

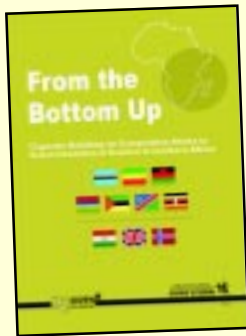
CUTS CCIER ACTIVITIES REPORT



Ongoing Projects



Addressing Capacity Building needs on Competition Policy in Eastern and Southern Africa



CUTS has been implementing a two-year project entitled, 'Capacity Building on Competition Policy in Select Countries of Eastern and Southern Africa' codenamed 7Up3 Project in seven countries: Botswana, Ethiopia, Malawi, Mauritius, Mozambique, Namibia and Uganda, with support from the Norwegian Agency for Development Cooperation

(NORAD), Norway and the Department for International Development (DFID), United Kingdom.

One of the main aim of the 7Up3 project is to develop the capacity of national stakeholders including the policy makers, regulators, civil society organisations, academicians and the media in each of the project countries through a participatory process to understand and appreciate prevailing competition concerns from the national, regional and international perspectives, and enable them to respond appropriately.

The national markets in eastern and southern Africa are integrating through three regional bodies, viz., Common Market for Eastern and Southern Africa (COMESA), Southern African Development Community (SADC) and East African Community (EAC) with considerable geographical overlap. Though some countries of the region have framed competition legislations, there has been little or no progress when it comes to implementation of the legislation. Therefore, the need for developing the capacity of the stakeholders of the countries in the region was felt, especially in the wake of the privatisation and globalisation climate prevailing there.

As a part of the 'Capacity Building' element of this project, national level training workshops on competition policy and law issues were held in the project countries.

The need for these national training workshops was felt over the period of implementation of the 7Up3 project, which revealed a dire need for raising the level of understanding not only of the government representatives, but also other stakeholders (especially civil society and business organisations) to operationalise national competition

regimes. Seven training workshops, one each in the project countries were organised. Five of the events were organised from July-September 2007, while the remaining two (Ethiopia & Uganda) were held in October 2007.

In Ethiopia

A three-day training workshop was organised by CUTS International and Aha Ethiopian Consumer Protection Association (AHaECoPA), Ethiopia, Addis Ababa and coordinated by CUTS Institute for Regulation and Competition (CIRC) on October 10-12, 2007.

Harka Haroye, Trade Practice Investigation Inquiry Commissioner stressed the role of consumer associations, and said that they play significant role in the protection of consumer welfare and promotion of competition culture. He added political will and civil society involvement are indisputably some of the preconditions for competition policy and law to be effective.

In Uganda

A similar training workshop was organised by CUTS and Consumer Education Trust (CONSENT), Uganda and coordinated by CUTS Institute for Regulation and Competition (CIRC), in Kampala, Uganda, on October 03-05, 2007.

Speaking at the opening, Kimera Henry Richard, CONSENT's Chief Executive said that while some people have different opinions on competition and fail to promote it, consumers continue to lose out irrespective of being the largest socio-economic group in any given economy.

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



Resource Persons & Participants at the Ethiopia National Training Workshop



British High Commission

Status of Competition and Regulation in India



This briefing paper evaluates the significance of competition policies and regulatory regimes, including government policies that impede competition in India. It also examines competition-related issues and sectoral dimensions citing examples of selected sectors. It recommends the adoption of a

National Competition Policy, so that a better regulatory regime can be realised in the country.

In the pre-reform era, the Indian economy had been characterised by significant government involvement marked with the dominance of large state-owned public enterprises (SOEs). There existed lacunae in the older laws and policies, which needed corrections as India moved ahead in creating a sound economic regulatory regime aimed at delivering

higher growth, creating more employment and ensuring distributional justice to all. In order to realise this, India embarked on the path of economic reforms during 1990s by shifting to market driven economic policies.

There is a strong need to promote a culture of competition in India and to enable the consumer movement through resourcing and capacity building. Strengthening and resourcing the consumer movement will go a long way in promoting effective markets and good governance in India at substantially lower costs than similar efforts put into governmental or quasi-governmental initiatives. The challenge is to reach out to the political elite in India to see the benefits of an effective competition law and policy.

Some people think that a competition law is a 'First World luxury'. They are mistaken. It can be applicable in a poor country as much in a rich one, but it will need to be adapted to the local scenario, and innovative ways will have to be evolved to design and implement an effective competition law. Moreover, a committed polity, dedicated consumer movement and an honest bureaucracy are required to effectively implement the laws.

<http://www.cuts-international.org/pdf/C-CIER-No-3-2007.pdf>

Political Economy of Regulation in India

A Panel Discussion on 'The Political Economy of Regulation in India – what do we need to do' was organised under the aegis of CUTS Institute for Regulation and Competition (CIRC) in Mumbai, on October 16, 2007. The discussion aimed at evolving a consensus on the implementation of an effective regulatory regime in India. It also set the stage for the release of a report brought out by CUTS entitled, 'Competition & Regulation in India, 2007' by Dr C. Rangarajan, Chairman, Prime Minister's Economic Advisory Council.

The panel discussion was chaired by Dr Rangarajan and comprised distinguished panellists, such as Rakesh Mohan, Deputy Governor, Reserve Bank of India (RBI); G N Bajpai, Former Chairman, Securities and Exchange Board of India (SEBI); Arun Nanda of Mahindra; and Arvind Mayaram, Joint Secretary, Department of Economic Affairs.

Pradeep Mehta, Director General, CIRC welcomed all the panellists and guests. He thanked the British High Commission, New Delhi for supporting the project entitled, 'Competition & Regulation in India, 2007'. At the release of the Report, Dr Rangarajan, observed, "the report highlights various competition and regulation concerns present in India and stresses the importance of



Dr C Rangarajan releasing the Report, 'Competition and Regulation in India, 2007'

understanding how the market operates and kind of regulation required".

While delivering the vote of thanks Nitin Desai said that by opening up the discussion of such issues through this report, a genuine public discussion on political economy of regulation in this country can be stimulated and not just the technicalities. The greatest challenge is to get political buy in, and the rest can take care of itself.

For the detailed report of the event, please visit:
<http://www.cuts-ccier.org/icrr/pdf/PanelDiscussion.pdf>

Reviewing India's Investment Environment



CUTS was engaged by the Organisation for Economic Cooperation and Development (OECD) based in Paris, France to undertake a preliminary review of the prevailing investment environment in India. This document would be used by the OECD as a ready reference for designing further and more detailed assessment of the investment environment of the country, which the OECD is expected to initiate soon in India.

The review that CUTS undertook had two sections: (i) investment policy, and (ii) competition policy.

The section on investment policy provides a comprehensive up-to-date account of the formal restrictions on foreign direct investment, including all relevant national laws and regulations. It also elucidates general and sectoral foreign ownership restrictions – including, foreign ownership limits and investment screening procedures. It further indicate areas where policy is changing, in particular those sectors where there is active discussion concerning further opening to foreign investment or proposed new restrictions on foreign investment.

In the section on competition policy, this document addresses the following questions (that are part of the *Policy Framework for Investment* of the OECD):

1. Are the competition laws and their applications clear, transparent and non-discriminatory? What measures do the competition authorities use (e.g. publishing decisions and explanations on the approach used to enforce the laws) to help investors understand and comply with the

competition law and to communicate changes in the laws and regulations?

2. Do the competition authorities have adequate resources, political support and independence to implement competition laws effectively?
3. To what extent, and how, have the competition authorities addressed anti-competitive practices by incumbent enterprises, including state-owned enterprises, that inhibit investment?
4. Do the competition authorities have the capacity to evaluate the impact of other policies on the ability of investors to enter the market? What channels of communication and co-operation have been established between competition authorities and other relevant government agencies?
5. Does the competition authority periodically evaluate the costs and benefits of industrial policies and take into consideration their impact on the investment environment?
6. What is the role of the competition authorities in case of privatisations? Have competition considerations having a bearing on investment opportunities, such as not permitting market exclusivity claims, been adequately addressed?
7. To what extent are competition authorities working with their counterparts in other countries to co-operate on international competition issues, such as cross-border mergers and acquisitions, bearing on the investment environment?

Future Projects

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 pilot project 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 said project is being 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 will be participating. Following the launch event, a training programme will be organised for the project staff, nodal persons, etc on electricity regulatory issues and project management.

Ghana Competition Bill

CUTS has been selected from an international bidding process to develop the new Competition Bill of Ghana. The process of developing the new Competition Bill of Ghana would involve a research on the prevailing competition regime in the country and based on outcomes from stakeholder consultations to be conducted in Accra by Ghana. CUTS would be providing this service to the Ministry of Trade, Industry, Private Sector Development (PSD) & President's Special Initiatives (PSI) of Ghana. The assignment would commence from early 2008.

Representation

Pradeep S Mehta as the luncheon speaker attended the International Finance Corporation's (IFC's) Meeting on 'Results Measurement for Advisory Services' in New Delhi, on December 11-12, 2007. He spoke about the evolution of competition scenario – from the MRTPA to the Competition Act, 2007 in India.

Ramrao Mundhe participated in a conference on 'Urban Infrastructure & JNNURM: Progress So Far and the Way Forward' organised by Indian Infrastructure magazine, with the support of the Ministry of Urban Development, Government of India, in New Delhi, on December 11-12, 2007.

Alice Pham, Le Quyen and Thanh Mai attended a workshop entitled, 'Competition Policy and Law in Vietnam: Building the Implementation Capacity of Key Actors', organised by the Vietnam Competition Administration Department

(VCAD), in collaboration with *l'Association pour le Développement des Echanges en Technologie Economique et Financière* (ADETEF), France, and the Vietnam Competition Council (VCC) in Hanoi, on November 12, 2007.

Rijit Sengupta presented a paper on 'Competition Reforms – An Essential Element to Evolving a Sound Business Environment in Eastern and Southern Africa' at the Donor Committee for Enterprise Development (DCED) Africa Regional Consultative Conference in Accra, during November 05-07, 2007.

Rahul Ranjan attended a half-day meeting with the Consumer Advocacy Group (CAG), organised by the Telecom Regulatory Authority of India (TRAI), in New Delhi, on September 08, 2007.

Media Outreach

Airline cartel fines could be better used

Financial Times, London, October 16, 2007

By **Pradeep S Mehta**

Record fines of more than US\$500m have been levied on British Airways and Korean Air Lines by the UK and US competition authorities for their part in a web of global conspiracies in airline travel. These fines will accrue to the British and American treasuries.

The victims of these cartels are from all over the world, rather than residents of the US and the UK alone. Since competition regimes in the developing world, are either weak or non-existent, the hope of recovering compensation for consumers by local action is rather dim.

The case for advocacy activities of competition authorities in the developing world *vis-à-vis* damages from legal action against cartels is strong. This can be done through the creation of an International Competition Trust Fund, to be managed by a credible inter-government organisation such as the World Bank. Such a fund should be accessible to any developing country to promote competition culture through generation of awareness and capacity-building.

For more please visit:

<http://www.cuts-ccier.org/ccier-arOct07.htm#ar2>

Elementary, Dear Policymaker

The Financial Express, November 05, 2007

By **Ramrao Mundhe**

If the government restricts the entry of big retailers, both foreign and domestic, to the Indian retail arena, it would be bad economics. Promoting competition in a sector is important for its efficient functioning, sustainable growth through innovation and consumer welfare. It has been evident that encouraging competition by allowing easy entry into and exit from a market is good for growth of that sector in particular and the economy in general.

As the retail sector matures, new possibilities of investment in cold supply chains for agricultural products will be opened by retail agencies to cater to growing market demand. Such cold supply chains will help bridge the current gap between marketable surplus and marketed surplus in the agricultural product sector.

Political leaders, who speak about alleviating poverty through development, need to demonstrate their support for a long-term vision that involves creating an efficient and effective regulatory framework for the retail sector.

For more please visit:

<http://www.cuts-ccier.org/ccier-arNov07.htm#ar3>

Number Portability: All About Choices

The Financial Express, December 08, 2007

By **Rajesh Kumar**

The mobile number portability (MNP) policy has been a hot issue of debate among operators as well as industry experts. No doubt it will affect the market share of few operators. However, in the end, consumers will be benefited by improved quality of service and lower tariffs. Initially, MNP will be implemented in all the metro cities: Delhi, Mumbai, Chennai and Kolkata on a trial basis by the fourth quarter of 2008, and in the second stage, it will be extended to the rest of the country.

This move by the Government is expected to promote healthy competition by providing consumers with a choice of service providers as has been argued in the recent study: "Competition & Regulation in India, 2007" done by CUTS with the assistance from the British High Commission, New Delhi.

Once MNP is in operation, a consumer will be able to switch his current service provider without losing the number within the same service zone.

For more please visit:

<http://www.cuts-ccier.org/ccier-arDec07.htm#ar1>