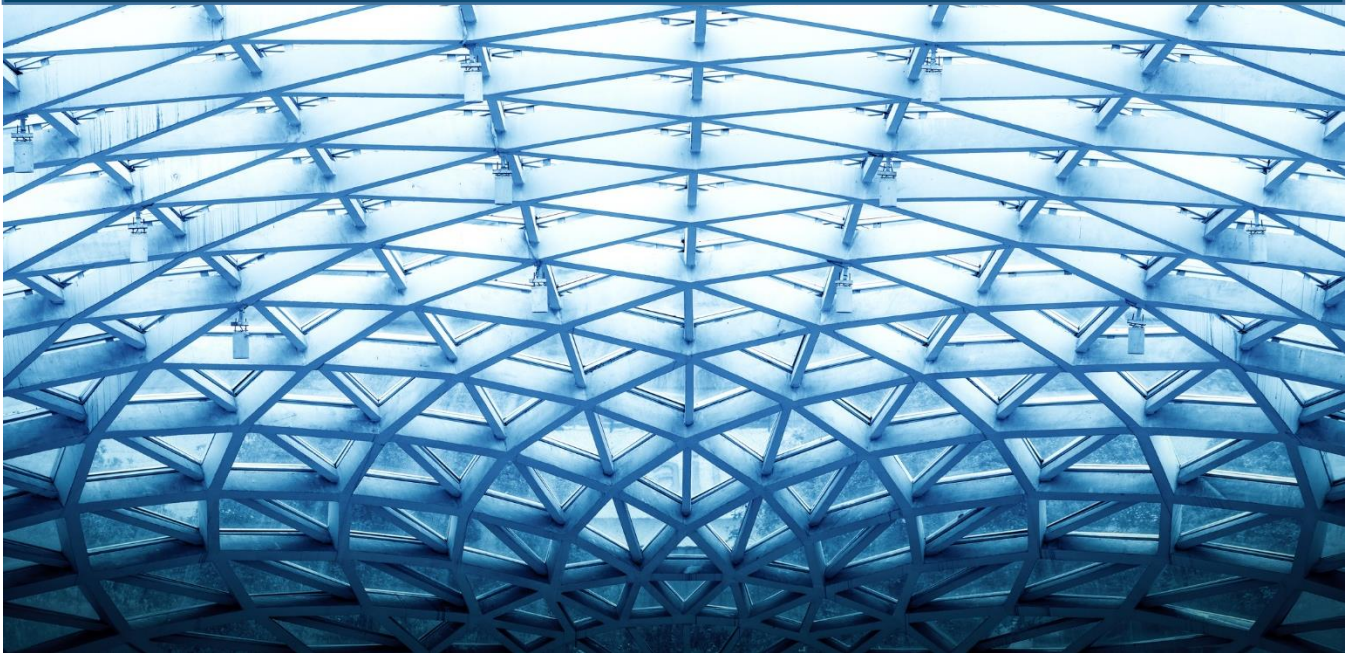


PROCUREMENT GUIDANCE



Framework Agreements

**An overview of how to design, establish and
operate a Framework Agreement in Investment
Project Financing**

Published June 2018 – First Edition

Copyright © 2018

The World Bank
1818 H Street NW
Washington DC 20433
Telephone: 202-473-1000
Internet: www.worldbank.org

Disclaimer

This work is a product of the staff of The World Bank. The findings, interpretations, and conclusions expressed in this work do not necessarily reflect the views of The World Bank, its Board of Executive Directors, or the governments they represent.

Rights and Permissions

The material in this work is subject to copyright. Because The World Bank encourages dissemination of its knowledge, this work may be reproduced, in whole or in part, for noncommercial purposes as long as full attribution to this work is given. Any queries on rights and licenses, including subsidiary rights, should be addressed to:

Office of the Publisher
The World Bank
1818 H Street NW
Washington, DC 20433
USA
Fax: 202-522-2422
Email: pubrights@worldbank.org.

Common abbreviations and defined terms

This section explains the common abbreviations and defined terms that are used in this guidance. Defined terms are written using capital letters.

Abbreviation / term	Full terminology / definition
Bid	An offer, by a firm or joint venture, in response to a Request for Bids, to provide the required Goods, Works or Non-consulting Services.
Bidder	A firm or joint venture that submits a Bid for Goods, Works, or Non-consulting Services in response to a Request for Bids.
Borrower	A Borrower or recipient of Investment Project Financing (IPF). This term may include any entity of the Borrower that is involved in the implementation of a project financed by IPF.
Business Day	Any day that is an official working day of the Borrower. It excludes the Borrower's official public holidays.
Call-off Contract	A contract awarded under a Framework Agreement, through a Secondary Procurement process, for the supply of goods or services. The parties to the contract are the Purchaser and Supplier.
Contract Award Notice	The published Contract Award Notice, as described in the Procurement Regulations, Paragraphs 5.93 to 5.95. For Framework Agreements it is the public notice that is published at the time that the Framework Agreement(s) is established. No Contract Award Notice is required to be published for individual Call-off Contracts that are awarded under a Framework Agreement.
Contract Price	The price that is payable to the Supplier, by a Purchaser under a Call-off Contract, for the full and proper performance by the Supplier of its obligations under the contract. The Contract Price is calculated in accordance with the provisions of the Framework Agreement.
FA Supplier	See "Supplier"
Framework Agreement (FA)	An agreement with one or more firms, companies or businesses that establishes the terms and conditions that will govern any contract awarded during the term of the Framework Agreement (Call-off Contract). A FA is not a legally binding contract.

Abbreviation / term	Full terminology / definition
Fraud and Corruption	The sanctionable practices of corruption, fraud, collusion, coercion and obstruction defined in the Anti-Corruption Guidelines and reflected in Annex IV (paragraph 2.2a) to the Procurement Regulations.
IBRD	International Bank for Reconstruction and Development.
IDA	International Development Association.
Investment Project Financing (IPF)	The Bank's financing of investment projects that aims to promote poverty reduction and sustainable development. IPF supports projects with defined development objectives, activities, and results, and disburses the proceeds of Bank financing against specific eligible expenditures.
Lead Purchaser	<p>When named in the Framework Agreement, a Lead Purchaser is a party to the Framework Agreement, in its capacity as:</p> <ul style="list-style-type: none"> a. the lead agency, acting on behalf of all participating Purchasers, in managing and administering the Framework Agreement, and b. as a Purchaser in its own right. <p>All communications, including notices, in relation to the Framework Agreement, are to be addressed to the Lead Purchaser. All communications, including notices, in relation to a Call-Off Contract, are to be addressed to the Purchaser named in the Call-off Contract.</p>
Notification of Intention to Award	The notice transmitted to Bidders/Proposers informing them of the intention to award the contract, as described in the Procurement Regulations, Paragraphs 5.72 to 5.77. For Framework Agreements this is the Notification of Intention to conclude the Framework Agreement.
Panel	<p>The term Panel applies to a Multi-Supplier Framework Agreement, where more than one Supplier is awarded a Framework Agreement. The Panel means the group of firms, companies or businesses appointed as FA Suppliers.</p> <p>A closed Panel is where no new firm(s), company(ies) or business(es) may be appointed to the Panel during the Term of the Framework Agreement.</p> <p>An open Panel is where a new firm(s), company(ies) or business(es) may be appointed to the Panel during the Term of</p>

Abbreviation / term	Full terminology / definition
	the Framework Agreement. The Framework Agreement must describe the timing and process for such appointment(s).
Primary Procurement	The open, competitive procurement process, using the appropriate Bank's SPD, that identifies suitable Supplier(s)/Consultant(s) and leads to the award of a Framework Agreement(s).
Procuring Agency	The agency, appointed to act on behalf of the Purchaser(s), to undertake a Primary Procurement process and establish a Framework Agreement(s).
Procurement Documents	A generic term used to cover all Procurement Documents issued by a Borrower seeking applications, bids or proposals. It includes e.g.: Prequalification Document, Initial Selection Document, Request for Bids Document, Request for Proposal Documents, forms of contracts and any addenda.
Procurement Regulations	The "World Bank Procurement Regulations for IPF Borrowers".
Proposal	An offer, in response to a request for proposals, which may or may not include price, by one party to provide Goods, Works, Non-Consulting Services or Consulting Services to another party.
Proposer	An individual entity or joint venture that submits a Proposal for Goods, Works, and Non-consulting Services in response to a request for proposals.
Purchaser	The Borrower's agency(ies) that is/are permitted to purchase under a Call-off Contract, awarded through a Framework Agreement.
Responsible Agency	When named in the Framework Agreement, a Responsible Agency is a party to the Framework Agreement, but only in its capacity as the agency responsible for managing and administering the Framework Agreement on behalf of the Purchaser(s). A Responsible Agency is not a Purchaser under the Framework Agreement.
RFB	Request for Bids, as a selection method.
RFP	Request for Proposals, as a selection method.
RFQ	Request for Quotations, as a selection method. This can be a method of Secondary Procurement. RFQ is a form of mini-competition.

Abbreviation / term	Full terminology / definition
Secondary Procurement	The method used to select a Supplier and award a Call-off Contract under a Framework Agreement.
Standard Procurement Documents (SPDs)	Procurement documents issued by the Bank to be used by Borrowers for IPF financed projects. These include Prequalification documents, Initial Selection documents, Request for Bids documents, and Request for Proposals documents.
Standstill Period	The period following the Notification of Intention to Award as described in the Procurement Regulations, Paragraphs 5.78 to 5.80.
Supplier	The firm, company or business that has been awarded a Framework Agreement to supply to a Purchaser, as and when required, under a Call-off Contract. Also known as a FA Supplier.
VfM	Value for Money.

Contents

Introduction.....	1
Purpose.....	1
Definition	1
Design features.....	1
Advantages	2
Disadvantages.....	3
Standard Procurement Document (SPD).....	3
New terminology	3
When to use Framework Agreements	5
Other types of supply arrangements.....	6
Structure and process.....	8
Structure of SPD document.....	8
Procurement process	10
Design	13
The Borrower's entities as parties.....	13
Clarification of roles	13
Other design factors	14
Duration.....	15
Price mechanism	16
Bid Security or Bid Securing declaration	16
Establish.....	17
Existing Framework Agreement	17
New Framework Agreement	17
Open competitive procurement.....	17
Bank's SPDs.....	18
National competitive procurement.....	19
Award criteria.....	19
Standstill Period.....	20
Concluding the arrangement.....	21

Operate.....	22
Secondary procurement.....	22
Mini-competition.....	22
Direct selection.....	22
Call-off contracts	23
Review	23
 Annex 1: Framework Agreement process overview	 25

Introduction

Purpose

This guidance is designed for Borrowers' procurement practitioners. It provides an overview on how to design, establish, and operate a Framework Agreement (FA), in Investment Project Financing (IPF), under the Bank's *Procurement Regulations for IPF Borrowers* (Procurement Regulations).

This guidance explains the key concepts, and outlines accepted FA procedures and good procurement practice. Whilst this guidance focusses on FA for Goods, the general principles apply to other FA categories (such as Works, Non-consulting Services and Consulting Services). In future, as the Bank develops FA SPDs for other categories, this guidance may be updated.

This guidance should be read in conjunction with:

1. Regulations 6.57 to 6.59 (Goods, Works and Non-consulting Services)
2. Regulations 7.33 (Consulting Services)
3. Regulations Annex XV (Framework Agreements).

This guidance offers supplementary reading to the Procurement Regulations. It is non-mandatory and provides good practice advice only.

Definition

The Procurement Regulations define a FA as:

“...an agreement with one or more firms that establishes the terms and conditions that will govern any contract awarded during the term of the Framework Agreement (Call-off Contract).”

A FA does not establish a legally binding contract between the parties. Instead, it is an arrangement that describes the terms and conditions that will apply if a Purchaser wishes to procure goods or services from a FA Supplier, using a Call-off Contract.

Design features

Distinguishing features of the Bank's FA arrangements include:

1. a FA is for the anticipated procurement of a specific category of Goods, Works, Non-Consulting or Consulting Services
2. a FA is not a contract, and does not create any legally binding obligations
3. a FA must be established through an open competitive procurement process (Primary Procurement)
4. the Primary Procurement indicates the likely period over which the demand is required, and the estimated volume/scope of demand during that period. For a multi-

supplier FA, the Borrower may specify indicative ranges of quantities for individual call-offs instead of estimated quantities over the FA period. However, Borrowers must not specify a minimum volume/scope that must be procured, as this will establish a contract to supply, not a FA

5. the initial term of a FA cannot exceed three years, with an option to extend by up to two additional years
6. each FA contains the terms and conditions upon which parties agree to contract, if a Call-off Contract is awarded
7. there can be one, or more, purchasers that are entitled to procure i.e. single-user or multi-user FA(s)
8. there can be one, or more, suppliers appointed to deliver i.e. single-supplier or multi-supplier FA(s)
9. for multi-supplier FAs, the Panel may be:
 - a. closed: no additional, or replacement suppliers may be appointed during the term of the FA, or
 - b. open: there is a process allowing for additional or replacement suppliers to be added during the term of the FA
10. there is no obligation on a purchaser to procure
11. a supplier has no expectation or guarantee of being awarded a Call-off Contract
12. the FA prescribes the method and procedure for Secondary Procurement (selection of a supplier, and the award of a Call-off Contract)
13. the Secondary Procurement is not openly advertised
14. a procurement awarded under a FA is recorded in a separate Call-off Contract. No contract exists between the parties, until a Call-off Contract is created
15. no public notice is published when a Call-off Contract is awarded
16. the FA establishes the fee rate, charge rate, or pricing mechanism, that will apply to establish the Contract Price for each Call-off Contract
17. each Call-off Contract is governed by its own General Conditions of Contract (GCC) and Special Conditions of Contract (SCC), or equivalent
18. Call-off Contracts can only be used to purchase the specific goods or services for which the FA has been designed.

Advantages

The advantages in establishing a FA include:

1. only one openly advertised, competitive Primary Procurement, can establish multiple FAs, and result in the award of a limitless number of contracts
2. one agency may act on behalf of several in undertaking the primary procurement, this saves all agencies from individually going to market for the same goods or services

3. aggregating demand across a single entity, or multiple entities, encourages suppliers to offer competitive pricing, where they have the possibility of bulk sales
4. it establishes continuity of supply over a number of years at known, or predictable prices
5. there is a reduction in cost, time, and effort when selecting a supplier and awarding a Call-off Contract, as there is no need to openly advertise each contract opportunity
6. at the Secondary Procurement stage, there is potential to obtain better value for money (VfM) through mini-competitive selection.

Disadvantages

The disadvantages of the FA approach include:

1. may not be a suitable method for all types of procurement e.g. where there are complex, unusual or novel requirements
2. may be unresponsive to change, if new suppliers or solutions evolve quickly within the market during the term of the FA
3. advance planning will be required to renew the FA, as a further open competitive procurement process is required to establish a new Framework. This requires to be planned at least 6 months in advance of the expiry date, if continuity of supply is to be ensured.

Standard Procurement Document (SPD)

When the procurement process to establish a FA is subject to international competitive procurement, the Bank's Standard Procurement Document (SPD) is to be used. The SPD sets out the processes for:

1. Primary Procurement: to establish the FA: e.g. Request for Bids (RFB)
2. Framework Agreement: FA form(s), FA definitions, and standard provisions that apply to all FAs
3. Secondary Procurement: the requirements for Secondary Procurement procedures, including the form of the Call-off Contract.

New terminology

Some new terminology has resulted from the introduction of the FA SPD (see the definitions section at the beginning of the guidance). For example, the names used for different parties change according to which stage the FA process has reached. The following table summarizes the names used.

Figure 1 – terminology for parties

Stage in process	Borrower	Firm
Primary Procurement	Procuring Agency	Bidder
Framework Agreement	a. Purchaser, or b. Lead Purchaser and Purchaser(s), or c. Responsible Agency and Purchaser(s)	Supplier
Secondary Procurement	Purchaser	Supplier
Call-off Contract	Purchaser	Supplier

Procuring Agency

The Primary Procurement to establish the FA(s) is carried out by a single entity of the Borrower. This entity is called the “Procuring Agency”.

Depending on the nature of the FA(s) to be established, the Procuring Agency may be:

1. a single purchaser, or
2. a purchaser appointed by a group of purchasers to act on their behalf in establishing the FA(s), or
3. a central purchasing authority, that is not a purchaser, but is appointed by a group of purchasers to act on their behalf in establishing the FA(s).

Parties to a Framework Agreement

The FA defines the parties. For the Borrower, it must identify:

1. the name of the Borrower’s entity that will manage and administer the FA
2. the Borrower’s entities that are entitled to purchase under the FA.

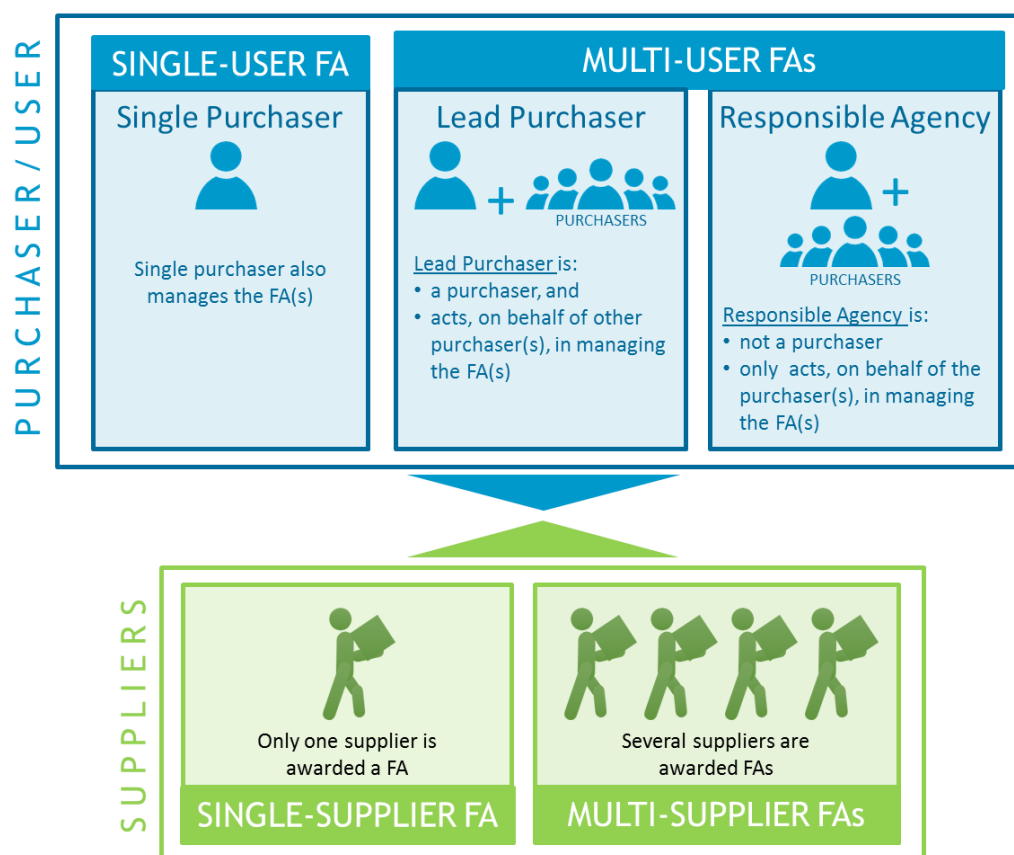
This means there are three possible descriptions of the Borrower’s entities as a party to the FA. These are:

1. **Purchaser:** Where there is a single purchaser, and that entity also manages and administers the FA, only that purchasing entity is a party to the FA, in this dual capacity as:
 - a. the manager and administrator of the FA, and
 - b. a potential purchaser, in its own right.
2. **Lead Purchaser:** Where the FA has been established on behalf of a group of purchasing entities, and one of the group has been appointed to manage and administer the FA on behalf of the group, that entity is called the “Lead Purchaser”. The Lead Purchaser is a party to the FA in its capacity as:
 - a. the manager and administrator of the FA, and
 - b. a potential purchaser, in its own right.

All other entities in the group of purchasers must either be named in the Request for Bids and FA(s), or identified as specific class of public sector entities.

3. **Responsible Agency:** Where the FA has been established on behalf of a group of entities and a central purchasing authority, which is not itself a purchaser, is appointed to manage and administer the FA on behalf of the group, that entity is called the “Responsible Agency”. The Responsible Agency is a party to the FA in its capacity as the manager and administrator of the FA only. All other entities in the group of purchasers must also be named in the Request for Bids and FA(s), or identified as specific class of public sector entities.

Figure 2 – types of parties to a Framework Agreement(s)



When to use Framework Agreements

It is important to assess if the FA method is appropriate. Essentially, FAs are designed to achieve VfM, efficiency in the procurement process, and security of supply. They may be used in a variety of situations, including:

1. purchasing common, off-the-shelf types goods or services where there is a high volume of repeat orders
2. where two, or more, government entities procure the same goods, or services, and aggregating demand may lead to volume discounts and/or process efficiencies

3. planning for emergency situations, to establish security of supply in advance of an actual emergency
4. where there are capacity constraints and/or fragility, to minimize procurement process management and shorten lead times
5. where no single supplier is considered to have sufficient capacity, so there is a need to appoint more than one supplier
6. where a choice of suppliers is considered desirable, to maintain competitive tension in the Secondary Procurement process
7. to provide geographic cover through a range of suppliers in separate locations.

Figure 3 – examples of using FAs

situation	example
The same, or similar requirements are purchased frequently. There is a known demand, and future levels of demand can be estimated.	<ul style="list-style-type: none"> • Office consumables • Lap-tops and desk-tops • Staff training and professional development
When aggregating the demand from different entities could lead to volume discounts, i.e. multi-user FA.	<ul style="list-style-type: none"> • Motor vehicles • Design and print services • Fuel
In planning for Emergency Situations to allow for the rapid contracting of emergency supplies and related services.	<ul style="list-style-type: none"> • Emergency food and water • Shelters and cooking equipment • Medical supplies • Technical experts and trained first responders • Communication systems and equipment • Emergency power generation systems
Where no single supplier has sufficient capacity to meet the purchaser's demand, i.e. a multi-supplier FA.	<ul style="list-style-type: none"> • where demand is spread across a region and a variety of locally based suppliers are required to meet local needs

Other types of supply arrangements

The Bank's FA model should not be confused with other types of supply arrangements, or other types of 'framework agreements' available in some jurisdictions. The three examples

given below (registered supplier list, pre-qualified supplier list and supply contract) are not considered to be Bank compliant FAs for procurement under IPF operations.

Examples of other types of supply arrangements (which are not Bank compliant FAs) include:

1. **Registered supplier list**

- a. suppliers are invited to register their interest in supplying a specified type of goods or services
- b. the purchaser establishes a list of registered suppliers
- c. purchaser can procure directly from any supplier on the list, subject to such policy restrictions as may exist as to value, or aggregate value of the procurement(s).

2. **Pre-qualified supplier list**

- a. suppliers are invited to pre-qualify to supply specified goods or services
- b. the Borrower verifies that each supplier is qualified to supply the required goods or services
- c. the Borrower maintains a list of pre-qualified suppliers
- d. the purchaser can procure directly from any supplier on the list, subject to such policy restrictions as may exist as to value, or aggregate value of the procurement(s).

3. **Supply contract**

- a. a Borrower wishes to make purchases from time to time of specified goods or services
- b. the Borrower wants to commit to purchasing a minimum volume/scope of goods or services, and such additional goods/services as may be required, from time to time
- c. the Borrower establishes a contract for supply with a single supplier or multiple suppliers.

Note: This method establishes a legally binding contract as it commits the Borrower to purchase a minimum volume/scope.

Structure and process

Structure of SPD document

The Bank's FA model contains additional elements to reflect the FA process and documents. The elements that are unique to a FA method are:

Framework Agreement, key parts:

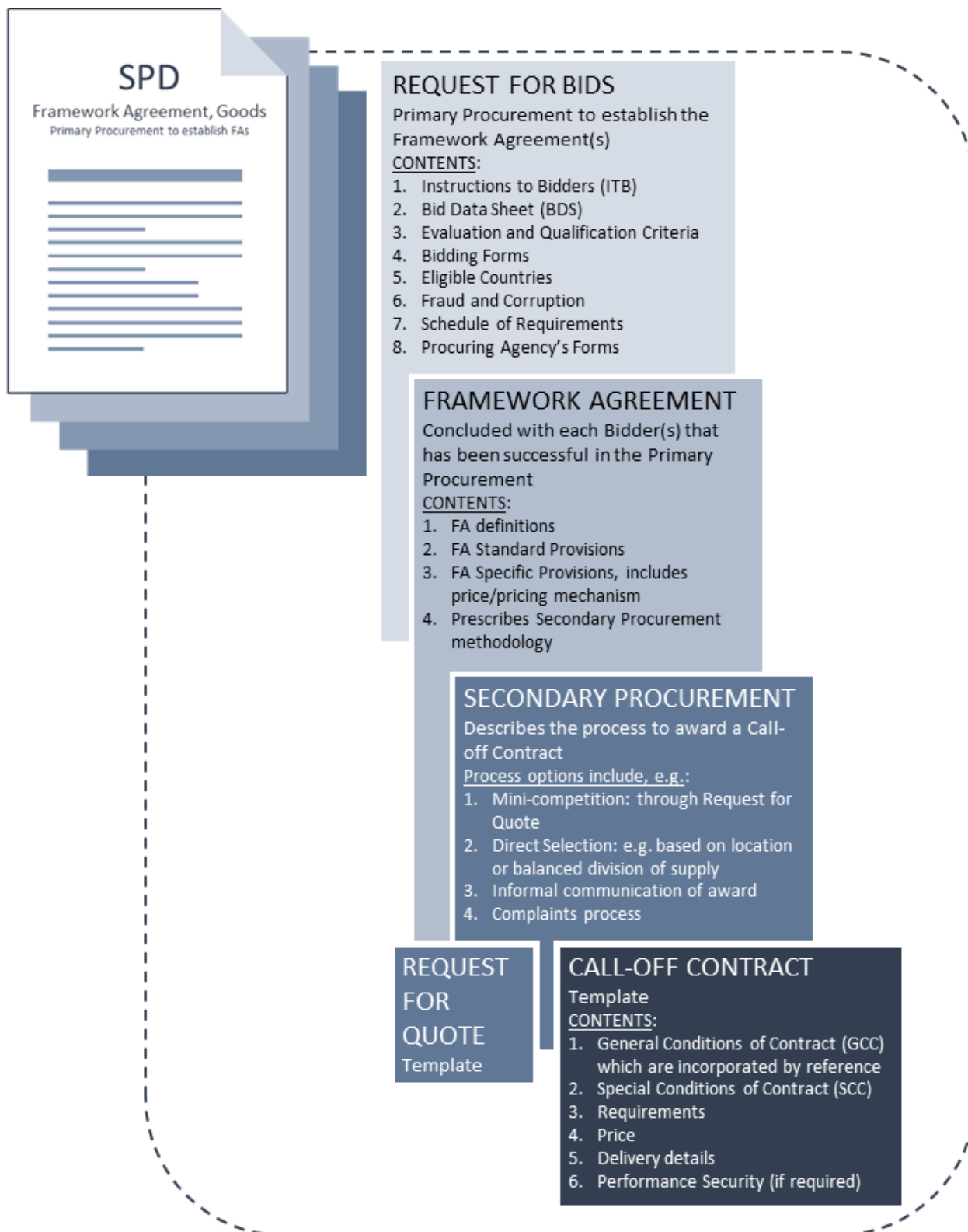
1. Definitions
2. Standard Provisions (which apply to all IPF compliant FAs)
3. Specific Provisions (which relate to the specific FA being undertaken by the Borrower).

Secondary Procurement, key parts:

1. Description of Secondary Procurement process;
2. Form for RFQ (mini-competition), if applicable.
3. Call-off Contract, key parts:
 - i. General Conditions of Contract (GCC)
 - ii. Special Conditions

The SPD document structure follows closely the Bank's SPDs. Additional elements, unique to the FA SPD, are shown in the following diagram.

Figure 4 – example of documents comprising SPD Framework Agreement, Goods



Procurement process

The procurement process is divided into four parts:

1. **Primary Procurement:** Through an open, competitive procurement the Borrower selects suitably qualified and competitive suppliers.
2. **Framework Agreement:** Successful supplier(s) is invited to conclude (enter into) a FA with the Borrower.
3. **Secondary Procurement:** On an as-needs basis, and through a closed selection process, the Borrower selects a FA Supplier for a specific contract.
4. **Call-off Contract:** The Borrower awards a Call-off Contract to the successful FA Supplier.

If the FA is properly established, through an open competitive tender, there is no limit on the number, or value, of Call-off Contracts that can be awarded.

Figure 5 – FA procurement process

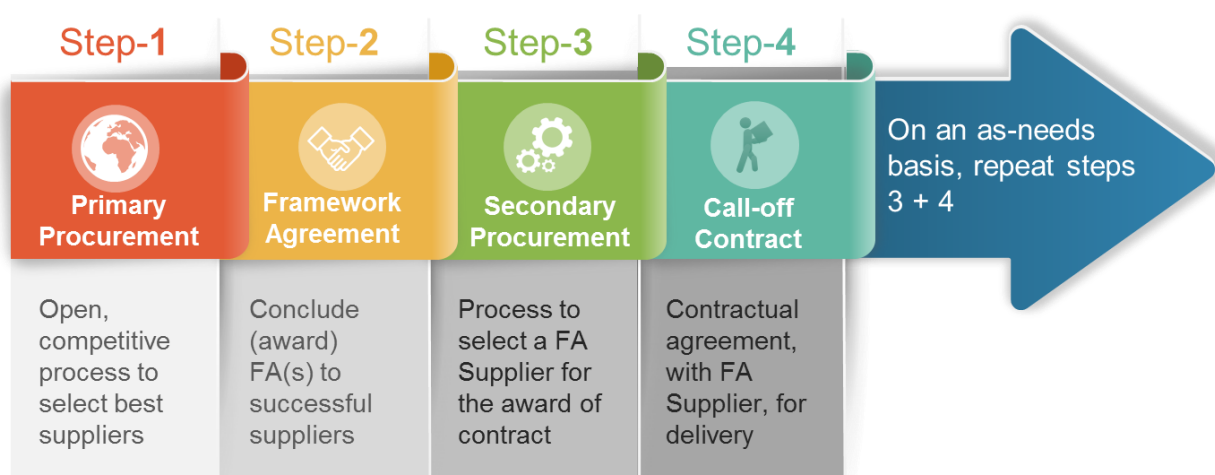


Figure 6
Example of
Primary
Procurement
Process - Goods



Figure 7
Example of
Secondary
Procurement
Process - Goods



Design

The Borrower's entities as parties

Primary Procurement - Procuring Agency

In practice, the first consideration, in designing a FA, involves identifying the purchaser or purchasers that intend to purchase under the FA, and the entity which will undertake the Primary Procurement. Options include a single Purchaser, a group of Purchasers and a group of Purchasers that is being represented by central purchasing authority. Reference paragraph "New terminology" on page 3. The entity which undertakes the procurement is called the "Procuring Agency".

Framework Agreement – management and administration

Once the Primary Procurement is concluded, it is important to identify which entity will undertake the management and administration of the FA(s). In addition to the Purchaser and Supplier, other parties to the FA may include a Lead Purchaser or a Responsible Agency. Reference paragraph "Parties to a Framework Agreement" on page 4.

Clarification of roles

Where one entity is acting on behalf of another or others (e.g. Procuring Agency, Lead Purchaser, or Responsible Agency), it is essential that roles and responsibilities are clearly agreed. Usually this is done through a formal written agreement, such as a memorandum of understanding, or similar instrument.

Information to be recorded in such agreements include, for example:

1. Primary Procurement
 - a. identify all potential purchasers
 - b. identify which agency will undertake the primary procurement on behalf of the purchasers
 - c. confirm the appointment of the Procuring Agency
 - d. agree the scope of the Procuring Agency's roles and responsibilities
 - e. agree the process for the Primary Procurement
 - f. agree common specifications, to ensure that the goods, works or services will meet all purchasers' needs
 - g. establish eligibility of Bidders/Proposers to Bid/Propose
 - h. identify the estimated total volume/scope of goods, works or services and the anticipated period of demand

- i. agree the duration of the FA, for example: 3 years, or 3+1+1, or 3+2
- j. agree evaluation criteria and methodology
- k. agree the design of the FA, for example:
 - i. single/multi supplier
 - ii. if multi-supplier, closed or open Panel
 - iii. form of the FA document
 - iv. how the FA(s) will be concluded (awarded to the successful supplier(s))
 - v. the Secondary Procurement selection method(s)
 - vi. eligibility of FA Supplier to participate in a mini-competition, and/or be awarded a Call-off Contract
 - vii. the process to award a Call-off Contract
 - viii. Call-off Contract terms and conditions
 - ix. in what circumstances a Supplier may be removed, and the process for removal
 - x. in what circumstances a FA may be terminated, and the process for termination
 - xi. which agency will manage and administer the FA(s)?
- 2. Managing the FA
 - a. appoint the Lead Purchaser or Responsible Age that will manage the FA(s) on behalf of the purchaser(s)
 - b. agree the scope of the Lead Purchaser's or Responsible Agency's roles and responsibilities in managing and administering the FA
 - c. agree the process for communications and reporting in relation to the FA
 - d. establish a common process for the management of complaints about the FA or any Call-off Contract(s).

Other design factors

Borrowers need to have a good understanding of their needs, as well as the target market which will be expected to deliver these needs. Information that will inform the Borrower's decision to establish a FA(s) include:

1. can the goods or services be defined, and the demand, scope, volume and total value, over the required period, estimated?
2. is there more than one entity that has similar needs i.e. will there be a single purchasing entity or several purchasing entities? Can these needs be aggregated?
3. what is the optimum duration of the FA (from three to a maximum of five years)?

4. if the needs can be aggregated:
 - a. what is the total aggregation of demand?
 - b. how will this impact on the market?
 - c. what process efficiencies and improvements can be made through aggregated demand? For example, what e-procurement systems are available to manage Secondary Procurement?
5. is a single-supplier appropriate, or is a Panel of suppliers required?
6. if a Panel of suppliers is required:
 - a. what is the optimum number of suppliers in the Panel? The number of suppliers to be appointed should be proportional to the anticipated level of demand and have regard to the conditions in the supply market
 - b. is delivery required at one specific location, or multiple locations spread across a region? If regional, how many locations are there, and what is the anticipated level of demand in each location?
7. for multi-supplier FA(s):
 - a. should the Panel be closed or open?
 - b. for an open Panel, under what circumstances, if any, can a supplier be replaced, or a new supplier added to the Panel?
8. for goods, will it be more feasible to request item prices corresponding to estimated quantities over the duration of the FA, or corresponding to indicative ranges of call-off quantities?
9. what Secondary Procurement method or methods will be used to select a supplier for a Call-off Contract? This should be as simple, fast and efficient as possible,
10. how will the Contract Price for the Call-off Contract be determined?
11. under what circumstances can a supplier be removed from the Framework?

Duration

Under the Procurement Regulations, FAs may be established for an initial term not exceeding three years. There is an option to extend by up to a further two years, but only if the initial engagement has been satisfactory. The maximum term cannot exceed five years.

Where the term is to be extended, good practice is for the extension to be based on:

1. one extension of two years, or
2. two extensions of one year each.

Where a FA is due to expire, and there are no further permitted extensions available, the Borrower must, if it wishes to continue with a FA approach, initiate an open competitive primary procurement process to establish a new FA. Plan sufficient lead time to establish the new FA to provide continuity of supply. This benefits the Borrower as:

1. an open competitive process will test market pricing to ensure the Borrower continues to get the best deal and VfM
2. it is an opportunity to check for new technologies, and innovation in the products or services
3. it is fair to new entrants to the supply market, giving them an opportunity to compete and be successful in obtaining a FA.

Price mechanism

Each FA must include a pricing mechanism. This can be, for example, an agreed fee rate (e.g. hourly, daily), unit price, charge rate, or other type of pricing structure. This does not mean that the actual Contract Price is fixed in the FA. The pricing mechanism is applied to the goods or services being procured, to determine the Contract Price for individual Call-off Contracts. An agreed pricing mechanism ensures predictability of costs for the Borrower over the term of the FA.

Examples of pricing mechanisms include:

1. fixed unit price
2. fixed unit price with discounts for bulk purchases
3. fixed hourly/daily fee rate for services
4. fixed charge for specified services
5. actual cost (to the supplier) plus agreed % margin (where price is highly affected by e.g. market or currency fluctuations)
6. bundled prices for mixed lots.

FAs may contain a price adjustment mechanism to allow for inflation. This can be relevant where the determining indices are expected to vary by more than $\pm 5\%$ over the Term of the FA. Detail of price adjustment mechanisms is, for example, provided in the SPD for FA-Goods.

Bid Security or Bid Securing declaration

The SPD-FA-Goods does not require a bid security or bid securing declaration. The reasons are:

1. a FA is not a contract and there is little risk to the Borrower if a successful firm does not wish to conclude an FA
2. given its nature an FA does not need a performance security (that may be required at the call-off stage)
3. given the non-comital nature of FA and its duration, requiring bid security or bid securing declaration could serve as a significant disincentive for suppliers.

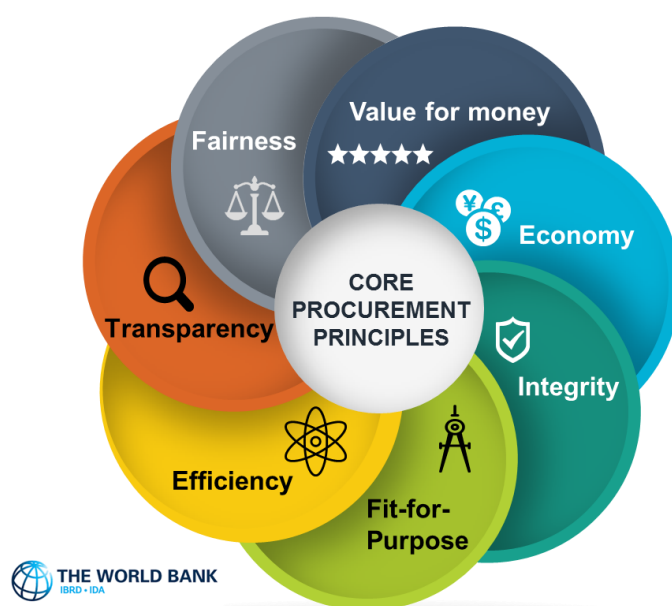
Establish

Existing Framework Agreement

FAs may be pre-existing to an Investment Project Financing (IPF) operation, or newly established under an IPF operation.

An existing FA may be suitable for use in IPF operations, only where the Bank is satisfied that it is consistent with the Bank's Core Procurement Principles.

Figure 8 – The Bank's Core Procurement Principles



New Framework Agreement

New FAs shall must the requirements of the Procurement Regulations, reference:

1. Regulations 6.57 to 6.59 (Goods, Works and Non-consulting Services)
2. Regulations 7.33 (Consulting Services)
3. Annex XV Framework Agreements.

The remainder of this section explains these requirements.

Open competitive procurement

To establish a new FA the Borrower must use an open competitive approach. This provides the greatest level of competition and supports transparency and accountability of process. It also means that Secondary Procurement Call-off Contracts do not need to be openly

advertised. This makes it faster to procure and saves time, cost and effort once the FA has been established.

Bank's SPDs

For international competitive procurement, Borrowers are to use the Bank's appropriate SPD. Information specific to FA, and Call-off Contracts, needs to be included in the bidding documents. The Bank's FA SPDs require, as a minimum, the following information:

1. a full description of the Goods, small Works, Non-consulting Services or Consulting Services that the FA is intended to cover
2. where possible, an estimate of the volume (or indicative ranges of quantities of items), scope, and frequency of the Call-off Contracts that may be awarded
3. the qualification and evaluation criteria, and evaluation methodology that will be used to award FAs during the Primary Procurement stage
4. the legal terms and conditions of contract that will apply to any Call-off Contract, during the Secondary Procurement stage. These terms and conditions must include:
 - a. the fees, charge rates or pricing mechanism/s, and details of any other associated costs or expenses, that have been agreed with each Supplier
 - b. statements addressing the following:
 - i. that the fees, charge rates or pricing mechanism/s, and other associated costs, shall be valid for the duration of the FA, unless a price adjustment clause has been agreed
 - ii. that the Borrower will engage Suppliers as required, through Call-off Contracts, but is not legally bound to award any Call-Off Contract
 - iii. that there is no guarantee of any award of a Call-Off Contract and no commitment by the Borrower to purchase the estimated volume or scope of the goods or services
 - iv. where applicable, for a closed Panel: a statement that the constitution of the Panel shall remain unchanged for the term of the FA. This means that, other than a Supplier being removed from a Panel, no additional or replacement suppliers may be appointed to the Panel during the term of the FA
 - v. where applicable, for an Open Panel: an outline of the process for the selection and appointment of replacement, or new suppliers to the Panel. For example, new suppliers may have the opportunity to be appointed to the Panel:
 - (a) once during the term of the FA: e.g. at the midway point of the term of the FA
 - (b) regularly: e.g. annually, on a specified date
 - (c) continuously: e.g. by continuously advertising the opportunity and seeking Bids/Proposals from new suppliers

- vi. the FA is not an exclusive agreement, which means that the Borrower reserves the right to procure the same, or similar, goods or services, from a non-FA supplier
 - vii. a description of the circumstances in which a Supplier may be removed from the FA, and the process to be used in securing the removal.
- 5. The Secondary Procurement method, or methods, that will be used to award Call-Off Contracts. In particular:
 - a. the methodology that will be used to select from the Panel; e.g. direct selection based on location or balanced division of supply, or competitive quotes through mini-competition
 - b. for mini-competition: the process for submitting quotes and the selection criteria that will be applied
 - c. the contractual method to be used to secure the Call-off Contract. For example, this could be a statement of works or purchase order incorporating by reference the Call-off Contract contractual terms and conditions from the FA. All FA SPDs contain a standard form Call-Off Contract which can be modified to suit
- 6. The minimum and, if desired, the maximum number of suppliers that may be appointed to a Panel. This decision is based on the results of the market analysis and other findings in the PPSD. The number should be proportionate to the estimated demand over the duration of the FA and may include geographical considerations
- 7. The duration of the FA and any option that the Borrower may use to extend the FA (e.g. 3 + 1 + 1).

National competitive procurement

Where the FA primary procurement is to be undertaken using national procurement procedures the Borrower may use its own procurement documents, if these are acceptable to the Bank.

Award criteria

Evaluation of Primary Procurement Bids/Proposals is based on the evaluation and qualification criteria and methodology described in Section III of the bidding documents. As no contract is being awarded, the Most Advantageous Bid test does not apply. Instead, the FA(s) is awarded on the basis of the award criteria.

Figure 9: Example #1 award criteria**Example: FA award criteria – regional cover**

The Borrower wishes to ensure supply over a large geographic region. It will appoint a single FA Supplier in each of the five sub-regions.

FA award criteria

The Procuring Agency may award one Framework Agreement in each of the five-stipulated geographic sub-regions. The Procuring Agency may conclude a Framework Agreement with the Bidder that meets the qualification criteria and whose Bid has been determined to be the Bid, in the geographic sub-region, that is:

1. *substantially responsive to the Bidding document; and*
2. *the lowest evaluated cost of all Bids that relate to that sub-region.*

Figure 10: Example #2 award criteria**Example: FA award criteria – pool of suppliers**

The Borrower wishes to establish a pool of FA suppliers. It states, in the bidding documents that it may conclude (award) FAs to a minimum number (“x”) of suppliers. At its discretion, it may conclude (award) FAs to more than the minimum number, that is, up to a maximum number (“y”) of suppliers. In this example x = 4 and y = 8.

FA award criteria

The Procuring Agency may conclude a Framework Agreement(s) with a minimum number of four Bidders, and, at its sole discretion, with up to four additional Bidders. The maximum number is eight. The Procuring Agency may conclude FAs with:

- a. *Bidders that meet the qualification criteria and whose Bids have been determined to be substantially responsive, and*
- b. *following the assessment of such Bidders’ evaluated costs, whose Bids are ranked, based on the lowest evaluated cost, from first to fourth.*

In addition, the Procuring Agency, at its sole discretion, it may conclude one or more additional FAs with up to a maximum of four additional Bidders where the:

- a. *Bidders that meet the qualification criteria and whose Bids have been determined to be substantially responsive, and*
- b. *following the assessment of such Bidders’ evaluated costs, whose Bids are ranked, based on the lowest evaluated cost, from fifth onwards, up to eight.*

Standstill Period

The Bank’s standard procurement processes apply to Primary Procurement establishing a FA. These include:

1. Notification of Intention to conclude (award) the FA(s)
2. Standstill Period, including:

- a. requirement to provide debriefs
- b. requirement to address a complaint received
3. publication of a public notice containing the details of the FA(s) awarded.

The Notification of Intention to conclude the FA(s) and the publication of the public notice must contain the names of all successful Bidders/Proposers.

Concluding the arrangement

Following the expiry of the Standstill Period, the Procuring Agency proceeds to conclude a FA(s) with each successful Bidder(s)/Proposer(s). The word ‘conclude’ is used in the Procurement Regulations to mean award a FA. However, this is not the same as issuing a Letter of Acceptance, where a legally binding contract is established between the parties.

Instead, the Procuring Agency prepares an individual FA for each successful Bidder/Proposer. Sometimes the FA may not be in the name of the Procuring Agency. This happens when there is:

1. Lead Purchaser and Purchaser(s), or
2. Responsible Agency and Purchaser(s)

In the FA, the Bidder/Proposer is called the “Supplier” or “FA Supplier”.

The Supplier requires to sign and return the FA. Where there is more than one Purchaser (e.g. where a Lead Purchaser, or Responsible Agency has been appointed), each FA should be signed by the Lead Purchaser, or Responsible Agency on behalf of all Purchasers.

Signing a FA does not constitute a legally binding contract, and does not create any legally binding obligations between the Purchaser/Procuring Agency and the Supplier. It simply establishes the conditions upon which parties intend to do business, if the Purchaser wishes to procure goods or services through a separate Call-off Contract under the FA.

Operate

Secondary procurement

Secondary Procurement under a FA, is the method used to select a FA Supplier and award a Call-off Contract. Each FA must stipulate the appropriate Secondary Procurement method, or methods, that may be used, and fully describe the selection and contract award procedures. Borrowers must use the prescribed method(s) and procedures when undertaking a Secondary Procurement.

The Procurement Regulations provide for two types of Secondary Procurement. These are:

1. mini-competition
2. direct selection.

Depending upon the nature of the FA, either one, or both types may be used.

Mini-competition

Mini-competition involves a closed competitive bidding process. It is only appropriate where a Panel of FA Suppliers (i.e. more than one supplier) has been appointed. It may be achieved through:

1. Request for Quotation (RFQ)
2. Request for Bids (RFB)
3. Request for Proposals (RFP)

The Bank's SPD provides a form for RFQs that may be used, and adapted by the Borrower.

In selecting mini-competition, the Borrower must have specified, in the FA:

1. which method(s) will be used (i.e. one or more of the following: RFQ, RFB, RFP)
2. selection and evaluation process
3. objective award criteria
4. test for the Most Advantageous Bid/Proposal.

Direct selection

Direct selection is a non-competitive process. It allows the Borrower to select a supplier directly without competitive bidding. Where only one firm has been appointed as the FA Supplier, the Borrower directly selects that firm for each Call-off Contract.

However, where more than one firm has been appointed to a Panel, there must be objective criteria which allocate contracts on a basis other than price alone, or a combination of price and quality.

Examples of objective criteria include:

a. geographic location

The Purchaser selects an FA Supplier to deliver the Goods, based on which supplier is best able to deliver the goods or services, based on the location where the Goods are to be supplied.

b. balanced division of supply

This is appropriate where the Borrower wishes to ensure continuity of supply (e.g. where no single supplier is considered to have sufficient capacity, or where a choice of suppliers is considered desirable to minimize the risks of stock-outages) and appoints a Panel of Suppliers. To allocate Call-off Contracts fairly across the Panel, the Borrower can stipulate the method of direct selection that will apply. Methods include, but are not limited to:

- i. rotation: each Call-off Contract is awarded to Suppliers on a rotational basis, e.g. the first contract goes to Supplier #1, the second to Supplier #2 and so on
- ii. monetary value or quantity: an upper monetary value or quantity is fixed. The first contract is awarded to Supplier #1. Additional contracts continue to be awarded to Supplier #1 until the total aggregated value of the contracts awarded reaches the monetary value or quantity limit. Once the limit has been reached, the next contract is awarded to Supplier #2, and so on.

Call-off contracts

The Bank's SPDs contain Call-off Contract forms that may be used, or adapted by the Borrower. Simplified terms and conditions of contract may be introduced where this is appropriate.

Each Call-off Contract must clearly describe the contract's objectives, tasks, deliverables, timeframes and Contract Price. The Contract Price is determined by applying the pricing mechanism described in the FA.

Review

Once a FA has been established Borrowers will find it helpful to regularly review usage. Helpful information to be gleaned through review includes:

1. is the FA being used for the purpose for which it was set up?
2. is the FA meeting the anticipated needs?
3. does the Panel comprise sufficient capability and capacity to deliver quality outcomes?
4. has the FA delivered the anticipated efficiency improvements (time, cost, resources) at the Secondary Procurement stage?
5. is there evidence that VfM is being achieved?
6. have there been any complaints from suppliers?
7. what is the total spend being placed through Call-Off Contracts?
8. what total savings has the FA achieved?

9. what other benefits have been realized?
10. what can be done to improve the operation or usage of the FA in future?

Annex 1: Framework Agreement process overview

