

Public procurement spending

Public procurement is the purchase by governments and state-owned enterprises of goods, services and works. It accounts for a significant amount of total general government expenditure. In 2011, on average, general government procurement spending represented 29% of total general government expenditures (or 13% of GDP).

Considering the spending power of government procurement, countries that manage to achieve efficiency gains in procurement spending stand to achieve considerable savings to create greater fiscal space for economic and social policies. For instance, on average in OECD member countries, a decrease in procurement spending by 10% through improvements in efficiency (e.g. keeping the same basket of goods and services procured) would amount to a reduction of 2.9% of total general government expenditure, representing 1.3% of GDP in 2011. Efficiencies can be achieved through various tools including through the adoption of ICTs and the consolidation of purchases to exploit economies of scale.

Sub-central governments should also be included in efforts to improve efficiency in procurement spending, as government procurement spending at state and local levels accounts for 55% of total general government procurement spending on average across OECD countries. This is of particular importance for federal states – Austria, Belgium, Canada, Germany, Mexico, Spain, Switzerland and the United States – since their state or local level of government spends on average 76% of total government procurement. Nevertheless, unitary states should also direct efforts towards their sub-central levels of government, which account for 48% of procurement spending on average, most notably Italy (80%), Finland (72%), Denmark (69%), Japan (69%) and Sweden (69%).

Methodology and definitions

The size of general government procurement spending is estimated using data from the OECD National Accounts Statistics (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 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). Figure 7.3, General government procurement as a percentage of GDP (2011), is available on line at <http://dx.doi.org/10.1787/888932942773>.

Government procurement here includes the values of procurement for central, state and local governments. The sub-central component refers to state and local governments. Social security funds have been excluded in this analysis, unless otherwise stated in the notes (however Figure 7.4 Government procurement by levels of government including social security funds, is available on line at <http://dx.doi.org/10.1787/888932942792>). State government is only applicable to the nine OECD federal states: Australia, Austria, Belgium, Canada, Germany, Mexico, Spain (considered a quasi-federal country), Switzerland and the United States. Public corporations were also excluded in the estimation of procurement spending.

Further reading

OECD (2013, forthcoming), *Principles for Integrity in Public Procurement: Progress in OECD Countries*, OECD Publishing, Paris.

OECD (2011), *National Accounts at a Glance 2011*, OECD Publishing, Paris, http://dx.doi.org/10.1787/na_glance-2011-en.

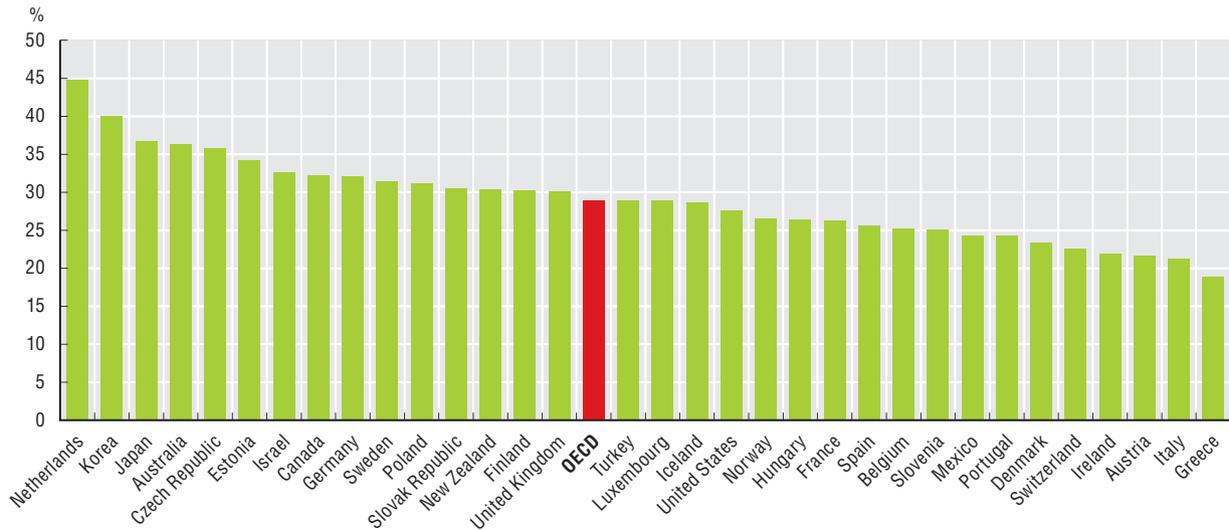
Figure notes

Data for Chile are not available. Data for Canada and New Zealand are for 2010 rather than 2011.

7.2: Data for Australia are not available. Social security funds are included in central government in New Zealand, Norway, the United Kingdom and the United States. Data for Japan at the sub-central level of government refer to fiscal years.

Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>.

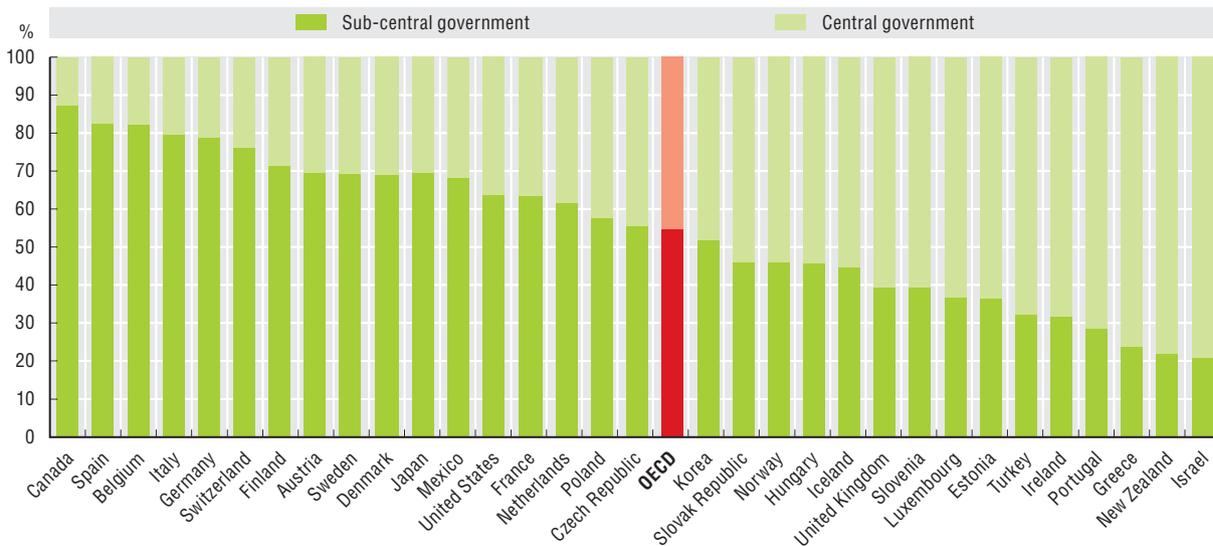
7.1. General government procurement as share of total general government expenditures (2011)



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

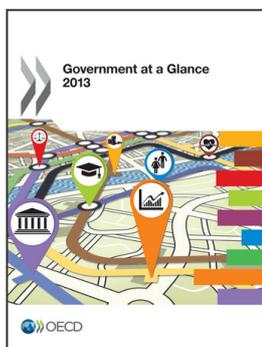
StatLink <http://dx.doi.org/10.1787/888932942735>

7.2. Share of general government procurement by level of government, excluding social security funds (2011)



Source: OECD National Accounts Statistics (database).

StatLink <http://dx.doi.org/10.1787/888932942754>



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