

Session on Competition Policy

OECD Global Parliamentary Network Meeting

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- How does competition policy fit in the OECD's mission?
- Benefits of competition
- Pro-competitive policies

Levelling the playing field



HOW DOES COMPETITION POLICY FIT IN THE OECD'S MISSION?



Directorate for Financial and Enterprise Affairs (DAF) Key Instruments and Standards

Corporate Governance Committee

G20/OECD Principles of Corporate Governance

Guidelines for State-Owned Enterprises

Guidelines on Anti-Corruption and Integrity in State-Owned Enterprises

Note: This is not an exhaustive list of DAF instruments and standards

Note: DAF assesses Accession candidates against many of these instruments

Committee on Financial Markets

G20/OECD High-Level Principles on Financial Consumer Protection

Recommendation on a Policy Framework for Effective and Efficient Financial Regulation

Core Principles of Private Pension Regulation

Recommendation on Disaster Risk Financing Strategies

Recommendation on Financial Literacy

Investment Committee

Codes of Liberalisation

Declaration on International Inv

Recommendation on FDI Qualities

2009 Guideline on Inv Policies and NS

OECD Benchmark
Definition of Foreign
Direct Investment

Working Group on Bribery

Convention on
Combating Bribery
of Foreign Public
Officials in
International
Business Transactions

2021 Anti-Bribery Recommendation Competition Committee

Recommendation concerning Effective Action against Hard Core Cartels

Recommendation on Merger Review

Recommendation on Competitive Neutrality

Recommendation on Fighting Bid Rigging in Public Procurement

Recommendation on Competition Assessment

Working Party on Responsible Business
Conduct

Guidelines for Multinational Enterprises on RBC Recommendation on the Role of Government in Promoting RBC

OECD Due Diligence Guidance for Responsible Business Conduct



BENEFITS OF COMPETITION



Why does competition matter?

Competition leads to price reductions and greater choice

More investment and innovation, leading to better quality products and services

Competition improves firms' efficiency

More efficient firms enter and gain market share



Benefits of lowering regulatory barriers to competition



Large body of **empirical evidence** demonstrates productivity gains and investment in innovation when product market regulation is made more flexible



OECD competition assessment projects estimate the expected benefits of implementing **selected** recommendations in some sectors, e.g. Greece 2.5% of GDP from pro-competitive reform in four sectors



Benefits are generally **underestimated**: other positive effects are not quantified, e.g.

 Increased FDI and trade, more flexible environment for business, regulatory quality, new employment opportunities

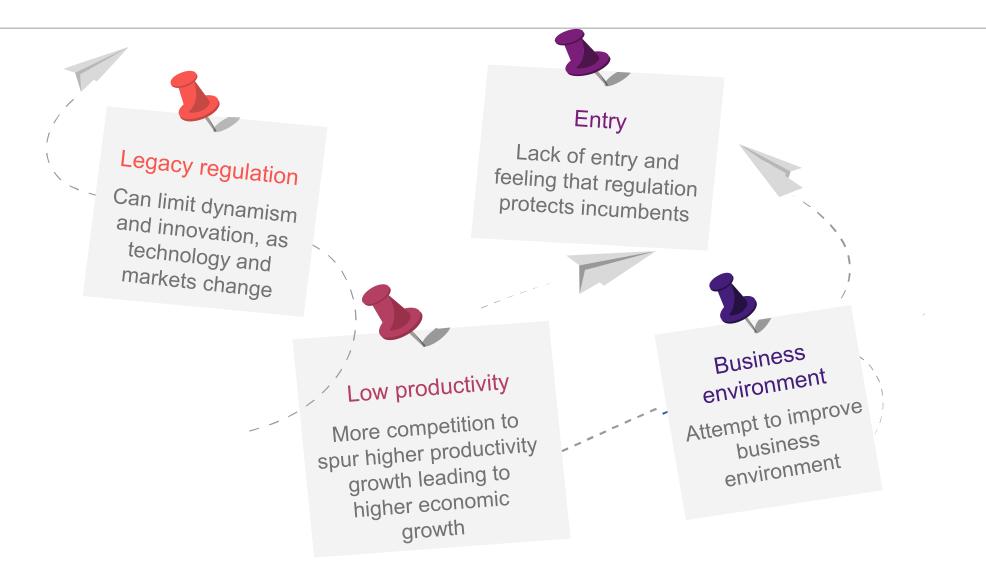
Source: https://www.oecd.org/en/publications/oecd-competition-assessment-reviews 25235311.html



PRO-COMPETITIVE POLICIES



Why develop pro-competitive regulation?





Competition assessment of laws and regulations

- Competition assessment provides an analytical framework for
 - Identifying regulatory barriers to competition
 - Developing alternative, more pro-competitive policies that still achieve government objectives
- Many regulations in place restrict competition









Example – Lowering regulatory barriers to competition

- <u>2024 Draghi report</u> identifies regulatory barriers to more integrated markets, e.g. legal differences across EU members states, barriers to the movement of professionals, regulatory divergence in the transport sector.
- European Commission's <u>Competitiveness Compass</u> identifies horizontal enablers to reignite dynamism, increase productivity growth and regain competitiveness
 - Two of the five enablers are about addressing regulatory barriers to competition





Regulatory burden

Facilitating doing business, regulatory simplification, lower regulatory barriers



How Parliaments can help

- Introduce competition assessment of proposed laws and regulations in your countries
 - This can be done in various ways, e.g. through a central body that screens proposed legislation, through a network of public officials in different bodies
- Conduct regular ex-post reviews of existing laws and regulations
 - As markets change, old legislation risks constraining innovation and the development of new business models
- Consult the competition authority on draft legislation
- Incorporate competition assessment in Regulatory Impact
 Assessment, e.g. Italy refers to the OECD Competition Assessment
 Toolkit which provides a comprehensive methodology of analysis

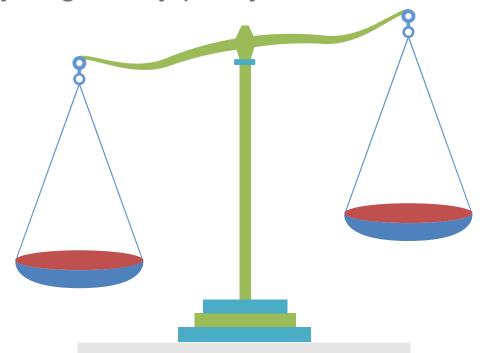


LEVELLING THE PLAYING FIELD



Competitive neutrality

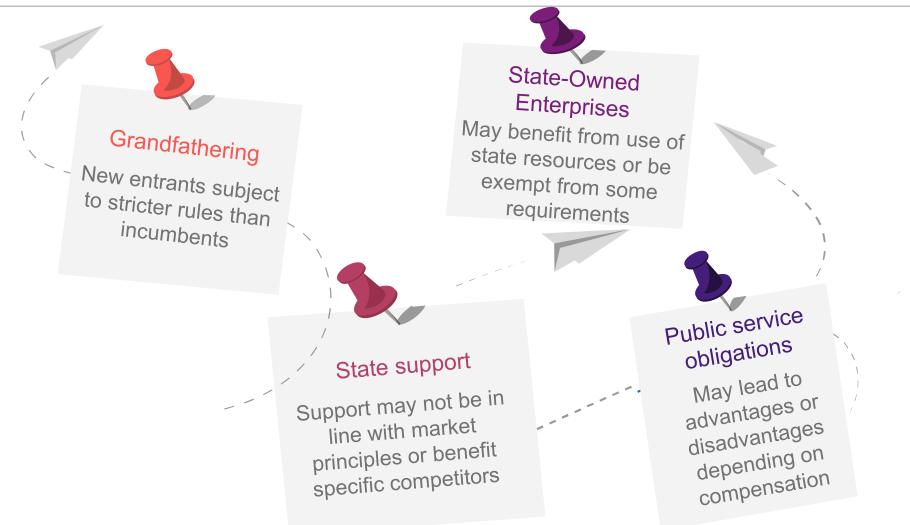
- A principle that ensures that all enterprises compete on a level playing field
- A horizontal topic relevant for SOE ownership policy, FDI policy, trade policy, regulatory policy, etc.







State intervention risks favouring some market participants over others, e.g.





How Parliaments can help

- Promote competitive neutrality in legislation
 - Exceptions should be limited to situations where there are no other ways to achieve important policy objectives
- Foster transparency of state support measures
 - All competitors should have information about available support
 - Disclosing granted support helps promote accountability, reducing the risk of discretionary behaviour by authorities
- Help improve the governance of SOEs
 - By ensuring that the legal framework follows OECD guidance and by monitoring implementation



Thank you

- https://www.oecd.org/en/topics/policyissues/competition.html
- https://www.oecd.org/en/topics/corporategovernance.html
- https://www.oecd.org/en/topics/investment.html