

Looking Back to Move Forward: A Self-Reflection Review of CEIU

JUNE 2024

Contents

EXECUTIVE SUMMARY	5
1. INTRODUCTION.....	9
1.1 Background	9
1.2 Purpose.....	10
1.3 Self-Reflection Dimensions.....	10
1.4 Sources and Limitations	11
2. CONTEXT, STRUCTURE, ORGANIZATIONAL POSITION AND MANDATE.....	12
2.1 Context	12
2.2 Structure.....	13
2.3 Organizational Position.....	14
2.4 Mandate.....	16
3. CEIU IN PRACTICE.....	18
3.1 Relevance of CEIU.....	18
3.2 Appreciation of the Work of CEIU (Effectiveness and Efficiency)	19
3.3 Key Strengths and Weaknesses of CEIU	20
4. RELATIONS WITH INTERNAL AND EXTERNAL STAKEHOLDERS, RESOURCES AND SKILLSET	22
4.1 Relations with Internal Stakeholders	22
4.2 Relations with External Stakeholders.....	22
4.3 Resources and Skillset	23
5. A SNAPSHOT OF THE THREE CEIU POLICIES	24
5.1 Project-Affected People’s Mechanism (PPM) Policy	24
5.2 Learning and Evaluation Policy.....	24
5.3 Policy on Prohibited Practices (PPP).....	24
6. OBSERVATIONS AND CONCLUSIONS	26
7. RECOMMENDATIONS	28
7.1 Delivery	28
7.2 Effectiveness.....	29
7.3 Efficiency.....	29
7.4 People.....	30
ANNEX 1: D.E.E.P Framework for CEIU 2023-2025	31
ANNEX 2: Terms of Reference for the Complaints-resolution, Evaluation and Integrity Unit (CEIU).....	32

EXECUTIVE SUMMARY

Background: In mid-2023, a new Managing Director of CEIU (MD-CEIU) was appointed and in preparation for the next phase of CEIU's development, the MD-CEIU is spearheading a self-reflection exercise. This self-reflection will support the production of a CEIU Strategic Directions Paper for the coming five years.

Purpose: The purpose of this self-reflection is to examine the effectiveness of CEIU in the fulfillment of its dual mandate of accountability and learning and to make suggestions for improvement where needed. The exercise considers CEIU's experiences so far, underscore its strengths, highlight areas of improvement, and identify opportunities for informing its future strategic direction.

Self-Reflection Dimensions: This review uses three core dimensions as lenses to guide its reflections: independence, credibility, and utility.

- **Independence** is defined as the integrity of the working and decision-making processes and the absence of bias favoring the interests of certain stakeholders. It reflects the extent to which CEIU staff can be impartial and free from undue pressure or material threats to their independence as they perform their respective functions.
- **Credibility** derives from independence (in the sense of impartiality) and is a necessary condition for utility. In addition, it is derived from the professionalism of CEIU staff and the quality of the methods and processes in place to manage the activities of CEIU.
- **Utility** refers to the usefulness of outputs of CEIU (in terms of timeliness, relevance, quality and accessibility of its reports and advice).

The report uses these three lenses to look into areas such as mandate, structure, organizational positions, actual practice of CEIU, including relevance, effectiveness and efficiency, CEIU relations with internal and external stakeholders, and individual CEIU Policies.

This self-reflective review is based on: (i) interviews with key internal stakeholders, including Board Members, Senior Management and CEIU staff and (ii) an analysis of relevant

documents of AIB and CEIU. This exercise is not intended to be a full-fledged evaluation but a rapid, expert self-reflection of the of CEIU's experience thus far and its current status. No external stakeholders such as member governments, Bank clients, or civil society organizations were interviewed, nor a detailed analysis of CEIU end-products was undertaken.

Self-Reflections on the CEIU set up: Mandate, structure, position, relevance, effectiveness, and efficiency.

Mandate: There is a broad agreement within the Bank that the dual mandate of CEIU is learning and accountability. This mandate is not explicitly mentioned as such in any Bank document or policy related to CEIU but can be indirectly constructed when putting together the wording from different strategy and policy papers, like the papers on the Accountability Framework and the Oversight Mechanism, the ToR for CEIU and the three policies of CEIU functions. Regarding the concept of accountability as used within the Bank, only the internal dimension of accountability is referred to in various policy papers. The external dimension of accountability (accountability vis-à-vis external stakeholders at large, including the public and people affected by the Bank's activities), is equally important. The strong focus on internal accountability can be explained by the overriding issue of a non-resident Board holding Management accountable for the delegated responsibilities, which is well captured in the Paper on Accountability Framework¹.

Structure: From its creation in 2016, CEIU has been composed of the Complaints-handling function, the Learning and Evaluation function and the Integrity, Anti-Fraud and Corruption function, although the exact naming of the functions might have changed somewhat over the years. Modelled similarly to the European Investment Bank (EIB) and unlike other large MDBs, the AIB has chosen to bring these three functions under one roof, CEIU, headed by a Managing Director. Compared to most MDBs where these functions were established in a

¹ See AIB, Paper on Accountability Framework, 2018. It should be noted that the new revised TOR of CEIU (Attached in Annex 2) now refers to both internal and external dimensions of AIB's accountability.

piecemeal way and refined over time, the AIIB was able to organize these functions systematically under “one roof” from the outset.

The “one-roof” model is seen by many, both Board members and Management, as a beneficial and lean solution. It avoids competition between the functions, allows for an integrated approach and the creation of synergies (in particular regarding lessons-learning) and empowers the MD-CEIU.

Organizational Position: From its inception, it has been clear that the three functions of CEIU would be independent. This is also directly or indirectly stated (and in different degrees) in the Paper on the Oversight Mechanism, the Paper on the Accountability Framework, and the ToR for CEIU. In practice, independence is not an absolute concept as independent entities always operate in a particular context. More specifically, independence does not mean outright isolation. This is also true for CEIU. An element of confusion exists with regard to the reporting line of the MD-CEIU and the associated factual and perceived independence of CEIU. Both papers on the Oversight Mechanism and the Accountability Framework and the ToR of CEIU clearly state that CEIU reports directly to the Board, but the MD-CEIU is not explicitly mentioned. However, CEIU is not a living individual and cannot speak, someone has to report for CEIU.

The mere fact that the President appoints and also has the power to dismiss the MD-CEIU may lead a perception among external stakeholders that Management may interfere with the processes, reports and decisions of CEIU. This, in practice, is not the case for the following reasons:

(a) CEIU’s Terms of Reference is unequivocally clear that the Unit is completely independent in carrying out its day-to-day functions and reports directly to the Board; (b) the MD-CEIU is empowered to meet with members of the Board without the presence of Management in an informal setting. This particular clause enables the MD-CEIU to exercise their complete independence vis-a-viz the Board and is unique in governance structures of MDBs; and (c) the President appoints and may potentially dismiss the MD-CEIU only in consultation with the Board. Furthermore, the practice appointing the head of oversight function(s) is not unique to AIIB. Several MDBs and UN Agencies also follow the same practice.

In the spirit of staying informed of the strategic discussion taking place at the Management-

level, the MD-CEIU is invited to the ExCom meetings as observer, has access to all information and can express himself freely. It is a matter of building and maintaining mutual trust. While the independence of CEIU is emphasized in various normative papers, the concept of CEIU being “independent and engaged” has significant traction in AIIB and represents an important feature of CEIU intended to enhance its effectiveness.

Relevance: Although CEIU is in its seventh year of existence, it cannot yet be judged entirely on the basis of its performance in the core tasks it covers, i.e., complaints-handling, performing full-fledged evaluations and investigating alleged prohibitive conduct. So far, the PPM has not handled any eligible complaint; the Evaluation function has not performed any full-fledged evaluation; and the Integrity function has only closed two investigations, of which one is substantiated. However, CEIU has established itself firmly within the governance of the AIIB. CEIU supports and strengthens the AIIB governance; it raises staff, Management, and Board awareness on emerging issues and opportunities; and shares experiences and good practices from other international financial institutions. This is done by varying means, including organizing Practitioner Dialogue sessions on topical issues, induction and advance sessions for new staff and meetings between Bank staff and MD-CEIU on CEIU-related subjects, regular operational trainings on CEIU functions, e-Learning courses on PPP and PPM, and a Case Dashboard about complaints registered by IAMs. Given the fast growth pace of the institution, the expectation is that in the coming years the three CEIU functions will have plenty of deliverables to show in the core tasks.

Effectiveness and Efficiency: Nearly all Board members saw CEIU as an indispensable instrument to help the non-resident Board hold the President and Management accountable for their actions, as CEIU provides them with independent, unbiased and objective information and analysis. Directors also saw CEIU as highly efficient in delivering its work program despite limited resources. Many Board Members called for an increase in resources commensurate with the strategic directions of CEIU for the coming five years. CEIU also has a very good reputation among senior members of Management, indicating that Management has benefited from all three functions. Although there is widespread recognition that the system is yet to be fully tested, as indicated above, the concept of an “independent and engaged” CEIU is widely embraced.

Observations and Conclusions: Applying the three dimensions guiding this self-reflection exercise (independence, credibility, utility) to the position and functioning of CEIU, a positive though cautious picture emerges.

Independence: The policies in place provide CEIU with sufficient support to act independently, but there are still some weak spots in the policies that should be addressed. For Board members (both regional and nonregional members) CEIU is recognized as an important instrument to help them keep the President and Senior Management accountable, but several see room for enhancing the factual and perceived independence of CEIU and for broadening its scope of action (e.g., scope of evaluation activities, PPM involvement, etc.). On the other hand, Bank Management emphasizes its appreciation for the learning side of CEIU, although management also realizes that it needs an independent and accountability focused CEIU to fulfill the expectations of the Board.

The opinions of Management about CEIU vary along the continuum of “nice to have”, “good to have” and “critical anchor” in Bank’s governance. It is therefore very important for CEIU’s independence in fact and appearance that the reporting line of MD-CEIU is further clarified in future adjustments of policies (and CEIU ToR). This can be achieved by strengthening the language about CEIU’s functional independence in relevant policies and documents. One particular aspect that does not get sufficient attention in the Bank, but is an important issue in other MDBs, is the external dimension of accountability. A strong mission statement of CEIU which clearly indicates all aspects of its mandate, including internal and external accountability and learning, will certainly help to improve the position and perception of CEIU further².

Credibility: CEIU’s credibility is high, partly derived from the policies underpinning its independence and from the fact that the MD-CEIU and his staff know how to implement the “independent and engaged” principle. Although there is some criticism about the way CEIU sometimes engages with other Bank staff, overall, the picture is positive: CEIU staff is seen as competent, unbiased, and informally easy to approach. The in-reach activities of CEIU are very much appreciated but methods and processes for CEIU products are not always clear and crystalized. CEIU could also do a better job in explaining that they are part of the

common mission of the Bank.

Utility: From the interviews it was not possible to assess the actual pick-up of lessons-learned coming from official reports, like the ELAs. What is clear is that all in-reach activities fulfill an important educational task, make the Board, Management, and staff aware of how other MDBs deal with certain issues and provide lessons- learned. What is missing is a formal system to follow up on advice and recommendations issued by CEIU. This applies to all three functions. CEIU Annual Reports and Quarterly Reports to the Board could become more informative if they would provide better information about the content of reported discussions and meetings.

Recommendations: On the basis of this Self-Reflective Review, the following recommendations, organized under the four dimensions of the Delivery, Effectiveness, Efficiency and People (DEEP) Framework, are made:

Delivery:

1. Develop a complete mission statement for CEIU in the ToR of CEIU, which should contain both the internal and external dimension of the concept of accountability as well as the learning mandate of CEIU.
2. Further strengthen the perception of independence of CEIU by strengthening the language on functional independence of CEIU and reflect it holistically in one document as well as relevant policies of CEIU functions. This is particularly important to improve the external stakeholders’ perception about CEIU’s overall and functional independence.
3. Ensure the PPM Review is objective, aiming to enhance PPM’s effectiveness, in particular PPM’s visibility, accessibility, proactiveness and responsiveness to Project-affected People, and AIIB’s accountability. In this process, ensure an inclusive, broad-based, transparent, and meaningful stakeholder consultation process.
4. Test the whole suite of products under CEIU’s three functions. As the system is not yet fully tested, start soon with an assessment of the products using focus groups to look at content and process assessments and conduct further research on the reasons why so few compliance reviews and integrity investigations have been triggered so far.
5. Consider including investigations of internal prohibitive conduct, i.e., internal investigations related to procurement, as part of CEIU’s responsibilities.

² The new revised TOR of CEIU (Attached in Annex 2) now refers to both internal and external dimensions of AIIB’s accountability.

6. Develop preventive measures against fraud and corruption (introduce pro-active integrity reviews, risk-based systems using big data, mandatory anti-fraud trainings).

7. Deepen relations with peer functions in other MDBs, including hosting common events where feasible, and start preparing for becoming a member of their “umbrella organizations” (for those where the AIIB is not a member yet). This will help to enhance CEIU’s thought leadership, further improve the internal and external reputation of CEIU (functions) and AIIB, strengthen the position of CEIU (functions) within the Bank and elevate the learning process and quality of CEIU functions themselves.

8. Broaden the scope of the evaluation function and products to include not only project evaluation but also policies, strategies, thematic and processes. ³ Include a provision in the Learning and Evaluation Policy that the function may introduce new evaluation products in line with new developments in the field of evaluation and the evolving needs of the Bank.

9. Further improve the CEIU annual report and the quarterly reports to the Board, making them more analytical and substantive and not just providing factual information at activity-level. At the moment the reports mostly include “inputs” by CEIU and do not indicate much about why certain activities are being done and what the results are.

Effectiveness:

1. Continue acting independently and staying engaged with Management. Both Board and Management see CEIU as a valuable entity within the governance architecture of AIIB. A CEIU without sufficient factual and perceived independence will lose its credibility vis-à-vis the Board and the world outside, while a CEIU that is not seen as being engaged will lose its credibility vis-à-vis Management.

2. Ensure that Management provides responses to and takes actions on recommendations of CEIU reports. This will increase the weight of the recommendations and strengthen the quality of the dialogue between Management, Board and CEIU.

3. Re-consider the exemption of ELAs from public disclosure requirements, especially once projects have been completed.

4. Further intensify outreach with external stakeholders (especially CSOs and clients), and in-reach activities to increase the visibility of and understanding on CEIU functions.

5. Assess the effectiveness of CEIU products, processes and services for the operational staff using focus groups sessions.

Efficiency:

1. Develop a department-wide system within CEIU for monitoring the follow up on recommendations from CEIU functions / reports.

2. Leverage technology to expand outreach of CEIU functions. Expanded and effective use of social medial platforms can help inform key external stakeholders about activities of CEIU functions.

3. Develop e-learning platforms for internal and external trainings on CEIU functions.

4. Provide the integrity investigators with a space that can easily be closed. The Integrity function in particular handles very confidential and sensitive information and data. For interview purposes, the function needs a room where people can enter without noticed by others.

People:

1. Urgently scale up CEIU resources given the importance and growing magnitude of its work. The Strategic Directions Paper of CEIU should clearly specify the headcounts under each function that will be needed in the coming year, to anticipate the growing volume of business. Both Management and Board are receptive to an increase in resources, with the appropriate justification supporting it. Consideration should be given to hire staff with sufficient operational experience.

³ The new revised TOR of CEIU (Attached in Annex 2) now includes these dimensions.

1. INTRODUCTION

1.1 Background

1. The Asian Infrastructure Investment Bank (AIIB) was established in January 2016 with the aim “to foster sustainable economic development, create wealth and improve infrastructure connectivity in Asia by investing in infrastructure and other productive sectors” and to promote regional cooperation and partnership in addressing development challenges (AIIB Articles of Agreement (AOA), Article 1.1).

2. In the same year, the Complaints-resolution, Evaluation and Integrity Unit (CEIU) was established as an independent unit within AIIB. Article 26(iv) of AOA empowers the Board of Directors (Board or BOD) to “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”. In 2019, the BOD created the “Oversight Mechanism”, of which CEIU became an integral part.

3. CEIU is led by a Managing Director and has three functions: (i) complaints resolution; (ii) learning and evaluation; and (iii) integrity. Primary responsibilities of CEIU are to:

- a) Serve as the focal point for external requests or complaints regarding compliance with AIIB’s Environmental and Social Policy (ESP) under the **Project-affected People’s Mechanism (PPM) Policy**.
- b) Selectively assess the results (for completed projects) of the Bank’s ongoing and completed investment portfolio under the **Learning and Evaluation Policy**.
- c) Investigate project-related fraud and corruption cases under the **Policy on Prohibited Practices (PPP)**.

4. During the first seven years of its existence, it seems that CEIU, although small in size, has become an integral and recognized part of the governance of the AIIB. As noted above, a policy architecture has been put in place with three separate Board-approved policies, governing the activities of each of the three functions of CEIU and all functions have in different degrees become operational. Professional staff have been hired, key products developed and training sessions to both CEIU staff and wider Bank staff has been provided.

5. Within the Bank, it appears that CEIU has built good working relationships with key stakeholders including Board, Management and staff. At the same time, externally, exchanges and outreach with civil society organizations (CSOs) and counterparts in other Multilateral Institutions have taken place, the latter resulting amongst others in CEIU joining relevant professional networks.

6. With the main pillars now in place, CEIU must prepare itself to move to the next phase in its development. This will require expanding its capacity for effective and efficient delivery, enhancing its thought leadership internally and externally and strengthening its position as an independent unit that plays a key role in the governance of AIIB as a 21st century development bank.

1.2 Purpose

7. In mid-2023, a new Managing Director of CEIU (MD-CEIU) was appointed and in preparation for the next phase of CEIU's development, the MD-CEIU is spearheading a self-reflection exercise. This self-reflection will support the production of a CEIU Strategic Directions Paper for the coming five years which will soon be presented to the Board and Management. **The purpose of this self-reflection is to examine the effectiveness of CEIU in the fulfillment of its dual mandate of accountability and learning and to make suggestions for improvement where needed.** The exercise considers CEIU's experiences so far, underscore its strengths, highlight areas of improvement, and identify opportunities for informing its future strategic direction. The exercise also informs the aforementioned Strategic Direction Paper.

8. On assuming his role, the MD-CEIU together with his team already took stock of the ongoing business, which led CEIU to adopt a framework based on the principles of **Delivery, Effectiveness, Efficiency, and People (DEEP)**. Within this framework, priority actions were identified to be executed in each of these dimensions between 2023 and 2028. The DEEP report documents the actions as defined in 2023 and provides a baseline for the monitoring and assessment of improvements in CEIU work during the next five years. These actions will be adjusted as needed during this period to maximize the expected results of the implementation of this framework. Annex 1 contains a description of the DEEP Framework and a summary of the key reflections presented in this paper against the four dimensions of the DEEP Framework. In addition, to facilitate consistency with CEIU ongoing efforts to improve the Unit's operations, the recommendations stemming from this self-reflection have been organized according to the same four areas of the DEEP Framework.

1.3 Self-Reflection Dimensions

9. This Review uses three core dimensions as lenses to guide its reflections: **independence, credibility, and utility.**

- a) **Independence** is defined as the integrity of the working and decision-making processes and the absence of bias favoring the interests of certain stakeholders. It reflects the extent to which CEIU staff can be impartial and free from undue pressure or material threats to their independence as they perform their respective functions. Independence is achieved through an enabling environment, institutional, structural and organizational means, and intellectual independence of evaluators.
- b) **Credibility** derives from independence (in the sense of impartiality) and is a necessary condition for utility. In addition, it is derived from the professionalism of CEIU staff and the quality of the methods and processes in place to manage the activities of CEIU.
- c) **Utility** refers to the usefulness of outputs of CEIU (in terms of timeliness, relevance, quality and accessibility of its reports and advice), associated with the Board and Management's willingness to cooperate with CEIU staff in the performance of their duties and make use of the outputs of CEIU (active engagement in the evaluation and investigation processes, including internal feedback loops, meaningful responses and action plans, and where applicable, implementation of CEIU's recommendations).

10. The report uses these three lenses to look into areas such as mandate, structure, organizational position, CEIU practice, including relevance, effectiveness and efficiency, CEIU relations with internal and external stakeholders, and individual CEIU Policies.

1.4 Sources and Limitations

11. **This self-reflective review is based on: (i) interviews with key internal stakeholders, including Board Members, Senior Management and CEIU staff and (ii) an analysis of relevant documents, including AIB AOA, Oversight Mechanism Paper, Paper on the Accountability Framework, AIB Corporate Strategy, CEIU's Terms of Reference (ToR), CEIU Annual Reports and policies of CEIU functions.** A high-level international expert supported the exercise and conducted around 30 interviews, including with the President, Board members, Vice Presidents, Director Generals, General Counsel, Advisors of the President, MD-CEIU, former MD-CEIU and CEIU staff.

12. **This exercise is not intended to be a full-fledged evaluation but a rapid, expert self-reflection of the of CEIU's experience thus far and its current status.** Therefore, no external stakeholders such as member governments, Bank clients, or civil society organizations were interviewed, nor a detailed analysis of CEIU end-products was undertaken.

2. CONTEXT, STRUCTURE, ORGANIZATIONAL POSITION AND MANDATE

2.1 Context

13. **AIIB is a young and rapidly growing institution.** It started operations in 2016 and therefore, it does not have many mature operations yet. At the moment, AIIB has 109 members (52 regional and 57 non-regional) which makes it the second largest MDB in the world in terms of membership. As of end-2023, the Bank has approved 252 projects in 36 members amounting to USD50.47 billion. Of these 252 projects, 120 were co-financed with other multilateral development banks such as ADB, EIB, EBRD, IFC and the World Bank. 60% (152 operations) of AIIB's approved financing is sovereign whereas 40% (100 operations) is nonsovereign.

14. **Unlike the World Bank Group and five major regional multilateral development banks, but similar to the European Investment Bank and the Islamic Development Bank, the AIIB has a non-resident Board, consisting of 12 directors (of which nine are regional and three are non-regional), meeting at least once every quarter.** The President of the AIIB, elected by the Board of Governors, conducts the business of the Bank under the direction of the Board of Directors and is also the Chair of the Board but does not have voting rights.

15. **For the purpose of this Review, the organizational relationship between the Board and the President, as spelled out in the AOA, is important.**⁴ According to the AOA, the Board shall be responsible for the direction of the general operations of the Bank and has amongst others the authority to establish the policies of the Bank; this is the practice elsewhere but it is not always explicit. Major operational and financial policies in the AIIB require Board approval by a majority representing not less than three-fourths of total voting power. The Board may, under Bank policies, delegate authority to the President, and decisions on such delegation also require approval of the Board of Directors by the same majority. The Board also has the authority to take decisions on the financing operations of AIIB, and to delegate that authority (with the 75% majority requirement) to the President.

16. **Natalie Lichtenstein, the first General Counsel of AIIB, has noted that while it is common for MDB Boards to exercise this approval authority, no MDB charter provides for delegation as in the case of AIIB** (Lichtenstein, p 98). In practice, some MDB Boards of Directors decide on many operations based on absence-of-objection or other streamlined procedures, without actual discussion. According to Lichtenstein, delegation at AIIB offers the possibility of a clearer division of responsibilities between the Board and the President, so that the Board can hold the President accountable for approvals of operations, according to the terms of its delegation.

17. **In the view of Lichtenstein this accountability aspect receives much emphasis in the AIIB Charter,** which partly can be explained by the non-resident character of the Board:

“In a provision unique to the AIIB Charter, the Board of Directors is expressly

⁴ The following text is mainly based on Natalie Lichtenstein, “Governance of the Asian Infrastructure and Investment Bank in Comparative Context”, in: Peter Quayle and Xuan Gao, Good Governance and Modern International Financial Institutions, 2019, p 79-107.

required to supervise the management and operation of AIIB on a regular basis. This general function is understood to be part of the Board's overall responsibility in other MDB Boards of Directors, so that making it explicit for AIIB adds more definition to the Board's role in the non-residential context, where physical presence is not an element of oversight. Indeed, the AIIB Charter further requires the Board to establish an oversight mechanism for this purpose, "in line with principles of transparency, openness, independence and accountability." According to the AIIB Chief Negotiators Report this oversight mechanism should address such areas as audit, evaluation, fraud and corruption, project complaints and staff grievances" (Lichtenstein, p 99).

18. In other words, the seeds for the (internal) accountability dimension of the mandate of CEIU were sown very early in the birth process of the AIIB and instituted in the AOA. Yet, the learning aspect of CEIU's mandate, as opposed to accountability, has been deliberately emphasized in the early days of CEIU, making the work of the Unit more acceptable to other parts of the Bank. Both the President and the then MD-CEIU did not want to replicate the estranged relations between Management and independent functions as found occasionally in other MDBs. To enhance the relationship between CEIU and the Management, the MD-CEIU was invited by the President to observe the Executive Committee (ExCom) meetings and the Management Committee (MCom) meetings, which gave him an advisory voice in discussions on policies, strategies and other strategic matters, which has contributed to the idea of CEIU being "independent and engaged", which has proven to be a useful approach. However, it is evident that unlike most MDBs, the functions of CEIU were envisioned from the beginning and hard-wired in the constitutional DNA of the Bank.

19. Avoiding estranged relations was also a guiding principle in the design of the Learning and Evaluation function, as was the case with the PPM and Integrity functions. Although (for internal purposes) strengthening of accountability and recognition of sound performance are mentioned in the AIIB Learning and Evaluation Policy, the Policy leans heavily towards Learning. Early Learning Assessments (ELAs) are mainly presented as learning vehicles for projects and policies in order to avoid the misconception that evaluation is mainly a tool for the Board (and the public) to judge what went right and what went wrong in the implementation of a project, usually after it was completed. Thus, according to the AIIB Learning and Evaluation Policy, ELAs are not put in the public space⁵ to provide a safe place for learning which means that so far CEIU has not disclosed any of its reports stemming from the Learning and Evaluation function.

20. In sum, the seeds for the (internal) accountability dimension of the mandate of CEIU were sown very early in the birth process of the AIIB and instituted in the AOA. The learning aspect as opposed to accountability has been deliberately emphasized in the early days of CEIU.

2.2 Structure

21. From its creation in 2016, CEIU has been composed of the Complaints-handling function, the Learning and Evaluation function and the Integrity, Anti-Fraud and Corruption function, although the exact naming of the functions might have changed somewhat over the years. Modelled similarly to the European Investment Bank (EIB) and unlike other large MDBs, the AIIB has chosen to bring these three functions under one roof, CEIU, headed by a Managing Director. Compared to most MDBs where these

⁵ ELAs are exempted from the Policy on Public Information requirements.

functions were established in a piecemeal way and refined over time, the AIIB was able to organize these functions systematically under “one roof” from the outset. The “one-roof” model is seen by many, both Board members and Management, as a beneficial and lean solution. It avoids competition between the functions, allows for an integrated approach and the creation of synergies (in particular regarding lessons-learning) and empowers the MD-CEIU. A few interviewees wanted to keep the possibility of considering a split of the functions once the Bank is bigger, perhaps influenced by the model in place in some other MDBs. Yet, “one-roof” model has proven successful in EIB and a few UN agencies.

22. The current [ToR of CEIU](#), which dates back to 2019, provides an overview of the responsibilities, functions, structure and processes of CEIU. Two other documents that have impacted the responsibilities and position of CEIU functions are the papers on the [Accountability Framework \(2018\)](#) and the [Oversight Mechanism \(2019\)](#). It is worth noting that currently the Board is discussing an amendment to the ToR of CEIU, among others, adding CEIU’s responsibility to evaluate policies, strategies, processes and the periodic Board-commissioned evaluation of CEIU.

2.3 Organizational Position

23. From its inception, it has been clear that the three functions of CEIU would be independent. This is also directly or indirectly stated (and in different degrees) in the Paper on the Oversight Mechanism, the Paper on the Accountability Framework and the ToR for CEIU⁶. In practice, “independence” is not an absolute concept as independent entities always operate in a particular context. More specifically, “independence” does not mean outright isolation. This is also true for CEIU.

24. As per its ToR, some of the features which strengthen the position of CEIU are:

- a) **The unit reports to the Board but should regularly engage with and brief Management on its activities** in order to ensure effective communication and lessons-learning.
- b) **The MD-CEIU may meet with the full Board without the presence of Management in an informal setting.** Such meetings will be chaired by the Dean of the Board. This is a unique feature in the governance of AIIB.
- c) **The MD-CEIU is appointed for a single five-year term which is nonrenewable.** The MD-CEIU shall not have previously been a Staff Member or Consultant, nor shall they be eligible for future Staff and Consultancy roles at the Bank.
- d) **In the paper on the Accountability Framework (para 37), where the “three lines of defense” model is elaborated on, CEIU is mentioned as an additional layer of independent reporting to the Board.**

25. However, some other features which might potentially weaken the position of CEIU are:

- a) **The MD-CEIU is appointed by the President, following consultation with the Board and otherwise in accordance with the Staff Rules**, where there is

⁶ Surprisingly this is to a much lesser extent the case in the three Policies that guide the responsibilities of CEIU functions, with the positive exception of the Learning and Evaluation Policy.

no clarity about what this consultation process entails.

- b) **The President can terminate the MD-CEIU** (if he wishes to do so, he shall consult the Board in advance).
- c) **The performance assessment of the MD-CEIU is conducted by the President** (although – to a certain extent – in consultation with the Board).
- d) **The budget of CEIU is prepared by the President and approved by the Board** as part of the overall AIIB budget. It is specified as a separate line item.

26. An element of confusion exists with regard to the reporting line of the MD-CEIU and the associated factual and perceived independence of CEIU. Both papers on the Oversight Mechanism and the Accountability Framework and the ToR of CEIU clearly state that CEIU reports directly to the Board, but the MD-CEIU is not explicitly mentioned. However, CEIU is not a living individual and cannot speak, someone has to report for CEIU.

27. The Learning and Evaluation Policy states that “consistent with CEIU Terms of Reference, CEIU’s Managing Director reports directly to the Board on all LEAs under this Policy and has unimpeded access to the Board to report on its work under this Policy” (Learning and Evaluation Policy, para 11). PPM Policy also states that the “MD-CEIU shall represent the PPM in all matters before the Board of Directors and the President. The MD-CEIU has unimpeded access to the Policy and Strategy Committee of the Board to report on the work of the PPM” (PPM Policy, para 2.3). Although there are no references about reporting of MD-CEIU in the PPP itself, the Administrative Guidance on PPP states that “CEIU is an independent unit in AIIB that reports directly to the Bank’s Board of Director and is headed by the Managing Director for CEIU (head of CEIU)” (Admin Guidance on PPP, para 8).

28. The mere fact that the President appoints and also has the power to dismiss the MD-CEIU may lead a perception among external stakeholders that Management may interfere with the processes, reports and decisions of CEIU. This, in practice, is not the case for the following reasons:

- a. CEIU’s Terms of Reference is unequivocally clear that the Unit is completely independent in carrying out its day-to-day functions and reports directly to the Board.
- b. Furthermore, MD-CEIU is empowered to meet with members of the Board without the presence of Management in an informal setting. This particular clause enables the MD-CEIU to exercise their complete independence vis-a-viz the Board and is unique in governance structures of MDBs.
- c. The President appointments and may potentially dismiss the MD-CEIU only in consultation with the Board. Furthermore, the practice of appointing the head of oversight function(s) is not unique to AIIB. In case of EIB, the Inspector General is appointed by the EIB President⁷. Several UN Agencies also follow the same practice.

⁷ The Inspectorate General of EIB groups together, under the authority of the Inspector General, three independent control and accountability functions: evaluation of EIB Group activities, investigations into prohibited conduct, and the complaints mechanism. In essence, Inspectorate General of EIB is the equivalent of CEIU in AIIB.

29. **In the spirit of staying informed of the strategic discussion taking place at the Management-level, the MD-CEIU is invited to the ExCom meetings as observer, has access to all information and can express himself freely.** It is a matter of building and maintaining mutual trust. The MD-CEIU sends his reports to the Board, but if there is an issue, the expectation is that the MD-CEIU first exchanges with the top Management in confidence. For some interviewees, if the MD-CEIU is fully independent, i.e., reports solely to the Board, he should not be allowed to attend the ExCom meetings and have access to Management's discussions. Further, in the view of some members of the Management, independence of CEIU means that no one interferes with its work and that CEIU has access to all the information it requires to fulfil its functions in an independent and impartial manner. Additionally, according to these members of the Management, appointments within CEIU should be done at complete discretion of the MD-CEIU, with HR only facilitating the process.

30. **While the independence of CEIU is emphasized in various normative papers, the concept of CEIU being "independent and engaged" has significant traction in the AIB and represents an important and useful feature of CEIU intended to enhance its effectiveness.** This concept is mentioned in the Paper on the Oversight Mechanism (para 31):

"To date, CEIU has struck a healthy balance between independence and engagement. MD-CEIU participation in the Executive Committee and other meetings of Management as an observer, at the invitation of the President, is mutually beneficial. This helps CEIU to understand the background and issues related to decisions made by Management and to play a constructive role in expeditiously raising concerns with Management for resolution. It also improves immensely CEIU's overall effectiveness in feeding back findings and becomes a forum for CEIU to participate in the formulation and review of policies and strategies."

31. **Only a few interviewees observed that the presence of the MD-CEIU in the ExCom might hamper his ability and his authority to perform his oversight role as he would then face a conflict-of-interest situation.** Others emphasized the advisory character of the MD-CEIU's role in the ExCom as it was not seen as participating in the formulation of policies and strategies. Most interviewees saw MD-CEIU's interventions in ExCom discussions as constructive and productive.

2.4 Mandate

32. **There is a broad agreement within the Bank that the dual mandate of CEIU is learning and accountability.** However, this mandate is not explicitly mentioned as such in any Bank document or policy related to CEIU but can be indirectly constructed when putting together the wording from different strategy and policy papers, like the papers on the Accountability Framework and the Oversight Mechanism, the ToR for CEIU and the three policies of CEIU functions.

33. **Regarding the concept of accountability as used within the Bank, it is striking that only the internal dimension of accountability is referred to in various policy papers.** The external dimension of accountability (accountability vis-à-vis external stakeholders at large, including the public and people affected by the Bank's activities) did not get much attention in the interviews either. The strong focus on internal accountability can be explained by the overriding issue of a non-resident Board holding the Management accountable for the delegated responsibilities. This may also be due to the fact that CEIU has not conducted any compliance reviews under the PPM function, project learning reviews under the Learning and Evaluation function or published ELAs. By their very nature, these products carry the elements of external accountability as they normally get

much public attention.

34. In other MDBs the external dimension of accountability is much more emphasized. Also in the corporate world, the concept of accountability resonates as a common public good. External accountability, showing the public at large what the institutional objectives are and to which extent they are achieved and in which way, is particularly important in the present time, where trust in both national and international public institutions cannot easily be taken for granted. An independent entity like CEIU, which can provide unfiltered and unbiased information, has an important role to play in this respect. At the moment a mission statement of CEIU, describing the dual mandate of CEIU, namely learning and the two dimensions of accountability, does not exist.

3. CEIU IN PRACTICE

3.1 Relevance of CEIU

35. Although CEIU is in its seventh year of existence, it cannot yet be judged entirely on the basis of its performance in the core tasks it covers, i.e., complaints-handling, performing full-fledged evaluations and investigating alleged prohibitive conduct.

So far, the PPM has not handled any eligible complaint, the Evaluation function has not performed any full-fledged evaluation and the Integrity function has only closed two investigations, of which one is substantiated. Activities such as these are the ones that might create some tension between CEIU and other parts of the organization, as experiences in other MDBs have shown. In this sense, the system, although in place, is yet to be fully tested. Also, CEIU has so far not yet provided independent validation of results in AIIB's operations reported under the institutional results framework, as referred to in para 34 of the Accountability Framework.

36. The reasons for this low activity in the core tasks are not completely clear. It can be partly explained by the fact that the portfolio of the AIIB is still relatively small and not mature enough. But there might be other underlying reasons as well. For the PPM it might be related to the restrictive accessibility criteria and to the fact that the PPM is rather unknown and not visible to project-affected people. AIIB also relies on the lead co-financier's independent accountability mechanism (IAM) in co-financed projects where it follows the lead co-financier's environmental and social policies based on agreements for such reliance. However, it should be noted that the number of complaints in co-financed projects where the lead co-financiers' IAMs handle the complaints on the basis of their policies is much higher (21 complaints on seven co-financed projects out of a total of 120 co-financed projects). On the other hand, there are only two complaints on 155 standalone projects. The underlying reasons for this might be further explored during the upcoming review of the PPM Policy.

37. For the Integrity function, the situation is less clear. It may have to do with the fact that the share of allegations coming from internal sources seems to be low (only 14%) which might point at the need to raise internal awareness on red flags. On the other hand, the number of opened investigations is in line with those in co-financed projects.

38. Only for the Evaluation function the limited availability of evidence for a full test of the function is clearer; the function has until now deliberately focused on performing ELAs.

39. Without prejudice to the low activation of the core tasks of CEIU, it is clear that CEIU has established itself firmly within the governance of AIIB. CEIU supports and strengthens the AIIB governance; it raises staff, Management, and Board awareness on emerging issues and opportunities; and shares experiences and good practices from other international financial institutions. This is done by varying means, including organizing Practitioner Dialogue sessions on topical issues, induction and advance sessions for new staff and meetings between Bank staff and MD-CEIU on CEIU-related subjects, regular operational trainings on CEIU functions, e-Learning courses on PPP and PPM, and a Case Dashboard about complaints registered by IAMs. Given the fast growth pace of the institution, the expectation is that in the coming years the three CEIU functions will have plenty of deliverables to show in the core tasks.

40. To raise awareness on integrity matters, the annual Anti-Corruption Day event is a point in case and an e-bulletin (Integrity Advisories) has been created. All three

functions organize so-called Practitioner Dialogues for Board, Management and Bank staff with specialists from peer institutions. The ‘Early Learning Assessments’ (ELAs) are also important instruments which deliver to the same audience evidence-based findings and lessons for current and future projects. In addition, as part of its knowledge dissemination and learning task, CEIU provides input to draft policies and strategies and reviews other Bank documents.⁸ Finally the role of the MD-CEIU in the ExCom should be mentioned, where he can provide his advice on Bank matters under consideration. He has also been assigned his own seat at the meetings of the Board, which gives him the opportunity to express his advice and opinion before the Board.

3.2 Appreciation of the Work of CEIU (Effectiveness and Efficiency)

41. **Overall, the activities of CEIU are well-appreciated**, although there are also critical remarks on the way CEIU is operating.

42. **Nearly all Board members saw CEIU as an indispensable instrument to help the non-resident Board hold the President and Management accountable for their actions, as CEIU provides them with independent, unbiased and objective information and analysis.** In this regard, the possibility of calling meetings between the MD-CEIU and Board members only (without Management) is perceived as a very important mechanism by several Board members. One Director insisted that the MD-CEIU should be appointed by the Board. Also, the independence of CEIU was noted as relevant for the reputation of the Bank, strengthening the ability of CEIU as a bridge function between the Bank and the public, including CSOs, in a credible way. Board members also acknowledged the importance of CEIU staying engaged with Management, as this helps to improve Bank policies, strategies, and processes in a more efficient way. The need for an external quality review of CEIU (with a cycle of 5 years, coinciding with the appointment cycle of the MD-CEIU) was widely recognized.

43. **Gains in effectiveness could in particular be found in the fields of Evaluation and Complaints-handling.** On Evaluation, most Directors expected a broader coverage of Bank activities through the application of new evaluation instruments, specifically the evaluation of policies and strategies and a deeper and more frequent engagement with the Board. Some Directors called for the public disclosure of ELAs, whereas others preferred to wait for that for a while. Evaluation was seen as leaning much towards learning instead as balancing with accountability. There appears to be clarity in AIIB with regards to expectations on the Integrity function.

44. **Regarding the PPM, some Directors/Alternate Directors, including the regional ones, pleaded for a more pro-active attitude of the PPM and for more engagement with AIIB members.** In view of many, PPM should not wait until it receives a formal complaint. The same holds true for Project Teams which should assess potential risks early on and coordinate with the PPM for an early resolution of issues. The possibility that the Board should have the right to activate the PPM was also mentioned by many Board members. Board members also expressed keen interest in the PPM Policy Review and indicated their full support for the “Roadmap of the PPM Policy Review”. Many were of the view that the accessibility criteria of PPM were too restrictive, which was seen as the main reason the PPM is yet to declare a single complaint eligible.

⁸ See 2022 CEIU Annual Report, p 9-16

45. All Directors interviewed saw CEIU as highly efficient in delivering its work program despite limited resources. Many Board members called for an increase in resources commensurate with the strategic directions of CEIU for the coming five years.

46. CEIU also has a very good reputation among senior members of the Management, indicating that they have benefited from all three functions. Although there is widespread recognition that the system still has to be tested, as indicated above, the concept of an “independent and engaged” CEIU is widely embraced. Senior Management supports independent and impartial investigations under PPP and PPM. However, there is some fear that too many requirements attached to Bank loans could make its financing unattractive for potential clients, arguing that the Bank is, due to its funding possibilities, financially less attractive to clients than some other MDBs.

3.3 Key Strengths and Weaknesses of CEIU

47. Some of the key strengths of CEIU mentioned by the Board members include the following:

- a) CEIU is an indispensable instrument for the non-resident Board to hold the President and Management accountable.
- b) CEIU reports to the Board and provides independent, unbiased and objective information and analysis.
- c) MD-CEIU can call for a meeting with the Board (without Management in attendance). This particular feature is unique to AIIB.
- d) CEIU is seen as highly efficient in performance of its functions.
- e) As an independent unit, CEIU is able to fulfill a bridge function between the Bank and external stakeholders such as CSOs in a credible way.

48. Some of the key strengths of CEIU mentioned by the Management include the following:

- a) Policies guiding CEIU activities are overall well-developed.
- b) The MD-CEIU attends the ExCom meetings as an observer.
- c) CEIU helps to overcome silos in the organization and make different parts of the Bank less inward-looking.
- d) CEIU is an important vehicle for improving policies, strategies, and processes.
- e) CEIU helps to respond better to Board concerns.
- f) CEIU gives confidence to the Board that the Bank is well-managed.
- g) CEIU contributes with strategic thinking at the table.
- h) The role of CEIU in external accountability is important. CEIU is independent, therefore its views count for CSOs and other external stakeholders.
- i) Workshops on Integrity, red flags and procurement issues are very good, as are most other learning-related meetings and trainings organized by CEIU.
- j) Informal relations with CEIU staff and informal advice are appreciated widely.
- k) Organizationally, CEIU is very lean and efficient. However, some interviewees considered that CEIU was under-resourced given its mandate and the increasing workload.

49. Some weaknesses/areas of improvement mentioned by the Board members are:

- a) MD-CEIU is currently appointed by the President in consultation with the Board. As a Board-reporting unit, some Board members see it fit that the MD-CEIU should be appointed by the Board.

- b) Evaluation can expand its suite of products to cover a broader range of Bank activities (such as evaluation of policies and strategies) and CEIU can have a deeper and more frequent engagement with the Board.
- c) Products such as ELAs should be in the public space to enhance accountability, especially once projects have been completed.
- d) PPM eligibility criteria are comparatively restrictive. The Bank will benefit by lowering the bar on intake of complaints. In addition, PPM should be more proactive and triggered before risks materialize or problems become too complicated to resolve.

50. Some weaknesses/areas of improvement mentioned by the Management are:

- a) A strong mission statement by CEIU is lacking.
- b) Presence of MD-CEIU in ExCom weakens CEIU's role as an oversight tool.
- c) Follow up on implementation of recommendations coming from CEIU is very weak. This is the responsibility of the whole Bank. For example, creation of a learning group is long overdue.
- d) Although ELAs as such are seen by most managers as useful and a potential good vehicle for learning, they see also room for improvement in the execution of this instrument. The Learning and Evaluation function can be more open-minded and a better listener. A more participatory approach is needed in the set-up of an ELA. It is not always clear whether an ELA is a learning, formative exercise or a summative one, as the methods applied sometimes resemble audits or investigations. ELA process is rather slow.
- e) There is a need for more differentiated evaluation products like quick response papers and thematic evaluations. The Bank has to create a result framework with an intervention logic per project in order to facilitate the conduct of evaluations.
- f) PPM should close cases early on. Lack of clarity in communication between PPM and OSD staff when a case arises, created some anxiety in the past. Exchange of information on substance should be a two-way street.
- g) Regarding the Integrity function there is less clarity about whether and how staff can approach the function in case they need advice, especially during project preparation.
- h) There are some indications of adversarial relationship between CEIU and other Bank staff, in particular with operational staff. Perception is that CEIU lacks practitioners' experience: it needs a mix of experts' and practitioners' experience. CEIU has too much a 'one size fits all' approach, without sufficiently taking different products, context and stakeholders into account, in particular when dealing with the private sector. Private and public sector actors have different motivations. Some interviewees also expressed their frustration that AIIB puts too much burden on the private sector clients in form of policy requirements whereas IFC requirements are often less demanding than ours. There is an issue of cascading down requirements too far into the chain of sub-contractors.
- i) CEIU has to explain better (in particular to the front-line staff) that it is part of the mission of the Bank: "You are with the staff; not against them. Introduce, explain, justify."

4. RELATIONS WITH INTERNAL AND EXTERNAL STAKEHOLDERS, RESOURCES AND SKILLSET

4.1 Relations with Internal Stakeholders

51. **Overall, CEIU has established good relations with both the Board and Management, although for slightly different reasons.** The Board sees CEIU mainly as an important instrument to hold the Management accountable for its actions under the delegated framework and is overall satisfied with the way this task is performed. The Management considers CEIU as an important learning vehicle. Both parts of the governance structure of the Bank find value in the concept of CEIU being “independent and engaged”. Both sides are of the opinion that CEIU adheres well to this balance, although with a slightly different emphasis.

52. **CEIU has organized abundant internal learning and awareness activities (in-reach) as described in paras 35-36 of this paper, which are highly appreciated by Board Members, Management, and staff.** However, from the interviews, it appears that more efforts should be put in engaging with the staff and explaining why CEIU performs certain activities and how.

4.2 Relations with External Stakeholders

53. **Externally, CEIU organizes outreach events for clients and CSOs in cooperation with other MDBs.** These are important mechanisms to disseminate information on CEIU-related matters. Until now these events have focused mainly on the activities of the PPM. However, topics related to integrity – and in the longer run evaluation reports – could also be explored.

54. **CEIU is also actively engaging with peer MDBs and other multilateral institutions in order to build up its international presence.** Last year the OECD/DAC Network on Development Evaluations (EvalNet) accepted the AIIB as EvalNet International Institution Observer. Other key engagements of CEIU include the Annual Meetings of the Conference of International Investigators (where it has the opportunity to relate with the Heads of Integrity of the main MDBs) and the Independent Accountability Mechanisms Network (IAMnet). For the Evaluation function, events organized by members of the Evaluation Cooperation Group (ECG) are of interest. Meetings with peer organizations and attendance to their events not only offer learning opportunities but can also be seen as a step to membership of their joint professional organizations. Membership of all such networks can help increase the weight and reputation of CEIU.

55. **The AIIB has until now participated in 120 co-financed projects, mainly with the World Bank and the Asian Development Bank.** In the majority of the co-financed projects, the Bank has agreed to the application of the policies of the lead co-financier, including its social and environmental policies. The handling of complaints and the investigation of alleged prohibitive conduct are also performed by the co-financier. The Bank has signed co-financing framework agreements with the World Bank, ADB and EBRD. This has considerably relieved the task of CEIU in these areas. However, chances are that co-financiers will demand the AIIB to take up a greater share of the burden, once the AIIB (and CEIU) have matured.

4.3 Resources and Skillset

56. **At the moment CEIU has 5 FTE's, including the MD-CEIU.** A widespread consensus exists among both Board members and Management (except for a few Management members who do not favor a stronger CEIU) that more resources are needed. It seems advisable that a new, second staff in each function would be a specialist in the respective profession who also has the capacity to manage external specialized consultants and who preferably has operational experience. When CEIU grows, it is important to develop synergies where possible in the performance of horizontal tasks, support staff and systems (for example a common case management system, a pool of analysts, etc.).

57. **As CEIU grows and advances towards its Phase 2, and in view of the growing responsibility of positions of heads of three functions,** future consideration should be given to gradually elevate the seniority of these positions to align them internally and externally.

58. **The Integrity function in particular handles very confidential and sensitive information and data.** Therefore, it is important that the investigators are located in a space which access can easily be closed. For interview purposes, the function needs a room where people can enter without being seen by others. At the moment this is not the case.

5. A SNAPSHOT OF THE THREE CEIU POLICIES

59. Without pretending to provide a full analysis, this section points out to some elements of the policies supporting CEIU functions that might be worth reconsidering.

5.1 Project-Affected People's Mechanism (PPM) Policy

60. Key observations on the PPM Policy are the following:

- a) PPM Policy is currently under review and several pertinent issues will be debated during this process.
- b) Accessibility criteria are very restrictive, which might contribute to the fact that no complaints have been declared eligible by the PPM.
- c) Although mentioned in other Bank documents, the independence of the PPM does not get much attention in the policy itself. This should be made explicit as part of the updated PPM Policy.

5.2 Learning and Evaluation Policy

61. Key observations on the Learning and Evaluation Policy are the following:

- a) The policy heavily focusses on Learning. Accountability as a fundamental task is hardly mentioned (only in para 7). This is at odds with the unique fact - in the world of MDBs - that CEIU (including the Evaluation function) is explicitly mentioned in Bank documents as an instrument for the Board to hold the Management of the Bank accountable. In addition, the external dimension of accountability is not included at all in the policy.
- b) The policy is very restrictive in terms of the products that the Evaluation function can provide, limiting them to project evaluations, which leaves out higher plane evaluations such as evaluations of policies, strategies, and processes. These are essential to support the Board's directive role and to enhance institutional accountability and learning. A much broader approach should be considered, including a provision that the function may introduce new evaluation products in line with developments in the field of evaluation and the evolving needs of the Bank.
- c) The policy does not make any reference to a process to follow-up the implementation of recommendations stemming from evaluations.
- d) Paras 13 (f) and 19 (c) assume a very heavy role for Management in the conduct of evaluations.
- e) The policy restricts disclosure, in the sense that it states that ELAs will not be published.

5.3 Policy on Prohibited Practices (PPP)

62. Key observations on the PPP are the following:

- a) Independence of the Integrity function is only indirectly mentioned in Bank documents other than the PPP. And in the PPP, it is completely hidden in article 3.4, only mentioned through a reference to an article on sanction panel members (article 5.5). Independence of the Integrity function does not get any further attention in the policy. In the paper on the Oversight Mechanism (para 33), there is a somewhat strange exemption for the Integrity function: "However, two areas where independence must be maintained are in the investigation into

complaints alleging noncompliance with the ESP in AIIB-financed projects, and evaluation of projects.” It is not clear why this paper does not assign the same preponderance to the independence of the Integrity function, when in fact this is a critical requirement of a credible Integrity function.

- b) The policy does not cover investigations extensively; it refers more to the sanctions process.
- c) The policy does not give much attention to preventive measures, like proactive integrity reviews and red flags training.
- d) Cases of internal prohibitive conduct are not investigated by CEIU, but by the Ethics unit. This set-up can be questioned from the perspective of AIIB being a lean Bank (in other words, why do we need a duplication of specialized functions) and from effectiveness and efficiency considerations (in a prohibitive conduct case both internal and external persons can be involved).
- e) There is no clarity on what will be reported to the Board in the case of a substantiated investigation.
- f) The Policy is much focused on sovereign operations.
- g) There is no guidance on how far Bank requirements will be cascaded down in the sub-contractor chain.
- h) Referrals to national authorities are made by the President, not by the MD-CEIU.

6. OBSERVATIONS AND CONCLUSIONS

63. Applying the three dimensions guiding these self-reflections (independence, credibility, utility) to the position and functioning of CEIU, a positive though cautious picture emerges.

64. Regarding independence, the policies in place provide CEIU with sufficient support to act independently, but there are still some weak spots in the policies, as indicated in paras 45-46. In addition, the message concerning the independence of CEIU is scattered throughout different policies of the Bank and may not be immediately clear to various internal and external stakeholders. The three independent functions under one roof have reinforced the position of CEIU within the Bank governance and hence of the individual functions as well. Independence is also about behavioral independence and from the interviews the picture that arises is of a CEIU team that acts in this spirit.

65. Although CEIU has only a limited experience in the fulfilling of its core tasks, particularly tasks which might create some tension with other parts of the Bank and could better test the independence of the unit, it is clear that CEIU with all three functions has become a well-recognized and respected component of AIB's governance structure. The dual concept of CEIU being "independent and engaged" has served the Bank and CEIU well, at least until now. For Board members (both regional and nonregional members) CEIU is recognized as an important instrument to help them keep the President and Senior Management accountable, but several see a room for enhancing the factual and perceived independence of CEIU and for broadening its scope of action (e.g., scope of evaluation activities, PPM involvement, etc.). On the other hand, Bank Management emphasizes its appreciation for the learning side of CEIU, although management also realizes that it needs an independent and accountability focused CEIU to fulfill the expectations of the Board.

66. The opinions of Management about CEIU vary along the continuum of "nice to have", "good to have" and "critical anchor" in Bank's governance.

- a) Some of the Senior Management members regard CEIU as "nice to have", but a potential cost to the clients. They think that CEIU should continue to perform its functions but not bother the clients too much and not appear as "additional cost" to the clients who are already concerned about a relatively expensive financing of AIB.
- b) The second group sees CEIU as a "good to have" critical element in the Bank's governance structure but wants to keep it in check through policy restrictions and keep some degree of Management's control over the unit.
- c) The third group fully recognizes the importance of the independent role of the unit in the system of checks and balances in the Bank's governance. Although this group regards CEIU as "critical anchor" in Bank's governance, some are concerned that CEIU might become too independent.

67. It is therefore very important for CEIU's independence in fact and appearance that the reporting line of MD-CEIU is further clarified in future adjustments of policies (and CEIU ToR).

68. One particular aspect that does not get sufficient attention in the Bank, but is an important issue in other MDBs, is the external dimension of accountability. A strong

mission statement of CEIU which clearly indicates all aspects of its mandate, including internal and external accountability and learning, will certainly help to improve the position and perception of CEIU further.

69. Credibility of CEIU is high, partly derived from the policies underpinning its independence and from the fact that the MD-CEIU and his staff know how to implement the “independent and engaged” principle. Although there is some criticism about the way CEIU sometimes engages with other Bank staff, overall, the picture is positive: CEIU staff is seen as competent, unbiased, and informally easy to approach. The in-reach activities of CEIU are very much appreciated but methods and processes for CEIU products are not always clear and crystalized. CEIU could also do a better job in explaining that they are part of the common mission of the Bank.

70. On utility, from the interviews it was not possible to assess the actual pick-up of lessons-learned coming from official reports, like the ELAs. What is clear is that all in-reach activities fulfill an important educational task, make the Board, Management, and staff aware of how other MDBs deal with certain issues and provide lessons-learned. What is missing is a formal tracking system to follow up on advice and recommendations issued by CEIU. This applies to all three functions. CEIU Annual Reports and Quarterly Reports to the Board could become more informative if they would provide better information about the content of reported discussions and meetings. Also, there seems to be room for improvement regarding the interaction between CEIU staff and other staff during the conduct of CEIU activities. Finally, the creation of a Learning Group by Management is overdue.

7. RECOMMENDATIONS

71. On the basis of this Self-Reflective Review, the following recommendations, organized under the four dimensions of the Delivery, Effectiveness, Efficiency and People (DEEP) Framework, are made:

7.1 Delivery

1. **Develop a complete mission statement for CEIU in the ToR of CEIU, which should contain both the internal and external dimension of the concept of accountability as well as the learning mandate of CEIU⁹.**
2. **Further strengthen the perception of independence of CEIU by strengthening the language on functional independence of CEIU and reflect it holistically in one document as well as in all relevant policies of CEIU functions.** This is particularly important to improve external stakeholders' perception about CEIU's overall and functional independence. The different elements of the concept of independence are scattered throughout different policies. The revision of CEIU ToR provides an opportunity to bring all those elements together in one document. In addition, some perceived weaknesses regarding the position of the MD-CEIU could possibly be softened, in particular the hiring of the MD-CEIU by the President. For instance, the Evaluation Cooperation Group (ECG) requires members with a non-resident Board that the selection panel recommending a candidate to the President consist of at least one Board member. The adoption of this norm would give the Board a voice in the selection process of the MD-CEIU without affecting the right of the President to appoint him or her. Also, currently the President has to consult the Board during this process. It would be useful to define how this consultation process is done. The consultation processes with regard to the firing of the MD-CEIU and the annual performance assessment of the MD-CEIU should also be more clearly spelled out.
3. **Ensure the PPM Review is objective, aiming to enhance PPM's effectiveness, in particular PPM's visibility, accessibility, proactiveness and responsiveness to Project-affected People, and AIIB's accountability.** In this process, ensure an inclusive, broad-based, transparent, and meaningful stakeholder consultation process.
4. **Test the whole suite of products under CEIU's three functions.** As the system is not yet fully tested, start soon with an assessment of the products using focus groups to look at content and process assessments and conduct further research on the reasons why so few compliance reviews and integrity investigations have been triggered so far.
5. **Consider including investigations of internal prohibitive conduct, i.e., internal investigations related to procurement, as part of CEIU's responsibilities.**
6. **Develop preventive measures against fraud and corruption** (introduce proactive integrity reviews, risk-based systems using big data, mandatory anti-fraud trainings).
7. **Deepen relations with peer functions in other MDBs, including hosting common events where feasible,** and start preparing for becoming a member of their "umbrella organizations" (for those where the AIIB is not a member yet). This will help to enhance CEIU's thought leadership, further improve the internal and external reputation of CEIU (functions) and AIIB, strengthen the position of CEIU (functions) within the Bank and elevate the learning process and quality of CEIU

⁹ It should be noted that the new revised TOR of CEIU (Attached in Annex 2) now refers to both internal and external dimensions of AIIB's accountability.

functions themselves.

8. **Broaden the scope of the evaluation function and products to include not only project evaluation but also policies, strategies, thematic and processes.**¹⁰ Include a provision in the Learning and Evaluation Policy that the function may introduce new evaluation products in line with new developments in the field of evaluation and the evolving needs of the Bank.
9. **Further improve the CEIU annual report and the quarterly reports to the Board,** making them more analytical and substantive and not just providing factual information at activity-level. At the moment the reports mostly include “inputs” by CEIU and do not indicate much about why certain activities are being done and what the results are.

7.2 Effectiveness

1. **Continue acting independently and staying engaged with Management.** Both Board and Management see CEIU as a valuable entity within the governance architecture of AIB. So far, CEIU has struck the right balance between independence and engagement. Management should recognize that a CEIU without sufficient factual and perceived independence will lose its credibility vis-à-vis the Board and the world outside; while the Board should realize that a CEIU that is not seen as being engaged will lose its credibility vis-à-vis Management.
2. **Ensure that Management provides responses to and takes actions on recommendations of CEIU reports.** This will increase the weight of the recommendations and strengthen the quality of the dialogue between Management, Board and CEIU on those recommendations and the underlying issues.
3. **Re-consider the exemption of ELAs from public disclosure requirements, especially once projects have been completed.**
4. **Further intensify outreach with external stakeholders (especially CSOs and clients), and in-reach activities** in order to increase the visibility of and understanding on CEIU functions both inside and outside the Bank.
5. **Assess the effectiveness of CEIU products, processes and services for the operational staff using focus groups sessions.** This is important for all products and services that CEIU provides. Some interviewees indicated that in their perception the way ELAs are conducted is rather directive and could be more participative to better elicit learning. Similarly, for PPM and PPP, operational staff do not know whether they can approach CEIU staff for advice in situations when there are no investigations under process.

7.3 Efficiency

1. **Develop a department-wide system within CEIU for monitoring the follow up on recommendations from CEIU functions / reports.**
2. **Leverage technology to expand outreach of CEIU functions.** Expanded and effective use of social medial platforms can help inform key external stakeholders about activities of CEIU functions.
3. **Develop e-learning platforms for internal and external trainings** on CEIU functions.
4. **Provide the integrity investigators with a space that can easily be closed.** The Integrity function in particular handles very confidential and sensitive information and data. For interview purposes, the function needs a room where people can enter without noticed by others.

¹⁰ The new revised TOR of CEIU (Attached in Annex 2) now includes these dimensions.

7.4 People

1. **Urgently scale up CEIU resources given the importance and growing magnitude of its work.** The Strategic Directions Paper of CEIU should clearly specify the headcounts under each function that will be needed in the coming year, to anticipate the growing volume of business. Both Management and Board are receptive to an increase in resources, with the appropriate justification supporting it. Consideration should be given to hire staff with sufficient operational experience.

ANNEX 1: D.E.E.P Framework for CEIU 2023-2025

The Complaints-resolution, Evaluation and Integrity Unit has adopted a framework based on the principles of Delivery, Effectiveness, Efficiency, and People (DEEP), with Priority Actions identified and to be executed in each of these dimensions between 2023 and 2028. This report documents the actions defined in 2023 and provides a baseline for the monitoring and assessment of improvements in CEIU work during the next five years. These actions will be adjusted as needed during this period to maximize the expected results of the implementation of this framework. The areas of the DEEP Framework can be summarized as follows:

DELIVERY: Actions intended to ensure the delivery of strategic products, processes, and services of the unit, such as development of a suite of products for each function to cater to the needs of different stakeholders, completion of process and procedures architecture and administrative guidance notes of the unit, revision of the Unit's ToR, review of the PPM Policy, and enhancement of the Unit's thought leadership internally and externally. These actions are divided into four sections: a) Architecture, b) Product and Services, c) Thought Leadership and d) Systems and Reporting.

EFFECTIVENESS: Actions for the purpose of improving CEIU's institutional effectiveness through improvement of quality control of reports, enhancement of CEIU templates/formats for the production of documents, presentations, publications and reports, good planning and focus of practitioner dialogues, conduction of Satisfaction Survey for CEIU, effective engagement with the Board, Management and Staff, effective engagement with CSOs, expanded partnerships, advocacy for learning culture, targeted outreach, and reduced service times to ensure no backlogs.

EFFICIENCY: Actions to enhance CEIU's management its resources to maintain a high level of productivity, such and use of technology for in reach and outreach to reduce resource intensity, development of integrated Systems across CEIU and connected with the Bank's systems, development of case management system and enhancement of soundproof of some offices to ensure privacy of interviews and exchanges.

PEOPLE: Actions focusing on staff wellbeing, development, and advancement, such as creating a secure environment, improving interpersonal relationships, encouraging openness and one-on-one conversations, promoting transparency, ensuring mutual trust and respect, and ensuring training hours. This area also includes definition of clear objectives of CEIU Staff, promoting work life balance, and ensuring adequate staffing of the Unit.

ANNEX 2: Terms of Reference for the Complaints-resolution, Evaluation and Integrity Unit (CEIU)

Terms of Reference for the Complaints-resolution, Evaluation and Integrity Unit

January 27, 2024

SECTION A: PURPOSE AND RESPONSIBILITIES

The primary responsibilities of the Complaints-resolution, Evaluation and Integrity Unit (CEIU) are:

(a) to provide an opportunity for an independent and impartial handling of external requests or complaints regarding compliance with the Asian Infrastructure Investment Bank (AIIB) Environmental and Social Policy (ESP) under the [Project-affected People's Mechanism \(PPM\) Policy](#) (b) to strengthen institutional performance, credibility, internal and external accountability, and learning by selectively assessing the quality and results of the Bank's ongoing and completed investment projects, operational policies, strategies and procedures in accordance with the AIIB [Learning and Evaluation Policy](#) (LEP), and (c) to support the Bank's "clean" values by investigating project-related fraud and corruption cases under the [Policy on Prohibited Practices](#). Grouping these three functions under CEIU supports the Bank's corporate learning and accountability culture by deriving findings and lessons across all three functions to support continuous improvement in AIIB policies and practices. Additionally, to the aforementioned functions, CEIU may provide independent input to the Board of Directors (Board) and the President when Management formulates and/or reviews operational policies and strategies or when otherwise agreed in the Board approved CEIU work program.

SECTION B: FUNCTIONS

- Complaints-handling Function—implementation of the PPM, AIIB's complaints-handling mechanism regarding compliance with the ESP.
- Learning and Evaluation Function—evaluative assessment of AIIB's ordinary and special operations in accordance with the LEP.
- Integrity, Anti-fraud and Corruption Function—anti-fraud and corruption work carried out in accordance with the Policy on Prohibited Practices (PPP). This includes investigating and handling complaints relating to Prohibited Practices in Projects.

SECTION C: STRUCTURE

- CEIU is headed by a Managing Director (MD).
- CEIU has three distinct functions: project complaints-handling, learning and evaluation, and project-related integrity, anti-fraud and corruption. The work will be organized as follows:

Complaints Handling

- Drafting updates as needed to the PPM Policy, Directive and Rules of Procedure.

- Receiving, reviewing, recording and registering (or redirecting to a cofinancier, as applicable) submissions made to AIIB alleging noncompliance with the ESP and determining their eligibility and suitable review processes.
- Preparing and updating all relevant documentation concerning any submitted processing queries, request for dispute resolution or request for compliance review, including for eligibility and related considerations.
- Organizing, engaging and supervising external specialist(s) for desk and/or onsite PPM functions for specific assignments.
- Working with Management on the findings of investigations to facilitate Management to take actions to address complaints.
- Reporting periodically to the Board/PSC on the findings and actions taken by Management in response to processing queries, requests for dispute resolution or requests for compliance review.
- Assisting and advising AIIB staff on the application of PPM procedures and guidelines.
- Compiling lessons learned from investigations and sharing with relevant departments.
- Conducting staff training on PPM.
- Handling, in consultation with relevant departments as needed, all regular communications that involve the PPM, including all disclosure and related online publication of related information, as consistent with the Policy on Public Information.
- Explaining applicable PPM procedures and processes to parties seeking guidance, including the process for submitting project processing queries, requests for resolutions or complaints to the PPM, if requested.
- Cooperating/coordinating with the independent accountability mechanisms of other MDBs.

Learning and Evaluation

- Drafting updates as needed to the LEP and associated Directive. Developing and updating guidance, methodologies and processes designed to facilitate implementation of the LEP.
- Preparing, in accordance with the LEP and in consultation with Management, an annual work plan and budget for LEAs, as part of the overall CEIU budget and workplan.
- Conducting Learning and Evaluation Activities (LEAs) in accordance with the LEP including assessing whether AIIB projects are producing the expected results and how they relate to the implementation of Board-approved policies and strategies.
- Providing to Board and Management independent evaluative input for the development and review of operational policies and sector strategies conducted by Management on the basis of lessons from the assessment of operations, policies and strategies,

including relevant thematic and/or sector assessments, and, where relevant, lessons from peer institutions, undertaken in accordance with the LEP.

- Facilitating and encouraging the use of findings and lessons from LEAs and peer institution evaluations by:
 - compiling, contextualizing, synthesizing and disseminating the findings and lessons internally and externally and storing them in a lessons database; and
 - conducting training and awareness-raising sessions and providing explanatory materials for staff on lessons and findings from LEAs.
- Handling, in consultations with relevant departments as needed, all regular communications that involve the learning and evaluation function, including all disclosure and related online publication of evaluation-related information, as consistent with the Policy on Public Information.
- Reporting to the Board: (i) periodically on the implementation of its annual work plan; (ii) annually on its work plan results and lessons identified; and (iii) periodically on Management's application of findings, recommendations and lessons from LEAs.
- Participating with other organizations in evaluative activities of common interest, including with co-financiers of Projects supported by the Bank and to share findings and lessons.

Integrity, Anti-fraud and Corruption

- Drafting updates as needed to the PPP, its Directive and administrative guidance regarding the PPP, as well as the investigation methodologies.
- Receiving, reviewing and handling reports (anonymous or non-anonymous) on suspected project-related prohibited practices.
- Organizing and undertaking investigation of suspected project-related prohibited practices.
- Determining the complaint's materiality, credibility and verifiability; and recommending appropriate course of action.
- Conducting investigations and reporting findings, closing cases which are either unfounded/unsubstantiated; and proceeding with cases found to have engaged in prohibited practices to sanction process.
- Compiling lessons learned from investigations and sharing with the relevant departments as inputs to process improvements and preventive measures in AIIB operations.
- Conducting staff training on the PPP and integrity issues in AIIB operations.
- Reporting periodically to the Board/Board Audit and Risk Committee on the investigation cases and findings.

- Handling, in consultations with relevant departments as needed, all regular communications that involve PPP and investigative issues, including all disclosure and related online publication of related information, as consistent with the Policy on Public Information.
- Submitting to the Sanctions Officer entities for cross-debarment as described in the PPP.
- Cooperating/coordinating with the anti-fraud and corruption teams of other MDBs.

Processes for CEIU

- The MD-CEIU is appointed by the President, following consultation with the Board and otherwise in accordance with the Staff Rules. The President shall share all relevant information with the Board regarding a candidate they intend to appoint, including background, experience, and their curriculum vitae. The Board may provide feedback to the President, through the Corporate Secretary, within 14 calendar days.
- The MD-CEIU shall be appointed for a single five-year term which is nonrenewable. Other than during a short transition period at the beginning or end of their tenure, the MD-CEIU shall not have previously been a Staff Member or Consultant, nor shall they be eligible for future Staff and Consultancy roles at the Bank.
- CEIU reports to the Board and should regularly engage with and brief Management on its activities in order to ensure effective communication and lessons-learning.
- Regarding the conduct of CEIU's functions, CEIU staff shall not be subject to instructions by Management, which would be inconsistent with CEIU's independence and reporting to the Board.
- For administrative purposes CEIU and its staff are subject to the policies, rules and procedures and the same discipline as other AIIB departments and their staff, including coverage by the Internal Audit Office of its financial management, and requirements under the Code of Conduct and Staff Regulations and Rules.
- In the implementation of its functions under the respective Policies, CEIU and its staff shall count on the full cooperation of Bank staff and supported through Management relations and best effort, of the client as needed. CEIU shall be afforded timely and unrestricted access to Bank staff and information in their possession required for CEIU to carry out its functions. In accessing and using confidential and commercially sensitive information, CEIU and its staff are bound by the requirements under the Code of Conduct and the Policy on Public Information.
- The performance assessment of the MD-CEIU is conducted by the President, in consultation with the Board and otherwise in accordance with the Staff Rules. Directors are invited to share their input with the President (through the Corporate Secretary) in advance of the review. The Corporate Secretary will provide notice to the Board on the timing of such. Directors will have 14 calendar days to provide input.
- The President will incorporate any feedback received from Directors regarding the performance of the MD-CEIU into the annual performance appraisal of the MD-CEIU.

- CEIU will report to the full Board in a manner consistent with the quarterly update from Management. It will also report in more detail on specific issues to the Board Committees as follows:
 - Project Complaints and Evaluation related issues will be reported to the PSC.
 - Integrity issues related to projects will be reported to the Audit and Risk Committee.
- The MD-CEIU may meet periodically and at least once a year with members of the Board without the presence of Management in an informal setting. Such meetings will be chaired by the Dean of the Board. A meeting shall be called by the Dean of the Board or at the request of the MD- CEIU. The Corporate Secretary facilitates the meeting arrangements as needed.
- The Board will periodically commission an external assessment of CEIU.
- If the President wishes to terminate the MD-CEIU, in accordance with the Staff Rules, the President shall consult the Board in advance. This consultation shall be done during a meeting of the Board, either virtual or physical.

Work Program and Budget for CEIU

- CEIU will develop its multi-year as well as annual work program in consultation with AIB Senior Management and relevant Board Committees, considering issues of interest and relevance to AIB and its member countries together with demands related to PPM or Integrity. The work program should reflect the priorities and capacity of AIB to support and absorb the lessons from work undertaken in CEIU functions as well as the strategic needs of the institution and its clients. The CEIU annual work program and budget is approved by the Board within the Bank's business planning process, and the work program is publicly disclosed.
- The budget of CEIU will ensure both predictability and responsiveness in the implementation of the Work Program, will be prepared by the President, and approved by the Board as part of the overall AIB budget. However, it will be specified as a separate line item. The MD-CEIU may report to the Board Budget and Human Resources Committee on CEIU's work program and proposed budget. The Board may also comment on the CEIU budget at the full Board meeting during the discussion of AIB's Business Plan and Budget.
- Notwithstanding the approved annual budget of CEIU, additional resources for dealing with submissions to PPM, investigating complaints regarding Prohibited Practices, and for evaluation of investment projects will be provided as needed.