



ASIAN INFRASTRUCTURE INVESTMENT BANK

Annual Corporate Procurement Report

2016

Corporate Procurement Division

April 2017

Abbreviations

Bank	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
UNDB	United Nations Development Business
WC	Works Contract

Executive Summary

Expenditure

- In the first year of the Bank's operation, Corporate Procurement (CP) expenditure in 2016 was USD 16,731,608, with a total of 55 contracts awarded.
- Contract currencies were denominated in US Dollar (USD) and Chinese Yuan (CNY), where nine contracts were issued in USD, representing 46% of total contract value.
- Procurement category with the largest spending was General Services, accounting for 52% of the total expenditures; followed by 43% on Consulting Services by firms, 4% on Goods and 1% on Works.

Procurement Approach

- Procurement methods include competitive bidding and direct purchase, where competitive bidding represents 79% and direct purchase represents 21% of the total expenditures.
- A total of 29% of the number of contracts was awarded to international companies, including Wholly Owned Foreign Enterprises (WOFE) and Joint Ventures (JV) registered in China, which accounted for 57% of the total contract value.
- A total of 71% of the number of contracts were awarded to local companies, which represents 43% of the total contract value.

2016 Achievements

- The Corporate Procurement Policy was published in January 2016, following the Bank's official inauguration. A set of rules and procedures were implemented to govern the procurement process of goods, works, general services and consulting services.
- Corporate Procurement has successfully supported timely sourcing and purchasing of Bank's operation systems such as Financial function, IT, risk management, and office facilities.
- An initial corporate procurement team was formed, consisting of a procurement specialist, a procurement consultant and an assistant, to manage all Corporate Procurement related functions.

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1. Introduction

The Annual Corporate Procurement Review (Report) provides an overview of the activities of the Asian Infrastructure Investment Bank (AIIB or Bank) in obtaining goods, works and services including consulting services required for the Bank's operation, funded by its own administrative budget.

The Bank is committed to achieving a high level of transparency in the corporate procurement process. In accordance with the Bank's Corporate Procurement Policy (CPP) and the Bank's Public Information Interim Policy, this report shall be published on the Bank's website.

The Bank's Corporate Procurement activities are carried out in accordance with the Corporate Procurement Policy approved by the Board of Directors in January 2016.

This Report is prepared by the Corporate Procurement Division (CPD), Department of Facilities and Administration Services, which is responsible for the Corporate Procurement function in the Bank and for ensuring compliance with the Bank's CPP.

This Report includes statistics on: (i) The Bank's Corporate Procurement expenditure categorized by the type of Contracts and Procurement Categories; (ii) Top 10 Contracts and Suppliers; and (iii) Contracts by Procurement Thresholds.

2. Corporate Procurement Expenditure

Total Corporate Procurement expenditure in 2016 was equivalent to USD 16,731,608, including USD 7,584,911 and CNY 63,567,714. Expenditures were based on the Bank's administration and operational requirements.

Table 1: 2016 Expenditures of Procurement Category

Procurement Category	Value (CNY)	Value (USD)	Total Value in USD
Works Contract (WC)	1,141,670	-	164,274
Goods Contracts (GC)	4,963,948	-	714,258
General Service Contract (GSC)	43,950,431	2,336,380	8,660,365
Consulting Service Contract (CSC)	13,511,666	5,248,531	7,192,711
Total:	63,567,715	7,584,911	16,731,608

Exchange Rate: USD 1 = CNY 6.9498

Contract value related to General Services account for 52% of the total expenditure, and Consulting Services account for 43%.

2016 Expenditures by Procurement Category

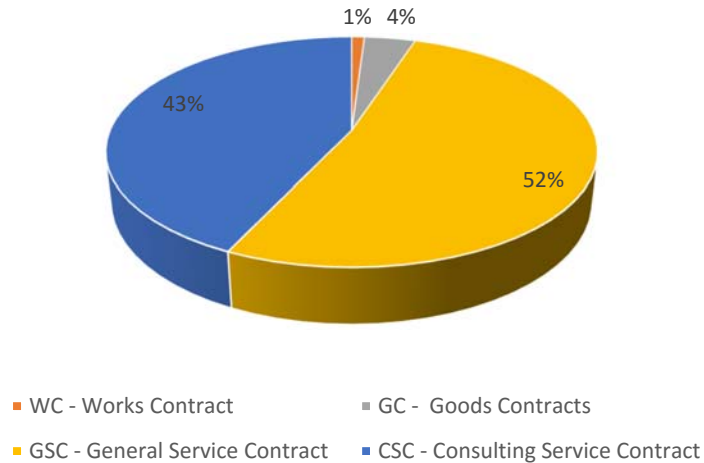


Table 2 lists procurement categories in order of the expenditure in 2016. Consulting Services and Office Building-related expenses accounted for nearly 60% of the total Corporate Procurement expenditure.

Table 2: 2016 Contract Value by Category of Goods, Works and Services
(Including General and Consulting Services)

Goods, Works or Services	Contract Value (USD)	Percentage	Description
Consulting Services	3,535,530	21%	IT Strategic Plan, Credit Risk Assessment, Risk Management and Departmental Needs
Office Building Related - Current Headquarter	3,396,011	20%	Property Management, Maintenance & Repair
Office Building Related - Permanent Headquarter (in Construction)	2,987,778	18%	Technical Advisory and Consultancy on Design Improvement
Employee Benefit	2,295,909	14%	Pension/Medical Trust-deed
IT Services	1,073,621	6%	Helpdesk, Website, Office 365 Service
Telecommunications	1,012,961	6%	Network, Telephone line, VPN
IT Hardware	570,805	3%	Computers, Printers
Auditing Service	481,000	3%	External Auditing
Catering and Hospitality	352,677	2%	Facility Leasing and Renovation
Outsourced Services	316,193	2%	Accounting Function Related
Other Services	208,992	1%	Miscellaneous

Goods, Works or Services	Contract Value (USD)	Percentage	Description
Employee Settlement Services	197,440	1%	Visa and Contractual Personnel Services
Facility Equipment	94,325	1%	Appliances and Conference Hardware
Events	84,628	1%	Event Management
Audio Visual	41,819	< 1%	Audio & Voice Service
Safety & Security	28,490	< 1%	SOS Travel Assistance
Stationary	24,260	< 1%	Office Supplies
Travel Agency	18,319	< 1%	Travel Services
IT Software	10,849	< 1%	Software
Total (USD)	16,731,608	100%	

* The total expenditure of **USD 16,731,608** covers all contract amounts. However, it may not capture all actual payments in 2016 for some transaction-based contracts.

* According to threshold of CPP, contract value of less than \$10,000 was managed directly by User Departments. Those contracts are not captured by this CP expenditure.

* Current procurement expenditure does not include Consulting Services provided by Individual Consultants. Individual Consultants were managed under Human Resources function.

3. The Bank's Top Ten Corporate Procurement Suppliers (by value)

The top ten suppliers accounted for 81% of the total expenditure. Seven out of the top ten suppliers were international companies.

Table 3: List of Top Ten Suppliers (by Value)

Rank	Main Category	Sub-Category	Supplier Name	Total (USD)
1	GSC	Office Building Property Management	Beijing Housing Service Corporation for Diplomatic Missions	3,381,392
2	CSC	Office Building Related	Jones Lang LaSalle	2,700,000
3	GSC	Employee Benefit	Principal Trust Company	1,975,388
4	CSC	Consultancy	Standard & Poor's	1,487,531
5	CSC	Consultancy	IBM (China) Company Limited	1,427,379
6	GSC	Telecommunications	China United Network Communications Corp.	700,437
7	CSC	Consultancy	Oliver Wyman	560,000
8	CSC	Consultancy	PricewaterhouseCoopers	486,606
9	GSC	IT Services	Interone China Co.,Ltd.	466,606
10	GSC	Outsourced Services	Ernst & Young China Co.,Ltd.	316,193

Rank	Main Category	Sub-Category	Supplier Name	Total (USD)
				Total USD 13,501,532

4. Procurement Methods

Competitive Procurement

Open competitive tendering is the normal method for Corporate Procurement. The principle of fair and equal competition shall ensure that the Bank can obtain the best value for money by soliciting the participation of a number of qualified suppliers. In 2016, contracts awarded through competitive tendering made up 79% of the total value of contracts awarded.

For contracts with significant value or which may have critical impact to the operation, public advertisement in the form of Invitation for Expression of Interest, pre-qualification was adopted, which were mandatorily posted on AIIB and UNDB's website.

Direct Purchasing

All Contracts/Purchase Orders for goods and services estimated to cost less than USD 10,000 at initial award can be issued directly by User Departments. However, in 2016, most contracts under USD 10,000 were issued with the assistance of CPD, where the user departments managed the implementation of contracts.

Exceptions to Competitive Tendering

Thirteen contracts were awarded through direct purchase, with a total value of USD 3,519,715, equivalent to 21% of the total expenditure. Exceptions to competitive tendering in these contracts were all justified by the relevant user departments with proper approval in accordance with CPP.

- Three contracts for employee settlement Services and Tax Refund Services were issued to sole source suppliers as appointed by the local government.
- Two contracts for building-related works were issued to the construction companies who had done previous works for the Bank as work continuation.
- Two contracts for telecommunication were issued to single sourced supplier who was uniquely capable of responding to the Bank's needs.
- Six contracts for accounting, risk management and legal supporting services were direct-purchased due to highly specialized technical requirements and urgency/time constraints by the early stage of the Bank's establishment.

Table 4: Contracts by Procurement Thresholds in 2016

Thresholds	Year 2016			
	Value (USD)		% of Total Value	Number
>200k	14,565,942		87%	15
70-200k	1,498,690		9%	12
10-70k	666,976		4%	28
Total (USD)	16,731,608		100%	55

*Contract value relates to anticipated expenditure under contract. Some contracts are multi-annual in duration.

5. International and Local Purchasing

In 2016, 57% of the total contract value was awarded to international companies, including foreign companies outside China, wholly owned foreign enterprises (WOFE) and joint ventures (JV) registered in China, which accounts for 29% of the total number of contracts.

Local suppliers provided mainly IT hardware, software and services, telecommunications, facility equipment, catering, stationery, office building related services, as well as staff relocation settlement services.

6. Corporate Procurement Team and Work Plan

The Corporate Procurement Division is staffed by a lean and dedicated team of procurement professionals with extensive public procurement experience and who performed their duties in full compliance with the CPP. The Division effectively managed sourcing and procurement of goods, works, general services and consulting services, to support the Bank's establishment and operation.

A centralized procurement approach was adopted, to ensure quality and efficiency of procurement execution and conformance to the CPP and the Bank's relevant policies and procedures.

In 2017, Corporate Procurement Division will plan for the following tasks to enhance procurement efficiency:

- Updating Corporate Procurement Policies, Directives and Administrative Guidance
- Procurement planning for 2017
- Developing Supplier Database
- Identifying key purchasing categories and generating sourcing and purchasing strategy
- Developing e-procurement system
- Providing procurement training to user departments