

Asian Infrastructure Investment Bank

Directive

on

the Use of Resources of

the AIIB Project Preparation Special Fund

For Staff Use Only

(27/02/2017)

1. **Background.** In accordance with Article 17 of the AIIB Articles of Agreement, the Bank may establish and accept Special Funds which are designed to serve the purpose and come within the functions of the Bank, the resources of which shall be used to finance the Bank's special operations. The Board of Directors of the Bank, on June 24, 2016, adopted the Rules and Regulations of the AIIB Project Preparation Special Fund (**the Fund**) and invited the President to adopt guidelines and operating procedures, as necessary and appropriate, for the administration of the Fund.
2. **Purpose.** This Directive on the Use of Resources of the AIIB Project Preparation Special Fund (**Directive**), as detailed in the Annex, serves to provide such guidelines and operating procedures to instruct the Bank's staff on the processing of project preparation grants executed by clients, with due attention to considerations of economy and efficiency. It is intended to be read together with the Rules and Regulations of the Fund.
3. **Use of the Resources of the Fund.** The resources of the Fund, consistent with the Rules and Regulations will be used to finance, on a grant basis, technical assistance for preparation of projects for the benefit of one or more members of the Bank where the Project is being considered for Financing, and after the Concept Decision meeting has approved such Project's proposal.
4. **Application.** This Directive applies to grants financed from the Fund's resources in an amount not exceeding ten million US dollars (US\$10 million). In the case of grants of a larger amount, the Bank shall apply the same Operational Directive on Financing as are applied to projects financed by ordinary resources.
5. **Definitions:** As used in this Directive, the capitalized terms shall have the meanings set forth in Section II of the Operational Policy on Financing and the Rules and Regulations of the Fund.
6. **Directive Implementation Review:** The Special Funds Committee will provide a review of the implementation of this Directive to the President in due course.
7. **Effectiveness.** This Directive is effective as of 27/02/2017.

8. **Related Documents.**

- Operational Policy on Financing (dated January 2016)
- Operational Policy on International Relations (under development)
- Environmental and Social Policy (including Standards) (dated February 2016)
- Procurement Policy (dated January 2016)
- Directive: Procurement Instructions for Recipients (dated June 2, 2016)
- Interim Operational Directive on Financing Sovereign-backed Loans (dated September 2016)
- Interim Operational Directive on Non Sovereign-Backed Financings (under development)
- Policy on Prohibited Practices (dated December 8, 2016)
- Public Information Policy (dated January 2016)
- Rules and Regulations of the AIIB Project Preparation Special Fund (dated June 2016)
- Special Funds Committee Terms of Reference (dated October 2016)
- Application for AIIB Project Preparation Special Fund (dated October 2016)

Annex:

**Processing Steps on Use of Resources of the Project Preparation Special Fund¹
(Staff Use Only)**

Stage	Action/Decision	Who takes Action/Decides	Document	Timing
Identification	Application from Government/client	PTL ² advises	Application Letter	Concept stage
Application Stage	Circulation of the Application	PTL forwards to the SFC through its Secretariat	Application (including purpose, rationale, components, budget, procurement and implementation arrangements, funding strategy, and output indicators) Cover-memo from PTL supporting and justifying the Application	3 working days before the meeting of SFC
Approval Stage	Verification of Eligibility, agreement on forwarding for approval or recommending adjustments, if any Submission to the President	SFC SFC	SFC Decision ³ Note	

¹Acronyms are defined as follows:

BOD: Board of Directors

IC: Investment Operation

MOP: Memorandum of the President

OGC: Office of the General Counsel

CTL: Office of Controller

PTL: Project Team Leader

SFC: Special Funds Committee

VP, CS: Vice-President, Corporate Secretary

VP, PS: Vice-President, Policy and Strategy

² PTL shall consult, and involve, as relevant, staff from P&S, OGC and CTL.

³ See Special Funds Committee Terms of Reference.

Stage	Action/Decision	Who takes Action/Decides	Document	Timing
	President's Approval or decision to forward to the Board	PTL	MOP	
	Preparation of Special Fund MOP; Board Notice	PTL	MOP; Draft Board Decision Notice	
	Submission to the BOD	PTL via VP, CS		
Post Approval	Preparation of Draft Grant Agreement	Project Lawyer (with inputs from PTL and team members)	Grant Agreement	5 working days after approval
	Clearance	OGC	Grant Agreement	
	Approval to negotiate	VP, PS		
	Negotiations of the Agreement ⁴	Project Lawyer; PTL		Availability of both parties
Signing Stage	Submission of legal agreement for signing	Project Lawyer	Grant Agreement	
Effectiveness⁵				Upon countersignature
Disbursement	Request from Grantee's authorized official	PTL	Withdrawal request	
Monitoring	Supervision of activities implemented	PTL	Monitoring reports	Ongoing
Project Changes	Amendments	Project Lawyer	Amending Grant Agreements	As needed, and with all necessary request and

⁴ Negotiations may be conducted through in person or virtual meetings, or by correspondence.

⁵ To the extent possible, effectiveness conditions should be avoided for preparation of grants.

Stage	Action/Decision	Who takes Action/Decides	Document	Timing
				approval by VP, PS
Completion	Preparation of completion memorandum	PTL	Completion Memorandum	Within three months following closure of the grant.