



## Trade

# Making Markets Work for Development through Effective Competition Policies

Competition fosters economic welfare and makes markets work for development. The World Bank Group supports clients in promoting and implementing pro-competition rules in key sectors, deterring anticompetitive business practices, and minimizing distortive government interventions in markets.

## Context

Even though many countries have opened to trade, markets in developing countries often underperform due to entry barriers, restrictive regulatory frameworks, and anticompetitive behavior by a few dominant players. A large number of developing countries have included pro-competition provisions in trade agreements but failed to implement them. Although more than 100 countries have enacted competition laws, anticompetitive practices continue, especially in developing countries. State-owned enterprises (SOEs) also tend to be more significant market participants in developing countries. Restrictions are more prevalent in non-tradable services with significant spillover effects.

Anticompetitive business practices have been detected in various markets that are important for a country's overall competitiveness and poverty alleviation. Cartels, which increase prices in affected goods and services by at least 20 percent, have been found in input markets such as fertilizer, cement, and transportation services. Staple consumer products such as bread and sugar, and critical financial services ranging from electronic payment systems to insurance, cost consumers more due to cartels and abuse of dominance. Bid rigging in public procurement is prevalent in construction, transportation, and health sectors.

Competition in domestic markets translates into increased competitiveness in international markets. Competition has positive effects on innovation, productivity, and market growth, and makes exporters

more competitive. Competition in input markets reduces the cost of domestic inputs and enhances the competitiveness of value chains.

Uncompetitive consumer product markets harm families, especially the poorest, while restrictive product market regulations hamper job creation. Poorer households are especially hurt by the lack of competition. Studies suggest that poverty could decline by at least 2 percent if anticompetitive regulations and practices were eliminated in a market for staples. Restrictive regulations curb employment rates significantly in countries where markets remained protected.

## What we offer

The World Bank Group advises client governments in two key competition-related areas: pro-competition sector regulations and effective competition enforcement.

In lower-income countries, the work often focuses on opening specific markets to competition and reducing anticompetitive regulation that may protect less efficient incumbents. In middle-income countries, advisory services focus on increasing the effectiveness of clients' competition frameworks. Clients can access competition policy support through several mechanisms: technical advice on policy implementation; analytical and diagnostic products to assess competition policy constraints; and advocacy and convening work. We offer clients the following analytical and diagnostic products to

support implementation and advocate for competition reforms:

- **Competition Policy Assessments**, including evaluation of product market regulations; sectoral competition assessment; antitrust and state aid frameworks assessment; assessment of anticompetitive subnational regulations; estimations of the effects of lack of competition on key variables (e.g. productivity, poverty, and consumer welfare).
- **Competition Policy Notes**, including a focus on specific topics (e.g. competitive neutrality, anti-competitive regulations); review of competition law framework and by-laws; policy notes with priorities for new governments.
- **Institutional Effectiveness Review**, involving functional review of the competition agency and its institutional effectiveness; evaluation of implementation policies and guidelines.
- **Impact and Advocacy Reports**: monitoring and evaluation for competition interventions; literature reviews, cases, and technical papers to build analytical evidence on the need for competition policy reforms and convey results to policy makers and civil society.

Policy implementation work focuses on key areas, including: (i) antitrust rules and enforcement, (ii) market regulation and sectoral policies, (iii) state aid, SOEs and competitive neutrality, and (iv) competition advocacy.

## Relevant publications

[Competition policy: encouraging thriving markets for development](#)

[Changing Mindsets to Transform Markets: Lessons Learned from the First Annual Awards in Competition Policy Advocacy](#)

[Combating Cartels in Developing Countries: Implementation Challenges on the Ground](#)

[Cartel Exemptions in Developing Countries](#)

[Identifying and tackling anticompetitive regulations](#)

[Institutional Functional Review on Competition](#)

[Opening Markets: Creating an Environment for Investment and Jobs Creation in Tunisia](#)

## Our work in action

In **Kenya**, the World Bank Group is advising the government on competition regulations that will break up cartels in key economic sectors. With the enactment of these regulations, anticompetitive agreements will be prohibited and removed, generating private savings for firms and households. Estimates indicate savings of about \$18 million annually in insurance markets alone. In addition, sector-specific work in agribusiness has helped unlock key markets that were closed to private investment because of statutory state monopolies. We are helping stakeholders draft bylaws that will allow private participation in previously monopolized markets.

In the **Philippines**, the World Bank Group has helped implement reform that dramatically cuts the time needed to register new vessels. One result is that incumbent operators are no longer able to prevent new companies from serving certain routes. This translates into a potential 5 percent savings in transport logistics costs.

By promoting equal treatment for firms seeking to register for agriculture inputs, the World Bank Group helped **Honduras** more than triple the amount of products registered per year and decreased the prices of some pesticides by as much as 9 percent.

## For further information

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