



Streamlining of the Confederation's procurement platform armasuisse Federal Office for Buildings and Logistics

Key facts

This horizontal audit by the Swiss Federal Audit Office (SFAO) sought to validate the results of the horizontal project "Streamlining of the Confederation's procurement platform" (HP 5), which was conducted within the context of administrative reform in 2005/2007.

A press release issued by the Federal Department of Finance (FDF) on 14 December 2007 stated that the project had met its objectives, with the previous 42 procurement centres now concentrated into three procurement organisational units. The key outcome of the project was the Public Procurement Ordinance, which established the conditions for reorganising the procurement system. This was said to have eliminated process redundancies and created the conditions for obtaining more favourable purchasing terms. With the Confederation's procurement volume running into billions of Swiss francs, this was supposed to result in annual savings of over CHF 20 million.

Budgetary cuts made without verifying project success

Based on the Federal Council's decision of 27 June 2007 and the FDF's working document of 22 June 2007, administrative reform would have to generate savings, estimated in HP 5 at CHF 10 million for 2008 and CHF 20 million a year from 2009 on.

The budgetary cuts were made under different credit items and can no longer be clearly identified. According to information received from the Federal Finance Administration (FFA), most cuts were directly included in the budget adjustment phase with the federal departments. Only in the 2008 budget under "Cost of goods and materials" (A2100.0100) for the Federal Office for Buildings and Logistics (FBL) does it mention that "the allocation has been reduced with respect to the 2007 budget as part of the federal administrative reform and to adhere to the Federal Council's budgetary plans". The extent of this reduction is not specified, however.

Centralised procurement centres – decentralised purchasing

The Public Procurement Ordinance laid the foundations for a largely centralised procurement platform. The centralised procurement centres are now the FBL, armasuisse (ar) and the Swiss Government Travel Centre (SGTC). The Federal Roads Office (FEDRO) is also included as a result of the new allocation of tasks between the Confederation and the cantons regarding national motorways. However, this does not mean that all of the Confederation's procurements are now made via the centralised procurement centres. In this respect, the reduction from 42 procurement centres to just three, as stated in the press release, is not accurate. Also, no significant changes were made to the organisation or workforce of the decentralised administrative units. Those responsible for purchasing in the past are still the ones in charge of buying – consulting services directly from third parties and goods and travel via the central procurement centres. Centralisation has, however, brought increased standardisation and streamlining of procurement activities. The number of full-time equivalents (FTEs) working in purchasing increased between 2005 and 2011 from 149 to 178. The biggest changes (in terms of FTEs) were in the Federal Office of Information Technology,

Systems and Telecommunication (FOITT), up by 12.9, followed by armasuisse (+ 9), FEDRO (+ 4) and the FBL (+ 3.5).

Savings made through increased volume bundling and a more competition-oriented approach

The bundling of purchasing volumes has led to an increase in the number of general agreements signed since 2007. Apart from the greater price leverage this entails, it also means that the administrative units can call up their goods directly from suppliers without incurring the associated storage costs with the FBL.

The increase in the number of public tenders is also an indication of a greater awareness within the Federal Administration of the need for economic efficiency in procurements. In general, contracts awarded on the basis of public tenders result in savings. However, the administrative burden involved in such tenders (particularly WTO contracts) is quite substantial.

Price comparisons conducted by the FBL on standard items show that the savings made with respect to market prices amount to well over CHF 100 million a year. However, such savings are not exclusively due to administrative reform as, even in the past, many procurement actions were carried out by armasuisse and the FBL or their predecessors. It can thus be assumed that savings would have been made anyway, even without the reorganisation. Therefore, while it is not possible to measure the project's success precisely in terms of francs and centimes, the target of saving CHF 20 million a year in procurement has certainly been met.

Process improvements as a result of centralisation, e-procurement and training

Apart from the previously mentioned centralisation of procurement skills, particularly regarding tenders, purchasing processes have also been standardised. E-procurement is another significant factor in helping to raise process efficiency, lower costs, strengthen competition and improve internal service quality. Training and educational courses offered to staff working in public procurement also help to raise the standard of professionalism.

Development of controlling instruments not completed – No evidence of cross-departmental management activities

In 2007, the Federal Council instructed the FDF to develop a strategic procurement controlling concept and implement appropriate instruments. This included producing centralised procurement statistics and operational contract management. Also, the requirements for strategic procurement controlling were to be defined.

The statistics from the 2009 procurement payments were submitted to the Federal Chancellor and the General Secretariats of the federal departments for the first time in the spring of 2010. Due to the inadequate quality of the source data, substantial corrections were required to compile the statistics. The SFAO found that the federal departments make little use of these statistics. In the administrative units, they are largely unknown. As they form an important element of procurement controlling, the centralised procurement centres should, when sending the statistics, notify the recipients of anything unusual and prompt them to take action. Statistics that are used only as a source of information and not as a steering instrument cannot fulfil their intended purpose.

The General Secretariats regard contract management as the controlling instrument of the future, unlike procurement payment statistics. Contract management is to be introduced in the administrative units of the Federal Administration on a rolling basis by the end of 2014, although its introduction is not yet compulsory. It remains to be seen whether the expectations of contract management can actually be fulfilled.

Although controlling instruments will be made available in the future, their use will remain optional. Art. 29 of the Public Procurement Ordinance assigns supervision of its implementation to the General Secretariats of the federal departments and the Federal Chancellery, although no overall Confederation-wide control strategy for procurement has been defined. Controlling can only be effective if clearly defined and measurable objectives have been set and are met. The Federal Administration does not have the sort of group-wide controlling that exists in the private sector, and no committee currently has the authority required to assume control functions over all departments.

Overall assessment

Despite the absence of controls, the SFAO concludes that the objectives of the horizontal project "Reorganisation of the procurement system" have been met. The reduction in the number of procurement centres from 42 to three is somewhat inaccurate, however, as decentralised purchasing still exists.

Thanks to a greater awareness of the need for economic efficiency in purchasing as well as contract volume bundling and increased public tenders, the predicted savings have been met and even exceeded.

Of the procurement controlling instruments, only the procurement payment statistics are available to date. However, these are not considered appropriate for controlling purposes and are rarely used in the federal departments. Much hope is being placed in contract management, which is to be introduced in the federal departments and administrative units by 2014.

Doubt remains as to the effectiveness of procurement controlling in the future, given the absence of any binding, measurable objectives for the Confederation as a whole. Without these, any controlling measures will be ineffective.

While the two centralised procurement centres have accepted the SFAO's recommendations, the GS-FDF, in its statement, regards recommendation 7.3.1 as being inappropriate for improving the standard of professionalism of the Confederation's procurement system. It considers the existing procurement instruments or those being introduced to be sufficient for it to perform its tasks under the Public Procurement Ordinance.

The SFAO believes the audit has shown that considerable improvements have been made regarding the legal certainty and economic efficiency of goods procured centrally on the basis of general rules. As to the controlling instruments (e.g. procurement payment statistics), it appears that no added value can be generated if there are no overall reference parameters and that there is a risk of the information gathered being buried in "data graveyards".

The Joint Committee on Finance of the Federal Assembly and the Federal Council noted the SFAO's report in the ordinary meeting of February 2012.

Original text in German