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# circular

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## A Holistic Framework for Competition & Regulation

CUTS has envisioned a biennial research programme entitled, 'Competition, Regulation and Development Research Forum (CDRF) on competition and regulatory regimes in the developing world, with a strategy to motivate researchers, particularly from the developing world to undertake research and participate in the accompanying symposium to present their research findings. The project has been implemented through a research cycle comprising call for papers followed by writing of research papers, publication of a research volume and a symposium to deliberate on research findings. The project is unique in its approach, as it facilitates focused and cogent research on implementation issues concerning developing countries, which is currently absent, with an in-built agenda of enhancing research capacity.

The first cycle of CDRF project has already generated a wealth of research from all over the world on political economy and governance constraints encountered by competition and regulatory agencies in developing countries. The findings of the first research cycle were discussed in a Symposium entitled, 'Political Economy Constraints in Regulatory Regimes in Developing Countries', organised under the aegis of CUTS Institute for Regulation & Competition (CIRC). The wisdom from such research, which has to be necessarily academic and is sometimes a little complicated, has been distilled into a simple communicable form through policy briefs (see page 4). These policy briefs are meant for wider dissemination and to enhance the general understanding and awareness on the issue.

The second research cycle would be organised on the theme of 'Institutional Issues covering Political Economy and Governance Constraints in Implementing Competition and Regulatory Regimes in the Developing World' and will delve into the institutional issues and problems related to the constraints discussed, catalogued and analysed in the first cycle and also seek solutions to the highlighted problems. Solutions to the problems will be sought through commissioned research papers, i.e. conflict in stakeholder objectives, which impedes the implementation of competition and regulatory policy; conflicts between competition and regulatory authorities; and conflict between public interest and promotion of efficient markets. The idea is to establish a base for future research and stimulate enough interest so that momentum for research extending far beyond the temporal boundaries of the project could be generated.

The second research cycle also plans to develop an integrated and holistic framework for assessing the quality of regulation in developing countries, such as India, Kenya and Brazil. Moreover, CUTS plans to coordinate as well as participate in the empirical implementation of this framework for the purpose of actually judging the quality of regulation in selected developing countries. The second international research symposium is scheduled for some time in early 2009.

## What's Happening – An Overview

### Building Skilled Manpower

The Gujarat Knowledge Corporation (GKC), a society launched by the Chief Minister, Narendra Modi, invited bids from various agencies to set up training institutes and conduct training programmes across the state. The private sector intervention is being done to create a pool of skilled manpower in the state.

Expression of Interest has been invited from prospective knowledge partners. GKC would partner with these agencies to develop new competencies in skills for increasing employment opportunities for the younger generation.

The selected agency would be expected to conduct online and offline programmes and assess the performance of students, besides conducting training of world class repute. GKC would finalise the curriculum and duration of each level of the programme and decide on the fee. *(BL, 01.01.08)*

### Visiting Faculty

Professional education requires a tide over in professional faculty crunch. As a way out, institutes such as Indian Institute of Technology (IIT) Kanpur, Bangalore, International School of Information Management and School of Planning and Architecture (SPA) have roped in teachers as visiting faculty. At SPA, 50 percent of the school's faculty

needs are being fed by industry professionals. Similarly, the regular visiting faculty ratio at IIT Bangalore has surged from 50:50 to 70:30.

Much of the faculty for such institutes is coming from General Electric, General Motors, Infosys, Siemens etc. This kind of arrangement is a double-sided advantage since the professionals get a chance to keep in touch with academia while students get a chance to know how things are working in the real world.

This also allows professionals from the corporate world to take up teaching which they are otherwise reluctant to pursue due to pay packages. This trend is prominent at institutes in and around industrial belts or where there is a concentration of large Multinational Corporations (MNCs). *(ET, 08.12.07)*

### Multi-disciplinary Colleges

The Mahindra Group will invest Rs 250 crore over the next three years to set up five multi-disciplinary colleges across the country. These colleges would be networked to enable teaching through video conferencing. Strong liberal arts will also be a part of the core curriculum. The first three located in Chandigarh, Kanhe (Maharashtra) and Goa, would be operational by the academic year 2009. While for the remaining two, the process is on for identifying location etc.

These institutes would be handled by a trust that is being set up for the purpose. Anand Mahindra, Vice-Chairman, Mahindra and Mahindra said that this initiative in the education sector is not for profit but is a part of the corporate social responsibility (CSR). *(BL, 09.02.08)*

### Packages for Varsities

The Centre has a bag full of goodies to attract a distinguished and renowned faculty for its proposed world class and Central Universities.

To deal with the faculty requirement of the 14 world class universities and 16 Central Universities apart from IITs and Indian Institute of Management(s) (IIMs), the Government has lined up a host of measures which include attractive pay packages.

In fact pay packages would be revised keeping in mind the Sixth Pay Commission. Faculties would be appointed on contract basis to offer flexibility. Guest faculty in various subjects would be invited from India and abroad. The retirement age for teachers is also suggested to be raised from 62 to 65. Academic colleges would be revamped and there would be comprehensive training programmes for teachers for knowledge upgradation. *(FE, 28.03.08)*

### A Critical Link

Open and distance education delivered through Information and Communication Technology (ICT) has the potential to provide high quality higher education to the masses at minimal cost.

At the 19<sup>th</sup> Convocation of the Indira Gandhi National Open University (IGNOU), Vice President Hamid Ansari asserted that distance education had increasingly emerged as a critical link in achieving the goal of ushering in a knowledge society.

Distance learning is inclusive and encourages marginalised sections of society into the fold of higher education. In India, distance learning has remained insulated from industry and civil society. Strengthening partnership with industry would impart appropriate skills and training to students of distance learning.

IGNOU has come up with a new scheme of convergence of Open and Distance Learning with the conventional education system. *(TH, 17.02.08)*

## Crucial Public Private Bond



The National Institute of Information Technology's (NIITs) chairman and co-founder Rajendra S Pawar is a prominent proponent of the need for a strong partnership between the formal and the non-formal sectors in education. Pawar is of the opinion that there is a need for policy initiatives to encourage ties between formal and non-formal institutions to be taken to develop skills.

The formal sector has all the assets – land, buildings, infrastructure

and students. The non-formal sector has the innovativeness, creativity, research, speed and the entrepreneurial spirit. These two are meeting in the market due to the absence of a supportive policy, thus highlighting the need for such a supportive system. There is enough lip service on the need for such a policy but either there is no comprehension of this grave need or there is a lack as to how to create such a policy.

As the Planning Commission has developed the idea of Skill Development Mission the Government is putting substantial seed capital into this effort. *(FE, 27.03.08)*

# Competition Regime and Quality of Regulation in India

– VV Singh\*

The thrust of economic reforms in India has been on allowing more competition resulting in better quality, more variety, lower prices and adequate supplies to consumers and business. Various measures have been undertaken to ensure that markets function well in the new economic policy regime and yield desired results. Some of these measures relate to a new regulatory regime. Regulatory measures are needed only when competition is not well developed. Regulation when used correctly, creates a competitive and dynamic environment in which market players can thrive. In natural monopolies, such as in electricity or water sector, where competition is not feasible, regulation mimics competitive outcomes. The objective of both competition and regulation is to promote fair play and economic democracy, thus benefiting all stakeholders.

The purpose of regulation is to allow the free exercise of market forces and consumer and producer impulses for the maximisation of societal well-being. Regulation also removes the externally applied obstacles to market forces when their play is desirable. Undesirable regulatory laws (regulation that is not required) therefore automatically give rise to poor quality regulation irrespective of how such laws are implemented.

For the sake of illustration, consider a law asking for an excessive fee for registration/licensing of business. It is clearly undesirable as it prevents many firms from entering the industry and hinders competition. Such a law will give rise to poor quality regulation irrespective of how efficiently it is implemented. Contrast this law with another that imposes heavy penalties on cartels. The latter is obviously an example of a desirable regulatory law. However, it constitutes only a necessary condition for good quality regulation. The quality of regulation might still be poor in this case if this desirable regulatory law cannot be enforced because of investigative incompetence or the incidence of corruption. Success in enforcement often depends on the institutional structure, i.e. the composition of the regulatory body and the ties/obligations that bind it to government, producers and consumers.

In the absence of good quality regulation, anticompetitive practices and regulatory failures may not



**Good quality regulation not only leads to better economic and social outcomes but promotes the credibility of the regulatory agency and the trust of economic agents in it.**

allow the market process to yield desirable outcomes. This may impede economic growth and welfare maximisation and promote inequity. These issues are important in a country where the aspirations of millions remain almost completely unfulfilled despite the improved economic performance of the last two decades. Hence, quality of regulation matters for the removal of such impediments to progress.

If the regulatory agency loses credibility then the tendency to flout regulations increases to such an extent that the sector becomes ungovernable. Quality of regulation depends on several factors including the overall policy and work environment in the country which is manifested in the approach to competition policy, effectiveness of the legal and judicial system, extent of political capture of regulators, the culture (the way people think and act) and the level of corruption.

The indicators of quality of regulation are independence, accountability, transparency of

regulation and integrity of regulators. Independence and accountability go hand in hand and independence without accountability cannot work. Legal protection of agency staff and clear rules for the appointment and removal of the head of the regulatory agency are necessary for independence and accountability of regulators. These factors contribute in making a regulatory agency effective (able to regulate according to the objectives set for it) and efficient (minimising scarce resources in delivering results).

Regulatory regime in India is in its early stage and suffers from lack of independence, funds and training facilities for their staff and is unable to meet the demands of modern regulation. Competition has been allowed in various sectors but regulators are finding it difficult to ensure fair competition. There exist several anti-competitive practices and outcomes emanating from policy/practices of business as well as government (central as well as states) that impede the realisation of competitive outcomes. Besides, there are cases of regulatory failures, at national as well as sub-national level.

It is essential to assess how far the regulators in India have been able to check various market-related distortions in the economy and assess the quality of regulation.

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Event Archive

**The 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 by CIRC with four Parliamentarians from both the ruling party and the opposition. The objective of the event was to evolve a consensus on implementation of an effective regulatory regime in India.

The discussion was also a followup of the report under a project implemented by CUTS International entitled ‘Competition & Regulation in India, 2007’. The report takes stock of how competition and regulation prevails across sectors in the country and comes out with recommendations as to what still needs to be done.

For more details, please visit: <http://circ.in/PPD.htm>

**Strengthening Skills on Commercial & Economic Diplomacy (CDS.04)**

A training programme with the support of Department of Commerce, Ministry of Commerce & Industry, Government of India on ‘Strengthening Skills on Commercial & Economic Diplomacy’ for Senior Level Civil Servants and Executives was organised in Jaipur, during January 09-11, 2008. Participants were from various ministries namely, Ministry of Commerce & Industry, Ministry of Finance, Ministry of Labour & Employment, Ministry of Environment & Forests, Ministry of Micro, Small and Medium Enterprises. There was also representation from Governments of Orissa, Jammu & Kashmir and Madhya Pradesh.

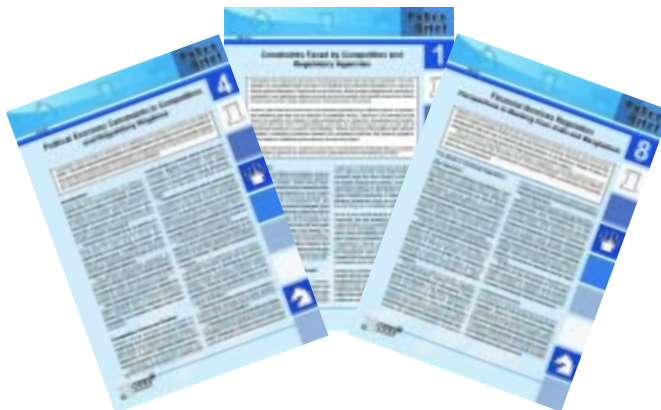


The objective of the training programme was to ensure coherence between India’s domestic policy on trade and investment issues with international commitments and to enhance skills by developing/strengthening capacity of officials for trade and investment negotiations.

For more details, please visit: <http://circ.in/erCDS04.htm>

New Publication - Policy Briefs

The deliberations at the CDRF research symposium facilitated preparation of policy briefs based on the final research papers comprising key implementation issues concerning competition and regulatory regimes and the approaches/recommendations that emerged from the research cycle that would be useful in the context of the developing world. The policy briefs will be used to raise awareness among various stakeholders in the developing world and would be distributed widely using CUTS’ networks, its partners’ network and at various other forums. There are eight such policy briefs prepared on the basis of eight broad themes.



- Constraints Faced by Competition and Regulatory Agencies (CDRF No. 1/2007)
- Competition and Regulatory Regimes in Small & Developing Countries (CDRF No. 2/2007)
- Political Economy of Regulation in Electricity Sector in India (CDRF No. 3/2007)
- Political Economy Constraints in Competition and Regulatory Regimes (CDRF No. 4/2007)
- Efficiency and Effectiveness of Competition and Regulatory Agencies (CDRF No. 5/2007)
- Effective Regulatory Regimes – *Experiences of India, Kenya and Belgium* (CDRF No. 6/2007)
- Political Economy of Telecom Regulation in Jamaica (CDRF No. 7/2007)
- Financial Services Regulation – *Perspectives from Banking in India and Bangladesh* (CDRF No. 8/2007)

For more, please visit: <http://circ.in/PolicyBriefs.htm>

**Calendar (April-June, 2008)**  
 Training Programme on Competition Policy & Law  
 May 12-15, 2008, Addis Ababa

Sources: BL: Business Line; FE: The Financial Express; TH: The Hindu; ET: The Economic Times



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