

**ANNUAL CORPORATE PROCUREMENT REVIEW**

**2014**

**Corporate Procurement Unit  
April 2015**

## **Abbreviations**

CPP	Corporate Procurement Policy
CPPP	Corporate Procurement Policy and Procedures
CPRC	Corporate Procurement Review Committee
CPU	Corporate Procurement Unit
OCCO	Office of the Chief Compliance Officer
OCE	Office of the Chief Economist
OGC	Office of the General Counsel
OSG	Office of the Secretary General
MRO	Maintenance, repair and operations
PCC	Procurement Complaints Committee
PO	Purchase Order
PP&R	Procurement Policies & Rules
RO	Resident Office of the Bank
SAP	Electronic system used by the Bank

## Executive Summary

2014 was a particularly active year for Corporate Procurement and the main User Departments (Administrative Services, IT, HR, Communications and OSG).

The following statistics compare 2014 and 2013 results:

- **Total expenditure increased by over 20% in 2014** to GBP 54,367,703 from GBP 44,785,376 in 2013. There are two main reasons for the substantial increase in expenditure in 2014:
  - the Bank's on-going programme of investment in enhancements to its IT infrastructure; and
  - the transfer in January 2014 of responsibility for consultancy services required for the operation of the Headquarters and ROs from the TC Team to Corporate Procurement (GBP 6,292,286).
- **The total value of contracts issued by Corporate Procurement in 2014 rose by 75%** and 47% by number compared to 2013.
- Corporate Procurement contracts represented **40% of the cumulative value of contracts issued by Bank departments in 2014 (TC Team, Corporate Procurement and OGC)**, a substantial increase from 23% in 2013.
- The **updated CPPP** transferred responsibility for consultancy services required for the operation of the Headquarters and Resident Offices from the TC Team to Corporate Procurement. In 2014 Corporate Procurement started a programme of operational and cost-efficiency gains in relation to consultancy services, including:
  - **Fee rate reductions** of between 4% and 6.5% for two of the highest value consultancy contracts and the on-going negotiation of further fee rate reductions.
  - **Streamlined procurement processes** and the use of specific contracts for specialised services that were previously engaged using a consultancy contract (e.g. training contracts).
- A **recommendation is made for an increase in the threshold for direct contracting** of goods, works and services, excluding consultancy services, **from GBP 5,000 to GBP 50,000** in order to provide a more proportionate focus of expertise and effort on higher value and more operationally important procurement activity.
- A further recommendation is made to increase the threshold for direct contracting of **consultancy services from GBP 5,000 to Euro 75,000** in order to harmonise the CPPP and PP&R thresholds for direct contracting of consultancy services.
- **Cooperation with the European Stability Mechanism.** In 2014 the European Stability Mechanism (ESM) requested advice and assistance from the Bank. Corporate Procurement seconded its Senior Manager to the ESM for a six-month period from October 2014. The primary outputs of the secondment are a series of recommendations to the ESM Board of Directors regarding the structure of the ESM procurement function and the implementation of a modern procurement policy and guidelines. The secondment has been successful with discussions regarding further collaboration underway.

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## 1. Introduction

The Annual Corporate Procurement Review (the “Report”) provides an overview of the activities of the European Bank for Reconstruction and Development (the “EBRD” or the “Bank”) in obtaining goods, works and services including consultancy services required for the operation of the Bank’s Headquarters and network of Resident Offices across its countries of operations, funded by its own administrative budget during 2014.

The Bank’s Corporate Procurement activities are carried out in accordance with the Corporate Procurement Policy (“CPP”) approved by the Board of Directors in May 2009. The revised and updated CPP was approved by the Board and came into effect on 29 January 2014<sup>1</sup>.

This Report was prepared by the Corporate Procurement Unit (“CPU”), which is responsible for the Corporate Procurement function in the Bank and ensuring compliance with the Bank’s CPP.

This Report includes statistics on: (i) the Bank’s Corporate Procurement expenditure categorised by the type of goods, works and services procured; (ii) contract awards by CPU for the procurement of complex, high value and / or strategically important goods, works or services; and (iii) purchasing activity by the User Departments accounted for through electronic purchase orders (POs) committed in the SAP system of the Bank<sup>2</sup>.

It is intended, that upon consideration by the Executive Committee and the Audit Committee of the Board and in accordance with the Bank’s Public Information Policy, this Report will be published on the Bank’s website. The 2013 Annual Corporate Procurement Review was published on the EBRD’s website in 2014<sup>3</sup>.

## 2. Corporate Procurement Expenditure

Total Corporate Procurement expenditure in 2014 was **GBP 54,367,703**. Expenditure in previous years was as follows: **GBP 38,235,579 (2011)**, **GBP 43,518,741 (2012)**, and **GBP 44,785,376 (2013)**. There are two main reasons for the substantial increase in expenditure in 2014: (i) the Bank’s on-going programme of investment in enhancements to its IT infrastructure and the Headquarters and RO buildings; and (ii) the transfer in January 2014 of responsibility for consultancy services required for the operation of the Headquarters and ROs from the TC Team to Corporate Procurement (GBP 6,292,286). Table 1 (overleaf) lists the categories in order of the amount paid by the Bank in 2014. Consultancy, IT software and hardware, information services and telecommunications accounted for over 50% of the Headquarters’ Corporate Procurement expenditure in 2014.

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<sup>1</sup> <http://intranet.ebrd.com/ebdnet/depts/purunit/guide/policy.pdf>.

<sup>2</sup> Excluding purchases made by the Resident Offices. The IT system used by Resident Offices does not issue electronic POs. Section 8 of the report provides details of Resident Office corporate procurement expenditure.

<sup>3</sup> <http://www.ebrd.com/procurement/corporate-procurement.html>

**Table 1: Headquarters' Expenditure in 2014 by Category of Goods, Works and Services**

Category of Goods, Works or Services	Amount Paid GBP in 2014	%	Amount Paid GBP in 2013
Consultancy	6,292,286	12	N/A
IT Hardware	6,131,984	11	5,340,705
IT Software	6,067,509	11	4,458,388
Information Services	5,802,893	11	4,739,526
Telecommunications	3,180,307	6	734,857
IT Services	2,550,159	5	2,324,020
Catering and Hospitality*	2,507,228	5	2,362,378
Building Maintenance	2,354,077	4	3,137,389
Freight and Removals	2,113,188	4	1,895,340
Security	1,951,070	4	1,545,340
Travel Agency	1,902,419	3	871,017
Recruitment Services	1,431,473	3	1,844,332
Utilities	1,387,036	3	1,630,120
Employee Benefits	1,267,813	2	1,208,324
Insurance	1,183,310	2	1,257,008
Building Refurbishment	1,058,761	2	3,498,568
Furniture and Building Equipment	900,882	2	1,544,998
Reprographics and Document Recording	813,131	1	913,155
Other Outsourced Services	769,888	1	637,881
Events	749,879	1	1,177,876
Auditing Services	721,809	1	866,904
Training Courses	689,662	1	395,127
Transport Services	646,830	1	601,812
Mail and Courier	491,393	1	470,508
Health and Safety	413,453	1	326,767
Stationary	264,613	<1	262,167
Audiovisual	255,267	<1	287,304
Financial Services	245,577	<1	222,943
Translation and Interpretation	173,114	<1	141,870
Accommodation	45,263	<1	50,949
Funds	5,426	<1	37,806
<b>Total</b>	<b>54,367,703</b>	100	<b>44,785,376</b>

\* The figure quoted covers the amount spent by the Bank however it is moderated by cash receipts received via staff catering cards amounting to **GBP 1,240,860** in 2014.

Responsibility for **Consultancy Services** required for the operation of the Headquarters and ROs was transferred to Corporate Procurement in January 2014. The consultancy services in this category fall into two categories: on-going consultancy contracts initially awarded by TC Team in accordance with the Bank's Procurement Policies & Rules (PP&R) and those awarded by Corporate Procurement in accordance with the CPPP. Some of the higher value on-going contracts presented opportunities for fee rate discounts (in light of the cumulative and scheduled expenditure with the consultancy firms). Negotiations have so far resulted in fee rate discounts ranging from of 4% to 6.5%. Further discounts from a wider group of consultancy firms are being pursued by Corporate Procurement. Significant contract awards and extensions in this category include: Design of the Bank's Donor Funds Project (GBP 1,175,000);

Retirement Plans Investment Consultancy Advice (GBP 648,140); Bank Budget Process Review (GBP 190,000) and HR Competency Framework (GBP 178,250).

**IT Hardware** includes the cost of purchasing hardware and its maintenance. The most significant contract award in 2014 was for provision of Riverbed Networking Equipment and related services (GBP 609,578). This is a key element of the IT Department's refresh of the hardware that optimises data traffic across the Bank's Wider Area Network (WAN).

The **IT Software** category consists of software licences and the associated on-going support costs. Software licences made-up approximately 60% of the total category expenditure in 2014 with software maintenance and support accounting for the balance.

**Information Services** covers all forms of business and technical data purchased from vendors of information services. Most of the contracts awarded in this area are subject to sole source approval as these data services are usually of a unique nature and there are few, if any, opportunities for competitive tendering. A number of the major contracts for information services are awarded on a multi-year basis to secure commercially advantageous terms. Due to continuing supplier consolidation in this market, the Bank's commitment to major suppliers continues to increase as they acquire smaller providers.

**Telecommunications** covers data network services, mobile and landline telecommunications. Expenditure in this category is significantly higher when compared to the 2013 figures for two reasons: (i) expenditure under the contract awarded in 2013 for the provision of a Multiprotocol Label Switching (MPLS) Wide Area Network Solution (expenditure in 2014 was GBP 1,171,536; and (ii) the reclassification of line rental charges for the Bank's mobile telephony from IT Hardware (expenditure in 2014 was GBP 966,864).

**IT Services** consists of significant contracts for the provision of specific technical support for the Bank's main IT infrastructure and business continuity services. Competitively awarded contracts with fixed and competitive pricing make-up approximately 90% of this category: (i) provision of the Bank's helpdesk; (ii) business continuity services; and (iii) specialist system development services.

Almost the entire **Catering and Hospitality** category (98%) is covered by the contract to provide catering services at the Bank's HQ. The contract was tendered in 2011 and a new caterer engaged as a result in December of 2011. The contract covers the cost of operating the Mozart Restaurant, the Executive Dining Room and Coffee Bar including the cost of food, beverages and necessary supplies. The figure quoted covers the amount spent by the Bank however it is moderated by cash receipts received via staff catering cards amounting to GBP 1,240,860 in 2014.

**Building Maintenance** includes all forms of maintenance for Headquarters including mechanical/electrical and fabric maintenance. A significant contract award in 2014 was for the Provision of Building Maintenance Services to the Bank's Headquarters (GBP 5,410,900 over a period of 5 years).

**Freight and Removals** services are provided for almost entirely via the contract awarded in early 2014 (GBP 7,540,920.00) to provide relocation and removal services.

**Security** expenditure is predominantly made up of manned guarding services (over 60%). A new provider of manned guarding services for the HQ was contracted in 2014 following a tender process (GBP 5,303,352.50 over a period of 5 years).

The **Travel Agency** category is made-up of business travel agency services (expenditure in 2014 GBP 734,562 annually) and event management services (expenditure in 2014 GBP 1,122,266). The event management service provider does not charge the Bank for its service (commissions are paid to them by the venues). In addition to the operational efficiency gains generated, the event management service provider delivers an average 21% cost saving for the Bank by negotiating preferential rates with venues.

**Recruitment Services** are provided via a range of framework contracts for the recruitment of permanent and temporary staff at both the support and professional level.

**Utilities** expenditure for 2014, where the Bank benefited from carrying out timely negotiations and hence capitalised on falling wholesale energy prices with a drop of 18% when compared to Headquarters gas and electricity costs in 2013.

**Employee Benefits** expenditure in 2014 includes specialised services required to operate the Retirement Plan (44%) and the preferential corporate gym membership (40%).

**Insurance** includes commercial, vehicle, medical, personal and travel insurance with approximately 95% of the category total paid via the Bank's contract with its competitively selected broker.

**Building Refurbishment** includes works required at both Headquarters and Resident Offices. The Bank made use of the competitive rates negotiated under framework contracts for on-going refurbishment requirements.

**Furniture and Building Equipment** includes expenditure for Headquarters and Resident Offices. The major part of Headquarters' furniture is purchased under a framework contract competitively awarded in 2010. In anticipation of Headquarters' furniture needs in 2014 and beyond, Corporate Procurement and the Administrative Services Department negotiated preferential rates under this contract. The prices are fixed at 2011 levels until the end of 2016. A similar discount arrangement (representing 14% saving on unit prices) based on the volume of expenditure was negotiated with a supplier of office furniture to the Bank's ROs.

**Reprographics and Document Recording** include the services of design agencies, printing firms and the in-house print room facilities which are predominantly provided via competitively awarded contracts.

**Other Outsourced Services** includes specialised design services and HR support services making-up 55% of the costs. The balance of the expenditure was via POs or contracts with "one-off" service providers.

The **Events** category includes the cost of services for the Annual Meeting, training courses and team retreats. The significant reduction in this category (from GBP 1,177,876 in 2013) is due to the reclassification of the expenditure with the Bank's event management service provider to the travel agency category.

**Auditing Services** are provided by the Bank's external auditor, selected following a competitive procurement process.

Expenditure in the **Training Courses** category increased in 2014 compared to 2013. The increase is due to the transfer of responsibility for certain consultancy services from the TC Team to Corporate Procurement in January 2014. Training expenditure is not classified as



Consultancy Services because Corporate Procurement has used training services contracts rather than consultancy contracts to engage training providers since the transfer.

**Transport Services** consist mainly of taxi services making up more than 70% of the total expenditure in 2014. The contract for taxi services was competitively awarded for three years in 2013. The procurement process and subsequent contract negotiations secured fixed prices for the duration of the contract. The prices agreed are 5.5% lower than those charged under the previous contract.

**Mail and Courier** services are bought from a major courier company, with 89% of the category total, the balance relates to the UK postal service and local couriers.

**Health and Safety** consists of medical services, protective clothing and ergonomic equipment. Approximately 80% of the expenditure was made for medical services via a competitively awarded contract.

### **3. Management of the Bank's Suppliers**

Just under half of the 900 suppliers paid by the Bank in 2014 were engaged using a contract as opposed to a standalone PO. Contracts provide for a longer-term relationship with a supplier than a PO which is a legally binding agreement that is typically used for one-off requirements.

Despite the significant increase in overall expenditure the percentage of total expenditure under contract remained as high (93% in 2014 and 92.5% for 2013). By utilising contracts the Bank optimises its commercial leverage and builds more effective relationships with its suppliers.

The use of standalone POs is an efficient and legally secure manner in which to procure one-off requirements. Over 50% of the total expenditure using standalone POs relates to the procurement of IT Hardware from IT resellers.

Table 2 (overleaf) provides details on the suppliers by threshold under contract and via standalone purchase orders in 2014.

### **4. The Bank's Top Twenty-Four Corporate Procurement Suppliers (by value)**

In accordance with the recently updated CPPP, Significant Contract Teams made-up of User Departments, Corporate Procurement and other specialist functions (e.g. OGC) have worked on developing optimal procurement and contracting strategies for the procurement of operationally important and high value contracts. The results in 2014 were:

- 50% of the Bank's Corporate Procurement expenditure in 2014 was disbursed via contracts with twenty-four suppliers.
- Twenty of the twenty-four suppliers were contracted following a competitive procurement process.
- Of the twenty suppliers contracted competitively, four were engaged in 2014 and thirteen were engaged following a competitive procurement process undertaken or scheduled to be conducted within a three year period between 2013 and 2015.

**Table 2: Suppliers by Threshold under Contract and via Stand-Alone Purchase Orders**

		<b>No. of Suppliers</b>	<b>Cumulative Expenditure GBP</b>	<b>% Total no. of Suppliers</b>	<b>% Total Cumulative Expenditure</b>
<b>Under Contract</b>	<5k	82	196,599	9	<1
	5-20k	143	1,636,805	16	3
	20-50k	87	2,906,293	10	5
	50-150k	76	6,432,457	8	12
	>150k	69	39,343,600	8	72
	<b>Total</b>	<b>457</b>	<b>50,515,754</b>	<b>51</b>	<b>93</b>
<b>Stand-Alone PO</b>	<5k	399	602,310	44	1.1
	5-20k	78	787,608	9	1.4
	20-50k	16	486,307	2	0.9
	50-150k	7	620,143	1	1.1
	>150	2	1,355,581	0	2.5
	<b>Total</b>	<b>502</b>	<b>3,851,949</b>	<b>56</b>	<b>7</b>
<b>Overall</b>	<5k	438	712,036	49	1.3
	5-20k	205	2,268,371	23	4.1
	20-50k	102	3,386,155	11	6.2
	50-150k	85	7,121,833	9	13
	>150k	70	40,879,309	8	75
	<b>Total</b>	<b>900*</b>	<b>54,367,703</b>	<b>100*</b>	<b>100</b>

\*The 'Overall' figure is less than the sum of the 'Under Contract and 'Standalone PO' totals because some suppliers are engaged both under a contract and using a standalone PO.

- The other three suppliers provide goods and services for which best value for money is usually obtained under longer-term contracts, maximising the Bank's commercial leverage and generating operational efficiencies through continuity of service.
- Of the four suppliers directly contracted, one was also awarded a contract following a competitive process. In addition, a substantial discount (6.5%) in the consultancy fee rates charged to the Bank was negotiated in 2014. A broader Master Service Agreement with potentially further discounts is currently being negotiated with this supplier.
- The other three directly engaged suppliers have been engaged as long-standing exceptions to competitive procurement on the grounds that they provide a service or software that is currently uniquely capable of responding to the Bank's needs.

Table 3 (overleaf) provides details on the suppliers, the contracts awarded and the expenditure in 2014.

**Table 3: Top Twenty-Four Corporate Procurement Suppliers 2014**

Total Expenditure in 2014 GBP	Start date if pre 2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Contracts Awarded Competitively</b>										
2,466,731					Catering Services					
2,222,124					Provis. of HP UX Server Maintenance (223,868)					
					(1,086,969)			← Provision of Cisco Equip. and Related Services		
					(8,958)			← Riverbed Maintenance		
					(8,958)			← Riverbed Maintenance (491,065)		
	Q3, 2009	Network Maintenance & Server Monitoring (282,770)								
1,395,240					IT Helpdesk Staff					
1,317,559					(87,179)			← Gas Supply to HQ		
					(1,230,380)			← Electricity Supply to HQ		
1,269,633					Desktops and Other IT Equipment (613,621 spend in 2014 under contract)					
1,259,007		Mobile Telephony Services								
1,194,104	Q4, 2007	Provision of Manned Guarding and Reception Services								
1,182,358	Q3, 2007	Insurance Brokerage Services								
1,171,536		Multiprotocol Label Switching (MPLS) Wider Area Network Solution								
1,122,266		Event Management Services								
908,902	Q1, 2008	Relocation Services								
1,105,916		Relocation Services								
1,015,656	Q3, 2009	Secretarial, Administrative and Support Staff Recruitment Services								
734,562	Q3, 2008	Travel Agency Services								
721,809		External Auditor								
701,751		Cleaning Services (Headquarters)								
699,570		← IT Hardware (Various Purchase Orders)								
682,947		Enterprise Network Storage Equipment								
557,597	Q3, 2004	Building and Engineering Maintenance Services								
648,936		Building and Engineering Maint. Services								
<b>Contracts Awarded Directly</b>										
2,338,072					Turnaround Management Programme MIS (68,000)					
					Sustainable Energy Financing Facil. MIS (327,907)					
					On-premise Master License Agreement (1,434,600)					
					(156,450)			← Results Framework Project Definition		
					(149,265)			← Development & Delivery of OpsNet System		
882,740	Q1 1991	Market Information Services								
678,363		Enterprise Licence								
571,077	Q2 2009	Summit Software								

## 5. Significant Contract Awards in 2014

2014 was a particularly active year with a large number of significant contract awards and the on-boarding of a number of new suppliers. A summary of the higher value contract awards is provided below. A full listing of all contracts with a value of GBP 150,000 or above awarded in 2014 is provided in table A of the annex.

### Provision of Managed Relocation Services (GBP 7,540,920)

The HR Department and Corporate Procurement formed a Significant Contract Team to review the service delivery model and subsequently retender these services. Relocation and international removal services had been managed via three different suppliers for a number of years. The new contract awarded in February 2014 covers both relocation and removal services and sets demanding service levels.

### Engineering Maintenance Services (GBP 5,410,899 over a period of 5 years)

The Administrative Services Department developed a new and more efficient service delivery model which, following a competitive tender was awarded to a new provider in 2014. The Administrative Services Department is confident that the anticipated benefits of the new delivery model will soon be achieved in full:

- Reduced cost and simplified contract administration. The previous delivery model reimburses the supplier for works undertaken. The new model shares the risk between the supplier and the client in terms of cost and encourages the contractor to ensure that preventative maintenance is carried out more frequently, hence reducing malfunctions and associated expensive repairs. In addition, the new model also consolidates invoicing, removing the administrative burden of processing invoices for (often low value) works.
- A consolidation of services. 12 small maintenance contracts previously managed by the Administrative Services Department were incorporated into the contract to be directly managed by the building maintenance service provider.

### **HQ Security Guard Services (GBP 5,303,352 over a period of 5 years)**

A new provider of Manned Guarding Services for the HQ was contracted in 2014 following a competitive tender process. The contract was awarded for a five year period. The previous contract was awarded following a tender conducted in 2007.

### **Retirement Plan Admin Services (Web Enabled Administration Services) (GBP 2,187,200)**

The scope of the services covered by this contract was expanded to include the administration and accounting services for the Bank's Final Salary Plan (FSP) in addition to the Bank's Money Purchase Plan (MPP). The previous contract only covered the latter. In addition, the updated scope of services includes an enhanced web enabled delivery of retirement plan administration.

### **Gas and Electricity Supply to HQ (Electricity 2014-2015: GBP 1,732,854; Gas 2014-2015: GBP 272,609).**

The Energy Purchasing Working Group met on several occasions in 2014 to decide on the optimal time to buy electricity and gas and decide on the duration of contracts, i.e., for one or two years. The decisions regarding the timing and the duration of the contracts is informed by market data and advice provided by a specialised energy broker contracted by the Bank for this purpose.

### **Provision of Office Furniture for 155 & 175 Bishopsgate – contract extension (GBP 1,200,000)**

Following detailed commercial negotiations by the Administrative Services Department and CPU with this reseller of office furniture (and the manufacturer of the furniture) a contract extension was awarded that fixed the 2011 unit prices until the end of 2016. The 2014 market unit prices would have been 13% higher than the 2011 unit prices. The impact of such an increase on the anticipated £1.2m furniture requirement would have been an increase in cost of £160,000.

### **Donor Funds Design Project – contract extension (GBP 1,175,000.00)**

The original contract for IT design and implementation services was awarded following a competitive procurement process undertaken by the TC Team in accordance with the PP&R. As the original procurement process could not foresee the need for further contract extensions (required due to project scope developments) this contract extension was awarded as an exception to competitive procurement on the grounds that continuity was both operationally and cost effective. A discount on the fee rates for this and subsequent extensions was negotiated by Corporate Procurement. The discount is progressive, with a 2% discount on expenditure up to GBP 1 million, 4% up to GBP 4 million and 5% thereafter.

### **Provision of Virtualised Storage Equipment (GBP 990,000.00)**

Price competition generated a fixed 52% discount against future hardware purchases and 50% against the cost of the support package for 36 months.

### **Service Management Tool (GBP 424,282)**

The Significant Contract Team decided that a Total Cost of Ownership (TCO) model would be more effective than a standard price comparison for this procurement process. The TCO model compared the potential cost of a ‘Software as a Service’ (SaaS) solution versus the cost of delivering the service ‘on premise’. This is the first time that the TCO evaluation model has been used as part of a Corporate Procurement process. The results provided a clear cost-comparison of the SaaS versus on premise options in addition to identifying the proposal offering the lowest overall TCO.

### **Pre-employment Screening and Due Diligence Checks (GBP 300,000.00).**

In 2012 the Bank’s Prohibited Practices taskforce recommended that pre-employment checks should be outsourced. This tender resulted in the award of a contract for the provision of a range of pre-employment screening check services with a carefully negotiated rate card for each type of service provided. The checks apply to employees hired on HR contracts (regular, fixed-term or short-term).

## **6. A Status Report on the Implementation of the Updated CPPP**

The revised and updated CPPP were approved by the Board and came into effect on 29 January 2014<sup>4</sup>. A summary of the main changes and the efficiency gains generated by the updated CPPP are summarised below:

### **More Efficient Decision-making**

The updated and streamlined decision-making process has proved to be very effective. The advisory role played by the CPRC has been discontinued. Decisions regarding high value contracts and exceptions are now made directly by the Vice President responsible for Corporate Procurement (Luise Hölscher). A full listing of all approvals in 2014 is provided in table B of the annex.

### **Significant Contract Teams and the Procurement Lifecycle Approach**

The Significant Contract Teams established in 2014 have facilitated better teamwork and clarified shared objectives. This is an important efficiency gain that makes best use of the Bank’s expertise and experience and encourages a more strategic and / or innovative approach to procurement and supplier relationship management.

Significant Contract Teams are established for high value / high operational importance contracts and are responsible for: establishing the contract duration, anticipated efficiency gains, cost savings and / or risk mitigation; the means by which they will be measured; and how and when the effectiveness of the procurement process and the supplier’s performance under the contract will be measured. Significant Contract teams typically include:

- Budget holder / project sponsor
- Contract Manager
- CPU Manager
- OGC counsel (if appropriate, together with external counsel); and
- End users / recipients of the services

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<sup>4</sup> <http://intranet.ebrd.com/ebdnet/depts/purunit/guide/policy.pdf> and <http://intranet.ebrd.com/ebdnet/depts/purunit/guide/procedures.pdf> .

## Consultancy Services – Cost and Operational Efficiency Gains

The updated CPPP transfer responsibility for consultancy services required for the operation of the Headquarters and Resident Offices from the TC Team to Corporate Procurement. Working together with the departments utilising such consultancy services, Corporate Procurement has implemented a range of efficiency gains, including contract consolidation and the simplification of internal processes. For example:

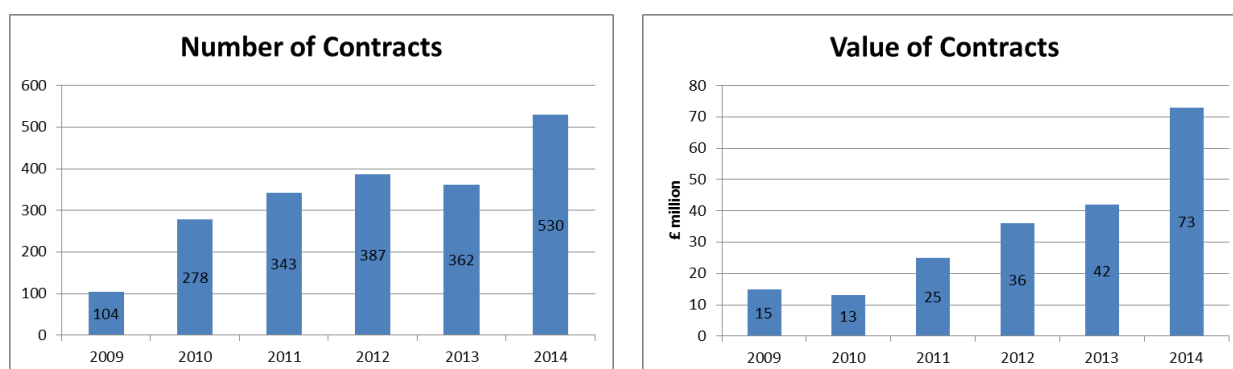
Fee rate reductions are being negotiated for high value contracts that were transferred to Corporate Procurement in 2014. A two-phased approach to fee rate reductions started in 2014. The first phase has identified fee rate reductions of between 4% and 6.5% for two of the highest value consultancy contracts. The second phase (currently on-going) is to negotiate Master Services Agreements (MSA) with major suppliers of consultancy services to the Bank. The MSAs will not commit the Bank in any way or affect competitive procurement processes but will set fee rate reductions / discounts and the manner in which they are calculated.

A review of the IT Consultancy procurement processes revealed a number of duplicative steps, for example: (i) the request for internal approval to engage a contractor and the internal request to issue the contract have been conflated into one standardised internal request; and (ii) the results of the evaluation process is recorded in one system / format rather than, as was previously the practice, in two systems / formats (excel and the Bank's eSelection system). Removing these steps in the process released both IT and Corporate Procurement staff time to spend on the development of a more strategic approach to the IT Department's procurement needs.

## 7. Contracts Awarded in 2014

**The total number of contracts issued in 2014 represents an increase of 47% on the number issued in 2013 and an increase of 75% by value.** These substantial increases accelerate the upward trend in the number and overall value of contracts awarded by Corporate Procurement since 2010.

**Table 5: Overview of Corporate Procurement Contract Awards in 2009-2014**



The two main reasons for the substantial increase in total value of Corporate Procurement contracts in 2014 are the same as those provided in section 2 above: (i) the Bank's on-going programme of investment in enhancements to its IT infrastructure; and (ii) the transfer in January 2014 of responsibility for consultancy services required for the operation of the Headquarters and ROs from the TC Team to Corporate Procurement.

The efficiency gains generated by the updated CPPP described in section 6 (above) have proved timely given the sharp increase in Corporate Procurement activity in 2014.

The increased volume and value of contracts handled by Corporate Procurement resulted in a rise in the proportion of the Bank’s contracts that are issued via Corporate Procurement. The cumulative value and number of contracts issued by Bank departments (TC Team, Corporate Procurement and OGC) in **2013 and 2014 was €235 million and €216 million** respectively. In **2013** Corporate Procurement contracts represented **23% of the total cumulative value**. In **2014** this figure rose to **40%**.<sup>5</sup>

**Competitively Awarded Contracts**

In 2014 Competitively awarded contracts and extensions made-up 73% of the total value of contracts awarded. Competitively awarded contracts often provide for an extension subject to the performance of the supplier and the Bank’s requirements. The competitive procurement process followed at the outset to award all such contracts assumes the maximum contract duration and value including all potential extensions. The table below shows the distribution of contracts by method of award (direct or competitive) and by value.

**Table 6: Contracts by Procurement Method in 2014 and 2013**  
(Contract value relates to anticipated expenditure under contract. Some contracts are multi-annual in duration.)

	2014			2013		
	Value GBP	% of Total Value	No	Value GBP	% of Total Value	No
<b>Competitively Awarded Contracts</b>	32,954,351	45%	153	18,310,189	44%	108
<b>Extensions to Competitively Awarded Contracts (extension foreseen by original procurement process)</b>	20,767,288	28%	181	15,007,612	36%	76
<b>Directly Awarded Contracts</b>	6,011,479	8%	72	3,114,691	7%	88
<b>Directly Awarded Extensions (extension not foreseen by original procurement process)</b>	13,756,013	19%	124	5,233,606	13%	90
<b>Total</b>	<b>73,489,130</b>	<b>100%</b>	<b>530</b>	<b>41,666,098</b>	<b>100%</b>	<b>362</b>

**Directly Awarded Contracts and Extensions**

The direct award of contracts is permitted for contracts estimated to cost less than GBP 5,000. For contracts estimated to cost more than GBP 5,000 competitive procurement is required unless an exception to the competitive procurement is approved in accordance with the CPPP.

In 2014 Direct Contracting was used for 196 contracts and extensions with a combined value of GBP 19,767,492. Of these contracts 69 totalling GBP 175,661 were in the value range of contracts less than GBP 5,000 and did not require competitive procurement.

<sup>5</sup> Exchange rate applicable at 31 December 2013 and 2014 applied to the 2013 and 2014 contract figures.

The significant increase in the value of directly awarded contracts and extensions is due mainly to the award of nine contracts, totalling GBP 6,993,336, related to Treasury activities and were awarded directly in accordance with Section 1.2 (a) of the CPP which does not require the application of the rules of the CPPP to areas that fall under the authority of Treasury and Treasury Risk Management. In 2013 the figures for the same category were: six contracts totalling GBP 317,886.

The remaining 118 contracts were justified and approved in accordance with the CPP<sup>6</sup>, which stipulate that exceptions to the competitive procurement may be considered and approved under the certain specific criteria. All exceptions to competitive procurement for contracts estimated to cost GBP 5,000 or more but less than GBP 50,000 must be approved by the Head of the applicable User Department and the Head of CPU prior to award of the contract. All exceptions estimated to cost GBP 50,000 or more must be approved by the Vice President HR & Corporate Services prior to award of the Contract.

### **Exceptions to Competitive Procurement**

The number and value of exceptions to competitive procurement changed from 109 (£12,912,961) in 2012 and 97 (GBP 7,848,589) in 2013 to 118 (GBP 12,598,495) in 2014. Of the 118 contracts awarded as approved exceptions to competitive procurement in 2014, 79 were on-going and previously approved exceptions, representing 81% of the total value of exceptions in 2014 (GBP 10,230,307) and 39 were newly approved exceptions, representing 19% of the total value (GBP 2,368,188).

## **8. Local Purchasing in the Bank's Countries of Operations**

In 2014, the total expenditure by the ROs amounted to GBP 2,959,030 compared to GBP 3,311,432 in 2013. These figures include Corporate Procurement expenditure, excluding office rent<sup>7</sup>, by the Bank's Resident Offices (ROs) in 2014. The Corporate Procurement expenditure by the ROs reported in this section includes the costs of office maintenance<sup>8</sup>, cleaning, service charges<sup>9</sup>, vehicle running costs, items of office equipment such as printers and scanners, stationery, minor repairs, etc. The Heads of RO use self-managed budgets to pay for this expenditure. In sourcing works, goods and services for the ROs' needs, preference is given to local suppliers.

The expenditure totals exclude the cost of items purchased for the ROs using the centrally managed budget held by the Administrative Services and IT Departments.

In accordance with CPU's Guidelines on Corporate Procurement in Resident Offices (issued in September 2011), when purchasing goods, works or services with a value of less than GBP 5,000 (or equivalent in local currency), the Bank will normally use the terms provided by the supplier to ensure that the Corporate Procurement process can be concluded quickly and efficiently to avoid any operational disruptions.

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<sup>6</sup> Section 7.4: Exceptions to Competitive Procurement.

<sup>7</sup> Leases of Headquarters and ROs are excluded from the Bank's CPPP which apply to goods, works and services whereas lease is classified as neither of these and as such is outside the scope of the CPPP.

<sup>8</sup> Extent of maintenance required varies under individual leases and may include air conditioning units, UPS, central heating system, generators, fire alarms, security equipment, photocopiers, and non-mechanical items such as carpets, windows, internal and external decoration, gardens and landscaped areas, gutters and rainwater down-pipes.

<sup>9</sup> Payment of service charges is the direct responsibility of the ROs and is made locally whenever possible.



## **9. Host of the 2015 Meeting of the Network on Procurement in International Organisations (NPIO)**

In September 2015 the Bank will host the annual meeting of the Network on Procurement in International Organisations (NPIO). The NPIO is a network of 32 international organisations that share best-practice Corporate Procurement knowledge and experience both at its annual conference and via the International Procurement Club<sup>10</sup> on LinkedIn which provides a very useful platform for discussions, surveys and document harmonisation.

## **10. Cooperation with the European Stability Mechanism**

In 2014 the European Stability Mechanism (ESM) requested advice and assistance from the Bank in relation to its procurement activities. Corporate Procurement agreed to second its Senior Manager to the ESM for a six-month period from October 2014. All costs of the secondment including the costs of temporary cover for the seconded Senior Manager were paid by the ESM. The outputs of the secondment were:

- An update of ESM internal Procurement Policy and Guidelines to reflect IFI best-practice and the changes proposed by the ESM Board of Directors;
- A cost-benefit and resource-needs analysis for the procurement function at ESM (in particular with a view to further aligning it with the EU Directive);
- A review of the established procurement processes and provision of training to operational departments of the ESM; and
- Development of a dedicated corporate procurement section on the ESM website.

The secondment has been successful with discussions regarding further collaboration underway.

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<sup>10</sup> [http://www.linkedin.com/groups?home=&gid=4716800&trk=anet\\_ug\\_hm](http://www.linkedin.com/groups?home=&gid=4716800&trk=anet_ug_hm)

## **ANNEX**

**Table A: Major Contracts in 2014 with a Value Greater than GBP 150,000**

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

Contract Title	Extension	New	GBP Value
Provision of Managed Relocation Services		7,540,920	7,540,920
Engineering Maintenance Services		5,410,900	5,410,900
HQ Security Guard Services		5,303,353	5,303,353
Equity Participation Fund		3,466,849	3,466,849
Derivatives Market Data	2,981,247		2,981,247
Catering Services HQ	2,470,901		2,470,901
Retirement Plan Admin Services		2,187,200	2,187,200
Electricity Supply (HQ)		1,732,855	1,732,855
Office Software Enterprise Agreement	1,587,681		1,587,681
On-line News, Research and Analytical Data Subscription	1,308,492		1,308,492
Business Continuity Management Services	1,212,300		1,212,300
Provision of Office Furniture for 155 & 175 Bishopsgate	1,200,000		1,200,000
Donor Funds Design Phase	1,175,000		1,175,000
Provision of Manned Guarding and Reception Services	1,100,741		1,100,741
Ratings and Analysis Services Subscription	1,032,959		1,032,959
Firewall Refresh Premium Reseller		1,015,512	1,015,512
Provision of Virtualised Storage Equipment		990,000	990,000
WAN Upgrade	890,000		890,000
Mobile Telephony Services	812,250		812,250
EBRD Retirement Plans	664,000		664,000
Retirement Plans - Investment Consultancy		648,140	648,140
News, data and Insight Service Subscription	604,803		604,803
Corporate Meetings and Events Management	600,000		600,000
Application Performance Platform		584,058	584,058
Reconciliation, Exception Management, Workflow and Business Intelligence Software	530,808		530,808
Gym Membership		490,020	490,020
Business Travel and Travel Related Services	457,820		457,820
HQ Photocopying Facilities	426,602		426,602
Service Management Tool		424,283	424,283
Financial Information Services Subscription	393,160		393,160
Market Intelligence and Risk Analytics Subscription	387,809		387,809
Annual Meeting Services	335,479		335,479
RO Mobile Phone Service Provider		325,000	325,000
Pre-employment Screening and Due Diligence Checks		300,000	300,000
Tuning and Diagnostics Packs	296,990		296,990
Financial Modelling		274,800	274,800
Gas Supply		272,609	272,609
Trading Communications and Applications Software		268,959	268,959
In-memory Computing		233,100	396,300
Managed Relocation Services	226,000		226,000
Office Stationery	200,000		200,000
World Business, Finance and Political News Information Service Subscription	198,009		198,009
Outplacement Services	197,625		197,625

<b>Contract Title</b>	<b>Extension</b>	<b>New</b>	<b>GBP Value</b>
Ombudsperson Services	192,000		192,000
Budget Process Review	190,000		190,000
Insurance Brokerage Services	186,000		186,000
Provision of Competency Framework		178,250	178,250
Project Manager		172,500	172,500
Technical Programme Manager	172,500		172,500
Design Services for Annual Meetings	169,549		169,549
International Organization for Public-Private Cooperation Partnership Agreement	161,977		161,977
Enterprise Service Bus		157,300	157,300
E-mail Encryption		156,802	156,802
Mergers and Acquisitions Intelligence and News Service Subscription	156,557		156,557
Provision of Language Training Services	153,000		153,000
Project Manager		151,800	151,800

**Table B: Projects Reviewed and Approved in 2014**

<b>Date</b>	<b>Project</b>	<b>Approval for</b>
26/02/14	Retirement Plan Administration Services	Project Plan
26/02/14	Retirement Plan Investment Advice	Project Plan
12/03/14	Provision of Furniture for 155 & 175 Bishopsgate	Exception to CPPP
14/03/14	Electricity and Gas for EBRD Headquarters	Project Plan
28/03/14	Engineering Maintenance Services	Award of Contract
04/04/14	Networking Equipment Refresh	Project Plan
09/04/14	Pre-Employment Screening Services	Project Plan
11/04/14	Business Travel Services	Project Plan
11/04/14	Security Guard Services	Project Plan
24/04/14	E-mail Encryption Solution	Award of Contract
20/05/14	Networking Equipment Refresh	Award of Contract
27/05/14	In-Memory Analytics Platform Licences	Exception to CPPP
04/06/14	2015 Restack Project	Project Plan
05/06/14	E-Tendering System	Award of Contract
27/06/14	Insurance Brokerage Services	Exception to CPPP
14/07/14	Dealer Board Upgrade	Exception to CPPP
14/07/14	Service Management Tool	Project Plan
22/07/14	Extension to Design Services Contract for 2015 Annual Meeting	Exception to CPPP
22/07/14	Preferred Supplier List for Camera Operatives	Award of Contract
24/07/14	Enterprise Service Bus	Award of Contract
25/07/14	Pre-Employment Screening Services	Award of Contract
27/08/14	Retirement Plan Administration Services	Award of Contract
27/08/14	Retirement Plan Investment Advice	Award of Contract
03/09/14	2015 Restack Project	Exception to CPPP
26/09/14	Supply and Hire of AV Equipment	Exception to CPPP
26/09/14	Firewalls for the EBRD	Project Plan
10/10/14	Security Guard Services	Award of Contract
14/10/14	Donor Funds Implementation Project	Award of Contract
27/10/14	Removals, Storage and Portage Services	Project Plan
06/11/14	Business Travel Services	Award of Contract
06/11/14	Service Management Tool	Award of Contract
26/11/14	Firewalls for the EBRD	Award of Contract
27/11/14	2015 Restack Project	Award of Contract
02/12/14	Extension to various HR specialist contracts	Exception to CPPP
05/12/14	Partnership with World Economic Forum	Exception to CPPP
15/12/14	HR Information System	Exception to CPPP
15/12/14	Budget Planning and Control Tool	Exception to CPPP
16/12/14	Taxation Advice for US Staff	Exception to CPPP
19/12/14	Provision of Cyber Security & Malware Protection Software	Exception to CPPP

Table C List of Exceptions to Competitive Procurement Approved in 2014

Supplier	Extension	New	Total GBP Value
MIS and Application Support	636,700		636,700
Bacs Payment Software	5,352		5,352
Equipment Hire	70,000		70,000
Sponsorship Agreement Datacloud CEE 2014		10,000	10,000
Data Feed	32,320		32,320
Russian Translation Services		12,800	12,800
Macroeconomic Data Provider	10,500		10,500
Reconciliation, Exception Management, Workflow and Business Intelligence Software	530,808	30,000	560,808
Mentoring Programmes	28,300		28,300
Provision of Language Training Services	153,000		153,000
Corporate Leadership Council Membership		76,095	76,095
Corporate Research Forum Membership		11,000	11,000
Software Estimation and Measurement Tools	10,492		10,492
Provision of Security Response Services		21,450	21,450
Electronic Signature System	6,521		6,521
News, Data and Insight Service Subscription	604,803		604,803
Research Study of the Market for Equity Capital		38,953	38,953
Reference Source for Economics Research	5,897		5,897
Scientific and Medical Research Subscription	7,219		7,219
Cost of Living Allowance and Hardship Data	33,470		33,470
Investor Network Membership	9,617		9,617
Online Training	23,375		23,375
Global Market Activity Intelligence Services	18,982	7,900	26,882
Global Strategic Intelligence Service	126,727		126,727
Annual Meeting Registration Officer		7,225	7,225
World Business, Finance and Political News Information Service Subscription	214,009		214,009
Rating Data Service	16,686		16,686
Research Library Licence	125,957		125,957
Gym Membership		41,357	41,357
Design Services for Annual Meetings	169,549		169,549
One Bank Initiative	10,000		10,000
Power and Renewable Energy Industry Research Service		15,000	15,000
Joint Implementation Emissions Reduction Purchase Agreement		6,217	6,217
Job Evaluation Management Tool		25,000	25,000
Business Media Publications	5,780		5,780
Business News Services	10,307		10,307
News Information Subscription	13,100		13,100
On-Line News, Research and Analytical Data Subscription	1,308,492		1,308,492
Trading Communications and Applications Software		268,959	268,959
Provision of Permit To Work Manager	11,329		11,329
Candidate Assessment Services		211,200	211,200
Gym Membership		10,000	10,000
Legal, Government, Business and High-Tech Information Source Provider	9,600		9,600
Recruiter Licence for Social Networking	6,000	34,960	40,960
Membership of Syndicated Loan Market Association	7,700		7,700

<b>Supplier</b>	<b>Extension</b>	<b>New</b>	<b>Total GBP Value</b>
Provision of Office Furniture for 155 &175 Bishopsgate	1,200,000		1,200,000
Insurance Brokerage Services	186,000		186,000
Management Training	139,260		139,260
Computer Security Software	13,125		13,125
Learning Management Platform	25,709		25,709
Mergers and Acquisitions Intelligence and News Service Subscription	156,557		156,557
Office Software Enterprise Agreement	1,587,681		1,587,681
Ratings and Analysis Services Subscription	1,041,342		1,041,342
Resident Office Furniture	116,860		116,860
Web-Based Collaboration and Document Management System Licences	14,281		14,281
Architects for Annual Meeting	26,000		26,000
Cyber Security Services		166,231	166,231
Training for IT Software and Bespoke Applications		50,000	50,000
In-Memory Computing		532,300	532,300
International Banking and Financial Services Market Information Services	24,906		24,906
Business Information Services for the Middle East and North Africa	40,952		40,952
Reward & Recognition Scheme		7,500	7,500
Language Training Software	53,250		53,250
Macroeconomics, Markets and Policy Analysis Subscription	14,746		14,746
Business Software Systems Licences		121,878	121,878
Metals & Mining Database		31,904	31,904
Credit Risk Research Data	18,909		18,909
Financial Research and Analysis Services	589,531	100,369	689,900
Resident Office Furniture	100,000		100,000
Building Management Integration System	41,287		41,287
Intelligence Platform	8,880		8,880
Pre-Employment Screening		15,700	15,700
Provision of Recruitment Advertising Services	100,000		100,000
Financial News Services	14,210		14,210
Risk Intelligence Services	19,820		19,820
Staff Salary Survey		24,171	24,171
Technical Support Livelink Consultancy	119,600		119,600
Network Consultant	85,560		85,560
Gym Membership		490,020	490,020
Cashless Payment System	8,763		8,763
Employee Advisory Resource	44,298		44,298
International Organization for Public-Private Cooperation Partnership Agreement	161,977		161,977
Resident Office Maintenance Specialist-Russian Federation	54,213		54,213
<b>Grand Total</b>	<b>10,230,307</b>	<b>2,368,188</b>	<b>12,598,495</b>