DIRECTIVE ON THE OPERATIONAL POLICY ON FINANCING

Sponsor: Vice President Policy and Strategy, Vice-Presidency for Policy and Strategy

Issuer: The President

Document Type: Directive

Information Classification Designation: Public

Effective Date: May 22, 2025

Document Reference Number: ILF-2025-013

Summary of Content: Directions to facilitate the proper application by the Bank's personnel of the Operational Policy on Financing (**OPF**)

Related Documents: Instructions or Guidelines on OPF (to be issued, if necessary)

Directive on the Operational Policy on Financing
May 22, 2025

I. General Provisions

1.1. *Objective.* The overriding objective of the Directive on the Operational Policy on Financing (**Directive**) of the Asian Infrastructure Investment Bank (**Bank**) is to facilitate the proper application of the Operational Policy on Financing (**OPF**) by the Bank's personnel.

1.2. *Definitions*. Unless otherwise provided in this Directive, capitalized terms used have the meanings ascribed to them in the OPF.

II. Responsibilities

2.1. For the purposes of this Directive, the Groups, Departments, and Business Units listed below, guided by the Bank's Articles of Agreement, policies and strategies, have the following key responsibilities:

(a) The Investment Client Groups (**IC Groups**) are each responsible, with inputs from other Departments and Business Units, for: (i) the identification of Projects proposed for Financing, the assessment of these Projects, and the development and delivery of the Financings to support them; and (ii) the monitoring and oversight of the implementation of Projects and their Financings and management of associated risks of Projects under its responsibility.

(b) Within the Investment Solutions Group (**ISG**), the Departments listed below have the following specific responsibilities:

(i) The Sustainability and Fiduciary Solutions Department (**SFD**) is responsible for providing environmental and social, procurement, and financial management support for the Project.

(ii) The Sectors, Themes, and Finance Solutions Department (**STF**) is responsible for: (A) providing sectoral and thematic support to align Projects with the Bank's Corporate Strategy and relevant sectoral and thematic strategies; (B) further developing the Bank's sectorial and thematic strategies and approaches, as well as the Bank's knowledge on technical and sectoral issues; and (C) leading the development of new financial products and financing modalities.

(iii) The Portfolio Management Department (**PMD**) is responsible for: (A) monitoring, analyzing, and reporting on the Bank's investment portfolio; (B) monitoring and oversight of the implementation of Projects and their Financings transferred to PMD from the IC Groups and the management of associated risks of Projects under its responsibility; (C) coordinating project information technology systems development and operation; (D) conducting integrity risk assessments of Projects; and (E) conducting the valuation of Financings in accordance with International Financial Reporting Standards.

(c) The Policy and Strategy Group (**PSG**) is responsible for: (i) providing assurance that Projects comply with the Bank's operational policies (including environmental, social, international relations, and fiduciary aspects); (ii) providing guidance and advice on operational policies and operational quality; and (iii) further developing the operational policies and their associated directives, instructions and guidelines, as appropriate, in consultation with the other concerned IC Groups, Departments, and Business Units.

(d) The Legal Department (**LEG**) is responsible for providing legal advice and assistance on all aspects of Projects.

(e) Within the Office of the Chief Financial Officer (**CFO**), the Business Units listed below have the following specific responsibilities:

(i) The Office of the Treasurer (**TRE**) is responsible for: (A) managing financial risk exposures associated with Financings; (B) providing funding in support of the Bank's investments; (C) advising on the availability of non-USD currencies; (D) providing input on base rate pricing of non-USD Financings; (E) providing input on the structuring of financial products; and (F) making payments under the Projects.

(ii) The Office of the Controller (**CTL**) is responsible for: (A) undertaking all disbursements and collections by the Bank related to Projects; and (B) determining the accounting impact of Financings.

(f) The Risk Management Department (**RMD**) is responsible for: (i) assessing and managing Project-related risks, as elaborated in the Bank's Risk Management Framework; and (ii) monitoring and overseeing of the implementation of non-performing Projects and their Financings transferred to RMD and managing the associated risks of Projects under its responsibility;

(g) The Economics Department (**ECON**) is responsible for advising and supporting the economic assessment of Projects and Member economic policies and conditions.

(h) The Corporate Secretariat (**SEC**) is responsible for: (i) communications with the Board of Directors regarding Projects; and (ii) management of the process for the approval by the Board of Directors.

2.2. For purposes of this Directive, the Screening Committee (**SC**), the Investment Committee (**IC**), and the Interdepartmental Review Panel (**IDRP**) conduct the Screening Review and Interdepartmental Review (**IDR**) of the Project during different stages of the project cycle, as provided below in *Section IV, Project Cycle*.

III. Delegation of Authority - Approval of Non-material Changes

3.1. In accordance with *Section 3.5.3* of the OPF, the President delegates the authority to approve non-material changes to the Project to each of the authorized persons listed below:

(a) the Chief Investment Officer, IC Groups, or the Vice President, Investment Solutions (**VPIS**), or the Chief Risk Officer, RMD (**CRO**), responsible for the Project; and

(b) the relevant Director General, responsible for the Project.

3.2. Where appropriate, the authorized persons listed above may further delegate the authority to approve specific non-material changes to Projects to the Managers responsible for the Projects, subject to a written statement of such onward delegation developed in consultation with LEG and shared with the Bank's Chief Officer.

IV. Project Cycle

4.1. The Bank's project cycle consists of the following stages: selection and prioritization, screening, assessment, approval, monitoring and oversight, and completion.

4.2. *Selection and Prioritization; Screening*. During the selection and prioritization stage, the IC Groups work with their clients to identify Projects that are aligned with the Bank's mandate, policies, and strategies. A Project Team Leader (**PTL**)[1] is assigned by the relevant IC Group to engage with the client, identify the Project's preliminary information, including its development objective, environmental and social risk categorization, and financing requirements, and lead the development and delivery of the Financing for the Project. Once the Project's preliminary information is defined, the Project undergoes a Screening Review by the SC to decide whether the Project is included in the Bank's rolling investment pipeline and to confirm its processing channel.

4.3. *Assessment*. Following the entry of the Project into the Bank's rolling investment pipeline, the Bank's Project team (**Project Team)** carries out the due diligence assessment of the Project and develops the terms and conditions of the Financing, which are reflected in the Project Document (**PD**). During this stage, the Project undergoes IDR consisting of a Concept Review and Appraisal/Final Review or a Single Review (Appraisal/Final) by the IC and/or the IDRP, to assess the Project proposal's policy and strategic alignment, technical quality, economic and financial viability, and operational readiness. Once IDR is completed, the Project undergoes a policy assurance[2].

---

[1] Certain Projects are transferred from the IC Groups to the PMD after the first disbursement (or other milestone agreed between the relevant IC Group and PMD) to lead the implementation monitoring and oversight phase. If an NSBF becomes non-performing, the Project is transferred to RMD.

[2] Projects supported by a Sovereign- backed financing are typically negotiated prior to undergoing policy assurance.

4.4. *Approval.* Following the policy assurance, the Financing for the Project is presented to the Board of Directors or the President for approval, as determined under the Bank's Regulation on the Accountability Framework. Once the Financing for the Project is approved, the Project Team finalizes the Legal Agreements for the Financing.

4.5. *Project Monitoring and Oversight*. During the Project's implementation by the client, the Project Team monitors and oversees the Project's implementation progress and related risk-management measures, the client's compliance with the Legal Agreements, and the achievement of the Project's development objectives and associated results, which are reflected in the Project Implementation Monitoring Reports (**PIMRs**). The IC and/or the IDRP review different aspects of the Project's monitoring and risk management during this stage.

4.6. *Completion*. Upon completion of the Project, the Project Team assesses the results and performance of the Project and its Financing, which are reflected in the Project Completion Note (**PCN**). The IC and/or the IDRP review different aspects of the Project's completion.

V. Disclosure of Project Summary Information (PSI), Project Document (PD), Project Implementation Monitoring Report (PIMR) and Project Completion Note (PCN)

5.1. The Bank discloses the following information regarding Projects included in the Bank's rolling investment pipeline:

(a) The Project Summary Information document (**PSI**), which contains a concise summary of the Project, including environmental and social information and information on the applicable independent accountability mechanism, is disclosed as follows:

(i) For Projects supported by a Sovereign-backed Financing (**SBF**), the PSI is disclosed no later than ten (10) working days following the Project proposal's passing of Concept Review or Single Review (Appraisal).

(ii) For Projects supported by a Non-sovereign-backed Financing (**NSBF**), the PSI is disclosed no later than ten (10) working days following the Project proposal's passing of Final Review or Single Review (Final).

(iii) Notwithstanding the disclosure timelines provided above, the PSI for both SBF- and NSBF-supported Projects is disclosed at an earlier time together with the Project's environmental and social documentation when required to comply with the disclosure deadlines set forth in the Environmental and Social Policy (**ESP**). In addition, the Bank's disclosure of the PSI may be deferred in accordance with Section 5.2. below.

(iv) The disclosed PSI is updated throughout the project cycle as necessary to maintain the accuracy of the disclosed information, taking into account the disclosure requirements set forth in the ESP and the Bank's Directive on the Environmental and Social Framework.

(b) For the purposes of *Section 3.5.7.* of the OPF, following the approval of the Financing for a Project, the Bank discloses: (i) the PD and the updated PSI for SBFs; and (ii) the updated PSI for NSBFs. Further, during implementation, following the approval of a Material Change to the Project or its Financing, the Bank discloses: (i) the Project Change Document and the updated PSI for SBFs; and (ii) an updated PSI for NSBFs. The PD, Project Change Document, and the updated PSI, as applicable, are disclosed no later than ten (10) working days following the approval of the Financing or the Material Change to the Project or the Financing.

(c) For SBFs, the PIMRs and the PCN, are disclosed no later than ten (10) working days following the distribution of the corresponding PIMR or PCN to the Board of Directors for information. The PIMRs and the PCN for NSBFs are not disclosed.

5.2. The IC may approve a deferral of disclosure timelines of the PSI and/or the PD for a Project specified in *Section 5.1*. above, based on:

(a) legal or other regulatory requirements, such as timing requirements relating to securities offerings, equity investments in publicly listed companies or purchases of shares in a private placement; or

(b) the commercially sensitive nature of the Project, involving, for example, an acquisition or a financial restructuring, where premature disclosure would compromise the financial worth or competitiveness of a corporate entity or its assets.

VI. Specific Provisions Applicable to Sovereign-backed Financings

A. Retroactive Financing under Investment Projects

6.1. Under a Loan for an Investment Project, the Bank may finance Eligible Expenditures (as the term is defined in the General Conditions) incurred and paid prior to the date of the Loan Agreement (**Retroactive Financing**) subject to both of the following conditions:

(a) The Recipient made the payment for the expenditure not more than twelve (12) months before the expected date of the Loan Agreement providing for the Loan.

(b) The total amount of Retroactive Financing is not more than twenty percent (20%) of the Loan amount.

B. Advances and Already Achieved Disbursement-Linked Results under Results-based Projects

6.2. **Disbursement for Advances and Already Achieved Disbursement-Linked Results (DLRs).** Under a Loan for a Results-based Project, the Bank may disburse the following amounts of the Loan following the effectiveness of the Legal Agreements:

(a) *Advances.* The Bank may agree to disburse amounts not to exceed in the aggregate twenty-five percent (25%) of the total amount of the Loan as one or more advances for one or more disbursement-linked results (**DLRs**) that have not yet been achieved (**Advance**) to provide resources to facilitate their achievement. Upon achievement of the DLR in question, the Advance is deducted from the total amount allocated to that DLR. The amount of the Advance so deducted is then available, as needed, for additional Advances for other DLRs. The Recipient is required to refund any amount advanced by the Bank if the relevant DLR(s) is/are not achieved by the Loan closing date, as provided in the Legal Agreements.

(b) *Already Achieved DLRs*. The Bank may agree to disburse, upon verification in accordance with the terms of the Legal Agreements, amounts not to exceed in the aggregate twenty-five percent (25%) of the total amount of the Loan against selected DLRs that have been achieved between (i) the entry of the Project into the Bank's rolling investment pipeline and the expected date of the Legal Agreement for Projects subject to single review; or (ii) concept review and the expected date of the Loan Agreement for all other Project proposals (**Already Achieved DLRs**).

(c) *Aggregate Ceiling for Advances and Already Achieved DLRs*. The combined amount of the Loan allocated for Advances and Already Achieved DLRs may not exceed thirty percent (30%) of the total amount of the Loan.

C. Exceptions

6.3. The IC may approve an exception to the ceilings specified in *Sections 6.1.* and *6.2.* above based on the IC's assessment that the exception is justified in light of the exceptional circumstances of the Project.

VII. Authority

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

7.2. The Vice President, Policy and Strategy (**VPPS**), shall, from time to time, adopt Instructions and/or Guidelines under this Directive designed to support the proper and efficient implementation of the OPF and this Directive.

7.3. Notwithstanding *Section 7.2.* above, the CRO shall adopt Instructions and/or Guidelines providing detailed procedures on identifying and managing Projects that become non-performing assets.

VIII. Replacement of Past Directive

8.1. This Directive replaces the Directive on the Operational Policy on Financing, dated October 17, 2023.