

**Work Plan ICN-WBG on competition policy:
Sector-specific regulatory barriers and competition assessment in the
EAC haulage industry**

1. Background and Project Description

The African Competitiveness Report (2009) shows that transportation remains a major obstacle to competitiveness in Africa. That report finds that one of the key problems in the transport sector is a lack of competition in the trucking industry. Other recent studies of transport in Africa (Teravaninthorn and Raballand, 2009; Raballand and Macchi, 2008) also provide evidence that along Africa's main corridors, transportation costs are much higher than in the case of other developing economies. These studies suggest that one of the main sources of these high margins is specific regulations imposed in many African countries that restrict entry and competition. Previous experience illustrates that in many cases the restrictions imposed on the operations of trucks can lead to reduced flow of goods, separation of markets and competitive harm (OECD, 2007).

To address competition problems in the transportation sector, the Investment Climate Reform Program in the EAC proposes to make an assessment of the haulage industry, to identify and present solutions to specific barriers that prevent or limit effective competition in the market.

As part of its activities, the ICN focuses on competition advocacy in specific sectors in which competition law enforcement is limited due to market or government policies. Currently, as part of its Market Studies Project, the ICN is analyzing its members' experiences in conducting sector specific studies to identify best practices.

ICN member's expertise in competition advocacy, market studies and proposals for removal of anticompetitive regulation provide an important technical input for assessing sector-specific regulatory barriers in the haulage industry. Based on this experience, ICN experts will coordinate with the Investment Climate Department to provide advice and develop this assessment that will include two components:

1. Based on the current competition assessment frameworks (CAF-DFID, OECD Competition Toolkit, ICN) as well as benchmarking initiatives related to market monitoring (OECD PMR Indicators, EU Consumers Price Index Project), **provide a quick diagnostic checklist to identify regulatory barriers and sector-specific constraints** to competition in the haulage sector.
2. Based on ICN expertise in competition advocacy, **provide recommendations and propose solutions to remove** regulatory barriers and sector-specific restrictions in the haulage industry.

The assessment could also shed light on how regulatory barriers affect market prices and costs, and together with other relevant information (prices, number and distribution of competitors, existence of

transport associations) define what other factors might affect the competitive and entry level of the industry and reduce intra-regional trade.

Main activities that the ICN would support under this component include the following:

Quick diagnostic checklist to identify regulatory barriers and sector-specific constraints

- Stocktaking of competition assessments, market studies with recommendations to increase competition in the haulage industry in emerging markets performed by ICN Members
- Developing a database on trucking and transportation studies that includes: sector-specific studies and antitrust cases in emerging markets.
- Identification of experts and establishment of an ICN task force to advice on the competition assessment of the haulage industry.
- Identification of relevant market participants to interview.
- Design of surveys to competition agencies and other key agencies to identify sector-specific constraints in haulage and transport-related markets.
- Design of surveys and questionnaires to private participants to identify regulatory barriers and competition in the haulage market.
- Design diagnostic criteria and key issues to be addressed under the assessment.
- Pilot diagnostic criteria at main corridors and comparator countries and consolidate results for discussion.
- Discussions of diagnostic criteria within the WBG and main stakeholders.

Recommendations and proposed solutions to remove regulatory barriers and sector-specific restrictions in the haulage industry.

- Based on results of diagnostic checklist, provide specific recommendations for reform the haulage sector, including identification of main actors involved in the successful implementation of reforms and elaboration of recommendations report.
- Support and advice on harmonization of policies at the regional level based on competition policy principles and propose alternatives to current regulations.
- Present results and recommendations report to main stakeholders