

## Asian Infrastructure Investment Bank

August 2024

Via electronic mail

### Re: Recommendations for Improving the AIIB's Project-affected People's Mechanism (PPM)

Dear Board of Directors,

We are writing to share a summary of our policy recommendations aimed at strengthening the visibility, accessibility, and effectiveness of the Asian Infrastructure Investment Bank's (AIIB) Project-affected People's Mechanism (PPM). The past five or more years of the PPM's functioning has raised concerns about AIIB's approach to accountability. Prohibitive entry barriers, exclusion of large parts of the AIIB's portfolio, and the lack of a community-oriented approach have led to the PPM not accepting a single eligible case, even as AIIB's financing has resulted in at least 34 complaints at peer IAMs. In these circumstances, the review of the PPM Policy has been much awaited, and we appreciate the steps taken by the PPM towards making the review more independent, transparent, and consultative. In particular, the [report](#) by the independent expert that preceded this formal review has already reinforced some of the key challenges that civil society organizations have been raising.

We are pleased to share the [detailed recommendations](#) and a [marked up version of the PPM Policy](#) that includes policy language for each recommendation. We urge you to take these recommendations into consideration, in order to bring the PPM in line with international good practice at peer accountability mechanisms. These are crucial reforms to look for in the new draft policy when it comes before the Board.

1. Visibility: Transparency is critical to a well-functioning IAM, and it is essential the project-affected communities are aware of the PPM and its processes. Currently, the lack of information around the PPM is a big challenge, and the review should result in policy changes that improve PPM's outreach function and strengthen disclosure, in coordination with management.

- **Enhance Information Disclosure of PPM at the Project-Level:** To increase the visibility of the PPM, it is crucial to ensure comprehensive disclosure at the project level. This is important for sub-projects financed through financial intermediaries (FIs), where the AIIB's involvement may be less visible. Disclosure efforts should include:
  - All PPM-related information should be provided in the local languages of the affected communities and in formats that are accessible to individuals with varying levels of literacy. This includes printed materials and signage at project sites, outreach during project consultations, community meetings, and digital platforms (websites and social media) where feasible.

- The PPM should be able to conduct periodic project site visits to monitor the implementation of this requirement.
- **Enhance Information Disclosure by the PPM on cases:** The PPM should maintain a complete registry that includes links to complaint letters (redacted if complainants request confidentiality) and decisions on complaint eligibility, including decisions when submissions are ineligible. This increases the predictability of how the PPM functions. Moreover, all material should be provided in full, not merely in summarized form, and be disclosed indefinitely.

2. Accessibility: The accessibility challenges of the PPM are well documented, but these issues also lead to a lack of predictability that reduces people's faith in the PPM's function as an avenue to seek redress and receive remedy. The recommendations focus on reducing entry barriers to the PPM, removing subjectivity from the way the eligibility criteria are applied, allowing access to representation of project affected people's choice. Moreover, the shrinking civic space in the region where the AIIB operates due to which communities cannot freely participate in development processes leads to further harm and necessitates that the PPM have stronger measures that prevent and protect against retaliation.

- **Who should trigger or support cases?**
  - The PPM should accept complaints from even one Project-affected person. The current policy requires two or more project-affected people.
  - The PPM, the AIIB President, the Board, or Management should be able to initiate a complaint based on specific criteria to address harm when affected people are unable or unwilling to file complaints, such as due to risk of reprisals.
  - The PPM should be able to accept submissions relating to harms against biodiversity, critical habitats, cultural heritage sites, and other global public goods by any natural or legal person.
  - Requestors should have the unrestricted ability to authorize their chosen representatives whether local, national, or international.
- **Reduced Eligibility Barriers:**
  - The requirement to engage in good-faith prior to filing a submission to the PPM should be made voluntary.
  - The PPM should be empowered to accept submissions concerning all co-financed projects. Alternatively, we also describe two [other options](#) that would improve upon the current policy of complete exclusion.
  - Matters under arbitral or judicial review should not be barred.
- **Proactive Assessment, Mitigation, and Protection against Retaliation:**
  - The PPM should clearly state its zero tolerance against reprisals and retaliation.
  - Risk Assessments should assess the quality of civic space and the likelihood of reprisals at the project site and context. If needed, measures should result in risk-reducing strategies and a reprisal response protocol. This should go beyond the current requirement of a desk review to include consultations with requestors, representatives, and other project-affected communities.

- The PPM should disclose reports with disaggregated data on the cases of retaliation they have encountered. The reports should include the types of reprisals, sectors involved, countries where these took place, and responses of the bank.

3. Effectiveness: That the PPM should strive to be effective is self-evident, but effectiveness is multifaceted and should include being equitable and rights-compatible in the way it carries out its functions. The recommendations focus on strengthening the mandate of the PPM, safeguarding its independence, improving the dispute resolution and compliance review processes by ensuring fairness and removing potential for bias, and increasing the PPM's ability to facilitate remedy and institutional learning.

- **Strengthen the PPM's Mandate and Independence**

- The PPM's mandate should explicitly include remedy, allow assessment of compliance with policies beyond the AIIB's Environmental and Social Policy and address both direct and indirect adverse impacts without creating undue barriers or bias by requiring a showing that harm is "material."
- The PPM's independence should be improved by introducing structural safeguards in hiring, firing, reporting, and budgeting processes. These changes include the Board's direct involvement in appointing the MD-CEIU, the inclusion of external stakeholders in the hiring process, independent legal advice for the PPM and granting the PPM control over its staffing, hiring, and budgeting, with Board approval.

- **Dispute Resolution:** The PPM should seek to ameliorate any power imbalances and asymmetries between the parties that may arise during the course of a dispute resolution process.

- **Compliance Review:**

- The criteria used by the PPM to determine whether to conduct a compliance review investigation should be made clear and specific to reduce undue discretion.
- To avoid conflicts of interest and politicization of issues, the Board should not play a role in accepting the PPM's independent recommendation on whether or not to proceed with a compliance review investigation.
- The PPM should be able to recommend remedial actions in the compliance review report. The Management Action Plan should be based on these recommendations and include clear time-bound actions for returning AIIB to compliance and achieving remedy for affected communities.
- The PPM should have the ability to independently monitor the implementation of the Management Action Plan including by conducting site visits and hearing from Requestors.

- **Facilitate Remedy and Learning:**

- The PPM Policy should specify the responsibility of Management and the Board of Directors to engage with and respond to the PPM to improve compliance

across projects and programs, to correct adverse environmental and social impacts and to ensure remedy for communities.

- The PPM should be able to recommend suspension of projects to the Board due to concerns of imminent harm.
- The PPM should have an institutional learning and advisory function, and the effectiveness of the accountability system at AIIB should not be measured only by complaints handling but also by the extent to which institutional policies and practices have improved in response to complaints.

We look forward to engaging with you on these recommendations. Please do not hesitate to contact us if you wish to discuss these recommendations further.

Sincerely,

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