



Trade Policy Considerations for Infrastructure Development: relevance of sound procurement systems

**AID FOR TRADE AND INFRASTRUCTURE:
BRIDGING THE FINANCING GAP**

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**Philippe Pelletier
WTO Secretariat**

*NB: The views expressed in this presentation are those of the author
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Outline

- **Infrastructure procurement in developing countries: significance and challenges**
- **Main findings of the Infrastructure & Investment Taskforce – 2014 G-20 in *Australia***
- ***Might there be a role for the GPA in helping to bridge the financing gap?***

Infrastructure procurement : significance and challenges



- **The significance of infrastructure development:**
 - High quality infrastructure underpins development and economic activity both within and across national borders.
- **The Infrastructure Financing Gap**
 - Yet, the public investment available for infrastructure provision is limited, which leads to a growing infrastructure gap, even in OECD countries.
- **Two key considerations:**
 - Public Money needs to be spent efficiently and effectively. Need also to meet the demands of the public in terms of quality and affordability.
 - At the most fundamental level, this is a key driver of the need for public procurement systems to deliver value for money, and be underpinned by good governance principles, and be responsive to other public policy goals.
 - Finding alternative sources of funding (e.g. sovereign wealth funds, portfolio investment, domestic resources)

G-20 – Australia - Infrastructure & Investment Taskforce (1)



- **What is the greatest barrier to more private involvement in public infrastructure ?**
 - **Not a lack of funding per se !**
 - **The real problem for private sector investment is related to risk management, and how risks may be mitigated.**
- **Main barriers that potentially militate against private sector investment (a few examples):**
 - Weak and unstable regulatory and investment environments;
 - Corruption and lack of transparency;
 - Inefficient and unpredictable procurement and approval processes; and
 - Inadequate project selection and prioritisation.

G-20 – Australia - Infrastructure & Investment Taskforce (2)



- **What are the factors that could mitigate the risks for more private involvement in public infrastructure ?**
 - Improve the investment environment.
 - Often, governments need to commit to market-based infrastructure policy frameworks.
 - The case for making better investment **goes beyond national boundaries**
 - One of the main recommendations of the Taskforce:
 - **Implement infrastructure procurement and approval processes that are transparent, consistent with global leading practices, while respecting national policy objectives.**
- **Need for a mediating instrument ?**
 - **To help deliver balanced and optimal outcomes**
 - **Might the WTO Agreement on Government Procurement (GPA) play a role ?**

Might there be a role for the GPA in helping to bridge the financing gap?



- **A few words on the GPA** – Plurilateral, Revised Agreement, RTA GPA Chapters modelled on the GPA, aligned with UNCITRAL Model Law.
- Potential synergies: multiple dimensions of the GPA
 - **Governance instrument:** international ‘stamp of approval’
 - transparency, predictability, non-discrimination, legal certainty
 - help provide harmonised procurement regime across region
 - foster inward investment, support regional integration efforts
 - **Trade: market access instrument** – reciprocal access to
 - **\$1.7 trillion GPA covered procurement market and growing**
 - potentially significant & growing procurement markets
 - **‘Policy space’ / development considerations:**
 - enhanced transitional measures for developing countries
 - facilitate global value chain integration
- Potential challenges:
 - Costs of accession, implementation, adjustment

Leveraging procurement to promote trade, growth and development: a GPA-aided approach



- Today, tomorrow
 - draw on GPA governance to promote VFM, attract inward investment to help close funding gap
 - use GPA 'policy space' tools to help develop local industry
 - explore GPA market access for opportunities for export-capable domestic firms
- Tomorrow, after tomorrow
 - Become more closely integrated in global economy, global value chains
 - greater success for domestic firms in both public and private markets
 - exploit GPA market access for competitive domestic firms



Concluding remarks

- Infrastructure development crucial to DCs' economic transformation
- Potentially critical role for GPA in supporting the implementation of successful infrastructure development programmes
 - important governance, trade and developmental dimensions
- Need for careful strategic reflection, policy review, further detailed studies going forward
- Implications for
 - engagement with development partners
 - “next generation” reforms

Thank You !



References

- Nicholas Niggli and Kodjo Osei-Lah (2014), 'Infrastructure Provision and Africa's Trade and Development Prospects: Potential Role and Relevance of The WTO Agreement on Government Procurement (GPA)', *ERSD-2014-20* (http://www.wto.org/english/res_e/reser_e/ersd201420_e.htm).
- G-20 Australia 2014 – B20 Infrastructure and Investment Taskforce Policy (<http://www.b20australia.info/Latest%20Documents/B20%20Infrastructure%20and%20Investment%20Taskforce%20Report.pdf>)

Philippe Pelletier, Legal Affairs Officer
Intellectual Property Division, World Trade Organization (WTO)
Tel. +41 (0)22 739 5876 - Email: philippe.pelletier@wto.org