Smart spending to support sustainable development: time for a positive G20 agenda on procurement.

Background

Mexico has set out five priorities for this year’s G20 summit. They pick up existing themes of past summits, including food security, strengthening financial systems and improving the economic architecture, but add an additional cross-cutting priority:

"Mexico is convinced that the aforementioned priorities have to be enclosed by a renewed political commitment to sustainable development and green growth."

This emphasis is no surprise, as June’s G20 will directly precede the UN Conference on Sustainable Development in Rio De Janeiro. One key way both summits can help developing countries to create poverty-reducing sustainable economic development is through supporting improved public spending, both by developing countries themselves, and by donors. In particular, the way governments and donors procure goods and services from the private sector can help drive development.

Sustainable public procurement

Public procurement accounts for at least 15 percent of global GDP, but in some developing countries this can rise to up to 70 per cent. It is normally the largest share of government spending besides wages. Moreover, it is a section of the economy which is directly under public control, and can be directed towards achieving development goals. Thus, if wisely used, it is a major policy tool for driving sustainable development, particularly in developing countries. This is why the previous UN sustainable development conference in Johannesburg in 2002 contained a chapter on sustainable public procurement (SPP), which has been taken forward under the Marrakesh process, though progress has been limited.

UNCTAD has noted that smart procurement policies and practices contribute to “technological progress and structural transformation, as well as the generation of productive employment opportunities, which is the key to substantial poverty reduction.”

Improved procurement practices could also radically improve the quality of aid, as set out in a recent in-depth Eurodad report. The report found that $69 billion annually - over half of total aid - was used to procure goods and services, but that the vast majority of this was used to buy products and services from donor firms.

A huge opportunity to inject much needed money into the local private sectors of developing countries is being wasted. This is why the 2011 High Level Forum in Busan concluded that “in addition to increasing value for money, untying [aid] can present opportunities for local procurement, business development, employment and income generation in developing countries.”

Unfortunately international debate about ‘best practice’ in procurement largely takes place through the rich-country think tank the Organisation for Economic Cooperation and Development (OECD)’s Task Force on Procurement. Sadly, the concept of SPP rarely features in this influential policy-making process. Neither do SPP criteria feature in diagnostic
tools for procurement systems developed by the Task Force, such as the Methodology for the Assessment of Procurement Systems (MAPS).

G20 and procurement: a negative agenda

Thus far the G20 has focussed on procurement mostly through infrastructure and anti-corruption work. It is, of course, vitally important that corruption in public procurement is tackled effectively, and greater transparency is a key method for achieving this. Unfortunately it has failed to promote a positive agenda for using procurement to support sustainable development.

Instead, the agenda on procurement has too often been dominated by an ideological push to force developing countries to open up their procurement markets to international firms. As part of its recommendations on infrastructure, the 2011 G20 summit in Cannes called “on MDBs [multilateral development banks] to harmonise their procurement rules and practices”. However, it did not mention the fact that the World Bank and other MDBs have frequently used policy conditions, technical assistance and other methods of influence to push for the liberalisation of public procurement in poor countries. This is despite this liberalisation agenda being consistently opposed by developing countries themselves who have, for example, refused to sign the World Trade Organisation’s Government Procurement Agreement because they want to keep open the policy space to use procurement to support the development of the domestic private sector. The G20’s anti-corruption action plan, agreed at the 2010 Seoul summit contains a similar bias towards liberalisation, but only applies to countries who have signed up to the WTO agreement.

It is clear that this agenda is being promoted by powerful international business interests. For example, the B20 business groups’ statement released in April contains a worrying list of recommendations, including a call to reinitate WTO negotiations, despite developing countries having consistently been opposed to this.

Recommendations

It is time for the G20 to stop framing procurement in this negative liberalisation agenda, so that space can be opened for discussion of the positive agenda of sustainable procurement. It could do this by:

- Noting and supporting the significant opportunities for developing countries to use procurement to support sustainable development and develop local economies.
- Opposing any efforts to force developing countries to liberalise their procurement markets, for example through WTO processes.
- Calling on the International Financial Institutions (IFIs) and MDBs, particularly the World Bank, to reverse their promotion of procurement liberalisation, and focus instead on helping countries develop sustainable public procurement strategies.
Notes

1 UNDP, “Public Procurement Capacity Development Guide”, 2010
2 esa.un.org/marrakechprocess/about.shtml
4 See Bodo Ellmers, “How to spend it, smart procurement for more effective aid” Eurodad, 2011
6 Eurodad (2011) How to spend it. Smart procurement for more effective aid, pp20-23