Annex C.

France: Volume consolidation and number of awarded suppliers

Background

- The Union of Public Purchasing Groups (UGAP, Union des groupements d’achats publics) is a central purchasing body (CPB) that buys products and services under the French Public Procurement Code (Code des marchés publics), which is based on European Union (EU) public procurement Directive 2014/24/EU. UGAP then sells these products and services to the government and government agencies, local and regional authorities, and hospitals. Its purchasing categories include vehicles, IT, furniture and equipment, medical supplies, maintenance and technical services, and facility management services.

- One of the main goals of the CPB is to secure procurement, avoiding any supply disruption and boosting competition to achieve better value for money. The CPB has to consider specific rules available under the public procurement code for each product/service category to achieve its goals.

- Paper is a very strategic procurement category as it is the first consumable used by contracting authorities. The market structure is oligopolistic (only a few manufacturers in the world and around 10 suppliers) and became more and more competitive with the demand decrease. The demand decrease in France is due to several reasons, such as the generalisation of dematerialisation and policies to decrease the consumption of paper.

- The framework agreement on paper has become even more strategic since the state imposed its mandatory use by all entities of central government. This is why the CPB has to find a system to help more than one supplier receive orders.

Implementation and process

The strategy adopted for this framework agreement was based on the rotation system, where more than one supplier receives a share of the contract. The framework agreement has two lots, one on eco-responsible paper delivered with handling, and the other without handling.

The general rules are set in the tender specifications as follows:

- Up to six suppliers under the framework agreement.
- The framework agreement is concluded for a maximum of three years (two years with a possibility to extend it twice for six months).
Each contract issued from the mini-tender will be concluded for a maximum of 12 months.

The estimated amount of the framework agreement is around EUR 80 million.

The award criteria for the framework agreement are based on environmental aspects, quality of service, and technical value. They are not based on price. The price criterion will be used for mini-tenders.

For each mini-tender, the CPB has to determine the minimum and maximum amount of the contract.

Up to three suppliers under the contract resulting from the mini-tender:
- The supplier ranked first will get 70% of the minimum amount
- The supplier ranked second will get 30% of the minimum amount

If the amount ordered is over the minimum amount:
- The supplier ranked first will get 70% of the maximum amount
- The supplier ranked second will get 30% of the maximum amount

In case of failure of the supplier ranked first in the mini-tender, the orders will go to the second supplier. In case of failure of the supplier ranked second in the mini-tender, the orders will go to the first. In case of failure of suppliers ranked first and second in the mini-tender, the orders will go to the supplier ranked third.

This distribution of the volume of the contract will lead to a high competition, since suppliers are encouraged to be ranked first. This is one of the reasons why the supplier ranked third does not receive any order (as well as to avoid any risk of collusion).

**Key lessons learned**

The framework agreement was concluded with the main four paper suppliers representing more than 50% of the market share. This new system enabled a significant increase of savings, since suppliers had strong incentives to be ranked first. Given the strategy adopted, the framework agreement is a real success, particularly as there has been no supply disruption.

**Note**

1. Case study submitted by the French central purchasing body UGAP (*Union des groupements d’achats publics*).