreover, the administrative allocation of resources in itself does not encourage market participants to compete with each other. As is known, it is competition that contributes to the effective redistribution of limited resources.

### 3. Equal access to state support measures

9. Subsidies, as a type of state support measure, occupy a significant share of the total volume of measures provided and are an integral element in some markets. That is why subsidies, as a rule, are applied in important markets for the state and without reciprocal obligations for business.

10. In February 2022, in the legislation of the Republic of Kazakhstan, the clarifying and control competence of the antitrust authority of the Republic of Kazakhstan appeared to monitor the activities of individuals providing state support measures for compliance with competition legislation and to coordinate with the antitrust authority of new measures of state support.

11. Currently, the Agency is concentrated in considering (taking into account) all measures of state support, including subsidies. This competence was introduced in connection with the need for general control within the framework of the provision of state support measures, which should lead to a more efficient distribution of state funds and prevent the exceptional situation of individual recipients of support.

12. Thus, the non-transparency of the provision of state support for private entrepreneurship, improper control over the use of subsidies, the issuance of subsidies to the same persons or affiliated companies, leads to the restriction of competition, lobbying the interests of certain persons, thereby infringing on the rights of market entities.

13. Within the framework of the new powers in the actions of sectoral state bodies endowed with the functions of regulating the activities of market entities, an uneven distribution of subsidies, the orientation of subsidies to large business, limited access for new market entities, the creation of conditions for restricting competition are considered.

14. As a result, the Agency found that the relevant authorities are not taking measures to develop competition, thereby creating conditions to limit competition.

### 4. Conclusions

15. Thus, the Agency's new competence of coordinating new measures of state support, taking into account the basic criteria for assessing the state of competition, is timely and necessary that aimed at minimizing the risks of negative manifestations after introducing of new state support measures.

16. Along with this, the Agency is developing sectoral roadmaps for the competition development that provides for measures of improving legislation in terms of ensuring equal access to subsidies, eliminating restrictions for small market entities.