

Public procurement, referring to the purchase by governments and state-owned enterprises of goods, services, works, represents an important economic activity of governments. A large sum of taxpayers' money is spent on public procurement in order to perform the tasks of government and deliver on their mandates. As such, governments are expected to carry out this important economic and government activity in line with key governance principles of integrity, transparency, accountability, efficiency and effectiveness.

In 2017, spending on public procurement represented, on average, 17.4% of total government expenditures in LAC. This share varied widely across countries. For example, it totalled up to almost half of government expenditures in Peru (46.4%), somewhat over one-third (34.0%) in Colombia, due to the efforts to promote economic growth through public procurement (for instance, Peru devotes a large share of public expenditures to investment). By contrast, Brazil (13.5%) and Mexico (16.0%) it was less than one-fifth. Overall in the region, this share has significantly decreased since 2007 (21.5%), marking a 4 p.p. decrease in 2017. The most significant changes were in Brazil (-8.2 p.p.), Peru (+6.8 p.p.) and Chile (-3.7 p.p.).

The economic significance is also well represented when looking at its size in terms of the gross domestic product (GDP). In 2017, public procurement represented 6% of GDP in the LAC region, compared to 6.7% in 2007. At the country level, it ranged from 3.6% in Mexico to 9.9% in Peru. Considering its significant size, governments carry out public procurement reforms in order to achieve efficiency gains to respond to fiscal pressure, as well as to use this important function as a strategic governance tool to achieve policy objectives. At the same time, the large sum of money and close interaction between the public and the private sectors make public procurement one of the government activities that are most prone to risks of waste, misuse and corruption.

Governments at the sub-central level are key actors of public procurement reforms considering the share of public procurement spending at the sub-central level. In the LAC region, public procurement spending at the local level accounted for 38.2% of the total procurement spending, followed by 37.1% at the central level and 24.8% at the state level. On the other hand, 5 out of the 8 countries where this data are available, the share of public procurement spent by the central government was more than half – such as in Honduras (82.6%), Paraguay (82.1%), El Salvador (79.7%), Chile (77.5%) and Peru (51.0%). This variation reflects the institutional set-up of each country and especially the different organisations of public service delivery.

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

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.

Further reading

OECD (2019), *Reforming Public Procurement: Progress in Implementing the 2015 OECD Recommendation*, <https://doi.org/10.1787/1de41738-en>

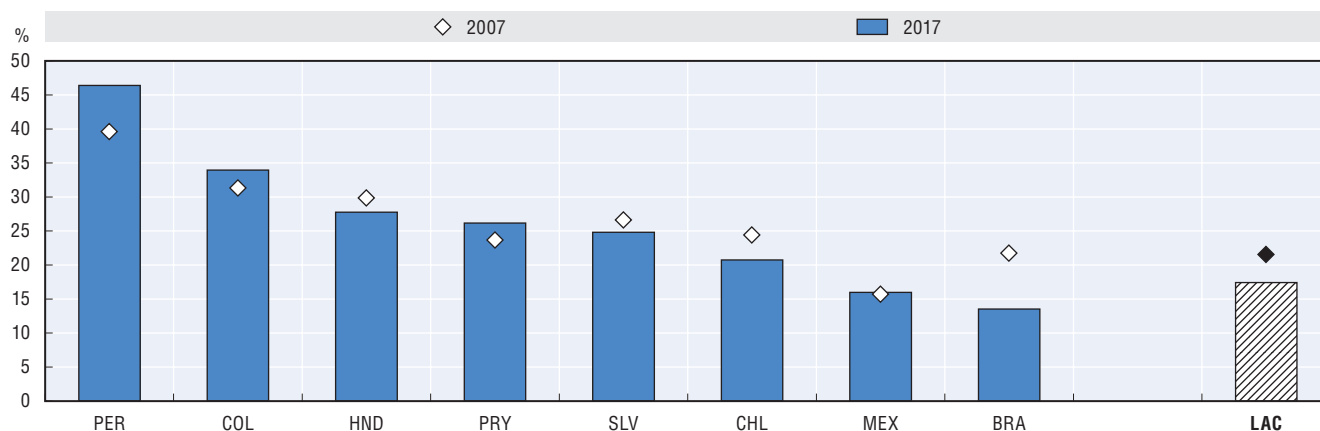
OECD (2015), *Recommendation of the Council on Public Procurement*, <https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0411>

Figure notes

Data for Mexico, Peru and Paraguay are recorded on a cash basis. 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 Honduras refer to 2015 rather than 2017. Data for Colombia and Mexico refer to 2008 rather than 2007.

10.3 Social security funds have been excluded (apart from Brazil, Chile and Colombia where they are included in central government). LAC average is weighted. Data for Paraguay refer to 2016 rather than 2017.

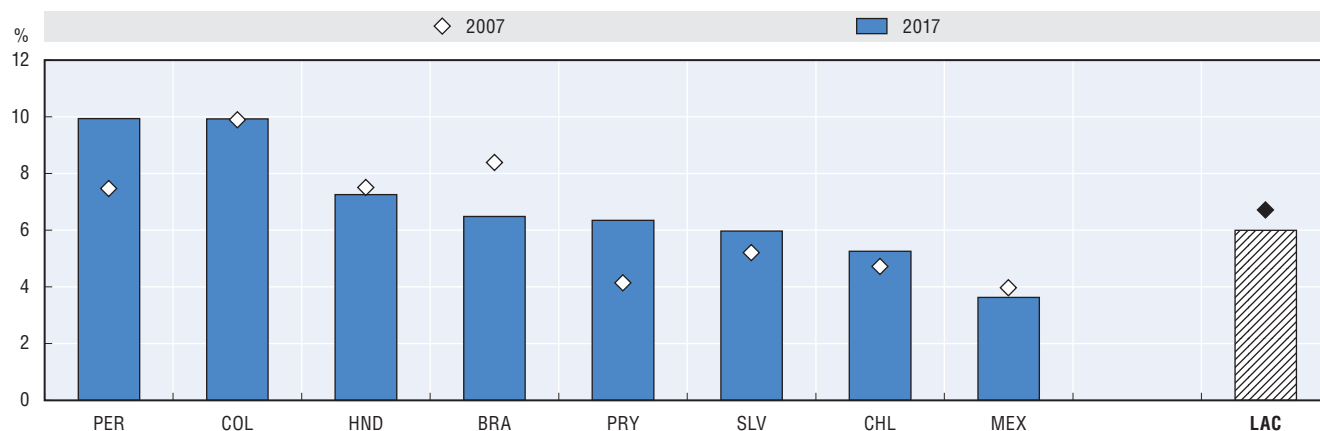
10.1. Government procurement spending as a share of total government expenditures, 2007 and 2017



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

StatLink <https://doi.org/10.1787/888934093101>

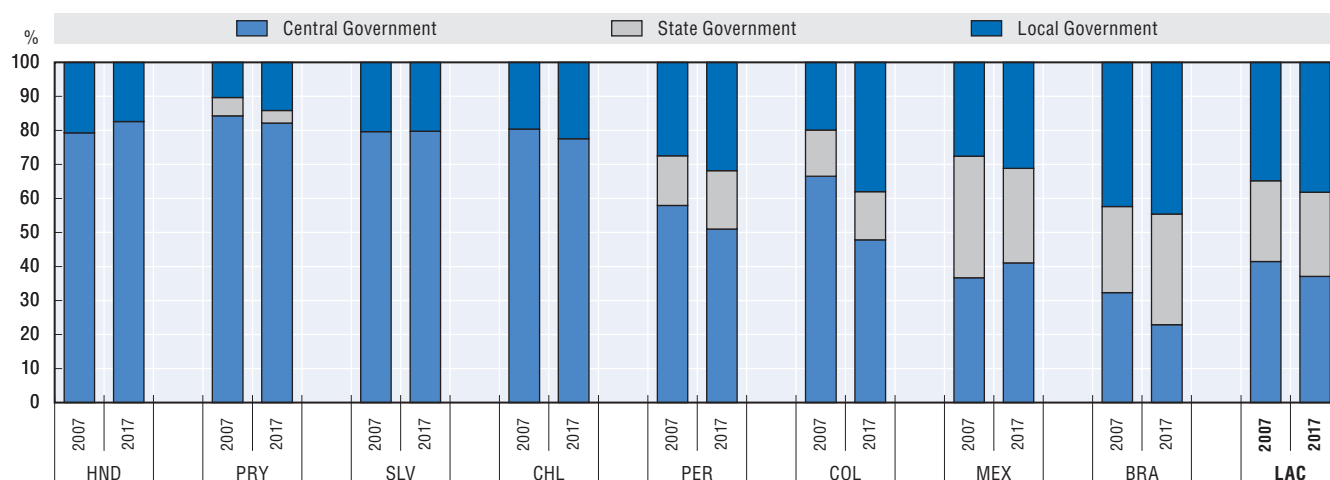
10.2. Government procurement spending as percentage of GDP, 2007 and 2017



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

StatLink <https://doi.org/10.1787/888934093120>

10.3. General government procurement spending by level of government, 2007 and 2017



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

StatLink <https://doi.org/10.1787/888934093139>



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