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DAF/COMP/LACF(2012)1

Organisation de Coopération et de Développement Économiques
Organisation for Economic Co-operation and Development

05-Jul-2012

English - Or. English

**DIRECTORATE FOR FINANCIAL AND ENTERPRISE AFFAIRS
COMPETITION COMMITTEE**

LATIN AMERICAN COMPETITION FORUM

Session I: Competition and Poverty Reduction

Call for Country Contributions

18-19 September 2012, Santo Domingo, Dominican Republic

The attached document is circulated in preparation for the discussion under Session I of the Latin American Competition Forum at its forthcoming meeting to be held on 18-19 September 2012 in the Dominican Republic. Delegates are requested to send written contributions for that session to the Secretariat by 17 August 2012 at the latest. Advance notice of contributions by 31 July 2012 would be useful.

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JT03324536

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LATIN AMERICAN COMPETITION FORUM

-- 18-19 September 2012, Santo Domingo (Dominican Republic) --

Session I: Competition and Poverty Reduction

CALL FOR COUNTRY CONTRIBUTIONS

1. Introduction

1. This request for contributions is circulated in preparation for the discussion to be held in Session I of the 2012 Latin American Competition Forum. Session I is entitled “Does Competition in Markets for Essential Goods and Services Reduce Poverty?” You are invited to make a written contribution to the discussion.

2. In this call for contributions, we identify some issues that you may wish to address in your written contributions and during the oral discussion. This list of issues is not prescriptive or exhaustive, though; you are free to bring up other relevant issues that reflect your experiences. Speakers will be selected on the basis of the written contributions submitted to the OECD Secretariat in response to this call. To assist the OECD Secretariat in planning the session, please provide notice **by 31 July 2012** if you intend to submit a contribution. The contributions should be sent by email (as a Word document in electronic form, 5 pages maximum in Spanish or English) to Jessica Escaip [Jessica.Escaip@oecd.org] and copied to: Jeremy West [Jeremy.West@oecd.org] **by 17 August 2012 at the latest**. Country contributions will be circulated to participants through the LACF website (www.oecd.org/competition/latinamerica) as well as that of the Dominican Republic (URL to be circulated shortly).

3. A Background Note on competition’s effects on poverty in markets for essential goods and services, to be prepared by the OECD Secretariat, will also circulate in advance of the meeting on the LACF website.

4. Poverty reduction remains an important challenge in Latin America. Despite substantial progress in recent years, one out of every three Latin Americans still lives below the poverty line and ten Latin American economies rank among the 15 most unequal economies in the world, according to the OECD’s 2012 Latin American Economic Outlook. Governments are looking in many policy areas,

including competition policy, for answers that will help them continue to reduce poverty. To help competition agencies address that concern, this session will explore the impact of competition on impoverished consumers in markets for essential goods and services. By “essential goods and services”, we mean, among other things, financial services like small loans and money transfers; basic foods such as chicken, tortillas, rice, and beans; public infrastructure like transit systems; and building materials such as cement. For the purposes of this session, we are not including regulated products/services such as fixed-line telecommunications and prescription drugs or utilities like water and electricity.

5. A country’s poorest people may not always be viewed primarily as consumers, yet they necessarily consume things to live. Like the rest of the population, impoverished people need basic goods and services like food, clothing, and shelter. But for the poor, the money spent on such things is a greater – and often far greater – share of their income than it is for wealthier consumers. Therefore, when essential goods and services cost more than they should, poor consumers suffer disproportionately. For them, higher prices might make essential items altogether unaffordable or might require the sacrifice of another item that is also greatly needed.

6. Higher prices have many possible causes, such as economy-wide inflation or supply failures. But when prices have risen because essential goods or services providers merge with their rivals, use anticompetitive conduct to stifle them, or form a price-fixing cartel with them, protecting competition can lead to substantially lower prices. Other factors, such as overly restrictive or biased regulations, may also lead to unnecessarily low levels of competition and artificially high prices. Ironically, some government policies might be motivated by pro-poor concerns but could wind up doing more harm than good, such as implementing government-provided financial services or mandating transportation services on infrequently-used routes. Competition authorities (“CAs”) may be able to identify such policies and advocate pro-competitive change as well as using competitive principles in the pro-poor government policymaking process generally.

7. Whether competition policy is actually successful in reducing poverty, however, depends on several framework conditions other than the quality and strength of competition enforcement and advocacy. Those conditions could be part of the problem rather than part of the solution. For example, if corruption and non-transparency are widespread within a government, greater competition may not lead to better results for those below the poverty line. Alternatively, it may be difficult for a CA to act in the first place. In many developing countries, competition laws that could be used to fix a competition problem are in place but they are not always adequately enforced. That could be because the CA lacks the political power and influence to fight multinational corporations, for instance, which are often well connected to other parts of the government.

8. Please bear in mind that this session will not deal with a major but very different aspect of competition’s influence on poverty: the effect of competition on the poor as workers and small business owners. Therefore, we will not address the effect of competition on impoverished people’s ability to *earn* money or topics such as whether competition enforcement can lift people out of poverty by preventing dominant firms from stifling small enterprises. Those issues will be addressed at the OECD’s February 2013 Global Forum on Competition in Paris.

9. Please also note that this session is about the poor wherever they are, not just the poor who live in generally poor countries. Obviously, the incomes of the poorer classes in developed and developing countries can be very different, but the idea of poverty as a lack of opportunity and choice is common to the two and very relevant to thinking about how competition policy affects poverty. The main question is still, “Do competitive markets reduce (or worsen) poverty?”

QUESTIONS FOR CONSIDERATION IN COUNTRY CONTRIBUTIONS

1. Countries are invited to address the following issues by answering the questions below each of them, but please bear in mind that both the issues and the questions are intended to be illustrative rather than exhaustive. You should feel free to discuss other pertinent topics that are not mentioned here. Wherever possible, please demonstrate the points you raise by referring to specific cases.

1. **Defining poverty**

- How should we define poverty in this session? A popular bright line for many years has been that poverty means living on one US dollar per day or less. Another possibility is that “poverty” includes not just chronically poor people, but formerly solvent people who have fallen below a certain standard of living because of a discrete adverse event, such as the global economic crisis. A third alternative is to use each nation’s official poverty line. In considering that question, think about how the needs of these newly impoverished people might differ from those of the chronically poor. You might also consider whether lower prices for essential goods and services are likely to make enough of a difference to help either of these groups escape poverty.

2. **Competition’s effect on markets for essential items, in principle**

- From a standard microeconomic theory perspective, how should we expect competition to affect markets for essential goods and services?
- What role could competition policy play in making the provision of essential goods and services more efficient? (By “competition policy” we mean not only competition law enforcement, but the broader concept of competition advocacy, too.)
- Are there any theoretical reasons to believe that greater competition in these markets might actually make things worse for poor consumers?

3. **Competition’s effect on markets for essential items, in reality**

- What experience do you have with markets for essential goods and services? Have you intervened in any of these markets, or do you know of some other types of examples in which competition in an essential goods or services market increased for some reason?
- How has greater competition in essential goods and services markets – whether due to case-specific interventions by courts and CAs, competition advocacy efforts by CAs, or some other factor – actually affected poor consumers? Did they wind up with cheaper, better goods? If so, did such improvements actually help some of them to escape poverty? Or was poverty worsened? In the end, who were the beneficiaries of greater competition – poor consumers or someone else? With regard to cases in which CAs intervened, were there any instances in which you discovered that your initial approach was misinformed or even naïve? What can others learn from your experiences? Please discuss examples from your jurisdiction.
- Even if more competition in essential goods and services markets would usually reduce prices and/or improve quality, are competition authorities always able to take the necessary actions? If they are, do they necessarily result in the desired outcomes? More specifically, does the success of competition – and competition policy – in reducing poverty depend on other framework conditions and policies? If so, which ones? Why?

4. Competitive markets versus “pro-poor” government controls/interventions

- Governments may be tempted to interfere directly in markets with well-intended policies that seem beneficial for fighting poverty, such as setting up government-owned businesses to serve “poor” markets or forcing private companies to do so, or imposing price controls or granting subsidies, rather than relying on the more general policy of protecting and promoting competitive markets. Is that a wise idea? Do the poor actually wind up benefiting from government price controls, subsidies and interventions in markets in most cases? If not, what can competition authorities do to persuade policymakers that free and competitive markets work better for consumers (including impoverished ones) than tightly controlled or artificial ones?
- Have there been any instances in which you have advocated for or against a particular government program because of its impact on poor consumers? Please discuss your arguments and approach as well as the outcome of your efforts.

5. Competition policy toward impoverished consumers

- Based on your experiences, do you believe that competition policy should be different toward poor consumers than it is toward the rest of society? If so, how and why should it be different?
- When prioritising your authority’s work, do you take the potential effects on poverty of a possible intervention into account? If so, how?