

7.1 Size of public procurement

Governments procure substantial amounts of goods and services to implement policies and deliver public services. This process entails using public funds to purchase goods, services and works by governments and state-owned enterprises. It is crucial for countries to prioritise efficiency, effectiveness and value for money in public procurement, as these factors directly affect citizens' quality of life.

Public procurement expenditure averaged 17.4% of total government expenditure across Latin America and the Caribbean (LAC) countries with available data in 2021, a slight increase from 16.9% in 2019. However, looking at a longer period (2014-21), the share of procurement expenditure decreased in most LAC countries, and on average in the region by 3.8 percentage points (p.p.). Peru had the highest share of procurement expenditure (45.6% of total spending) in 2021, with a significant proportion dedicated to investment. Brazil, Chile and Costa Rica spent the smallest share on procurement, all at around 17% of total expenditure. Chile has seen the largest reduction in procurement expenditure with a decline of 5.5 p.p. since 2019 (Figure 7.1).

When measured relative to GDP, procurement expenditure remained unchanged on average in the LAC region between 2019 and 2021, at 6.6% of GDP. This average conceals significant variations across countries, however. El Salvador (2.0 p.p.) and Peru (1.2 p.p.) experienced the highest relative increases in procurement spending as a share of GDP over that period, while levels fell in Chile (-0.5 p.p.) and Colombia (-0.2 p.p.). Peru's expenditure on procurement stands out, at 11.0% of GDP in 2021, compared to Mexico on 3.8% (Figure 7.2).

In LAC countries, subnational governments are key actors in public procurement, as most procurement expenditure is allocated to those levels. On average, 33.5% of procurement expenditure in LAC countries was by central level of government in 2021, while local levels accounted for 41.7%. This was mostly due to countries with federal governments, which tend to allocate more resources and expenditure to subnational governments. Brazil stands out with a large share of procurement expenditure allocated to local government (49.7%) and the state level (34.9%), but only 15.4% to the central government. In contrast, all other LAC countries with available data allocated more than half of their procurement expenditure to the central level, with Paraguay (90.2%) and El Salvador (87.3%) having the highest share (Figure 7.3). The share of procurement spending at the local level decreased fell in most LAC countries between 2019 and 2021, by 2.5 p.p. on average. Mexico (-8.0 p.p.) and Colombia (-6.8 p.p.) saw the largest decreases (Online Figure F.4.1).

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. For this reason, the figures are not compared to the OECD data on general government procurement spending which is based on the SNA.

Government procurement includes the values of procurement for central, state and local governments. The subnational component refers to state and local governments. Social security funds have been excluded from this analysis, unless otherwise stated.

Further reading

- OECD (2019), *Productivity in Public Procurement: A Guide to Better Practice*, OECD Publishing, Paris, www.oecd.org/gov/public-procurement/publications/productivity-public-procurement.pdf (accessed on 21 November 2023).
- OECD (2015), "Recommendation of the Council on Public Procurement", *OECD Legal Instruments*, OECD, Paris, www.oecd.org/gov/public-procurement/OECD-Recommendation-on-Public-Procurement.pdf.

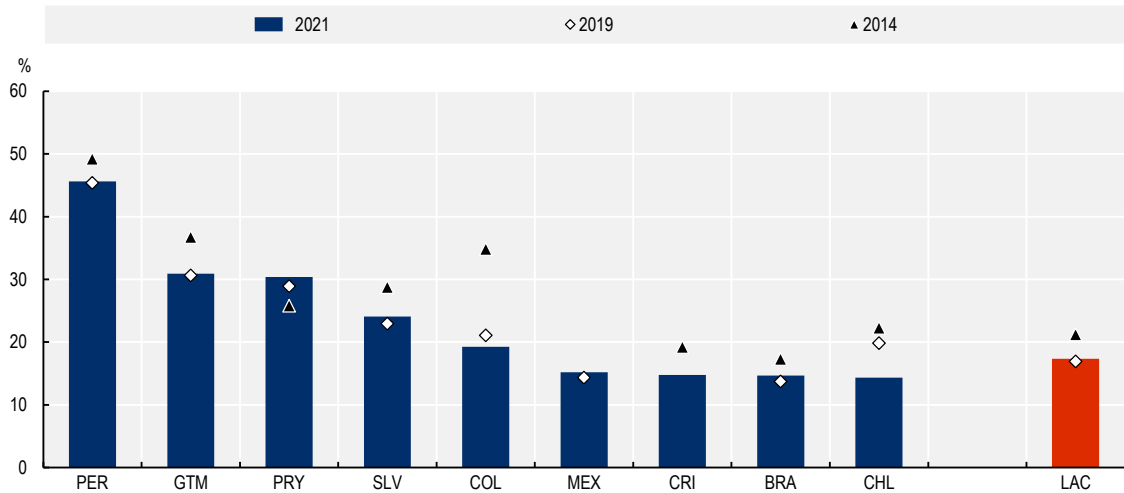
Figure notes

Data for Mexico, Paraguay and Peru are recorded on a cash basis. Data for Costa Rica and Mexico are not included in the LAC average.

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).

Figure F.4.1 (Change in the distribution of general government procurement spending across levels of government, 2019 to 2021) is available online in Annex F.

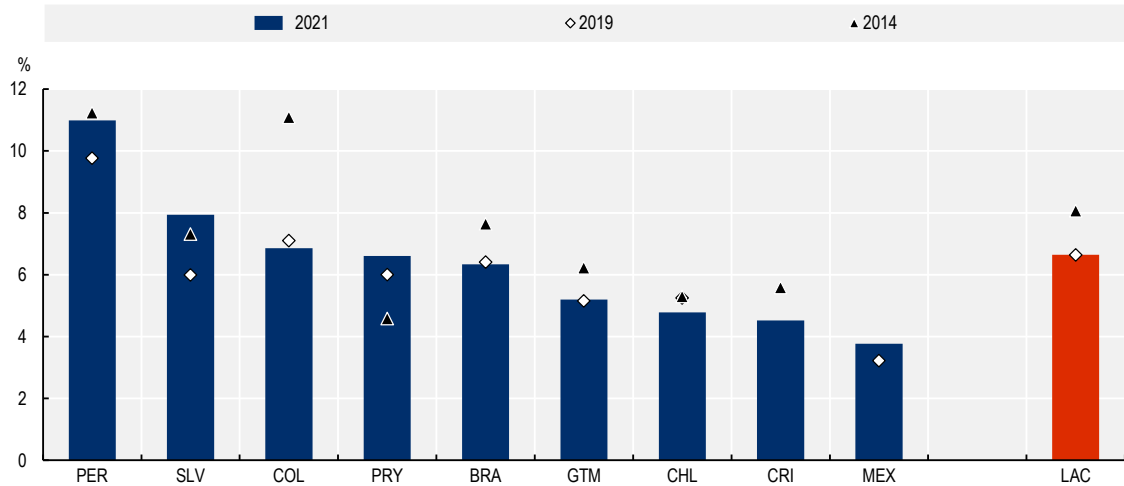
Figure 7.1. Government procurement spending as a share of total government expenditures, 2014, 2019 and 2021



Source: IMF Government Finance Statistics (IMF GFS) database.

StatLink <https://stat.link/4i526k>

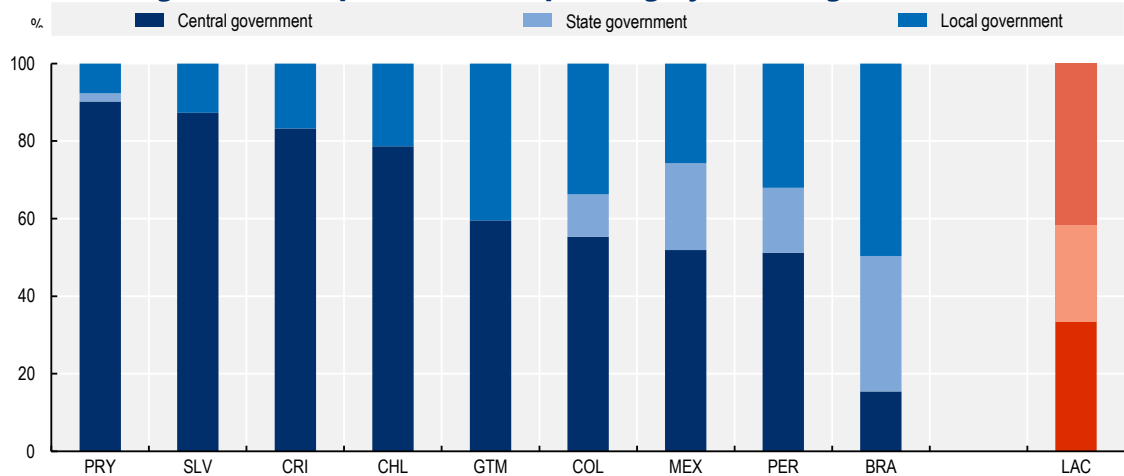
Figure 7.2. Government procurement spending as percentage of GDP, 2014, 2019 and 2021



Source: IMF Government Finance Statistics (IMF GFS) database.

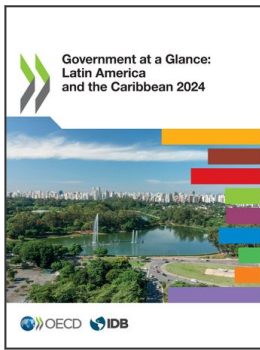
StatLink <https://stat.link/20wrq7>

Figure 7.3. General government procurement spending by level of government, 2021



Sources: IMF Government Finance Statistics (IMF GFS) database.

StatLink <https://stat.link/78fknj>



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