Framework Agreements in the Procurement Process

This guide outlines the proper use and benefits of incorporating framework agreements into the procurement process and how to undertake the process effectively. Including Framework Agreements into an organization’s procurement arsenal adds a level of flexibility and agility to their capabilities that is not typically achievable with the standard procurement options.

# Using this guide

This guide accompanies the Cayman Islands Government (CIG)’s procurement law and regulations. Refer to the Central Procurement Office’s policies for mandatory requirements. Visit the CIG’s Central Procurement Office website at [www.procure.gov.ky](http://www.procure.gov.ky).

Associated Guidance Material – Procurement Manual

# What is a Framework Agreement?

A Framework Agreement is a means of contracting for specific works, goods or services that are not related to a specific project but are needed by an organization to support its operations and are expected to arise on an indefinite or repeated basis. Framework Agreements are a basic arrangement with a vendor or multiple vendors to supply their good and services under a predetermined pricing structure and on the specified terms and conditions within a specified period of time.

This guide assists practitioners in determining how and when framework agreements may be a viable option for their contracting needs and details how the system can benefit an organization’s broader objectives.

# Benefits

The use of a framework agreement can be beneficial for all parties. For the supplier, a framework agreement may:

* Reduce the administrative cost associated with bidding for projects;
* Provide surety to them through longer than usual term agreements; and
* Create a sustainable investment and employment environment.

For the government, a framework may:

* Reduce the time spent on developing procurement documents for similar products or services;
* Provide faster access to products or services; and
* Improve the consistency in the quality of supply and supplier relations in the long term;

# The Use of Framework Agreements

A framework agreements should be used where an entity has a repeated requirement for works, services or supplies but the exact quantities are unknown. Frameworks are generally more suited to the procurement of commodities and non-complex purchases where the specifications for the products or services being procured are straightforward.

Every framework agreement should clearly outline the scope under which the framework will and will not be utilised. Solicitation documents released should outline at minimum the:

* Specifications of the products and/or services required;
* Estimated quantity of the product and service needed over the term of the agreement;
* The maximum number of vendors the framework will allow;
* Terms and Conditions for supply; and
* How contracts will be awarded during the term of the agreement.

It is important to keep in mind that the use of framework agreements must not be made in such a

way as to prevent, restrict or distort competition.

## Structure of a Framework Agreement

Depending on the size of the market related to the procurement, framework agreements can take many forms. A framework agreement may take any of the following structures:

* 1 Contracting Entity and 1 Vendor
  + Used where the needs of an entity are very specific and the options for vendors are limited.
* 1 Contracting Entity and Multiple Vendors
  + Used where the needs of an entity are very specific and the options for vendors are plentiful.
* Multiple Contracting Entities and 1 Vendor
  + Used where the needs of various entities are shared and the options for vendors are limited.
* Multiple Contracting Entities and Multiple Vendors
  + Used where the needs of various entities are shared and the options for vendors are plentiful.

Suppliers should be made aware of which frameowrk structures is being utilised in the solicitation documents. Where a mutli-vendor framework is used, it is also important to clearly define how contracts will be awarded during the agreement. It is essential to plan and structure the framework agreements as accurately as possible from the beginning because new contracting entities, vendors, goods or services should not be added to it after it is established and there should be no substantial amendments to the terms and conditions or supply. The term of the agreement is also key to the success of framework agreements as too short of a time will defeat the purposes but too long of a time could restrict competition in the market or prevent new solutions from being explored during the term, especially in technology related tenders.

# Managing Framework Agreements

Supplier engagement is an important element in contract management. Working collaboratively with a supplier will give the organization a better understanding of the supply chain and any issues or risks impacting the supply chain. For the supplier, open communication will give them a better understand of the organization’s business needs and may contribute to improvements in business efficiency, drive innovation and/or identify service delivery opportunities.

Contract managers should implement strategies to capture information from suppliers to feed into future procurement arrangements. This will ensure that procurement is being considered as a cycle, rather than a one-off end-to-end process. Contract managers should be clear with the vendors on what key performance indicators are being used to track their performance. Where multiple vendors are included in a frame work agreement, these KPI’s can be included in the decision-making process of deciding which vendors are selected for supply throughout the term of the agreement.

# Examples of Framework Agreements

* A single government department enters into a framework agreement for stationery with three suppliers.
* Four departments enter into a framework agreement with one vendor for the maintenance of roads.
* A central purchasing body, acting on behalf of 3 emergency services bodies, enters into a framework agreement with four providers for the supply of emergency vehicles.