Abstract

Framework contracts

The Federal Central Buying Office's operation (abbreviated in FOR/CMS) examined in terms of sound management and legality

A Court's audit of a government body, the transdepartmental framework contracts office (FOR/CMS office), within the Federal public department (FOD/SPF) "Staff and organisation" showed that this office operates professionally and correctly according to the law, but that its structure is such that it hinders an innovation strategy. This results in government missing cost reduction opportunities.

Government manages to save a lot of costs by passing bulked orders through framework contracts under which lower prices are guaranteed for larger volumes and costs are lower as one single purchase procedure is needed. In mid 2002 the FAB/BFA, until then responsible for concluding framework contracts, was replaced by the FOR/CMS office or transdepartmental framework contracts office. This reorganisation provided a good opportunity for the Court to examine whether FOR/CMS was operating according to the law and efficiently as well as analyse under what arrangements it was operating.

The audit showed that FOR/CMS operated in a professional way and correctly according to the law. It had a detailed business plan, aimed towards a customer-based approach, collaborated well with other bodies and had few disputes with suppliers.

The major finding of the audit, however, was that government had to opt for a clear-cut strategy. So far FOR/CMS has only been working with products that its predecessor, the FAB/BFA, already had all available. New promising markets were hardly explored. So, Government can either choose to stick to this basic package (but thereby missing cost reduction opportunities) or favour an innovation strategy under which it would focus on proactive collaboration to promote new framework contracts or existing framework contracts provided it took account of a decentralised buying function and on the understanding that the final responsibility rests with FOD/SPF's and public institutions.

The lack of innovation is compounded by two factors. Every profitable framework contract constitutes a source of revenue for Government more than a cost, but as things stand now, FOR/CMS has no indicator to make this revenue tangible enough. The cost is thus well-known but the economical benefits achieved or potentially to be achieved are not visible. This holds the risk that strategic decisions take too little account of the cost recovery benefit gained from this service. More detailed information about the economic added value gained is thus strategically important.

When it comes to allocating budgetary resources, the head of the FOD/SPD Staff and Organisation to which FOR/CMS is responsible is confronted with the problem that additional resources for FOR/CMS inevitably entail less resources FOR/CMS other services within the FOD/SPD. The cost for FOR/CMS is entirely borne by the FOD/SPD Staff and Organisation whereas the revenue generated (purchase cost reduction) benefits the entire federal Government.

As a result, little incentive is provided to invest in the further growth of FOR/CMS whereas such investment would be a benefit in terms of cost saving for the entire federal Government.

In his reply the minister in charge a.o. of the FOD/SPF involved did not tackle this conclusion.

The audit showed further that product know how and knowledge management could still be further improved if an engineer were engaged and procedures described in manuals so as to make up for

staff turn-overs. Further marketing oriented actions could be conducted if the FOR/CMS had an insight into the sales figures per customer on a systematic basis. The coordination committee set up at the time of the reorganisation, the so-called network coordination, should operate in a more transparent way. As things stand now, whether a framework contract is necessary or not does not appear clearly, public institutions are not enough involved and the ministry of Defence does not take part in the coordination process.