

# **ANNUAL PURCHASING REVIEW**

**2007**

**Prepared by  
Purchasing Unit  
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**European Bank  
for Reconstruction and Development**

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## 1. Introduction

This report provides an overview of the Bank's purchasing activities for its own needs in 2007, including maintenance, repair and operations (MRO) requirements, and provides information regarding the tendering and contracting activities of the Purchasing Unit (PU) for the same period.

## 2. Purchasing Transactions completed in 2007

The transactions completed by the PU in 2007 can be separated into three main categories: Fixed price contracts, Flow-through contracts, and Framework agreements<sup>1</sup>. In 2007, the PU was involved in a total of 81 transactions which resulted in contractual and financial commitments with a combined value of £27,848,979 as shown in Table A.

**Table A Purchasing Transactions in 2007**

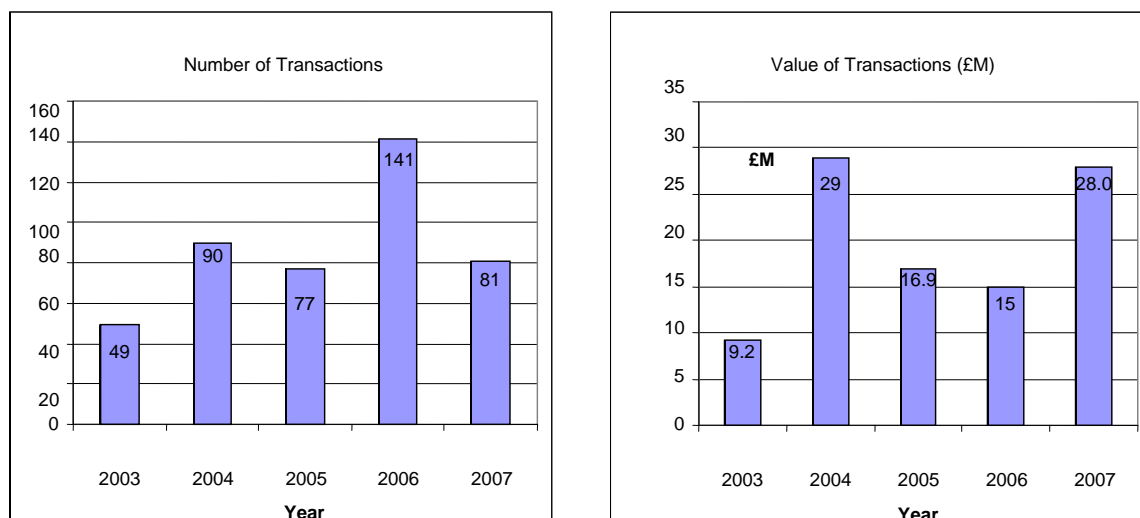
Contract Type	No	% of Total	Total Value (GBP)	% of Total
Fixed Price	58	72%	19,793,807	71%
Framework Agreements	18	22%	2,840,691	10%
Flow Through (Consumable items are not recorded on PO)	5	6%	5,214,481	19%
<b>Total</b>	<b>81</b>	<b>100%</b>	<b>27,848,979</b>	<b>100%</b>

There were 58 fixed priced contracts with a combined value of £19,793,807 representing 71% of all transactions by value. Eighteen framework agreements were put in place during the year. From these, purchase orders for a total of £2,840,691 were raised. There were also five Flow-Through contracts in 2007 against which purchase orders for a total value of £5,214,481 were raised.

The 81 transactions worth £27,848,979 in 2007 represent a decrease of 43% in terms of number but an increase of 87% in terms of value compared to the 141 transactions worth £14,988,420 in 2006. The largest transaction in 2007 was with a firm for the provision of Manned Guarding Services for the Headquarters building. This contract has an estimated value of £4,157,745 for five years.

<sup>1</sup> **Fixed price (F)** contracts are contracts where the scope of works (goods or services) as well as the cost is fixed. **Flow-through (FT)** contracts are contracts where one component is defined and fixed in terms of scope and cost but where the value of the consumables cannot be defined from the outset and are reimbursed to the contractor as "flow-through" costs. Examples would be the cost of the paper used in the reprographic contracts or the cost of the food in the catering contract. **Framework agreements, (FR)** sometimes known as call-off agreements, set the administrative arrangements between the parties but do not constitute a binding contractual obligation on either party. The contractual obligation is generated only when a purchase order is raised against the agreement. There is normally an indicative financial envelope identified against a call-off agreement but, at the outset, the financial commitment against the agreement is nil. Some framework agreements for HR for recruitment agencies for example have a time limit but no financial limit.

**Table B Five-year review of the number and value of transactions completed**



The significant number of transactions in 2006 is the result of the major activities related to the Headquarters refurbishment project as well as an increase in the operational requirements of the Bank's major user departments. The number of transactions in 2007 is comparable to those in 2004/5.

The variation in the total value of transactions from 2006 to 2007 is because there were more Framework agreements put in place during 2006 which did not incur expenditure. The three year cyclical nature of the Bank's contracts explains the fluctuation in value from 2004 to 2007 as contracts are re-tendered.

The level of activity of the PU is a function of the operational requirements of the Bank's major user departments. Table C provides a distribution of transactions by Vice-Presidency, and is further detailed in Annex 1.

**Table C Number and value of transaction awarded by Vice-Presidency**

Vice-Presidency	No. of Transactions	Percentage of Transactions	Value (GBP)	Percentage of Value
Environment, Procurement and Administration	35	43%	10,872,230	39%
Office of the General Counsel	2	2%	12,907	0.1%
Finance	11	14%	9,788,821	35.2%
Risk Management, Human Resources and Nuclear Safety	8	11%	4,555,641	16.3%
Office of the Secretary General	5	6%	1,981,056	7.1%
Office of the Chief Economist	7	8%	336,330	1.2%
Office of the Chief Compliance Officer	1	1%	84,800	0.3%
Resident Offices	12	15%	217,194	0.8%
<b>Total</b>	<b>81</b>	<b>100%</b>	<b>27,848,979</b>	<b>100%</b>

Within the 81 transactions, there were 16 major<sup>2</sup> transactions having a value of £25,575,857 issued during 2007 compared to 19 major transactions valued at £11,382,221 in 2006. With 34 transactions worth £10,863,537, the Administration Department was the PU's largest client. A list of major transactions is provided in Annex 2.

Table D below provides a summary of the transactions by purchasing method for the year 2007.

**Table D Transactions by Purchasing Method**

Transactions Total		Tender		Direct Contracting		Extension	
No of transactions	Value of transactions (GBP)	No of transactions	Value of transactions (GBP)	No of transactions	Value of transactions (GBP)	No of transactions	Value of Transactions (GBP)
81	27,848,979	38	13,796,600	17	827,407	26	13,224,972
<b>100%</b>	<b>100%</b>	<b>47%</b>	<b>49%</b>	<b>21%</b>	<b>3%</b>	<b>32%</b>	<b>48%</b>

- “Tender” is a written solicitation used as formal competitive purchasing request issued to prospective suppliers.
- “Direct Contracting” is an exception to the normal purchasing methods as defined in the IPPP including purchases without competition. Direct Contracting was used for 17 new transactions in 2007, with a combined value of £827,407. This is a significant decrease from the 2006 figure of £4,914,180. It should be noted that all Direct Contracting transactions with a value of £50,000 or more have been submitted to the PRC for review and approval. A list of major cases falling under Direct Contracting is provided in Annex 3.
- “Extension” is a contractual additional period to an existing signed contract.

### 3. Purchasing Review Committee

The Purchasing Review Committee (PRC) provides an independent review of the recommendations for all major awards estimated to cost in excess of £150,000. Additionally, the PRC reviews exceptions to competitive purchasing for contracts of more than £50,000. During 2007, there were 23 submissions made to PRC as shown in Table E below.

<sup>2</sup> Major transactions are defined as those having a value of over £150,000.

**Table E List of transactions reviewed and approved by the PRC**

No.	Submission Date	Nature of Request	Contract(s) reviewed	Duration (years)	Estimated Expenditure (GBP)
1	24 Jan 2007	Tender	Risk Engine Software	3	3,436,210
2	13 Feb 2007	Direct Selection	Telecommunication Maintenance	5	82,500
3	02 Mar 2007	Direct Selection	Engagement Overlay for EBRD Retirement Plans	3	60,000
4	02 Mar 2007	Direct Selection	Annual Conference Services	7	1,160,000
5	14 Mar 2007	Extension	Travel (HQ)	16 mths	652,680
6	23 Mar 2007	Extension	Temporary Staffing	2	1,600,000
7	02 Apr 2007	Extension	Annual Conference Services	7	1,160,000
8	04 Apr 2007	Extension	HQ Security	7 mths	484,659
9	11 Apr 2007	Direct Selection	IT Software	1	143,736
10	25 Apr 2007	Tender	IT Helpdesk	3	2,711,256
11	04 May 2007	Extension	Medical - Group Life Insurances	1	2,372,150
12	04 May 2007	Extension	Medical - Working Incapacity Insurances	1	1,587,287
13	7 Jun 2007	Tender	Insurance Brokerage Services	3	311,203
14	27 Jun 2007	Extension	Custodian Services	2	158,072
15	05 Jul 2007	Extension	EBRD 2007 Summer Party	1	125,517
16	10 Jul 2007	Extension	Equity Software Consultancy	5	150,000
17	16 Jul 2007	Extension	HQ Cleaning	4 mths	173,172
18	25 Jul 2007	Direct Selection	IT Licensing	3	1,589,798
19	01 Oct 2007	Extension	Photocopying	3 mths	125,000
20	7 Oct 2007	Tender	HQ Security	5	4,157,745
21	16 Nov 2007	Extension	Building and Engineering Maintenance Services	3	2,700,000
22	28 Nov 2007	Tender	HQ Cleaning	3	1,886,000
23	13 Dec 2007	Tender	Medical Services	3	330,573
<b>Total</b>					<b>27,157,558</b>

The largest of these PRC submissions was valued at £4.1 million for the Manned Guarding and Reception Services for the Headquarters building.

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

In 2007 the PU awarded 12 transactions to suppliers in the Bank's countries of operations through the Bank's Resident Offices for a total value of the equivalent of £217,194. Of these, 11 transactions were for the replacement of vehicles at an average cost of £17,381.

#### **5. Analysis of Purchase Orders released through the Purchasing Unit**

During the year 4,940 POs have been released by the Purchasing Unit for a cumulative value of £48,584,159.

An analysis of each category for 2007 is provided in Table F below.

**Table F Analysis of PO by values in 2007**

Vice Presidency	Total Purchase Orders	Purchase orders Less than £5000		Purchase orders £5000 and above	
		Number	Value (GBP)	Number	Value (GBP)
Banking	749	712	651,701	37	511,836
Risk Management, Human Resources and Nuclear Safety	1,161	975	1,313,391	186	3,751,330
Finance	966	674	814,058	292	13,068,001
Environment, Procurement and Administration	851	735	758,100	116	24,275,510
Chief Economist	383	329	262,299	54	1,364,778
Board	129	127	68,945	2	36,950
OSG	594	558	393,054	36	879,743
OGC	65	50	63,884	15	321,891
Evaluation	13	13	12,661	0	0.00
President	29	26	13,626	3	22,400
<b>Total</b>	<b>4,940</b>	<b>4,199</b>	<b>4,351,719</b>	<b>741</b>	<b>44,232,440</b>
<b>Grand Total</b>		<b>48,584,159</b>			

In 2007, the Purchasing Unit, in response to discussions with the Audit Committee, increased significantly its efforts to monitor all Purchase Orders (POs) raised by user departments throughout the Bank in order to verify that all POs were in compliance with the Bank's IPPPs.

As a result, there were in 2007 only 23 purchase orders, with a total value of £222,000, which represents less than 0.5% of the total purchasing activity in 2007, where the Purchasing Unit has no evidence that a competitive purchasing exercise was performed. This is a significant improvement compared to 2006. However, the objective of the Purchasing Unit for the coming year is to further strengthen its role and function within the Bank in order to ensure that the relevant Purchasing Policy and Procedures are always strictly complied with.

It should be noted that with the exception of the formal competitive tendering process, purchasing activities are carried out mainly by the Bank's user departments. As such it can be difficult under the current procedures for the purchasing process to be effectively controlled by the Purchasing Unit and hence proposals are being formulated, as indicted below, to improve this situation even further in 2008.

## Purchasing Transactions in 2007

## SUMMARY

Vice Presidency	Transactions Total	Total Value (GBP)	Tender	Value (GBP)	Direct Contracting	Value (GBP)	Extension	Value (GBP)
Environment, Procurement and Administration:								
- Administration	34	10,863,537	18	6,594,666	3	14,980	13	4,253,889
- Environment	1	8,692	0	0.00	1	8,692	0	0.00
OGC	2	12,907	0	0.00	0	0.00	2	12,907
Finance:								
- IT	9	7,129,072	4	6,626,436	2	226,236	3	276,400
- Controllers	1	2,501,677	0	0.00	0	0.00	1	2,501,677
- Treasury	1	158,072	0	0.00	0	0.00	1	158,072
OCCO	1	84,800	0	0.00	1	84,800	0	0.00
Chief Economist	7	336,330	1	15,000	5	231,330	1	90,000
OSG	5	1,981,056	2	32,100	2	150,385	1	1,798,571
Resident Offices	12	217,194	12	217,194	0	0.00	0	0.00
Risk Management, Human Resources and Nuclear Safety:								
- Risk Managmt.	1	311,203	1	311,203	0	0.00	0	0.00
- Human Res	7	4,244,438	0	0.00	3	110,984	4	4,133,454
<b>Total</b>	<b>81</b>	<b>27,848,979</b>	<b>38</b>	<b>13,796,600</b>	<b>17</b>	<b>827,407</b>	<b>28</b>	<b>13,224,972</b>
<b>%</b>	<b>100%</b>	<b>100%</b>	<b>46%</b>	<b>49%</b>	<b>20%</b>	<b>3%</b>	<b>34%</b>	<b>48%</b>



### Major Transactions in 2007

Dept	Ref ID	Description	Contract Value (GBP)	Contract Start	Contract End	Agreement Type (F/FR/FT)	Competitive(T) Extension(E)
Information Technology	PUR0603/12	IT Support & Development	174,000.00	Mar 2007	Mar 2007	F	E
Administration	PUR0604/23	Travel Extension	575,432.00	Mar 2007	Mar 2007	FR	E
Human Resources	Case0084	Medical Insurances Extension	2,433,454.00	May 2007	May 2007	F	E
Administration	PUR0710/03	HQ Security	4,157,745.00	Dec 2007	Nov 2012	F	T
Annual Meeting	PUR0210/04	AM Extension	1,798,571.00	Jul 2007	Jul 2012	F	E
Administration	PUR0712/03	HQ Cleaning	1,886,000.00	Dec 2007	Nov 2010	FT	T
Administration	PUR0701/06	Travel Services Extension	158,125.00	Jul 2007	Dec 2007	FR	E
Administration	PUR0307/04	Building Maintenance Contract Extension	2,700,000.00	Oct 2007	Oct 2010	FT	E
Information Technology	PUR0601/04	IT Helpdesk	2,711,256.72	Aug 2007	Jul 2010	F	T
Information Technology	PUR0603/03	Managed Firewall	450,000.00	Jan 2007	Dec 2010	F	T
Treasury	PUR0606/10	Custodian Services	158,072.87	Jan 2007	Dec 2008	F	E
Information Technology	PUR0610/02	Risk Engine Software	3,436,210.00	May 2007	May 2010	F	T
Risk Management	PUR0701/01	Insurance Brokerage Services	311,203.48	Apr 2007	Mar 2010	F	T
Administration	PUR0708/08	HQ Cleaning Extension	524,110.13	Sep 2006	Dec 2007	FT	E
Human Resources	PUR0701/21	Temporary Staffing	1,600,000.00	Aug 2007	Jul 2009	FR	E
Controllers	PUR0608/11	Audit Service Contract	2,501,677.00	Jan 2007	Dec 2010	F	E

**16 Major (150,000 or above) transactions completed totalling 25,575,857.20**

### List of Transactions made by Direct Contracting in 2007

Dept	Ref ID	Description	Contract Value (GBP)	Contract Start	Contract End	Agreement Type (F/FR/FT)
Shareholder and Institutional Affairs	PUR0610/05	AM Shipping Services	110,000.00	Jan 2007	Not Applicable	F
Information Technology	PUR0702/02	IT Maintenance	82,500.00	Feb 2007	Jan 2011	F
Administration	Case0063	Warranty Upgrade - Turnstiles	2,583.00	Feb 2007	Not Applicable	F
Information Technology	Case0069	IT software	143,736.00	Mar 2007	Mar 2010	F
Business Information Centre	Case0071	Database Subscription	5,000.00	Mar 2007	Mar 2008	FR
Communications	PUR0701/07	Study of Russian Attitudes	40,385.00	Mar 2007	Not Applicable	F
Administration	Case0083	Asset Disposal - Furniture	6,000.00	May 2007	Not Applicable	FR
Administration	Case0090	Bishopsgate Revolving Door	6,397.00	Mar 2007	Not Applicable	F
Environment	PUR0708/03	Carbon Project Manager	8,692.00	Jul 2007	Jul 2008	F
Human Resources	PUR0712/01	Executive Search Belgrade RO	8,633.00	Dec 2007	Not Applicable	FR
Human Resources	PUR0702/04	Equity Engagement Overlay	100,000.00	Feb 2007	Jan 2012	F
Human Resources	PUR0703/02	Mediator for GAP procedures	2,351.00	Mar 2007	Mar 2008	FR
Office of the Chief Compliance Officer	PUR0701/09	Financial Disclosure Outsource	84,800.00	Jan 2007	Dec 2010	F
Business Information Centre	PUR0701/02	Subscription	63,355.00	Jan 2007	Dec 2009	FR
Business Information Centre	PUR0701/04	Subscription	64,000.00	Jan 2007	Dec 2009	FR
Business Information Centre	PUR0701/05	Subscription	68,975.00	Jan 2007	Dec 2009	FR
Business Information Centre	PUR0701/06	Subscription	30,000.00	Jan 2007	Dec 2009	FR
<b>17 transactions made by Direct Selections totalling 827,407</b>						

### Long term Contracts placed or extended in 2007

Ref ID	Description	Value of Extension/ New Contract (GBP)	Expiry Date	Purchasing Method in 2007	Incumbent or New Supplier	Duration (Years)
PUR0702/02	IT Maintenance	82,500.00	Jan 2011	Direct Selection	Incumbent	4
PUR0712/04	Voice Recording Maintenance	28,969.78	Dec 2010	Tendered	New	3
Case0069	IT software	143,736.00	Mar 2010	Direct Selection	Incumbent	3
Case0086	HQ Cooling Tower Filters	39,541.30	May 2010	Extended	Incumbent	3
Case0090	Bishopsgate Revolving Door	6,397.51	Mar 2012	Direct Selection	Incumbent	5
PUR0710/03	HQ Security	4,157,745.00	Nov 2012	Tendered	New	5
PUR0210/04	AM support Extension	1,798,571.00	Jul 2012	Extended	Incumbent	5
PUR0712/03	HQ Cleaning	1,886,000.00	Nov 2010	Tendered	New	3
PUR0307/04	Building Maintenance Contract Extension	2,700,000.00	Oct 2010	Extended	Incumbent	3
PUR0702/04	Equity Engagement Overlay	100,000.00	Jan 2012	Direct Selection	Incumbent	5
PUR0603/03	Managed Firewall	450,000.00	Dec 2010	Tendered	Incumbent	3
PUR0610/02	Risk Engine Software	3,436,210.00	May 2010	Tendered	New	3
PUR0701/01	Insurance Brokerage Services	311,203.48	Mar 2010	Tendered	Incumbent**3	3
PUR0701/09	Financial Disclosure Outsource	84,800.00	Dec 2010	Direct Selection	Incumbent	3
PUR0706/01	Microphone System for Lee Jackson Room	16,565.89	Jun 2010	Tendered	Incumbent	3
PUR0608/11	Audit Service Contract	2,501,677.00	Dec 2010	Extended	Incumbent	3
PUR0601/04	IT Helpdesk	2,711,256.72	Jul 2010	Tendered	Incumbent	3
<b>Total 17 long term Contracts with a total value of 20,455,173</b>						