

BERR

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Enterprise & Regulatory Reform

**THE MARKET FOR PUBLIC
SERVICES: INTERNATIONAL
COMPARISONS**

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The Market for Public Services – International comparisons

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Executive Summary

This report presents the findings from a study commissioned by BERR to inform a review of the Public Services Industry in the UK chaired by DeAnne Julius, looking at international comparisons of the public services industry.

The current study adopts a similar approach to that used in an earlier study for the CBI on the UK's PSI, based on the nearest equivalent data available for the countries studied (US, France, Spain, Sweden and Australia).

This approach is based on two key stages of data analysis:

- first, looking at the amount governments spend on procurement for different purposes. This is based primarily on public expenditure analyses in each country; and
- second, estimating how much of the procurement spending for a particular purpose is spent on services rather than goods. This is based primarily on input-output analyses of intermediate purchases by predominantly public sector industries.

The results show:

- PSI represents a very similar share of GDP to the UK (6.2%) in both Sweden and Australia (6.1%).
- In the US, it represents a similar share of public spending to the UK, but a slightly lower share of GDP (5.3%), since overall public spending is rather lower as a share of GDP.
- In the larger continental European countries covered, though, (that is, France and Spain), PSI represents a rather lower share of GDP at just under 3%. In France in particular, this is nothing to do with a relatively low share of GDP being accounted for by public expenditure – indeed the reverse is true. Rather, it reflects the nature of public spending, which involves much more of an approach of keeping public sector functions within the public sector.

Looking to the future, the international comparisons show some government functions where procurement of services is relatively low in the UK compared with other OECD countries, and this has been reflected in a high PSI growth scenario in our UK PSI study. It is also worth noting that India, for example, is buying much less in terms of public services per person, providing huge potential for additional spending as the economy grows, with the possibility of this leading to an expanding PSI if the political will supports a move in this direction.

1. Introduction

There are many reasons why governments use outside organisations to supply public services. It allows them to take advantage of innovative solutions and commercial incentives to sustain continuous improvements, to utilise the private sector's expertise in managing supply chains, and to manage peaks in demand. Perhaps most importantly, this gives public sector buyers greater opportunity to focus on the outcomes they want to achieve rather than just processes and outputs.

The importance of the public services industry supplying services to the public sector has been recognised by the government, which has established a review chaired by DeAnne Julius to look at the sector. It has also been recognised by the CBI, who last year commissioned Oxford Economics to look at the scale and importance of the market for public services in the UK¹. This report presents the findings from a study commissioned by BERR to inform the PSI Review, looking at international comparisons of the public services industry. A companion study to the present one, also commissioned by BERR from Oxford Economics to inform the Review, is providing equivalent information for the UK and also analysing historical trends in government spending on services.

Our approach to analysing the market for public services in the UK is based on a 'top-down' analysis of public expenditure information in the UK looking at what information could be derived from relevant departmental reports and aggregated public spending accounts on what money is being spent on and how it is being used. (This could be regarded as information from the demand side of the UK public services market).

The current study adopts a similar approach to that used for the top-down analysis for the UK, based on the nearest equivalent data available for the countries studied. These are a range of OECD countries from different parts of the world:

- United States
- France
- Spain
- Sweden
- Australia

In addition, we have looked briefly at available information for a non-OECD country, India, in order to provide an indication of what the future potential market for public services in this rapidly-growing country might be.

There are inevitably some compromises that have to be made when looking for data to apply a

¹ "The Market for Public Services in the UK", CBI Jan 2008.

methodology internationally that was originally designed to utilise the information available in the UK, but there is enough hard information to provide a solid basis for comparing the market for public services in different countries. We have used the latest data for each country, which therefore does not always cover the same time period in each country. When comparing different countries, however, we have presented information as a percentage of GDP, which allows for meaningful comparisons between countries of different sizes and when the information refers to different years.

The rest of this report is structured as follows:

- Section 2 presents the definition of public services used in this report;
- Section 3 presents our approach;
- Section 4 illustrates the size of public spending as a share of GDP in each country;
- Section 5 details the procurement of services in each country and the importance of health, education and other factors to the economy;
- Section 6 offers some conclusions;
- Finally, the Appendices give detailed results for public spending and procurement for each country.

2. What do we mean by public services?

There are many different ways in which one might think about public services. For example, one definition could simply be services provided by the public sector. However, the growth of contracting-out, public-private partnerships, etc can sometimes mean that from the public's perspective there is no real distinction between a service provided by the public sector, and one provided on behalf of the public sector by another organisation. A more useful definition from the perspective of the recipient of public services might therefore be "those services to the public in which the public sector is the principal decision maker on the outputs and outcomes that the service tries to achieve".

Our focus in this study, however, is on the *Public Services Industry*, rather than just public services per se, and so the analysis focuses on services which are paid for by the public sector, rather than being provided directly within the public sector. The PSI is defined as including private, voluntary or social enterprises (but not regulated industries and utilities) that provide services where the purchasing power is created by Government. This definition includes both enterprises providing services as an input to the activities of the public sector, such as IT and support services, and those with contracts to provide services directly to the end user e.g. private sector prisons.

The Review includes all areas of government and where possible these are analysed according to the internationally agreed (UN) classification of government functions (COFOG) at 1-digit level, which identifies

- 01 - General public services
- 02 - Defence
- 03 - Public order and safety
- 04 - Economic affairs
- 05 - Environmental protection
- 06 - Housing and community amenities
- 07 - Health
- 08 - Recreation, culture and religion
- 09 - Education
- 10 - Social protection

3. Our approach

There are two key stages to the data analysis for this study: first, looking at the amount governments spend on procurement for different purposes; and second, estimating how much of the procurement spending for a particular purpose is spent on services rather than goods.

3.1. Public spending by function and economic category

Public expenditure covers a much broader range of spending than just goods and services the government needs to buy from other organisations. For example, it includes capital spending as well as current spending. And within current spending, governments pay interest on the national debt, provide social welfare benefits, and provide subsidies and other transfers to a variety of private and third sector organisations, as well as paying public sector employees and procuring a wide range of both goods and services from outside the public sector. The focus of this study, however, is on that element of public spending that is used for procuring services from outside the public sector. It is worth remembering when looking at the analysis, though, that this covers procurement at all levels of government, include national/federal, state/regional, and local government spending – the countries covered here include both federations of states such as the US and Australia and unitary governments such as France, Sweden and Spain, but in all cases public spending is carried out at a range of different levels of government. The charts within the Appendices illustrate the different economic categories which absorb public spending in the countries covered in this study.

Ideally, our methodological approach requires a two-way classification of public spending by both economic category and by government function. We have been able to find information on this basis for all the main countries covered by this study with the exception of Australia, and details on spending by economic category and on spending by government function (using the COFOG classification set out above in Section 2) for the US, France, Spain and Sweden are also provided in the Appendices.

For Australia, there is rather more limited information available – we have information on overall public spending in Australia taking account of all levels of government; on the breakdown of this spending by function (COFOG); and on the breakdown by economic category to some extent. Unfortunately, unlike the UK or the other countries studied here, there is no combined breakdown available by both function and economic category. (The categorisation of spending by economic category is also not entirely consistent with that produced by other countries.) Our approach has been primarily to carry out the Australian analysis just at the level of overall procurement, rather than separately for each function, and therefore to present a somewhat more limited set of results for Australia. Spending on services has been calculated using an estimate of the share of procurement spending on services for government spending as a whole, rather than for each function separately. We do, however, have separate information on procurement within the government's education spending, and therefore have included a specific Australia figure within that part of the analysis.

3.2. Estimating spending on services

3.2.1. Input-output tables

Our study of the UK market for public services uses the breakdown of purchases across different commodities provided by input-output tables as a way of estimating what proportion of government procurement for different functions is accounted for by services rather than goods or utilities. We have adopted a similar approach here, and have obtained input-output tables for all the countries we are focusing on for this study. Although they are in some cases rather dated, we do not regard this as a fatal flaw for our purposes since we are using them in order to estimate shares rather than levels of spending, and since the shares only change marginally between years.

3.2.2. Dealing with the absence of a government consumption IO table

There is one significant difference between the input-output information we were able to obtain for the UK and that which is available for other countries, however. For the UK, the ONS produce a commodity-by-commodity breakdown of purchases that relate specifically to government final consumption. For other countries we have to rely on a general supply-use table breaking down the purchases of specific industries regardless of whether or not different firms producing that industry's output are within the private or public sectors.

Although this means the methodology is not identical to that which we have applied to the UK, we believe it is still a suitable way of estimating how much government procurement is on services rather than goods, for two main reasons:

- First, many of the relevant input-output categories are fairly heavily dominated by the public sector anyway. It is unlikely to make much difference, for example, to information on purchases involved in producing public administration and defence services, whether or not the data are restricted by construction to government spending only.
- Second, analysis of UK input-output tables shows that there is little difference in the services share calculated from the specific and the more general tables – for government procurement as a whole the estimated share of services is 58.9% calculated from the input-output table specific to government consumption, and 59.7% from the broader input-output table that is equivalent to that available for other countries. For public administration and defence the shares are identical, while for health and education, for example, they only differ by a few percentage points (see Table 3-1).

Table 3-1: UK Input-Output Analysis

Comparison of Input-Output analysis for UK	
<u>General Government final consumption</u> (IO table 5)	
Purchases for producing:	% services
Public admin & defence	50.6
Education	67.8
Health	47.2
Social work	93.1
Recreational services	87.3
Total	58.9
<u>Demand for products ('combined use' table)</u> (IO table 3)	
Intermediate consumption by industry:	% services
115 Public administration & defence	50.6
116 Education	71.1
117 Health & veterinary services	51.7
118 Social work activities	82.5
121 Recreational services	81.6
Estimated total (115-118)	59.7

Source: Oxford Economics calculations from UK IO tables

3.2.3. The services share of procurement

Using the main Input-Output tables for each of the countries covered in this report gives estimates of the share of procurement on each main government function that is accounted for by services rather than goods – see Table 3-2 (more detailed figures for each country are provided in the relevant Appendix).

Table 3-2: Share of services across countries

% of services	Public admin	Education	Health & social work	Other personal services	Recreational services
US	59.4	77.1	70.4	73.3	-
France	58.7	56.3	50.4	68.7	-
Spain	58.2	58.1	45.6	75.9	-
Sweden	62.5	74.7	57.7	57.5	77.1
Australia	61.5	61.0	64.5	66.1	71.2
UK	50.6	71.1	62.6	-	81.6

Source: Oxford Economics calculations from country IO tables

Note: Sweden (2005); Australia (2001-02); US, Spain and France (2000)

4. Public spending

One significant source of differences between the markets for public services in different countries is the overall scale of public spending in different countries, to some extent reflecting different philosophies about the scope of government. In France and Sweden, for example, public spending represents around 54% of GDP, whereas in the US it represents only 36% of GDP and in Australia 28%.

Table 4-1: Public spending as a share of GDP in different countries

Overall public spending

Billions	2005	2006	% of GDP
US (\$)	4,536		36.5
Spain (Euros)		378	38.6
France (Euros)	919		53.6
Sweden (SEK)		1,575	54.3
Australia (Aus \$)		286	28.5
UK (£)		586	41.7

Source: Oxford Economics

Note: Overall public spending figure for the UK is a 2007/08 figure (source: PESA).

Overall public spending on health

Billions	2005	2006	% of GDP
US (\$)	923		7.4
Spain (Euros)		55	5.6
France (Euros)	126		7.3
Sweden (SEK)		197	6.8
Australia (Aus \$)		62	6.1
UK (£)		103	7.3

Source: Oxford Economics

Note: Overall public spending on health figure for the UK is a 2007/08 figure (source: PESA).

Overall public spending on education

Billions	2005	2006	% of GDP
US (\$)	773		6.2
Spain (Euros)		43	4.3
France (Euros)	106		6.2
Sweden (SEK)		205	7.1
Australia (Aus \$)		50	5.0
UK (£)		79	5.6

Source: Oxford Economics

Note: Overall public spending on education figure for the UK is a 2007/08 figure (source: PESA).

Looking at overall procurement spending, this varies between around 5% of GDP in France and Spain, to 9-10% of GDP in Sweden, Australia and the UK.

Table 4-2: Public spending on procurement as a share of GDP in different countries

Overall procurement spend

Billions	2005	2006	% of GDP
US (\$)	1,026		8.3
Spain (Euros)		49	5.0
France (Euros)	89		5.2
Sweden (SEK)		280	9.6
Australia (Aus \$)		92	9.2
UK (£)		141	10.0

Source: Oxford Economics

Note: UK figure is for 2007/08

5. Procurement of services

5.1. Overall PSI

The approach outlined in Chapter 3 enables us to estimate public spending on services as part of this overall procurement. The Appendices present the details for each country, summarised in the charts and tables below.

Table 5-1: Procurement of services' share of GDP in different countries

Billions	Procurement of services (2005)	Procurement of services (2006)	% of GDP
US (\$)	662.0		5.3
Spain (Euros)		27.9	2.8
France (Euros)	50.6		2.9
Sweden (SEK)		178.0	6.1
Australia (Aus \$)		61.2	6.1
UK (£)		79.0	5.7

Source: Oxford Economics

Note: 2007/08 UK figure (source: OE), UK GDP (2007, source: OE)

Public Services Industry represents a slightly higher share of GDP to the UK (5.7%) in both Sweden and Australia (6.1%). In the US, it represents a similar share of public spending to the UK, but a slightly lower share of GDP (5.3%), since overall public spending is rather lower as a share of GDP. In the larger continental European countries covered, though, (that is, France and Spain), PSI represents a rather lower share of GDP at just under 3%. In France in particular, this is nothing to do with a relatively low share of GDP being accounted for by public expenditure – indeed the reverse is true. Rather, it reflects the nature of public spending, which involves much more of an approach of keeping public sector functions within the public sector.

Table 5-2: Procurement of services spending in each country on a comparable basis with the UK

	£bn at market rates
US	393.8
Spain	24.7
France	44.8
Sweden	16.4
Australia	32.3
UK	79.4

Source: Oxford Economics

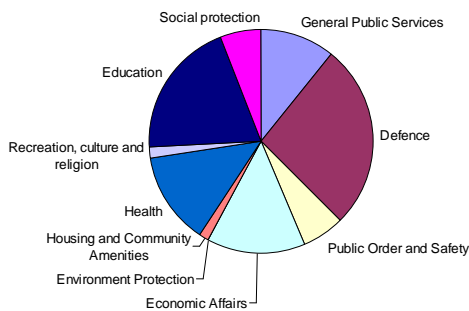
Note: 2007/08 UK figure, other countries 2005 or 2006, uprated to 2008 using a constant share of GDP and estimated market exchange rates.

In terms of the overall market for PSI, it is no surprise that the US represents the largest market, given the overall size of the economy. Comparing across countries using market exchange rates, the US PSI market is around 5 times as large as the UK market. All the other countries have a smaller PSI market than in the UK – even France, with a broadly comparable size of the economy, has a PSI market 56% of the UK's.

5.2. PSI by function

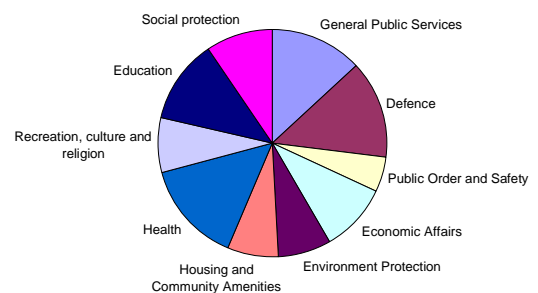
There are some noticeable differences between the economies studied in terms of the composition of PSI between the different government functions, and there are obviously a number of factors behind these differences. Some of these, however, will reflect the extent to which consumers rather than governments fund particular areas of activity such as health and education; or the different overall priorities attached to different areas of spending in different countries, for example in terms of the level of service being provided. Some of these factors are discussed below for some of the major areas of spending.

Chart 5-1: Percentage of services procurement by category in the US



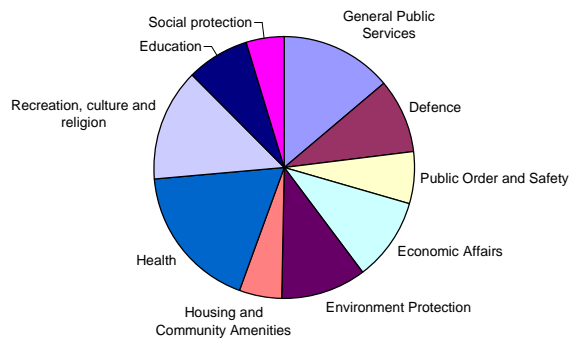
Source: Oxford Economics, Bureau of Economic Analysis

Chart 5-2: Percentage of services procurement by category in France



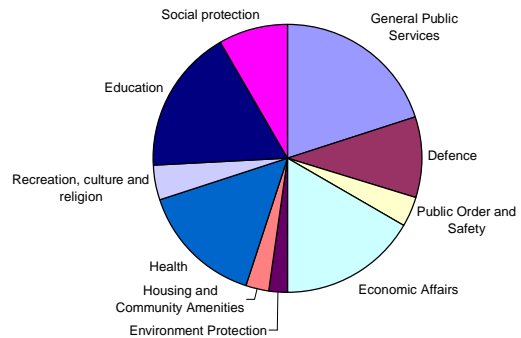
Source: Oxford Economics, INSEE

Chart 5-3: Percentage of services procurement by category in Spain



Source: Oxford Economics, Spanish National Accounts

Chart 5-4: Percentage of services procurement by category in Sweden

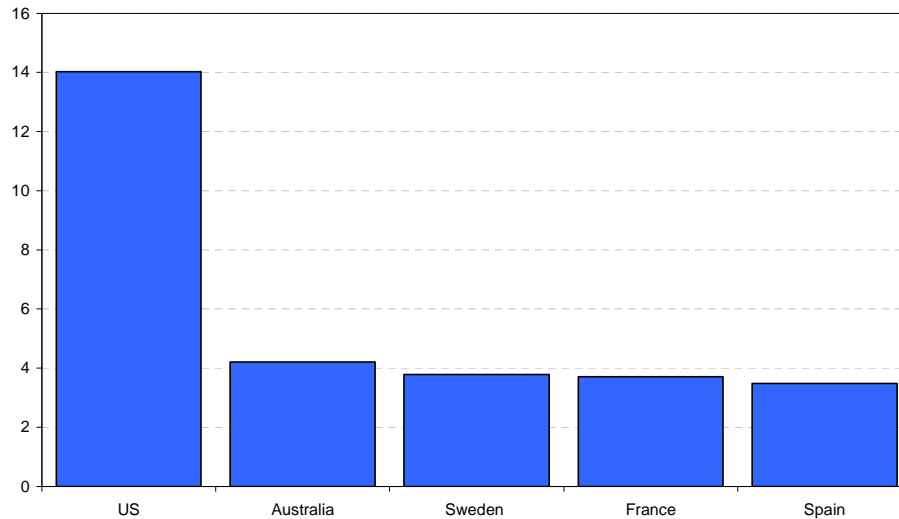


Source: Oxford Economics, Swedish National Accounts

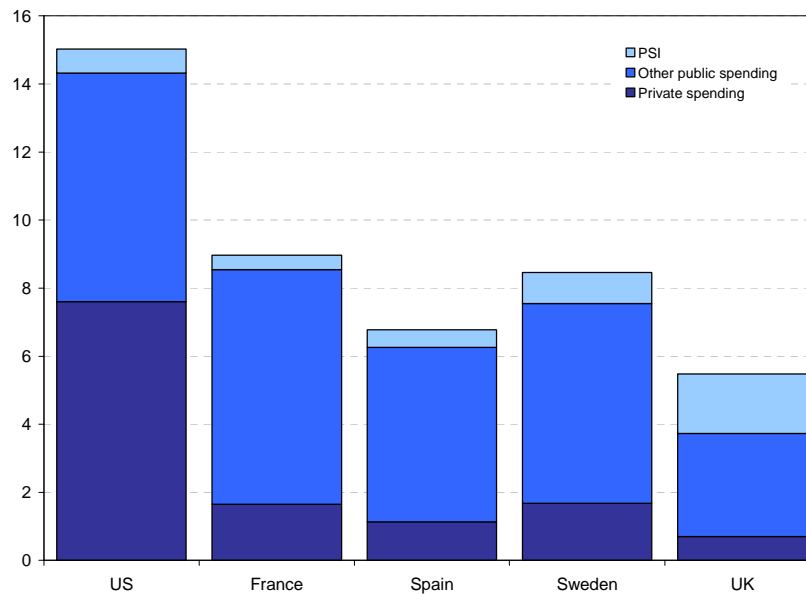
5.3. Health and education

The most obvious difference between the countries covered in terms of spending on health and education is the extent to which consumers expect to pay for their own consumption of these services. In the US, for example, health accounts for around 14% of consumer spending compared with around 4% elsewhere (Chart 5-5). Given this, it is not surprising that government spending on health is rather lower, and therefore there is less scope for PSI in US health than elsewhere. Looking at the various sources of spending on health in each country as a share of GDP (Chart 5-6), the US stands out as having the highest combined spending on health as a share of GDP, mostly as a result of high consumer spending. The UK has the lowest combined spending on health as a share of GDP, with relatively low consumer spending and non-PSI public spending. But it actually has a larger health PSI as a share of GDP than the other countries studied here².

² Note that the UK figures used here are derived from our companion study of 'The Public Services Industry in the UK'. As in that study, the UK PSI figures for health have been adjusted by excluding an estimate of GPs' salaries which for definitional reasons are otherwise included within public sector procurement in the UK statistics.

Chart 5-5: Share of consumer spending on health and social services

Source: Oxford Economics calculations from country IO tables

Chart 5-6: Size of public and private spending on health as % of GDP

Source: Oxford Economics

Notes: Private spending calculated from country IO tables.

Other public spending and PSI calculated from country COFOG tables and Oxford Economics analysis.

There are, however, other factors that are likely to be relevant to the scale of PSI across different functions in different countries, particularly in relation to the amount of services purchased. Continental

Europe, for example, generally has a larger number of doctors relative to population than in the UK and the US (Table 5-3), and this is likely to increase the scale of spending needed to provide these services. There is perhaps less difference between countries in terms of life expectancy, which might be considered as a measure of performance for spending on health, although in general there appears to be a correlation between countries with a higher life expectancy and those with more doctors per 1000 people. On both these measures the UK is relatively similar to the US, despite the much lower share of GDP devoted to health spending.

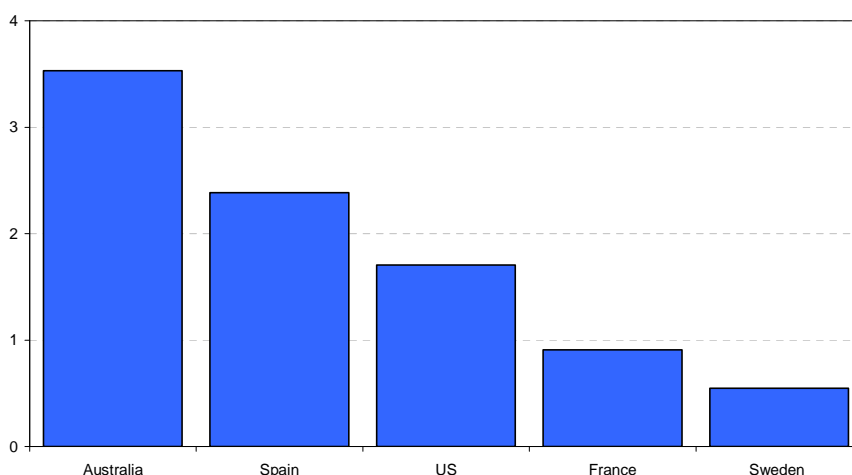
Table 5-3: Number of physicians per 1,000 people, 2000-2005

	No. of doctors per 1,000 people, 2000-2005	Life expectancy at birth, 2005 (years)
US	2.3	78
France	3.4	80
Spain	3.2	81
Sweden	3.3	81
Australia	2.5	81
UK	2.2	79

Source: The World Bank, World Development Indicators, 2007

In education, in contrast, US consumer spending is much more in line with other countries, and indeed the overall variation between countries here is lower than for health (Chart 5-7).

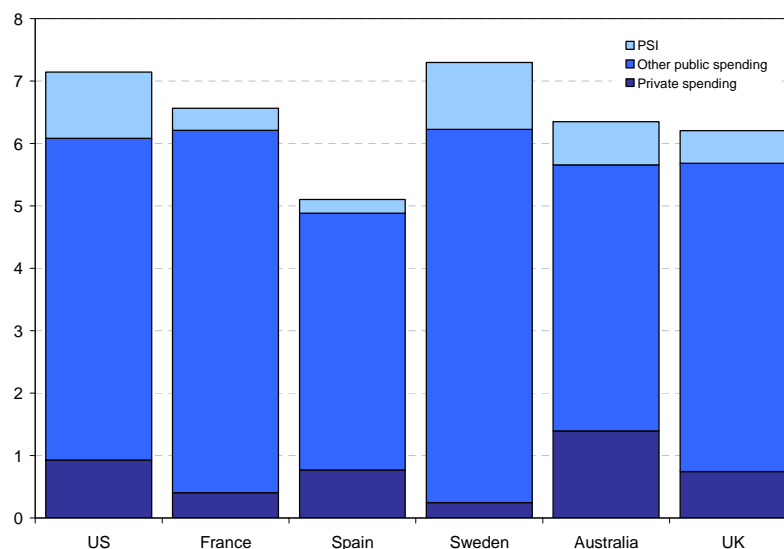
Chart 5-7: Share of consumer spending on education



Source: Oxford Economics calculations from country IO tables

Looking at overall spending on education as a share of GDP (Chart 5-8), there is relatively little cross-country variation, although spending is noticeably lower as a share of GDP in Spain than elsewhere. Private spending is lower in continental Europe, while PSI spending is relatively high in Sweden and the US, with the UK in the middle of the countries studied here.

Chart 5-8: Size of public and private spending on education as % of GDP

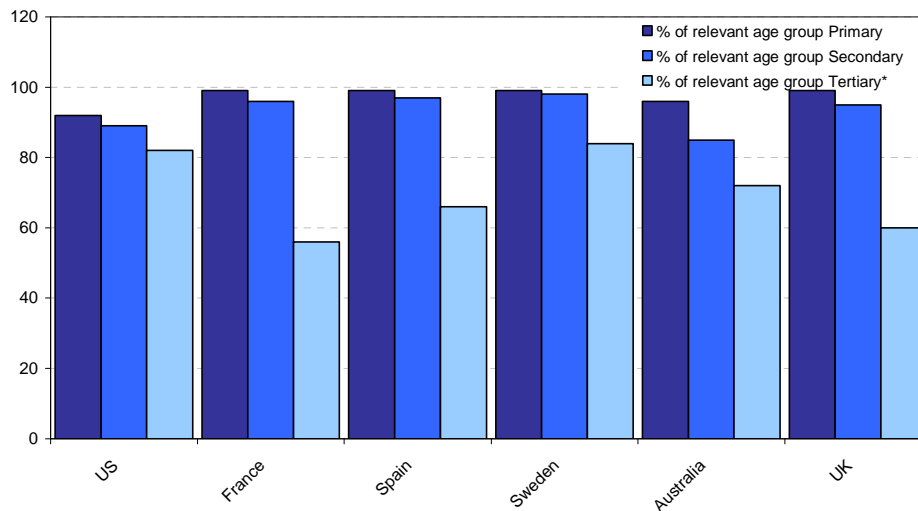


Source: Oxford Economics

Notes: Private spending calculated from country IO tables.

Other public spending and PSI calculated from country COFOG tables and Oxford Economics analysis.

There is little obvious correlation between spending on education and what it buys in terms of the proportion of the population of the relevant age group in education. This partly reflects the near-universal coverage of primary and secondary education in these developed economies (although there appears to be slightly lower participation in primary education in the US, and in secondary education in both the US and Australia). However, there is more variation in the coverage of tertiary education, and the countries with the highest participation (the US and Sweden) are also the countries with the highest overall spending on education as a share of GDP, suggesting there could be additional pressures on education spending in the UK, including the possibility of an expanding PSI in this area, if participation in tertiary education is to be increased further.

Chart 5-9: Participation in education, 2005

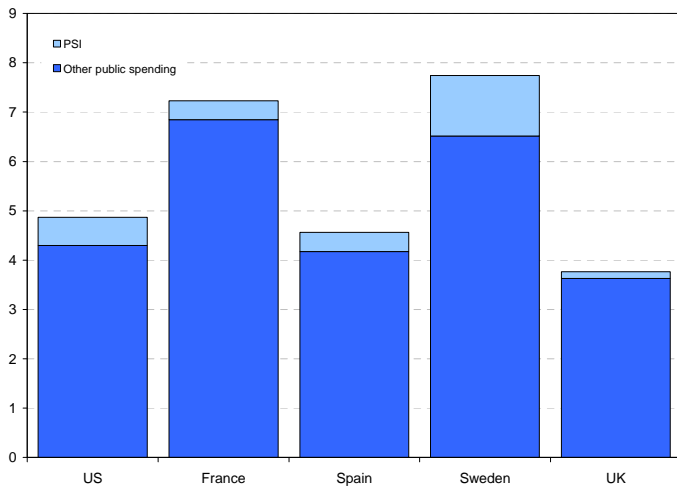
Source: The World Bank, World Development Indicators, 2007

Note: Net enrolment ratio for relevant age group in primary and secondary education. Gross enrolment ratio for relevant age group in tertiary education

5.4. Other areas of spending

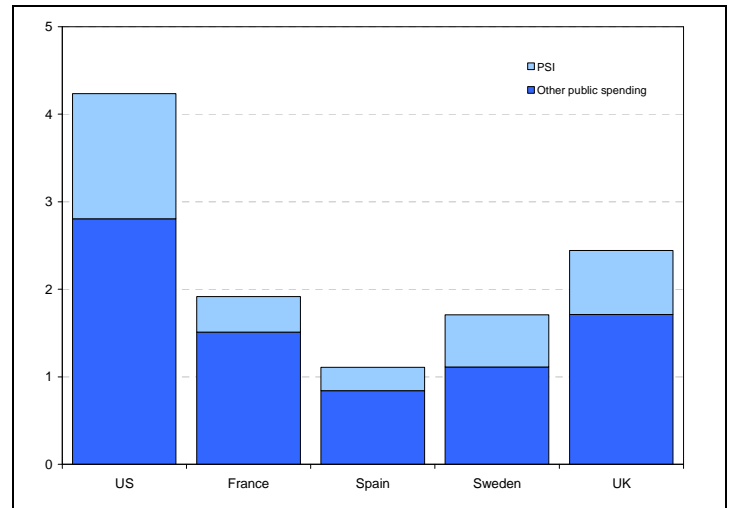
Not all areas of spending are as suitable for this sort of comparison of different spending sources as a share of GDP analysis as health and education are, particularly where it is less straightforward to estimate the relevant consumer spending. Given the time constraints of this study we have not, for example, tried to form a view on which elements of consumer spending in each country could be sensibly regarded as complementary to public spending on recreation, culture and religion. However, for some functions of government such as defence it is perhaps unlikely that there will be much consumer spending to take into account, and in these cases the charts below therefore just compare PSI and non-PSI public spending across countries as a share of GDP.

Chart 5-10: Size of public spending on general public services as % of GDP



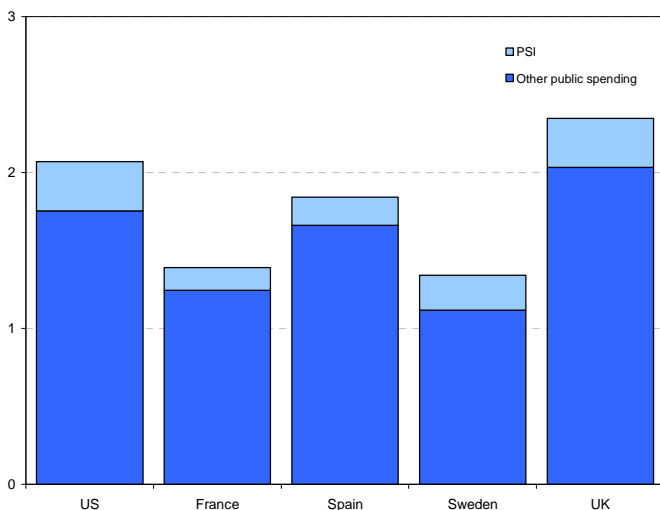
Source: Oxford Economics calculations

Chart 5-11: Size of public spending on defence as % of GDP



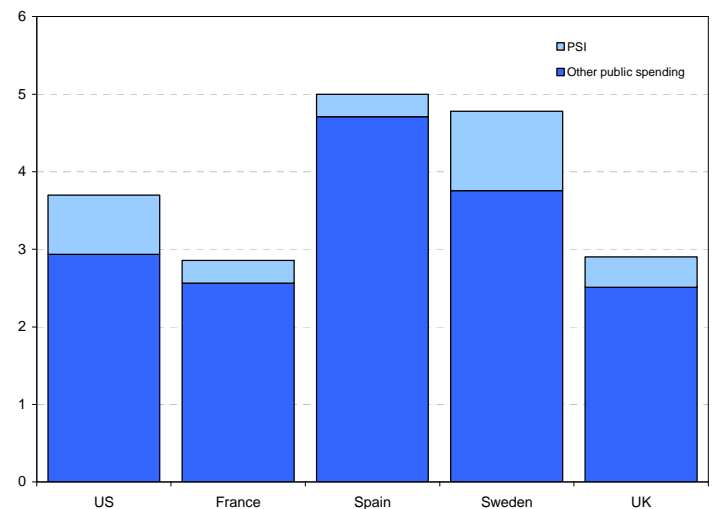
Source: Oxford Economics calculations

Chart 5-12: Size of public spending on public order and safety as % of GDP



Source: Oxford Economics calculations

Chart 5-13: Size of public spending on economic affairs as % of GDP



Source: Oxford Economics calculations

It is not always as easy for these government functions to find clear indicators either of the scale of services provided in different countries or of the extent to which consumers are purchasing their own services (if at all). The relatively large defence PSI in the US, though, no doubt at least partly reflects the overall relatively high level of defence spending as a share of GDP in the US.

Table 5-4: Spending on Defence, 2005

	Military expenditure as % of GDP	Armed forces personnel as % of labour force
US	4.1	1.0
France	2.5	1.3
Spain	1.0	1.1
Sweden	1.6	0.6
Australia	1.8	0.5
UK	2.6	0.7

Source: The World Bank, *World Development Indicators*, 2007

6. Conclusions

We have looked at the estimated scale of the public services industry in a range of different countries (US, France, Spain, Sweden and Australia), to see how it compares with the UK. There are inevitably a number of simplifying assumptions required in carrying out the analysis, but we do not believe these invalidate the results, and we have been explicit throughout the study about how the results have been derived.

This approach is based on two key stages of data analysis:

- first, looking at the amount governments spend on procurement for different purposes. This is based primarily on public expenditure analyses in each country; and
- second, estimating how much of the procurement spending for a particular purpose is spent on services rather than goods. This is based primarily on input-output analyses of intermediate purchases by predominantly public sector industries.

The results show:

- PSI represents a very similar share of GDP to the UK (6.2%) in both Sweden and Australia (6.1%).
- In the US, it represents a similar share of public spending to the UK, but a slightly lower share of GDP (5.3%), since overall public spending is rather lower as a share of GDP.
- In the larger continental European countries covered, though, (that is, France and Spain), PSI represents a rather lower share of GDP at just under 3%. In France in particular, this is nothing to do with a relatively low share of GDP being accounted for by public expenditure – indeed the reverse is true. Rather, it reflects the nature of public spending, which involves much more of an approach of keeping public sector functions within the public sector.

It is perhaps also interesting to compare the scale of PSI in each country with how large the industry could theoretically be if the government contracted out all service provision. In terms of the potential scope of the PSI, many components of public expenditure are not particularly relevant. For example, debt interest and transfer payments account for a significant part of public spending, but do not represent activities that could be amenable to contracting out. Public sector pay, on the other hand, can be seen as representing activities that could, at least theoretically, be provided outside the public sector. Looking at it this way (Table 6-1), there is a contrast between the countries that make most use of the private sector in this way (Australia, followed by the US and UK), and those that perhaps still expect most public sector services to be provided by the public sector itself (France, Spain), with Sweden somewhere in the middle.

Table 6-1: PSI as a share of PSI and public sector pay

	% of PSI+pay
US	34
France	18
Spain	22
Sweden	29
Australia	40
UK	33

Box: The Scope for PSI in India

This study has demonstrated the size of the public services industry in a range of countries, and therefore the current size of the market in different countries that might be available in principle to PSI companies seeking export opportunities. Looking to the future, however, it is also worth noting that India, for example, is buying much less in terms of public services per person, providing huge potential for additional spending and additional PSI as economy grows.

Overall public spending in India is currently around £95 billion at market exchange rates, or only 16% of UK public spending. (In purchasing power parity terms, though – that is, reflecting the relative purchasing power of the rupee and the pound rather than the market exchange rate – public spending in India is much closer to that in the UK, at around £330 billion.) We expect public spending in India to grow rapidly in the coming years, though, as the economy develops, and within ten years we expect spending to be nearly twice what it is now in sterling terms. To take one of the specific indicators covered in this report, India had only 0.6 doctors per 1000 people in 2005, around a quarter of the number in the UK relative to population. As the economy grows, therefore, and becomes able to afford higher standards of healthcare, the potential market for PSI in health services in India is dramatic.

Appendix A - Public spending in the US

Data sources:

- *Bureau of Economic Analysis: General Government Expenditure by Function (SNA 1993 basis as submitted to OECD)*
- *OECD: US Input-Output tables for 2000*

The United States has a federal system of government, with individual states responsible for many of the functions of government – though the analysis presented in this report is consolidated to cover all levels of government. The US also has a strong belief in the private sector, with business being recognised as the key source of economic strength, and a rather more ambivalent attitude to the role of the public sector – public spending therefore accounts for rather less of GDP than in much of continental Europe, for example.

The analysis of the US in this study shows that public sector spending totalled \$4,536 billion in 2005 of which, overall procurement spend accounted for \$1026 billion. Table A-1 shows public spending on services as part of this overall procurement to be \$662 billion excluding goods. This accounts for around 15% of overall public spending.

In terms of the potential scope of the PSI, many components of public expenditure are not particularly relevant. For example, debt interest and transfer payments account for a significant part of public spending, but do not represent activities that could be amenable to contracting out. Public sector pay, on the other hand, can be seen as representing activities that could, at least theoretically, be provided outside the public sector. Looking at it this way, the PSI in the US represents 34% of the combined public and private provision of services to meet government functions.

Of the \$662 billion US government spending on services, defence makes up the largest proportion (\$177.5 billion) accounting for almost 27% of services procurement, followed by education (\$131.9 billion) accounting for nearly 20% of services procurement.

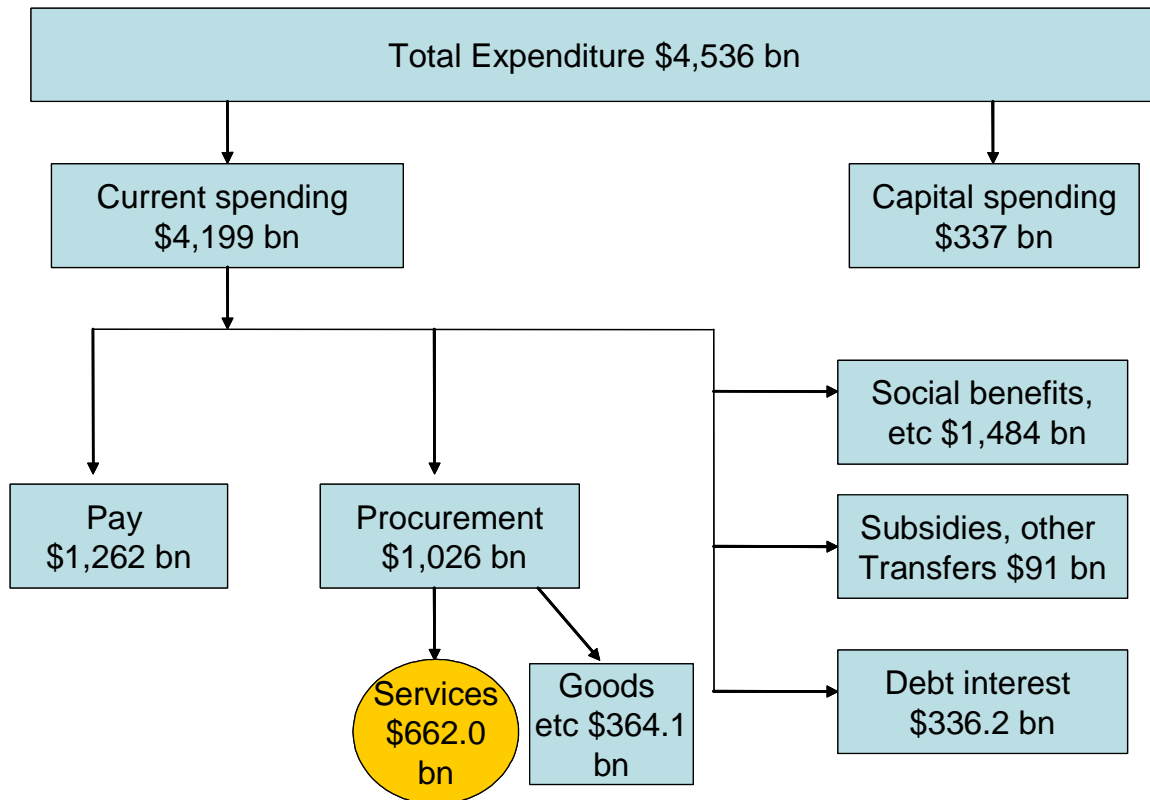
The reason that health is not a larger proportion than other sectors of the US' spending on services lies with the nature of its healthcare system which is not fully publicly funded and is primarily funded by the private sector. A lot of Americans receive health insurance coverage through an employer which the government partly subsidises by exempting employer contributions from taxation as income.

Table A-1: US summary

US, 2005	\$ bn	% GDP	% public spending
Public spending	4,536.2	36.5	100
Procurement	1026.1	8.3	23
Procurement of services	662.0	5.3	15

Source: Oxford Economics, Bureau of Economic Analysis

Chart A-1: US public spending, 2005



Source: Bureau of Economic Analysis

Table A-2: Total General Government Spending by function and economic category in the US, 2005, \$bn

\$bn, 2005	General Public Services	Defence	Public Order and Safety	Economic Affairs	Environment Protection	Housing and Community Amenities	Health	Recreation, culture and religion	Education	Social protection	Total
Memo: Final Consumption Expenditures	186.2	518.9	248.9	220.4	0.0	10.4	96.8	27.2	581.6	87.6	1,978
Compensation of Employees	83.1	213.4	176.6	144.4	0.0	7.1	109.1	14.3	478.2	33.6	1,262
Subsidies	0.0	0.0	0.0	25.5	0.0	31.8	0.0	0.0	0.0	0.0	57
Property Income	336.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	336
Social benefits & transfers (1)	1.3	0.0	0.2	2.4	0.0	0.0	655.3	0.6	41.9	782.4	1,484
Procurement (2)	119.9	298.7	66.2	159.1	0.0	16.0	125.0	15.3	171.0	54.8	1,026
Other taxes (3)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0
Other current transfers	33.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	34
Capital Transfers	2.3	0.0	0.0	0.0	0.0	0.0	15.9	0.0	0.0	0.0	18
Gross capital formation	28.9	12.4	14.4	128.2	0.0	24.1	17.5	7.5	82.3	3.6	319
Net acquisitions (4)	0.0	0.0	0.0	10.9	0.0	0.0	0.0	0.0	0.0	0.0	11
Total Expenditure	605.6	526.5	257.4	459.5	0.0	79.0	922.8	37.7	773.3	874.4	4,536

Source: Bureau of Economic Analysis

Table A-3: Total General Government Spending by function and economic category in the US as a share of total expenditure, 2005, \$bn

% of total expenditure	General Public Services	Defence	Public Order and Safety	Economic Affairs	Environment Protection	Housing and Community Amenities	Health	Recreation, culture and religion	Education	Social protection	Total
Memo: Final Consumption Expenditures	4.1	11.4	5.5	4.9	0.0	0.2	2.1	0.6	12.8	1.9	43.6
Compensation of Employees	1.8	4.7	3.9	3.2	0.0	0.2	2.4	0.3	10.5	0.7	27.8
Subsidies	0.0	0.0	0.0	0.6	0.0	0.7	0.0	0.0	0.0	0.0	1.3
Property Income	7.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.4
Social benefits & transfers (1)	0.0	0.0	0.0	0.1	0.0	0.0	14.4	0.0	0.9	17.2	32.7
Procurement (2)	2.6	6.6	1.5	3.5	0.0	0.4	2.8	0.3	3.8	1.2	22.6
Other taxes (3)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other current transfers	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7
Capital Transfers	0.1	0.0	0.0	0.0	0.0	0.0	0.4	0.0	0.0	0.0	0.4
Gross capital formation	0.6	0.3	0.3	2.8	0.0	0.5	0.4	0.2	1.8	0.1	7.0
Net acquisitions (4)	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.2
Total Expenditure	13.3	11.6	5.7	10.1	0.0	1.7	20.3	0.8	17.0	19.3	100.0

Source: Oxford Economics, Bureau of Economic Analysis

Notes:

1. Social benefits and social transfers in kind for products supplied to households via market producers.
2. Intermediate consumption expenditures.
3. Other taxes on production and current taxes on income, wealth etc. and adjustment for the change in net equity of households in pension funds reserves.
4. Acquisitions less disposals of non-financial non-produced assets.

Table A-4: General government final consumption by industry in the US, \$bn, 2000

Purchases from:	Purchases by General Government				
	Public admin & defence	Education	Health & social work	Other personal services	Total
Goods	207	10	100	117	434
Utilities	34	1	6	10	51
Construction	36	3	4	5	48
Private services	354	44	237	344	979
Public services	52	3	24	18	97
Total	683	61	370	495	1609
Services as % of total	59.4	77.1	70.4	73.3	66.9

Source: Oxford Economics, OECD US Input-Output tables

Table A-5: Public spending on services in the US

COFOG	Procurement (\$bn)	% services	Procurement of services (bn)	% of services procurement
General Public Services	119.9	59.4	71.3	10.8
Defence	298.7	59.4	177.5	26.8
Public Order and Safety	66.2	59.4	39.4	5.9
Economic Affairs	159.1	59.4	94.5	14.3
Environment Protection	0.0	59.4	0.0	0.0
Housing and Community Amenities	16.0	59.4	9.5	1.4
Health	125.0	70.4	88.0	13.3
Recreation, culture and religion	15.3	73.3	11.2	1.7
Education	171.0	77.1	131.9	19.9
Social protection	54.8	70.4	38.6	5.8
Total	1026.1	66.9	662.0	100.0

Source: Oxford Economics, Bureau of Economic Analysis

Note: Amount of procurement (\$bn) at COFOG level for the US is a 2005 figure. However, the percentage of services was calculated using 2000 input-output data (latest available).

Appendix B – Public Spending in France

Data sources:

- *INSEE: National Accounts*
- *OECD French Input-Output tables for 2000*

France has a relatively centralised system of government, with the public sector playing a major role in the economy. The analysis of France in this study shows that public sector spending totalled €919.5 billion in 2005 of which, overall procurement spend accounted for €89 billion. Table B-1 shows public spending on services as part of this overall procurement to be €50.6 billion excluding goods. This accounts for nearly 6% of overall public spending.

In terms of the potential scope of the PSI, many components of public expenditure are not particularly relevant. For example, debt interest and transfer payments account for a significant part of public spending, but do not represent activities that could be amenable to contracting out. Public sector pay, on the other hand, can be seen as representing activities that could, at least theoretically, be provided outside the public sector. Looking at it this way, the PSI in France represents 18% of the combined public and private provision of services to meet government functions.

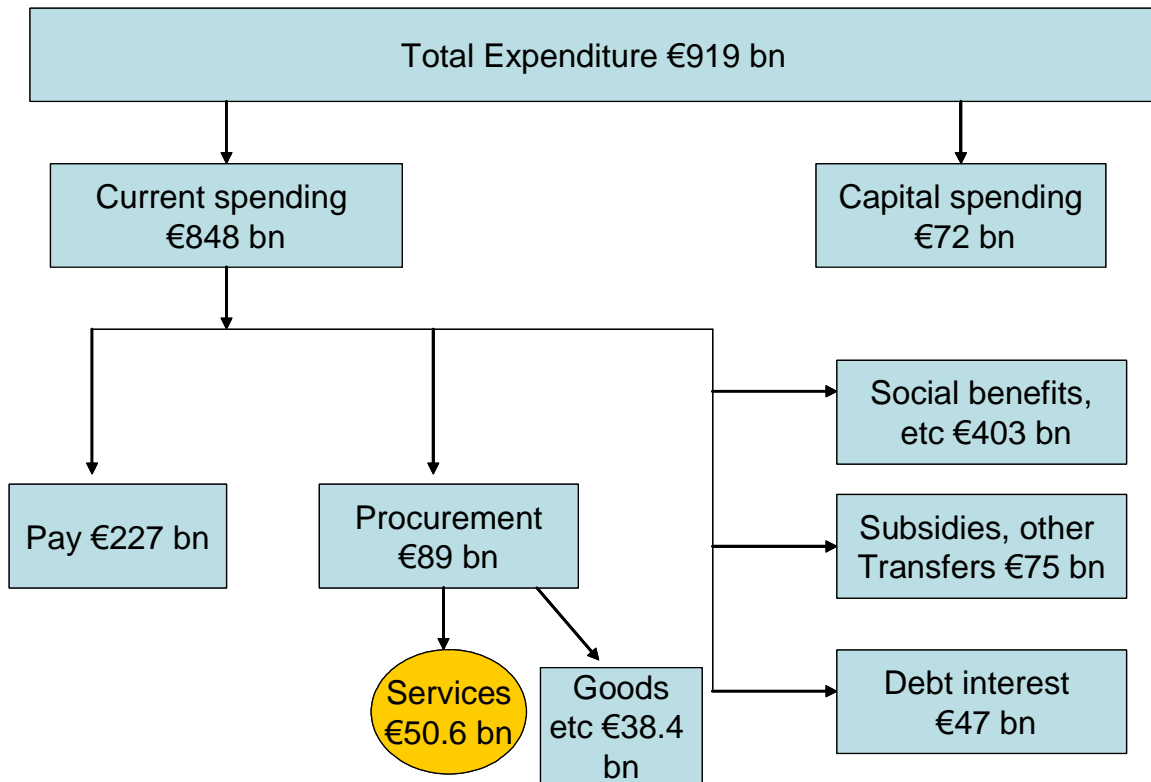
France's largest spending area is health followed by defence. Of the €50.6 billion spending on services, health makes up the largest proportion (€7.3 billion) accounting for approximately 14% of services procurement, followed by defence (€7 billion) accounting for 13.8% of services procurement.

Table B-1: French summary

France, 2005	Euro bn	% GDP	% public spending
Public spending	919.5	53.6	100
Procurement	89.0	5.2	10
Procurement of services	50.6	2.9	6

Source: Oxford Economics, INSEE, National Accounts

Chart B-1: French public spending, 2005



Source: INSEE

TableB-2: Total General Government Spending by function and economic category in France, 2005, €bn

Euro, bn, 2005	General Public Services	Defence	Public Order and Safety	Economic Affairs	Environment Protection	Housing and Community Amenities	Health	Recreation, culture and religion	Education	Social protection	Total
Memo: Final Consumption Expenditures	-	-	-	-	-	-	-	-	-	-	0.0
Compensation of Employees	36.8	17.3	16.5	9.2	2.2	4.6	38.9	8.0	73.8	20.0	227.4
Subsidies	0.9	0.2	0.0	17.1	0.6	1.6	0.0	0.3	2.9	0.7	24.3
Property Income	44.7	0.0	0.0	0.7	0.2	0.2	0.2	0.0	0.1	0.5	46.7
Social benefits & transfers (1)	0.6	0.2	0.2	2.3	0.0	0.0	62.1	0.7	4.0	332.8	402.9
Procurement (2)	11.3	11.9	4.3	8.6	6.3	6.4	14.5	5.7	10.7	9.4	89.0
Other taxes (3)	0.7	0.1	0.1	0.6	0.2	0.7	3.0	0.2	0.5	1.4	7.4
Other current transfers	19.8	0.5	0.6	1.3	0.4	1.1	1.9	3.3	2.3	19.0	50.2
Capital Transfers	3.1	0.3	0.1	1.6	0.8	3.3	0.2	1.2	1.7	1.5	13.7
Gross capital formation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net acquisitions (4)	6.3	2.5	2.0	7.7	3.3	13.2	4.8	6.0	9.5	2.4	57.8
Total Expenditure	124.1	32.9	23.8	49.0	14.0	31.3	125.6	25.5	105.6	387.7	919.5

Source: INSEE National Accounts

Table B-3: Total General Government Spending by function and economic category in France as a share of total expenditure, 2005, €bn

% of total expenditure	General Public Services	Defence	Public Order and Safety	Economic Affairs	Environment Protection	Housing and Community Amenities	Health	Recreation, culture and religion	Education	Social protection	Total
Memo: Final Consumption Expenditures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Compensation of Employees	4.0	1.9	1.8	1.0	0.2	0.5	4.2	0.9	8.0	2.2	24.7
Subsidies	0.1	0.0	0.0	1.9	0.1	0.2	0.0	0.0	0.3	0.1	2.6
Property Income	4.9	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.1	5.1
Social benefits & transfers (1)	0.1	0.0	0.0	0.2	0.0	0.0	6.7	0.1	0.4	36.2	43.8
Procurement (2)	1.2	1.3	0.5	0.9	0.7	0.7	1.6	0.6	1.2	1.0	9.7
Other taxes (3)	0.1	0.0	0.0	0.1	0.0	0.1	0.3	0.0	0.1	0.1	0.8
Other current transfers	2.2	0.1	0.1	0.1	0.0	0.1	0.2	0.4	0.3	2.1	5.5
Capital Transfers	0.3	0.0	0.0	0.2	0.1	0.4	0.0	0.1	0.2	0.2	1.5
Gross capital formation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net acquisitions (4)	0.7	0.3	0.2	0.8	0.4	1.4	0.5	0.7	1.0	0.3	6.3
Total Expenditure	13.5	3.6	2.6	5.3	1.5	3.4	13.7	2.8	11.5	42.2	100.0

Source: Oxford Economics, INSEE National Accounts

Notes:

1. Social benefits and social transfers in kind for products supplied to households via market producers.
2. Intermediate consumption expenditures.
3. Other taxes on production and current taxes on income, wealth etc. and adjustment for the change in net equity of households in pension funds reserves.
4. Acquisitions less disposals of non-financial non-produced assets.

Table B-4: General government final consumption by industry in France, €bn, 2000

Purchases from:	Purchases by General Government				Total
	Public admin & defence	Education	Health & social work	Other personal services	
Goods	11	4	16	9	40
Utilities	2	1	1	1	5
Construction	2	1	1	1	6
Private services	22	8	17	24	71
Public services	1	1	1	1	3
Total	38	15	36	36	125
Services as % of total	58.7	56.3	50.4	68.7	58.9

Source: Oxford Economics, OECD French Input-Output tables

Table B-5: Public spending on services in France

COFOG	Procurement (Euro, bn)	% services	Procurement of services (bn)	% of services procurement
General Public Services	11.3	58.7	6.6	13.1
Defence	11.9	58.7	7.0	13.8
Public Order and Safety	4.3	58.7	2.5	5.0
Economic Affairs	8.6	58.7	5.0	9.9
Environment Protection	6.3	58.7	3.7	7.3
Housing and Community Amenities	6.4	58.7	3.8	7.4
Health	14.5	50.4	7.3	14.4
Recreation, culture and religion	5.7	68.7	3.9	7.8
Education	10.7	56.3	6.1	12.0
Social protection	9.4	50.4	4.7	9.4
Total	89.0	58.9	50.6	100.0

Source: Oxford Economics, INSEE, National Accounts

Note: Amount of procurement (\$bn) at COFOG level for France is a 2005 figure. However, the percentage of services was calculated using 2000 input-output data (latest available).

Appendix C – Public Spending in Spain

Data sources:

- *Spanish Statistical Institute: Spanish National Accounts Annexe tables, Expenditure of general government by function (COFOG)*
- *OECD Spanish Input-Output tables for 2000*

The analysis of Spain in this study shows that public sector spending totalled €378.3 billion in 2006 of which, overall procurement spend accounted for €49.3 billion. Table C-1 shows public spending on services as part of this overall procurement to be €27.9 billion excluding goods. This accounts for around 7% of overall public spending.

In terms of the potential scope of the PSI, many components of public expenditure are not particularly relevant. For example, debt interest and transfer payments account for a significant part of public spending, but do not represent activities that could be amenable to contracting out. Public sector pay, on the other hand, can be seen as representing activities that could, at least theoretically, be provided outside the public sector. Looking at it this way, the PSI in Spain represents 22% of the combined public and private provision of services to meet government functions.

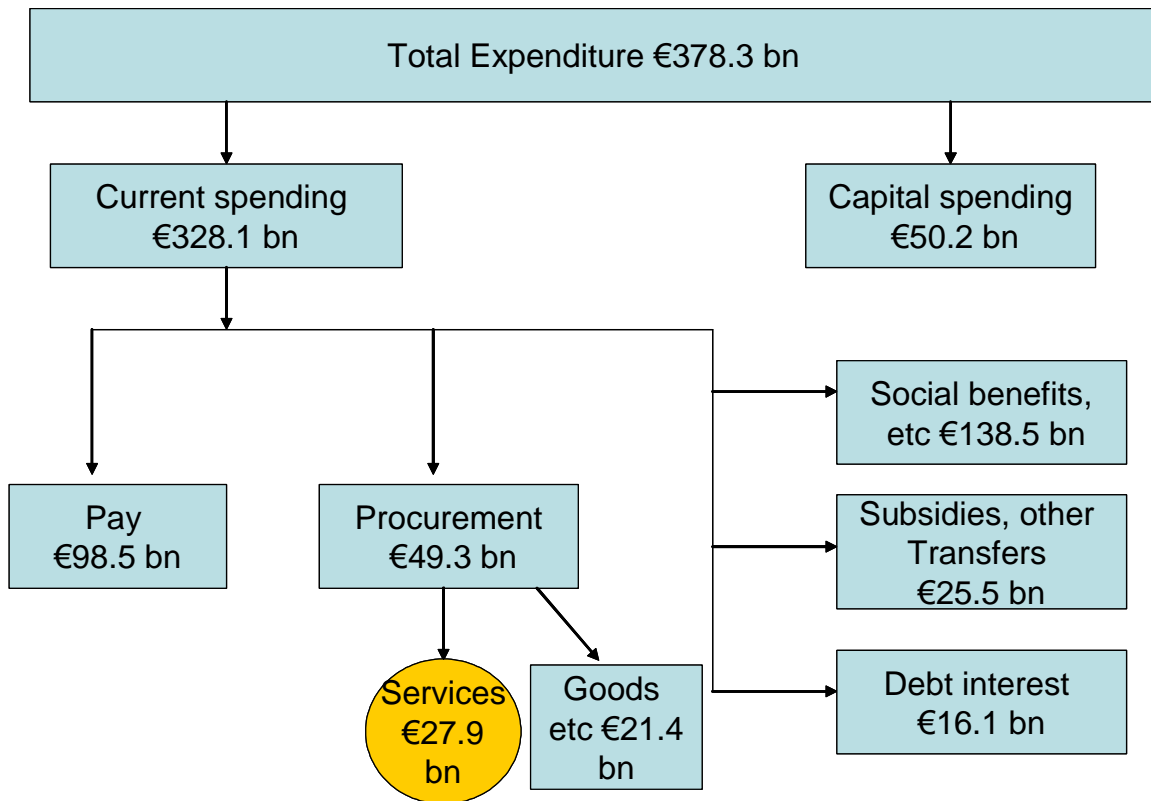
Spain's largest spending area is health followed by recreation, culture and religion. Of the €27.9 billion spending on services, health makes up the largest proportion (€5 billion) accounting for 18% of services procurement, followed by recreation, culture and religion (€3.9 billion) accounting for 14% of services procurement. Government expenditures on recreation, culture and religion include administration of sporting, recreational and cultural affairs as well as the maintenance of zoos, botanical gardens, public beaches and parks, support of broadcasting services and, in some countries, support of provision for religious services. Also included are grants to artists, performers, orchestras and opera companies.

Table C-1: Spanish summary

Spain, 2006	Euro bn	% GDP	% public spending
Public spending	378.3	38.6	100
Procurement	49.3	5.0	13
Procurement of services	27.9	2.8	7

Source: Oxford Economics, Spanish Statistical Institute

Chart C-1: Spanish public spending, 2006



Source: Spanish Statistical Institute

Table C-2: Total General Government Spending by function and economic category in Spain, 2006, €bn

Euro, bn, 2006	General Public Services	Defence	Public Order and Safety	Economic Affairs	Environment Protection	Housing and Community Amenities	Health	Recreation, culture and religion	Education	Social protection	Total
Memo: Final Consumption Expenditures	15.9	10.7	17.0	14.5	4.4	5.8	51.9	8.1	38.2	11.6	178
Compensation of Employees	9.4	5.8	13.6	5.7	1.0	1.8	22.9	3.8	28.6	6.1	98
Subsidies	0.2	0.0	0.1	8.7	0.2	0.2	0.0	0.4	0.1	0.1	10
Property Income	15.4	0.0	0.0	0.3	0.0	0.0	0.0	0.3	0.1	0.0	16
Social benefits & transfers (1)	0.0	0.0	0.0	0.5	0.0	0.0	18.7	0.0	5.6	113.7	139
Procurement (2)	6.6	4.5	3.1	4.8	5.1	2.5	11.0	5.2	3.7	2.9	49
Other taxes (3)	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0
Other current transfers	10.1	0.1	0.1	0.9	0.1	0.1	0.2	1.4	1.3	1.4	16
Capital Transfers	0.8	0.0	0.0	10.1	0.3	1.1	0.1	0.3	0.1	0.9	14
Gross capital formation	2.4	0.8	1.3	17.6	2.0	3.6	2.3	2.9	3.1	0.8	37
Net acquisitions (4)	0.0	-0.3	0.0	0.5	0.2	-0.7	0.0	0.1	0.0	0.0	0
Total Expenditure	44.8	10.9	18.1	49.0	8.8	8.6	55.4	14.4	42.5	125.9	378.3

Source: Spanish Statistical Institute

Table 8-3: Total General Government Spending by function and economic category in Spain as a share of total expenditure, 2006, €bn

% of total expenditure	General Public Services	Defence	Public Order and Safety	Economic Affairs	Environment Protection	Housing and Community Amenities	Health	Recreation, culture and religion	Education	Social protection	Total
Memo: Final Consumption Expenditures	4.2	2.8	4.5	3.8	1.2	1.5	13.7	2.1	10.1	3.1	47.0
Compensation of Employees	2.5	1.5	3.6	1.5	0.3	0.5	6.1	1.0	7.6	1.6	26.0
Subsidies	0.0	0.0	0.0	2.3	0.0	0.0	0.0	0.1	0.0	0.0	2.6
Property Income	4.1	0.0	0.0	0.1	0.0	0.0	0.0	0.1	0.0	0.0	4.3
Social benefits & transfers (1)	0.0	0.0	0.0	0.1	0.0	0.0	5.0	0.0	1.5	30.1	36.6
Procurement (2)	1.7	1.2	0.8	1.3	1.3	0.7	2.9	1.4	1.0	0.8	13.0
Other taxes (3)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Other current transfers	2.7	0.0	0.0	0.2	0.0	0.0	0.1	0.4	0.3	0.4	4.1
Capital Transfers	0.2	0.0	0.0	2.7	0.1	0.3	0.0	0.1	0.0	0.2	3.6
Gross capital formation	0.6	0.2	0.3	4.6	0.5	1.0	0.6	0.8	0.8	0.2	9.7
Net acquisitions (4)	0.0	-0.1	0.0	0.1	0.1	-0.2	0.0	0.0	0.0	0.0	-0.1
Total Expenditure	11.8	2.9	4.8	13.0	2.3	2.3	14.6	3.8	11.2	33.3	100.0

Source: Oxford Economics, Spanish Statistical Institute

Notes:

1. Social benefits and social transfers in kind for products supplied to households via market producers.
2. Intermediate consumption expenditures.
3. Other taxes on production and current taxes on income, wealth etc. and adjustment for the change in net equity of households in pension funds reserves.
4. Acquisitions less disposals of non-financial non-produced assets.

Table C-4: General government final consumption by industry in Spain, €bn, 2000

Purchases from:	Purchases by General Government				
	Public admin & defence	Education	Health & social work	Other personal services	Total
Goods	4	1	6	2	13
Utilities	1	0	0	0	2
Construction	1	0	0	1	2
Private services	7	3	5	8	23
Public services	0	0	1	0	1
Total	12	5	13	11	42
Services as % of total	58.2	58.1	45.6	75.9	58.9

Source: Oxford Economics, OECD Spanish Input-Output tables

Table C-5: Public spending on services in Spain

COFOG	Procurement (Euro, bn)	% services	Procurement of services (bn)	% of services procurement
General Public Services	6.6	58.2	3.8	13.8
Defence	4.5	58.2	2.6	9.4
Public Order and Safety	3.1	58.2	1.8	6.4
Economic Affairs	4.8	58.2	2.8	10.1
Environment Protection	5.1	58.2	3.0	10.6
Housing and Community Amenities	2.5	58.2	1.5	5.2
Health	11.0	45.6	5.0	18.0
Recreation, culture and religion	5.2	75.9	3.9	14.0
Education	3.7	58.1	2.2	7.7
Social protection	2.9	45.6	1.3	4.7
Total	49.3	58.9	27.9	100.0

Source: Oxford Economics, Spanish Statistical Institute

Note: Amount of procurement (\$bn) at COFOG level for Spain is a 2006 figure. However, the percentage of services was calculated using 2000 input-output data (latest available).

Appendix D – Public Spending in Sweden

Data sources:

- Central Statistical Office (SCB): National Accounts
- Central Statistical Office: Supply and use tables 2000-2005

The analysis of Sweden in this study shows that public sector spending totalled 1,575.2 SEK billion in 2006 of which, overall procurement spend accounted for 279.6 SEK billion. Table D-1 shows public spending on services as part of this overall procurement to be 178 SEK billion excluding goods. This accounts for 11% of overall public spending.

In terms of the potential scope of the PSI, many components of public expenditure are not particularly relevant. For example, debt interest and transfer payments account for a significant part of public spending, but do not represent activities that could be amenable to contracting out. Public sector pay, on the other hand, can be seen as representing activities that could, at least theoretically, be provided outside the public sector. Looking at it this way, the PSI in Sweden represents 29% of the combined public and private provision of services to meet government functions.

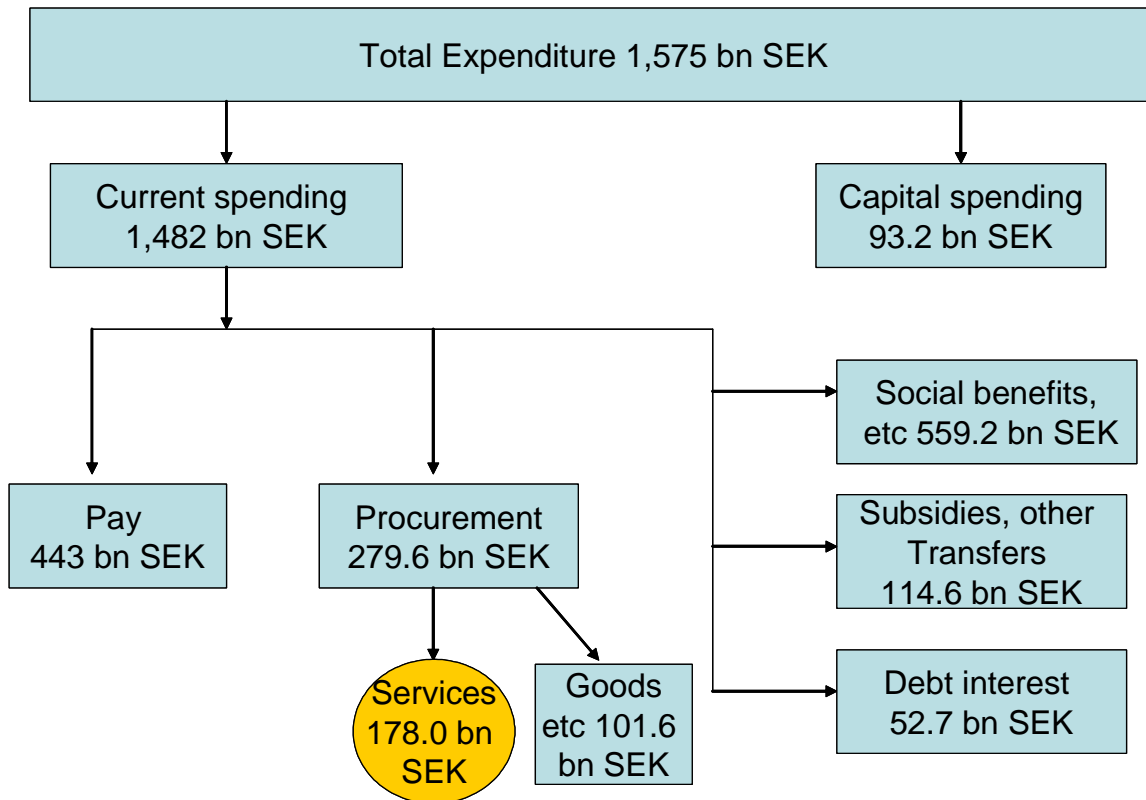
Sweden's largest spending area is general public services followed by education. Of the 178 SEK billion spending on services, general public services makes up the largest proportion (35.5 SEK billion) accounting for nearly 20% of services procurement, followed by education (31 SEK billion) accounting for approximately 17% of services procurement.

Table D-1: Swedish summary

Sweden, 2006	SEK bn	% GDP	% public spending
Public spending	1,575.2	54.3	100
Procurement	279.6	9.6	18
Procurement of services	178.0	6.1	11

Source: Oxford Economics, Swedish National Accounts

Chart D-1: Swedish public spending, 2006



Source: Swedish National Accounts

Table D-2: Total General Government Spending by function and economic category in Sweden, 2006, SEK bn

SEK, bn, 2006	General Public Services	Defence	Public Order and Safety	Economic Affairs	Environment Protection	Housing and Community Amenities	Health	Recreation, culture and religion	Education	Social protection	Total
Memo: Final Consumption Expenditures	74.2	42.3	36.3	46.8	2.7	4.1	182.5	21.6	185.0	166.4	761.9
Compensation of Employees	45.3	14.7	23.1	18.2	1.5	5.1	92.5	10.9	111.7	120.2	443.2
Subsidies	4.1	0.2	0.0	32.7	2.5	2.1	0.5	1.8	0.7	1.2	45.8
Property Income	51.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.1	52.7
Social benefits & transfers (1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Procurement (2)	56.7	27.7	10.4	47.5	6.2	8.3	45.6	10.0	41.5	25.8	279.6
Other taxes (3)	2.3	0.9	1.3	1.0	0.1	0.2	5.5	0.5	5.7	15.1	32.6
Other current transfers	42.6	2.9	0.5	4.9	0.1	0.2	0.9	4.7	5.9	6.1	68.8
Capital Transfers	7.8	0.0	0.0	0.6	0.1	1.0	0.0	0.0	0.7	0.0	10.2
Gross capital formation	18.4	2.1	3.6	34.1	0.5	6.7	7.7	3.5	9.7	2.8	89.2
Net acquisitions (4)	-4.4	1.0	0.0	-0.5	0.6	-2.2	0.0	-0.3	0.0	-0.2	-6.2
Total Expenditure	224.3	49.6	38.9	138.5	11.6	21.4	196.6	31.2	204.5	658.7	1,575.2

Source: Swedish National Accounts

Table D-3: Total General Government Spending by function and economic category in Sweden as a share of total expenditure, 2006, SEK bn

% of total expenditure	General Public Services	Defence	Public Order and Safety	Economic Affairs	Environment Protection	Housing and Community Amenities	Health	Recreation, culture and religion	Education	Social protection	Total
Memo: Final Consumption Expenditures	4.7	2.7	2.3	3.0	0.2	0.3	11.6	1.4	11.7	10.6	48.4
Compensation of Employees	2.9	0.9	1.5	1.2	0.1	0.3	5.9	0.7	7.1	7.6	28.1
Subsidies	0.3	0.0	0.0	2.1	0.2	0.1	0.0	0.1	0.0	0.1	2.9
Property Income	3.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	3.3
Social benefits & transfers (1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Procurement (2)	3.6	1.8	0.7	3.0	0.4	0.5	2.9	0.6	2.6	1.6	17.8
Other taxes (3)	0.1	0.1	0.1	0.1	0.0	0.0	0.3	0.0	0.4	1.0	2.1
Other current transfers	2.7	0.2	0.0	0.3	0.0	0.0	0.1	0.3	0.4	0.4	4.4
Capital Transfers	0.5	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.6
Gross capital formation	1.2	0.1	0.2	2.2	0.0	0.4	0.5	0.2	0.6	0.2	5.7
Net acquisitions (4)	-0.3	0.1	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	-0.4
Total Expenditure	14.2	3.1	2.5	8.8	0.7	1.4	12.5	2.0	13.0	41.8	100.0

Source: Swedish National Accounts

Notes:

1. Social benefits and social transfers in kind for products supplied to households via market producers.
2. Intermediate consumption expenditures.
3. Other taxes on production and current taxes on income, wealth etc. and adjustment for the change in net equity of households in pension funds reserves.
4. Acquisitions less disposals of non-financial non-produced assets.

Table D-4: General government final consumption by industry in Sweden, SEK bn, 2000

Purchases from:	Purchases by General Government					Total
	Public admin & defence	Education	Health & social work	Recreational services	Other personal services	
Goods	26	12	35	8	3	81
Utilities	4	2	5	2	0	13
Construction	11	1	1	1	0	14
Private services	62	39	46	28	4	174
Public services	6	7	11	11	0	34
Total	108	61	97	50	7	323
Services as % of total	62.5	74.7	57.7	77.1	57.5	64.4

Source: Oxford Economics, Swedish Supply and use tables

Table D-5: Public spending on services in Sweden

COFOG	Procurement (SEK, bn)	% services	Procurement of services (bn)	% of services procurement
General Public Services	56.7	62.5	35.5	19.9
Defence	27.7	62.5	17.3	9.7
Public Order and Safety	10.4	62.5	6.5	3.7
Economic Affairs	47.5	62.5	29.7	16.7
Environment Protection	6.2	62.5	3.9	2.2
Housing and Community Amenities	8.3	62.5	5.2	2.9
Health	45.6	57.7	26.3	14.8
Recreation, culture and religion	10.0	77.1	7.7	4.3
Education	41.5	74.7	31.0	17.4
Social protection	25.8	57.7	14.9	8.4
Total	279.6	64.4	178.0	100.0

Source: Oxford Economics, Swedish National Accounts

Note: Amount of procurement (\$bn) at COFOG level for Sweden is a 2006 figure. However, the percentage of services was calculated using 2005 input-output data (latest available).

Appendix E – Public Spending in Australia

Data sources:

- Australian Bureau of Statistics: *Gov't Financial Statistics 2005-06*
- Australian Bureau of Statistics: *Input-Output tables for 2001-02*

Australia has a federal system of government, with individual states responsible for many of the functions of government – though the analysis presented in this report is consolidated to cover all levels of government. Published information on public spending in Australia is less suitable for our purposes in this study than the information available for the other countries we have covered, and this has been confirmed by contact with the Australian Treasury. Nevertheless, it is possible to get a good idea of how spending is split across the different government functions, and also to estimate the overall procurement of services by the public sector.

Table E-1 shows public spending on services to be Aus\$61 billion. This accounts for 21% of overall public spending. In terms of the potential scope of the PSI, many components of public expenditure are not particularly relevant. For example, debt interest and transfer payments account for a significant part of public spending, but do not represent activities that could be amenable to contracting out. Public sector pay, on the other hand, can be seen as representing activities that could, at least theoretically, be provided outside the public sector. Looking at it this way, the PSI in Australia represents 40% of the combined public and private provision of services to meet government functions.

Table E-1: Australian summary

Australia, 2006	Aus\$ bn	% GDP	% public spending
Public spending	286.3	28.5	100
Procurement	92.0	9.2	32
Procurement of services	61.2	6.1	21

Source: Oxford Economics, Australian Bureau of Statistics

**Table E-2: Total General Government Spending by function in Australia, 2005-6,
Aus\$ bn**

Australia General Government Spending by Function in 2005-06, Aus \$, bn	
General Public Services	19.3
Defence	15.8
Public Order and Safety	16.3
Economic Affairs	8.2
Environment Protection	-
Housing and Community Amenities	12.3
Health	61.7
Recreation, culture and religion	9.0
Education	49.7
Social protection	94.1

Source: Australian Bureau of Statistics

Table E-3: Total General Government Spending by economic category in Australia, 2005-6, Aus\$ bn

Australian Bureau of Statistics

Cat. No. 5512.0 Government Finance Statistics, Australia, 2005-06

Released at 11.30am (Canberra time) 3 April 2007

Table 1 - Total all levels of Government, General Government Operating Statement

	2005-06
<i>\$m</i>	
GFS Revenue	
Taxation revenue	297,942
Current grants and subsidies	1,229
Sales of goods and services	30,601
Interest from public non-financial corporations	147
Interest from public financial corporations	2,956
Interest from other	5,706
Dividend income	8,328
Other	16,792
Total	363,701
less	
GFS Expenses	
Gross operating expenses	
Depreciation	13,726
Employee expenses	93,310
Other operating expenses	91,986
Total	199,022
Nominal superannuation interest expenses	8,485
Other interest expenses	6,642
Other property expenses	1
Current transfers	
Grant expenses to state governments	1,031
Grant expenses to the private sector	23,062
Grant expenses to universities	0
Grant expenses to local governments	0
Grant expenses n.e.c.	0
Subsidy expenses to public corporations	5,666
Subsidy expenses to other	7,556
Other current transfers	78,381
Capital transfers	
Grant expenses to public non-financial corporations	1,986
Grant expenses to public financial corporations	0
Grant expenses to other levels of government	0
Grant expenses n.e.c.	2,528
Other capital transfers	201
Total	334,560
equals	
GFS Net Operating Balance	29,141
less	
Net acquisition of non-financial assets	
Gross fixed capital formation	21,823
less Depreciation	13,726
plus Change in inventories	368
plus Other transactions in non-financial assets	803
Total	9,268
equals	
GFS Net Lending(+)/Borrowing(-)	19,872

Table E-4: General government final consumption by industry in Australia, Aus\$ bn, 2001/2

Purchases from:	Purchases by General Government					Total
	Public admin & defence	Education	Health & social work	Recreational services	Other personal services	
Goods	7	3	3	5	2	21
Utilities	0	1	0	0	0	2
Construction	3	0	0	0	0	3
Private services	15	4	6	10	5	38
Public services	3	2	1	4	1	10
Total	28	9	10	19	8	74
Services as % of total	61.5	61.0	64.5	71.2	66.1	64.8

Source: Oxford Economics, Australian Bureau of Statistics

Table E-5: Public Spending on services in Australia

COFOG	Procurement (A\$, bn)	% services	Procurement of services (bn)	% of services procurement
General Public Services				
Defence				
Public Order and Safety				
Economic Affairs				
Environment Protection				
Housing and Community Amenities				
Health				
Recreation, culture and religion				
Education	11.4	61.0	7.0	11.4
Social protection				
Total	92.0	66.5	61.2	100.0

Source: Oxford Economics, Australian Bureau of Statistics

