

**CUTS Institute for Regulation & Competition**  
**Minutes of the Roundtable discussion on**  
**“Capacity Building Institute for Regulatory and Competition Issues in Indian**  
**Infrastructure”**  
**November 21<sup>st</sup> 2007, New Delhi**

**A. Introduction**

The Roundtable Discussion was organised by the World Bank, in association with CIRC, to discuss the Plan of Action for CIRC which has emerged from the Ernst & Young’s Strategic Business Plan for developing a Capacity Building Institute dedicated to Regulatory and Competition issues in Indian infrastructure. The event was held at Hotel Imperial, New Delhi on November 21<sup>st</sup> 2007. It was a part of the World Bank’s on-going Analytical & Advisory Activities (AAA) approved by the Government of India to enhance regulatory efficiency in infrastructure sector. The Strategic Business Plan was funded by Public-Private Infrastructure Advisory Facility (PPIAF).

The event was marked by cross sectoral participation, from senior government officials from various states, media, former regulators, and economists who actively participated in the roundtable discussion. Most significantly, Dr D. Subba Rao, Finance Secretary delivered the key note address, while Dr. C. Rangarajan, Chairman, Economic Advisory Council to the Prime Minister of India, and Chairman, Governing Council of CIRC delivered the opening remarks and conducted the meeting.

**B. Proceedings**

1. The discussions were kicked off with a welcome address by Mr Rachid Benmesssaoud, Operations Advisor, World Bank. He emphasized that importance of capacity building for sustainable development of the economy cannot be understated and there is a great requirement for capacity building in competition and regulation in India. Therefore, great efforts and inputs are needed to give good start to institutions like CIRC.
2. Dr C Rangarajan delivered the opening address at the roundtable. In his address he highlighted the increasing role of regulators in fast developing economies to ensure healthy competition in the market. He noted that there are complexities involved in implementation of competition and regulatory laws due to natural monopolies in utilities. He stated that government has an important role to play in promoting and managing infrastructure sector since market often fails to allocate needed resources to the infrastructure sector, this calls for an economy wide planning. While appreciating the role of government, Dr Rangarajan said it is undeniable that in many cases there is failure on the part of the government as well as market. The state has to maintain a balance in the market from the supply side. In his view market economy will not give benefits unless there is competition.

Regarding the role of the new competition law, he stressed that it is expected to prevent monopolies; prevent abuse of dominant position and regulate the industry and the services sector. Competition and regulation has therefore, two approaches: (a) structuralist and (b) behavioural. Two important elements of market structure are market concentration and barriers to entry. Any action by a firm which increases either concentration or barriers to entry will be deemed, under the structuralist approach, to be violative of the maintenance of competition. On the other hand, the behavioural approach looks at the conduct of a firm rather than structural infringements. Further, India is on a high growth path which requires huge investment in infrastructure, both from public and private sources. Hence, he stated, the increasing private sector role in infrastructure implies better regulation and thus capacity building needs for regulators. There is a huge gap in capacity of regulators to deal with the changing environment and institutes like the CIRC could play an important role to fill the gaps, he asserted.

3. Dr D Subba Rao, Finance Secretary, Government of India, in his key note address pointed out the importance of PPPs as the route to raise investment in infrastructure sectors, and the link of better infrastructure for economic growth. In his view bridging deficit in investment in infrastructure sector is important. From 1990s the rate of investment in this sector as percentage of GDP is declining. Eleventh plan estimates a requirement of \$495bn in infrastructure sector, if we are to sustain 9% growth rate of GDP till the terminal year of the eleventh plan.
4. In his view PPP approach could address the issues relating to availability of resources; improve efficiency of the sector and sharpen the accountability of the management and help in risk sharing. Needless to mention commercial risk cannot be shared by government. In terms of accountability, he elaborated, that though there is a very efficient govt. auditing system, it is focused on input audit and not on output accountability. PPP will provide this much needed output accountability.

While dwelling on the issue of much needed capacity building in the infrastructure sector Dr Rao reiterated that there are critical areas for which capacity is needed to be developed; they are: managing regulatory structure; tariff fixation; ensuring better bidding process; contract management/dispute resolution process; project finance; clear policy direction for non compete clauses. He stressed that there may be isolated cases for PPP but private investors will not come forward unless there is clarity of policy on all those issues.

5. He candidly observed that there is a capacity building need in a large number of areas of infrastructure management. Thus it requires capacity building efforts across sectors. Appreciating CUTS endeavour for such an institute, Dr Rao, said that India needs more investment in infrastructure from the current 6% of GDP to 9% of GDP. Constrained government resources and increasing demand for investment in infrastructure sector has induced government to follow the PPP approach for growth. Capacity building need is more in the growing infrastructure sector to ensure sustainable growth in long run.
6. On the behalf of the World Bank, Mr Ashish Khanna made a presentation highlighting the capacity building needs for promoting healthy competition and

regulation in infrastructure. The presentation pointed towards sector specific requirements such as Power (as one with the largest space) followed by Water, Oil and Gas, Urban Infrastructure, Ports and Telecom.

7. This was followed by presentation by Mr Pradeep S Mehta, DG, CIRC, presenting the Strategic Business Plan prepared by Ernst & Young, which detailed the process of demand assessment, course prioritization and phasing of CIRC's implementation activities for next six years from the year of launch. This included the start-up plan, development, consolidation and expansion of CIRC as an institute to operate on international standards. The Institute will devote resources to providing capacity building solutions in the areas of competition and economic regulation, in addition to commercial diplomacy to all types of stakeholders: governments; regulators; civil society; service providers. The geographical coverage will be in the continents of Asia and Africa, with the main work in India. Its products will be research based, and thus the faculty will be engaged in research and consultancy as well.
8. Giving a background of the concept of launching the Institute, Mehta said that encashing on the pool of CUTS experience and networks of over two decades in the field of trade and economics, CIRC will endeavor to disseminate quality programmes for building capacity in collaboration with both international and national organizations.
9. Views and experiences were shared in the roundtable discussion following the opening addresses. Dr Rangarajan moderated the roundtable discussion by asking the gathering to express views and give suggestions for CIRC's course of development. Some of the key points that emerged:
  - a. Stakeholders' participation in the governing body is important for attracting funding and talent for the CIRC. Therefore, representation in the organizational structure should be across sectors to ensure various stakeholders are adequately represented in the decision-making bodies of the organizations.
  - b. The tripod of politics, economics and law in the area of regulatory governance should be well understood, and thus the Institute should have faculty from these three disciplines as its core faculty. Simultaneously, the Institute should have greater clarity and balance of the work combination of research, training and consultancy, in its mix of programmes.
  - c. There is a dearth of a good resource centre on regulatory issues, thus regulators and governments find it difficult to access knowledge to enable them to work effectively in these areas.
  - d. CIRC can also look into the areas of monitoring consumer satisfaction in various sectors and consumer awareness in utilities, other than empowering grass root groups through capacity building programmes to work with regulators and utilities.
  - e. Often while presenting competition-related cases, legal personnel lack knowledge about economic aspects of cases. It has been a big problem. CIRC should find ways to fill this capacity gap.

- f. Mr Sunil Mitra, Principal Secretary, Power, GOWB expressed that it would be beneficial for the power utilities, if CIRC organizes documentation and relevant material regarding best practices of the sector in its resource centre.
  - g. Member of the PNG Regulatory Board, Mr Negi, also expressed that capacity building effort should be done with the help of research-based papers and material. He also offered to share resource persons from his Board.
  - h. According to Mr. Ailawadi, former electricity regulator, there exists a huge gap of capacity building in power and telecom sector. He suggested to create a resource centre which would provide relevant material to all concerned with capacity building.
  - i. Some of the experts were of the view that the Institute should create an environment of business education with a focus on economic and legal issues. In addition, systematic scholarly and policy work needs to be developed.
  - j. Mr Barthwal, Director, CCI also suggested that it being a new organization, their staff would need capacity building in investigative techniques. As it is there is hardly any knowledge in the country on competition law issues.
  - k. Both Mehta and Khanna made the point that like all other institutes which have made advancement over the time, CIRC will evolve by focusing on few areas initially and then expand its activities as it grows. CIRC's manpower (individuals) would matter much in its future performance.
10. Conclusion and summing up was done by Dr C Rangarajan. In his concluding remarks Dr Rangarajan reiterated that CIRC will fill-in the gap in terms of knowledge and expertise in the transitional Indian Infrastructure. He concluded the roundtable discussion by the following observations on CIRC:
- a. CIRC will be a multi-disciplinary institute
  - b. Faculty of the institute will be from various fields
  - c. CIRC will make efforts to attract and retain talent it requires
  - d. CIRC while giving training will simultaneously increase knowledge across sectors.

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