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On 24th June 2010, the Arkhangelsk Office of the Federal Antimonopoly Service (the Arkhangelsk OFAS Russia) found that the Government of the Arkhangelsk Region violated Article 15 of the Federal Law "On Protection of Competition" and issued a determination to introduce amendments to the Procedures for selecting participants of the regional programme.

The background of the case: The Arkhangelsk OFAS Russia received a complaint of "Dvinskoye" Agro-Enterprise" Ltd that the Government of the Arkhangelsk Region passed a Decree specifying requirements for selecting participants of the regional programme for "Developing Dairy Cattle Breeding in the Arkhangelsk Region in 2009 - 2012", which violated legitimate interests and rights of the petitioner and created unreasonable administrative barriers for development of the participants of the agro-industrial business.

This regional programme is part of the federal target programme; its main objective is to create economic and technological conditions for sustainable development of dairy cattle breeding and increase of milk production to supply quality milk at affordable prices to the public and preserve rural areas. The overall sum allocated for development of dairy cattle breeding, including credit resources, is over four billion Rubles.

The following criteria are applied to select programme participants:

- an open share-holding company should be an integrated group involved in production, processing and sale of milk (dairy products);
- the Arkhangelsk region, in the person of the authorized body for managing and disposing of state property, should be a share-holder of such a company.

When these criteria were approved, the Arkhangelsk region had only one such integrated group - "Agroholding" OJSC, which was formed in September 2009 by the Government of the Arkhangelsk Region and two physical persons. "Agroholding" OJSC does not produce or process agricultural products; however, it owns shares of the companies that produce and process milk. The first subsidy (four million Rubles) was not transferred directly to "Agroholding" OJSC but to an agricultural company that is owned by "Agroholding" OJSC.

A representative of the Government of the Arkhangelsk Region explained to the Commission of the Arkhangelsk OFAS Russia: "To receive the programme funds an agricultural producer must join "Agroholding" OJSC by selling to it the producer's controlling interest". This way, "Agroholding" OJSC controls access to budgetary resources by deciding the shares of which companies it is going buy.

Thus, the Government of the Arkhangelsk Region has transferred all means of support to the only possible programme participant ("Agroholding" OJSC), which was founded by the Arkhangelsk Government.

The Arkhangelsk OFAS Russia found that the Government of the Arkhangelsk Region violated

Article 15 of the Federal Law "On Protection of Competition", which prohibits competition-restricting acts and actions (omissions) of the federal executive bodies, the authorities of the constituent territories of the Russian Federation, the local self-government bodies, other agencies exercising the functions of the above bodies or organizations, and state extra-budgetary funds and the Central Bank of the Russian Federation.