

# Competition Reforms in Key Markets for Enhancing Social & Economic Welfare in Developing Countries (CREW Project)



## REPORT



## **FINAL MEETING of PROJECT ADVISORY COMMITTEE**

**Eka Hotel, Nairobi, December 14, 2015**

## Opening Session

The final meeting of the Project Advisory Committee (PAC) was held on the side-lines of the 4<sup>th</sup> CUTS-CIRC Biennial Competition, Regulation & Development Conference & CREW Project Final Conference. The meeting was chaired by Dr. Frederic Jenny (Chair, OECD Competition Policy Committee, France).

The purpose of the meeting was to:

- disseminate the project achievements to the PAC members as well as the country-specific National Reference Group (NRG) members;
- act as a forum for cross learning for country partners (sharing country-specific advocacy activities and experiences);
- gather feedback for the PAC members on the project methodology and advocacy activities; and
- discuss the ‘futures’ agenda’ for the replication of the project.

In his opening remarks Dr. Jenny appreciated the project and its methodology including the possible impacts that it has been able to achieve. He apprised that it is now essential to look for ways for sustaining the momentum of the project beyond its lifecycle. He reiterated what he had pointed out in the opening session of the CREW Final Conference that the CREW project has focussed on two key approaches for developing a successful and lasting competition reforms process in the project countries, viz.: (i) developing the capacity and confidence of local ‘champions’ to push the competition reforms agenda forward; and (ii) opening up reforms’ process to ensure that key stakeholders are meaningfully engaged in it.

Pradeep S Mehta (Secretary General, CUTS International) seconded Dr. Jenny’s views and complimented the project partners for their efforts in making the project impactful.

## Brief Account of Project Achievements

The presentation was jointly given by Neha Tomar (Senior Research Associate, CUTS) and Shreya Kaushik (Senior Programme Officer, CUTS). The aim of the presentation was to list out the common findings across the project countries and narrate the project achievements in the four countries. The presentation also touched upon the political-economy issues faced in the project countries and approaches adopted to identify ‘quick wins’.

### *Inputs from the Floor*

Dr. Jenny suggested to sectionise the country-specific achievements under the following heads:

- i) Policy recommendations emerging from the project that could have been picked in any case
- ii) Reforms initiated based specifically on CREW recommendations (this would not have happened in the absence of the CREW project)
- iii) Policy recommendations that were not picked up by the policymakers in the countries, and the reasons thereof

He urged the CREW team members to start collecting evidence as suggested above from the project countries (specifically on ‘policy uptake’) to ensure the experience of the CREW project

is properly documented for the future. It would also be a useful exercise, especially given that the evaluation of the CREW project was undergoing.

## **Country Specific Experiences (Presentation by Country Partners)**

The purpose of this session was to share the country-specific advocacy activities as well as to enumerate in detail the impact of project in the project countries. The partners also shared challenges they faced during the course of project implementation and the areas of prospective future work in the countries.

### ***The Philippines***

The presentation was given by Filomeno III Sta. Ana (Coordinator, Action for Economic Reforms). The highlights of the presentation are below:

- In the rice sector, the trade monopoly of the National Food Authority (NFA) and the quantitative restriction (QR) on rice importation granted to The Philippines by the WTO are barriers to competition. Although the economy in general will gain from competition, farmers' welfare (especially of small farmers) will suffer. The challenge is to make the reform equitable and credible and how to help these small farmers adjust to the upcoming abolition of the QR in 2017. He mentioned that Philippine Institute for Development Studies (PIDS) and Action for Economic Reforms (AER) partnered with farmers' associations and experts to develop a 'plan' to balance the interest of small farmers in the liberalised import regime beyond 2017. This has been done by the development of an 'adjustment package', which have also been shared with key stakeholders in the rice value chain to help improve its ownership. This roadmap would be submitted to the Ministry of Agriculture and other relevant stakeholders.
- In the bus transport sector, it was felt that the issues of excess supply, lack of fare setting and route rationalisation could be managed by having an expert group on transport, which would work closely with relevant regulatory agencies and government departments to take transport reforms process forward. A separate regulator was not suggested considering existing bodies with overlapping functions. The Department of Justice, Office of Competition (DOJ-OFC) accepted the suggestion and established 'Competition and Regulatory Reforms Experts Group' (CRREG) looking at three sectors: transport, electricity and telecom. DOJ-OFC has also partnered with Land Transportation Franchising and Regulatory Board and developed an action agenda for bus transport reforms.

### ***Zambia***

The presentation was delivered by Faith Mwamba (Programme Officer, CUTS Lusaka). The highlights of the presentation are below:

- In the bus transport sector, findings from the project led to the constitution of 'technical committee on bus standards' under Zambia Bureau of Standards (ZABS). The findings in the project underscored the need for safe seats in Zambian buses as the material currently used and its design seem to lead to more deaths rather than the 'severity' of accidents themselves. CUTS raised a formal concern with ZABS along with stakeholders like

Commuters Rights Association of Zambia (CRAZ) and the formal process for developing seat standards has been initiated.

- In the maize sector, CUTS initiated a discourse on the need for having 'pro-competitive guidelines for procurement' in the agriculture sector especially in the fertiliser sub-segment, through a consultative process involving the Zambia Public Procurement Authority (ZPPA) and the Competition and Consumer Protection Commission (CCPC) of Zambia.

### ***Floor Discussions (The Philippines and Zambia)***

- On the point of impact of project in countries, Sta Ana replied that the CREW project created a 'platform' for discussions and debate that was earlier not in existence for involving key stakeholders. Certain reforms were already being considered by stakeholders especially in the rice sector, however, the project findings and advocacy helped expedite the process.
- Jenny asked Sta Ana the prospective reason for the continuous entry of operators even though the sector is saturated. Sta Ana responded that the big fleet size means more money as certain quota of earnings is kept with operators and the rest is reserved for drivers. Therefore, the prospect of extra earning acts as a motivation for new players to enter markets (even if it is restricted).
- Tania Begazo (Economist, World Bank) suggested the need of engaging stakeholders in the process of advocacy. To this point, Rijit Sengupta (Director, CUTS International) responded that the constitution of NRG members as well as their involvement in the project since the beginning has helped shaping the country-specific advocacy plan. He further mentioned that the mobilisation of stakeholders (both state and non-state actors) has been one of the key achievements of this project.
- Tania also highlighted the need for deepening the work in the countries based on the methodology that has been developed during the course of the project.
- Sara Nyman (Economist, World Bank) asked how standards can be implemented in Zambia considering that they may lead to the rise in cost for the operators. She was informed that the bus standards would be implemented on the new buses as it would be easier to monitor.
- George Lipimile (Director & CEO, COMESA) mentioned that the project has been very useful in building awareness among the country-level stakeholders. He further mentioned that issues of passenger transport and staple food are politically motivated and the evidence generated from the project has been helpful to policymakers.
- Dr. Jenny observed that reforms processes are long, complex and often politically influenced – and therefore looking for 'quick wins' might be counter-productive to the overall purpose of such an initiative. He asserted that the value of CREW project lies in the fact that civil society organisations led the process and used a multiple stakeholder approach to suggest (need-based) policy reforms, for example the 'case' of bus standards in Zambia.

## ***Ghana***

The presentation was delivered by Appiah Kusi Adomako (Centre Coordinator, CUTS Accra). The highlights of the presentation are mentioned below:

- In the maize sector in Ghana, the diagnostic study indicated that the fertiliser subsidy did not contribute in lowering their prices. The cost was majorly added to the market price due to transportation and logistics. The additional research being conducted in the fertiliser sector is to underscore reasons for the high transportation cost of fertiliser and in the process identify possible anticompetitive issues. Additionally, a study is being conducted to identify the impact of market queens on farmers' welfare including price realisation by them. Both studies have contributed in raising the awareness of Ghanaian stakeholders, he opined. The project has been very widely covered in media – and created visibility overall on the need for pro-competitive policy reforms in the country. This also expedited the process of Ghanaian government initiating the development of a National Competition Policy for the country.
- The project findings in the bus transport sector indicated the need of establishing a transport regulator in Ghana. The Ministry of Transport, Ghana indicated that the Department currently lacks capacity and therefore establishment of the Road Transport Authority (already proposed) is becoming a challenge. CUTS, therefore, stressed on the need for establishing the 'expert group on transport' in the interim period. A similar group exists but has been dormant and the Ministry has invited CUTS Accra to initiate the process of reviving this group which would now include consumer groups, business, academia, etc.

## ***India***

The presentation was given by Rijit Sengupta (Director, CUTS International). The highlights of the presentation are below:

- The findings in the staple food sector underlined the need for paying greater attention to the institution of Primary Agriculture Co-operative Societies (PACS') in the state of Bihar. Additional research is being conducted to delve deeper on the impact of liberalisation of wheat and paddy markets on the farmers in a District in the state of Bihar, India. The study focusses on understanding the interplay of PACS in the liberalisation and the role they play in farming activities, such as procurement, marketing, etc. The Department of Agriculture, Bihar encouraged the study and requested CUTS to share the findings and formally submit recommendations.
- In the bus transport sector, both in the states of Gujarat and Madhya Pradesh, CUTS recommended the need for a 'Transport Regulator in the inter-city market' to start a dialogue and subsequently the process of transport reforms. Some of the issues to be covered included fare regulation, route rationalisation, public-private-partnerships, etc. The Department of Transport in both states have responded positively and 'approach paper' developed by CUTS has been shared with them. CUTS aims to provide them a broad framework for the proposed regulatory body.

- Additionally, Competition Commission of India has agreed to provide technical support to the state governments (transport departments) of Gujarat and Madhya Pradesh (states covered under the CREW project in India) to evolve pro-competitive transport sectors touching on: (i) an enabling policy environment; (ii) pro-competitive guidelines for (public) procurement of buses; and (iii) planning transport services such that it fosters competition on 'routes'.

### ***Floor Discussions (Ghana and India)***

- Sta Ana inquired about the reason for high prices of fertilisers in Ghana even when there are many fertiliser importers in Ghana. Appiah responded that the cost of transportation adds to the market price of fertilisers. The purpose of the study is, therefore, to understand 'pain points' in the supply chain and anticompetitive issues, if any.
- Owen Gabbitas (Research Manager, Productivity Commission, Australia) and Jincy Francis (Economist, Nathan Associates) sought clarity on the fact that when Ghanaian farmers are happy to sell to the market queens how are they acting as anticompetitive. It was advised by them to package the study properly and channelise the research on understanding the price-discovery between farmers and market queens. Sengupta agreed to suggestions and opined that the purpose of study is similar and also aimed at initiating discussions on the need for monitoring of this price realisation to ensure that farmers receive a fair price for their produce.
- Tania recommended that the project methodology could be adopted to undertake the fertiliser study. This would help better understanding the competition concerns as well as may also shed some light on trade barriers for the market players. This in fact could be applicable to most of the additional researches being undertaken in four countries.
- Sara added that it would be useful to take a step back and re-establish the need for these additional researches on the following points: i) measure the impact of reforms; ii) what is the linkage between the reforms and the advocacy; and iii) what is the evidence that can be used for advocacy.
- Jenny agreed with the points made and emphasised on the need for keeping studies focussed so as to delve deeper on selected issues. This would help drawing out pointed recommendations and would be more useful to stakeholders.

### **Presentation on External Evaluation (Coffee International) & Comments from the PAC Members**

The purpose of this session was to provide space for interaction between the external evaluator for the CREW project and the PAC members. The presentation was made by Laureen Katiyo, Coffee International. The session also required the PAC members to provide their insights on the project and suggest sectors where the project could be replicated. The highlights of Katiyo's presentation are as below:

- The project will be reviewed on six criteria – relevance, efficiency, impact, sustainability, effectiveness and value for money
- The methodology followed will include desk review of project documents, evidence from CREW Final Conference, visit to one of the project countries, structured telephone interviews and emailed questionnaires
- The key review questions will depend on the type of activity. In case of advocacy, the evaluating factors will be – the likeliness of reform after termination, lessons of experience and evidence from countries. In case of research, the factors will be – usefulness of framework, evidence of likely adoption of the framework, sustainability and value for money.

### ***Open Floor Discussions***

- Thomas Ratsakatika (DFID) remarked that the evaluation is important for CUTS and DFID as the process would sift learnings for both organisations. Further, it is important to understand the sustainability and impact of the project.
- George Lipimile said that it is important to understand what the core achievements of the project have been. For instance, the 7Up project implemented by CUTS earlier had positive impacts in Africa and its usage transmitted. It does not matter if policymakers (especially those interested in competition and regulatory reforms) do not react to the changes but it is to be noted that the CREW project has made them aware of the ground realities and showed a possible way forward. Also, it is important to note that sectors selected under the project are highly politically influenced. He strongly recommended replicating CREW in other African countries.
- Owen Gabbitas expressed his concern that the time frame for a three year project is too tight.
- Bipul Chatterjee suggested that in the next phase of CREW, the team should ensure inclusion of political scientists and economists in the team. He lauded the fact that the project had enhanced the capacity of the younger generation in the field of competition.
- Derek Ireland agreed with Gabbitas's concern that the time frame for project evaluation was too tight. In terms of replication of the project, he said the team could even look at developed countries. He was impressed by the evidence that the project was able to link competition reforms to producer and consumer welfare.
- Tania mentioned that she can share the framework for sustainability guidance (developed by the World Bank) with the team for reference. In terms of replication of the CREW project, she said that it takes time to build a strong stakeholder network and the project has already built the same, it would be beneficial to continue with the same results and deepen the current work.
- Jenny suggested to Laureen Katiyo (Coffey International) to appreciate that the CREW project is about achieving/facilitating competition and regulatory (policy) reforms, which is different from other projects that aim to achieve tangible changes on the ground (like building a bridge). He asked her to look at similar projects' evaluation frameworks, which

can be used for the CREW project (and not use a 'general' framework). Mehta indicated that CUTS would share the 'evaluation' report of a similar (policy) project that has been implemented by CUTS in the five East African Community (EAC) member states.

- Eleanor Fox remarked that it is important to take into account the potential impact. She said this project added value as generally the 'international standards' referred to are those enlisted by the western world (rather the EU and America), this project, on the other hand, is underscoring standards as per domestic needs for the developing world.
- In case of replicating the CREW project, Gabbitas suggested that the team should pick lessons from where markets are working and from where they are not working. Further, the team should focus on one sector at a time. Some of the sectors suggested by him were – cement, ports, credit, generic medicines, freight and communications.
- Chatterjee agreed with Gabbitas and added that such sectors should be looked at where competition reforms are possible within a given time frame.
- Sara remarked that as data collection and analysis forms an important part of the CREW project, it is important for the team to strategically collect and systemise the data.

## Closing Session

In the closing session, remarks were made by Thomas Ratsakatika (DFID), Eiko Kauffmann (GIZ) and Rijit Sengupta (CUTS).

Thomas Ratsakatika, thanked the CREW team for well-executing the project and the PAC members for their continuous support and guidance. He remarked that the project had been successful in mobilising stakeholders across the four project countries on issues of competition. Furthermore, the final conference had effectively brought together champions of competition to deliberate on the linkage between Competition Reforms and Sustainable Development (using the SDGs framework).

Similarly, Eiko Kauffmann thanked the CREW team for bringing the project to where it stands now. He too thanked the PAC members for continued support.

Rijit Sengupta, in his concluding remarks, mentioned that it has been an important learning (from the CREW final conference) that issues pertaining to competition do not end at the level of competition authorities. In fact, the same have to be expanded to include relevant ministries and other stakeholders. Furthermore, it is pertinent to sell competition to relevant policymakers in a sharp and smart way. Lastly, he thanked all the country partners for the time and efforts put in the project and the PAC members for their insights which helped shape the project and in achieving its intended purpose.