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PRESS STATEMENT

Towards an Inclusive and Resilient Economy

Every year on the 5th of December the global community observes World Competition Day. This year, like the previous years, the Competition and Consumer Authority joins the rest of the world to observe this important day. The theme this year is, "Competition Policy for an Inclusive and Resilient Economy". The organisers couldn't have selected a more apt and relevant theme.

The Covid-19 pandemic has imposed serious developmental challenges to most economies. We have all witnessed massive job losses across the sectors, millions of people face the spectre of reduced income while many more do not have access to social protection facilities anymore. The consequence of all these is that some of our family members and neighbours have been thrown into a cesspool of poverty; social inequalities are widening by the day.

These challenges will require robust strategies that will improve the resilience of economies. There can never be any denying that the old mould that churned out impressive gross domestic product (GDP) growth figures amidst alarming figures of poverty and social inequalities ought to be discarded. There is now a greater demand for policies that are inclusive and resilient in order to take the world economy beyond the debilitating damages of Covid-19.

Admittedly, regulatory failures have over the years undermined the capacity of policies to yield dividends for citizens and consumers in general. Some of the regulatory failures, particularly in developing economies, have been attributed to over-regulation, in other instances under regulation or poorly designed regulation and lack of implementation capacity; this is often exacerbated by weak institutional capacity of most regulatory institutions.

As part of the regulatory ecosystem, competition authorities recognise that competitive markets are one of the key drivers of economic growth. Not only do competitive markets bring about consumer welfare but they serve as a powerful complementary tool to alleviate poverty and to bring about social prosperity. We find the World Bank characterisation of a concept stylised as 'shared prosperity' apt and compelling. The institution defines shared prosperity as a process to expand the size of the pie continuously and sharing it in such a way that the welfare of those at the lower end of the income distribution would rise as quickly as possible.

Competition policies by their nature bring about a contested economic environment evidenced by entry and rivalry of firms, while competition agencies are tasked with the enforcement of competition laws. Perhaps the crucial point to make about competition policies is that their lenses are aimed amongst other things at increasing opportunities for the less well-off households in competitive markets. This intervention brought to bear by competition policies will naturally go a long way in reducing poverty. The Competition Act in Botswana highlights 'offsetting benefits' such as lower prices, provision of social benefits, citizen empowerment as instances of exemptions even when considering some anti-competitive agreements. It is equally heartening to note that in Botswana, the determination of mergers is one policy process that has a tinge of inclusivity.

In the consideration of mergers, the policy makes it clear that the process is not only focused on a linear application of economic assessment confined to substantially lessening of competition and dominance or market power. The broader public interests such as maintenance of jobs and advancement of citizen empowerment initiatives are some of the issues that are taken into account when making a merger determination.

Competition policies can be used to increase and to bring about the desired social outcomes. The natural outcome of competitive market is growth. The realities of our time dictate that policy formulation should be deliberate about growth that leads to real labour incomes which have been found to be the main drivers of poverty alleviation. In fact, the lower income groups are often the main social class that bears the heavy brunt of negative market outcomes such as anti-competitive behaviour of firms; they come out worse from restrictive regulations that are often imposed on markets by Governments. This has a direct implication on the tenor and approach of policy-makers and strategists.

While competition policies have been entrusted with the mandate to address market hindrances and the promotion of multiple market players, the major thrust of competition policy is to ensure that the right incentives for firms to meaningfully participate in a market exist, so that there is shared benefit for all, including investors, employees and consumers.

Through robust policy advocacy and targeted enforcement initiatives the CCA continues to play its part to ensure that the economy is inclusive and resilient.

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