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# **An Increased Normalization of IAMs Faces Ground Realities: Lack of Transparency Impedes Access to IAMs**

**Hamid Sharif<sup>1</sup>**

## *Introduction*

The Asian Infrastructure Investment Bank (AIIB) is the newest member of the multilateral development bank (MDB) fraternity. Established in December 2015 and commencing operations in 2016,<sup>2</sup> it's an MDB born in the 21<sup>st</sup> century, in the same year that the COP 21 concluded the Paris Agreement, and the UN launched the Sustainable Development Goals.

AIIB's creation drew a lot of attention and some controversy. Its formation was led by China, which eventually became the largest shareholder. The US and Japan chose not to join AIIB. Whilst the US leaned on allies not to join, it failed to stop them - Germany, UK, South Korea, and Australia, among others, nevertheless joined. One rationale these countries offered for joining the bank was to influence it from the inside - paying particular attention to the bank's governance.

## *Understanding the Institutional and Governance Context of AIIB's Independent Accountability Mechanism (IAM)*

The AIIB opted for a non-resident board; a choice that harkened back to similar discussions at the genesis of the Bretton Woods institutions with Lord Keynes being a proponent for the idea. Chief negotiators were finally persuaded to take a more modern corporate governance approach, where the board plays a strategic and oversight role. The need for strong oversight, particularly by a non-resident board, is reflected in Article 26 of the Articles of Agreement of the AIIB. At first blush, this provision looks very similar to equivalent provisions in the charters of other MDBs. However closer reading together with the relevant minute of the Report on the Articles of Agreement of the Asian Infrastructure Investment Bank by the chief negotiators paints a different story (see Box).

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<sup>2</sup> See Asian Infrastructure Investment Bank, *About AIIB: Introduction*, <https://www.aiib.org/en/about-aiib/index.html>

**Article 26 Board of Directors: Powers**

The Board of Directors shall be responsible for the direction of the general operations of the Bank and, for this purpose, shall, in addition to the powers assigned to it expressly by this Agreement, exercise all the powers delegated to it by the Board of Governors, and in particular:

(iv) supervise the management and the operation of the Bank on a regular basis, and establish an oversight mechanism for that purpose, in line with principles of transparency, openness, independence and accountability;

**Report on the Articles of Agreement of the Asian Infrastructure Investment Bank by the Chief Negotiators for Establishing the Asian Infrastructure Investment Bank**

Representatives agreed that the oversight mechanism to be established by the Board of Directors under Article 26 (iv) would be designed in line with the principles of transparency, openness, independence and accountability, and would address such areas as audit, evaluation, fraud and corruption, project complaints and staff grievances, and reflect the Bank's character as a multilateral financial institution focused on infrastructure development.

Article 26(iv) goes well beyond the standard language found in charters of other MDBs that, as in case of AIIB, empower their respective board of directors to “supervise the management and operations” of the bank. It goes further and mandates the creation of an “oversight body” for that purpose, and the chief negotiators’ minute on this provision further explains that this body will be created in accordance with “the principles of transparency, openness, independence and accountability”. Its functions would address such areas as audit, evaluation, fraud and corruption, project complaints, and staff grievances.

In 2019 the Board of Directors of AIIB approved a paper on the oversight mechanism<sup>3</sup>. This paper formalized the terms of reference of the Complaints-resolution, Evaluation and Integrity Unit (CEIU) of the AIIB that deals with three of the five functions mentioned by the chief negotiators for the oversight mechanism, namely complaints-resolution, evaluation, and integrity (i.e., countering fraud and corruption). The paper formalized the “independent but engaged” model of the CEIU. Under this model, the Managing Director (MD) of the CEIU is an observer at the Executive Committee and Management Committee of the Bank with the right to speak and participate. The MD-CEIU has no voting rights in these meetings. This is a move away from the puritanical notion of the “independence” of equivalent functions in other MDBs. The MD-CEIU is “engaged but independent” from Management. This allows the MD-CEIU to provide the president independent inputs into decision-making at these committees. It also allows for meaningful engagement on issues relating to CEIU functions to ensure that a preventive approach is taken.

For a young bank like the AIIB a traditional rigid and reactive structural independence model would mean that no positive feedback loops into policy making would be possible until the completion of evaluations, or investigations into allegations of corruption or complaints regarding environmental or social policy compliance. During the Bank’s early nascent period, it was critical

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<sup>3</sup>See Asian Infrastructure Investment Bank, *Governance: Oversight Mechanism*, <https://www.aiib.org/en/about-aiib/governance/oversight-mechanism/index.html>.

that real-time independent advice was provided to “keep it out of trouble”, and for the institution to continuously learn and improve its practice.

This, however, could not be at the expense of independence granted to the MD-CEIU. This independence is, therefore, underscored by unique institutional arrangements such as the “Directors’ Forum”. The Directors’ Forum empowers the board of directors to meet among themselves without the presence of management, providing an opportunity for board members “to share information and exchange views among themselves *and with* the MD-CEIU” (emphasis added). One specific function of the Directors’ Forum is to assess the performance of the president of AIIB; another unique feature of AIIB governance. A Directors’ Forum can be called by the dean of the board at the request of any board member, the MD-CEIU, or by the dean acting on his or her own. A practice is evolving for the Directors’ Forum to discuss CEIU’s workplan and budget. The option of allowing the MD-CEIU to call a Directors’ Forum is a safeguard to ensure that the CEIU is allowed functional autonomy in conducting its investigations, complaints-handling, and learning and evaluation activities. This is on top of the unique arrangements under which the MD-CEIU reports on a quarterly basis to the Board in a face-to-face meeting; a practice unknown in other MDBs. This arrangement allows direct communication with the Board. In addition, any board member and the MD-CEIU can meet anytime they choose.

Uniquely, CEIU is also responsible for leading policy formulation and any review of such policies in relation to its functions, including the Project-affected People’s Policy (PPM) policy and its review. The final policy drafts proposed to the board are still negotiated between the board and management as in other banks, but CEIU is the pen holder and has the initiative in making proposals. Furthermore, in each policy review carried out by Management, CEIU is consulted for its input. In relation to policies that impact CEIU functions, CEIU has advocated policy changes such as setting up of project websites and time limits for disclosure of environmental and social assessments that were accepted during the review of the environmental and social policy.<sup>4</sup>

Understanding these governance arrangements is critical to understanding AIIB’s independent accountability mechanism, the PPM. The PPM is a part of the CEIU which comprises a large part of AIIB’s oversight mechanism. This makes it unique among the IAMs at MDBs as it enables the MD-CEIU to directly influence policymaking relating to project-affected people, and directly liaise with the management and the board on matters of policy and practice through regular interaction. Ready access to the board without presence of management through the Directors’ Forum is a check on any management non-cooperation or interference with CEIU’s independence. So far this has not been necessary. Regular contact with management and the board also militates against the possibility that the IAM or other functions of CEIU are shelved and forgotten. CEIU is, as a result, a mainstreamed feature of AIIB governance.

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<sup>4</sup> See Asian Infrastructure Investment Bank, *Environmental and Social Framework*, Section 66.2. For amended and update ESF see [https://www.aiib.org/en/policies-strategies/\\_download/environment-framework/AIIB-Environmental-and-Social-Framework\\_ESF-November-2022-final.pdf](https://www.aiib.org/en/policies-strategies/_download/environment-framework/AIIB-Environmental-and-Social-Framework_ESF-November-2022-final.pdf)

## *AIIB's PPM*

The PPM was established by the board in 2019 after two rounds of consultation with stakeholders and shareholders. International advocacy non-governmental organizations and national-level civil society organizations participated, with lengthy submissions, in the design of the mechanism. Among the new features they pushed for were “remedies” for complainants like financial compensation by AIIB. This was not accepted on the basis that this would detract from the responsibility of the client and create perverse incentives to pursue frivolous cases against AIIB, given its deep pockets. Shareholders expressed their concern that the mechanism should be one of last resort, allowing them to address the concerns of their own citizens. In the end, the mechanism was based on the principle of “subsidiarity”, which allows a forum at each level to decide matters before a higher level forum intervenes. In this sense, a project-level grievance redress mechanism (GRM) should be allowed to deal with matters before allowing higher level mechanisms to intervene. As with other IAMs, this means that PPM is a mechanism of last resort.

PPM policy formulation discussions considered the growing issue of “retaliation” against those who bring complaints. Borrowing from the “zero tolerance” concept adopted in anti-corruption policies of MDBs, the AIIB delegation at the IAM network meeting in 2018 in Thessaloniki suggested that a “zero tolerance” approach be adopted by all MDBs in relation to retaliation. Such an approach did not find its way into the final PPM policy, which nevertheless adopted strong language relating to the risk of retaliation. A view prevailed that AIIB did not want to inadvertently convey that it had police powers to deal with the full consequences of retaliation by representing that it has a zero-tolerance policy. It’s heartening to see that this phrase is now gaining currency.<sup>5</sup>

What is striking about the board approval of the PPM is that no board member contested the need for it. This is in sharp contrast to the acrimonious exchanges between developed and developing country board members in other MDBs when the proposal for establishing an IAM was first made. Unlike in many other MDBs, the establishment of the PPM at AIIB was not held up by threats from the developed members to withhold funds for “soft-window” lending such as the International Development Association fund or the Asian Development Fund, to coax the management or developing country members to approve the PPM policy. By the time of AIIB’s creation, the existence of IAMs was clearly normalized. During shareholder consultations (usually the external financing wing of a ministry of finance), it was refreshing to see that officials “owned” the problems of project-affected people, stating that they are “our citizens” first and solutions to their problems must be found. Again, this is in stark relief to the position of developing countries in the ‘90s, who saw the creation of IAMs as an imposition by the developed countries. Clearly much progress has been made since then, although much more remains to be done to ensure that the fine statements in IAM and environmental and social policy documents are translated into better lives for project-affected people (see below the section on “Why So Few Submissions to IAMs?”).

After many discussions with the board and management, the PPM was finalized. Consistent with AIIB’s lean philosophy, the PPM’s flexible design allows the MD-CEIU to tap expertise

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<sup>5</sup>Rabi Thapa, *Realizing Zero Tolerance Against Reprisals*, THE WORLD BANK GROUP: ACCOUNTABILITY MECHANISM (Jan 19, 2023),

<https://www.worldbank.org/en/programs/accountability/brief/realizing-zero-tolerance-against-reprisals>.

appropriate for the task at hand rather than being stuck with a fixed panel with fixed costs. The PPM also introduced some unique features. Its design recognizes that there may be a need to address issues during the design of a project without elevating them to full compliance review or a formal alternate dispute resolution process. So, in addition to the traditional compliance review and alternate dispute resolution, PPM allows for project-affected people to file a “Project Processing Query,” such as one relating to complaints about construction dust, or failure to consult. The choice of any of these three avenues is for the requesters to make<sup>6</sup> and not the PPM secretariat, as has been misrepresented by even experienced commentators<sup>7</sup>. The PPM design also paid heed to the larger development debate where for years developing countries complained about having to deal with a multitude of MDB policies and procedures, which saps their meager capacity.

The AIIB’s charter includes as the bank’s purpose the promotion of “partnership” in addressing development challenges, by working in close collaboration with other multilateral and bilateral development institutions.<sup>8</sup> In designing its policies, the AIIB has deliberately set out to make it easier to work with development partners. Its environmental and social policy and the procurement policy contain provisions enabling AIIB to recognize and apply substantially equivalent policies of other MDBs or bilateral partners. The PPM takes the same approach. In a co-financed project, AIIB can agree to the lead co-financier’s IAM handling all complaints or requests, provided that (i) the lead co-financier’s environmental and social policy is applied by AIIB; and (ii) the lead co-financier agrees to the use of its IAM to handle all disputes, including those filed with the AIIB.

In most co-financed projects, the lead co-financier has agreed to the sole use of its own IAM rather than both the lead co-financier’s IAM and the PPM. This makes eminent sense. Firstly, it reduces the burden on the borrower in having to work with two independent accountability mechanisms. Secondly, it avoids putting the lead financier in an awkward position where its environmental and social policy is the subject of scrutiny by the PPM. Thirdly, it avoids the awkward results emanating from different IAMs coming to different conclusions on substantially the same assessment of compliance. Fourthly, this approach is consistent with the call for MDBs to work as

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<sup>6</sup> Rules of Procedure of PPM 6.4.5. **Screening for Eligibility; Registration:**(a) The PPM determines whether the submission meets the eligibility criteria set out above in Section 5.1 (*General Eligibility Criteria Applicable to all Submissions*). If the submission does not indicate a preferred PPM function to be pursued, or if it appears to indicate an inappropriate function, the PPM contacts the Requestors and recommends the most suitable processing option based on submission content, timing and eligibility criteria, taking the Requestor’s proposal, if any, into account. The Requestors’ decision on which process they wish to pursue is, however, final, subject to the submission meeting the applicable requirements of Section 4 (*Time Limits for Filing a Submission*) and Section 5 (*Eligibility of Submissions*).

<sup>7</sup> See Korinna Horta, *Asian Infrastructure Investment Bank: A Multilateral Bank Where China Sets the Rules*, 52 PUBLICATION SERIES ON DEMOCRACY, [https://www.urgewald.org/sites/default/files/AIIB%20Report\\_04-01-2019\\_1.pdf](https://www.urgewald.org/sites/default/files/AIIB%20Report_04-01-2019_1.pdf)

<sup>8</sup> See Asian Infrastructure Investment Bank, *Articles of Agreement*. Paragraph 1 of Article 1 of the Agreement Establishing the Asian Infrastructure Investment Bank provides that “The purpose of the Bank shall be 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. .

[https://www.aiib.org/en/about-aiib/basic-documents/download/articles-of-agreement/basic\\_document\\_english-bank\\_articles\\_of\\_agreement.pdf](https://www.aiib.org/en/about-aiib/basic-documents/download/articles-of-agreement/basic_document_english-bank_articles_of_agreement.pdf)

a system.<sup>9</sup> Nonetheless, this approach to co-financed projects was criticized by international advocacy groups who view it as a reduction in choice of forum for project-affected people. Such views were brought to the attention of the AIIB board and management. In the end, the arguments for efficiency and simplicity prevailed. The approach taken by the PPM in co-financed projects was commended by the heads of MDBs.

Interim measures to prevent irreparable harm pending an investigation has been problematic for IAMs. The PPM has made modest progress in this respect. Section 7.3 of the PPM Policy allows for some interim relief, where during a review of a submission the PPM concludes that “continued Project preparation or implementation may potentially result in irreversible material adverse impacts that have not been adequately addressed in accordance with the ESP”. In such a case, the PPM can bring the matter to the attention of management<sup>10</sup> for addressing the matter within a specified time (under Rule 7 of the PPM Rules of Procedure this is 60 Working Days). If the matter is not addressed in this time by management, the MD-CEIU brings this to the notice of the president. If the matter is not addressed by the president in a specified time (30 Working Days under Rule 7 of the PPM Rules of Procedure), the MD-CEIU can then bring the matter to the attention of the board. These provisions were heavily negotiated as the PPM was breaking new ground here.

Like many other IAMs, the PPM is the mechanism of last resort.<sup>11</sup> Section 5.1.8 of the PPM Policy provides that a submission is ineligible if “[t]he Requestors have not made good faith efforts to resolve the issues with the Project-level GRM<sup>12</sup> and with Management or have not indicated to the satisfaction of the PPM why they have been unable to do so”. This was based on the philosophy that the project-owner (especially in sovereign projects) must be given the chance to resolve issues at the local level. In case of sovereign lending, the complainants are also the borrower’s own citizens. The provision also provides management a fair chance to resolve the issue (a practice followed by IAMs that do not have a requirement to first approach the GRM or management). This makes sense as it is management and not the IAM that has the relationship and leverage with the client to resolve any alleged non-compliance. As mentioned above, this is also consistent with the principle of subsidiarity followed in modern governance systems such as the European Union.

The flip side of this is that the GRM must be functional and fully disclosed to project-affected people. Similarly, it also implies that project-affected people must know about the PPM and how they can approach it, including the requirement that they must first approach the GRM or management; in case that is not possible then an explanation must be furnished as to why they could not approach them. Recognizing the importance of this, the Section 7.2 of the PPM policy allows the MD-CEIU to escalate the matter all the way to the Board of Directors if during an investigation of a submission, the PPM “identifies that the information about the Project-level GRM or the PPM has not been adequately disclosed or that the Project-level GRM has not been

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<sup>9</sup>Eminent Persons Group, *Making the Financial Global System Work for All: Report of the Eminent Persons Group on Global Finance Governance*, (October 2018), <https://www.globalfinancialgovernance.org/files/g20epg-full%20report.pdf>

<sup>10</sup> “Management” for the purposes of PPM means the Vice Presidents concerned. See Section 1.3 of the PPM Policy.

<sup>11</sup> It’s worth noting that even where an IAM allows a requestor to make a submission directly to it, in practice it refers the matter and the client to Management first.

<sup>12</sup> Grievance Redress Mechanism i.e. a mechanism set up by the client at the project level that allows project-affected people to seek redress.

established or that it is ineffective”. The escalation procedure is the same as for interim measures described above in respect of Rule 7.3 of the PPM Rules of Procedure, and is set out in Rule 7.2 of the PPM Rules of Procedure. These provisions were designed to create incentives for the AIIB management and the client or borrower to establish GRMs and disseminate information about both the GRM and the PPM to project-affected people.

To further underline the importance of this, the CEIU early on pushed for and succeeded in persuading management to present quarterly reports to the board on project implementation. Each project report includes information about GRMs. These quarterly reports are considered by the AIIB board in a face-to-face meeting with management. Alongside this, as civil society becomes more aware of the unique position of the MD-CEIU, submissions to management are also increasingly copied to the MD-CEIU. As management knows that the MD-CEIU interfaces with the board regularly, this creates further incentives for taking complaints seriously. Indeed, in consultation with CEIU, management has established an internal system to track all complaints. All these measures have raised the importance of implementation generally, and particularly the need for ESP compliance.

As in the case of IAMs in other MDBs, questions are raised from time to time whether PPM policy and procedures are adequate and effective.

#### *Why So Few Submissions to IAMs?*

Often over the years the board of each MDB has asked why so few submissions or cases are brought to the IAM concerned. Management has often taken the self-congratulatory stance that this shows that environmental and social compliance is improving. The author, as a development practitioner with 30 years’ experience in two MDBs can vouch that post-creation of IAMs, much greater attention is paid to environmental and social compliance, and to making projects “inspection-proof”. The transparency of environmental and social documentation has improved, and each MDB has set up specialized units for better implementation and compliance of environmental and social requirements, that are also better defined in revised policies and procedures. As part of MDB practice, the creation of GRMs was promoted. Initially this started as an informal practice; increasingly it is a requirement in the environmental and social policies of MDBs.

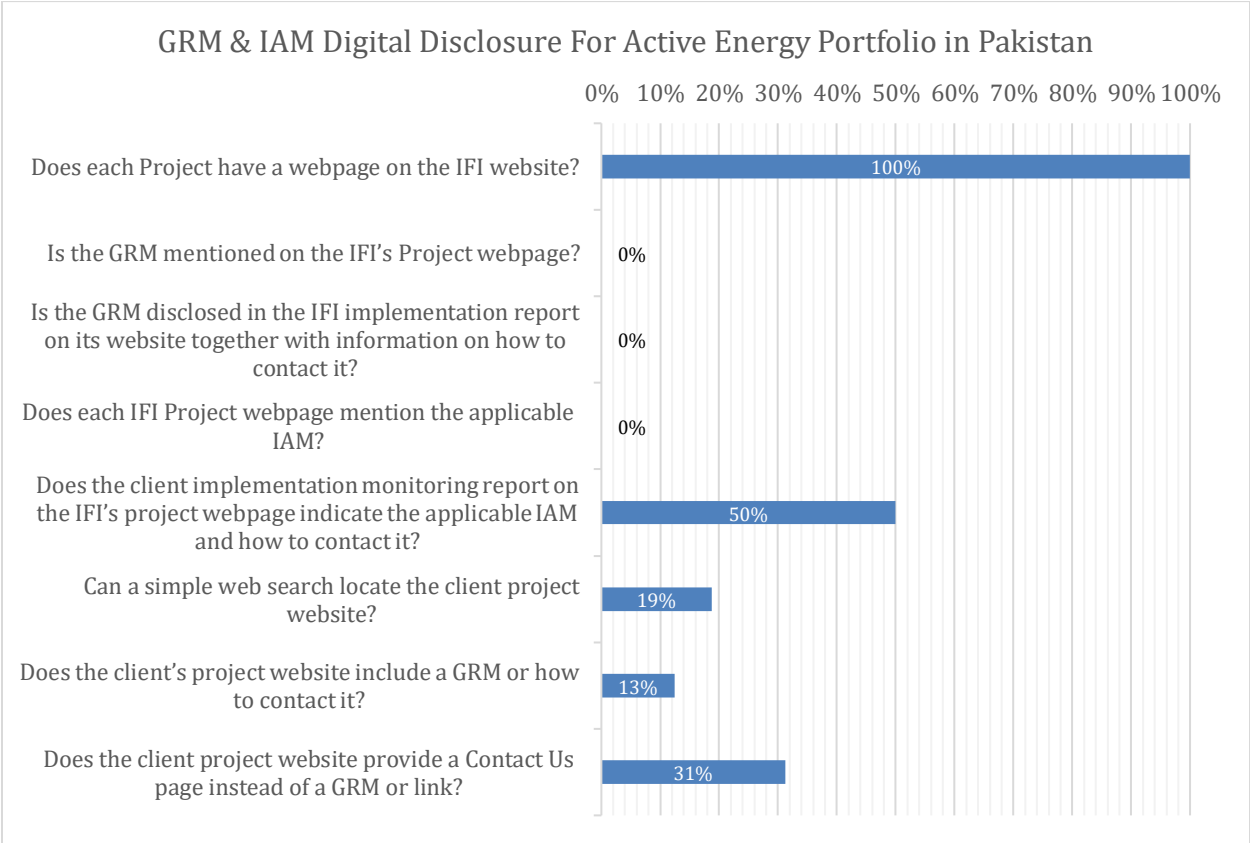
Like other MDB boards, the AIIB board frequently asks why there aren’t more complaints or submissions to the PPM. As a new bank with a modest portfolio, which is about 50% co-financed and for which the PPM is not applicable in most cases, it was relatively easy to explain the low number of submissions to the PPM. Considering the number of projects to which the PPM is applicable, the number of complaints received by the PPM is consistent with the experience of other MDBs. But why are the numbers of complaints to all MDBs so low?

The author’s hypothesis is that the reasons for the low number of submissions are related to issues of transparency. As in many other areas of citizens’ rights, it goes to the issue of information asymmetry between project-affected people and project owners and financiers.



To test this hypothesis, the author looked at the active sovereign energy portfolio of the World Bank and the Asian Development Bank in Pakistan (AIIB has no stand-alone investments in the energy sector in Pakistan). The energy sector is pertinent as both MDBs have decades-long engagement, having lent tens of billions of dollars to the sector. The sector at one point had just one utility that dealt with power generation, transmission, distribution, and water reservoirs. This utility was broken up in the nineties under the lead of the World Bank. Both MDBs have a history of being involved in the restructuring of the utility, and working with the emerging entities that deal with different aspects of the sector. It can reasonably be assumed that with tens of billions of dollars invested through these entities, and massive amounts spent on their capacity building, the entities in these sectors would be the most capable in complying with the environmental and social policies of the MDBs.

There is a total of 16 active projects in the energy sector for both banks. A quick survey of this portfolio looked at the published information on the websites of these MDBs and the clients’ websites, where these websites could be found. The survey looked at the published information on these projects from the point of view of an informed project-affected person or a civil society activist who wants to find out information about GRMs or IAM for these projects. The survey results are summarized in the chart below, and the table of projects surveyed is appended at the end of this article. The survey, of course, has its limitations, as it is possible that the client has done a lot more to make project-affected people aware of the GRMs and the applicable IAM than the information on these websites shows. The fact that less than 20 percent of the clients have websites and most of these do not have a project webpage or information about how to contact a GRM, however, may indicate otherwise.



While it is heartening to note that every project has its own webpage on the MDB's website - although this is not always so easy to find - information on the GRM and the applicable IAM is not found on that page; in fairness to both MDBs, they do disclose information about their IAM on their website. Client websites in most cases do not exist (80 percent have no websites) and even if they do there is no ready information about the project or the GRM or applicable IAM. This means that a reasonably educated project-affected person cannot readily find information about the GRM or the applicable IAM on the project webpage of the MDB or the client's website even where these exist. This obvious information vacuum is surely part of the explanation why so few complaints are filed with the IAMs.

MDBs must do more to fill this gap. Both the MDBs and their clients can quickly fix this, at least in the digital space. Firstly, each client should be required to have a website for the project, where all relevant information, especially environmental and social assessments and other documentation, and implementation or management plans, must be disclosed in local language(s) together with information about the GRM and how to access it. Information disclosure about the applicable IAM and how to approach it should also be compulsory; this information should also be disclosed on the project site. It is surprising that 30 years on, this is still not a mandatory requirement in MDB policies given its miniscule cost in the context of large infrastructure projects. It is also anachronistic in the digital age, and amid the chest-thumping from some MDBs about being digitally aligned.

Most surprisingly, IAMs are still largely structured as passive or reactive bodies. This must change. IAMs should be mandated to proactively monitor and regularly report on environmental and social disclosures to the board, including disclosure of information about GRM and IAM. The MDB boards should further mandate IAMs to proactively monitor the working of GRMs, to confirm that these don't just exist on paper, and submit the relevant reports to them. These are *de minimis* requirements to ensure that project-affected persons have access to justice. The additional costs for this would be modest, as an IAM would only carry out monitoring for a sample of projects. This would also create the right incentives for project teams and management to pay greater attention to GRM and IAM, and to overall compliance.

It is worth noting that GRMs can vary in complexity; accordingly project teams and clients must be given the flexibility to design these so that each GRM is fit for purpose for the relevant project. This is not to suggest that a GRM must be mechanically created *de novo* in each case. Indeed, existing arrangements in a project context, if assessed to be adequate, may serve as the GRM, or the GRM may be grafted onto an existing mechanism. Further, there may be an assessment that no GRM is required in the context of the project, for example a project with a low-risk environmental and social classification. In all such cases, it must be clearly disclosed whether a GRM exists and how it may be accessed. If no GRM is necessary, this should be explained, with arrangements for any project-affected person to contact the relevant client designated person in case a grievance does arise. This is surely not too much to ask for, as standard practice.

*“It’s All in the Implementation, Stupid!”*

The prelude to the creation of the Inspection Function at the World Bank was a series of projects that led to public outcry about the massive environmental and social damage they caused or threatened to cause. This led to the World Bank setting up The Wapenhans Task Force<sup>13</sup> to investigate the portfolio. One of the task force’s lasting observations, that still resonates, is that the World Bank (and indeed each MDB) is driven by “an approval culture” that rewards new approvals and does not incentivize good design and implementation. It is ironic that, as shareholders of MDBs have rushed ahead to normalize creation of IAMs, relatively little attention has been paid to the implementation issues that lie at the heart of poor environmental and social outcomes of projects. Indeed, scrutiny of the implementation of the fine policies setting up IAMs, especially the implicit or explicit provisions on disclosure of information about the IAM or the GRM, is found wanting<sup>14</sup>. Shareholders must pay greater attention to ensuring that there is full, timely, and appropriate disclosure in the relevant language about the GRM and IAM as part of the board’s greater focus on project implementation.

AIIB’s quarterly focus on implementation stands out in creating the right incentives for management and staff to take this seriously. The quarterly reports’ inclusion of a section on GRMs (as indeed is also the case with the World Bank implementation reports) is noteworthy, although there should be more explicit requirements on whether disclosure of information requirements about the GRM and IAM have been met. Realizing that there is a need to inform project-affected people about the IAMs, most MDB boards and IAMs have sought the solution in doing more “outreach.” This is simply a sinecure. The outreach sessions play well into the political economy of donor-funded civil society groups, allowing them all to claim victory. The real losers are the project-affected people who go largely uninformed. The language in MDB policies on GRMs and disclosure of information about them and the IAM is often ignored by the client and the MDBs (see footnote 13 for AIIB policy provisions). Clients and management are already required to disclose information, so MDB boards of directors must hold management to account for enforcing these provisions. As part of their oversight, they should strengthen the IAMs by giving them the powers to proactively monitor the implementation of these provisions. This will go a long way to ensure that project-affected people have ready access to justice at the project-level, especially as IAMs are designed as mechanisms of last resort. The periodic reviews of IAM and related environmental and social policies provide an opportunity for the MDB boards to act and make changes to improve access to remedial forums.

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<sup>13</sup>World Bank Group, *Record of the Portfolio Management Task Force (Wapenhans Report) and Follow Up*, (1992) <https://thedocs.worldbank.org/en/doc/6088815590622417390240021992/original/WorldBankGroupArchivesFolder1210035.pdf>. See Annexes on the Wapenhans Report.

<sup>14</sup>AIIB Environmental and Social Policy (ESP) provides, “72.1 The Bank requires the Client to establish, in accordance with the ESP and applicable ESSs, a suitable Project-level GRM to receive and facilitate resolution of the concerns and complaints of people who believe they have been adversely affected by the Project’s environmental or social impacts, and to inform Project-affected people of its availability.” (*emphasis added*). ESP para 42 requires that each Environmental and Social Management Plan includes “(e) provisions for the Project’s GRMs, as well as a description of the PPM or other Bank-approved IAM and how they can be accessed”. Also see Section 7.2 and 7.3 of the PPM Policy and Rules 7.2 and 7.3 of the Rules of Procedure of PPM. These are discussed in the text above under the section on “AIIB’s PPM.”

Finally, a word of caution on non-sovereign operations of IFIs. IFI management often makes a special case for different treatment of non-sovereign operations based on the commercial needs for confidentiality. They have largely succeeded in this argument, to the point that environmental and social information about the implementation phase of these projects is hardly in the public domain. A quick look at the IFC and other IFIs that undertake non-sovereign operations will confirm this. This is a serious issue, particularly in the context of financial intermediation operations that are increasingly a significant part of non-sovereign operations.

An interesting development is the increasing focus in domestic law on ESG and its requirements. For example, several new regulatory requirements come into effect in 2023, such as the EU Corporate Sustainability Reporting Directive, the Sustainable Finance Reporting Directive, and the German Supply Chain Due Diligence Act (LkSG). The regulatory requirements ratchet up reporting requirements for large firms, and seek to provide remedies against exploitation and environmental damage. As these regulations further develop, it will be interesting to see how they also develop the requirements regarding disclosure for remedies. In the interests of credibility, IFIs cannot afford to be lagging these national requirements, which they have traditionally led. Any foot-dragging in this respect will undermine the credibility and prestige of IFIs. It is imperative that IFIs develop and adopt such requirements to improve environmental social standards in their projects, and regularly monitor their enforcement for continuous improvement.

<b>Surveyed Active Energy Project Portfolio in Pakistan</b>	
<b>World Bank</b>	<b>Asian Development Bank</b>
Electricity Distribution Efficiency Improvement Project <a href="https://projects.worldbank.org/en/projects-operations/project-detail/P170230">https://projects.worldbank.org/en/projects-operations/project-detail/P170230</a>	Second Power Transmission Enhancement Investment Program (Tranche 4) <a href="https://www.adb.org/projects/48078-006/main">https://www.adb.org/projects/48078-006/main</a>
Khyber Pakhtunkhwa Hydropower and Renewable Energy Development <a href="https://projects.worldbank.org/en/projects-operations/project-detail/P163461">https://projects.worldbank.org/en/projects-operations/project-detail/P163461</a>	MFF Power Transmission Enhancement Investment Program II Tranche 3 <a href="https://www.adb.org/projects/48078-005/main">https://www.adb.org/projects/48078-005/main</a>
Pakistan Community Support Project (CASA-1000) <a href="https://projects.worldbank.org/en/projects-operations/project-detail/P151075">https://projects.worldbank.org/en/projects-operations/project-detail/P151075</a>	Second Power Transmission Enhancement Investment Program - Tranche 2 <a href="https://www.adb.org/projects/48078-004/main">https://www.adb.org/projects/48078-004/main</a>
Additional Financing For Dasu Hydropower Stage I Project (Transmission Line) <a href="https://projects.worldbank.org/en/projects-operations/project-detail/P167843">https://projects.worldbank.org/en/projects-operations/project-detail/P167843</a>	Second Power Transmission Enhancement Investment Program - Tranche 1 <a href="https://www.adb.org/projects/48078-003/main">https://www.adb.org/projects/48078-003/main</a>
National Transmission Modernization I Project <a href="https://projects.worldbank.org/en/projects-operations/project-detail/P154987">https://projects.worldbank.org/en/projects-operations/project-detail/P154987</a>	Second Power Transmission Enhancement Investment Program <a href="https://www.adb.org/projects/48078-002/main">https://www.adb.org/projects/48078-002/main</a>
Additional Financing to PK: Tarbela 4th Extension Hydropower Project <a href="https://projects.worldbank.org/en/projects-operations/project-detail/P157372">https://projects.worldbank.org/en/projects-operations/project-detail/P157372</a>	Second Power Distribution Enhancement Investment Program - Tranche 1 <a href="https://www.adb.org/projects/47190-003/main">https://www.adb.org/projects/47190-003/main</a>
Dasu Hydropower Stage I Project <a href="https://projects.worldbank.org/en/projects-operations/project-detail/P121507">https://projects.worldbank.org/en/projects-operations/project-detail/P121507</a>	Second Power Distribution Enhancement Investment Program <a href="https://www.adb.org/projects/47190-002/main">https://www.adb.org/projects/47190-002/main</a>
Tarbela Fourth Extension Hydropower Project <a href="https://projects.worldbank.org/en/projects-operations/project-detail/P115893">https://projects.worldbank.org/en/projects-operations/project-detail/P115893</a>	Jamshoro Power Generation Project (47094-001; Pakistan; Energy) <a href="https://www.adb.org/projects/47094-001/main">https://www.adb.org/projects/47094-001/main</a>