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**DIRECTORATE FOR FINANCIAL AND ENTERPRISE AFFAIRS  
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**Working Party No. 3 on Co-operation and Enforcement**

**Efficiencies in Merger Control – Note by Saudi Arabia**

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## *Saudi Arabia*

1. Economic concentration transactions are among the most complex and significant areas addressed by competition authorities, particularly in ambitious and rapidly evolving economies like that of Saudi Arabia. The General Authority for Competition (GAC) plays a central role in reviewing such transactions to ensure that they do not harm the structure of fair competition or jeopardize consumer welfare. One of the core concepts used by the Authority in this review is that of anticipated efficiency, which acts as a principal criterion for deciding whether to approve or block a transaction.

2. The GAC's approach to assessing efficiency is firmly grounded in the legal framework established by the Competition Law, specifically Article 2, which states that the law:

*“aims to protect and encourage fair competition, combat and prevent monopolistic practices that affect legitimate competition or consumer interest, and contribute to improving the market environment and stimulating economic development.”*

3. Within this legal mandate, efficiency is not viewed as a standalone economic outcome but rather as a regulatory instrument that contributes directly to market improvement, higher economic performance, and the realization of public interest goals.

4. In this context, anticipated efficiency refers to economic benefits that arise directly from the concentration transaction and that ultimately benefit the market and the consumer. These benefits must be verifiable, quantifiable, merger-specific, and achievable within a reasonable timeframe. Furthermore, the value of such efficiencies must clearly outweigh any potential harm to market competition.

5. To assess these efficiencies, the Authority relies on three primary regulatory instruments: the Competition Law, the Executive Regulations, and the Merger Review Guidelines. The Guidelines, updated in 2025, provide a detailed analytical framework for assessing efficiency claims. They emphasize that efficiencies must be more than theoretical projections. They must be supported by concrete, data-driven economic and financial evidence.

6. The GAC recognizes three primary categories of efficiency:

- **Productive efficiency**, which includes cost savings and operational improvements due to economies of scale or scope;
- **Allocative efficiency**, which relates to better alignment of production with market demand and consumer preferences;
- **Dynamic efficiency**, which refers to innovation, technological progress, and increased investment in quality and R&D.

7. The Authority employs a structured methodology in evaluating these efficiencies. It begins by identifying the nature and magnitude of the claimed efficiencies, requiring parties to submit detailed supporting analysis. It then tests the causal link between the concentration and the claimed benefits, verifying whether these efficiencies can be realized only through the proposed transaction and not through less anticompetitive alternatives.

8. Next, the GAC considers the timing and likelihood of realization, examining whether the efficiencies will materialize within a reasonable period and whether there are risks that they may not fully or consistently be achieved. Finally, the Authority conducts

a balancing test, weighing the anticipated efficiencies against the likely anticompetitive effects of the transaction. If the benefits clearly outweigh the harm, the transaction may be approved, even if it results in some competitive constraints, provided those are limited and manageable.

9. This methodology reflects the direct alignment between the concept of efficiency and the broader objectives enshrined in Article 2 of the Competition Law. Efficiency is not merely an economic goal. It is a means of advancing competitive markets, safeguarding consumer welfare, and contributing to national economic development. This vision is particularly evident in the GAC's approach to highly concentrated or regulated sectors, where efficiency claims are subject to stricter scrutiny and higher standards of proof.

10. In this regard, the Authority places particular importance on the evaluation of efficiency not only because of its potential to enhance consumer welfare, but also due to its wider implications for market structure and competitiveness. In dynamic and rapidly evolving markets, efficiencies resulting from mergers and acquisitions may enhance the ability of firms to survive, adapt, and compete, especially in sectors facing global pressures or undergoing structural shifts. Real and verifiable efficiencies can lead to the formation of entities with the scale, capabilities, and resources necessary to compete effectively, invest in innovation, and sustain long-term growth. As such, efficiency serves a dual role: as a safeguard against potential anticompetitive harm, and as a catalyst for strengthening market resilience and promoting sustainable economic competitiveness.

11. In conclusion, the evaluation of anticipated efficiencies in merger review is a strategic tool for implementing the overarching objectives of Saudi Arabia's competition regime. It allows the GAC not only to prevent harmful market behavior but also to support innovation, reduce costs, and enhance market performance in alignment with broader economic policy. Going forward, it is recommended that the Authority continue to invest in advanced economic analysis tools, promote transparency through published case studies, and encourage parties to submit third-party efficiency evaluations to strengthen the credibility and predictability of the merger review process.