



**ASIAN INFRASTRUCTURE
INVESTMENT BANK**

2018 Corporate Procurement Annual Report

Corporate Procurement Unit

March 2019

Abbreviations

AIIB	Asian Infrastructure Investment Bank
CPU	Corporate Procurement Unit
CSC	Consulting Services Contract
GC	Goods Contract
GSC	General Services Contract
RD	Requesting Department
WC	Works Contract

Executive Summary

Contract Value

- The total value of the Asian Infrastructure Investment Bank's (AIIB or the Bank) corporate procurement contracts was USD39,449,293 in 2018 (a 57-percent increase from 2017), the third year of the Bank's operations. A total of 279 contracts were awarded in 2018, including contracts awarded to firms and individual consultants.
- General Services provided by firms was the procurement category with the largest spending, accounting for 47 percent of the total contract value. This was followed by Consulting Services for 45 percent, Goods for seven percent and Works for one percent.

Procurement Approach

- Procurement methods included competitive procurement, exceptions to competitive procurement and direct purchasing. Competitive procurement represented 71 percent of the total contract value (89 percent in 2017).
- A total of 67 percent of the number of contracts (59 percent in 2017) was awarded to international companies, including wholly owned foreign enterprises and joint ventures registered in China, which accounted for 70 percent of the total contract value.
- A total of 33 percent of the number of contracts (41 percent in 2016) were awarded to local companies, which represented 30 percent of the total contract value.
- Compared with 2017, more contracts were awarded to international companies both in terms of contract value and total number of contracts.

2018 Achievements

- The new Policy on Corporate Procurement was approved by the Board in August 2018 while the new Directive on Corporate Procurement was approved by the President in November 2018.
- The Corporate Procurement Committee was established and became effective to ensure the good governance of corporate procurement in accordance with the Policy on Corporate Procurement.
- Engagement and management of individual consultants were transferred to the Facilities and Administration Services Department from the Human Resource Department effective Jan. 1, 2018.
- The Corporate Procurement Unit (CPU) completed 279 procurement contracts, a 118-percent increase from the previous year.
- Corporate Procurement underwent External Auditing in March 2018 and Internal Auditing in June 2018 with no major issues identified. Corrective actions were taken to further strengthen procurement compliance.
- E-procurement phase I was rolled out in February 2018.
- E-procurement phase II was selected and implemented, including supplier management system on firms and individual consultants.

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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 by AIIB to fulfill its institutional requirements, using the Bank's administrative budget or capital expenditure budget, including other funding sources administered by AIIB.

In accordance with the new Policy on Corporate Procurement adopted by the Board in August 2018, the Directive on Corporate Procurement was issued by the President in November 2018 to establish rules that govern Corporate Procurement activities, including simplified and full competitive procurement, equal opportunity and competition, transparent criteria, exceptions to competitive procurement, approval and signing authority and roles and responsibilities of different levels of AIIB. The Corporate Procurement Committee was established to assure good governance of corporate procurement in accordance with the principles of quality and economy, efficiency, transparency, integrity and ethical standards and environmental and social sustainability.

This report was prepared by the CPU of the Facilities and Administration Services Department which is responsible for AIIB's Corporate Procurement function and for ensuring compliance with the Bank's Policy on Corporate Procurement.

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 (c) procurement methods, (d) international and local purchasing and (e) contracts by procurement thresholds.

2. Corporate Procurement Contract Value

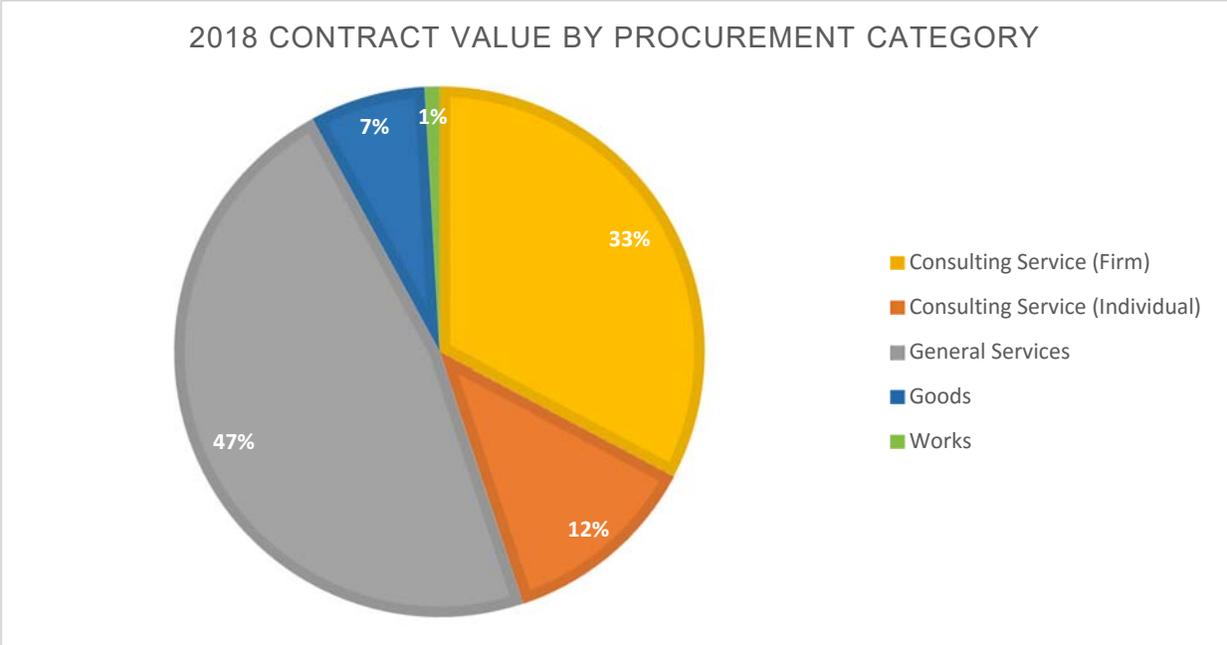
Based on AIIB's administrative and operational requirements, the total corporate procurement contract value in 2018 was USD39,449,293.

Table 1: 2018 Contract Value of Procurement Category

Procurement Category	No. of Contracts	Total Value (USD)
Consulting Service (Firm)	45	12,935,066
Consulting Service (Individual)	116	4,773,925
General Service	78	18,605,629
Goods	34	2,776,545
Works	6	358,128
Total	279	39,449,293

Exchange Rate: USD1 = CNY6.7164

The contract value related to General Services accounted for 47 percent of the total contract value, and Consulting Services provided by both firms (33 percent) and individuals (12 percent) accounted for 45 percent.



Compared to the 2017 contract value, the total contract value on 2018 General Services increased by 80 percent from USD10.33 million in 2017 to USD18.61 million in 2018, mainly due to increased demand in information technology (IT) project implementations on various AIIB business functions. The contract value on Consulting Services to firms increased by four percent from USD12.50 million in 2017 to USD12.94 million in 2018. The contract value on Goods increased by 42 percent from USD1.96 million to USD2.78 million, mainly due to the increased demand in subscription products for professional resources, databases and media information. The contract value on individual consultants increased by 26 percent from USD3.8 million to USD4.7 million, in support of the Bank's increasing demand for policy and framework creation, investment projects and capacity building.

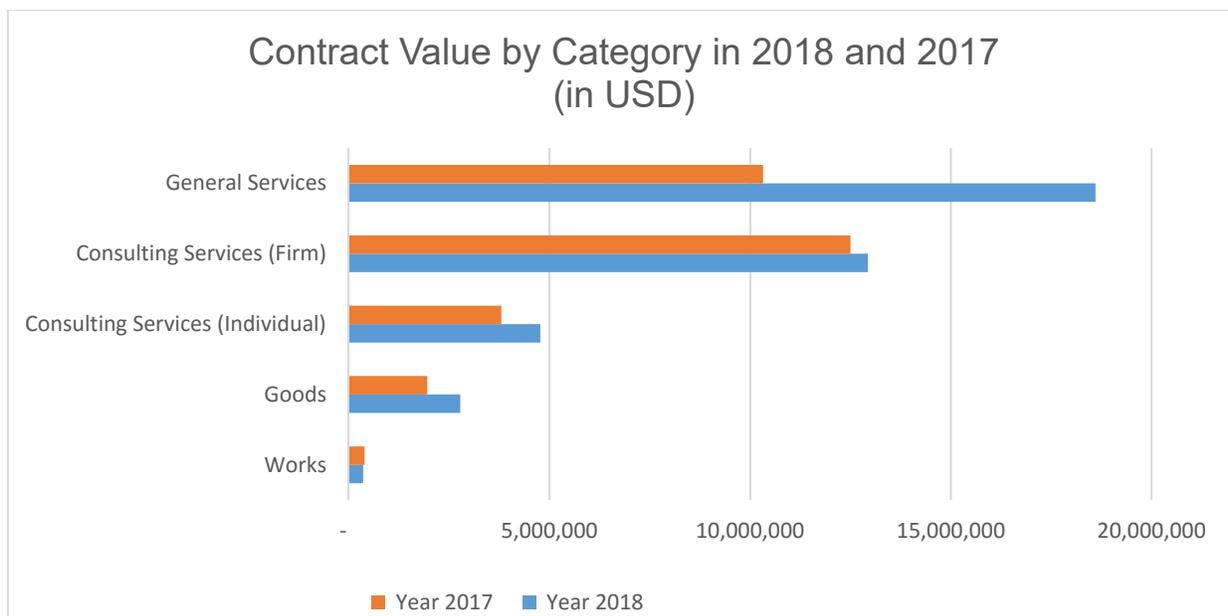


Table 2 lists procurement categories in order of contract value in 2018.

Table 2: 2018 Contract Value by Category of Goods, Works and Services

Description	Contract Value (USD)	Percentage
General Services		47%
Office Building Property Management for AIIB's HQ	3,160,846	8%
Professional Accounting Services for Office of the Controller	1,290,579	3%
2018 Annual Meeting Event Service	1,215,323	3%
eProcurement System—SAP ARIBA	880,665	2%
HR Services on Assessment and Selection of Professional Staff	801,124	2%
ERP Financial Accounting Services (Phase II)	733,784	2%
In-house Gym Service	665,172	2%
Leased Line and Hardware Maintenance Services	615,046	2%
International SOS Services	596,900	2%

Description	Contract Value (USD)	Percentage
IT Network Service	564,770	1%
Azure IT Support Service	526,145	1%
IT Network Integrated Service	491,802	1%
Human Resource IT System	435,751	1%
External Website Maintenance and Enhancement Services	404,490	1%
SAP Analytic Cloud IT Service	403,113	1%
H3C Network Equipment Maintenance Service	402,003	1%
IT Service on Building Investment Project Management Workflow/Tool	396,345	1%
Microsoft System Optimization and Technical Support	371,629	1%
Human Resource Recruitment Service	277,879	1%
Human Resource Roadshow Event Service	277,014	1%
Amazon IT Web Service	268,002	1%
Travel and Expense IT Management System	258,390	1%
DLP-related IT Services	223,104	1%
Service for Visa, IOID and Resident Permit Application	218,815	1%
Service for Automatic Coffee Machine	204,396	1%
Other Services (IT, Internal Auditing, Investment Due Diligence and Studies-related)	2,922,542	7%
Consulting Services (Firms)		33%
PMO Operation and Enhancement on IT Projects	1,800,000	5%
Advisory Service for Office of Controller	1,609,296	4%
External Auditing Fee	1,278,800	3%
Assessment and Selection—Other Professional Staff	989,022	3%
IT Project Management Services	783,906	2%
eProcurement Phase II Implementation	677,747	2%

Description	Contract Value (USD)	Percentage
TEMS—Implementation Service	519,328	1%
Public Relations and Branding Services	488,154	1%
IPM Workflow Hyper Care and Maintenance	440,015	1%
COSO/ICFR Implementation of Internal Auditing	398,390	1%
Communications Support	365,340	1%
2018 Interim Review on Financial Statement and Special Fund	330,000	1%
Professional Data Consulting and Publication Services	298,760	1%
Comprehensive Review of Compensation and Benefits	270,807	1%
Consulting Service for Loan Management Information System	252,054	1%
IT Risk Management Service	204,575	1%
Auditors Review of Q3 figures	200,000	1%
SAP Cloud Strategy and Road Map Service	198,555	1%
Other Services (IT, Event, HR related)	1,830,317	2%
Consulting Services (Individual Consultants)		12%
Individual Consultants	4,773,925	12%
Goods		7%
Information and Communication Equipment (Including Computers, Mobile Phone, Trading Phones, Threat Detection System)	1,239,680	3%
Subscriptions and Membership	1,306,891	3%
Other Goods (including Computer Software, Consumable Goods and Office Equipment)	229,974	1%
Works		1%
Office Renovation	358,128	1%
Total	39,449,293	100%

Notes: The total contract value of USD39,449,293 covers all contract amounts issued by CPU. However, it may not capture actual payments in 2018 for direct purchases under USD10,000 and some transaction-based contracts.

3. Top 10 Contracts by Value

The top 10 contracts accounted for 35 percent of the total contract value. Eight of the top 10 contracts were awarded to international companies.

Table 3: Top 10 Contracts by Value (in USD)

Rank	Category	Contract	New	Extension	Total Value
1	GSC	Office Building Property Management		3,160,846	3,160,846
2	CSC	PMO Operation and Enhancement on IT Projects	1,800,000		1,800,000
3	CSC	Advisory Service for Office of the Controller		1,609,296	1,609,296
4	GSC	Accounting Services for Office of the Controller		1,290,579	1,290,579
5	CSC	External Auditing		1,278,800	1,278,800
6	GSC	2018 Annual Meeting Event Service	1,215,323		1,215,323
7	CSC	HR Services on Assessment and Selection of Professional Staff		989,022	989,022
8	GSC	eProcurement System—SAP ARIBA (System Setup and License Fee for Three Years)	880,665		880,665
9	GC	IT Equipment—Mobile Phone	864,530		864,530
10	GSC	HR Services on Assessment and Selection of Professional Staff		801,124	801,124

Total: 13,890,185

4. Procurement Methods

4.1 Competitive Procurement

In 2018, including contract extension and amendment, 71 percent of the total value of contracts was procured through competitive procurement, and 29 percent through noncompetition. Compared to 2017 procurement statistics, both the contract number and value for noncompetitive procurement increased, as analyzed in the Exceptions to Competitive Procurement Section below.

Table 4: Procurement Method on Contracts (in USD)

Selection Method	Contract Number (Firm)	Contract Value (Firm)	Contract Number (Individual Consultant)	Contract Value (Individual Consultant)	Total Contract Value	% Contract Value
Competition (including Contract/PO Extension/Amendment)	92	24,724,984	70	3,256,875	27,981,859	71%
Noncompetition	71	9,950,384	49	1,517,050	11,467,434	29%
Total	163	34,675,368	119	4,773,925	39,449,293	100%

4.2 Exceptions to Competitive Procurement

Seventy-one contracts were awarded through purchasing without competition, with a total value of USD11,467,434, equivalent to 29 percent of the total contract value. Exceptions to competitive procurement for these contracts were all justified by the relevant requesting departments with proper approval in accordance with the Policy and Directive on Corporate Procurement.

4.2.1 According to the Directive on Corporate Procurement Section 3.7.2 (a), the following contracts were purchased based on the “Uniqueness” justification that the Goods, Works, General Services or Consulting Services can only be obtained from one source:

- Facility management services and maintenance: Four contracts totaling USD3.2 million issued to the existing service providers for additional services.
- Event Services: Thirty contracts totaling USD1.4 million issued to vendors who have provided event venue, catering and other miscellaneous services for AIIB’s annual meetings, year-end party, Board meetings and ad hoc events.
- Subscription and Membership: Twenty-one contracts totaling USD1.2 million were issued for the purchases of publications, subscription registrations, research databases and memberships.
- Consultancy Services for Investment Operations, Policy and Strategy: Five contracts totaling USD639,096 were issued to consulting firms who are uniquely suitable for providing the services, as either determined by the consulting assignments or by the market scarcity.
- Human Resources: Four contracts of total USD329,340 were issued for special recruitment and related ad hoc services.
- Application fee to the US Securities and Exchange Commission, US Security Exchange Council: One contract worth USD121, 200 issued to apply for bond issuance application fee.

4.2.2 According to the Directive on Corporate Procurement Section 3.7.2 (b), the following contracts were purchased based on the “Standardization” justification that the Goods, Works, General Services or Consulting Services (1) contain key factors that require such standardization

that competition would be technically impractical and (2) are required for the expansion, repair or maintenance of existing equipment or facility.

- IT Services: Six contracts worth USD1.3 million issued to existing vendors for additional proprietary products and/or services built on existing IT platforms, or existing vendors who meet the local regulatory requirement.
- Facilities Renovation Services: Seven contracts worth USD511,776 issued to vendors required for the expansion, repair or maintenance of existing equipment or facility.

4.2.3 According to Directive on Corporate Procurement Section 3.7.2 (c), the following contracts were purchased based on the “Continuity” justification that the proposed Services are (1) a natural continuation of previous work carried out by a Supplier or Consultant or (2) part of a larger project and the Supplier or Consultant has already been selected by another party to the project.

- IT Services: Seven contracts of total USD1.9 million issued to existing vendors as natural continuation of previous works.
- Communication Services: One contract of total USD365,340 issued to a consulting firm to provide continuation of a previous services under a new contract.
- Administrative Services: Two contracts of total USD217,201 issued to provide catering and café mall services under new contracts.
- Consultancy Services for AIIB’s Policy or Framework.

4.3 Direct Purchasing

According to the procurement threshold and signing authority, purchases for Goods and Services estimated to cost less than USD10,000 at initial awarding can be issued directly by requesting departments. Based on the financial data collected from Office of the Controller, there were 294 payments made for each payment under USD10,000, with total value of USD812,567 in 2018.

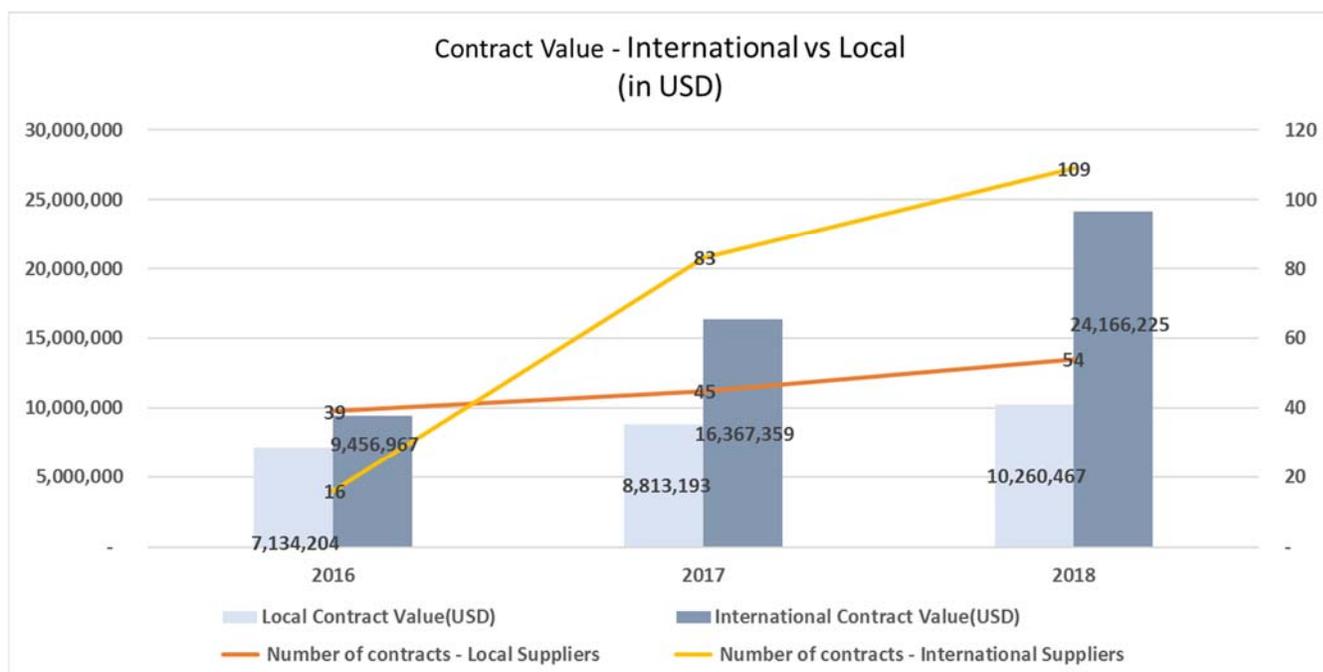
Table 4: Contracts by Procurement Thresholds in 2018

Thresholds	2018		
	Value (USD)	% of Total Value	Number
>400k	23,153,311	67%	27
200-400k	5,016,410	14%	18
70-200k	4,312,193	12%	35
10-70k	2,193,455	6%	83
Total	34,675,368	100%	163

Notes: Contract value relates to anticipated contract value under contract. Some contracts including framework agreements have multiyear durations. Data on individual consultants is not included.

5. International and Local Purchasing

In 2018, 70 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 67 percent of the total number of contracts. Comparatively, from 2016 to 2018, more contracts were awarded to international companies than local companies both in terms of contract value and total number of contracts, indicating that more international suppliers have participated in AIIB's Corporate Procurement contracts.



International companies mainly provided consulting services as illustrated in Table 2, while local suppliers provided mainly general services, including office building-related services and renovation projects, IT equipment and software, IT and facility management services, telecommunications, catering and local event management, visa application and staff relocation settlement services.

The top five supplier countries (where their global head offices are registered) are the United Kingdom (31 percent), China, (30 percent), the United States (23 percent), Germany (nine percent) and India (four percent). The top five represent 97 percent of the total contract value of suppliers.



6. Engagement of Individual Consultants

CPU took over the sourcing, engagement and management of individual consultants from the Human Resource Department effective Jan. 1, 2018. The Bank's use of individual consultants is important to keep staffing levels balanced by relying on consultants to fill short-term needs while preserving long-term staff for ongoing business needs. Currently, CPU facilitates the speedy mobilization of individual consultant resources to support AIIB's operations while ensuring that the Bank's corporate procurement principles are complied with.

A total of 116 contracts worth USD4.8 million (fees only) for individual consultants were issued in 2018, compared with 91 contracts worth USD3.8 million in 2017. Fifty-nine were new contracts while 57 were amendments for contract extensions or addendums. Travel expenses accounted for an additional USD1 million which brought the total value on contract to USD5.8 million. Between 2017 and 2018, AIIB saw an annual growth of 23 percent in the total individual consultant contract values (fees only). During the same period, the total growth in contract value (including travel expense) was 48 percent.

7. Corporate Procurement Audit

The external auditor performed an audit of the Corporate Procurement function in Q1 2018, including audit on Corporate Procurement process, governance, documentation and financial statements. Upon completion of the external audit review, no major issues were identified, while recognizing that AIIB was preparing to update its procurement policy and improving procurement

documents. The external auditor suggested that guidance on outsourced service management should be established. This was agreed upon and will be addressed in the new guidance to be published in 2019.

The Internal Audit Office performed an audit of the corporate procurement function in Q2 2018, including procurement control and organizational setup; front-to-end process for the procurement of goods, works, general services and consulting services; front-to-end process for the procurement of individual consultants, design of the vendor payment process and system implementation of SAP by Design Procurement Module.

Upon the completion of the internal audit review, good practices and areas for improvement were identified. While there are findings and recommendations identified in the overall internal audit assessment to improve the design of certain processes and a few specific control weaknesses were noted, generally the controls evaluated are adequate, appropriate and effective to provide reasonable assurance. Upon corrective actions taken, management plans were identified, implemented and completed. Governance will be strengthened by the planned implementation of the Corporate Procurement Administrative Guidance in 2019, to be supported by eProcurement solutions.

8. Corporate Procurement Work Plan

Upon the approval of the new Policy and Directive on Corporate Procurement in 2018, CPU completed drafting two Administrative Guidance documents on Corporate Procurement. With the steady growth of business demands of all requesting AIB departments, as well as the growth in the number of new staff, CPU will provide continuous support, conduct training to build procurement capacity of the Bank and timely procurement of required goods and services, in full compliance with the Policy on Corporate Procurement and its related Directive.

CPU plans for the following major tasks to deliver satisfactory services and enhance procurement compliance, governance and efficiency:

- Implement and provide training to AIB staff on the Policy on Corporate Procurement, Directive on Corporate Procurement and Administrative Guidance for Goods, Works and General Services and Consulting Services.
- Implement and roll out e-Procurement systems, including supplier management system on firms and individual consultants.
- Provide e-procurement implementation training to all requesting departments.
- Streamline the procurement planning and outsourcing management process with the help of the Budget team of the Strategy, Policy and Budget Department.
- Streamline procurement data compliance, Know-Your-Customer (KYC) and supplier/consultant eligibility screening with help from the Office of the Controller, the Risk Management Department and related compliance departments.
- Continue developing sourcing and purchasing strategies for the key purchasing categories to achieve optimal competition and value for money.
- Continue establishing framework contracts to consolidate spending and increase procurement efficiency and effectiveness.