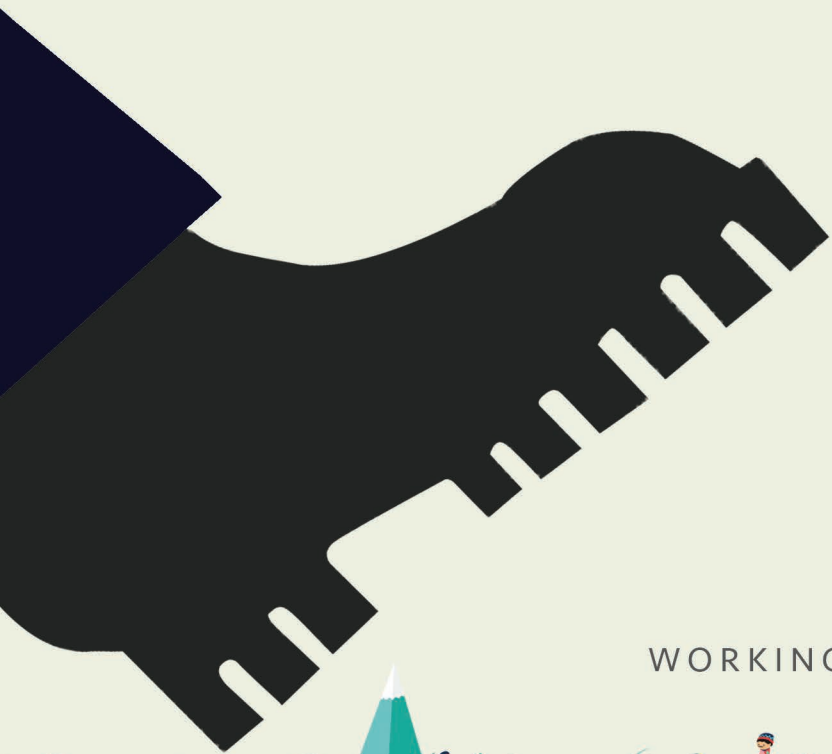


# ASIAN INFRASTRUCTURE INVESTMENT BANK

*Agenda and Ambition*



WORKING GROUP ON IFIs



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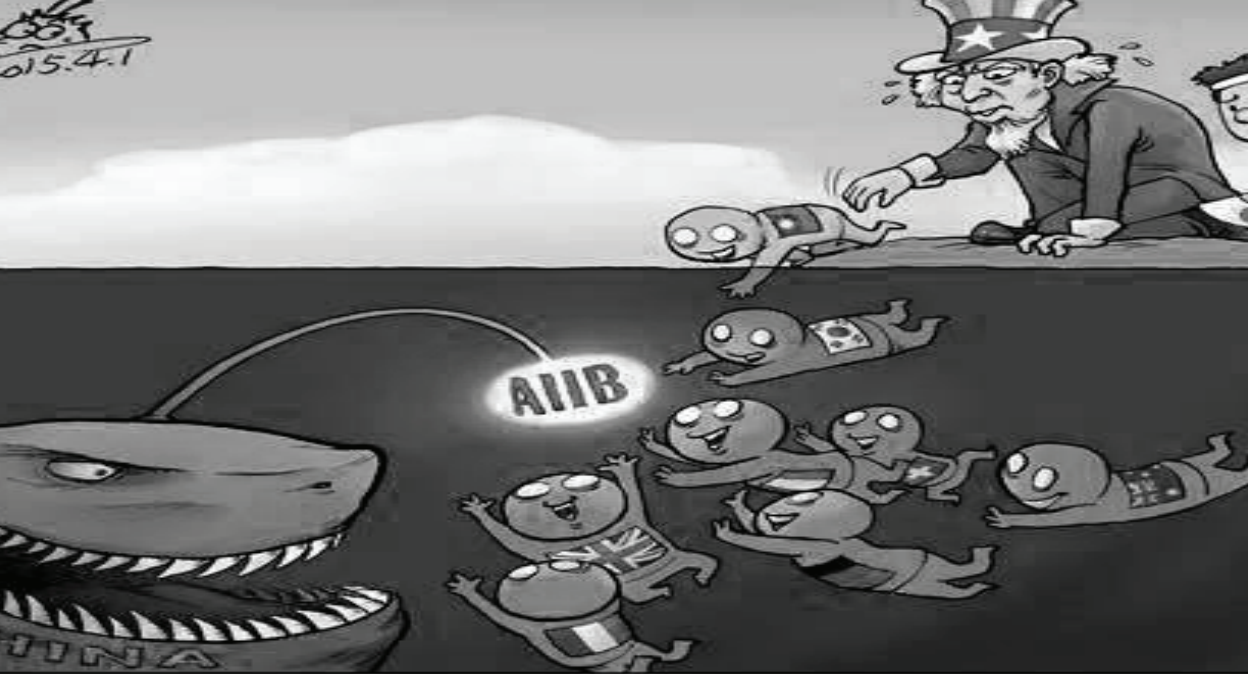
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# The Asian Infrastructure Investment Bank (AIIB)

is a new international financial institution who 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. Their core principles are openness, transparency, independence and accountability and the mode of operation is “Lean, Clean and Green”.

Though it aims to support building of infrastructure in Asia and beyond, there is no aim to improve social and economic outcomes. Since its launch in January 2016, AIIB's approved membership has risen from 57 to 86, expanding its reach within Asia and across the world. Major economies that are not members include Japan and the United States.



# How much money does AIIB own?

The bank has a capital of \$ 100 billion, equivalent to two-thirds the capital of the Asian Development Bank (\$157 billion) and about half that of the World Bank (\$252 billion). The Bank says its investment portfolio by 2025 is expected to be larger than the World Bank.

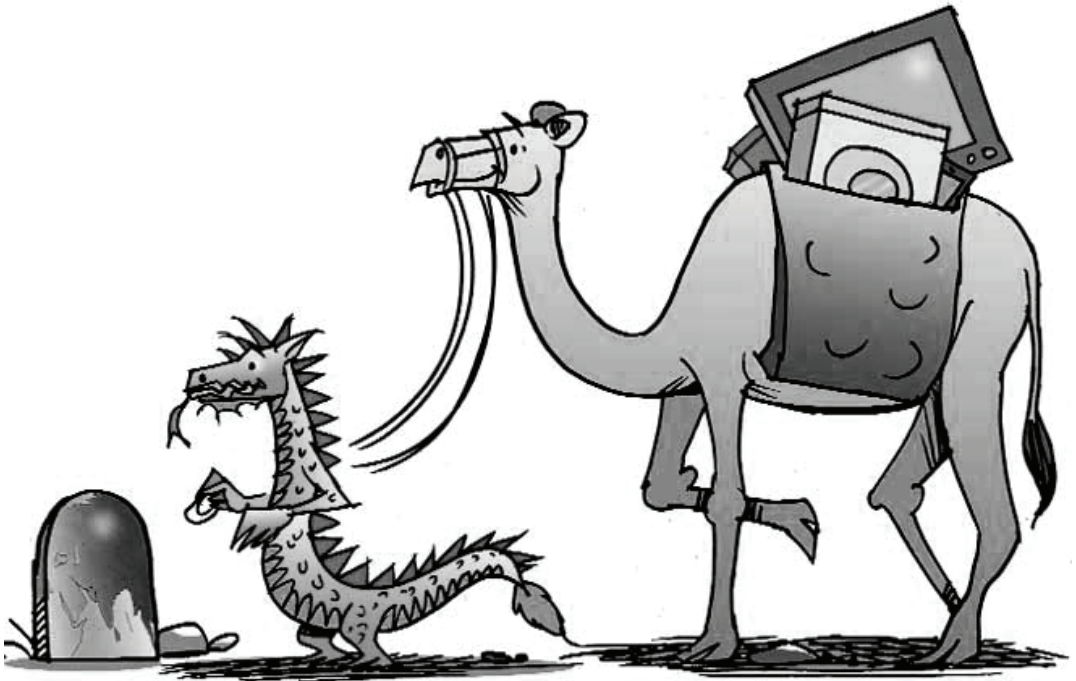
## AIIB and China: Agenda and Ambition

China is the largest shareholder at AIIB with 26.64 per cent voting shares in the bank. India is the second largest shareholder with 7.66 per cent followed by Russia 6.03 percent and Germany with 4.21 percent. Europeans along with allies own 22 percent share holding. Major economies that are not members include Japan and the United States. AIIB is the only IFI

where the majority of the votes are held by developing countries, and China of course predominates economically. AIIB is expected to push the lead for other Chinese investments. China's top five banks alone, hold assets valued at more than \$13 trillion. Chinese assets overall, are valued to be larger than all international funding agencies together, including the World Bank and Asian Development Bank. While China's economy started to experience a slowdown since 2013-14, the country has become heavily dependent on investments abroad.

## India and AIIB

The AIIB has a 12 member Board with executive directors. Three directors are from outside Asia and nine are from Asia. An Indian, D. J. Pandian, is AIIB's head money-man, Chief Investment Officer. He is in overall charge of investments and decides where the money goes. Pandian has close ties to the Narendra Modi administration, having served alongside Modi in



Gujarat in the early 2010's – The Hindu named them as 'The Men who Rule Gujarat'. Many of the old guards from the World Bank have now moved to the AIIB, carrying with them the same old ideas. The Bank President is Jin Liqun who directly handles release of all information.

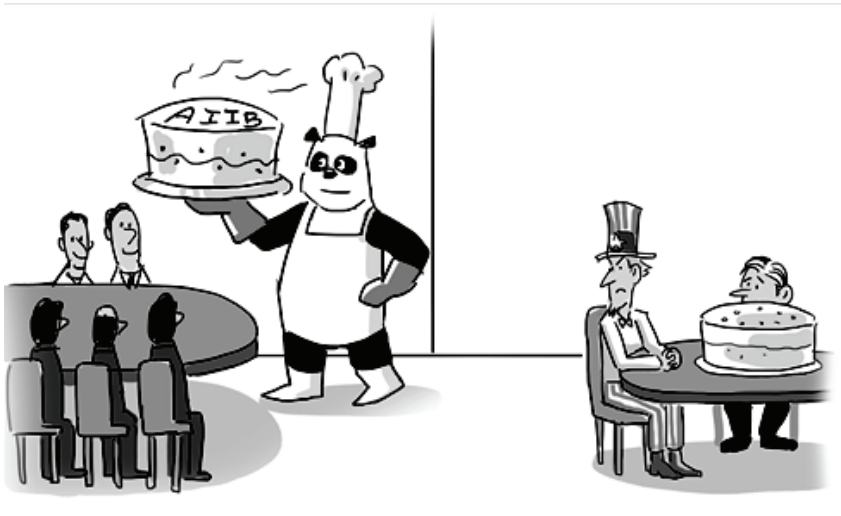
India is AIIB's second largest shareholder and is an adored destination for its investments. India has also emerged as a top borrower from the AIIB with more than \$1 billion worth of loans in 2017 and \$3 billion more in the pipeline. The next round of its projects in India will be approved on June 25 and 26, 2018, when the AIIB Board meets in Mumbai.

# Intensity and Adverse Impact of Investments, along with AIIB, World Bank, ADB and players from Japan and China

India's National Investment Promotion and Facilitation Agency is actively promoting the country as an investment destination. Its target is to achieve \$100 billion of foreign investment by 2020. India recorded its highest Foreign Direct Investment in financial year 2017-18 at \$43 billion, up 9 percent over the previous year. Most of the investment proposals to India are from China at 42 per cent, followed by the US at 24 per cent and the UK at 11 per cent. While India is not a stranger to seeing international investments, what has alarmed many is the pace and intensity with which AIIB investments are coming in and the way national policies and priorities are being overlooked. Many of these projects will have a huge impact on the environment and forever change the life of traditional communities and their livelihoods. This two year old multilateral bank is investing in all major sectors, including energy, without robust policies on environmental-social safeguards, transparent public disclosure and an accountability/complaint handling mechanism. Out of the total 25 projects it has financed, \$4.4 billion has already been approved. The AIIB was "expected to lend \$10 billion-\$15 billion a year for the first five or six years" and its establishment was said to be "further proof of the rebalancing of the world economy" from West to East. Multilateral financial agencies like World Bank, Asia Development

Bank, Asia Infrastructure Investment Bank and New Development Bank (India also joined EIB recently, though, their investments are yet to flow), and bilateral agencies like JBIC, Chinese Development Bank and Chinese Ex-Im bank have upped their lending in leaps and bounds in industrial corridors, smart cities, energy projects etc. Fourteen projects out of AIIB's total 25 projects were co-financed with the World Bank and the ADB. These data are but a few from among the many that come out periodically which, we are aware, will straightaway affect our democratic systems, land, water, forests, food, livelihoods, structures and the very air we breathe on a daily basis. All these raise our concerns to an alarming level that we are forced to reflect and act on the rapid 'reforms' which happen in the guise of development. Civil society in India has been quite dissatisfied with the country's approach to the AIIB. Unlike World Bank and ADB who claim their development agenda in the name of reduction in poverty and inequality, AIIB never conceals their huge interests in infrastructure financing.

In 2018 Rs. 9800 crores (\$1.5 billion) will be invested with more coming for energy, roads and urban development projects, said Pandian during the AIIB AGM Curtain Raiser Meet held in February 2018 in New Delhi.







# AIIB Projects in India

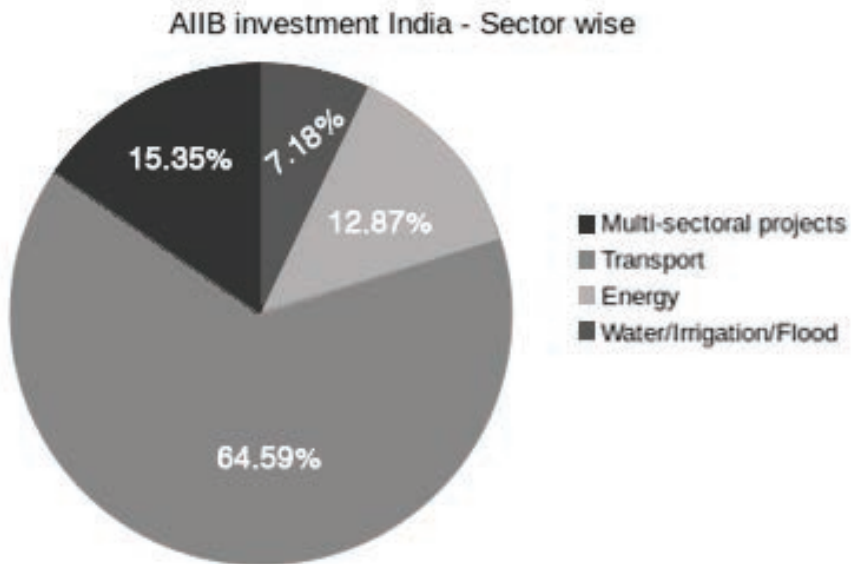
## Approved and Proposed AIIB projects in India focus on:

- Transport: (Bangalore Metro Rail Project \$ 335 million; Gujarat rural roads project \$329 million; Madhya Pradesh Rural Connectivity Project \$141 million, and Mumbai Metro Line 4 USD 500 million).
- Energy: (Transmission System strengthening project \$100 million); Andhra Pradesh 24 x 7 Power for All, \$160).
- Urban development: (Amaravati Sustainable Capital City Development Project \$ 200 million).
- Infrastructure: (Multi-sector India Infrastructure Fund, upto \$150 million, National Investment and Infrastructure fund, Multi Sector \$200 million.
- Water: (West Bengal Major Irrigation and Flood Management Project \$145 million).



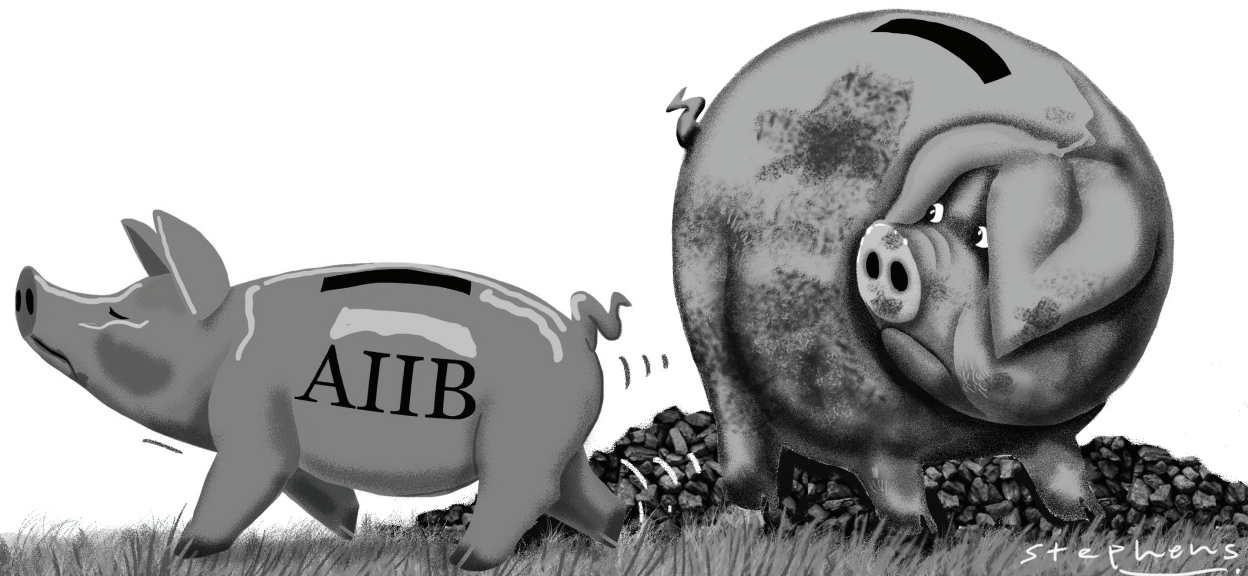
# AIIB Money flowing to India – Sector wise

- Multi-sectoral projects – Rs.2025 crores
- Transport – Rs. 8520 crores
- Energy – Rs. 1698 crores
- Water/Irrigation/Flood – Rs. 947 crores
- Total Approved Projects – Rs.7013 crores
- Proposed Total Projects – Rs.7483 crores



# Coal Financing?

One of its main objectives is to restart stalled projects, including coal projects. It offers strong support to privatization in the development sector and private participation in infrastructure investment as also disinvestment of the public sector. The next round of its projects in India will be approved on June 25 and 26, 2018, when the AIIB Board meets in Mumbai.





# Unprecedented manner of lending – Critical Concerns from the Country

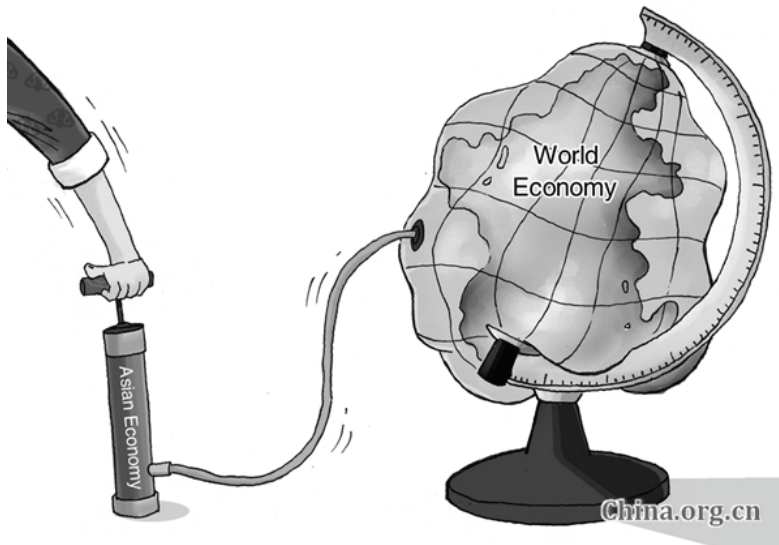
## **Hands-off, Not responsible model:**

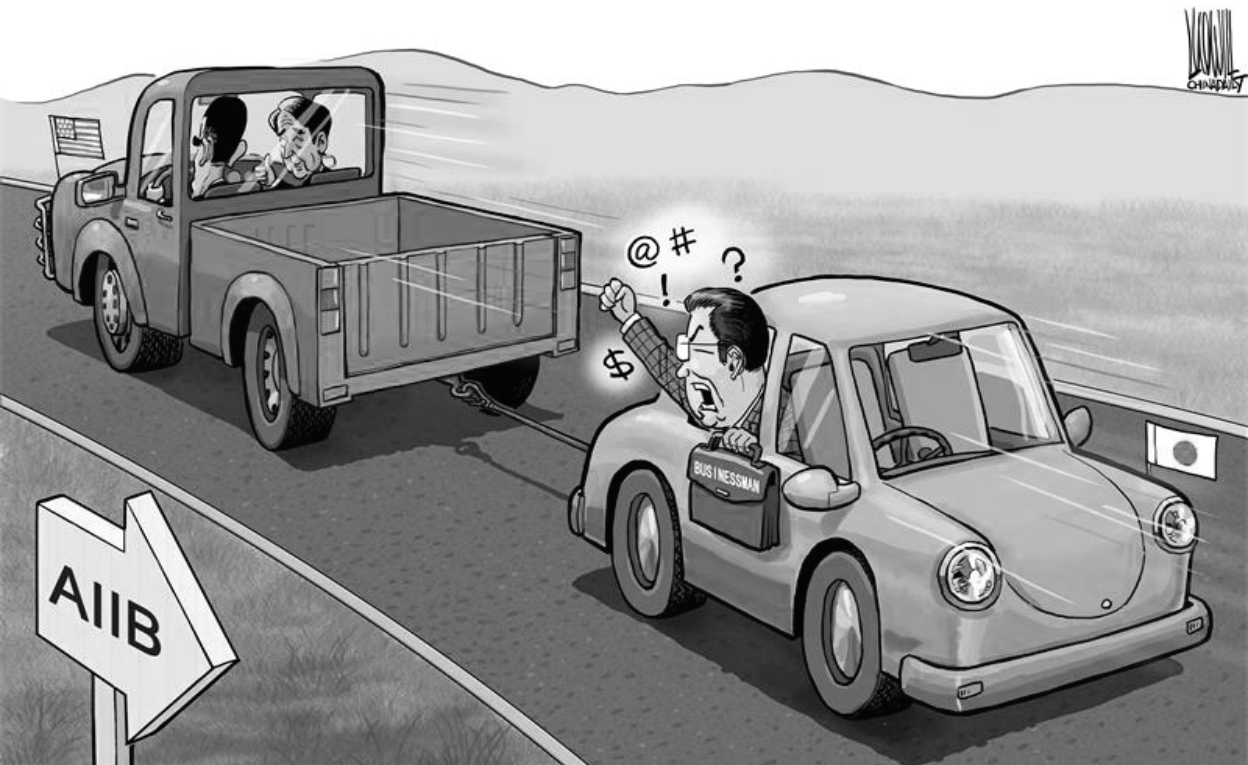
Concerns are rising over the unprecedented manner in which the Indian government is handing over land and resources to global corporates and dismantling all systems of accountability, transparency and protection of community rights. AIIB also has a co-financing model that serves AIIB well, particularly if other institutions, such as the World Bank and Asian Development Bank, do not charge the AIIB all the costs they incur for due diligence and oversight. With low-cost co-financing fees, the AIIB can make significant profits since its own loan charges can easily cover its low administrative expenses. The other institutions, with their full suite of safeguard policies, also protect the AIIB from reputational risks associated with infrastruc-

ture projects. Three of the projects, the approved Transmission System Strengthening Project which it is co-financing with ADB, the proposed project Amaravati Capital City Project being co-financed with World Bank and the approved Andhra Pradesh 24x7 – Power For All project being co-financed with World Bank leaves AIIB absolved of any obligations. The policies and due diligence applicable are the responsibility of the lead financier. There is no clarity on the role and liability of AIIB while co-financing projects.

### **Transparency and Accountability Issues:**

Secondly, critics hold that the AIIB needs to be questioned on how clean and green are the projects it backs. The word lean emphasizes on the bank keeping less staff on its own, while depending more on financial intermediaries (FIs) such as National Investment and Infrastructure Fund (NIIF) and India Infrastructure Fund (IIF) to push through and implement projects. There are serious issues of transparency and non-accountability with FI projects. These agencies demonstrate no transparency in their functioning. NIIF awaits approval for financing while IIF is already approved. The Bank has approved \$150 million out of a total of \$700 million for the period of 2017-2028 which was approved in June 2017 for IIF. There are no disclosures around sub-investments.





### **No Robust Policies and Grievance Redressal Systems in place:**

Thirdly, AIIB is in a hurry to fund projects inspite of its policies not being in place. AIIB still does not have its complaints handling mechanism in place and yet has gone ahead with approving its projects. There is no direct access to AIIB for redress of grievance or responsibility for the outcome, no clarity on its role and liability. Responsibility for adhering to norms, implementation and outcome of projects rests with the co-financiers such as the World Bank, governments or private sector, who offer no transparency and accountability in their dealings. There is no public disclosure policy or commitment to meaningful consultation with the project affected – indigenous people, elderly, women and other vulnerable people -- well before the start of the project. There is no clarity on which specific infrastructure and investment projects will be supported by these funds.

Despite having its core principles as clean, green and lean, these populist buzzwords mean little when no policies are in place. AIIB has gone ahead to support projects that are envi-



ronmentally and socially destructive, for e.g. Hydro power project in Georgia and proposed investment in Amaravati CCP in Andhra Pradesh. Also, AIIB has supported coal through back door by supporting transmission lines, which are additional facilities for coal based power projects. While it has already given massive approval of projects in India, it is without any stringent conditions to ensure norms of pollution control, rehabilitation of the project affected, amongst other aspects.

### **Non-Compliant with and Indifferent to Indian Laws:**

Besides this, there is disregard of existing national policies. Central laws related to land acquisition and land pooling are disregarded. There is no policy of time bound disclosures on projects. No environment impact assessment. No complaint handling mechanisms are in place and there is no redress for land grab, conversion of fertile land to city land and intimidation of complainants. This was evident in Andhra Pradesh where the Chandra Babu Naidu led government has allegedly engaged in forcible land acquisition and pooling on the Krishna River flood plains for the new capital city of Amaravati. While Rs.700 crores is allocated for flood control, the choice of location is highly flawed. Opponents of this project have been threatened, activists said. Problems of flawed location are also evident in Tamil Nadu and Kerala where the electricity transmission and distribution projects are seeing the laying of high tension lines on unsuitable land, causing frequent fires, health and safety issues and diminished value of the land.





# PEOPLES' CONVENTION ON INFRASTRUCTURE FINANCING

A Response to AIIB Annual Meeting

June 21-23, 2018 | Mumbai, India

# ‘Agenda and Ambition’

is a short introduction on the **Asian Infrastructure Investment Bank** which is a new multilateral development bank initiated by China. AIIB is the first southern led multilateral development bank with China having the largest shareholding. This booklet gives an introduction to AIIB and critical concerns around the bank

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