

**AIB Directive on the
Operational Policy on International Relations
January 16, 2024**

A. Overriding Objective

1. The Operational Policy on International Relations (**OPIR**) of the Asian Infrastructure Investment Bank (**AIB** or **Bank**) addresses certain issues arising under Bank-supported Projects that may involve complex and politically sensitive inter-sovereign relations and require extremely tactful consideration and resolution on a case-by-case basis. The OPIR's purpose "is to enable the Bank to make decisions relating to its Financings for such Projects in a transparent manner, consistent with its Articles of Agreement, and so as not to prejudice the position of the Bank or the positions and interests of the country or countries concerned" (OPIR, Section 1.1).
2. Addressing issues covered by the OPIR normally requires consultation with, and in some cases action by, the member(s) concerned. Consequently, the Operational Policy on Financing (**OPF**) provides that: "the OPIR addresses certain circumstances involving relations among states that may require special consideration should they arise in connection with a Project. If, in the context of a specific proposed Financing, the President determines that the policy is implicated in a material way, he shall consult with the concerned member or members of the Board, and if time permits, may consult with the Board, before the Financing is submitted to it for approval, on the advisability of the Financing" (OPF, Section 3.6).
3. The overriding objective of this Directive (**Directive**) on the OPIR is to establish and delineate responsibilities within the Bank in order to facilitate the application of the OPIR by the Bank's personnel.
4. The exercise and interpretation of this Directive shall seek to give effect to this overriding objective.

B. Definitions

5. Unless otherwise provided in this Directive, capitalized terms used in this Directive have the meanings ascribed to them in the OPIR or the OPF.

C. Implementation

6. The Vice President, Policy and Strategy (**VP PS**) has overall responsibility for coordinating and addressing issues that may arise under the OPIR. The VP PS may from time to time adopt and issue Administrative Guidance providing more detailed guidance for Bank personnel to support this Directive.
7. Unless otherwise determined by the Policy and Strategy Vice Presidency (**PSVP**), when the OPIR is implicated in a material way, the matter is addressed at a corporate level and led by the VP PS.

D. Process

8. The following paragraphs set forth specific measures to be taken when proposing Projects that may raise OPIR issues.
9. ***Initial Consideration of OPIR's Applicability.*** Each Investment Operations Vice Presidency (**IOVP**) maintains an up-to-date understanding how the OPIR applies to the sectors and areas covered by the Projects in its respective areas of responsibility. Whenever a Project is submitted to the Screening Committee (**SC**) for approval of its inclusion in the rolling investment pipeline, the concerned department within the IOVP conducts an initial review, in consultation with the Policy and Strategy Department within the PSVP (**SPB**), of the potential application of the OPIR and seeks guidance from the SC on the appropriate approach for addressing these potential issues.
10. ***Guidance from SC.*** Depending on the sensitivity and complexity of the issue, the SC may assign the responsibility for addressing it during Project preparation to SPB and the Legal Department (**LEG**) and provide guidance on how the matter should be handled.
11. ***Documentation and Review of OPIR's Applicability.*** The approach to be adopted if a Project involves OPIR aspects is normally addressed in the Concept Review Project Document (**PD**), which is reviewed by LEG and SPB prior to its circulation for the Concept Review. However, if the issue raised under the OPIR is sensitive, the Project team prepares a separate memorandum for the Concept Review, which includes the details of the issues involved under the OPIR to the extent they are available at this stage and proposed next steps. The memorandum is cleared by LEG, SPB and the Director General, Investment Operations (**DG IO**) concerned (or in highly sensitive cases as determined by the VP PS, the Vice President, Investment Operations (**VP IO**) concerned). If the Project involves an International Waterway, the Project team also consults with the Operational Services Department (**OSD**) on the environmental and social aspects of the Project's use of the waterway.
12. ***Process if OPIR Issues are Sensitive.*** If the OPIR issues raised are sensitive, the VP PS consults with the President's Office (**PRE**) and the Corporate Secretariat (**SEC**) on next steps, including regarding consultation with the member(s) concerned. Unless PRE determines otherwise, the VP PS assumes responsibility for consulting with the member(s) concerned on the matter.
13. Following these consultations, the VP PS advises the IOVP concerned on whether and how to proceed with the processing of the Project. The Project may not be submitted for approval until the VP PS has determined a suitable course of action and it has been implemented.
14. ***Project Summary Document.*** If the Project is to be approved by the President, the Project Summary Document is circulated to the Board only after review by SPB and LEG.

15. **Project Preparation Due Diligence.** Throughout the preparation of the Financing, the DG IO concerned works with SPB, LEG and as appropriate, the Director General, Operational Services Department (**DG OSD**) so that the requirements set forth in the OPIR are met, including, in particular, those regarding additional assessments, documentation requirements, and, if the Project involves an International Waterway, the required riparian notification process and timeline.
16. **Addressing OPIR Implications of as yet Unidentified Activities.** If the Project is comprised of as yet unidentified activities or investments that have the potential to raise issues that implicate the OPIR in a material way,¹ the Project team works with SPB, LEG and as appropriate, the DG OSD, to develop approaches for the Project so as to properly manage these issues in a manner consistent with the provisions of the OPIR. The approaches adopted will normally require inclusion of specific client undertakings or financing conditions in the Legal Agreements for the Project.
17. In all such cases, as and when these activities are identified, the Project team conducts a review of the potential application of the OPIR and seeks guidance from SPB and LEG (and OSD if the identified activities or investments may involve an International Waterway) on the appropriate approach for addressing these potential issues prior to the inclusion of such activities or investments in the Project. In the case of disagreement regarding the appropriate approach for a given Project or activity under the Project, the matter is raised to the VP PS for decision.
18. **Approval Documentation; Communications with Client/Member.** The approaches adopted to address the OPIR are normally addressed at the approval stage in the PD. Sensitive issues raised under the OPIR are not addressed in the Approval PD but may instead be addressed in the Memorandum of the President or in a separate memorandum. Any written communication to the client and/or member(s) concerned on such issues is subject to review and approval by the PSVP and LEG.
19. **Maps.** Given the potential for sensitivities associated with the inclusion of maps involving international borders, and in order to avoid any unnecessary reputational risks to the Bank, Project Documents do not include any such maps without the written approval of the VP PS, LEG and the DG OSD.

E. Authority

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

¹ An example would be a Project involving loans, guarantees or equity investments by a Financial Intermediary using the proceeds of AIIB's Financing for subprojects to be identified during Project implementation.