Framework for Competition Reforms
A Guide to Promoting Competition Reforms in Key Sectors
for Greater Public Welfare in Developing Countries
CUTS International, 24th September 2015, Manila
“Strong competition policy is not just a luxury to be enjoyed by rich countries, but a real necessity for those striving to create democratic market economies”

Joseph Stiglitz, 2001 Nobel Prize winner
Background

“*If countries eliminated policies and practices that distort competition, they could grow rapidly*, William W Lewis (2004)

- Many DCs/LDCs have adopted competition laws in the last decade or so, but implementation remains limited & weak in many
- Government policies affect competition, markets remain concentrated and anti-competitive practices prevail
- Benefits from introducing competition doesn’t accrue to citizens
- Gains from competition reforms not well captured/demonstrated
- Limited understanding of key SHs (government, business & CSOs)
- Not much attention by policy-makers, decision-makers
a complex subject for policymakers…& stakeholders
Evidence-based-outreach & awareness on Competition issues in Asia-Africa (CUTS Approach)

• Promote local understanding & awareness about effectiveness of competition reforms in achieving socio-economic objectives in DCs

• Make the complex and abstract concept of competition more tangible, by generating evidence and empowering local SHs

• Develop tool/guideline to help state/non-state actors plan, implement and assess benefits of competition reforms on public welfare (welfare of consumers & producers/businesses)
The CREW Project

About the Project

CUTS International is implementing a project entitled 'Competition Reforms in Key Markets for Enhancing Social & Economic Welfare in Developing Countries' (CREW Project), in four countries: Ghana, India, The Philippines and Zambia and across two common sectors: i) Staple Food and ii) Passenger Transport, with the support from DFID (United Kingdom) and BMZ (Germany) facilitated by GIZ (Germany). The project would be implemented from November 2012 over a period of three years.

The process of competition enforcement is fairly weak across many developing countries, and needs to be strengthened to ensure that competition reforms lead to measurable and demonstrable welfare gains. Developing and least developed countries are faced with resource constraints, and policymakers need to make difficult choices/decisions while allocating scarce resources between various public policy areas. For resources to be made available to implement...
Outline

• About the CREW project
• Framework for Competition Reforms (FCR)
• Implementing the FCR – the 7 Steps

Competition Reforms in Key Sectors to Enhance Social and Economic Welfare in Select Developing Countries (CREW Project)
About the CREW Project

• **GOAL**: To better demonstrate implications of competition reforms on public welfare (consumers and producers welfare)

• **OBJECTIVE**: To develop an evidence based toolkit to enable policy makers effectively undertake pro-competitive reforms

• **COUNTRIES**: The Philippines, India, Ghana and Zambia

• **SECTORS**: Bus transport & Staple Food (Maize, Rice & Wheat)
Framework for Competition Reforms (FCR)

What is the FCR?
Toolkit to help plan & implement pro-competitive reforms in key sectors

Who can/should use it?
Policy makers and Practitioners, especially in DCs

Why should it be used?
Provides a simple yet robust methodology, to help link components of competition reforms with indicators of consumer and/or producer/business welfare

How will this help?
Help policymakers and practitioners better understand the (actual or potential) benefits of competition reforms for DC citizens
How to Use it?
The 7-Step Method (Schematic)

1. Understanding the Sector/Market (Policies & Legislation)
2. Components of Competition Reforms in the Sector/Market
3. Linking Competition Reforms with Producer and/or Consumer welfare
4. Develop the Methodology - gathering evidence of 'linkage'
5. Establish Impact(s) of Competition Reforms on C/P Welfare
6. Documenting Evidence: Diagnostic Report (Sector specific)
7. Sharing 'Evidence' with Stakeholders & Way Forward
The 7-Step Method (Narrative)

• **Step 1:** Understand the Sector/Market
• **Step 2:** Identify **Components** of **Competition Reforms** in the Sector/Market (Policy, Legislation, Administrative processes)
• **Step 3:** Link the **components** of Competition Reforms with **indicators** of Producer and/or Consumer welfare
• **Step 4:** Develop Methodology & **Gather Evidence** on the ‘link’
• **Step 5:** Establish **Impact** of Competition Reforms on C/P Welfare
• **Step 6:** Prepare the **Diagnostic Report** (Sector/Market specific)
• **Step 7:** Share '**Evidence**' with key SHs & PMs for a way forward
Step 1: Understanding the sector/market

**Aim:** To develop a comprehensive understanding of the sector

- Evolution of the sector over time (10-15 years, if possible)
- Profiles of major suppliers and consumers in the sector/market
- Understanding of the supply chain and/or value chain actors in the sector/market
- Report/information providing views of producers and/or consumers in the sector/market
- All laws/policies/regulations/notifications pertaining to the sector
- Mapping of relevant stakeholders
- Political economy of the sector
- Any other relevant data from the sector/market
Step 2: Identify components of competition reforms in the sector/market

Aim: Identify policies, laws, statutes, programmes that either promote or impede competition in the sector/market

- Which reform measures (policy, regulation, law, administrative measure) impede or promote competition in the market (enabling/impeding entry, favours one entity, subject to unfavourable conditions/control, etc.)?

- Refer:
  - CUTS Competition Impact Assessment Toolkit
  - OECD Competition Assessment Toolkit
  - DFID Competition Assessment Framework
Step 3: Linking Competition Reforms with Consumer/Producer Welfare

Aim: Ascertain possible consumer/producer welfare impacts stemming from specific components of policy/law/regulation/programmes in the specific sector/market

Two perspectives of the linkage:

• A pro-competitive government policy in a market can help producers/businesses enter a market easily and operate efficiently deriving certain benefits

• Indicators of consumer welfare (access, cost, quality & choice) can be achieved if regulatory interventions are properly designed and uniformly applied to all producers/businesses in the market
Step 3: Linking Competition Reforms with Consumer/Producer Welfare

**Aim:** Ascertain possible consumer/producer welfare impacts stemming from specific components of policy/law/regulation/programmes in the specific sector/market

### Components of Competition Reforms
- Enabling government policies (sector)
- Well-designed Regulatory Framework & Institutions
- Effective Competition enforcement

### Indicators of Consumer Welfare
- Access
- Price
- Quality
- Choice
- Time Saving

### Indicators of Producer/Business Welfare
- Access to inputs
- Entry
- Level-playing field
- Growth
- Investment
- Cost savings
### Step 4: Methodology for Gathering Evidence of the ‘Linkage’

**Aim:** Plan an exercise to gather evidence from the sector, to validate how competition reforms impact public welfare.

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<th>Component of Competition Reform</th>
<th>Impact on Consumers OR Producers</th>
<th>Indicators</th>
<th>Data Source</th>
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Step 5: Establishing Impacts on Public Welfare

**Aim:** Use the data to create evidence of impacts (actual or potential) of pro/anti-competitive policies, laws, regulations, etc. on public welfare

**Applicable methods (to assess impacts):**

- Time series variation
- Spatial variation
- Difference-in-Difference analysis
- Cost-benefit analyses
- Case studies
- Structural estimation/simulation models
Step 6: Preparing the Diagnostic Country Report

Aim: Proper documentation of the evidence in the form of a ‘Diagnostic Country Report’ which is robust yet presents the evidence lucidly and is not too long

Content:
- Background of the sector
- Relevant policies governing the sector and reforms
- Pro or Anti-Competitive elements in policies, laws, regulation in the selected sector/market
- Study Methodology
- Impact of the competition reforms on public welfare in the sector/market
- Concluding remarks (way forward)

4 CREW DCRs are available at: [http://www.cuts-ccier.org/crew/Diagnostic_Country_Reports.htm](http://www.cuts-ccier.org/crew/Diagnostic_Country_Reports.htm)
Step 7: Sharing the ‘Evidence’ with Stakeholder & Way Forward

**Aim:** Use evidence presented in the ‘Diagnostic Report’ to convince key decision-makers in favour of competition reforms

**Purpose of outreach:**
- To promote pro-competitive policies (which might have been thwarted)
- To remove competition-distorting elements in policies (which might have resulted in unfavourable outcomes for producers/businesses or consumers)
- To strengthen the regulatory enforcement and agency responsible for the same to help move the reforms forward

**Evolving a Pro-Competitive Sector to Benefit People...**
Salamat!

http://www.cuts-ccier.org/crew/