



Business and Industry Advisory Committee to the OECD

Comité Consultatif Economique et Industriel Auprès de l'OCDE

REVISED BIAC STATEMENT ON GOVERNMENT PROCUREMENT

June 1998

This statement supplements and updates the BIAC Statement of April 1997

Policy Recommendation

BIAC looks forward to the completed WTO study of transparency in government procurement practices which was mandated in Singapore. We urge OECD member governments to support a WTO decision at the earliest possible date to begin negotiations on an interim agreement that would increase transparency, openness and due process in government procurement by all WTO members. Such an agreement would establish basic procedural guarantees for all WTO members and would apply to all procurement including national and subnational government authorities as well as state owned enterprises. This type of agreement would provide a foundation for further needed improvements in AGP in terms of increased membership, broader sector coverage and better transparency.

Background

At the WTO Ministerial in Singapore, an agreement was reached to conduct a study on transparency which could be a vehicle to negotiate a binding agreement on transparency. That study is being completed, and while some nations are resisting moving forward based on fears that opening the process will undermine local industry, there is a strong sentiment to move forward on negotiating a transparency agreement, perhaps to be completed in 1998.

Globally, there are a number of fora in which liberalisation of government procurement is being advanced. The TABD meeting in late 1997 produced a strong statement on government procurement. FTAA last year produced a strong first step but is struggling to move forward toward negotiations. Subsequent meetings suggest progress is probable. The APEC nations have accelerated their work schedule to reach some level of agreement.

In each of those venues, there are business voices promoting a similar set of principles which include openness, transparency, due process, and ultimately an avenue toward reciprocal national treatment.

While each of these efforts is moving forward at some pace, serious obstacles and concerns exist which could slow progress. More pointedly, on the overall issue of liberalisation of government procurement, many nations remain unconvinced of the economic benefits to be gained within local markets. More alarming is the case being made by some parties that local industry will suffer in the short and long-term when national markets are opened. In absence of good empirical analysis, such assumptions take on a special power to impede progress.

Parallel to that effort to improve transparency are WTO meetings to revise and streamline the AGP, which is now considered to be several years out of date, not accommodating of current practices in electronic and catalogue purchasing, and overly prescriptive in detail in a way that has caused many nations not to become signatories.

One element of the “streamlining” exercise at WTO is experiencing problems because of a lack of substantive analysis. While most business and national representatives (including the US and EU) have urged that the AGP be updated to accommodate current and near future practices in electronic procurement, some national representatives are resisting such moves, remaining unconvinced the protocol should be changed or unclear just what elements in current practice are impeded by the protocol. A lack of systematic analysis of current practice contributes to this reluctance to move forward.

The OECD Trade Committee’s initial market size exercise of last September has provided some useful economic analysis. We understand the Trade Committee is still considering other work in this area, and given the above mentioned difficulties, BIAC believes the OECD could continue to make an important analytical contribution to advance the WTO negotiations. We understand that the AGP policy discussions are on-going at the WTO and we therefore propose that such OECD analysis be aimed at identifying potential benefits to governments (and economies) and practical options, without prejudicing policy discussions. With the benefit of a year’s consideration, we suggest three specific efforts from (or related to) our recommendation last year.

Recommendations for OECD Analysis

Specifically, we believe the OECD should undertake three efforts:

- The OECD could focus an analysis on the benefits derived to government procurement. A case study of successful transition, for example, would be very useful in making the arguments to the more hesitant nations.
- One effort could encompass a next step beyond the global market sizing work already conducted by OECD. This next step would take the same methodology of sizing and apply it to the regional and even national market level.
- Regarding the efforts to streamline the AGP, contribution could be made by identifying best practices in electronic procurement in its broadest definition, accompanied by an analysis of what elements in the current AGP serve as an impediment to current procurement. This would be a fruitful topic for a joint OECD-BIAC symposium. BIAC would be prepared to contribute a paper outlining the major issues and options available to governments. This exercise would be timely given the interest in benefiting from new technology, which has been demonstrated in the ITA and Telecom Service Agreement.

In summary, a number of multinational efforts to dramatically liberalise the global market for government procurement are on the cusp of major breakthroughs. OECD, with its reputation for independent rigorous economic analysis, has a potentially significant role to play. We recommend the OECD undertake a work plan on the issue of government procurement which encompasses these above mentioned efforts.