# Importance of Competition & Regulatory Reforms in Achieving the Sustainable Development Goals (SDGs)

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*World leaders adopted a set of ambitious goals for addressing persisting challenges of poverty, inequality and environmental degradation - under the aegis of the United Nations. These goals referred to as Sustainable Development Goals (SGDs) have come into effect from 1st January 2016. Governments worldwide are expected to develop national framework and programmes to achieve these 17 SDGs by 2030. In this paper, CUTS highlights how competition and regulatory reforms can be incorporated in such national frameworks/programmes to evolve well-functioning markets that can contribute to achievement of some of these SDGs.*

## *Background*

On September 25th 2015, countries adopted a set of 'goals' referred to as the **Sustainable Development Goals (SDGs)** to **end poverty**, **protect the planet**, and **ensure prosperity for all** as part of a new **Sustainable Development Agenda 2030**[1]. Each 'Goal' has specific targets to be achieved over the next 15 years, from 1st January 2016 when these SDGs came into effect. The SDGs present a set of 17 ambitious goals, for which national governments are expected to develop national frameworks and action plans.

In this 'Viewpoint Paper', CUTS highlights how competition and regulatory reforms can be incorporated into such national frameworks/programmes, especially in developing countries to achieve these SDGs. Most Asian and Sub-Saharan African countries have scarce resources, limited institutional space and policy options that can be used to construct the foundation for achieving these SDGs. Interestingly, a large number of countries from the 'developing south' have made considerable progress in embracing national competition regimes, and therefore have these instruments in place to contribute to the above national frameworks/programmes.

Based on CUTS extensive ground-level experience across the developing world, the organisation therefore believes that competition and regulatory reforms can help developing countries in their pursuit of the **Sustainable Development Agenda 2030**.

Competition and regulatory policy touches on a broad set of policies and measures that have significant implications on the nature of markets, and therefore impact the **foundations of social and economic development**, through development of well-functioning markets. As evident from the below figure (Fig 1),

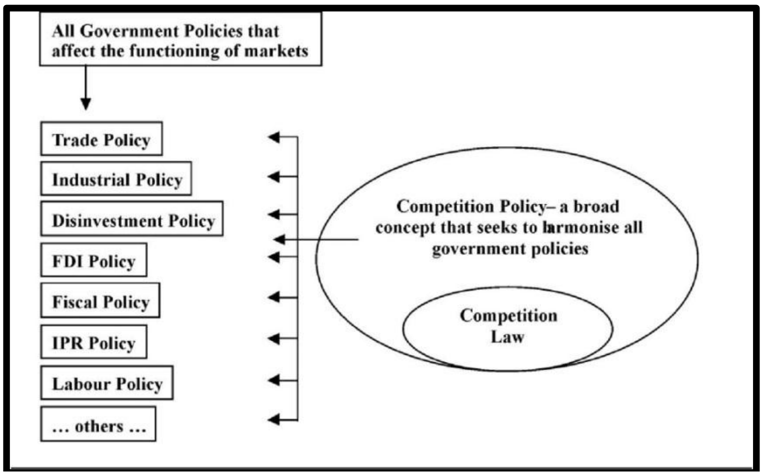


**Fig 1**: Relating Competition Policy with other Govt. policies

competition policy is closely linked with other components of government policy, viz. trade policy, industrial policy, investment policy, labour poicy, IPR policy, etc. The international competition community has now realised that the task of promoting competition reforms cannot be handled solely by national competition agencies, and needs to be incorporated within other government policies as well. Creating the link and advocating the relevance of competition and regulatory reforms for achieving the SGDs, should therefore be considered as an opportunity.

Key considerations for **public policy practitioners** in creating this link between SDGs and competition and regulatory reforms are:

(i) How competition and regulatory reforms can contribute towards equitable and inclusive growth?

(ii) How well-functioning and organised markets can contribute towards achievement of some of these SDGs?

### *Linking Competition & Regulatory Reforms with SDGs*

This paper attempts to answer the above questions by looking closely at these Goals, and analysing how competition and regulatory reforms can play a role in achieving them. It emerges from the analysis that while the link between competition and regulatory reforms with some of the Goals is **direct**, it is rather **indirect or weak** with the others.

### GOAL1 (End poverty in all its forms everywhere)

Poverty reduction one of the steepest challenges for developing country policymakers – hence, often remains a priority in government policies and actions. An important approach to **poverty reduction** is to empower the poor, provide them with productive employment and increase their access to land, capital and other productive resources. But this approach may not be successful unless these people are **linked to the markets** and **markets are made to work for the benefit of the poor**.

### GOAL2 (End hunger, achieve food security and improved nutrition, and promote sustainable agriculture)

**Food** is a basic necessity but is prone to **anti-competitive** tendencies, especially affecting its pricing and its availability, with such evidences available in both developed and developing countries. An important question that needs to be asked is how committed (and perhaps capable) are governments in dealing with these tendencies in the food markets. In some countries, on average, about 40%-45% of income is spent on food. Therefore, any policy or action that can be used to make food less expensive (including breaking cartels, which hoard food to raise demand and prices), will help governments achieve food security for marginalised communities.

Effective **agricultural** sector policies, which facilitate greater (and regulated) engagement of private sector in 'inputs' markets like fertiliser and seeds, has the potential (as demonstrated under the **CREW[3] project** of CUTS) to make good quality inputs available at lower costs to farmers (especially benefitting small farmers, as CUTS has seen under the CREW project in Bihar, India). In many developing and least developed countries, monopolies (public and private) control **agriculture markets**, which make it difficult for small farmers to derive benefits while selling their produce in these markets (CUTS has documented some of these challenges from its work in select West African countries, under the 7Up4 project[4]).

### GOAL 3 (Ensure healthy lives and promote well-being for all at all ages)

Based on CUTS experience and existing literature and practice, it is now well-established that a healthy competition regime (accompanied with sound regulatory framework) can be instrumental in improving **access to healthcare services and medicines**, especially in developing countries. CUTS has done considerable research and deliberations on this across several states of India[5]. Kanavos and Wouters (2014) show that in most developed countries, behaviour of stakeholders in the supply chain is regulated extensively to improve affordability availability of medicines and maintain levels of service.

**GOALS 4 (Ensure inclusive and equitable quality education and promote life-long learning opportunities for all)**

**GOAL 6 (Ensure availability and sustainable management of water and sanitation for all)**
**GOAL 7 (Ensure access to affordable, reliable, sustainable, and modern energy for all)**

Across the developing world, inefficiency of the public sector as the sole provider of these services in meeting citizens' demands led to the proliferation of private providers in them. This was also one of the rationale behind economic and trade liberalisation initiated in the early/mid-90s. The evolution of the regulatory framework and the policy environment, however, did not happen simultaneously and therefore led to 'market failures' in a number of sectors. Therefore, benefits of economic liberalisation and private sector engagement in these sectors have not led to the envisaged benefits (meeting citizens' needs). Some of the important elements in strengthening the performance of these services are: (i) addressing supply side constraints, (ii) developing and implementing 'performance standards' and (iii) including mechaniss to address 'consumer grievances'. Attainment of these goals would not be possible without the development and application of effective regulatory frameworks in these sectors, which should also encourage 'citizens' engagement' in these reforms.

**GOAL 5 (Achieve gender equality and empower all women and girls)**

There is growing recognition that public policy in developing world can no longer remain oblivious of the needs and aspirations of women – whether in the social setting or from an economic angle. Governments and development partners are now investing considerable resources and attention to explore avenues for boosting women's economic empowerment, as a means to strengthening their position in society. CUTS has also noted this from the experience in Ghana, where 'women traders' (referred to as 'Market Queens') are seen to control over 95% of the procurement of staple food (maize) – and are very highly respected in their communities[6]. Similarly, women self-help groups (SHGs) in various parts of India have grown from being a low-scale, pastime activity to a major contributor to the village economy in many parts of the country[7]. In both these (above) cases, scope was created in policies to ensure greater participation of women in specific 'economic' activities – and should be looked at as lessons for polity.

Existence of various types of barriers and challenges for women to engage meaningfully in various markets is well documented – and is something that governments and development partners need to look closely at.

**GOAL 8 (Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all)**

**GOAL 9 (Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation)**

There is abundant evidence in literature and practice of how a well-functioning/vibrant market can stimulate innovation, productivity and efficient resources use – key pointers for achievement of inclusive and sustainable economic growth. Dutz and Hayri (2000) established that there is a strong correlation between the effectiveness of competition policy and economic growth. Kahyarara (2004) established a positive relationship between competition policy and productivity, investment and exports.

Further, the volume of infrastructure needs in developing countries imply the engagement of private sector through public procurement processes. Incorporation of 'pro-competitive' elements in public procurement process can help participation of a number of private sector operators in the bidding process, and help save costs. Given the fact that a number of development finance organisations (development Banks) are deeply engaged on PPP projects, the need for pro-competitive procurement should be pushed by them.

## *In Conclusion*

From the above narrative, the following issues in the interface between competition policy and sustainable development (specifically, the SDGs) emerge:

- Competition policy is manifested through a set of government strategies/priorities that has implications on various other government policies such as industrial policy, IPR policy and investment policy;
- There is a more direct linkage between competition policy and some SDGs – which this paper has highlighted both from literature and through anecdotal evidence;
- The linkage between competition policy and some of the other SDGs is much more indirect – and there is a need for further exploration of these linkages;
- As contained in the Addis Ababa Action Agenda (3rd International Conference on Financing for Development, July 2015), a commitment has been made for creation of enabling domestic and international conditions for inclusive and sustainable investment through transparent rules and fair competition for the achievement of national developmental priorities[8]. This commitment needs to be translated into actions at the national level.
- There is a need for greater attention of the international community (bilateral and multilateral donors, international/ regional organisations and international businesses) towards developing internal capacity and awareness among national stakeholders about benefits of pro-competitive reforms and administrative actions.

Application of competition and regulatory reforms for achieving the SDGs offers national governments an opportunity to design their own 'vision' for reaching these goals. This would help create greater ownership, nationally as compared to depending solely on donor funded SDG programmes.

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[1] Refer to http://www.un.org/sustainabledevelopment/sustainable-development-goals/ for the complete list of SDGs and actions that each one of us can take to contribute towards these Goals.
[3] This project entitled, 'Competition Reforms in Key Markets for Enhancing Social & Economic Welfare in Developing countries' has been implemented by CUTS in four countries to highlight implication of competition and regulatory reforms on consumers and producers in two key sectors (staple food and bus transport)
[4] CUTS 7Up4 project was undertaken in seven countries of the ECOWAS, details are available at: www.cuts-ccier.org/7Up4
[5] Details of the project implemented by CUTS in two states of India (Assam & Chhattisgarh) available at: http://www.cuts-ccier.org/cohed/. Also, the implications of a weak regulatory framework in private healthcare and pharmaceuticals sector on business behaviour across four states of India is documented in a report: http://www.cuts-ccier.org/BRCC/pdf/Rethinking_Business_Responsibility_in_India.pdf
[6] Refer to the Ghana Diagnostic Country Report (prepared under the CREW project of CUTS) at: http://www.cuts-ccier.org/CREW/pdf/Diagnostic_Country_Report-Ghana.pdf
[7] Assessment of success and failure of SHGs in India, available at: http://planningcommission.gov.in/reports/sereport/ser/ser_shg3006.pdf
[8] See para 36 (pp 17-18) of the Addis Ababa Conference (July 2015) Outcome document at: http://www.un.org/esa/ffd/wp-content/uploads/2015/08/AAAA_Outcome.pdf

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