Framework Agreements for centralized procurement: Consip’s experience

South Asia Region Public Procurement Conference
e-GP in South Asia: Achievements, Opportunities, Challenges
Colombo-Kandy, Sri Lanka, 20-23 February 2017
Roadmap

1. Consip’s profile and mission
2. Consip’s e-procurement tools
3. Basic rationales of Framework Agreements
4. Framework Agreements: Facts and figures
5. E-procurement solutions for micro, small, and medium enterprises: the MePA (the Public Administrations’ e-Marketplace)
Establishment, Mission and Role

- **Establishment:** Consip S.p.A. is a public stock company set up in 1997 and entirely owned by the Italian Ministry of Economy and Finance (MEF), its sole shareholder.

- **Mission:** To make the use of public resources more efficient and transparent, by providing tools and know how to public administrations, in order to carry out public procurement procedures.

- **Role:** Consip operates according to an “in-house” model. It is a public company in house to all central government bodies and, consequently, it can act as central purchasing body (CPB) for these administrations. The remaining part of its activities consists in providing specific services to other public entities.

Consip: Profile and Mission

- **344** N° of employees
- **43** Average age
- **84%** Graduated
- **51%** Women
Corporate profile

- Consip SpA is a public stock company set up in 1997 and owned by the Italian Ministry of Economy and Finance (MEF), its sole shareholder.

- Consip’s mission is to make the use of public resources more efficient and transparent, by providing tools and skills, to public administrations, in order to allow them to perform public purchases and at the same time stimulate a competitive participation of enterprises to public tenders.
Consip’s Core Activities

Three main areas:

- Implementation of the Program for the rationalization of public spending on goods and services through the use of ICT and innovative procurement tools: framework contracts, e-marketplace for public administrations, (closed and open) framework agreements, ASP tenders.

- Support to individual administrations along the entire procurement value chain, also in its role as central purchasing body, according to specific bilateral agreements (Vertical Procurement Area).

- Implementation of specific tasks assigned by law or by ad hoc administrative acts (Other Initiatives Area).
Consip’s Core Activities

**CENTRAL PROCUREMENT**
Implementation of the “Program for the rationalization of public spending on G&S”

**VERTICAL PROCUREMENT**
Support to individual administrations

**OTHER AREAS**
Respond to specific tasks assigned by law such as support the Digital Administration

**Aim**

PUBLIC FINANCE TOOL (impact on prices)

EFFICIENCY AND INNOVATION TOOL (impact on processes)
Consip’s organizational chart

BOARD

President

CEO

MEMBER

Transparency Unit

Secretariat Board

Administration and Control

Human Resources and Organization

Legal

Support to Operations

Research Unit

Internal Audit

Internal Monitoring Body

ICT Sourcing

Service and Utility Sourcing

Program for the Rationalization of public spending

Specific Projects for public bodies

Consip: Profile and Mission
The Research Unit

- **Insourced economics consulting Unit** (5 persons), with the mission of ensuring the consistency - from a modern economics perspective – of Consip’s demand-aggregation procurement strategies

- What we do:
  - **Applied research** on (law & ) economics of public procurement
  - **Support and advise to Sourcing Unit** colleagues, managing specific procurement projects in competitive tendering and contract design

- ...focusing on all the elements of procurement projects that have a direct impact on competition, such as the design of:
  - **Tools for demand aggregation**
  - **Lots structure**
  - **Award criteria and scoring rules**
  - **Contract incentives**
  - ...
Roadmap

1. Consip’s profile and mission

2. Consip’s e-procurement tools

3. Basic rationales of Framework Agreements

4. Framework Agreements: Facts and figures

5. E-procurement solutions for micro, small, and medium enterprises: the MePA (the Public Administrations’ e-Marketplace)
Consip’s procurement tools

- **Framework Agreements**
  - High-value procurement

- **MePA (Public Administrations’ e-Marketplace)**
  - Low-value transactions

- **Specific Tenders awarded on behalf of Public Bodies**
  - Tailored projects
Consip’s role when using different procurement solutions

- **Central Purchasing Body’s role**
  - **MARKET MAKER**
  - **CONTRACTING AUTHORITY**

- **FRAME CONTRACTS**
  - 1 Awardees
  - All conditions laid down

- **OPEN FRAMEWORK AGREEMENTS**

- **CLOSED FRAMEWORK AGREEMENTS**

- **MePA**

- **In the EU defined as Dynamic Purchasing Systems**

- **Final users’ degree of autonomy**

Consip’s e-proc tools

Classificazione: Consip public
Families of Framework Agreements (FAs)

Different families of FAs

Figure 2.1 borrowed from G. L. Albano and C. Nicholas, *The Law and Economics of Framework Agreements – Designing Flexible Solutions for Public Procurement*, Cambridge University Press, 2016

Framework Agreements

<table>
<thead>
<tr>
<th>Openness</th>
<th>Number of Suppliers</th>
<th>Award of procurements contracts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Closed</td>
<td>Single-supplier</td>
<td>No Competition</td>
</tr>
<tr>
<td>Open</td>
<td>Multi-supplier</td>
<td>Competition</td>
</tr>
<tr>
<td></td>
<td>Multi-supplier</td>
<td>Competition</td>
</tr>
<tr>
<td></td>
<td></td>
<td>No Competition</td>
</tr>
</tbody>
</table>

also known as **Frame Contracts**
Roadmap

1. Consip’s profile and mission
2. Consip’s e-procurement tools
3. Basic rationales of Framework Agreements
4. Framework Agreements: Facts and figures
5. E-procurement solutions for micro, small, and medium enterprises: the MePA (the Public Administrations’ e-Marketplace)
Main reference

Framework agreements have arisen in response to the well-documented and high costs of public procurement procedures. The agreements have significant potential to improve procedural efficiency in public procurement, but are complex to operate. Inadequate preparation and implementation can also frustrate their potential both in terms of abuse and corruption and to enhance value for money. In this enlightening book, Gian Luigi Albano and Caroline Nicholas look at the key decisions required for designing and entering framework agreements, and address both legal and economic issues to give the reader a clear understanding of the planning, variables and flexibility needed for efficient implementation. This book will be of interest to policy makers, lawyers and public procurement practitioners who want to deepen their understanding of the legal and economic issues surrounding framework agreements.

Gian Luigi Albano is Head of Research at Consip S.p.A. and Professor at the School of National Administration, Rome. He is also serving as Adjunct Professor (2005–16) in the Department of Economics at LUISS “Guido Carlo” Rome, Italy.

Caroline Nicholas is Senior Legal Officer in the International Trade Law Division at the United Nations Office of Legal Affairs.

The problem of repeated purchases

A competitive tendering can yield better value for money. But running competitive tendering has a cost.

How to streamline the procurement process for repeated purchases of the same/similar supplies/services, so as to control the process costs?

Basic idea: A two-stage procedure

- **first stage**, where all or part of the terms of the contracts to be awarded are defined (master contract)
- **second stage**, where the actual contracts are awarded (specific contracts, orders, call-off contracts...)

This idea may result useful in two kinds of situations:

- repeated purchases by one single buyer
- purchases by many different buyers (centralized procurement; joint procurement, buyers consortia)
The basic idea: the two-stage process

- Buyers concluding the FA
- 1st stage selection
- Buyers awarding the specific contracts
- 2nd stage selection

- What terms of the contract are laid down in the “master” contract (1st stage)?
- How many operators are selected at the 1st stage?
- How do the two different selection processes take place?

Different classes of FAs
Different problems

Why FAs?
Main advantages

Although different types of FAs exhibit different features, advantages and problems, they all share common pros compared to “simple” contract award:

- Administrative efficiency (process cost savings)
- Enhanced competition (possible better value for money)
Main advantages

In particular, at the call-off stage procuring entities can benefit from:

- **streamlined processes** for repeated purchases
- **better risk management** (protection against risk of: limited productive capacity of contractors, bankruptcy, high transaction cost from awarding a new contract in the case the one awarded at the first place fails)
- **reduced inventory costs** from greater flexibility in scheduling requirements, both in terms of timing and quantity
- **increased competition** in the case of sizeable demand aggregation (under some other assumptions)
Main drawbacks

Although different types of FAs exhibit different features, advantages and problems, they all share similar drawbacks compared to “simple” (i.e. personalised) contracts:

- The FA may not perfectly meet procuring entities’ needs (lack of tailoring)
- Increased total value of the overall procurement process
Main drawbacks

In particular, when concluding the FA (that is, at the 1\textsuperscript{st} stage):

- The procuring entity awarding the FA may be imperfectly informed about final users’ needs:
  - \textbf{\textit{\texttimes\ uncertainty}} borne by competing firms
  - \textbf{\textit{\texttimes\ transaction costs}} from collation of information on the total demand
  - \textbf{\textit{\texttimes\ risk of misalignment}} between estimated and actual demand

- In case of sizeable demand aggregation, possible barriers to entry for SMEs
Roadmap

1. Consip’s profile and mission
2. Consip’s e-procurement tools
3. Basic rationales of Framework Agreements
4. Framework Agreements: Facts and figures
5. E-procurement solutions for micro, small, and medium enterprises: the MePA (the Public Administrations’ e-Marketplace)
Frame Contracts/ Framework Agreements: The process

- Unique process for managing different projects, problems, situations
- People with different skills/know how, shared responsibility logic

**Process Monitoring**

- **Demand Analysis**
  - Product manager
  - Planning & Monitoring
  - Research Unit
  - Legal Dept.
  - GPP Unit

- **Market Analysis**

- **Tendering Strategy**
  - Product managers
  - Research Unit
  - Legal Dept.
  - GPP Unit
  - IT/platform specialists

- **Tender Documents**
  - Jury
  - IT/platform specialists
  - Legal Dept.

- **Purchase orders / mini-tenders**
  - Contract mgmt
  - Support to customers
  - Monitoring

**FAs: Facts and figures**
Value of awarded contracts through Consip’s e-procurement system

Value of awarded contracts 2014 - 2016 (€m)

- 2014:
  - ASP mode Tenders: 1,339
  - Closed Framework Agreements: 1,469
  - Open Framework Agreements: 3,296
  - MePA: 2,978
  - Frame Contracts: 8,429

- 2015:
  - ASP mode Tenders: 302
  - Closed Framework Agreements: 2,036
  - Open Framework Agreements: 2,978
  - MePA: 3,856
  - Frame Contracts: 1,818

- 2016 (est.):
  - ASP mode Tenders: 5,371
  - Closed Framework Agreements: 2,467
  - Open Framework Agreements: 1,818
  - MePA: 6,345
  - Frame Contracts: 9,000

FAs: Facts and figures
A few facts and figures on the Program for the Rationalization of Public Spending

Most relevant categories for Frame Contracts (85% of the overall transactions within the families of Framework Agreements)

- **Services for buildings** (facility management, janitorial services)
- **Utilities** (electricity, fuel, natural gas)
- **Integrated Services** (lighting, energy services)
- **Fixed and mobile phone services**
- **Luncheon vouchers**
Roadmap

1. Consip’s profile and mission
2. Consip’s e-procurement tools
3. Basic rationales of Framework Agreements
4. Framework Agreements: Facts and figures
5. E-procurement solutions for micro, small, and medium enterprises: the MePA (the Public Administrations’ e-Marketplace)
MePA: Purchasing solutions for low-value contracts

Heterogenous needs

Fostering micro and SMEs inclusion in the PP market

Request for Quotation (RfQ)
Direct Purchase (DP)
Direct Negotiation (DN)
The MePA: Services

- Maintenance elevators
- Maintenance firefighting systems
- Services for events and communication
- Urban Facility Management
- Cleaning services
- Maintenance of heating systems
- Maintenance of electrical systems
- News services
- Logistics
- Postal services
- Training
- Professional services
- Security services
- Consulting services
- Social services
- Services for dismissing and recycling electronic equipment
- Compliance assessment services
- Treasury and cash services

Green catalogues
MePA: Maintenance works

- Environment
- Assets of the cultural heritage
- Building
- Hydraulic, maritime and gas pipelines
- Installations
- Specialised works
- Roads, railways, airways

Consip
# The MePA: Main figures

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016 December</th>
<th>Cumulated over the 8-year period</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Value Transactions (M€)</strong></td>
<td>172</td>
<td>230</td>
<td>254</td>
<td>243</td>
<td>360</td>
<td>907</td>
<td>1.469</td>
<td>2.036</td>
<td>2,467</td>
<td>8,299,828</td>
</tr>
<tr>
<td>Growth w.r.t the previous year</td>
<td>106%</td>
<td>34%</td>
<td>10%</td>
<td>-4%</td>
<td>48%</td>
<td>152%</td>
<td>62%</td>
<td>38%</td>
<td>21%</td>
<td></td>
</tr>
<tr>
<td><strong>Number Transactions</strong></td>
<td>63,245</td>
<td>72,796</td>
<td>77,132</td>
<td>74,397</td>
<td>104,084</td>
<td>337,682</td>
<td>523,383</td>
<td>649,692</td>
<td>600,517</td>
<td></td>
</tr>
<tr>
<td>Growth w.r.t the previous year</td>
<td>124%</td>
<td>15%</td>
<td>6%</td>
<td>-4%</td>
<td>40%</td>
<td>225%</td>
<td>55%</td>
<td>24%</td>
<td>-7%</td>
<td></td>
</tr>
<tr>
<td><strong>Supply</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number qualified firms</td>
<td>2,088</td>
<td>3,027</td>
<td>4,556</td>
<td>5,130</td>
<td>7,182</td>
<td>21,369</td>
<td>36,051</td>
<td>54,237</td>
<td>68,248</td>
<td></td>
</tr>
<tr>
<td>Number of catalogues</td>
<td>3,692</td>
<td>5,406</td>
<td>6,640</td>
<td>6,312</td>
<td>10,417</td>
<td>28,427</td>
<td>47,726</td>
<td>72,039</td>
<td>83,861</td>
<td></td>
</tr>
<tr>
<td>Number of items</td>
<td>540,000</td>
<td>1,331,915</td>
<td>1,490,82</td>
<td>1,190,320</td>
<td>1,165,880</td>
<td>3,015,074</td>
<td>5,442,561</td>
<td>7,510,270</td>
<td>8,975,611</td>
<td></td>
</tr>
<tr>
<td><strong>Demand</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of active purchasing units</td>
<td>4,288</td>
<td>5,070</td>
<td>5,339</td>
<td>5,589</td>
<td>8,788</td>
<td>24,295</td>
<td>32,848</td>
<td>38,983</td>
<td>41,262</td>
<td></td>
</tr>
</tbody>
</table>

Average value transactions (last 12 months):
- RfQs: €9,100
- DPs: €1,800
- TD: €5,190

Number of active purchasing units: €59,80 (last 12 months)
Gian Lugi Albano, Ph.D.
Head of Research, Consip
Adjunct Professor of Economics, University LUISS “G. Carli” - Rome

Consip S.p.A.
Via Isonzo 19/E – 00198 Roma
T +39 0685449.1

gianluigi.albano@consip.it - galbano@luiss.it
www.gianluigialbano.com
www.consip.it
www.acquistinretepa.it