

**SOME THEORETICAL ASPECTS OF PUBLIC PROCUREMENT
IN CONTEXT OF THE WTO**

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The article is about some aspects of the WTO's Government Procurement Agreement designed to open up public procurement market to competition, to prevent "buy national" policies and to promote the free movement of goods and services.

Public procurement is a business process within a political system. Failure to properly balance public procurement elements can lead to wasted effort and poor development results within the most important single marketplace in developing countries. Public procurement law regulates the purchasing by public sector bodies and certain utility sector bodies of contracts for goods, works or services.

Government procurement is government purchases of goods and services – everything from office supplies to jet fighters to consultants. Government expenditures typically make up a large portion of GDP – 10 to 25 per cent in OECD countries – and what governments decide to buy or not buy can have an enormous influence on the economy and environment. This fact has led many governments to begin thinking about how to green their procurement, making it a force for environmental protection, or at least reduced environmental damage.

The World Trade Organization (WTO) is the only global international organization dealing with the rules of trade between nations. The goal is to help producers of goods and services, exporters, and importers conduct their business.

After World War II, discrimination flourished against foreign suppliers in the global economy. One of the causes of such situation was Keynesian views that dominated at that time in macroeconomics. According to Keynesian views it is believed that the lower the percentage of each dollar government spend on foreign goods production (imports), the greater the increase in national income, caused by an increase in government spending. Governments can reduce this share (marginal propensity to import), refusing to buy goods from abroad.

For the first time talks on the issue were held during the Tokyo Round (1973–1979) of multilateral trade negotiations. The GPA was adopted as a part the general WTO regulatory regime in 1994, following the Tokyo Round Government procurement Code. The GPA is a plurilateral agreement and as such it is distinguished from the obligatory nature of the most of the other WTO agreements. In addition of the European Union (EU) and the EU Member States, the current parties to the GPA are the countries of the European Economic Area, Northern American countries (Canada and the USA), and developed Asian countries (Japan, Singapore, South Korea). Furthermore, a number of countries (and organizations) are observers to the GPA. The current regulatory history of the GPA in the form it had been adopted as a part of the original WTO package in 1994. The GPA has been sidelined in the in the latest negotiations in the Doha Round, but it has been to negotiations within its own framework. The culmination of the negotiations has been in the form of a proposal for new rules published in 2010 – a revised text of 13 December 2010 [1]. The negotiation was concluded in December 2011 and the outcome of the negotiations was formally adopted in March 2012. Instruments of acceptance, often based on the completion of domestic ratification procedures, had to be submitted by two-thirds of the GPA parties in order for the revised Agreement to enter into force 30 days later. This requirement was fulfilled.

Generally speaking, there are two versions of the Agreement and both of them are based on the same principles, i.e. non-discrimination, transparency and procedural fairness, and contain the same main elements.

The GPA is composed mainly of two parts: the text of the Agreement and parties' market access schedules of commitments. The schedule of each party setting out terms of participation contains several annexes which define the party's commitment with respect to four dimensions of coverage:

- the procuring entities covered by the Agreement;
- the goods, services and construction services covered by the Agreement;
- the threshold values above which procurement activities are covered by the Agreement; and
- exceptions to the coverage [2].

The text of the Agreement establishes rules requiring that open, fair and transparent conditions of competition be ensured in government procurement. However, these rules do not automatically apply to all procurement activities of each party. Rather, the coverage schedules play a critical role in determining whether a procurement activity is covered by the Agreement or not. Only those procurement activities that are carried out by covered entities purchasing listed goods, services or construction services of a value exceeding specified threshold values are covered by the Agreement.

The GPA does not prohibit discrimination among like products, but rather focuses on discrimination between foreign and domestic suppliers. It does demand, though, that any requirements should not be "prepared, adopted or applied with a view to, or with the effect of, creating unnecessary obstacles to international trade" – a requirement that has yet to be interpreted. It also mandates that technical specifications should be "based on international standards, where such exist; otherwise, on national technical regulations, recognized national standards, or building codes.

The WTO's Government Procurement Agreement is different from most of the WTO agreements, in that it is plurilateral. This means that countries do not automatically subscribe by being WTO members, and in fact only a few currently do. The GPA establishes an agreed framework of rights and obligations among its parties with respect to their national laws, regulations, procedures and practices in the area of government procurement. For example, according to the rules, three conditions have to be made in order to establish an obligation for there to be a competitive tender:

- the purchase has to be made by an entity that is subject to the rules;
- the economic threshold has to be exceeded;
- the purchase must concern goods certain goods and/or services.

Now GPA consists of 17 parties covering 45 WTO members (counting the European Union and its 28 member states, all of which are covered by the Agreement, as one party). Another 30 WTO members and four international organizations participate in the GPA Committee as observers. 10 of these members with observer status are in the process of acceding to the Agreement. The WTO members that have started the process of acceding to the GPA are Albania, Australia, China, Georgia, Jordan, the Kyrgyz Republic, Oman and Tajikistan. A further five members — the Former Yugoslav Republic of Macedonia, Mongolia, the Russian Federation, Saudi Arabia, and Seychelles — have provisions regarding accession to the Agreement in their respective protocols of accession to the WTO [3].

Many countries need to correct weaknesses in public procurement systems through:

- comprehensive legal frameworks;
- effective monitoring and auditing procedures and organizations to ensure compliance with the regulations;
- standard terms and conditions of contracts;
- improved transparency and public availability of rules governing the process, and
- an improved capacity for developing and retaining people with professional skills in procurement.

There are advantages and disadvantages of the GPA membership [2].

Firstly, the GPA requires the greatest transparency, and it severely restrict the spread of corruption, which is one of the main problems of the public procurement system of many country. Secondly, the opening of the market of public procurement involves a lot of suppliers, this increases competition. As a result, the state will receive more quality products and services, that contributes to the optimal spending of budget funds. Also, participation in the GPA will provide non-discriminatory treatment on international markets, which means participation in international tenders and expansion of markets for exporters.

On the other hand, liberalization means abandoning the protective measures, which is usually pronounced in the public procurement sector. Secondly, all the reservations about protection of individual sectors of the country achieve through negotiations. In addition, after joining the GPA, state has to reduce the incentives of domestic business and the provision of preferences for categories that need to be supported by the state. In the first place, this measure will have a negative effect on domestic suppliers that are wholly or partly dependent on government procurement..

The WTO rules on government procurement primarily consist of the rules in the plurilateral Agreement on Government Procurement (GPA). The aim of the "The Agreement on Government Procurement of the WTO" (GPA) is to open up as much of government procurement as possible to international trade and competition, while ensuring appropriate transparency and a commitment to good governance. A well-regulated government procurement system, embodying the principles of transparency and non-discrimination, helps to ensure optimal value for money in public purchasing, and also facilitates international trade. Accession to the GPA requires, in addition to the existence of GPA-compliant national procurement legislation, the reaching of agreement on the terms of participation by each acceding WTO member. This is achieved through negotiations with the existing parties to the Agreement. Thus, the decision on the admission to the market of public procurement foreign suppliers requires a balanced and thoughtful approach. Any country should carefully assess the impact of this step for human development: employment, income distribution, growth and stability of small businesses.

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**DETERMINATION METHODS OF CREDIT RISK IN CREDITING
OF INVESTMENT PROJECTS BY BANKS**

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When choosing an investment project a bank is not only to calculate the indicators of project efficiency, but also to determine the credit risk. This article presents the procedure of determining the credit risk and its application in practice by the example of the investment project implemented in "Belsolod" (a branch of "Polotsk beer").

The main purpose of long-term development of any enterprise is the gradual formation of modern production based on the usage of existing technology and equipment. In order to improve the quality of products in the branch "Polotsk beer" "Belsolod" needs additional manufacturing equipment, which allows to eliminate the "bottlenecks" of the process. The solution to the problems and the achievement of the intended objective are possible by making optimal construction and planning decisions, creating an optimal control system, including the system of remuneration to attract highly qualified specialists and workers, as well as the choice of an effective investment plan. To implement the investment project the branch of "Polotsk beer" "Belsolod" needs not only their own funds, but also borrowed ones. In this case, bank loans are resorted to. Commercial Bank, when choosing an investment project pays their attention primarily to the credit risk to which the entity is exposed. For this purpose there exist and are being developed various methods for determining credit risk. Currently, there is no specific and systemized method applied in all banks in Belarus, so we proposed the following.

The concept of "credit risk group" is interpreted as an indication of the credit classification of the product that determines the probability of the borrowers' discharge of obligations to the bank. Basing on the risk group the bank determines the magnitude of the reserves that banks must establish at the presented loan product.

Client's liabilities are assessed at the following groups of factors:

1. Collateral quality.
2. The client's turnover on the current account and the cash flow.
3. The financial condition of the client.
4. The share of client's own funds in the funded project.
5. Operating profitability of the client.
6. Delay in payment of interest and principal.

The final group of risk is defined as the worst score for each indicator. The approach to assessing of the risk is conditioned on the presence of the smallest possible values for each of the indicators; only by getting them classification into risk groups is possible. The bank's credit risk associated with the project lending is determined from the investment project. Below we consider each point of the group above and thus make a conclusion on the creditworthiness of the branch of "Polotsk beer" "Belsolod".

1. Collateral quality is estimated as the ratio of collateral to the amount of the debt.

In the presence of highly liquid collateral the part of the loan covered by this collateral, belongs to the risk group 1 (low risk), regardless of the values of other indicators.

The amount of collateral is calculated as the sum of hypothecation values of each pledged object, the assessment is made in consultation with an expert and a specialist of a pledge transaction division of the bank (or other supporting services). Taking the equipment purchased on credit in the collateral is also possible, as well as accounting of the pledge in calculating of the risk when granting of the credit.

In accordance with the requirements of the bank, the borrower is required personal guarantee for the loan. Personal guarantee is provided in the form of a guarantee. In calculating the index of «collateral quality», personal guarantee is taken into account in the amount of not more than 10% of the loan only if this guarantee is provided with of the personal assets of the founder of the guarantee.

The costs of preparation and implementation of projects in the branch of "Polotsk Beer" "Belsolod", according to the business plan are estimated at RUB 98 159 mln. At the same time, the necessary borrowed