Guidance Note on Framework Agreements for Goods and Works

AUGUST 2023

Project Procurement & Financial Management (PPFM)
This Guidance Note is intended to complement the Guidelines for Procurement of Goods and Works and related services under Islamic Development Bank Financing, approved by the Board of Executive Directors (BED) of the Islamic Development Bank, and published on February 2023. This document may be used and reproduced for non-commercial purposes. Any commercial use, including without limitation reselling, charging to access, redistribute, or for derivative Works such as unofficial translations based on these documents is not allowed.

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## Common Abbreviations and Defined Terms

Common abbreviations and defined terms that are used in this Guidance Note. Defined terms are written using capital letters.

<table>
<thead>
<tr>
<th>Abbreviation / term</th>
<th>Full terminology / definition</th>
</tr>
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<tbody>
<tr>
<td>Beneficiary</td>
<td>A Beneficiary is the recipient of IsDB Project Financing. This term includes any entity involved in the implementation of an IsDB financed project on behalf of the Beneficiary.</td>
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<tr>
<td>BDS</td>
<td>Bid Data Sheet</td>
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<tr>
<td>Bid</td>
<td>An offer, by a Bidder, in response to a Request for Bids, to provide the required Goods, and/or Works and/or related services.</td>
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<tr>
<td>Bidder</td>
<td>A Firm that submits a Bid for the provision of Goods and/or Works and/or related Services</td>
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<tr>
<td>Consultant</td>
<td>A Consultant Firm or Individual Consultant that provides Consultant Services. A Consultant is independent of both the Beneficiary and IsDB.</td>
</tr>
<tr>
<td>Consultant Service(s)</td>
<td>Consultant Services are those intellectual services delivered by a Consultant Firm or an Individual Consultant. Consultant Services are normally of a professional, expert or advisory nature. Consultant Services are governed by these Guidelines.</td>
</tr>
<tr>
<td>EOI</td>
<td>Expression of Interest</td>
</tr>
<tr>
<td>Executing Agency</td>
<td>Executing Agency means the entity with legal capacity responsible for executing the Project and for using the proceeds of the funds.</td>
</tr>
<tr>
<td>FRA</td>
<td>Framework Agreement</td>
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<tr>
<td>Framework Agreement</td>
<td>An 'umbrella agreement' that sets out the terms (particularly relating to price and quality) under which individual purchases (call-offs) can be made throughout the period of the agreement.</td>
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<tr>
<td>GCC</td>
<td>General Conditions of Contract</td>
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<tr>
<td>ICB</td>
<td>International Competitive Bidding</td>
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<tr>
<td>IsDB</td>
<td>Islamic Development Bank</td>
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<tr>
<td>ITB</td>
<td>Invitation to Bid</td>
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<td>MC</td>
<td>Member Country</td>
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<tr>
<td>Prequalification</td>
<td>The shortlisting process, which can be used prior to inviting Request for Bids in the procurement of Goods, Works and related services.</td>
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<tr>
<td>Procurement</td>
<td>The function of planning for, and sourcing Goods, Works, Non-Consulting Services, and/or Consulting Services to meet required objectives.</td>
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<tr>
<td>Procurement Documents</td>
<td>A generic term used in these Guidelines to cover all Procurement Documents issued by the Beneficiary. It includes: GPN, SPN, EOI,</td>
</tr>
<tr>
<td>Abbreviation / term</td>
<td>Full terminology / definition</td>
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<tr>
<td>REOI, Prequalification document, RFB and RFP, including any addenda.</td>
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<tr>
<td>RFB</td>
<td>Request for Bid</td>
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<tr>
<td>RFP</td>
<td>Request for Proposal</td>
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<tr>
<td>RFQ</td>
<td>Request for Quotation</td>
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<tr>
<td>SBDs</td>
<td>Standard Bidding Documents</td>
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<tr>
<td>SCC</td>
<td>Standard Conditions of Contract</td>
</tr>
<tr>
<td><strong>Standard Bidding Documents</strong></td>
<td>Standardised procurement documents issued by IsDB to be used by Beneficiaries for IsDB financed projects. These include IsDB’s standard documents for, e.g.: GPN, SPN, Prequalification, LOI, RFB and RFP.</td>
</tr>
<tr>
<td>TOR</td>
<td>Terms of Reference</td>
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<tr>
<td>Works</td>
<td>A category of procurement that refers to construction, repair, rehabilitation, demolition, restoration, maintenance of civil work structures, and related services such as transportation, insurance, installation, commissioning, and training.</td>
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<tr>
<td>VFM</td>
<td>Value for Money</td>
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Section 1 - Introduction

This guidance note.

- Is intended to complement and elaborate the provisions of the IsDB’s *Guidelines for the Procurement of Goods and Works and Related Services under Islamic Development Bank Project Financing* (April 2019 edition, revised in February 2023, amended from time to time, hereinafter referred to the “Procurement Guidelines”) applicable to executing and implementing agencies under sovereign projects financed in whole or in part through IsDB loans, grants, or funds administered by IsDB.¹

- Is designed for IsDB Beneficiary’s procurement professionals at it provides an overview on how to design, establish, and operate a Framework Agreement (FRA), under Procurement Guidelines. It explains the details of good procurement practice, the key concepts, and outlines accepted FRA procedures.

- Should be read in conjunction with paras 2.18-2.20 and Annex G of Procurement Procedures of the Procurement Guidelines for Procurement of Goods and Works.

- Excludes FRA for Consultancy Services as separate guidance note is available.²

- May be used and reproduced for non-commercial purposes. Any commercial use, including without limitation reselling, charging to access, redistribute, or for derivative Works such as unofficial translations based on these documents is not allowed.

- Is intended to be a living document and will be revised as required.

FRAs are planned and used throughout the IsDB procurement cycle.

¹ In the event of any discrepancy between this guidance note and the Bank’s Procurement Policy and Procedures, the latter will prevail.

FRAs for IsDB-administered technical assistance and staff consultancies, and FRAs for Consultant Services, are beyond the scope of this guidance note.

*Figure 1 - SDB procurement cycle (Source: IsDB)*
Section 2 - Framework Agreements

2.1 Overview

In situations when a significant volume of Goods or services is anticipated, FRAs are a procurement method that can provide the maximum benefits of Value for Money and time savings. In this guidance note, we identify the advantages and limitations of the FRA structure as well as the key factors to consider when establishing one. Additionally, it explains how an executing agency can create its own FRA, and how single contracts or "call-offs" from that FRA are implemented and managed.

FRAs allow executing agencies to retain several qualified suppliers or firms for multiple, planned purchases by retaining one or more qualified suppliers or firms (collectively referred to as "Suppliers"). It is important for Beneficiaries to consider the following characteristics of FRAs.

- It should be for anticipated/planned procurements of Goods, Works, and/or non-consulting.
- The FRA is not a contract and does not impose any legally binding obligations on the Beneficiary.
- For a FRA to be established, an open competitive procurement process must be conducted (Primary Procurement).
  - During the Primary Procurement, the anticipated period over which the demand is required is indicated, as well as the estimated volume and scope of the demand during that period.
- The initial term of a FRA cannot exceed three (3) years, with an extension option of two (2) additional years.
- Each FRA contains the terms and conditions upon which parties agree to enter into a Call-off Contract.
- There may be one or more purchasers entitled to procure FRAs, e.g., a single-user or a multi-user FRA.
- There may be one or more suppliers appointed to provide the service, i.e., a single-supplier or multi-supplier FRA.
- For multi-supplier FRAs, the Panel may be:
  - Closed: No additional, or replacement suppliers may be appointed during the term of the FRA, or
  - Open: There is a process allowing for additional or replacement suppliers to be added during the term of the FRA.

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

Guidance Note on Framework Agreements for Goods and Works
• There is no obligation on the part of the purchaser to procure.
• There is no expectation or guarantee that a supplier/firm will be awarded a Call-off Contract.
• The FRA prescribes the method and procedure for secondary procurement (selection of a supplier and award of a call-off contract).
• There is no open advertisement for the Secondary Procurement.
• A procurement awarded under a FRA is recorded in a separate Call-off Contract. Until the Call-off Contract is created, no contract exists between the parties.
• It is not necessary to publish a public notice when a Call-off Contract is awarded.
• The FRA determines the fee rate, charge rate, or pricing mechanism that will be applied to establishing the contract price for each call-off contract.
• Each Call-off Contract is subject to its own General Conditions of Contract (GCC) and Special Conditions of Contract (SCC), or equivalents.
• The FRA can only be utilized for the purchase of the specific Goods or Works for which it has been designed and advertised.

2.2 Benefits
A well-conceived FRA can provide several benefits to the executing agency. They enable the agency to acquire Goods and simple Works more rapidly than it would be possible to under a full, stand-alone procurement process.
• One openly advertised, competitive Primary Procurement can establish multiple FRAs and result in the award of an unlimited number of contracts.
• The primary procurement can be conducted by one agency on behalf of several, thus avoiding the need for multiple agencies to go to market for the same products and services separately.
• The aggregation of demand across multiple entities or a single entity encourages suppliers to offer competitive pricing, where bulk sales are possible.
• It provides continuity of supply over a longer period at a predictable price.
• There is a reduction in cost, time, and effort when selecting a supplier and awarding a Call-off Contract, since each contract opportunity does not need to be advertised publicly.
• The Secondary Procurement stage provides the opportunity to achieve better value for money (VfM) via secondary competition.

2.3 Challenges
The following are some of the challenges and disadvantages of FRA that should be considered:
• FRA may not be appropriate for all types of procurement, such as complex, unusual, or novel procurements.
During the term of the FRA, new suppliers or solutions may emerge quickly within the market, making it difficult for the FRA to be responsive to these changes.

- It is not suitable for Goods whose technology is rapidly evolving or complex Works.
- Continuity of supply must be ensured by planning at least six months in advance of the expiry date to establish a new Framework.

## 2.4 When to use Framework Agreements

The FRA method should be evaluated as part of the procurement strategy to determine whether it is appropriate for the requirements. FRAs are primarily intended to achieve VfM, efficiency in the procurement process, and security of supply. They can be used in a variety of situations, including:

- Purchasing common, off-the-shelf types of Goods and Services where there is a high volume of repeat business.
- When two or more government entities procure the same Goods or Services and aggregate their demand, volume discounts and/or process efficiencies may be gained.
- The establishment of security of supply in advance of an actual crisis, as a means of preparing for emergency situations.
- When there are capacity constraints and/or fragilities, it is necessary to minimize procurement process management and shorten lead times.
- In cases where one supplier does not have sufficient capacity and it is necessary to appoint more than one supplier.
- To maintain competitive tension in the secondary procurement process, a choice of suppliers may be considered desirable.
- To provide geographic coverage through a variety of suppliers located at different locations.
- Simple and regular Works contracts.
2.5 Structure of Framework Agreements

**Procuring Agency**

An entity of the Beneficiary is responsible for the Primary Procurement to establish the FRA(s). This entity is known as the "Procuring Agency".

Based on the nature of the FRA(s), the Procuring Agency may be:

- A single purchaser, or it may be:
  - A purchaser appointed by a group of purchasers to establish the FRA(s) on their behalf; or
  - Central procurement bodies that are not purchasers but are appointed by groups of purchasers to establish FRAs on their behalf.

**Parties to a Framework Agreement**

In the FRA, the parties are defined. For the Beneficiary, the FRA must specify the following information:

- The Beneficiary’s entity that will manage and administer the FRA.
• Those Beneficiaries who are eligible to purchase under the FRA.

Based on the table below, there are three possible descriptions of the Beneficiary's entities as parties to the FRA.

| Purchaser | When there is a single purchaser and that entity also manages and administers the FRA, that entity is the only party to the FRA, in this dual capacity as:  
|           | o The manager and administrator of the FRA, and  
|           | o A potential purchaser. |

| Lead Purchaser | Where the FRA has been established on behalf of a group of purchasing entities, and one of the groups has been appointed to manage and administer the FRA on behalf of the group, that entity is called the "Lead Purchaser". The Lead Purchaser is a party to the FRA in its capacity as:  
|                | o The manager and administrator of the FRA, and  
|                | o A potential purchaser. |

| Responsible Agency | When a FRA has been established by a group of entities, and a central purchasing authority has been appointed to manage and administer the FRA on behalf of the group, that entity is designated as the "Responsible Agency", a central purchasing authority that is not itself a purchaser. As the manager and administrator of the FRA, the Responsible Agency is a party to the FRA only. Additionally, all other entities in the group of purchasers must be identified as public sector entities in the RFB and FRA(s). |

Note - All other entities in the group of purchasers must either be named in the RFB and FRA(s) or identified as specific class of public sector entities.
The Executing Agency issues an RFB. This is an open and competitive process.

Bid process evaluated to determine lowest evaluated costs, and Bids evaluated against FRA criteria. Preferred Bidders identified and post qualification criteria applied.

The Executing Agency transmits Notifications of Intention to Conclude the FRA. This activates a Standstill Period of 10 business days. Debriefs and complaints managed if received.

Executing Agency concludes an FRA with each FRA supplier. FRA identifies the Purchaser(s).

The Executing Agency publishes a public notice. Conclusion of FRA Notice, and names the successful Bidder(s).

*Figure III – Example of Primary Procurement Process*
Figure IV – Example of Secondary Procurement Process

1. The Executing Agency selects an FRA supplier by using the Secondary Procurement selection method prescribed in the FRA.

2. Executing Agency awards a Call-off contract to the FRA supplier. Price determined by the pricing mechanism in the FRA.

3. Supplier delivers the Goods or Works to the Executing Agency and sends an invoice.

4. Executing Agency verifies that the Goods have been received or works complete, checks quality and standards.

5. When satisfied that delivery in full has been made, Executing Agency pays the supplier.
2.6 Bidding Documents

As part of the procurement process to establish a FRA that is subject to International Competitive Bidding (ICB) and as well ICB limited to Member Countries, the IsDB’s Standard Bidding Document is to be used. The SBD sets out the processes as shown in the following figure.

![Figure V – SBD Process](image)

**Structure of Standard Bidding Documents**

The FRA model contract from IsDB contains additional elements to reflect the FRA process and documents. The following table details the elements unique to a FRA method.

<table>
<thead>
<tr>
<th>Key Elements</th>
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</thead>
<tbody>
<tr>
<td><strong>Framework Agreement</strong></td>
</tr>
<tr>
<td>- Definitions</td>
</tr>
<tr>
<td>- Standard Provisions (which apply to all IsDB compliant FRAs)</td>
</tr>
<tr>
<td>- Specific Provisions (which relate to the specific FRA being undertaken by the Beneficiary).</td>
</tr>
<tr>
<td><strong>Secondary Procurement</strong></td>
</tr>
<tr>
<td>- Description of Secondary Procurement process.</td>
</tr>
<tr>
<td>- Form for RFQ (secondary competition), if applicable.</td>
</tr>
<tr>
<td>- Call-off Contract, key parts:</td>
</tr>
<tr>
<td>- General Conditions of Contract</td>
</tr>
<tr>
<td>- Special Conditions of Contract</td>
</tr>
</tbody>
</table>

The SBD document structure follows closely the IsDB’s SBDs. Additional elements, unique to the FRA SBD, are shown in the following diagram.
Guidance Note on Framework Agreements for Goods and Works
2.7 Procurement Process for Framework Agreements

The procurement process is divided into four parts as detailed below and the full Framework Agreement Process Overview is provided in Annex II.

1. **Primary Procurement**
   Through an open, competitive procurement the Beneficiary selects suitably qualified and competitive suppliers.

2. **Framework Agreement**
   Successful supplier(s) is invited to conclude (enter into) a FRA with the Beneficiary.

3. **Secondary Procurement**
   On an as-needs basis, and through a closed selection process, the Beneficiary selects a FRA Supplier for a specific contract.

4. **Call-off Contract**
   The Beneficiary awards a Call-off Contract to the successful FRA Supplier.

It is not necessary to limit the number, or value, of Call-off Contracts awarded if the FRA is properly established through an open competitive tender process.

*Figure VII – Framework Agreement Process*
Section 3 – Framework Agreement Design Considerations

3.1 Design Considerations

Primary Procurement - Procuring Agency

The first consideration in designing a FRA is identifying the purchaser or purchasers who intend to purchase under the FRA, along with the entity responsible for the primary procurement process. The options include a single purchaser, a group of purchasers, or a group of purchasers that is represented by a central purchasing authority. The entity which conducts the procurement is referred to as the "Procuring Agency."

Framework Agreement - Management and Administration

Following the conclusion of the Primary Procurement, it is important to determine which entity will manage and administer the FRA(s). Other parties to a FRA may include a Lead Purchaser and a Responsible Agency.

3.2 Clarification of roles

Whenever one entity acts on behalf of another or others (such as a procurement agency, lead purchaser, or responsible agency), it is imperative that roles and responsibilities are clearly defined. In most cases, this can be achieved through a written agreement, such as a memorandum of understanding or similar instrument.

In such agreements, the following information should be recorded:

- Primary Procurement
  - Identification of all potential purchasers.
  - Determine which agency will be responsible for the primary procurement on behalf of the purchasers.
  - Confirmation of the appointment of the procuring agency.
  - Establish the scope and responsibilities of the Procuring Agency.
  - The primary procurement process should be agreed upon.
  - Establish common specifications to ensure the Goods, Works, or Services meet the requirements of all purchasers.
  - Establish eligibility requirements for bidders and proposers.
  - Identify the estimated volume or scope of Goods, Works, or Services, as well as the anticipated period of demand.
  - Agree on the duration of the FRA, for example: 3 years, 3+1+1, or 3+2 years.
  - Agree on the evaluation criteria and methodology.
  - The FRA design should be agreed upon, for example: single/multi supplier.
    - Panel type (closed or open) if multi-supplier.
    - Documentation form of the FRA.
- The process by which the FRA(s) will be concluded (awarded to the successful supplier(s)).
- The selection method(s) for secondary procurement.
- FRA Supplier’s eligibility to participate in secondary competition and/or receive a call-off contract.
- The process for awarding a call-off contract.
- Terms and conditions of the call-off contract.
- The circumstances under which a Supplier may be removed, as well as the process for removing a Supplier.
- What circumstances can result in the termination of a FRA, and how the termination process is conducted.
- Which agency will be responsible for managing/administering the FRA(s)?

**Managing the FRA**
- Appoint a Lead Purchaser or Responsible Agency to manage the FRA(s) on behalf of the purchasers.
- Agree on the role and responsibilities of the Lead Purchaser or Responsible Agency regarding the management and administration of the FRA.
- Affirm the process for communications and reporting regarding the FRA.
- Ascertain a common process for handling complaints regarding the FRA or any Call-off Contract(s).

### 3.3 Other design factors

In order to establish a FRA(s), Beneficiaries need to have a good understanding of their needs as well as the target market for delivering those needs. The following information will help the Beneficiary determine whether to establish a FRA(s):

- Are the Goods, Services or Works defined, and can we estimate the demand, scope, volume, and total value over the required period?
- Is there more than one entity that has similar needs, for example, will there be a single purchasing entity or several purchasing entities? Are the needs of these entities able to be aggregated?
- What is the optimal duration of the FRA (from three to five years)?
- If it is possible to aggregate the needs:
  - In total, what is the aggregation of demand?
  - What is the impact of this on the market?
  - Are there any efficiencies and improvements that can be gained from aggregated demand? What e-procurement systems are available to manage secondary procurement?
• Are single suppliers appropriate, or is a panel of suppliers required?
• if a Panel of suppliers is required:
  o What is the ideal number of suppliers to be appointed to the Panel? The number of suppliers to be appointed should be proportional to the anticipated level of demand and consider the market conditions in the supply sector.
  o If regional, how many locations are there and what is the anticipated level of demand at each location?
• for multi-supplier FRA(s):
  o Is the Panel to be closed or open?
  o If a Panel is open, under what circumstances, if any, can a supplier be replaced or a new supplier be added?
• Would it be more feasible to request item prices in accordance with estimated quantities for the duration of the FRA, or to request item prices in accordance with indicative ranges of call-off quantities?
• To select a supplier for a Call-off Contract, what Secondary Procurement method will be used? This should be a simple, fast, and efficient process.
• What will be the basis for determining the contract price for the call-off contract?
• What are the circumstances under which a supplier may be removed from the Framework?

3.4 Duration

A FRA may be established under the Guidelines for the Procurement of Goods, Work and related Services under IsDB Project Financing for a period not exceeding three (3) years, which can be extended for a further two years if the initial engagement has been satisfactory. A maximum term of five years may be established under such an arrangement.

The extension of the term should be based on the following criteria:

• one extension of two years, or
• two extensions of one year each.

When a FRA expires and no further extensions are available, the Beneficiary must initiate a primary procurement process for establishing a new FRA if it wishes to continue using the FRA approach. Establish a new FRA with sufficient lead time to provide continuity of supply. This is beneficial to the Beneficiary in the following ways:

• An open competitive process will ensure the Beneficiary continues to receive the best deal and maximum value for money.
• In addition, it provides an opportunity to check for new technologies and innovations in products or services.
• It provides new entrants to the supply market with an opportunity to compete and succeed in obtaining a FRA.
3.5 Price mechanism

The FRA must include a pricing mechanism. It may consist of an agreed fee rate (e.g., hourly, daily), unit price, charge rate, or other types of pricing structure. Although the actual Contract Price is not fixed in the FRA, the pricing mechanism determines the Contract Price for individual Call-off Contracts based on the Goods, Services or Works being procured. In the long run, an agreed-upon price mechanism ensures predictability of costs for beneficiaries.

The following are examples of pricing mechanisms:

- Fixed unit price.
- Fixed unit price with discounts for bulk purchases.
- Fixed hourly/daily fee rate for services.
- Fixed charge for specified services.
- Actual cost (to the supplier) plus agreed % margin (where price is highly affected by e.g., market or currency fluctuations).
- Bundled prices for mixed lots.

FRAs may include a mechanism for adjusting prices to allow for inflation. This is appropriate where the determining indexes are expected to vary by more than 5% over the entire term of the FRA.

3.6 Bid Security or Bid Securing Declaration

A bid security or bid securing declaration is not required for FRAs for the following reasons:

- FRAs are not contracts, and the Beneficiary is not exposed to any risk if a successful firm declines to conclude one.
- Due to its nature, an FRA does not require performance security (which may be required at the time of call-off).
- Due to the non-comital nature of FRA and its duration, requiring bid security or a bid securing declaration may serve as a significant disincentive for suppliers.
Section 4 – Establishing a Framework Agreement

4.1 Existing Framework Agreement

It should be noted that FRAs may be pre-existing or newly established under a IsDB financed operation. It may be appropriate to use an existing FRA in IsDB operations only if the IsDB is satisfied that it is compliant with the IsDB's Core Procurement Principles.

4.2 New Framework Agreement

New FRAs must meet the requirements of the Guidelines for the Procurement of Goods, Work, and related Services under IsDB Project Financing Procurement Guidelines:


The remainder of this section explains these requirements.
4.3 Open competitive procurement

An open competitive approach is required for the establishment of a new FRA by the Beneficiary. As a result, the greatest level of competition is provided, as well as transparency and accountability are provided. Furthermore, Secondary Procurement Call-off Contracts do not need to be openly advertised, resulting in quicker procurement, and saving time, money, and effort once the FRA has been established.

4.4 IsDB's SBDs

Beneficiaries are required to use the IsDB’s appropriate SPDs for international competitive procurements. The SPDs should include information specific to FRAs and Call-off Contracts. The FRA SPDs require, at a minimum, the following information:

- A description of the Goods, Small Works, Non-consulting Services, and Consulting Services covered by the FRA.
- The volume (or indicative ranges of quantities), scope, and frequency of Call-off Contracts that may be awarded, where possible.
- Qualifications, evaluation criteria, and the evaluation methodology to be used to award FRAs during the primary procurement process.
- The legal terms and conditions of the contract that will be applied to any call-off contract during the secondary procurement process, including the following:
  - The fees, charge rates or pricing mechanism/s, and details of any other associated costs or expenses, that have been agreed with each Supplier.
  - Statements addressing the following:
    - Unless a price adjustment clause has been agreed upon, the fees, charge rates, or pricing mechanism(s), and other associated costs shall remain valid for the duration of the FRA.
    - The Beneficiary will engage Suppliers as needed, through Call-off Contracts, but is not legally bound to award any Call-Off Contracts.
    - There is no guarantee of an award of a Call-Off Contract, and the Beneficiary is not obligated to purchase the estimated volume or scope of the Goods, Works or Services.
    - Whenever applicable, for a closed Panel, a statement stating that the Panel's constitution shall remain unchanged during the term of the FRA. During the term of the FRA, no additional or replacement suppliers may be appointed to a Panel, other than the removal of a Supplier.
    - For an Open Panel: an outline of the process for selecting and appointing replacement, or new suppliers. For example, new suppliers may be eligible for appointment:
      - Once during the term of the FRA: e.g., at the midway point of the term of the FRA.
• Regularly: e.g., annually, on a specified date.
• Continuously: e.g., by continuously advertising the opportunity and seeking Bids/Proposals from new suppliers.
  ▪ A FRA is not an exclusive agreement, which means that the Beneficiary may procure the same or similar Goods, Works or Services from a supplier who is not a FRA member.
  ▪ A description of the circumstances under which a Supplier may be removed from the FRA, as well as the process to be followed to secure the removal.
• The Secondary Procurement method, or methods, that will be used to award Call-Off Contracts. In particular:
  o 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 secondary competition.
  o Secondary competition: the process for submitting quotes and the selection criteria that will be applied.
  o 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 FRA. All FRA SPDs contain a standard form Call-Off Contract which can be modified to suit.
• As determined by the results of the market analysis and other findings in the Procurement Plan and Procurement Strategy, the minimum and maximum number of suppliers may be appointed to the Panel. The number should be proportionate to the estimated demand during the duration of the FRA and may include geographical considerations as well.
• Duration of the FRA and any extension options available to the Beneficiary (e.g., 3+1+1).

4.5 National competitive procurement
In cases where the FRA primary procurement will be conducted under national procurement procedures, the Beneficiary may use IsDB or its own procurement documents, if they are acceptable to the IsDB.

4.6 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. Since no contract will be awarded, the FRA(s) will be awarded based on the award criteria to the Bidder offering the Best Value for Money.
Example: FRA Award Criteria

**Regional Cover**
To ensure supply throughout a large geographical region, the Beneficiary intends to appoint one FRA Supplier for each of the five subregions.

**FRA award criteria**
A FRA may be awarded to each of the five geographical subregions stipulated by the Procuring Agency. Upon meeting the qualification criteria and determining that the Bidder's bid is the best bid within the geographic subregion, the Procuring Agency may conclude a FRA.

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

**Panel of Suppliers**
The Beneficiary wishes to establish a panel of FRA suppliers. According to the bidding documents, it may conclude (award) FRAs to a minimum number ("x") of suppliers. It may, at its discretion, conclude (award) FRAs to a larger number of suppliers than the minimum number, that is, up to the maximum number ("y"). In this example, x = 4 and y = 8.

**FRA award criteria**
The Procuring Agency may conclude FRA with up to a maximum of eight Bidders. The Minimum number of Bidders is four, and the maximum number is eight. The Procuring Agency may conclude FRA with:

a. Bidders whose bids are determined to be substantially responsive and meet the qualification criteria, and
b. Following the assessment of such bidders' evaluated costs, their bids are ranked from first to fourth based on their lowest evaluated costs.

The Procuring Agency may also conclude one or more additional FRAs with up to a maximum of four additional Bidders in the following circumstances:

a. Bidders who meet the qualification criteria and whose bids have been determined to be substantially responsive, and
b. Following the assessment of these bidders' evaluated costs, their bids are ranked from fifth onward, based on the lowest evaluated cost.
4.8 Standstill Period
The IsDB’s standard procurement processes apply to the establishment of a FRA through Primary Procurement. These include:

- Notification of the intention to conclude (award) the FRA(s)
- Standstill Period, which includes:
  - requirement to provide debriefs; and
  - requirement to address a complaint received.
- Publication of a public notice containing the details of the FRA(s) awarded.

A Notification of Intention to conclude the FRA(s) and the publication of the public notice must include the names of all successful bidders and proposers.

4.9 Concluding the arrangement
Upon expiration of the Standstill Period, the Procuring Agency concludes a FRA(s) with each successful bidder(s)/proposer(s). As defined in the Guidelines for the Procurement of Goods, Work and related Services under IsDB Project Financing, "conclude" refers to awarding a FRA. It is important to note that this is not the same as issuing a Letter of Acceptance, which establishes a legally binding agreement between the parties.

An individual FRA is prepared by the Procuring Agency for each successful Bidder/Proposer. Sometimes, the FRA is not in the name of the Procuring Agency, for example, when:

- Lead Purchaser and Purchaser(s), or
- Responsible Agency and Purchaser(s).

Bidders/Proposers are referred to as the "Supplier" or "FRA Supplier" in the FRA. The Supplier must sign and return the FRA. Each FRA should be signed by the Lead Purchaser, or Responsible Agency on behalf of all Purchasers in circumstances where there is more than one Purchaser (e.g., when a Lead Purchaser or Responsible Agency has been appointed).

The signing of a FRA does not constitute a legally binding agreement between the Purchaser/Procuring Agency and the Supplier, nor does it impose any legally binding obligations on either party. If the Purchaser wishes to procure Goods, Works or Services through a separate call-off Contract under the FRA, it simply specifies the conditions under which parties intend to do business.
Section 5: Managing and Operating Framework Agreements

5.1 Secondary Procurement

Under a Framework Agreement, Secondary Procurements are used to select suppliers and award call-off contracts. As part of the FRA, each method(s) for secondary procurement must be specified, and the selection and contract award procedures must be fully described. When undertaking a Secondary Procurement, Beneficiaries are required to follow the prescribed method(s) and procedures.

Two types of secondary procurement are specified in the Guidelines for the Procurement of Goods, Work and Related Services under IsDB Project Financing.

Depending on the nature of the FRA, both types may be appropriate.

5.2 Secondary Competition

Secondary competition is a closed competitive bid process that is applicable only when a panel of FRA Suppliers has been established (i.e., more than one supplier). Requests for Quotation (RFQ), Requests for Bids (RFB), and Requests for Proposals (RFP) can all be used to achieve this goal. IsDB’s Standard Bidding Documents (SBD) provide a form for RFQs that the Beneficiary can use and customize. To select secondary competition, the Beneficiary must specify, in the FRA:

- What method(s) will be used (e.g., RFQ, RFB, RFP).
- Processes for selecting and evaluating candidates.
- Award criteria that are objective.
- The most advantageous bid/proposal should be tested.

5.3 Direct Selection

The direct selection process is a non-competitive process that allows the Beneficiary to select a supplier directly without requiring a competitive bidding process. Where only one firm has been appointed as the FRA Supplier, the Beneficiary directly selects that firm for each Call-off Contract. Whenever more than one firm is appointed to a Panel, there must be objective criteria for allocating contracts other than price alone, or a combination of price and quality.

The following are examples of objective criteria:
• **Geographic Location**
  A FRA Supplier is selected by a Purchaser to deliver the Goods or Works based on which supplier is most qualified to deliver the Goods or Works at the location where the Goods are to be delivered or Works to be completed.

• **Balanced division of Supply**
  This is appropriate when the Beneficiary wishes to ensure continuity of supply (e.g., when no single supplier is sufficient, or where a choice of suppliers is considered desirable to minimize the risk of stock outages) and appoints a Panel of Suppliers. By specifying the method of direct selection to be utilized, the Beneficiary may ensure that Call-off Contracts are allocated fairly across the Panel.

  A variety of methods can be used, including, but not limited to:
  
  o **Rotation**: Suppliers are awarded Call-off Contracts on a rotational basis, for example the first contract goes to Supplier #1, the second to Supplier #2, etc.
  
  o **Monetary value or quantity**: Supplier #1 is awarded the first contract at an upper monetary value or quantity. Additional contracts continue to be awarded to Supplier #1 until the aggregated value of all contracts awarded has reached the maximum monetary value or quantity. Upon reaching the limit, Supplier #2 will be awarded the next contract, and so on.

5.4 **Call-off contracts**
IsDB's SPDs contain Call-off Contract forms that can be used or adapted by the Beneficiary. Where appropriate, simplified terms and conditions can be introduced.

In a Call-off Contract, the objectives, tasks, deliverables, timeframes, and Contract Price are clearly defined. The Contract Price will be determined by applying the pricing mechanism described in the FRA.

5.5 **Review**
It is helpful for beneficiaries to regularly review their use once a FRA has been established. Information to be gained from these reviews includes the following:

• Is the FRA being used for the purpose for which it was established?
• Is the FRA meeting the needs that were anticipated?
• Does the Panel have sufficient capability and capacity to deliver quality results?
• Is the FRA delivering the expected efficiency improvements (time, cost, resources)?
• Have any complaints been received from suppliers?
• In terms of Call-Off Contracts, what is the total amount spent?
• The FRA has achieved savings and is there evidence that VfM has been achieved?
• Is there any other benefit that has been realized?
• What can be done to improve the operation or use of the FRA in the future?
ANNEX I – Member Countries

The Islamic Development Bank is made up of fifty-seven (57) Member Countries.

- Afghanistan
- Albania
- Algeria
- Azerbaijan
- Bahrain
- Bangladesh
- Benin
- Brunei
- Burkina Faso
- Cameroon
- Chad
- Comoros
- Cote D’Ivoire
- Djibouti
- Egypt
- Gabon
- Gambia
- Guinea
- Guinea Bissau
- Guyana
- Indonesia
- Iran
- Iraq
- Jordan
- Kazakhstan
- Kuwait
- Kyrgyz Republic
- Lebanon
- Libya
- Malaysia
- Maldives
- Mali
- Mauritania
- Morocco
- Mozambique
- Niger
- Nigeria
- Oman
- Pakistan
- Palestine
- Qatar
- Saudi Arabia
- Senegal
- Sierra Leone
- Somalia
- Sudan
- Suriname
- Syria
- Tajikistan
- Togo
- Tunisia
- Turkey
- Turkmenistan
- Uganda
- United Arab Emirates
- Uzbekistan
- Yemen
ANNEX II – Framework Agreement Process Overview

Are IsDB satisfied that the FRA is consistent with the Core Procurement Principles?

YES

Establish new FRA

NO

PRIMARY PROCUREMENT
To establish new FRA (use appropriate SBD)

SECONDARY PROCUREMENT
To award Call-off contract
ANNEX III – Primary Procurement Process

PRIMARY PROCUREMENT
To establish new FRA
(use appropriate SBD)

FRA Design Decisions
- Single or Multi-User
- Single or Multi-Supplier
- For Multi-Supplier (Closed or Open)
- Appropriate pricing methodology
- Primary procurement award criteria
- Secondary procurement award methodology
- Call-off contract terms and conditions

Advertise RFB/RFP

Evaluate Bids/Proposal and select FRA suppliers

Issue Notification of Intension to conclude the FRA

Standstill Period
- Debrief on Request.
- Address any complaints received.

Publish public notice of conclusion of FRA

Purchaser/Lead Purchaser/Responsible Agency
Executes a FRA with each FRA Supplier

Guidance Note on Framework Agreements for Goods and Works
ANNEX IV – Secondary Procurement Process

SECONDARY PROCUREMENT
To award Call-off contract

Apply Secondary Procurement selection and award criteria (as appropriate)

Select FRA Supplier
and agree deliverables and price

Award Call-off contract
(no need to publish Notice of Award)
For any additional information, such as Standard Bidding Documents (SBDs), Guidance, training materials and briefing, please see www.isdb.org/procurement