



**AIIB Policy on the  
Project-affected People's Mechanism  
Dec. 7, 2018**

**1. Introduction**

- 1.1. The Environmental and Social Policy (ESP) of the Asian Infrastructure Investment Bank (AIIB) guides sound environmental and social management of AIIB-financed projects (Projects). The ESP provides a mechanism for public consultation and disclosure of information on the environmental and social risks and impacts of Projects and for use of Project-level Grievance Redress Mechanisms (Project-level GRMs). The ESP also provides that AIIB will establish a mechanism to receive submissions from Project-affected people who believe they have been or are likely to be adversely affected by AIIB's failure to implement the ESP.
- 1.2. This Policy, adopted by the Board of Directors, establishes such a mechanism, known as the Project-affected People's Mechanism (PPM). The Complaints-resolution, Evaluation and Integrity Unit (CEIU)<sup>1</sup> shall be responsible for the proper functioning of the PPM.
- 1.3. While the President manages AIIB under the supervision of the Board of Directors pursuant to Article 29(4) of AIIB's Articles of Agreement, this Policy recognizes that the President has delegated significant aspects of this management authority in relation to investment operations to the Vice President and Chief Investment Officer; and Vice President, Policy and Strategy. Accordingly, where in this Policy any action is required of Management, the term "Management" shall mean Vice President and Chief Investment Officer; and Vice-President, Policy and Strategy.
- 1.4. This Policy is deemed a "major policy" of the Board of Directors, in accordance with Article 26 of AIIB's Articles of Agreement.
- 1.5. This Policy shall enter into effect on 31 March 2019 and applies to all Projects<sup>2</sup> whose Financings are under consideration or approved on or subsequent to that date. Projects whose Financings are under consideration or approved prior to that date are subject to this Policy provided the relevant submission in relation to any

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<sup>1</sup> This is the new name for the Compliance, Effectiveness and Integrity Unit proposed in the Oversight Mechanism paper for consideration in the September 2018 Board Meeting. This footnote will be deleted once the PPM is approved.

<sup>2</sup> A Project refers to a specific set of activities for which AIIB is (i) considering to provide Financing (ii) or has approved Financing or (iii) has provided Financing. For purposes of this definition, AIIB will be deemed to be "considering to provide Financing" if the Project Summary Information Sheet (PSI) for the Project has been disclosed.

such Project is filed within the applicable time period set down in Section 4 (*Time Limits for Filing*).

## 2. PPM and its Functions

2.1. **Functions:** The PPM shall provide an opportunity for an independent and impartial review of submissions from Project-affected people who believe they have been or are likely to be adversely affected by AIIB's failure to implement the ESP in situations when their concerns cannot be addressed satisfactorily through Project-level GRMs or AIIB Management processes. AIIB's accountability is to be enhanced through the following three functions of the PPM:

2.1.1. **Handling of Project Processing Queries** (Project Processing Queries), the objective of which is to enable Project-affected people to obtain rapid resolution of their concerns over simple matters which arise during AIIB's environmental and social due diligence of a Project and which do not require dispute resolution; they may include inquiries about the consultation process related to a Project or requests to address any environmental nuisance such as dust, noise or mobility restrictions experienced during Project preparation.

2.1.2. **Dispute Resolution Function** (Dispute Resolution), which shall seek to facilitate a dialogue between AIIB, the Project-affected people and/or Client<sup>3</sup> with a view to agreeing on actions to mitigate known and quantifiable, potential or actual material adverse environmental or social impacts that arise during AIIB's environmental and social due diligence of a Project or during Project implementation.

2.1.3. **Compliance Review Function** (Compliance Review), which is designed to investigate allegations by Project-affected people that AIIB has failed to comply with its obligations under the ESP in its environmental and social due diligence of a Project or its oversight of the Project during implementation, thereby causing or being likely to cause material adverse environmental or social impacts on the Project-affected people and, if the allegations are substantiated, to review any action plan proposed by Management to address these impacts.

2.2. In carrying out the PPM functions, the PPM shall have the following competencies:

2.2.1. To determine the eligibility of submissions.

2.2.2. To assess the submissions and make determinations regarding them.

2.2.3. To carry out such other tasks as are reasonably related to the discharge of the above competencies.

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<sup>3</sup> **Client** means the recipient of the Bank financing for a Project and any other entity responsible for implementation of the Project (see the ESP).

- 2.3. **MD-CEIU:** The Managing Director, CEIU (MD-CEIU) shall represent the PPM in all matters before the Board of Directors and the President. The MD-CEIU shall have unimpeded access to the Policy and Strategy Committee of the Board of Directors to report on the work of the PPM.
- 2.4. **Resourcing:** The President shall ensure that the PPM is adequately resourced and staffed in order to fulfill its functions. The President shall also ensure that the MD-CEIU has full access to AIIB's staff and files, including electronic files, relevant to submissions received and processed by the PPM, and will ensure that AIIB personnel fully cooperate with the PPM.

### 3. Persons Who May File a Submission

- 3.1. Two or more Project-affected people (Requestors) may file a submission. They may authorize an in-country representative (Authorized Representative) to file a submission on their behalf. In exceptional situations, when in-country representation is unavailable, the Requestors may designate an individual or organization outside of the country as their Authorized Representative to file a submission.

### 4. Time Limits for Filing a Submission

- 4.1. **Project Processing Query** may be submitted after the Project summary information (PSI) in relation to a Project has been disclosed by AIIB and before the approval of the Financing.<sup>4</sup>
- 4.2. **Request for Dispute Resolution or Compliance Review** may be submitted (i) after the PSI in relation to a Project has been disclosed by AIIB, in case of Dispute Resolution and (ii) after the approval of the Financing, in case of Compliance Review, and before one of the following dates:
- 4.2.1. **For Sovereign-backed Financings:** The Closing Date.<sup>5</sup> In exceptional circumstances where the Client continues to be bound by environmental and social undertakings beyond the Closing Date, the PPM may consider the request as eligible if it is submitted during the 24 months following the Closing Date.
- 4.2.2. **For Nonsovereign-backed Financings:** the date 24 months following the date of the last disbursement of AIIB's funds or, in the case of guarantees, the date 24 months following the date of the last disbursement under the underlying obligation or, in the case of equity funding, prior to AIIB's exit from its investment.

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<sup>4</sup> "Financing" means a Sovereign-backed Financing and Nonsovereign-backed Financing (for details, see AIIB's [Operational Policy on Financing.](#))

<sup>5</sup> "Closing Date" means: (a) for loans the date specified in the Loan Agreement (or such later date as the Bank shall establish by notice to the Loan Parties) after which the Bank may, by notice to the Loan Parties, terminate the right of the Recipient to withdraw from the Loan Account (for details, see [General Conditions for Sovereign-Backed Loans](#), Appendix, No. 8.); and (b) for guarantees, the date of completion of the Project.

## 5. Eligibility of Submissions

5.1. A submission shall be ineligible to be considered by the PPM, if:

- 5.1.1. It does not relate to a Project that has been approved for financing by AIIB or in relation to which a PSI has been disclosed;
- 5.1.2. It is anonymous;
- 5.1.3. It raises allegations of Prohibited Practices<sup>6</sup> or relates to procurement;
- 5.1.4. It relates to any AIIB policy other than the ESP;
- 5.1.5. It relates to the adequacy of the ESP;
- 5.1.6. The Project is co-financed with another multilateral development bank (MDB) or bilateral development organization and AIIB has agreed to the application of the environmental and social policies and procedures and to rely on the Independent Accountability Mechanism (IAM) of such institution;
- 5.1.7. It is filed outside of the time limits set out in this Policy;
- 5.1.8. The Requestors have not made good faith efforts to resolve the issues with the Project-level GRM and with Management or have not indicated to the satisfaction of the PPM why they have been unable to do so;
- 5.1.9. It raises issues that have already been considered by the PPM, unless there is new evidence or circumstances not known at the time of the previous submission; or
- 5.1.10. It has been filed fraudulently, with frivolous, malicious or improper intent or to gain undue competitive advantage.

5.2. Further, a request for Compliance Review shall be ineligible if:

- 5.2.1. It relates to actions or inactions that do not involve AIIB's failure to comply with the ESP or otherwise raises issues unrelated to AIIB's failure to comply with the ESP;
- 5.2.2. It relates to activities, parties or impacts beyond the reasonable control of AIIB (including the conduct of the Client or any third party, unless that conduct is directly relevant to assessment of AIIB's compliance with the ESP);
- 5.2.3. It relates to laws, policies, or regulations of AIIB's Member government, unless they directly relate to AIIB's compliance with the ESP;

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<sup>6</sup> See, the Bank's [Policy on Prohibited Practices which provides definitions of Prohibited Practices](#).

5.2.4. It relates to matters concurrently under arbitral or judicial review, save when the Board of Directors authorizes the PPM to process such request; or

5.2.5. It relates to the subject matter of an ongoing Project Processing Query or a Dispute Resolution.

## 6. Processing of Submissions

6.1. **Submission:** The submission shall identify the Requestors making the submission. The Requestors shall be encouraged but not required to indicate under which PPM function they propose their submission to be reviewed. Other information to be included in the submission shall be detailed in the sample submission form to be set out in the Rules of Procedure for the PPM.

6.2. **Language of Submission and Other Written Communications With the PPM:** The submission may be written in English or in any official or national language of the Requestors' country. The PPM's acknowledgment of submission receipt shall be in English and in the language of the submission, if such language is not English. Thereafter, PPM's communications with the Requestors shall be in English. The PPM shall also translate the substantive part of these communications into the submission language, if such language is not English. However, the English language version of AIIB's communications shall prevail in the case of a discrepancy between the English and translated version.

6.3. **Acknowledgement of Receipt of Submission:** The PPM shall acknowledge receipt of a submission to the Requestors and recommend the most suitable processing option based on submission content, timing and eligibility criteria, taking the Requestors' proposal, if any, into account. The Requestors' decision on which process they wish to pursue will, however, be final, subject to the submission meeting the applicable requirements of Section 4 (*Time Limits for Filing a Submission*) and Section 5 (*Eligibility of Submissions*).

6.4. **Screening for Eligibility; Registration:** The PPM shall determine whether the submission meets the eligibility criteria set out in Section 5.1 and inform the Requestors, Management and the Board of Directors of its determination. If the submission meets such eligibility criteria, it shall be registered in the PPM registry.

6.5. **Site Visits:** The PPM may, unless the Member in which the Project is located objects, undertake site visits to the Project area at any time after a submission has been filed, in order to better understand submission issues and possible ways to address them. If the Member rejects a site visit request, the PPM will inform the Board of Directors and shall conduct its review on the basis of the available evidence. In the spirit of AIIB's partnership with its Members assistance from Members in facilitating timely PPM site visits is anticipated.

6.6. **Project Processing Queries:** Once the submission has been registered in the PPM registry, the PPM shall provide a copy of it to Management. Management shall provide its response to the submission. The PPM shall facilitate constructive

dialogue between Management, the Client, the Requestors and any other relevant parties to identify solutions to address the concerns raised. The Project Processing Queries shall be handled as promptly as possible in order to facilitate resolution of concerns during Project preparation.

#### **6.7. Requests for Dispute Resolution**

- 6.7.1. Once the submission has been registered in the PPM registry, the PPM shall provide a copy of it to Management. Management shall provide its response to the submission.
- 6.7.2. The PPM shall forward Management's response to the submission to the Requestors. Management shall forward its response to the Client.
- 6.7.3. The PPM shall seek consent of the parties to the dispute to undertake dispute resolution and document the agreed approach and methodology, as well as identified issues and timelines for the dispute resolution process.
- 6.7.4. The PPM shall aim to facilitate the formulation and signing of a dispute resolution agreement containing a time-bound, monitorable implementation schedule for specific agreed actions.
- 6.7.5. The PPM shall monitor the implementation of the dispute resolution agreement in accordance with the agreed schedule.
- 6.7.6. The PPM shall prepare a summary of actions taken to resolve the dispute.
- 6.7.7. The PPM shall encourage the parties to the dispute to reach an agreement. However, if agreement is unlikely to be reached within a reasonable period of time, the PPM may terminate the review of the submission.
- 6.7.8. Any party to the dispute may terminate the dispute resolution process at any stage of the review. In such case, the Requestors may submit a request for Compliance Review, provided that it meets the eligibility criteria for such submission.

#### **6.8. Requests for Compliance Review**

- 6.8.1. Once the submission has been registered in the PPM registry, the PPM shall provide a copy of it to Management. Management shall provide its response to the submission, including its view, if any, on whether the submission meets the eligibility criteria set out in Section 5.2 (*Eligibility of Submissions*).
- 6.8.2. Based on the information provided in the submission, Management's response (including any actions proposed by Management to address the issues raised in the submission), and additional information obtained during site visits, from the Board Director concerned and any local authorities or agencies involved in the Project, the PPM shall determine whether the

submission meets the eligibility criteria set out in Section 5.2, and decide whether to recommend that the Board of Directors approve the commencement of the Compliance Review. The PPM may decide that another course of action in lieu of a Compliance Review is appropriate. In such case, it shall also decide whether approval by the Board of Directors of such course of action is required. If the PPM decides not to recommend a Compliance Review or other course of action, it shall submit to the Board of Directors and Management for information a report explaining its decision.

- 6.8.3. If the PPM recommends approval of the commencement of the Compliance Review or other appropriate course of action, the decision of the Board of Directors shall be communicated by the PPM to the Requestors and by Management to the Client.
- 6.8.4. If the Board of Directors approves the PPM's recommendation to commence the Compliance Review, the PPM shall seek comments from the Policy and Strategy Committee of the Board on the terms of reference for Compliance Review and share the final terms of reference with the Board of Directors for information. The PPM shall form a Project-specific task force to be chaired by the MD-CEIU, to carry out the Compliance Review. The Requestors, the Client, local authorities and agencies involved in the Project, the Board Director concerned, Management and other AIB staff shall be provided an equal opportunity to be heard during the Compliance Review.
- 6.8.5. If at any point during the Compliance Review the PPM learns of arbitral or judicial proceedings involving substantive issues raised in the submission, the PPM shall assess the implications of such parallel processes and submit a recommendation to the Board of Directors on whether to continue with the Compliance Review. As an interim measure, the PPM may suspend the Compliance Review until the Board of Directors decides on the matter.
- 6.8.6. Once the Compliance Review has been completed, the PPM shall prepare a draft Compliance Review report. The PPM shall circulate the draft Compliance Review report to the Requestors for comment and to Management for a response. Management shall circulate the draft report to the Client for comment.
- 6.8.7. Management shall prepare its response to the PPM's draft Compliance Review report and seek comments on it from the Client. Management shall update its response, taking into account comments received.
- 6.8.8. If the PPM determines that there has been noncompliance with the ESP, Management shall also prepare a proposed Management Action Plan (MAP). The MAP shall include actions to address issues set out in the PPM's draft Compliance Review report. Management shall circulate its draft MAP to the Client and Requestors for comment. Management shall update the MAP, taking into account comments received, and send it to the PPM for comment.

- 6.8.9. The PPM shall then finalize the Compliance Review report taking into account Management's response (and the MAP, if applicable) and send it to Management. Management shall then finalize the MAP, if applicable, to address the findings of the final Compliance Review report.
- 6.8.10. The PPM shall submit to the Board of Directors its final Compliance Review report. Management's response and the MAP, if applicable, shall be attached to the final Compliance Review report. The MAP shall be subject to the approval of the Board of Directors.
- 6.8.11. Management shall monitor and submit monitoring reports to the Board of Directors on the implementation of the MAP in accordance with timelines specified in the MAP. The PPM shall review Management's monitoring reports.

## **7. Effect of a Submission on the Project**

- 7.1. The fact that a submission has been found eligible shall not affect ongoing Project preparation or implementation. The review by the PPM of an eligible submission shall not prevent Management from addressing the issues it raises directly with the Requestors or the Client. During its review, the PPM may consider actions taken by Management to address issues raised in the submission.
- 7.2. The PPM shall inform Management in writing if, during its review of the submission, it identifies that the information about the Project-level GRM or the PPM has not been adequately disclosed or that the Project-level GRM has not been established or that it is ineffective. The MD-CEIU shall inform the President if Management fails to take action to address such matters within a specified period following the PPM's notice to Management, in order to enable the President to work with Management to address such matters. If appropriate action is not taken within a set period of time following the PPM's notice to the President, the MD-CEIU shall inform the Board of Directors of the situation on a confidential basis.
- 7.3. If, during its review of the submission, the PPM concludes that continued Project preparation or implementation may potentially result in irreversible material adverse impacts that have not been adequately addressed in accordance with the ESP, the PPM shall inform Management in writing of such possible impacts and the reasons for reaching this view. The PPM may also request Management to consider the matter and take appropriate action to address the situation. In such case, the MD-CEIU shall inform the President if Management fails to take action to address these matters within a specified period of time following the PPM's notice to Management, in order to enable the President to work with Management to address such matters. If appropriate action is not taken within a set period of time following the PPM's notice to the President, the MD-CEIU shall inform the Board of Directors of the situation on a confidential basis.

## 8. Disclosure

8.1. Disclosure of information by the PPM shall be carried out in accordance with the Bank's Policy on Public Information. Accordingly, unless a request for confidentiality has been granted by the PPM, all eligible submissions, PPM acknowledgements of receipt of such submissions and PPM eligibility reports for all submissions shall be disclosed on the PPM website.

8.2. The following additional information will be disclosed on the PPM website:

8.2.1. **In the Case of a Project Processing Query:** a summary of actions taken at the Project level.

8.2.2. **In the Case of a Dispute Resolution:** the Dispute Resolution agreement (if the parties agree to disclose the agreement) or, if no Dispute Resolution agreement has been reached or if the parties do not agree to disclose it, a summary of the Dispute Resolution process and its outcomes; and Dispute Resolution monitoring reports.

8.2.3. **In the Case of a Compliance Review:** the decision of the Board of Directors on PPM's recommendation to approve the Compliance Review or other course of action; the terms of reference prepared by PPM for the Compliance Review; the final Compliance Review report; Management's response to the Compliance Review report; the MAP approved by the Board of Directors; and any periodic MAP status reports.

## 9. Confidentiality; Retaliation

9.1. **Confidentiality:** The Requestors may request confidentiality for a variety of reasons, including risk of retaliation. The request for confidentiality and the reasons for the request shall be provided with the submission. The request for confidentiality shall be considered by the PPM and all reasonable efforts will be made to grant confidentiality. The PPM will advise all PPM personnel, and Management will advise all other AIIB personnel, of their obligations to ensure the requested confidentiality when handling any submissions received. If, however, confidentiality becomes an impediment to eligibility assessment or to effective resolution of issues raised, the PPM shall advise the Requestors of such concerns and seek to agree on how to proceed. Failing such agreement, the PPM may terminate the review of the submission.

9.2. **Retaliation Risk:** The PPM shall recognize and assess the risks of retaliation against the Requestors, any in-country Authorized Representative and, if determined by the PPM, other relevant persons in connection with a submission. The PPM shall advise the Requestors and the in-country Authorized Representative about the inability of the PPM to assist with the physical protection measures and explore with them if confidentiality of the identity of the Requestors or the in-country Authorized Representative and, if applicable, other relevant persons and/or any other information would mitigate the retaliation risks.

## 10. Co-financing

- 10.1. In cases where the Project is co-financed with another MDB or bilateral development organization and AIIB has agreed to apply the environmental and social policies and procedures of such institution and to rely on the co-financier's IAM to handle submissions from Project-affected people under the Project, the PPM shall coordinate closely with the co-financier's IAM on the handling of the submissions and report to the Board of Directors on the outcome of the review by the co-financier's IAM of these submissions.

## 11. General Provisions

- 11.1. **Periodic Reporting to the Board of Directors:** The PPM shall submit periodic reports to the Board of Directors on the status of the submissions, including on the implementation status of the MAPs.
- 11.2. **Outreach, Learning and Training:** The PPM shall raise awareness of the opportunities it provides with Clients and other stakeholders that may be interested in, or affected by, AIIB-financed Projects. The PPM shall also collaborate with the other IAMs and MDBs and systematically capture and share lessons learned to enhance effective implementation of the ESP.
- 11.3. **Implementation:** The President shall issue a Directive, which, among other things, will authorize the MD-CEIU to issue and when necessary, interpret, the Rules of Procedure for the PPM to ensure the effective and efficient implementation of this Policy.
- 11.4. **Review of the Policy:** The Policy shall be reviewed no later than five years from its adoption. The MD-CEIU shall initiate and guide the review. The review shall take into account the views gathered through public consultations, including with Project-affected communities, AIIB's Members, clients and other stakeholders.