



TRANSPARENCY INTERNATIONAL
anti-corruption center

**ABSTRACT OF POLICY PAPER
ON THE STUDY OF
FRAMEWORK AGREEMENTS**

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The rationale behind the framework method of purchasing is to achieve savings in both costs of procurement and time spent on the procurement process. It is worth noting that the most significant savings are commonly achieved when purchasing using framework agreements is combined with centralised procurement and e-procurement.

The most appropriate use of framework agreements is where a contracting authority has a repeated requirement for works, services or supplies but the exact quantities are unknown.

The criterion for award and appointment to the framework may be either lowest price or most economically advantageous tender. The term of a framework agreement may generally not exceed four years but may be shorter. The EU Directive provides that the duration may only exceed four years, in exceptional cases duly justified, in particular by the subject of the framework agreement.

Framework agreements constitute 70-80% of total procurement by volume in Armenia. Therefore it is important to monitor the framework agreement related information. In this paper, first, the regulatory framework for framework agreements was analysed.

In order to monitor the framework agreements, a set of indicators was developed. In particular, the following monitoring questions/directions were discussed and analysed:

- 1) The ease of bidders' (residents and non-residents) registration for framework agreements,
- 2) The accessibility of procurement plans for framework agreements by bidders,
- 3) The transparency of framework agreements,
- 4) The statistical reports of framework agreements,
- 5) The trend analysis of framework agreements, particularly using the following thresholds

For goods:

- a) Contract winners with more than 10 contracts
- b) contract winners with more than 10 procurement base unit volumes

For services and works:

- a) Contract winners with more than 5 contracts
- b) Contract winners with more than 5 procurement base unit volumes

- 6) The risk based approach analysis of framework agreements

The data was combined and the risk assessment was conducted for each month. After the aggregation of the risk assessments was conducted. In particular, based on 2011 July-December

data analysis the corruption risk likelihood is on average 42% by number of tenders and 1.65 by value (corruption value impact, where range is 0-3, and 3 is the highest risk). There were slight improvements in the 2012 January-December data analysis, as the corruption risk likelihood is on average 40% by number of tenders and 1.27 by value (corruption value impact, where range is 0-3, and 3 is the highest risk). On average the risks of tender of works are higher, while the risk of corruption value impact lower, while in case of goods it is vice versa.

As a result of our analysis, the framework agreements in Armenia can be considered as a middle to high risk area.