

Workshop on Framework Agreement and Two-Year Procurement Cycle at Proshika HRDC, Koitta, Manikgonj, March 6–8, 2012

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April 2012



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The SIAPS logo consists of the word "SIAPS" in a bold, green, sans-serif font, followed by a stylized blue graphic of a person with arms raised in a 'V' shape.

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The goal of the Systems for Improved Access to Pharmaceuticals and Services (SIAPS) Program is to assure the availability of quality pharmaceutical products and effective pharmaceutical services to achieve desired health outcomes. Toward this end, the SIAPS result areas include improving governance, building capacity for pharmaceutical management and services, addressing information needed for decision-making in the pharmaceutical sector, strengthening financing strategies and mechanisms to improve access to medicines, and increasing quality pharmaceutical services.

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Hussain, Z., M. Tukai, J. A. Adu, A. I. Khan. 2012. *Workshop on Framework Agreement and Two-Year Procurement Cycle at Proshika HRDC, Koitta, Manikgonj, March 6–8, 2012*. Submitted to the US Agency for International Development by the Systems for Improved Access to Pharmaceuticals and Services (SIAPS) Program. Arlington, VA: Management Sciences for Health.

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ACRONYMS AND ABBREVIATIONS

ADB	Asian Development Bank
CMSD	Central Medical Stores Depot
CPTU	Central Procurement Technical Unit
DFID	UK Department for International Development
DGFP	Directorate General of Family Planning
DGHS	Directorate General of Health Services
DNS	Directorate of Nursing Services
FPO	family planning officer
FWA	framework agreement
FWC	framework contract
HED	Health Engineering Department
HPNSDP	Health, Population, and Nutrition Sector Development Program
ICB	international competitive bid
L&S	Logistics and Supply Unit
LCF	Logistics Coordination Forum
LD	line director
MOHFW	Ministry of Health and Family Welfare
NCB	national competitive bid
PE	procuring entity
PLMC	Procurement and Logistics Management Cell
PPR	Public Procurement Regulations 2008
PWD	Public Works Department
SBD	standard bidding document
SIAPS	Systems for Improved Access to Pharmaceuticals and Services
SPS	Strengthening Pharmaceutical Systems
STD	standard tender document
USAID	US Agency for International Development
WB	World Bank

BACKGROUND

The Government of Bangladesh promulgated Public Procurement Act 2006 and Public Procurement Regulations (PPR) 2008, which constitute a major reform in the field of public procurement. Procurement guidelines allow employees and suppliers to—

- Adhere to the main pillars of sound public procurement, namely, economy, efficiency, and fair access
- Maintain transparency in procurement procedures and decisions
- Ensure best practices and good judgment

As far as possible, these rules and acts will be followed in all procurements of goods, services, and works. The regulations are accompanied by “The Public Procurement Processing and Approval Procedures”, which stipulate the processing time for the approval of all procurement decisions.

Procurement faces a challenge in providing adequate and timely support to program implementation in Bangladesh, and the health sector is no exception. Procurement performance has shown both strengths and weaknesses. The plan is to strengthen and assist the office of the Joint Secretary (Development and Medical Education), Ministry of Health and Family Welfare (MOHFW), to enable it to discharge its responsibility in matters of procurement and logistics by establishing the Procurement and Logistics Management Cell (PLMC). This cell would be responsible for coordinating and supervising decentralization, training, and capacity building efforts, including those required within the key procuring entities (PEs) under the Health, Population, and Nutrition Sector Development Program (HPNSDP). Establishment of the cell has begun, but is not yet complete.

The Strengthening Pharmaceutical Systems (SPS) and Systems for Improved Access to Pharmaceuticals and Services (SIAPS) Programs made recommendations for improving the lead time for completion of the procurement processes. One such recommendation is the introduction of a two-year procurement cycle and the use of framework agreements (FWAs) for local procurement. Program interventions in the Directorate General of Family Planning (DGFP) have been successful and have led to expanding the efforts to cover MOHFW and its implementing agencies.

Purpose

This workshop is the result of several discussions between SIAPS, MOHFW (including its key directorates (i.e., DGFP, Central Medical Stores Depot [CMSD] under the Directorate General of Health Services [DGHS], and other PEs), the World Bank (WB), the US Agency for International Development (USAID), and partners in HPNSDP (i.e., Logistics Coordination Forum [LCF]).

The main goal of the workshop was to improve the procurement practices of MOHFW by introducing FWAs and two-year international competitive bids (ICBs).

The two-day workshop was facilitated by SIAPS and funded by USAID in joint collaboration with the WB. It was organized as part of SIAPS technical assistance to support MOHFW.

The specific objectives were to—

- Explain what FWAs, multiyear contracts, and two-year ICBs are (including any misconceptions) and their differences and to build consensus on their use
- Discuss and reach a consensus on implementation of FWAs and framework contracts(FWCs)by Logistics and Supply (L&S)/DGFP and CMSD/DGHS
- Develop a road map that will enable DGFP and DGHS to adapt a two-year cycle for ICB procurement to reduce the time and workload of desk officers

Participants

This workshop gathered about 45 participants from MOHFW, ranging from the senior secretary to the technical staffs from all the PEs; in addition, representatives from MOHFW's key partners also attended (annex 2).

Workshop Methodology

Several organizational meetings were held prior to the workshop. The workshop agenda, facilitators, and participant lists were prepared by MOHFW with assistance from SIAPS and the WB. The workshop included presentations ([Annex 4](#)) plenary and group discussions, and question and answer sessions.

Inaugural Session

The welcome remarks were made by Dr. Zubayer Hussain, (SIAPS Country Director) and Ms. Aktari Mamtaz (Additional Secretary, Development and Medical Education, MOHFW). In her remarks, Ms. Iffat Mahmud of the WB stated that execution of an FWA for an ICB would be possible if the WB, Asian Development Bank (ADB) implemented it; this has never happened before whereas FWAs for national competitive bids (NCBs) are practiced in many countries.

During her opening remarks, Ms. Mamtaz (also the chair for day one) emphasized the importance of the workshop. She stated that the MOHFW procurement process needs interventions to make it efficient and that the use of FWAs and two-year ICBs will help improve the procurement process. She therefore urged the participants to take the workshop seriously and participate fully to gain more in-depth understanding.

WORKSHOP PROCEEDINGS FOR MARCH 7, 2012 (DAY ONE)

Framework Contract Overview

The first presentation was on FWAs, expertly delivered by Mr. Mohammad Mesbahuddin, former chief of the Planning Commission, in collaboration with Joseph Ampomah Adu, Deputy Director, Procurement, SIAPS. The areas covered included—

- Overview of FWAs and FWCs
- Why FWAs and FWCs are needed
- FWA theoretical aspects
- FWC, PPR 2008 provisions (chapter IV, part7, rule 89)
- FWA advantages and limitations

This presentation defined FWCs, how they are implemented, types of FWCs (multi-supplier/single year contract, multi-supplier/multiple-year FWA, single supplier/single-year FWA, and single supplier/multiple-year FWA). The processes of creating and canceling FWAs and FWCs were also described.

The presenter emphasized the importance of the FWA and the need for changes in mind-set, given time, of procuring staffs, suppliers, and the procurement environment. This should be a win-win approach for everyone, allowing suppliers, consultants, and contractors to be respected and taking the program towards public-private partnerships. Mr. Mesbahuddin repeatedly said that relationships between procurers and suppliers must be in excellent shape, which is only possible through behavior change and changing the mind-set of all concerned. He explained that FWA is not a method of procurement but a kind of contract. Therefore, there is no need to prepare a separate bid document, but only to make necessary modifications in existing templates and standard tender documents (STDs).

In his part of the presentation, Mr. Adu explained the time-saving benefits (hours, workforce, money, etc.) of FWAs by comparing the present procurement cycle of 22 steps to an FWA-based cycle with only 6 steps.

Two-Year ICB Cycle

The second presentation was on the two-year ICB cycle for selected items, again delivered by Mr. Adu. The focus was to introduce a multi-year contract based on a single tendering process.

The presentation aimed at helping participants understand the—

- Need for a two-year procurement cycle
- Two-year procurement cycle process/implementation
- FWA call-offs (multiple orders)
- Schedule requirement for a two year tender document
- Prerequisites for the implementation of a two-year procurement cycle

This presentation was followed by an open discussion on the implications of implementing two- year ICB procurement. The pertinent issues raised are the need to understand on how prices change as result of inflation or how international price indicators will affect the contract. In addition, participants wanted to know how to implement a price escalation clause and its effects on the two- year ICB contract. They wanted also to know how the clauses in the STD will be modified to take care of the two-year schedule of delivery requirements.

Questions and Answers

Q. Is FWA applicable to ICB?

A. WB still does not practice; however, a procurement plan is a continuous process, and in many cases, carries some of last year's items and quantities into next year; thus FWAs for ICBs may be possible if WB, ADB operates.

Q. How should a procurement plan cope with price escalation leading to devaluation of the Bangladesh Taka?

A. A price escalation clause should be put in the FWA.

Q. There are only 4 months left of the present procurement year (FY 2011-2012); is it still possible to transfer already advertised packages to FWA?

A. No, it will be complicated because the bidders do not know FWA.

Q. Is there any reason that, because of an FWA, commodities might have to be bought above market price?

A. No. Because an FWA is not a separate procurement method, therefore, it will not affect competition in pricing.

Q. What is mini-tendering in FWA?

A. Mini-tendering starts after Technical Evaluation Committee (TEC) (prequalification). Mini-tendering will enjoy more competition among bidders. Suppliers should be trained to develop their knowledge of FWA.

Q. Will performance security be a problem?

A. No, if discussed with the supplier early in the process. In the bid document, performance security should be mentioned. Performance security should be based on quantity.

Q. Is there any risk of audit objection?

A. No, because auditors will be trained.

Q. FWA in general should be for how long a period?

A. An FWA, in general, should be for 18 to 36 months; the reason is that, due to changes in various matters like price escalation, the FWA will have to be amended.

Group Work

Three groups presented items that can be procured under an FWA with potential challenges that may affect the implementation and provided solutions (annex 3).

Table 1. Summary of Issues and Recommendations from Group Work on FWA

SN	Challenges	Proposed solutions	Remarks
1	Concepts of FWA/FWC are absolutely new and need to be understood by all stakeholders (desk officers, contractors, suppliers, audit personnel, relevant users, media, and approval authorities)	<ul style="list-style-type: none"> • Training and orientation of all stakeholders • Tripartite meeting with Foreign Aided Projects Audit Directorate/ Comptroller and Auditor General 	<ul style="list-style-type: none"> • Use of FWA/FWC on a pilot basis • Workshops, orientations, and tripartite meeting will be organized as a follow-up
2	No standard bidding document (SBD) is available	Modifications are needed in the existing STDs developed by the CPTU ^a for open tender methods & limited tender methods	Expert help will be provided for the modifications of STDs and CPTU's endorsement will be taken on modified documents
3	Accurate forecasting of requirement from line directors (LDs)	<ul style="list-style-type: none"> • Introduce a 2-year rolling procurement plan • Review and proper planning by the LDs prior to placing the order 	Will need to do full forecasting and quantification exercise on some selected items that are routinely procured and are more adaptable to FWA
4	Fixing performance security	Performance security will be set at secondary stage (call-off stage) based on actual ordering	Performance security will be based on call-off
5	Settlement of price escalation issue	Develop a mechanism to review the price in the real context	Already taken care by PPR 2008; however, when estimating PEs should also consider non-price issues to make the estimate realistic and close to future market prices
6	Retention of trained staff and loss of institutional memory	MOHFW should take measures so that trained personnel are retained for a minimum of three years	Dialogue with authority for their agreement
7	Control by the local authority may decrease		The authority for order and payment still lies with respective PEs and therefore no loss of authority

SN	Challenges	Proposed solutions	Remarks
8	Thresholds for NCBs (because cumulative estimated cost exceeds the maximum level for NCBs)		Threshold will be for individual call-off not total estimate of requirement in the umbrella agreement and WB will set a maximum cap for each call-off
9	WB does not approve FWC for ICBs		The process is for Government of Bangladesh-funded and NCB of reimbursable project aid (two-year ICB is allowed under RPA)
10	Risk of collusive practice among bidders		<ul style="list-style-type: none"> • Issue is common in existing system • Risk is real and therefore the contract issues on collusion and corruption need work

^aCPTU, Central Procurement Technical Unit

Procurement Plan Template

At the end of day one, the additional secretary, MOHFW, requested an evening session from 6:30 p.m. to 8:00 p.m. to discuss the procurement plan template for the two-year cycle.

All the participants assembled as requested and the draft template was discussed and agreed. This template will be part of the training on the MOHFW Supply Chain Management Portal for LDs and desk officers of PEs.

Name of OP:
Line Director
Financial Year: 2012-14

MSR Requirements

SI No.	Item Group	Item Code	Name of Item with description	Unit	Quantity Required		Unit Price (Tk)	Total Price (in Lac Tk)	Source of Fund	Remarks
					2012-13	2013-14				
1	Essential Drug									
2	Furniture									
3	Office Equipment									
4										
5										
6										
7										
8										

Figure 1. Procurement plan template for the two-year cycle

WORKSHOP PROCEEDINGS FOR MARCH 8, 2012 (DAY TWO)

Ms. Aktari Mamtaz opened the second day by acknowledging the presence of representatives from development partners, namely, Dr. Sameh El-Saharty, Task Team Leader, WB, Bangladesh; Mr. Marghoob Hussain, Senior Procurement Specialist, WB; Dr. Jason Lane, UK Department for International Development (DFID) Technical Assistance Advisor to MOHFW; and Mr. Yogesh Rajkotia, Advisor to MOHFW, Health Systems Strengthening.

Ms. Mamtaz and Mr. Mesbahuddin did a recap of the first day, reviewed potential problems of implementing an FWA and a two-year ICB procurement, and proposed solutions.

World Bank Presentation of FWAs and FWCs

Mr. Marghoob Hussain of the WB did a presentation that focused on FWC, gave examples of countries and organizations that are using FWAs, and also gave examples of where immediate improvements could be obtained. For example—

- Information and concrete proposals can help achieve quick economic savings in government expenditures (purchasing)
- Diagnostic and proposal cost reduction strategies and implementation can quickly integrate FWCs and FWAs into the procurement system
- Effective entry point can engage country clients to pursue significant changes

He stated that the key ingredients are clients' ownership, WB's commitment, management's expectations, and teamwork.

Other advantages include—

- Latin American countries (LAC), Indonesia, Philippines, and European countries have adopted FWCs
- More transparent alternative to shopping
- FWC prices better than individual NCBs(e.g., computers in Chile)
- FWAs do not restrict decentralized procurement

The presentation from WB also provided links to important sites for information on FWAs.

Afterward, there was an open discussion that allowed participants to ask Mr. Hussain and Mr. Mesbahuddin questions about FWCs and the two-year procurement cycle. Some issues include—

- Training for new and transferred staff
- Increasing workloads despite control by local authorities

- Forecasting would be necessary for FWAs; SIAPS Bangladesh has started working on five-year forecasts of items for DGFP
- Pre-shipment inspection should be mandatory for two-year procurement cycle of ICB; commodity should have long life and supplier should ensure adequate shelf life
- FWA is made with at least two, but generally three, suppliers whereas the present practice of NCB contracts are made with one supplier
- FWAs can be cancelled if the supplier fails to follow the contract agreement; for example, WB said that FWA in Panama reduced corruption in procurement
- To implement the two-year cycle, the PEs will need to take a look at their storage facility needs and consumption trends; WB guideline does not cover FWAs
- FWAs are generally used for goods procurement
- When there is a dispute between the PE and a supplier, the United Nations Commission on International Trade Law (UNCITRAL) acts to reduce and resolve the dispute
- For FWAs, evaluation criteria need to be set on the basis of ranking so that short-listing suppliers can sign call-off contract
- Because suppliers have not yet been informed and thus are not ready, would be better to start with low-risk items
- WB will not relax supply experiences and other qualifications of bidders
- In case of availability of only one supplier(for example, oxygen cylinders), that supplier will be contacted for direct procurement, rather than using an FWA
- FWAs should not reduce competition among bidders
- Prequalification of bidders is basically done for works procurement; for contraceptives procurement, it is better to avoid selection of prequalified bidders

Comments from MOHFW

After lunch, Ms. Mamtaz welcomed Mr. Humayun Kabir, Senior Secretary, MOHFW, and also acknowledged the presence of all representatives and colleagues from partner organizations. With support from Mr. Mesbahuddin, she presented a brief report of what took place in the workshop and presented the issues, challenges, and proposed solutions that were refined and agreed on by all participants earlier in the day.

She said that MOHFW has decided to introduce FWAs for NCBs and the two-year procurement cycle for ICBs. She then handed over the chairmanship to Mr. Kabir, who chaired the remaining session until the close of the workshop.

Next Steps

At this session, Mr. Mesbahuddin looked at the draft implementation plan for the FWAs and two-year ICB procurement cycle. After the review, it was agreed that the steps with finalized dates should be handled by SIAPS-Bangladesh in consultation with the senior secretary and additional secretary as part of the final report.

Table 2. Way Forward: Implementation Plan For FWA and Two-Year ICB Procurement Cycle

SN	Activity	Methodology	Tentative timeframe (2012)	Responsibility
1	Awareness and training of all stakeholders for FWC	Orientation workshop and training	April	PEs (CMSD, DGHS, L&S, DGFP)
2	Finalization of list of items (DGHS/CMSD and DGFP/L&S)	Individual PE finalize list	April 30	CMSD/L&S/Health Engineering Department (HED)/PWD
3	Identifying the conditions and qualification criteria for FWA and FWC	Expert working with desk officers	May 15	Expert/desk officers
4	Modifications of existing SBDs	Expert working with group from MOHFW	May 15	SIAPS/WB/CPTU
5	Orientation for LD and team (MOHFW)	Workshop	June 20	MOHFW/SIAPS
6	Forecasting and quantification of selected items	Expert working with PE and line directors	June 30	MOHFW/SIAPS/Expert
7	Approval of draft version with CPTU and WB	Send by letter and dialogue	July 15	MOHFW

Closing Remarks

Dr. Jason Lane, DFID Technical Assistance Advisor to MOHFW, thanked the organizers and SIAPS for the steps taken to strengthen procurement management. He pledged his and DFID's support for any initiative that will build the capacity of MOHFW.

Mr. Shahidul Islam of USAID acknowledged the work being done by SIAPS to support MOHFW and promised that the USAID Mission will continue to provide assistance to MOHFW.

Dr. Sameh El-Saharty of the WB thanked the organizers and promised that the WB will continue to collaborate with partners to assist MOHFW in its efforts to strengthen procurement management. Dr. El-Saharty said that the USAID-funded program SIAPS deserves thanks for their excellent and

remarkable support provided to MOHFW. He also said that the two-day workshop had extensive discussions which led to decisions on starting FWAs.

Mr. Humayun Kabir, Senior Secretary, MOHFW, emphasized that, on at least a few commodities from DGFP and DGHS/CMSD, packages should be piloted with an FWA for the FY2012-13; he also stated that the process should begin now without wasting a single day. Mr. Kabir thanked USAID and SIAPS for continuous support provided to MOHFW and all of its entities. He also expressed his sincere thanks to all attendees for their active participation and consensus on the way forward.

ANNEX 1. WORKSHOP PROGRAM

Workshop on Framework Contract and Two-Year Procurement Cycle

Organized by: Ministry of Health and Family Welfare

Facilitated by: SIAPS Program

Venue: Proshika HRDC, Koitta, Manikgonj

Tuesday, March 6, 2012

Time	Activities	Responsible
4:00 p.m.	Departure from National Museum main gate, Shahbagh, Dhaka	Participants
6:00 p.m.	Arrival of participants at Proshika HRDC, Koitta, Manikgonj	

Day 1, Wednesday, March 7, 2012

Time	Activities	Responsible
9:00 a.m.	Registration	
9:30 a.m.–10:00 a.m.	Inaugural session—welcome address by SIAPS, remarks by the WB, opening remarks by the chair	Ms. Aktari Mamtaz
10:00 a.m.–10:45 a.m.	Framework contract overview and guiding principles	WB, SIAPS
10:45 a.m.–11:15 a.m.	Tea break	
11:15 a.m.–12:15p.m.	Selecting and agreeing on items for FWCs	Group work
12:15 p.m.–1:00 p.m.	Group presentation and discussions	Facilitator
1:00 p.m.–2:00 p.m.	Lunch break	
2:00 p.m.–2:30 p.m.	Concept of two-year procurement cycle for ICB	SIAPS
2:30 p.m.–3:00 p.m.	Open discussion	
3:00 p.m.–4:00 p.m.	Discussion on tender document for two-year procurement cycle	Group work and presentation
4:00 p.m.–4:30 p.m.	Tea break and closing	
6:30 p.m.–8:00 p.m.	Preparation of draft procurement plan template	Group work by desk officers

Day 2, Thursday, March 8, 2012

Time	Activities	Responsible
9:00 a.m.–10:00 a.m.	Recap of day one and open discussion	
10:00 a.m.– 11:00 a.m.	Modalities for using two-year procurement cycle: presentation and discussion	WB, SIAPS
11:00 a.m.– 11:30 a.m.	Tea break	
11:30 a.m.– 1:00 p.m.	Implementation plan for FWC under MOHFW (two- year procurement)	Plenary
1:00 p.m.– 2:00 p.m.	Lunch break	
2:00 p.m.– 4:00 p.m.	<ul style="list-style-type: none"> • Challenges and proposed solutions – presentation and discussion • Next steps • Closing remarks 	Ms. Aktari Mamtaz Mr. Mesbahuddin Dr. Lane, DFID Mr. Islam, USAID Dr. El-Saharty, WB Mr. Kabir, MOHFW

ANNEX 2. LIST OF PARTICIPANTS

No.	Name of participant	Designation	Organization
1	Md. Humayun Kabir	Senior Secretary	MOHFW
2	Ms. Aktari Mamtaz	Additional Secretary	
3	Dr. Md. Mamtaz Uddin Bhuiyan	Director (Hospital and Clinics)	DGHS
4	Brig. Gen. Ahsan Kabir Khan	Director	CMSD
5	Md. Kafil Uddin	Director (L&S)	DGFP
6	Ms. Badrunessa	Deputy Secretary	MOHFW
7	Dr. Md. Shajedul Hasan	Deputy Secretary	
8	Md. Shafiqul Alam	Senior Assistant Secretary	
9	Md. Momtaz Uddin	Deputy Director (Foreign Procurement), L&S Unit	DGFP
10	Sultana Zakia Akhter	Assistant Director, L&S Unit	
11	Shahnaz Parveen	Assistant Director (Monitoring), L&S Unit	
12	Hanifur Rahman	Assistant Director (Logistics/CWH), L&S Unit	
13	Md. Abdul Baten	Assistant Director (Local Procurement), L&S Unit	
14	Khurished Jahan	Family Planning Officer (FPO), L&S Unit	
15	Md. Jalal Uddin Ahmed		
16	Shahadat Hussain	Procurement Officer, L&S Unit	
17	Md. Shamsuddin Molla	FPO, L&S Unit	
18	Lutfur Rahman		
19	Dr. Md. Luthfor Rahman	Deputy Director (Procurement and Clearance)	CMSD
20	Masum Sajjad	Procurement Office	
21	Mazeda Begum		
22	Shamsun Nahar	Receiving, Storage, and Distribution Officer	
23	Dr. Kazi Mohammad Mamun	Procurement Officer	
24	Dr. Munir Ahmed	Procurement Desk Officers	
25	Dr. M. M. Aktaruzzaman		
26	Md. Altaf Hossain	Assistant Director	DGDA
27	S. M. Sadiqul Islam	Subdivision Engineer, Public Works Department(PWD)	PWD
28	Abul Qayum Khan	Procurement Officer (Assistant Engineer, Electrical)	HED

No.	Name of participant	Designation	Organization
29	Awal Hossain	Coordinator, Directorate of Nursing Services (DNS)	DNS
30	Faisal Hailm	Subdivision Engineer, PWD, Manikgonj	PWD
31	Dr. Amin Uddin	Deputy Director, Family Planning, Manikgonj	
32	Dr. Zubayer Hussain	Country Director	MSH
33	Mavere Ali Tukai	Principal Technical Advisor, Supply Chain Management	
34	Joseph Adu	Deputy Director, Procurement	
35	A. K. M. Abdullah Imam Khan	STA-Procurement	
36	Abdullah al Qaiyum	Program Support Coordinator	
37	Mohammad Mezbauddin	External Consultant to WB	
38	Iffat Mamud	Operations Analyst, Health, Nutrition and Population	WB
39	Mohammad Shahidul Islam	Education Team Leader and Activity Manager for SIAPS	USAID
40	Yogesh Rajkotia	Health Systems Strengthening Advisor	MOHFW/USAID
41	Dr. Jason Lane	Senior Technical Assistance Advisor	DFID
42	Sameh Saharty	Senior Health Policy Specialist	WB
43	Marghoob B. Hussain	Senior Procurement Specialist	WB
44	Dr. Siddheswar Mazumder	Civil Surgeon Manikgonj	
45	Fowze Bin Farid	Superintendent Engineering	PWD

ANNEX 3. GROUP WORK AND RECOMMENDATIONS

Group 1. Physical facilities development

1. Dr. Md. Shajedul Hasan, Deputy Secretary, MOHFW
2. Mrs. Badrunessa, Deputy Secretary, MOHFW
3. Mr. Kazi Shafiqul Alam, Senior Assistant Secretary , MOHFW
4. Mr. S.M. Sadekul Islam, Sub-Divisional Engineer (SDE), Public Works Department (PWD)
5. Mr. Faisal Halim, SDE, PWD
6. Mr. Abul Quiyum Khan, Assistant Engineer, HED

Items proposed to be procured in the next two years under FWC

1. Survey
2. Soil test
3. Solar power system installation
4. Office furniture
5. Stationary and office supplies
6. IT accessories

Envisaged challenges

- Resistance by the small, local contractors
- Contractors understanding FWAs
- Fixing the performance security
- Settlement of price escalation issue
- Cost increases, which will discourage the contractors
- Package formation may be difficult
- Decreased control by the local authority

Proposed potential solutions

- Orientation of the suppliers and clients
- Performance security may be set at lower level
- Develop a mechanism to review the price in the real context
- Procurement can be done item by item

Group 2. CMSD with Drug Administration and DNS

1. Dr. Md. Luthfor Rahman, Deputy Director (Procurement and Clearance), CMSD
2. Mr. Masum Sajjad, Procurement Desk Officer, CMSD
3. Ms. Mazeda Begum, Procurement Desk Officer, CMSD
4. Ms. Shamsun Nahar Receiving , Storage and Distribution Officer, CMSD
5. Dr. Kazi Mohammad Mamun, Procurement Desk Officer
6. Dr. Munir Ahmed, Procurement Desk Officer, CMSD
7. Dr. M. M. Aktaruzzaman, Procurement Desk Officer, CMSD

8. Mr. Md. Altaf Hossain, Assistant Director, DGDA
9. Mr. Awal Hossain Coordinator, DNS

Items proposed to be procured in the next two years under FWC

1. All pharmaceuticals – injectable, oral, topical, and others
2. Disinfectants
3. Computer and laptop, printers
4. Chemicals and reagents
5. Medical gases
6. Weighing machine
7. LLINs
8. Office stationary
9. Hospital bed
10. Gloves and syringes
11. Carry bag
12. Deltamethrine
13. Wooden and steel furniture
14. UPS and stabilizer
15. Sputum cup and glass slide

Envisaged challenges

- Concept is absolutely new
- Accurate forecasting of requirement from LDs
- Confirmation of budget allocation
- SBD not available

Proposed potential solutions

- Build up awareness among the bidders along with the PE
- Review and proper planning by the concerned LDs prior to placing the demand
- Budget should be assured before submitting the demand
- Need for modification of SBD prepared

Group 3. Directorate General of Family Planning (DGFP)

1. Mr. Md. Momtaz Uddin, Deputy Director (Foreign Procurement), L&S Unit
2. Ms. Sultana Zakia Akhter, Assistant Director(L&S)
3. Ms. Shahnaz Parveen, Assistant Director(Monitoring), L&S Unit
4. Mr. Hanifur Rahman, Assistant Director(Logistics/CWH), L&S Unit
5. Mr. Md. Abdul Baten, Assistant Director(Local Procurement), L&S Unit
6. Ms. Khurished Jahan, FPO, L&S unit
7. Mr. Md. Jalal Uddin Ahmed, FPO, L&S Unit
8. Mr. Shahadat Hussain, Procurement Officer, L&S Unit
9. Mr. Md. Shamsuddin Molla, FPO, L&S Unit
10. Mr. Lutfur Rahman, FPO, L&S Unit

Items proposed to be procured in the next two years under FWC

- Gas refilling
- Office stationary
- 8 Reproductive tract infection/sexually transmitted disease drugs

Envisaged challenges

- Thresholds for NCBs, because cumulative estimated costs exceed the maximum level for NCBs
- WB does not approve FWCs for ICBs
- Fix performance security
- Bidders' lack of knowledge about FWAs
- Budgets allocated yearly; what will be the allocation system for FWAs?
- Lack of coordination on budget allocation on the basis of annual development program
- Risk of audit objections
- Risk of collusive practices among bidders

Proposed potential solutions

- Reset threshold for FWA
- Orientation of bidders, concerned ministries, auditors about FWA
- Coordination among the concerned ministries

ANNEX 4. PRESENTATIONS

Four main presentations followed by three group presentations

Presentation One



What are the disadvantages of framework agreements?

- Unresponsive to change:
 - There may be new suppliers and/or new solutions within the market that were not included when the framework agreement was initially set up.
- One size fit all approach
 - The main advantage of framework agreement is speed and low cost but it may not meet the government strategic objective such as creating employment or use of **domestic preference**



What is commonly procured using framework agreements?

- Framework agreements are typically used where the authority knows they are likely to have a need for particular products or services, but are unsure of the extent or schedule. So framework agreements are commonly set up to cover things like office supplies, IT equipment, consultancy services, repair and maintenance services etc.



Why do we need framework agreements?

- Reducing the procurement process from 22 steps to 6 steps as follows:
 - One Supplier
 - Issue call-off order – Receive goods
 - Multiple Suppliers
 - Mini Tender –evaluate, get approval , NOA, sign contract– receive goods
- Reduction in tendering cost



Why framework contract - local





Expected outcomes

- Get common understanding of Framework Contract
- Setup procedures for implementation framework contract
- Agree on implementation plan for using framework contract
- Agree on items which will be procured using framework contracting

Session Outline

- Introduction
- Overview of Framework Agreement(FWA) and Framework Contract(FWC)
- Why do we need FWA and FWC
- Commonalities between two year ICB and framework contracts

Presentation Two

Framework Agreement(FWA) and Framework Contract(FWC)

Mohammad Mesbahuddin
Former Division Chief, Planning Commission



Framework Agreement: Theoretical Aspects

- The Framework Agreement (FWA) is not a method of procurement itself but a special kind of contracting mechanism where long-term contracts are made up of many smaller repeat orders
- The contract operates as a framework or “umbrella” for each of the individual smaller procurement for a certain period of time
- The full agreement is covered by the terms of the FWA, while the individual procurement may have specific conditions of their own



Framework Agreement: Theoretical Aspects (Continued)

- The mechanism operates at two distinct levels: FWA sets the governing terms and conditions of engagement within which the client(s) issued call-off for individual smaller procurement using a purchase order which is treated as a separate contract. Hence sometimes FWAs are called Call-off Contract or Term Contract



Framework Agreement: Theoretical Aspects
(Continued)

Governing Terms & Conditions for FWA	General Spec a..... b.....	Duration 12 Months	Quantity +/- 25% 200 Ton	Price Tk.50,000/Ton	
Specific Terms and Conditions for Individual Purchase Order	Quarter	Q1	Q2	Q3	Q4
	Quantity	10 Ton	50 Ton	100 Ton	50 Ton
	Delivery	15 July	15 Oct	15 Feb	15 June
	Detailed Spec				



Framework Agreement: Theoretical Aspects
(Continued)

- Typical contents of a FWA:
 - Governing terms and conditions
 - Agreed price lists (unit price) and discount structures
 - Duration of agreement with no work order guarantees
 - Annual review and escalation (price as well as physical) mechanism
 - Service-level agreement (packaging, transportation, delivery point, spare parts, replacement, warranty, etc.)
 - General specification(to ensure minimum required quality)
- 

Framework Agreement: Theoretical Aspects
(Continued)

- Typical contents of a Call-off order:
 - Order details (volume/quantity, cost, delivery date)
 - Specific details (including detailed specifications and/or schedule variation, if permissible under governing terms and conditions)
 - Name of requisitioner
 - Authorized signature
- 

Framework Contract (FWC): PPR, 2008
Provisions
(Chapter-IV, Part-7, Rule 89)

- May be applied for supply of a quantity of similar Goods & related Services at specified prices during a defined period [Rule 89(1)]
- Concluded following Open or Limited Tendering Method for a range of Goods and physical Services for a given period of time not exceeding 3 years [Rule 89(2)]
- Price of Goods procured under FWC should not higher than market price [Rule 89(3)]



Framework Contract: PPR, 2008 Provisions
(Chapter-IV, Part-7, Rule 89) (Continued)

- Different forms of FWC [Rule 89(4)]:
 - a. Definite quantity from a sole Supplier for successive deliveries over a specified period of time with option for additional quantities
 - b. Approximate quantities from a sole supplier for successive deliveries over a defined period of time with or without option for extension of period



Framework Contract: PPR, 2008 Provisions
(Chapter-IV, Part-7, Rule 89) (Continued)

- c. Approximate quantities from several Suppliers on item by item basis for successive deliveries over a defined period of time with or without option for extension of period
- d. Approximate quantities of one or more items from a sole or a number of Suppliers for successive deliveries over a shorter period of time without option for extension of period
- e. Procuring transport services by inviting tender on item-by-item or lot-by-lot basis within a defined period not exceeding 2 years.



Framework Contract (FWC): PPR, 2008
Provisions
(Chapter-IV, Part-7, Rule 89)

- May be applied for supply of a quantity of similar Goods & related Services at specified prices during a defined period [Rule 89(1)]
- Concluded following Open or Limited Tendering Method for a range of Goods and physical Services for a given period of time not exceeding 3 years [Rule 89(2)]
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Framework Agreement: Theoretical Aspects
(Continued)

- The mechanism operates at two distinct levels: FWA sets the governing terms and conditions of engagement within which the client(s) issued call-off for individual smaller procurement using a purchase order which is treated as a separate contract. Hence sometimes FWAs are called Call-off Contract or Term Contract



Framework Agreement:
Theoretical Aspects

- The Framework Agreement (FWA) is not a method of procurement itself but a special kind of contracting mechanism where long-term contracts are made up of many smaller repeat orders
- The contract operates as a framework or “umbrella” for each of the individual smaller procurement for a certain period of time
- The full agreement is covered by the terms of the FWA, while the individual procurement may have specific conditions of their own



Framework Agreement:
Advantages and Limitations

- Advantages:
 - Savings on time, energy and cost of retendering
 - Benefit of economies of scale due to large purchase
 - Developing a long term close relationship with the Suppliers
- Limitations:
 - A new concept in public sector procurement of Bangladesh
 - Suppliers are not familiar with FWA and not coming forward to tender



Presentation Three



Presentation Outline...

- To understand why we need a two year procurement cycle
- To understand the two year procurement cycle process/implementation
- Understand the call-offs (multiple orders)
- To understand the schedule requirement for a two year tender document
- To understand the prerequisites for the implementation of a two year procurement cycle



Definition

- International Competitive Bidding is defined as Open International tender which provide an equal opportunity to eligible bidders for the required goods and works.

The need for a 2 year ICB Procurement Cycle

- The new Health Population and Nutrition Sector Development Program of Work (HPNSDP)
- Two year procurement has been recommended in all MOHFW procurement entities assessments



The current Cycle



The current procurement cycle



Current Procurement cycle(12 months) requirement with one Delivery

	2011/12	2012/13	2013/14	2014/15	2015/16
Procurement Process	Supplies				
	Procurement Process	Supplies			
		Procurement process	Supplies		
			Procurement Process	Supplies	



Proposed Procurement Cycle



Two Year contract for ICB



Proposed Procurement Cycle (24 Months) requirement with two or more deliveries

2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
	Procurement Process	Supplies for two years – multiple deliveries			
			Procurement Process	Supplies for two years – multiple deliveries	

Note:

The Multiple deliveries will be made based on call-off orders by the procuring entity within the procurement timeframe



Example of a Schedule of Requirement for 2 years

Item Description		2012-13		2013-2014	
Injectable Contraceptives (Medroxy-progesterone Acetate - MPA)		12 million		12.5 million	
Sub Package No.	Description	Quantity Year 12.13	Quantity Year 13.14	Delivery: Inverse to the date of opening of letter of credit in case of goods supplied from abroad and from the date of contract signing in case of the goods supplied from within the country.	Mode of shipment
1	Injectable Contraceptives (Medroxy-progesterone Acetate - MPA)	6 million vials	6.25 million Vials	The delivery of first shipment of 2 million vials shall be completed within 12 weeks and subsequent delivery of 2 million vials shall be completed within the next 4 weeks. The delivery of entire quantity shall be completed within 16 weeks to the final destination.	CFR, Central Warehouse, Moulvibazar, Dhaka, Bangladesh
2	Injectable Contraceptives (Medroxy-progesterone Acetate - MPA)	6 million vials	6.25 million Vials	The delivery of first shipment of 2 million vials shall be completed within 12 weeks and subsequent delivery of 2 million vials shall be completed within the next 4 weeks. The delivery of entire quantity shall be completed within 16 weeks to the final destination.	CFR, Central Warehouse, Moulvibazar, Dhaka, Bangladesh



Advantages of a 2 year ICB Procurement cycle

- Reduce Workload of Desk Officers
- By reducing the procurement steps within the 2 year procurement cycle may improve procurement efficiency (from 36 to 24 within the two years)
- Allows split deliveries – minimize stock holding expenses, may reduce expiries risks and minimize wastage (pilferage, damaged)
- Improve Lead Time By Minimizing Overlapping Processes
- By managing call-offs -It improves Inventory Control – Monitor Demand, Distribution, Stock Levels



What do we need for an effective 2 year procurement cycle

- Policies and Guidelines in place
- Trainings
- Agreed items to be procured using a two year mechanism
- Approval to allow procurement process to start/continue without linking it to budget allocation for a particular year



Presentation Four

Framework Contracts



Marghoob Bin Hussein
Sr. Procurement Specialist
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Courtesy: J.N.V. Malta, Senior Procurement Specialist, Latin America and Caribbean Region, The World Bank

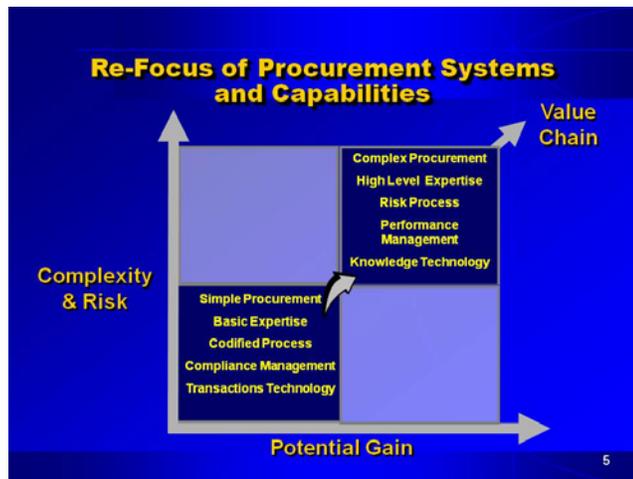
Definitions	Definitions
<ul style="list-style-type: none">> EC: Framework Agreements = agreement between one/more contracting agency(ies) and economic operator(s) ... to establish the terms governing contracts to be awarded during a given period ... with regard to price and ... the quantities envisaged> USA: Government-Wide Acquisition Contracts (GWAC) Indefinite Delivery/Indefinite Quantity (IDIQ), Multiple Award Schedules (MAS) = multiple standing contracts with subsequent competition for task or delivery orders	<ul style="list-style-type: none">> UNCITRAL: Framework Agreements = transaction to secure the supply of a product or service over a period of time (periodic/recurrent purchase arrangement, periodic requirements arrangement, periodic supply vehicle) [Ref: UNCITRAL Model Law Chapter 7; Articles 58 through 63]

Changing Nature of Government Procurement

back office function	→	central to strategic management
sourcing considerations	→	strategic business decisions
largely goods	→	complete service solutions
suppliers	→	strategic partners
simple process	→	complex contracts & relationships
low value, low risk	→	high value, high risk

Government procurement is being driven by budget and performance expectations to become more complex and strategic.

4



Rationale

- Facilitated by electronic means, framework agreements are increasingly applied in public procurement
- Countries worldwide, including World Bank client countries, use framework agreements as part of their public procurement systems (NCBs)
- EU Directive refers to framework agreements and dynamic purchasing systems

Rationale Cont.

- Revised Procurement Model Law of UNCITRAL will include framework agreements
- USA: 40% of \$400 billion federal procurement volume through interagency framework agreements

Benefits and Risks

- Benefits include:
 - reduced transaction costs
 - increased efficiency of the procurement process
 - cost savings by aggregated demand
 - mandatory use – reducing maverick buying
- Risks include:
 - lack of transparency and competition
 - market distortion/concentration
 - Potential for misapplication in procurement of Services
 - discrimination against SMEs

Standard Components

- Typically for common use goods, services, or works
- Competitive selection of and award to one/multiple economic operators (EO) with terms and conditions set out in the framework agreement
- Subsequent purchase orders (call-offs, contracts, etc.) based on the terms and conditions set out in the framework agreement

Different Models (e.g. UNCITRAL)

- Traditional Framework Agreements (Model 1):
 - One EO and defined terms (period, min/max quantity, price)
 - Option of multiple EOs (purchasing orders based on lowest price or availability)
 - Facilitated by E-Catalogues

Different Models (e.g. UNCITRAL)

- Closed Framework Agreements (Model 2):
 - Multiple (at least 3) EOs
 - Not all terms need to be defined
 - Competitive purchase orders (e.g. ERA, quotations)

- Open Framework Agreements (Model 3):
 - Same as Model 2
 - Admit new EOs (e.g. DPS)
 - No obligation for purchaser/EO

Issues

- Type of goods, services, works
- Legal Obligations for procuring entity and EOs – mandate Vs non-mandated
- Number of framework awardees and equal treatment within framework agreement
- Terms of framework agreements

Issues Cont.

- Competition within framework agreements
- Thresholds for framework agreements and purchase orders within a framework agreement

Examples (Practice)

- ChileCompra – electronic catalogue for frequently-demanded products allows government agencies to purchase without the expense and delays of inviting bids (average price reductions of 7-10%)

- West African Economic and Monetary Union Directive – framework agreements typically based on max/min quantity or value for the duration of one year – with option to extend for another year

QUICK GAINS Opportunity for Savings

- > Provide information and concrete proposals to achieve quick economic savings in government's expenditures (purchasing).
- > Two steps: (1) Diagnostic and proposals of cost reduction strategies; (2) Implementation
- > Effective entry point to engage country clients to pursue significant subsequent changes
- > Key ingredients: Clients' ownership, WB's commitment, management expectation, team work

Implications for the Bank - LAC

- > LAC - many countries adopting framework contracts
- > More transparent alternative to shopping
- > Framework contract prices better than individual NCB
e.g. Computers in Chile

Useful Links

- > ChileCompra – framework agreements (electronic catalogue) accepted as alternative to shopping
- > <http://www.edocr.com/doc/664/eliminate-maverick-buying-closing-gap-between-sources-supply-and-demand-through-web-based-pr>
- > UNCITRAL Public Procurement Model Law 2011
- > European Commission- Public Procurement Policy- Explanatory Note- Framework Agreements

Group Work Presentations

Group One. HED

Group –Physical Facilities Development(PFD)

Name of Group Members:

1. Dr. Md. Shajedul Hasan, Deputy Secretary, MOHFW
2. Mrs. Badrunessa, Deputy Secretary, MOHFW
3. Mr Kazi Shafiqul Alam SAS ,MoHFW
4. S.M. Sadekul Islam, SDE, PWD
5. Faisal Halim, SDE, PWD
6. Abul Quiyum Khan, Assistant Engr., HED

Areas of framework contract for PFD procurement

1. Survey
2. Soil test
3. Solar power system installation
4. Office furniture
5. Stationeries
6. IT accessories

Challenges

- Resistance by the small local contractors
- Understanding of the contractors about FWA
- Fixing the Performance security
- Settlement of price escalation issue
- Cost may increase which will discourage the contractors
- Package formation may be difficult
- Control by the local authority may decrease

Potential Solutions

- Orientation of the suppliers & clients
- Performance security may be set at lower level
- Develop a mechanism to review of the price in the real context
- Procurement can be done Item by item

Group Two. CMSD

CMSD GROUP

Presented by Brig. Gen. Ahsan
Kabir Khan

List of items to be Procured in the next 2 yrs under FWC.

- All pharmaceutical –Injectable,oral,topical & others.
- Disinfectants
- Computer & Laptop, printers
- Chemicals & Reagents
- Medical gases
- Weighing machine
- LLIN
- Office stationary &stationary
- Hospital bed
- Gloves & syringes
- Carry bag
- Deltamethrine
- Wooden & steel furniture
- UPS & Stabilizer
- Sputum cup & glass slide

Challenges

- Concept is absolutely new
- Accurate forecasting of requirement from LDs
- Confirmation of budget allocation
- No standard Bidding Document is available

How to overcome

- To build up awareness among the bidders along with the procuring entity
- Review & Proper planning by the concerned LDs prior to placing the demand
- Budget should be ensured before submitting the demand
- To be prepared SBD

Group 3. DGFP

Items

- Gas Filling
- Office Stationary
- 8-RTI/STD Drugs

Challenges

- Thresholds for NCBs-because of cumulative estimated cost exceeds the maximum level for NCBs;
- WB does not approve Framework Contract for ICBs;
- Fix-up performance security;
- Bidder's lack of knowledge about FWA;
- As the budget allocated year wise, what will be the allocation system for FWA?
- Lack of coordination on budget allocation on the basis of ADP;
- Risk of audit objections;
- Risk of collusive practice among bidders .

Probable Solutions

- Re-fix threshold for FWA;
- Orientation of Bidders, concerned ministries, auditors about FWA;
- Coordination among the concerned ministries;

Items for 2- Year Procurement

- DDS Kits
- Oral Contraceptive Pill

Challenges

- Availability of qualified bidders;
- Obstruction from unsuccessful bidders;
- Price adjustment;
- Approving procedure- whether CCGP approve the whole procurement in advance without budget allocation or yearly basis?

Probable Solutions

- Pre-qualification of bidders;
- Relaxation of qualification criteria by WB;