

# CLEAN LEAN AND GREEN?

A short briefing on the Asian Infrastructure Investment Bank (AIIB)



CFA



Centre for Financial Accountability

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A SHORT BRIEFING ON THE ASIAN INFRASTRUCTURE INVESTMENT BANK (AIIB)

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# WHAT IS THE AIIB?

The Asian Infrastructure Investment Bank (AIIB) is a new international financial institution which became operational on 16th January 2016. The AIIB describes itself as "a multilateral development bank conceived for the 21st century", and states that its core purpose is to fund infrastructure development projects in the Asia-Pacific region. It currently has 57 members, not just across Asia, but also including countries like Germany, Britain and France.

The AIIB is seen by many as a Chinese-led initiative, partly aimed at challenging the disproportionate influence and control which Western countries have over the Bretton Woods institutions (the World Bank and the International Monetary

Fund) which are the major international financial institutions at global level. Thus it can be seen as a challenge to current global economic and political power dynamics and status quo and part of a global shift of power from the West to the East. However the AIIB is also seen as a means to pursue mercantile interest as well, enabling China to put some of its stockpile of foreign reserves into funding infrastructure development across Asia, to facilitate greater access to markets for its products, and to promote its 'One Belt, One Road' and New Silk Route initiative, linking Asia and Europe by sea, rail and road. How far the AIIB actually advances the implied challenge to existing financial institutions remains to be seen however, as it begins operating and lending: in recent months the language coming from

the bank has continually stressed partnership and cooperation, representing the AIIB as complementary to, rather than in competition with, Bretton Woods institutions.

There is a huge infrastructure gap across Asia, which has not been addressed systematically or comprehensively until now. In fact, according to the ADB's estimate, Asia needs the gigantic figure of \$800 billion each year in infrastructure investment until at least 2020. Until recently the ADB itself was the primary source of funds to infrastructure, but it is not capable of generating and dispersing that level and scale of funding, and thus the AIIB partly aims to address that gap.



*Source: State Council, People's Republic of China*

The AIIB was first mooted specifically by Chinese Premier Xi Jinping in 2014, and has taken form extremely quickly for a complex financial institution involving so many players. Over the two years since then the bank was conceptualised, negotiated and given practical shape, securing 57 members, with the level of interest from different countries worldwide surprising even the Chinese. At present 30 more members are waiting to join the bank, with estimates that its membership might reach 100 by the end of 2016.

The AIIB states that its aim is to be “lean, clean and green” and that its areas of focus will be energy and power, transportation and telecommunications, rural infrastructure and agriculture development, water supply and sanitation, envi-

ronmental protection, urban development and logistics. It has also indicated that its definition of infrastructure is quite flexible, and could include education and health.

Announcing it was open for business in January 2016, the AIIB said “the Bank is expected to foster sustainable economic development, create wealth and improve infrastructure connectivity in Asia by investing in infrastructure and other productive sectors. It will also promote regional cooperation and partnership in addressing development challenges by working in close collaboration with other multilateral and bilateral development institutions.”

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*Source: AIIB press release, January 2016*

# HISTORY *of* AIIB'S DEVELOPMENT

On 24 October 2014, twenty-one countries signed a Memorandum of Understanding (MOU) regarding the AIIB in Beijing.

The countries were Bangladesh, Brunei, Cambodia, China, India, Kazakhstan, Kuwait, Laos, Malaysia, Myanmar, Mongolia, Nepal, Oman, Pakistan, Philippines, Qatar, Singapore, Sri Lanka, Thailand, Uzbekistan and Vietnam. Since then, 36 other members have joined, including Australia, South Korea, Britain, Germany, France and a range of non-Asian countries. This was in spite of a critical, negative response to the announcement of the founding of the bank from the US and Japan - traditionally key economic actors in the region, and rivals of China in geopolitical terms.

Five Chief Negotiators Meetings took place, leading to Articles of Agreement being signed in June 2015 by 50 countries, with 7 more signing later (see Annex at the end of this booklet for a complete list of current AIIB membership). The majority of countries have now ratified their membership, with others still to do so. The Bank was formally opened for business on 16th January 2016, with Mr. Jin Liqun elected as President for a five year term. The AIIB headquarters are in Beijing.

# S TRUCTURE, GOVERNANCE AND FINANCIAL FACTS

The AIIB has 57 member countries; 37 regional and 20 non-regional.

The capital stock of the bank is \$100 billion, divided into 1 million shares of \$100,000. 20% of the shares are paid in (deposited with the bank) and 80% are callable. Comparatively, the World Bank has a subscribed capital of \$252 billion, while the Asian Development Bank's is \$157 billion.

The shares are allocated to members according to the size of the members' economy (using GDP and PPP), and whether they are Asian or non-Asian. China is by far the largest subscriber to the bank, with 30.34% of the shares, and 26.06% of the voting shares. The next

largest member is India, with 8.52% share and 7.5% votes, and Russia with 6.66% stake, and 5.92% vote share. The AIIB is, notably and significantly, the first major multilateral bank with developing countries holding the majority of the shares and votes.

The Bank's President, Jin Liqun, is Chinese. There are 5 Vice-Presidents from India, Britain, South Korea, Indonesia and Germany.

The governance structure involves one governor (usually the Minister of Finance) for each member state of the bank, and an AGM of governors taking place annually. There are also 12

governors nominated as directors, who represent one or more nation, and who are nominated to the Board of directors by the 57 governors. Nine directors are from within the Asia-Pacific region and three represent members outside the region. China and India are the only countries which have directors which represent only them, with all other directors representing more than one country. The board of directors is responsible for daily operations, and task allocation to the Board of governors. It is a non-resident Board, in contrast to the World Bank.

# Asian Infrastructure Investment Bank (AIIB)

Founding members

57

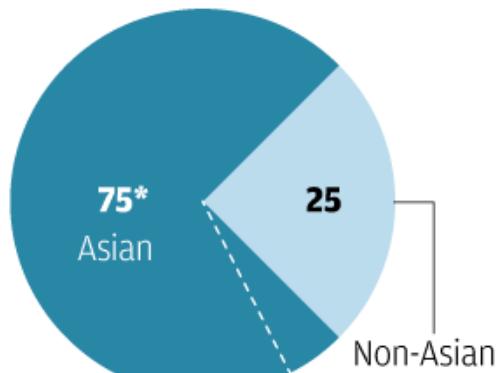


Source: *China Daily*

# Fair share

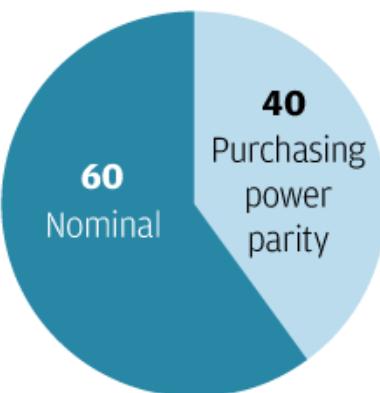
Source: South China Morning Post

Share allocations (%)



\*Can be relaxed to 70% if AIIB expands

Donor contribution (%)

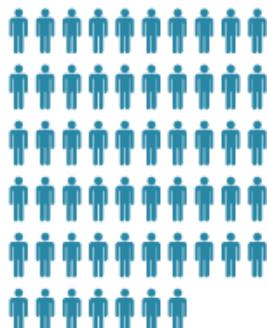


Countries with biggest say (% votes)



Structure

## Board of governors



## Board of directors (BOD)



12

Elected by Asian members' governors



9

3

Elected by non-Asian members' governors

Each AIIB member appoints one governor

## Management



1

President  
(also chairman of BOD)



+  
1 or more

Vice-president

# HOW ARE DECISIONS MADE AT THE AIIB?

## DOES CHINA HAVE A VETO?

To some extent, like many other areas, this remains to be seen as the bank begins to function and operate fully in the coming years. Major policies and decisions, such as electing the President, deciding the reserves, amending the agreement, changing the capital stock of the bank etc, require a supermajority vote (i.e., according to the AoA, an affirmative vote of two thirds of the total number of governors, representing not less than three quarters of the total member voting power). The Board of Directors is meanwhile

responsible for areas such as establishing the policies of the bank and decisions on operational and financial policies.

Given that China has 26.06% of the vote, it thus has a power of veto over those major policy areas and decisions requiring a supermajority decision. Chinese representatives have regularly stressed that as more members join the AIIB China's shares and voting power will be diluted, and have also said publicly that the country does not intend to use its veto. Its behaviour within the bank will be closely

watched in this context, given the obvious comparison with and Southern critique of US power and veto in the Bretton Woods institutions.

However it is also worth noting that the AIIB is a more Southern oriented and representative bank in terms of its membership and voting allocation. At present 75% of the shares and votes are reserved for Asia-Pacific countries, seeing them have a much stronger voice and power in this institution than they have in other multilateral banks.

**Then....**



**Now....**



coining GAO  
The EastWise

Source: Jubilee USA

The Chinese, as well as other emerging powers including India, are frustrated at the lack of change to the international financial structure of the world. They have been pushing for reform of the IMF and the World Bank to greater reflect changing global economic and political dynamics, but have experienced significant resistance from the main traditional powers – the US, Japan and European countries, who would have to let go of some of their voting share and influence. While recent reforms of the IMF voting allocation have increased the share of BRIC countries, yet the US vote allocation remained the same, the vast majority of the votes are still with OECD countries, and other developing countries actually saw their vote share decrease. By contrast, the AIIB is the only IFI where the majority of the votes are held by developing countries, and China of course predominates economically.



# WHY WAS THE AIIB SET UP NOW?

Recent changes in the Chinese economy, coupled with the ongoing global financial crisis and downturn, made the Chinese more interested in issues of Asia-Pacific connectivity. China wishes to increase its influence in the region through funding infrastructure development, also benefiting itself from increased connectivity meaning a smoother flow of its goods to Asian and later European markets.

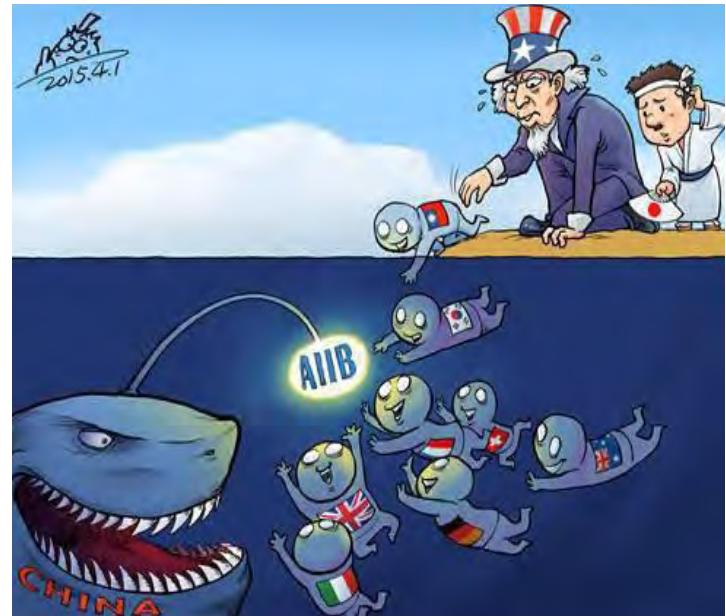
There is general agreement that there is a huge need for infrastructure investment and development across Asia (although the mode of investment and model of development could be subject to debate and disagreement), and that the existing institutions alone do not have the resources to fund the full needs of the region.

Moreover recent changes in the Chinese economy, coupled with the ongoing global financial crisis and downturn, made the Chinese more interested in issues of Asia-Pacific connectivity. China wishes to increase its influence in the region through funding infrastructure develop-

ment, also benefiting itself from increased connectivity meaning a smoother flow of its goods to Asian and later European markets. The One Belt, One Road and New Silk Road initiative are also part of this new foreign and economic policy of a rising China and are seen as being linked with the setting up of the AIIB. Some argue that the country is trying to multilateralise its increasing hegemony, while others see this initiative as being part of China's 'peaceful rise', or as part of the broader shift of global power from West to East. At the military and geostrategic level, ongoing and increasing tensions in

the South China Sea over territorial claims also have the potential of causing political problems within the AIIB given its broad membership.

Other regional actors, including India, are wary of China's increasing economic, military and political might, but see the AIIB as holding the possibility of binding China to a form of regional cooperation and multilateralism. While China has the largest share and voting rights in the AIIB, it has said publicly that it won't use its veto power, and is ostensibly stressing its eagerness to work collectively with regional and other partners.



Source: Mogiseka



What stage  
has the AIIB  
reached?



## HOW WILL IT FUNCTION

The bank's offices have been set up in Beijing, and the AIIB was officially declared open for business on 16th January 2016. Having appointed its first key set of staff, it appears to be still setting up its full team, organisational infrastructure and procedures at the current moment. As of now the bank reportedly has 70 staff, which is a very low number for a bank of such scale; by comparison the Word Bank has a staff of around 10,000 and the ADB

staff is over 3,000. The AIIB has indicated that it could grow to match the World Bank in staff numbers, but for this year it will stick to its lean operation, likely growing to a maximum staff complement of 150. So far, many of the staff recruited have years of experience working in other MDBs, such as the World Bank and the Asian Development Bank, although the recruitment procedures do not appear to have been very transparent.

The AIIB aims to start lending this year, and reportedly hopes to disburse \$1.2 billion in 2016. In the past months it has signed agreements or MoUs with the World Bank (WB), Asian Development Bank (ADB), the European Bank of Reconstruction and Development (EBRD) and the European Investment Bank (EIB). While the WB and ADB were initially wary that the AIIB would diminish their economic influence and power, and reduce standards governing

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Many people around the world are watching with interest to see how the bank's practice and procedures begin to be implemented, and what impact it will have in Asia.

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lending, they have moved to a position of working with the bank to try to influence it. Jin Liqun has also visited many countries in the past months, including India, Finland, Denmark, Germany, Poland and US, on a diplomatic mission to pursue, (or be perceived to pursue depending on the political analysis), high-level multilateralism and assuage fears of Chinese dominance.

In terms of projects, it appears that the AIIB will begin its funding by co-financing a range of projects with existing lenders. This makes sense from a pragmatic point of view, as the Bank doesn't have the staff capacity to engage in the multiple complexities of assessing and overseeing loan disbursement yet, and thus co-financing with well-established banks brings about a credibility and positive credit rating for the bank without drawing on its institutional resources too heavily. Moreover, politically this multilateral approach is clearly de-

signed to address and reduce the anxieties of some actors who see the AIIB as a Chinese dominated instrument of economic and foreign policy. Jin Liqun has been repeatedly using the language of cooperation and coordination in his public speeches in recent months, stressing that the AIIB will be complementary to, and work with, existing IFIs.

The AIIB officially announced the first 4 projects it will fund at the recently concluded AGM in Beijing. Three are co-financed projects alongside existing IFIs; a road project in Pakistan co-funded with the ADB and DFID, a road project in Tajikistan co-funded with the EBRD and a slum upgrading project in Indonesia co-funded with the World Bank. The standards and procedures of the lead, already existing MDB will be applied to the projects, and the AIIB will only provide co-financing. The final project, and the only standalone

one where the AIIB is funding it independently, is a project to upgrade and expand power distribution systems in Bangladesh. It seems likely that a range of other loans will be announced in the coming months.

Many people around the world are watching with interest to see how the bank's practice and procedures begin to be implemented, and what impact it will have in Asia. It is hard to predict at this early stage, and important for civil society to watch this process closely, as things have been moving extremely fast thus far, often without much information being available in the public domain on key developments until they are finished. For example, the bank's environmental and social framework was developed and finalised without adequate consultation (see section below for more information), and other key policy documents and procedures are still being developed, even after the bank has opened for business.

# India and the AIIB: WHAT IS INDIA'S ROLE AND OFFICIAL POSITION ON THE BANK?

India is the second largest subscriber and shareholder to the AIIB, with the second largest vote. India secured one of 5 Vice Presidential roles, which was given to an IAS officer who worked in various high-ranking positions in Gujarat, and was involved in investment liberalisation (see panel). India also holds one of the 12 Director positions on the Board of Directors. Minister of Finance Arun Jaitley is the Indian representative on the Board of Governors.

The rhetoric and ostensible aim of the AIIB aligns very well with a lot of the key concepts and stated policy aims of the BJP-led NDA government in India. Narendra Modi's government got elected on a platform of national development, and has stressed the need to develop infrastructure across India, including a focus on 'smart cities', transport, trade infrastructure and renewable energy, all of which are key AIIB focuses too.

The national media has reported that the Indian government expects that half of the money the AIIB will loan in its first batch of loans this year, \$600 million, will be invested in infrastructure projects in India. According to press reports, India may seek loans for solar energy projects, or for the Prime Minister's pet projects, such as PMKSY and railway projects. At the recently held AGM in Beijing no loans to India were announced, but Finance

Minister Arun Jaitley said that India was identifying a list of projects to put to the AIIB for funding in the areas of urban development (including smart cities), urban transport, energy, inland waterways and water supply.

While on the one hand India has concerns about China's increasingly assertive foreign policy and growing financial, economic and political links with its neigh-



Source: AIIB

*'India hopes that AIIB will be able to truly represent the voices of the developing world which has till now remained under represented in the governance structure of existing MDBs'*

bours across South Asia, on the other hand it appears to see the AIIB as a potential space for collaboration, and for multilateralising and balancing China's expanding influence and power in the global and regional arena.

At the inaugural meeting of the Board of Governors in January 2016, India's representative said "in this regard, it is our belief that the Bank should focus on areas such as power sector and renewable energy, drinking water and sanitation, irri-

gation, transport and railways, and housing sectors [...] India hopes that AIIB will be able to truly represent the voices of the developing world which has till now remained under represented in the governance structure of existing MDBs. The needs and aspirations of these developing countries need to be the focus of AIIB so that it can set forth a new model in long term financing strategies of MDBs."

Significantly, India's representative also made a somewhat contradictory and

## DJ PANDIAN – India's Vice President at AIIB

DJ Pandian is India's nominee to the AIIB's senior management team, one of 5 Vice Presidents. He holds the position of Chief Investment Officer of the bank, and is responsible for "leading the planning and supervision of the Bank's infrastructure investment by promoting sustainable investment throughout Asia that is consistent with the Bank's vision, goals, and strategies, and by ensuring the relevance, effectiveness and efficiency of AIIB operations."

Pandian is a former Gujarat Chief Secretary and 1981 batch retired IAS, who worked for 30 years for the civil service. Pandian previously served as Director in the Department of Economic Affairs, Ministry of Finance, in the World Bank, and had an eight year posting as Managing Director of Gujarat State Petroleum Corporation. He is considered to have been part of Prime Minister Modi's inner circle while he was the Chief Minister of Gujarat, and continued that trend with current Chief Minister Anandiben Patel, who appointed him Chief Secretary. Pandian also played a key role organizing the "Vibrant Gujarat Summit, 2015".

While working in the DEA he was involved in liberalizing Indian policies on foreign capital inflow, after which he spent 3 years in Washington working with the World Bank. He subsequently spent 8 years as MD of Gujarat State Petroleum Corporation, and briefly served as vice-chairman and MD of Gujarat Mineral Development Corporation. Pandian was very involved in setting up Gujarat Energy Research and Management Institute. He also previously served as principal secretary and additional chief secretary in the state's energy and petrochemicals department and earlier headed Gujarat's industries and mines departments.

The Ministry of Finance's press release announcing Pandian's appointment noted that "Dr. Pandian was instrumental in liberalizing the policy regime to attract international investment to crucial infrastructure sectors including power, airlines, ports and telecoms." It still remains to be seen what role he will play in the AIIB, and to what extent he will actively promote the Indian government's interest.

*'It is unfortunate that the ratification of India's membership to the Bank was done without a public debate. This deprives the citizens of a platform to raise their concerns and apprehensions about the functioning of the Bank, while the impact of the investments would be borne by them'*

potentially alarming statement in terms of best practice: "It is also our contention that the Bank must look into best practices of existing multilateral development banks. However this should not bind the Bank to adopt practices which stand in the way of development of Asian economies. AIIB should seek complementarities and synergies with the existing MDBs in the achievement of its stated objectives." (See section below for more on AIIB's Environmental and Safety Standards).

Civil society in India has been quite dissatisfied with the country's approach to the AIIB. A letter sent to Narendra Modi in February 2016 signed by 41 civil society organisations, including NAPM, Narmada Bachao Andolan, National Fish Workers' Forum, Indian Social Action Forum, Socialist Front and All India Kabadi Mazdoor Mahasangh, condemned India's non-transparent ratification of its member-

ship of the AIIB. The signatories called on the Prime Minister to engage in open debate and discussion on the procedures and approach of the AIIB to ensure it did not negatively impact on impoverished people and vulnerable communities. As they wrote "It is unfortunate that the ratification of India's membership to the Bank was done without a public debate. This deprives the citizens of a platform to raise their concerns and apprehensions about the functioning of the Bank, while the impact of the investments would be borne by them". Some groups have also written to India's AIIB Director seeking a meeting, but in both cases the response has been total silence, even months later. Given previous experience of the devastating social and environmental impact of other multilateral lending by well-established banks to India, social movements have reason to be concerned about the AIIB and its impact.



Source: Latin American Herald Tribune

# RESPONSES TO THE AIIB'S ARRIVAL: WHAT DOES THE REST OF THE WORLD THINK?

# THE EXISTING FINANCIAL INSTITUTIONS AND MULTILATERAL DEVELOPMENT BANKS



Source: *Wall Street Daily*

The IMF and the World Bank initially didn't know how to respond to the announcement of the AIIB, especially as the US quite strongly condemned it, and tried to persuade its Western allies not to join. Moreover Japan was not involved and saw the AIIB as being a threat to its pre-eminence in the Asian Development Bank, the traditional regional bank.



*Source: Outsider Club*

However after some time the World Bank put out a statement welcoming the AIIB to the fold of infrastructure funding development banks, and indicated it would be happy to work with the AIIB and share its expertise and history with it. The ADB also issued similar statements, which stress its long history in the region; “ADB will cooperate closely with AIIB in supporting the development of the Asia

Pacific region, drawing on ADB’s 50 years of experience and expertise and with extensive network of 31 field offices in developing member countries”.

Recently, the AIIB has signed a host of MoUs and agreements on co-financing and cooperation with the World Bank, ADB, EBRD and EIB, signalling to the world its intention to be a cooperative,

not competitive, multilateral player. The existing MDBs seem eager to work with the AIIB in an attempt to influence its practice and encourage it to adopt their environmental, social and other standards.

# WESTERN NATIONS



Source: Sputnik News

The US government has been highly critical of the arrival of the AIIB, although it has toned this down somewhat over time as it became diplomatically isolated on the issue. The US initially declined to recognise the need for and utility of the AIIB, and continues to express concerns about the institution's operating procedures, and environmental, social and human rights standards. Countries like Australia and South Korea didn't join the AIIB initially due to US pressure. The US was, however, left increasingly isolated, as first Britain broke ranks and joined, and then various other European countries which are its traditional allies, leaving the US looking somewhat foolish. Japan is very wary of the AIIB, and has not joined, as it is China's traditional rival in the region for financial and economic power, and it sees the AIIB as a challenge to Japan's long-standing predominance in the ADB.

Civil society organisations, social movements, human rights experts, academics and others have had a diverse set of responses to the AIIB. Many acknowledge the need for infrastructure development across Asia to address development challenges and reduce poverty and inequality. However there are deep concerns about the potential impact of AIIB funded projects on the environment in the region, as well as the social impact on impoverished people. The social and environmental impact of projects funded by the World Bank and Asian Development Bank over the past decades has often been devastatingly negative for local and project affected communities. The AIIB has been established and become operational extremely quickly, which is a matter of some concern, as time and consultation is needed to ensure adequate social and environmental safeguards and procedures. The process of the setting up of the bank thus far has not been transparent, has not allowed time for civil society or local community involvement or consultation in Asian countries, and has seen procedures developed speedily and without transparency, or still be under development even while operations have begun. Moreover the key instigator of the institution,



*Source: State Council, People's Republic of China*

# CIVIL SOCIETY:

China, has a questionable record in the area of environmental protection and social and human rights impacts. Thus civil society across Asia and internationally, is concerned that the AIIB could potentially have a negative effect on the region's environment and people. Ideally the AIIB might learn from other multilateral banks' past mistakes and avoid repeating them, but this, like many other things, remains to be seen. The social and environmental safeguards and procedures. The process of the setting up of the bank thus far has not been transparent, has not allowed time for civil society or local community involvement or consultation in Asian countries,

and has seen procedures developed speedily and without transparency, or still be under development even while operations have begun. Moreover the key instigator of the institution, China, has a questionable record in the area of environmental protection and social and human rights impacts. Thus civil society across Asia and internationally, is concerned that the AIIB could potentially have a negative effect on the region's environment and people. Ideally the AIIB might learn from other multilateral banks' past mistakes and avoid repeating them, but this, like many other things, remains to be seen.

What is the  
AIIB process  
around Environmental  
and Social Safeguards,  
Oversight and  
Grievance Mechanism  
etc?

## THE NGO FORUM ON ADB WROTE TO THE AIIB IN APRIL 2015 INTRODUCING THEMSELVES AND OUTLINING IN DETAIL A RANGE OF CONCERN AREAS REGARDING ENVIRONMENTAL AND SOCIAL IMPACT OF DEVELOPMENT FINANCE.

They wrote: “we are writing to you on behalf of a network of 250 civil society organizations, based in Manila, with representatives from 20 countries in Asia to express our concern on the need for robust safeguard policies of the Asian Infrastructure Investment Bank (AIIB)” and outlined a comprehensive range of recommendations and principles for the new bank. The AIIB finally replied four months later, in August 2015, indicating that the delay in reply was because “the Secretariat has been in the process of developing an Environmental and Social Framework for the AIIB”. The new bank thus embarked on a ‘consultation process’ on its Environmental and Social Framework (ESF) policy in August-October 2015.

However this was a very problematic process. The full consultation process was 6 weeks long, the documents provided were only available in English and not translated into national and vernacular languages, and the consultations themselves took place by email and through online consultations. This approach made

it very difficult for communities who might likely be impacted by AIIB funded projects to participate – they were excluded linguistically, geographically and due to their lack of internet access. Civil society networks and social movements struggled to read, analyse, disseminate, and consult at community level and feedback on the draft ESF document in such a short time span with no advance notice. While many international and grassroots organisations from a range of different perspectives (environment, development, human rights, labour rights, indigenous rights, corporate accountability etc) did submit detailed and critical recommendations to the consultation, they also expressed dissatisfaction with the consultation process and appealed for it to be improved and the time period lengthened to enable meaningful participation, something which, ironically enough, the draft ESF document commits itself to in project implementation.

While the second version of the ESF seemed to make some changes responding to the critiques, no response was received

by civil society to their inputs, nor were they given any further opportunities to impact or strengthen the ESF standards. The ESF appears to have been quietly finalised and approved by the bank’s Board in January 2016, although there was no formal announcement of the same, but the document is now available for download from the AIIB website. While the framework appears to have been strengthened in some areas, yet many of the weaknesses and scope for loopholes persist, including around the categorisation of projects, a reliance on national systems of regulation and the lack of a clear independent grievance mechanism. Recently the Director General of the Compliance, Effectiveness and Integrity Unit, a rather intriguing title, has been appointed, but as with other aspects of the functioning of the bank, no detailed information has been shared on what the functions or responsibilities of the Unit will be. The ESF will apparently be accompanied by a set of operational guidelines which have not yet been written/finalised, and the grievance/oversight mechanism is also still to be developed!

# Some key issues and things to look out for



Many civil society organisations and human rights experts, including Amnesty International, Oxfam, Earth Rights International, Bank Information Center, the Asian Indigenous People's Pact, Coalition for Human Rights in Development, NGO Forum on ADB, and a number of UN experts made quite comprehensive and alarming critical analyses of the draft ESF procedure. Civil society raised a whole range of concerns on projects potential negative impact on the rights and livelihoods of indigenous communities, workers, local communities,

Source: Aljazeera.com

# Civil society raised a whole range of concerns on projects potential negative impact on the rights and livelihoods of indigenous communities, workers, local communities, as well as potential displacement, involuntary resettlement and environmental destruction

as well as potential displacement, involuntary resettlement and environmental destruction. Concerns also included the overreliance of the process on self-regulation and national and corporate systems of compliance, with the AIIB potentially offloading its governance and compliance responsibility onto the borrowers. A number of the seeming standards appear to be deliberately vague in their articulation and have loopholes which could be exploited to reduce their strength. Also, the grievance/independent oversight mechanism has not yet been developed and seems to be being developed without any consultation at all.

Moreover the consultation process itself was condemned by most organisations, with, for example, Earth Rights International describing it as

“all but a façade”, and the Coalition for Human Rights in Development saying it was a “deeply flawed process that appears to privilege the input of well-positioned English-speaking business interests at the expense of people in the region”. (For detail and links to these civil society critiques see weblinks listed at the end of this document).

Furthermore, other important areas of policy are still being developed and finalised, as is the structure and HR team of the bank. For example, the AIIB is supposed to develop an energy policy, and a permanent policy on access to information, as well as aforementioned operational guidelines and oversight/grievance mechanism.

Thus, while much of the public language of the AIIB, and its ESF document, seems to aspire to best practice, the experience of the consultation on those very same standards seems to set a bad and disturbing precedent for the future in terms of the gap between policy and practice. However given that most loans being disbursed in the first year seem to be co-financed loans, where the other MDBs’ standards will apply rather than the AIIB’s, it may take some time before it becomes fully clear what the business practice and impact of the new institution will be. Civil society will be watching the AIIB carefully as it develops, strengthens and grows as an institution.

## TIMELINE OF KEY EVENTS IN THE AIIB

October 2013

The Asian Infrastructure Investment Bank, a new multilateral development bank, was first proposed by Xi Jinping in a speech to the Indonesian parliament.

June 2014

China proposed doubling the registered capital of the bank from \$50 billion to \$100 billion and invited India to participate as a founding member to the bank.

October 24, 2014

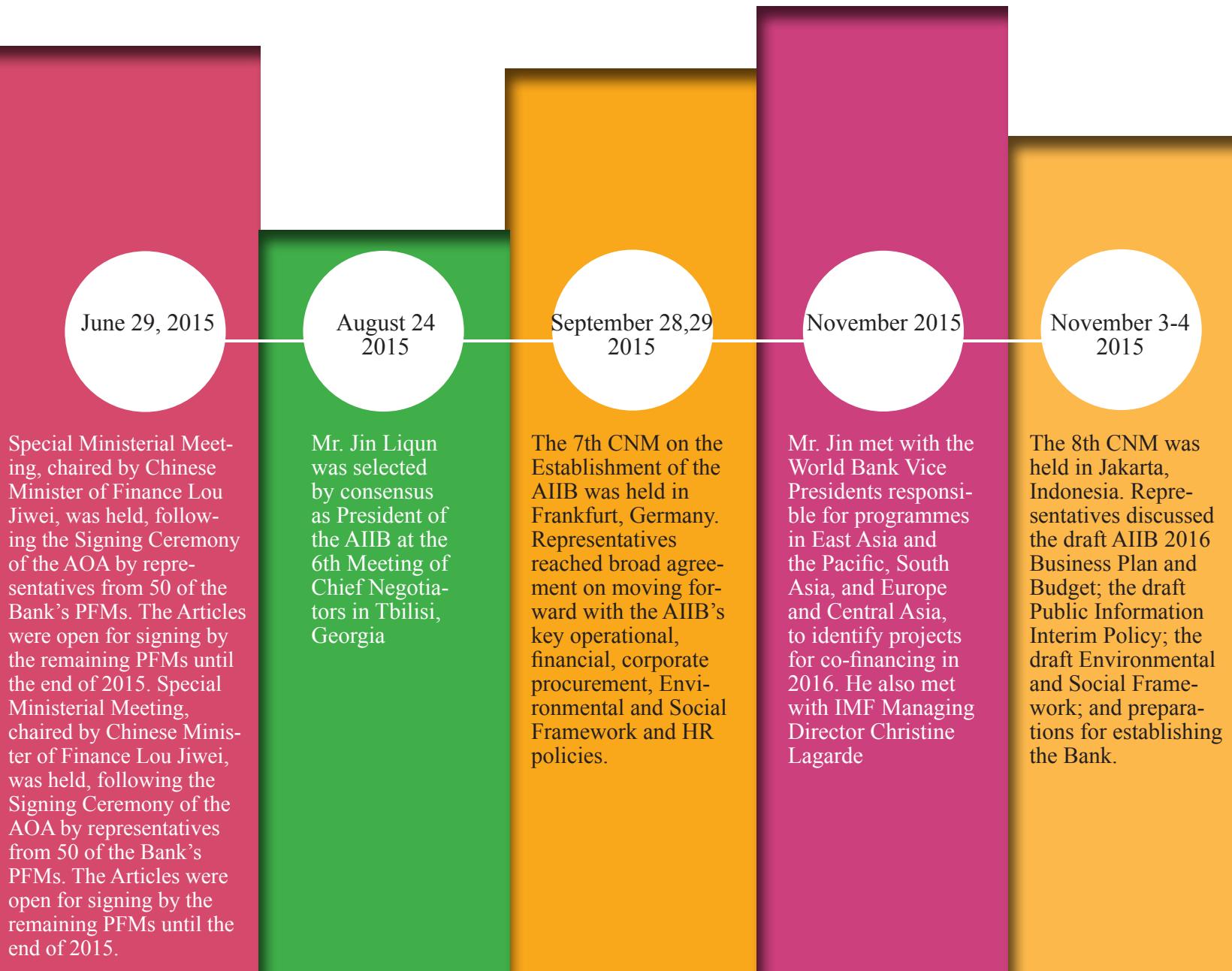
Twenty-one countries signed a Memorandum of Understanding (MOU) regarding the AIIB in Beijing; China, Bangladesh, Brunei, Cambodia, India, Kazakhstan, Kuwait, Laos, Malaysia, Myanmar, Mongolia, Nepal, Oman, Pakistan, Philippines, Qatar, Singapore, Sri Lanka, Thailand, Uzbekistan and Vietnam.

November 28, 2014

The 1st Chief Negotiators' Meeting was held in Kunming. The CNM was conducted to discuss the framing of AIIB's Article of Agreement (AoA) and the appointment of its Chief Counsel.

May 20-22 2015

The 5th CNM took place in Singapore. Representatives from 57 Prospective Founding Members (PFMs) of the AIIB and Mr Jin Liqun, Secretary General of the Multilateral Interim Secretariat on Establishing the AIIB, attended the meeting. The meeting concluded discussions and finalized the Articles of Agreement (AOA) for the AIIB, and discussed the Environmental and Social Framework and drafted Procurement Policy framework.



25 December  
2015

January 11-12  
2016

January 16  
2016.

April 13  
2016

April 14  
2016

The bank started operation once the agreement entered into force, after ratifications were received from 10 member states holding a total number of 50% of the initial subscriptions of the Authorized Capital Stock.

Mr. Jin Liqun visited New Delhi, where he met with Indian Prime Minister Narendra Modi, Finance Minister Arun Jaitley, Secretary of Economic Affairs Shaktikanta Das and other government leaders.

The Board of Governors of the AIIB convened its inaugural meeting, declaring the Bank open for business and electing Mr. Jin Liqun as President for a five year term to which he can be re-elected once. 30 Governors, representing over 74 percent of the AIIB's allocated capital, participated. They were joined by observers from the 27 signatories to the Bank's Articles that were still completing the membership process. The inaugural meeting of the Bank's Board of Directors was called in Beijing on January 17-18, 2016.

Jin Liqun and World Bank Group President Jim Yong Kim signed the first co-financing framework agreement between the two institutions.

The AIIB announced the appointment of Mr. Hamid Sharif as the first Director General of the Compliance, Effectiveness and Integrity (CEI) Unit. The position reports to the Bank's Board of Directors. The CEI Unit's mandate includes monitoring and evaluating the Bank's portfolio, ensuring policy compliance, and overseeing internal and external grievance procedures.



Jin Liqun and ADB President, Takehiko Nakao signed a MOU on the sidelines of ADB's 49th Annual Meeting of the Board of Governors in Frankfurt, Germany.

The AIIB and EBRD, based in London, agreed to deepen cooperation between the two organizations.

The AIIB and the EIB signed a framework agreement to cooperate in Beijing.

Jin Liqun has also visited Korea, Germany, Pakistan, France, Britain, Bangladesh, Finland, and Denmark and met with political leaders there, as well as with heads of the IMF, World Bank, ADB and OECD, amongst others.

The 1st Annual Meeting of the Board of Governors of the Asian Infrastructure Investment Bank was held in Beijing.

Annex 1:

## SIGNING AND RATIFICATION STATUS OF THE ARTICLES OF AGREEMENT OF THE AIIB

PROSPECTIVE FOUNDING MEMBERS	SIGNATURE	RATIFICATION*
AUSTRALIA	29 JUN 2015	10 NOV 2015
AUSTRIA	29 JUN 2015	3 DEC 2015
AZERBAIJAN	29 JUN 2015	24 JUN 2016
BANGLADESH	29 JUN 2015	22 MAR 2016
BRAZIL	29 JUN 2015	
BRUNEI DARUSSALAM	29 JUN 2015	12 OCT 2015
CAMBODIA	29 JUN 2015	17 MAY 2016
CHINA	29 JUN 2015	26 NOV 2015
DENMARK	27 OCT 2015	15 JAN 2016
EGYPT	29 JUN 2015	
FINLAND	29 JUN 2015	7 JAN 2016
FRANCE	29 JUN 2015	16 JUN 2016
GEORGIA	29 JUN 2015	14 DEC 2015
GERMANY	29 JUN 2015	21 DEC 2015
ICELAND	29 JUN 2015	4 MAR 2016
INDIA	29 JUN 2015	11 JAN 2016
INDONESIA	29 JUN 2015	14 JAN 2016
IRAN	29 JUN 2015	
ISRAEL	29 JUN 2015	15 JAN 2016
ITALY	29 JUN 2015	
JORDAN	29 JUN 2015	25 DEC 2015
KAZAKHSTAN	29 JUN 2015	18 APR 2016
KOREA	29 JUN 2015	11 DEC 2015
KUWAIT	4 DEC 2015	

KYRGYZ REPUBLIC	29 JUN 2015	11 APR 2016
LAO PEOPLE'S DEMOCRATIC REPUBLIC	29 JUN 2015	15 JAN 2016
LUXEMBOURG	29 JUN 2015	8 DEC 2015
MALAYSIA	21 AUG 2015	
MALDIVES	29 JUN 2015	4 JAN 2016
MALTA	29 JUN 2015	7 JAN 2016
MONGOLIA	29 JUN 2015	27 NOV 2015
MYANMAR	29 JUN 2015	1 JUL 2015
NEPAL	29 JUN 2015	13 JAN 2016
NETHERLANDS	29 JUN 2015	16 DEC 2015
NEW ZEALAND	29 JUN 2015	7 DEC 2015
NORWAY	29 JUN 2015	22 DEC 2015
OMAN	29 JUN 2015	22 JUN 2016
PAKISTAN	29 JUN 2015	22 DEC 2015
PHILIPPINES	31 DEC 2015	
POLAND	9 OCT 2015	15 JUN 2016
PORTUGAL	29 JUN 2015	
QATAR	29 JUN 2015	24 JUN 2016
RUSSIA	29 JUN 2015	28 DEC 2015
SAUDI ARABIA	29 JUN 2015	19 FEB 2016
SINGAPORE	29 JUN 2015	10 SEP 2015
SOUTH AFRICA	3 DEC 2015	
SPAIN	29 JUN 2015	
SRI LANKA	29 JUN 2015	23 JUN 2016
SWEDEN	29 JUN 2015	23 JUN 2016
SWITZERLAND	29 JUN 2015	25 APR 2016
TAJIKISTAN	29 JUN 2015	16 JAN 2016
THAILAND	29 SEP 2015	20 JUN 2016
TURKEY	29 JUN 2015	15 JAN 2016
UNITED ARAB EMIRATES	29 JUN 2015	15 JAN 2016
UNITED KINGDOM	29 JUN 2015	3 DEC 2015
UZBEKISTAN	29 JUN 2015	
VIETNAM	29 JUN 2015	11 APR 2016

\*DATE WHEN THE INSTRUMENT OF RATIFICATION IS ACCEPTED  
 (SOURCE, AIIB WEBSITE, DOWNLOADED 29 JUNE 2016)



**F o r m o r e i n f o r m a t i o n s e e :**

<http://www.aiib.org/>  
<http://www.bankinformationcenter.org/our-work/aiib-safeguards/>  
<http://business-humanrights.org/asian-infrastructure-investment-bank-aiib>  
<http://forum-adb.org/main/advocacy/asian-infrastructure-investment-bank/>  
<http://www.safeguardcomments.org/home-page.html>  
<https://www.facebook.com/notes/world-bank-safeguards-protection-not-dilution/the-walk-out-statement-read-at-the-wb-safeguards-meeting-on-october-11-2014/661185323980127>  
<http://www.worldbanktribunal.org/>  
<http://www.brettonwoodsproject.org/>  
<https://www.icij.org/project/world-bank>



# CLEAN, LEAN AND GREEN?

A short briefing on the Asian Infrastructure Investment Bank (AIIB)



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