



consip

WORKSHOP 2. IMPROVING PROCEDURES FOR FRAMEWORK AGREEMENTS AND E-PROCUREMENT SOLUTIONS

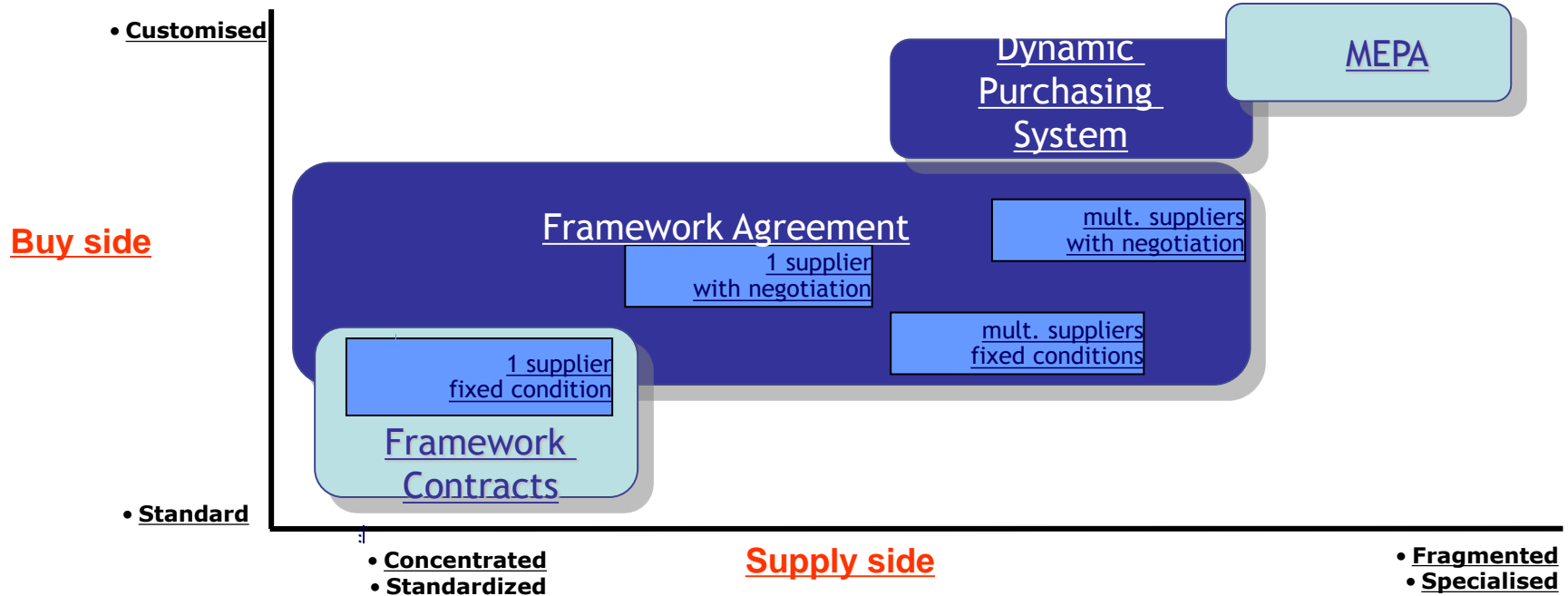
Session 3: Choosing product and services categories for framework agreements

“Framework Agreements: Consip’s implementation“

Luca Mastrogregori, Head of e-Procurement services strategies and management - Consip Spa

Athens , September 22-24 2014

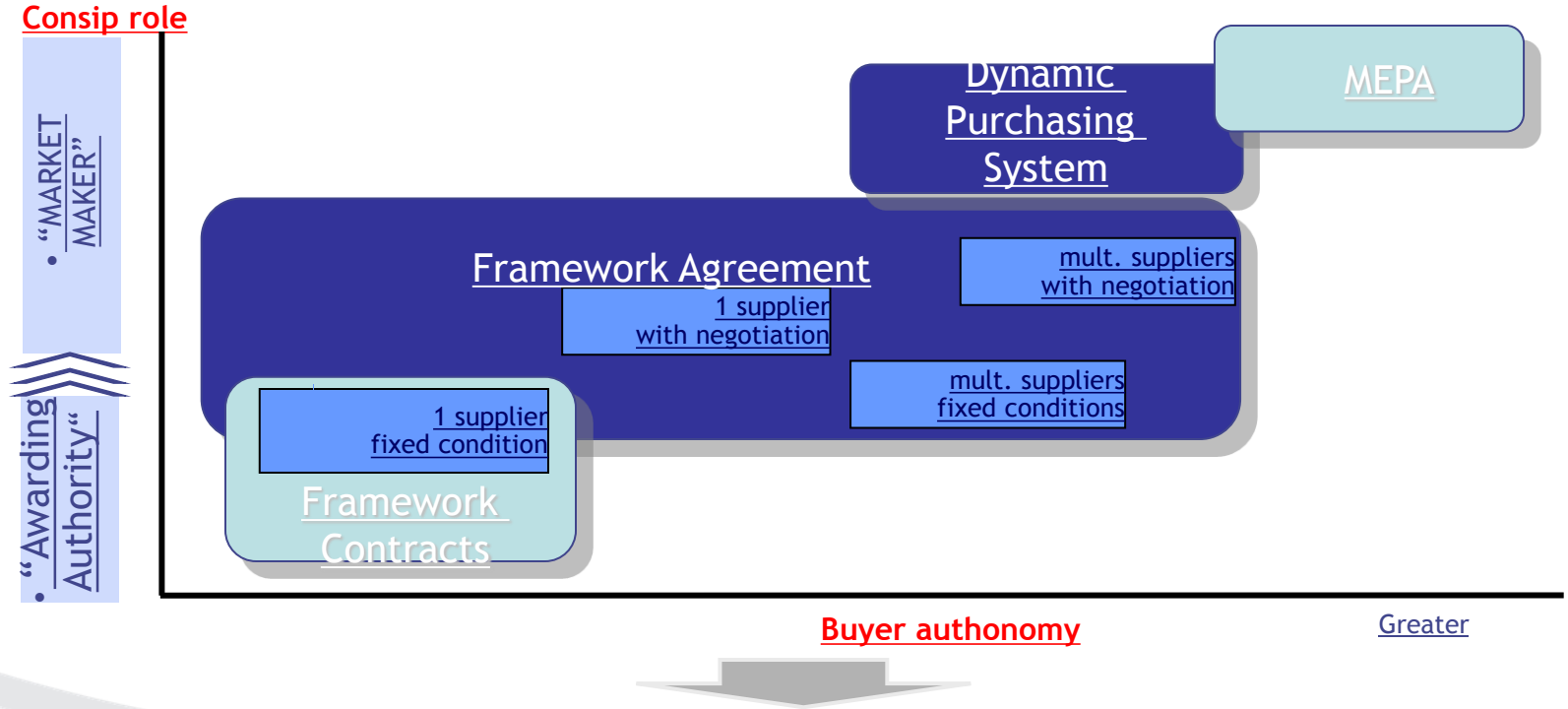
Choosing the appropriate e-Proc tool



- 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



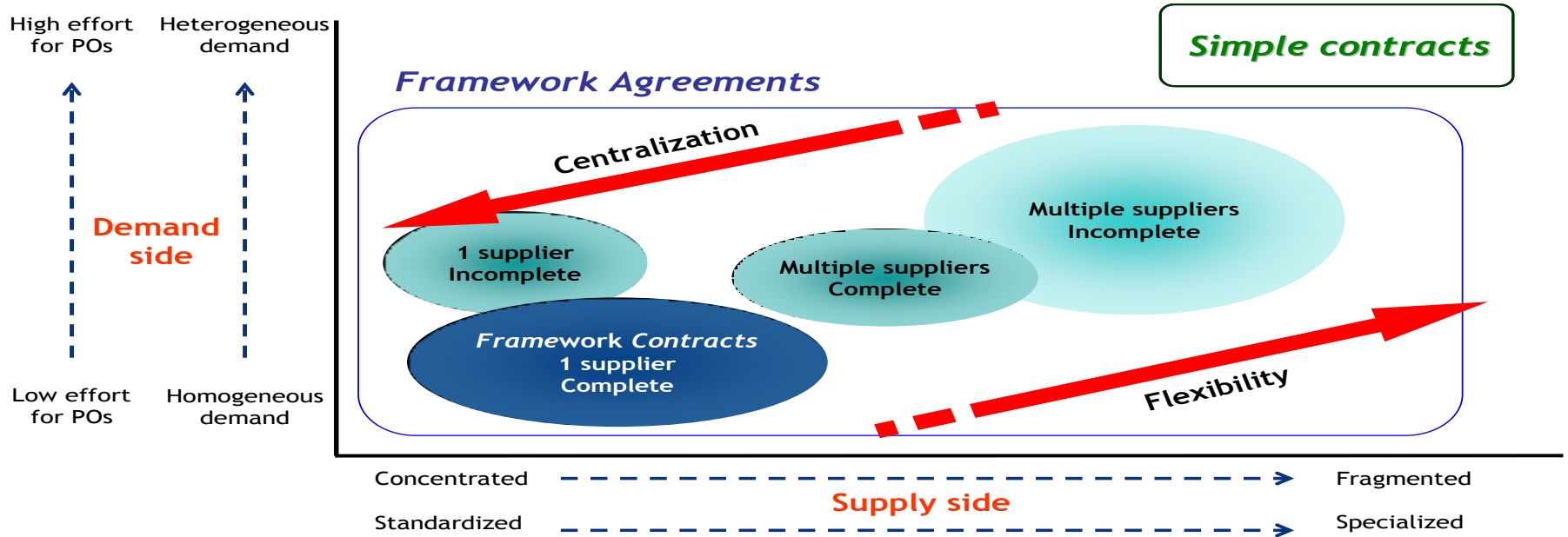
Evolution of Consip's role



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)

<i>PURCHASING TOOL</i>	<i>MACRO PRODUCT CATEGORY</i>					
<i>FRAMEWORK AGREEMENTS</i>	<i>IT</i>	<i>TLC</i>	<i>ENERGY</i>	<i>REAL ESTATE</i>	<i>HEALTH</i>	<i>OTHER G&S</i>
<ul style="list-style-type: none"> • 1 supplier • Complete (all terms fixed) 	<ul style="list-style-type: none"> • Desktop PC • Notebook • Copying machine • IBM Passport License • Microsoft Government Open License • Oracle License • Microsoft Enterprise Agreement • Printer 	<ul style="list-style-type: none"> • Local area network • Telephony and IP connectivity • Mobile phones • Central telephone exchange devices 	<ul style="list-style-type: none"> • Wholesale fuel & heating oil • Fuel card • Fuel voucher • Electricity • Natural gas • Energy related services • Lighting 	<ul style="list-style-type: none"> • Office Facility management 	<ul style="list-style-type: none"> • Telepathology devices • Medical equipment maintenance • Glycaemia self-control devices • Radiology equipment • Cat scan and magnetic resonance 	<ul style="list-style-type: none"> • Car rental • Car purchase • Ticket restaurant • Credit card • Foodstuffs • Safety management • Cleaning services for school

<i>PURCHASING TOOL</i>	<i>MACRO PRODUCT CATEGORY</i>					
<i>FRAMEWORK AGREEMENTS</i>	<i>IT</i>	<i>TLC</i>	<i>ENERGY</i>	<i>REAL ESTATE</i>	<i>HEALTH</i>	<i>OTHER G&S</i>
<ul style="list-style-type: none"> • Several suppliers • Complete (all terms fixed) 	--	--	--	--	<ul style="list-style-type: none"> • Dialysis 	--
<ul style="list-style-type: none"> • 1 supplier • Incomplete (not all terms fixed) 	--	--	--	--	--	--
<ul style="list-style-type: none"> • Several suppliers • Incomplete (not all terms fixed) 	<ul style="list-style-type: none"> • Server blade • Desktop Outsourcing • Print & copy management • Services for open source server operating systems • Application services • System management 	<ul style="list-style-type: none"> • Contact center services outsourced 				<ul style="list-style-type: none"> • Travel & accomodation

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, $n\geq 3$ in the EU Directive)

- exogenous number of operators
- endogenous number of operators



consip

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



consip

Main drawbacks

Risk of lower / unfair competition

More discretion for the CAs \Rightarrow reduced transparency and accountability

“Cherry-picking” problem \Rightarrow 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 competition

VS

higher process cost savings

lower quality/price ratio

The solution depends on:

demand/needs of the gvt

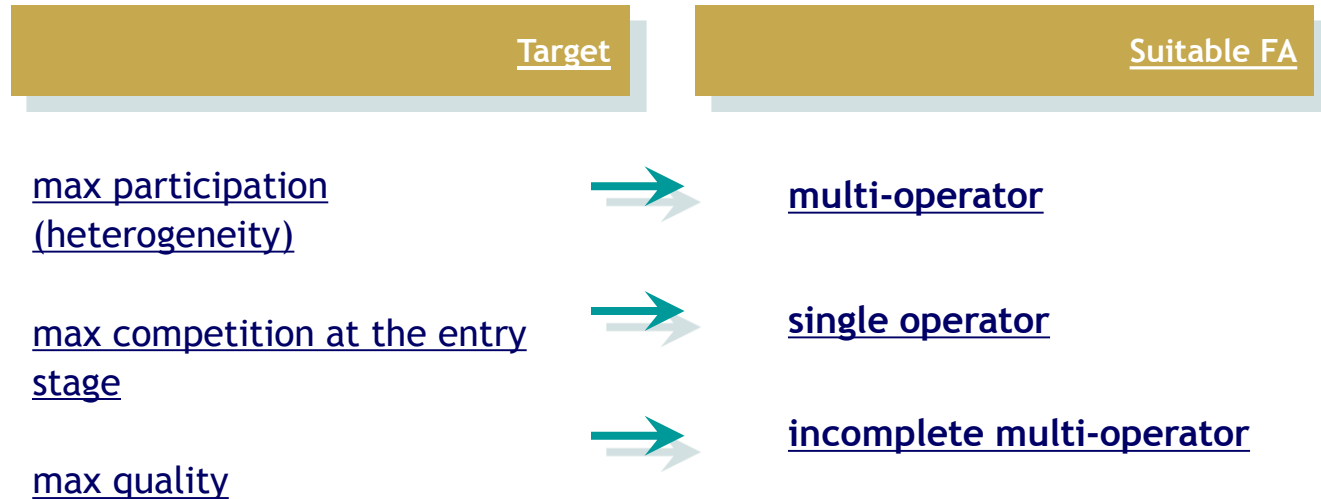
class of the FA

best design

supply market features



consip **The optimal choice of the kind of FA**



The appropriate choice is a complex task.
The characteristics of the supply market should be taken into account...



Supply market: some relevant dimensions

	HIGH	LOW
<u>Expected Participation</u>	<u>Multi-operator</u>	<u>Single operator</u>
<u>Fixed costs</u>	<u>Single operator</u>	<u>Multi-operator</u>
<u>Dimensional Heterogeneity</u>	<u>Multi-operator</u>	<u>Single operator</u>
<u>Specificity, obsolesce, flexibility of the supply</u>	<u>Incomplete FA</u>	<u>Complete FA</u>
<u>Relevance of non-contractible quality</u>	<u>Incomplete FA</u>	<u>Complete FA</u>