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Competition policy and economic developement

- The United Nations Set on Competition Policy emphasizes the competition policy goal of promoting economic development, and many developing countries view competition as having this role. In this context, “competition” is an intermediate objective and economic development including poverty reduction is a final goal. Public interest objectives – which may be relevant to development objectives – are fairly widespread among developing countries, but also present in some developed countries’ competition laws.

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Competition policy and economic development

•“Competition policy refers to government policy to preserve or promote competition among market players and to promote other government policies and processes that enable a competitive environment to develop. Competition policy has a broad dimension which includes all other government policies that promote competition in the market. Inter alia, such policies include consumer protection, investment policy, intellectual property rights (IPRs) and industrial policy.

•Economic development requires mainstreaming/integrating competition policy into the overall matrix of national development plans and poverty reduction.

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Competition policy and economic development

In theory, Competition policy is crucial for economic development;

However, owing to various market characteristics and legal and enforcement difficulties, it is much harder to implement competition law and policy in developing than in developed countries : it is more needed where it is hardest to implement;

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Reasons why it is hard to implement competition law in developing countries

- Size of the informal sector
- Size of the market
- Potential for increasing efficiencies
- Barriers to entry
- Transaction costs
- Lack of competition culture
- Political economy problems are more severe

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Categories of poor households

Most discussion on poverty alleviation has tended to focus on meeting the needs of the poorest of the poor i.e. the 1 billion people with incomes below $1 a day (in local purchasing power). However, recent literature argues that a much larger segment of the low-income population—the 4 billion people of the bottom of the pyramid, all with incomes well below line—deserves concern and is the focus of a “market-led approach to poverty alleviation.

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Categories of poor households

This category of poor households , for most part is not integrated into the global market economy and does not benefit from it. The poor in the bottom of the pyramid also have significant unmet basic needs and often pay higher prices than mid-market consumers for the same service or commodity

This group of poor households include far more people than the very poor—and the entire group should be analyzed and addressed for competition policy to be effective, even if there are segments of poor households for whom market-based solutions are not available or not sufficient.

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Regions with competition problems are lagging behind in the MDGs

Goals and Targets	Africa		Asia				Latin America & Caribbean
	Northern	Sub-Saharan	Eastern	South-Eastern	Southern	Western	
GOAL 1 | Eradicate extreme poverty and hunger							
Reduce extreme poverty by half	low poverty	very high poverty	moderate poverty	moderate poverty	high poverty	low poverty	moderate poverty
Reduce hunger by half	very low hunger	very high hunger	moderate hunger	moderate hunger	high hunger	moderate hunger	moderate hunger
GOAL 2 | Achieve universal primary education							
Universal primary schooling	high enrolment	low enrolment	high enrolment	high enrolment	moderate enrolment	moderate enrolment	high enrolment
GOAL 3 | Promote gender equality and empower women							
Equal girls' enrolment in primary school	close to parity	far from parity	parity	parity	far from parity	nearly close to parity	parity
Women's share of paid employment	low share	medium share	high share	medium share	low share	low share	high share
Women's equal representation in national parliaments	low representation	low representation	moderate representation	low representation	low representation	very low representation	moderate representation

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Regions with competition problems are lagging behind in the MDGs

GOAL 4 | Reduce child mortality							
Reduce mortality of under-five-year-olds by two thirds	moderate mortality	very high mortality	moderate mortality	moderate mortality	high mortality	moderate mortality	moderate mortality
Measles immunization	high coverage	very low coverage	moderate coverage	moderate coverage	low coverage	moderate coverage	high coverage
GOAL 5 | Improve maternal health							
Reduce maternal mortality by three quarters*	moderate mortality	very high mortality	low mortality	high mortality	very high mortality	moderate mortality	moderate mortality
GOAL 6 | Combat HIV/AIDS, malaria and other diseases							
Halt and reverse spread of HIV/AIDS	---	very high prevalence	low prevalence	moderate prevalence	moderate prevalence	---	moderate prevalence
Halt and reverse spread of malaria*	low risk	high risk	moderate risk	moderate risk	moderate risk	low risk	moderate risk
Halt and reverse spread of tuberculosis	low mortality	high mortality	moderate mortality	moderate mortality	moderate mortality	low mortality	low mortality

Regions with competition problems are lagging behind in the MDGs

GOAL 7 | Ensure environmental sustainability

Reverse loss of forests	small area	medium area	medium area	large area	medium area	small area	large area
Halve proportion without improved drinking water	high coverage	low coverage	moderate coverage	moderate coverage	high coverage	high coverage	high coverage
Halve proportion without sanitation	high coverage	very low coverage	low coverage	moderate coverage	very low coverage	high coverage	high coverage
Improve the lives of slum-dwellers	moderate proportion of slum-dwellers	very high proportion of slum-dwellers	high proportion of slum-dwellers	moderate proportion of slum-dwellers	very high proportion of slum-dwellers	high proportion of slum-dwellers	high proportion of slum-dwellers

Market-led approach to poverty allocation

- Competitive markets:
- Competition policy can ensure that competitive markets provide the kinds of opportunities from which both businesses and the poor stand to benefit;
- The poor both as producers and consumers, largely in the informal markets, suffer disproportionately from inefficient and uncompetitive markets;
- New formal business entrants can potentially increase competition, lower prices and improve consumer choices—often providing products and services previously unavailable or unaffordable;

Market-led approach to poverty allocation

- Competitive markets:
- Some of these services, such as mobile telephony or financial services, can directly improve productivity, earning power and access to jobs.
- Others, such as access to basic health care, pharmaceuticals or clean water, translate directly to welfare. For many poor, jobs are critical for overcoming marginalization.

Market-led approach to poverty allocation

Moreover, engaging the relatively poor in the formal economy must be a critical part of any sustainable inclusive development strategy. Moreover, addressing basic needs and informality traps that arise from inefficient or monopolistic markets may also create significant market opportunities for the poor and businesses.

Areas where Competitive markets have delivered substantial benefits to the poor

- Technological innovation and access to finance;
- Access to credit;
- Workers' remittance;
- Tourism;
- Energy and water supply;

Market-led approach to poverty allocation: the extremely poor

For the majority of the one billion people living extreme poverty, most basic needs for health care, clean water, basic education or other necessities, markets can only quick-in beyond a certain income level; therefore for those living in extreme poverty, these basic needs can be met mainly through direct public investments, subsidies and safety nets.

Traditional approach to poverty alleviation

- Narrow focus on the very poor: those living on one US dollar a day;
- Use of public funds and development Aid;
- Public fund transfers, including income support, subsidies and welfare support.
- Public and PPP investment in infrastructure and social services.

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Traditional approach to poverty alleviation

For the traditional approach to poverty alleviation to succeed, interventions need to address both what governments do (through public sector reform), and their capacity to do it (through capacity building).

Experience from both developed and developing countries shows that success depends, inter-alia on: reduced cost (or efficiency), improvements in service delivery (or effectiveness), reducing opportunistic behavior (or corruption and collusion), giving users a greater say in what the public sector does (or responsiveness), and ensuring the programs and interventions are sustainable (robustness and manageability).

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Policy coherence and poverty alleviation

• Coherence refers to a conscious effort by policy makers to coordinate with each other in the process of designing and implementing policies in various sectors.

•Policy coherence is critical for achieving multiple objectives; however, it does not mean that competition policy is the answer to all economic and social challenges. Depending on the circumstances at hand, other policies may be more appropriate.

• Although competition is vital to the promotion of consumer welfare, it is not the only tool, and that governments have to make decisions as to how the balance between competition policies and other policies is maintained, in order to promote the well-being of their people.

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Criteria for ensuring coherence

Some countries (e.g. the Netherlands and the United Kingdom) have identified, as a key element of enhancing coherence, the need to address the administrative burden created by regulation. The UK identified four key elements in this process:

- (a)the removal, reduction, merging and improvement of regulations;
- (b) the simplification of procedures to comply with regulations;
- (c) information- and data-sharing; and
- (d) one-stop-shop systems for stakeholders.

These elements can be applied as tools to reduce costs and enhance coherence in policy formulation and implementation.

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Criteria for ensuring coherence

The previous key elements of policy coherence need to be addressed in the following framework:

First: Setting policy objectives and determining which ones are priority objectives, and whether there are incompatibilities between competition policy and other policies. Political commitment expressed at the highest levels and backed by policies that translate commitment into action is critical in order to achieve coherence between competition policy and other government measures. Commitment to coherence also entails working with the private sector, trade unions, consumer associations and educational institutions, among others, to raise public awareness for policy coherence to sustain broader support.

Criteria for ensuring coherence

Second: Policy coordination requires working out how policies, or the way they are implemented, can be modified to maximize synergies and minimize incoherence between competition policy and other objectives. These coordination mechanisms should resolve potential conflicts or address inconsistencies between policies, and should allow the politics behind policy decisions to be navigated.

Third: Effective systems for monitoring, evaluation and reporting would involve monitoring, collecting evidence about the impact of competition and other policies, analysis of the data collected, and reporting back to parliament/congress and the public. This phase provides the evidence base for accountability and for well-informed policy making and politics

The need for Competition advocacy

- competition advocacy efforts should remind policy-makers that consumers and particularly the poor benefit most when competition is not fettered by subsidies, special benefits, and exceptions to the rules of competition;
- advocacy efforts thus focus on proposed regulations or laws that involve restrictions on price, innovation, and entry conditions, which often are presented as consumer protection measures but more typically serve to shelter traditional businesses from new and innovative forms of competition;
- Consumers can play an increased role in the enforcement of competition laws. However, for this to happen, they first need to understand the benefits of vigorous competition enforcement. When they do, they make their voices heard

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Concluding remarks

- In the context of mass poverty, a narrow focus on either a government or market led approach to poverty reduction has proved not to be effective enough to reduce poverty. A national cross-cutting competition policy together with an effective enforcement of antitrust law that harness the role of the private sector as well as transparency in public procurement are needed to spur the development of the productive capacities of the poor and the associated expansion of employment, as well as to eliminate waste in scare public and development aid resources.

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Concluding remarks

- The Competition law itself can never guarantee that markets will work effectively and benefit the poor unless a broad range of other government policies conform to the basic market principles
- And
- Creating an economic climate conducive to inclusive growth, employment and investment across all regions and sectors, including those that serve the poor.