



Setting up Framework Agreements

The case of Portugal

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Support to the Greek Public Procurement Reform
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Agenda

General overview

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Framework Agreements development

2

Major results from the FA practice

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Agenda

General overview **1**



The Public Procurement Reform



electronic Public Procurement:
set in the context of a broader legal and
economic reform of public procurement

2007/2012

Pressure from the market. Lack of openness and transparency
Opportunity to improve efficiency in public administration.



The Public Procurement Reform

The pillars



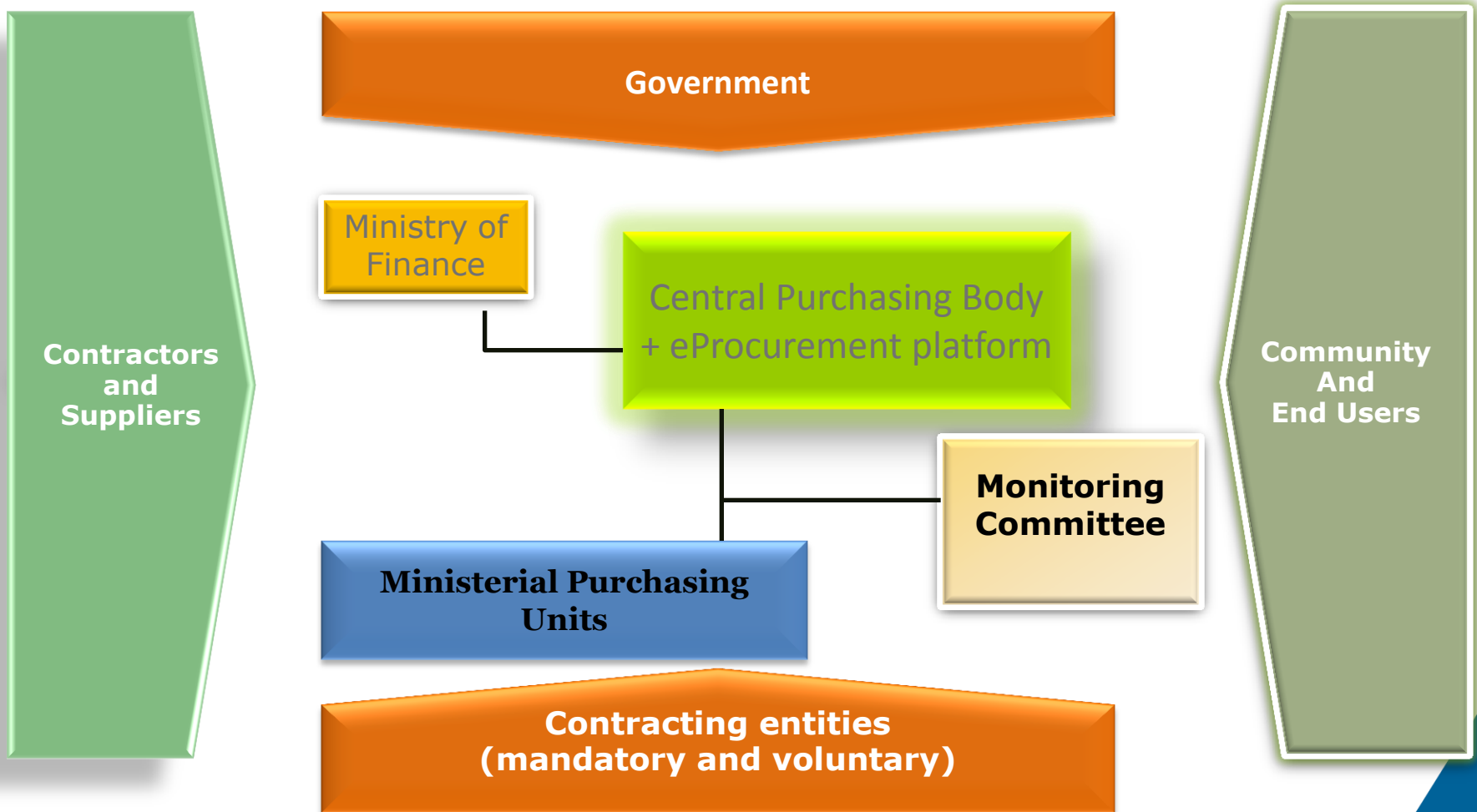
ePP

Three main pillars:

Law + CPB + ePP



The Portuguese Public Procurement System – Institutional framework





The Public Procurement System

Central purchasing

The mandatory eProcurement approach

TYPE OF ENTITY	EPROCUREMENT USAGE (E-TENDERING AND E-AWARDING)	NATIONAL PUBLIC PROCUREMENT SYSTEM (SNCP)
Central Administration and Public Institutes	Yes Mandatory	Yes Mandatory
Municipalities, Regional and local entities	Yes Mandatory	Voluntary
State owned companies	Yes Mandatory	Voluntary



Framework Agreements development **2**





Setting up Framework Agreements

Goals 1

Objectives	Measures	Benefits
Public expenditure	<ul style="list-style-type: none">• FAs for the major spending categories• Goods and services standardization	<ul style="list-style-type: none">• Reduction and rationalization of public expenditure and consumption.• Controlling Public Debt
Savings	<ul style="list-style-type: none">• Awarding based on the MEAT or lowest price criteria• Definition of maximum price and minimum technical specifications, assuring quality and SLA patterns	<ul style="list-style-type: none">• Better value for money• Better management of products and services• Reduction of waste
Efficiency	<ul style="list-style-type: none">• Purchasing process simplification• IT innovation through eProcurement• Suppliers selection	<ul style="list-style-type: none">• Dematerialization of the business process• Allowing Public Administration modernization and increasing e-Government



Setting up Framework Agreements

Goals 2

Objectives	Measures	Benefits
Competitiveness and quality	<ul style="list-style-type: none">• Supplier selection based on economic, financial, technical, environmental, quality and SLA related criteria• Possibility of grouping and subcontracting• Subdivision in lots – regional and by goods or services	<ul style="list-style-type: none">• Markets competitiveness development• Suppliers diversity and SME basis assured• Best market conditions for Public Administration• Green Public Procurement goals
Management Information System	<ul style="list-style-type: none">• Management information to every key stakeholder, from suppliers to the managing entity, UMC and contracting authorities	<ul style="list-style-type: none">• FAs performance monitoring• Ongoing improvement of purchasing process



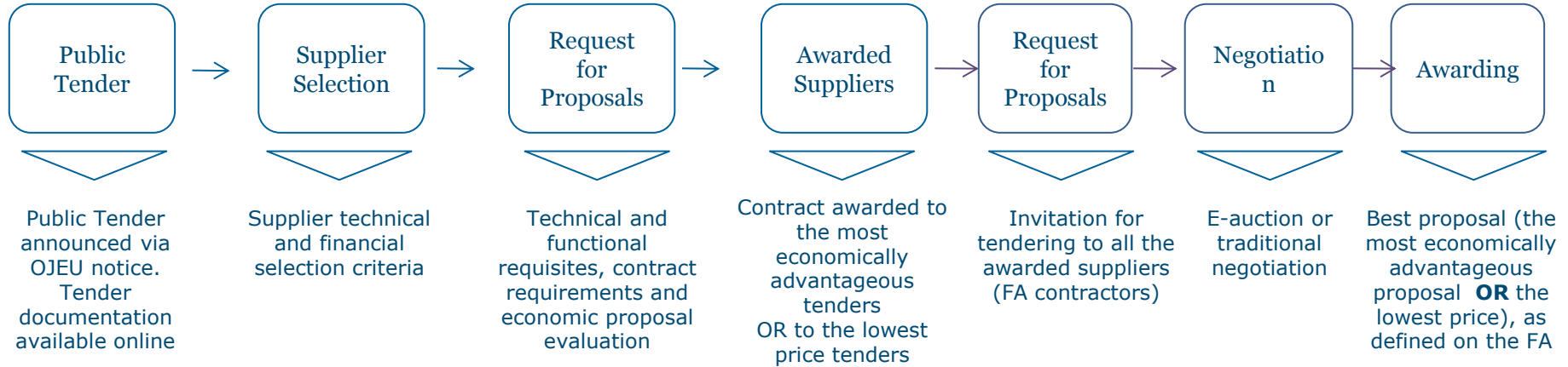
Centralised purchasing model in Portugal

eSPap

Ministry Purchasing Units (MPU)

Selecting suppliers and awarding the best proposals for each Framework Agreement (FA)

Acquisitions of goods and services categories available in the framework agreements (Call Off Stage / mini-competition)



Framework Agreement Centralization

Purchase of goods and services categories under the FAs are mandatory for the central public administration

Centralization of acquisitions of goods and services under the FAs

eSPap can opt to centralize the acquisitions of goods and services covered by the FA (example: Vehicles and Vehicle Insurance)



Parties to the framework agreement

In the contract notice eSPap identifies that all mandatory entities (State Direct Administration Services and Public Institutes) and voluntary entities (Local Authorities (Municipalities), Local Authorities' Owned Companies, Regional Authorities and State Owned Companies) are party to the framework agreement.

Mandatory entities: + 1800 entities

Voluntary entities: around 500

.....framework agreements can only be used between the contracting authorities and the economic operators originally party to the framework agreement. When a framework agreement is to be used by several contracting authorities, therefore, these contracting authorities must be identified explicitly in the contract notice, either by naming them directly in the notice itself or through reference to other documents (e.g. the specifications or a list available from one of the contracting authorities [], etc.).



Suppliers

With a single economic operator - Framework agreements not used by eSPap

Where a framework agreement is **concluded with a single economic operator**, contracts based on that agreement shall be awarded within the limits of the terms laid down in the framework agreement. For the award of those contracts, contracting authorities may consult the operator party to the framework agreement in writing, requesting it to support its tender as necessary.

With several economic operators

Contracts based on framework agreements concluded **with several economic operators** may be awarded either:

a) by application of the terms laid down in the framework agreement without reopening competition, or

b) where not all the terms are laid down in the framework agreement, when the parties are again in competition on the basis of the same and, if necessary, more precisely formulated terms, and, where appropriate, other terms referred to in the specifications of the framework agreement, in accordance with the following procedure:

(a) for every contract to be awarded, contracting authorities shall consult the economic operators capable of performing the contract;

.....

(d) contracting authorities shall award each contract to the tenderer who has submitted the best tender on the basis of the award criteria set out in the specifications of the framework agreement.

eSPap Framework Agreements



Centralised Purchasing System

Characteristics of the FA

Duration of framework: up to 4 years (usually 2 + 1 + 1)

FA concluded with several economic operators

For every contract to be awarded, contracting authorities shall consult the economic operators capable of performing the contract

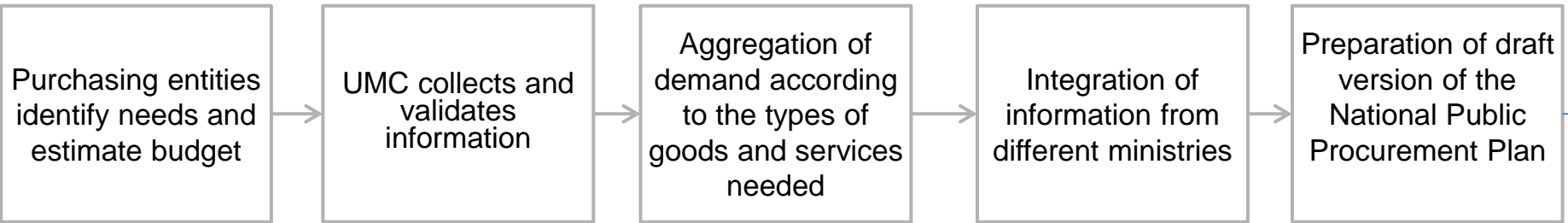
Public Tender or Public Tender (restricted procedure)

Use of electronic platform (mandatory)



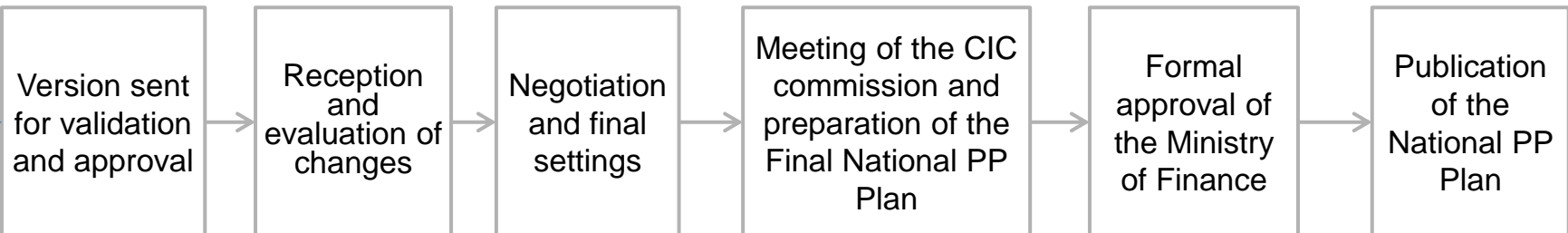
Centralised Purchasing System

Assessing needs and planning demand



Ministry level

eSPap



eSPap , UMC and CIC



Centralised Purchasing System

Contract values in FA

No value contract at FA level

Public Tender / Public Tender (restricted procedure/qualification phase) are advertised on OJEU

There are no limit to the value of the contracts to be awarded under a framework agreement



Centralised Purchasing System

FA selection criteria

Spending categories	Valid as of	FA Contractors	Waves
Car and Motorcycle Insurance	Feb 2011	2	2 nd
Cleaning Services and Products	Aug 2010	15	2 nd
Electric Vehicles	Sep 2011	10	
Energy (incl. Electricity)	Nov 2011	3	2 nd
E-procurement Tools	Jun 2009	5	2 nd
Fuel and LGP	Sep 2012	3	1 st
Hardware and IT equipment	Aug 2011	18	1 st
Landline Communications (voice and data)	Jun 2010	5	3 rd
Meals	Jul 2010	4	3 rd
Mobile Communications	Oct 2012	3	1 st
Office Furniture	Mar 2010	6	3 rd
Paper and Stationery	Apr 2011	30	1 st
Printing and Copying	Apr 2011	21	1 st
Security and Surveillance Services	Apr 2010	8	2 nd
Software Licensing	Sep 2009	77	1 st
Travel and Accommodation	Sep 2011	13	3 rd
Vehicles and Motorcycles	June 2012	14	2 nd

FA in "waves"

Criteria:

- Public Expenditures
- Common Use
- Quick wins
- Strategic Sourcing

The renewal rate of framework agreements in 2011 was 33%, stimulating competition and larger presence of SMES



Centralised Purchasing System

Awarding criteria

FAs developed by eSPap allow both situations:

- a) MEAT
- b) The lowest price

Individual contracting authorities, within the FAs, will fit MEAT criteria / weights to their individual situation or chose the lowest price.



Product update/upgrade

Can occur:

- By eSPap's initiative or
- By contractors request (typically due to a product discontinuation)

However, the new proposals must:

- Maintain or decrease price offer
- Maintain brand/maker
- Maintain or improve technical specifications



Framework Agreements for Vehicles and Motorcycles and Insurance

AQ – VAM

Defines technical requirements:

- Displacement, capacity ranges, weight, number of wheels, doors, places, wheelbase, height, length, minimum equipment, permitted load and other specs.

AQ - SA

Defines technical requirements :

- Insurance coverage

- ✓ 103 lots grouped in 6 typologies of vehicles:
 - 5 groups for acquisition: motorcycles, Heavy Goods Vehicles (HGV's), Heavy Passenger Vehicles, ambulances, passenger cars and light commercial vehicles
 - 1 group for operational leasing of passenger cars and light commercial vehicles
- ✓ Effective for two years, automatically renewed for one year up to a maximum of 4 years
- ✓ Defines obligations of suppliers and service levels to comply with towards the purchasing entities and eSPap
- ✓ Sets penalties applicable to suppliers for failure to comply with the obligations
- ✓ Sets deadlines and terms for payments
- ✓ Foresees management reports, which are the key to a detailed analysis and to support future decision-making process
- ✓ Sets the maximum prices in place during the validity period, with the possibility to improve by negotiating during the tender
- ✓ Defines products and suppliers



Framework Agreements

Bidding documents – to consider

Tender program / Invitation to tender

- Definition of lots: 8
- Definition of price: min. discount (cents per litre) over reference price (eg. Fuel)
- Awarding criteria for the FA – best discount offered per lot (weighted %)

Tender specifications / Terms of reference

- Definitions, duration of the FA
- Obligations of the parties
- Auditing
- Acquisitions under the framework agreement
- Awarding criteria
- Duration of contracts under the FA
- Conditions and payment terms
- SLA's, technical and functional requirements (minimum)
- Reporting and monitoring
- Fee to the managing entity
- Penalties



FA and call-offs

Invitation to tender

- Type of procedure, and object of the tender
- Contracting authority
- Decision to contract
- Registration in the e-platform
- Clarifications and rectifications
- Errors and omissions
- Tender documents
- Price proposal
- Variants of the proposal
- Minimum period validity (Duration) of the proposal
- E-signature
- Term to present proposals
- List of competitors and consultation of proposals
- Awarding criteria
- Electronic auction
- Qualification documents
- Possibility to group
- Costs of the proposal
- Technical support regarding the e-platform



Major results from the FA practice **3**



Centralised Purchasing System Framework agreements results

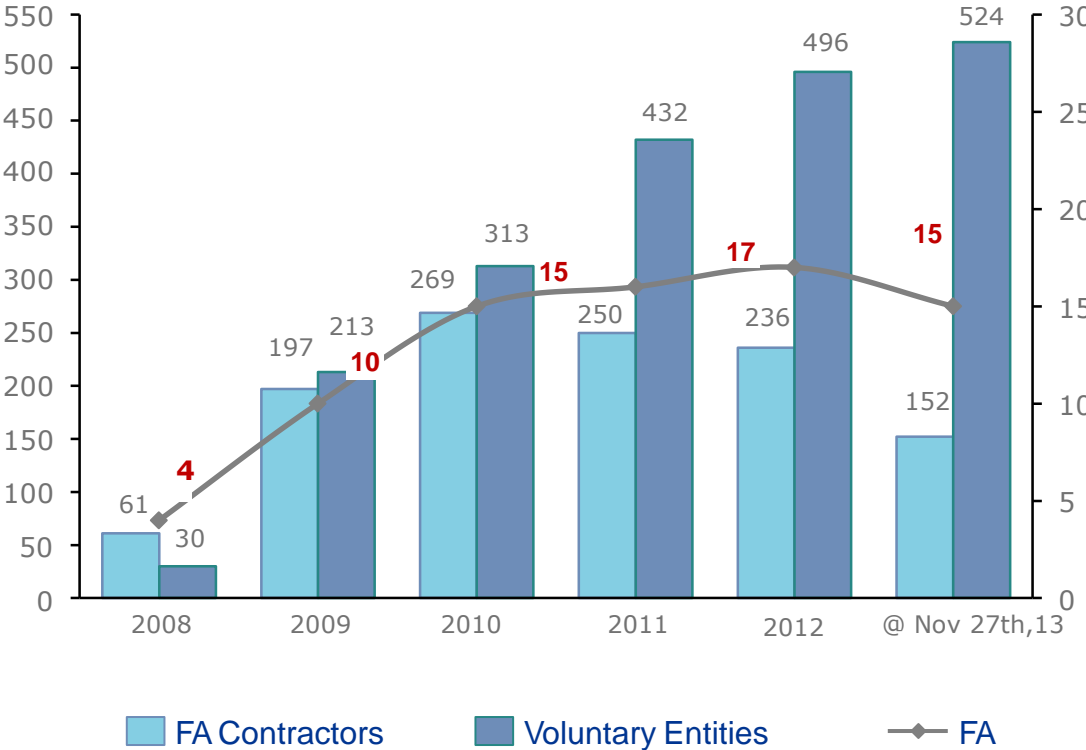
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- + 250 qualified and selected Suppliers (70%+ are SME)
- Annual Public Expenditure addressed through framework agreements:
 - 800 MEUR (about 80% of total transversal expenditure of SNCP entities)
- Savings 2009-2012:
 - Achieved: 155 MEUR (+13%)
- + 18 Framework Agreements

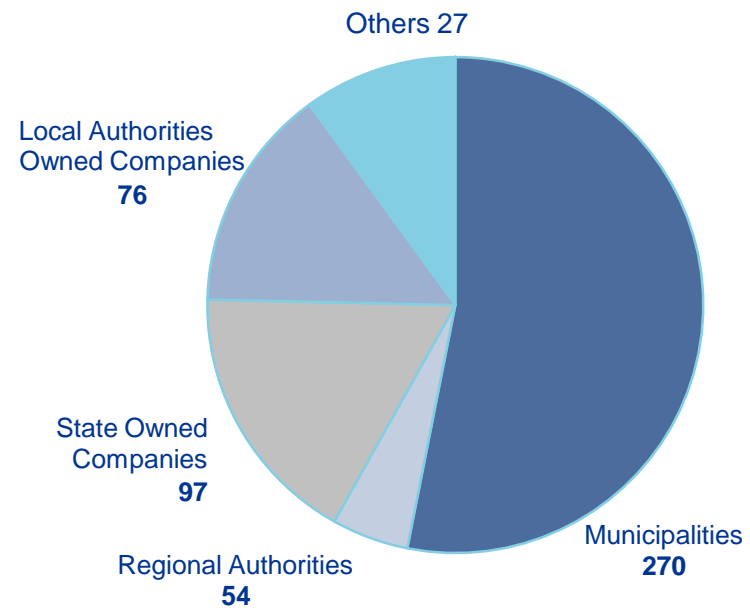


Centralised Purchasing System

Key figures



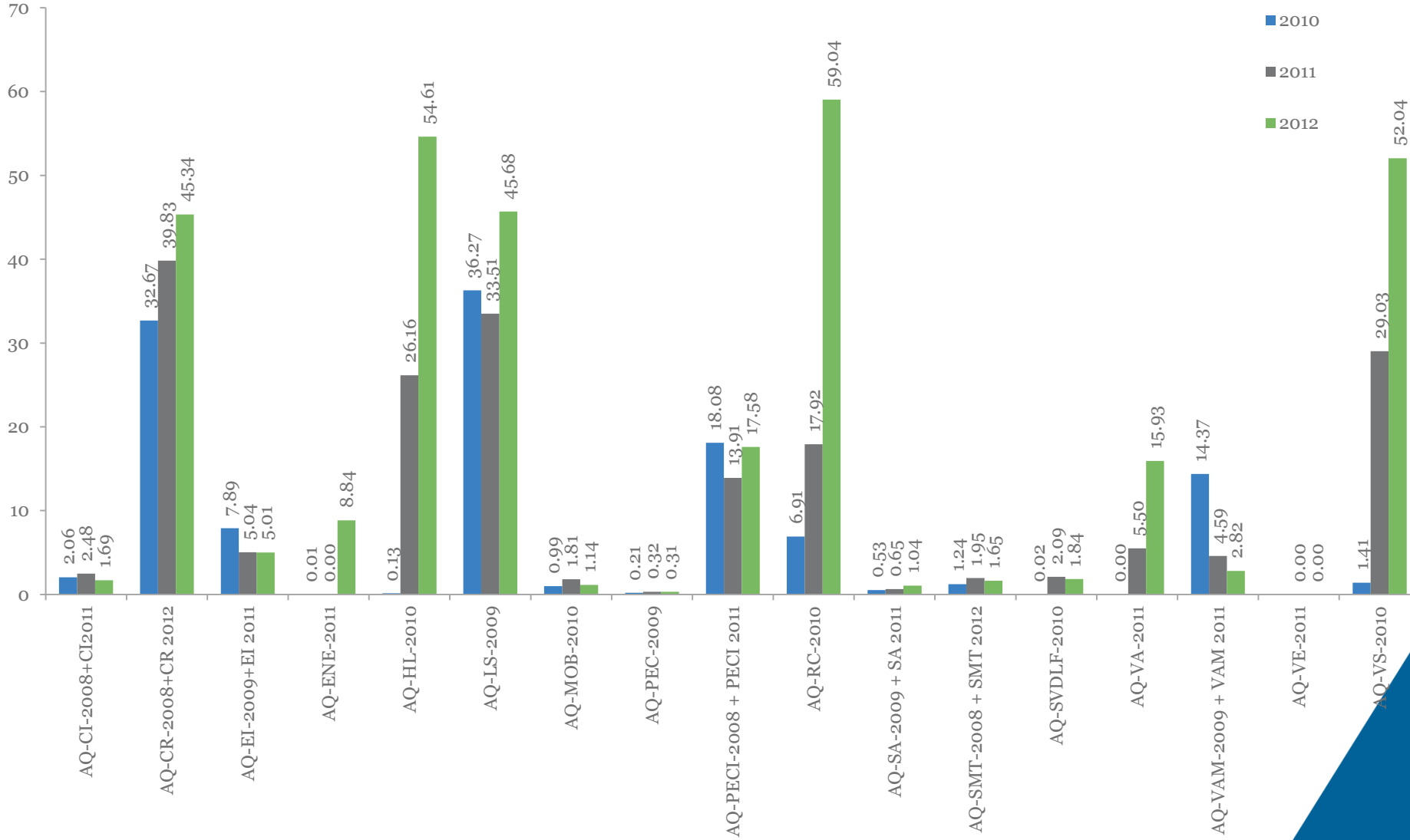
Voluntary Entities (@ Nov27th, 2013)



1800+ Mandatory entities + 524 Voluntary Entities

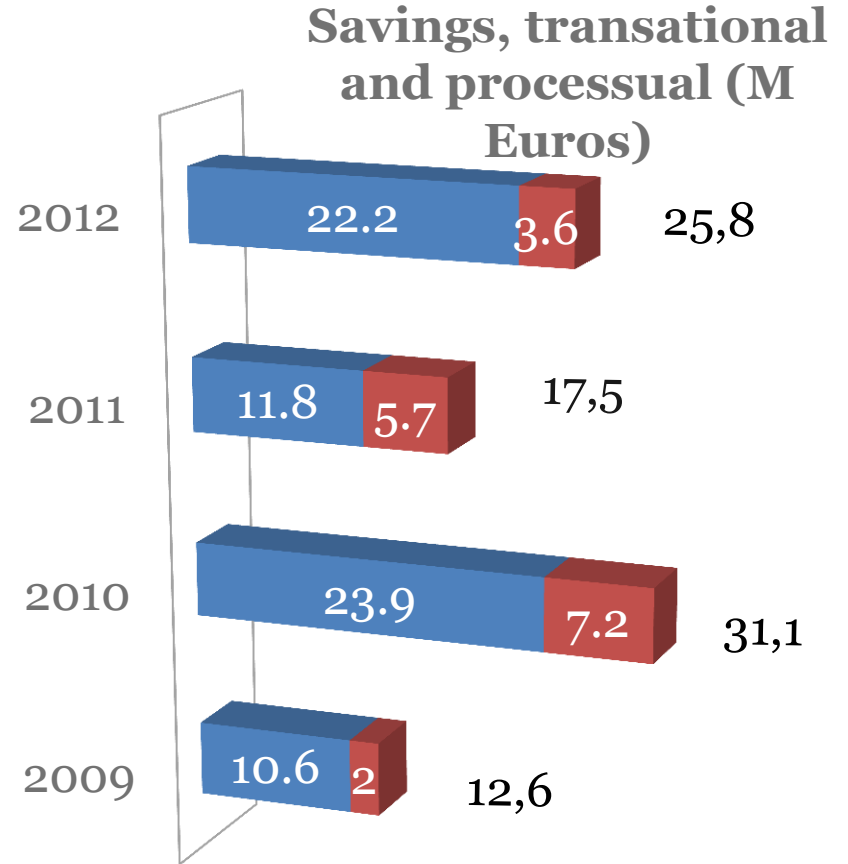
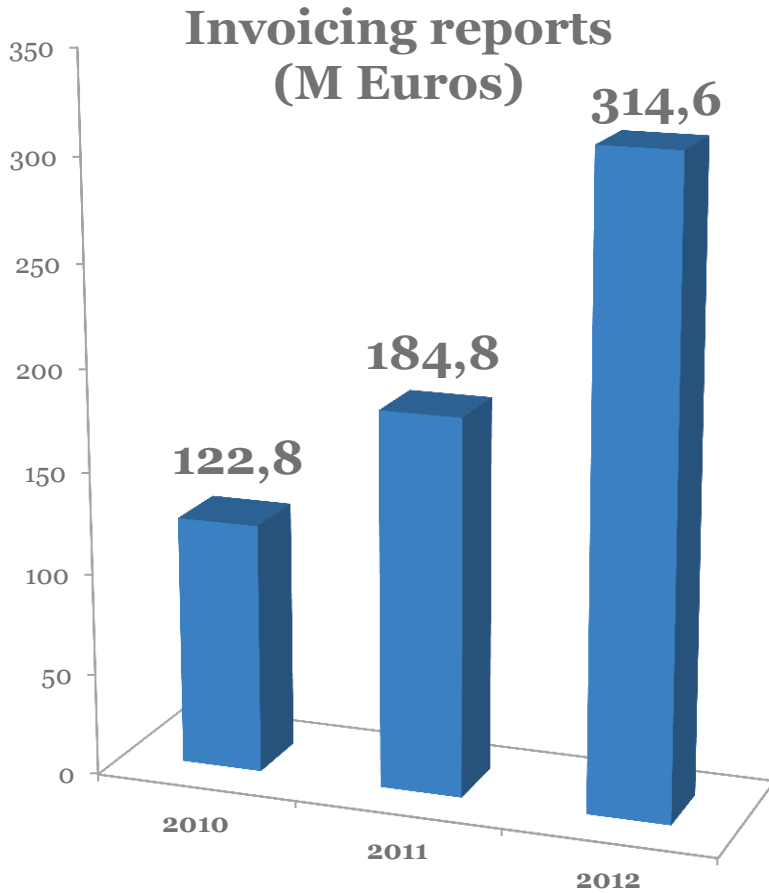


FA – Invoicing reports 2010-2012





Centralised Purchasing System Savings





Centralised Purchasing System

A case study

Centralized purchasing, June 2013:

- 📍 Laptops (+9.000), LCD monitors (+12.000), Operating Systems (+4.800)
- 📍 + 60 contracting authorities;
- 📍 Estimated value of the public contract: 4.353.051,50 €;
- 📍 Price before the auction: 4.220.216,80 €;
- 📍 Awarded price (after e-auction): 4,074,634,10 €.
(savings of 6%)

Transparency

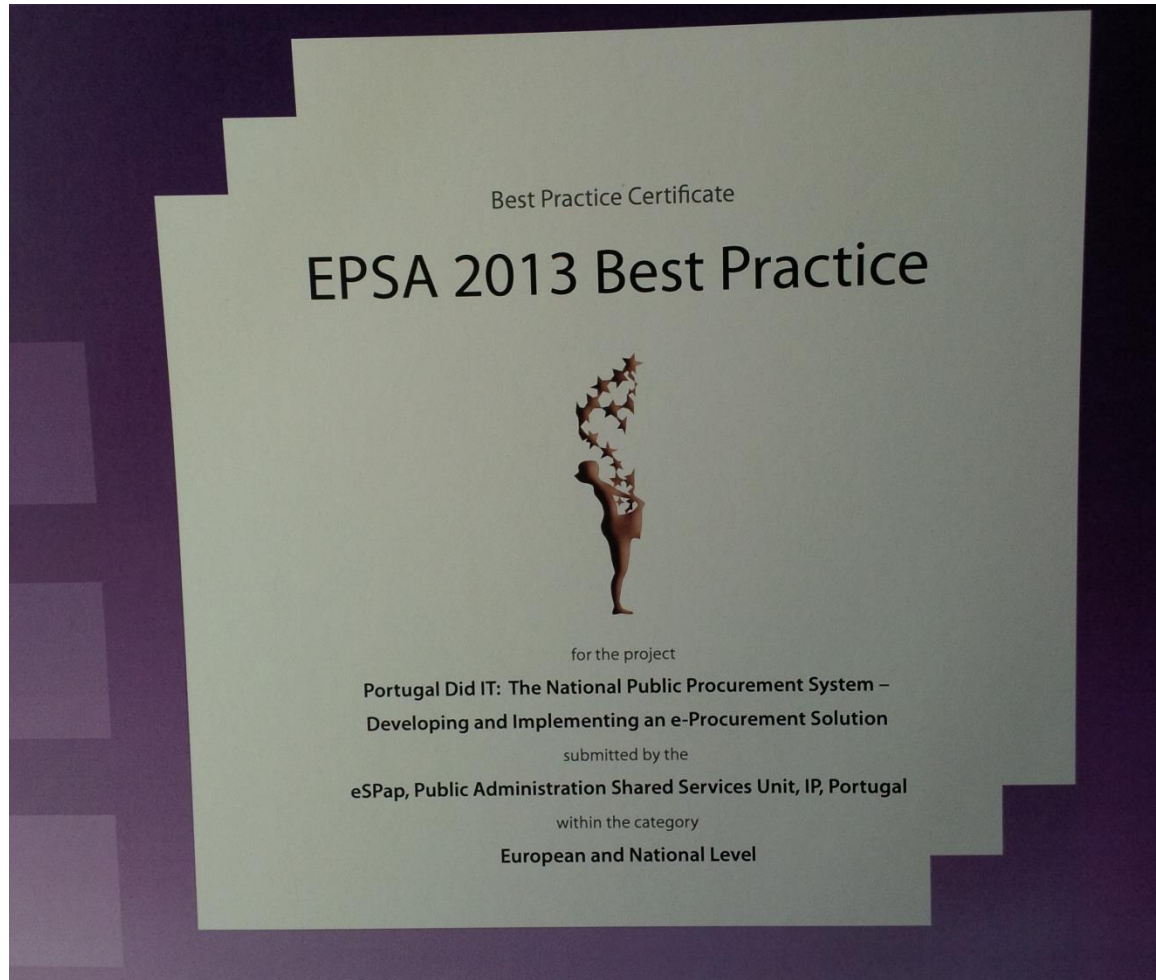
Efficiency

Competitiveness



Centralised Purchasing System

An award

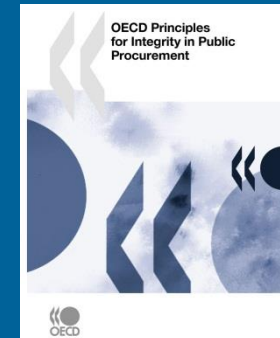
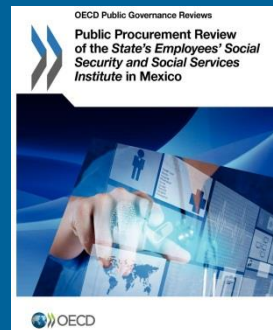
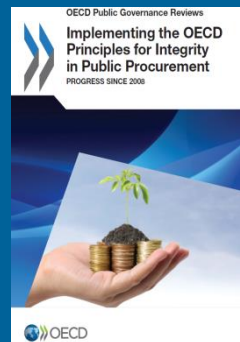
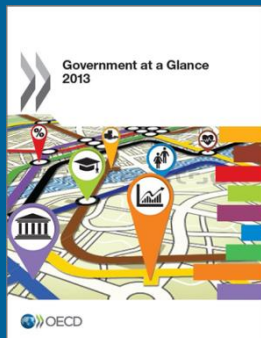




THANK YOU

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For more information on OECD work on public procurement



<http://www.oecd.org/gov/ethics/integrityinpublicprocurement.htm>