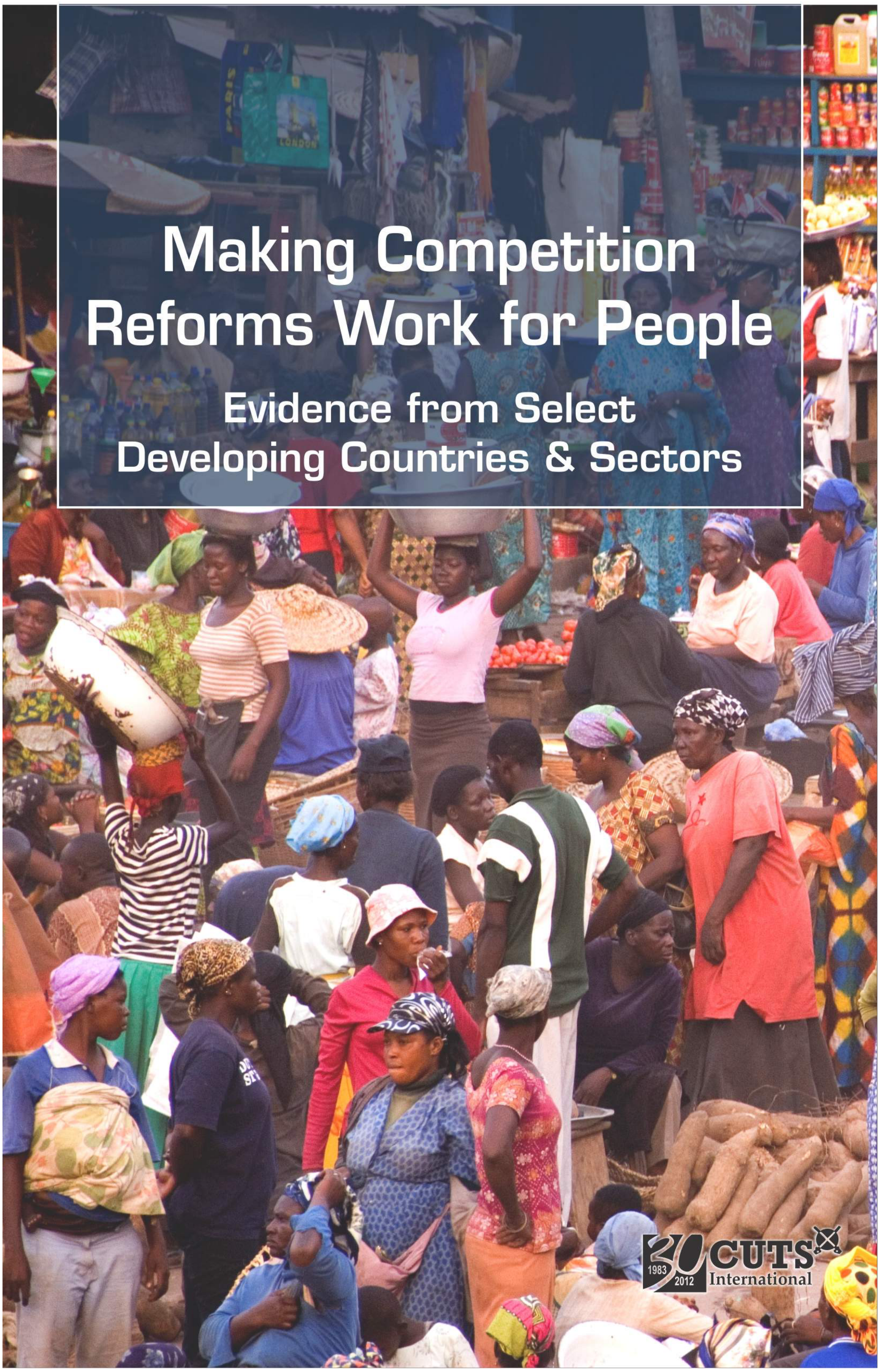
Making Competition Reforms Work for People

Evidence from Select Developing Countries & Sectors



CUTS International 1983 2012

Making Competition Reforms Work for People

Evidence from Select Developing Countries & Sectors

CUTS International

Making Competition
Reforms Work for People
Evidence from Select Developing Countries & Sectors

Published by

CUTS International

D-217, Bhaskar Marg, Bani Park
Jaipur 302016, India
Tel: +91.141.228 2821, Fax: +91.141.228 2485
Email: cuts@cuts.org, Web site: www.cuts-international.org

With the support of

UKaid from the British people · german cooperation DEUTSCHE ZUSAMMENARBEIT · giz Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

© CUTS International, 2015
First published: July 2015

Citation: (2015), 'Making Competition Reforms Work for People: *Evidence from Select Developing Countries & Sectors*' CUTS International, Jaipur

The material in this publication produced under the project entitled, 'Competition Reforms in Key Markets for Enhancing Economic and Social Welfare in Developing Countries' (CREW project) implemented by CUTS with the support of DFID (UK), and BMZ (Germany) facilitated by GIZ (Germany), may be reproduced in whole or in part and in any form for education or non-profit uses, without special permission from the copyright holders, provided acknowledgment of the source is made.
CUTS would appreciate receiving a copy of any publication, which uses this publication as a source. No use of this publication may be made for resale or other commercial purposes without prior written permission of CUTS.

ISBN: 978-81-8257-233-1

Printed in India by Jaipur Printers Private Limited, Jaipur

#1524 Suggested Contribution: ₹200/US$25

Contents

Abbreviations

AEAs:	Agricultural Extension Agents
APMC:	Agricultural Produce Market Committee
APP:	Agricultural Pricing Policy
ATMS:	Ahmedabad Municipal Transport Services
BCLL:	Bhopal City Link Ltd
BRTS:	Bus Rapid Transit System
CACP:	Commission for Agriculture Costs and Prices
CBOs:	Community Based Organisations
CCPC:	Competition and Consumer Protection Commission
COA:	Commission on Audit
DCs:	Developing Countries
DCR:	Diagnostic Country Report
DVLA:	Driver and Vehicle Licensing Authority
EDSA:	Epifanio De Los Santos Avenue
FCI:	Food Corporation of India
FISP:	Farmer Input Support Programme
FRA:	Food Reserve Agency
FSP:	Fertiliser Support Programme

GAM:	General Algebraic Modelling System
GSRTC:	Gujarat State Road Transport Corporation
IPRs:	Intellectual Property Rights
LBCs:	Licensed Buying Companies
LDCs:	Least Developed Countries
LTFRB:	Land Transportation Franchising and Regulatory Board
MMT:	Metro Mass Transit
MPSRTC:	Madhya Pradesh State Road Transport Corporation
MSP:	Minimum Support Price
MTWSC:	Ministry of Transport, Works, Supply and Communications
MV:	Motor Vehicles
NAFCO:	National Food Buffer Stock Company
NCZ:	Nitrogen Chemicals of Zambia
NFA:	National Food Authority
NGOs:	Non-governmental Organisations
NRGs:	National Reference Groups
NRSC:	National Road Safety Commission
PACS:	Primary Agriculture Credit Societies
PDS:	Public Distribution System
PPP:	Public-Private-Partnership
PWD:	Public Works Department
QRs:	Quantitative Restrictions

RDA:	Road Development Agency
RTA:	Road Transport Authority
RTC:	Road Transport Corporation
RTSA:	Road Transport and Safety Authority
SDGs:	Sustainable Development Goals
SFC:	State Food Corporation
SMTDP:	Sector Medium-Term Development Plan
SoE:	State-owned Enterprises
SRTUs:	State Road Transport Undertakings
TWIST:	Total Welfare Impact Simulator for Trade
WISER:	Welfare Impact Simulator for Evaluating Research
WTO:	World Trade Organisation

Acknowledgments

CUTS is implementing a project entitled, 'Competition Reforms in Key Markets for Enhancing Social & Economic Welfare in Developing Countries' (CREW Project), in four countries: Ghana, India, Philippines and Zambia, and across two common sectors: Staple Food and Bus Transport with the support from DFID (UK) and BMZ (Germany) facilitated by GIZ (Germany). One of the main goals of this project is to demonstrate the benefits of competition reforms for consumers and producers, so that greater attention and support can be provided to this issue by policymakers based in developing countries.

Efforts of several people have gone into making this report a reality. Involvement in various forms, such as direct inputs, thought provoking discussions, timely reviews, incessant encouragement and guidance have been crucial, in development of the report.

First of all, we express our deep gratitude and appreciation to DFID (UK), BMZ (Germany) and GIZ (Germany) for their extensive support and involvement in this project.

The preparation of the report would not have been possible without careful guidance and handholding from our project advisors: **Frederic Jenny**, Chairman, OECD Competition Law and Policy Committee, France and **Rughvir Shyam Khemani**, Washington DC.

Project Advisory Committee (PAC) members made valuable suggestions and provided guidance to improve the content of this report. A special vote of thanks goes to some of the CREW PAC members namely **Eberhard Feess** (Professor of Managerial Economics, Frankfurt School of Finance & Management, Germany), **Natalie Timan** (Director of Economics, Competition and Markets Authority, UK), **Owen Gabbitas** (Research Manager, Productivity Commission, Australia), **Tania Begazo** (Economist, Competition Policy Thematic Group, Investment Climate, World Bank) and **Subir Gokarn** (Director Research, Brookings Institution, India). We are also thankful to our friends **Thomas Ratsakatika** (DFID, UK) and **Eiko Kauffmann** (GIZ, Germany) for their continued support and trust in us.

This report has been prepared by **Cornelius Dube** and **Rijit Sengupta** of CUTS International. We gratefully acknowledge the efforts of **Neha Tomar** and **Shreya Kaushik** for their diligence and hard work in assisting in research and finalising the report. We also appreciate the efforts of **Madhuri Vasnani** for editing and **Mukesh Tyagi** for preparing layout of the report.

Finally, any error that may have remained is solely ours.

Pradeep S Mehta
Secretary General, CUTS International

Preface

CUTS has been involved in competition policy and economic regulation work ever since it was established in 1983. This line of our work was ratchetted after the developing world adopted economic reforms in early 1990s and globalisation was hastened with the arrival of the World Trade Organisation (WTO) in 1995. We realised that liberalisation and deregulation only buttressed the need for good market regulatory institutions, without which the gains of liberalisation would not accrue to people, for whom it was designed.

Since we were the first movers in the southern civil society on trade and competition issues, beginning with our work in India, we launched similar activities in other developing countries of Africa and Asia, supported mainly, but not only, by DFID, UK.

As part of our agenda for South-South cooperation, we believed that local capacities need to be built up and created to absorb regulatory reforms through local ownership. The organisation has worked together with local civil society organisations, research organisations, etc. across 30 developing countries to develop ground level evidence and stakeholder capacity on the need for promoting a healthy competition culture in their countries and regions. The subject of competition and regulatory reforms still remains an emerging area of public policy in many of these countries.

Though, in some countries, the subject of economic reforms has been given the centre-stage in planning of economic governance systems, yet the application of competition reforms consistently as part of these discussions has emerged in a creeping fashion.

The idea of the CREW initiative emerged from the idea of looking at economic reforms through the lens of pro-competitive policies and practices in developing countries. The goal was to attract greater attention of policymakers and practitioners on competition reforms as a means for achieving higher social and economic welfare. We were also cognisant of the fact that many developing countries were transiting from a centrally controlled regime to a more open and market-led economic regime. The introduction of a discussion on competition reforms, especially policies aiming to achieve level-playing field in sectors would be subject to considerable tribulations and even resistance from some quarters – especially those who would have benefitted from the *status quo*.

One of the reasons was the fact that the idea of such reforms was seen to have been introduced by external agents, rather than being the natural consequence of an internal realisation in the transition process. Therefore, there was limited buy-in and ownership of the 'competition reforms' agenda domestically – especially among politicians, policymakers and local opinion leaders.

As an advocate of competition reforms (having realised the power of well-functioning markets in its activities), CUTS has endeavoured to highlight the need for creating local ownership and constituencies for competition reforms in developing countries. Identifying and nurturing 'champions' of competition reforms has been one of the singular achievements of CUTS. However, this has not been based on the blind belief that prompting competition reforms in all kinds of markets is necessary.

CUTS position has been that an effective competition reforms agenda needs to be aligned with the social, economic, political and cultural characteristics of developing and least developed countries – for it to be absorbed and its effects felt. Further, a discussion of competition reforms should be undertaken in conjunction with that of regulatory reforms, i.e. in utility and infrastructure sectors – thus it's better to refer to such processes as competition and regulatory reforms.

There still remains a lot of doubt about private sector's role in helping countries achieve sticky developmental goals. This has resulted from the way private sector has often resorted to blatant profiteering, without attaching much attention to the aspirations of the society. This also highlights the need for having an effective competition regime (policy and law) that can check such behaviour of the private sector in developing/least developed country markets – where consumers, producers and other actors in the market are way more vulnerable.

This sets up an uphill task – but one that needs to be done in the interest of consumers and producers in developing countries. A role that CUTS has been playing all these years. We therefore decided to embark on the CREW project and highlight the need for competition reforms in two sectors – 'staple food' and 'bus transport' that impact the lives of ordinary people on a daily basis.

One of the key questions that we wanted to find answers was - *What has been the experience of introducing competition reforms in these sectors in select countries, especially in terms of benefits/welfare for ordinary people?* A lot of discussions and debate led to the selection of these sectors and indeed the four countries (Ghana, India, the Philippines & Zambia), where we implemented this project. But for resource constraints the geography and sectors could have been more.

We are grateful to DFID (UK), BMZ (Germany) and GIZ (Germany) for their faith in us by partnering with us in this project. We are also thankful to the project advisers who have been constantly guiding the project team in implementing this project.

We are extremely excited to share the findings of this project with colleagues, friends, scholars, practitioners from across the globe and hope to receive your support. We would like to dedicate this report to all in the developing world for there are good learnings which can help promote social and economic welfare in their countries too.

Jaipur
June 2015

Pradeep S Mehta
Secretary General

Executive Summary

A significant portion of income, especially of people in the low income groups, is spent on essentials like staple food and transportation (bus transport as it satisfies the daily commuting needs in the cities). Evidence suggests that in developing and least developed countries (LDCs), these commodities are either over-charged or are of sub-standard quality, furthering the woes of consumers. This robs the opportunity of the poor to balance their meagre budgets.

Such inefficiencies could be easily linked to the long history of socialist command control governance structures in these economies that more often than not result in inefficiencies and corruption. State owned monopolies are expected to provide such essential goods and services that often limit competition and/or result in fiscal burden.

Since the 1990s, governments of these emerging economies have started to realise the unsustainable nature of such governance models and begun to liberalise. Yet this transition has been sporadic as the public sector often finds it difficult to give up control and compete with the private sector, aided by an old world bureaucracy endowed with a command and control mindset. In sectors where deregulation does take place, government often finds a way of intervening and exercising its control.

The need of having structured and comprehensive reforms that promotes the introduction of 'market forces', thus arise. A way forward could be to gradually introduce competition in the market and levelling the playing field between State owned Enterprises (SoEs) and private players, accompanied by sound and effective independent regulation.

It is with this context that the CREW project (Competition Reforms in Key Markets for Enhancing Social & Economic Welfare in Developing Countries) was initiated by the Consumer Unity & Trust Society (CUTS International-head quartered in India). The project is being funded by DFID (UK), with support from BMZ and GIZ (Germany). The project aims to assess the nature, type and impact of competition reforms in select sectors across four developing countries. For comparative purposes, competition-related reforms pertaining to two key sectors namely: staple food and bus transport were studied in Ghana, India, the Philippines and Zambia.

The sectors were selected due to their impact on the daily lives of consumers and producers. Moreover, these sectors often need large resources, where economies are already constrained. Before the project was finalised considerable brainstorming was done and thus two sectors and four countries were selected for this project. The idea was that even this pilot project would throw up sound understanding and good policy prescriptions which could be applied across other sectors and countries (especially from the developing world).

The core objectives of the project are to promote better understanding of benefits that accrue from pro-competition reforms; develop and test a methodology that can be usefully applied in the selected countries and more generally; document the impact of the reforms on producer and consumer welfare; and advocate, prioritise and sustain pro-competition reforms in the national development agendas of governments and major stakeholders.

It is well recognised that the competitive process is conditioned by a wide range of factors – ranging from government policies and regulations to market structure and business conduct.

To appropriately evaluate the linkages of these factors on competition, reforms undertaken and their impact on producer and consumer welfare, the project applied both quantitative and qualitative analysis. Bearing in mind the paucity of data and relevant information frequently encountered in developing countries, the project developed methodologies and conducted both primary research, including surveys and relied on secondary sources and existing studies as well.

Among the distinguishing features of the project is that for each country National Reference Groups (NRGs) were formed consisting of representatives from the relevant government departments and policy institutions, subject experts, scholars, business associations and civil society. These representatives played an active role in all the critical stages of the project and developing its findings. For each country, a Diagnostic Country Report (DCR) was prepared. This process of engagement with different stakeholders in each country not only allowed for consideration of diverse views, but also validated the key findings from the research.

Staple Food Sector

Recognising the economic, social and political importance of staple food, the governments of the selected countries, viz., Ghana (maize), India (wheat), Philippines (rice) and Zambia (maize) have adopted various economic and regulatory policies in order to ensure security, accessibility, stable prices, and incentives for increased production of staple food, among other objectives. The approaches adopted by respective countries are sililar in many respects, but also differ. The diversity between countries, and experience with regulatory reforms bring out important lessons that policy makers generally need to consider. The analytical methodology applied focussed on the staple food value chain, and assessed reforms and their impact at different stages in terms of critical inputs in production of staple food, and the output markets.

Input Markets

Critical inputs in the production of staple food are fertiliser and seeds. During the 1980s and 1990s, all four countries liberalised imports and/or licencing requirements for supply of fertiliser and seeds. As a consequence, in all these countries greater private sector participation in the markets is observed. For example, Ghana ended the government monopoly on importation of fertiliser to foster greater private sector participation in the market. However, concerns relating to the quality of fertiliser being supplied by the private sector led the government to step-in by enacting the Plants and Fertiliser Act (2010), designed to oversee the quality of imported fertiliser. Ghana also closed down the publicly owned Ghana Seed Company, which was replaced by private sector, non-government and farmer community based organisations (CBOs). To further buttress these market-oriented reforms and ensure wide availability of quality seeds, the government has in recent years instituted a National Seed Policy (2013).

In a similar vein, as part of a broad national policy reform process, India liberalised various regulations relating to production and supply of fertiliser. The reforms also encompassed seeds, and included liberalisation of exports-imports, and intellectual property rights' (IPRs) protection to facilitate private sector participation. It is noteworthy however, that within India there have been differing experiences with liberalisation at the state level. Of the two states examined: Bihar and Rajasthan, the former has seen greater degree of private sector participation in the seed market. Bihar strengthened the seed sector through its 'Bihar Agriculture Road Map', which aimed at self-sufficiency and greater private sector role in production and marketing of seed. In Rajasthan, it appears there has been policy implementation failure, as the seed replacement rate has remained unchanged between 2007 and 2012. Also, the number and participation of private sector entities has largely remained unchanged.

In the Philippines, permits required for importation of fertiliser were eliminated. However, importers still need to be licenced and the imported products registered. In Zambia the elimination of government monopoly has led to increased private sector role in purchase and supply of fertiliser and maize.

In order to make the critical inputs more accessible and affordable, and to enhance production of staple food, governments have frequently resorted to providing subsides for inputs. Subsidies are known to create distortions and disincentives for fostering effectively competitive markets. And accentuate fiscal problems — especially faced by many developing countries. Nonetheless, socio-economic-political pressures often constrain government actions. During the 1980s, Ghana provided subsidies for fertiliser, which was phased out during the 1990s. But the subsidies were re-introduced in 2007 due to high global fertiliser prices.

In contrast, the Philippines provided subsidies for fertiliser and rice seed under the Hybrid Rice Commercialisation Programme earlier in the early 2000s, and terminated them in 2010. Zambia, through its Fertiliser Support Programme (FSP), later restructured as the Farmer Input Support Programme (FISP), provides subsidies especially targeted towards small-scale farmers.

Overall, the economic reform process across the four countries has led to greater participation of the private sector, competition, development and strengthening of markets. The yield/production of different staple food have increased. In Ghana for example, the average yield for maize increased from

0.6 to 0.8 tonnes per hectare, and total production from 1.5 billion to 1.8 billion metric tonnes during 2009-2012. However, the need for regulation remains as otherwise the benefits of market-oriented policies and reforms would not be shared widely. In Ghana, policies had to be adopted to oversee the quality of fertiliser and seed provided by the private sector. In Zambia, while there has been increased private sector participation in fertiliser imports, concerns relating to possible cartels point to the continuing role and importance of an effective competition law.

Output Markets

To address concerns regarding security, availability, accessibility and affordability of staple food, all four countries under review have established institutions to regulate various elements of demand-supply, prices and distribution. In Ghana, the National Food Buffer Stock Company (NAFCO); in India various policies and regulations: the Agricultural Pricing Policy (APP), the Agricultural Produce Market Committee (APMC), in the state of Bihar the Primary Agricultural Cooperative Societies (PACS); in the Philippines the National Food Authority (NFA) and in Zambia the Food Reserve Agency (FRA) play varying but very similar roles in procuring and maintaining strategic buffer stocks of staple food and employ these actions to stabilize prices as need arises. In addition, also protect farmers, by providing minimum prices at which the staple food would be procured and wherever necessary, domestic production-supply may be augmented through imports. The policies adopted by these different agencies, while well intended, have led to market distortions.

In Ghana, NAFCO has limited its role by procuring two-five percent of the maize production, while the balance is bought and sold by private traders. Although NAFCO at this level of activity does not interfere with the market, criticisms levied are that farmers cannot easily access it, and it has no physical presence in rural areas. This essentially excludes the rural farmers from effectively participating in the market and benefiting from NAFCO. In India, Bihar repealed the APMC Act to curb systemic corruption. However, there has been little or no government oversight of the trade practices in procurement, and the operations of the PACS. The small farmers have not benefitted, and due to political interference, public investment has also declined.

In the Philippines, the NFA has monopoly over imports, but on occasion authorises private traders to import. However, overall it maintains a quota on imports that have significant distortionary effects. The price of domestically produced rice is much higher than the imported rice. The domestic production plus the import quota does not meet market demand, and has led to smuggling of rice from neighboring countries. The WTO has allowed Philippines to maintain quantitative restrictions on rice imports till 2017. If these restrictions were removed immediately, there would be a ten-fold increase in imports, and price of rice paid by consumers would decrease from PHP 33.08/Kg to PHP 19.80/Kg — generating significant consumer welfare.

In Zambia, in 2003 the FRA came up with minimum procurement price for maize, which would be paid even if the market price were lower — leading to a subsidy and fiscal burden. The FRA also subsidised the price of maize supplied to millers with the expectation that this would be passed on to the final consumer — which has not been evidenced.

The four countries' experience with regulatory reforms suggests several lessons:

- *Subsidies*: Benefits do not always accrue to intended small farmers, and policy-makers need to have better designed, targeted policies.

- *Fertiliser Imports*: While private sector participation has increased due to market liberalisation reforms, various competition related distortions in importation, transportation and distribution have been evidenced. Effective measures to address the concerns raised are required.
- *Procurement:* Government procurement agencies and their role in maintaining strategic reserves and stabilising prices should be retained. However, policies relating to setting of minimum/floor prices ought to be re-examined – especially in the case of Zambia's FRA. Ghana's NAFCO on the other hand has been a successful example where as a buyer of last resort it purchases only surplus maize. And implements other support policies to increase productivity and information dissemination.
- *Minimum Support Price:* In the countries reviewed, the government agencies with the introduction of minimum/floor prices have commendably stabilised food prices. However this has not been without costs, where for example in India, the Philippines and Zambia there have been adverse fiscal impacts. Also farmers often face delays in receiving payments, pointing to the need for related administrative reforms.

Bus Transport

In the aforementioned four countries, the bus transportation liberalisation policies (both with respect to inter-city bus transport (on selected routes) and with respect to intra-city bus transportation (in selected cities) were studied.

With the exception of India, the four countries under review have followed a policy designed to facilitate private players' entry into the inter-city bus transport sector. However, there have been differences about the scope of these policies and about the way they were designed and implemented.

Various schemes were put in place to attract private sector operators in Ghana, Zambia and The Philippines. In Zambia import 'tariffs' were removed on imported buses by the Government of Zambia in the late 1990s and the licensing procedures and process of issuing permits were simplified, which led to a considerable development of the private bus industry and a complementary disengagement of the public sector. In the Philippines, major reforms in bus transport regulation were carried out in the early 1990s in order to liberalise the market and the government totally exited the market. In Ghana, despite the existence of the publicly-owned Metro Mass Transit (MMT), no barriers were imposed by the government to protect MMT from competition and the private sector has been able to gain a lot of commuter patronage.

In India, an antiquated legal system protects the state owned operators and is making it difficult for enhanced private sector participation. However, private procurement of bus services has been undertaken through mainly sub-contracting without the power for the private operators of setting their own fares and routes in the two Indian cities studied in this project (Ahmedabad and Bhopal). In those cases, the private procurement of buses did not seem to follow a 'pro-competitive' process – thereby restricting the extent of engagement of private players.

The four countries under review have on the whole shared the same, and sometime conflicting, economic and public-policy goals of achieving efficient, cost-effective and inexpensive, fast, frequent, easily accessible and safe transportation services.

Whereas three of the countries under review considered that the opening up of the bus transportation sector to the private sector would contribute to the promotion of an efficient and cost-effective bus transportation sector, they also wanted to ensure that if producers' interests were taken into account, consumers would also be protected against exploitation through high fares. Thus, they felt it necessary to maintain a public-sector operator and/or to regulate the sector. Those regulations have often proved to be inadequate or insufficiently enforced to deliver the expected benefits.

The fare-setting process across all the countries has been beset with institutional failures. The process of regulatory fare-setting is not scientific and does not seem to operate on the principles of fairness and transparency in Zambia, Ghana and the Philippines.

In Ghana, many operators are struggling to recover costs under the current fare regulations; as a result they ignore the set fares and charge their own. In Zambia, fares have generally been considered more favourable to the operators than to the consumers, making Zambia one of the most expensive countries in terms of bus transportation services. Ordinary daily commuters spend from 10 to 20 percent of their monthly income on public transport in the capital city of Lusaka. In the Metro Manila area of the Philippines, the fare might have been set at a higher level than ought to be the case resulting unnecessarily large number of buses on the roads.

The governments of Ghana and India also rely on a public operator to provide a cheap alternative to services offered by the private sector for the lower income group of the population. But the experience of Ghana and India also points to the difficulties for the public sector, whether it is in competition with the private sector or not, to deliver efficient and good quality services.

In Ghana, 50 percent of those who use the MMT services are indeed at the lower end of incomes; but MMT has had to be continuously subsidised, which has affected its ability to continue to provide quality services. Many passengers seem to prefer the private sector despite higher fares as compared to MMT. In India, the State Road Transport Undertakings

(SRTUs) in Gujarat are characterised by systemic inefficiencies due to the absence of competitive rivalry, the assured availability of budgetary support that is de-linked from any minimum performance requirements, and the absence of any comparative benchmarks.

Besides the issue of pricing, the examination of the four countries reveals numerous instances of other regulatory failures in the bus transport industry.

For example, in Ghana, operating permits are not tied to a specific route, such that an operator is free to decide where to service. This has resulted in 'cream skimming' or 'cherry picking', where only profitable routes with high commuter demand are served better, especially in the intra-city segment. Other routes that are not very profitable have limited transport availability. Furthermore, the Driver and Vehicle Licensing Authority (DVLA) in Ghana does not properly exercise its mandate, and, as a consequence Ghana has seen issuance of illegal and fake licenses at DVLA by middlemen with increased costs.

In Zambia, where operating permits are also not tied to specific routes, there seems to be an even more widespread regulatory failures than in Ghana with complaints of unfriendly behaviour among the operators as they have no need to serve the passengers, lack of maintenance of services as per published schedules, fare variations from the government published rates, allocation of permits without proper inspections of road worthiness, pollution controls, etc.

In the Philippines, because of high fares, the market has seen a large number of entrants, resulting in traffic indiscipline and congestion. The ability of the regulators to properly regulate the sector has been limited. For example, although there is a moratorium on the number of operators, the players have found a way of getting around the problem through paying more than the gazette fees.

In India, the delivery of service is poor with respect to the quality of buses, the number of routes operated, the frequency of services offered, and other parameters. In the face of rising demand for mobility this sub-optimal performance has created an increasing demand-supply gap. In response to the falling operational fleet size of the Gujarat State Road Transport Corporation (GSRTC), which enjoys a legal monopoly in Gujarat in the stage carriage segment, there has been a fast expansion of unauthorised private operators, who by law hold only a contract carriage permit, but have started to provide stage carriage services by taking advantage of the weak regulatory regime and paying off the polity and the bureaucracy to operate without hindrance.

The combination of the opening up to competition of the bus transportation sector in the countries under review and the failures to properly monitor and regulate the sector have led to mixed reviews by the consumers on the benefits of deregulation.

On the one hand, it is widely acknowledged that the opening up of the bus transportation sector to competition has enhanced consumer access to bus transport; on the other hand, the 'quality' of bus service provided by the private sector does not seem to be perceived to be satisfactory either because of the high prices charged (and the resulting low quality/price ratio) or because of the poor quality of the service. In Zambia and the Philippines, countries where there is no public provision of lower fare buses and an oversupply of private buses, consumer consider that the prices they pay for bus transportation are too high and that the quality of the service is poor.

Altogether, the study of the bus transportation sector in Ghana, India, the Philippines and Zambia, first, points to the fact that market liberalisation measures and the opening of the sector to competition are necessary ingredients in order to adapt supply and demand and to promote the efficient delivery of bus transportation services and, second, to the fact that regulation is equally necessary for three reasons: to ensure the harmonious transition from a government controlled delivery of bus transportation services to a more competitive environment, to manage the positive and negative externalities generated by bus transportation sector and to achieve the socio-economic goals of governments. The experiences of four countries under study show that both the producer and consumer benefits from a freer and more competitive market for bus transportation services can be reduced or even eliminated if there is either insufficient regulation or a failure to implement adequate regulation.

1
Introduction and Background

Context

Access to food and bus transport, among other basic needs, is essential for everyday survival of the poor, and also has the potential to pull the destitute out of poverty. This is evident because a significant portion of income of low income earners is spent on these essentials.

Consequently, supply of over-charged or sub-standard staple food and bus transport services robs the poor an opportunity to save or benefit from quality products. Simply stated, the return on investment is inadequate. Evidence suggests that this mostly occurs in developing and least developing countries, resulting in double whammy. For instance, India is struggling to get a strong road safety and transport law in place, despite close to 1.5 million annual deaths in road accidents and the crying need to unshackle bleeding state monopolies.[1]

More often than not, such inefficiencies find causal linkages with legacy command and control structure in economies, replete with entrenched interests, corruption, incompetence, ineptitude and indifference to public good. State owned monopolies are expected to supply essential goods and services, which often give a free pass to efficiency, cost control, quality and safety standards.

While governments in emerging economies have begun to realise that such models of service delivery are unsustainable and have initiated the process of transition to market based economy since the 1990s, efforts have been wanting. Public sector finds it difficult to give up control and compete with private sector. Consequently, while deregulation finds mention in the policies, it happens in fits and starts. No wonder, the transition has been bumpy. It is no surprise, thus, that proportion of undernourished in Zambian population has increased from around 34 percent to 49 percent in the last 25 years (FAO, 2015)

Even in sectors where some progress has been made, the government often makes back-door entry in the name of public interest, and servicing the masses, which the private sector is deemed incapable of. In such a scenario, discretion and arbitrariness thrives and accountability and transparency are given a short shrift. The processes remain fraught with leakage, inefficiency and apathy, disregarding the interest of the poor.

This calls for structured and comprehensive reforms to introduce market based principles in delivery of essential goods and services with a robust transition path. The government must not retreat in an instant, neither should it keep interfering from behind the scenes. A gradual path needs to be built to replace government's role with market players, while ensuring transparency and accountability. However, the role of the government to regulate the deregulated sectors through independent regulators becomes more critical than before.

One of the ways to do this is to gradually introduce competition in the market and levelling the playing field between state owned entities and private players, accompanied by sound and effective independent regulation.

Rationale

Give the above context, the need for competition reforms across many developing countries continues to be paramount to ensure fair competition in key markets for citizens' welfare. Developing and LDCs are often faced with resource constraints. So, while competition reform is recognised as an important component of economic governance, legacy problems often result in sub optimal outcomes.

CUTS International has been implementing a project to address this challenge and devise a strategy for greater attention to be given to competition reforms by developing country policymakers and stakeholders. This project entitled **'Competition Reforms in Key Markets for Enhancing Social & Economic Welfare in Developing Countries'** (referred in short as the **CREW Project**),[2] is being implemented in four countries: **Ghana, India, The Philippines** and **Zambia,** and across two common sectors: **Staple Food** and **Bus Transport**. The sectors (staple food and bus transport) were selected due to their impact on the daily lives of ordinary people. Indeed there were other sectors and countries to be looked at, but budgetary limitations etc. were factors to look at just these two. Before the project was finalised brainstorming was done and thus two sectors and four countries were selected for this project. The idea was that even this pilot project would throw up sound understanding and good policy prescriptions which could be applied across other sectors and countries.

CUTS has been implementing this project since November 2012, with support from DFID (UK) and BMZ (Germany) facilitated by GIZ (Germany).

Project Aim

Through this project, CUTS aims to develop and test a methodology, which would help assessing benefits of competition reforms for consumers and producers in key developing country sectors/markets. Once verified and finalised, it is envisaged that this methodology will guide policymakers in undertaking competition reforms in key sectors to ensure better benefits for consumers and producers. This is expected to create greater awareness and support for competition reforms across the 'developing south', as countries would be encouraged to learn from each other's experiences.

The core objectives of the CREW project are to:

- enhance understanding of the benefits from effectively undertaking competition reforms in developing countries as an intrinsic part of the overall reforms agenda;
- develop and test a methodology (with indicators) for assessing the efficacy of competition reforms in achieving impacts on developing country consumers and producers;
- sustain the momentum on prioritising competition reforms, gained from stakeholder awareness and greater understanding about the associated benefits and participation in related processes in developing countries; and
- advocate for greater importance to competition policy and law issues in the national development agenda to national and international stakeholders.

Methodology

A comprehensive methodology was developed by CUTS to undertake research in two selected sectors in each country. Extensive inputs were received from a team of Advisers, comprising of noted competition scholars and practitioners from both developing and developed countries. The aim of this research was to establish linkages between components of competition reforms in the selected sectors and indicators of consumer and/or producer welfare.[3]

In-country research and information collection was undertaken by country partner organisations (selected premier think-tanks in each country) with inputs from a group of multiple national stakeholders, referred to as the NRG[4]. The NRG members are subject matter experts, scholars, representatives of relevant government departments, business associations and civil society. These were actively engaged to ensure that the findings and subsequent implementation process of the recommendations were understood well. The NRG members are also from institutions that are relevant and influential to ensure that there is better buy-in of the research findings within the policy making fraternity. The output of the country-level research is referred to as DCRs, which highlight evidence of the linkage between competition reforms in each sector and implications for citizens (consumers and/or producers in staple food and bus transport sectors).[5]

These DCRs started with the identification of relevant policies/laws/programmes/statutes in each of the two sectors examined in each country based on their pro-competitive or anticompetitive elements. These elements, which encompass factors such as government policies and regulations, pricing and quality of products, access to markets among others, are discussed in this study. The next step was to identify how such pro/anticompetitive elements have implications for indicators of consumer and/or producer welfare. In order to assess this, both secondary and primary data was gathered and analysed. Guidance notes were prepared for the collection and analysis of secondary and primary data to ensure uniformity in structure of reports across the project countries.[6]

Furthermore, the process involved wide consultations through structured focus group discussions in NRGs in the capital cities. Finally, the analysis on the link between pro/anti-competitive policy reforms and their ultimate impact on consumers and/or on producers was illustrated in the DCRs.[7]

This synthesis report distils the lessons and evidence from the four country-specific DCRs (Ghana, India, The Philippines and Zambia).

Key Terms and Elements Used in Assessing Competition

Certain terms have been used in this and other documents/reports associated with the CREW project. It is important to note that the manner in which these terms are defined within the context of the project may have some little variations from their normal economic use. Under this project, these terms have been defined in a certain manner, as is presented below:

(i) Competition Reforms:[8] is an aggregate of the following three components:

- Enabling government policies designed to facilitate adoption of market principles in a sector
- Well-designed regulatory framework with adequately resourced independent regulatory institutions
- Presence of a competition law and an effective enforcement mechanism

(ii) Consumer Welfare Benefits: the benefit accruing to consumers from the following indicators[9]:

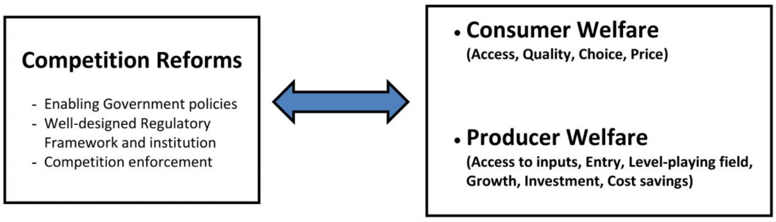
- Access: Goods and services reach consumers easily, timeously and in areas where they were not available earlier

- Quality/Price: Quality goods and services are available to consumers without any appreciable changes in prices of such goods/services
- Choice: New firms/products enter otherwise 'concentrated' markets, for the benefit of consumers
- Price: Prices are reduced in a 'contestable market' to the relief of consumers,
- Time savings by consumers

(iii) Producer Welfare: the benefit accruing to producers from the following indicators:

- Access to essential services: firms can easily access inputs (labour, capital, technology, etc.), infrastructure services, etc.
- Entry barriers: firms are able to easily enter relevant markets (and exit too)
- Level playing field: equal opportunity exists in markets for firms, whether in the private sector or public, to 'win' consumers/customers
- Growth: enabling conditions prevail in the market that help well-performing firms/entities to function and grow in the sector
- Investment: well-laid down programmes for attracting investments are present
- Cost savings: businesses have opportunities for saving otherwise extra and unnecessary costs

Competition reforms generally affect the manner in which goods and services are produced and distributed to consumers. As a result, both consumers and producers of the affected products and services are expected to be affected by the reforms. Thus, competition reforms are expected to have an impact on consumer and producer welfare. Using the above definitions, the following conceptual framework of the linkage between competition reforms and consumer/producer welfare, can be illustrated as:



Organisation of this Report

The rest of this report is organised as follows: Chapter 2 and 3 presents cross-country experience from the staple food and bus transport sectors respectively, together with associated emerging lessons. Chapter 4 illustrates an emerging pathway, which is the medium through which competition reforms could lead to consumer and producer welfare. Chapter 5 presents some illustrations to highlight how competition and regulatory reforms in the sectors have had implications on women's social and economic empowerment. Concluding remarks are provided in Chapter 6.

2

Competition Reforms in the Staple Food Value Chain – Experiences from Countries

The four countries adopted different reforms in the staple food sector, which also had different impacts on markets. However, the approaches adopted have a lot of similarities that also help bring out important lessons.

Strategy and Reform Programmes in Input Markets

All the four countries opted for a more liberalised environment, especially in the agriculture input markets during the 1980s and 1990s. In Ghana, the fertiliser sector was liberalised in 1991, which ended the government monopoly in the importation of fertiliser. In India, liberalisation in the fertiliser market was adopted at the national level in the mid-1980s. This was done as part of a broad policy reform process, which also targeted licensing, seeds, industries, export-import and IPRs to facilitate private participation. In The Philippines, importation of fertiliser was also liberalised, with elimination of permits; although importers were required to be licensed and imported products needed to be registered. In Zambia, the de-regulation of agricultural marketing was also adopted in 1990, which saw private players being allowed to purchase and market maize and fertiliser.

The same trend has also been witnessed in the seed sector. Towards the late 1990s, Ghana closed the publicly owned Ghana Seed Company, which was replaced by private sector and non-governmental organisations. Private seed producers, farmer based organisations and CBOs became very active in the market. Subsequently, in 2013 the Government of Ghana adopted the National Seed Policy to demonstrate its commitment to reforming the seeds market in the country.

In India, the seed sector was liberalised at the national level during the mid-1980s, which opened the doors for private participation. The project examined the staple food market (wheat sector) in two states of India: Bihar and Rajasthan. Two states were selected as India is a big quasi federal country. In Bihar, specifically, the seed sector was strengthened through the Bihar Agricultural Road Map 2008-12, which focussed on self-sufficiency in seed production through enhanced role for private players to boost production and marketing. The Rajasthan Seed Plan sets targets but did not succeed in bringing in reforms covering all the important elements of the seed supply chain. Thus, there has not been much impact of the reforms in Rajasthan as the seed replacement rate in 2011-12 remains at a similar level to 2007-08.

As a way of ensuring that farmers enhance production of staple food, fertiliser and seed subsidies were also found to be common policy interventions employed by the countries. In Zambia, this was introduced on a full scale in 2002 through the FSP to improving access to fertiliser by small-scale farmers. In 2009, this was restructured and re-named the FISP to include other inputs.

In The Philippines, input subsidies were implemented through the Hybrid Rice Commercialisation Programme in the 2000s, which also included seed and fertiliser subsidies. The programme was however terminated in 2010 and is yet to be renewed. In Ghana, input subsidies to farmers were provided in 1980s, although these were later phased out in the 1990s under liberalisation. However, due to high global fertiliser prices, subsidies were re-introduced in 2007.

Subsidies on 'agriculture inputs' are considered to be anticompetitive, as they result in disincentives and distortions for the private sector from directly engaging in the market. Further, they also create considerable financial pressure on the government, especially those with resource constraints and breeds inefficiency in the fiscal management system. Subsidies also have negative effect on the taxpayers, as taxes can be increased to accommodate them. However, there is considerable public welfare value of subsidies, as they are used by governments to support disenfranchised citizens (highly politically sensitive).

One of the most common problems with subsidies is the problem in 'targeting' them to the right beneficiaries. In some instances, larger/proximal farmers benefit more from subsidised fertilisers than do small scale/remote farmers. One way of addressing the 'last mile' challenge of the government in transporting fertiliser to the most remote/rural farmers could be addressed by investing in rural road networks. This would also make it easier to provide private fertiliser/inputs companies with the right incentives, as these normally face high costs in reaching out to remote areas.

Impact of Reforms in Input Markets

As per their intended objectives, the liberalisation of the input markets ushered in private sector players into the sector and thus ensured that there is more competition in the market. In Ghana, while the opening up of the fertiliser import regime saw a number of private players entering the market, this market has not grown rapidly as there are only six main private importers of fertilisers for the whole country, who can easily coordinate their behaviour.

In India, liberalisation measures since the mid-80s at the national level have facilitated vibrant private participation with considerable competition. The private sector is now estimated to account for 80 percent of the seed sector turnover at the national level. In the state of Bihar, the private sector focus of the Bihar Agricultural Road Map (2008-12) resulted in private seed producers increasing in number from one to over 10. The Seed Plan of Rajasthan, however, had little impact as they could not attract (relatively) greater private sector participation. One of the factors attributing to this failure is the implementation failure of the state seed plan.

In Zambia, the number of private players who participate in the fertiliser importation and distribution has now risen to 13 players. However, there are allegations that highlight possibilities of some market allocation cartel arrangements by some of the big firms in this business in Zambia.[10]

The reforms have also had some positive impacts in terms of enhancing production and farmer productivity.

- In Ghana, the government has instituted some reforms aimed at ensuring that the quality of the fertiliser is improved. For example, while there was an increase in private sector participation, the quality of the fertiliser was an issue of concern for the farmers. Thus the government put in place the Plants and Fertilisers Act, 2010, which was specifically designed to supervise/monitor quality of fertilisers being imported into the country. Farmers have thus witnessed some improvements in the quality of fertiliser due to the policy which has also increased the demand for fertilisers within the farming community. The average maize yield has also improved from about 0.6 tonnes per hectare in 2009 to over 0.8 tonnes per hectare in 2012. Maize production increased from about 1.5 billion metric tonnes to nearly 1.8 billion metric tonnes in 2012.

> *Right regulatory safeguards ensure that benefits of trade/economic liberalisation can be derived fully by the citizens/country, and is not merely used as an opportunity by private players to exploit the market*

- In State of Bihar, India, the reforms saw seed production in Bihar increasing seven fold between 2005-06 and 2009-10. Farmers in Bihar (Vaishali and Saran districts) reported overall improvement in access, better reliability of supply, quality improvement and greater price affordability of seeds. Higher seed production and better access also led to an increase in seed replacement rate in wheat and resulting yield.

These two examples highlight the value of having the right regulatory safeguards in place to ensure that benefits of trade/economic liberalisation can be derived fully by the citizens/country, and is not merely used as an opportunity by private players to exploit the market.

In Zambia, although the FISP subsidy regime created a fiscal burden on the government it had little or no measurable impact on rural poverty. Aggregate maize production significantly increased due to the subsidy, but rural poverty has remained consistently high at around 80 percent. This is mainly because the farmers did not diversify into higher margin crops, and the increased production of maize had a dampening effect on prices and hence farmers' income. The policy also gave less priority to other high potential cash crops and traditional drought resistant food staples such as sorghum, millet and cassava compared to maize. Thus, this lead to a poorly developed agricultural sector dominated by a single crop: maize. The excessive dependence on government support by the farmers also later developed a lax attitude toward repayment of loans from other private financial institutions that could have assisted with productive loans. In addition, the general dependence on government also implied that even commercial and large scale maize farmers lacked a general understanding of the functioning of credit markets.

In The Philippines, the programme for subsidising rice seed and fertiliser had to be terminated in 2010. However, the programme was ridden with corruption as alleged by farmer organisations. It can be seen from the fact that the intended beneficiaries did not gain much from the subsidy allocations, yet there was limited opposition to discontinue the programme.

Strategy and Reform Programmes in Output Markets

One of the key strategies to spearhead activities in the output markets was establishment of institutions across the countries, which mostly had a mandate to regulate the market and ensure that there is food security.

- In Ghana, the NAFCO was established in 2009 to act as a last resort for mopping up any produce from farmers that they were unable to sell to the market at the 'guaranteed price'. This was in addition to NAFCO's main function to purchase, sell, preserve and distribute food stuff to create or employ a buffer stock mechanism to ensure stability in demand and supply. The establishment of NAFCO, however, was by no means an attempt to stiffle the market – as private traders (market queens) and their agents still buy maize directly from the farmers. NAFCO procures only two to five percent of the maize, with the rest done by these private traders. Some farmer organisations have complained about challenges in accessing NAFCO as it does not have physical presence in the remote areas. Questions have also been raised of the need for NAFCO to maintain a network of 75 Licensed Buying Companies (LBCs), given that they only procure 2-5 percent of the produce.

- In The Philippines, the NFA regulates the market to ensure food security and price stabilisation as provided in the Presidential Decree No 4.[11] Domestic production of rice has not been growing fast enough to meet the growing demand, which has resulted in increased importation of rice in the country. Although the NFA enjoys monopoly in rice imports, it has had to relax its import monopoly partially on occasions by 'authorising' private traders to import so that the import quota is met. NFA continues to have a very strong control on the importation of rice in The Philippines. This together with the maintenance of an import quota of rice has had implications on consumers. Price of domestically produced rice is much higher than imported rice from the neighbouring exporting countries. However, restriction of rice imports imply that small quantities of rice can be imported, which is not able to meet the demand. This has also led to smuggling of cheaper rice through the various islands.[12]

- In Zambia, the FRA was established in 1996 with the primary mission to ensure national food security and income of farmers by maintaining a sustainable national strategic food reserve. FRA acts as a market stabiliser for maize by purchasing the crop from smallholder farmers during harvest season which would then be distributed to economically disadvantaged areas in the country. The government has also been pursuing other policies through the FRA, including the input subsidy programmes discussed earlier. In July 2003, FRA came up with a floor pricing regime, where a minimum buying price for maize was introduced which exceeded the market rate. FRA would buy maize from farmers at this rate, even though it would still sell the same maize to consumers at a rate that was comparable to the market price. In September 2011, the Government of Zambia also subsidised the price of maize held by the FRA to maize millers.[13] At a huge cost to the government, this was in the hope that after receiving maize at subsidised prices; millers would pass on the subsidy to consumers in the form of lower retail maize meal prices.

- In India, the Food Corporation of India (FCI) is responsible for the procurement and Public Distribution System (PDS).[14] The institution was established in 1964 with the objective of ensuring national food security. In case of procurement, the institution procures grains at Minimum Support Price (MSP) from farmers, where the price is set by the Commission for Agriculture Costs and Prices (CACP). At the state level, procurement is enabled through State Food Corporation (SFC) and such other state procurement entities. These entities procure and collect the grains at state level and transmit the same to the FCI. In Rajasthan the state level procurement is done by Rajasthan State Food Corporation while in Bihar the same is done by Bihar State Food & Civil Supplies Corporation through the Primary Agriculture Credit Societies (PACS).

Impact of Reforms in Output Markets

Government's Role in Food Price Stabilisation

One positive impact on both consumers and producers brought by the introduction of support or floor prices was price stability in all the four project countries.

- In Ghana, the average variation of prices between 2002 and 2008 was 48.8 percent, while that during the period 2009-2012 was 31.05 percent. This reduction of price volatilities cushions both consumers and producers from price extremes.
- In The Philippines, government intervention in the 1970s had kept consumer prices low, although government was eventually unable to sustain it due to fiscal constraints.
- In Zambia, FRA activities were positive in reducing the variance of wholesale prices by about 13.5 percent on average.
- In India, the MSP has stabilised prices by ensuring that produce is not sold at a price lower than the MSP.

However, the activities also had some negative effects in Zambia and India. In Zambia, FRA has some constant challenges with paying the farmers in time to prepare for their subsequent seasons. While the FRA floor pricing regime was beneficial to the net maize sellers, who only comprise about 28 percent of all farming households in Zambia, it was not good for the 49 percent who are net buyers. In Rajasthan (India), the state procurement procedures has been characterised by frequent complaints by the farmers of delays in payment as well.

Government Floor Pricing

The floor price, which is contrary to free market principles, but is a welfare measure, has had different results in the project countries. It is mostly in Ghana that is a success, as the objective of NAFCO was to only mop up excess maize, it thus targets only a small percentage of the market, with the rest being serviced by the private sector. In Rajasthan (India), although the model APMC Act has provisions for private markets, only two licenses have been issued for private markets, suggesting regulatory-policy based barriers to entry remain high. In Zambia, the high floor price set by FRA has crowded out private players, who find it difficult to match the prices offered by FRA.

> *Government procurement institutions should largely have the strategic safety net function (like in Ghana) as opposed to being the most preferred buyer of staple food*

It can be inferred from this discussion that government procurement institutions should largely have the strategic safety net function (like in Ghana) as opposed to being developed as the most preferred buyer of staple food.

Although the APMC Act was repealed in Bihar (India) in 2006 to curb systemic corruption, there is little government oversight of the trade practices in procurement. State withdrawal has also been accompanied by decline in public investment in agricultural infrastructure and unnecessary political interference. Despite removal of policy barriers for private entry, the state government has, however, not succeeded in developing an attractive investment environment. The handing over of the procurement of wheat to the PACS in 2013-14 by the Bihar state government failed to have any significant impact on procurement patterns. This failure can be attributed to inherent institutional failure in the PACS and politicisation of the institution rather than being an indication that the policy was bad. In spite of being developed as an institution of the farmers, for the farmers, by the farmers, the PACS have failed to deliver especially for small farmers of Bihar. There is an urgent need for strengthening the PACS in Bihar, which the Bihar government also seems to be gradually realising.[15]

Among the four countries, Zambia adopted a unique decision of going an extra mile to subsidise maize millers as well. However, the subsidising of millers that was introduced in 2011 also failed to achieve the desired goals, as very little of the government support incurred in providing FRA grain to millers at below-market prices benefited consumers. Thus the millers benefited more from the regime than the intended consumers. The failure can be attributed to poor oversight on the selling price of maize meal by the government.

The Impact of Relying on International Trade in Inputs and Outputs

Across the four countries, the influence of international trade on the level of competition in domestic agricultural inputs and retail markets has been noted in the following three cases:

Farmer Input Support Programme (2009) in Zambia

As has already been described, the FISP programme was introduced with a view to improving farmer operational efficiency and expanding the sphere of support to the farming community. Zambia depends highly on international markets for its fertilisers, as the local production is minimal. It is only the state owned Nitrogen Chemicals of Zambia (NCZ) involved in some production at a local level, although it has significant challenges in producing some types of essential fertilisers (nitrogen based, etc.).

Due to its dependence on imports, the fertiliser market has been subject to international price fluctuations. Importing fertilisers and making them available at the farm gate involves high costs. Being a landlocked country costs of transportation are high in Zambia. It has been reported that transport costs roughly adds 25–30 percent to the final cost of fertiliser.[16]

In addition, the slow port clearance systems in transit ports such as Beira (Mozambique) and Durban (South Africa) further affect both cost and timely availability of the fertiliser. Cases of cartelisation in the local market, where big importers are alleged to have been involved in bid rigging, also increase further the cost of imported fertiliser to the government.

Fertiliser Support Programme, Ghana

Since 2004-2005 there has been an increase in the importation of fertiliser in Ghana due to liberalisation. However, there have been some complaints by farmers about the quality of fertiliser. This prompted the Government to put in place a strict fertiliser quality control regime. This was done through the enactment of the Plants and Fertilisers Act, 2010, to be implemented by a dedicated department under the Ministry of Food and Agriculture (the PPRSD).

The fertiliser subsidy programme started with the introduction of a voucher system[17] in 2008, which had to be disbanded after two years as the result of operational deficiencies and delays in payment to importers. After abolishing the voucher system of granting fertiliser subsidies, the government introduced a new system; the 'waybill system' of providing subsidies in 2010 (which is still in place).

Under the waybill system, the government absorbs port handling, loading, and transport costs as well as agents' commissions and margins to determine prices that are deemed affordable to small-scale farmers. However, the absorption of these costs also depends on the availability of government's budget for the subsidy. Under the waybill system, retail prices of fertiliser in the domestic market take into consideration the fluctuation of the fertiliser price in the international market, exchange rate fluctuations and the different cost components along the domestic supply chain.

The introduction of this regulatory intervention along with the private players' arrangement has resulted in a significant increase in the import of quality fertilisers. About 75 percent of the farmers surveyed under the study in Ghana reported timely access to fertiliser which improved productivity. However, a key issue that the government is still grappling with is the high cost of fertilisers.

There are some cases of delayed payments to importers and distributors on the part of the government. The imports are also at times delayed, which affects the time of planting and consequently, production. One of the reasons attributed to this is the rigid government system that is not swift enough to react to changes in transport costs, changes in exchange rates or varying distances to farms and related costs. This also contributes to the current scenario where dealers sell only at large rural centres and avoid remote places.[18]

Quantitative Restriction on Rice imports in The Philippines

In 2012, The Philippines obtained an extension of the quantitative restrictions (QR) on rice imports from the WTO. The QR has been prevalent in the country since 1995 and the extension is set to expire in 2017. The QR has been seen as a measure to protect the domestic rice farmers from international competition. This is quite paradoxical that when local availability is poor, the country maintains quantitative restrictions. The rice eating public will not likely switch to other cereals as a response since substitution is not easy.

The rice farmers face major impediments during production, such as poor infrastructure, high labour costs, unpredictable weather (as the area is typhoon prone) and high transport costs. The demand for rice is higher than the domestic supply while costs of production are rising and irrigable land is limited. There is therefore a feeling among the traders that the QR should be done away with and free import of foreign rice be allowed.

Imported rice can play a significant role in The Philippines' domestic rice market. Through the Total Welfare Impact Simulator for Trade (TWIST) model,[19] it has been established that if the QR is scrapped and rice imports were allowed to freely enter the country, total rice imports would have reached 4.20 million tonnes, a tenfold increase over actual imports. Such high level of imports would have reduced the retail price of rice by about 40.1 percent to PHP[20]19.80/kg, and reduced the wholesale price by 41.2 percent to PHP17.66/kg.

Consumers would thus have benefited from enhanced free trade, as it is estimated that consumer surplus would have increased by PHP178,075.65 million. Although this would also have led to a PHP33,985.01 million reduction in producer surplus, the total surplus would be positive at PHP138,464.10 million, reflecting overall gain to the economy.

In view of the expiry of the QR, it is pertinent for The Philippines government to enhance the ability of rice farmers to compete against imported rice as this would benefit the consumers and also subject the producers to the competitive pressures that help them enhance efficiency in production.

Lessons from Countries (Enabling Competition Reforms in Staple Food)

- **Subsidies** in agricultural inputs (e.g. fertiliser) have been provided across countries as a welfare measure, but they have been poorly targeted due to inefficiencies in the system. As a result, benefits from the reforms have not accrued to the intended beneficiaries (small farmers). There is need to ensure that any subsidy programmes do not cause market distortions by stifling competition with private sector players, but serve their intended beneficiaries through proper targeting and monitoring.

- Various strategies have been adopted across the countries in fertiliser import and distribution involving the private and public sector, with different levels of success. One of the main challenges is **competition distortions** at the importation stage. Governments need to be cognisant of the various issues confronted in fertiliser importation, transportation and distribution, especially in areas where 'competition concerns' have been highlighted[21] – and ensure that appropriate measures for competition enforcement are put in place.

- Different practices have been observed in the manner in which governments procure grains from across the countries. The manner in which the **floor prices** were set in the countries has influenced the extent to which the government has crowded out the private sector. In countries susceptible to threats of food security, procurement and storage of food is of primary concern. Government procurement institutions thus need to retain their role of mainly serving as strategic reserves for the countries rather than being the first option point for farmers. Examples can be drawn from contrasting effects of NAFCO (Ghana) and FRA (Zambia) activities in the markets. The floor price in Zambia has actually crowded out the private sector, as FRA is now the primary buyer of maize from farmers. On the contrary, NAFCO has only been able to buy excess maize, being a buyer of last resort rather than first resort as FRA. As a result, a scientific and inclusive process of determining the volume to be adequate for taking care of food security needs of the country needs to be set in place (this should reflect the volumes that the government needs to procure). The floor price should be set such that it gives adequate returns to small farmers while at the same time being comparable to prices offered by private sector millers to the farmers. This would open opportunities for the farmers and traders to sell to the private sector as well. The impact of such a move would be to relieve pressure on the government to be a monopoly buyer, thereby considerably reducing the government agriculture budget. This would also free up resources for the government to invest in other avenues that enhance agriculture productivity.

- Government agencies have played a commendable role in **stabilising food prices** and reducing food price volatility in the countries. It is also important to ensure that reforms that governments adopt can be implemented with given human and financial resources and handicaps. Some reforms failed because they were either too difficult to implement or required a higher degree of cooperation or oversight than what could be provided. Examples include Ghana, where there are delays of payments in the import of fertilisers because of the inflexible government system that fixes transport costs and margins for the market players. In Zambia, FRA also exhibits a lot of problems in paying farmers due to the high floor price which is set without taking into account FRA's capacity.

- **Political economy** factors exert considerable influence on implementation of reforms. Protection of domestic producers from import competition is often an argument used by countries to erect artificial 'entry barriers'. Further, using the government resources to push welfare policies (e.g. subsidies, government procurement of grains) is also common. These actions are often taken to derive political mileage and therefore are extremely difficult to change.

3
Competition Reforms in Bus Transport Sector – Experiences from Countries

Reforms undertaken in the bus transport sector differ across countries in terms of the types of reforms adopted and their respective impact. A look at the country experiences in terms of adoption of reforms as well as their impact on the different economies thus ensues.

Strategy and Reform Programmes in the Transport Sector

There are some similarities in terms of objectives, especially of facilitating private players' entry into the transport sector, which have been generally dominated by the public sector. In Ghana, the National Transport Policy (2008) was intended to provide an integrated, efficient, cost-effective and sustainable transportation system in the country. One of the areas of focus was the promotion of private investments in the transport sector. The Third Sector Medium-Term Development Plan (SMTDP 2012–2014) was specifically aimed at facilitating private investment in the transport sector. In The Philippines, Department Order No. 92-587 (1992) formalised liberalisation by providing a set of rules for entry and exit as well as fare-setting. Entry and exit into the sector was liberalised to introduce or enhance the level of competition in fares and quality of service, with each route being required to have a minimum of two operators.

In Zambia, the National Transport Policy of 2002, which sought to ensure provision of inexpensive, fast, frequent and safe transportation services, was instrumental in shaping the current transport market structure in Zambia. The policy saw three important legislations being put in place in 2002 to ensure that there is oversight and regulation on the road transport sector that had been totally liberalised. The Road Traffic Act, 2002 provides for the establishment of the Road Traffic and Safety Agency (RTSA); the Public Roads Act provides for the establishment of the Road Development Agency (RDA), while the National Road Fund Act provides for the mechanism of resource mobilisation for road construction, maintenance and road safety. The Markets and Bus Stations Act of 2007 was also established for the establishment and regulation of markets and bus stations.

Liberalising the importation of second hand buses has also contributed considerably to the development of the public transportation market in Ghana and Zambia, which is largely provided by the private sector in both countries. However, inadequate safety regulations and quality of imported vehicles has made public transport uncomfortable and unsafe for consumers (commuters) in these countries.

Although private sector participation was embraced, the countries adopted different approaches in regard safeguarding the public interest. While Zambia and The Philippines saw government totally exiting the market, Ghana and India have tried to protect the interest of passengers through the presence of public sector transport operators in certain markets. In Ghana, subsidised transport is provided through the Metro

Mass Transit (MMT) services company. MMT, which was established in 2003, is owned 45 percent by the Government of Ghana and 55 percent by private shareholders. It was introduced to promote mass transit of passengers to reduce congestion; ensure transport affordability for the most vulnerable and excluded groups and increase accessibility.

Absence of a modern and capable public transport regulator across many developing countries seem to have reduced welfare gains from bus transport services

Currently, there are autonomous regulators in two countries: Zambia and The Philippines while in India and Ghana the government department of transport is the regulator. Zambia has had a regulator namely, the Road Transport and Safety Authority, RTSA for some time now, but their performance has been wanting. Commuters are unhappy having to pay considerably higher fares for bus journeys in Lusaka, which often are unpleasant and unsafe. Though the government insists that there is a systematic process of setting fares, there is little evidence that it is objective, fair and transparent.

Further, comfort and safety of women passengers does not seem to be a priority in both these countries. In The Philippines, the Land Transport and Franchising Regulatory Board (LTFRB) is looking at developing a new 'fare setting' formula but lacks in communication and outreach to the ordinary commuters. It is also empowered to look into safety issues but it is not active in this aspect.

In Ghana the National Road Safety Commission (NRSC) was introduced through Act 567 of 1999 as a national safety regulator of bus transport. India is also considering a road transport safety regulator, legislation on which is under discussions in the Parliament.

In the intra-city/urban transport, the responsibility of developing urban transport system in all the countries has also been invested with the local (municipal) authorities in the major cities and towns. However, this does not appear to have been preceded by efforts to enhance capacities of these authorities and establishing clear coordination mechanisms with the regulatory authorities.

In India, the Road Transport Corporation (RTC) Act of 1950 enabled the state governments to establish publicly controlled road transport corporations for the whole, or part of the state. The Motor Vehicles (MV) Act 1988 also enabled nationalisation of road transport services in general across the state or parts of services or areas or specific routes. In the two states under review (Gujarat and Madhya Pradesh), there exist public transport operators that have some degree of dominance.

In 1994, the Gujarat State Road Transport Corporation (GSRTC), the public sector operator, was accorded legal monopoly status in 'stage carriage'[22] segment of intercity transportation market. Ahmedabad Municipal Transport Corporation (AMTS) similarly enjoys monopoly status in the regular intra-city bus transportation system. The city of Ahmedabad is the largest city in the state of Gujarat, India (population of about 5.5 million, 2011 census).

In Madhya Pradesh, the Madhya Pradesh State Road Transport Corporation (MPSRTC), the public sector operator, was wound up in 2005 on account of huge losses. Inter-city transport in the state is now fully run by private operators. However, city transport in the city of Bhopal (capital of Madhya Pradesh with a population of 1.79 million, 2011 census) is in the hands of Bhopal City Link Ltd (BCLL) – which carries out the dual roles of being a public sector service provider and a regulator as well.

To ensure that there is a modern transport regulatory regime, the central government has prepared a draft Road Transport and Safety Authority Bill, 2014. This Bill advocates for state-level transport regulators across the Indian states. In spite of the bill yet to become a law, there has been some progress in a few states, where the state government has set in motion a process for development of such a regulator. However, trade unions (mostly affiliated to the State Road Transport Undertakings) are opposed to this bill as they fear that its recommendations, when implemented to allow private participation, will lead to job losses.

One common issue across the countries is also the reluctance of governments to allow market forces to determine the fare setting process. In Ghana, the government regulates the fares, as fare determination is done through the Road Transport Board using some level of negotiation with the transport unions. There is a regulation (Regulation 121) which provides for private informal bus operators to operate under defined management structures by tendering on competitive fares, service levels, safety, etc. However, the regulation has not been fully implemented.

In Zambia, the fare adjustment process takes place through discussions initiated by transport operators involving RTSA, the Ministry of Transport, Works, Supply and Communications (MTWSC), *ad-hoc* trade association or committee of operators and consumer interest groups. Once recommendations for an increase from the discussions are accepted by the MTWSC, then the RTSA would be expected to issue a public advertisement or notice of revision of bus fares, usually granting one week's effective notice.

In The Philippines, a fare schedule (minimum and per-km fare) is set by the Land Transportation Franchising and Regulatory Board (LTFRB) after a mandated public hearing. An experiment in the deregulation of fare-setting in the case of air-conditioned buses was affected in 1992. However, a Supreme Court decision in 1994 disallowed the complete freedom of operators to arbitrarily adjust bus prices. Fare revision, therefore, still entails administrative processes which go through the LTFRB and the Commission on Audit[23] (COA) through a mandatory public hearing.

In India, both states studied also regulate fares that are also applicable to the private sector players. In Ahmedabad (for intra-city bus transport), the Ahmedabad Municipal Transport Services (AMTS) has an internal committee for fare revision through a state government approved (annual) fare revision formula. The formula mainly focuses on the incremental changes in cost of main inputs like fuel, bus prices and overall inflation. In Bhopal (for intra-city bus transport), capital of Madhya Pradesh, fares are also handled by BCLL in cooperation with other public bodies such as Bhopal Municipality, Road Transport Authority (RTA) and Public Works Department (PWD). These fares have to then be applied by the private bus operators running the intra-city bus transport in Bhopal.[24]

Impact of Reforms on Operators

The different reforms across the countries have also led to different impact on operators in the four countries. The desire to keep public sector run transport companies has helped in ensuring that cheaper transport exists in Ghana and India, but this has also created some challenges. In Ghana, MMT has had to be continuously subsidised, which has also affected its ability to continue to provide quality services. The private sector is also free to operate and compete with the publicly run MMT service. Many passengers seem to prefer the private sector despite higher fares as compared to MMT. This is also supported by the favourable policy environment, as it is fairly easy to obtain a license and an operators' permit in Ghana;

both can be obtained within three weeks. Thus entry into the market was enhanced, which was also critical in enhancing private sector investment and growth. Since these are part of the producer welfare measures adopted in this study, producer welfare was thus enhanced.

In India, the state road transport undertakings (SRTUs) in Gujarat are characterised by systemic inefficiencies. This can be attributed to the absence of competitive rivalry, assured availability of budgetary support that is de-linked from any minimum performance requirements, and an absence of any comparative benchmarks. This also implies continued budgetary outlays to bail out these public operators. This was the motive for Madhya Pradesh to have scrapped the MPSRT Corporation, the only state in India to have done so. The legal provision of exclusivity in favour of SRTUs reduced the scope of private participation in the sector as the legal monopolies are effective barriers which reduce the size of the market for private operators.

The government was following a socialistic pattern of providing all utility services such as railways, electricity and water; hence road transport too was in the public sector. But unlike other sectors, it is easier for the private players to get entry in the road transport sector. Therefore, the private sector has been able to get into the market, mostly due to inefficiencies and capacity challenges at the state owned institutions.

For example, in Ahmedabad, private bus owners have gained an indirect entry into the system as service providers to AMTS after AMTS fleet size had fallen relative to the requirements. AMTS hired (sub contracted) around 210 buses from private bus operators on own-operate-maintain basis, such that despite the legislated public monopoly, almost half of the intra-city bus services in Ahmedabad are privately operated but under the banner of AMTS. Hence they have to follow the diktats of the state sector vis-à-vis routes and fares. This has been happening in many Indian cities. Thus while some producer welfare benefits through enhanced private sector participation can also be argued to exist in India, the absence of a level playing field, which is also a producer welfare measure, negates these benefits.

Like Ghana, Zambia and the Philippines also have a public transport sector dominated by the private sector. The private sector has taken advantage of the various schemes that were put in place to attract them. In Zambia, these include tax concessions and other policy reforms that were intended to simplify the licensing procedures and process of issuing permits. The schemes thus enhanced access to buses and increased entry of operators in the market, which are producer welfare measures.

In the Philippines, major reforms in bus transport regulation were carried out in the early 1990s in order to liberalise the market, which has actually seen more vehicles than originally intended. This also enhanced entry into the market. The government imposed a moratorium in 2000 on the number of provincial buses which was extended to all buses in 2003. A Route Rationalisation Programme was also established in 2003 to reduce the number of buses going through *Epifanio De Los Santos Avenue* (EDSA) super corridor. However, this has not helped to reduce the number of buses, as congestion is still prevalent.

The process of fare regulation has also had different results in the countries examined. In Ghana, the process is not considered favourable to bus operators, with many operators struggling to recover costs. As a result, many ignore the set fares and charge their own. In Zambia however, the fares have generally been considered more favourable to the operators than the consumers, making Zambia one of the most expensive countries in terms of bus transportation services.

In Metro Manila of the Philippines, despite the fare regulation, there is an excess supply of buses plying the major routes of Metro Manila especially during off-peak hours of the day. This indicates that the fare might have been set at a higher level than ought to be the case. This has resulted in bus operators viewing this sector as lucrative, thus resulting in a very high number of buses than necessary. The impact of the fare regulation process on producer welfare thus is not quite apparent in the countries as the results were mixed.

Most countries lack a scientific, inclusive and transparent fare-setting process in the bus transport sector

The reforms in all the countries, except India, thus generally clearly facilitated private sector entry into the market and enhanced producer welfare. In India, the absence of a level playing field for public and private sector participation thus negated some producer welfare gains. This helped enhance consumer choice and other associated benefits from competition but with varying experience.

Impact of Reforms on Consumers

In addition to enhanced choice available to consumers through private sector participation in the three countries, the reforms have also had some varied experiences among the consumers. In Ghana, consumers have a choice between the various players and MMT, although the majority uses private bus service as opposed to the MMT due to limited availability of their service. However, the intention of the government has also been realised as about 50 percent of those who use MMT services belong to lower income groups.

In India, the inefficiencies of state run public system adversely affect consumer welfare with reduced capacity of service delivery of the SRTUs (in terms of quality of buses, number of routes operated, frequency of services offered, and other parameters). Over the years, the fleet operated by these institutions has declined. For example, GSRTC average operational fleet size declined from about 7,800 in March 2003 to about 6,700 in March 2013, with corresponding decline in passengers carried from 1.27 billion to 0.84 billion. Similarly, AMTS experienced more than 10 percentage point decline (from 78 to 67 percent) in fleet utilisation even though overall fleet size increased from 966 in March 2010 to 1120 in March 2013. The decline in service delivery capacity of the monopolistic SRTUs in India in the face of rising demand for mobility has also created an increasing demand-supply gap.

A positive development from the reforms across all the four countries is enhanced consumer access to bus transport. In Ghana, 73 percent of the passengers are able to access private transport services within 15 minutes from their place of residence. About 54 percent of the passengers take less than 5 minutes to access private transport services. The same trend is also true in Zambia, as about 85 percent of the passengers walk to the bus stations and get a bus within 15 minutes. The oversupply of buses in Metro Manila (The Philippines) also implies easier access to passengers as the buses compete aggressively for patronage, though such over-supply of buses also contributes towards congestion in the city and impose huge loss of travel time for ordinary commuters. Thus, consumer welfare, as measured by enhanced access to bus services, has generally improved in all countries.

> *Evidence from accross the CREW project countries reveal greater consumer/user access to bus transport, over time*

The reforms have, however, not done much to enhance the quality of the buses to the satisfaction of the consumers. In Ghana, majority of the passengers indicated that there have been no positive changes in bus services quality in the past few years. The same trend is also true in Zambia, where intra-city commuters generally are not happy with the quality of the services, with less than 20 percent indicating that they were good (this is in spite of the high cost of transportation borne by the average commuter). This was mostly attributed to overloading, uncomfortable seats and rude bus crews. In the inter-city transport, consumers appear to be relatively more satisfied with the quality of the service. The quality issue can also not be separated from the fare issue, which is considered too high for the service offered in Zambia and the Philippines.

In Zambia, passengers indicate that they do not have any bargaining power in fares, even though on paper they are also supposed to be represented in the fare determination process. Despite the high levels of congestion in The Philippines, passengers also consider the bus fares too high. This is mostly attributed to the fare setting process that is not based on sound market principles. This negates some of the consumer welfare gains from transport sector reforms.

Approach towards Enhancing Private Participation in Countries

One issue that can be highlighted concerning the participation of the private sector is regulatory failure. A reflection of regulatory failure is the oversupply of buses in The Philippines and Zambia. The Philippines is struggling to limit the number of players in the transport sector. However, other countries are not yet saturated and need to have strategies to enhance private sector entry, accompanied with the right checks and balances to ensure they do not end up as the Philippines seem to have done in case of Metro Manila.

In Ghana, there has been an acknowledgement at a policy level that assisting operators to finance replacing their existing vehicle fleet with newer and modern vehicles for efficient, comfortable and safe operations is needed. Concession options for investment in transport and expanding private sector investment could be explored, similar to those granted to the private sector in Zambia to enhance their capacity to procure and operate buses.

In India, the legal system which protects the state owned operators is making it difficult for enhanced private sector participation. Private procurement of bus services has been undertaken through mainly sub-contracting without the power of setting their own fares and routes in the two Indian cities studied in this project (Ahmedabad and Bhopal). However, one lacuna in the process has been that the procurement of the sub-contracting service does not seem to have followed 'pro-competitive' process – thereby restricting the extent of engagement of private players. This has resulted in handful of private operators being engaged in the process, which is due to factors of governance deficit.

Policy Failures

The state of the transport sector in the countries examined also reveals a lot of policy and market failures that should be addressed. One area is the issue of route policy, which has some negative effects in both Zambia and Ghana. In these countries, operating permits are not tied to a specific route, such that an operator is free to decide where to operate.

In Ghana, the effect of the absence of the route policy has created two main areas of market failure. Firstly, this has resulted in 'cream skimming' or 'cherry picking', where only profitable routes with high consumer demand are served better, especially in the intra-city segment. Other routes that are not very profitable are characterised by limited transport availability.

Secondly, it is now the transport unions who have assumed the role of the regulator. Most operators who are members of unions are still allocated routes by their union in accordance with preference and ability to lobby. Some who are not union members ply on different routes at different times of the day whenever they believe that the routes could be lucrative. Most (55 percent) ply on single route whilst 14 percent ply on double routes. The remaining operators ply between three to six different routes on different time schedules.

In Zambia too, there is no route rationalisation policy. This has led to the operators having considerably more bargaining power than consumers. Complaints of not maintaining services as per published schedules have also been quite common. Fares charged also vary from the government published rates. Even permits are allegedly being issued without proper inspections of road worthiness, pollution controls, etc. This is a policy failure.

In India, the policy failure is evident from the fact that the bus transport market is still being regulated by an archaic Act (MV Act, 1939). The Act favours the public sector undertakings thus creating entry barriers for private operators in the market. The regulation has clearly not evolved with the changing market dynamics and the rise in demand. The state owned operators sometimes assume the role of regulators, thus creating conflict of interest like the case of BCLL in Bhopal. The development of the Road Transport and Safety Authority Bill 2014 in India is a step in the right direction. Trade unions of the various State Transport Corporations have expressed their resentment against the Bill due to fears associated with the inability of the public provider to compete with private operators.

In The Philippines, the market has now been oversaturated, resulting in traffic indiscipline and congestion. This has also limited the ability of the regulators to properly regulate the sector. For example, although there is a moratorium on the number of operators, the players have found a way of getting around the problem by paying 'rents' to the existing licensed bus franchisees and attaching their fleet to these franchisees.

Nature of 'Institutional Failures' Cross Countries Found

The problems being encountered in the transport sector in the four countries also point to institutional failures. All the four countries can be seen as in the process of transiting from a socialistic command and control economy to a market economy. Some institutional failures would thus be expected, as such transitions are often jerky, with the entrenched bureaucracy being resistant. One area of institutional failure is the lack of enforcement of quality standards in the countries despite the existence of institutions with such a mandate. In Ghana, about 90 percent of the bus vehicle fleet for intra-city service is in poor condition. In Zambia, the quality of intra-city services is also very poor, mostly attributed to overloading, uncomfortable seats and rude bus crew.

As highlighted earlier, quality considerations should be attached to the process of importation of buses in both Ghana and Zambia. Further, there is a need for strict quality supervision in the operation of private bus services.

There also appears to be lack of oversight on the public operators that were created to ensure that fares are affordable in Ghana and India. In Ghana, although the idea behind MMT was sound, the success is limited by some failure at institutional level. MMT services have potential but need to improve on its efficiency and accessibility by strategically deploying its expanding fleet especially to areas which are poorly serviced (or not serviced) by the private sector operators. Currently the business model being used by MMT is sub-optimal as it makes continuous losses, thus finding a revenue model for the entity is paramount.

This is also true in India. GSRTC in Gujarat, which enjoys legal monopoly in the stage carriage[25] segment, has seen falling operational fleet size in recent times. With demand for travel increasing due to economic growth, the falling supply from the public monopolist has led to fast expansion in the supply-demand gap. This has led to unauthorised entry of private operators, who by law hold only a contract carriage permit, but have started to provide stage carriage services by taking advantage of the weak regulatory regime and paying off the polity and the bureaucracy to operate without hindrance. Some commentators say that such a situation is beneficial to the vested interests hence they will oppose any deregulation. With limited scope for improvements in the supply side from GSRTC, this has been largely accepted by the passengers, especially at comparable/competitive fares. Despite its inability to service the market fully, the continued monopoly of GSRTC is also imposing additional transaction costs on the private operators in the form of deploying travel agencies and bribes to be able to operate. These costs eventually are passed on to the consumers.

Other institutional failure areas in the countries include the failure of the DVLA in Ghana to properly exercise its mandate, which has seen issuance of illegal and fake licenses at DVLA to drivers by middlemen with increased costs. This results in bad drivers manning responsible public transport vehicles with resultant impacts.

The fare-setting process across all the countries has also revealed some institutional failures. The idea behind introducing a fare setting process was to ensure that producers' interests are taken into account while protecting consumers against exploitation through high fares. However, the process is not scientific and does not seem to operate on the principles of fairness and transparency in Zambia, Ghana and The Philippines.

Emerging Lessons

- **Transport Unions** are politically affiliated and hence extremely powerful in dealing with the government departments (and regulators). Government departments are often unable to exert pressure on these Unions, even when they are seen to resort to malpractices.

- Second hand buses have helped to develop private operator led bus market in countries like Ghana and Zambia. However, it is critical to attach **quality standards** to the import policy in order to ensure that the imported second hand buses are of a standard with reasonable safety and comfort parameters.

- Bus markets in the countries seem to have outpaced the evolution of regulatory regimes, as archaic approaches towards regulation of this sector seem to prevail across the countries. Several areas are important from the perspective of a **modern regulatory regime**, including – fare setting, route rationalisation, contract management/ procurement design, women's safety and comfort, taxation/revenue collection, etc. Countries need to prioritise some of these areas as part of the regulatory framework for their transport sector.

- **Political economy** factors seem to dominate in city/urban transport reforms in the selected countries. Winners and losers of effective regulatory regimes would need to be identified – in order to trace a method of neutralising possible political opposition to reforms. Furthermore, a programme for capacity building of **local municipal authorities** should be undertaken on a priority basis – as across countries they seem to lack capacity to develop an effective urban bus transport system.

- Public private partnership (PPP) arrangements are good methods to promote competition in bus transport service. However, it is crucial to develop institutional guidelines on **pro-competitive procurement** of transport services – a task that should be taken up by Competition Authorities under their 'advocacy function'. However, given that countries like Ghana are yet to have a competition law, this would be difficult to manage, underlying the need for adopting a competition law.

4
Linking Competition Reforms with Welfare – The Emerging Pathway

From the evidence gathered in the project across the sectors, components of competition reform that link producer/business welfare and consumer welfare in a specific market can be delineated. This relationship seem to manifest in the form of a continuum (in a specific market, where both the producers/business and consumers operate). This continuum has two components: (i) pro-competitive elements in government policies that help producers/businesses benefit from their engagement in a specific market; and (ii) effective regulatory actions that ensure that producers'/businesses' conduct in the market is consistent with consumer interests being preserved and enhanced.

- **Government Policy and Producer/Business Welfare**

Well implemented, pro-competitive government policies, laws and programmes help achieve producer/business welfare in a market (in terms of: access to inputs, entry and exit, investment, growth, competitive neutrality), leading to gainful engagement of producers/businesses in a market.

Box 1: Developing the Bus Transport Market in Zambia, Ghana and The Philippines

The private sector has taken advantage of the various schemes that were put in place to attract them in Ghana, Zambia and The Philippines.

The bus transport market in Zambia developed considerably after import 'tariffs' were removed by the Government of Zambia in the late 1990s. This led to availability of a large number of buses within the country, and young entrepreneurs were attracted to enter the bus transport market.

In The Philippines, major reforms in bus transport regulation were carried out in the early 1990s in order to liberalise the market, which has actually seen more buses in the market to cause the current congestion concerns.

In Ghana, despite the existence of the publicly owned MMT, no barriers were imposed by Government to protect MMT from competition. The private sector has been able to gain a lot of consumer patronage despite the higher fares they charge due to quality of services.

- **Producer/Business Behaviour in Consumers' Interests**

Consumer welfare goals (access, price, quality, and choice) can be achieved if producers/businesses are obliged to play by the 'rules of the game', enforced through well-functioning sectoral regulatory frameworks (institutions) and effective enforcement of national competition regime.

Box 2: Weak Regulatory Framework Affects Commuters in Zambia

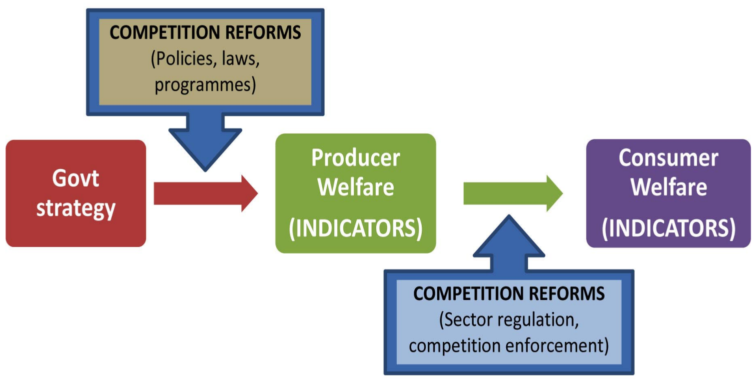
In spite of the development of the bus transport market, the regulatory framework in the bus transport sector has been rather weak and ineffective (especially with relation to price regulation and route rationalisation). This has resulted in high fares and poor service in city bus transport, with ordinary daily commuters spending from 10 to 20 percent of their monthly income on public transport in the capital city of Lusaka.

There is little disagreement about the need for well-functioning regulatory institutions and actions (including that of the competition enforcement agency) for protecting the interest of consumers. This can be derived from one of the theories regarding the genesis of economic regulation – referred to as the 'public interest' theory.

This theory conceives regulation as arising from the need to rein in the free exercise of market forces and consumer and producer/business impulses. This would be done in cases where such a display can act as an obstacle to the maximisation of societal well-being or to remove externally applied obstacles to market forces when their play is desirable.[26]

Enabling business environment reforms (element of competition reforms) benefit new entrants by lowering entry barriers and other conditions for firms to enter and operate in a market. They are in turn subjected to regulations to ensure that expected benefits are derived by consumers and the society as a whole (Figure 1).

Figure 1: Competition Reforms and Welfare Continuum



Another example is from the **seed** sector in the state of **Bihar in India,** which seem to validate the continuum presented in Figure 1. Enabling government policy and strategy in the agriculture sector (Bihar State Agriculture Roadmap, 2008) helped entry and establishment of private sector seed companies (being referred to as producers in the narrative) in the state. The state government provided the framework for these players to operate and encouraged them to develop strong distribution networks.

The Bihar state government also ensured that these players were able to operate effectively and help the farmers (farmers are the consumers in this case) obtain good quality seeds at low price. Overall usage of good quality certified seeds by the farmers in the state led to better yields in many cases. The government needs to continue to play this enabling role to promote the seed sector in Bihar to ensure that the gains are sustained in the future as well. Small and marginal farmers are often seen to rely on traditional seeds that adversely impacts on productivity. This is a developmental concern that can be addressed through education of farmer about the benefits of high-yielding varieties of seed, which also calls for strengthening the role of government extension services (including using NGOs and CBOs for reaching out with such services). Reliance on traditional seeds has considerable implications on productivity and hence livelihoods of small farmers.

A similar example was noticed in **Ghana**, where **fertiliser** import liberalisation by the government in 1990s helped in increasing the number of fertiliser importers operating in the country from a state monopoly to six private sector players. Increased (and indiscriminate) fertiliser usage, however, did not help Ghanaian farmers in improving their yields. The government put in place a regulatory measure; the Plants and Fertiliser Act 2010, which enabled supervision of the quality of fertilisers. Since then, there has been an improvement in the quality of fertilisers that is available to farmers and has helped improve overall production. The Ghanaian government, however, needs to work out a strategy to continue providing its subsidy scheme, which is currently being confronted with a huge financial burden. For this reason, the Government has not been able to announce the subsidy for the current year (2015), impacting the poor farmers more.

In the following table a few more illustrations from project countries are provided to explain the above relationship (**pro-competitive government policies > producer/business welfare > consumer welfare**) further:

Relationships	Illustrations
Competition restrictions in government strategies adversely affect producers/ businesses. This also has implications on consumers, who were ideally expected to have benefitted from a competitive market	- Quantitative restriction on the import of rice in The **Philippines** adversely affects the entry of foreign rice suppliers. This is compounded by the import monopoly of NFA (due to the limited quota), which debars domestic importers from importing rice. Consumers lose out on possible low price of rice due to restricted importation of rice in the country. High demand keeps cost at high levels. - Monopoly status of GSRTC in Gujarat state of **India** in the inter-city routes (stage carriage) restricts entry of private sector bus operators into the market, as a consequence consumer demand for inter-city services was unmet. This has resulted in the entry of unauthorised, unregulated private operators. Though, from time to time these private players get caught by the authorities, they seem to get away by paying 'rents'.
In the absence of proper 'rules of the game' (provided under a proper regulatory framework) and/or little or no effective policy implementation, there is less likelihood that producer welfare would be translated into consumer welfare	- In **Zambia**, the development of the bus market benefitted immensely from the abolition of tariffs on import of second hand buses into the country. This led to the development of the bus market that is fully provided by the private sector. However, the regulatory framework in terms of 'fare setting' and 'quality of service' is weak. Daily commuters spend a lot of money on poor quality transport services in a city like Lusaka (there is no consideration of value for money for these ordinary consumers).

The above discussion also throws light on application of the various components of competition reforms at various stages of market development. In the context of market development, policymakers should focus on reforming policies and rules that better enable businesses to enter and establish themselves. Simultaneously, the focus should also be on developing effective regulatory frameworks to help beneficiaries derive expected benefits from these markets.

It should, however, be borne in mind that this 'continuum' is heavily influenced by 'political economy' factors, that could reduce the movement towards achievement of welfare. Given this, it is important to undertake a political economy analysis of pro-competitive policies/legislations to identify factors that affect the achievement of welfare. The methodology that can be used for undertaking this analysis is referred to as the 'winners Vs. losers' approach.

Such an exercise would help identify the *winners* and the *losers* from maintaining the 'status quo' in the sector (and resisting the implementation of the pro-competitive reform). This would provide an idea of the degree of difficulty for promoting competition reforms in the sector. It would also highlight who could be possible allies of a discussion on pro-competitive reforms in the sector, and where the resistance is likely to come from. The above understanding is expected to guide policymakers, practitioners and other champions of competition and regulatory reforms especially in developing countries and LDCs where many sectors are still dominated by state owned enterprise/public sector enterprises.

5
Implication of Competition and Regulatory Reforms on Gender and Women's Empowerment – Some Illustrations

At a time when the global community is gearing up to defining Sustainable Development Goals (SDGs) in the post-2015 era, the issue of women's economic and social welfare is being given considerable attention. In its report entitled, "Progress of the World's Women 2015-16: Transforming Economies, Realising Rights,"[27] UN-Women highlights **10 priority areas** for urgent public action.

It appears from the experience of the CREW project that competition and regulatory reforms (or the lack of it) can indeed influence a few of these areas (enumerated below), which accentuate the *relevance of competition and regulatory reforms especially for gender and women's empowerment, in the post-2015 regime*:

- Create more and better jobs for women
- Strengthen women's income security throughout the life cycle

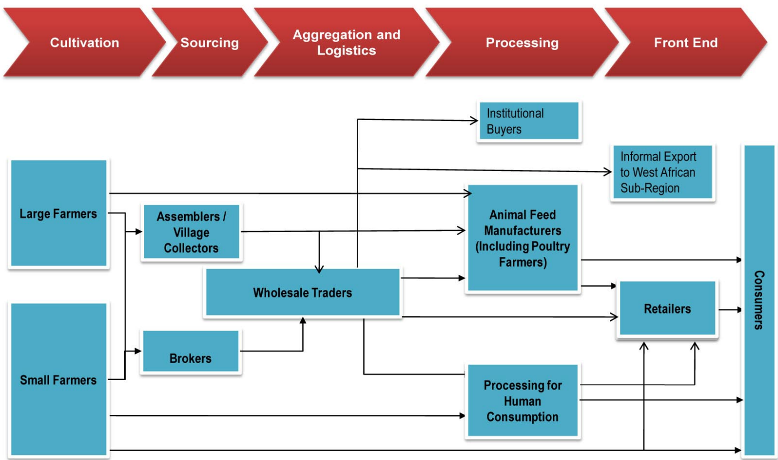
- Invest in gender responsive social service
- Support women's organisations to claim rights and shape policy agendas at all levels

Over the course of the implementation of the CREW project, a few cases were witnessed which highlight the above linkage. These cases are illustrated below in order to throw some light on this subject, and highlight policy pointers on women's empowerment issues *vis-à-vis* business environment reforms.

Market Queens in Ghana

One of the cases is from Ghana and shows how a liberalised procurement market has led to the emergence of private women traders (referred popularly to as 'market queens') involved with the procurement of various crops in the national and the regional markets. The maize supply chain in Ghana is presented in Figure 2.

Figure 2: Maize Supply Chain in Ghana (ISSER, 2015)



The wholesale market is dominated by the 'market queens' – who procure maize from the rural farmers using their network on the ground (village assemblers) and supply to the market. These 'market queens' dominate the maize procurement market and procure over 95 percent of the produce from the Ghanaian farmers (as per the CREW research undertaken in Ghana).

It appears that there is a certain level of contestability among these 'market queens', since each of them are constantly working towards strengthening their own distribution networks, improving access to capital and establishing strong ties with various market participants. But it is not evident if this has any implication on how they interact with the farmers.

Some concerns seem to emerge due to the level of reliance of farmers on these market queens to sell their produce. Market queens enjoy considerable 'market power' in the procurement market[28] – a situation that could easily result in exposing farmers to their dominant behaviour. Given the predominance of these market queens in the supply chain, the Competition Authority of Ghana (when established) might consider monitoring their behaviour, especially to ensure that they do not abuse their dominant position while transacting with small and medium farmers. These farmers have very limited bargaining power and are often economically marginalised, hence this need.

It is clear that the liberalised maize procurement market has led to the development of these socially and economically powerful women traders in Ghana. In their villages, these 'queens' are often considered as role models by young women from their communities.

Although the public institution, National Food Buffer Stock Company (NAFCO) exists and sets prices, it procures less than five percent of the maize through its network of Licensed

Buying Companies (LBCs). As conveyed by a senior Ghanaian Government official, the task of NAFCO is to mop-up excess stock from farmers, for which they are unable to find a market. NAFCO has thus designed itself to help the country maintain its strategic reserve. One of the impacts of NAFCO has been with regard to price stabilising of maize. Before the establishment of NAFCO in 2009, maize prices were far more volatile than they are presently.

The network of the market queens procures 95 percent of the maize produced in Ghana. From the evidence gathered in Ghana, it appears that maize farmers are happy selling their produce to these market queens, on account of the prices they get and swift payment. However, some level of deeper ground work is required especially to assess price realisation by farmers dealing with the market queens, and their overall experience. This is particularly crucial given the possibility of market queens abusing their dominant position on farmers.

The market queens are also active in other seasonal crops, e.g., tomato. Some studies point towards their power and control of the tomato supply chain in Ghana. Adimabuno (2010) found the local assemblers working for these 'market queens' often resorting to exploitative means on tomato farmers to maintain their jobs.[29] Therefore, the nature of the procurement market and reliance of the farmers on these 'market queens' do raise genuine concerns for policy.

The 'market queens' trade in organised commodity groups, settling disputes and supporting local production through relationships cultivated with male and female farmers. These women have access to capital; sometimes storage and relatively inexpensive transport which has helped them develop such a position of strength in agriculture trade in Ghana (Akenhora et al., 1995 and Ameyaw, 1990). Baden (1998) also highlights the importance of such associations of women traders in forming lobbies to influence government policy, in gathering and disseminating market information and in providing a potential channel for training and for group guarantees for borrowing. She concludes that it is important to support the development of associations at different levels of the marketing chain, while ensuring that this does not foster restrictive practices.[30]

Safety and Comfort for Women Bus Commuters

A second interesting issue is that of safety and comfort of women passengers in bus transport across the CREW project countries. This issue does not seem to have been given enough consideration in processes and discussions on transport sector reforms across the countries covered in the project.

In India, there is a system of 'reserving' some seats for women in public buses (and other means of public transport like metro-rail) - but nothing beyond that. The demand for such actions by the government seems to be closely related to cultural and societal values across countries. Therefore, in countries where such demand is placed on the government, bus (passenger) transport reforms should be flexible enough to respond to such needs.

In October 2014, Thomson Reuters Foundation released the results of a survey they did across 15 largest capital cities in the world about the safety of women in public transport (Figure 3).[31] It emerged from this survey that three of the worst cities were in Latin America. An interesting finding was that the most unsafe city for women in bus transport was Bogota, the capital of Colombia. Bogota is considered a model world-wide on Bus Rapid Transit System (BRTS) - the *Transmilenio* system. However, everyone from the local government to Ministers seem to acknowledge the issue of women's safety in Bogota's buses as an extremely difficult problem to be addressed. It therefore follows that reforms in the city's bus transport system was not able to address this important societal need, in spite of gaining worldwide acclaim of being one of the best BRTS. So, while the BRTS system of Bogota is celebrated worldwide, little has been achieved in terms of making bus journeys safe and comfortable for women.

Figure 3: Ranking of Cities in Terms being Unsafe for Women in Public Transport

01	BOGOTA	09	MOSCOW
02	MEXICO CITY	10	MANILA
03	LIMA	11	PARIS
04	DELHI	12	SEOUL
05	JAKARTA	13	LONDON
06	BUENOS AIRES	14	BEIJING
07	KUALA LUMPUR	15	TOKYO
08	BANGKOK	16	NEW YORK

Source: Thomson Reuters Foundation, 2014

In a 1996 policy note on "Sustainable Transport: Priorities for Policy Reform,"[32] World Bank had highlighted the need for expanding the role of competitive markets and the private sector in the provision of sustainable transport services across countries. In order to achieve this, policies and decisions were to be cognisant of the following three elements of sustainability in the transport sector:

(i) economic and financial sustainability which requires that resources be used efficiently and that assets be maintained properly;

(ii) environmental and ecological sustainability requires that external effects of transport be taken into account fully when public or private decisions are made that determine future development; and

(iii) social sustainability requires that benefits of improved transport reach all sections of the community.

One of the key items under social sustainability is eliminating gender biases by integrating the transport needs of women into the mainstream of transport policy and planning. It was noted in this paper that women tend to work nearer their homes than men do, and, particularly when they are raising a family. Further, women have to make more trips for educational, health and other welfare purposes. Considering the fact that the World Bank continues to be involved with advising countries on strengthening transport infrastructure and services, ensuring women's safe and comfortable mobility is an area that it needs to give more attention to in its work in the public transport sector, especially when advising developing country governments.

Although, a separate assessment of women travel needs was not undertaken in the CREW project countries, some anecdotes from the intra-city segment in India and Ghana are noteworthy. In most Indian cities, some seats are reserved for women in city buses. In case of Ghana, the provision of larger capacity buses by MMT has been welcomed by the women passengers – who seem to prefer these than the badly crowded minivans. In suburban trains in some of the major metros in India, carriages are reserved for women. These trains are a substitute for intra city bus transport.

Another interesting example can be drawn from the city of Lahore in Pakistan, where the Lahore Transport Company introduced women-only 'pink buses' since 2012 in order to cater to the need of women travellers to have a safe and harassment free ride. The number of buses still remains very low as the operators have struggled to find passengers on certain routes.[33]

The Lahore city authorities have provided some incentives to operators willing to run these services, in order to develop the network of these buses in the city. Once this network is strengthened and some route planning is done, more women passengers are expected to use these buses. The local authorities have embraced this interesting move (pink buses) for women passengers in Lahore, but needs to closely monitor the efficiency of these buses in helping the women travellers reach their destination in time as well.

Social needs like meeting women's transport requirement is something that cannot be ignored by local authorities and governments while planning and reforming passenger transport sector, especially in developing countries. However, this should be done without affecting the overall landscape of competition in these markets – especially to ensure long-term sustainability of such interventions.

Bilateral and multilateral agencies (including lending institutions) are closely engaged in providing advice to a number of developing and least developed countries for developing their bus/public transport infrastructure and services – as part of the public transport reforms programmes. Ability of such projects to provide safe and comfortable transport for women, should be included as a key performance indicator while evaluating these projects.

Competition Reforms and Gender Implications

The two examples given can be used to reveal some important lessons on the relationship between competition reforms and gender or women's empowerment.

In the ***transport sector***, pro-competitive market reforms were undertaken in the bus market. However, there has been no deliberate attempt made to ensure that women's interest is given prominence as part of these reforms. This has seen safety and comfort of women travellers in bus transport being ignored, or at least given less importance in planning.

In the ***staple food sector***, although the reforms in the four countries are comparable, it is only in Ghana that the current operation system appears to favour the emergence of a powerful women group (market queens).

Although maize is also a staple food in Zambia, there was no room for such players to emerge as the FRA is the first preferred buyer. This is also true for India and the Philippines as the public bodies stifle the market through monopolistic tendencies, thus closing off opportunities for other (private) players to emerge. Ghana ensured that NAFCO sticks to its role as a buyer of excess maize of only about five percent of the total produce rather than a buyer of first resort. On the other hand, the 'market queens' developed their network and position over the years to the present situation – when they buy 95% of the total maize produced in the country.

Lack of adequate public attention has resulted in a situation where these 'queens' are in a position to exercise their market power. Thus, women's empowerment seems to have taken an upper hand over pro-competitive considerations, until now when complaints have been received about their ability to influence prices of maize and tomatoes. If there were adequate measures to check market behaviour through competition enforcement, other interested groups might have been able to enter the market, and perhaps dilute the power of the market queens and provide greater benefits for the small and medium farmers. The absence of a national competition agency in Ghana has further contributed towards little public supervision of behaviour of 'market queens'.

These two situations demonstrate that competition reforms or lack of it can indeed have different implications on gender and women's empowerment. A key emerging message is the need for public policy to strike a balance between enabling women's empowerment and promoting competition in markets. Competition reforms will not automatically translate into addressing gender and women's empowerment issues, which is evident from the experience in the bus transport sector.

On the other hand, women's empowerment programmes/ efforts should not be allowed to override other critical priorities, including protecting interest of consumers/ producers from possible abuse of market power.

Concluding Policy Pointers

There is need to ensure that the behaviour of 'market queens' in Ghana is monitored to guard against abuse of their dominant position, and explore the possibility to allow entry of other parties in the procurement business. The need to have a national competition law in Ghana, and the enforcement authority should continue to be pushed in Ghana. A key message that emerges is to ensure that future economic programmes/strategies for women's empowerment should be not infringe competition principles and guard against any anticompetitive conduct that has significant negative implications on society.

From the experience across the four countries, the CREW project emphasises the need to ensure that adequate safeguards accompany competition reforms to ensure that women's concerns are taken into consideration in implementation of these reforms. The CREW project highlights this need in the transport sector, where competition reforms helped some consumers and bus operators, but provided little benefits (safe and comfortable ride) for women passengers.

6
Concluding Remarks

Based on the above discussions, the following can be considered as the key lessons for policymakers and practitioners who are keen to explore the possibility of incorporating competition and regulatory reforms in developing country markets:

- There is value in having the right regulatory safeguards in place to ensure that benefits of trade/economic liberalisation can be derived fully by the people/country. Absence of such safeguards might see the reforms being used as an opportunity by private players to exploit the market. This is evident in countries such as Ghana and Zambia where fertiliser import is characterised by collusion. Competition laws should be enacted and enforced to enable the countries to deal with such anticompetitive practices.

- Although subsidies (in agro-inputs like fertilisers) are generally a departure from normal competition principles, they can assist farmers in remote areas where the private sector might generally not be willing to participate. However, the manner in which the subsidy reforms were structured in Zambia and The Philippines did not allow for full benefits of the subsidies to be passed on. Thus, only minimal subsidies that are properly targeted at the poor and remote farmers need to be introduced in the market. This calls for strengthening government capacity to ensure that they are able to carry-out 'targeted' subsidy programmes, effectively.

- Government procurement institutions whose mandate are not to be the buyer of 'first resort' but to ensure that strategic grain reserve function (as in Ghana), will cause minimum competition distortions in the market.

- Although keeping public sector run transport companies has helped in ensuring that cheaper transport exists, these are characterised by some inefficiencies, especially in Ghana and India. These institutions are failing to be self-sustaining, resulting in constant pressure on government revenue. Since these tend to be protected by policies, there is need for policy reforms to ensure that there is a level playing field between these operators and the private sector. This would ensure enhanced producer welfare and increasing choice among the consumers.

- The fare regulation process should be done in such a way that there is a balance between enhancing consumer and producer welfare. Consumer welfare appears to be sacrificed for producer welfare in Zambia while the opposite appears to be the case in Ghana. An optimal fare setting formula that allows for fair returns to operators while not subjecting consumers to high fares is thus needed.

- Consumer welfare can also be enhanced further by addressing policy and market failures in some countries. Intra-city transport operators need to be regulated by a route policy, the absence of which currently has some negative effects in both Zambia and Ghana. This also includes archaic laws in India that favour the public sector undertakings.

- Although some institutions have been established to enhance consumer and producer welfare, they are failing to perform their roles adequately. Institutional failure includes the lack of enforcement of quality standards and poor enforcement of laws, which has impacted negatively on consumer welfare. There is need to ensure that institutions are properly capacitated to undertake the mandate for which they are set up.

- There is need for an economic regulator in the public transport sector in countries like India and Ghana. Such an institution should have the mandate of regulating the sector economically and administratively.

- The process of promoting competition and regulatory reforms in key sectors (of public interest) should be carefully planned and implemented. In case of bus transport, intra-city transport has much greater public interest value than inter-city transport in developing countries. Hence, government/public authorities could consider stricter regulation (fare, routes, quality) in intra-city bus transport – to protect the interest of the daily users of bus transport. While in case of inter-city bus transport, the market can be kept open to enable greater competition (and more options for users of inter-city services).

7
Areas for Further Research

It is important to note that the methodology employed in the four country studies has some limitations. The attribution of effects to the reforms has been limited by absence of clearly measurable data to trace the pathways through which the reform took place. Data challenges make it difficult to explicitly state the exact period for which the changes in outcome variables can be attributed to the policy/reform, to separate it from other effects due to other associations. Thus, quantifying effects of pro-competitive reforms has proven to be difficult in some cases. However, this project does provide a lot of lesson on how assessment of competition and regulatory reforms in DC markets should be undertaken – and the 'evolved' methodology is expected to be further sharpened.

It is therefore suggested that the CREW project approach/methodology is applied to provide more accurate estimates of the effects of pro-competition reforms in developing country markets. Such evidence would be crucial in advocating for pro-competitive reforms in DCs.

The advocacy phase[34] of the CREW project will undertake some further (micro-level) research in selected locations in the four project countries to validate these findings and further strengthen the correlation.

Endnotes

1 *https://data.gov.in/catalog/financial-performance-srtus#web_catalog_tabs_block_10*. Other than just two state transport undertakings all of them have been losing heavily. In 2012-13 their combined losses exceeded over US$1.06bn per annum.

2 Details of the project are available at: *www.cuts-ccier.org/crew/*

3 Analytical Matrices for each of the two selected markets explain the overall methodological framework followed for undertaking this research and is available on the page: *www.cuts-ccier.org/CREW/Diagnostic_Phase.htm*

4 Creating NRGs in all CUTS multi-country projects comprising of stakeholders including officials, enables sound discussions and inculcates sense of ownership and helps to move the agenda.

5 For a step-wise guide to the methodology followed for developing the DCRs, please refer to: *http://www.cuts-ccier.org/crew/pdf/FCR_Guidance_Note.pdf*

6 Please refer to Notes for Secondary and Primary Research available on the page: *www.cuts-ccier.org/CREW/Diagnostic_Phase.htm*

7 Country-specific DCRs are available at: *www.cuts-ccier.org/CREW/Diagnostic_Country_Reports.htm*

8 The OECD considers two main policy ingredients necessary for developing growth-enhancing competition environment: (i) **Product Market Regulation** should be set in a way that does not hamper competition and (ii) effective **Anti-trust Frameworks** need to be in place to safeguard level playing field among firms. OECD has developed set of **indicators** for both these policy areas, refer: *http://www.oecd.org/economy/growth/indicatorsofproductmarketregulationhomepage.htm*

9 There are generally many indicators of consumer welfare. These have been chosen based on the ease with which they can be easily related to competition reforms.

10 Competition and Consumer Protection Commission (CCPC), Zambia is currently looking into such a case, and is likely to come out with an order soon (as per discussions with CCPC in February 2015)

11 Refer: *http://nfa.gov.ph/files/PD-04.pdf*

12 The Philippines comprises of 7107 islands

13 Like rice is milled from paddy, maize meal is also milled from maize. This is unlike wheat which can be sold to consumers as grains without grinding, who in turn, get it ground locally from small grinding shops.

14 PDS is a way by which the Government of India through the FCI distributes subsidised food and non-food items to public at large. However, reports say that the leakages in the system are very high.

15 See: *http://www.telegraphindia.com/1150520/jsp/bihar/story_21031.jsp#.VWgYHc-qqko*

16 Zambia Fertiliser Assessment, IFDC (July, 2013). The report provides an illustration to enumerate the key costs from the port of Beira (Mozambique) to two locations in Zambia (the capital city of Lusaka and inland city of Lundazi). Lusaka is 2,000 km from Beira, and Lundazi is 770 km from Lusaka. Transport costs, margins and loading/unloading costs contribute 26 percent, 10 percent and 0.6 percent, respectively, of the farm gate price of US$760/mt at rural Lundazi. The balance consists of international costs.

17 Vouchers that were given to farmers to redeem from participating input dealers. Coupons were printed and allocated to regional agricultural development units, which in turn issued them to their respective district agricultural development units based on estimated district fertiliser consumption. In each district agricultural development unit, the vouchers were allocated to agricultural extension agents (AEAs) who in turn issued them to farmers who were identified by their community leaders.

18 Ghana Fertiliser Assessment, IFDC (June, 2012)

19 This model is derived from the Welfare Impact Simulator for Evaluating Research (WISER), described in Briones and Galang (2012). It follows the same framework in Roumasset (2000) and runs in General Algebraic Modelling System (GAMS). Equations and GAMS code are mentioned in the annexure of the Philippines Diagnostic Country Report *(http://www.cuts-ccier.org/crew/pdf/Diagnostic_Country_Report-Philippines.pdf)*

20 PHP is Philippine Peso, 1US$ = 44PHP (approx., in May 2015)

21 For example, anticompetitive practices are alleged in Zambia and Ghana

22 Stage Carriage refers to motor vehicles available for hire at separate fares paid by or for individual passengers either for the whole journey or for a stage of the journey, i.e. point to point.

23 COA was established under Philippine Constitution, 1987, Article IX-D. The Philippine Constitution declares its independence as a constitutional office, grants it powers to audit all accounts pertaining to all government revenues and expenditures/uses of government resources and to prescribe accounting and auditing rules, gives it exclusive authority to define the scope and techniques for its audits, and prohibits the legislation of any law which would limit its audit coverage. COA is involved in fare setting decisions, by way of deciding the taxes as well as the profitability of the decision.

24 The intra-city bus services in Bhopal (Madhya Pradesh, India) are run on PPP basis where BCLL is the body responsible for regulating the operations of private bus operators.

25 According to the Motor Vehicles Act: (i) Stage carriage - motor vehicles available for hire at separate fares paid by or for individual passengers either for the whole journey or for stage of the journey and (ii) Contract carriage - motor vehicles engaged as a whole under a contract for carrying passengers mentioned therein. The contract may be for a fixed amount or at a fixed rate or sum on (a) time basis irrespective of route or distance, or (b) point to point basis. In either of these cases, a contract carriage permit holder cannot stop during the journey to pick up or set down passengers not included in the contract.

26 Richard A. Posner (2004), "Theories of Economic Regulation", Working Paper, No. 41, Centre for Economic Analysis of Human Behaviour and Social Institutions

27 *http://progress.unwomen.org/en/2015/pdf/SUMMARY.pdf*

28 It is understood from the research in Ghana that the market queens procure using two methods: (i) at the farm, and (ii) at the market. Bargaining power of small and medium farmers in the 'markets' seem to be much less than when the procurement happens at the 'farm'

29 *http://hss.ulb.uni-bonn.de/2010/2335/2335.pdf*

30 *http://www.csae.ox.ac.uk/conferences/2011-edia/papers/594-Ngeleza.pdf*

31 *http://www.citymetric.com/transport/latin-american-transport-networks-are-most-dangerous-women-new-yorks-safest-428*

32 *http://www.worldbank.org/transport/transportresults/documents/sustain-transp-1996.pdf*

33 *http://tribune.com.pk/story/730975/empowering-women-ltc-pursuing-operators-for-a-fourth-pink-bus/*

34 For viewing the National Advocacy Plans for the project countries, kindly visit: *http://www.cuts-ccier.org/crew/Advocacy.htm*

CUTS International
1983 2012

www.cuts-international.org

ISBN 978 81 8257 233 1