



**Asia-Pacific
Economic Cooperation**

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Agenda Item: 6.8

Improving Competitive Environment in Government Procurement

Purpose: Information
Submitted by: Russia



**Second Committee on Trade and Investment
Meeting
Arequipa, Peru
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Improving Competitive Environment in Government Procurement

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1. Background

Government procurement refers to government and public organizations' activity of purchasing goods and services required to carry out their functions. It represents one of the most important and essential elements of the economic system irrespective of its type or existing political regime. Procurement is closely connected with the implementation of government social functions and plays a vital role as a tool of the economic policy. Nowadays government procurement constitutes a considerable part of GDP in the majority of economies: 10-15% in OECD member states and even more (20-30%) in developing economies. According to the OECD statistics, public procurement as a share of total government expenditure reaches around 30% in average among all members¹.

Recent trends and developments in global trade and regional economic integration lead to the coexistence of two controversial tendencies in the public procurement regulation. The first one is liberalization. On the one hand, it is manifested in the expansion of coverage and growing participation in the WTO government procurement agreement (GPA) on the plurilateral level. On the other hand, today a number of economies formalize procurement market access commitments in their regional trade agreements (RTAs). To date more than 40% of RTAs registered in the WTO database contain government procurement related provisions.

The second tendency is protectionism, which appears when governments try to support sensitive categories of domestic producers and groups of citizens by implementing measures that discriminate against foreign suppliers. In terms of worldwide trade liberalization such protectionist practices as bans, price preferences, local content, investment and other requirements concerning participation conditions in government tenders became important trade policy instruments.

At the same time, there are also certain system limitations, which, to some extent, are inherent to any procurement regime. Among such system shortcomings there are legislation inconsistencies, lack of unified and standardized tender procedures, lack of transparency and efficient information sharing, corruption, low level of technology penetration in procurement process, absence of control and supervision mechanisms. These indirect restrictions as well as direct preferential policy measures may generate additional government expenses. However, the former influence negatively not only foreign producers but domestic companies as well. Therefore, it is evident that improvement of government procurement system is becoming one of the priorities especially for developing economies.

Nowadays the most influential international organizations such as WTO, OECD, World Bank and UN conduct specific activities in frame of government procurement, including analytical work and formulation of the fundamental principles in this sphere. In the late 1990s and until the end of 2000s APEC Government Procurement Experts Group met on the regular basis. During that period two main results were achieved – elaboration of Non-Binding Principles on Government Procurement and APEC procurement transparency standards. Taking into account the work done by APEC and international organizations on elaborating guiding principles and standards of public procurement the APEC member economies could cooperate in the area of practical implementation of these recommendations. Due to the different levels of development of economies' public procurement systems the APEC members with the advanced ones could share experience and concrete practices they implemented to achieve successful results.

Economic and technical cooperation in this sphere will result in the creation of efficient and competitive procurement markets in all APEC member economies and formation of a basis for potential further negotiations on FTAAP.

¹ "Government at a Glance 2015", OECD, p. 137. Ref.: http://www.oecd-ilibrary.org/governance/government-at-a-glance-2015_gov_glance-2015-en

2. Objectives

Building on the APEC non-binding principles on government procurement (1991) and the Transparency Standards on Government Procurement, key objectives of the proposal are as follows:

- organization of a dialogue among the APEC economies on procurement issues;
- examination of current methods of procurement market regulation in APEC economies;
- sharing the best practices and finding ways for their implementation in the region,
- development of economic and technical cooperation that should contribute to competition, open and fair procurement regime and other system improvements;
- promotion of better understanding of recent RTAs and the WTO Government Procurement Agreement (GPA).

3. Main Activities Proposed

Due to the fact that the proposed area of economic regulation involves a variety of more specific and cross-cutting issues, it is rational to point out the main themes that may be discussed. The list of the proposed themes may be enlarged:

- organization of procurement process: revealing new methods and procedures;
- facilitation of MSMEs participation in government procurement, where appropriate;
- utilization of electronic technologies in government procurement: best practices and existing limitations;
- application of e-trading platforms technological resources to increase transparency in government procurement regional market;
- legal and institutional barriers and aids to improving competitiveness of government procurement in APEC economies;
- anti-corruption activities and supervision mechanisms in government procurement sphere;
- development and implementation of green and sustainable public procurement policies;
- risk management in all phases of the procurement cycle;
- promotion of innovation activities through government procurement policy;
- sharing experience of negotiations and implementation of RTAs and GPA.

Under this initiative Russia will conduct a survey to identify procedural and regulation limitations APEC economies may face in government procurement sector taking into account the issues highlighted above.

According to the scope of mutual understanding and discussed ideas, Russia will prepare the Framework on Improving Competitive Environment in Government Procurement.

The initiative will be developed under the auspices of EC as the central APEC forum for cooperation on the issues of regulatory reforms and good governance practices. At the same time due to the comprehensive nature of public procurement regulation aspects, especially in the context of the enhancement of competition environment, close collaboration with other APEC fora is of high importance (for instance, regarding the projects on e-procurement or facilitation of SMEs' participation in government procurement).

4. Cooperation with Other Fora

Some aspects of procurement regulation may be proposed for analysis and further work and negotiations to the APEC committees and specific working groups (CTI, SMEWG, ACTWG).

5. Time Schedule

A draft of the schedules proposed as follows:

Year	Main Activities
2016	<p>SOM1: Presentation of the initiative (the initiative will be also circulated for information among interested APEC fora (EC, CTI, SCE, ECSG, SMEWG, ACTWG).</p> <p>After SOM 1: Intersessional discussion of the initiative. Russia will circulate the final draft of the initiative among APEC interested fora for information and further elaboration.</p> <p>SOM 2: Endorsement of the initiative. Russia presents the plan of the intersessional work on the initiative.</p> <p>After SOM 2: Russia conducts a survey and shares the draft of the Framework on Improving Competitive Environment in Government Procurement, member economies submit their inputs.</p> <p>SOM3: Russia presents the Framework for further endorsement by APEC Members.</p>
2017	<p>Consistent implementation of the steps outlined in the Framework on Improving Competitive Environment in Government Procurement.</p>