Ongoing Projects

The Political Economy of Regulation in India – What do we need to do

CUTS Institute for Regulation & Competition (CIRC), in association with CUTS Centre for Competition, Investment & Economic Regulation (CUTS CCIER) organised a Roundtable on ‘The Political Economy of Regulation in India – What do we need to do?’ in New Delhi, on March 28, 2009. It was organised as part of the ‘India Competition and Regulation Report’ (ICRR) project being implemented by CUTS C CCIER supported by the British High Commission, New Delhi.

Panelists included Pradip Baijal, Former Chairman of Telecom Regulatory Authority of India; R C Srinivasan, Principal Adviser, Department of Economic Affairs, Ministry of Finance, Government of India; Subir Gokarn, Chief Economist, Standard & Poor’s Asia Pacific; Dhanendra Kumar, Chairman, Competition Commission of India; and V K Mathur, Former Chairman, Airports Authority of India. More than 60 participants from the government, regulatory bodies, civil society, research community and media participated in the event.

Pradeep S. Mehta welcomed the panellists and stated that regulatory structure is required both for investment in infrastructure and consumer welfare. Nitin Desai, Former Under Secretary General, UN and Chairman, CIRC Management Committee thanked the British High Commission for not only providing support to this project but also maintaining its commitment on such contemporary issues as competition and regulation in India.

Creon Butler, Deputy High Commissioner of UK to India was invited to speak. He cited examples from different countries to clarify specific issues in the broader debate of regulatory reforms. In the Indian context, he particularly noted that the experience of the Department for International Development (DFID) and British High Commission in supporting CUTS to undertake regulatory research and advocacy has been very fruitful.

Montek Singh Ahluwalia, Deputy Chairman of the Planning Commission of India released the report entitled ‘Competition and Regulation in India 2009’, which looks at regulatory issues in some specific sectors and impediments in their implementation. He suggested having a comparative assessment of regulators and replicating it in all states based on best practices.

Dipak Chatterjee, Director General of CIRC emphasised on the need for more engagement with the parliamentarians on the virtues of competition and regulation for the Indian economy to grow faster and better. He thanked everyone for their participation and the British High Commission for its support to the programme.
CUTS has been implementing a project entitled, ‘Strengthening Constituencies for Effective Competition Regimes in Select West African Countries’ (also referred to as the 7Up4 project) in seven countries of West Africa: Burkina Faso, The Gambia, Ghana, Mali, Nigeria, Senegal and Togo.

The project highlights the relevance and need for an effective competition regime for economic development and poverty reduction in these countries/region, and aims to set in motion the process of evolution and effective implementation of national competition regimes, and enable stakeholders to engage appropriately in the processes.

As a first exercise to familiarise themselves of the prevailing competition scenario in the project countries, the partner organisations have prepared preliminary country papers (PCPs) for each country. All seven PCPs of the project countries were finalised incorporating comments received from select national stakeholders and the project advisers.

CUTS with the support of the Norwegian Agency for Development Cooperation (NORAD) is undertaking an initiative over two years (2008-2010) in Nepal, Bangladesh, and two states of India (West Bengal and Rajasthan) to build capacity of consumer groups/civil society organisations (CSOs) to enable them to deal with the issues involved, take-up action research, share experiences, and carry out advocacy with policymakers and regulatory agencies to effect pro-consumer changes in the electricity regulatory/policy processes. The project is being implemented in association with local partner organisations across project territories.

As a part of this project, the local partners of CUTS had organised Grassroots Interface Meetings (GIMs) in order to raise consumer concerns related to the electricity sector in an attempt to address them.

The proceedings of GIMs conducted in Rajasthan, India were converted into a documentary (Powered to Grow) capturing the need to bridge the gap between the process of electricity reforms and the plight of consumers at the grassroots.

The PCPs can be downloaded at: http://www.cuts-ccier.org/7up4

Partners are currently engaged in the research phase of the project, during which they shall conduct detailed research into the competition scenarios in their respective countries which will culminate in a Country Research Report (CRR) for each of the project countries.

A ‘Research Methodology’ was prepared and discussed with the project partners in order to give them a more detailed idea about the components of the research activities of the 7Up4 project.

In addition to that a ‘Guidance Note for the Research Phase’ was also developed and shared with the project partners to maintain uniformity of actions as far as the research activities are concerned. All these documents are available on the project webpage.

A mid-term review meeting of the project activities was organised in Jaipur, on April 01-02, 2009. On the first day, the meeting discussed progress of the project, including results and fulfillment of agreed obligations and issues of special concern for the implementation of the future activities etc. Results of baseline surveys and plans for completion of remaining activities were also discussed. Representatives from NORAD and CUTS participated in this meeting.

A consultation meeting was organised on the second day between the project partners, representatives from NORAD and CUTS CCIER.

The meeting provided an opportunity for NORAD to directly engage with the project partners. The respective nodal persons delivered presentations capturing progress of the project made in their respective territories. Key outcomes and challenges faced by project partners during the course of the initiative were also shared.

For more, please visit http://www.cuts-ccier.org/RESA
Memorandum to the Finance Minister of India

Corporate governance norms in India have been evaluated from time to time and efforts have been made to make it more effective and relevant for the current business scenario. However, Satyam scam has forced us to re-look at our system and plug the loopholes so that this type of scam is not repeated. CUTS has carefully studied the role of independent directors and auditors and come out with a few suggestions to make their role more effective.

Independent Directors

Independent directors have to be independent from the management and should have sufficient knowledge of working of the corporate so that they can perform their duties efficiently.

Auditors

External auditors need to be independent from the management. CUTS suggests certain measures to make the role of auditors more effective.

Other Recommendations

All the stakeholders have to be alert so as to ensure that the scam of this magnitude is not repeated again. For this CUTS stresses on the need for institutional investors, trade unions and officers union to realise their role as ‘whistle blowers’.

Finally, CUTS emphasises that there should be severe punishment for those involved in such scams, as that would discourage others.

Future Plans

CUTS have extensive experience of implementing competition policy and law interventions in countries of South Asia, Southeast Asia (Vietnam, Laos and Cambodia), Eastern Africa and Southern Africa. CUTS intends to expand its activities in Southeast Asia, which inspired it to undertake an assessment of the needs on the ground in the ASEAN region. The progress made at the regional and the national levels on developing and/or operationalising competition regimes in some of the countries in the Association of Southeast Asian Nations (ASEAN) prompted CUTS to undertake this mission in a few countries (Indonesia, Malaysia and Singapore) to formulate intervention(s) to strengthen constituencies for effective implementation of competition and regulatory regimes, therein.

The aim of the mission was to meet with relevant national and regional stakeholders (including the ASEAN Secretariat, relevant government departments business associations/ chambers of commerce, consumer organisations, media, law firms, academia, international development agencies, etc.) and seek their views on those areas that need to be strengthened with regards to national and regional dimensions of competition policy and law in the ASEAN.

Overall, the mission led to the following realisations:

• Cooperating with national stakeholders to undertake specific and tailor-made research and advocacy programmes.
• Undertaking sectoral studies of competition-related issues in specific countries.
• Develop sectoral studies on competition issues at the regional level.
• Encouraging participation of government officials/ competition authority officials in international conferences.
• Foster greater sharing of information/methodologies for competition enforcement.

Assessment of ‘Capacity Building Needs’ on Competition and Regulatory Issues in Southeast Asia

The Satyam scandal was unique in many ways. Satyam chairman Ramalinga Raju’s candid confession, when seen in the context of various business criminals who would never have done so except in the recent case of Madoff, is quite unusual.

The scandal has also generated a significant decline in peoples’ trust in business, which is aided by the economic downturn and its adverse consequences. Business trust decline was the highest, which is what this article takes a look at, explores lack of good corporate governance and suggests ways forward.

For more, please visit:
http://www.cuts-ccier.org/ArticlesJan09_1.htm

Corporate Governance Cries out for Reforms

Financial Express, January 15, 2009
By Pradeep S Mehta

As the country recovers from the jolt received from the confessions of Satyam’s chairman B Ramalinga Raju and the consequent precipitous slide of the Sensex, it is important to glean the broader lessons for corporate governance and become wiser about the need for swift systemic changes.

As N R Narayana Murthy has rightly observed, Satyam is an isolated case and does not represent India. The pride of corporate India has taken a serious blow, and the onus is on all of us to help salvage it.

For more, please visit:
http://www.cuts-ccier.org/ArticlesJan09_1.htm
Representations


**Rajesh Kumar** participated in a two-day conference entitled, ‘Infrastructure Regulation: What works, Why, and How do we know?’ organised by LIRNAsia, in collaboration with the Institute of Water Policy, Lee Kuan Yew School of Public Policy, Singapore and the University of Hong Kong, in Hong Kong on February 26-27, 2009. He presented a paper on ‘Assessing Regulatory Performance: The Case of the Indian Power Sector’.


**Udai S Mehta** and **Alice Pham** participated in the ‘Asia Pacific Regional Meeting on Access to Knowledge and Members Meeting’, organised by Consumers International, Kuala Lumpur office in Kuala Lumpur, on February 17-18, 2009.

**Pradeep S Mehta** of CUTS attended a Forum entitled, ‘Strengthening the Global Trade Regime for World Prosperity and World Peace’ convened jointly by International Chamber of Commerce and the Evian Group at IMD in Lausanne, on February 03, 2009.

Publications

**Competition and Regulation in India, 2009 – A Curtain Raiser**

India Competition and Regulation Report, 2009 tries to examine the evolution of regulation/regulatory problems from a political economy perspective and assess the quality of regulation in terms of the suitability of content for tackling market failures, the effectiveness and independence of the regulator and the extent to which the set of sector regulations fosters competition. This study is an important contribution towards enriching the available literature in the public domain and encouraging a dialogue to promote a healthy and competitive environment as evolving an appropriate regulatory culture is always a learning curve.

This Monograph can be viewed at:

**The Competition Regime as a Determinant of Consumer Welfare: Focus on Indian Telecom**

This Monograph elaborates on the concept of consumer welfare which has been concretised and delineated in the form of consumer rights and examines how such rights can be furthered through a competition regime. It evaluates the formulation and implementation of Government policies in India, which have affected the pursuit of competition and consumer welfare enhancement. The Monograph also offers a case study of the telecom sector in India that examines competition issues that are juxtaposed against an evaluation of the extent to which the mentioned consumer rights are being satisfied.

This Monograph can be viewed at:

**Consumer Participation in Electricity Regulation: Rajasthan Experience**

This briefing paper examines the status of consumer participation in the regulatory reform process in the electricity sector with special focus on Rajasthan. It concludes that though necessary steps were taken by the regulator in certain cases, due to lack of capacity to understand complex issues, consumer participation did not produce the desired results. The paper lays emphasis on the need to make consumers aware by developing their capacity on ways for them to engage in the process.

This Briefing Paper can be viewed at: