

The Public Procurement and Disposal of Public Assets Guidelines

Guidelines issued by the Public Procurement and Disposal of Public Assets Authority under section 97 of the Public Procurement and Disposal of Public Assets Act 2003, and Regulation 12 of the Local Governments (Public Procurement and Disposal of Public Assets) Regulations 2006

Guideline Details:

Guideline Reference: 10/2014

Guideline Subject: Guidance on use of Framework Contracts for procurement of supplies, works and non consultancy services

Date of commencement: 26th September 2014

Guidelines are distributed to all Accounting Officers who are responsible for distributing copies of this Guideline the Contracts Committee and members of the Procurement and Disposal Unit of the Procuring and Disposing Entity

**Guideline Subject: Guidance on Use of Framework Contracts
for procurement of supplies, works and
services**

Under Regulation 18 of the PPDA (Contracts) Regulations, 2014 and Regulation 94 of the Local Governments (PPDA) Regulations 2006, Procuring and Disposing Entities are required to use Framework Contracts where requirements are needed repeatedly at an agreed price over a period of time but where the quantity and timing of the requirements cannot be defined in advance. The guidance on how to use Framework Contracts by Procuring and Disposing Entities is detailed below:

1.0 What is a Framework Contract and when should it be used?

- 1.1 A framework contract is a contractual arrangement for an estimated quantity of supplies, works or services at fixed unit prices over a certain period of time, where actual quantities of supplies are purchased or specified scope of works or services are performed by means of individual call-off orders and payment is made for the actual quantities delivered or services and works undertaken. A “Call-Off Order” means an order/individual contract issued by the Procuring and Disposing Entity for the purchase of specified quantities of the supplies or performance of services , works under a framework contract.
- 1.2 A framework contract provides an efficient, cost effective and flexible way of procuring supplies or services that are needed continuously or repeatedly over a period of time by reducing procurement costs and time.
- 1.3 A framework contract also provides a means of having supplies, works or services “on call”, where they might be needed urgently, but where the quantity and timing cannot be defined in advance. For example, malaria drugs might be needed to deal with a sudden outbreak of the disease, but the size and timing of any outbreak cannot be known in advance. The existence of a framework contract allows a Procuring and Disposing Entity in such a case to respond quickly to the emergency, without resorting to direct procurement, which is likely to result in higher prices, caused by lack of competition.
- 1.4 Framework contracts should not be used for supplies, works or services which are required occasionally, or which could be purchased by a single lump sum contract. Where the quantity of supplies or services and the times they are needed is well defined in advance, a lump sum contract should be used since it is more appropriate.

2.0 Features of Framework Contracts:

- 2.1 Fixed unit prices are defined in framework contracts which cover a certain period of time.
-

- 2.2 The general service area for delivery is defined but the precise location, quantity and timing are not specified.
- 2.3 Contracts are activated by use of call-off orders which specify requirements and payments are made against each individual call-off order.
- 2.4 Contracts may also be in place with a number of providers at the same price or different prices but without a guarantee by the Procuring and Disposing Entity that it will issue 'call off orders' to each of them.
- 2.5 Once the contract has been approved by the Solicitor General where applicable, the call-off orders need not be approved subsequently.

3.0 Benefits of using framework contracts:

- 3.1 Reduced time and resources spent on procurement, as the Procuring and Disposing Entity only has to conduct a single bidding process and place a framework contract to be able to order supplies, works or services whenever they are needed, rather than conducting a separate procurement process each time.
- 3.2 Bidders' time and effort in preparing bids or quotations is reduced. A greater number of bidders are interested in the contract since a call off order results in guaranteed business.
- 3.3 Lower prices are obtained since by aggregating requirements, there are benefits of economies of scale by the Entity through more competitively priced bids.
- 3.4 The lead time for delivering supplies, works or services is reduced since there is no need for a procurement process for each order. The minimum response times for delivering supplies or services may be included in the framework contract signed.
- 3.5 Procuring and Disposing Entities retain the benefits of competition, even where supplies, works or services are needed in an emergency situation.
- 3.6 The Procuring and Disposing Entity obtains benefits of scale without incurring the costs of holding stock or paying for a large volume of supplies or services up-front.
- 3.7 Framework contracts are placed and commitments made at the time of 'call off orders' in accordance with the funds available.
- 3.8 Once a framework contract is in place, the completion of call-off orders is a quick and simple process.

4.0 Potential usage of framework contracts by Procuring and Disposing Entities:

4.1 Supplies:

- Agricultural tools
- Cleaning materials
- Computers and Accessories
- Print Consumables
- Essential Drugs
- Electrical Equipment
- Fire Fighting Equipment
- Foodstuff
- Tyres, Tubes, Lubricants and Batteries
- Office Furniture
- Office Tools and Utensils
- Office Stationery
- Pipes and Fittings
- Uniforms
- Spare parts for routine vehicle repairs

4.2 Non Consultancy Services

- Photocopying
- Advertising
- Courier
- Engraving
- Conference facility
- Accommodation
- Insurance
- Office Cleaning
- Security
- Clearing and Forwarding
- Printing, Art and Design
- Fumigation
- Motor Vehicle Hire
- Servicing Air Conditioning

4.3 Works

- Pothole sealing
- Road resealing
- Fixing of water leakages
- Road Maintenance
- Minor repairs

5.0 Key issues to note when using framework contracts

- 5.1 Frequency or probability:** How frequently are the supplies, works or services required? If they are only needed occasionally, a framework contract may not be appropriate. If supplies, works or services are required on-call for an emergency situation, the probability of requiring the supplies, works or services at all should be considered. The starting and completion dates should be included where relevant. The length of call-offs, as with other contracts, should be appropriate to the supplies, works or services in question and should reflect value for money considerations.
- 5.2 Definition:** How well can the supplies, works or services required be defined? If only a general type of supplies, works or services, rather than the actual supplies, works or services required is known, a pre-qualification or registration exercise, which allows bidders to be shortlisted for a limited competition when required, may be more appropriate.
- 5.3 Estimates:** How accurately can the Procuring and Disposing Entity estimate its total requirements? The key to obtaining the benefits of framework contracts is the ability to make reasonably accurate estimates. The Entity should use its approved budget as an indicative guide in determining the estimates. The Entity shall conduct a market survey to get estimated unit cost for the supplies, works or services to be procured.
- 5.4 Price variation:** The terms governing the contracts to be awarded during a given period in particular with regard to price and quantity should be established. There should be no scope for substantive amendments through negotiation to the terms established by the framework agreement itself. The framework should be capable of establishing a pricing mechanism to be applied to pricing particular requirements during the period of the framework. However, for items that are subject to constant price fluctuations, rapidly rising prices or significant price fluctuating in case of imported goods due to changes in foreign currency, a price adjustment provision/escalation clause may be included in the contract which is to be completed within 18 months to cater for market forces. In case of requirements to be completed within eighteen months the submission to the contracts committee shall include justification for recommending price adjustment.
- 5.5 Multiple providers with different prices:**
Framework agreements can be concluded with a single provider or with several providers, for the same supplies, works or services at same or differing prices. In the latter case, there must be at least three providers, provided that there are sufficient providers satisfying the selection criteria and who have submitted compliant bids meeting the award criteria. The agreement will establish the terms which will apply under the framework, including delivery timescales and daily or hourly rates.

6.0 How to use Framework Contracts

- 6.1 Procuring and Disposing Entities should use PPDA's Standard Bidding Document for framework contracts and use the open bidding method for the procurement of supplies, works or services and then enter into framework contracts with the successful providers.
- 6.2 The bid notice for the procurement of these supplies, works or services should clearly indicate that the Entity intends to enter into framework contracts with the successful providers.
- 6.3 The bid notice should state that bids are being invited for an estimated quantity of supplies, works or services under the framework contracting arrangement.
- 6.4 The Standard Bidding Document should clearly indicate the following:
- i. An estimate of the quantities of the materials the Entity intends to buy.
 - ii. The estimated unit costs (to be completed by bidders).
 - iii. The estimated total bid price and price schedules should be based on the estimated quantity of supplies or services
 - iv. The duration of the frame work contract e.g. three months, six months, one year etc should be clearly indicated.
 - v. That payments shall be made against individual call-off orders.
 - vi. The evaluation methodology should include among others, acceptable response times to call-off orders, delivery points.
 - vii. The Statement of Requirements should provide sufficient information to enable bidders to efficiently and accurately prepare bids that are realistic and competitive and to ensure that bids meet the Procuring and Disposing Entity's needs.
 - viii. The other documents forming part of the Contract are the call-off orders issued under the Contract.
 - ix. A sample call-off order, which should be attached to the Agreement form, as an example of the call-off orders to be placed under the framework contract supported by a list of supplies, scope of work or terms of reference for the services and price schedule.
 - x. The call-off order must be signed by the authorised signatory, who is defined in the Special Conditions of Contract.

7.0 Management of Framework Contracts

- 7.1 Where a framework agreement is concluded with one provider, call-off orders under the agreement should be issued on the basis of the terms laid down in the agreement, refined or supplemented by other terms in the framework agreement but not agreed at that time. There
-

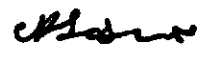
The Public Procurement And Disposal of Public Assets Guidelines, 2014

should not be substantive change to the specification or the terms and conditions agreed at the time that the framework is awarded.

- 7.2 Where the framework agreement has been entered into with several providers for several items at different prices, the Procuring and Disposing Entity shall issue a call off order to the provider for only the item(s) with the lowest price.
- 7.3 Where the lowest priced bidder cannot supply the full or some of the requirements of a particular call off order at the time required, the PDE shall make a call off order from the next provider with a higher price for the supplies the first provider had failed to deliver.

Signed:


.....
Chairman of the Board of Directors


.....
Executive Director of the Authority

PUBLIC PROCUREMENT AND DISPOSAL OF PUBLIC ASSETS AUTHORITY