THE GPA AND AFRICA: POSSIBILITIES AND OPPORTUNITIES AHEAD

S1.3

by

Kodjo Osei-Lah

WTO Secretariat

2. The views expressed in this presentation are those of the authors and should not be ascribed to the WTO, its Members or Secretariat, or to the Swiss Embassy or Government
3. The term ‘Africa’ as used in this presentation includes ‘African countries’ where applicable.
Outline

A. Relevance of the GPA to Africa’s trade and development prospects

B. Implications and policy considerations for Africa and the world

C. Takeaways
A1. Africa infrastructure: challenge and opportunity

- Africa’s infrastructure deficit – barrier to region’s development
- Solution includes PIDA, with complementary national elements
  - Overall goal: “promote socio-economic development and poverty reduction in Africa through improved access to integrated regional and continental infrastructure and services” (source: NEPAD)
    - 30-year programme: 2010-2040; Cost: $360 billion
    - Focus: Energy, Transport, ICT, Trans-Boundary Water

- Successful delivery of PIDA: foster growth & prosperity
  - Deliver extra 2% GDP growth to 6.25% pa
    - Six-fold plus rise in GDP from $3.3bn to $20.3 trillion in one generation
    - Doubling of Africa’s share of its regional trade and of world trade
    - Creation of some 15 million jobs

- Challenges to successful PIDA implementation include:
  - Significant financing gap – up to half of annual financing need
  - Absence of uniform governance framework
A2. PIDA Implementation: is there a role for the GPA?

- GPA – should African countries join? Potential benefits
  - Governance instrument: international ‘stamp of approval’, foster value for money, efficient resource utilisation, inward investment
  - Trade instrument: $1.7 trillion GPA covered procurement market
    - Help liberalise African regional procurement markets
  - Transitional measures: use to limit the entry costs of accession, foster development of productive capacity, strategic sectors, etc.
  - International policy landscape: synergies, complementarities

- GPA – should African countries join? Potential challenges
  - Preparatory, negotiating and implementation costs
  - Adjustment costs for local industry
  - ‘Policy space’ considerations
  - other policy issues – e.g. Africa’s own regional integration agenda

- But note: sunk costs, paid price, opportunity costs
  - Previous/ongoing reforms, opportunity costs of non-participation
A3. The GPA & PIDA: trade dimension in numbers (2)

Size of African regional govt proc market @ 15% GDP

**2010**

- Total overall Africa region government procurement market size under PIDA growth scenario, @ 15%/20% GDP ($ billion) (2005 $ PPP)
- Rest of the Economy

- 495 (15%)
- 2805 (85%)

Total GDP: $3'300 billion

**2040**

- 3050 (15%)
- 17284 (85%)

Total GDP: $20'334 billion
A4. The GPA and PIDA: trade dimension in numbers

- The trade dimension of PIDA: African regional dimension
  - potential size of African regional govt proc market (15-20% of GDP):
    $495-660$ bn at start (2010), rising to $3.05-4.07$ trn at end (2040)

- Liberalisation of African regional govt proc market to GPA standards (2.5-6.4% of GDP*)
  - $82.5 - $211.2$ bn at start, rising to $508bn - $1.3$ trn at end

- Notional African countries’ share of own regional procurement market**
  - $11.5 - $29$ bn at start to $141.3 - $361.8$ bn at end

- Notional African share foreign GPA procurement market**
  - $59.5$ bn at start to $149.8-197.9$ bn at end

*Anderson et al (2012)
**According to recent performance/PIDA growth goals
A5. The GPA & PIDA: trade dimension in numbers (3)

African countries’ notional share of own regional procurement market*

- Total notional African GPA-style covered procurement market (GPA ratios 2.5%/6.4% of GDP) ($ billion)
- Africa region market share (13.9% actual in 2012; doubling = 27.8% by 2040 under PIDA scenario) ($ billion)
- Linear (Total notional African GPA-style covered procurement market (GPA ratios 2.5%/6.4% of GDP) ($ billion))

*Shown: market size @ 2.5% GDP
B1. African GPA accession: benefits & challenges for other stakeholders

- GPA Parties – potential benefits
  - Boost in membership numbers plus potentially significant regional market access growth at minimal cost to Parties
  - Foster more competitive accessions

- GPA Parties – potential challenge
  - Cost of transitional measures package; other costs?

- WTO system benefits: foster GPA multilateralisation
  - GPA a ‘tool of global economic integration and good governance’ (Anderson 2010)

- Global welfare gains from African economic growth
  - Africa another growth engine for global economy
B2. Government procurement as a strategic function for trade and development

- “Strategic development procurement” / “strategic trade development”:
  - “leveraging the combined power of trade and government procurement, in a manner respectful of the WTO principles of transparency and non-discrimination, to deliver enhanced development outcomes consistent with the principles of socially inclusive sustainable growth, and common but differentiated responsibilities, in the context of the post-2015 framework”

- Policy considerations for African countries
  - policy development & implementation
  - next generation reforms; related capacity building
C. Reflection: Takeaways

- Africa: potential long-term global trade/growth engine
- Essential pre-requisite: infrastructure development
  - Aid for Trade, trade facilitation dimension
- PIDA: a key implementation tool
  - Jobs creation, trade, development dimension
- Consistent government procurement sub-text
- GPA: potential integrating, implementing policy tool
- The GPA and PIDA: a post-2015 agenda item?
  - transformational; helpful for Africa, good for the world
Thank you

Kodjo Osei-Lah
WTO Secretariat

(kodjo.osei-lah@wto.org)