

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

*Garthering evidence from staple food and passenger transport sectors*

Ghana • India • The Philippines • Zambia



*Development Partners*



## Background

**E**volution of fair markets is often found to be a painstakingly slow process in many developing countries. It needs to be properly facilitated to ensure that it leads to measurable and demonstrable welfare gains. Developing and least developed countries are faced with resource constraints, and policymakers need to make difficult choices while allocating scarce resources between various public policy areas. For resources to be made available to implement competition reforms in developing countries (to establish fair and well-functioning markets), it is necessary that impacts of competitive markets on consumers and producers are properly demonstrated and explained to policymakers. However, there is lack of comprehensive approaches for measuring such benefits.

CUTS has initiated a project entitled '*Competition Reforms in Key Markets for Enhancing Social & Economic Welfare in Developing Countries*' (referred to as the **CREW Project**) for developing such a methodology and test its robustness in select countries of Africa and Asia. This project is being implemented over a period of 3 years from November 2012, with support from DFID (UK) and BMZ (Germany), facilitated by GIZ (Germany).

### Goal

To better demonstrate measurable benefits from an effective competition policy and law regime in developing countries, for ensuring long-term support for competition reforms.

### Outcome

Greater attention and impetus for competition reforms in key markets of developing countries, resulting in benefits for consumers and producers

### Objectives

- Enhance international understanding of benefits from, and best practices in, effectively implementing competition regimes in developing countries
- Develop and test a methodology (with indicators) for assessing the efficacy of competition regimes in achieving impacts on developing country consumers and producers
- Advocate to national stakeholders and international development partners for greater importance to competition policy and law issues, in the national development agenda
- Sustain the momentum on fast-tracking competition reforms, gained from stakeholder awareness, understanding about benefits and participation in related process in developing countries

## What is Competition Reforms?

The process of **competition reforms** comprise of the following components:

- Enabling government policies designed to facilitate a level playing field (fair competition) in a sector
- Well-designed regulatory framework, adequately resourced regulatory institutions and effective actions for promoting fair competition in a sector
- Well defined competition legislation and effective enforcement mechanisms







### Indicators of Consumer & Producer Welfare

Indicators of consumer and producer welfare like those provided below would be used to analyse impact of competition reforms on consumers and producers.

Consumer Welfare	Producer Welfare
<ul style="list-style-type: none"> <li>• <b>Access:</b> Goods and services reach consumers in areas where they were not available earlier</li> <li>• <b>Quality:</b> Better quality goods and services are available for consumers without any appreciable increase in prices</li> <li>• <b>Choice:</b> New firms/products enter otherwise 'concentrated' markets, benefitting consumers</li> <li>• <b>Price:</b> Prices are reduced to the relief of consumers</li> <li>• <b>Time Savings:</b> Time saved in obtaining a good or a service</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Access to essential services:</b> Firms can easily access infrastructure networks, etc.</li> <li>• <b>Free movement of goods &amp; services:</b> Mobility not affected by policies, practices (in inputs and outputs markets)</li> <li>• <b>Predictability of regulatory actions:</b> Legislations enforced by autonomous yet accountable institutions</li> <li>• <b>Cost Savings:</b> Effective implementation of strategies to reduce costs, e.g. improved application of ICT tools</li> <li>• <b>Fair Market Processes:</b> Easy entry and exit in markets; considerable 'ease of doing business'</li> <li>• <b>Level-playing field:</b> Principle of 'competitive neutrality' is observed</li> <li>• <b>Transparency in market:</b> Well laid out policies and predictable implementation processes (market regulators)</li> </ul>

### CREW Project Countries & Sectors

The CREW project is being implemented in **four countries** (two each in Asia and Africa): **Ghana, India, The Philippines and Zambia** & across **two common sectors**: **Staple Food and Passenger Transport**.

### Consumer & Producer Welfare in the Selected Sectors

Consumer welfare and producer welfare can be defined in the two sectors as below:

	Staple Food	Passenger Transport
Consumer Welfare	<ul style="list-style-type: none"> <li>• Availability of good quality staple food</li> <li>• Change in prices of staple food for ordinary consumers</li> </ul>	<ul style="list-style-type: none"> <li>• Availability of good quality transport services to ordinary consumers within city (intra-city) to get to workplace, markets, college/university on a daily basis; AND also on busy inter-city routes</li> <li>• Change in bus fares</li> </ul>
Producer Welfare	<ul style="list-style-type: none"> <li>• Participation of private entities in procurement, storage and distribution of staple food</li> <li>• Change in prices of inputs and outputs</li> </ul>	<ul style="list-style-type: none"> <li>• Access to road networks for a new player (operator) in a specific geographic market for providing such services</li> <li>• Change in input prices</li> </ul>

## Markets to be examined in Selected Sectors

In each of the two sectors, specific markets would be examined, as explained hereunder:

<b>Staple Food</b>	<ul style="list-style-type: none"> <li>Expenditure on food forms a large part of the family budget and bears a direct impact on the health and well-being of society</li> <li>Three components of the 'value-chain' in staple food sector will be examined: i) Procurement, ii) Storage, and iii) Distribution/Marketing. In some countries, staple food processing entities (millers) would be examined as well.</li> <li>Lack of competition at any one stage can have a negative ripple effect, the cost of which is borne by the final consumers</li> <li>The markets that would be examined in each country are mentioned below:</li> </ul> <p><b>Ghana: Maize or Rice      India: Wheat and/or Rice      The Philippines: Rice      Zambia: Maize</b></p>
<b>Passenger Transport</b>	<ul style="list-style-type: none"> <li>Passenger transport is an important sector bringing consumers, labour, small traders to markets and other destinations.</li> <li>A competitive passenger transportation sector broadens and increases size of markets, productivity and employment, among other benefits</li> <li>The focus would be on <b>Bus Transport</b> in all project countries. This sector also has a good scope of private intervention and operations</li> <li>Two markets would be covered in each country: (i) <b>Inter-city bus</b> transport and (ii) <b>Intra-city bus</b> transport.</li> </ul>

## Activity Schedule

The project would be implemented in the following phases:

Phases	Activities
Preparatory Phase	<ul style="list-style-type: none"> <li>Composition of Project Team</li> <li>Identification of Project Advisory Committee (PAC) members</li> <li>Planning Meeting</li> <li>Operational Strategy Note (OSN)</li> </ul>
Diagnostic (Phase I)	<ul style="list-style-type: none"> <li>Background Paper</li> <li>Inception Meeting</li> <li>4 Diagnostic Country Reports (DCRs)</li> <li>2 National Reference Group (NRG) Meetings/Country</li> </ul>
Design (Phase II)	<ul style="list-style-type: none"> <li>Framework(s) for Competition Promotion (FCPs)</li> <li>2 NRG Meetings/Country</li> </ul>
Validation (Phase III)	<ul style="list-style-type: none"> <li>Partners Meeting</li> <li>Application of FCPs in Countries (Research   Advocacy   Outreach)</li> <li>Capacity Building Events (National   Regional)</li> <li>2 NRG Meetings/Country</li> <li>Country Reports</li> <li>Synthesis Report</li> </ul>
Wrap Up	<ul style="list-style-type: none"> <li>Final Conference</li> <li>Final Project Report</li> </ul>

## Country Partner Organisations

The following partner organisations will be engaged in implementing this project in the four countries. Two sector experts (one for each sector) would guide the partner organisation in this process, in each country.

Country	Country Partner Organisation
Ghana	Institute of Statistical, Social and Economic Research (ISSER)
India	CUTS International+ CUTS Institute for Regulation & Competition (CIRC)
The Philippines	Philippine Institute for Development Studies (PIDS)+ Action for Economic Reforms (AER)
Zambia	CUTS International Lusaka+ Zambia Institute for Policy Analysis & Research (ZIPAR)



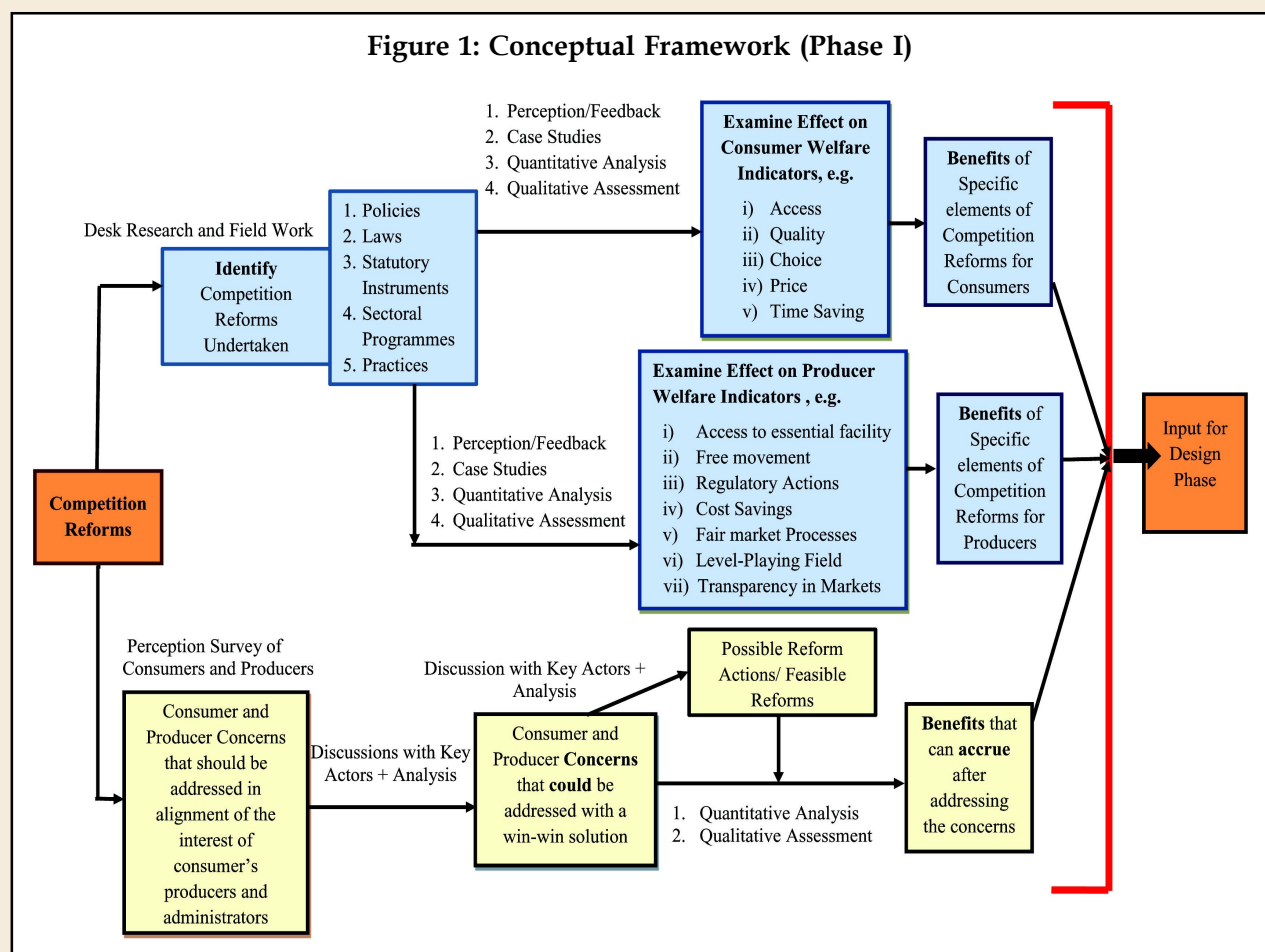


## Details and Deliverables of Phase I

The key deliverable of this phase would be the **Diagnostic Country Reports (DCR)**. The DCRs would provide input for designing the Framework for Competition Promotion (FCP), which would be developed in Phase II of the project and subsequently validated by applying the same in micro locations in Phase III.

The conceptual framework of Phase I of the project is presented here. It provides an idea of how the project envisages collection of relevant information from the selected markets and stakeholders for developing the DCR. The DCR will have an overall structure, which would be aligned to reflect country specific context and realities with inputs from National Reference Groups (NRG) members. The draft DCR would be finalised in consultation with the NRG members.

**Figure 1: Conceptual Framework (Phase I)**



## Diagnostic Country Report (DCR)

The outline of the Diagnostic Country Report (DCR) and is presented briefly below:

Component of DCR	Key Questions
Identification of components of competition reforms in a sector	<ul style="list-style-type: none"> <li>What do we mean by competition reforms in the sector?</li> <li>Specifically, identify components of competition reforms in the transportation and staple food from sector among the following: (a) Policy (b) Legislation (c) Statutory Instrument (d) Sectoral Programme and (e) Practices</li> </ul>
Competition reforms and impact on market structure	<ul style="list-style-type: none"> <li>For each of the above components of competition reforms, assess: (a) What was the objective of each component of reforms? (b) What was the nature of the market<sup>1</sup> (and players) before each reform was undertaken, at the time when the reform was undertaken and after a specific reform has been undertaken?</li> </ul>
Examination of implication of competition reforms	<ul style="list-style-type: none"> <li>Examine what implication did a particular component of competition reforms have on the consumer (using indicators of 'consumer welfare')</li> <li>Examine what implication did a particular component of competition reforms have on the producer (using indicators of 'producer welfare')</li> </ul>
Assessment of 'existing consumer and producer concerns' in the sectors	<ul style="list-style-type: none"> <li>What 'concerns' existed for consumers and for producers before the competition reform actions (those identified above) were undertaken?</li> <li>What 'concerns' still remain, after the competition reform actions have been undertaken?</li> <li>Why do these concerns still remain? What factors are responsible?</li> </ul>
Dealing with 'and existing residual concerns' of consumers and producers	<ul style="list-style-type: none"> <li>What further reforms are required to deal with the 'existing concerns' faced by consumers and producers, even after reform actions were undertaken?</li> </ul>
Benefits from possible reforms	<ul style="list-style-type: none"> <li>Estimate what benefits can accrue to consumers and to producers if the above-mentioned reforms are undertaken to deal with the 'existing concerns' in these two sectors?</li> </ul>

1. Nature of market analysis would be done using Michael Porter's (1985) 'Five Forces' framework



All the pictures are taken from the Internet

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