

Competition Reforms in Key Markets for Enhancing Social and Economic Welfare in Developing Countries (CREW project)

Background and Rationale

Developing countries are often faced with resource constraints and are hard pressed on making difficult decisions in allocating resources to various activities of governance. These choices are sometimes dependent on markets and resources available to meet consumers' demands.

The right of consumers to basic needs is paramount for a decent standard of living, which comprises of food, clothing, shelter, energy, transportation, water, sanitation, etc. Provision of these basic needs is one of the main concerns of the State to satisfy consumer aspirations.

The CREW project has therefore selected two of these key sectors: staple food and passenger transport to explore how governments go about in meeting consumer demands, while ensuring that the producers find it equally gainful to pursue their business in these sectors. A group of four countries were chosen to do field work: Ghana, India, Philippines and Zambia and gather evidence to use the same in advocacy. The selection of the sectors and states has been done through a rigorous process keeping in mind the ultimate aim of making a difference to the common consumer, and of course resources available.

In many developing and least-developed countries, policymakers are unable to arrive at a healthy balance between producer and consumer welfare. Competition reforms can play a role in balancing producer and consumer welfare, so that both sellers and buyers are less affected. In cases, where such benefits do occur, they are not properly measured and thus the government is unable assess performance of their actions or even communicate to key stakeholders of its successful handling of issues.

The public transport service model of Indore City is a good example of competition reforms by introduction of public-private partnerships (PPP), which involves transferring the provision of services to the private sector under a joint effort with the government. A small initiative by an administrator in 2007, led to the inception of a company that ran on best practices and has led to the development of a high tech bus transport system that is commended the world over. Yet such examples are not widely replicated and their success gets limited.

Therefore the need of a comprehensive approach to measure the benefits of such competition reform actions has been undertaken by CUTS, so that they can be better demonstrated to the policymakers all over the developing world.

Towards implementation

The CREW Project is designed as a research and advocacy based project to assess the impact of past and existing reforms in public policies and regulations on consumer and producer welfare in the selected sectors (**staple food** and **passenger transport**) in the four project countries. It would

also help explore possible, future reforms based on stakeholder feedback and carefully weighing such options.

Supported by DFID (UK), BMZ (Germany) and facilitated by GIZ (Germany), the project is being implemented since November, 2012 by CUTS for a span of three years.

Step by Step

The project activities would be implemented in three phases:

- The first is the **diagnostic phase**, which is underway. The purpose is to identify components of competition reforms in the two sectors and assess their implications on consumers and producers. Taking a cue from the Indore example, the methodology would involve doing surveys with the bus operators, regulatory authorities, and consumers etc. to understand the benefits that accrued with change of the public transport to PPP model and the concerns that still remain. This would then be documented in (country-specific) Diagnostic Country Reports (DCR). Efforts would also be made to estimate the pending areas of improvement that would lead to higher benefits of competition reforms for consumers and producers.
- The second phase will be the **design phase**, in which a toolkit called the Framework for Competition Promotion (FCP) would be developed. This would be based on the outputs and understanding gained during the diagnostic phase for computing benefits (both current and future) of competition reforms for consumers and producers.
- The final phase will be the **validation phase**, in which the FCPs would be applied (in some micro-locations in the countries) and the findings used to strengthen stakeholder advocacy for greater attention to reforms.

Defining the indicators

The scope of any research largely depends on the definition of the scale of key indicators. The consumers and producer benefits would be gauged on different scales.

- **Consumer benefits** would be identified in terms of Access, Quality-Price Ratio, Price, Choice and Time-savings

- **Producer benefits** would be identified in terms of Access to inputs, Access to Infrastructure/ Services, Entry/Exit Conditions, Access to output markets and Regulatory predictability.

Project Coordination and Partnerships

The project activities require coordination and coherence across project countries. Therefore the project would be implemented by partnering with country specific organisations, which will also build local ownership and thus better acceptability. Furthermore, comparativeness will help cross fertilisation, and learning. These country partners have a long history of work in these sectors by way of statistical and political analysis. These partners would aid in moulding the research work (involving perception surveys and case studies) to country specific environment.

The success of the diagnostic study requires sound capturing of local inputs and understanding of practices on the ground. Further, targeted advocacy requires reaching out to relevant stakeholders. Foreseeing such needs, a **National Reference Group (NRG)** has been constituted in each of four countries that comprises of policy makers and representatives from government agencies, business associations, experts and civil society organisations. Apart from providing guidance and support to the process of project implementation, the NRG members would be instrumental in designing and applying the findings.

Outcomes

The aim of this initiative is development of a toolkit/ approach that guides the process of competition reforms in key developing country markets, keeping in mind the need to assess impacts thereof. This would help attain the project outcome of *“Greater attention and impetus for competition reforms in key markets of developing countries, resulting in benefits for consumers and producers.”*

