

Size of public procurement

Public procurement, the purchase of goods, services and works by governments and state-owned enterprises, is increasingly used by governments as a strategic tool to deliver their mandates. In addition to carrying it out in line with standard principles and existing rules, governments are working to increase the efficiency and effectiveness of this key function. From an economic perspective, public procurement is recognised as a lever for improving the efficiency and effectiveness of public spending. In addition, the realisation of broader policy objectives (such as promoting innovation, sustainability, social inclusiveness and supporting small and medium-sized enterprises [SMEs]) is an increasingly important part of public procurement strategies for governments.

The sheer size of public procurement, representing approximately 12% of gross domestic product (GDP) in OECD countries, makes it a key economic activity, ranging from 4.9% in Mexico to 19.5% in the Netherlands. The economic weight of public procurement is more pronounced at times of economic recession: therefore, in three-quarters of OECD countries the relative size of public procurement spending in terms of GDP reached a peak in 2009, when economic recession struck most of them. Since then, the relative size of public procurement spending in OECD countries has been slowly decreasing, but remained rather constant over the last four years, both as a percentage of GDP (11.8% in 2017) and in terms of general government expenditures (29.1% in 2017).

Being under fiscal pressure, governments have been reforming their public procurement systems to optimise this significant public expenditure item. Such reforms are highly relevant for central governments, and even more for sub-central governments that make up 63% of overall public procurement spending in OECD countries, with substantial variations reflecting the institutional set-up of each country.

Public procurement has a strong impact in all forms of public service delivery, as reflected in the sectoral spending, from health to environmental protection, public order or economic affairs (comprising infrastructure, transport, communication, energy, and research and development [R&D]). Health expenditures represent the largest share of public procurement spending, accounting for around 30% in OECD countries and over 40% in some European countries (Belgium, Germany, Italy and the Slovak Republic) and in Japan. Notable exceptions include Hungary, Latvia and the United States, where economic affairs represent the largest share of public procurement spending. Economic affairs (16.3%), education (11.7%), defence (10%) and social protection (10.2%) represent the remaining largest areas of public procurement spending across OECD countries, with substantial variations between countries.

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 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 (purchases by general government of goods and services produced by market producers and supplied to households). Public corporations were excluded in the estimation of procurement spending. Data on general government procurement spending are disaggregated according to the Classification of the Functions of Government (COFOG) in Figure 8.2. Further information about the types of expenditures included in each category is available in Annex C.

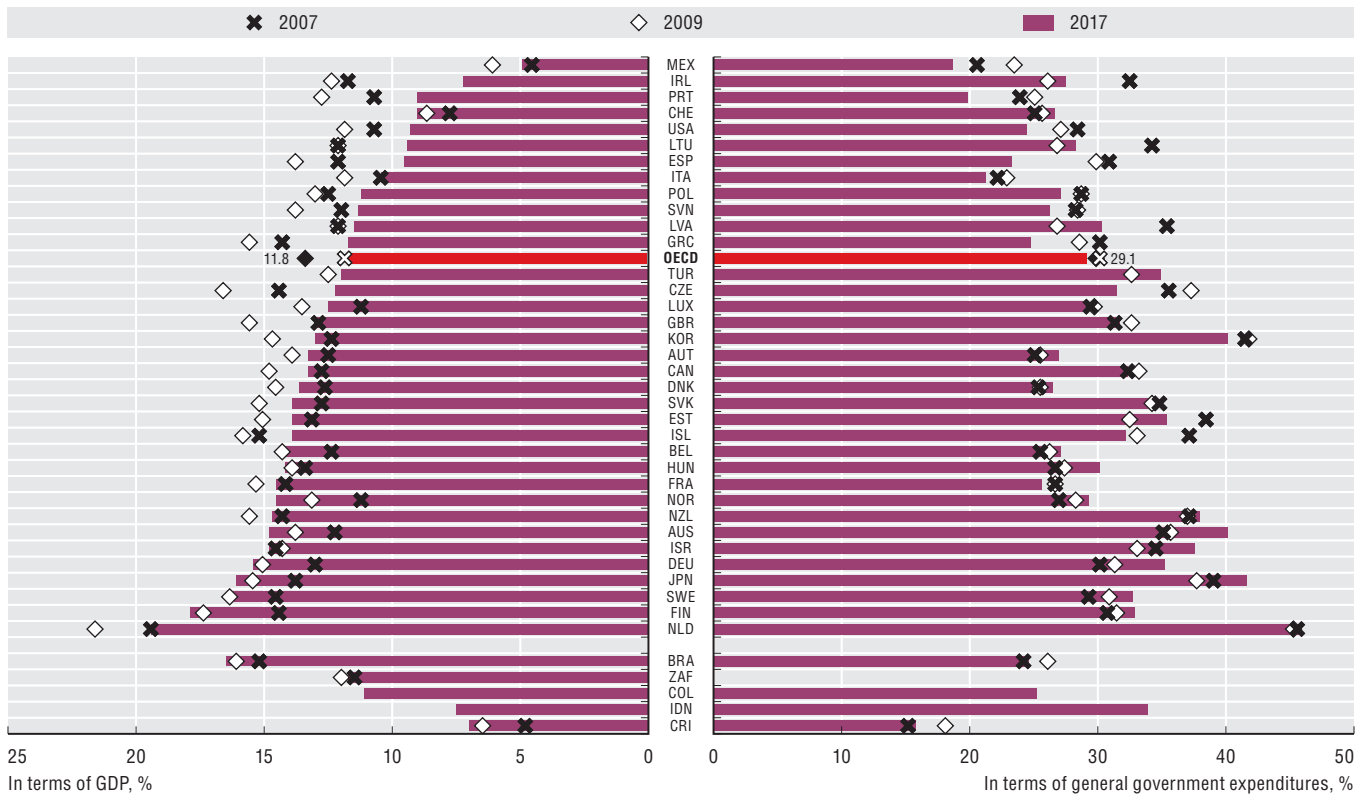
Further reading

- OECD (2015), *Recommendation of the Council on Public Procurement*, <https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0411>
- OECD (2019), *Productivity in Public Procurement: A Case Study of Finland: Measuring the Efficiency and Effectiveness of Public Procurement*, <http://www.oecd.org/gov/public-procurement/publications/productivity-public-procurement.pdf>.

Figure notes

- On data for Israel, see <http://doi.org/10.1787/888932315602>.
- 8.1. Data for Chile are not available. Data for Turkey are not included in the OECD average due to missing time series. A large share of general government procurement in the Netherlands is spent on social transfers in kind via market producers—this relatively high level could be due, in part, to the country's system of scholastic grants as well as the country's mandatory health insurance system whereby the government subsidises individuals' purchase of coverage from private providers.
- 8.2. Data are not available for Australia, Canada, Mexico, New Zealand and Turkey. Data for Chile and Iceland are not included in the OECD average due to missing time series. Data for Chile include changes in inventories and acquisitions less disposals of valuables. Data for Chile and Korea are for 2016 rather than 2017.
- 8.3. (Change in the structure of general government procurement spending by function, 2012 to 2017) and 8.4. (General government procurement spending by level of government, 2009, 2015 and 2017) are available online in Annex F.

8.1. General government procurement spending as a percentage of GDP and total government expenditures, 2007, 2009 and 2017



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 <https://doi.org/10.1787/888934032776>

8.2. Structure of general government procurement spending by function, 2017

	General public services	Defence	Public order and safety	Economic affairs	Environmental protection	Housing and community amenities	Health	Recreation, culture and religion	Education	Social protection
Austria	11.8	1.5	3.1	21.9	1.3	0.7	35.8	3.9	9.2	10.7
Belgium	11.9	1.2	2.1	10.3	3.3	1.1	49.3	3.1	7.4	10.3
Chile	6.0	5.5	8.5	19.1	1.3	6.9	21.6	2.6	16.9	11.5
Czech Republic	6.5	2.2	3.6	20.4	5.3	3.0	35.2	5.0	14.0	4.8
Denmark	14.7	5.1	2.7	11.0	1.3	0.8	31.1	5.5	11.8	16.0
Estonia	12.0	10.1	4.5	19.6	4.0	2.0	22.6	7.1	14.4	3.7
Finland	21.8	4.6	2.2	13.3	0.6	1.1	22.8	3.8	11.6	18.3
France	7.0	6.3	2.5	12.4	4.1	3.0	38.5	4.6	6.7	14.8
Germany	10.0	4.0	3.2	9.3	2.6	1.0	40.6	2.3	6.5	20.6
Greece	16.3	7.7	1.0	29.3	3.6	1.3	31.7	2.4	5.2	1.6
Hungary	18.1	3.7	4.1	23.4	2.2	2.3	21.9	9.5	10.0	4.8
Iceland	8.9	0.4	3.8	19.4	2.6	2.2	25.5	9.1	20.8	7.3
Ireland	5.5	0.8	4.6	15.1	3.0	4.9	34.4	4.0	9.7	17.9
Israel	6.9	25.5	3.6	2.8	2.7	1.6	31.8	4.1	10.0	11.0
Italy	11.6	3.9	3.6	9.0	7.8	3.4	44.4	4.7	5.3	6.4
Japan	6.2	3.2	1.9	14.3	5.9	2.1	44.6	1.6	6.5	13.8
Korea	11.5	11.1	3.1	18.3	4.1	4.6	31.4	2.8	10.7	2.4
Latvia	8.3	8.5	7.1	20.2	2.6	6.8	14.7	7.0	18.1	6.8
Lithuania	7.7	8.3	5.0	19.2	3.0	3.4	26.0	4.8	15.3	7.4
Luxembourg	9.8	1.0	2.3	23.6	4.3	2.8	29.7	5.7	7.6	13.2
Netherlands	6.6	2.8	3.6	11.8	5.1	1.5	35.7	3.1	8.7	21.1
Norway	10.9	7.3	2.7	19.6	4.1	4.3	25.0	4.8	11.1	10.0
Poland	6.5	7.0	4.4	25.2	2.3	4.2	29.4	5.4	11.6	3.9
Portugal	14.5	2.3	2.9	22.1	4.3	2.5	33.8	4.7	9.9	3.1
Slovak Republic	10.9	3.3	4.3	20.1	3.7	2.6	42.8	3.1	6.8	2.5
Slovenia	11.4	2.3	3.6	20.5	2.5	3.4	33.7	5.4	13.2	4.0
Spain	10.6	3.7	3.3	14.0	6.9	2.8	32.8	5.8	11.5	8.5
Sweden	19.0	4.5	2.8	13.0	1.1	3.7	21.5	2.9	15.4	16.1
Switzerland	23.1	5.9	5.8	14.7	4.2	1.4	1.6	2.9	18.7	22.0
United Kingdom	3.4	10.2	6.3	13.2	4.4	3.2	31.6	2.9	10.9	13.8
United States	9.9	20.3	6.6	22.3	0.0	2.4	14.4	1.7	19.0	3.4
OECD	9.2	10.0	4.3	16.3	3.0	2.4	30.1	2.8	11.7	10.2
Costa Rica	4.4	0.0	7.4	19.5	3.5	4.3	34.1	1.8	20.4	4.7

Source: OECD National Accounts Statistics (database); Eurostat Government Finance Statistics (database).

StatLink <https://doi.org/10.1787/888934032795>



From:
Government at a Glance 2019

Access the complete publication at:
<https://doi.org/10.1787/8ccf5c38-en>

Please cite this chapter as:

OECD (2019), "Size of public procurement", in *Government at a Glance 2019*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/fc0c31c5-en>

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to rights@oecd.org. Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at info@copyright.com or the Centre français d'exploitation du droit de copie (CFC) at contact@cfcopies.com.