



Capacity Building on Electricity Reforms in Bangladesh, India and Nepal (RESA Project)

CUTS International with the support of the Norwegian Agency for Development Cooperation (NORAD) is implementing a project on electricity regulation and reforms over a span of two years (2008-2010) in Bangladesh, India (West Bengal and Rajasthan) and Nepal. The objective of the project is to enhance the capacity of consumers – enabling them to understand issues involved, take up action-oriented research and carry out advocacy with policymakers and regulatory agencies on electricity regulatory/policy issues.

The project aims to:

- facilitate effective representation of consumers'/ civil society's views in policy formulation and regulatory processes in electricity sector in Bangladesh, India and Nepal;
- strengthen capacity of civil society to take up action research and advocacy on regulatory/policy issues in the electricity sector;
- encourage regional co-operation and experience sharing on the subject through networking; and
- create a vertical mechanism to take the concerns and views from the grassroots to the policy level and vice-versa, along with having horizontal linkages between different players at the same level.

Launch Meeting

The project was formally launched in Kolkata (India) on March 13-14, 2008. During the meeting, all project partners along with various stakeholders such as policy makers, regulators, etc. participated. Following the launch event, a training programme was organised for the project staff, nodal persons, etc. on electricity regulatory issues and project management.

Outlining the primary objective of the workshop, Pradeep S Mehta, Secretary General, CUTS International urged that electricity is a crucial energy input and that it plays a very important role in the economic development of any economy. He said that there is a need to enhance the capacity of civil society organisations (CSOs) so that they can act as a watchdog on the regulatory institutions and aid the reform process. Mehta invited all the participants to join the 'Regional Network on Electricity Reforms'.

Sunil Mitra, Principal Secretary, Department of Power, Government of West Bengal, India said that this important



L to R: N F Tankariwala, A K Basu, Pradeep S Mehta and Sunil Mitra

project being launched by CUTS will add to the initiative taken by the government and complement the entire reform process. It will also help the government in designing communication strategy in disseminating and communicating information to the CSOs in creating an external environment to support this programme.

N F Tankariwala, Honorary Consul of Norway, Kolkata, India opined that capacity building activities is the need of hour in the respective project countries. He welcomed the initiative undertaken by CUTS and acknowledged the support of NORAD.

A K Basu, Member of State Planning Board of the State of West Bengal, India and former Chairman, CERC expressed his concern over the unequal distribution of energy resources across the world. He also highlighted some of the important provisions of the (Indian) Electricity Act, 2003 that aim to facilitate competition in the power sector.

As the next step, a baseline survey will be done in Bangladesh, Nepal and India (Rajasthan and West Bengal), which on its own will also build capacity and understanding of the partners on the ground realities. Concurrently, each partner will establish a Reference Group to act as an advisory body on the project and guide its progress. These groups will comprise of representatives of government; regulators; providers, media and other stakeholders.

For further details of the meeting, visit the webpage: <http://www.cuts-ccier.org/RESA/index.htm>

Promoting a Healthy Competition Culture in Sub-Saharan Africa



CUTS International jointly with the Ministry of Trade and Industry of Botswana; and the Botswana Council of NGOs, organised an international competition conference entitled, 'Promoting a Healthy Competition Culture in sub-Saharan Africa' in Gaborone (Botswana), on February 14-15, 2008. This conference brought together regional and international participants from over 20 countries to diagnose competition regimes in the region and identify key elements needed to promote a healthy competition culture.

A part of the conference was dedicated to discussing the prevailing competition regimes in various countries of sub-Saharan Africa, and to highlight specific areas (at the macro and micro levels) revealed from the research, especially those which could help mobilise public opinion in favour of competition reforms in these countries.

The other part was dedicated to discourses on specific tools and measures to help national governments and other stakeholders understand the level of competition in their economies; and effectively enforce national competition

legislations. In this part, two important measures were discussed in great details.

Firstly, there was a discussion on 'Competition Assessment Framework' (CAF) developed by the Department (DFID), UK for International Development, that helps in assessing the level of competition in a specific sector of the economy and empowers authorities to take appropriate actions to curb competition infringements.

Secondly, was the discussion on country-specific 'Competition Toolkits', developed by CUTS International based on the research done in the 7Up3 project countries and integrating information regarding the prevailing competition legislation in those countries.

The meeting felt that the momentum achieved through this project would need to be sustained in each of the project countries, and therefore, there was a need for the country partner organisations of CUTS to conceive ideas focusing on specific elements of competition at the national levels, to help keep the competition agenda alive and active.

For further details of the Conference, please visit: <http://www.cuts-ccier.org/Gaborone/index.htm>

Competition, Regulation and Development Research Forum (Second Cycle)

CUTS has envisioned a biennial research programme entitled, 'Competition, Regulation and Development Research Forum' (CDRF) on competition and regulatory regimes in the developing world, with a strategy to motivate researchers, particularly from the developing world to undertake research and participate in the accompanying symposium to present their research findings.

The project has been implemented through a research cycle comprising call for papers followed by writing of research papers, publication of a research volume and a symposium to deliberate on research findings. The project is unique in its approach, as it facilitates focused and cogent research on implementation issues concerning developing countries, which is currently absent, with an in-built agenda of enhancing research capacity.

The first cycle of CDRF project has already generated a wealth of research from all over the world on political economy and governance constraints encountered by competition and regulatory agencies in developing countries. The findings of the first research cycle were discussed in a Symposium entitled, 'Political Economy Constraints in Regulatory Regimes in Developing Countries', organised under the aegis of CUTS Institute for Regulation & Competition (CIRC).

The second research cycle has been planned on the theme, 'Institutional Issues covering Political Economy and

Governance Constraints in Implementing Competition and Regulatory Regimes in the Developing World and will delve into the institutional issues and problems related to the constraints discussed, catalogued and analysed in the first cycle and also seek solutions to the highlighted problems. Solutions to the problems will be sought through commissioned research papers, i.e. conflict in stakeholder objectives, which impedes the implementation of competition and regulatory policy; conflicts between competition and regulatory authorities; and conflict between public interest and promotion of efficient markets. The idea is to establish a base for further research and to stimulate sufficient interest so that momentum for research extending far beyond the temporal boundaries of the project could be sustained.

The second research cycle also plans to develop an integrated and holistic framework for assessing the quality of regulation in developing countries, such as India, Kenya and Brazil. Moreover, CUTS plans to coordinate as well as participate in the empirical implementation of this framework for the purpose of actually judging the quality of regulation in selected developing countries. The international research symposium for the second cycle to culminate, is scheduled sometime in early 2009.

For further details, please visit the webpage: <http://www.circ.in/cdrf.htm>

Policy Briefs

The deliberations at the CDRF research symposium facilitated preparation of policy briefs based on the final research papers comprising key implementation issues concerning competition and regulatory regimes and the approaches/recommendations that emerged from the research cycle that would be useful in the context of the developing world.

The policy briefs will be used to raise awareness among various stakeholders in the developing world and would be distributed widely using CaUTS' networks, its partners' network and at various other forums. There are eight such policy briefs prepared on the basis of eight broad themes.

- Constraints Faced by Competition and Regulatory Agencies
- Competition and Regulatory Regimes in Small & Developing Countries
- Political Economy of Regulation in Electricity Sector in India
- Political Economy Constraints in Competition and Regulatory Regimes
- Efficiency and Effectiveness of Competition and Regulatory Agencies
- Effective Regulatory Regimes – Experiences of India, Kenya and Belgium
- Political Economy of Telecom Regulation in Jamaica
- Financial Services Regulation – Perspectives from Banking in India and Bangladesh

For more, please visit: <http://circ.in/PolicyBriefs.htm>



Advocacy

CUTS Intervention Leads to Rise in State Revenues in Rajasthan

CUTS International in a research report entitled, "Towards A Functional Competition Policy for India" published in 2005 on the need for a competition policy for India highlighted various anticompetitive outcomes and regulatory failures at the local level caused by state government policies. The report stressed that restrictive policy regimes are often characterized by entry restrictions which limit participation in the industry to a few participants. Smallness in numbers encouraged either monopoly or cartelisation and consequently industry outcomes which were inefficient and costly both to the consumer in terms of welfare and the government in terms of revenue losses.

"In 2005-06, for Excise Policy changes in State of Rajasthan, the basic precincts are based on the findings of the CUTS report. This resulted in quantum jump close to 30 percent in excise revenue for the State. Against the backdrop of two to four percent per annum revenue growth for the immediate preceding seven years, it is certainly a quantum leap. The suggestions in the report obviously point out to this direction. Policy deficiencies for a full fledged market play are essential to the designing of a policy regime".

For more details: <http://www.cuts-ccier.org/pdf/FairCompetitionLeadstoRiseinStateRevenue.pdf>

Publications

Taking the Right Steps: Competition Administration in Eastern & Southern Africa

Over the period between 1980s and 1990s, countries in Eastern & Southern Africa (ESA) made considerable progress towards evolving market-oriented economies, moving away from their erstwhile centralised regimes. However, the need for a comprehensive regulatory framework accompanying this process, failed to catch the attention of the government planners. Absence of regulatory oversight has adversely affected the capacity in many of these countries to reap benefits from the reform process.

In order to achieve the targeted objectives and make the reforms process beneficial to the economy, competition laws in developing countries need to be well-adapted to their national development circumstances. Lawmakers need to take cognisance of the local economic, social, political and cultural dimensions, while developing national competition legislations.

This Briefing Paper summarises the research findings of the 7Up3 project on the state of competition in ESA, and has been developed to help the project countries take the right steps forward in implementing their competition regimes.

<http://www.cuts-ccier.org/7up3/pdf/BriefingPaper01-2008.pdf>

INCSOC Brief



Consumers Demand Action Against Abusive Monopolies

Consumers gain when they have options to choose between efficient producers that can enter and survive in market-based on merit. In contrast, they lose when entry or survival of efficient producers in the market is made difficult or impossible by the activity of incumbent monopolists. Monopoly power some market players to dominate in order to harm that causes consumer welfare.

There is an ongoing debate in the competition community about the priority that should be given to curbing exclusionary practices by dominant firms. Some argue that dominance in the market is transitory in nature, which encourages new entry and enhances consumer welfare by funding large scale innovation. Others argue that market power is rarely transitory and its abuse can retard the development of efficient and innovative firms, and hence undermine consumer welfare.

This Briefing presents the consumer's view to curb dominance of firms and suggests future approaches for a more equitable market place.

This INCSOC Briefing can be accessed at: <http://www.incsoc.net/pdf/Action-on-abuse-of-dominance.pdf>

Representations

Alice Pham attended the Consumers International's (CI) Asia Pacific Regional Members Meeting, organised by CI Kuala Lumpur Office in Kuala Lumpur, on March 18-20, 2008.

Sonia Gasparikova and Souvik Chatterjee attended the International Bar Association's Conference on India's New Merger Notification Regime in New Delhi, on March 15-16, 2008.

Ramrao Mundhe attended the Focus Group Consultation Meeting on 'Public-Private Partnership in Health and Education sectors in India' organised by the Department of Economic Affairs, Government of India, Asian Development Bank and KPMG in Ahmedabad, on February 23, 2008.

Rajesh Kumar as a panelist participated in the 'Consumer Awareness Programme on Telecom Issues' organised by the Indian Merchant Chamber and Mumbai Telecom Users' Association in Mumbai, on March 25, 2008.

Udai S Mehta attended the 56th Antitrust Law Spring Meeting organised by the American Bar Association, in Washington DC on March 24-28, 2008.

Pradeep S Mehta, Alice Pham and Thanh Mai attended the launch meeting of the joint project between the Swiss Competition Commission, CUTS and the Vietnam Competition Administration Department (VCAD) entitled 'Strengthening the Vietnamese Competition Authorities' in Hanoi, on February 29, 2008. Mehta made a presentation on 'Engaging Civil Society to Promote Competition Reforms in Developing Countries'.

Pradeep S Mehta of CUTS presented a paper on 'The Role of Consumers in Promoting Pro-Competitive Reforms' at the Organisation for Economic Cooperation and Development (OECD) Seventh Global Forum on Competition (GFC), in Paris, on February 21-22, 2008.

Rijit Sengupta presented a paper on 'Competition Policy Enforcement: *Experiences from Developing Countries and Implications for Investment*' at the OECD Global Form on International Investment in Paris, on March 27-28, 2008.

Media Outreach

Phasing Out ADC Will Benefit Telecom Consumers: CUTS

New Delhi, March 30, 2008

CUTS International has backed Telecom Regulatory Authority of India's (TRAI's) recommendation on the phasing out of Access Deficit Charges (ADC) issue. CUTS has observed that as a result of support through ADC, BSNL was able to provide more access to telecom services in rural areas.

But at the same time, the quality of service provided by BSNL was reported to be very poor. Consumers have suffered very much from the abuses resulting from the monopoly power exercised by BSNL.

Addressing the TRAI's concern on extending service to rural areas, it has suggested to the authority to make it mandatory for all operators to ensure 100 percent coverage of the license area including remote areas. It will enhance the teledensity, which is currently at an abysmal level of 7 percent in rural areas. The USO fund is also available for subsidizing high cost-low returns investments.

For more, please visit:

<http://www.cuts-ccier.org/ccier-prMar08.htm#pr2>

M&As and Corporate India

The Economic Times, February 01, 2008

By Pradeep S Mehta

The ultimate test of how the new mergers and acquisition (M&A) regulations are applied will depend upon the quality, knowledge and skills of people who man the new authority, and that is where the crux lies.

Business has been up in arms on the merger provisions of the new Competition Act, 2002 (amended in 2007) not just now, but ever since it was being debated.

The objectives of the new law are to promote economic development of the country and to do so by dealing with market failures, advancing consumer interest and ensuring the freedom of trade for other participants in markets in India.

Other than cartels and abuse of dominance, one cannot ignore the fact that M&As also need to be regulated so that they do not end up in a potentially abusive position. That's the reason the law has provided for approval of mergers over certain high thresholds prior to their consummation.

For more, please visit:

<http://www.cuts-ccier.org/ccier-arFeb08.htm#ar1>

How justified are non-merit subsidies?

The Hindu Business Line, March 25, 2008

By Pradeep S Mehta & V V Singh

Much of the justification for support pricing of foodgrains would weaken if the government brought the farmer closer to the ultimate consumer through better communication and transport facilities.

The total subsidy burden in 2007-08 is expected to be Rs 1 lakh crore, of which almost half is going to be off-Budget. But how justifiable are these subsidies for which government is afraid of making provision in the Budget?

One way of reducing the overall subsidy burden is to abolish, or at least reduce the magnitude of, subsidies across the board and let the market do the rest. In the long run, efficiency and equity also require proper targeting of subsidies.

For more, please visit: <http://www.cuts-ccier.org/ccier-arMar08.htm#ar1>