

WTO Advanced Regional Government Procurement Workshop for Asian Economies

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Session 2.1: Significance of Government Procurement for Development and Trade: Competition, Governance, Value for Money, and the International Dimension



LAW

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What is Public Procurement?

A government's obtaining of goods or services

All levels of government (central, regional, and local)

Generally includes:

- Goods & services
- Construction (public works)
- Research & development
- Lease of real property

May or may not include:

- Concession contracts
- Purchases by state-owned enterprises

Why Public Procurement Matters

- Significant proportion of Gross Domestic Product (10 – 20 % in many countries)
- Key to delivery of socially important goods & services:
 - Transportation & other infrastructure
 - Public health
 - Education infrastructure
 - National defense & security

Why Public Procurement Matters

- Public procurement can play a key role in development
 - Can facilitate use of private sector for public ends
 - Can support goals for development of particular industries, groups, and regions
- Public procurement presents a major risk of corruption in virtually every country

The Perennial Debate about How to Conduct Public Procurements

THREE approaches to public procurement are often heard:

The first approach: “Government should buy the same way that businesses buy!”

This approach pushes for fewer rules, more flexibility, more use of negotiation, a focus on “value for money,” and faster purchasing

A Second Approach

2. “Government procurement is the spending of public funds. We need to worry about corruption, as well as waste and abuse.”

This approach pushes for more rules, less discretion, no negotiation, more transparency, a focus on low price, and more oversight

The Third Approach

“Government procurement is the spending of public funds. Those funds should be used to further our national policy goals.”

This approach pushes for domestic preferences, especially for domestic SMEs

So Who is Right?

These three approaches are often in conflict

Yet aren't all three legitimate? Can a public procurement system disregard any of the three?

Key point: The WTO's GPA is compatible with all three approaches:

That is obviously true for the first & second approaches

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