INDEPENDENT REVIEW OF THE DELEGATED PROJECT APPROVAL PROCESS AT THE ASIAN INFRASTRUCTURE INVESTMENT BANK

AIIB Complaints Resolution Evaluation and Integrity Unit

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NOTE

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Abbreviations

AIIB	—	Asian Infrastructure Investment Bank
ADB	—	Asian Development Bank
CEIU	—	Complaints-resolution, Evaluation, and Integrity Unit
CRF	—	Crisis Response Facility
EBRD	—	European Bank for Reconstruction of Development
ECap	—	Economic Capital
ELA	—	Early Learning Assessment
E&S	—	Environmental and Social
ESAP	—	Environmental and Social Action Plan
ESMS	—	Environmental and Social Management System
ESP	—	Environmental and Social Policy
FAST	—	Faster Approach to Small Non-sovereign Transactions
ICR	—	Investment Committee Review
IDR	—	Interdepartmental Review
IFC	—	International Finance Corporation
IFI	—	International Financial Institution
IMF	—	International Monetary Fund
MDB	—	Multilateral Development Bank
MFF	—	Multitranche Financing Facility
NSBF	—	Non-Sovereign Backed Financing
OPIR	—	Operational Policy on International Relations
PBL	—	Policy-Based Loan
PIMR	—	Project Implementation Monitoring Report
PPP	—	Public Private Partnership
PPQ	—	Project Prioritization and Quality
PSD	—	Project Summary Document
PSI	—	Project Summary Information
PTL	—	Project Team Leader
QMR	—	Quarterly Monitoring Report
SBF	—	Sovereign Backed Financing
WB	—	World Bank

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This CEIU Review of AIIB's Delegated Project Approval Process was prepared over the period February - April 2024. The report was prepared by Asita De Silva, Consultant, Complaints-resolution, Evaluation and Integrity Unit (CEIU) under the direction of Marvin Taylor-Dormond, Managing Director, CEIU. Anusha Gurung, provide analyst support, Yuan Chang, Executive Assistant, CEIU formatted the document. Sally Yining Chen, Administrative Assistant, CEIU provided administrative assistance.

As part of the review, CEIU interviewed members of AIIB's Board of Directors, management, and staff from March 11th to 22nd, 2024. The team expresses its appreciation to AIIB Board Members, management, and staff for their assistance and insights.

Executive Summary

Background

In 2018, the Board of Directors delegated the authority to approve financing projects to the President under the Accountability Framework. The Accountability Framework reflected the vision of AIIB's founders to establish a modern and efficient multilateral development bank with a new governance structure, including a non-resident Board and appropriate division of labor between the Board and management. As part of the framework, the Board delegated authority to approve some projects to the President, as authorized by the Articles of Agreement. As of December 31st, 2023, the President had approved 36 projects for US$4.8 billion that accounted for 14% of AIIB project approvals.

Periodic reviews of the Accountability Framework were required by the Board. AIIB management prepared the first review of the Accountability Framework in April 2022, and a second review was submitted to the Board in March 2024. The Accountability Framework also required the Complaints-resolution, Evaluation, and Integrity Unit (CEIU) to conduct an independent review of decisions taken under the delegated authority framework.

The CEIU review provides a comparative assessment of the quality at entry of projects. As required by the Accountability Framework Paper, and given the early stage of delegated approval projects, the CEIU review assesses the 'quality at entry' of projects at the time of approval, based on their alignment with Board-approved policies and strategies and conformity with selected elements of the Project Prioritization and Quality (PPQ) Frameworks. It also looks at some early available implementation indicators. The CEIU review also takes stock of some of the benefits of delegated approvals; identifies some factors that can potentially affect the quality of decisions under the delegated process going forward; and makes some recommendations for AIIB to consider as the volume of delegated approvals increases in the future.

The Delegated Approval Process

Key elements of the delegated approval process include adequate information-sharing and the 'call-in' right. Under the Accountability Framework, authority to approve all financing projects was delegated to the President, except for projects that set precedents; raised significant strategy or policy risks; or entailed higher financial risks. Timely and appropriate information on projects was to be shared with the Board to enable it to perform its oversight and policy-setting functions. In addition, Board Members retained the right to override the delegation of authority for any project and "call in" the project for Board consideration. The President can also refer projects back to the Board for consideration.

In 2023, modifications were made to the Framework to increase the scope of delegated project approvals. In response to Board member concerns about the Board's workload, several modifications took effect in April 2023 that reduced the range of projects reserved for Board consideration. A key new provision was the delegation of authority to approve all projects cofinanced with a lead partner MDB of US$500 million or less in AIIB financing, irrespective of whether they triggered other exception criteria.

Other MDBs have adopted various models of delegated or streamlined project approvals. EBRD has had a delegated approval process since 1995 under which the Board approves a 'Framework' that sets an exposure limit and EBRD management approves individual projects within this framework. Since 2017, IFC has increasingly used a 'platform' approach, under which the Board approves a ceiling exposure for categories of projects within which IFC management approves individual projects. The World Bank Group also has a 'streamlined' approval process under which some projects are approved by the Board on a 'no-objection' basis without a formal discussion. In 2015, ADB adopted a framework for smaller non-sovereign transactions under which the Board delegates approval of transactions below certain limits to the President. ADB also created the multitranche financing facility (MFF) in 2005, as a modality to support large scale sovereign projects.

The Board approves the overall facility framework and financing envelope and ADB Management approves the conversion into tranches. The facility represents a standby line of credit, not a binding commitment by ADB or the client.

Use of Delegated Approvals since 2019

Delegated approvals rose sharply in 2023 and have been concentrated in a few Members and sectors and are considerably smaller than Board approvals. Following amendments to the exception criteria in 2023, there was a sharp rise in the use of delegated approvals, with 38% of all projects approved by the President in 2023. Due to precedent-setting and risk-related exclusion criteria, delegated approvals have been concentrated in the largest sectors and Members of AIIB operations. As of end 2023, three sectors - transport, energy, and CRF - accounted for 81% of delegated projects. By Member, more than half of delegated projects were in India, Bangladesh, and China (53%). The average size of delegated projects was considerably smaller than Board-approved projects: US$198m vs US$272m for SBFs; and US$64m vs US$114m for NSBFs.

The use of delegated approvals has been generally consistent with the eligibility criteria for delegation. CEIU found that the 36 projects approved by the President generally complied with the exceptions to delegation criteria. There were a few instances of ambiguity as to whether exceptions applied, however. Four projects approved by the President had some (albeit minimal) implications for international waterways and therefore implicated the Operational Policy on International Relations. It is unclear whether these cases should have triggered an exception to delegation.

Board members exercised call-in rights for eight projects. Since 2019, Board members have called in two NSBFs and four SBFs for Board consideration. The four SBFs comprised CRF policy-based loans (PBLs) processed shortly before closure of the CRF in December 2023, including three to the Philippines and one to Indonesia for a total of USD1.6 billion. During discussions of the called-in projects, Board Members raised issues related to: AIIB value addition; reputational risks; labor standards; support for the natural gas sector; reliance on partner due diligence; the volume of PBLs in the Bank's portfolio; and the importance of focusing on the core business of standalone infrastructure projects.

The delegation of all projects cofinanced with a lead MDB has meant that the Board has not considered some projects that may have had precedent setting or strategic implications. The provision that co-financed projects of US$500 million or less would be delegated irrespective of other exception criteria has meant that some projects with potential precedent-setting or strategic implications have not been considered by the Board. For example, one cofinanced project approved by the President was in a non-regional Member and implicated the Operational Policy on International Relations.

Assessment of Differences in Quality at Entry

The CEIU review did not find a difference in alignment with AIIB policies and strategies between President and Board-approved projects. CEIU reviewed a sample of 20 projects to ascertain whether there were systematic differences in the quality at entry between delegated and Board-approved projects. The sample broadly reflected different types of financing operations. The review found that both President and Board-approved projects were comparably aligned with AIIB's policies and strategies. In a few instances, strict alignment of projects with some strategies was unclear, but this applied to both Board and President approved projects.

The CEIU review did not find any systematic differences in the project preparation standards between Board and President-approved projects. Both Board and President-approved projects conformed comparably to the standards of the selected elements of the PPQ frameworks that CEIU reviewed. A few issues applied to both President-approved and Board-approved projects, including low apparent AIIB value addition in some co-financed projects; limited discussion of operational sustainability arrangements in a few instances; some shortcomings in the quality of results matrices; and low additionality apparent in some NSBFs.

Implementation indicators do not suggest a difference in performance between Board and President-approved projects. As of end December 2023, one of the 36 projects approved by the President (2.7%) had two or more red flags, compared to 7% of the active portfolio of Board-approved projects. Whereas 13% of Board-approved SBFs had some portion of the original amount cancelled, none of the 19 President-approved SBFs had an amount cancelled. This likely reflects the exception to delegation criteria that reserves higher risk projects for Board consideration. There was not a significant difference in readiness for implementation. Projects approved by the Board averaged 9.7 months from approval to first disbursement, compared to 10.9 months for those approved by the President. To date, there have been no project-affected people or integrity-related complaints registered for projects approved by the President.

The assessment of the lack of difference in quality at entry is reinforced by the project preparation and review process being the same for both approval streams. A multilevel project quality assurance process has been developed that supports project quality, compliance with policies, and strategic alignment of both President-approved and Board-approved projects. The process applies equally to projects on both approval streams. CEIU did not find any evidence of projects on the delegated approval track being treated any differently by the project preparation and quality assurance process.

Benefits and Potential Downsides of the Delegated Approval Process

To date, on average, there have not been time savings in project preparation for staff from the delegated approval process. While the relatively small sample of delegated projects inhibits a definite conclusion as to their time savings, significant time savings is not apparent to date. For President-approved SBFs, the average elapsed time between initial Screening Review and approval was 15.5 months (or 12.6 months if two outliers are removed), compared to 11.7 months for Board-approved projects. NSBFs also showed longer processing times for President-approved projects. If CRF projects are excluded, the average processing time for regular (non-CRF) Board-approved SBFs was 16.5 months, compared to 18.7 months for regular President-approved SBFs (or 15.2 months if the two outliers are removed). CEIU was unable to assess the intensity of staff effort in project preparation due to the absence of data on this subject.

However, delegated approvals have helped reduce uncertainty in the processing timeline and addressed the potential "Board slot" bottleneck. Bank teams preparing projects benefit from a reduced processing step and less uncertainty in the processing timelines of projects due to a more predictable process in President approvals. The limited number of Board meetings a year and number of slots for project approvals at each meeting represents a potential bottleneck in project processing that the delegated approval process helps overcome.

In addition, there are time and resource advantages to the Board from delegated approvals, which enable them to provide greater attention to strategy-setting and oversight functions. In the first half of 2017, prior to the Accountability Framework, the Board spent 34% of its time on investment operations. Despite the substantial increase in annual project approvals, in 2023 the Board spent 22% of its time on operations. The time savings has allowed the Board to allocate more time to policy and strategy setting and supervision functions, which was a key objective of the Accountability Framework.

The delegated approval process implies a varying degree of Board review rather than an absence of a Board review. While the delegated approval process eliminates a formal Board review and discussion, it still entails some degree of review of projects by the Board. Board members can review a project over a two-week period following submission of the final PSD to determine whether to exercise the call-in right. The degree of review might be at the discretion of Board members and subject to time and resource constraints. To some extent, therefore, a key difference between the President and Board approval processes is the degree of review of each project by the Board.

In some respects, a strict demarcation of accountability for project approvals may not be so straightforward. Although a key intended benefit of delegation was to clearly demarcate the accountability for Bank operations between the Board and the President, to some extent, a clear demarcation is difficult to achieve. Under the Board approval process, the Board approves projects on the recommendation of the President. The latter bears some degree of responsibility. Under the delegated process, while the President approves projects, the Board has the option to review and call-in projects for Board discussion. The absence of a call-in might therefore be interpreted as a tacit no objection to a project.

More generally, a shared responsibility between the Board and management seems apparent, as is the case in other MDBs. From an external perspective, it is the institution as a whole that bears responsibility for its acts and a distinction between Board and management decisions may be less relevant for external stakeholders. As evident in other MDBs, decisions taken by the Board do not absolve the MDB's management of responsibility. In the case of the World Bank, for example, even though the Board approves all projects, it does so on the recommendation of the President and there appears no question that World Bank management remains accountable for the quality of investment operations and their implementation. In either case of delegated or Board approvals, therefore, a shared responsibility between the Board and President seems to be the best way portray the case. The AIIB process, however, has significantly contributed to institutional agility and reallocation of time by the Board between strategic responsibilities and project approval, a long-time quest in other peer organizations.

At present, close alignment between the Board, President, and senior management has helped ensure the effectiveness of the delegated approval process. As anticipated in the Paper on the Accountability Framework, the President and senior management have assumed individual accountability for investment decisions and have placed an emphasis on ensuring their quality. A multi-layered quality assurance process applies equally to projects to be approved by the Board and the President. Board members also continue to be engaged in the review process and have exercised the option to call in and withdraw delegated authority for several projects.

Some potential scenarios can hypothetically undermine the robustness of decisions under the delegated process in the future. Possible scenarios include: (i) changes in senior management that lead to variations in the degree of individual accountability and focus on quality; (ii) the call-in 'safeguard' being undermined by a larger volume of approvals as Board members are unable to review each project in the two week call-in window; (iii) volume-based corporate scorecard indicators providing a source of tension between achievement of volume and maintaining strict quality and alignment standards. In these situations, the degree of Board project-level awareness may be important.

Further, the Board may potentially have inadequate project-level awareness to set strategy and policy decisions or to exercise oversight effectively. Delegated approvals may result in inadequate project-level awareness for the Board to effectively set strategy and policy or to exercise oversight effectively. The absence of Board discussion on projects may also reduce the record of Board member voices on individual projects that can help guide future policy directions.

Recommendations

A key task ahead is to further enhance the benefits of delegated approvals while mitigating potential downsides and ensuring an optimal degree of Board project-level awareness. The CEIU review observed key benefits to the delegated approval process to date and did not find any apparent adverse impact on the quality of investment decisions. At the same time, some possible scenarios may exist that can potentially undermine investment decisions in the future and may warrant strategies to mitigate them. A key challenge is to optimize the degree of Board project-level awareness so that while it is not overburdened with project-level information, it is still able to exercise its oversight and strategy setting functions effectively. CEIU recommends that AIIB consider the following measures as the volume of delegated approvals increases in the future:

1. **Enhance the flow of relevant project-level information to the Board through periodic sector-level portfolio briefs.** An additional intermediate level of information provided to the Board might include a quarterly briefing on each sector that would include key aspects of approved projects such as potential reputational risks; AIIB value addition; additionality of NSBFs; expected development results; and other such areas of potential concern to the Board. This can help contribute to the degree of Board project-level awareness without the need for extensive information on each project.

2. **The Board and management may consider introducing occasional random full Board reviews to help reinforce the same treatment of projects regardless of approval track.** The call-in process plays an important safeguard role in the delegated approval process. However, time

constraints might discourage use of call-ins by the Board and to some extent, the types of projects called in might be predicted by the Bank based on past experience. Introducing an occasional random call-in for a project may therefore help ensure that the same standards continue to apply regardless of approval track. Occasional selection of a project for a full Board review might be conducted through an automated random selection process after final review.

3. **Develop solutions to capture Board perspectives on groups of delegated projects.** An element of Board approvals that is missing from delegated approvals is the ability for each Board member to express individual views on projects that can cumulatively influence future directions and strategies of the Bank. Solutions might be developed to capture this. For example, a summary briefing on batches of delegated projects might enable Board members to formally place views and suggestions on the record. A regular summary of cofinanced projects approved by the President might help maintain a degree of Board awareness of such projects and a record the AIIB Board's perspective.

4. **Enable real-time updates to the pipeline of projects.** Some projects have been prepared within three months so a quarterly project pipeline update can potentially miss inclusion of a delegated approval project. The timeliness and nature of some information shared with the Board might therefore be enhanced. Rather than circulation of a quarterly report on the pipeline of projects, for example, access to a website with real-time data on the portfolio pipeline might be provided to the Board.

5. **Identify exceptions to delegation that are waived due to the overriding co-financing exception.** The delegation of all projects cofinanced with a lead MDB of US$500m or less has meant that the Board has not considered some projects with potential precedent setting or strategic implications. In the interests of transparency, exceptions to delegation that are waived due to the exception related to cofinanced projects might be highlighted in the PSD.

6. **Clarify some of the circumstances as to when exceptions to delegation are triggered.** In a few instances of projects reviewed by CEIU, it was not clear if an exception to delegated authority should have applied. The specific application of exception criteria in specific circumstances might be clarified.

7. **Conduct further independent reviews of the decisions taken under delegated processes at a later stage to include development outcomes.** Going forward, CEIU will be conducting evaluations of individual completed projects. A further review of delegated authority might take the form of a synthesis of individual project-level evaluations to identify whether any systematic differences between delegated and Board-approved projects exist. Such periodic independent assessments can play a safeguard role in the delegated approval process.

1. Background to the CEIU Review

1. **In 2018, AIIB's Board of Directors delegated the authority to approve financing projects to the President under the Accountability Framework.** In April 2018, AIIB's Board of Directors adopted the *Decision on the Accountability Framework*. The Accountability Framework reflected the vision of AIIB's founders to establish a modern and efficient multilateral development bank (MDB) with a new governance structure, including a non-resident Board and an appropriate division of labor between the Board and management. Under the Accountability Framework, the Board would focus on setting the Bank's policies and strategies and hold the President accountable for managing the institution in line with these policies and strategies, while the President would manage the operations of the Bank. As part of the Accountability Framework, the Board delegated the authority to approve financing projects to the President, with the exception of certain categories of projects (see Box 1). This delegated approval process became effective on January 1st, 2019. As of December 31st, 2023, the President had approved 36 projects for US$4.8 billion that accounted for 14% of all AIIB project approvals or 10% of the volume of financing since 2016.

2. **Periodic reviews of the Accountability Framework were required by the Board.** The *Decision on the Accountability Framework* required the President to prepare an annual review of the implementation of the Accountability Framework; a mid-term review to be prepared after 18 months of implementation, and a comprehensive review to be prepared after the first three years of implementation. Given limited use of delegated approvals in the early years, an Annual Review was not prepared in the first years of implementation and the first "Annual Report on the Implementation of the Decision on the Accountability Framework" was submitted to the Board in March 2023. In September 2020, AIIB management prepared a "Midterm Review of the Accountability Framework." The first "Comprehensive Review of the Framework" was prepared in April 2022. The review concluded that the division of labor between the Board and management as set out in the Accountability Framework was "appropriate for a modern international financial institution." [1] In March 2024, a second "Comprehensive Review of the Accountability Framework" was submitted to the Board. This review also found that the Framework had been functioning as originally envisaged; was providing accountability through a "clear division of responsibility" between the Board and the President; and ensured that AIIB's nonresident Board model could function "effectively and efficiently", including due to the delegation of project approvals.[2]

3. **The Accountability Framework required an independent review of decisions made under the delegated authority framework.** The Accountability Framework also required the Complaints-resolution, Evaluation, and Integrity Unit (CEIU) to conduct an "in-depth review" of a sample of projects subjected to the delegated approval process to "*ensure that the decisions were robust and aligned with Board-approved policies and strategies*". This CEIU Review addresses this requirement. Per the mandate in the Accountability Framework, the CEIU Review focuses on the implementation of the delegated approval process and does not seek to assess the overall governance objectives of the Accountability Framework.

4. **As requested by the Board and given the early stage of most projects approved under the delegated approval process, the CEIU review focuses on quality at entry and does not conduct a review of the implementation and outcomes of projects.** As of

[1] AIIB, "Comprehensive Review of the Accountability Framework", March 31st, 2022
[2] AIIB, "Comprehensive Review of the Accountability Framework", March 2024

December 31st, 2023, just one project approved by the President had reached financial closure and no projects had been completed. Most projects were either under implementation or still in pre-implementation stages. To date, moreover, CEIU has conducted just one Early Learning Assessment of an on-going project that was approved by the President. At this stage, therefore, it is not possible to assess the results or outcomes of projects approved under delegated authority. This review therefore undertakes an assessment of the quality at entry of projects based on their alignment with Board-approved policies and strategies and conformity with selected elements of the Project Prioritization and Quality (PPQ) Frameworks. It also looks at some early available implementation indicators to ascertain whether differences exist between delegated and Board-approved projects. The CEIU review also takes stock of some of the benefits of the delegated approval process; identifies some factors that can potentially affect the quality of decisions under the delegated approval process; and makes some recommendations for the Bank to consider as the volume of delegated projects increases in the future.

2. The Delegated Approval Process in AIIB

2.1 The Authorizing Framework for Delegated Project Approvals

5. **The Accountability Framework sought to help establish a "new model" of governance in AIIB.** AIIB's governance structure aimed to achieve "best modern governance practice" appropriate for an MDB with a non-resident Board based on benchmarking against other MDBs during the institutions founding.[3] By clarifying the roles of the President and the Board, the Accountability Framework sought to create a "highly effective, strategic" Board that would direct and oversee the work of a "highly efficient, accountable" management. This, in turn, would enable the Bank to meet its client's needs effectively and efficiently.

6. **Past studies have called for a reduced Board role in operational decisions and an increased focus on strategic directions in MDBs.** A 2008 evaluation of governance in the International Monetary Fund (IMF) suggested that the IMF Board's effectiveness was hindered by an excessive focus on executive rather than supervisory functions.[4] It recommended that the Board reorient its activities away from executive, day-to-day operational activities towards a more supervisory role, including formulating strategy, monitoring policy implementation, and exercising effective oversight of management. A 2009 report commissioned by the World Bank recommended that the approval of financing operations be "transferred" to management. This would enhance the institution's flexibility and efficiency by reducing the steps in loan approval; free up Board and staff resources devoted to Board review and approval of projects; and increase accountability by eliminating the conflict of interest inherent in the Board's "co-managerial" role and placing the responsibility for financing operations "unambiguously on the shoulders of Management".[5] A 2018 report commissioned by the G20 also suggested that the Boards of international financial institutions should focus on strategic issues and move away from a "disproportionate tilt towards operational decision-making and transactional functions". It suggested adoption of practical, risk-based approaches to transfer greater responsibility to managements, including possible delegation of project approval authority based on project size and whether they raised broader policy issues or not.[6]

7. **Delegation of the authority to approve projects formed a central component of the new governance model in AIIB.** Article 26 (iii) of AIIB's Articles of Agreement authorizes the Board to delegate decisions related to the financing operations of the Bank to the President. [7]Delegation of project approval authority under the Accountability Framework was expected to make the institution more efficient and effective by clearly demarcating the respective roles of the Board and the President in the operation of the Bank; increasing the President's accountability; and shifting the use of the Board's time away from operational decisions toward strategy and oversight functions. Under the Framework, the authority to approve all financing projects was delegated to the President, with the exception of certain categories of projects that would still be considered by the Board. These were projects that (i) set a precedent in a

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[3] AIIB, Annual Report, 2018

[4] Independent Evaluation Office, International Monetary Fund, *Governance of the IMF: An Evaluation*, 2008

[5] "Repowering the World Bank for the 21st Century: Report of the High-Level Commission on Modernization of World Bank Group Governance", October 2009

[6] Report of the G20 Eminent Persons Group on Global Financial Governance, "Making the Global Financial System Work for All", October 2018 www.globalfinancialgovernance.org

[7] Article 26 (iii) of the Articles of Agreement states that the Board of Directors shall "*take decisions concerning operations of the Bank under paragraph 2 of Article 11, and, by a majority representing not less than three-fourths of the total voting power of the members, decide on the delegation of such authority to the President*."

certain area; (ii) raised significant strategy or policy risks; or (iii) involved higher financial risks or resource commitments by AIIB (see Box 1). While the Board would initially retain close engagement in project approvals, delegation was expected to be 'progressive', and an increasing share of delegated approvals was expected as the system matured.[8] The higher share of delegated project approvals would then reduce the role of the Board in operational decisions and allow it to focus on its policy and strategy setting and oversight functions.

8. **Provision of adequate information on projects to the Board was an important element of the delegated approval process.** The Accountability Framework emphasized the need for timely and appropriate information on projects to be shared with the Board to enable it to perform its oversight and policy-setting functions. Board members would have visibility of essential project information throughout the project cycle. The President would provide the Board with a quarterly summary of the indicative two-year pipeline of projects that had passed initial Screening Review. For each project that then passed Concept Review that was to be approved by the President, the Board would receive a concept stage Project Summary Document (PSD) that conveyed the main aspects of the project, including its objectives, components, alignment with AIIB strategies and policies, risks, and safeguards. Once a project passed Appraisal/Final Review, a final stage PSD would be sent to the Board. The President would then inform the Board each time a project was approved under delegated authority. The Board would then be kept informed of the status of projects under implementation through quarterly Investment Operations Project Implementation Monitoring Reports (PIMRs) and Quarterly Monitoring Report (QMRs).

9. **The Accountability Framework contains a provision that Board members can "call in" any given project for Board consideration.** The Accountability Framework enables Board members to override the authority delegated to the President and ask that a project be considered by the Board at any stage in the process. This "call-in" right can be invoked at any point from the time a project is first included in the indicative project pipeline until 14 calendar days after the final stage PSD is submitted to the Board. In this event, the project would be discussed and considered by the Board under the regular Board approval process. In addition to the call-in right for Board members, the President can also refer projects back to the Board for approval for any reason, including consideration of the "potential integrity and reputational risks" of a project.

10. **In April 2023, several modifications were made to the Accountability Framework to increase delegated project approvals.** In December 2022, in response to Board member concerns about the Board's workload and to further the 'vision' of the Accountability Framework, several modifications to the delegated approval criteria were approved and came into effect on April 1st, 2023. These modifications reduced the range of projects to be reserved for Board consideration (see Table 1). For example, instead of the Board considering both the first SBF and the first NSBF in each Member, it would now only consider the first project in each Member. Likewise, rather than considering the first project in each sector in each Member, the Board would now just consider the first three projects within a sector strategy. A key new provision was the delegation of authority to approve all projects cofinanced with a lead partner MDB of US$500 million or less in AIIB financing, irrespective of whether they triggered other exception to delegation criteria or not. The proposed changes were expected to raise delegation from around 30% of approvals in 2022/2023 to 50% annually by 2025.

Table 1. Exceptions to Delegation under AIIB's Accountability Framework

[8] AIIB, Paper on the Accountability Framework (undated)

	Original Exceptions (Effective January 1st, 2019 - March 31st, 2023)	**Modified Exceptions** (Effective April 1st, 2023)
General provision		Except for projects cofinanced with a lead partner MDB of US$500 million or less, delegation of project approval authority is reserved to the Board of Directors for the following categories:[9]
Category I: **Precedent Setting:**	a) The first sovereign-backed project in a Member. b) The first non-sovereign-backed project in a Member. c) The first project in a sector in each Member. d) The first projects using a previously unused financing instrument, e.g., if AIIB for the first time lends to a bank for on-lending or provides subordinated debt. e) The first project involving a particular co-financier in which AIIB proposes to apply one or several policies of such co-financier.	a) The first project in a Member. b) The first three projects within the terms of a Sector Strategy. c) The first project using a previously unused financing instrument. d) The first project that involves a particular co-financier in which AIIB proposes to apply one or several policies of such co-financier.
Category II: **Significant Strategic and Policy Issues:**	a) A project in a non-regional Member. b) A project where a corresponding Sector Strategy has not yet been approved by the Board c) A Project requiring a policy derogation, e.g., in terms of risk limits or procurement policy requirements. d) A project which directly implicates the Operational Policy on International Relations.	a) A project in a non-regional Member. b) A project where a corresponding Sector Strategy has not yet been approved by the Board. c) A project requiring a derogation from a Sector Strategy, Policy or Framework adopted by the Board of Directors in accordance with Articles 26 of the Articles of Agreement. d) A project which directly implicates the Operational Policy on International Relations.
Category III: **Risk Tolerances:**	a) The amount of AIIB's economic capital (ECap) utilized by the Bank's financing in a project is in excess of $25 million. b) The amount of AIIB's financing for a project is in excess $200 million for sovereign-backed financing or guarantees (adjusted to $300 million after April 2022) c) The amount of AIIB's financing for a project is in excess of $100 million for non-sovereign-backed financing or guarantees. (Adjusted to $150 million after April 2022) d) The amount of AIIB's financing for a project is in excess $35 million for equity investments.	a) The amount of AIIB's economic capital utilized by the Bank's financing in a project is in excess of $37.5 million. b) The amount of AIIB's financing for a project is in excess $300 million for sovereign-backed financing or guarantees c) The amount of AIIB's financing for a project is in excess $150 million for non-sovereign-backed financing or guarantees d) The amount of AIIB's financing for a project is in excess $35 million for equity investments.

Source: Regulation on the Accountability Framework (2018); Regulation on the Accountability Framework (2022)

11. **Other MDBs have adopted various models of delegated or streamlined project approvals.** EBRD has had a delegated project approval process in place since 1995. The Board approves a 'Framework' or 'Multi-Project Facility' that sets an exposure limit and EBRD management approves individual projects within this framework. In 2014, EBRD introduced a Designated Approvers program, under which Sector Team Directors are authorized to approve projects within frameworks. Exceptions to delegation include operations that are E&S Category-A; require policy derogations; or are the first under a framework. In 2016, the delegated approval limit was raised from €10 million to €25 million per project. In 2017, 54% of EBRD projects were approved under a delegated process.[10] Since 2017, IFC has also

[9] As stated in the Regulation on the Accountability Framework that took effect on April 1st, 2023: "These are cofinanced projects that apply the partner MDB's policies in lieu of the AIIB's Environmental and Social Framework and for which the partner MDB acknowledges the AIIB cofinancing in its documentation."
[10] EBRD Evaluation Department, *Special Study: Delegated Authority*, EBRD, March 2018

increasingly used a “Platform” approach, similar to that of EBRD, under which the Board approves a ceiling exposure within which IFC management approves projects. Exceptions to delegation exist for new clients or existing clients with high E&S risks or other specified criteria.[11] The World Bank Group also has a ‘streamlined’ approval process for some projects, under which the Board still approves projects but does so on a ‘no-objection’ basis, without a formal Board meeting or discussion. Some projects are reserved for full Board discussion based on criteria such as risk, innovation and learning, policy waivers, or Board interest. In 2015, ADB introduced a ‘Faster Approach to Small Non-sovereign Transactions’ (FAST) framework to improve the operational efficiency of smaller non-sovereign transactions. Under the current FAST framework, the Board authorizes the President to approve qualifying transactions of US$30 million or less for loans and US$15 million or less for equity. Limits are set on delegated approvals by country, sector, and instrument and E&S Category-A projects are excluded from delegation.[12] Likewise, ADB created the multitranche financing facility (MFF) in August 2005, as a modality to support large scale sovereign projects, and mainstreamed it in June 2008.[13] The MFF was created in part to help ADB and client countries enhance efficiency by reducing borrowing costs and providing financial and operational flexibility. The ADB Board approves the overall facility framework and the financing envelope, and ADB Management approves the conversion into tranches. The facility represents a standby line of credit, not a binding commitment by ADB or the client.

12. **A 2018 EBRD assessment of its delegated approval process did not find a significant difference in the performance of delegated and Board-approved projects.** A 2018 evaluation by EBRD’s independent evaluation office indicated that it did *“not find significant differences in the performance of DA-approved* projects *relative to existing norms and trends”*. None of the Delegated Approval projects had been “impaired, written-off, included in the NPLs or transferred to Corporate Recovery.” It also found that the quality of delegated project appraisal documentation “was largely in line” with that of Board reports.[14]

2.2 Use of Delegated Approvals since 2019

13. **The share of President-approved projects has gradually increased, including a sharp rise in 2023**. Delegated approvals under the Accountability Framework took effect on January 1st, 2019. The first project approved by the President was an energy sector SBF loan to Bangladesh on March 26th, 2019. In 2019, 3 projects (or 11% of all approvals) were approved by the President (Table 1). The use of delegated approvals was expected to increase as the institution gained experience, with fewer projects falling under precedent setting exclusions and more sector strategies in place. However, the share of President approvals declined in 2020-2021 to 7-8% of approvals due to the high number of Crisis Response Facility (CRF) projects that required Board approval following onset of the pandemic. In 2022 delegated approvals rose to 17% (7 out of 42 projects). This was still below initial expectations that delegated approvals would account for about 25% of approvals in 2019, however.[15] As discussed in the first Comprehensive Review, the use of delegated approvals was being limited by projects being the first in a sector in a Member; the absence

[11] Independent Evaluation Group, “Approach Paper: IFC Platforms Approach: Addressing Development Challenges at Scale”, World Bank Group, July 28, 2023
[12] ADB, Faster Approach to Small Nonsovereign Transactions Policy Paper, March 2015; ADB, “Enhanced Faster Approach to Small Nonsovereign Transactions”, Institutional Document, May 2022
[13] ADB's Multitranche Financing Facility, 2005–2018: Performance and Results Delivered. IED, October 2019.
[14] EBRD Evaluation Department, *Special Study: Delegated Authority*, EBRD, March 2018
[15] AIIB, “Accountability Framework AIIBrief”, Dec. 20, 2018

of sector strategies; and projects exceeding risk tolerance financing limits.[16] Following amendments to the exception criteria, in 2023, there was a sharp rise in the use of delegated approvals, with 38% of projects (19 out of 50) approved by the President (or 26% of the amount of financing approved in 2023). Since the Accountability Framework came into effect in 2019, 16.7% of all projects (and 11.3% of approved financing) have been approved by the President. Overall, as of December 31st, 2023, AIIB had approved 36 projects for US$4.8 billion under the delegated approval process, representing 14% of all approvals and 9.6% of the US$50.5 billion in financing approved by the Bank since 2016. More than half (53%) of the 36 delegated approval projects were approved in 2023.

Table 2. Delegated Project Approvals by Year since 2019

Year	No of Delegated Projects	Value of Delegated Projects (US$m)	Average Delegated Project Size (US$m)	Average Board Approved Project Size (US$m)	Delegated Projects as a Share of All Projects (by #)	Delegated Projects as a Share of All Projects (by $ amount)
2019	3	257	86	176	11%	6%
2020	3	435	145	227	7%	4%
2021	4	386	97	201	8%	4%
2022	7	712	102	174	17%	10%
2023	19	3,063	161	277	38%	26%
Total	36	4,852	135	211	14%	10%

Source: IMIS data

14. **Delegated approvals have been concentrated in the largest sectors and Members of Bank operations and are considerably smaller than Board-approved projects**. Delegated approvals have been concentrated in three sectors - transport, energy, and CRF/economic resilience - which accounted for 81% of President approvals and 88% of the volume of financing approved by the President. This was a greater concentration than the 48% of Board-approved projects and 55% of the volume of Board-approved financing in these three sectors (Table 3). By Member, more than half of delegated projects (53%) were in three Members - India, Bangladesh, China - compared to 29% of Board approvals in these three Members. The greater sector and Member concentration of delegated projects can be attributed to the precedent setting exclusion criteria as well as the 26 multi-country/multisector fund investments that were all approved by the Board. Given the size-based exclusion criteria related to risk tolerance, delegated projects have been considerably smaller than Board-approved projects, particularly NSBFs. The average size of a delegated NSBF project was US$64 million, compared to US$114 million for Board-approved NSBFs. Similarly, the average size of a delegated SBF was US$198, compared to US$272 million for Board-approved SBFs. There was a greater concentration of NSBFs among President approvals, with NSBFs accounting for 47% of President approvals, compared to 38% of Board approvals. Just over half of projects (53%) approved by the President were financed with partner MDBs compared to 44% of Board-approved projects. While CRF projects accounted for 14% of delegated projects, they accounted for nearly 40% of the financing amount approved by the President.

15. **The modifications to the exception criteria introduced in April 2023 helped realize a sharp increase in use of delegated approvals in 2023.** The modifications introduced in April 2023 helped accelerate the use of delegated approvals. In 2023, 42% (8 out of 19 projects) approved by the President or 77% of the financing amount would not have been

[16] AIIB, "Comprehensive Review of the Accountability Framework", March 31, 2022

eligible for President approval in the absence of the provision on cofinanced projects introduced in April 2023. Seven of these projects exceeded the economic capital use limit, and one project was in a sector without a sector strategy. However, all eight projects were cofinanced with a lead partner MDB, thereby overriding the other exceptions to delegation. The eight projects accounted for US$2.3 billion or 20% of AIIB financing during the year.

Table 3. Use of Delegated Approvals 2019-2023

	PRESIDENT-APPROVED PROJECTS					BOARD APPROVED PROJECTS		
	No.	Value (US$m)	Proportion of Total (by #)	Proportion of Total (by $ Amount)	Average Project Size (US$m)	Proportion of Total (by #)	Proportion of Total (by $ Amount)	Average Project Size (US$m)
Sector								
Transport	13	1,333	36%	27%	103	14%	17%	253
Energy	11	1,015	31%	21%	92	20%	16%	163
CRF-Economic Resilience/PBF	5	1,900	14%	39%	380	14%	23%	343
Multi-sector	2	55	6%	1%	28	19%	14%	156
Urban	2	270	6%	6%	135	6%	4%	165
Digital Infrastructure and Technology	1	46	3%	1%	46	4%	2%	95
Health Infrastructure	1	33	3%	1%	33	1%	2%	525
Water	1	200	3%	4%	200	6%	8%	268
Financing Type								
Sovereign-Backed Financing	19	3,766	53%	78%	198	62%	79%	272
Non-Sovereign-Backed Financing	17	1,087	47%	22%	64	38%	21%	114
CRF/Regular								
Regular	31	2,952	86%	61%	95	71%	64%	190
COVID-19 Crisis Recovery Facility	5	1,900	14%	39%	380	29%	36%	263
Cofinanced/Standalone								
Standalone	17	1,459	47%	30%	86	56%	51%	189
Cofinanced	19	3,393	53%	70%	179	44%	49%	240
ES Category								
B	21	2,048	58%	42%	98	29%	25%	178
A	6	690	17%	14%	115	21%	27%	272
C	5	1,760	14%	36%	352	14%	23%	343
FI	3	155	8%	3%	52	31%	19%	125
Largest Members								
India	9	719	25%	15%	80	17%	21%	261
Bangladesh	6	1,105	17%	23%	184	6%	6%	198
China	4	410	11%	8%	103	6%	8%	258
Uzbekistan	3	278	8%	6%	93	5%	6%	257
Kazakhstan	2	390	6%	8%	195	1%	2%	398
Türkiye	2	250	6%	5%	125	9%	9%	204

Source: CEIU based on IMIS data

16. **The use of delegated approvals has been generally consistent with the eligibility criteria for delegation.** The 36 projects approved by the President generally complied with the exception criteria for projects reserved for Board consideration. However, CEIU observed that there appears to be a lack of clarity on when the exception related to the Operational Policy on International Relations (OPIR) should be triggered. Four projects approved by the President implicated international waterways and therefore the OPIR (and were not co-

financed or were approved prior to April 2023).[17] In three cases, exceptions to riparian notification were applied due to the minimal anticipated impact on other riparians and in one case, notifications were sent, and no objections were received. In each case, it appears to have been determined that although the OPIR was implicated, the exception to delegation was not triggered. Notwithstanding the minimal impact on other riparians, however, it is unclear whether the exception should have been triggered given that some aspect of the OPIR was implicated. The exact circumstances under which the exception to delegation related to the OPIR is triggered might therefore be clarified.

17. **Board members exercised call-in rights for eight projects.** Since 2019, Board members have requested that eight projects designated for President approval be called-in and considered by the Board.[18] These included four NSBFs and four SBFs. The four NSBFs comprised loans to commercial sponsors for (i) development of a natural gas distribution network under a public private partnership (PPP) concession; (ii) development of a solar power generation project; (iii) development of distributed solar generation projects; and (iv) purchase of container ships to be used for regional shipping routes. One call-in was subsequently withdrawn and the project was approved by the President. Another project was removed from the pipeline after being dropped by the partner MDB. The other two called-in NSBFs were discussed and approved by the Board. The four SBFs that were called-in comprised CRF policy-based loans (PBLs) processed in late 2023, shortly before closure of the CRF in December 2023. They comprised three PBLs to the Philippines and one PBL to Indonesia for a total of USD1.6 billion.

18. **During discussions of the called-in projects, Board members raised issues related to reputational risks, AIIB value addition, and areas of AIIB engagement.** During the discussions of the two called-in NSBF projects, Board members raised issues related to sponsor capacity; labor standards in the supply chain; and supporting the use of natural gas. At the discussion of the four CRF policy loans, Board members welcomed the opportunity to build AIIB's institutional capacity on policy-based financings and to support structural reforms in Members. Some Board members expressed concerns on the reliance on partner due diligence in lieu of the AIIB's policies and mechanisms; the volume of PBFs in the Bank's portfolio; the size of the three financings for the Philippines and the Bank's exposure to a Member; the need for PBFs to be reform-oriented and achieve maximum impact; and AIIB's value addition under the financings. Some Board members also suggested the need for the Bank to focus on its core business of standalone infrastructure projects to sharpen the Bank's profile as an infrastructure investment bank and to develop capacity and institutional learning in this area; establish its own E&S policy for PBFs; and enhance its project documentation, including less reliance on co-financier project documentation.

[17] These were: Rural water, Sanitation and Hygiene for Human Capital Development Project (P000398); Punjab Municipal Services Improvement Project (P000448); Unique Meghnaghat IPP (P000281); Georgia Capital Sustainability Linked Financing Facility (P000765).
[18] Board members are not required to have specific reasons for calling in a project.

Box 1. Projects Called-in By Directors for Board Approval

The following projects on the President approval track were called in by Board members for Board consideration and approval:

NSBF Projects

- P000318 India: City Gas Distribution Financing (US$75m), called in on March 12, 2021.
- P000473 India: Enel Green 300MW Solar Project – Rajasthan (US$50m), called in on June 30, 2021.

SBF Projects (CRF)

- P000781 Philippines: Inclusive Finance Development 3 (US$300m), called in on Oct 12, 2023.
- P000771 Philippines: Post Recovery Digital Transformation (US$400m), called in on Oct 12, 2023.
- P000761 Indonesia Competitiveness, Industrial Modernization, and Trade Acceleration 2 (US$500m), called in on Oct 23, 2023
- P000802 Philippines: Domestic Resource Mobilization 1 (US$400m), called in on Nov 1, 2023

In addition, one call-in was initially made and subsequently withdrawn by the Director and another project was subsequently dropped from the pipeline and was not considered by the Board. These were:

- P000680 Singapore: Regional Transport Connectivity Project (US$70m). The call-in was subsequently withdrawn by the relevant Director and the project was approved by the President.
- P000637 India: Fourth Partner Energy Distributed Solar Generation Project. The project was subsequently dropped by the partner MDB and removed from AIIB's investment pipeline.

19. **The President referred two projects back to the Board for approval.** Two projects on the President approval track were referred to the Board for approval, both in December 2023. One was a material change to a 2021 Covid-19 emergency response project to support the production and distribution of vaccines in China. Proposed material changes comprised a shift in project objectives and scope from the production and distribution of COVID-19 vaccines to the development and distribution of a COVID-19 treatment drug. At the discussion, Board members broadly agreed that the change of the objective could be justified considering the evolution of the pandemic. Some Board members expressed reservations, however, noting that the project had initially been approved in very different circumstances. The other referred project was a US$ 250 million PBL to Pakistan under the CRF. During the discussion, Directors welcomed AIIB's support to help sustain and advance reforms in Pakistan. Directors also enquired about the Bank's value addition and inputs into project and the project's alignment with the Bank's thematic priorities; noted the high overall risk rating of the project and the challenges of implementing politically sensitive and complicated reforms; encouraged the Bank to further strengthen its capacity and expertise to prepare standalone PBFs; and indicated that they looked forward to the assessment of the CRF.

20. **Some past gaps in information-sharing on projects were addressed by improvements in the project information system.** As reported in the management reviews of the Accountability Framework, there have been some past gaps in information sharing that have subsequently been corrected. In 2020, a Concept PSD for a project that had received Concept approval was not shared with the Board.[19] In 2021 and 2022, there were six projects that had been approved by the President that the Board was not promptly informed of as

[19] The Bangladesh Unique Meghnaghat IPP project

required by the Accountability Framework.[20] These deficiencies in information management and communication were subsequently addressed by modifications in the Investment Management Information System (IMIS) and there have not been further information-sharing gaps. As reported in the management reviews, Board members have also requested that further improvements be made to improve the amount and nature of project information shared with the Board, including improvements in the quality of project documentation. Measures currently being developed include replacing the concept stage PSD with a PSI that conveys basic elements of a project; clearly identifying projects for delegated approval in the quarterly indicative pipeline; and enhancing document quality.

21. **The delegation of all projects cofinanced with a lead MDB has meant that the Board has not considered some projects that may have had precedent setting or strategic implications.** A key provision introduced in April 2023 was that co-financed projects of US$500 million or less would be delegated irrespective of other exception criteria. Part of the rationale was that these projects would have already been approved by the Boards of the partner MDBs that included most of the same constituencies as AIIB's Board. The cofinanced projects would also contain the partner MDB's appraisal and technical quality standards, E&S and fiduciary due diligence, and risk assessments and mitigants. At the same time, however, these projects may also be precedent setting for AIIB or have implications for the institution's strategies and policies, areas that had previously been reserved for Board consideration. In one case, for example, a cofinanced project approved by the President was in a non-regional Member and implicated the OPIR; another was in non-regional Member and also implicated the OPIR; and another was in a sector without a sector strategy. In each case, prior to the new provision, the exception to delegation would have applied.[21] Of note, therefore, is that delegating all cofinanced projects of less than US$500 million has meant that there is no direct engagement of the Board with respect to some projects with precedent-setting or strategic implications. Going forward, to ensure transparency, exceptions to delegation that are waived due to the overriding exception related to cofinanced projects might be highlighted in the PSDs.

[20] The Regulation on the Accountability Framework states that: "The President shall inform the Board of Directors promptly each time a project is approved in accordance with the authority delegated by this Regulation".
[21] These were: P000736 Côte d'Ivoire: Inclusive Connectivity and Rural Infrastructure Project; P000600 Egypt: Damietta Port - Container Terminal II; and P000707 Cambodia: Cross-border Livestock Health and Value-chain Infrastructure Improvement Project

3. Assessment of Differences in Quality at Entry

22. **CEIU reviewed a sample of projects to ascertain whether there were differences in the quality at entry between delegated and Board-approved projects.** Given the still early implementation status of most delegated projects, CEIU determined that it was premature to undertake an in-depth review of the implementation and outcomes of delegated projects. Instead, CEIU reviewed a sample of both delegated and Board-approved projects to ascertain whether there were any significant differences in the quality at entry between Board-approved and delegated projects. "Quality at entry" is considered to be the extent to which projects were identified and prepared at the time of approval (prior to beginning implementation) so that they were most likely to achieve their intended outcomes.[22] In assessing quality at entry, CEIU considered two aspects of projects: (i) the extent to which they were aligned with Board-approved policies and strategies; and (ii) their conformity with standards of selected project preparation elements of the Project Prioritization and Quality Frameworks. In addition, to supplement the assessment of quality at entry, CEIU reviewed a few available early implementation indicators to ascertain whether any significant differences were apparent between Board and President-approved projects.

23. **Consistency with selected elements of the PPQ Frameworks for SBF and NSBFs were reviewed.** To assess policy and strategic alignment, CEIU reviewed projects for consistency with the corporate strategy's thematic priorities, sector strategies, and other corporate policies and strategies such as the strategy for financing in non-regional Members. To assess project preparation standards for SBFs, CEIU reviewed the following elements: clarity of objectives; relevance of components to the objectives; AIIB value addition and value addition to AIIB; arrangements to ensure operational sustainability; compliance with safeguard and fiduciary policies; quality of the results frameworks; risk assessments; and country debt sustainability assessments. The review did not seek to assess a project's technical strength; economic or financial analysis; or aspects of implementation readiness as these assessments would have required technical expertise or additional information beyond that contained in the project documentation. For NSBF projects, CEIU reviewed: AIIB value addition and value addition to AIIB; project design and expected results; compliance with safeguard and fiduciary policies; sponsor quality; bankability/investability criteria; risk assessment; and additionality. It did not seek to assess the quality of economic or financial analysis or aspects of implementation readiness.

24. **A sample of 20 projects were reviewed that broadly reflected different types of financing operations.** The sample of 20 projects reviewed by CEIU represented different sectors, Members, and financing instruments of AIIB operations. Ten categories of projects were identified and for each category, one Board-approved and one President-approved project were reviewed to facilitate comparability. The categories comprised six SBFs and four NSBFs. For SBFs the categories were: transport sector in a regional Member; transport sector in a non-regional Member; energy sector (pre-2020); health infrastructure; urban sector; and a CRF policy loan. For NSBFs the categories were: energy sector with the same Project Team Leader (PTL); transport sector; direct bond investment; and the first and follow-on projects with the same client. Table 4 lists the projects reviewed by CEIU.

[22] See Independent Evaluation Group, *Results and Performance of the World Bank Group 2021,* World Bank Group, 2021. [Results and Performance of the World Bank Group 2021]

Table 4. List of Sample Projects Reviewed by CEIU for Quality at Entry

Category	President Approved Projects	Board Approved Projects
Sovereign Backed Financing		
1. Transport Sector Regional	P000162. Pakistan: Karachi Bus Rapid Transit Red Line Project. Cofinanced with ADB (2019)	P000660. China: Yunnan Kunming Changshui Airport Expansion and Green Development Project. Standalone (2023)
2. Transport Sector Non-Regional	P000736 Côte D'Ivoire: Inclusive Connectivity and Rural Infrastructure. Cofinanced with WB (2023)	P000692. Egypt Sustainable Transport and Digital Infrastructure Guarantee Cofinanced with AfDB (2023)
3. Energy Sector (pre-2020)	P000088. Bangladesh: Power System Upgrade and Expansion Project. Standalone (2019)	P000086. Nepal: Distribution System Upgrade and Expansion. Standalone (2019)
4. Urban Sector	India: Punjab Municipal Services Improvement Project Cofinanced with WB (2023) P000448	Sri Lanka: Support to Colombo Urban Regeneration Project. Standalone (2019) P000081
5. Health Infrastructure	Cambodia: Cross-border Livestock Health & Value-chain Infrastructure Improvement Cofinanced with ADB (2023) P000707	Indonesia: Modernization of the Health System Cofinanced with WB (2023) P000787
6. CRF Policy Loan	Jordan: AF for Inclusive, Transparent and Climate Responsive Investments Program. Cofinanced with WB (2023) P000746.	Mongolia: Weathering Exogenous Shocks Program Cofinanced with ABD (2022) P000688.
Non-Sovereign Backed Financing		
1. Energy Sector (same PTL)	Bangladesh: Unique Meghnaghat IPP Project. Standalone (2021) P000281.	India: Solar IPP Equity Investment Project. Standalone (2022) P000518.
2. Transport Sector	China: Lionbridge Leasing EV Transport Green Transition Facility. Standalone (2022) P000662.	Türkiye: Antalya Airport Expansion Project. Cofinanced with EBRD/IFC (2023) P000639.
3. Bond Direct Investment Instrument	Georgia: Capital Sustainability-Linked Financing Facility. (2023) Standalone (P000765.)	Romania Banca Transilvania Green Mortgages Bond Investment. Standalone (2023) P000757.
4. Telecom Sector: First/follow on with same client	Oman: Broadband Company Tranche 2 (2021). Standalone. (P000476)	Oman Broadband Infrastructure. Standalone (2017) P000027

Source: CEIU

25. **The CEIU review did not observe a difference between Board and President-approved projects in terms of alignment with AIIB policies and strategies.** All projects reviewed were generally aligned with Board-approved policies and strategies. CEIU observed a few instances where strict alignment with some policies or strategies was unclear, but this applied to both Board and President-approved projects. For example, among the President-approved projects, one project's contribution to connectivity and regional corporation in terms of "direct measurable benefits in enhancing regional trade" was not well demonstrated; and another was in a sector without a Board-approved sector strategy (with strategies in both health infrastructure and other productive sectors still under development). Among the Board-approved projects, a project in the health sector was not aligned with an existing sector strategy (given absence of a health sector strategy); and one project's alignment with the strategy in non-regional Members seemed tenuous, with benefits to Asia based on delivery of a global public good resulting from emission reductions due to construction of green buildings.[23] Two CRF policy operations were aligned with AIIB's stated CRF policy although their consistency with AIIB's core corporate and sector strategies was less apparent. The Board-approved PBL in Mongolia, for example, while consistent with the CRF framework, did

[23] The Strategy on Financing Operations in Non-Regional Members states that, "the Bank may consider investments in global public goods, specifically renewable energy generation projects (including transmission and storage)."

not appear to align with any of the four corporate thematic priorities or a sector strategy (although this was not required for CRF projects).

26. **The CEIU review did not observe any systematic differences in the project preparation standards of Board and President-approved projects.** Both Board and President-approved projects generally conformed to the standards of the PPQ framework elements that CEIU reviewed. Among both Board and President-approved projects, project objectives were generally clear; there was a logical consistency between objectives and components financed; projects complied with the E&S, procurement, and financial management policies of AIIB or partner MDBs; risks to the achievement of project objectives and reputational risks and corresponding mitigants were adequately identified; and SBF project documents generally had some assessment of country debt sustainability. Among both President and Board-approved projects, however, there appeared to be relatively low AIIB value addition among some co-financed projects; in a few cases, institutional and financial arrangements to ensure operational sustainability were not clearly identified; there were some shortcomings in the quality of results matrices; and there was limited additionality apparent in some NSBF projects.

Table 5. Alignment of Sample Projects with AIIB Policies and Strategies

Category	President - Approved Projects	Alignment with Board-Approved Policies and Strategies	Board - approved Projects	Alignment with Board-Approved Policies Strategies
Sovereign Backed Financing				
1. Transport Sector Regional	Pakistan: P000162	Aligned with policies and strategies.	China: P000660	Aligned with policies and strategies.
2. Transport Sector Non-Regional	Côte D'Ivoire: P000736I	Alignment with the connectivity and regional cooperation priority was not well demonstrated	Egypt P000692	Aligned with policies and strategies.
3. Energy Sector (pre-2020)	Bangladesh: P000088.	Aligned with policies and strategies.	Nepal: P000086	Aligned with policies and strategies.
4. Urban Sector	India: P000448	Aligned with policies and strategies.	Sri Lanka: P000081	Aligned with policies and strategies.
5. Health Infrastructure	Cambodia: P000707	Aligned with corporate strategy but no health infrastructure strategy.	Indonesia : P000787	Aligned with corporate strategy but no health infrastructure strategy and unclear alignment with urban and digital strategies
6. CRF Policy Loan	Jordan: P000746.	Aligned with COVID CRF policy (but no sector strategy)	Mongolia: P000688.	Aligned with COVID CRF policy (but not with corporate or sector priorities)
Non-Sovereign Backed Financing				
1. Energy Sector (same TTL)	Bangladesh: P000281	Aligned with policies and strategies	India: 000518.	Aligned with policies and strategies
2. Transport Sector	China: P000662	Aligned with policies and strategies (in leasing/financial sector)	Türkiye: P000639.	Aligned with policies and strategies.
3. Bond Direct Investment Instrument	Georgia: P000765	Aligned with policies and strategies	Romania: P000757.	Aligned with corporate and sector strategies but unclear alignment with non-regional Members strategy
4. Telecom: First/follow on with same client	Oman: P000476	Aligned with policies and strategies	Oman: P000027	Aligned with policies and strategies

Source: CEIU

27**. Implementation indicators do not suggest a difference in performance by President approved projects.** As of end December 2023, just one of the 36 projects approved by the

President (2.7%) had two or more red flags, compared to 7% of the active portfolio of Board-approved projects with two or more red flags (Table 7). In terms of cancellations of approved financing amounts, whereas 13% (17 of 133) of Board-approved SBFs had some portion of the original approved amount cancelled, none of the 19 President-approved SBF projects had any amount cancelled. This likely reflects the exception to delegation criteria that reserves higher risk projects for Board consideration. There was also not a significant difference in readiness for implementation between projects approved by the Board and the President, as reflected by the elapsed time between approval and first disbursement. Projects approved by the Board averaged 9.7 months from approval to first disbursement, compared to 10.9 months for those approved by the President.

Table 6. Conformity of Projects with PPQ Framework Standards

Category	President-Approved: Conformity with PPQ Framework Standards		Board-Approved: Conformity with PPQ Framework Standards	
Sovereign Backed Financing				
1. Transport Sector Regional	Pakistan: P000162	Meets PPQ standards but unclear AIIB value addition	China: P000660	Meets PPQ standards
2. Transport Sector Non-Regional	Côte D'Ivoire: P000736I	Meets PPQ standards but unclear value addition; issue in results framework	Egypt P000692	Meets PPQ standards but no discussion of operational sustainability of sub-projects financed
3. Energy Sector (pre-2020)	Banglades h: P000088.	Meets PPQ standards but no discussion of operational sustainability or institutional capacity.	Nepal: P000086	Meets PPQ standards but no discussion of cost recovery or financial sustainability
4. Urban Sector	India: P000448	Meets PPQ standards but unclear value addition, deficiency in some project outcome indicators.	Sri Lanka: P000081	Meets PPQ standards
5. Health Infrastructure	Cambodia: P000707)	Meets PPQ standards but unclear AIIB value addition; deficiency in results matrix	Indonesia: P000787	Meets PPQ standards but limited AIIB value addition; value addition to AIIB; or debt sustainability analysis
6. CRF Policy Loan	Jordan: P000746.	Meets PPQ standards but AIIB value addition unclear	Mongolia: P000688.	Not a full PSD (MRP). No statement of AIIB value addition; components creating permanent rather than temporary expenditure despite objective; no mitigants identified to lack of transparency in public spending.
Non-Sovereign Backed Financing				
1. Energy Sector (same TTL)	Banglades h: P000281	Meets PPQ standards but AIIB additionality appears low.	India: 000518.	Meets PPQ standards.
2. Transport Sector	China: P000662	Meets PPQ standards	Türkiye: P000639.	Meets PPQ standards
3. Bond Direct Investment Instrument	Georgia: P000765	Meets PPQ standards but moderate additionality	Romania: P000757.	Meets PPQ standard but low additionality
4. Telecom (Same client)	Oman: P000476	Meets PPQ standards but low additionality	Oman: P000027	Meets PPQ standards but limited discussion of sponsor capacity

Source: CEIU

28. **Three terminated projects approved by the President do not suggest deficiencies in appraisal standards.** Seven projects have been terminated after approval, including six that had no disbursements and one that partially disbursed and was then cancelled. Of these, four were approved by the Board and three by the President. The three President-approved terminated projects were all NSBFs. The reasons for the early terminations do not suggest greater deficiencies in appraisal standards of President-approved projects. In one case, the

project sponsor obtained more favorable financing from local commercial banks; in another, AIIB and the client could not reach a consensus on a disputed resolution clause; and in the third case, the client requested cancellation of the loan due to regulatory issues out of the client's control.

29. **To date, there have been no PPM or Integrity complaints registered for any project approved under delegated authority.** Since 2016, six ongoing AIIB-financed projects, including 5 SBFs and one NSBF, have received one or more project-affected people complaints under independent accountability mechanisms. All six projects were co-financed with partner MDBs, and the complaints were registered with the Independent Accountability Mechanisms of the partner institution. All six projects were approved by the Board. There have been no complaints registered for any project approved by the President to date. With respect to integrity complaints, as of end December 2023, CEIU had received 38 integrity-related complaint submissions related to 22 AIIB-financed projects. All of the projects were approved by the Board and there have been no integrity-related complaints with respect to a President-approved project to date. As above, this likely reflects the exception to delegation criteria that reserves higher risk projects for Board consideration.

Table 7. Implementation Indicators of Delegated vs. Board-Approved Projects

Indicator	President Approved	Board Approved
Red Flags: Projects under implementation with two or more red flags as of end December 2023 (percent of total approved)	2.7%	7%
Cancellations: SBF projects with some portion of the original approved amount cancelled (% of total SBFs approved)	0%	13%
Implementation Readiness: Elapsed time between Approval and First Disbursement (months)	10.9	9.7
Terminations: Approved projects terminated after approval (#)	3	4
Complaints: Projects that have received PPM-related complaints under Independent Accountability Mechanisms (#)	0	6

Source: IMIS; CEIU

30. **The assessment of the lack of difference in quality at entry between Board and President-approved projects is reinforced by the project preparation process being the same for both approval streams.** A thorough project quality assurance process has been developed that supports project quality and policy and strategy alignment of both President and Board-approved projects. CEIU did not find any evidence of projects on the delegated approval track being treated differently by the quality assurance process. The 2024 CEIU ELA for a delegated project and the 2024 Oliver Wyman external review also observed that the project preparation and review process applied equally to projects on both approval tracks.[24] Administrative documents provide step-by-step guidance through the project cycle. Project teams seek to ensure that projects meet standards set out in the respective PPQ frameworks for SBFs and NSBFs. Quality assurance advisors in the IO VPs support teams throughout the preparation process. Through September 2023, the review process comprised an initial Screening Review that filtered projects for alignment with thematic priorities and sector

[24] The 2024 external review by Oliver Wyman stated that, "There is no evidence that the Management team in AIIB has differentiated rigor, time or effort placed in projects that follow the delegated approval track". The CEIU ELA of a Delegated Approval Project P000458 Republic of Türkiye: Osmangazi Electricity Distribution Network Modernization and Expansion Project also found that "AIIB applies identical policy assurance checks to all Bank financings."

strategies and their contribution to corporate goals. The Investment Committee, comprising senior management staff and chaired by the relevant VP IO then reviews and approves projects by consensus. A pre-IC technical briefing can be scheduled for complex projects. The Operational Services Department (OSD) provides fiduciary services to help ensure that each project complies with AIIB's operational policies. OSD staff with expertise in E&S, procurement, and financial management are assigned to each project. The Risk Management Department aims to help ensure efficient capital allocation and utilization by the Bank and seeks to provide comprehensive assessments and management of risks and reputational consequences for each operation. Finally, the VP Policy and Strategy has a team that conducts a final policy assurance review of each project to verify compliance with AIIB's operational policies, including 'independent advisors' in E&S and procurement policies. The VP PS then provides final clearance for all projects to be submitted for approval to either the President or Board and provides written confirmation that the Approval PD of the project is in compliance with AIIB's policies applicable to the project.

31. **An updated investment review process introduced in September 2023 enables lower risk projects to be reviewed and cleared at the Director-General level.** A one-year pilot review process became effective on Sep. 1, 2023, designed to improve the efficiency of project processing in order to be more responsive to clients and strengthen the review of higher-risk projects. The process entails two distinct levels of review: (i) an Interdepartmental Review (IDR) chaired by the Director General of the responsible IO department that would focus on the technical quality and readiness of the project; and (ii) an Investment Committee Review (ICR), chaired by the respective IO Vice President. Under the process, following the initial screening review, projects would be classified into one of three channels based on an assessment of their risks: a 'Green' channel comprising lower risk projects such as a follow-on to a well-performing project or cofinanced projects of $500m or less; a 'Blue' channel, that is the expected default channel; and a 'Burgundy' channel comprising higher risk projects. Green channel projects require only one IDR (with the option to escalate to an ICR at either stage); Blue channel projects require a Concept IDR followed by a Final/Appraisal IDR (with the option to escalate to an ICR); and Burgundy channel projects require a Concept IDR, followed by a Concept ICR, followed by a Final/Appraisal IDR (with the option to escalate). Following completion of the pilot period, an assessment of the process would need to ensure that projects under the President and Board approval tracks receive the same degree of scrutiny and quality assurance as has been the case under the past process.

4. Stock-take of Benefits and Potential Downsides of the Delegated Approval Process

4.1 Benefits of the Delegated Project Approval Process

32. **To date there has not been significant average time savings for the Bank in the preparation of delegated projects.** Delegated approvals potentially offer time savings in project preparation due to the elimination of the process surrounding the Board discussion. While the relatively small sample of delegated projects inhibits a definite conclusion as to their time savings, to date, significant time savings is not apparent. For President-approved SBFs, the average elapsed time between initial Screening Review and approval was 15.5 months (or 12.6 months if two outliers are removed), compared to 11.7 months for Board-approved projects (Table 8). NSBFs also showed longer processing times for President-approved projects, with the average elapsed time for President-approved NSBFs 14.7 months compared to 9.7 months for Board-approved NSBFs. The longer processing times for SBFs can be partly attributed to 63 rapidly processed CRFs that were approved by the Board, compared to just 5 approved by the President. The CRFs took an average of 4.7 months to process, compared to 13.2 months for regular (non-CRF) projects. If CRF projects are excluded, the average processing time for Board-approved SBFs rises to 16.5 months, compared to 18.7 months for regular SBFs approved by the President (or 15.2 months if the two outliers are removed). The average elapsed time in the last stages of processing, between IC/Final Review and approval also did not show a time savings from delegated projects. The average time for delegated approval non-CRF SBF projects was 4.6 months, compared to 3.7 months for Board-approved projects.[25] CEIU was unable to assess the intensity of staff effort in project preparation due the absence of data on this and this is an area that should be assessed going forward.

33. **Advantages of delegated approvals have included reduced uncertainty in the processing timeline and the potential Board "slot" bottleneck.** Bank teams preparing projects benefit from a reduced processing step and less uncertainty in the processing timelines of projects due to a more predictable process in securing a President-approval time slot. A 2024 CEIU ELA on a delegated project found that the delegated approval process increased client, cofinancier, and project team certainty on timing and steps for approval consideration and this was particularly important for private sector projects that were time sensitive.[26] Since the beginning of 2023 the Board has reverted to the pre-pandemic schedule of four quarterly in-person Board meetings each year and periodic virtual meetings that are mostly focused on project approvals. At each Board meeting, only a limited number of project approvals can be considered, however. The need to schedule a Board project approval slot can therefore create some uncertainty in the project processing timeline that the delegated approval process helps overcome.

34. **There are clear time and resource advantages to Board members from delegated approvals, which enables a greater focus on strategy-setting and oversight functions.** As a non-resident Board, Board members generally have limited time and resource allocations

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[25] According to staff, there is some lack of clarity as to when the two-week call-in period should start. Some project teams may start the call-in process prior to loan negotiations while others start the process after all final processing steps (including negotiations, policy assurance, etc.) are completed.

[26] CEIU, Early Learning Assessment (ELA) of a Delegated Approval Project: P000458 Republic of Türkiye: Osmangazi Electricity Distribution Network Modernization and Expansion Project, 2024

to perform functions related to AIIB. Given these time and resource constraints, approval of all projects processed each year would place a heavy burden on the Board. Data reported in the 2024 Comprehensive Review indicates that there has been a substantial reduction in the time the Board spends on investment operations due to delegated approvals. In the first half of 2017, prior to the Accountability Framework, the Board spent 34% of its time on investment operations. Despite the substantial increase in annual project approvals (from 15 in 2017 to 50 in 2023), in 2023, the Board spent 22% of its time on operations. In the absence of delegated authority this proportion would therefore have likely been substantially higher. As noted in the 2024 Oliver Wyman report, if the Board had approved the 19 projects approved by the President in 2023, Board time spent on investment operations would have "almost doubled".[27] The time savings has allowed the Board to allocate time to policy and strategy-setting and supervision, which was a key objective of the Accountability Framework. Given the large increase in project approvals expected in the coming years, Board discussion and approval of all projects is likely to be unfeasible in the nonresident Board model and would represent an increasing bottleneck.

Table 8. Project Processing Times (months)

All Approved projects from 2016 to December 31st 2023	Count of Project ID	**Screening to IC/IDR Review** Average Elapsed Time (months)	**IC/IDR Review to Financing Approval** Average Elapsed Time (months)	**FULL PROCESS: Screening to Financing Approval** Average Elapsed Time (months)	**READINESS: Financing Approval to First Disbursement** Average Elapsed Time (months)
All Projects					
All Projects	252	8.7	2.5	11.3	9.8
Board ALL	216	8.0	2.5	10.7	9.7
President ALL	36	12.3	2.8	15.1	10.9
Sovereign Backed Financing					
All SBF	152	8.5	3.0	11.9	10.6
Board	133	8.0	2.9	11.3	10.2
President	19	12.1	3.9	15.5	14.9
President 2 outliers removed	17	9.1	3.8	12.6	14.9
Non-Sovereign Backed Financing					
All NSBF	100	9.0	1.5	10.6	8.5
Board	83	7.9	1.5	9.7	8.8
President	17	12.5	1.6	14.7	6.0
Covid Response Facility Projects					
All CRF	68	3.0	1.5	4.8	6.2
Board	63	2.9	1.5	4.7	6.3
President	5	4.6	1.9	6.5	1.7
Regular (non-CRF) Projects					
All Non-CRF	184	11.1	2.9	13.8	11.3
Board	153	10.4	2.9	13.2	11.2
President	31	13.6	2.9	16.5	11.9
SBF Regular (non-CRF) Projects					
Non-CRF SBF	92	12.2	3.9	16.8	14.4
Board	78	11.7	3.7	16.5	13.9
President	14	15	4.6	18.7	17.8
President 2 outliers removed	12	11.2	4.7	15.2	17.8

Source: CEIU based on IMIS data

[27] Oliver Wyman, "AIIB'S Delegation of Authority under the Accountability Framework: Comprehensive External Assessment", February 25, 2024

35. **At the same time, however, the Board may still review projects under the delegated approval process.** While the delegated approval process eliminates a formal Board review and discussion, it can still entail some degree of review of projects by Board members. Under both processes Board members have awareness of the pipeline of projects via quarterly reports and other briefings and updates from management. Under the Board approval process, Board members undertake a formal review over a one-month period between submission of the final project document and the Board discussion. Under the delegated approval process Board members may review a project over a two-week period following submission of the final stage PSD to determine whether to exercise the call-in right. The degree of review under the delegated approval process might be at the discretion of Board members and subject to time and resource constraints. In both cases, Board members have the option to request further information, clarifications, or briefings on the project. To some extent, therefore, the main difference between the President approval and Board approval processes is this degree of review of each project by the Board.

36. **In some respects, a strict demarcation of accountability for project approvals may not be so straightforward.** A key intended benefit of delegated approvals was a clearer demarcation of the responsibility for management of the Bank's operations between the Board and the President and enhanced accountability of the President for operational decisions.[28] That is, if the President rather than the Board approves projects, there would be less ambiguity as to who was accountable for investment decisions. However, to some extent, a clear demarcation of accountability remains difficult to achieve. Under the Board approval process, the Board approves projects on the recommendation of the President. Meanwhile under the delegated approval process, while the President approves projects, the Board has the option to review and call-in projects for Board discussion. The absence of a call-in might therefore be interpreted as tacit approval or no objection of a project. In any event the Board bears some responsibility due to the delegation of its authority to the President.

37. **More generally, a shared responsibility between the Board and management seems apparent, as it is actually the case in other MDBs**. From an external perspective, in the event of a project performing poorly or adversely affecting the institution's reputation, for example, the institution as a whole bears responsibility for its acts and a distinction between Board and management decisions may be less relevant for external stakeholders. As evident in other MDBs, decisions taken by the Board do not absolve the MDB's President or management of responsibility. In the case of the World Bank, for example, even though the Board approves all projects, it does so on the recommendation of the President and there appears to be no question that World Bank management remains responsible and accountable for the quality and implementation of investment operations. In either case of delegated or Board approvals, therefore, a shared responsibility between the Board and President seems to be the best way portray the case. What is clear, however, is that the AIIB process has significantly contributed to institutional agility and reallocation of time by the Board between strategic responsibilities and project approval, a long-time quest in other peer organizations.

4.2 Potential Downsides of the Delegated Project Approval Process

[28] See Paper on the Accountability Framework

38. **At present, close alignment between the Board, President, and senior management helps ensure that decisions related to delegated projects are as robust as those of Board-approved projects.** The delegated approval process removes one step in the project review process and reduces direct Board engagement in operational decisions. As discussed above, this presents key benefits in enhancing the Bank's efficiency, including by reducing procedural requirements and freeing up Board time for other functions. At present, the system appears to be working well in terms of ensuring the quality of decisions taken under the delegated approval process. The Board, President, and senior management all appear to be aligned on ensuring the quality of decisions under both approval processes. The multi-layered quality assurance process applies equally to projects to be approved by the Board and the President. As anticipated in the Paper on the Accountability Framework that "*accountability is individuals taking ownership of, and responsibility for, decisions within the organization*," the President and senior management have assumed individual accountability and have placed an emphasis on ensuring the quality of investment decisions.[29] Board members also continue to be engaged in the review process and have exercised the option to call in and withdraw delegated authority for several projects.

Box 2. Examples of Board Member Comments During Board Project Approval Discussions

Formal Board meetings allow Board members to express perspectives of their constituencies on individual projects and develop a formal record of positions and priorities that can influence the strategic direction of the institution going forward. Board members can also abstain from approving a project or record their opposition to a project. A review of Board comments on projects suggests that Board member comments tend to be less focused on technical or financial aspects of projects and instead include views and suggestions along the following lines:

- Ensuring AIIB's value addition.
- Ensuring additionality in NSBFs.
- Mitigating E&S, governance, and reputational risks.
- Focusing on underserved emerging and developing economies.
- Closely adhering to sector strategies.
- Incorporating lessons from previous projects.
- Introducing innovative products and instruments.
- Ensuring debt sustainability and helping reduce the burden on Members already in debt distress.
- Placing explicit attention to climate change aspects in projects.

Source: CEIU based on a sample of Board discussion summaries

39. **Nevertheless, some possible scenarios exist that can potentially undermine the quality of decisions related to delegated project approvals in the future.** As discussed above, under the delegated approval process, the degree of Board awareness of individual project-level information can vary, while Board approval ensures a certain degree of project-level awareness among Board members. To date, this varying degree of Board awareness does not appear to have adverse implications on the robustness of investment decision-making. However, possible scenarios that can potentially affect the quality of decisions in the future might include:

- **Changes in senior management can hypothetically lead to variations in the degree of individual accountability and focus on quality.** At present, senior

[29] The 2024 Oliver Wyman review also noted that the President "places a strong emphasis on the quality of projects and holds senior management responsible for the quality of projects."

management have assumed individual accountability and place an emphasis on ensuring the quality of investment decisions, as envisioned in the Accountability Framework. However, all these individuals in management are subject to change. When new individuals rotate into these positions, their assumption of the same degree of individual accountability and emphasis on quality will be important to ensure that the quality of investment decisions remains the same. This uncertainty can potentially be exacerbated if there is rotation in multiple positions at once or frequent turnover among key senior management officials that may undermine continuity. In such an event, ensuring a certain degree of Board project-level awareness might become more important.

- **The call-in 'safeguard' can be undermined by a larger volume of approvals.** At present there is appreciation among Board members and Bank management and staff that the call-in right acts as an important safeguard in the system and helps deter any difference in the treatment of projects on the two approval tracks. However, as the volume of Bank approvals increases, it seems unrealistic that Board members will be able to review each project during the 2-week window they have to determine whether to exercise the call-in right. Such reviews would still require significant time and resources that may not be available to Board members. The call-in right can potentially become a less effective safeguard in the delegated approval process as the volume of operations increases than it has been in the past.

- **Delegated approvals can reduce individual Board member voices.** While individual Board member comments, abstentions, or dissensions on project approvals may not in themselves affect the Board's decision on a project approval, Board members can express the views of their constituencies and place them in the record (see Box 2). Alongside direct Board engagement in policy and strategy-setting, this formal recording of Board member positions and priorities on individual projects can feed into future project decisions, strategies, and policies.[30] In some cases, as expressed in the 2024 Oliver Wyman report, for example, this can provide a "clear signal to Management that such investments should not be considered in the future."[31] Under the delegated approval process there is less of such a record of individual Board member views. A means of formally capturing Board member views on delegated projects might therefore be developed.[32]

- **Volume-based corporate scorecard indicators can be a potential source of tension with maintaining quality and strict alignment with each policy and strategy**. Given that the volume-based corporate indicators provide strong incentives to maximize approvals throughout the institution, this can potentially lead to a compromise in some standards. While this might be less so with respect to technical standards or reputational risks, standards related to other areas such as strict strategic alignment, results orientation, value addition, or additionality for NSBFs might be less strictly enforced. Among the sample of projects reviewed by CEIU, there were some

[30] Under the Accountability Framework, there was an intentional decision to allow Board members to shape the strategies and policies of the Bank directly rather than indirectly through commenting on individual projects.
[31] Oliver Wyman, "External Assessment on the Delegation of Authority under the Accountability Framework" in "Comprehensive Review of the Accountability Framework", 2024
[32] In response to feedback to find ways to record critical Board views on delegated projects, the Bank has recently experimented with capturing 'abstentions' expressed by Board members in a footnote to the Record of Decision. For example, a footnote to the Record of a project submitted for President approval in May 2024 stated that one constituency "wished to record that it would abstain".

cases where the degree of compliance to standards in some such areas varied. In such circumstances, the relative degree of Board project-level awareness might be important to help ensure a high degree alignment with policies and strategies.

- **The Board may potentially have inadequate project-level awareness to set strategy and policy or to exercise oversight effectively.** The lower degree of awareness and the option for Board members to record their views at the project level can potentially affect the Board's ability to effectively set strategies and policies and influence the direction of the institution. Efforts to ensure optimal Board project-level awareness might therefore be important.

- **Reliance on cofinancing can also raise risks of misalignment and quality standards.** Advantages of cofinancing include the use of partner policies and systems to reduce duplication of work; ease the reporting burden on clients; support technical quality; and ensure adequate E&S and fiduciary due diligence. At the same time, it also implies lower AIIB value addition; does not guarantee alignment with AIIB's policies and strategies; and projects are subject to weaknesses in partner systems and capacity. A certain degree of Board project-level awareness of co-financed projects might therefore be important.

5. Summary Findings and Recommendations

5.1 **Summary Findings**

40. **The use of delegated approvals has generally complied with the eligibility criteria for delegation as set out in the Accountability Framework.** The CEIU review found that the 36 projects approved by the President largely complied with the exception criteria for projects reserved for Board consideration. CEIU observed a few instances where the application of an exception was unclear, however. Four projects approved by the President had some implications for the Operational Policy on International Relations and it is unclear whether these cases should have triggered exceptions to delegation.

41. **The delegation of all projects cofinanced with a lead MDB has meant that the Board has not considered some projects with potential precedent setting or strategic implications.** The provision introduced in April 2023 that all co-financed projects of UD$500 million or less would be delegated has resulted in some projects with potential precedent setting or strategic implications not being considered by the Board as had previously been the case. In one example, a cofinanced project approved by the President was in a non-regional Member and implicated the OPIR. Going forward, in the interests of transparency, exceptions to delegation that are waived due to the cofinancing exception might be highlighted in the PSD.

42. **The CEIU review did not observe a difference in the alignment of Board and President-approved projects with AIIB policies and strategies.** CEIU reviewed a sample of projects to ascertain whether there were systematic differences in the quality at entry between delegated and Board-approved projects. The review found the degree of project alignment with Board-approved policies and strategies to be similar among both President and Board-approved projects.

43. **The CEIU review did not observe any systematic differences in the project preparation standards of Board and President-approved projects.** Based on the limited review conducted by CEIU, there was not a significant difference in the quality standards of Board-approved and President-approved projects. Both Board and President-approved projects conformed comparably to the standards of the selected elements of the PPQ frameworks that CEIU reviewed.

44. **Implementation indicators do not suggest a difference in performance among President-approved projects.** As of end December 2023, one of the 36 projects approved by the President (2.7%) had two or more red flags, compared to 7% of the active portfolio of Board-approved projects. None of the 19 President-approved SBFs had an amount cancelled. There was not a significant difference in readiness for implementation between projects approved by the Board and the President, as reflected by the time between approval and first disbursement. To date, there have been no project-affected people or integrity-related complaints registered for projects approved under delegated authority.

45. **The assessment of the lack of difference in quality at entry of Board and President-approved projects is reinforced by the project preparation process being the same for both approval streams.** A thorough project quality assurance process has been developed that supports project quality, compliance with policies, and strategic alignment for both

President-approved and Board-approved projects. CEIU did not find any evidence of projects on the delegated approval track being treated differently by the quality assurance process.

46. **To date there has not been average time savings in project preparation from the delegated approval process.** While the relatively small sample of delegated projects inhibits a definite conclusion as to their time savings, to date, a significant time savings is not apparent. The average processing time for Board-approved projects was lowered by the large number of rapidly processed CRF projects that were approved by the Board. If CRF projects are excluded, the average processing time for regular (non-CRF) Board-approved SBFs was 16.5 months, compared to 18.7 months for regular SBFs approved by the President (or 15.2 months if the two outliers are removed)

47. **Delegated approvals have helped reduce uncertainty in the processing timeline due to the need for a Board "slot."** Bank teams preparing projects benefit from reduced uncertainty in the processing timelines of projects due to a somewhat more predictable process in President approvals. The limited number of Board meetings a year and number of slots for project approvals at each meeting represents a potential bottleneck in project processing that the delegated approval process helps overcome.

48. **There are time and resource advantages to the Board from delegated approvals.** In the first half of 2017, prior to the Accountability Framework, the Board spent 34% of its time on investment operations. Despite the substantial increase in annual project approvals, the Board spent 22% of its time on operations in 2023. In the absence of delegated authority this proportion would have likely been substantially higher. The time saving has allowed the Board to allocate time to setting policy and strategy and supervision, which was a key objective of the Accountability Framework.

49. **The delegated process implies a varying degree of Board review and not necessarily an absence of a Board review.** While the delegated approval process eliminates a formal Board review and discussion, it can still entail a review of projects by Board members over the 2-week period to determine whether to exercise the call-in right. The degree of review under the delegated approval process might be at the discretion of Board members and subject to time and resource constraints. To some extent, therefore, a key difference between the President approval and Board approval processes is the degree of review of each project by the Board.

50. **In some respects, to separate accountability for project approvals between Board and management is not so straightforward and a shared responsibility between the Board and management seems to be the best way to interpret the situation, as in other peer institutions.** Under the Board approval process, the Board approves projects on the recommendation of the President. Under the delegated process, while the President approves projects, the Board has the option to review and call-in projects for Board discussion. The absence of a call-in might therefore be interpreted as tacit approval or no-objection from the Board. In any event the Board bears responsibility due to the delegation of its authority. From an external perspective, it is the institution that bears responsibility for investment decisions and a distinction between Board and management decisions may be less relevant to external stakeholders. As evident in other MDBs, decisions taken by the Board do not absolve the MDB's management of responsibility. In the case of the World Bank, even though the Board approves all projects, it does so on the recommendation of the President and there appears no question that World Bank management remains accountable for the quality and implementation of investment operations. In either case of delegated or Board approvals,

therefore, a shared responsibility between the Board and President seems the best way to define the situation in place. However, the AIIB process has contributed to greater institutional agility and an improvement of the time allocation by the Board between strategic and operational decisions.

51. **At present, close alignment between the Board, President, and senior management has helped ensure that decisions related to delegated projects are as robust as those of Board-approved projects.** As anticipated in the Paper on the Accountability Framework that "accountability is individuals taking ownership of, and responsibility for, decisions within the organization," the President and senior management have assumed individual accountability and have placed an emphasis on ensuring the quality of investment decisions. A multi-layered quality assurance process applies equally to projects to be approved by the Board and the President. Board members also continue to be engaged in the review process and have exercised the option to call in and withdraw delegated authority for several projects.

52. **Some risks exist that can hypothetically undermine the robustness of decisions related to delegated projects in the future.** Some possible scenarios include: (i) changes in senior management that can hypothetically lead to variations in the degree of individual accountability and focus on quality; (ii) the call-in 'safeguard' being undermined by a larger volume of approvals as Board members are unable to review each project in the two week window to determine whether to call in a project; (iii) volume-based corporate scorecard indicators providing a source of tension with maintaining strict quality and alignment standards. In such circumstances, a certain degree of project-level awareness by the Board might be important. Delegated approvals may also reduce the record of Board member voices on individual projects that can help guide future policy directions; or result in inadequate project-level awareness for the Board to effectively set strategy and policy and exercise oversight.

5.2 Recommendations

53. **A key task ahead is to further enhance the benefits of delegated approvals while mitigating potential downsides and ensuring an optimal degree of Board project-level awareness.** The use of delegated approvals is likely to substantially increase in the coming years with continued strong growth expected in AIIB operations. The CEIU review observed key benefits of the delegated approval process to date without any apparent adverse impact on the quality of investment decisions. At the same time, some scenarios may exist that can hypothetically undermine investment decisions in the future and may warrant strategies to mitigate them. A key challenge is to optimize the degree of Board project-level awareness so that the Board is not overburdened but yet able to exercise its oversight and strategy setting functions effectively. To this end, CEIU recommends that AIIB consider the following measures as the volume of delegated approvals increases in the future:

1) **Enhance the flow of relevant project-level information to the Board through periodic sector-level portfolio briefs**. At present, management provides the Board with a quarterly report on the indicative pipeline of projects, an annual Sector Strategy Implementation Update, and Quarterly Monitoring Reports that cover the entire portfolio. An additional intermediate level of information might include a quarterly briefing on each sector that would include key aspects of approved projects such as potential reputational risks; AIIB value addition; additionality of NSBFs; expected development results; and other such areas of potential interest to the Board. This can help contribute to the degree of Board project-level awareness without the need for extensive information on each project.

2) **The Board and management might consider introducing occasional random full Board reviews to help reinforce the same treatment for projects regardless of the approval track**. The call-in process plays an important safeguard role in the delegated approval process and can help deter differential treatment between Board and President-approved projects. However, time constraints might discourage use of call-ins and to some extent, the types of projects that might be called in can be predicted based on past experience. Introducing an occasional random call-in for a project may therefore help ensure that the same standards continue to apply regardless of the approval track. Occasional selection of a project for a full Board review might be conducted through an automated random selection process after final review.

3) **Develop solutions to capture Board perspectives on groups of delegated projects.** An element of Board approvals that may be missing from delegated approvals is the ability for Board members to express individual views and suggestions on projects that go into the record and can influence future strategies and investment decisions. Solutions might be developed to redress this. For example, a summary briefing on batches of delegated projects approved might enable Board members to formally place views and suggestions in the record. A regular summary of cofinanced projects approved by the President, moreover, might help maintain a degree of Board awareness of these projects and a record of the AIIB Board's perspectives. The 2024 CEIU ELA on a delegated project suggested that Board Member questions or concerns on delegated projects be synthesized and compiled to into a formal record.

4) **Enable real-time updates to the pipeline of projects**. As noted in the Oliver Wyman report, some projects have been prepared within three months so a quarterly project pipeline update can potentially completely miss inclusion of a delegated approval project. Use of some information technology tools might help enhance the timeliness and nature of information shared with the Board. Rather than circulation of a quarterly report on the pipeline of projects, for example, access to a website with real-time portfolio data might be provided to Board members, with periodic alerts as to changes.

5) **Identify exceptions to delegation that are waived due to the overriding co-financing exception**. The delegation of all projects of US$500 million or less cofinanced with a lead MDB has meant that the Board has not considered some projects with potential precedent setting or strategic implications. In the interests of transparency, any exceptions to delegation that are waived due to the exception related to cofinanced projects might be highlighted in the PSD.

6) **Clarify some of the circumstances as to when exceptions to delegation are triggered.** In a few instances of projects reviewed by CEIU, it was not clear if an exception to delegated authority should have applied. For example, some delegated projects had implications for the Operational Policy on International Relations or were in sectors in which a Board-approved strategy was not yet in place. The specific application of exception criteria in such circumstances might be clarified.

7) **Conduct a further independent review of the decisions taken under delegated processes at a later stage to include development outcomes.** Going forward, CEIU will be conducting evaluations of individual completed projects. A further review of delegated authority might take the form of a synthesis of individual project-level evaluations to identify whether any systematic differences between President and Board-

approved projects exist. A periodic independent assessment can play a safeguard role in the delegated approval process.