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Covering developments in the area of training and education on economic policy issues



Putting Sound Competition and Regulatory Policies in Place

Dr Supachai Panitchpakdi, Secretary General, UNCTAD, inaugurated the high profile opening session of an International Research Symposium with his insightful and erudite speech. The Research Symposium, “*Political Economy Constraints in Regulatory Regimes in Developing Countries*” was organised by CUTS Institute for Regulation & Competition (CIRC) on March 22-24, 2007, in New Delhi.

“Developing countries need to create effective institutional mechanisms for successful implementation of competition and regulatory policies. While market friendly reforms have become common buzzword the process has failed to stop market failures. To address these failures, a sound competition and regulatory policy needs to be put in place along with efficient enforcement mechanisms”.

A sound and robust competition and regulatory policy should explicitly recognise and incorporate consumer interests and unambiguously include advocacy as a tool for promoting awareness.

It is also equally important to put appropriate institutional mechanisms in place for effective enforcement and review. If competition policy is to yield all the envisaged benefits, political will and consensus for reform is necessary.

It was emphasised that when economic vested interests dominate political power they also limit growth dynamics and curtail economic opportunities for poverty reduction in developing countries.

Competition policy should be judged explicitly against its contribution to tackling ‘the tyranny of vested interests’ for poverty reduction outcomes. The problem with market is that consumers are disorganised while producers/sellers are organised and they are able to influence the policy makers. The tyranny of vested interests, therefore, needs to be articulated, and should be used to overcome the political economy constraints. The policy makers must differentiate clearly between the public interest and vested interest.

In the concluding session, Dr Bimal Jalan, MP and former Governor of Reserve Bank of India (RBI) underscored an important distinction between regulation and control and hoped that the former does not degenerate into the latter. It was concluded that competition and regulatory policies should drive the governments in developing countries, so that they could be more capable, more accountable and more responsible to deliver growth and welfare in a fair manner to citizens.

For more on the above and for a webcast of the whole conference, please visit:
www.circ.in



Dr Supachai Panitchpakdi addressing the Inaugural Session of the Symposium

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What's Happening – An Overview

New Age Management

Pacific Institute of US, an international corporation specialising in performance improvement and professional growth, is looking at forging partnerships with Indian public and private sector companies.

It is currently in talks with GAIL, BHEL, Caterpillar and Ford to impart training to the companies' mid and senior level executives on new age management principles.

The Institute will focus on educating Indian executives on change management, leadership development and other management principles.

The Institute is in the process of signing a Memorandum of Understanding (MoU) with the Indian Institute of Public Administration, New Delhi under which it will train IAS functionaries in management principles and governance. (BS, 11.02.07)

FDI in Education

Foreign Direct Investment (FDI) in higher education has been a contentious issue for the last few months, ever since the government announced that it was in the process of formulating a bill to allow FDI in higher education.

The Foreign Education Providers (Regulation) Bill, if approved by the Cabinet, and made a law, will allow foreign universities to set up campuses in India. The Bill will also grant deemed university status to foreign universities.

Foreign universities will, however, have to set up campuses on their own and they will not be allowed to adopt the franchisee route. Also, the universities will have to secure the prior approval of the University Grants Commission (UGC). (BS, 19.01.07)

HC on Distance Education

The Delhi High Court has said that the professional education programme should be discouraged and sought the view of the UGC on the issue.

The Court opines that professional courses must impart practical training. Besides, professional courses should not be allowed to be imparted through distance education.

The Court was hearing a public interest litigation (PIL) filed by the Indian Association of Physiotherapists (IAP) seeking recognition of those institutes, which are offering correspondence courses in physiotherapy.

It was contended by the IAP that physiotherapy was an important health profession, which required practical training in addition to theoretical knowledge. Such correspondence courses were wholly inadequate to train a person as a physiotherapist. (ET, 06.01.07)

Nod for Setting up Institutes

The Cabinet has approved the promulgation of an ordinance to amend the National Institute of Pharmaceutical Education and Research (NIPER) Act of 1998 to allow

for the early commissioning of similar institutes.

The NIPER Act, which was passed by the government to establish the institute offering graduate, postgraduate and doctoral programmes for pharmacy, had provision only for one institute of national importance, which was established at Mohali, Punjab.

The proposal for the five new NIPER-like institutes, which the Ministry of Chemicals and Fertilisers hopes to establish, are expected to serve the crucial shortage predicted in human resources for the booming pharmaceuticals and clinical research sectors. (BL, 24.01.07)

Corporate Affairs School

Plans are afoot to set up a national institute for corporate law and governance – the Indian Institute of Corporate Affairs (IICA)

As per a proposal mooted by the Ministry of Company Affairs, the IICA will work with the objective of providing institutional support to corporates and their regulators in a wide gamut of subjects – economic and financial matters, accounting and auditing standards, use of technologies, knowledge management and (regulatory) delivery systems etc.

In due course, the IICA is expected to commence graduation, post-graduation courses in the corporate law and governance. The government also aims at reinforcing the governance/regulatory delivery and enforcement systems regarding the corporate sector with the aid of the skills to be created in IICA. (ET, 03.02.07)

Skill Development Mission

The government is planning to launch a major vocational education and training plan that is expected to increase the existing capacity of skilled manpower six-fold over the next five years.

A start will be made in 2007 with the launch of a skill development mission. The industry and service sector employees will be in the vanguard of the development mission.

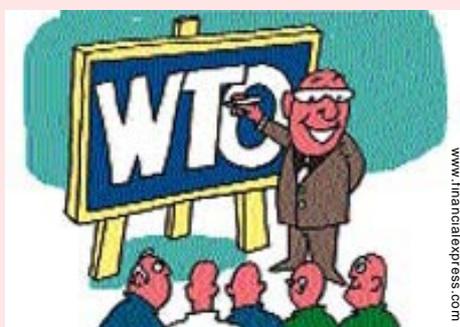
Further, it has been proposed that training institutions of state governments will be organised on the basis of genuine private public partnerships (PPPs). Private sector skill providers will also be encouraged. (BS, 08.01.07)

Training Diplomacy

Amid calls for making concessions to restart the Doha Round of trade negotiations, India is turning to some old fashioned economic diplomacy to ensure broader support in future World Trade Organisation (WTO) negotiations.

In a classroom at the Indian Institute of Foreign Trade (IIFT), New Delhi top and middle level commerce ministry and foreign office officials from 26 African countries including Libya, Kenya, Egypt, Nigeria and Zimbabwe are imbibing an Indian perspective on WTO issues ranging from anti-dumping to safeguards to trade defence mechanism to the contentious issue of agriculture subsidies.

According to sources, the push to update officials from the African countries on WTO issues actually came from the African side. The Kenyan Ambassador wrote to the permanent mission of India in Geneva asking for a course to train African Officials on WTO issues. (ET, 21.01.07)



PPP in Service Delivery: Need for Capacity Building



– Dr S K Sarkar*

Introduction

Public Private Partnership (PPP) has become a buzzword in the infrastructure sector. Interestingly, it is becoming one option in the context of efficient service delivery also, in addition to being widely considered as important option for financing the infrastructure projects. This has happened because the government has recognised its limitations in this regard, and is now looking for partnership with the private sector. That said, not much functional clarity is noticeable at the field level. Thus, how actually one goes about building PPPs is not well known.

What is PPP? According to a definition by Prof E S Savas (2000), there are three players participating in delivery of goods and services in infrastructure sectors:

- service arrangers;
- service consumers; and
- service producers.

The service arranger selects producers or assigns producers to consumers, or does both, and could cover the category of various institutions such as the government, voluntary associations, or service consumer itself.

There are many institutional arrangements for the delivery of public services, wherein the public sector/ government as well as the private sector can act as a 'producer' or 'arranger' or both.

Normally speaking, PPP could cover any arrangement between the public and the private that jointly produces and delivers goods and services and which is commonly used to describe complex projects in infrastructure sectors. For these projects, the generally accepted PPP options are contracts, franchises, and divestments. In fact, PPP models in infrastructure sectors could fall in a continuum.

At one extreme, there is the government department that owns, designs, finances, builds, and operates the facilities. At the other, there is divestiture that allows an existing facility to be operated by private operators in perpetuity under a franchise. Even in this case, the public agency, as 'arranger', can exercise control by stipulating conditions such as access, pricing, etc.

Between these two extremes, there lie various PPP options such as service contracts, management contracts, lease, joint venture, concession, Build Operate Transfer (BOT) or its variants. One critical parameter – such as the degree and type of risks being shared among different stakeholders – differentiates between various PPP options.

Critical Issues

There are certain critical issues that have to be resolved for the introduction of any PPP mode for service

delivery. These include:

- Roles of different parties;
- Competition issues;
- Regulatory intensity;
- Cost recovery;
- Information availability;
- Risk allocation; and
- Procurement modalities.

In any PPP, there are many stakeholders, e.g. government, private players, financiers, construction companies, equipment suppliers, etc. First, a clear listing of responsibilities and roles is required in any PPP design. These elements vary depending on the mode of PPP used.

Second, in the PPP design, should we allow competition for the market? Should there be exclusivity in operation of services during the entire period of concession? These issues need to be resolved.

Third, what should be the degree of regulatory intensity? The necessary, but not sufficient, conditions for successful working of any PPP options include an appropriate regulatory framework, other than political commitments, cost recovery and a solid information base, although the degree of such requirements would depend on the nature of PPP options being used in delivering the services (Cowen 1997). For example, the "services contract" would require low intensity of regulatory framework; in management contract, there is a need for moderate regulatory framework; in lease and BOT mechanisms, a high degree of regulatory framework is called for.

Fourth, risk-sharing formula among parties has to be clearly resolved, especially in relation to business risks, financial risks, political risks, etc.

Fifth, what should be the procurement process: should there be open and transparent bidding process or negotiated procurement. In such cases, how does one prepare the bid documents and fix the evaluation criteria?

Conclusion

In sum, understanding any PPP options would require an in depth knowledge of the complex issues. There is shortage of PPP capacity in the country. In fact, there is no platform or specific PPP course available in India, although some efforts are being made at the The Energy Research Institute (TERI) University through the introduction of an MBA (Infrastructure) course. In addition, organisations like CUTS, National Council for Applied Economic Research (NCAER) or South Asian Forum for Infrastructure Regulation (SAFIR) are organising workshops and seminars on the subject for sensitisation and wider dissemination. There is a need to have regular courses with academic rigour on a sustained basis so that a cadre of PPP professionals can be developed to undertake activities even in remote urban or rural areas in India.

*Director, The Energy Research Institute (TERI)

References:

- E S SAVAS: 2000. "Privatisation and Public Private Partnership": Affiliated East West Press Pvt. Ltd., New Delhi, 2000.
 Penelope Brook Cowen. 1997. The private sector in water and sanitation- how to get started. Washington: In Public Policy for the Private Sector. View Point 126. The World Bank.

News & Views

Event Archives

Regional Training Workshop on Competition Policy & Law

February 15-17, 2007, Pretoria, South Africa

The fifth workshop on Competition Policy & Law was held on February 15-17, 2007, in Pretoria. The workshop, a joint effort of CUTS and Institute for Global Dialogue (IGD) was organised under the aegis of CIRC with support from DFID, UK and NORAD, Norway.

The workshop aimed at building capacity among select African countries on competition policy & law. The training workshop was held under the 7Up3 project, and was attended by over 31 participants from various ministries and competition commissions and tribunals, and consumer associations.

(For more, please visit: www.circ.in/event-archives.htm)

Seminar on Experiences of Competition Law from around the World

March 21, 2007, New Delhi, India



Participants in Discussion during the Seminar

A seminar on Experiences of Competition Law from around the World was organised on March 21, 2007 in New Delhi. The event was organised by CIRC in collaboration with Society of Indian Law Firms (SILF) and the Federation of Indian Chambers of Commerce & Industry (FICCI).

The one day training seminar was organised to discuss the 'process' of implementing Competition Law and covered panel discussions on related areas: Merger Regulation, Anti-Competitive Agreements, Abuse of Dominance and Competition-Sectoral Regulation interface. The seminar was widely attended by representatives from Indian law firms, CCI, business houses and media.

(For more, please visit: www.circ.in/event-archives.htm)

Forum

In today's scenario, there is a pressing need for finer knowledge, better negotiating skills, and improved capacity of understanding competition laws, economic regulations and commercial aspects of diplomacy. But, there is severe shortage of institutional capacity to facilitate the spread of knowledge on regulatory matters in developing countries.

In this backdrop, CIRC takes immense pleasure in announcing the creation of its e-outreach forum, which would serve as a tool for gaining recognition and spreading awareness about CIRC and its initiatives. The CIRC-Forum would be a means of creating this awareness and spreading knowledge on the three issues of Competition Policy & Law, Economic Regulation and Commercial Diplomacy.

Drawing from real life examples, the forum offers a platform to inform various stakeholders/interested parties about the relevance of the capacity building solutions offered by CIRC.

Should you wish to join the forum, send us a request at:

circ-forum@googlegroups.com

Calendar of Events

- A Public Lecture on Competition Policy & Law in India by Surendra Kanstiya
April 18, 2007, Mumbai
- National Training Workshops on Competition Policy & Law Issues in Seven Countries (Botswana, Ethiopia, Malawi, Mauritius, Mozambique, Namibia and Uganda)
June-July, 2007
- Training Workshop on Competition Policy & Law on request from Ministry of Trade & Industry, Ethiopia
August 2007, Addis Ababa
- Training Workshop on Competition Policy & Law on request from the Mauritius Government, Mauritius
- Orientation Workshop on Commercial Diplomacy for Ministry of Commerce & Industry (MoCI)
August 2007, New Delhi

For more, please visit:

www.circ.in/forthcoming_events-calendar.htm

Thoughtful Words

We sincerely express our gratitude and appreciation for the support of CIRC for the training programme rendered on Competition Policy and Law. The training rendered was extremely useful to us and it was the benchmark for our pace in implementing competition law in Ethiopia. We look forward to further association with CIRC on Competition Policy & Law issues.

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