

CORPORATE PROCUREMENT POLICY

January 2016

1. INTRODUCTION

- 1.1 The Corporate Procurement Policy (the Policy) of the Asian Infrastructure Investment Bank (the Bank) is formulated to govern the procurement process of all goods, works and services including consulting services required for the operation of the Bank's headquarters. The Policy sets out the Bank's objective, principles and approach to purchasing goods, works and services funded by its administrative budget.
- 1.2 The objective of the Bank's corporate procurement is to obtain the appropriate goods, works and services for the stated purpose, at the appropriate time and cost and in a manner which balance the overall institutional requirements for economy, efficiency, value for money, transparency, accountability, and environmental and social sustainability.
- 1.3 The principles and rules set out in this Policy are to be followed by all Bank personnel. The principles are intended to control, guide and serve as a reference to all personnel authorized to perform or involved in any way with corporate procurement functions. Guidelines and procedures for Corporate Procurement shall be set out in one or more Directives to be issued by the President (the Directives) in accordance with the Policy. In the event of any inconsistency or discrepancy between the terms of this Policy and the Directives, the terms of this Policy shall prevail.

2. Definitions

As used in this Policy, the following terms have the meanings set forth below:

- (a) "**Conflict of Interest**" is any situation in which a party has interests that could improperly influence that party's performance of official duties or responsibilities, contractual obligations or compliance with applicable laws and regulations.
- (b) "**Consulting Services**" means services concerning professional or advisory services with predominately intellectual input in connection with the Bank's operation to be provided for the benefit of the Bank and funded by the Bank's administrative budget.

- (c) “**Corporate Procurement**” refers to procurement (including selection of suppliers and negotiation of terms and conditions of contracts and the entering into modification, management, administration and supervision of such contracts) of goods, works and services necessary to support the Bank’s operations.
- (d) “**Corporate Procurement Division**” or “the CPD” means the division within the Bank responsible for managing Corporate Procurement in accordance with this Policy.
- (e) “**Contract**” refers to an agreement between the Bank and a supplier which contains details of the particular terms and conditions relating to the goods, works or services to be purchased. It is signed by the authorized signatory of both parties and once signed, it may be altered only through a formal contract variation or amendment.
- (f) “**Fit for Purpose**” means that the procurement modalities applied appropriately reflect the strategic needs and circumstances of the User Department.
- (g) “**Goods**” means tangible products in connection with Corporate Procurement, such as stationery supplies, office equipment, furniture, computer hardware and standard software, audio-visual equipment, photocopiers, vehicles, etc.
- (h) “**Initial Award**” means the initial award of a contract or purchase order which encompasses the full value of the contract or a specific purchase order, taking into account all of the payments to be made by the Bank under such contract or purchase order during the whole of its term.
- (i) “**Offer**” means a written response submitted by the prospective supplier to the Bank for request for proposals or quotations, indicating the terms and conditions of the Supplier’s offer.
- (j) “**Pre-Qualification**” means a competitive process in which the Bank identifies a number of prospective suppliers who are able to provide certain pre-defined goods, works or services without concluding a contract or issuing a purchase order.
- (k) “**Procurement Framework**” means the policies and procedures that govern the procurement by the Bank and its clients of goods, works and services required for the development and implementation of specific Bank financed projects in the public and private sector.
- (l) “**Purchase Plan**” means the document outlining the requirements for goods, works and services by the Bank and its departments and containing a list of items for goods, activities of works, and assignments for services to be purchased within a defined period.
- (m) “**Purchase Order**” means a simple contract using the standard conditions to be used for simple and low value transactions for goods, works and services.

- (n) “**Request for Proposal**” means a written solicitation used when the Bank is not able to issue a clear and complete scope of work and prefers the option of making an award following initial proposals submitted by potential suppliers and/or consulting firms and evaluated by the User Department and the CPD.
- (o) “**Request for Quotations**” means a written solicitation used when the requirement is clearly and completely quantified and specified in the form of a Bill of Quantities and/or a Scope of Work and the basis for award is primarily price.
- (p) “**Services**” means non-tangible services in connection with Corporate Procurement, including major out-sourced labor contracts such as administrative assistance, security, cleaning, catering, building maintenance, complex computer software development, configuration, implementation and installation, and IT hardware and software licensing and maintenance, as well as more incidental assistance in the form of equipment rental, installation and repair, etc.
- (q) “**Specifications**” means a generic description of the goods, works or services to be delivered by the Supplier, but does not contain a detailed technical specification.
- (r) “**Shortlisting**” means a competitive process in which the Bank identifies a number of prospective suppliers who are able to provide certain pre-defined services without concluding a contract or issuing a purchase order.
- (s) “**Supplier(s)**” means all third parties who enter into a contract or accept a purchase order to supply goods, works or services to the Bank.
- (t) “**Technical Specification**” means a detailed technical description of the goods, works or services to be procured by the Bank (usually part of the scope of work) used to state the Bank’s needs for the purchase of specialized goods, works or services using definitive quantitative standards and specifications.
- (u) “**Tender**” is a written response submitted by a prospective supplier to the Bank, including the terms and conditions of the prospective supplier’s offer in a formal tendering process.
- (v) “**Tendering**” means a formal open competitive procurement process undertaken by the Bank for contracts for goods, works and services with an initial award of \$200,000 and above.
- (w) “**User Department**” means the department or office within the Bank making a specific corporate procurement request.
- (x) “**Works**” means those activities in connection with Corporate Procurement where there will be elements of supply of both works and services present, such as office refurbishment, carpentry, electrical and other works.
- (y) “**Written Solicitation**” means a formal procurement request issued by the Bank to prospective suppliers.

3. General Considerations

- 3.1 Corporate Procurement shall be strategically planned and managed to ensure that it best serves the needs of the Bank's operation and administration. At the planning stage of tendering for contracts which may have a significant impact on the Bank's business, the User Department may request the Chief Administrative Officer (CAO) to exercise judgment on key procurement decisions. In this case, the User Department should provide information as required to the CAO.
- 3.2 The Bank is aware of the increased possibilities in terms of new purchasing techniques such as electronic procurement, and it intends, to the extent possible, to promote the use of these techniques when it becomes operational.
- 3.3 Given the specific procurement requirements, certain User Departments of the Bank are granted authority not to apply the rules of this Policy and the Directives within the areas specified:
 - (a) Treasury related goods and services such as the selection of brokers for the sale of listed and unlisted investments of the Bank¹; and
 - (b) External legal services as required by the Bank's Office of General Counsel.²
- 3.4 In the event it is unclear whether certain consulting services would fall under the purview of the Bank's operational Procurement Framework or under this Policy and the Directives, the User Department Manager concerned and the CPD Manager shall meet to arrive at a reasoned decision as to which policy and directives should govern and which department or office should be responsible for the procurement of such services.

4. Value for Money (VfM)

The Corporate Procurement funded by the Bank's administrative budget shall achieve optimal VfM. This means obtaining maximum operational benefits with the resources utilized. This may include not only the initial costs but also costs over the economic life of the procured item, the quality of output, and timeliness. To realize VfM the procurement process must ensure that the procurement methods and procedures applied by the Bank are fit for purpose.

5. Key Principles

- 5.1 The Bank's Corporate Procurement shall observe the highest possible standard of business ethics and allow for fair and equal treatment of suppliers and potential suppliers of goods, services and works. The Bank will seek to work with suppliers who follow the best practices in environmental management (including energy and resource efficiency, waste reduction and recycling) and human resources management (such as equal opportunity, health and safety).
- 5.2 In the course of Corporate Procurement, it is prohibited to evade the application of a stricter procurement procedure or the requirement of competition by splitting contracts or purchase orders with the same supplier, or between several suppliers for the same or for a substantially connected subject matter. If separate contracts or purchase orders are

¹ To be addressed in separate procedures as agreed between the Treasurer's Department and the CPD.

² To be addressed in separate procedures as agreed between the Office of General Counsel and the CPD.

to be concluded, then the initial award of all the respective purchase orders and contracts and the form or method of procurement must be selected in accordance with the consolidated initial award.

6. Roles and Responsibilities

6.1 The respective roles and accountabilities of the Corporate Procurement Division (the CPD), the User Departments and other departments concerned in the Corporate Procurement shall be governed by this Policy and the Directives.

6.2 The CPD shall be staffed with experts having sufficient public procurement experience and has exclusive authority to conduct and monitor Corporate Procurement activity for the Bank to ensure proper implementation of this Policy and the Directives. The CPD is responsible for the formulation of and amendments to the Policy or the Directives when necessary. The CPD shall:

- (a) prepare an annual purchase plan based on purchasing requirements provided by User Departments. The annual purchase plan shall be submitted to Director General, Facilities and Administrative Services for approval;
- (b) conduct periodic review of suppliers, together with User Departments in order to develop procurement strategies for the Bank's operational needs to achieve VfM;
- (c) be responsible for the negotiation of contractual terms and conditions with technical input from the relevant User Department, and if needed with legal assistance from the Office of General Counsel;
- (d) work closely with User Departments to ensure that the Bank receives the best value for money taking into account, in addition to price, such factors as life cycle costing, fitness for purpose, environmental and social sustainability, energy and resources efficiency, labor standards and working conditions, maintenance provisions, operating costs, guarantees and warranties, delivery and installation, as well as terms and conditions of payment while preserving the principles set out in the Policy;
- (e) be responsible for engaging consulting services required for the Bank's operation. The User Department shall provide the CPD the Terms of Reference (TOR) for the required consulting services and shall participate in the shortlisting of suitable consulting firms and evaluation of the technical proposals submitted by the shortlisted consulting firms;
- (f) develop and maintain the Bank's database for Registry of Suppliers and the system for Corporate Procurement Management in collaboration with the Controller's Department to keep a complete record of information of suppliers, purchase plans, orders and contracts, disposed fixed assets, and bank payment details;
- (g) carry out periodic monitoring for compliance with this Policy and the Directives, and reports to the Bank management and the Bank's Audit Committee. The CPD shall prepare an annual report on Corporate Procurement and publish the report on the Bank's website in accordance with the Bank's Public Information Interim Policy;

- (h) have the authority to dispose of the Bank's fixed assets. The CPD shall exercise this authority through issuing separate guidelines and standards to sell or otherwise dispose of fixed assets no longer required by the Bank;
 - (i) handle complaints relating to the tendering process or contracts awards that are properly made in writing. Complaints with respect to tendering and contracts awards shall be referred to the Director General, Facilities and Administrative Services. Complaints in relation to fraud or corruption shall be referred to the Office of Chief Ethics Officer for further investigation.
- 6.3 The Office of Internal Audit shall periodically audit the Corporate Procurement activity and the CPD's responsibility to ensure full compliance of the Policy and the Directives in accordance with the Bank's auditing policy and guidelines.
- 6.4 Heads of User Departments shall designate staff members having knowledge and experience in public procurement to requisition supplies and services and notify the CPD of such designation and any subsequent changes in such designation. Only authorized requisition staff may transact with the CPD regarding procurement for their respective departments. During the procurement process, the User Department shall be responsible for conducting evaluation of the technical proposals submitted by shortlisted consulting firms or suppliers and certifying that budget is available before a contract or purchase order is awarded.
- 6.5 Consistent with the Bank's principles of budget and management accountability, User Departments are responsible for ensuring that sufficient funds are available to cover the purchase of supplies and services. User Departments should raise any potential budget issues with the Budget Division at an early stage.
- 6.6 User Departments shall be held fully accountable in terms of the technical content of a contract or purchase order, budget and usage of the purchased supplies and services. User Departments shall keep complete records of written solicitations, tenders, offers, evaluations and other documents concerning the decisions making process, and shall ensure that the User Department approves all such decisions.
- 6.7 The Treasurer's Department shall pay for procured goods, services and works upon approval by the Controller's Department.
- 6.8 The Office of General Counsel shall provide advice and assistance to the CPD on all legal issues relating to procurement and contracts administration.
- 6.9 The Information and Technology Division shall establish standards and advise the CPD or User Departments on technical specifications for procurement of computer hardware/software and information technology (IT)-related goods and/or services.

7. Procurement Methods and Thresholds

7.1 Direct Purchasing

All purchase orders for goods and services estimated to cost less than \$10,000 at initial

award can be issued directly by User Departments.³ The User Department is then responsible for managing the budget allocated for purchase of goods and services as required for the department.

7.2 Competitive Procurement

7.2.1 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. The principle of equality requires that the Bank avoid preferring or discriminating against any suppliers to the detriment or benefit of the other suppliers.

7.2.2 The CPD has the overall responsibility for competitive tendering of goods, services and works. The User Departments shall provide technical input in the tendering process where needed. In order to ensure an adequate level of competition, the threshold for competition shall be determined mainly based on estimated costs of purchase orders and contracts. A purchase order can be entered into on a stand-alone basis or be part of a contract. A purchase order is issued by the Bank and has to be accepted by the Supplier to become effective.

(a) All purchase orders and contracts estimated to cost \$10,000 or more but less than \$70,000 at initial award shall be contracted as a result of competition by issuing a written solicitation to no less than three potential suppliers as detailed in the Directives. The User Department shall seek and receive the approval of the CPD prior to signing of any purchase orders and contracts.

(b) For purchase orders and contracts estimated to cost \$70,000 or more but less than \$200,000 there must be a minimum of three competitive offers requested and evaluated by the User Department and approved on a no-objection basis by the CPD. Prior to signing of any purchase orders and contracts, the CPD must approve these purchase orders and contracts.

(c) For purchase orders and contracts estimated to cost \$200,000 or more, formal open competitive tender with reasonable time for public advertisement (including mandatory posting on AIIB's website) and pre-qualifications or shortlisting, as appropriate, shall apply. The CPD shall lead the procurement process and the User Department is responsible for evaluation of responses to the Bank's invitation for pre-qualification or shortlisting, if so required, and proposals submitted by pre-qualified suppliers or shortlisted firms. Prior to signing any purchase orders and contracts, Director General, Facilities and Administrative Services must approve these purchase orders and contracts as recommended by Manager of the CPD.

7.2.3 For all purchase orders and contracts with the initial award of \$70,000 or more and where a tender evaluation is required, a technical evaluation committee is required to be set up to evaluate the technical proposals. The Technical Evaluation Committee (TEC) shall operate in compliance with this Policy and the Directives. The TEC shall include representatives of the respective User Department and other staff members

³ Heads of User Departments shall designate staff members who have reasonable procurement experience from their previous jobs to handle departmental procurement requisition activities.

having the knowledge required for technical evaluation of tenders. External consultants may be hired to provide technical inputs in the TEC, if so required. The TEC is responsible for establishing evaluation criteria to be included in a written solicitation and for reviewing and evaluating the technical proposals accordingly. A pre-qualifications panel similar to the TEC is to be established to evaluate responses received following an invitation for pre-qualification.

7.2.4 Purchase orders and contracts shall be awarded to the tenderers who submitted the lowest evaluated substantially responsive tenders, if tender evaluation methodology is pass/fail, or to the tenderer with the highest score, if scoring methodology is used. Where, during tender evaluation, the prices offered by the lowest evaluated substantially responsive tenderer are significantly higher than market references, and provided that the Bank has explicitly reserved its right to negotiate in the tendering documents, Manager of the CPD may authorize negotiations with the lowest evaluated substantially responsive tenderer. Negotiations shall be conducted following the procedure established under the Directives with a view to obtaining the best value for money.

7.3 Exceptions to Competitive Tendering

- (1) Exceptions to the competitive tendering method described in Section 7.2 may only be considered and approved on a case by case basis in accordance with the procedure outlined below where fully justified under any of the following criteria:
 - (a) standardization of supplies or equipment is determined to be important and justified such that further competition is impractical;
 - (b) the goods and/or services are proprietary in character and obtained only from one or a limited number of sources or suppliers;
 - (c) the proposed contract relates to specialized services or technical equipment, for which the selected supplier, as judged by the User Department, is uniquely suitable to provide the goods, works or services;
 - (d) extreme urgency or emergency required expedited processing;
 - (e) for the purchase of supplies on particularly advantageous terms, from either a supplier which is definitively winding up its business activities, or
 - (f) from the receivers or liquidators of a bankruptcy, an arrangement with creditors, or a similar procedure;
 - (g) certain goods, services or works as essential in the Bank's response to a crisis⁴; and
 - (h) the supplier has been or is involved in the early phase of a corporate procurement project such as feasibility study or design and 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.
- (2) For all exceptions under Section 7.3, the User Department must submit a formal request for exception to the CPD. Both the User Department and the CPD must be satisfied that the reasons given for an exception from competitive tendering are valid. Where the exception concerns contracts or purchase orders of \$70,000

⁴ These goods, works or services as essential in response to a crisis shall be identified by an established crisis management team in the Bank.

or more, the CPD must seek the approval of Director General, Facilities & Administrative Services for the exception. In all cases, decisions and approval concerning direct contracting shall be documented in the file of the relevant purchase order or contract.

- (3) For exception under Sub-section 7.3(d) where circumstances do not allow the User Department to submit a formal request for exception from competitive tendering to Manager of the CPD prior to award of the purchase order or the contract, the User Department shall provide such request promptly ex-post and, where possible, before the relevant purchase order or the contract is signed by the Bank and the Supplier concerned.

7.4 Framework Agreements

- (1) As an alternative procurement method for saving the time taken for delivery, the Bank may make use of framework agreements in cases where it can define in advance the main characteristics of the performance requested but where it does not know at the outset the exact delivery times nor the detailed requirements for the assignment to be performed.
- (2) The framework agreements shall be concluded following the rules and procedures specified in the Directives for all phases up to the award of the individual contracts based on the framework agreement.
- (3) Where a framework agreement is concluded with a single supplier, individual contracts based on that agreement are awarded in accordance with the terms laid down in the framework agreement. For the award of those contracts, the Bank may consult the party to the framework agreement in writing, requesting it to supplement its tender as necessary.
- (4) Where a framework agreement is concluded with several suppliers, the Bank ensures that there shall be at least three of them, provided that there is a sufficient number of suppliers to satisfy the selection criteria and award criteria as specified in the Directives.
- (5) When awarding contracts based on a framework agreement, the Bank shall not accept to make substantial amendments to the terms set out in that framework agreement.

7.5 Retroactive Contracts

Retroactive contracts are those contracts and/or purchase orders in which goods, services and works have already been delivered or performed, fully or in part, prior to obtaining the advice of the CPD or the completion of the approval steps required under this Policy and the Directives. Retroactive contracts shall be avoided and may be justified only in exceptional circumstances. All retroactive contracts with the initial award value above the threshold specified in Sub-section 7.1 shall be submitted by the CPD for approval to Director General, Facilities and Administrative Services. The User Department Managers concerned who authorized the retroactive contract in the first instance remain fully responsible and financially accountable for the decision to permit

the contract performance without a properly authorized contract or purchase order. All retroactive contracts shall be submitted to the CPD for their records. Retroactive contracts will only be considered justifiable in situations in which:

- a) the operations or the operational capability of the Bank would be seriously jeopardized without permitting such delivery or performance;
- b) the Crisis Management Team has determined that swift execution of the Contract with the relevant Supplier for specific goods, works and services is essential to facilitate the Bank's response to a crisis; or
- c) the matter is beyond the reasonable control of the User Department.

8. Socially and Environmentally Sustainable Procurement

- 8.1 The Bank's Environmental and Social Framework reflects its institutional objectives to address environmental and social risks and impacts in the Bank's operations and ensure the environmental and social soundness and sustainability of the Bank's operations. The Bank is committed to be an environmentally and socially responsible institution.
- 8.2 In order to translate the objective to successful practical outcomes, the Bank shall ensure that goods and services to be procured conform to applicable legal and other requirements, including international environmental agreements entered into by the country where the goods and services shall be procured. These includes goods and services that maximize the use of durable, reusable and energy efficient products, and low polluting goods and services that produce the minimum level of post-consumer waste and use recyclable content and have minimal impact on the environment. The Bank shall likewise apply environmentally responsible procurement principles to construction design process, tendering and materials.
- 8.3 The Bank will incorporate environmental and social considerations, standards and requirements in procurement planning, specifications, technical specifications and scope of work. They will then be reflected in requests for proposals, invitations for tenders, tender documents and solicitations issued by the Bank and applicable evaluation criteria to implement these policies will be included in the technical evaluation and considered in the cost analysis of all quotations, tenders and proposals.
- 8.4 The Bank shall require contractors and suppliers of goods and services to comply with applicable local and international social standards and requirements that provide for good human conditions of work, protection of occupational safety, reasonable wages and benefits, respect for diversity and other labor standards.

9. Business Ethics

- 9.1 All Bank personnel undertaking any corporate procurement activity shall ensure that they comply with the Bank's Code of Conduct for Bank Personnel.
- 9.2 The Bank will take appropriate actions to manage conflicts of interest involving Bank personnel and dependents, suppliers, and consultants, including but not limited to rejection of proposals for award, if the Bank determines that a conflict of interest has affected the integrity of any procurement process. Bank personnel must declare in writing any actual and/or potential conflict of interest in the corporate procurement of goods, works or service. This declaration shall be filed with the CPD. Tenderers shall

also be required to include in their tenders a disclosure statement of any actual or potential conflict of interest that they may have in the procurement of supplies or services in which they are participating in. The CPD Manager, in consultation with the User Department Manager concerned and Chief Ethics Officer will determine the best means of handling a particular conflict of interest situation. Bank personnel who are or may be perceived to be conflicted shall not exercise any responsibility in relation to the procurement process.

- 9.3 The Bank requires that all Bank suppliers and their employees observe the highest standard of transparency and integrity during the corporate procurement process, the execution and implementation of their contracts. Any occurrence, or suspected occurrence, of a prohibited practice⁵ in the procurement process, award or implementation of a Bank contract subject to the application of this Policy shall be dealt with in accordance with the provisions of the Bank's Policy and Directives on Prohibited Practices. All suppliers to the Bank are required to fully cooperate with the Bank in any investigation into an alleged prohibited practice to be carried out pursuant to the Bank's Policy on Prohibited Practices and to permit the Bank or its representative to inspect such of their accounts and records as may be relevant for such investigation and to have such records and accounts audited by the auditors appointed by the Bank.
- 9.4 The Bank shall not contract with the Bank's debarred entities, and entities that shall be cross-debarred by any other Comparator Institutions pursuant to the Bank's Policy on Prohibited Practices.⁶
- 9.5 Without limiting the generality of the foregoing, Bank personnel must not make personal purchases through open contract catalogues, using purchase orders or contracts, either for themselves or anyone else. This restriction does not prevent Bank personnel from buying goods from the Bank's suppliers, through wholly separate arrangements, at rates that are not specifically favorable to individual Bank staff.

⁵ Prohibited practices consist of any one or more of a fraudulent practice, corrupt practice, collusive practice and coercive practice as those terms are defined in Bank's Policy on Prohibited Practices which is currently under development.

⁶ Cross debarment known as the Agreement for Mutual Enforcement of Debarment Decisions ("AMEDD") was entered into among the Comparator Institutions in 2010. Following the adoption of the Bank's Policy on Prohibited Practices, the Bank will consider joining the AMEDD. Before then, in order to ensure that parties who have been sanctioned by the Comparator Institutions are not involved in AIIB-financed projects, the Bank will unilaterally enforce their more severe sanctions if provided by the Comparator Institutions with enough information to allow a transparent cross-debarment process.