



Economic and Developmental Significance of Government Procurement

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Purpose of this presentation

- To establish the developmental significance of government procurement.
- To discuss the domestic and international tools available to optimise government procurement systems.
- What state expenditures am I referring to?
- The distinction between government procurement policy and fiscal policy.

Developmental Significance of Government Procurement

- The poor are particularly dependent on the quality and availability of publicly-provided goods and services.
 - Not just recurring purchases but capital projects too.
 - Quality matters as well.
- State budgetary resources are typically scarce, and if recent developments are anything to go by, likely to get scarcer over time.
- Poor procurement systems can be associated with 3 poor governance practices, not just structural flaws.

The many objectives of national procurement policy

In no particular order of importance or significance:

- Value for money--Minimising procurement costs
 - Macroeconomic management.
 - National security.
 - Redistributive goals.
 - Industrial and regional development.
 - Promote SMEs.
 - Support state-owned enterprises.
 - Governance-related targets.
- Even though there may be differences in views as to the appropriate objectives, there is widespread acceptance on the principles of good procurement policy (see next slide).

Principles of Good Procurement Policy

- Four often-heard principles:
 1. Efficiency (“value for money”)
 2. Equality of opportunity to compete for state contracts (“non-discrimination”)
 3. Transparency (“control corruption” and ensure accountability).
 4. Encouraging investments and partnerships (“public-private partnerships, etc).

Role of binding trade obligations

- What contribution can binding trade obligations make to national procurement policy?
- In principle the contributions follow the four types of trade obligation:
 1. Rules (e.g. non-discrimination principles).
 2. Market Access.
 3. Transparency.
 4. Dispute settlement.

Rationales for international collective action

- Market access based arguments: traditional reciprocity.
- Improvements in transparency in own and foreign procurement practices?
 - Evidence from SMEs shows that such reforms causes more domestic and foreign firms to bid.
 - Domestic exporters may support these measures if other barriers do not entirely block their access to foreign markets.
- Is the rationale for international collective action stronger during system-wide economic crises?
 - Stronger trade rules could limit resort to discriminatory "buy national" measures as crisis response measures.