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eProcurement Strategy of the Confederation

"Supporting strategic and operational purchasing by the Federal Administration via electronic tools, especially through the use of the Internet."

Approved by the Federal Procurement Commission, 25 November 2008

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For ease of reading, explicit gender neutral terms have not been adopted. Terms used automatically imply equal treatment for both male and female.

Summary

At the end of November 2007 the Federal Procurement Commission (FPC) commissioned the eProcurement project coordinator with the preparation of a eProcurement strategy for the Federal Administration, with the purpose of optimising current activities, and of identifying unrealised potential for supporting purchasing using electronic means. The development of this strategy was carried out in accordance with the Confederation's Strategic IT Planning (SIP methodology).

eProcurement is the strategic and operational procurement process supported by information and communication technologies (ICT). For the implementation of eProcurement, various IT solutions are introduced which have, ideally, been harmonised with each other. These solutions support the procurement procedure between the various actors involved. Moreover, the use of the Internet opens up additional possibilities for keeping the procurement process lean.

In all phases of procurement of goods, services and works contracts, improvements in efficiency can be achieved thanks to eProcurement. The development of Internet-based technologies makes it possible to use new models for product development and operation, for reducing complexity and for shortening deployment time. The need for secure and clear process procedures inevitably requires sophisticated procedures for checks and approvals. Increasing flexibility in business processes requires agile solutions of comprehensive services while minimizing manpower.

The FPC's mandate consists of four main thrusts/objectives; namely to:

- reduce costs and raise process efficiency
- improve transparency in the provision of services and costs
- strengthen competition
- improve internal customer relationship management

Focussing on its/these objectives, the eProcurement strategy is based on the following four fundamental guidelines:

- supporting procurement concepts that go beyond corporate borders
- concentrating on tested solutions and clearly defined target groups
- fostering competition and equal and fair treatment of all parties involved.
- improving economic efficiency

Tasks to be addressed after the approval of the strategy:

Procurement units define their eProcurement projects and enter them into a central catalogue of projects. For projects extending across domains the required exchange of procurement data (SAP compliant) has to be guaranteed. The FPC steers centralised federal projects. These projects are coordinated by the Service for Information Technologies in public procurement. Other eProcurement projects are steered by the appropriate federal departments and their administrative units. The Service briefs the FPC /KBOB (Federal Coordination Unit for Construction and Property) regularly and proposes initiatives for strengthening eProcurement practices.

The FPC approved this strategy in its meeting of 25 November 2008.

1 Introduction

1.1 Defining eProcurement

What eProcurement stands for from the buyer's viewpoint is the same as eCommerce from the seller's viewpoint (for example, an internal sale ex-inventory from the procurement body). The following sentences state the broad consensus of the meaning of eProcurement within the Confederation:

- eProcurement is the strategic and operational procurement process supported by information and communication technologies (ICT)
- eProcurement supports the processes and relationship of an enterprise with its suppliers through the use of electronic means.

For the realisation of eProcurement, various IT solutions are introduced which, ideally, are harmonised with each other. These solutions support the procurement procedure and relations between the various parties involved. The use of the Internet moreover, opens up additional possibilities for keeping the procurement process lean.

1.2 Starting point

At the end of November 2007, the Federal Procurement Commission (FPC) commissioned the eProcurement project coordinator for the preparation of a draft eProcurement strategy for the Federal Administration. The task was optimising current activities and identifying unrealised potential of procurement using electronic means.

eProcurement is a central part of eBusiness. Expectations regarding the impact of eProcurement are often very high and can rarely deliver the desired results in a short time span. In the long term however, given careful implementation of appropriate individual strategies, expectations can even be surpassed.

Procurement processes are characterised by three different types of mandates: goods, services and works contracts. In order to assure that procedures are legally sound, additional subdivisions in procurement, above and below the threshold values, have to be introduced. The procurement market divides itself broadly into domestic and international divisions.

1.3 Purpose of the present document

The eProcurement Strategy of the Federal Procurement Commission (FPC) serves the purpose of defining the positioning and focus of IT-based procurement practices of the Federal Administration with a time horizon of 3 to 5 years. The eProcurement Strategy focuses on the Federal Administration overall and thereby takes into consideration the overarching parameters dictated by ICT and eGovernment. The purpose of this present document is:

- to establish and introduce the eProcurement Strategy of the Confederation
- to define and delineate eProcurement as a term within the Federal Administration
- to identify the objectives and uses of eProcurement within the Confederation
- to promote a targeted and coordinated approach in the implementation of eProcurement activities
- to identify the need for intervention in the area of eProcurement and to make concrete project proposals for implementation.

1.4 eProcurement in the procurement cycle

In all phases of purchasing (goods, services and work contracts) eProcurement provides an increase in efficiency. The potential for optimising flows in goods, information and values is distributed across the whole value creation chain.

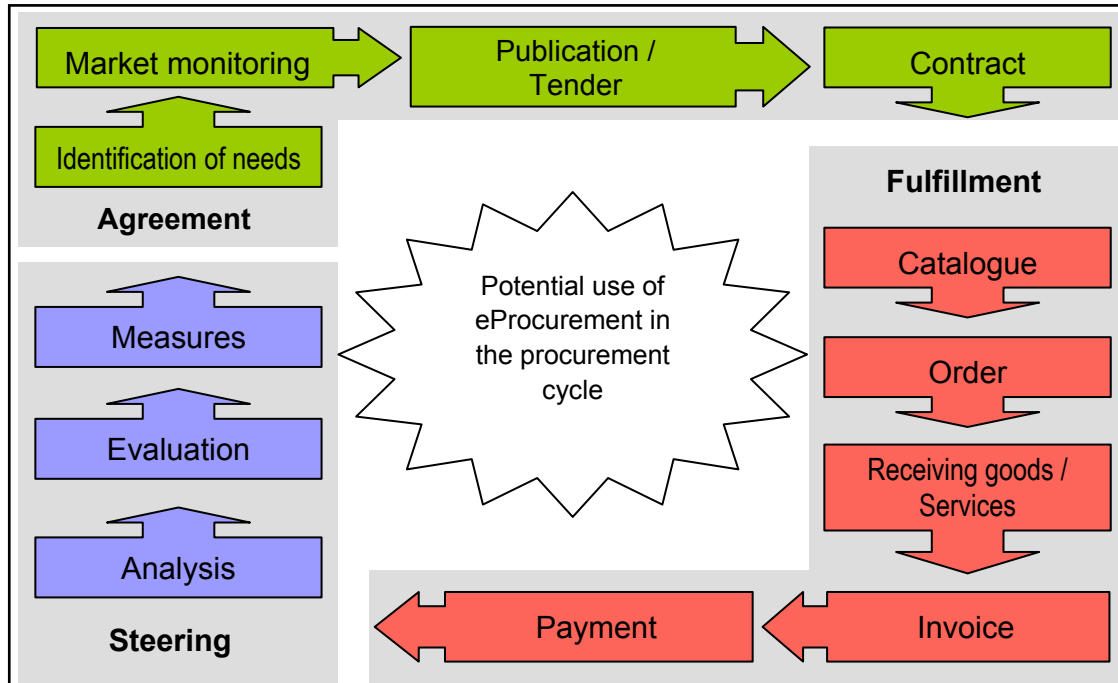


Figure 1: Potential usefulness of eProcurement in the procurement cycle

1.5 Methodology

The development of the strategy was based on the Confederation's Strategic IT Planning.

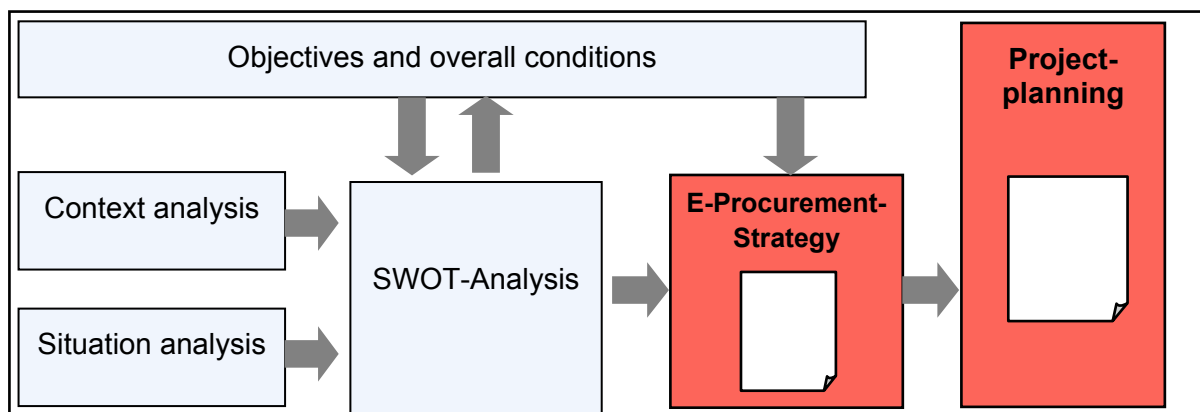


Figure 2: Elements of the SIP methodology used in designing the eProcurement Strategy

The situation analysis investigated the specialised, technical and organisational aspects. The context analysis calculated possible changes, thereby introducing planning aspects geared towards future needs. These findings are processed in the SWOT analysis. The SWOT analysis, together with overarching parameters, forms the basis of the strategy. Project planning that completes the picture refers to existing and new projects for implementation of the strategy.

2 Trends, projects, requirements and challenges

2.1 Trends in eProcurement

Procurement today is characterised by the impact of globalisation on the value creation chain. Both the private sector and the public administration draw on the potential for further rationalisation offered by eProcurement solutions, both standard ones and tailor-made. Users for their part have long since been familiar with these advantages in the private sphere - placing orders, preparing and paying invoices or taking part in auctions over the Internet. This is an area that is increasingly exerting an influence on public administration as an extension of the logistics chain. This is especially applicable in streamlining ordering procedures, expanding the range of goods and services on offer, obtaining lower prices and shortening delivery times.

The development of Internet-based technologies makes it possible to use new models for the purpose of product development and operation, for reducing complexity and for shortening introduction times. The need for secure and easily understood process procedures inevitably requires sophisticated procedures for checks and approvals. The preparation of invoices by electronic means requires solutions for data exchange and coordination of tasks among operators of electronic platforms.

Increased flexibility in business processes demands rapid solutions which offer comprehensive services with minimum personnel inputs. It must be possible to scale technical solutions according to need, and to support different distribution and management models, as well as different distribution mechanisms.

2.2 Challenges facing eProcurement

Technical: Experience has shown that the successful integration of electronic procurement in surrounding structures, processes and systems is a key factor for the success of eProcurement. Data required for placing orders can be fed from other systems. Data relating to deliveries and services can be transferred directly to materials management and accounting modules in the federal SAP systems. This makes global data analysis possible for the first time (for strategic purchase decision-making, for example).

Organisational: eProcurement solutions should be implemented rapidly and changed quickly and flexibly or even scrapped, as required, in response to rapid technical developments that may occur or as a result of organisational change. Demands made by business and politicians for transparency, simplicity, standardisation and freedom from obstacles are factors that must always be taken into consideration.

Policy-based: The requirement of suppliers and service providers, especially SMEs, for easy enquiries and ordering and for transparent decision making, should be duly taken into consideration with respect to stronger competition, equal treatment of all suppliers and simplified procurement processes.

2.3 Requirements of the eProcurement Strategy

The objectives of eProcurement stem from the corporate goals of the various federal departments and the goals of the eGovernment and ICT strategies. eProcurement projects should be geared towards the Confederation's Strategic IT Planning and departments' needs. The project planning of eProcurement is based on the eGovernment catalogue of prioritised projects. Public procurement law (Federal Act on Public Procurement / Ordinance on the Organisation of Public Procurement), as well as the five strategic dimensions of the FPC define the legal and strategic framework applying in Switzerland. At an international level, the strategy is guided by the work of the EU group PEPPOL (peppol.eu) and in agreement with the EU Directives 2004/17-18.

3 Objectives and strategy

3.1 eProcurement objectives of the FPC

FPC's mandate on eProcurement pursues four main thrusts:

- to reduce costs and raise efficiency
- to improve transparency in service provision and costs
- to increase competition
- to improve internal customer relationship management.

3.2 Guidelines for achieving goals

The strategy for achieving the stated goals of eProcurement are based on four fundamental guidelines

1. *Support procurement concepts that go beyond administrative and corporate borders*
To introduce eProcurement solutions based on modern procurement processes and structures that go beyond administrative and corporate borders. Processes are slimmer, more transparent and more easily understood. Procurement units will be able to use efficiency gains for improving customer relationship management.
2. *Focusing on validated solutions and clearly defined target groups*
eProcurement projects are geared towards the needs of suppliers and consumers and utilise the strengths offered by proven and new solutions.
3. *Fostering competition and equal treatment of all parties involved*
eProcurement solutions foster competition in such a way that suppliers and consumers both benefit. The increase in competition can be measured by improvements in economic efficiency.
4. *Improvements in economic efficiency*
eProcurement solutions should lead to faster, simpler and more economical procurement processes. Solutions should be fostered and operated by innovative domains as well as by several collaborating administrative units. Administrative units apply fundamentally established standards and applications (architectures, classifications, data exchange).

4 Implementation path

4.1 The Confederation

1. Procurement units define their eProcurement projects in alignment with the ICT, Business and Procurement Strategies for goods, services and work contracts. They update their project entries in the central catalogue of projects regularly.
2. The FPC defines and steers the key projects of the Confederation which are coordinated by the Service for IT in Public Procurement. Other eProcurement projects are steered by the departments and administrative units. The Service consolidates project planning in the Confederation and supports the various domains in their implementation. It keeps the FPC and KBOB (Federal Coordination Unit for Construction and Property) up to date, as well as making proposals regarding initiatives for strengthening eProcurement.
3. Proven solution models or applications will be made available whenever possible to other FPC members for developing their own projects .
4. Procurement units share data on suppliers, services, and purchase conditions with each other. With this information, procurement officers are in a better position to package together their requirements, to identify a fair market price and to be able to better assess the quality of services provided. Data drawn from procurement practices can also be used for a range of statistical purposes. Data can be exchanged so that they can be periodically analysed using existing SAP tools for the benefit of all involved procurement units.
5. Alignment of eProcurement with overarching ICT projects takes place via the existing ICT processes with support of the central procurement units.
6. Federal procurement units ensure that the objectives of the eProcurement Strategy are met in the departments and government bureaux/offices.

4.2 Switzerland

eProcurement projects spanning several federal layers will be listed in the catalogue of priority eGovernment projects and coordinated by the Programme Office of eGovernment Switzerland.

4.3 EU

The FPC encourages active participation in EU bodies, which fosters exchange of experience in the area of eProcurement to support processes that go beyond national borders and to be involved in the drawing up of international standards relating to procurement and to implement such in Switzerland. The Federal Administration is a member and official representative in the reference group PEPPOL (peppol.eu) and is behind a range of other international eProcurement initiatives.

Within the Advisory Committee of the EU Commission, a working group is concerned with eProcurement topics at a European level. Switzerland is an official member with observer status and is represented by SECO and the FPC.

Information on eProcurement activities of members will in future be announced on the relevant websites and in the e Procurement bodies of the EU (for example, epractice.eu).