

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

Nicholas C. Niggli, MIA, MSc EcH

Head, Economic, Finance, Science & Innovation Section
Embassy of Switzerland in the United Kingdom

Chairman, Association of Economic Representatives in London (AERL) 2014-

Chairman, WTO Government Procurement Agreement 2007-2012

Chairman, WTO Pension Plan Management Board 2007-2013

WTO Symposium

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

The Guardian, 25.11.2014.

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 ($\pm 10\%$, IMF)
- Reduces investment (-5% , IMF) and capital productivity (Lambsdorff 2003)
- Perpetuates poverty and excludes the poor from public services (WB)
- Ultimately delegitimizes the State, with many adverse consequences (TI, Chayes 2015)

Unhealthy conversation

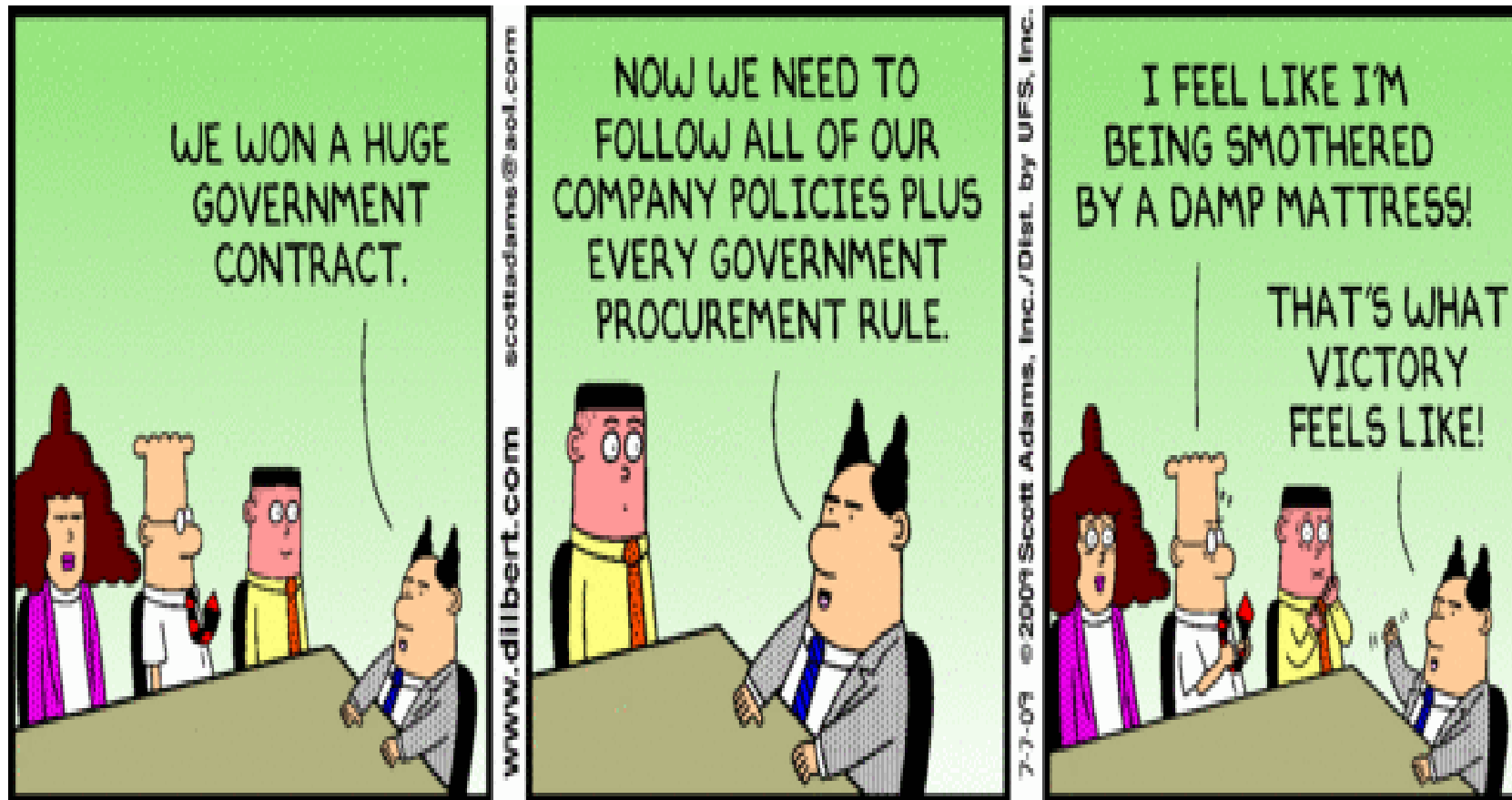


Key: finding ways to reinforce institutions

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Government Procurement: Why bothering?

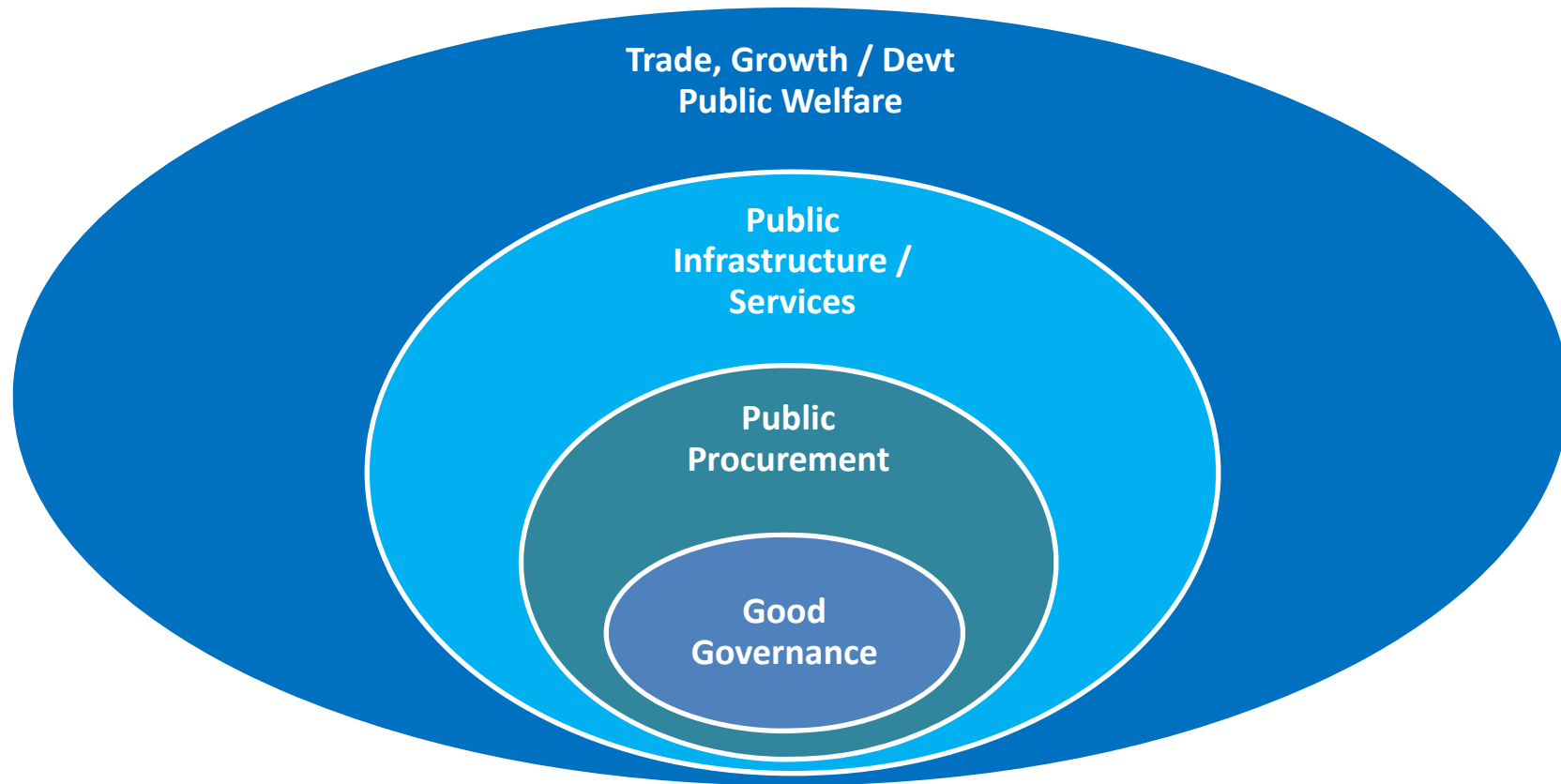
It's not that dramatic and well worth the effort!



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)



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The revised WTO GPA: an enabling instrument?

How to implement sound management of GP?

Perhaps not that way!



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!**

Nicholas C. Niggli, MIA, MSc Ech

Head, Economic, Finance, Science & Innovation Section

Embassy of Switzerland in the United Kingdom

Chairman, Association of Economic Representatives in London (AERL)

nicholas.niggli@eda.admin.ch

LinkedIn: <https://uk.linkedin.com/pub/nicholas-c-niggli/3/173/117>

twitter: [@ncniggli](https://twitter.com/ncniggli)

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