

Governments are key players in the economy, responsible for spending taxpayers' money. In order to carry out their tasks and deliver goods and services to citizens, governments establish economic relations with a large number of providers. Public procurement refers to the purchase by governments and state-owned enterprises of goods, services and works.

In 2014, governments in the LAC region spent, on average, 21.9% of total general government expenditure on public procurement compared to an average level of 25.2% in 2009 and 23.2% in 2007. However, the size of public procurement in terms of general government expenditures varies across LAC countries, ranging from 16.7% in Jamaica to more than 25% in countries such as Peru (50.7%), Colombia (32.9%), El Salvador (26.3%) and Paraguay (25.8%). Considering the amount of financial resources dedicated to government purchases, achieving efficiency gains is crucial to generate additional fiscal space for government policies.

Variations in public procurement spending reflect the size of government, its role in the economy and the existence of big spending projects (e.g. infrastructure investments). Starting from 7.0% as a percentage of GDP in 2007, procurement spending increased on average by 1.1 percentage points, reaching 8.1% in 2009. During this period, governments in the region undertook counter-cyclical policies to react to the global financial crisis. However, from 2009 to 2014 a partial correction of this trend occurred and procurement spending decreased on average by 0.4 p.p. in terms of GDP, reaching 7.7% in 2014. According to the latest available data, in terms of GDP Colombia (13.2%), Peru (11.6%) and Brazil (8.2%) are the countries that devote the largest share of spending to public procurement.

In 2014, government procurement spending at the central level accounted for 43.1% of total spending while the state level was responsible for 24.6% and the remaining 32.3% corresponded to the local level. The composition of procurement spending across levels of government remained fairly stable between 2007 and 2014; the most important change was an increase of 1.9 p.p. on the share of spending carried out by local governments, reflecting the initiatives to decentralise spending that occurred in many LAC countries (e.g. Mexico) over the past years.

Methodology and definitions

The size of general government procurement spending is estimated using data from the IMF Government Finance Statistics (IMF GFS) database which applies the concepts set out in the Government Finance Statistics Manual (GFSM). The GFSM provides a comprehensive conceptual and accounting framework suitable for analysing and evaluating fiscal policy. It is harmonised with the other macroeconomic statistical frameworks, such as the System of National Accounts (SNA). However, some differences exist between the GFSM and the SNA frameworks in several occurrences which led to the establishment, to a large extent, of correspondence criteria between the two statistical systems.

General government procurement includes intermediate consumption (goods and services purchased by governments for their own use, such as accounting or information technology services) and gross fixed capital formation (acquisition of capital excluding sales of fixed assets, such as building new roads). Costs of goods and services financed by general government, also part of government procurement, were not included in this indicator because they are not accounted separately in the IMF GFS database. Moreover, the part of government procurement related to gross fixed capital formation does not include the consumption of fixed capital.

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. See online Figure 9.4 on <http://dx.doi.org/10.1787/888933431561>.

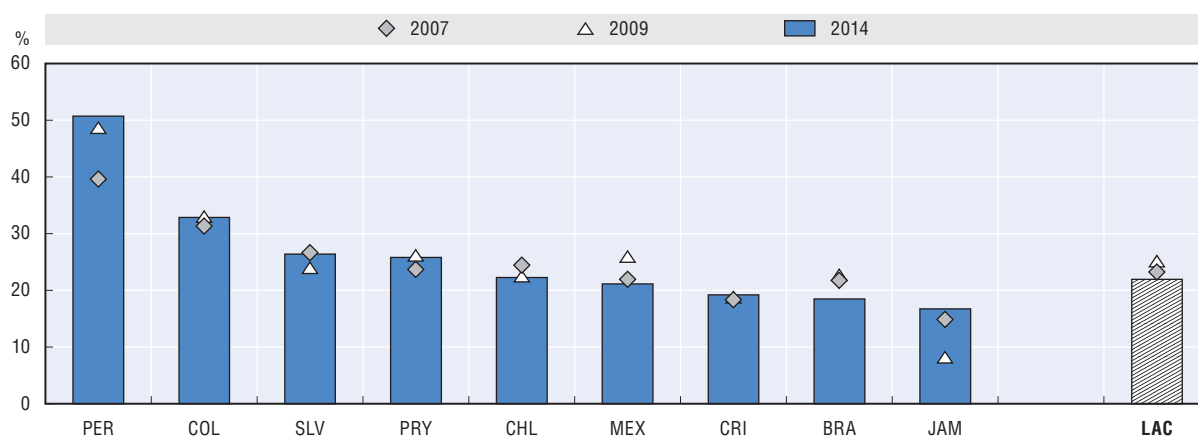
Further reading

- OECD (2015), "Recommendation of the Council on Public Procurement", OECD, Paris. <http://acts.oecd.org/Instruments/ShowInstrumentView.aspx?InstrumentID=320>.
- OECD (2014), "Going Green: Best Practices for Green Procurement", OECD, Paris, www.oecd.org/gov/ethics/Going_Green_Best_Practices_for_Sustainable_Procurement.pdf.

Figure notes

- 9.1, 9.2 and 9.3: Data for Peru and Paraguay are recorded on a cash basis. For Costa Rica and Jamaica, the part of government procurement related to gross fixed capital formation does not include the consumption of fixed capital. Costs of goods and services financed by general government are not included in government procurement because they are not accounted separately in the IMF Government Finance Statistics database. Data for El Salvador and Mexico are for 2013 rather than 2014. Data for Colombia are for 2008 rather than 2007.

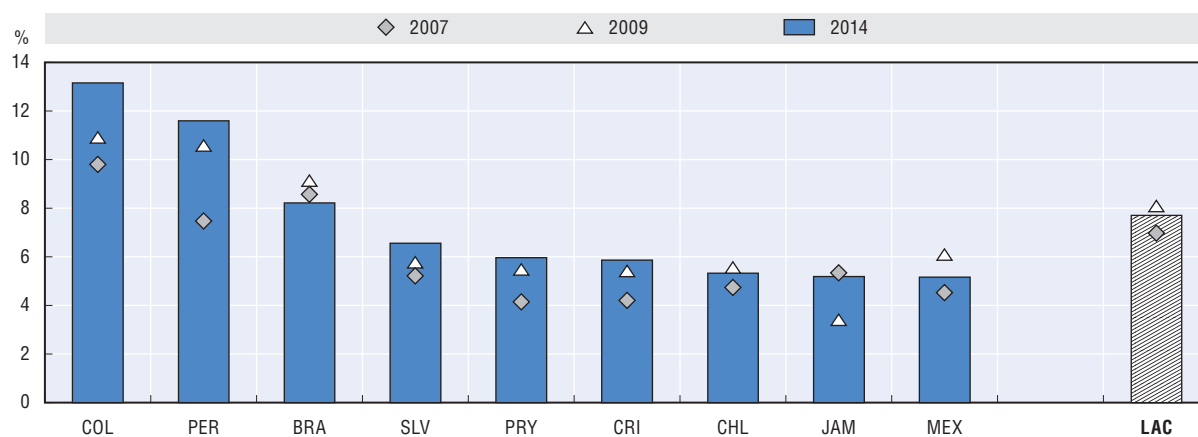
9.1. Government procurement as a share of total government expenditures, 2007, 2009 and 2014



Sources: IMF Government Finance Statistics (IMF GFS) database. Data for Mexico are based on the OECD National Accounts Statistics database.

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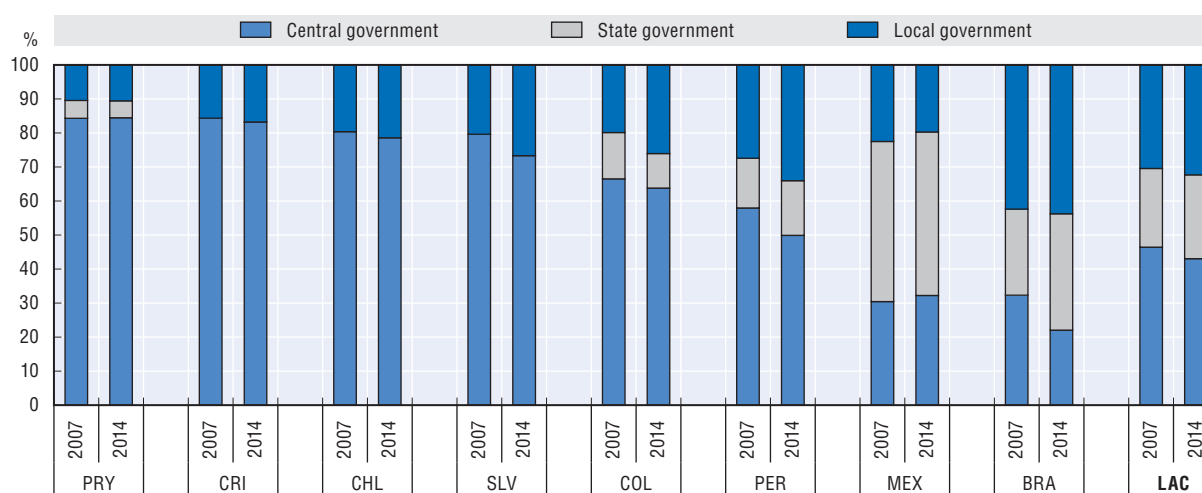
9.2. Government procurement as percentage of GDP, 2007, 2009 and 2014



Sources: IMF Government Finance Statistics (IMF GFS) database, IMF, Washington, DC. Data for Mexico are based on OECD National Accounts Statistics database.

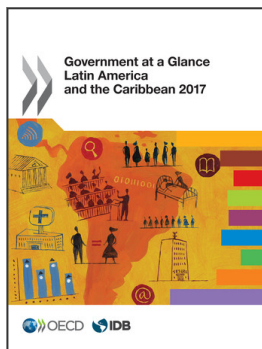
StatLink <http://dx.doi.org/10.1787/888933431543>

9.3. Share of general government procurement by level of government, 2007 and 2014



Sources: IMF Government Finance Statistics (IMF GFS) database, IMF, Washington, DC. Data for Mexico are based on OECD National Accounts Statistics database.

StatLink <http://dx.doi.org/10.1787/888933431554>



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