



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

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

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*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](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> )

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