



**GREEN
CLIMATE
FUND**

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Consideration of accreditation proposals – Addendum VI Accreditation assessment of APL142

Summary

This document contains the accreditation assessment conducted by the Secretariat and the Accreditation Panel in accordance with decision B.31/06, and the recommendation by the Accreditation Panel for accreditation of applicant 142 (APL142), Asian Infrastructure Investment Bank (AIIB), based in China, for the first accreditation term.

I. Introduction

1. Applicant 142 (APL142), Asian Infrastructure Investment Bank (AIIB), is a multilateral development bank with a mandate to (i) foster sustainable economic development, create wealth and improve infrastructure connectivity in Asia by investing in infrastructure and other productive sectors; and (ii) promote regional cooperation and partnership in addressing development challenges by working in close collaboration with other multilateral and bilateral development institutions. AIIB began operations in 2016 with 57 founding members and, as at 25 September 2024, the Bank's total approved membership was 109, of which 98 had completed the membership process.

2. The applicant submitted its application for accreditation to GCF via the digital accreditation platform on 1 December 2023. Accreditation fees were received from the applicant on 5 April 2024, thereby launching the stage I institutional assessment and completeness check. Stage I was completed on 18 June 2024 and the applicant progressed to the stage II (step 1) accreditation review, which has been concluded with the publication of this assessment. The applicant has applied to be accredited for the following parameters under the GCF fit-for-purpose approach:

- (a) **Access modality:** international access;
- (b) **Track:** normal track;
- (c) **Maximum size of an individual project or programme:** large;¹
- (d) **Fiduciary functions:**²
 - (i) Basic fiduciary standards;
 - (ii) Specialized fiduciary standard for project management;
 - (iii) Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and
 - (iv) Specialized fiduciary standards for on-lending and/or blending (for loans, equity and guarantees);
- (e) **Maximum environmental and social risk category:** high risk (category A/intermediation 1 (I-1));³ and
- (f) Indicative results areas for intended projects/programmes with GCF:
 - (i) Energy generation and access;
 - (ii) Transport;
 - (iii) Buildings, cities, industries and appliances;
 - (iv) Livelihoods of people and communities;

¹ As per annex III to decision B.31/06, "large" is defined as "total projected costs at the time of application, irrespective of the portion that is funded by GCF, of above USD 250 million for an individual project or programme".

² Decision B.07/02.

³ As per the revised Environmental and Social Policy adopted in decision B.BM-2021/18, category A is defined as "Activities with potential significant adverse environmental and/or social risks and impacts that, individually or cumulatively, are diverse, irreversible, or unprecedented" and intermediation 1 is defined as "When an intermediary's existing or proposed portfolio includes, or is expected to include, financial exposure to activities with potential significant adverse environmental and social risks and impacts that, individually or cumulatively, are diverse, irreversible, or unprecedented".

- (v) Health, food and water security;
- (vi) Infrastructure and built environment;
- (vii) Ecosystems and ecosystem services; and
- (viii) Public, private and cross-cutting types of projects/programmes.

II. Stage I institutional assessment

3. The applicant applied and was assessed by the Secretariat during Stage I under the normal track accreditation process in accordance with the GCF policies and standards to the extent applicable to accreditation below:

- (a) Update of the Strategic Plan for the GCF 2024–2027 (decision B.36/13);
- (b) Updates to the Accreditation Framework (decision B.31/06); and
- (c) Guidelines for the Operationalization of the Fit-for-purpose Accreditation Approach (decision B.08/02).

2.1 Legal status, registration, permits and licences

4. The applicant provided documents on its establishment and licences to operate, where relevant, as a part of the application. The applicant was established as a multilateral development institution pursuant to its Articles of Agreement adopted on 22 May 2015, which were signed on 29 June 2015 and became effective on 25 December 2015. The applicant began operations in the People’s Republic of China pursuant to its Headquarters’ Agreement and By-Laws adopted on 16 January 2016. The applicant has indicated that it has the legal capacity to enter into the accreditation master agreement with GCF, noting that further discussions will take place during Stage III if accredited.

2.2 Institutional presence and relevant networks

5. AIIB has 109 approved members representing about 82 per cent of the global population and 67 per cent of the global gross domestic product. Partnership is an essential part of the AIIB mission and function. AIIB partners with multilateral and bilateral development institutions, international financial institutions, philanthropic foundations, United Nations agencies, global and regional platforms and private sector entities to address development challenges prevalent across Asia and beyond.

6. The applicant is able to leverage its strong and growing partnership networks to advance collaboration for developing, financing and implementing high-impact climate projects and programmes. AIIB is integrated into the international development finance system, holding permanent United Nations observer status and collaborating closely with global and regional platforms, international financial institutions and United Nations agencies. Since 2017, AIIB has participated in various meetings and working groups of the Group of 20 (G20) Finance Track. The applicant is a member of the Group of Heads of Multilateral Development Banks (MDBs) and various joint MDB working groups, including on climate change, blended finance, private capital mobilization, procurement and biodiversity. AIIB is committed to align with the goals of the Paris Agreement and the Sustainable Development Goals. AIIB partners with the United Nations Development Programme, the United Nations Industrial Development Organization, the International Fund for Agricultural Development, and the Food and Agriculture Organization of the United Nations, and holds strong partnerships with MDBs such as the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the European Investment Bank, the Islamic Development Bank, the Inter-American Development Bank, and the World Bank Group. It also collaborates with bilateral institutions,

including Kreditanstalt für Wiederaufbau, Agence Française de Développement and the Export-Import Bank of China, and regional organizations like the Association of Southeast Asian Nations, the Central Asia Regional Economic Cooperation Programme and Greater Mekong Subregion.

7. AIIB is a core partner of the Global Energy Alliance for People and Planet and the Energy Transition Accelerator Financing Platform.

8. With access to GCF resources, the applicant intends to programme across multiple GCF results areas, using a variety of financial instruments tailored to the needs of member countries. The proposed programming will focus on both mitigation and adaptation, include small island developing states (SIDS), involve the private sector, target both national and regional initiatives, and be implemented at scale with significant co-financing. The programming will focus on investments in AIIB members that promote climate resilient infrastructure, and support water security through water resource management and urban resilient development, including through nature-based solutions.

2.3 Track record

9. AIIB has steadily increased its climate financing in line with its Corporate Strategy for 2021–2030⁴ and its corporate target of reaching or surpassing a 50 per cent share of climate finance in its total financing approvals by 2025. From 2016-2023, AIIB had approved USD 14.2 billion in climate finance, out of total regular financing approvals of USD 31 billion. Of this amount, USD 10.3 billion was allocated to mitigation financing and USD 3.9 billion to adaptation. Notably, the Bank has progressively increased its share of climate financing from 41 per cent in 2020 to 56 per cent in 2022, and 60 per cent in 2023 thereby reaching its 2025 target. The number of projects contributing to climate finance has also grown steadily, cumulatively reaching 128 projects across all sectors by the end of 2023, representing 70 per cent of the Bank's total approved regular financing projects.

10. The applicant's track record in financing and managing sustainable development and climate change related projects to date includes the following:

- (a) USD 100 million (loans) and 1 million (grant) for the Brazil: Banco de Desenvolvimento de Minas Gerais S.A. (BDMG) Renewables and Asia Connectivity Facility;
- (b) USD 100 million (equity) for the ACTIS Asia Climate Transition Fund (multiple countries);
- (c) USD 20 million (loans) for a non-sovereign solar power development and energy storage project in Maldives;
- (d) USD 25 million (bond) investment in energy and water efficiency and renewable energy through the UzPSB Energy and Water Efficiency, and Renewables Bond Investment project in Uzbekistan;
- (e) USD 30 million (loans) for the Climate Resilience Improvement of National Road 13 South Project (Section 3) in the Lao People's Democratic Republic;
- (f) USD 356 million (loans) for the Chennai Metro Rail Project for Corridor 4, Phase II, in India; and
- (g) USD 310 million (loans) for the PLN East Java & Bali Power Distribution Strengthening Project in Indonesia.

2.4 Potential support for direct access entities

⁴ See: <https://www.aiib.org/en/policies-strategies/strategies/corporate-strategy.html>.

11. The applicant will be able to leverage its role as a GCF accredited entity to strengthen direct access entities to meet GCF accreditation requirements. AIIB can strengthen capacities and support potential implementing entities and intermediaries to meet the GCF accreditation requirements as follows:

- (a) The AIIB Corporate Strategy for 2021–2030 emphasizes a client-driven approach, charting the Bank’s climate actions through 2030. AIIB offers diverse financial instruments, including project financing, guarantees and local currency lending, while exploring innovative tools like climate-resilient debt clauses and catastrophe bonds. Additionally, AIIB enhances clients' capabilities to address climate challenges, fostering project ownership and better access resources such as GCF; and
- (b) AIIB provides technical assistance grants through its Special Funds to support project preparation and capacity-building for potential direct access entities seeking AIIB financing. These grants help entities to enhance their technical and institutional capacities to meet AIIB standards and eventually achieve GCF accreditation. The Project Preparation Special Fund, a multi-donor facility, specifically supports less developed AIIB members in preparing high-quality, bankable projects.

III. Stage II accreditation review assessment

12. The applicant applied under the normal track accreditation process. Its application has been assessed by the Accreditation Panel (AP) during stage II (step 1) against requirements in accordance with the following GCF policies and standards to the extent applicable to accreditation:

- (a) GCF policies and standards identified in paragraph 3 above;
- (b) Policy on Prohibited Practices (decision B.22/19);
- (c) Anti-Money Laundering and Countering the Financing of Terrorism Policy (AML/CFT Policy) (decision B.18/10);
- (d) Policy on the Protection of Whistleblowers and Witnesses (decision B.BM-2018/21);
- (e) Comprehensive Information Disclosure Policy of the Fund (decision B.12/35) regarding the disclosure of environmental and social (E&S) information;
- (f) Updated Gender Policy and Gender Action Plan 2020–2023 (decision B.24/12);
- (g) Revised Environmental and Social Policy (decision B.BM-2021/18); and
- (h) Evaluation Policy (decision B.BM 2021/07).

13. As part of this assessment, the AP consulted the applicant’s website and third-party websites to complement the information provided in the application.

3.1 Fiduciary standards

3.1.1. Basic fiduciary standards: key administrative and financial capacities

14. AIIB’s governance structure is built on lessons learned from other multilateral development banks, with a Board of Governors, Board of Directors and President. The AIIB non-resident Board of Directors oversees the Bank’s operations. The Board of Directors is composed of four committees: the Audit and Risk Committee, the Budget and Human Resources Committee, the Policy and Strategy Committee and the Ethics Committee. The list of Board committees, composition, terms of reference and minutes of committee meetings are published on the AIIB website. The Board of Directors supervises the management and operation of the Bank on a regular basis. To support this role, it has also established an oversight mechanism consisting of (1) the three functions of the Complaints-resolution, Evaluation and Integrity Unit (CEIU), covering project-related complaints, evaluation and investigation of fraud and

corruption cases; (2) the external audit function, with the auditor appointed by the Board of Directors; and (3) implementation of the staff regulations relating to staff grievances. The Bank's accountability framework defines the respective roles of the Board of Directors and the President on procedures for project approval and management accountability, an annual performance review of the President conducted by an independent consultant. AIIB has an International Advisory Panel that supports the President and Senior Management on the Bank's strategies, policies and general operational issues. More details on AIIB governance can be found on the AIIB website.⁵

15. The AIIB strategy for its growth phase through 2030 follows its mission of "Financing Infrastructure for Tomorrow" in a lean, clean and green way, with targets on climate finance, cross-border connectivity and private sector financing, using partnerships and financial resource mobilization. The annual business plan and budget are tools for implementing the strategy. AIIB measures its progress through the publicly reported corporate scorecard and business indicators, which track growth and financial and budget sustainability indicators. In addition, indicators track and monitor AIIB corporate efficiency and workforce gender diversity. Its growth and financial sustainability goals are realized through building a diversified investment portfolio, portfolio credit quality maintenance, treasury management, a funding strategy to secure competitive financing and judicious use of the budget. Quarterly reports on budget execution, Special Funds Resources (concessional resources) and Resource Mobilization, complemented by quarterly Investment Operations Monitoring Report, Rolling Investment Pipeline, Risk Reporting Dashboard, Budget Update and Human Resources, and Quarterly Update on the CEIU Workplan provide granular detail to the Board. Minutes of meetings of the Board of Directors are available on the AIIB website.⁶ The Audit and Risk Committee Annual Report is published annually and is also available on the AIIB website.⁷

16. In accordance with the terms of reference of the AIIB Internal Audit Office, its purpose is to provide professional and objective assurance and advisory services designed to add value and improve AIIB's operations. The Internal Audit Office helps AIIB accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes. The Internal Audit Office produces an annual risk-based internal audit plan for approval, ensures execution and documentation of work programmes and testing results, and communication with relevant conclusions and recommendations to appropriate parties. The Internal Audit Office follows up on management agreed actions and reports periodically on any ineffective corrective actions. AIIB has shared several reports covering its audit plans for 2022–2026 by department, planned audits for the following year, monthly control reports showing progress, updates on audits in progress and heat maps.

17. The Chief Internal Audit Officer reports to the President, with full access to all functions, records and personnel. In 2024, the AIIB Internal Audit Office was given the rating of "generally conforms" (the highest rating) with the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics of the Institute of Internal Auditors. The External Auditor is independent and complies with the ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants and conducts audits by International Standards on Auditing. The Board of Directors' Audit and Risk Committee meets with Management to monitor the financial, accounting and auditing procedures, the scope of work and the effectiveness of the internal audit function and internal control system. AIIB internal controls ensure that financial reporting follows the International Financial Reporting Standards (IFRS), with its processes and procedures – as included in its Internal Control over Financial Reporting (ICFR) – using the Internal Control–Integrated Framework (2013) of the Committee of Sponsoring Organizations of the Treadway Commission. The AIIB ICFR applies to all business units where activities impact financial accounting and reporting. ICFR controls

⁵ <https://www.aiib.org/en/about-aiib/governance/index.html>.

⁶ <https://www.aiib.org/en/about-aiib/governance/board-directors/meeting-minutes/index.html>.

⁷ <https://www.aiib.org/en/about-aiib/governance/board-directors/board-committees/index.html>.

include procedures for the integrity of the Bank's financial statements, process-level controls and information technology controls.

18. The AIIB Compliance and Operational Risk function assists in identifying, monitoring and managing compliance and operational risks arising from the Bank's activities or external events. This function oversees matters relating to financial crimes, money-laundering/financing of terrorism, sanctions and export control, and tax transparency related risks, managed through the Bank's "Know Your Counterparty" (KYC) activities and related processes.

19. Under the Office of the Controller, the Financial Accounting and Reporting team manages the accounting and reporting at the Bank (corporate) level. The members of this team are professionally trained accountants who implement the financial controls covering payments, loan administration and financing reporting. The Budget team uses SAP Analytics Cloud to monitor budget execution on a real-time basis and for an additional granular level of reporting for management information.

20. The AIIB risk management framework defines its risk appetite, risk management governance, processes and procedures, and how risks are identified, measured and controlled. The risk management function provides independent oversight of credit and other investment risk, market risk, liquidity risk, counterparty credit risk, model risk, operational risk and compliance and integrity risk in the Bank's activities. It manages assets and liabilities to minimize the volatility in its equity value and to maintain sufficient liquidity.

21. The AIIB Procurement Policy sets forth principles that apply to AIIB-financed contracts under its projects, namely, the principles of economy, efficiency, effectiveness, fairness; good governance, transparency, value for money, and fit-for-purpose, it also establishes different procurement methods, eligibility of firms and individuals, conflicts of interest, complaints against the process and dispute resolution mechanisms for such procurement. International Open Competitive Tendering is the default procurement method, with adequate advance public notification of such tendering opportunities, and thresholds are set for AIIB procurement prior and post reviews. Reports demonstrating AIIB oversight, assessment and review of the procurement procedures of executing entities were shared with the AP. Recipients (including beneficiaries of Bank-financed projects), suppliers, contractors, service providers, consultants and subcontractors must observe the highest transparency, ethics and integrity standards during the procurement, administration and implementation of Bank-financed contracts. The disbursement/payment mechanisms for projects are subject to fiduciary arrangements (including financial management, procurement and disbursement arrangements) and assessed as part of project appraisal. It is monitored on an ongoing basis for eligibility of expenditures and against supporting documentation and physical visit, among others.

22. The AIIB's Policy on Corporate Procurement governs all corporate procurement at the AIIB. The Bank's External Auditor and conduct audits of the Bank's corporate procurement once a year. The Bank's Internal Control Unit also undertakes control testing exercises twice a year as part of the Bank's overall internal control over financial reporting.

23. The AP finds that the applicant's policies, procedures and capacity, supported by evidence of its track record, fully meet the GCF basic fiduciary standards on key administrative and financial capacities.

3.1.2. Basic fiduciary standards: transparency and accountability

24. As part of its "Lean, Clean, Green" slogan, AIIB adheres to quality standards in its projects and governance principles. It has a strong commitment to integrity, accountability, and ethical standards in its work with clients and partners. AIIB has a zero-tolerance policy on fraud and corruption. AIIB has shared its Code of Conduct for Board officials, which includes ethical standards in relation to their responsibilities, and the Code of Conduct for Bank personnel, holding such personnel accountable for their actions, while disclosing and explaining its own decisions. Both codes are adopted by the Board of Governors – the supreme governing organ of AIIB. It expects personnel to behave in an appropriate manner, emphasizing the unacceptability

of corruption, harassment and bullying. It also has provisions on conflicts of interest, financial affairs and confidentiality rules. AIIB has specific rules and regulations on conflicts of interest for staff and Board officials. Regarding financial affairs, including personal investments, AIIB requires Board Officials and Bank Personnel to disclose all financial interests that may lead to a situation of conflict of interest.

25. The membership of the Ethics Committee of the Board of Directors is co-extensive with that of the Budget and Human Resources Committee of the Board of Directors and covers ethics matters relating to Board Officials. Personnel-related complaints can be made by internal and external parties online.⁸ Cases are handled by the Chief Ethics Officer, who functions independently of Management and reports to the President and the Board of Directors. The CEIU Managing Director reports directly to the Board. CEIU is responsible for handling complaints by project-affected people relating to AIIB's Environmental and Social Policy through the AIIB Project-affected People's Mechanism and conducting anti-fraud and anti-corruption investigations by the AIIB Policy on Prohibited Practices (see paragraph 26 below). CEIU maintains information about its operations in a dedicated window on the AIIB website. This provides a digital overview of CEIU and its structure, and related policy documents, milestones and updates. AIIB has a comprehensive online form where any suspected fraud and corruption can be reported⁹, which is managed by CEIU on AIIB's website. Quick links help users to send requests to the Project-affected People's Mechanism (PPM) or report integrity matters covered by the AIIB Policy on Prohibited Practices. CEIU presents the findings and insights from its three functions to the relevant Board committees. The Policy and Strategy Committee considers issues relating to the CEIU complaints-resolution and learning and evaluation functions, while integrity-related investigations are reported to the Audit and Risk Committee.

26. The AIIB Policy on Prohibited Practices defines the practices (coercive, collusive, corrupt, fraudulent, misuse of resources, theft and obstructive), the reporting and the investigation of these practices. This policy establishes a regime for the sanctioning of firms and individuals that are found to have engaged in specified forms of fraud, corruption and other practices in contravention of this policy. Board officials and bank personnel must report to the Director General of CEIU any suspected prohibited practice of which they become aware concerning a project. Reports may be made anonymously by any means available, including through a specified hotline: complaints@aiib.org. Whistleblowers may remain anonymous. The duty to promptly report suspected prohibited practices is unconditional. AIIB has institutionalized measures to protect whistleblowers who report prohibited practices in projects and has a mechanism to handle complaints in its operations.

27. AIIB is a registered entity with the U.S. Securities and Exchange Commission (SEC), eligible to file annual reports on Form 18-K¹⁰ and file with the SEC under the Securities Act of 1933. AIIB stated in its annual report, and its filed 18-K with the US SEC that its "Comprehensive Due Diligence Assessment" covers many steps. These are as follows: If the proposal passes concept review, the Bank's team informs the Bank of (i) the technical and financial aspects of the proposed financing, (ii) the creditworthiness of the beneficiary and the sponsors, (iii) the environmental and social risks and potential impact of the proposed financing, (iv) any issues in connection with procurement, legal and reputational concerns and (v) other relevant characteristics of the proposed financing. As part of this assessment, the Bank carries out a detailed financial and risk analysis of the proposed financing and conducts KYC. KYC is designed to manage financial crime risks when the Bank is dealing with counterparties of Investment Operations Departments, Treasury, and the Facilities and Administration Services-Corporate Procurement Division (CPD). AIIB shall carry out counterparty due diligence/KYC in respect of such counterparties and, if appropriate, their beneficial owners, in advance of entering into a relationship and/or a transaction with such counterparties. KYC safeguards the Bank from financial crime risks, including but not limited to: Anti-Money Laundering (AML),

⁸ See <https://www.aiib.org/en/about-aiib/who-we-are/ceiu/ethics/index.html>.

⁹ See <https://www.aiib.org/en/about-aiib/who-we-are/ceiu/complaint/index.html>.

¹⁰ See: <https://www.investopedia.com/terms/s/sec.asp>.

economic sanctions, Anti-Bribery & Corruption (AB&C), and tax transparency. AIIB applies the Risk-based Approach for KYC in accordance with their money laundering and terrorist financing risk vulnerabilities. KYC includes gathering information with respect to beneficial ownership and sponsors (where applicable), including in relation to tax transparency and sanctions concerns.

28. The AP finds that the applicant's policies, procedures and capacity, supported by evidence of its track record, fully meet the GCF basic fiduciary standards on transparency and accountability, and to the extent applicable to accreditation, the GCF Policy on Prohibited Practices, the GCF Policy on the Protection of Whistleblowers and Witnesses and the GCF AML/CFT Policy.

3.1.3. Specialized fiduciary standard for project management

29. AIIB assesses each proposed project for funding on different dimensions, comprising a technical assessment (scope, design, evaluability, the soundness of any material technology, the appropriateness to the needs and capacity of the borrower and the implementation arrangements, including managerial capacity); an economic assessment of the project/ the sector/ and country conditions; the financial evaluation of the project, including costs, risks and financing plan; the financial viability, legal and E&S assessment; integrity and financial management assessments; and assessment of procurement arrangements.

30. All projects prepared by investment operations staff are reviewed and assessed by the relevant departments specific to their area, including but not limited to risk management, legal, finance, strategy, E&S aspects, and procurement. Quality at entry and throughout the project life cycle ensures that projects are selected, prepared and implemented to deliver results aligned with the Bank's strategic priorities and client objectives. AIIB has a process to review projects, independent of the type of project, involving a screening presentation to the Screening Committee, which determines the processing channel and enables entry into the investment pipeline, followed by an interdepartmental review composed of members from different departments including risk, strategy, policy and budget, legal, finance, corporate secretariat, economics, portfolio management, sustainability and fiduciary solutions, and may be forwarded to the Investment Committee for review. After a proposed project has passed appraisal/final/single stages of review, it undergoes a policy assurance review before being submitted to the Board or President for approval.

31. The Portfolio Management Department (PMD) is responsible for monitoring, analyzing, and reporting on the Bank's entire investment portfolio. In addition, it is also responsible for: (i) monitoring the implementation of AIIB-funded projects and their financings that have been transferred to PMD by the Investment Clients departments, (ii) coordinating IT system development and operation, and data analytics for investment operations, (iii) conducting and reviewing valuation for all investment products, and (iv) conducting integrity and compliance assessments for all projects.

32. For all AIIB investments under implementation, a periodic report is submitted to provide updates to Management and the Board regarding the project implementation and performance, highlighting issues, tracking results and drawing lessons learned. All projects are classified periodically based on the extent and severity of the issues that they are facing and their impact on project implementation. Projects with material and severe issues are discussed during quarterly portfolio reviews by respective investment department management, and updates are presented to the Board through portfolio-level quarterly monitoring reports. Non-sovereign-backed financing projects may be classified into Early Warning List projects and Watchlist projects, as appropriate, based on a set of indicative parameters

33. When an AIIB investment reaches completion, a project completion note is submitted to Management and the Board. Information on sovereign-backed financing and non-sovereign-backed financing are included on the AIIB website, provided commercially sensitive information remains confidential. At AIIB, two primary systems manage client relations and investment operations. The Client Relationship Management system tracks counterparty

details, contact information and client engagement activities. The Investment Management Information System oversees the workflow of AIIB investment operations, from project screening to completion. This system is also the principal source for investment operations data and related project documents, including monitoring project progress, covenant tracking, managing disbursements, monitoring project changes, and documenting collateral information. Several documents shared with the AP relating to projects such as the examples for sovereign-backed financings (SBF) projects Khyber Pakhtunkhwa Cities Improvement Project for green urban infrastructure in Pakistan and the Republic of India Delhi–Meerut Regional Rapid Transit System Project, and examples of non-sovereign-backed financing (NBSF) projects, demonstrate the comprehensive assessment of projects funded by AIIB, including its monitoring and evaluation of projects. AIIB has provided the AP with information on its procedures for monitoring and evaluating projects through its Learning and Evaluation Framework Guides. The CEIU Annual Activity Review contains a summary of Early Learning Assessments (ELAs) conducted in the relevant year.

34. The AP finds that the applicant’s policies, procedures and capacity, supported by evidence of its track record, fully meet the specialized fiduciary standard for project management.

3.1.4. Specialized fiduciary standard for grant award and/or funding allocation mechanisms

35. AIIB manages funds (Special Funds), established by AIIB with contributions from donors and managed on the basis of the AIIB governance structure (i.e. through the President and the Board of Directors) (internal Special Funds) or funds with AIIB being the implementing entity (external Special Funds). These resources can finance (1) technical assistance for preparatory activities for project preparation and early implementation; or (2) project support, such as grants for interest rate buy-down or as grant co-financing to projects. The AIIB website provides the list of grants provided from its Special Funds.¹¹

36. In terms of blending resources to increase the affordability of financing, AIIB has established the Special Fund Window for Less Developed Members to provide interest rate buy-down to eligible sovereign-backed financing projects that are aligned with the AIIB Corporate Strategy and identified according to the AIIB regular rigorous investment process. Such financing will receive an interest rate buy-down of up to 100 basis points from the regular interest for USD-denominated loans, with an interest rate floor of zero. Buy-down can also apply to other hard currency loans provided by AIIB. AIIB allocation principles are based on the usage of Special Funds to support country priorities across the four cross-cutting themes of infrastructure for tomorrow ((i) green infrastructure, (ii) technology-enabled infrastructure, (iii) connectivity and regional cooperation and (iv) private capital mobilization) by providing technical assistance or project support towards high-quality projects and/or serving the needs of AIIB less developed members. The Special Funds Committee assesses all proposals prepared by project teams. It has the authority to recommend for President or Board approval Special Funds proposals at its discretion based on the following: (i) strategic alignment; (ii) justification of needs in AIIB member and project cycle: Special Fund resources should target members with affordability or significant capacity constraints, and/or other major development challenges, including recovery from a natural disaster; (iii) value addition; (iv) fund specific eligibility criteria, including its purpose, member, project type, client typology and activity type; and (v) capacity to deliver.

37. Following consideration by the Special Funds Committee, the internal Special Funds (Project Preparation Special Fund, Special Fund Window for Less Developed Members, Project Specific Window) allocations are reviewed and approved by the President or the Board of Directors, depending on the applicable decision-making authority as indicated in the respective

¹¹ See: <https://www.aiib.org/en/what-we-do/special-funds/project-list/index.html>.

Fund's Rules and Regulations; the external Special Funds allocations are reviewed and approved by the facility's relevant governance body.

38. AIIB has a transparent and public process of allocating grants, disclosing grant awards and information on projects funded by grants. Its Directive on the Administration of Special Funds sets out the roles and responsibilities of the internal management of grant resources. Each Special Fund has its own governing document that sets out the eligibility and access criteria. AIIB's Corporate Procurement Policy applies to any execution of grants by the Bank. Execution of grant resources by clients are expected to follow AIIB's Procurement Policy as applicable. AIIB's internal project management system is used to manage and monitor the implementation of individual grant projects, which is built on the basis of AIIB's Investment Management Information System. All AIIB's approved grants are published on AIIB's website.

39. The AP finds that the applicant's policies, procedures and capacity, supported by evidence of its track record, fully meet the specialized fiduciary standard for grant award and/or funding allocation mechanisms.

3.1.5. Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees)

40. AIIB uses the same internal review process and steps described above under project management to assess financial institutions for on-lending and blending of loans, equity and guarantees. Regardless of their financing instrument, all proposed projects undergo the same internal review process. In on-lending projects, the Bank relies on the financial institution's due diligence of sub-borrowers, subject to the procedure and requirements set out by the Bank. The financial institution is required to provide the Bank with information on such assessments. AIIB staff conduct due diligence of the financial institution, which after being approved, is delegated the task of on-lending. To ensure that all the required processes and procedures are adequately implemented, AIIB reviews the first couple of loans as well as all higher risks sub-loans made by the financial institution and, if satisfied, does ex-post supervision of the lending program. Furthermore, the Bank conducts sample reviews and visits to subproject sites. Examples of such arrangements were shared with the AP, including the project manual from an on-lending facility through a bank to finance sustainable energy and infrastructure projects. Project documents shared with the AP included a solid due diligence of the financial institutions, including an analysis of management, credit rating, loan portfolio quality, provisions, credit underwriting process and procedures, related-party lending, monitoring and supervision. The review of the financial institution's financial standing included an analysis of asset quality (loan losses, non-performing loans), profitability of the entity, liquidity, capital adequacy and capital adequacy ratio calculations, funding source and governance.

41. For indirect equity projects (funds), AIIB conducts due diligence aligned with the international best practices, including the Institutional Limited Partners Association Principles. In addition, AIIB specialists conduct further due diligence on funds' policies and evaluate them against AIIB policy standards. After conducting a prior review of the initial investments, AIIB delegates to funds the selection, appraisal, approval and monitoring of funds' further investments in subprojects, following investment guidelines to be agreed with funds. All higher risk activities require AIIB's prior approval. Funds' approximate pipeline is reviewed and aligned with AIIB sector strategies and geographies. AIIB approved its first guarantee in October 2023 – Egypt Sustainable Transport and Digital Infrastructure Guarantee. In guarantees, the due diligence review of subprojects is similar to that of loans and varies depending on the obligation the Bank guarantees. For the Egypt project, the Bank conducted a thorough due diligence of the projects financed by the bond issuance proceeds. Examples of equity investments through funds, guarantees and lending have been provided. All assets, sovereign and non-sovereign, are periodically reported on, with an assessment of project performance.

42. The AIIB AAA rating from Fitch¹², Moody's¹³ and S&P¹⁴ reflects its excellent capitalization, liquidity and very high shareholder support. Non-performing loans accounted for just 0.4 per cent of total loans as at the end of 2023. AIIB benefits from preferred creditor status, which has supported the Bank's sovereign loan performance. The AIIB Asset and Liability Management Committee meets at least every quarter to review financial projections, including funding, liquidity targets, and investment guidelines and performance. The applicant has a robust track record in mobilizing funding from other development partners. As at the end of September 2023, over 40 per cent of AIIB approved projects were co-financed with other multilateral development banks. The AIIB Policy on Public Information provides for publication on its website all of the bank's approved and proposed investment projects.¹⁵

43. The AP finds that the applicant's policies, procedures and capacity, supported by evidence of its track record, fully meet the specialized fiduciary standard for on-lending and/or blending for loans, equity and guarantees.

3.2 Environmental and social safeguards

3.2.1. Environmental and social policy, management and monitoring

44. The applicant's Environmental and Social Framework (ESF) was initially approved by the AIIB Board of Directors in 2016, with the most recent update on June 26, 2024. The AIIB E&S Standards are integrated throughout the ESF, including the Environmental and Social Policy, the Environmental and Social Standards (ESS), and the Environmental and Social Exclusion List (ESEL). These standards are in line with the International Finance Corporation's Performance Standards 1–8.

45. The AIIB introduced its first Climate Action Plan in September 2023, outlining the Bank's climate strategy for 2024–2030. This plan, aligned with the AIIB broader Corporate Strategy for 2021–2030, emphasizes the Bank's commitment to achieving a 50 per cent share of climate finance by 2025. AIIB has made consistent progress toward this goal, with climate finance accounting for 41 per cent of its investments in 2020, 48 per cent in 2021 and 56 per cent in 2022. In 2023, the bank approved USD 3.4 billion in climate finance, making up 60 per cent of its total financing for the year, with 90 per cent of these funds directed towards mitigation efforts and 10 per cent towards adaptation. AIIB has prioritized the alignment of all new financing operations with the goals of the Paris Agreement, effective from July 2023, as part of its broader commitment to climate action. This alignment is guided by a methodology¹⁶ that applies joint multilateral development bank principles to ensure consistency with global climate goals. In support of its climate commitments, AIIB had already taken significant steps, including updating its Environmental and Social Exclusion List to exclude financing for projects that are functionally related to coal. This update follows AIIB President Jin's 2020 declaration¹⁷ that the Bank would not finance coal-fired power plants or related infrastructure. Additionally, AIIB has developed sector strategies for the energy, transport and water sectors, as well as sustainable cities, all of which integrate climate considerations. Specifically, the Energy Sector Strategy Update, approved in November 2022, further restricts financing for carbon-intensive activities and prioritizes renewable energy and energy efficiency to support members' energy

¹² See: <https://www.fitchratings.com/research/sovereigns/fitch-affirms-aiib-at-aaa-outlook-stable-17-06-2024m>.

¹³ See: [https://www.aiib.org/en/treasury/common/download/Credit Opinion-Asian-Infrastructure-30May2024-PBC_1402305.pdf](https://www.aiib.org/en/treasury/common/download/Credit%20Opinion-Asian-Infrastructure-30May2024-PBC_1402305.pdf).

¹⁴ See: [https://www.aiib.org/en/treasury/common/download/RatingsDirect AsianInfrastructureInvestmentBank_57137292_Jan-25-2024.PDF](https://www.aiib.org/en/treasury/common/download/RatingsDirect%20AsianInfrastructureInvestmentBank_57137292_Jan-25-2024.PDF).

¹⁵ See: <https://www.aiib.org/en/projects/list/index.html>.

¹⁶ See: <https://www.aiib.org/en/about-aiib/who-we-are/partnership/download/Methodology-for-Assessing-the-Alignment-of-AIIB-Investment-Operations-with-the-Paris-Agreement.pdf>.

¹⁷ See <https://www.aiib.org/en/news-events/media-center/blog/2021/AIIB-s-Climate-Finance-Focus.html>.

transitions.¹⁸ AIIB indicated that, as of 24 October 2023, gas power and gas transmission and distribution projects accounted for 7 per cent and 26 per cent respectively of AIIB approved energy financing, and no new gas power or transmission and distribution gas projects were approved since AIIB's Paris alignment commitment.

46. The ESF includes a dedicated Indigenous Peoples standard, ensuring that projects respect the identity, rights and cultures of Indigenous Peoples, while providing culturally appropriate benefits and preventing adverse impacts. This framework mandates the development of an Indigenous Peoples Planning Framework or an Indigenous Peoples Plan as appropriate for relevant projects, requiring free, prior and informed consultations, or, if mandated under national legislation, free, prior, and informed consent. The effectiveness of AIIB in implementing these safeguards is exemplified by projects such as the Andhra Pradesh Rural Roads Project and the Assam Secondary Road Network Improvement Project in India. The AP concludes that AIIB has capacity and systems in place to implement PS 7.

47. The AIIB Learning and Evaluation Policy, implemented in 2019, establishes a robust framework for the independent evaluation of the Bank's operations by CEIU, in line with its terms of reference and encompasses ESS. While learning and evaluation are shared responsibilities among the Board of Directors, CEIU and Management, ultimate oversight of the policy's implementation remains with the Board of Directors.

48. The Bank includes sexual harassment within its definition of unacceptable and unethical action in the Code of Conduct for Bank Personnel and the implementing rules thereunder, with sexual exploitation, abuse and harassment (SEAH) cases reported through existing complaints and redress mechanisms in accordance with including the Code of Conduct and the AIIB Environmental and Social Framework. Following a 2023 review by AIIB, the Bank is enhancing its capacity and developing zero-tolerance measures towards SEAH. The AP finds that AIIB has the systems and capacity to meet the SEAH-related principles in the GCF Environmental and Social Policy.

49. The applicant's ESS policy and operational procedures guide technical staff in identifying risks and impacts through thorough screening and assessment processes. Risks are categorized into categories A, B and C, with clear procedures and tools in place for accurate risk categorization. The approval process involves multiple reviews across different parts of the organization, ensuring a robust approach to risk management. The Administrative Guidance on AIIB's ESF (ESF AG) outlines the institutional procedures for identifying environmental and social risks, including risk categorization, mitigation, management and monitoring. The applicant provided an illustrative list of 73 projects from the past three years, including the E&S risk category in line with a risk categorization A-C and financial intermediaries. The applicant could demonstrate that the E&S risk and impact categorization system was applied.

50. Over the course of project implementation, project teams regularly prepare project implementation monitoring reports (PIMRs). These reports are reviewed by Senior Management before being submitted to the Board for information. The applicant provided two sample PIMRs for category A/I-1 projects, each covering 3-4 reporting cycles, as well as two independent evaluation reports on E&S risk and impact mitigation – one for a hydropower plant reservoir project in Viet Nam and another for a road improvement and maintenance project in the Lao People's Democratic Republic.

51. Monitoring and verification of the E&S management system's design and operating effectiveness are conducted by the applicant's Internal Audit Office, an independent body within the Bank. Currently, the Internal Audit Office is conducting an overall assessment of the

¹⁸ The Energy Sector Strategy Update reaffirms AIIB commitment to not finance coal or related projects, excludes oil sector investments with few exceptions for basic energy access in remote areas and methane reduction, and allows selective financing of transitional natural gas projects, subject to stringent criteria aligned with global climate pathways and members' nationally determined contributions.

effectiveness of the governance, risk management and control processes of the E&S risk management in investment operations.

52. The implementation of the AIIB ESF is overseen by the Vice Presidents of Policy and Strategy, Investment Clients for Region 1 and Region 2, with support from the Vice President of Investment Solutions, and the Legal Department. Together, they ensure effective application of the ESS across the Bank's operations. The applicant has 40 full-time staff dedicated to managing E&S issues, with adequate competencies and qualifications for managing ESS. The AIIB approach to addressing ESS risks and potential impacts of activities financed under financial intermediary projects is consistent with the AIIB general approach to its direct clients.

53. The AP finds that the applicant's E&S management system, comprising the Environmental and Social Policy, ESF Directive, ESF AG, Climate Action Plan, Corporate Strategy for 2021–2030, Energy Sector Strategy Update, Learning and Evaluation Policy and Staff Code of Conduct, supported by evidence of its track record, fully meets the GCF Environmental and Social Policy to the extent applicable to accreditation and GCF's environmental and social safeguards standards for maximum E&S risk category A/I-1 projects/programmes with respect to Performance Standards 1–8.

3.2.2. External communications, consultations, information disclosure and grievance redress mechanism at the institutional level

54. The applicant demonstrates clear channels for receiving and registering external communications related to E&S matters.

55. AIIB is willing to disclose project-level E&S assessment documents for GCF-funded projects/programmes, consistent with the GCF Information Disclosure Policy for E&S for category A/I-1. A formal commitment is provided in the Bank's Environmental and Social Framework (ESF).

56. The Projected-Affected People's Mechanism (PPM)¹⁹ is the AIIB's GRM. The PPM operates under the guidance of the Policy on the PPM and its rules of procedure. The rules of procedure document offer a clear overview of the submission processes and time frames, and outlines PPM roles and structure. The applicant provided a register of external E&S-related inquiries and complaints received over the past three years, along with their responses.²⁰

57. CEIU, led by its Managing Director, who reports directly to the AIIB Board of Directors, is responsible for the functioning of the PPM, with annual reports available for 2018–2022. The PPM operates independently of the staff responsible for E&S matters and project management.

58. The applicant has demonstrated that trained staff and resources are in place to operate the GRM, as outlined in the CEIU terms of reference. The terms of reference detail the CEIU functions, structure and budget, ensuring sufficient funding for its operations. Additional funds are allocated for investigating noncompliance with the AIIB Environmental and Social Policy in AIIB-financed projects and for project evaluations.

59. Additionally, the applicant's Environmental and Social Policy requires clients to establish an appropriate project-level GRM to address and resolve complaints from those affected by the project's E&S impacts and to inform project-affected people of its availability.

60. The AP finds that the applicant's system of external communications, consultations, information disclosure and GRM, supported by evidence of its track record, meets the GCF Environmental and Social Policy to the extent applicable to accreditation, GCF's environmental and social safeguards standards and the GCF Information Disclosure Policy regarding E&S information disclosure requirements for maximum E&S risk category A/I-1 projects/programmes with respect to Performance Standards 1–8.

¹⁹ The PPM register is available at <https://www.aiib.org/en/about-aiib/who-we-are/project-affected-peoples-mechanism/submission/track-all-submission.html>.

²⁰ As footnote above.

3.3 Gender

61. AIIB capacity and readiness to align with the GCF Gender Policy are supported by its Gender Action Plan (GAP), approved by AIIB's President following consultations with its Board of Directors and published²¹ in September 2024. GAP builds on and aligns with the Corporate Strategy, Environmental and Social Policy, sector strategies and Management Action Plans. The AIIB Corporate Strategy 2021-2030 aims to enhance gender equality in Asia by increasingly incorporating gender considerations into projects, aligning with Sustainable Development Goal 5 (Achieve gender equality and empower all women and girls). The 2023 Climate Action Plan addresses gender inequalities in climate adaptation and highlights women as key agents in climate response, with a focus on gender-resilient infrastructure. The Energy Sector Strategy Update also acknowledges the need to address specific gender risks, particularly those related to traditional fuels and health. Additionally, AIIB has policies and procedures that uphold non-discrimination and secure equal rights, treatment and compensation for women and men who work for the Bank, including in the Staff Rules.

62. The GAP describes areas of development the Bank has identified to strengthen its practice in integrating gender considerations into investment operations and also defines the client's responsibilities on gender mainstreaming under the ESS. GAP's implementation is supported by budgetary measures, an operational program and a gender committee, as per internal documents provided by the applicant to the AP.

63. At the project-level, the AIIB ESF incorporates gender mainstreaming within its E&S standards, adhering to the "do no harm" and "do better" approach and aligning with the principles of the GCF Gender Policy at the project level. Thus, gender equality considerations are mainstreamed into the entire cycle of AIIB projects to enhance the efficacy of investments and ensure that gender co-benefits are obtained.

64. The applicant has established project/programme-level guidelines for assessing gender-specific and gender-based violence risks, conducting gender-sensitive consultations, collecting sex-disaggregated data and implementing grievance mechanisms for gender-related concerns. These guidelines also cover information disclosure and knowledge management with a gender lens. Consequently, the applicant's ESF aligns with the principles of the GCF Gender Policy at the project level.

65. The applicant has provided satisfactory evidence of project-/programme-level gender assessments and action plans, which include gender-sensitive indicators and a dedicated gender budget. These documents highlight the active participation of women in consultations and development activities.

66. Gender expertise at AIIB is centered in the Investment Solutions Vice Presidency, with specialist staff in the Sustainability and Fiduciary Solutions Department. These experts are integrated into project teams to ensure effective incorporation of gender considerations. The AP is satisfied with the level of competency of the applicant's gender experts as evidenced by their curriculum vitae. The applicant also participates in global-level forums on gender that has advanced good practice in gender mainstreaming.²²

67. The applicant has demonstrated sufficient capacity to develop knowledge materials on gender. Additionally, its commitment to exploring the links between climate change and gender is evident in the AIIB Climate Action Plan.

²¹ See: <https://www.aiib.org/en/about-aiib/who-we-are/infrastructure-for-tomorrow/gender-infrastructure/AIIB-Gender-Action-Plan.pdf>.

²² Multilateral Development Banks Working Group on Gender and the OECD DAC Network on Gender Equality, also known as GenderNet.

68. The AP finds that the applicant's gender policy, procedures, capacities and competencies, supported by evidence of its track record, meet the GCF Gender Policy to the extent applicable to accreditation.

IV. Conclusions and recommendation

4.1 Conclusions

69. Following the assessment of the applicant, the applicant is found to have the potential to support GCF in implementing the updated Strategic Plan for the GCF 2024–2027 with respect to:

- (a) Bringing complementarity to existing GCF national and regional direct access entities for the Asia-Pacific, Eastern Europe, and Africa regions and beyond;
- (b) The indicative projects/programmes that the applicant intends to submit to GCF within the scope of accreditation recommended by the AP in paragraph 71 below;
- (c) Alignment of the above-mentioned indicative pipeline of projects/programmes with country programming priorities;
- (d) Supporting diversity in GCF result areas such as transport, resilient infrastructure, and water security;
- (e) Potential contribution to the adaptation and mitigation balance in the GCF portfolio since the applicant can programme with both adaptation- and mitigation-focused activities;
- (f) Mobilizing climate finance at scale since the applicant is being recommended for accreditation in the maximum (large) size category; and
- (g) Diversifying the use of financial instruments and enhancing private sector participation through the use of financial instruments such as loans, equity and guarantees.

70. Following its assessment, the AP concludes the following in relation to the application with respect to the applicant's ability to meet the GCF accreditation standards identified in paragraph 12 above:

- (a) The applicant meets the requirements of the GCF basic fiduciary standards, and to the extent applicable to accreditation, the GCF Policy on the Protection of Whistleblowers and Witnesses, the GCF Policy on Prohibited Practices, the GCF AML/CFT Policy and the specialized fiduciary standard for project management, specialized fiduciary standard for grant award and/or funding allocation mechanisms, and specialized fiduciary standard for on-lending and/or blending for loans, equity and guarantees;
- (b) The applicant has demonstrated that it has procedures and competencies in order to implement gender mainstreaming, which are found to be consistent with the GCF Gender Policy to the extent applicable to accreditation, and has demonstrated that it has experience in gender consideration in the context of climate change; and
- (c) The applicant has demonstrated that it has institutional-level systems, capacities and competencies regarding evaluation as required by the aforementioned GCF basic and specialized fiduciary standards and GCF's environmental and social safeguards standards that would enable it to implement the GCF Evaluation Policy for its GCF-funded activities.

4.2 Recommendation on accreditation

71. The AP recommends, for consideration by the Board, APL142 for accreditation as follows:

- (a) **Accreditation type:**
- (i) **Maximum size of an individual project or programme:** large²³; and
 - (ii) **Fiduciary functions:**
 - a. **Basic fiduciary standards;**
 - b. **Specialized fiduciary standard for project management;**
 - c. **Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and**
 - d. **Specialized fiduciary standard for on-lending and/or blending** (for loans, equity and guarantees); and
 - (iii) **Maximum E&S risk category:** high risk (category A/intermediation 1(I-1²⁴)).
- (b) Conditions: none
72. The applicant has been informed of the recommendation for accreditation, including the accreditation type and condition, as identified in paragraph 71 above, and agrees to the recommendation.

²³ As per annex III to decision B.31/06, “large” is defined as “total projected costs at the time of application, irrespective of the portion that is funded by GCF, of above USD 250 million for an individual project or programme.”

²⁴ As per the Revised Environmental and Social Policy adopted in decision B.BM-2021, category A is defined as “Activities with potential significant adverse environmental and/or social risks and impacts that, individually or cumulatively, are diverse, irreversible, or unprecedented,” and intermediation 1 is defined as “When an intermediary’s existing or proposed portfolio includes, or is expected to include, financial exposure to activities with potential significant adverse environmental and social risks and impacts that, individually or cumulatively, are diverse, irreversible, or unprecedented”.