

**AIIB Directive  
on the Administration of AIIB Special Funds**

**January 16, 2024**

**1. Overriding Objective**

1.1. The overriding objective of this Directive is to facilitate the administration by the personnel of the Asian Infrastructure Investment Bank (AIIB or the Bank) of Special Funds established pursuant to Article 17 of AIIB's Articles of Agreement (AoA).

1.2. The exercise and interpretation of this Directive will seek to give effect to this overriding objective.

**2. Definitions**

2.1. As used in this Directive, the capitalized terms shall have the meanings set forth in AIIB's Operational Policy on Financing (OPF), this Directive, or the relevant governing documents of the concerned Special Fund (said governing documents for said Special Fund referred to as Governing Documents), as applicable.

**3. Special Funds Generally**

3.1. Article 17 of the AoA provides *inter alia*, that: "[t]he Bank may accept Special Funds which are designed to serve the purpose and come within the functions of the Bank; such Special Funds shall be resources of the Bank. The full cost of administering any Special Fund shall be charged to that Special Fund. Special Funds accepted by the Bank may be used on terms and conditions consistent with the purpose and functions of the Bank and with the agreement relating to such Funds. The Bank shall adopt such special rules and regulations as may be required for the establishment, administration and use of each Special Fund."

3.2. Special Funds may include: (a) funds established by AIIB, where AIIB receives contributions directly from donors and manages the funds according to AIIB's governance structure (Internal Special Funds); and (b) funds received from partnership facilities established by external parties where AIIB acts as an implementing entity of the facility (External Special Funds).

3.3. AIIB administers each Special Fund in accordance with the governing documents (Governing Documents) of the Special Fund concerned. AIIB is accountable to the respective governing bodies or contributors for the appropriate use of such resources in accordance with the agreements signed between AIIB and the governing bodies or contributors of the respective Special Fund.

3.4. **Annex 1** provides a list of Special Funds covered by this Directive and their Governing Documents. **Annex 2** sets forth provisions applicable to specific Special Funds as provided in said Annex. **Annex 3** sets forth the internal and external approvals required for each Special Fund. These Annexes may be updated from time to time with the President's approval on the recommendation of the Special Funds Committee (SF Com), to cover additional Special Funds.

#### 4. Roles and Responsibilities for Administering Special Funds

4.1. **SF Com.** The SF Com, chaired by the Vice President, Policy and Strategy, is the principal Management forum for the consideration of matters related to activities financed by Special Funds, in accordance with the SF Com's Terms of Reference.

4.2. **PSVP.** The Policy and Strategy Vice Presidency (PSVP) is responsible for overseeing the proper implementation of the Governing Documents. This includes: (i) developing Directives for specific Special Funds for President approval and issuing Administrative Guidance for said Special Funds; (ii) coordinating the administration of all Special Funds and providing administrative support to the SF Com; and (iii) overseeing compliance of SF activities with AIB's applicable operational policies (including environmental, social, international relations and fiduciary aspects) and alignment with AIB's strategic priorities; all in order to facilitate the proper implementation of Special Funds in accordance with the AoA and AIB's Strategies.

4.3. **User Departments; IOVP.** Each department (User Department) that is responsible for the use of a Special Fund is responsible, within its particular area of responsibility, for: (i) identifying, conducting appropriate due diligence on, and recommending activities eligible for financing under the Special Fund; (ii) overseeing implementation of Recipient-executed activities financed by the Special Fund; (iii) implementing AIB-executed activities financed by the Special Fund; and (iv) monitoring and reporting on implementation of Recipient- and AIB-executed activities. If the User Department is not within one of the Investment Operations Vice Presidencies (IOVP), it coordinates with the relevant IOVP in carrying out these activities so that the proceeds of the Special Fund are utilized in a manner coherent with and supportive of the Projects under the IOVP's responsibility.

4.4. **LEG.** The Legal Department (LEG) is responsible for providing legal advice on all matters relating to Special Funds, including preparing agreements with contributors to Internal Special Funds, negotiating agreements for External Special Funds, and preparing agreements with Clients related to activities supported by Special Funds.

4.5. **CFO.** Under the responsibility of the Chief Financial Officer (CFO): the Office of the Controller (CTL) is responsible for: (i) maintaining the books of the Special Funds; (ii) preparing annual financial statements for each Special Fund and coordinating periodic audits of these financial statements by AIB's external auditors in line with the AoA, and as may be required by the Governing Documents of the respective Special Fund; (iii) processing payments to suppliers and consultants for AIB-executed activities financed under a Special Fund; and (iv) processing and tracking disbursements (as well as refunds and cancellations) for Recipient- executed activities financed under a Special Fund; and the Office of the Treasurer (TRE) is responsible in respect of each Special Fund for: (i) opening and managing the required AIB bank account for the Special Fund; (ii) receiving and maintaining records of payments to the Special Fund; (iii) receiving and disbursing funds from the bank account of the Special Fund; (iv) undertaking foreign exchange transactions as required; (v) investing funds pending their disbursement following AIB's investment guidelines and related policies; and (vi) reporting on investment income earned on the AIB bank account for the Special Fund, if required.

4.6. **IAO.** The Internal Audit Office (IAO) is responsible for carrying out the internal audit of Special Funds in accordance with its terms of reference.

4.7. **FAS.** The Facilities and Administrative Services Department (FAS) is responsible for overseeing the procurement by AIIB of goods and services for AIIB-executed activities financed by a Special Fund, in accordance with AIIB's Policy on Corporate Procurement.

4.8. **COM.** The Communications Department (COM) is responsible for coordinating the posting on AIIB's website of information related to Special Funds.

4.9. **SEC.** The Office of the Corporate Secretary (SEC) is responsible for: (i) facilitating communications with the Board of Directors on relevant matters regarding Special Funds; and (ii) facilitating the liaison with the Bank's Members on matters such as contribution to Special Funds and outreach to potential users of the Special Funds.

4.10. **RMD.** The Risk Management Department (RMD) is responsible for overseeing the appropriate management of applicable risks associated with a Special Fund.

## **5. Reporting to the Board of Directors and Information Disclosure**

5.1. The Bank reports to the Board of Directors periodically on the use of Special Fund resources.

5.2. The Policy on Public Information and its related Directive govern the disclosure of information relating to this Directive.

## **6. Authority**

6.1. The President shall make all final decisions regarding the application of this Directive.

## **7. Replacement of Earlier Directive**

7.1. This Directive replaces the AIIB Directive on Administration of Special Funds, dated July 16, 2021, and the Directive on the Use of Resources of the AIIB Project Preparation Special Fund, dated February 27, 2017.

## **AIIB Directive on Special Funds**

### **Annex 1: List of AIIB Special Funds**

#### **A. Internal Special Funds**

1. Project Preparation Special Fund (PPSF).
  - Rules and Regulations of the PPSF.
2. Special Fund Window for Less Developed Members (SFW)
  - Rules and Regulations of SFW.
  - AIIB Directive on the Rules and Regulations of the Special Fund Window.

#### **B. External Special Funds**

1. Global Infrastructure Facility (GIF) Special Fund
  - Financial Procedures Agreement (FPA) between AIIB as Technical Partner and the World Bank as GIF Trustee.
  - Operating Guidelines.
  - GIF Partnership Framework.
2. Multilateral Cooperation Center for Development Finance (MCDF) Special Fund
  - MCDF Operations Manual.
  - Implementing Partner Agreement between AIIB as Implementing Partner and AIIB as Administrator of the MCDF Finance Facility.
3. Pandemic Prevention, Preparedness and Response Financial Intermediary Fund (Pandemic Fund) Special Fund
  - Financial Procedures Agreement (FPA) between AIIB as Implementing Entity of the Pandemic Fund.
  - Pandemic Fund Governance Framework.
  - Pandemic Fund Operations Manual.

## AIIB Directive on Special Funds

### Annex 2: Provisions Applicable to Specific Special Funds

**1. Project Preparation Special Fund (PPSF), Multilateral Cooperation Center for Development Finance Special Fund (MCDFSF), the Global Infrastructure Fund Special Fund (GIFSF), and the Pandemic Prevention, Preparedness and Response Financial Intermediary Fund Special Fund (Pandemic Fund SF).** The following provisions apply to funding extended under the PPSF, MCDFSF, GIFSF, and Pandemic Fund SF, as provided for in the Governing Documents applicable to the relevant Special Fund.

**1.1. Objectives.** Grants made under these Special Funds are intended to help generate, prepare, or improve the quality of projects to be financed by AIIB.

#### **1.2. Grant Financing for Technical Assistance; Recipient-Execution vs. AIIB Execution.**

- (a) Financing under these Special Funds is normally extended on a grant basis (**Grant**) for technical assistance activities (**TA Activities**) whereby the recipient of the Grant (**Grant Recipient**) is a party external to AIIB and assumes full responsibility for implementing the TA Activities financed under the Grant (**Recipient-executed TA**).
- (b) In exceptional circumstances approved by SF Com, requested and duly justified in writing by the Grant Recipient, the Grant may be extended in the form of direct technical assistance provided by AIIB whereby AIIB executes the TA Activities using the funds allocated for the Grant (**AIIB-executed TA**).<sup>1</sup>

**1.3. Prioritization of Grant Financing.** Grants may only be extended for the benefit of Members of the Bank. (a) Grants are normally extended directly to a Member. If the Member concerned confirms its no-objection in writing, the Grant may be extended to: (i) a sub-sovereign of the Member; (ii) a state-owned enterprise of the Member; and (iii) in special circumstances, a private entity.<sup>2</sup> (b) Grants may also be extended to an international or regional agency or entity concerned with economic development in the regions of AIIB's operations for the benefit of Members, in general.

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<sup>1</sup> In 2020 the Board of Directors enabled limited Bank-execution of PPSF-funded activities, by approving the application of the Bank's Corporate Procurement Policy to these activities. In its recommendation for approval, Management noted that: "client execution remains the rule in ordinary circumstances. Bank execution is the exception and only applicable for exceptional circumstances where client capacity is considerably constrained, including under emergency situations such as a pandemic. Bank-executed activities will be at the request of the client and will be limited to the hiring of initial consultants to support the client in start-up activities for a Project proposed for AIIB financing. This would include supporting a client team in facilitating its internal process and identifying its needs in preparing projects. Bank-executed activities will exclude preparatory activities required to be carried out by the client under Bank policies (such as feasibility studies, detailed engineering designs and procurement of goods, works and services for the Project)."

<sup>2</sup> For purposes of this Directive, a "private entity" means an entity, whether publicly or privately owned: (i) which is carrying out or is established for a business purpose, and is operating on a commercial basis; (ii) which is financially and managerially autonomous from the government; and (iii) whose day-to-day management is not controlled by the government.

Grants are extended with a view to: (a) giving preference to less developed Members; (b) diversifying AIIB's portfolio; (c) prioritizing Projects that are aligned with AIIB's Strategies and thematic priorities; and (d) avoiding creating unfair competitive advantages to Grant Recipients.

1.4. **Link to Projects.** Grants normally support the preparation of Projects proposed to be financed by AIIB. In exceptional circumstances approved by the SF Com, a Grant may be extended to support capacity building or upstream business development, where it can be established that the Grant will support the development of projects proposed for AIIB financing.

1.5. **Due Diligence Assessment and Implementation of TA Activities in accordance with Applicable Policies.** The relevant User Department (in coordination with the relevant IOVP if it is a department outside of IOVP) conducts a due diligence assessment of the TA Activities proposed for Special Fund support, covering technical, fiduciary, environmental and social,<sup>3</sup> and international relations aspects in a manner proportional to the scope, nature and risks associated with the TA Activities and in accordance with applicable AIIB policies. If the TA Activities are for the preparation of a Project, this due diligence may be carried out as part of the due diligence assessment of the Project. The TA Activities are then implemented in accordance with the applicable AIIB policies. More specifically:

- (a) In the case of Recipient-executed TA, the User Department: (i) confirms that the TA Activities as well as the recommendations and other outputs of the TA Activities proposed are aligned with the applicable requirements of the Bank's Procurement Policy, Environmental and Social Policy (including the Environmental and Social Standards and Environmental and Social Exclusion List) (**ESP**), Operational Policy on International Relations (**OPIR**) and provisions of the Operational Policy on Financing (**OPF**) related to the underlying Project assessment and financial management; and (iii) thereafter monitors the implementation by the Grant Recipient of the TA Activities against these requirements, which are reflected in undertakings of the Recipient in its agreement with AIIB (**Grant Agreement**) providing for the Grant.<sup>4</sup>
- (b) In the case of AIIB-executed TA, the User Department: (i) assesses the TA Activities to confirm their alignment with the applicable provisions of the ESP and OPIR; and (ii) implements the TA Activities in accordance with these provisions, and with the Bank's Corporate Procurement Policy.

1.6. **Retroactive Financing.** For Recipient-executed TA, the Bank may finance expenditures incurred and paid prior to the date of the Grant Agreement (**Retroactive Financing**), subject to the following conditions:

- (a) The payment would, if made after the date of the Grant Agreement, be eligible for financing out of the proceeds of the Grant in accordance with the provisions of the Grant Agreement, including the requirements referred to above in Section 1.5.

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<sup>3</sup> For instance, where TA supports Project preparation, the environmental and social due diligence will take into account the potential Project activities being prepared, and relevant environmental and social instruments for the Project activities will be prepared (whether or not funded by the Bank) in accordance with the ESP's requirements. This may be the requirements of another cofinancier whose environmental and social policies will apply to the proposed Project.

<sup>4</sup> When the TA is cofinanced by another cofinancier, the applicable policies would be the same as for the Project itself. Consequently, the provisions of AIIB's ESP and Procurement Policy allow reliance on the cofinancier's equivalent policy when certain criteria are met. However, the OPIR does not provide for application of another cofinancier's policy, and will continue to apply to cofinanced TA.

- (b) The payment was made by the Grant Recipient not more than twelve (12) months before the expected date of the Grant Agreement.
- (c) The total amount of Retroactive Financing is not more than twenty (20) percent of the Grant amount.
- (d) Retroactive Financing is provided for under the Grant Agreement.

1.7. **Completion of TA Activities.** Upon completion of the TA Activities, the User Department (together with the relevant IOVP if it is outside of the relevant IOVP) evaluates and prepares a completion note on the results of the TA Activities supported. If the TA Activities are for the preparation of a Project, the completion note is reflected in the Project Document for the underlying Project that is under preparation. If the Financing for the Project for which the TA Activities were carried out does not materialize, the User Department (with the support of the relevant IOVP if it is outside of the IOVPs) prepares a standalone completion note.

1.8. **Guidance.** The Vice President, Policy and Strategy issues guidance from time to time on the procedures for processing Grants, and for conducting due diligence assessment on and monitoring of TA Activities, consistent with the SF Com's terms of reference and the particular Special Fund's Governing Documents.

## AIIB Directive on Special Funds

### Annex 3: Approval Bodies for Each Special Fund

Special Fund	AIIB Internal Approval	External Approval
1. PPSF	SF Com assesses the proposal and recommends the grant for final approval by either the President (for grants USD5 million and below), or for onward submission to the Board of Directors (for grants above USD5 million).	Not applicable
2. SFW	SF Com assesses the proposal and recommends the grant for approval. Final approval of the SFW grant is issued by the approving authority for the Project for which the grant is made.	Not applicable
3. MCDFSF	SF Com assesses the proposal and, through the President, recommends the grant for approval by the Board of Directors.	Approval by the MCDF Finance Facility should be sought in accordance with the MCDF Governing Documents
4. GIFSF	SF Com assesses the proposal and recommends the grant for approval by the President.	Approval by the GIF should be sought in accordance with the GIF Governing Documents
5. Pandemic Fund SF	SF Com assesses the proposal and recommends the grant for approval by the President.	Approval by the Pandemic Fund Governing Board should be sought in accordance with the Pandemic Fund Governing Documents