

Second National Reference Group-NRG II Meeting CREW Project - Zambia 27th June, 2014

1. Introduction

CUTS International has been implementing a project entitled Competition Reforms in Key Markets for Enhancing Social and Economic Welfare in Developing Countries –CREW Project. The CREW project is being implemented with the support from DFID (United Kingdom) and BMZ Germany facilitated by GIZ Germany, over a period of three years in four Different Countries: Ghana, India, the Philippines and Zambia and the two markets studies to be undertaken include: (i) Staple food and ii) Bus Transport.

The project aims to develop an approach which would help in assessing impacts (welfare gains and losses) of competition reforms on consumers and producers in the two selected markets. The goal of the project is to better demonstrate measurable benefits from an effective competition regime in developing countries for ensuring long term support for competition.

The project is nearing the final stages of the first phase i.e. Diagnostic Phase. Therefore having undertaken both secondary and primary field work and in the process of consolidating the Diagnostic Country Report (DCR) for Zambia, the Second National Reference Group meeting was held for purposes of sharing the preliminary findings and issues arising from the field work with the National reference Group (NRG) members in order to obtain input, guidance and support to the process of implementing this project.

2. PROCEEDINGS

Welcoming Remarks by Rijit Sengupta, Regional Director, Africa, CUTS International

The second National Reference Group meeting was opened by CUTS Africa regional Director, **Mr Rijit Sengupta**. While welcoming and thanking the participants for their attendance, he gave a brief introduction to the project,. He stated that the aim of the project is to identify how competition reforms in the two key sectors have impacted consumers and producers. He also said that what needed to be done was to highlight how competition reforms can be useful and to accord greater attention among policy makers to the subject. Having briefed the participants on the purpose of the meeting, he went on to add that the main goal of the project was to develop a guideline to assist developing countries in planning and executing competition reforms as part of economic policy planning.

2.1 OPENING SESSION

Address by Ms Luyamba Mpamba, Director Mergers and Monopolies on behalf of Mr Chilufya Sampa, Executive Director, Competition and Consumer Protection Commission

Luyamba Mpamba, while making an address on behalf of the Competition and Consumer Protection Commission's (CCPC) Executive Director impressed on the fact that the two project sectors are among the most viable and open to entry. There have been some allegations of anticompetitive practices in these sectors, which have led CCPC to intervene and investigate. One case in point being the interactions of the private fertiliser firms towards market allocation under the

FISP programme. She stated that CCPC was happy that such a project is implemented in Zambia as this would help in identifying reforms that can remove impediments that are stifling competition, leading to adverse impact on the market.

Key Note Address by the Mr. Siazongo Siakalenga, Permanent Secretary Ministry of Commerce Trade and Industry (MCTI)

The key note address was delivered by **Sunday Chikoti**, Chief Economist in the Domestic Trade Department of the Ministry on behalf of **Siazongo Siakalenga**, Permanent Secretary-Ministry of Commerce, Trade and Industry (MCTI). In the speech as sent by Mr. Siakalenga, he said that the maize and bus transport sectors are critical sectors which remain high on the Zambian government's policy agenda. The project would help in enhancing the understanding of the benefits of effectively implementing competition reforms in these sectors and would aid to forge better policy options.

He added that demonstrating benefits of competition to stakeholders using a credible body of evidence has remained a challenge for developing country policymakers. So, The MCTI was happy to know that the project would lead to the development of such evidence and look forward to the findings. He assured that MCTI would be happy to work with CUTS in liaising with the relevant Ministries (Agriculture and Transport) for incorporating the emerging recommendations from the project in relevant policies and processes.

2.2 SECOND SESSION

Presentation on Research Findings in the Staple Food Sector (Maize) by Kelvin H. Mulungu and John N.Ng'ombe

The presentation was given by **Kelvin Mulungu**, who shared the findings on the sector reforms from the secondary data obtained from review of literature on the maize sector. He introduced his presentation by firstly defining competition policy as any policy that aims at ensuring that competition in the marketplace is not restrictive in a way that is detrimental to the economy. He further went on to explain that competition in agriculture is a major concern because the sector produces essential products purchased by all consumers, including the poor who are disproportionately affected by anticompetitive activities.

He further went on to discuss the specific reforms that had been selected for the staple food sector. Following are the highlights from the presentation on the maize sector:

- The activities of the Food Reserve Agency (FRA) had the effect of raising prices of mealie meal in the markets.
- The activities of FRA in regulating wholesale price of maize seem to have increased the market price in some areas benefitting net sellers of maize which comprise less than a third of the maize growers (and mostly big farmers).
- Further, in most areas where fertiliser was being supplied through the FISP programme, this has resulted in crowding out of private fertiliser providers. For instance in Malawi where in 2003 and 2007 1kg subsidised fertiliser crowded out about 0.22kgs of fertiliser which could have been supplied by private sector.
- Access to Fertiliser continues to remain a challenge for producers and some arrangement (partnership) between the public and private sectors would help to improve timely availability of fertilisers to maize growers.

- Government has been providing seed to farmers at a subsidised price.

FRA's declaration of its yearly demand of fertilisers comes in pretty late compared in light of the farming season. The private players in the fertiliser industry therefore wait until the end to procure their stock in light with the figures issued by FRA. This results in the delayed availability of the fertilisers to the farmers, sometimes even leading to the scenario where the farmer does not use fertiliser at all for his crops.

Floor Discussions

The session was characterised by a series of discussions on the findings from the staple food sector.

- **Shreya Kaushik**- CUTS International, wanted to find out if there has been any interactions with other stakeholders apart from the consumers and producers. Mr **Gregory Chilufya**, Food Agriculture Organisation, also wanted an explanation of the matrix table that was in the note and suggested that an explanation should be included in the note about the table. He further wanted to find out the significance of the historical prices of maize in the note if the prices since 1936 have been controlled. Does this mean that government has been consistent in policy making with regards to meeting the welfare of the consumers. Are the findings saying that there is no change in price setting?
- In response **Kelvin Mulungu** said that the study was looking at the periods when markets were free. The research has attempted to make simulations of the prices of maize in the scenario when FRA was not present. He mentioned that the study was trying to make a comparison of prices with/ without FRA. The findings of the study show that FRA has not had a major impact on the price of maize.
- **Rijit Sengupta** advised that the consultants should also include the role of the Millers Association of Zambia (MAZ) in the study. He said this would give a better understanding of the institution in terms of their constitution, work, how they have intervened in the market and the role that they play in maize price setting. It will also help us to know how they reacted after the removal of subsidies. This would add value to the analysis.
- **Cornelius Dube**, CUTS International suggested that it was important to find whether the millers received the full benefits of the subsidies. If some millers received it and some did not, it would be useful to identify the reasons of their being left out.
- **Luyamba Mpamba** stated that on the issue of maize what is important is the price of the commodity. She asked as to what extent the study was going to look at the supply and demand of the market and whether the issue of maize imports was also going to be addressed.
- **Kelvin Mulungu** responded that imports are there sometimes. When they are allowed the government gives licenses to MAZ, Grain Traders Association of Zambia (GTAZ) and Zambia National Farmers Union (ZNFU) to meet the deficit in Zambia. He further said that they might look at how much imports are allowed in the event that there is a deficit of maize and the price of the imported crop.
- **Bernard Banda**, Zambia Institute of Policy Analysis and Research (ZIPAR), asked to elaborate on the extent to which the researchers had considered the recommendations from the secondary literature that had been referred to. He further inquired on what impact export bans have on the price of maize in the country. He mentioned that it would be good to have some insights on such issues in the report.
- In response to this **Simon Ngona**, Centre Coordinator – CUTS Lusaka alluded to the scoping done by IAPRI on export bans. He said that the consultants can use the scoping as a reference in

the report. Kelvin added that the scope of the study limits to cover many issues, however the issue in question could be looked upon to a certain extent.

2.3 THIRD SESSION

Presentation on Research Findings in the Bus Transport Sector by Robert Mtonga, Strategy Foresight Consult-Sector Expert

Mr Robert Mtonga gave a presentation which highlighted some of the preliminary findings in the Bus transport sector.

Following are the highlights of the presentation:

- The research has focused on three policy areas, i.e., the Liberalisation Policy, the Road Traffic Regulation Act and the Bus stations and markets Act (in terms of infrastructure development).
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- There are low entry barriers in the bus transport sector, which seems to have encouraged private participation since it was liberalised.
- Most consumers use public buses for work purposes however, there is a general opinion that there is no price competition in the sector as the prices are fixed. Further, the removal of fuel subsidies by the government has had an adverse effect on the fares.
- While the country has well-laid out regulatory policies for regulating road traffic, little attempt seems to have been made to assess their actual implementation on the ground and the resulting benefits accrued.
- There is a need for the road transport regulator Road Transport & Safety Agency (RTSA) to strengthen institutional cooperation with other relevant regulators CCPC, Zambia Bureau of Standards (ZABS), etc.

Floor Discussions

- The Participants inquired on the actual regulations that the study was focusing on and the legal framework surrounding the sector.
- When commenting on the findings from the transport sector, **Mr Kamuti**, Chairman- Commuter Rights Association of Zambia (CRAZ) stated that the laws are in place, however, it is the lack of implementation of the laws which is the problem. He also highlighted that the Road Traffic Regulation Act is silent on addressing the needs of the consumers.
- **Robert Mtonga** responded by stating that three reforms were identified for the study in the transport sector. He alluded to the fact that at policy level the frameworks were perfectly in place however there was little interaction among institutions. He mentioned that the Transport Policy clearly specifies the role of CCPC. The report from the MCTI also shows that the transport ministry has put in place agencies to implement the laws. However there are no service level agreements between the transport ministry and these agencies which may enable the ministry to monitor the implementation processes and hold the agencies accountable. He further stated that this project would be an opportunity for CUTS to recommend for such service level agreements.
- **Emmanuel Chokwe**, CCPC enquired about the status of pricing and and safety that has emerged from the preliminary findings of the project. **Robert Mtonga** responded by stating that the transport policy and the Act are very clear on pricing. They do not talk about control pricing. In fact if the natural force of demand and supply are at a play, the market would become more competitive in terms of fares. Currently it has become difficult to balance the market forces for

fares and the control pricing being done by the government. He further alluded to the fact that the buses used in Zambia cannot pass the quality tests in South Africa and yet both countries adhere to the same SADC standard rules.

- **Rijit Sengupta** added that it would be helpful for this project if we undertook a market analysis by way of identifying how many operators ply on the chosen routes for the study, the nature of the different services being provided, the frequency and the pricing structures.
- **Mr Kamuti** informed that earlier the bus drivers' unions were actively involved in the fare decisions and mostly held the authority for the same. After the ruling to dismantle the unions, has the government started to decide the fares. He further urged the regulatory bodies and the government to view Civil Society Organisations as partners in trying to bridge the gap between the consumers and producer benefits.
- **Simon Ng'ona** stated that the issue of quality has been raised a number of times. He therefore asked CRAZ as to whether they think ZABS has been engaged in terms of quality. In response **Kasuba Kasengele**, Inspections Officer -ZABS stated that ZABS has only been engaged in assessing the roadworthiness of the buses.
- However, this position was challenged by **Robert Mtonga**. He mentioned that if the inspection of the buses is done at the pre shipment stage itself, the quality of bus entering the Zambian roads can be improved. He further added that the fitness inspection which is done by RTSA follows a ZABS standard as stated under the standard **ZS 560 of 2006**. Therefore the question now is to assess the implementation of this inspection mechanism, as in the current scenario if the buses are tested for their fitness, most of them would fail the test.
- **Kasuba Kasengele** responded by stating that ZABS is trying to enhance on adherence to these standards. He mentioned that ZABS recently introduced a road worthiness certificate for ZABS which every vehicle is now mandated to possess.
- **Mr Kamuti** added that the Road Traffic Regulation Act has not included the role of ZABS. This caused **Robert Mtonga** to further emphasise the point that there is a need for interaction among the statutory bodies at operational level.
- **Zuba Sakala**, Zambia Consumer Association asked as to whether there is a standard on service provision. **Robert Mtonga** responded by stating that most vehicles come into the country as panel vans and they are only turned into public service vans afterwards. The two certificates that are issued by the RTSA are in essence different. The road worthiness certificate is issued just for purposes of certifying that the vehicle is fit to be on the road however fitness certificate is just given to public service vehicles. There is also a need to educate the staff working on these issues. **Zuba Sakala** further proposed that there was need to have Zambia Police as a member of the NRG.
- **Luyamba Mpamba** added that there should be a dedicated policy to sensitise consumers on their rights and responsibilities. Consumers often do not report because they are not aware that they have the right to do so.
- **Robert Mtonga** further stated that the issue of lack of interaction among the institutions is one that is serious. He alluded to the fact that in some of the CCPC annual reports, there are some cases that continue to repeat themselves and had there been engagement between CCPC and RTSA these regulatory issues would have been addressed by now.

3. THIRD SESSION

Presentation on the Overview of CREW Activities and Expectations from the NRG Members for Phase II: Ann M. Siame, CUTS International

The presentation was given by **Ann Siame**. She began by giving a brief background to the project.

Following are the highlights of the presentation:

- The project is nearing the end of Phase I i.e., the Diagnostic Phase.
- The primary and secondary data analysis was being carried out and the draft DCR was in the process of being compiled.
- The draft DCR once prepared would be finalised by the comments received from the project advisors and the NRG members.

Ann also informed the NRG members that the findings of the DCR for Zambia will be shared at the CREW Project international Conference to be held in Bangkok in November, 2014. She therefore emphasised the importance of the NRG members' participation and taking ownership in this process through providing input, guidance and advice on the critical issues.

Presentation on the Introduction to Framework for Competition Reforms (FCR) by Rijit Sengupta, Regional Director Africa, CUTS International

Rijit Sengupta made this presentation which introduced the Framework of Competition Reforms (FCR) to the NRG members and highlighted the next stage of the project.

Rijit alluded to the fact that many Developing Countries and least developed countries have adopted competition laws in the last decade however, implementation of competition law remains limited.

The FCR therefore would be a method to explain how to plan, execute, evaluate and rectify competition reforms in key sectors.. He added that the FCR would also help key stakeholders appreciate the benefits of competition reforms on consumers and producers and lead to greater attention to the issues as part of economic planning and reforms in developing countries. He said the FCR will assist developing countries in developing an analytical plan for identifying policies, legislations and assessing how components of competition reforms can be ingrained into the selected legislations, policies etc which lead to pro-competitive and/or anti-competitive outcomes.

He added that with the FCR an M & E framework may be developed to help with periodical assessment of the impact of the reforms on consumers and producers. The FCR will also be vetted by the NRG members once it is developed he said.

4. Concluding Remarks & Way Forward by Joseph Simumba, ZIPAR

In his concluding remarks, **Joseph Simumba** observed that the preliminary findings from the project research have highlighted many issues hampering competition in both the project sectors. He therefore said the way forward was to ensure that the DCR is finalised and shared with the NRG members. **Simumba** mentioned that the project was very relevant for Zambia and that there is a growing attention to the debate on competition issues. He further thanked the NRG members for taking time to attend the NRG meeting and provide input and guidance and also for their commitment to the implementation of the CREW project.