

Performance audit of financial aid for external organisations

Federal Office for Agriculture

Key facts

The Federal Office for Agriculture (FOAG) supports a large number of projects and measures. When selecting contributions to external organisations, the Swiss Federal Audit Office (SFAO) examined whether the subsidies in the Constitution and in the law have a sufficient legal basis. The SFAO then assessed whether they still make sense and whether they are being implemented economically. In the process, the SFAO was able to demonstrate savings potential in the low eight-figure range.

Eight financial aids, forms of compensation or service level agreements worth around CHF 135 million were selected. These concerned the areas of agricultural consultancy, agricultural research, plant breeding, aid for crop cultivation – excluding direct payments, animal breeding, aid for animal husbandry, enforcement tasks under the Slaughter Animals Ordinance and quality and sales promotion.

Food security principles should lead to a reduction in various subsidies

In Article 104a on food safety, the Federal Constitution (Cst.) accentuates the requirements in terms of food production that is adapted to local conditions and which uses natural resources efficiently, and cross-border trade relations. This article has been in force only since 24 September 2017. The provisions are not yet reflected in either the legal basis or implementation. The basis for agricultural policy is still Article 104, which calls for a holistic view of agriculture and thus lays the foundation for the current direct payment system.

According to the SFAO, Article 104a of the Cst. is likely to have an impact on subsidies. Products or production processes that are not sustainable and adapted to local conditions should no longer be promoted by the Confederation, or no longer to the same extent as before. This concerns products which cannot be produced on the current scale without significant imports or which do not contribute to food safety. Measures to support animal protein production are affected. Specifically, these are the areas of animal breeding, aid for animal husbandry, enforcement tasks under the Slaughter Animals Ordinance and parts of the sales promotion area. The savings potential is not clearly quantifiable, as a reallocation of funds is possible in some areas.

Irrespective of food safety, the FOAG should also fundamentally question small-scale subsidies, such as aid for animal husbandry and crop cultivation. These are a form of price support. The reform of Swiss agricultural policy (AP) began at the end of 1992 with the introduction of product-independent direct payments. In essence, the funds used to support prices were to be converted into product-independent direct payments. This process has not yet been completed in the case of aid. The savings potential is around CHF 8 million.

Furthermore, the reason for the compensation for enforcement tasks according to the Slaughter Animals Ordinance is not comprehensible. Based on the law, the FOAG provides

compensation for the costs of services borne by the production, processing and distribution chain in other production areas. The savings potential is around CHF 6 million.

The SFAO recommends taking measures to reduce or abolish these subsidies, e.g. within the framework of the post 2022 agricultural policy (AP22+).

Financial aids are too high in individual cases

At the financial level, the Subsidies Act (SubA) imposes two basic conditions for awarding financial aid: firstly, the task would not be sufficiently performed without the financial aid; secondly, the reasonable self-financing measures and other funding methods are not sufficient to finance the task.

The FOAG pays too little attention to these principles, and in many cases it does not check the recipients' ability to pay, for example. It also provides subsidies to financially strong institutions. The SFAO recommends that the reasonable self-financing measures and other funding methods be systematically assessed and taken into account when determining contributions. The savings potential is around CHF 5 million.

The Federal Council amended the Animal Husbandry Ordinance as of 2016 in such a way that the compensation approaches can be increased retroactively. In this way, the FOAG makes full use of budget funds. This is contrary to the SubA regulations, as well as the principle of thrift and economic efficiency. The SFAO recommends cancelling the amendment to the Ordinance again. The savings potential here is around CHF 1 million.

Subsidies are generally implemented economically

With the exception of the cases mentioned above, the administrative activity is economical. The ratio of resources deployed by the FOAG relative to the project figures and the use of resources is good. Funding is awarded under competitive conditions or is based on performance-related lump sums. Wherever the objectives or goods/services are measurable, the funding was granted on the basis of the probable impact. This applies in particular to areas with high budgets. The administrative burden for the subsidy recipients is also considered to be proportionate.

There is room for improvement in the risk-oriented assessment and review of account statements.

The FOAG sends some federal representatives to the governing bodies of the subsidy recipients. This can lead to conflicts of interest. Independence from the outside is impaired at least on the face of it. Liability risks cannot be excluded. In terms of governance, such interconnections are inadmissible. The SFAO recommends complying with the governance principles of the Confederation.

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