

# **Size of US and EU Public Procurement Markets accessible to non-nationals**

**Seminar-cum-workshop**

**on**

**Public Procurement Legislation in India: National and  
International Perspectives**

**New Delhi**

*04 June 2012*

# Objective and Scope of the Study

- **Estimate the size of Government Procurement markets in US and EU**
- **Estimate category-wise procurements**
- **Estimate the import content of procurement**
- **Estimate India's likely share**

# Summary Points

- **Service procurement had been much larger than goods procurement in all markets**
- **Procurement by USA from non-US sources:**
  - **6.27 % of the total procurement in 2008 amounting to USD 29568.75 million**
  - **7.09 % in 2009 amounting to USD 29787.65 million**

# Summary Points

- **European Union Market: Procurement from non-EU sources**

- **Abysmally low**

- **UK**

- **0.12 % in 2008**

**422.54 million GBP**

- **0.003 % in 2009**

**5.74 million GBP**

- **Germany**

- **0.02 % of its total procurement in 2008, which amounted to 34.02 million Euro**

- **No non-EU source was contracted in the year 2009**

# Summary Points

- **Sector specific observations**
  - **pharmaceuticals: the largest non-US source in procurement by the US government**
  - **IT & ITeS: larger share in the total procurement by the US government, but smaller share for the non-US sources**
  - **Total procurement of IT and ITES in 2009: 10805.69 million USD**
    - **1.01 % (109.13 million USD) from non-US sources**
  - **Total procurement of pharmaceuticals: 360.64 million USD**
    - **14.55% (52.47 million USD) from non-US sources**

# Summary Points

- **UK**: total procurement of IT & ITeS in 2008 worth 600 million Euro
  - only 0.02 % percent procured from the non-EU sources
- **Germany**: total procurement of IT & ITeS worth 573.8 million Euro in 2008
  - only 0.01 % procured from Australia

# Summary Points

- **USA: By the most optimistic approximation, USD 49.83 million worth of Goods and USD 382.77 million worth of Services could have been procured from India**
- **EU: USD 10-12 million worth of Goods & Services could have been procured from India**
- *These amounts are only indicative of actual gains that could have been realized*

# Nature, Size and Trends in Government Procurement by USA

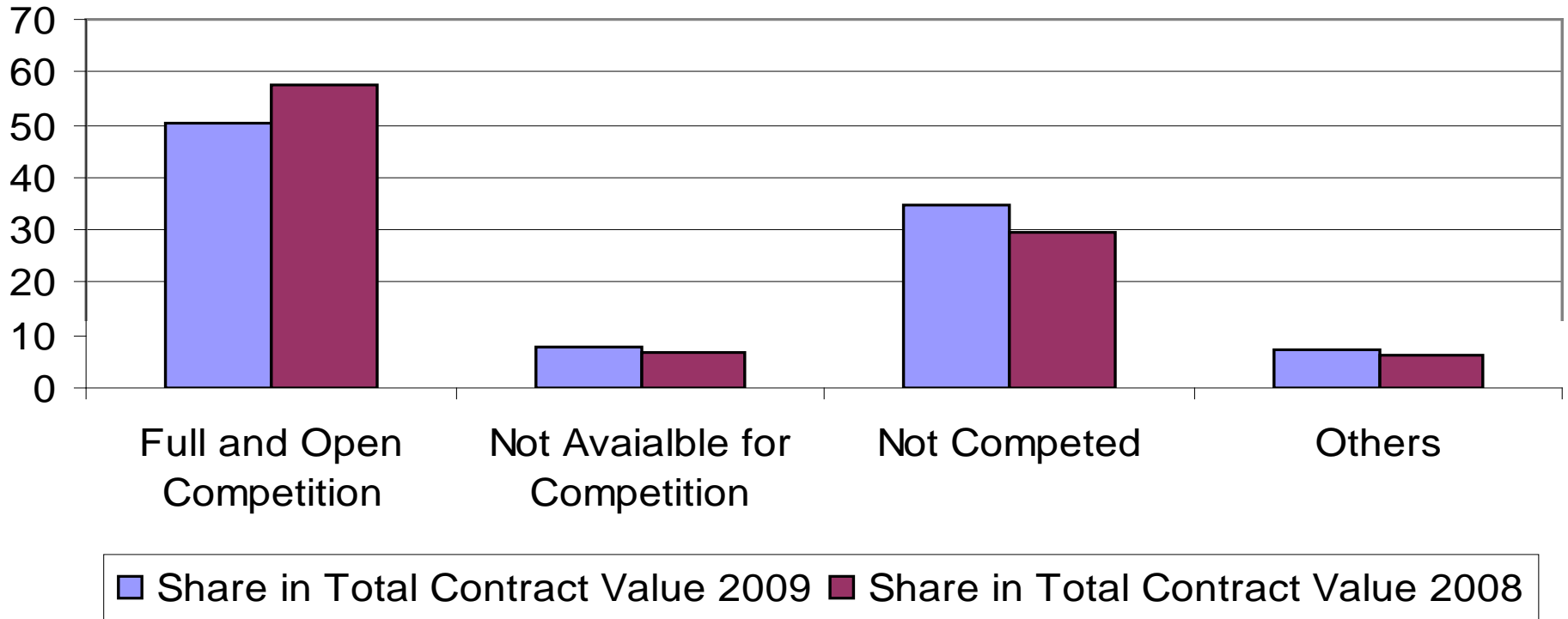
- **The total number of procurement transactions during 2008-2009 that were analyzed has been around 8 million**
- **The data is collected from the Federal Procurement Data System - Next Generation (FPDS) site (URL: [https://www.fpds.gov/fpdsng\\_cms/index.php](https://www.fpds.gov/fpdsng_cms/index.php))**
- **three broad categories of tendering procedures:**
  - **Full and open competition**
  - **Not available for competition**
  - **Not competed**
- **and tenders that do not fall under these three categories**



# Market Access-Some figures

## United States

**Figure 1: Distribution of Contracts by USA over Different Categories (Share in Value)**



# Market Access-Some figures

## United States

*Distribution of Contract Value and Non-US Source Share in US Market*

<i>Type of procurement</i>	<i>Contract Value (million USD)</i>		<i>Non-US Share (%)</i>	
	<i>2008</i>	<i>2009</i>	<i>2008</i>	<i>2009</i>
<i>Full and Open Competition</i>	271460.00	211798.00	5.07	6.03
<i>Not Available for Competition</i>	31720.70	32874.00	3.52	5.40
<i>Not Competed</i>	139602.00	145537.00	10.02	10.23
<i>Others</i>	28657.80	30178.40	2.44	1.15
<i>Total</i>	471440.50	420387.40	6.27	7.09

*Non-US Share in Total Procurement*

<i>2008</i>	<i>2009</i>
46.56	42.85
3.78	5.96
47.32	49.95
2.37	1.16
100	100

# Services procurement by the US

## Share of Services Procurement in US Market in 2008 and 2009

	<b>All Categories</b>		<b>Full &amp; Open Competition</b>	
	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>
<b>In Total Procurement</b>	<b>58.31</b>	<b>93.23</b>	<b>17.13</b>	<b>35.66</b>
<b>In Total Procurement from non-US Sources</b>	<b>50.41</b>	<b>56.98</b>	<b>75.13</b>	<b>80.93</b>

# Services procurement by the US

- **Under full and open competition category, low share of services in total contract value from all sources and high share of services in total contract value from non-US means**
- **The non-US agencies have been contracted for the largest part of the service contract value**

# Nature, Size and Trends in Government Procurement by the EU

- **Data on public procurement by the EU member countries available on the TED (Tenders Electronic Daily) site**  
(URL: <http://ted.europa.eu/TED/main/HomePage.do>)
- **Procurements separately for the two member country markets, Germany and UK were analyzed**
- **Projection for markets in EU-27 countries taken together is made on the basis of procurements in these two markets**

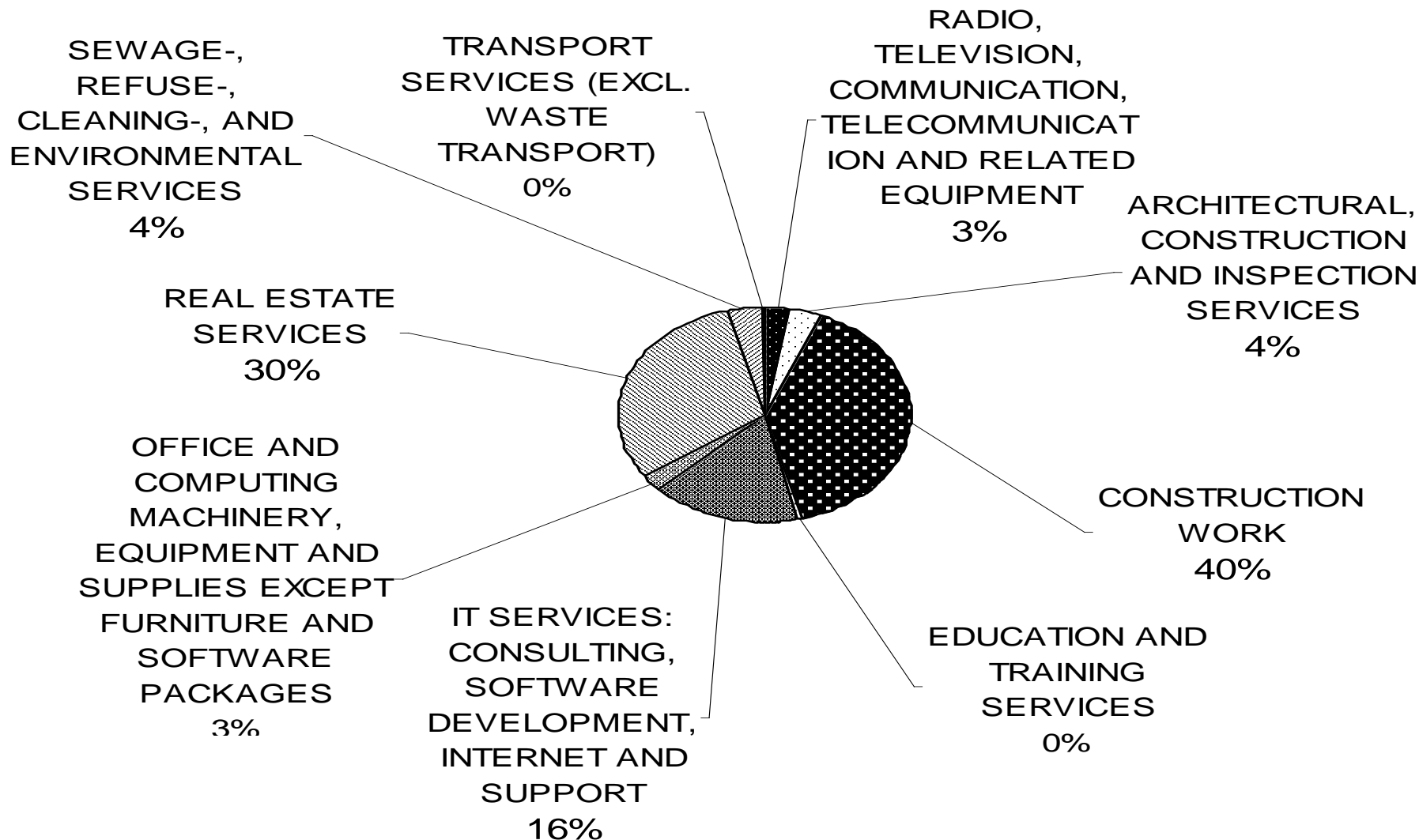
# Nature, Size and Trends in Government Procurement by the UK

- **The total number of procurement transactions during 2008-2009 that were analyzed for the UK was around 50,000**
- **There are seven competition categories of tender for government procurement in UK:**
  - **Accelerated negotiated, Accelerated restricted, Competitive dialogue, Negotiated with a call for competition, Negotiated without a call for competition, open and restricted**

## Contract Value and Share for Different Competition Code in Total Procurement by UK

Competition code	Contract Value (million GBP)		% Share	
	2008	2009	2008	2009
Accelerated negotiated	126.54	26.21	0.03	0.01
Accelerated restricted	794.72	958.58	0.22	0.49
Competitive dialogue	24237.42	27534.96	6.67	13.94
Negotiated with call for competition	59800.46	9592.41	16.46	4.86
Negotiated without call for competition	238.71	625.10	0.07	0.32
Open	35045.82	9056.03	9.65	4.58
Restricted	242993.84	149741.37	66.90	75.81
<b>Total Procurement</b>	<b>363237.50</b>	<b>197534.66</b>	<b>100</b>	<b>100</b>

# Decomposition of Procurement by UK (Competitive Dialogue in 2008)

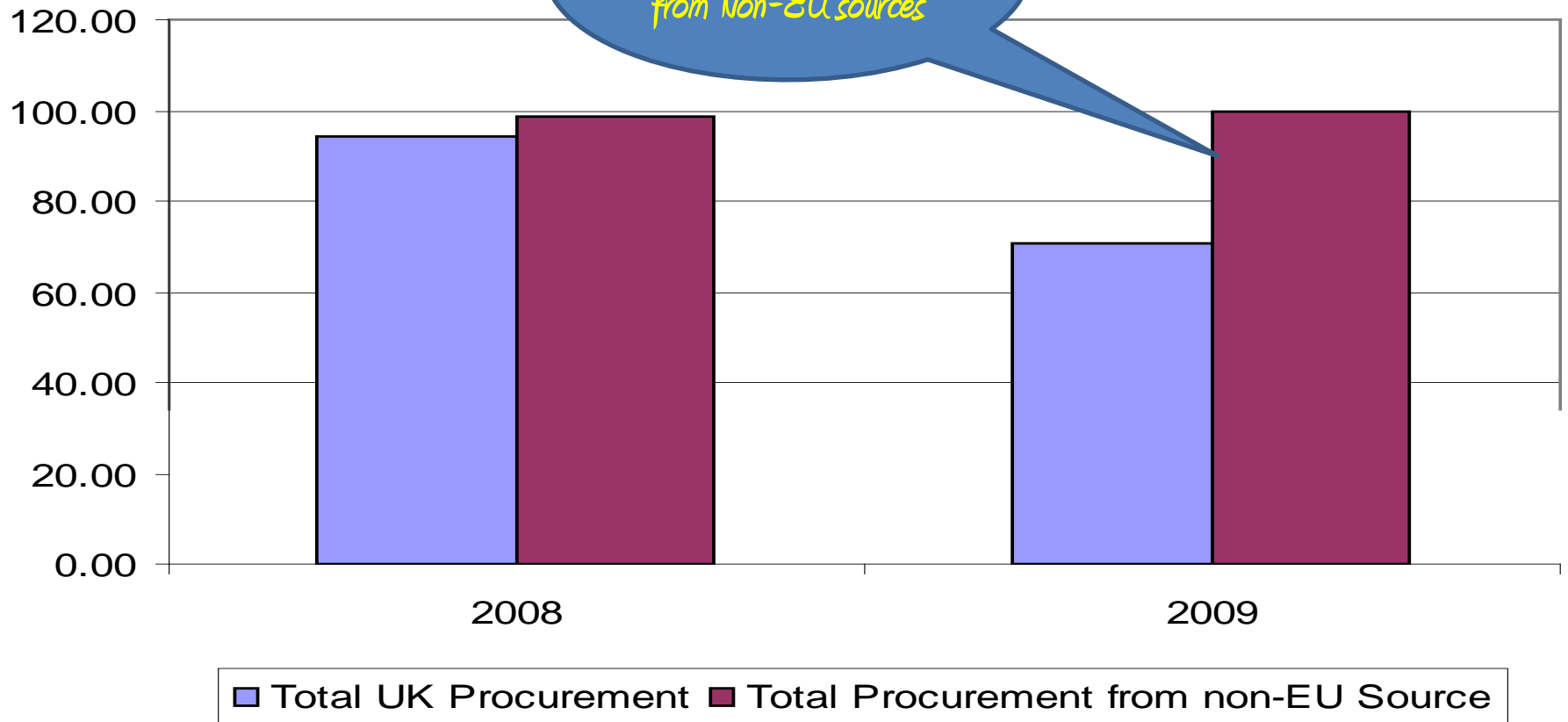


**But most of the procurements in these categories have actually been contracted to the US agencies.**



CPV Codes	Product/Service	(a) Share in Total Procurement of all Product/service category		(b) % Share of Non-EU in total procurement in Product/service category	
		2008	2009	2008	2009
30	OFFICE AND COMPUTING MACHINERY, EQUIPMENT AND SUPPLIES	0.48	0.21	0.026	0
33	MEDICAL EQUIPMENTS, PHARMACEUTICALS PRODUCTS	0.85	0.46	0.63	0
72	IT CONSULTING, SOFTWARE DEVELOPMENT, INTERNET AND SUPPORT	0.62	0.70	0.02	0
79	BUSINESS SERVICES: LAW, MARKETING, CONSULTING, RECRUITMENT, PRINTING AND SECURITY	0.29	5.63	0	0.006
	Other CPV Codes not known	20.46	0.68	1.65	0.32
	Total Procurement from non-EU source (million GBP)	415.54	5.00		
	2-digit CPV Code wise Total Procurement by UK (million GBP)	261503.47	168207.06		
	Agency wise Total Procurement by UK (million GBP)	363237.51	197534.63	0.12	0.003

- **Part of the reason of almost all procurement by the UK being from the EU sources may lie in the positive externalities (or advantage) that the EU rules of common or internal market offers to all the member countries**
- **In contrast, the US procurement may not be biased in favour of the NAFTA members even if USA may have linked its procurement preference to intra-NAFTA commodity trade preference**

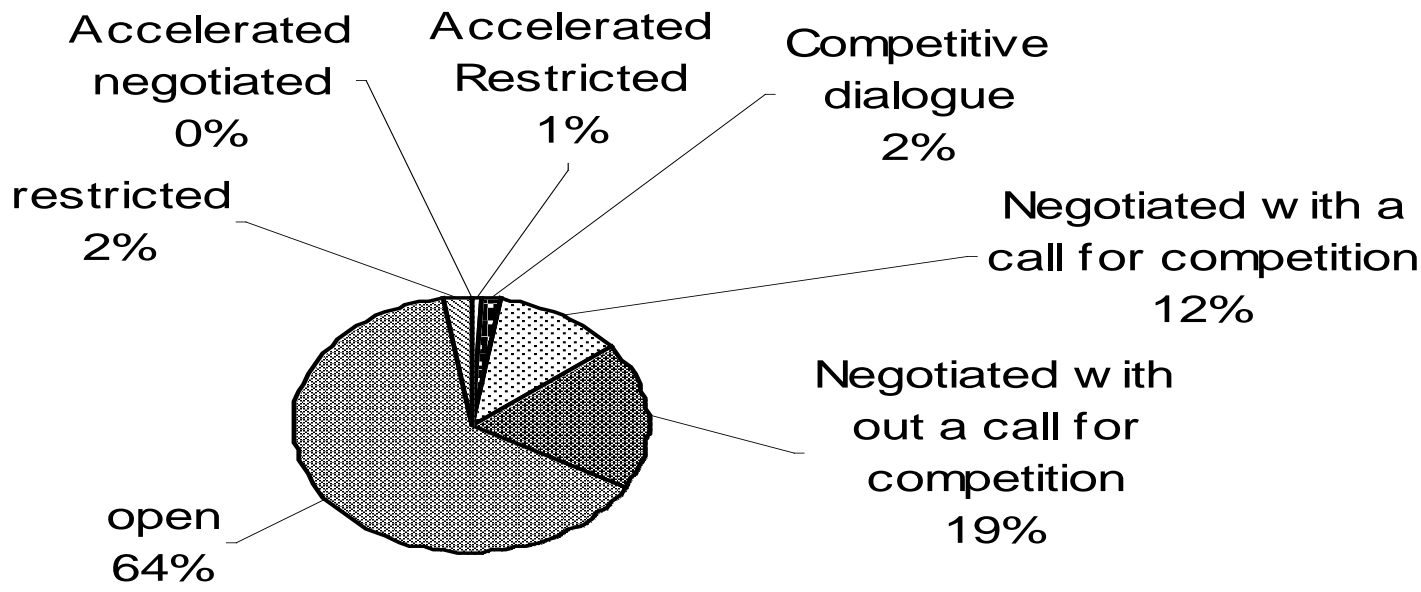


- **R&D constitutes 84% of share, Financial and insurance services 13% in 2008**
- **In 2009, Architectural and Construction services 57%, Business Services (including Law and Marketing) 7% Financial and insurance services at a share of 13%**

# Nature, Size and Trends in Government Procurement by Germany

Total number of procurement transactions during 2008-2009 analyzed has been around 45,000

**Figure 3: Contract Type as a Percentage of Contract Value: Germany 2008**



<b>Share of Services in Procurement by Germany</b>		
	<b>2008</b>	<b>2009</b>
<b>In Total procurement</b>	<b>30.89</b>	<b>50.57</b>
<b>In Total Procurement from non-EU sources</b>	<b>1.78</b>	<b>0</b>

- **The only service procurement that was contracted outside EU (Australia) was the IT & ITeS**
- **The major problem with the German data as extracted from the Award Notices is that often the country to which a contracted agency belongs is not mentioned**
- **In 2008, 1.76 percent of total procurement was contracted to agencies with no reported country of origin**
- **In 2009, share of procurement from such agencies in total procurement was 1.14 %**

# Projections for the EU-27 countries

<b>Share of Non-EU sources in EU Projected Procurement</b>		
	<b>2008</b>	<b>2009</b>
<b>ACCELERATED NEGOTIATED</b>	<b>0</b>	<b>0</b>
<b>ACCELERATED RESTRICTED</b>	<b>0</b>	<b>0</b>
<b>COMPETITIVE DIALOGUE</b>	<b>0.218</b>	<b>0</b>
<b>NEGOTIATED WITH A CALL FOR COMPETITION</b>	<b>0.003</b>	<b>0</b>
<b>NEGOTIATED WITHOUT A CALL FOR COMPETITION</b>	<b>0.017</b>	<b>0</b>
<b>OPEN</b>	<b>0.027</b>	<b>0.012</b>
<b>RESTRICTED</b>	<b>0</b>	<b>0.001</b>

**Non-EU countries: UK → Japan, India, Tanzania, UAE, USA  
Germany → Australia, Switzerland**

## Government Procurement in Specific Sectors: IT & Pharmaceuticals

Shares in Total Procurement in the category						
		All Categories	Full & Open	Not Available for Competition	Not Competed	Others
<b>2008</b>						
Medicines and drugs		0.638	0.77	0.28	0.27	0.39
Total IT Procurement		4.57	4.87	3.98	1.99	8.30
<b>2009</b>						
Medicines and drugs		0.08	0.09	0.10	0.007	0.32
Total IT Procurement		2.57	2.71	2.24	0.717	7.27

**Despite larger volume and share of procurement of IT and ITeS by the US government, the share of non-US sources was much larger in the total procurement of medicines and drugs in 2008**

## Non-US Share in US Procurement of Medicines and IT Services

	Medicines and drugs		IT	
	2008	2009	2008	2009
<b>Full &amp; Open</b>	<b>13.90</b>	<b>0.16</b>	<b>4.45</b>	<b>0.84</b>
<b>Not Available for Competition</b>	<b>28.94</b>	<b>0</b>	<b>8.17</b>	<b>0.68</b>
<b>Not Competed</b>	<b>12.69</b>	<b>1.00</b>	<b>5.86</b>	<b>1.77</b>
<b>Others</b>	<b>24.20</b>	<b>0.14</b>	<b>0.41</b>	<b>0.32</b>
<b>All Categories</b>	<b>14.55</b>	<b>0.16</b>	<b>4.33</b>	<b>1.01</b>

**14.5% share of procurement from the non-US sources in total procurement of medicines & drugs is more than double of the overall share of 6% for the non-US sources in total procurement of all goods and services**



## Procurement of Pharmaceuticals by UK, Germany and the EU (Value in million Euro)

	2008			2009		
	UK	GERMANY	EU-27	UK	GERMANY	EU-27
<b>All categories of contract</b>	5.39	1.32	15.77	272.75	0.84	643.76
<b>OPEN</b>	0	1.32	3.09	39.42	0.83	94.72
<b>Negotiated with a call for competition</b>	0	0	0	0.20	0	0.47

## Procurement of IT Services by UK, Germany and the EU (*Value in million Euro*)

	2008			2009		
	UK	GERMANY	EU-27	UK	GERMANY	EU-27
<b>All categories of contract</b>	600.34	573.81	2762.70	1564.81	510.86	4883.96
<b>OPEN</b>	2.63	1412.35	3329.37	9.31	182.51	451.33
<b>Negotiated with a call for competition</b>	33.01	81.65	269.80	7.19	253.04	612.34

# **Actual Procurements from Indian Agencies and Estimated Gains for India**

- **Procurements made from India by the US government agencies increased from \$ 2.8 mn in 2008 to \$ 3.1 mn in 2009**
- **Share of India in total procurement by USA had been 0.0006 percent in 2008 and 0.0007 percent in 2009**
- **2008 - the highest share was 10% for maintenance, repair and alteration of real estates**
- **2009 - laboratory testing 12%, maintenance, repair and rebuilding of equipments 8.5% and lease or rental of equipment 7%**

### Total procurement from India by the US

<b>Product Or Service Name</b>	<b>2008</b>	<b>2009</b>	<b>Share</b>	
<b>Maintenance, Repair, And Rebuilding Of Equipment</b>	<b>0</b>	<b>261091.63</b>	<b>0</b>	<b>8.18</b>
<b>Maintenance, Repair, And Rebuilding Of Equipment</b>	<b>0</b>	<b>10580</b>	<b>0</b>	<b>0.33</b>
<b>Aircraft Maintenance And Repair Shop Specialized Equipment</b>	<b>0</b>	<b>45686</b>	<b>0</b>	<b>1.43</b>
<b>Computer Aided Design/Computer Aided Manufacturing (Cad/Cam) Services</b>	<b>0</b>	<b>3477.06</b>	<b>0</b>	<b>0.11</b>
<b>Computer Software</b>	<b>0</b>	<b>27000</b>	<b>0</b>	<b>0.85</b>
<b>Construction Of Structures/Facilities</b>	<b>0</b>	<b>184399.64</b>	<b>0</b>	<b>5.78</b>
<b>Dairy Foods And Eggs</b>	<b>129154</b>		<b>4.56</b>	<b>0</b>
<b>Drugs And Biologicals</b>	<b>0</b>	<b>42898</b>	<b>0</b>	<b>1.34</b>
<b>Lease Or Rental Of Equipment</b>	<b>4459.07</b>	<b>229506.46</b>	<b>0.16</b>	<b>7.19</b>
<b>Education/Training Services</b>	<b>0</b>	<b>17250</b>	<b>0</b>	<b>0.54</b>

		<i>Value</i>	<i>Share</i>	
<b>Electrical &amp; Electronic Measuring Instruments</b>	<b>0</b>	<b>19340</b>	<b>0</b>	<b>0.61</b>
<b>Gas Turbines &amp; Jet Engines Aircraft-nonenviron</b>	<b>10071</b>	<b>0</b>	<b>0.36</b>	<b>0</b>
<b>Integrated Hw/Sw/Svcs Solutions, Predominantly Services</b>	<b>10256.22</b>	<b>0</b>	<b>0.36</b>	<b>0</b>
<b>Hand Tools, Nonedged, Nonpowered</b>	<b>0</b>	<b>119234.48</b>	<b>0</b>	<b>3.74</b>
<b>Laboratory Testing</b>	<b>218369</b>	<b>388668</b>	<b>7.70</b>	<b>12.18</b>
<b>Maint , Repair , Alter Real Property</b>	<b>300000</b>	<b>218979.78</b>	<b>10.58</b>	<b>6.86</b>
<b>Miscellaneous Items</b>	<b>1396</b>	<b>0</b>	<b>0.05</b>	<b>0</b>
<b>Optical Instruments</b>	<b>0</b>	<b>200792</b>	<b>0</b>	<b>6.29</b>
<b>Professional: Engineering/Technical Support</b>	<b>0</b>	<b>4000</b>	<b>0</b>	<b>0.13</b>
<b>Professional: Legal</b>	<b>43304</b>	<b>0</b>	<b>1.53</b>	<b>0</b>
<b>Professional: Technical Assistance</b>	<b>0</b>	<b>43256</b>	<b>0</b>	<b>1.36</b>
<b>Professional: Other</b>	<b>6000</b>	<b>0</b>	<b>0.21</b>	<b>0</b>

	<i>Value</i>		<i>Share</i>	
<b>R&amp;D- DEFENSE OTHER</b>	<b>0</b>	<b>53454</b>	<b>0</b>	<b>1.67</b>
<b>R&amp;D- DEFENSE SYSTEM: ELECTRONICS/COMMUNICATION EQUIPMENT</b>	<b>0</b>	<b>64065</b>	<b>0</b>	<b>2.01</b>
<b>R&amp;D- OTHER RESEARCH AND DEVELOPMENT</b>	<b>49504</b>	<b>0</b>	<b>1.75</b>	<b>0</b>
<b>VALVES, POWERED</b>	<b>0</b>	<b>33207.7</b>	<b>0</b>	<b>1.04</b>
<b>WALLBOARD BLDG &amp; THERMAL INSULATION-NonEnviron</b>	<b>0</b>	<b>216171.68</b>	<b>0</b>	<b>6.77</b>
<b>Other</b>	<b>2062077.62</b>	<b>787524</b>	<b>72.75</b>	<b>24.67</b>
<b>Grand Total</b>	<b>2834590.91</b>	<b>3192087.89</b>	<b>100</b>	<b>100</b>

- *No procurement was made by Germany from India*
- **UK made two procurements from India amounting to approximately 2-3 million GBP**
- **For the product code 74 (not defined in CPV code), UK procured 1.1 million worth of services from India**
- **For another category, again not defined in CPV code, 7.8 million worth of procurement was made from Japan and India**

## Estimation of India's Likely market shares in USA and the EU

<b>India's Estimated Market in USA and EU (value in million USD)</b>						
	<b>USA</b>				<b>EU-27</b>	
	<b>2008</b>		<b>2009</b>			
	<b>All Contracts</b>	<b>Full and Open</b>	<b>All Contracts</b>	<b>Full and Open</b>	<b>2008</b>	<b>2009</b>
<b>Goods Procurement</b>	<b>122.18</b>	<b>48.32</b>	<b>183.85</b>	<b>5.62</b>	<b>0.12</b>	<b>0.44</b>
<b>Service Procurement</b>	<b>382.77</b>	<b>167.09</b>	<b>455.55</b>	<b>237.76</b>	<b>0.25</b>	<b>0.27</b>



**If we make a projection of India's likely share taking into account procurements of 2-3 million GBP in product categories not defined in CPV, likely share will rise to 7-8 million GBP or 10-12 million USD**

# Concluding Remarks

- **Service procurement had been much larger than goods procurement in all markets**
- **Procurement by the US government from sources outside the United States had actually grown from 6 percent in 2008 to little over 7 percent in 2009**
- **procurement of goods and services by the UK and German governments from sources outside the EU had been negligible**
- **By the most liberal estimation, if India had acceded to the GPA agreement it could have a share of US government procurement to the tune of 500-550 million USD**
- **In the EU markets, on the other hand, the likely gain would have been only to the tune of 10-12 million USD**

## Concluding Remarks

- *But, these moderate gains are to be weighed against the potential costs of acceding to the GPA*
- *These costs may involve*
  - *costs of switching over from the existing procurement regime to new systems mandated under international rules*
  - *restriction on the development policy space available to India through government spending*
  - *its ability to assist local companies, and particular socio-economic groups or ethnic communities, or underdeveloped regions*

*Thank You*