

Directive on the Procurement Policy

October 17, 2023

A. Overriding Objective

1. The overriding objective of this Directive (**Directive**) on the Procurement Policy (**Policy**) of the Asian Infrastructure Investment Bank (**AIIB** or **Bank**) is to facilitate the proper implementation by the Bank's personnel of the Policy and the Bank's Operational Directive: Procurement Instructions for Recipients (**Procurement Instructions for Recipients**).
2. The exercise and interpretation of this Directive, which requires being read in conjunction with the Policy, shall seek to give effect to this overriding objective.

B. Definitions

3. **Definitions.** The capitalized terms used in this Directive have the meanings ascribed to them in the Policy, the Procurement Instructions for Recipients, the Bank's Operational Policy on Financing (**OPF**), or as set forth below:
 - (a) **High Value Contract** has the meaning set forth in the **Annex** to this Directive.
 - (b) **Operations Procurement Committee (OPC)** means the Operations Procurement Committee, whose composition and terms of reference are set forth in the Terms of Reference of the Operations Procurement Committee.
 - (c) **Procurement Advisor** means a member of the Bank's personnel assigned by the Director General, Strategy, Policy and Budget (**DG SPB**) to support the Policy and Strategy Vice Presidency (**PSVP**), in the performance of the PSVP's functions as described or referred to below in *Section 5*.
 - (d) **Procurement Framework** means, collectively: (i) the Policy; (ii) the Procurement Instructions for Recipients; (iii) this Directive; and (iv) any associated administrative guidance relating to procurement that may be issued from time to time by the Vice President, Policy and Strategy (**VP PS**).
 - (e) **Procurement Specialist** means a member of the Bank's personnel assigned by the Director General, Operational Services Department (**DG OSD**), to perform the tasks as described or referred to below in *Section 4*.
 - (f) **Project Team Leader (PTL)** means a member of the Bank's personnel assigned to lead the preparation of the Financing and/or monitoring of Project implementation in accordance with the OPF and its associated Directive (as applicable). The term includes, as applicable, the portfolio management officer assigned by the Director General, Implementation Monitoring Department (**DG IMD**), to lead the monitoring of the Project's implementation.

C. Responsibilities

4. **General.** For purposes of this Directive, the VP PS and each Vice President, Investment Operations (**VP IO**), share responsibility for application of the Policy. In particular:

- (a) The PSVP is responsible for the procurement policy development, policy assurance, compliance and advisory support functions under the Policy (see below, *Section 5*).
- (b) Each IOVP has primary responsibility for the due diligence assessment and implementation oversight of the Projects that fall within its responsibility, in accordance with the Policy (see below, *Section 6*). To this end:
 - (i) the IOVP assigns a PTL to each Project; and
 - (ii) the Director General, Operational Services Department (**DG OSD**), assigns a Procurement Specialist to each Project to support the PTL on all procurement matters under the Project, including during AIIB's Project due diligence assessment and Project implementation monitoring.
- (c) The Vice Presidencies coordinate and cooperate in carrying out their respective responsibilities, and in coordination with and with the support of the Legal Department (**LEG**) and Risk Management Department (**RMD**).

5. **Responsibilities of the Policy and Strategy Vice Presidency (PSVP).**

- (a) **Policy Development.** The VP PS is responsible for all aspects of procurement policy development, including:
 - (i) formulating and proposing revisions to the Policy, the Procurement Instructions for Recipients and this Directive in consultation with OSD as well as other concerned departments;
 - (ii) preparing, issuing and revising as needed, administrative guidance (including setting thresholds for competitive tendering and for prior review by the Bank of Recipient procurement decisions) and standard procurement documentation, designed to support the efficient and proper implementation of the Procurement Policy, the Procurement Instructions for Recipients and this Directive;
 - (iii) interpreting the Procurement Framework in consultation with LEG; and
 - (iv) maintaining close contact with other multilateral development banks in connection with their procurement harmonization efforts.
- (b) **Policy Assurance.** The VP PS is responsible for providing assurance that the Project complies with the Policy. To support the VP PS in making this determination, the Procurement Advisor performs the following tasks in relation to each Project for which a Financing is extended:

- (i) In the case of a Project other than a Results-based Project (**RBP**):
 - (A) confirming the proposed procurement arrangements for the Project, including the Project Delivery Strategy and Procurement Plan (as well as advance procurement arrangements and thresholds for competitive tendering and Bank prior review of Recipient procurement decisions), and any changes to these arrangements and thresholds;
 - (B) confirming the procurement aspects of the Project documentation and any changes thereto; and
 - (C) confirming any proposed application of the Recipient's procurement system and co-financiers' procurement policies (and related common procedure frameworks) to the Project.
- (ii) In the case of an RBP:
 - (A) confirming the procurement system assessment conducted by the IOVP, including any related measures for inclusion in the RBP Action Plan to enhance the procurement system and High Value Contracts to be excluded from the RBP, and any changes to the assessment;
 - (B) approving any exception proposed regarding the exclusion of High Value Contracts under the RBP; such exception to be made on a case-specific basis in accordance with the criteria set forth in the Policy (i.e., the contracts are important to the integrity of the RBP, and their monetary value in relation to the overall RBP is modest); and
 - (C) confirming the procurement aspects of the Project documentation and any changes thereto.
- (c) **Advisory.** The VP PS, with the support of the Procurement Advisor, is responsible for:
 - (i) providing guidance on procurement-related complaints and participating in the review and decisions by the OPC of procurement-related matters;
 - (ii) developing and delivering internal and external training and informational materials on procurement-related policy matters in coordination with OSD, as appropriate;
 - (iii) providing guidance and advice to Bank personnel on procurement-related matters; and
 - (iv) representing the Bank both internally and externally on procurement-related matters.

6. **Responsibilities of the Investment Operations Vice Presidencies.** Each IOVP is responsible for preparing and delivering Financings and monitoring implementation of Projects under the particular IOVP's responsibility, in accordance with the Procurement Policy. More specifically, this responsibility includes:

- (a) For each Project other than an RBP:
 - (i) conducting the Project's procurement risk assessment, including assessing the Recipient's procurement capacity;
 - (ii) assessing the Recipient's procurement arrangements for the Project, identifying procurement risk-mitigation measures, as needed, and developing the Bank's procurement oversight arrangements for the Project;
 - (iii) interfacing with the Recipient on procurement matters, including advising on the procurement requirements for the Project;
 - (iv) facilitating timely publication of procurement notices on the Bank's website;
 - (v) confirming among other matters, the inclusion in the procurement documents of representations and warranties that the tenderer has not engaged and will not engage in Prohibited Practices (as defined in the Policy on Prohibited Practices);
 - (vi) for contracts subject to the Bank's prior review, reviewing and providing no-objection to all procurement documents and procurement decisions by the Recipient, as well as changes to procurement contracts proposed by the Recipient;
 - (vii) monitoring the implementation under the Project of (1) procurement processes, (2) contracts procured and (3) procurement risk mitigation measures (including ad hoc post reviews of selected contracts and review of Project monitoring reports); and
 - (viii) reviewing and making recommendations relating to proposed changes to the Project Delivery Strategy, Procurement Plan or other procurement arrangements (including risk mitigation measures and oversight arrangements) for the Project; and
- (b) For each RBP:
 - (i) conducting the assessment of the procurement system proposed to be applied to the RBP, including assessing the RBP's procurement risk and the Recipient's procurement capacity;

- (ii) identifying any contracts that would constitute High Value Contracts and consequently require exclusion from the RPB and its financing by the Bank in accordance with the Policy;
 - (iii) developing, as appropriate, the measures under the RBP Action Plan proposed to enhance the procurement system; and
 - (iv) monitoring the implementation of the procurement aspects of the RBP, including implementation of procurement-related measures under the RBP Action Plan and review of RBP monitoring reports.
7. **Prohibited Practices.** All personnel are responsible for promptly reporting to the Complaints-resolution, Evaluation and Integrity Unit any allegation of a Prohibited Practice (as defined in the Bank's Policy on Prohibited Practices) that may arise during the procurement process.
8. **Disagreement.** Disagreements among Bank personnel regarding procurement matters that arise under the Policy or this Directive and that cannot be resolved between the managers of the respective departments are brought to the OPC.
- D. Authority**
9. The President shall make all final decisions regarding the application of this Directive.
- E. Replacement of Past Directive**
10. This Directive replaces the AIIB Directive on Operations Procurement, dated July 28, 2020.

**Directive on the Procurement Policy
Annex**

High Value Contracts

The following Table sets forth thresholds for determining whether a contract is a High Value Contract under an RBP. Any contract whose value is estimated to equal or exceed the equivalent of these thresholds is considered a High Value Contract. As noted in the Table, these thresholds vary depending on the type of procurement and the Project's procurement risk as reflected in the Project Document. These thresholds may be revised from time to time by the VP PS.

TABLE: High Value Contracts

Type of Procurement	Project Procurement Risk as reflected in the Project Document	Estimated Contract Value in US Dollars (Millions)
Works, Turnkey, Supply Installation of plant and equipment, Public Private Partnerships and Concessions	Low Medium High	≥200 ≥115 ≥50
Goods, Information Technology and Non-Consultancy Services	Low Medium High	≥125 ≥75 ≥30
Consultant Services	Low Medium High	≥40 ≥30 ≥15