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 and should not be attributed to the WTO, its Members or its Secretariat
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.
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 GP 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


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