

**The WTO Government Procurement Agreement (Plurilateral Agreement) a
corridor for Trade and procurement liberalization during a crisis period**

by

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Policy Brief

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Abstract

The health pandemic, COVID 19 has shown the efficiency of interdependence of states and has unveiled the lapses of the health and economic systems of nations, sub regional and regional organizations. Global crisis necessitates a global response. The identification of trade corridors to serve landlocked nations during a crisis is imperative to ensure continuous supply chains. A WTO Plurilateral agreement provides a comparative advantage for states to aggregate and fulfil demand of goods and services. The agreement would liberalize procurement to ensure availability of goods and services (response strategy) in time of exigency as states cooperate and are given the choice to agree to new rules on a voluntary basis. The Agreement will enhance fair and non-discriminatory conditions of international competition and reflects new developments in procurement (electronic tendering). The WTO GPA regulates procurement of goods and services by the public authorities to the agreement, based on the principles of openness, transparency and non-discrimination.

Introduction:

It is in the face of adversity that new policies and ways of doing things have been created. From the wars to the epidemics that the world has known, states have always braved these odds to be stronger and resilient in building a better world as envisaged by the UN SDGs 2030¹. The advent of the COVID 19 pandemic (CORONA VIRUS) has tilted the world to a new direction of reinforced cooperation despite the protectionist policies (economic policy actions) that states embarked on during this period to protect their citizens and economy from collapsing. The pandemic triggered states to take policies on border closure, trade, transportation and movement of persons, goods and services². Due to the effects of the pandemic, some international organizations have projected that the world's economy will shrink more than the devastating 1920 Great economic depression. The World Health Organization and other Regional and sub regional organizations in charge of epidemics have harmonized efforts in combating this dreaded pandemic. Regional Trade Arrangements through the mandate of member states have also undertaken measures to ensure continuous supply of goods and services.

Despite the measures undertaken by various bodies, the pandemic has not been curbed and the death toll keep rising across the globe with developing countries plagued with varied difficulties in fine-tuning strategies to curb the spread. The untold consequences of the virus have prompted states to reopen their borders for trade to ensure the wellbeing of their citizens despite the upsurge of infected cases. States are bound to live in a new normal with the virus. It is visible that the COVID 19 pandemic has had devastating impact on world economy but states could better curb this crisis through the advantages that are inherent to the Plurilateral WTO agreement on Government Procurement (GPA). The weak capacity of health care systems of developing countries has exacerbated the spread of the pandemic and has greatly impacted economies. Thus, to curtail this unforeseeable crisis, states need to envisage and adopt futuristic policies which will guarantee a better protection of their citizens and economy in the event of another crisis.

¹ See UN SDGs agenda 2030, "These goals have the power to create a better world by 2030, by ending poverty, fighting inequality and addressing the urgency of climate change. Guided by the goals, it is now up to all of us, governments, businesses, civil society and the general public to work together to build a better future for everyone. <https://www.globalgoals.org/>.

² See International Monetary Fund (IMF), policy tracker, <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19>.

The WTO Plurilateral Procurement Agreement:

The agreement is based on the principles of openness, fairness and transparent conditions of competition in government procurement. The Agreement on Government Procurement (GPA 1994) was signed in Marrakesh on 15 April 1994 at the same time as the Agreement Establishing the WTO and entered into force on 1 January 1996. The revised GPA entered into force on 6 April 2014. The (GPA) is a plurilateral agreement within the framework of the WTO, meaning that not all WTO members are parties to the Agreement. The Agreement comprises 20 parties and 48 WTO members. There are 35 WTO members/observers who participate in the GPA Committee as observers. The GPA is aimed to mutually open government procurement markets among member states. The GPA parties have opened procurement activities worth an estimated US\$ 1.7 trillion annually to international competition (i.e. to suppliers from GPA parties offering goods, services or construction services). The GPA is composed mainly of two parts: the text of the Agreement and parties' market access schedules of commitments³. The GPA is a binding international treaty and is administered by the Committee on Government Procurement which is composed of representatives of all member states. The Agreement is applied through two mechanisms: the domestic review mechanism at the national level and the WTO dispute settlement mechanism at the international level⁴.

Effect of COVID 19 on Global economy:

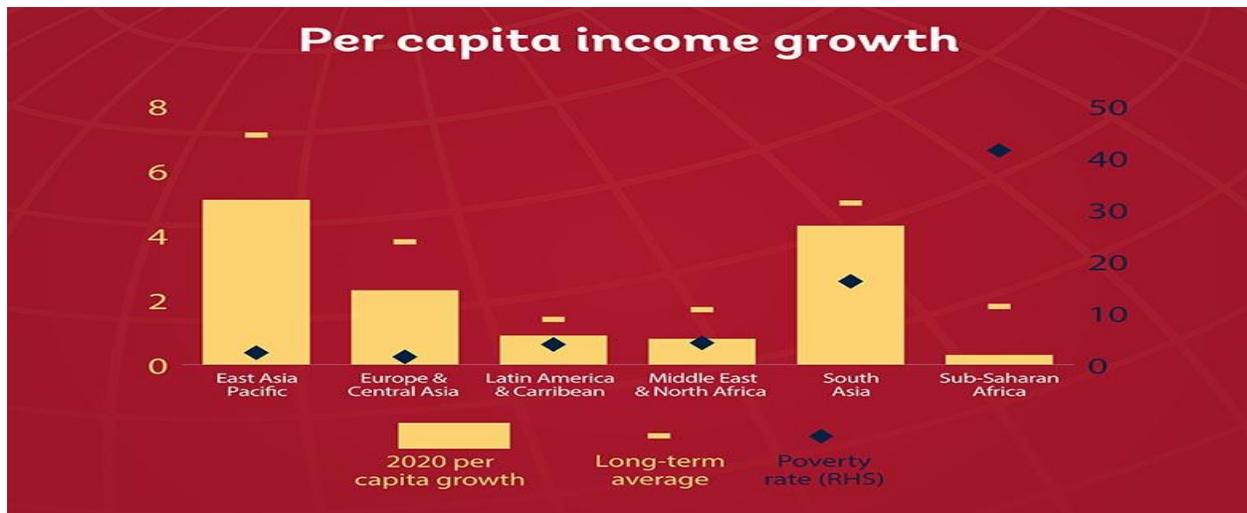
The near meltdown of the global financial system in late 2008 has been the most serious of the post-war era, with global activity shrinking by 0.1% in 2009⁵. At the beginning of the year 2020, the World Bank estimated that emerging markets and developing economies will see growth accelerate to 4.1% from 3.5% and that income growth would be slowest in Sub-Saharan Africa where 56% of the world's poor live⁶. The COVID 19 pandemic has led to global economy uncertainty as to the realization of the envisaged economic growth rate.

³ *“The rules do not automatically apply to all procurement activities of each party. Rather, the coverage schedules play a critical role in determining whether a procurement activity is covered by the Agreement or not. Only those procurement activities that are carried out by covered entities purchasing listed goods, services or construction services of a value exceeding specified threshold values are covered by the Agreement...”*

⁴ See WTO, Agreement on Government Procurement, https://www.wto.org/english/tratop_e/gproc_e/gp_gpa_e.htm

⁵ Great Lockdown' to rival Great Depression with 3% hit to global economy, <https://www.theguardian.com/business/2020/apr/14/great-lockdown-coronavirus-to-rival-great-depression-with-3-hit-to-global-economy-says-imf>

⁶ See World Bank, January 2020 Global Economic Prospects: Slow growth, policy challenges, <https://www.worldbank.org/en/news/feature/2020/01/08/january-2020-global-economic-prospects-slow-growth-policy-challenges>.



Source: World Bank January 2020 Global Economic Prospects: Slow growth, policy challenges

According to the IMF, global GDP growth was estimated to be only 2.5 percent in 2020. It was also predicted that government purchases will increase as governments, which typically can afford to run budget deficits will utilize fiscal stimulus measures to counteract the fall in consumer spending. However, for governments that are commodity dependent, the fall in the global demand for commodities stemming from the pandemic will significantly increase their fiscal deficits⁷. The Annual percent change in GDP:

Country	2019	2020 estimate
US	+2.3%	-5.9%
Germany	+0.6%	-7.0%
France	+1.3%	-7.2%
Italy	+0.3%	-9.1%
Spain	+2.0%	-8.0%
Japan	+0.7%	-5.2%
UK	+1.4%	-6.5%
China	+6.1%	+1.2%
India	+4.2%	+1.9%
Russia	+1.3%	-5.5%
South Africa	+0.2%	-5.8%

Guardian graphic. Source: Overview of World Economic Outlook projections, IMF

According to the IMF World Economic Outlook of April 2020, some of the effects of the pandemic were felt in:

⁷ Chukwuka Onyekwena and Mma Amara Ekeruche, Africa in Focus, "Understanding the impact of the COVID-19 outbreak on the Nigerian economy", <https://www.brookings.edu/blog/africa-in-focus/2020/04/08/understanding-the-impact-of-the-covid-19-outbreak-on-the-nigerian-economy/>, April 8, 2020.

- Italy and Spain which are the two worst-affected European economies from Covid-19 so far and may see a GDP that falls at 9.1% and 8%, Britain's drop in output at 6.5%,
- China's growth rate which is expected to fall from 6.1% last year to 1.2% in 2020
- India on course to expand by 1.9%, down from 4.2%. Gross domestic product (GDP) per head which is one measure of living standards expected to fall globally by 4.2% in 2020, by 6.5% in advanced countries, and by 7% in the UK,
- Financial decline in most sectors in the USA. Declines of approximately 55% and 30% for public transit; 50% and 25% for airports; 45% and 15% for parking; 25% and 10% for toll roads; and 20% and 10% for ports,
- The economic performances of CEMAC countries in 2020, a recession together with high fiscal and trade deficits will put pressure on pooled foreign exchange reserves,
- Disruption of global supply chains in goods and services, movement of peoples,
- Limited U.K.-EU FTA at year-end which could slice 1.7% off U.K. GDP through to 2023 and global decline in tax recovery by states,
- Exacerbating inequalities and social tensions, while the disruption of critical supply chains revives economic nationalism. Tourism levels are expected to plummet from 60%-70% (year over year) from April to December across Caribbean sovereigns,
- Emerging and developing economies facing a multilayered crisis comprising a health shock, domestic disruptions, plummeting external demand, capital flight, and collapsing commodity prices,
- The COVID-led recession which might likely weigh on credit metrics into 2023 from the combination of lost output and increased debt burdens, threatening corporate solvency⁸
- The opportunity for governments to support the recovery through infrastructure investment, supporting a green, digital, and more sustainable economy,
- The debt relief provided by the G20 for many low-income countries.

According to the WEO, three alternative scenarios are envisaged: a 2020 lockdown lasting 50% longer than it is forecasting; a mild recurrence of the virus in 2021; and a protracted pandemic

⁸ David C Teshler, Terry E Chan, Jose M Perez-Gorozpe, Paul Watters, Joe M Maguire, Yucheng Zheng, Lekha Prabhakar, "COVID-19 Impact: Key Takeaways From Our Articles", July 2020, <https://www.spglobal.com/ratings/en/research/articles/200204-coronavirus-impact-key-takeaways-from-our-articles-11337257>.

and longer containment effort in 2020, as well as a recurrence in 2021. In the worst case, the global economy would shrink by around 11% rather than 3%⁹.

Benefits of the WTO Plurilateral procurement Agreement:

The GPA fosters international cooperation as states are guided by an agreement which significantly increases the effectiveness of the procurement function and encourages competition and promptness in response to supply of goods and services by enterprises. Government procurement contracts must meet minimum value thresholds to be covered by the GPA¹⁰. A major area following the revision of the 1994 GPA concerns developments in current Government procurement practice that concerns the use of electronic tools (E-Procurement). The Special and Differential treatment provisions (S&D) available to acceding members has been clarified and improved. The GPA is geared towards bringing all government procurement under internationally agreed trade rules¹¹.

The benefits of the plurilateral agreement include:

- The promotion of transparency mechanisms and ensuring a corruption free-environment in the economies of states that are parties to or acceding to the agreement,
- The availability of bidding through a digital platform (E-Procurement) which is cost efficient and limits human contact,
- The WTO Procurement agreement permits states to procure goods and services internationally, with a comparative cost advantage on the supply of the scarce materials needed to leverage the crisis such as the COVID 19 and ensure global value chain supplies,
- The GPA ensures public access to information on government contracts and fair opportunities for suppliers to compete for government contracts,
- The GAP provides a differential treatment for developing countries, technical assistance and capacity building. With the GPA, companies in other signatory countries will be treated no less favourably than domestic companies in accordance with the principles of national treatment and non-discrimination,

⁹ *ibid*

¹⁰ See Thresholds in Annexes 1, 2 and 3 of Appendix 1 of the Government Procurement Agreement (expressed in SDR), https://www.wto.org/english/tratop_e/gproc_e/thresh_e.htm

¹¹ See Text of the GPA, https://www.wto.org/english/tratop_e/gproc_e/gpa_1994_e.htm

- The GPA is a tool to spur market access for industries to compete at the global level which will lead to efficiency and increase technological improvement by industries,
- The GPA is a rapid response to the supply of goods and services during a crisis period as it opens the opportunities for firms to supply the needed materials within a timeframe.

Any company in a signatory country that wants to sell goods or services covered by the GPA to a procuring entity in another signatory country that is listed in Appendix I of the GPA can benefit from this Agreement. The World Trade Organization estimates that the value of government procurement opportunities covered by the Agreement is worth several more than a hundred billion dollars annually.

Possible considerations or addendum to the Plurilateral WTO Agreement on Government Procurement (GPA) to tackle crises exigencies:

- GPA Urgent Crisis Mechanism dubbed (GPAUCM) will help accompany states during a crisis period to ensure constant supply of goods and services and guarantee the wellbeing of its citizens,
- This mechanisms should contain the most favourable trade and economic clauses which member states should evoke in times of a crisis for benefit from special procurement status,
- The GPAUCM will integrate tax schemes and customs regulations (Tariffs and Non Tariff Barriers) that have to be curbed by member states to spur Trade Facilitation and Clearance measures to also ease the transportation of goods to landlocked countries,
- The GPAUCM could also consider the identification of Trade Corridors within GPA Territory to guarantee constant supply from value chains,
- To guarantee transparency and good governance, a harmonized system of award and execution of public procurement contracts should be framed,
- GPAUCM will help ease accountability and Public Expenditure Assessment,
- The adoption of a special crisis regime of Tariffs on procurement of goods and services,
- Development of a digitalized database of all companies involved in procurement,
- Preferential status on procurement of health materials during a crisis should be envisaged for developing countries with an inefficient health system.

CONCLUSION:

The IMF is predicting a partial recovery in 2021 and estimates that growth will recover to 5.6% with considerable uncertainty. Projections of economic disruptions are concentrated mostly in the second quarter of 2020 by the IMF WEO for almost all countries except China where the impact was most intense in the first quarter. These economic disruptions could be curtailed in future in an event of crises through the WTO plurilateral GPA. By ensuring constant supply of goods and services, states have the possibility to guarantee the wellbeing of its citizens and stepping to curb the pandemic.

With the GPA, Global Value Chains will be operational during a crisis and this will help to keep economies afloat. The rapid response strategy is geared towards the opened and transparent objective outlined in the GPA to spur competition and permit companies across the globe to participate in the procurement process of member states of the agreement. The COVID pandemic has proven the lapses and benefits of many a Regional Trade Agreement and other international agreements which will permit states to recover from the effects of the pandemic and adopt futuristic policies to guarantee the protection of the economy and citizens.

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