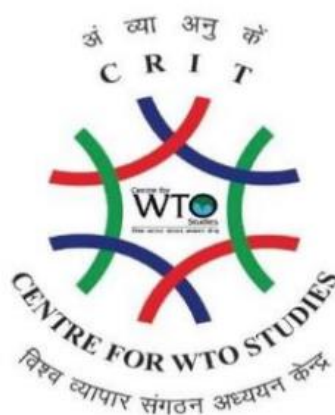


Market Opportunities from Government Procurement: *Analysis of the US, UK and EU Markets*

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Navita Sharma

Divyansh Dua

Mrunmayee Thatte

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CENTRE FOR WTO STUDIES

CENTRE FOR RESEARCH IN INTERNATIONAL TRADE INDIAN

INSTITUTE OF FOREIGN TRADE

NEW DELHI, INDIA-110014

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Executive Summary

Government procurement or public procurement is defined as the purchase of goods, services and works by the government to fulfil its functions. Since it involves public money, transparency, fairness and efficiency are closely entwined with the process of procurement. It has increasingly become an important tool with governments to achieve their environmental and social objectives, with many countries promoting environmental and social considerations in procurement processes.

The WTO Government Procurement Agreement (WTO GPA), a plurilateral arrangement among WTO members, allows members to open their procurement markets to foreign suppliers to broaden the options available to procuring entities within a country, foster competition and extract greater value for public money. This paper attempts to study the size and nature of government procurement in major countries of the WTO GPA: the UK, the EU and the USA. As key members of the WTO GPA, these countries offer well-established and transparent procurement systems that adhere to international standards making them ideal candidates to study procurement opportunities and participation of foreign suppliers due to their significant size. To assess these markets, the paper uses datasets on procurement websites, Tenders Electronic Daily (TED) for the EU and the UK and USASpending for the US, as well as statistics reports submitted by these countries to the WTO.

Data reveals that even with a large size of government procurement markets, countries offer only a portion of their procurement under the WTO GPA framework. Overall, it has been observed that the share of procurement at the state/regional level is higher, and that procurement, especially in developed countries, is dominated by services. Further, a major share of procurement remains confined to suppliers within a country. In 2021, more than 90 per cent of procurement value was awarded to suppliers within the UK, the USA² and the EU, exhibiting a strong home bias. Nonetheless, the experiences of recent GPA entrants Moldova (July 2016), Ukraine (May 2016) and Armenia (September 2011) reveal benefits in the form of improved technical knowledge, transparency and internal reforms, but there is lack of significant international participation in some of these markets, possibly due to their small size.

Thus, the WTO GPA serves as a gateway for countries. It not only provides a guaranteed opportunity to access some major international procurement markets but also fosters transparency, fair competition and alignment with international best practices. The benefits of GPA membership extend beyond tender opportunities, enhancing market access, procurement standards, knowledge exchange and institutional capacity.

² Federal procurement in the case of the USA.

1. Introduction

Government procurement (GP) or public procurement is defined as the purchase of goods, services and works by the government to fulfil its functions. Since it involves the use of public resources, the basic tenets surrounding GP include transparency, fairness, openness and value for money. Governments worldwide use procurement not just to fulfil their obligations but also as a tool to achieve wider social and environmental objectives. It is estimated that governments across countries spend 6-20 per cent of their GDP on government procurement. However, procurement has become more strategic, going beyond the financial goal of getting ‘value for money’. This includes making thoughtful decisions on how best to use public funds and deliver public services to accomplish strategic policy goals like reducing the effects of climate change, fostering innovation and promoting social inclusion (OECD 2023).³

Over time, countries have transitioned to electronic procurement (e-procurement), enabling them to manage and automate procurement processes, such as tendering, contract management, supplier registration, and payments. By enhancing efficiency, reducing the administrative burden and increasing transparency and accessibility, e-procurement supports better governance and ensures ‘value for money’. Several countries have dedicated portals to facilitate government procurement processes – for example, AusTender (Australia), Tenders Electronic Daily (TED) (European Union), Government e-Marketplace (GeM) (India), and ProZorro (Ukraine).

Beyond digitalisation, GP has become an important feature in international trade. In 1981, the first ever multilateral agreement on government procurement (the Tokyo Round Code on Government Procurement) came into force and later evolved into its current form, the WTO Agreement on Government Procurement 2012 (GPA). Since then, many developed countries also began incorporating government procurement provisions into their free trade agreements (FTAs). FTAs assist governments in enhancing the value for money in procurement, stimulating economic growth by expanding private sector access to markets, and increasing integrity and good governance by establishing and promoting the principles of non-discrimination, transparency and procedural fairness. While FTAs follow a framework more or less similar to that of the GPA, they may include deeper commitments that extend beyond standard GPA provisions such as more comprehensive administrative procedures or an expanded scope for build-operate-transfer contracts. The nature of provisions varies across FTAs. For instance, the USA’s FTAs with non-GPA contracting parties generally contain less comprehensive entity coverage than agreements with GPA contracting parties (Chen, J. & World Trade Organization, 2016).⁴

³ "Public procurement performance: A framework for measuring efficiency, compliance and strategic goals", OECD Public Governance Policy Papers, No. 36, OECD Publishing, Paris, <https://doi.org/10.1787/0dde73f4-en>.

⁴The treatment of government procurement in regional trade agreements (RTAs). (<https://www.unescap.org/sites/default/files/Session%203%20The%20treatment%20of%20government%20procurement%20in%20FTAs.pdf>). Accessed January 25, 2025

Government procurement has become a means to promote better SME participation. Access to public procurement market helps SMEs exploit their potential and positively impact the economy. Increased SME involvement in public procurement expands the supplier base for contracting authorities, promoting competition and countering the influence of dominant market players (Karen Hill, 2016).⁵ Many governments make efforts to facilitate market access to SMEs through policies and initiatives that enable their greater participation.

Similarly, sustainable procurement has also garnered significant attention, with governments coming up with laws that promote inclusive development⁶ via procurement. Green procurement is practised by several countries and can be defined as a process by which public authorities seek to purchase goods, services and works having lower negative environmental consequences during their lifespan compared to others available that fulfil the same purpose. (*Green Public Procurement*, 2024).⁷ Typically, two approaches are adopted for this objective. The first is procuring more circular products, materials and services; the second is promoting new business models based on innovative and resource-efficient solutions (Thiebault et al., 2018).⁸ Many developed and emerging countries are trying to modify procurement criteria based on these approaches.

Realising the strategic importance of government procurement in international trade and India's growing engagements in this area, this paper aims to provide an understanding of the WTO GPA and explores the broad benefits of GPA membership, including enhanced transparency, institutional reforms and alignment with global procurement standards. Additionally, it examines the key GPA markets (the UK, the EU and the USA) highlighting the role of international suppliers and the extent of market openness. Understanding these dynamics serves as a stepping stone for policymakers, businesses and trade negotiators seeking to navigate and leverage government procurement markets.

2. Government Procurement Agreement (GPA)

The WTO Government Procurement Agreement (GPA) is a plurilateral agreement aimed at opening government procurement markets amongst the parties. Currently, there are 22 WTO members (the EU taken as a whole) that are party to the GPA and 35 observer members. The WTO estimates the size of the procurement market covered by the GPA at USD 1.7 trillion.

⁵ Karen Hill. (2016). *Public procurement Small and medium-sized enterprises (SMEs) in public procurement*. <https://sigmaweb.org/publications/Public-Procurement-Policy-Brief-33-200117.pdf>. Accessed January 25, 2025

⁶Sustainable procurement promotes inclusive development by embedding social, and environmental considerations into purchasing decisions. For example, tenders that demand fair and just labour standards, advocate international human rights throughout the supply chain, support to local communities etc.

⁷ *Green Public Procurement*. (2024, June 24). *Green Business*. https://green-business.ec.europa.eu/green-public-procurement_en. Accessed January 25, 2025

⁸ Thiebault, C., Tonda, E., & United Nations Environment Programme. (2018). *Building Circularity into Our Economies through Sustainable Procurement*. <https://circularprocurement.ca/wp-content/uploads/2021/02/Building-Circularity-into-Economies-through-Procurement.pdf>. Accessed January 25, 2025

Table 1: Timeline of the WTO GPA

First agreement on government procurement (the “Tokyo Round Code on Government Procurement”)	Signed in 1979 and entered into force in 1981
Amendments to the first agreement	In 1986 and entered into force in 1988
GPA 1994 (negotiations held parallel to the Uruguay Round)	April 1994 and entered into force in 1996
GPA 2012 (renegotiations of the 1994 agreement)	Formally adopted in 2012, entered into force in April 2014

Source: WTO GPA

The GPA comprises two parts: the text of the agreement and the market access schedules. The text of the agreement provides the rules to ensure open, fair and transparent conditions in government procurement that all GPA members must adhere to. The text contains obligations vis-à-vis conditions for participation in the procurement process, technical specifications and documentation, qualification of suppliers, awarding requirements, offsets and challenge procedures. It also contains general exceptions from GPA obligations and special treatment for developing countries.

The market access schedules of the parties determine the coverage by the level of government (central, sub-central and other levels) as well as the sectors and activities (goods, services and construction services) covered by the agreement. The schedule also establishes threshold values for each of the annexes covering levels of government, beyond which purchases of goods, services and works by the listed entities is covered. The GPA is governed by the Committee on Government Procurement (hereafter referred to as the Committee), which has representatives of all its parties as members. The enforcement of the agreement is through the domestic review mechanism at the national level and the WTO dispute settlement mechanism at the international level.

2.1. Elements of the GPA

The text deals with rules governing procurement while the market access schedules list the procuring entities/government ministries/agencies/divisions on which the rules and regulations are applicable. Given the rapid advancements in digital technologies since 2012, certain elements (especially those concerning e-procurement) may require updates to remain effective and aligned with current practices.

2.1.1. Text of the Agreement

The articles contained in WTO GPA that spell out the rules and regulations governing procurement are presented below.

- **Article I: Definitions:** define terms used frequently throughout the text. These include technical terms used in the procurement process such as ‘limited tendering’ (procurement method whereby the procuring entity contacts the supplier of its choice), ‘open tendering’ (procurement method whereby all interested suppliers can submit a tender), and ‘multi-use list’ (a list of suppliers that fulfil a procuring entity’s criteria for participation and is used

more than once). It also includes less technical yet important terms like ‘measure’ (any law, regulation, procedure, administrative guidance or practice, or any action of a procuring entity relating to a covered procurement), and ‘supplier’ (a person or group of persons that provides or could provide goods or services).

- **Article II: Scope and Coverage:** specifies the ambit of rules stated in the text of the agreement. Covered procurement is defined as the procurement of goods, services or any combination of goods or services for governmental purposes only and not for commercial sale or resale. It also states that the Agreement does not cover acquisition or rental of land, immovable property, or any form of assistance such as grants, loans, guarantees and fiscal incentives, public employment contracts, procurement to provide assistance in the form of development aid, or under the particular procedure or condition of an international agreement such as stationing of troops, procurement funded by international grants, etc. This section also links the text with the market access annexes and lists the information that GPA members have to specify under them (Annex 1: central government entities, Annex 2: sub-central entities, Annex 3, all other entities, Annex 4: goods, Annex 5: services, Annex 6: construction services and Annex 7: General Notes).

Further, guidelines on procurement valuation to determine its coverage under GPA are also given. For example, procuring entities should not divide the procurement into separate procurements or use methods of valuation to specifically exclude the procurement from the scope of the Agreement. They are required to account for all forms of remuneration (such as premiums, fees and interest) when estimating the maximum total value of the procurement. When dealing with recurring contracts (contracts for the same good or service that are awarded multiple times or in separate parts), the maximum total value should be based on the value of the same type of contracts in the past year (along with any adjustments in quantity or value of the good or service) or in the year following the initial contract award.

- **Article III: Security and General Exceptions:** contains provisions that preserve a member’s right to take any action or withhold disclosure of any information related to the procurement of arms, ammunition or war material or procurement for national security/defence purposes.

Moreover, the Agreement allows members to introduce measures that are necessary to protect public morals, order or safety, human, animal or plant life or health, intellectual property and measures relating to goods or services of persons with disabilities, philanthropic institutions or prison labour, provided they are not intended to restrict international trade or result in arbitrary or unjustifiable discrimination among GPA members.

- **Article IV: General Principles:** sets in place some basic principles that need to be adhered to by all the members to the GPA. These include non-discrimination (treating foreign suppliers, goods and services on par with their domestic counterparts), use of electronic means (procurement using IT systems and software, maintaining mechanisms that ensure integrity of requests for participation), conduct of procurement (conducting covered procurement in a transparent and impartial manner), rules of origin (use rules of origin that are used in the normal course of trade), and offsets (prohibition of conditions that encourage local development or improves balance of payments accounts such as use of domestic

content, licensing of technology, etc.). However, measures not specific to procurement (customs duties and charges, other import regulations or formalities and measures affecting trade in services other than measures governing covered procurement) are allowed.

- **Article V: Developing Countries:** provides special consideration to developing and least developed countries to address their development, financial and trade needs. Based on developmental needs, each member can adopt transitional measures such as price preference programmes, offsets, phased addition of specific sectors or entities, higher thresholds and delayed application of specific obligations upon accession with clearly outlined implementation periods. The provisions also allow for the extension of transition periods or approve new transitional measures upon requests from developing countries. Developing countries are expected to ensure compliance with the Agreement and are free to request technical co-operation and capacity building in relation to their accession. Regular reviews of the operation and effectiveness of these provisions are supposed to take place every five years.
- **Article VI: Information on the Procurement System:** requires each member of the GPA to publish measures (laws, regulations, judicial decisions, tender documentation and procedures regarding covered procurement and any revisions thereof) in widely circulated electronic or paper media and, if need be, provide an explanation to members upon request. Each GPA member is also required to list the electronic/paper media where it provides updates on laws/regulations and notices. In addition, members are also required to publish a website where it shall declare procurement statistics and information on contracts awarded.
- **Article VII: Notices:** This is divided into three parts:
 - Notice of intended procurement* requires that members publish a notice of intended procurement on a platform that is widely used and accessible. The notice should include the name and address of the procuring entity, description of the procurement, description of options, procurement method, final date for the submission of tenders, language in which tender may be submitted, conditions for participation, etc.
 - Summary notice* requires members to publish a summary for each case of intended procurement containing subject matter, final date of submission of tenders and address from where documents relating to procurement may be requested.
 - Notice of planned procurement* requires covered entities to publish a notice regarding their future procurement plans, which includes the subject matter of the procurement and planned date of publication of notice of intended procurement, in a readily accessible medium.
- **Article VIII: Conditions for Participation:** states that entities may apply only essential conditions (such as legal and financial capacities and technical abilities) to limit participation of suppliers. While conditions requiring prior experience are allowed, a procuring entity cannot require past experience with specific procuring entities from a particular country as a condition for participation.

Further, a procuring entity must evaluate the financial capacity, and commercial and technical abilities of a supplier on the basis of their business in foreign countries as well as the native country of the procuring entity. These conditions have to be specified in advance in notices or tender documentation. Procuring entities can exclude a supplier on grounds

such as bankruptcy, false declarations, professional misconduct, final judgement in respect of a crime, failure to pay taxes or significant deficiencies in performance of any substantive requirement.

- **Article IX: Qualification of Suppliers:** deals with registration systems, selective tendering and multi-use lists. It recommends that procuring entities maintain a supplier registration system with the caveat that they aim to minimise the differences in qualification procedures and reduce the differences in the registration system itself. Further, members are prohibited from adopting a registration system that aims to create unnecessary obstacles.

Where selective tendering as a method of procurement is used, the entity should include some basic information such as the name and address of the procuring entity, description of procurement, procurement method and criteria to select suppliers, and invite suppliers to submit an RFP (request for participation) in the notice of intended procurement. For qualified suppliers, the information to be communicated should include an estimate for recurring contracts, description of options, time frame for delivery, address and date for submission of tenders. Further, a procuring entity should allow all qualified suppliers to participate in a procurement, provided no restriction on the permitted number of suppliers is introduced by the procuring entity in the notice of intended procurement.

The third section deals with multi-use lists (MUL) and the prime focus is on allowing suppliers to apply for inclusion into an MUL. It requires entities to publish a notice, available continuously, inviting interested suppliers for inclusion in the list. It also requires that a procuring entity examine a supplier's request for participation in a procurement based on the MUL; the entity is obliged to promptly respond to the supplier's request or, if it rejects a supplier's request, provide a reason for its decision to do so.

- **Article X: Technical Specifications and Tender Documentation:** sets out the conditions a procuring entity should fulfil when setting up technical specifications for the goods/services being procured. It requires that specifications should not be set to create obstacles to international trade or preclude competition and, wherever possible, the technical specifications should be in terms of performance and functional requirements. It also requires basing the technical specifications on international standards, if they are available, or alternatively on national technical regulations/standards. The agreement also encourages procuring entities to consider equivalent tenders of goods or services that fulfil their requirements and requires them to not prescribe technical specifications that require a particular trademark/patent/copyright/design/type and accept equivalent choices.

The portion on tender documentation states that procuring entities should include all information necessary for suppliers to prepare and submit tenders. Unless provided in the notice of intended procurement, such notice should include a complete description of the procurement (nature and quantity of goods/services), conditions for participation, evaluation criteria along with importance, authentication/encryption required, date for delivery of goods/services and other terms such as terms of payment.

A procuring entity must make the tender documentation available timely, and reply to requests by interested suppliers. In case the entity modifies the criteria and amends or reissues the notice/tender documentation, it should transmit the changes to all suppliers.

- **Article XI: Time-Periods:** requires a procuring entity to provide sufficient time for suppliers to prepare and submit requests for participation. They need to take into account the nature and complexity of the procurement, the extent of sub-contracting anticipated and time required for transmission by non-electronic means in case electronic point is not used.⁹ The portion on deadlines specifies the minimum days allowed for submission of request for participation and tendering. The procuring entity needs to allow suppliers 25 days to submit a request for participation when using selective tendering, and 40 days for the submission of tenders. The time period can be reduced to not less than 10 days, subject to certain conditions. It also deals with conditions, such as urgency, in which the time period for tendering maybe reduced.
- **Article XII: Negotiation:** sets out conditions under which an entity may conduct negotiations with suppliers. It requires that an entity ensures elimination of suppliers as per the evaluation criteria set out in the tender documents and, after negotiations, provides a common deadline for the remaining suppliers to submit revised tenders. It also allows the procuring entity to conduct negotiations with all the suppliers.
- **Article XIII: Limited Tendering:** lists out conditions under which an entity is allowed to use limited tendering as a preferred method, provided it is not to avoid competition. These include conditions relating to lack of participation, non-conformity of tenders to essential requirements, collusive tenders in cases where goods/services can only be supplied by a particular supplier, additional deliveries by the original supplier of goods/services, goods purchased in the commodity market, procurement of a prototype, exceptionally advantageous conditions (such as liquidation, bankruptcy), procurement of works of art or based on exclusive rights, etc.
- **Article XIV: Electronic Auctions:** requires that prior to electronic auctions, entities provide the participants with the automatic evaluation method used to rank/re-rank bids during the auction, the results of initial evaluation or any other relevant information.
- **Article XV: Treatment of Tenders and Awarding of Contracts:** details the steps to be followed by an entity to retain fairness and impartiality in the procurement process and to maintain the confidentiality of tenders.

The entity should not penalise any supplier for delaying the submission of a tender if the delay is due to mishandling by the entity. Further, the procuring entity should provide equal opportunity to correct unintentional errors of form between the opening of the tender and the award of the contract to all suppliers. To be considered eligible for award, a supplier who satisfies the conditions for participation has to submit a tender in writing and comply with all the essential requirements in the notices and tender documentation. The entity should award the contract to the supplier who is capable of fulfilling the terms and who has submitted either the most advantageous tender or one with the lowest price. However, the entity is at liberty to verify a supplier's capabilities if it submits a tender with abnormally low prices. Nonetheless, entities cannot use options, cancel procurement or modify awarded contracts to circumvent the obligations of the GPA.

⁹As mentioned previously, the GPA text was agreed upon in 2012 and contains flexibilities that allow for non-electronic means of procurement while encouraging adoption of e-procurement/IT systems. Hence, in some places, the text may seem outdated.

- **Article XVI: Transparency of Procurement Information:** details the information to be provided to the supplier. This includes informing suppliers of award decisions and the reasons for rejecting unsuccessful bids. The entity is also required to disclose the relative advantages of the successful supplier upon request, provided such information does not hamper competition or the commercial interests of a particular person or is contrary to public interest.

Award information must be published within 72 days of each award. The notice should include a description of the goods or services procured, the name and address of the procuring entity, the name and address of the successful supplier, type of procurement used, the date of award and the value of the successful tender. Entities are required to maintain records and reports of tendering procedures and contract awards for at least three years from the date of award of the contract.

Lastly, GPA members must report procurement statistics covering a year and submit these within two years of the end of the reporting period. The report should cover the number of tenders and total value of the procurement covered, including a breakdown of procurement into goods and services. In case such statistics are being maintained on a website, the address of the website maybe shared instead.

- **Article XVII: Disclosure of Information:** aims to ensure that essential information is provided fairly and impartially and details circumstances where non-disclosure is permitted, such as when it is an impediment to law enforcement, prejudices fair competition, hampers the commercial interests of particular persons and to uphold public interest.
- **Article XVIII: Domestic Review Procedures:** pertains to matters related to dispute and requires members to have in place a timely, effective, transparent and non-discriminatory administrative or judicial review framework to handle issues of breach of the Agreement or the failure of a member to comply with measures required under the Agreement.

It provides several safeguards to suppliers in terms of time provided to prepare and submit a challenge and by providing for an independent administrative or judicial authority to receive and review the challenge. In case a review body is hearing the appeal, members have to ensure that the procedures are fair, transparent and provide participants the right to be heard, be represented and accompanied, and that recommendations are made timely with explanations for the decisions/recommendations.

The members also need to maintain interim measures that preserve a supplier's opportunity to participate in the procurement process and ensure corrective action or compensation for the loss or damages suffered by the supplier.

- **Article XIX: Modifications and Rectifications to Coverage:** lists the procedure for a member to make a change in their offer to the GPA and requires them to inform any proposed change in its offer, such as transfer of an entity from one annex to another, withdrawal of an entity, or any other modification. The provisions also allow members getting affected by such a change to raise objections to the proposed modification and thereafter, enter into consultations with the member modifying the coverage. Subsequently, the Committee on Government Procurement (CGP) has to be informed of any revised modification. The modification can be implemented if no party raises an objection within 45 days of the notice being circulated. The procedure for withdrawal of equivalent coverage (corresponding to

the proposed modification) and procedures to facilitate resolution of objections are also provided.

- **Article XX: Consultations and Dispute Settlement:** provides members recourse to the provisions of the Dispute Settlement Understanding in case a member feels that another member has failed to carry out its obligations under the Agreement or has applied a measure that is inconsistent with the provisions of the Agreement.
- **Article XXI: Institutions:** establishes provisions for forming a ‘Committee on Government Procurement’ that includes members as well as observers as its participants, and meets at least once a year to review the implementation and operation of the GPA.
- **Article XXII: Final Provisions:** deals with accessions, reservations, conformity of domestic legislation with the Agreement, future negotiations and future work programmes, withdrawals, non-application between particular members etc.

2.1.2. Market Access Schedules

The rules and procedures listed in the text of the WTO GPA apply to the market access schedules negotiated by the members. The market access schedule determines the coverage offered to other members and is split into seven annexes. The composition of these annexes is discussed below.

- Annex 1-3: List of procuring entities at central/federal, sub-central and other/utilities level, separated into three different annexes. Annex 1 covers procurement by central government ministries/departments and agencies; Annex 2 covers procurement by sub-central/state/regional level entities, and Annex 3 covers procurement by entities that are owned by the government and are typically under governmental control such as utilities/public sector enterprises, etc.

Each of these annexes specifies the threshold applicable on the entities, i.e., the ceiling over which procurement comes under the ambit of the WTO GPA and is open for participation by GPA members. Typically, the thresholds for Annex 3 (other) and Annex 2 (sub-central) entities are higher than that for Annex 1 entities (central/federal). These thresholds are expressed in terms of Special Drawing Rights (SDR), which is a basket of currencies – the US dollar, euro, British pound sterling, Japanese yen and Chinese renminbi – and serves as the unit of account of the IMF and other international organisations (Table 2).

Table 2: Thresholds under GPA

ANNEX 1 (Central Government Entities)		ANNEX 2 (Sub-central Government Entities)		ANNEX 3 (Other Entities)	
Goods & services	Construction services	Goods & services	Construction services	Goods & services	Construction services
SDR 130,000	SDR 5,000,000	SDR 355,000/ 200,000	SDR 5,000,000	SDR 400,000/ 355,000	SDR 5,000,000

Source: WTO GPA

- Annex 4-6: Annexes 4, 5 and 6 list the goods, services and construction services respectively that may be procured by the entities covered under the first three annexes. Normally, members cover all the goods and any exemptions (for example, goods procured by defence related entities) are specified explicitly.

With respect to services, members follow the United Nations Provisional Central Product Classification (UN CPC) classification but have different approaches to listing the services. While some members (such as the EU, and the UK) list only covered services, other members (such as Australia, New Zealand) mention only those services that are exempt from the Agreement. Generally, goods and services relating to defence (such as arms and ammunitions) are kept outside the purview of the GPA. Annex 6 on construction services mostly covers all construction services of Division 51 of the UN CPC. Annexes 4, 5 and 6, may also contain notes to incorporate member specific anomalies.

- Annex 7: Country-specific sensitivities and remarks applicable across annexes are included in the general notes to the coverage schedules. Box 1 presents one such example for the USA. The box highlights US sensitivities to which the agreement does not apply (such as set-asides on behalf of small- or minority-owned businesses) and other country specific remarks (such as higher thresholds for construction for Korean suppliers)

Box 1: General Notes to the USA's Market Access Schedule

Unless otherwise specified, the following General Notes apply without exception to this Agreement, including to Annexes 1 through 6.

1. This Agreement does not apply to any set-aside on behalf of a small- or minority-owned business. A set-aside may include any form of preference, such as the exclusive right to provide a good or service, or any price preference.
2. This Agreement does not apply to governmental provision of goods and services to persons or governmental authorities not specifically covered under the Annexes to this Agreement.
3. Where a procurement by an entity is not covered by this Agreement, this Agreement shall not be construed to cover any good or service component of that procurement.
4. For goods and services, including construction services, of Canada and suppliers of such goods and services, this Agreement does not cover procurement by entities listed in Lists A and B in Annex 3 or the commitment with respect to financing provided by the Rural Utilities Service of power generation projects described in Note 1 to Annex 3.
The United States is prepared to amend this Note at such time as coverage with respect to Annex 3 can be resolved with Canada.
5. For construction services of the Republic of Korea and suppliers of such services, the threshold for procurement of construction services by the entities included in Annex 2 or 3 is 15,000,000 SDRs.
6. For goods and services including construction services of Japan and suppliers of such goods and services, this Agreement does not cover procurement by the National Aeronautics and Space Administration.
7. A service listed in Annex 5 is covered with respect to a particular Party only to the extent that such Party has included that service in its Annex 5.
8. For goods and services, including construction services, of Japan and suppliers of such goods and services, this Agreement does not cover procurement by entities listed in Annex 3 that are responsible

for the generation or distribution of electricity, including the commitment with respect to financing provided by the Rural Utilities Service of power generation projects described in Note 1 to Annex 3.

9. This Agreement does not cover procurement of transportation services that form a part of, or are incidental to, a procurement contract.

3. Experience of Moldova, Ukraine, and Armenia¹⁰

This section deals with the experience of developing countries that joined the WTO GPA. There are 22 parties to the WTO Agreement on Government Procurement and 35 members who currently have an observer status. Several WTO members such as Albania, Brazil, China, Costa Rica, Georgia, Jordan, Kazakhstan, Kyrgyz Republic, Oman, Russia and Tajikistan have initiated accession negotiations, although not all of them are currently on-going.

The accession process to the WTO GPA starts with the submission of an application to the Committee and has two main parts:

- Ensuring that the applying member's procurement legislation is consistent with the requirements of the GPA 2012
- Undertaking negotiations between the applying member and existing GPA parties on market access commitments to determine the entities, goods and services the acceding member would be opening up to other GPA members

It is important to bear in mind that a majority of the countries that have recently acceded to the WTO GPA are small in terms of the size of their economies and do not have a wide industrial base. Further, very few countries have acceded to the GPA since its reform in 2012.

Ukraine: Ukraine had been an official GPA observer country since 2008. The formal process of joining the GPA began in 2012, with the first offer submitted in 2014, after signing the EU-Ukraine Association Agreement. Joining the GPA was a cornerstone of Ukraine's trade policy, aiming to diversify export and reform its public procurement system. The GPA accession was seen as crucial for internal reforms, promoting transparency, improving governance and preventing corruption.

Ukrainian authorities have reported that Ukrainian exporters have benefited significantly from GPA accession. Institutions like the Export Promotion Office, Export Credit Agency and the communication platform of GPA in the US have supported the entry of Ukrainian businesses in foreign markets. Successful examples include Ukrainian companies winning tenders for data management services in Denmark, occupational clothing in Norway and supply of trailer buses to the Czech Republic.

For Ukraine, GPA membership has led to increased competition, quality and price optimisation, benefiting customers and the whole population. It has significantly expanded export

¹⁰ Recently Acceded GPA Signatories Initial Experiences and Assessments, <https://www.youtube.com/watch?v=CS-C2kfNMKo>, GPA Signatories: Initial Experiences and Assessments from Armenia, Moldova and Montenegro- <https://www.youtube.com/watch?v=Lhro-Fnryvu>

opportunities, improved the quality of local manufacturers and enhanced Ukraine's legal framework. Work programmes within GPA, such as those on statistical data, SMEs and sustainable procurement, have facilitated sharing experiences and seeking solutions.

During the COVID-19 pandemic, Ukraine implemented legal regulations in public procurement, stating that the law does not apply to cases necessary to prevent, localise and liquidate the outbreak. Ukraine did not feel constrained by the GPA in conducting emergency procurement during the pandemic.

Thus, Ukraine's experience with the GPA is felt to be positive, bringing expanded export opportunities and benefits to the economy. In their opinion, while joining the agreement requires effort, it also offers unique opportunities to align internal rules with international standards and access a vast market.

Moldova: During the process of its WTO accession in 2000, Moldova had initiated steps to join the GPA and gained observer status in September 2000. By January 2002, Moldova had applied for accession. Over time, Moldova continued the GPA negotiations by gradually expanding its market access offer, and bringing in legal reforms so that its domestic legislation was in line with the GPA rules. By January 2015, Moldova had circulated its final offer and its terms were approved by the CGP in September 2015. After some delays in submitting the instrument of accession,¹¹ Moldova became a member of the GPA in July 2016.

Moldova's offer to the WTO GPA includes the following:

- Central level entities (63 central government ministries/courts/central bodies and agencies)
- Sub-central level entities (two municipalities and 32 districts)
- Other entities (all legal entities/persons such as museums, high courts, hospitals, educational institutions, etc., production, transport or distribution of drinking water/railway transport/airport facilities, etc.)
- All goods (except explosives/toxic products for the Ministry of Defence, Information and Security Service, Border Service and Ministry of Internal Affairs)
- A positive list of 38 services
- All construction services listed in Division 51 of the UN CPC (pertaining to construction work) except when they are related to defence matters

An interesting feature of Moldova's offer is the 'transition period' offered to Moldova under the GPA, which allowed it to gradually decrease its threshold level for the 3 Annexes over a two-year period (Table 3 below).

¹¹ The instrument of accession states the terms agreed to by the acceding member

Table 3: Moldova's transition period

Basic Information on Annexes	I: Central level entities	II: Sub-central level entities	III: Other entities
Goods and Services Threshold	Thresholds subject to a two-year transition period. 1st year: SDR 300,000 2nd year: SDR 200,000 Following two-year period: SDR 130,000	Thresholds subject to a two-year transition period. 1st year: SDR 400,000 2nd year: SDR 300,000 Following two-year period: SDR 200,000	Thresholds subject to a two-year transition period. 1st year: SDR 600,000 2nd year: SDR 500,000 Following two-year period: SDR 400,000
Construction Services Threshold	SDR 5,000,000	SDR 5,000,000	SDR 5,000,000

Source: Moldova's Market Access Schedule

To comply with the requirements of the WTO GPA, Moldova undertook several structural reforms, including the transition to a digital public procurement system with the help of donor partners. The system enabled the government to publish procurement notices in the EU's official journal, increasing visibility to foreign and domestic suppliers. The access to Moldova's market was limited due to language barriers and visa procedures. Since 2018, all contracting authorities were required to use the automated system for procurement processes. Moldova's procurement system supports multiple languages (Romanian, Russian, and English) and provides automated translations to facilitate foreign participation. Despite translation tools, technical documents still present challenges due to legal and procurement-specific terminology. Moldova also undertook training and capacity building activities to increase awareness about additional opportunities that had become available to exporters.

Prior to its accession, there were concerns that domestic industry would be crowded out by foreign suppliers. However, these fears were largely unfounded. Due to greater competition, domestic suppliers were able to improve their products and competitiveness. Nonetheless, foreign bids and interest in Moldova's procurement market remains low, possibly due to its relatively small size. In 2022, the approximate value of Moldova's public procurement market was USD 725 million (5 per cent of GDP), the value open to GPA members was USD 201 million (MDL 3.7 billion). Out of 249 contracts, only 12 were awarded to foreign countries, indicating limited interest. Large-scale projects with foreign suppliers led to the construction of modernised roads, which involved companies from Austria, Turkey, Ukraine and Romania.

It also resulted in foreign investments in Moldova, primarily in the road infrastructure, oil storage and IT sectors.

Thus, Moldova's experience with GPA has been positive. Through GPA, greater value money was achieved in two ways First, modification in national legislation led to a greater variety of offers for contracting authorities to choose from, generating economic value and quality. Second, the implementation of electronic systems improved the transparency and efficiency of

not just the procurement of goods but also the execution of works and services, reducing transaction costs and thus ensuring a sustainable public procurement system.

Joining the GPA has ensured open, transparent and fair competition in procurement while driving foreign investment and economic reforms. The country continues to improve its digital procurement processes to encourage more participation from domestic and foreign suppliers.

Armenia:

Armenia joined the WTO GPA in 2011. As was the case with Moldova, Armenia expected greater international participation, but actual foreign interest was less than anticipated, especially in sectors that required international expertise. Armenia also did not witness any major displacement of domestic suppliers.

Services, particularly IT services, significantly benefited from GPA membership. The IT sector saw greater participation in foreign government contracts, largely driven by digitalisation and the openness of government markets under the GPA. Participation in works (construction) contracts was primarily limited to markets where Armenian companies had pre-existing trade relationships. In comparison, the participation in goods contracts remained difficult because of Armenia's complex geographical placement. High-value infrastructure projects attracted participation from large international bidders; SMEs adapted by taking on subcontracting roles, becoming more flexible and improving their procurement strategies.

Foreign direct investment (FDI) directly due to GPA membership was not significant. However, international firms that won construction contracts introduced higher quality standards that were eventually adopted by local companies. Knowledge transfers and technology improvements were also observed as some foreign suppliers established representative offices in Armenia and introduced quality control practices and new management systems that greatly benefitted Armenian subcontractors.

Language remained a barrier for small tenders, as translating procurement documents was costly and infeasible for smaller contracts. On the other hand, large tenders did not face such issues as they included high-quality translations to attract foreign suppliers. Automatic translation tools are being considered to improve accessibility and attract more international interest.

Overall, Armenia's experience with GPA has been a success, leading to increased transparency, higher procurement standards and opening opportunities for IT and service-based industries.

4. Major Developed Markets under the GPA: the USA, EU and UK

4.1. Overview of GP Markets

The size of the government procurement market varies from country to country and estimates suggest this size varies anywhere between 6 per cent and 20 per cent of a country's GDP, thus

making it an important tool in the hands of governments to fulfil social, economic and environmental responsibilities. The WTO GPA claims that it grants its members access to procurement opportunities valued at approximately USD 1.7 trillion. In this regard, the procurement markets of the European Union, the UK and the USA for 2021 have been chosen to study the size and composition of major developed markets in the GPA.

First, to get a rough idea about the size of the government procurement market in these countries, the product of the size of GDP¹² and the share of general government procurement as a share of GDP,¹³ has been used to arrive at the approximate value of government procurement. These approximate values have been compared with the official estimates provided by the country.

Table 4: Size of Government Procurement Market in 2021

Country	GDP (USD trillion)	General government procurement spending¹⁴ as a percentage of GDP (per cent)	Approximate value of Government Procurement (USD Billion)	Official Estimates
European Union	14.77	14.85	2193.4	EUR 2181 billion (USD 2270 billion)
United States of America	20.83	9.89	2061.2	Approximately USD 2 trillion
United Kingdom	3.08	15.68	482.3	GBP 329 billion (USD 416 billion)

Source: Calculations based on World Development Indicators, OECD Stat,

As can be observed from Table 4, in 2021, the EU and the USA had a vast market size of approximately USD 2 trillion each, while that of the UK was around USD 482 billion.

The UK's Whole of Government Accounts pegged the value of procurement in 2021-22 to be GBP 329 billion (or USD 416 billion). For the USA, the total government spend in 2021-22 was reported to be around USD 6.6 trillion; however, this includes the value for grants and fixed charges, personnel compensation, acquisition of assets, etc. It is estimated that nearly USD 650 billion are spent on federal contracts (34 per cent per cent) while USD 1.3 trillion is spent at the local and state level (67 per cent per cent).¹⁵

¹² GDP in constant 2015 prices in column 2

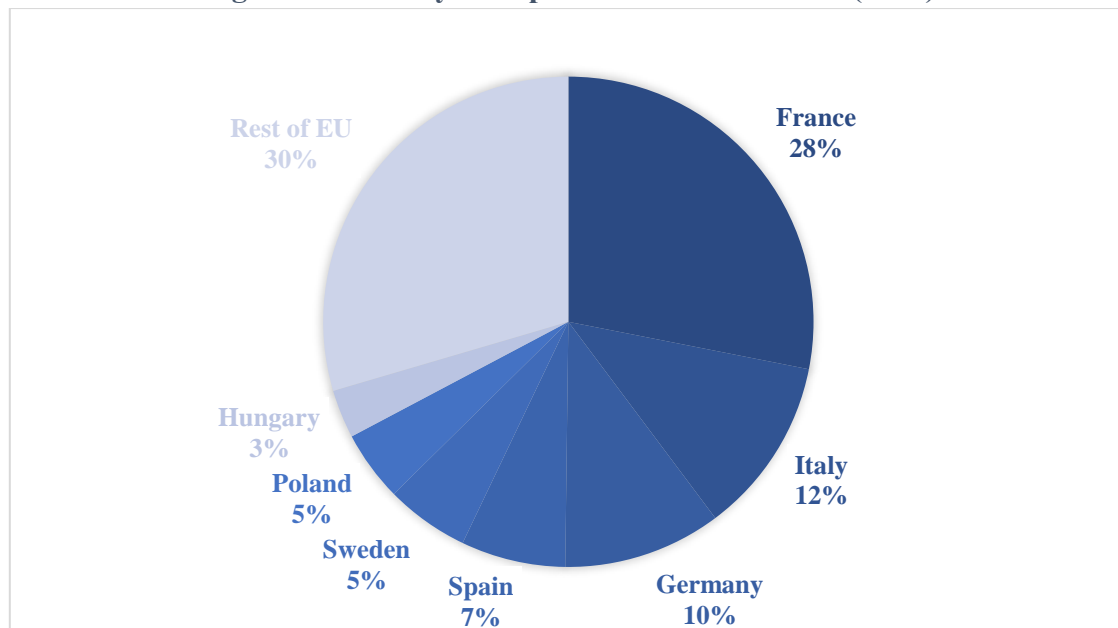
¹³ OECD (2023), "Size of public procurement", in Government at a Glance 2023, OECD Publishing, Paris. DOI: <https://doi.org/10.1787/ce2208f6-en>

¹⁴ General government procurement is defined as the sum of intermediate consumption (goods and services purchased by governments for their own use, such as accounting or information technology services), gross fixed capital formation (acquisition of capital excluding sales of fixed assets, such as building new roads) and social transfers in kind via market producers (purchases by general government of goods and services produced by market producers and supplied to households). Public corporations are not included in the estimation of procurement spending.

¹⁵ Baldus, Brian J., and Lindle Hatton. "US chief procurement officers' perspectives on public procurement." *Journal of purchasing and supply management* 26(1) (2020): 100538.

For the EU, the total general government expenditure on works, goods and services (excluding utilities and some concessions) was EUR 2.18 trillion (USD 2.2 trillion) in 2021. This value provides an approximate value for procurement and includes expenditure on items that do not constitute government procurement.¹⁶ Only a portion of procurement value is available as part of the TED database and, in 2021, the value of such procurement was approximately EUR 666.6 billion (USD 699 billion). The top six member states in the EU made up 70 per cent of total value published on TED (Figure 1).

Figure 1: Country-wise procurement in the EU (2021)



Source: Public Procurement Indicators 2022, DG Grow

4.2. Value of Government Procurement reported to the WTO GPA

The WTO GPA requires each party to report its covered government procurement statistics (i.e., statistics on contracts covered by a party's offer). The report, to be submitted to the Committee, covers one year and is required to be submitted within two years of the end of the reporting period. Statistics by the EU, the UK and the USA, based on their reports to the WTO, are presented below.

European Union: In 2021, the total value of procurement reported by the EU was EUR 567 billion (or USD 597.69 billion). Of this, 73 per cent has been offered as part of EU's offer under GPA, while the remaining 27 per cent value has not been offered either because 1) the contract was not covered by the GPA (for example, sensitive procurement relating to defence or public health, etc.) 2) or the entity was not a part of EU's offer. Further, it is observed that Annex 2, relating to EU's sub-central coverage makes up a major share of the total value offered followed by Annex 3, relating to utilities, and then Annex 1, relating to central governments (Table 5).

¹⁶ *Public Procurement Indicators 2022 G4 - Data and Knowledge for Policy, Business and People. 2024.*

Table 5: The EU's GP coverage in 2021

GPA Coverage	2021 (EUR Billion)	2021 (USD Billion)
Contracts covered by GPA	412.60	434.51
Annex 1	75.86	79.89
Annex 2	244.60	257.59
Annex 3	92.15	97.04
Contracts not covered by GPA	144.95	152.65
Entities not covered by GPA	9.99	10.52
Grand Total	567.55	597.69

Source: Based on EU's report to the WTO

Box 2: EU Regulations/Instruments Impacting Procurement: Case of EU

International Procurement Instrument (IPI) is a regulation introduced by the EU to enable reciprocal access in non-EU international procurement markets. The IPI is currently applicable to all procurement (all the directives discussed above) above a threshold of EUR 15,000,000 (excluding VAT) for works and concessions, or EUR 5,000,000 (excluding VAT) for goods and services, including dynamic purchasing systems and framework agreements. The countries under the ambit of IPI include those not party to the WTO GPA or those with which the EU does not currently have an FTA (including those which do not have a government procurement chapter).

The IPI grants the right to investigate measures that adversely affect access of EU's goods and services to foreign markets and consult with the concerned countries. The duration of such consultations are 9-14 months (14 in justified cases) and the EU can suspend its investigation and consultations with such parties if there is a reason to believe that correctives action(s) have already been taken or will be taken. Measures taken under IPI may include a score adjustment to tenders submitted by bidders from a non-EU country – a 50 per cent reduced score or a 100 per cent price penalty when only the price criterion is used in order to restrict access to EU's markets. These measures expire after a period of five years but maybe be extended for a further five years if required.

A few exemptions to IPI are allowed: (a) local contracting authorities representing fewer than 50000 people (b) bidders from least developed countries that are under the "Everything but Arms" trade scheme.

Further, authorities may under special circumstances decide not to apply an IPI measure if the only tenders received are from firms located in a non-EU country, subject to IPI measures or for reasons relating to public interest.

Foreign Subsidies Regulation: In order to address the distortionary impact of foreign subsidies that provide recipients with an undue advantage to acquire companies or obtain public procurement contracts in EU's internal market, the EU introduced a new regulation called the Foreign Subsidies Regulation (FSR), which came into force on January 12, 2023.

The regulation includes three procedures that the EU can use:

- Investigate concentrations¹⁷ involving financial contributions granted by non-EU governments, where the acquired company, one of the merging parties or the joint venture generates an EU turnover of at least EUR 500 million and received foreign financial contributions of more than EUR 50 million in the last three years.
- Investigate bids in public procurement¹⁸ procedures involving financial contributions by non-EU governments, **where the estimated contract value is at least EUR 250 million and the bid involves a foreign financial contribution of at least EUR 4 million per third country in the last three years.**
- Investigate all other market situations, where the Commission can start a review on its own initiative (ex-officio).

If the Commission finds that a foreign subsidy is distortive, it will counter the negative effects of the subsidy with appropriate measures. These include divestment of certain assets or providing access to infrastructure. The Commission can also prohibit the subsidised concentration or the award of the public procurement contract to the subsidised bidder.

Source: European Commission

UK: For 2021, UK reported data worth GBP 173.7 billion to the WTO. Of this, GBP 119 billion was open to WTO members while GBP 54 billion were contracts not covered by the WTO. As was the case with EU, Annex 2, relating to UK's sub-central entities, has a higher share in UK's offer as compared to Annex 1, relating to UK's central government or Annex 3, relating to utilities (Table 6).

Table 6: UK's GP coverage in 2021 (GBP Billion)

GPA Coverage	2021 (GBP Billion)	2021 (USD Billion)
Contracts Covered by GPA (Excluding Limited Tendering)	110.42	139.24
Annex 1	37.68	47.51
Annex 2	69.34	87.44
Annex 3	3.40	4.29
Limited Tendering (Annex 1)	8.68	10.95
Contracts Not Covered by GPA	54.60	68.85
Total	173.7	219.04

Source: Based on UK's report to the WTO

USA: Due to the use of multi-year contracts, the total dollars obligated for contracts awarded in a given fiscal year are not fully accounted for until up to six years from the initial award date. Thus, the value of total dollars obligated for contracts awarded in fiscal year 2021 will

¹⁷ A 'concentration' arises where a change of control on a lasting basis results from:

- the merger of 2 or more previously independent companies or parts of companies;
- the acquisition by one or more persons (already controlling at least one company) or by one or more companies of direct or indirect control of one or more other companies.

¹⁸ Public procurement refers to the process by which public authorities, such as government departments or local authorities, purchase work, goods or services from companies.

be available only in 2027. Hence, the complete statistics reported by the US for 2017 as well as partially reported statistics for 2021 are discussed below (Table 7).

Table 7: USA's GP coverage in 2017

GPA Coverage	2017 Fully Reported Statistics (USD Billion)	2021 Partially Reported Statistics (USD Billion)
Annex 1	148.73	126.81
Annex 2	120.2*	668.95**
Annex 3	17.09	18.05
Total	286.02	813.81

Source: Based on USA's report to the WTO

**An estimation provided by the USA*

***Includes full extent of state level procurement for 37 US States*

In 2017, the USA's offer to the WTO GPA amounted to USD 286 billion; this value had increased to USD 813 billion by 2021. It should be noted that for Annex 2/sub-central level, procurement was reported in full and covered procurement, i.e., value of procurement open to GPA members, was not specified for 2021. Further, in its offer, USA has only offered 37 out of 50 states. For 2017, the value for central level entities was the highest, closely followed by procurement at the state level.

Table 8: Capturing procurement offered at the WTO in 2021

Country	Total estimated procurement	Procurement offered at the WTO GPA	Share of procurement offered at the WTO in the total estimated procurement (per cent)
EU	EUR 2181 billion*	EUR 412.60 billion	18 %
UK	GBP 329 billion	GBP 119.1 billion	36 %
USA	USD 2 trillion	USD 286.02 billion**	14 %

Source: Based on respective WTO reports and government estimates of procurement

**Includes values that may not be government procurement*

***For the USA, the value is that of 2017*

Table 8 provides an idea of the share of procurement offered at the WTO GPA by the EU, the UK and the USA. It is calculated by dividing the value of procurement offered at the WTO GPA with the total estimated procurement in 2021. Thus, the share was highest for the UK at 36 per cent; however, the share for the US and the EU was less than 20 per cent.

4.3. Procurement Databases

Tenders Electronic Daily: Tenders Electronic Daily (TED) is an online version of the Supplement to the Official Journal of the EU where public procurement notices are published, helping suppliers find business opportunities in the EU. TED data is available as open data allowing for analysis and planning by public authorities, businesses and academicians alike.

The TED contains data of tenders above certain thresholds, as dictated by EU directives, while the data for notices of contracts below the EU thresholds are spread across the national or regional level in their own formats, rendering it difficult or near impossible to use for analysis. For EU, only 31 per cent of data finds representation in TED (estimated value of tenders published on TED divided by the estimated total general government expenditures).

Table 9: Capturing EU's procurement in 2021

	Estimated procurement Value (in EUR Billion)
Estimated value of tenders published in TED (all directives)	666.6
Estimate of total general government expenditures on works, goods, and services (excluding utilities and some concessions)	2181.8

Source: Public Procurement Indicators 2022, DG Grow

A subset of TED data covering public procurement for the European Union is published in a CSV format and has been used for analysis in the sections that follow. It includes the most important fields from the contract notice and contract award notice standard forms, such as buyer's information, their type, the description of procurement and procedure used and value of procurement, as well as supplier side information such as name and address and country of winning supplier, criteria used for the award, etc.

As part of their policy to make procurement more accessible to small suppliers, foster competition and broaden their supplier database, the EU encourages its entities to divide the procurement into lots. Lots are categories of goods or services, which a single procurement process (contract award) has been divided into. The TED database records the award information and provides the total value of the contract but does not specify the exact value of procurement being awarded to a particular supplier from a particular country, especially when multiple lots and multiple suppliers are involved. Further, since the value of a procurement is given as a total and repeated for every lot, it needs to be adjusted before analysis.

Nonetheless, an attempt to study the major supplying countries to the procurement markets of select EU countries (France, Germany, Italy, Spain, Poland and Sweden) has been made in the following sections. Since the EU TED database is contingent upon the information input by EU authorities and can sometimes contain contracts with unreasonable values, every attempt has been made to clean the database of such values (for example, EUR 999,999,999,999¹⁹ appears to be mistyped and is unrealistic for a single tender.). (Annex 1 contains detailed tables based on the TED database)

The following assumptions have been made while analysing the data:

- The total value of the procurement was divided equally between the lots; this helps ascertain the value of procurement at the macro level, but would not give meaningful results for a micro level analysis of the lots.

¹⁹ A sequence of 9s or '1234567' typically indicates some data entry issue. Besides, since the data for TED is taken 'as is' from procuring authorities, there are a lot of missing values, non-sensical values.

- To study the procurement sources for EU, the countries winning the contracts have been divided into four categories. These four categories are a) own country (the supplier was from the same country), b) EU (the supplier was from one of the EU member states), c) outside EU (the supplier was from a country foreign to the EU) and d) not specified (where winner country was not specified).

For the sake of simplicity, if any country other than own (i.e., categories 2, or 3) was part of the chain of suppliers that won a portion of the contract, the entire portion is assumed to have been awarded to that country.

Another important point to note is that, as permitted by the TED database, only procurement taking place directly in an EU member state from a foreign country is under the ambit of the study. The numbers in category 1 may hide procurement that is taking place through subsidiaries of foreign companies in EU member states.

- Here, we have calculated the total amount being spent in a particular year; contracts that span over the years have not been treated differently, but it could very well be the case that a contract starting in a particular year continues over time.

USAspending: USAspending is the official open data source of federal spending information, including information about federal awards such as contracts, grants and loans. The Search Award tab allows for examining federal prime awards and transactions. Several filters are available to collate the information as per user requirements, including the following:

- Time period (custom dates or fiscal years)
- Award type (contracts, direct payments, grants, loans and other)
- Agency (awarding agency/funding agency)
- Treasury account symbol (code assigned to receipt or fund account to identify financial transactions in the federal government)
- Location (place of performance of award or recipient location)
- Recipient (identifies the supplier name/business id)
- Recipient type (type of business entity: non-profit, government, individuals, women-owned, minority-owned, veteran-owned etc.)
- Award amount (minimum/maximum amounts)
- Award ID
- Product or service code
- Type of set-aside

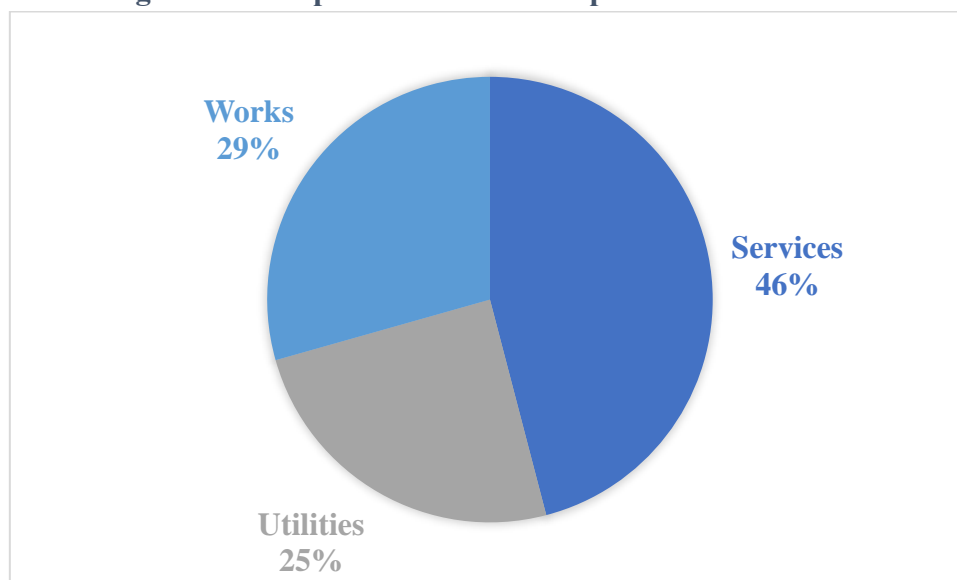
An important note in the case of the US, as in the case of several other countries including the EU, is that the amount being spent by a government in a year on procurement is not necessarily the procurement amount for a year; this is because of the nature of contracts that take more than one calendar/financial year to complete. In the case of the US, the total dollars obligated for contracts awarded in a given fiscal year are not fully accounted for until up to six years from the initial award date because the contracts run over several years. Thus, federal dollars obligated becomes a key parameter for computing federal government procurement trends. However, rather than actual spending, it shows commitments by the government to spend in a given timeframe.

4.3.1. Type of Procurement

This section deals with the nature of procurement, that is goods/utilities, services and construction services/works being procured by EU countries, the UK and the USA.

In 2021, services accounted for a major portion (46 per cent of procurement in the top EU procuring members, followed by works (29 per cent) and utilities/goods (25 per cent) (Figure 2).

Figure 2: Composition of the EU's procurement in 2021



Source: Based on calculations on TED Database

A slight country wise variation is observed with major EU procuring countries. For example, in 2021, Germany was the only country under consideration that had a leading share (51 per cent) for works procurement in its total procurement (half of Germany's procurement value), whilst Spain had the lowest share (12 per cent).

In contrast, services had the highest share (53 per cent) in France, accounting for nearly half its procurement in 2021, while Germany and Poland had a 35 per cent share each for services. For utilities, Spain had the highest share (40 per cent) whilst Germany's share was the lowest (14 per cent). Procurement for Poland was almost equally divided between services, works and utilities (Table 10).

Table 10: Country-wise type of procurement in 2021

	France	Germany	Spain	Italy	Poland	Sweden
Services	53 %	35 %	48 %	43 %	35 %	42 %
Utilities	17 %	14 %	40 %	37 %	35 %	31 %
Works	30 %	51 %	12 %	20 %	30 %	27 %

Source: Based on calculations on TED Database

Box 3: Environmental and Social Considerations in Procurement

Increasingly, more and more countries are using procurement to fulfil environmental objectives. In fact, most major economies, including a majority of those under GPA, use environmental requirements in their public procurement that, if not met, can lead to rejection of bids. These requirements stated in the procurement notice can range from the use of environmentally safe and renewable materials to biodegradable or compostable packaging. From coming up with a green procurement policy to forming a catalogue on best practices in green public procurement, countries have really stepped up their efforts. A few of these instances are discussed below:

- **Social Value Act and Social Value Model (UK):**

The Social Value Act came into force in the UK in January 2013. Its purpose is to invoke those commissioning public services to think about how they can secure wider social, economic and environmental benefits. In the wake of COVID-19, the UK government came up with a framework that requires procurement to have benefits beyond being the most economically advantageous.

The model, based upon the Social Value Act (2013), requires procuring authorities to include social considerations in the procurement process along five themes: COVID-19 recovery, tackling economic inequality, fighting climate change, equal opportunity and wellbeing. The commensurate policy outcomes related to these themes include helping local communities to manage and recover from the impact of COVID-19, creating new businesses, new jobs and new skills, effective stewardship of the environment, tackling workforce inequality and improving health and wellbeing. Central government departments are required to apply a minimum overall weighting of 10 per cent to social value. An example of an Award Criteria under a live Contract Notice²⁰ inviting tenders on UK's portal – Find a Tender – is given below:

**Restriction of Hazardous Substances in Electrical Equipment
DEPARTMENT OF ENVIRONMENT, FOOD AND RURAL AFFAIRS**

Award criteria

Quality criterion - Name: E01 – Organisational Experience, Capability and Resources/Weighting: 20

Quality criterion - Name: E02 – Proposed Expertise Team/Weighting: 20

Quality criterion - Name: E03 – Approach and Methodology/ Weighting: 30

Quality criterion - Name: E04 – Risk Management and Mitigation/Weighting: 10

Quality criterion - Name: E05 – Communication and Working Arrangements/Weighting: 5

Quality criterion - Name: E06 – Sustainability and Social Value/Weighting: 15

Price - Weighting: 100

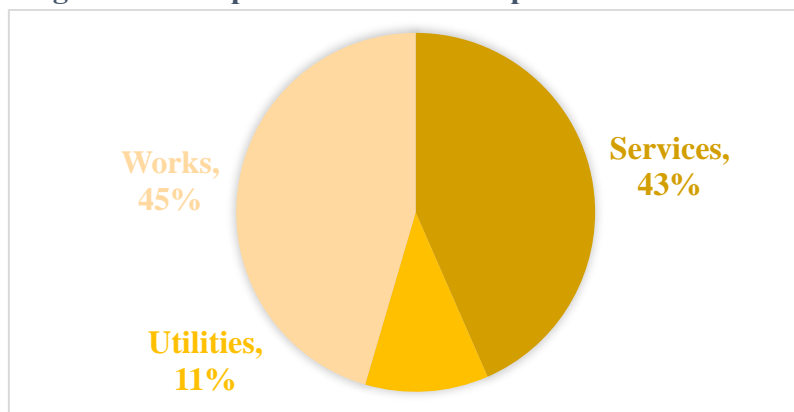
- **Joint US-EU Catalogue of Best Practices on Green Public Procurement (the US & EU):**

In April 2024, the US and the EU introduced a joint catalogue: a collection of policies, practices, and actions used across all stages of the procurement process, addressing environmental and climate challenges, such as a reduction in greenhouse gas emissions, energy efficiency or promoting circular economy approaches. It is intended to serve as an inspiration for policymakers and suppliers as well as provide ideas for the uptake of green solutions in public procurement globally.

²⁰ Contract Notice by Department of Environment, Food and Rural Affairs
(<https://www.find-tender.service.gov.uk/Notice/040347-2024?origin=SearchResults&p=1>)

These efforts fortify the Sustainable Development Goal (SDG) target 12.7 that aims to promote public procurement practices that are sustainable, in accordance with national policies and priorities. The progress towards this SDG is measured by indicator 12.7.1, that evaluates sustainable procurement policies and frameworks across countries.

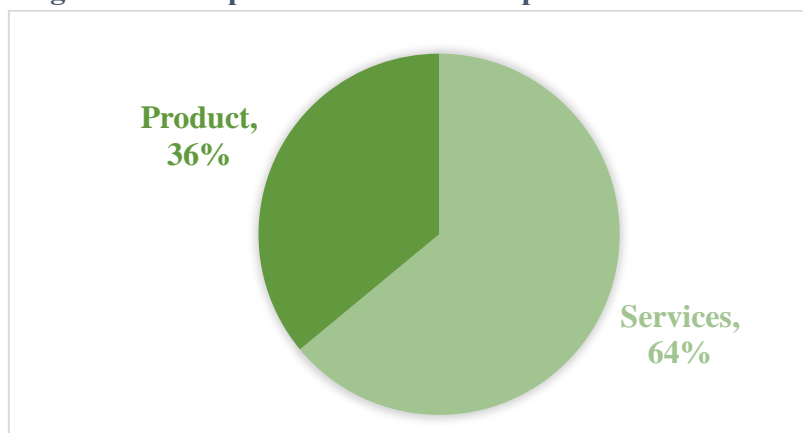
Figure 3: Composition of the UK's procurement in 2021



Source: Based on calculations on TED Database

For the UK, works and services held almost equal importance in procurement (45 per cent and 43 per cent respectively) while utilities had a much lower share (11 per cent only). (Figure 3)

Figure 4: Composition of the USA's procurement in 2021



Source: Based on USA Spending

Due to differences in the database, the procurement in the USA could only be divided into goods and services. As was the case with the EU and the UK, services (including construction services) had a major share (64 per cent) while goods accounted for only 36 per cent (Figure 4).

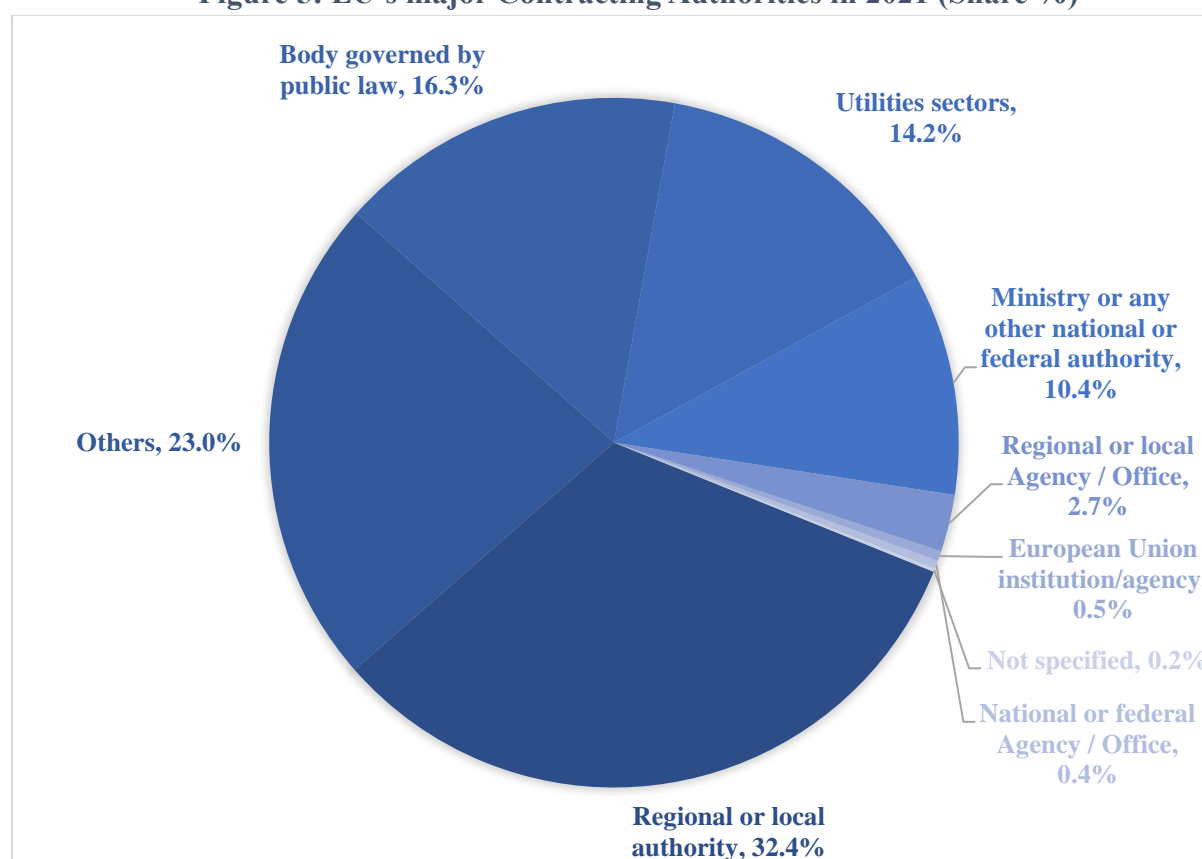
4.3.2. Major Ministries/Authorities

In this section, the composition of major contracting authorities/procuring entities in the EU (France, Germany, Italy, Spain, Poland and Sweden) have been examined. Note, that this section deals with procurement at large and not covered procurement that is offered under the

GPA. In the EU, procuring entities are required to inform their nature at the notice level and the entities can choose from the following options:²¹

1. Ministry or any other national or federal authority, including their regional or local subdivisions
2. Regional or local authority
3. Utilities sectors
4. European Union institution/agency
5. Other international organisations
6. Body governed by public law
7. Others
8. National or federal agency/office
9. Regional or local agency/office
10. Not specified

Figure 5: EU's major Contracting Authorities in 2021 (Share %)



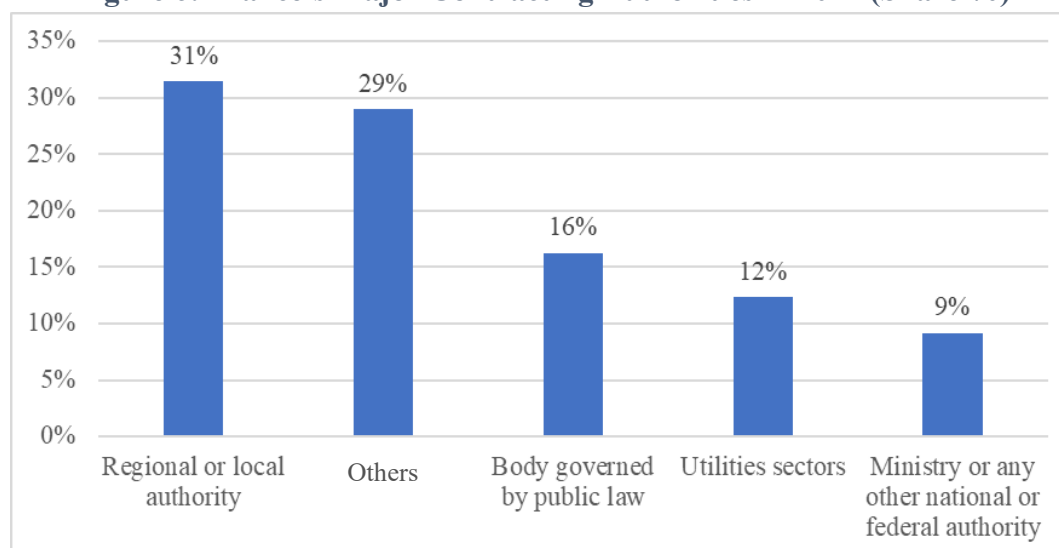
Source: Based on calculations on TED Database

Overall, while there is variation between countries, it is observed that there is a tilt towards procurement by regional/local authorities in almost all countries along with utilities and ‘other’ category (Annex 2 and Annex 3 as per the WTO GPA) as compared to ministries/national or federal authorities (Annex 1).

²¹ As per EU's TED schema forms. In November 2022, the format of notices published in TED changed to e-forms (digital standard forms used to publish notices on TED)

France: In 2021, regional or local authorities had the largest share (31 per cent) in procurement followed by others (29 per cent) and bodies governed by public law (16 per cent). This indicates that France's procurement was more concentrated at the Annex 2 and Annex 3 levels (as per GPA). These three categories alone made up 77 per cent of France's procurement value.

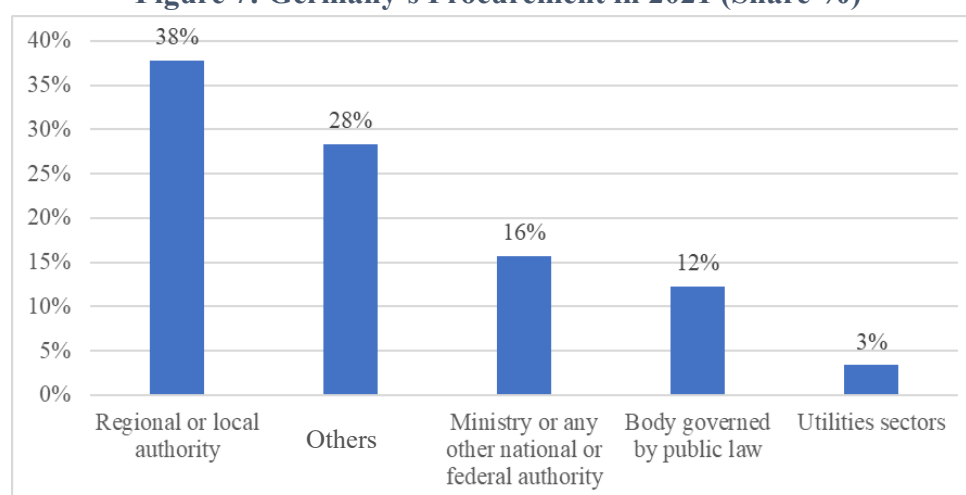
Figure 6: France's Major Contracting Authorities in 2021 (Share %)



Source: Based on calculations on TED Database

Germany: In 2021, Germany followed a pattern similar to France. Regional or local authorities had the highest share (38 per cent) in procurement followed by others (28 per cent) and ministries or other national or federal authorities (16 per cent), indicating a tilt towards higher spend by local/regional authorities; however, ministry/federal level procurement had a higher share in Germany as compared to France.

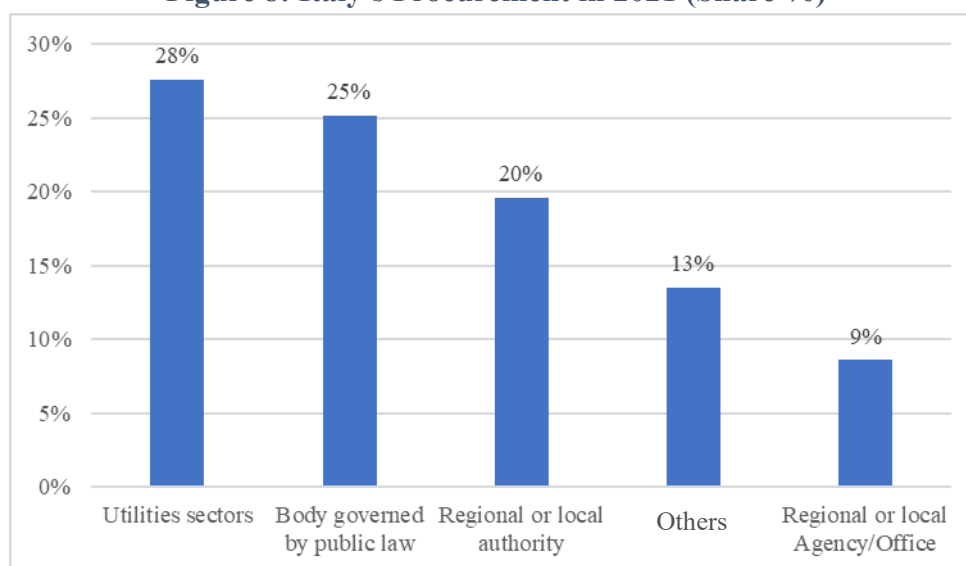
Figure 7: Germany's Procurement in 2021 (Share %)



Source: Based on calculation on TED Database

Italy: In 2021, in contrast to France and Germany, the utilities sector had the highest share in procurement for Italy (28 per cent), followed by bodies governed by public law (25 per cent) and regional or local authorities (20 per cent). In comparison, the share of ministry/national or federal authorities was only 5 per cent.

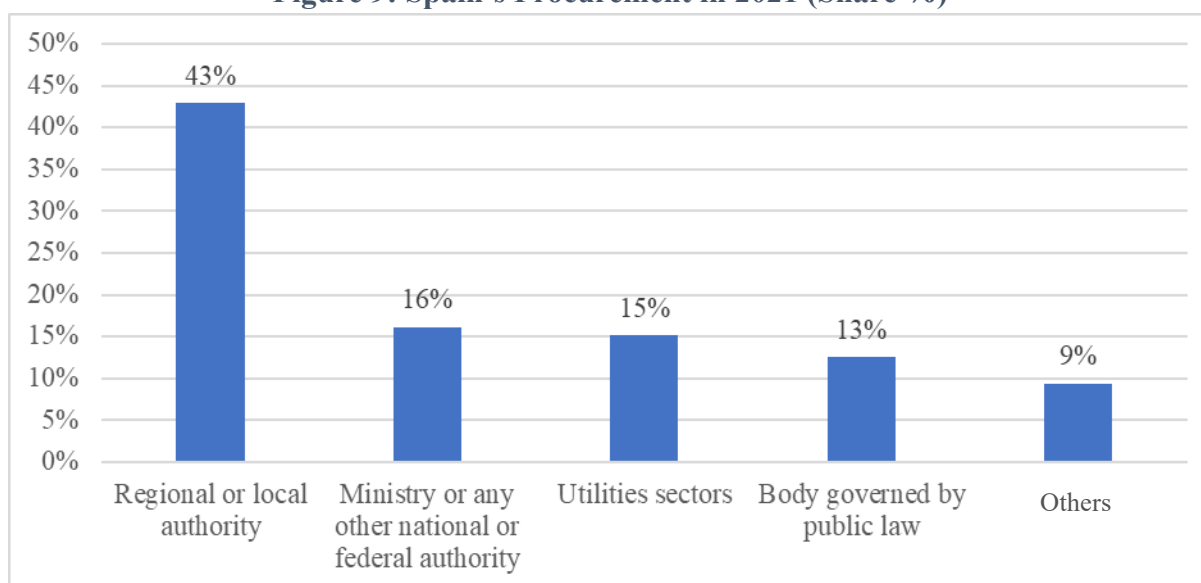
Figure 8: Italy's Procurement in 2021 (Share %)



Source: Based on calculation on TED Database

Spain: Spain followed a pattern similar to that of Germany and France, with regional or local authorities having the highest share in procurement (43 per cent), followed by ministries or other national or federal authorities (16 per cent) and the utilities sector (15 per cent).

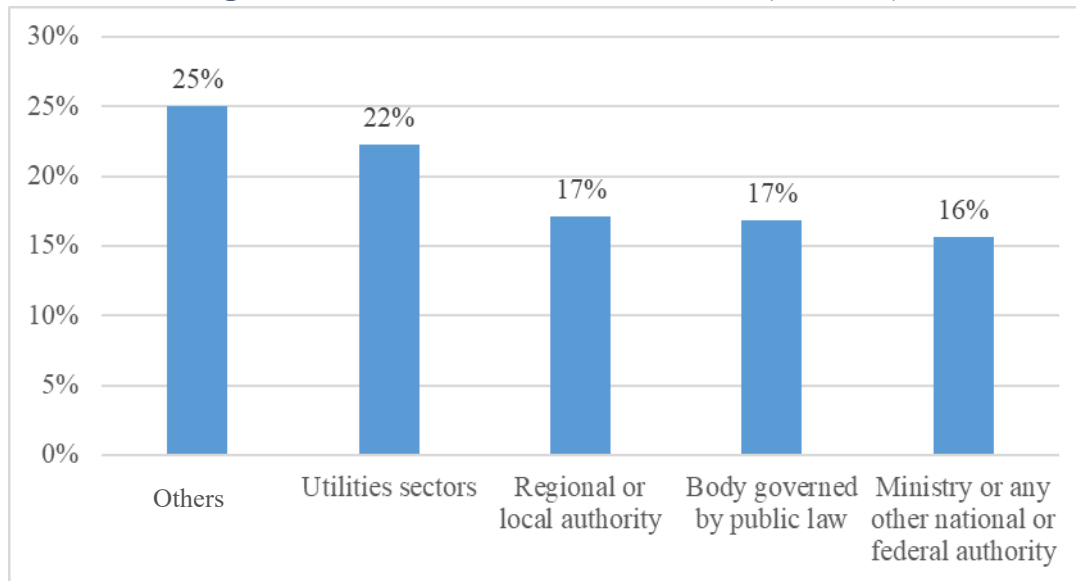
Figure 9: Spain's Procurement in 2021 (Share %)



Source: Based on calculation on TED Database

Poland: In 2021, entities that were marked 'others', i.e., that were neither regional, local, or federal level had the highest share in procurement, closely followed by the utilities sector (22 per cent) and regional or local authorities (17 per cent), exhibiting a similar trend of a higher share in spending by regional/local/utilities sector.

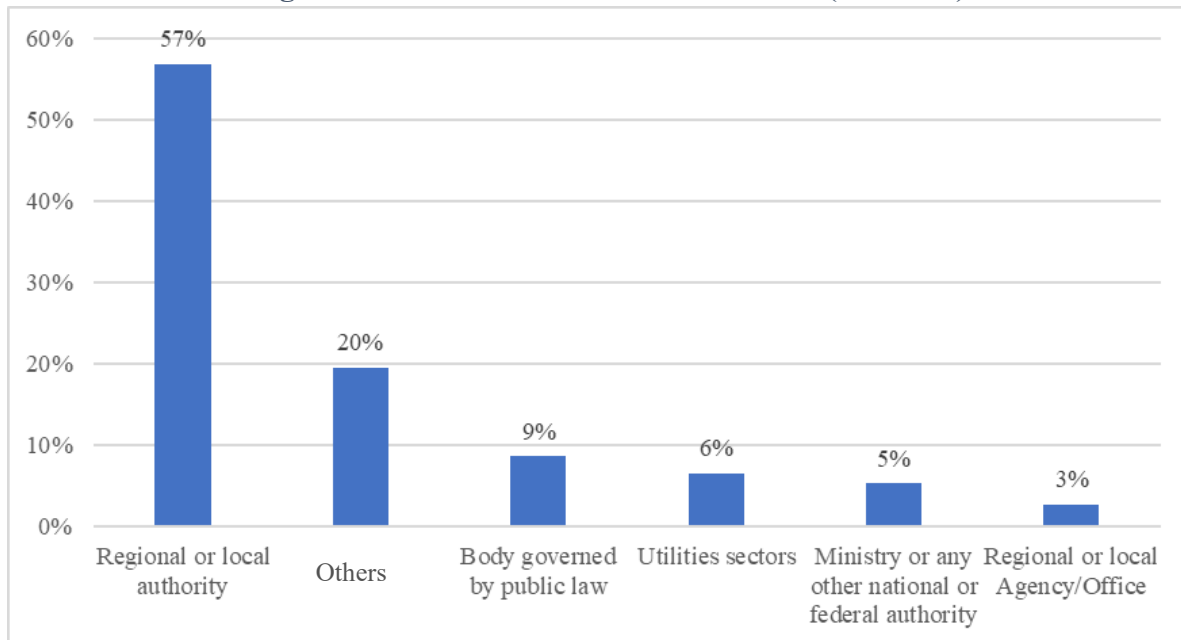
Figure 10: Poland's Procurement in 2021 (Share %)



Source: Based on calculation on TED Database

Sweden: In 2021, regional or local authorities had the highest share in procurement (57 per cent), the highest in any of the EU countries under consideration, followed by national or federal agencies/offices (20 per cent) and the utilities sector (9 per cent). However, the share of ministries or national/federal authorities remained low, as in its EU counterparts.

Figure 11: Sweden's Procurement in 2021 (Share %)

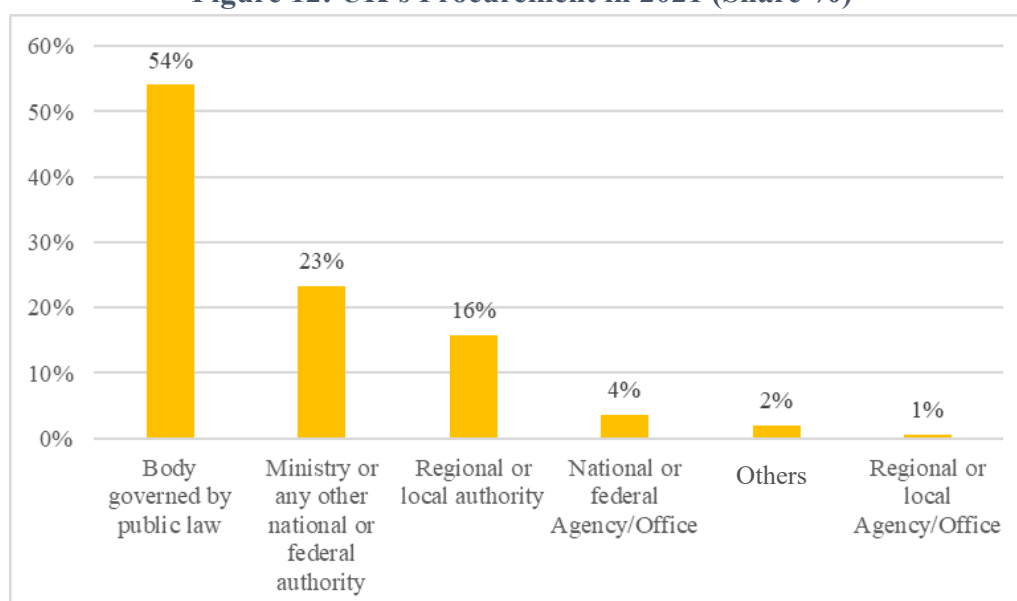


Source: Based on calculation on TED Database

The UK: Bodies governed by public law had the largest share in procurement in the UK in 2021 (54 per cent), followed by ministries and national or federal authorities (23 per cent) and regional or local authorities (16 per cent). This indicates that procurement at the regional/utility

level accounted for a higher share as compared to spending by ministries or other national/federal authorities.

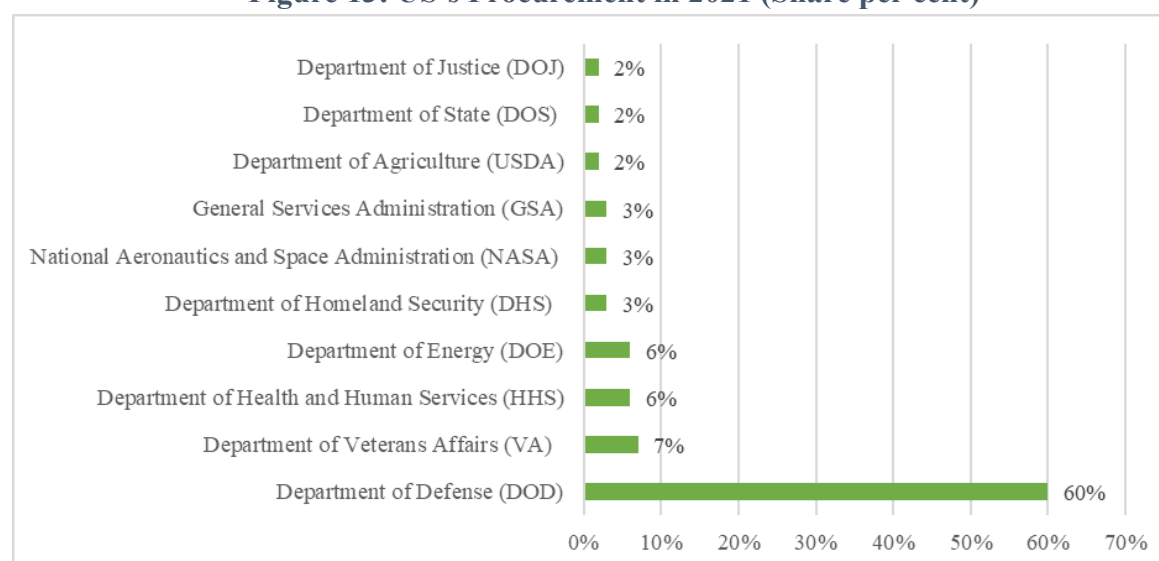
Figure 12: UK's Procurement in 2021 (Share %)



Source: Based on calculation on TED Database

USA:²² The table below highlights the list of top US federal agencies in 2021. The top three agencies – Department of Defense (DoD), Department of Health and Human Resources (HHS), and Department of Veteran Affairs (VA) – together accounted for 73 per cent of the total federal contract value with the DoD accounting for approximately 60 per cent of total contract spending (USD 386.95 billion out of USD 645.5 billion). It is worth noting that the Department of Defense had a higher share as compared to Department of Health and Human Services in the COVID-19 era, suggesting higher procurement by state/regional authorities.

Figure 13: US's Procurement in 2021 (Share per cent)



Source: Based on calculation on USA Spending

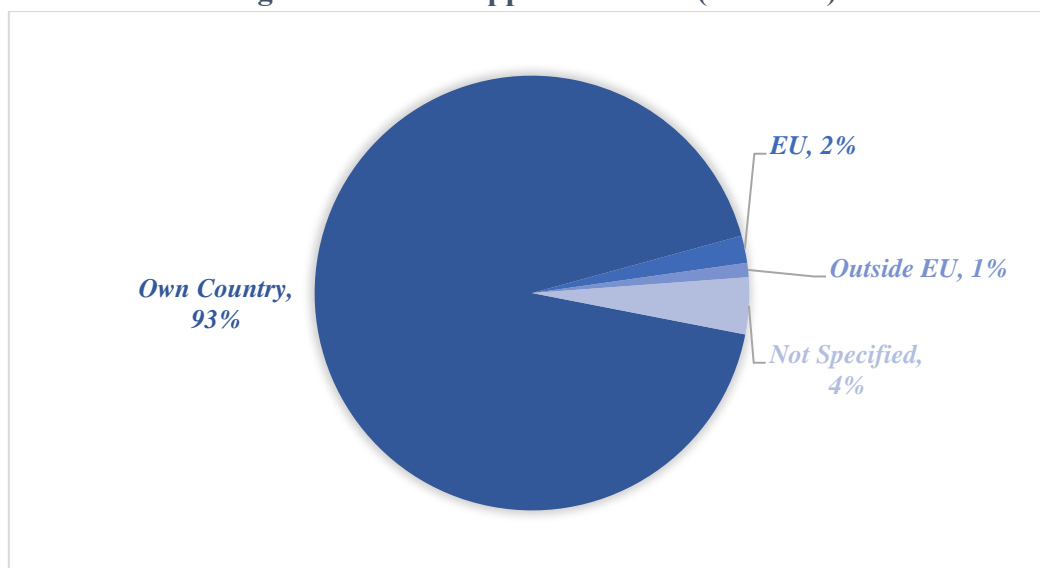
²² For USA, since federal procurement data has been analysed, major Departments have been presented.

4.3.3. Major supplying countries

To study suppliers to the EU, the country of the winning supplier was divided into four categories – own country, within the EU, outside the EU and country of supplier not specified.

EU: It can be observed that in the top EU procuring countries, more than 90 per cent of the value was awarded solely to domestic suppliers, i.e., suppliers based in the country of procurement. About 2 per cent of the value went to suppliers in other EU countries (the remaining EU 26 states) while the share of contracts awarded to suppliers outside the EU was only 1 per cent. About 4 per cent value had a missing awardee country.

Figure 14: EU's Suppliers in 2021 (Share %)



Source: Based on calculation on TED Database

There have been attempts to analyse and study the EU's GP market, particularly the extent of cross-border procurement by the EU Commission. In one such analysis,²³ the EU combined the TED database with the Orbis database to go one step ahead and define the characteristics of the winner companies. Using data between 2016-2019, the study divided procurement into cross-border direct procurement (winner company is based in a foreign country), cross-border indirect procurement (winner company is foreign controlled but based in the EU country) and domestic procurement (company is located in the same EU country). The following points regarding cross-border procurement were highlighted:

1. For contracts above EUR 1,000 but below EUR 200 million, the share of direct cross-border procurement was 4 per cent, while the share of indirect cross-border procurement was 22 per cent, leaving the share of domestic procurement at 74 per cent.
2. For contracts above EUR 200 million, the share of direct cross-border procurement was 7 per cent, while the share of indirect cross border procurement was 22 per cent, with domestic procurement having a share of 71 per cent.

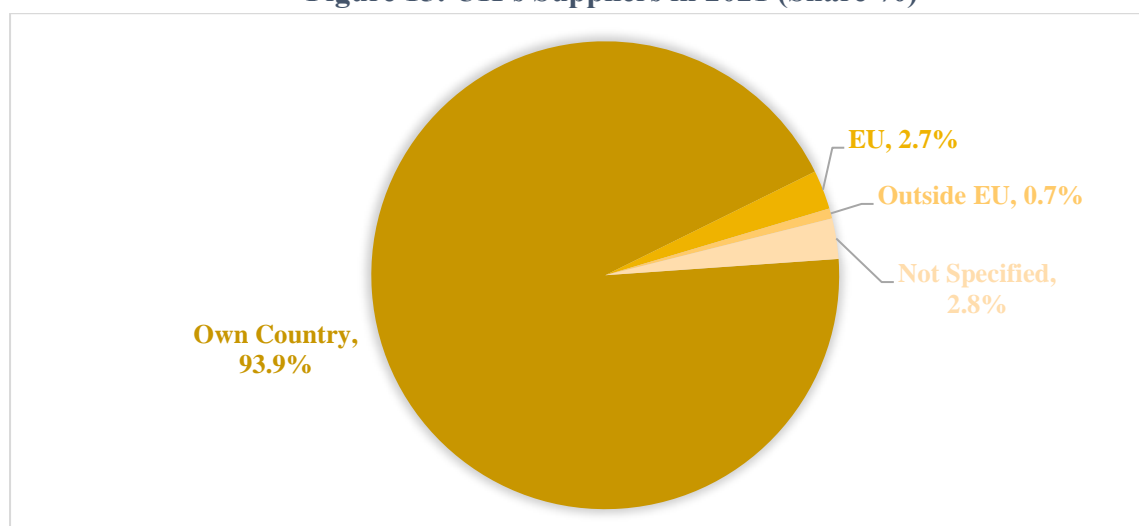
²³ European Commission: Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs, *Study on the measurement of cross-border penetration in the EU public procurement market – Final report*, Publications Office of the European Union, 2021, <https://data.europa.eu/doi/10.2873/15626>

As economic principles would also lead one to believe, smaller countries such as Latvia and the Czech Republic have a higher share of direct as well as indirect cross-border procurement as compared to larger countries with well-established companies such as Germany and France.

Another study²⁴ by the European Court of Auditors highlighted that over the decade 2011-2021, contracting authorities in EU member states awarded less than 5 per cent of their works, goods and services contracts to companies located outside their own country. The values were the lowest for France, Bulgaria, Poland and Spain.

The UK: It can be observed that in the UK too, more than 90 per cent of the value was awarded solely to domestic UK-based suppliers. About 2.7 per cent of the value went to suppliers in EU countries while the share of contracts awarded to suppliers outside the EU was less than 1 per cent. About 2.8 per cent value had a missing awardee country.

Figure 15: UK's Suppliers in 2021 (Share %)



Source: Based on calculation on TED Database

The cross-border procurement study by the EU also estimated cross-border direct procurement, cross-border indirect procurement and domestic procurement for the UK. This highlighted the following features:

1. For contracts above EUR 1,000 but below EUR 200 million, the share of direct cross-border procurement was 2 per cent, while the share of indirect cross-border procurement was 17 per cent, leaving the share of domestic procurement at 81 per cent.
2. For contracts above EUR 200 million, the share of direct cross-border procurement was 2 per cent, while the share of indirect cross-border procurement was 31 per cent, with the share of domestic procurement at 67 per cent.

The USA: The USA government awards billions of dollars' worth of contracts domestically and internationally; however, as can be seen, an overwhelming share (98 per cent) goes to suppliers

²⁴ Special report 28/2023: Public procurement in the EU. (n.d.). European Court of Auditors. <https://www.eca.europa.eu/en/publications?ref=sr-2023-28>. Accessed January 25, 2025

based in the USA. It is seen that even USA's traditionally proximate partners, Canada and Mexico, do not have a significant share in the US procurement market (Table 11).

Table 11: USA's Suppliers in 2021 (USD Million)

Source	Value (USD Million)	Share (%)
USA	632710.25	98.02
Canada	1117.60	0.17
Mexico	24.45	0.0038
Bermuda	1.79	0.0003
The Bahamas	0.61	0.0001
Sum of top 5	633854.71	98.20
Other sources	11645.3	1.80%
Total	645500	

Source: Based on calculation on USA Spending

A 2019 report by the Government Accountability Office²⁵ also studied the share foreign companies in government procurement markets. It highlighted that procurement contracts by the US and other major parties to the WTO GPA (EU, Canada, Japan, Norway, Mexico and South Korea) awarded to foreign entities is less than 20 per cent of the total central government spending. While this foreign sourcing varies from country to country, the share typically lies between 2 and 19 per cent of overall central government procurement. In terms of goods and services procured from foreign sources by all levels of government, the spending by these countries range between 7 and 18 per cent.

The contracts awarded by the US government was valued at USD 12 billion to companies located outside the US, of which USD 5 billion was awarded to companies with reported locations in the main parties (mentioned above) to the WTO GPA. More than 80 per cent of US government contracts awarded to foreign firms located outside the US were Department of Defense contracts.

Thus, in percentage terms, developed WTO GPA members have awarded a relatively small portion of their GPA market to foreign suppliers. This can be attributed to the well-established industrial base in these countries, which enables procuring entities to meet their needs using domestic suppliers. Nonetheless, in absolute terms, these markets act as a valuable entry point for suppliers to do business with foreign governments.

5. Observations and Conclusion

Government procurement or public procurement is defined as the purchase of goods, services and works by the government to fulfil its functions. Transparency, efficiency and value for money are the basic tenets of government procurement. In recent years, many countries have

²⁵ GAO-19-414, INTERNATIONAL TRADE: Foreign Sourcing in Government Procurement

started incorporating environmental and social factors into their procurement policies, aligning with the sustainable procurement targets outlined in SDG 12.7, “Promote public procurement practices that are sustainable, in accordance with national policies and priorities.”

The WTO GPA is a plurilateral arrangement that requires member countries to open their procurement markets to foreign suppliers, broadening the alternatives available to procuring entities. By fostering competition, it drives efficiency and higher value for public money.

The GPA provides access to an estimated USD 1.7 trillion combined procurement market. The rules in the text of the WTO GPA emphasise transparency, fairness and efficiency, and dictate the procedural requirements of the procurement process, while the market access annexes provide information on procuring entities that are open to members beyond a certain threshold at different levels of the governments – the central, sub-central/state and other/utilities level. Defence related and sensitive procurement is normally kept outside the purview of the GPA and developing countries are encouraged to participate, gradually giving up their procurement related set-asides and meeting lower thresholds. This paper analyses the size and nature of government procurement in major countries of the WTO GPA: the UK, the EU and the USA. As key members of the WTO GPA, these countries offer well-established and transparent procurement systems that adhere to international standards and serve as the ideal candidates for identifying growth opportunities and participation by foreign suppliers due to their significant size. To assess these markets, datasets from procurement websites, Tenders Electronic Daily (the EU and the UK) and USASpending (for the US), as well as statistical reports submitted by these countries to the WTO have been used.

It is observed that even in countries with large government procurement markets, only a portion is covered under the WTO framework. In 2021, the UK, the USA, and the EU awarded over 90 per cent of procurement value to suppliers in ‘own’²⁶ country, reflecting a strong home bias. Nonetheless, the experiences of recent GPA entrants Moldova (July 2016), Ukraine (May 2016) and Armenia (September 2011) reveal benefits in the form of improved technical knowledge, transparency and internal reforms, although there was insignificant international participation in some of these markets, possibly due to their small size.

In summary, the benefits of the GPA depend on factors such as the limited coverage of procurement above certain thresholds, reciprocity conditions with carve-outs for specific members, and the relatively small GPA membership. While joining the GPA does not automatically guarantee that international suppliers will win tenders, the GPA continues to serve as a gateway for countries, not only providing a guaranteed opportunity to access procurement but also fostering transparency, fair competition in procurement processes and alignment with international best practices. The benefits of GPA membership extend beyond tender opportunities, enhancing market access, procurement standards, knowledge exchange and institutional capacity.

²⁶ Refers to suppliers that are established within the country and may include foreign subsidiaries.

Annexure 1: Tables based on TED

Nature of Procurement The EU – (Value in Billion Euro)

Type of Contract	France		Germany		Italy		Poland		Sweden		Spain	
	Value	Share	Value	Share	Value	Share	Value	Share	Value	Share	Value	Share
Services	100.77	53 %	25.16	35 %	34.4	43 %	11.16	35 %	13.57	42 %	24.25	48 %
Utilities	31.48	17 %	10.1	14 %	29.35	37 %	11.2	35 %	10.13	31 %	20.21	40 %
Works	56.69	30 %	36.13	51 %	16.15	20 %	9.69	30 %	8.97	27 %	6.28	12 %
Total	188.95	100.00 %	71.39	100 %	79.9	100 %	32.04	100 %	32.66	100 %	50.74	100 %

The UK – (Value in Billion Euro)

Type of Contract	Value	Share
Services	132.27	43 %
Utilities	34.23	11 %
Works	138.41	45 %
Total	304.91	100 %

CAE Type The EU – (Value in Billion Euro)

CAE Type	France		Germany		Italy		Poland		Sweden		Spain	
	Value	Share	Value	Share	Value	Share	Value	Share	Value	Share	Value	Share
Regional or local authority	30.68	16%	8.77	12%	20.09	25%	5.39	17%	2.81	9%	6.35	13%
Other	0.31	0%	0.96	1%	0.24	0%	0.25	1%	0.00	0%	0.33	1%
Body governed by public law	17.28	9%	11.22	16%	4.00	5%	5.01	16%	1.71	5%	8.20	16%
Utilities sectors	0.57	0%	0.39	1%	0.26	0%	0.43	1%	0.06	0%	0.04	0%
Ministry or any other national or federal authority	0.59	0%	0.00	0%	0.00	0%	0.02	0%	0.13	0%	0.00	0%
Regional or local agency/office	54.77	29%	20.25	28%	10.77	13%	8.01	25%	6.38	20%	4.75	9%
Not specified	2.11	1%	0.40	1%	6.86	9%	0.33	1%	0.89	3%	1.62	3%
National or federal agency/office	59.35	31%	26.99	38%	15.66	20%	5.48	17%	18.57	57%	21.76	43%
European Union institution/agency	23.29	12%	2.41	3%	22.02	28%	7.13	22%	2.11	6%	7.70	15%
Grand Total	188.95	100%	71.39	100%	79.90	100%	32.04	100%	32.66	100%	50.74	100%

The UK – (Value in Billion Euro)

CAE Type	Value	Share
Body governed by public law	164.81	54 %
Ministry or any other national or federal authority	71.11	23 %
Regional or local authority	48.21	16 %
National or federal agency/office	11.12	4 %
Other	6.09	2 %
Regional or local agency/office	1.77	1 %
Utilities sectors	1.77	1 %
Not specified	0.02	0 %
European Union institution/agency	0.00	0 %
Grand Total	304.91	100 %

Supplier Country
The EU – Value in Billion Euro

	France		Germany		Spain		Italy		Poland		Sweden	
Source	Value	Share	Value	Share	Value	Share	Value	Share	Value	Share	Value	Share
Own Country	179.25	94.87 %	66.26	92.82 %	46.58	91.80 %	72.13	90.30 %	28.61	89 %	30.13	92 %
EU	2.81	1.49 %	2.67	3.74 %	0.58	1.10 %	1.29	1.62 %	1.08	3 %	0.81	2 %
Outside EU	0.59	0.31 %	0.3	0.42 %	0.21	0.40 %	1.74	2.18 %	1.14	4 %	0.85	1 %
Not Specified	6.3	3.3 %	2.16	3.03 %	3.37	6.60 %	4.74	5.90 %	1.21	4 %	1.49	5 %
Total	188.95	100 %	71.39	100 %	50.74	100.00 %	79.9	100.00 %	32.04	100 %	32.66	100 %

The UK – Value in Billion Euro

	UK	
Source	Value	Share
Own Country	286.25	93.90 %
EU	8.19	2.70 %
Outside EU	2.05	0.70 %
Not Specified	8.43	2.80 %
Total	304.91	100 %

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About the authors



Ms Navita Sharma is a Senior Research Fellow at the Centre for WTO Studies, with over six years of experience in policy-oriented research in international trade. She specialises in trade in goods and government procurement. She holds a Master's degree in Economics from Jamia Millia Islamia, New Delhi and BA (Hons) Economics from Sri Venkateswara College, Delhi University.

Email ID- navita_cws@iift.edu



Mr. Divyansh Dua is a Young Professional (Researcher) at Centre for WTO Studies, with almost 2 years of expertise in international trade including Trade in Services, Trade in Goods and Government Procurement. He holds a Master's Degree in Economics from Gokhale Institute of Politics and Economics and BA (Hons) Economics from University of Delhi.

Email ID – divyansh_cws@iift.edu



Ms. Mrunmayee Nitin Thatte is a Research Fellow at the Centre for WTO Studies, with almost 3 years of expertise in international trade, with specialisation in Trade in Goods. She holds a MSc Economics (International Trade) from Symbiosis School of Economics, Pune and BA Economics from University of Mumbai.

Email ID – mrunmayee_cws@iift.edu

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NAFED House, Siddhartha Enclave, Ashram
Chowk, Ring Road, New Delhi – 110014
<http://wtocentre.iift.ac.in/>