Good governance and economic development: The GPA as an enabling instrument

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WTO Symposium
THE REVISED WTO AGREEMENT ON GOVERNMENT PROCUREMENT (GPA): AN EMERGING PILLAR OF TWENTY-FIRST CENTURY TRADE AND DEVELOPMENT
S1.1

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Governance & Development:
Does it take both to tango?
In just 8 days...

- UN Sustainable Development Summit: Sept 25-27 2015
- 2030 Agenda on Sustainable Development to be adopted
- List of 17 targets is broad, ambitious and integrated
- Epic opportunity to achieve positive change on grand scale

What will it take to turn words into action?
Starting points

« Both developed and developing countries will have to do their part and commit to good governance, rule of law and the fight against corruption in order to realize the post-2015 development agenda »

« We have to build institutions that do (...) allow politicians to come and go but ensure that the institutions stay and the essential services get delivered »

Amina J. Mohammed, UN Secretary General’s Special Adviser on post-2015 development planning


Twin values: inclusiveness and accountability
Weak governance costs: clear evidence available

• Costs more than 5% of global GDP (US$ 2.6tn, WEF) with over US$ 1tn paid in bribes each year (WB)

• Increases inequality (Gupta, 2002) and cost of doing business (±10%, IMF)

• Reduces investment (-5%, IMF) and capital productivity (Lambsdorff 2003)

• Perpetuates poverty and excludes the poor from public services (WB)

• Ultimately deligitimizes the State, with many adverse consequences (TI, Chayes 2015)
Unhealthy conversation

Key: finding ways to reinforce institutions
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Government Procurement: Why bothering?
It’s not that dramatic and well worth the effort!
The State as an economic player: Far-reaching economic, fiscal, social and governance-related implications

• There is clearly a lot you can do with 15-20% of GDP, coupled with private investment

• Infrastructure is the backbone of an economy, supporting essential activities that underpin productivity

• Key: better use of resources, creation of new business and investment opportunities, improved public services

• Reforming alone? Laws and institutions are important, but external accountability measures have even bigger impact
Creating virtuous circles (or ovals)

Trade, Growth / Devt
Public Welfare

Public Infrastructure / Services

Public Procurement

Good Governance
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The revised WTO GPA: an enabling instrument?
How to implement sound management of GP?
Perhaps not that way!

IT'S EASY! WE'VE GOT TO BRIBE MORE POLITICIANS TO GET BETTER ANTI-CORRUPTION LAWS!
A much wiser way – but not an easy one!
15 December 2011: A historic milestone
An essential question to consider: Why did negotiators work so hard?

• Acknowledgement that the adaptation of the toolbox to a perpetually evolving world is indispensable

• Fundamental desire to upgrade the GPA’s reach: “progressive multilateralization” as key objective

• Without the right framework, there can’t be any substantial new success: the development dimension

Key: tailor-made instead of ‘one size fits all’ approach
The Revised GPA at present: a “Swiss Army Knife” Pact

• Largest legally binding GP Agreement in the world - Now a XXIst Century recipe, to be further upgraded

• Good governance enablers: openness, transparency, non-discrimination, commitment to fight corruption

• Minimizing risk and creating predictability / stability: indispensable value-added for private investors

• In-built flexibility: strong future growth expected from the extension to EC’s, DC’s and Frontier Markets
To renovate or not to renovate (infrastructure)
The perspectives (I): The infrastructure nexus

- The world’s fastest growing regions are still not Parties to the GPA - They have tremendous infrastructure needs (And so do Parties to the Agreement, by the way!)

- **OECD**: *infrastructure spending requirement of $US 50 trillion through 2030, across the world*

- **Morgan Stanley**: *$US 21.7 trillion in infrastructure spending needed across Emerging Markets through 2020*

- Investors are increasingly interested in infrastructure – The GPA’s « good governance stamp » has the capacity to help attracting investors / closing the infrastructure gap
The perspectives (II): What else makes the Revised GPA attractive?

- Lessons of history: capital & investment are moving fast – a commitment to good governance helps to mitigate risks
- Governance and efficiency reforms will reduce cost of doing business, improve public services, reduce poverty
- Secure access to markets & DSB protection can be enjoyed, offering an umbrella against protectionism
- WTO Accessions lesson: joining earlier is cheaper and will likely yield political and economic extra-benefits

Strong case, but no easy sell despite compelling arguments
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Concluding thoughts
Five indispensable takeaways

• The GPA offers massive win-win-win opportunities to its Parties and has therefore sterling potential

• A formidably powerful change of perspective: from the rich man’s to the poor man’s club

• The GPA has the capacity to provide an essential contribution to the WTO’s deliverables on development

• Financial markets will likely find the good governance stamp associated with the GPA increasingly valuable

• Financing infrastructure needs effectively and innovatively is indispensable to figure amongst tomorrow’s winners
... and one question

Could the GPA become one of the global standards for sound public sector governance in the foreseeable future?
Thank you very much for your kind attention!

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