

7. MANAGING PUBLIC PROCUREMENT

Size of public procurement

Governments procure large amounts of goods and services to help them implement policies and deliver public services. As the COVID-19 crisis demonstrated, public procurement strategies, practices and systems directly affect the quality of life and wellbeing of citizens. It is important that countries aim for maximum efficiency, effectiveness and value for money in public procurement.

Public procurement expenditure as a share of GDP increased significantly across the OECD over the last decade, from 11.8% of GDP in 2007 to 12.9% of GDP in 2021. Recent years have seen further increases in the share of public procurement relative to GDP. Across OECD-EU countries, public procurement increased from 13.7% of GDP in 2019 to 14.8% in 2021. This increase is mainly due to the Recovery and Resilience Facility (RRF), the centrepiece of Europe's recovery plan, boosting public investment. Public procurement expenditures as a share of GDP also increased in Japan (from 16.6% to 18.1%) and the United Kingdom (13.1% to 15.7%) (Figure 7.1).

On the other hand, public procurement relative to total government expenditures fell by 1.9 percentage points across OECD countries between 2019 and 2021. This could be explained by the overall increase on spending due to the economic support measures introduced during the COVID-19 pandemic. Recovery and resilience plans could further consolidate this trend since they comprise a mix of tax incentives, grants and loans guarantees in addition to public investments channelled through public procurement. The US government has committed to USD 479 billion in new climate and energy spending through the Inflation Reduction Act (IRA) and the Infrastructure Investment and Jobs Act, which was adopted in late 2021. Although the implementation of recovery and resilience plans takes place at different levels of government, it has not affected the distribution of public procurement expenditure between the different levels of government. The distribution between central and sub-national governments' overall public procurement spending remains broadly unchanged with 61.2% of OECD countries' procurement spending at the sub-national level in 2021 (Online Figure G.4.2).

Public procurement is used across all spending functions, from health to environmental protection, public order and economic affairs (comprising infrastructure, transport, communication, energy and R&D). As in previous years, health accounted for the largest share of public procurement spending, at 31.9% on average across OECD countries in 2021, up from 29.3% in 2019. This was followed by economic affairs (16.4%), education (10.7%), defence (9.9%) and social protection (9.8%) with relatively small variations across countries. Health is the only category where spending increased, due to intensive procurement of health products in the COVID-19 pandemic (Online Table G.4.1). Belgium, Japan and Italy spent more than 43% of public procurement expenditure in the health sector. Exceptions include Hungary and the United States, where economic affairs

represented the largest share of government spending, and Switzerland, where general public services and social protection have the largest share (Table 7.2).

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). 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 Table 7.2. Further information about the type of expenditures included in each category is available in Annex E.

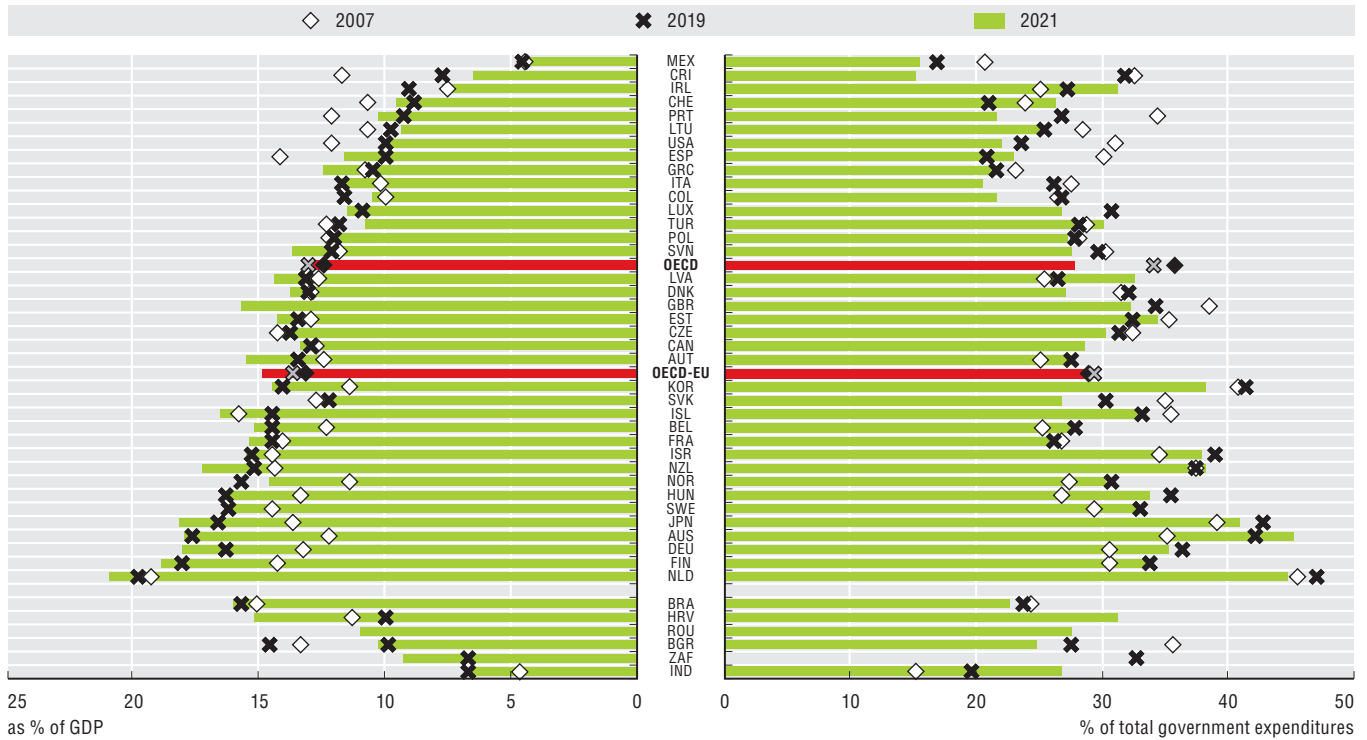
Further reading

- OECD (2019), *Productivity in Public Procurement*, OECD, Paris, <http://www.oecd.org/gov/public-procurement/publications/productivity-public-procurement.pdf> (accessed on 18 May 2021).
- OECD (2015), "Recommendation of the Council on Public Procurement", *OECD Legal Instruments*, OECD, Paris, www.oecd.org/ethics/OECD-Recommendation-on-Public-Procurement.pdf.

Figure notes

- 7.1. Data for Chile are not available. Data for Türkiye are not included in the OECD average. A large share of general government procurement in the Netherlands is spent on social transfers in kind via market producers, scholastic grants and mandatory health insurance systems. Data for Türkiye, Brazil and Indonesia are for 2020 rather than 2021.
- 7.2. Data for Australia, Canada, Chile, Colombia, Mexico, New Zealand and Türkiye are not available. Data for Costa Rica are not included in the OECD average. Data for Costa Rica and Korea are for 2020 rather than 2021.
- G.4.1 (Change in the structure of general government procurement spending by function, 2019 to 2021) and G.4.2 (General government procurement spending by level of government, 2019 and 2021) are available online in Annex G.

7.1. General government procurement spending as a percentage of GDP and total government expenditures, 2007, 2019 and 2021



StatLink <https://stat.link/gq15r6>

7.2. General government procurement spending by function as percentage of total procurement spending, 2021

Country	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	11.5	1.3	2.6	20.7	1.2	0.6	40.7	3.4	8.1	10.0
Belgium	11.8	2.1	2.1	12.8	2.9	1.1	47.6	2.6	6.5	10.5
Costa Rica	4.6	0.0	7.6	12.2	3.9	3.6	39.5	1.2	17.0	10.4
Czech Republic	7.9	3.1	4.1	22.3	5.1	3.0	36.7	4.6	9.0	4.1
Denmark	14.4	5.1	2.7	9.0	1.2	0.6	36.5	4.7	10.9	14.8
Estonia	8.8	9.7	4.2	18.9	3.0	2.6	27.5	6.3	14.3	4.7
Finland	22.2	3.8	2.0	12.2	0.6	1.4	24.7	3.6	11.3	18.2
France	7.2	5.9	2.6	12.5	4.1	3.4	41.9	4.1	5.9	12.3
Germany	11.2	3.9	3.1	9.1	1.9	1.0	42.9	3.2	6.5	17.1
Greece	15.1	8.7	1.6	15.1	4.4	1.7	38.4	3.3	7.1	4.6
Hungary	15.0	4.2	2.8	29.7	3.5	2.3	20.5	8.2	10.5	3.4
Iceland	10.0	0.5	4.0	18.8	2.6	2.2	27.0	9.0	18.0	7.8
Ireland	4.6	0.8	4.0	13.4	2.3	5.1	39.1	3.5	8.5	18.6
Israel	5.8	18.4	2.9	11.1	2.6	2.0	28.3	4.2	13.7	11.0
Italy	12.4	4.2	3.5	13.4	6.8	2.6	43.7	3.9	4.3	5.2
Japan	6.3	3.4	1.8	15.2	5.2	1.8	45.1	1.4	6.5	13.2
Korea	5.6	11.4	2.9	15.3	4.0	6.3	32.2	2.8	12.9	6.6
Latvia	6.4	12.2	4.9	20.7	2.4	5.2	26.1	4.5	13.3	4.3
Lithuania	7.0	8.4	3.5	18.3	3.5	4.3	32.1	5.6	11.5	5.9
Luxembourg	13.2	1.4	2.9	21.4	4.6	2.2	23.6	5.0	7.8	17.9
Netherlands	5.5	3.0	3.5	11.3	4.6	1.4	35.3	3.2	8.3	23.7
Norway	10.0	7.8	2.6	21.9	3.8	3.7	27.4	4.6	9.4	8.9
Poland	5.3	5.7	4.6	26.7	2.7	3.6	32.1	5.6	10.0	3.7
Portugal	11.9	2.4	3.1	20.2	4.3	4.0	37.0	4.8	8.3	4.0
Slovak Republic	9.4	4.6	3.9	23.2	4.0	2.7	39.6	3.4	7.1	2.1
Slovenia	10.0	3.2	3.3	23.3	3.1	3.5	33.7	5.0	10.4	4.7
Spain	9.7	3.5	2.8	16.1	6.4	2.8	33.7	5.1	10.9	9.0
Sweden	17.7	5.2	2.9	13.5	2.2	2.7	23.7	3.6	15.3	13.2
Switzerland	21.4	5.5	5.5	14.8	3.9	1.5	6.7	2.8	18.2	19.7
United Kingdom	3.1	9.7	6.2	11.8	3.6	2.6	37.9	2.2	9.2	13.8
United States	10.7	20.2	6.4	21.9	0.0	2.4	16.3	1.6	16.4	4.1
OECD	9.2	9.9	4.2	16.4	2.7	2.4	31.9	2.7	10.7	9.8
OECD-EU	10.2	4.2	3.1	13.7	3.6	2.2	39.0	3.9	7.6	12.5
Bulgaria	7.3	7.2	4.0	13.8	5.7	8.4	37.4	2.8	10.8	2.6
Croatia	8.9	2.5	5.2	23.5	3.7	4.5	33.5	4.7	9.8	3.7
Romania	9.1	5.3	2.6	29.5	4.3	8.3	27.5	4.0	6.1	3.4

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

StatLink <https://stat.link/lptwg7>



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