

## Minutes of the CUTS CCIER International Advisory Board Meeting

Paris, 19 February 2010,

### **1. Participants**

#### IAB Members

Allan Fels (AF), Frederic Jenny (FJ) (In Chair), R. Shyam Khemani (SK)<sup>1</sup>

#### Absentees

Allan Asher, Philippe Brusick, Cezley Sampson, S Chakravarthy, S L Rao, David Lewis  
George K Lipimile, Eleanor Fox, Gesner Oliveira, Mona Yassine, Robert Anderson  
Simon J. Evenett, Scott Jacobs, Wang Xiaoye, Pradeep S Mehta, Taimoon Stewart

#### Special Invitees

Susan Joekes (SJ), David Lewis (DL)

#### In Attendance

Siddhartha Mitra (SM), CUTS International

### **2. Working Agenda**

The minutes of the last IAB meeting were circulated among IAB members present as well as invitees and approval sought. An *Action Taken Report* elaborating on the actions taken in response to comments received at the last meeting was also circulated. On the basis of these documents, comments on past work and suggestions for the future work agenda were sought.

### **3. Proceedings**

3.1 The meeting of the CCIER International Advisory Board (IAB) was held on the sidelines of the annual OECD *Global Forum for Competition* in Paris. The meeting was held at 9:50 a.m. in the OECD cafeteria on 19<sup>th</sup> February.

3.2 At the outset, SM thanked all present (IAB members and special invitees) for taking time out of their busy schedules to attend the meeting. SM then requested FJ as the Chairman of the IAB to moderate the discussion on the basis of the 'Action Taken Report' (ATR) mentioned above.

3.3. FJ moderated the entire discussions with SM throwing light on relevant details regarding relevant CUTS activities/plans to facilitate discussion.

#### **3.3.1 Interface between Competition and Sector Regulation**

It was felt that this should be an important area of engagement for CCIER as competition authorities were still in their infancy in many developing countries and working on concerns relating to compatibility of competition and sectoral regulation as well as seeking clarity on the division of labour/powers with sector regulators

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<sup>1</sup> SK was prevented from attending the "meeting proper" because of traffic delays but his comments were sought immediately thereafter and have been woven into the minutes of the meeting.

regarding competition issues. It was suggested that various implemented models for such division have to be analysed using a fairly exhaustive list of case studies. Such a systematic approach implemented with the help of dedicated and qualified advisors can help to ascertain best practices in regard to the mentioned interface. Both good/bad experiences should be studied to derive lessons.

It was felt that governments/competition commissions in developing countries (such as the Competition Commission of India) would be willing to support such work. Mini workshops organised by CUTS pointing to the significance of the mentioned interface issues, the wealth of material regarding the same, and hinting at the lessons that can be derived there from could be used to leverage such support.

### 3.3.2 Competition Policy and Consumer Welfare

The work agenda suggested by AF in this regard was to determine the genesis of advocacy for competition laws followed by a study of welfare implications of competition laws. It was felt by DL, AF and FJ that quantitative assessment of welfare implications of competition policy had proved to be difficult and not yielded tangible results. DL therefore advocated a case study approach to isolate such welfare impacts – an idea that was seconded by others present in the meeting.

Later SK pointed out that the FIAS paper written by him provides information at the aggregate level on the positive association between competition-antitrust policy on the one hand and per capita GDP, higher ranking in business competitiveness index, and lower levels of market dominance on the other. He also pointed to the difficulty in reaching clean conclusions about the relationship between competition policy and welfare outcomes as country experiences were characterised by varying combinations of corruption, enforcement of competition law, and incidence of other factors such as trade openness etc which are not direct components of competition law but impinge on the level of competition in the economy.

### 3.3.3 Regulatory Impact Analysis (RIA)

The opinion generally voiced was that RIA was not an area which warranted immediate or urgent engagement by CCIER. Attention was drawn by SJ to the work done by the University of Manchester, by AF to the work done by the Australian Competition Commission and by SK to that done by the OECD and the World Bank. A study of applications of the RIA technique by these bodies was advised. SK suggested application of DFID's *Competition Assessment Framework* to sectors/economies which had not been studied using this approach and expressed the opinion that this framework could be used for arriving at numerical estimates which could be put to analytical use.

### 3.3.4 Competition and Informal Sector /SMEs

SJ, AF, DL and FJ labelled this as a 'hot topic' and SM elaborated on the three papers which had been written by CUTS staff on the same. FJ suggested an in-depth study of factors leading to informalisation as such factors were liable to vary from country to country. Such variation implied that prescriptions for treatment of informalisation had to be necessarily different. In other words, FJ suggested a diagnostic treatment of informalisation.

SJ pointed out that useful insights about informalisation could be provided by *Self Employed Women's Association* (SEWA) which is an organisation of poor self employed women's workers based in Ahmedabad, Gujarat. A study of the experiences of Latin America and Egypt was also suggested.

SK later opined that this could at best be considered a marginal area for future work by CCIER. Part of the reason for informality is poor governance and until such matters are addressed, there are little incentives for small 'Mom & Pop' businesses to go formal and become open targets for harassment, corruption, etc by every petty government body down from the tax collection authority to local police. He suggested reading the paper by Ahmed Galal, (former WB) written at the Egyptian Centre for Economic Studies.

### 3.3.5 Competition and Private Sector Development

IAB members felt that 'competition and private sector development' constituted too broad a topic and did not yield any useful pointers to the work that CUTS envisaged in this regard. In future, IAB members suggested that its recommendations should be sought on narrower topics. FJ pointed to the need for rigorous work relating competition to private sector size and investment rates.

### 3.3.6 Other Areas

CUTS work on other areas – competition toolkits, regulatory governance, quality of regulation etc – were noted by the IAB members and special invitees. No suggestions for improvement or modification of the work agenda were provided.

### 3.3.7 New Areas

Recommended areas included study of the interface between competition and corporate social responsibility (CSR), especially on whether conditions characterising the former were consistent with adoption of CSR by firms; interface between competition policy and law and other corporate governance issues etc.

While AF, SJ and FJ felt that financial sector regulation should not be a new area of work for CCIER as it could not bring anything new to the table, SK felt that CCIER should work on these issues, especially the 'non-prudential' aspects of regulation impacting on consumer and SME finance, connected lending, credit card charges, etc. He suggested a focus on institutions dealing with development finance.

*Since there were no further comments, FJ and SM thanked all the participants and closed the meeting.*