WORKSHOP 2. IMPROVING PROCEDURES FOR FRAMEWORK AGREEMENTS AND E-PROCUREMENT SOLUTIONS
Session 3: Choosing product and services categories for framework agreements

“Framework Agreements: Consip’s implementation“

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Athens, September 22-24 2014
Choosing the appropriate e-Proc tool

Buy side

- Customised
- Standard

Supply side

- Concentrated
- Standardized
- Fragmented
- Specialised

The adoption of different tools is related to the market (buy and supply side) characteristics

- Wider offering of e-Proc tools
- More business opportunities for SME’s through e-procurement

Classification: Consip public
Evolution of Consip’s role

New e-Proc tools adoption calls for a strategic change in Consip’s role and capabilities
Choosing the appropriate class of Framework Agreements

No safe and sound recipe: Consip identify the appropriate class of Framework Agreements, case by case through market analysis (buy and supply side)
<table>
<thead>
<tr>
<th>PURCHASING TOOL</th>
<th>FRAMEWORK AGREEMENTS</th>
<th>IT</th>
<th>TLC</th>
<th>ENERGY</th>
<th>REAL ESTATE</th>
<th>HEALTH</th>
<th>OTHER G&amp;S</th>
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</thead>
<tbody>
<tr>
<td>1 supplier</td>
<td>Complete (all terms fixed)</td>
<td>• Desktop PC</td>
<td>• Local area network</td>
<td>• Wholesale fuel &amp; heating oil</td>
<td>• Office Facility management</td>
<td>• Telepathology devices</td>
<td>• Car rental</td>
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<td>• Notebook</td>
<td>• Telephony and IP connectivity</td>
<td>• Fuel card</td>
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<td>• Medical equipment manteinance</td>
<td>• Car purchase</td>
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<td></td>
<td>• Copying machine</td>
<td>• Mobile phones</td>
<td>• Fuel voucher</td>
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<td>• Glycaemia self-control devices</td>
<td>• Ticket restaurant</td>
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<td></td>
<td>• IBM Passport License</td>
<td>• Central telephone exchange devices</td>
<td>• Electricity</td>
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<td>• Radiology equipment</td>
<td>• Credit card</td>
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<td>• Microsoft Government Open License</td>
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<td>• Natural gas</td>
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<td>• Cat scan and magnetic resonance</td>
<td>• Foodstuffs</td>
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<td></td>
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<td>• Oracle License</td>
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<td>• Energy related services</td>
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<td>• Safety management</td>
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<td>• Microsoft Enterprise Agreement</td>
<td></td>
<td>• Lighting</td>
<td></td>
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<td>• Cleaning services for school</td>
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<tr>
<td>Several suppliers</td>
<td>Complete (all terms fixed)</td>
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<tr>
<td>1 supplier</td>
<td>Incomplete (not all terms fixed)</td>
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</tr>
<tr>
<td>Several suppliers</td>
<td>Incomplete (not all terms fixed)</td>
<td>Server blade</td>
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<td>Contact center services outsourced</td>
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<td>Travel &amp; accomodation</td>
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<td>Desktop Outsourcing</td>
<td>Print &amp; copy management</td>
<td>Services for open source server operating systems</td>
<td>Application services</td>
<td>System management</td>
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Taxonomy of Framework Agreements

In terms of completeness of the contract
- All terms of the contract are established in the FA (complete FA)
- Some terms of the contract are not established in the FA (uncomplete)

- Quantity
- Price
- Technical requirements
- Commitment of the parties

In terms of number of providers
- Single operator (n=1)
- Multi-operator (n>1 in general, n≥3 in the EU Directive)

- exogenous number of operators
- endogenous number of operators
Main advantages

Gain in administrative efficiency (savings both in time and in administrative costs) and in flexibility

- streamline process for repeated purchases
- allow for management of uncertainty
- allow for better risk management (limited productive capacity of contractors, risk of bankruptcy)
- lower inventory costs
- greater flexibility in scheduling requirements, both in terms of timing and in quantity
- lower (possibly no) risk of litigation
- foster participation of SMEs
Main drawbacks

Risk of lower / unfair competition

More discretion for the CAs ⇒ reduced transparency and accountability
“Cherry-picking” problem ⇒ distortion of initial bids
Risk of reduced transparency at the 2nd stage
Collusive device
Risk of corruption
Worse exploitation of economies of scale
The basic trade-off

In any case, the basic trade-off to be solved is:

- administrative efficiency
- higher process cost savings

vs

- higher competition
- lower quality/price ratio

The solution depends on:

- demand/needs of the gvt
- supply market features
- class of the FA
- best design
The optimal choice of the kind of FA

<table>
<thead>
<tr>
<th>Target</th>
<th>Suitable FA</th>
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<tbody>
<tr>
<td>max participation (heterogeneity)</td>
<td>multi-operator</td>
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<tr>
<td>max competition at the entry stage</td>
<td>single operator</td>
</tr>
<tr>
<td>max quality</td>
<td>incomplete multi-operator</td>
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The appropriate choice is a complex task. The characteristics of the supply market should be taken into account...
The optimal choice of the kind of FA

Supply market: some relevant dimensions

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<thead>
<tr>
<th></th>
<th>HIGH</th>
<th>LOW</th>
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<tbody>
<tr>
<td><strong>Expected Participation</strong></td>
<td>Multi-operator</td>
<td>Single operator</td>
</tr>
<tr>
<td><strong>Fixed costs</strong></td>
<td>Single operator</td>
<td>Multi-operator</td>
</tr>
<tr>
<td><strong>Dimensional Heterogeneity</strong></td>
<td>Multi-operator</td>
<td>Single operator</td>
</tr>
<tr>
<td><strong>Specificity, obsolesce, flexibility of the supply</strong></td>
<td>Incomplete FA</td>
<td>Complete FA</td>
</tr>
<tr>
<td><strong>Relevance of non-contractible quality</strong></td>
<td>Incomplete FA</td>
<td>Complete FA</td>
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Classification: Consip public