

## 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 and achieve broader policy objectives. In addition to conforming to standard principles and existing rules, governments are devoting efforts to increase efficiency and effectiveness of this key government function. From identifying the needs, determining the person or organisation to supply them; to ensuring delivery of purchases, within the agreed timeframe and to the expected quality, public procurement has implications for public sector performance and citizen's satisfaction. In fact, it is relevant not only for central governments, but also for sub-central governments, as the majority of public procurement spending in the OECD countries (63%) is carried out at this level.

The sheer size of public procurement, approximately representing 12% of GDP in OECD countries, makes it a key economic activity-it ranges from 5.1% in Mexico to 20.2% in the Netherlands. The large volume along with close and complex interaction between the public and private sectors expose public procurement to various risks of waste, mismanagement and corruption throughout the whole procurement cycle. This large purchasing power of governments could in turn be leveraged to result in impacts on the broader economy. While the average level of public procurement spending in the OECD countries stays rather constant over time, it is rather volatile in some countries. The economic leverage of public procurement is more pronounced at times of economic recession-the relative size of public procurement spending in terms of GDP experienced an increase between 2007 and 2009 (+1.5 p.p.). Being under fiscal pressure, governments are promoting reforms in their public procurement systems, by developing and adopting new technologies and tools in order to better manage this significant public resource spending. Some examples include capacity development strategies, digitalisation and automation of public procurement processes, and strategic aggregation of demands mainly through central purchasing bodies.

Public procurement helps governments deliver their mandates to provide public services to citizens. Health expenditures on average represents the largest share, accounting for almost one third of public procurement spending in OECD countries (29.8%), representing even over 40% of public procurement spending in Belgium (47%), Italy (44.8%), Japan (44.5%) and Germany (42%). Variations in the structure of public procurement spending reflect each country's specific public service portfolio. Economic affairs (17%), education (11.9%), defence (10.1%) and social protection (9.8%) represent significant shares of public procurement spending across OECD countries. These large spending areas, closely related to social well-being of the population, are also often associated with high perceived risks. Efficient and effective public procurement is therefore essential to responding to the needs of the citizens, standing more and more as a key pillar of good governance and helping to restore trust in the public sector.

### 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 information (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 9.2. Further information about the types of expenditures included in each category is available in Annex C.

Data on the change in the structure of general government procurement spending by function, 2012 to 2015 and general government procurement by level of government, 2007, 2009 and 2015 are available online (see annex F).

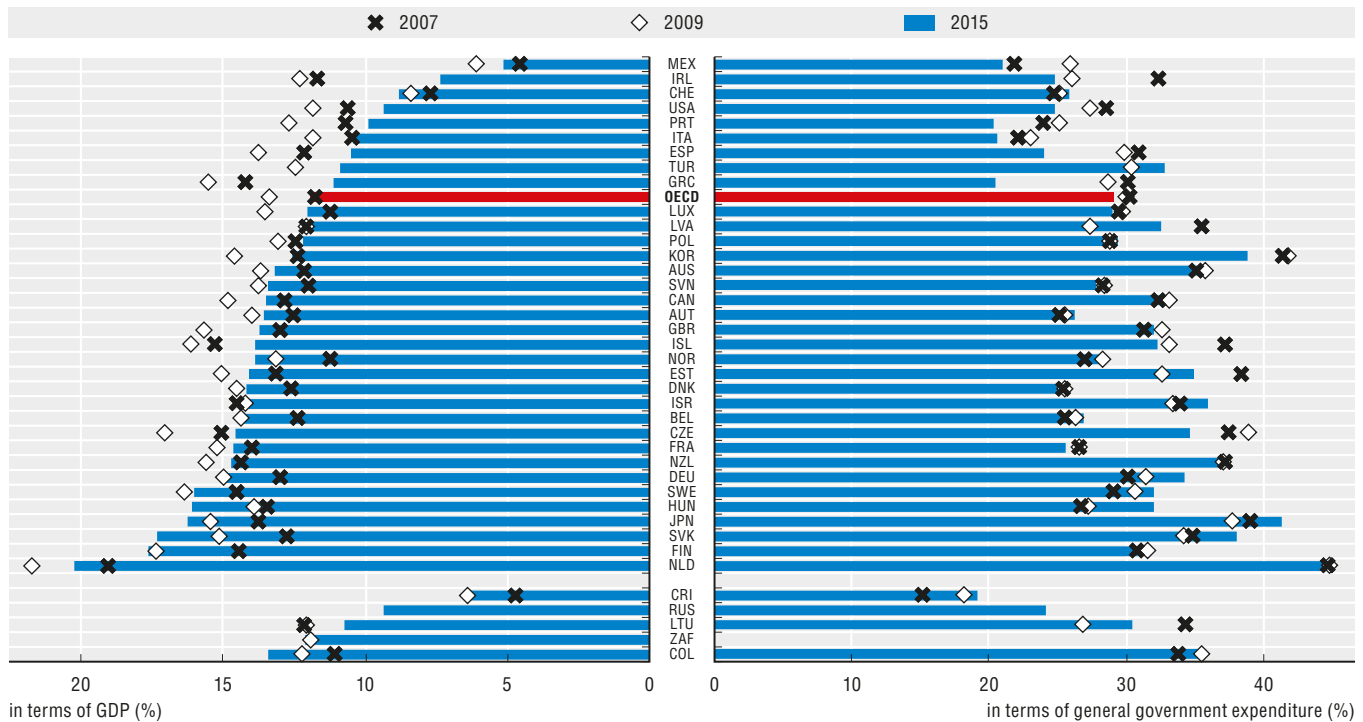
### Further reading

- OECD (2016), *Public Governance Reviews; Improving ISSSTE's Public Procurement for Better Results*, OECD Publishing, Paris.
- OECD (2015), "Recommendation of the Council on Public Procurement", OECD, Paris, [www.oecd.org/gov/ethics/OECD-Recommendation-on-Public-Procurement.pdf](http://www.oecd.org/gov/ethics/OECD-Recommendation-on-Public-Procurement.pdf).
- OECD (2015), *Government at a Glance 2015*, OECD, Paris.

### Figure notes

- Data for Chile are not available. Data for Costa Rica, Russia and South Africa are for 2014 rather than 2015.
- 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.
- 9.1: Data for Turkey are not included in the OECD average because of missing time series.
- 9.2: Data for Australia, Canada, Mexico, New Zealand and Turkey are not available. Data for Iceland are not included in the OECD average due to missing time-series. Data for Korea are for 2014 rather than 2015.

### 9.1. General government procurement spending as a percentage of GDP and total government expenditures, 2007, 2009 and 2015



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.

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### 9.2. Structure of general government procurement spending by function, 2015

	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	11.6	1.4	3.0	22.0	1.3	0.7	35.7	4.1	9.1	11.0
Belgium	11.1	1.4	1.9	9.7	3.1	1.1	47.0	2.9	8.6	13.1
Czech Republic	5.5	3.3	4.0	21.5	6.5	3.1	31.4	4.9	14.9	4.9
Denmark	14.8	4.3	2.6	11.7	1.4	0.6	30.6	5.5	12.9	15.6
Estonia	11.8	8.7	3.0	20.6	3.2	2.0	25.4	6.3	15.9	3.2
Finland	21.9	4.7	2.3	14.0	0.7	0.9	21.9	3.6	12.2	17.7
France	8.0	5.8	2.4	12.5	4.3	2.7	38.3	3.9	6.7	15.6
Germany	9.5	3.8	3.4	9.6	2.6	1.2	42.0	2.5	7.1	18.4
Greece	22.6	8.0	1.1	18.6	5.6	1.9	29.3	2.6	8.1	2.2
Hungary	15.4	1.4	3.2	26.0	6.4	4.3	23.2	5.7	9.4	5.1
Iceland	10.8	0.0	5.3	12.0	2.4	1.6	31.1	11.0	16.8	9.1
Ireland	6.3	1.2	4.6	15.3	3.2	5.5	33.2	4.2	9.3	17.1
Israel	7.4	28.4	3.3	2.7	2.5	1.5	30.1	4.2	10.0	10.0
Italy	11.3	3.0	3.2	10.5	8.1	3.3	44.8	4.2	5.7	5.8
Japan	6.5	3.2	2.1	14.1	5.8	1.9	44.5	1.5	7.0	13.4
Korea	10.8	11.4	3.0	19.2	4.5	4.8	30.3	2.9	10.7	2.5
Latvia	11.6	3.8	6.1	21.5	3.1	5.9	15.3	6.2	19.5	6.8
Luxembourg	9.7	0.6	2.0	22.1	3.7	2.8	30.9	4.9	11.0	12.4
Netherlands	6.6	2.2	3.3	12.6	5.0	1.6	36.0	3.2	8.7	20.9
Norway	10.9	6.6	2.5	20.4	4.2	4.3	25.6	4.4	10.9	10.2
Poland	6.5	5.9	4.1	27.5	3.8	4.6	27.0	5.1	11.1	4.4
Portugal	9.9	3.1	5.9	22.2	2.0	2.2	32.2	3.1	16.8	2.5
Slovak Republic	9.4	2.6	5.6	28.3	4.2	3.6	34.9	3.1	6.4	2.0
Slovenia	9.3	1.5	2.8	24.2	6.3	3.8	30.0	6.1	12.2	3.7
Spain	11.0	3.5	3.8	16.9	6.3	2.9	31.5	5.5	10.7	8.0
Sweden	19.0	4.2	2.9	13.4	1.0	3.4	21.8	3.0	15.1	16.1
Switzerland	21.8	5.7	5.7	16.4	4.4	1.5	2.2	3.1	18.1	21.1
United Kingdom	3.1	10.7	6.0	13.0	4.4	1.3	31.8	2.9	13.4	13.4
United States	9.8	21.3	6.4	23.4	0.0	2.6	13.5	1.4	18.3	3.3
<b>OECD</b>	<b>9.1</b>	<b>10.1</b>	<b>4.2</b>	<b>17.0</b>	<b>3.1</b>	<b>2.4</b>	<b>29.8</b>	<b>2.6</b>	<b>11.9</b>	<b>9.8</b>
Costa Rica	5.5	0.0	8.1	13.2	3.9	4.5	36.0	1.9	21.3	5.6
Lithuania	6.8	5.0	5.0	23.0	3.6	2.1	25.1	3.5	16.5	9.5

Sources: OECD National Accounts Statistics (database); Eurostat Government finance statistics (database).

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