



**ASIAN INFRASTRUCTURE
INVESTMENT BANK**

2017 Corporate Procurement Annual Report

Corporate Procurement Division

June 2018

Abbreviations

AIIB	Asian Infrastructure Investment Bank
CPD	Corporate Procurement Division
CPP	Corporate Procurement Policy
CSC	Consulting Service Contract
GC	Goods Contract
GSC	General Service Contract
UD	User Department
WC	Works Contract

Executive Summary

Contract Value

- In the second year of the Asian Infrastructure Investment Bank's (AIIB) operation, corporate procurement contract value in 2017 was USD25,180,552, a 50-percent increase from 2016. A total of 128 contracts were awarded in 2017, more than double the number of contracts issued in 2016.
- Contract currencies were denominated in US Dollar (USD) and Chinese Yuan (CNY), where 41 contracts were issued in USD, representing approximately 52 percent of total contract value.
- The procurement category with the largest spending was Consulting Services provided by firms, accounting for 50 percent of the total contract value, followed by General Services for 41 percent, Goods for seven percent and Works for two percent.

Procurement Approach

- Procurement methods include competitive procurement and direct purchasing, where competitive procurement represented 89 percent and direct purchases represented 11 percent of total contract value. Compared with 2016, contract value through competitive procurement increased by 12 percent in 2017.
- A total of 59 percent of the number of contracts (29 percent in 2016) was awarded to international companies, including wholly owned foreign enterprises and joint ventures registered in China, which accounted for 65 percent of the total contract value.
- A total of 41 percent of the number of contracts (71 percent in 2016) were awarded to local companies, which represented 35 percent of the total contract value.
- Compared with 2016, more contracts were awarded to international companies and through competitive procurement in 2017.

2017 Achievements

- With the adoption of the competitive procurement method, 89 percent of purchases were made through competitive procurement, including some packages that were previously single sourced in 2016.
- The Corporate Procurement Division (CPD) has successfully supported the rapid growth of procurement needs of all AIIB functions and user departments. Framework agreements have been established with selected firms through public advertisement and competition, to support the business needs of investment operations, policy and strategy, information technology (IT), finance and administration.
- An SAP cloud solution was selected and implemented for the online corporate procurement function, as phase one of the e-procurement system. System implementation was rolled out by year-end, including system configuration and data migration.
- The initial Supplier Database has been developed for existing and prequalified suppliers for goods and services.

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1. Introduction

The Annual Corporate Procurement Report provides an overview of AIIB's activities in obtaining goods, works and services, including consulting services required for the bank's operation, funded by its own administrative budget. AIIB's corporate procurement activities are carried out in accordance with the Corporate Procurement Policy (CPP) approved by the Board of Directors in January 2016.

AIIB is committed to achieving a high level of transparency in the corporate procurement process. According to Section 6.2 of the CPP, the CPD shall carry out periodic monitoring for compliance with this Policy, and reports to AIIB Management and AIIB's Corporate Procurement Committee. The CPD shall prepare an annual report on corporate procurement and publish the report on AIIB's website in accordance with the Public Information Interim Policy of AIIB.

This report is prepared by the CPD, Department of Facilities and Administration Services, which is responsible for AIIB's corporate procurement function and for ensuring compliance with the bank's CPP.

This report includes statistics on (a) AIIB's corporate procurement contract value categorized by the type of contracts and procurement categories, (b) top 10 contracts by value and (c) contracts by procurement thresholds.

2. Corporate Procurement Contract Value

The total corporate procurement contract value in 2017 was USD25,180,552, including USD12,984,580 and CNY79,639,693. Contract values were based on AIIB's administration and operational requirements.

Table 1: 2017 Contract Value of Procurement Category

Procurement Category	Value (CNY)	Value (USD)	Total Value (USD)
Consulting Service Contract (CSC)	10,211,415	10,936,796	12,500,566
General Service Contract (GSC)	55,485,016	1,828,103	10,325,043
Goods Contracts (GC)	11,355,613	219,681	1,958,672
Works Contract (WC)	2,587,649	-	396,271
Total:	79,639,693	12,984,580	25,180,552

Exchange Rate: USD1 = CNY6.53

Contract values related to Consulting Services accounted for 50 percent of the total contract value, and General Services accounted for 41 percent. This was in line with the increasing demand to support AIIB's rapid growth with limited resources and the outsourcing approach in which departments contract out certain parts of the daily operational activities to service providers.

2017 Contract Values by Procurement Category

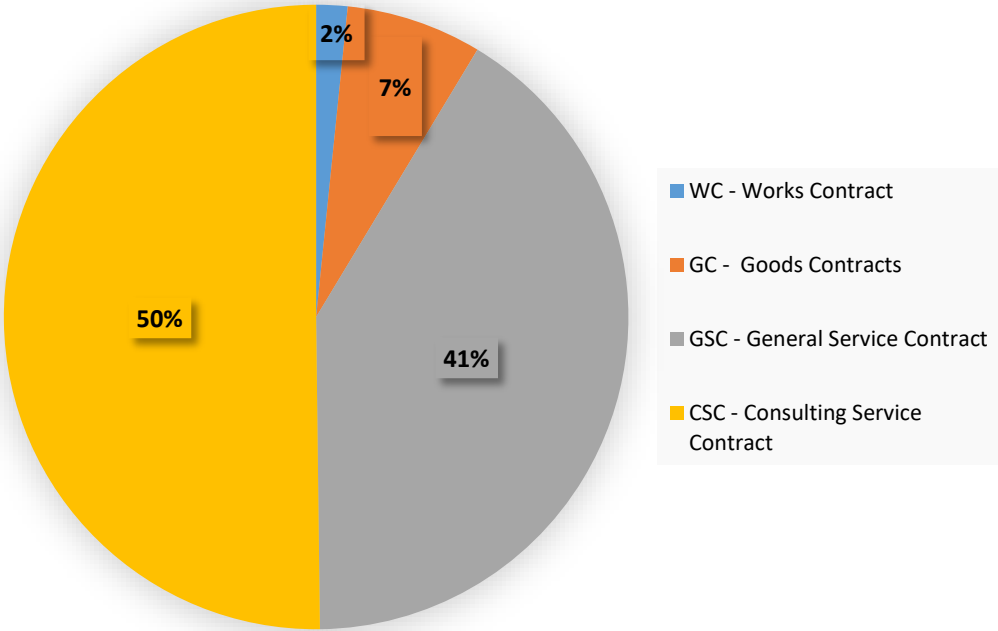


Table 2 lists procurement categories in order of contract value in 2017.

Table 2: 2017 Contract Value by Category of Goods, Works and Services (Including General and Consulting Services)

Description	Contract Value (USD)	Percentage
Consulting Services		50%
Loan Operations System	2,800,000	11%
Risk Management System Design and Implementation	2,500,000	10%
Accounting, Loan Management and Reporting Services for Controller's Functions	1,447,935	6%
IT Projects	1,159,923	5%
External Auditing	1,026,000	4%

Description	Contract Value (USD)	Percentage
Investment Sector Strategies and Market Studies	852,366	3%
Public Relations, Branding and Annual Report Preparation	747,908	3%
Consultancy Services for Human Resources	527,031	2%
IT Project Management Service	467,228	2%
Market Advisor, Due Diligence for Investment Projects	299,941	1%
Treasury Rating Services	297,432	1%
Legal Services	288,184	1%
Permanent HQ Building Design Improvement	86,618	< 1%
General Services		41%
Office Building Related Services—temporary headquarters property management and maintenance	4,768,307	19%
IT-related services, website maintenance and development and outsourced desktop management services	2,433,799	10%
HR Services—head-hunting, advertising and outsourced staff	1,356,144	5%
Telecommunications—mobile phone plans, telecommunication lines, network equipment maintenance service	599,857	2%
Vehicle Lease	421,524	2%
Travel and Visa Management, Printing and Courier services	281,254	1%
Safety and Security—training and office building security monitoring System	153,811	1%
Employee Benefit Service—employee insurance plan and fund management, medical clinic	143,623	1%
Reception and Event Planner	138,577	1%
Catering and Hospitality	28,147	< 1%
Goods		8%
IT Hardware—computers and accessories, communication equipment, data storage equipment	1,107,904	4%
IT Software—Office 365, conference	406,936	2%
Subscriptions and Membership	219,681	1%
Stationery	130,824	1%

Description	Contract Value (USD)	Percentage
Facility Equipment	42,802	< 1%
Audio-Visual	29,876	< 1%
Other Goods	20,649	< 1%
Works		2%
Office Renovation	396,271	1%
Total	25,180,552	100%

Notes:

- The total contract value of **USD25,180,552** covers all contract amounts. However, it may not capture all actual payments in 2017 for some transaction-based contracts.
- According to the CPP threshold, a contract with a value of less than USD10,000 can be managed directly by user departments. Those contracts are not captured by this corporate procurement contract value.
- Current procurement contract value does not include Consulting Services provided by Individual Consultants. In 2017, Individual consultants were managed under the Human Resources (HR) function.

3. Top Ten Contracts by Value

The top 10 contracts accounted for 62 percent of the total contract value. Seven of the top 10 contracts were awarded to international companies.

Table 3: Top Ten Contracts by Value (in USD)

Rank	Category	Contract	New	Extension	Total Value
1	GSC	Office Building Property Management		4,764,230	4,764,230
2	CSC	Loan Operation System	2,800,000		2,800,000
3	CSC	Consultancy and Subscription Risk Management System	2,500,000		2,500,000
4	CSC	Consultancy Services for Controller's Office		1,447,935	1,447,935
5	CSC	External Auditing		1,026,000	1,026,000
6	CSC	Recruitment Services for Human Resource Department		798,000	798,000
7	GC	IT Equipment	754,977		754,977
8	GSC	Board Portal Implementation Service	504,577		504,577
9	CSC	Public Relations and Branding Services	559,772		559,772

Rank	Category	Contract	New	Extension	Total Value
10	CSC	Telecommunication and IT Services		468,165	468,165

Total: 15,623,656

4. Procurement Methods

Competitive Procurement

Competitive procurement is the normal method for corporate procurement. The principle of fair and equal competition ensures that AIIB obtains the best value for money by soliciting the participation of a sufficient number of qualified suppliers. In 2017, contracts awarded through competitive procurement made up 89 percent of the total value of contracts awarded, compared to 79 percent in 2016.

As per the CPD's practice, for contracts with significant value or which may have critical impact to operations, public advertisement in the form of an Invitation for Expression of Interest and prequalification has been mandatorily posted on the websites of AIIB and the United Nations Development Business.

Direct Purchasing

All Contracts/Purchase Orders for Goods and Services estimated to cost less than USD10,000 at initial awarding can be issued directly by user departments. However, in 2017 some contracts under USD10,000 were issued with the assistance of CPD, where the user departments managed the implementation of contracts. After the implementation of the e-procurement system by end-2017, spending data for purchases under USD10,000 can already be collected.

Exceptions to Competitive Procurement

Twenty-one contracts were awarded through direct purchasing, with a total value of USD3,163,783, equivalent to nine percent of total contract value. Exceptions to competitive procurement for these contracts were all justified by the relevant user departments with proper approval in accordance with the CPP.

- For Consulting Services-related direct purchases, four contracts were issued to consulting firms that have been involved in the early phases of projects, eight contracts were issued to single-sourced consulting firms. According to CPP Section 7.3 (1.h), it has been determined (i) by the User Department that continuity is necessary and (ii) by the CPD that no advantage would be derived from further competition. The total contract value was USD1,363,264.
- For Goods-related direct purchases, two contracts for telecommunications were issued to a single-sourced supplier who was uniquely available in the local market to meet AIIB's needs. According to CPP Section 7.3 (1.a), one contract for furniture was issued to the incumbent supplier selected by the landlord of the leased building to provide existing furniture. According to CPP Section 7.3 (1.b), one contract for a videoconference system was directly purchased due to the highly specialized technical requirements, urgent requirement and time constraints. The total contract value was USD62,451.
- For General Services-related direct purchases:
 - (1) Four contracts were issued for HR outsourcing functions on staff recruitment and finance on loan staff according to CPP Section 7.3 (1.h).

- (2) Three contracts for HR services were single-sourced due to the proprietary nature of the service and/or urgency required to meet business needs according to CPP Section 7.3 (1.c & d).
- (3) Three contracts were issued to the incumbent supplier on website design as a continuation of a project according to CPP Section 7.3 (1.h).
- (4) Two contracts were issued to event management suppliers for the New Year Reception and Management Retreat, according to CPP Section 7.3 (1.h). The total contract value was USD1,371,219.
- For Works-related direct purchases, one contract for building-related works was issued to the construction company who had done previous works for AIB as continuation of their work, according to CPP Section 7.3 (1.h). The total contract value was USD366,849.

Table 4: Contracts by Procurement Thresholds in 2017

Thresholds	2017		
	Value (USD)	% of Total Value	Number
>200k	19,974,338	79%	24
70-200k	3,720,696	15%	32
10-70k	1,485,518	6%	72
Total	25,180,552	100%	128

Note: Contract value relates to anticipated contract value under contract. Some contracts including framework agreements are multiyear in duration.

5. International and Local Purchasing

In 2017, 65 percent of the total contract value was awarded to international companies, including foreign companies outside China, wholly owned foreign enterprises and joint ventures registered in China, which account for 59 percent of the total number of contracts. Comparatively, the contract value with international companies has increased from 57 percent in 2016 to 65 percent in 2017 while the number of contracts to international companies has increased from 29 percent in 2016 to 59 percent in 2017.



Top five supplier countries are USA (38 percent), China (35 percent), U.K (17 percent), Germany (four percent) and HK (two percent), which represent 96 percent of the total contract value.

International companies mainly provided consulting services as illustrated in table 2, while local suppliers provided mainly office building-related services, IT equipment and software, IT and facility management services, telecommunications, facility equipment, catering and event management, stationery, courier services as well as staff relocation settlement services.

Through public advertisement and a competitive procurement process, framework agreements have been established with leading global consulting firms in areas of policy and strategy, investment and operations and financial and IT professional advisory services. Meanwhile, strategic sourcing has been conducted with local suppliers in facilities management, administration services and local support for IT infrastructure and services.

6. Engagement of Individual Consultants

Since the beginning of AIIB's operations, individual consultants have been actively involved and have contributed to the start-up operations of AIIB, providing external expertise in legal, investment operations, treasury, policy and strategy and other functions.

A total of 91 contracts worth USD3.8 million (fees only) for individual consultants were issued in 2017, compared with 68 contracts worth USD3 million in 2016. AIIB saw an annual growth rate of 28 percent in contract values from 2016 to 2017. However, according to the actual payments, consultant costs decreased slightly by USD210,000 (seven percent) compared to the previous fiscal year as more staff came onboard in 2017.

In the past two years, the HR Department managed the engagement of individual consultants, while user departments administered contract implementation and payment confirmation. To streamline the engagement and management of consulting services bankwide, responsibility for engaging individual consultants was transferred from the HR Department to CPD effective Jan. 1, 2018.

7. Corporate Procurement Work Plan

In 2018, CPD continues to support the rapid growth of AIIB and timely procurement of all required goods and services, in full compliance with the CPP. CPD is the integral part of the task force on each procurement instance to participate actively in planning, sourcing, bid evaluation and to lead the selection and contract negotiation process.

CPD will plan for the following tasks to deliver satisfactory services and enhance procurement efficiency:

- Prepare and submit the updated CPP, Directive and Administrative Guidance for approval.
- Implement and provide training to AIIB staff on the Procurement Policy, Directive and Administrative Guidance for Goods and General Services, Consulting Services and Individual Consultants.
- Source, purchase and implement e-Procurement Phase II system, including interactive supplier registration portal and individual consultant management system.
- Provide training to all user departments on e-procurement implementation and compliance.
- Continue developing sourcing and purchasing strategies for the key purchasing categories, to achieve optimal competition and value for money.
- Establish logistics procedures for imported goods.
- Conduct supplier performance reviews for major contracts.
- Conduct historical data analysis on individual consultants, establish consultant database and streamline internal procedures and requirements on engagement of individual consultants.