

40. Size of public procurement market

Public procurement (the purchase by governments and state-owned enterprises of goods, services and works) accounts for a significant percentage of GDP and has a direct impact on the economy. Obtaining more accurate and comprehensive information about one of governments' largest spending processes, therefore, is key to improving the quality of government services, better allocating resources and providing greater value for taxpayers' money.

According to estimations drawing from National Accounts data, governments in OECD member countries spend on average 12% of their GDP on public procurement (excluding procurement by state-owned utilities). Variations reflect the different size of the state, its role in the economy and the existence of big spending projects (e.g. infrastructure investments). In 2008, the Netherlands, the Czech Republic and Iceland spent over 15% of GDP by way of public procurement transactions, the largest shares amongst OECD countries. In comparison, procurement expenditures in Mexico, Chile and Switzerland represented less than 7% of GDP.

For some member countries there are also data available on the estimated value of the procurement contracts of state-owned utilities. When these purchases are also accounted for, the size of procurement markets increases by an additional 2 to 13 percentage points of GDP. For example, in 2008, state-owned utilities in Austria and the Czech and Slovak Republics spent between 8 and 13% of GDP through public procurement.

As a response to the economic downturn, many countries have launched fiscal stimulus programmes that include a large procurement component, often related to infrastructure projects. The majority of OECD member countries increased procurement activities between 2006 and 2008 relative to their GDP.

For EU countries, tenders above a legally prescribed value must be advertised in the *Official Journal of the EU (OJEU)*. The value of the announced tenders as a share of the estimated total value of the national public procurement market is a good proxy of the extent to which national public procurement opportunities are made open to foreign bidders. Indeed, significant progress has been made in recent years in opening national procurement markets to international competition. The share of tenders published varies greatly across EU countries, from 7% in Germany and the Netherlands to 45% in Estonia. On average, 22% of the total value of public procurement in OECD countries that are also members of the EU are published in the *OJEU*.

Methodology and definitions

The size of national procurement markets is estimated using data from the *OECD National Accounts Database*, based on the *System of National Accounts (SNA)*. 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 IT 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 (goods and services produced by market producers, purchased by government and supplied to households). It represents the amount of disbursements (expenditures) within a given year. The SNA data may provide an overestimation, as the above categories may include certain expenditures not carried out through government procurement.

The general government component includes the values of procurement by central, state and local governments, and social security funds, but exclude public corporations, such as state-owned utilities. Therefore, where available, data on expenditures of state-owned utilities on procurement transactions are also included in order to better approximate the size of procurement markets. Expenditures by state-owned utilities on procurement are estimated by the European Commission.

A second approach in assessing the size of procurement markets consists of using data collected from published tenders. The European Commission estimates the total value of tenders published in the *OJEU* based on the number of tenders and the values of contract awards reported by countries, which may not represent disbursements in the year indicated. This estimation is calculated as a percentage of the total estimated value of the national public procurement market, which includes the SNA estimation for general government procurement and the European Commission approximation of state-owned utilities procurement.

Further reading

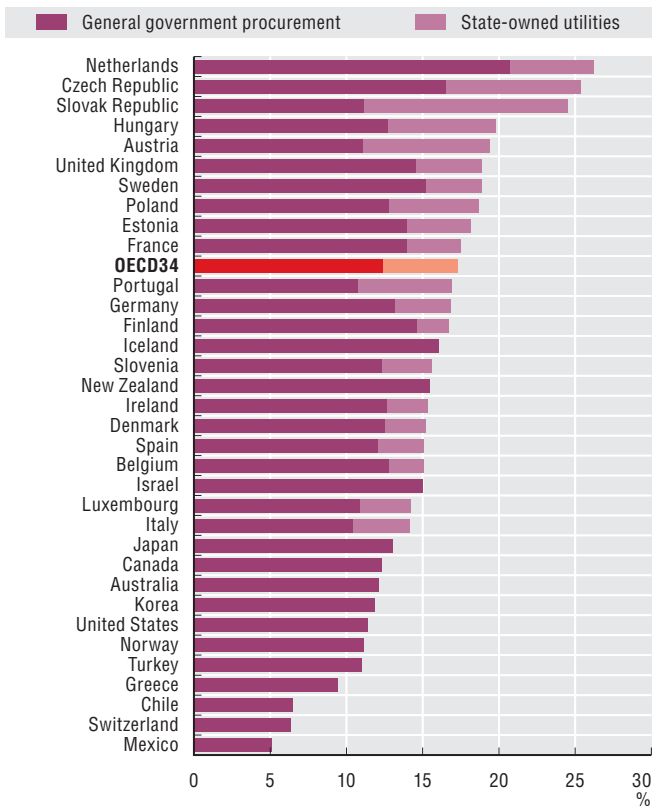
- Audet, D. (2002), "The Size of Government Procurement Markets", *OECD Journal on Budgeting*, Vol. 2, No. 3, OECD Publishing, Paris.
- European Commission (2008), *Measurement of Indicators for the Economic Impact of Public Procurement Policy*, Working document, European Commission, Brussels.
- OECD (2009), *OECD Principles for Integrity in Public Procurement*, OECD Publishing, Paris.

Figure notes

- 40.1 and 40.2: Canada, Greece, Iceland, Israel, Mexico, the United Kingdom and the United States do not report separate data on social transfers in kind via market producers in their National Accounts. Spending in these areas may be reported under other categories included in general government procurement or may be accounted for elsewhere and not included in the figure.
- 40.1: Estimations of the public procurement transactions of state-owned utilities are only available for some OECD countries that are also members of the EU. The missing countries are not included in the OECD average for this transaction.
- 40.2: Excludes public procurement spending of state-owned utilities.
- 40.3: Data for non EU members are not available.
- Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>.

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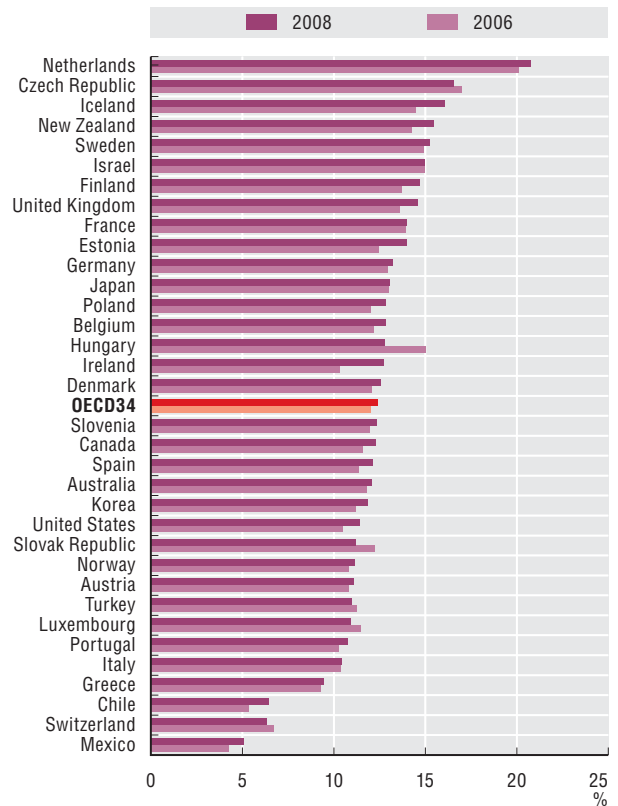
40.1 General government and state-owned utilities procurement as percentage of GDP (2008)



Source: OECD National Accounts Statistics and Eurostat. Data for Australia are based on a combination of Government Finance Statistics and National Accounts data provided by the Australian Bureau of Statistics.

StatLink <http://dx.doi.org/10.1787/888932391013>

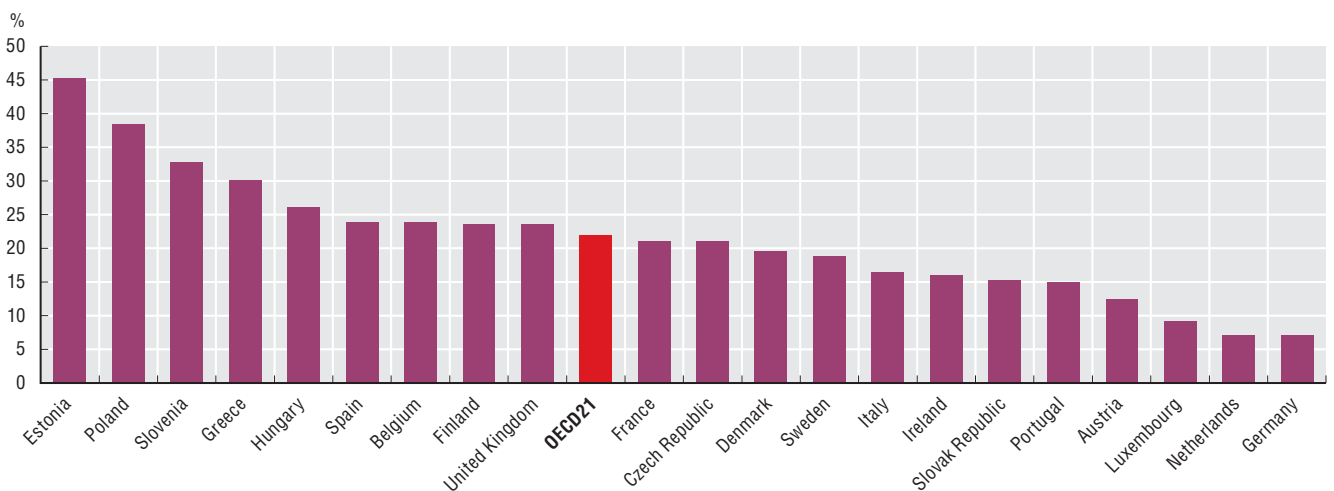
40.2 Size of general government procurement as a percentage of GDP (2006 and 2008)



Source: OECD National Accounts Statistics. Data for Australia are based on a combination of Government Finance Statistics and National Accounts data provided by the Australian Bureau of Statistics.

StatLink <http://dx.doi.org/10.1787/888932391032>

40.3 Public procurement tenders advertised in the OJEU as a percentage of total national procurement market (2008)



Source: Eurostat.

StatLink <http://dx.doi.org/10.1787/888932391051>



From:
Government at a Glance 2011

Access the complete publication at:
http://dx.doi.org/10.1787/gov_glance-2011-en

Please cite this chapter as:

OECD (2011), "Size of public procurement market", in *Government at a Glance 2011*, OECD Publishing, Paris.

DOI: http://dx.doi.org/10.1787/gov_glance-2011-46-en

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