DO NO HARM?

Recommendations for the review of the Asian Infrastructure Investment Bank's Environmental and Social Framework

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INFRASTRUCTURE investments, by their very nature, can have significant impacts on people and the environment, both beneficial and harmful. The Asian Infrastructure Investment Bank (AIIB), alone among the multilateral development banks (MDBs), has a specific mandate to focus on infrastructure. Four years after it went into operation, the bank is undertaking a review of its environmental and social standards. This review can help shareholders and the bank decide which development path it wishes to follow. The time for business-as-usual, high carbon, extractive development is over. MDBs, funded by the public, including the AIIB, must play their part in changing the course of financial flows away from dirty, harmful investments towards more inclusive, innovative, people- and nature-centred development. **This report, based on evidence from the AIIB's investments to date, recommends several urgent areas for improvement.**

SUMMARY OF RECOMMENDATIONS

1 Climate Change

- **Expansion of the exclusion list**: The AIIB should be clear about the kinds of projects it views as misaligned with the Paris Agreement on climate change; this should include ending all support for fossil fuels after 2020.
- **Positive list for climate finance:** The AIIB should develop a definition of what would constitute a positive list of mitigation and adaptation investments and activities, which fully aligns with the Paris Agreement.[1]
- **Emissions benchmarks:** The AIIB should introduce emission performance standards for electricity production, and for best available technology benchmarks.
- **Introduce GHG accounting and targets to cap and reduce emissions:** AIIB should require estimates of gross GHG emissions resulting from its projects and help clients with this estimation, using this information to set targets to cap and reduce emissions.
- **Develop a Climate Change Action Plan**. While the ESF should include an exclusion list, GHG accounting, emissions benchmarks, and targets for emissions caps and emissions reductions, etc, the AIIB should detail those commitments, how they would be implemented in practice and application to various sectors in a Climate Change Action Plan.

2 Resettlement and Livelihoods

- **Progressive protections** under ESS2 should be retained in the ESF, such as recognition of informal land rights, and the requirement to treat resettlement as a development project.
- Resettlement Action Plans, Indigenous Peoples Plans, resettlement costs and budgets should be **prepared and disclosed in advance of Board approval** of a project.
- **Associated facilities' impacts must be included and made public** in a time-bound fashion, to ensure that all the costs and impacts of projects are fully acknowledged and understood before Board approval.
- The ESF should guarantee the right to **Free, Prior and Informed Consent**, not FPIConsultation, for indigenous peoples.
- **Changes to project design and mitigation measures** must be disclosed in a time-bound way.
- The AIIB should consider **capacity building** for government officials, clients and contractors at the national and sub-national levels to ensure their familiarity in implementing the ESF.
- The **AIIB must ensure its ESF provisions apply equally to Category A and B projects**.

3 Gender

- The new ESF must provide a **freestanding gender standard** and integrate gender dimensions into all other standards.
- The new ESF standards must **require, not merely "encourage", clients to promote gender equality** and prevent harmful gender impacts.
- Given the massive and differentiated impacts of large infrastructure projects on women, the ESF must contain requirements to **disaggregate data; have clear and comprehensive gender indicators; seek to ensure women's voices and specific needs and concerns are heard in an atmosphere devoid of fear of intimidation at the time of project design; act on any retaliation and abuse; and assess the physical, economic, cultural and social impacts of projects on women.**
- The AIIB must also institute strong measures to **prevent sexual and gender-based violence** in infrastructure projects.
- The AIIB should develop a standalone **gender strategy**, to ensure gender concerns are prioritised within all of AIIB's investments.

4 Financial Intermediaries

- The ESF should require **time-bound disclosure** of sub-project information in advance of approval, in line with best practice.
- The ESF should require the disclosure of the **name, sector and location of higher risk sub-projects** financed via FIs on the AIIB's website and on the client's website.
- The ESF should require the disclosure of the AIIB's involvement in sub-projects at the **project sites**, ensuring that it is clearly visible and understandable to affected communities.
- The AIIB should commit to carrying out **due diligence, monitoring and supervision itself in high risk sub-projects**, and in infrastructure projects; and make sure it assesses the accuracy of FI clients' risk categorisation.
- The AIIB should default to application of its standards to Category B FI sub-projects, as well as Category A, to **help avert risk and harms**.
- The AIIB could usefully adopt a **'referral list'** approach, where higher risk sub-projects are automatically flagged and given higher attention, including by bank staff.
- The AIIB should implement **ring-fencing of FI debt investments** to support specific projects that are low-E&S risk and have genuine development impact and ensure this ring fencing is legally enforceable and traceable.
- Climate provisions that apply in the ESF to **direct investments must also be extended to apply to indirect investments** through FIs or other financial instruments, aimed at ensuring the AIIB's FI portfolio is aligned with the temperature goals of the Paris Agreement on climate change.

5 Information Disclosure

- The AIIB ESF must require **time-bound information disclosure**, in line with best practice at other MDBs.

6 Accountability

- It is essential that the ESF is **fit for purpose** and can be applied to all of AIIB's investments, whether direct or indirect, and regardless of the complexity of the financial instrument.
- The ESF must ensure that the **AIIB bears responsibility for the social and environmental outcomes of co-financed projects** and guarantee affected communities access to the Project-affected People's Mechanism.

INTRODUCTION

Infrastructure investments, by their very nature, can have significant impacts on people and the environment, both beneficial and, for local communities in particular, harmful. Whether large-scale displacement for hydropower projects; pollution of rivers and fisheries from mines and power plants; or destruction of forests for road construction, vulnerable communities can find that their lives and livelihoods are irreversibly damaged by infrastructure projects, while the benefits flow elsewhere. Women, who carry primary responsibility for managing natural resources and caring for people and ecosystems, based on the current gender division of labour, are particularly vulnerable to infrastructure investments' harmful impacts.

"By investing in sustainable infrastructure and other productive sectors in Asia and beyond, we will better connect people, services and markets that over time will impact the lives of billions and build a better future."
AIIB[3]

The Asian Infrastructure Investment Bank (AIIB), alone among the multilateral development banks (MDBs), has a specific mandate to focus on infrastructure. The AIIB states that, "Consistent with the Sustainable Development Goals, the Bank recognises the need to address the three dimensions of sustainable development – economic, social and environmental…"[2] and to this end, the bank developed its Environmental and Social Framework (ESF) before the bank was formally launched in January 2016.

The development of the ESF was a signal to shareholders that the AIIB would take seriously the concerns of many that a China-led multilateral would undercut standards developed by MDBs to protect people and the planet.[4] In Germany, for example, the finance ministry is required by parliament to press for high environmental, social, human rights and governance standards, to match at least those of the World Bank.[5]

Four years after it went into operation, the AIIB is undertaking a review of its ESF as it committed to do when the ESF was created.

The time for business-as-usual, high carbon, extractive development is over. MDBs funded by the public, including the AIIB, must play their part in changing the course of financial flows away from dirty, harmful investments towards more inclusive, innovative, people- and nature-centred development.

The review is timely. Many important changes have taken place globally since January 2016; not least the rise of climate change to the top of the international agenda, but also the closing of civil society space in a number of the AIIB's borrower countries[6], and the steep rise in the numbers of environmental and human rights defenders being killed protecting their forests, lands and communities.[7]

Ensuring that the AIIB's infrastructure investments do no harm, and that projects are implemented in such a way as to protect people and the environment, is a crucial objective for the ESF review. But more than that, the ESF should also be a tool to help shareholders and the bank decide which development path it wishes to follow. The time for business-as-usual, high carbon, extractive development is over. MDBs funded by the public, including the AIIB, must play their part in changing the course of financial flows away from dirty, harmful investments towards more inclusive, innovative, people- and nature-centred development. As Joerg Haas of the Heinrich Boell Foundation in

Germany puts it: "The infrastructure we build today decisively shapes our lives tomorrow. A public infrastructure bank must live up to the highest standards regarding the environment, human rights and governance."[8]

BIC Europe has worked with local partners to examine the AIIB's investments over its first four years, including the *Tarbela 5 Hydropower Extension Project* in Pakistan; the *India Infrastructure Fund* and *National Investment and Infrastructure Fund* in India; the *Myingyan gas power project* in Myanmar; and the *IFC Emerging Asia Fund* with projects in Myanmar and Bangladesh. These investments – and others monitored by different groups - provide an evidence base on which to assess whether the AIIB's ESF is fit for purpose. Through the lens of this evidence base, this report will examine whether the ESF delivers for the environment and for people, focusing on the issues of climate change, resettlement and livelihood impacts, gender, consultation and information disclosure, financial intermediary lending, and accountability.

The majority of the AIIB's projects in its first years were co-financed with other MDBs, and as allowed by the current ESF, the AIIB applied those MDBs' standards in place of its own. In the majority of projects, therefore, the AIIB has delegated responsibility for both use and application of standards and grievance mechanisms to its co-financiers – for example, in the case of the Myingyan gas project in Myanmar, the AIIB uses the ADB's standards; and for the Tarbela dam project in Pakistan, the World Bank's standards. In the case of financial intermediaries, the AIIB's ESF is translated into a client's Environmental and Social Management System. Only in a couple of cases to date – for example the Gujurat Rural Roads project in India and the Bhola IPP gas power plant project in Bangladesh – have civil society organisations (CSOs) documented the application (or lack thereof) of the ESF in projects where the AIIB's ESF applies.

The report will look at lessons learned from co-financed projects – examining whether problems encountered can help us to understand potential gaps in the AIIB's ESF. It will also examine lessons learned from Bhola IPP and the Gujarat Rural Roads project as examples of projects where the AIIB's ESF applies. The report will make recommendations for how gaps can be addressed, drawing on best practice at other MDBs. The recommendations will not be comprehensive, however, as not all aspects of the ESF will be covered – for example, biodiversity impacts and labour issues.

1 Can the AIIB's ESF meet the climate change challenge?

The review of the AIIB's ESF in 2020 presents a perfect opportunity to re-assess how effectively the bank is addressing the most urgent challenge of our times: climate change. This urgency is underscored by the announcement in November 2019 by the world's largest MDB, the European Investment Bank (EIB), that it will no longer support fossil fuel energy from the end of 2021.[9] Though there are some loopholes in this commitment, the EIB's is the most stringent policy to exclude coal, gas and oil of any MDB and sets an important precedent for public finance.

The statements and policies of the AIIB and its shareholders are clear in their intent: the AIIB wants to be a 'green' bank, one which supports the Sustainable Development Goals (SDGs) and helps borrower countries to reach their commitments under the United Nations Framework Convention on Climate Change (UNFCCC). The AIIB is also a member of the group of MDBs which have committed to align with the Paris Agreement[10] on climate change; the process of deciding what 'alignment' means is currently underway.

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What is not clear is how the AIIB intends to deliver on these promises. Using the bank's own data, BIC Europe has published a series of infographics tracking the proportion of the AIIB's overall portfolio of investments which has backed fossil fuels versus renewables. Although there has been a recent increase in the number of renewables projects supported, based on its current portfolio, it is evident that the bank continues to fall short.

This should be a matter of deep concern to shareholders. Though it is not the purpose solely of the ESF to meet the climate challenge – the Energy Sector Strategy, its Results Framework, other sector strategies, and the forthcoming Corporate Strategy must also contribute – there is clear room for improvement in the current ESF.

In the existing ESF, the Bank sets out an ambitious climate agenda:

> *"The Bank recognizes the challenges presented by climate change and the need to support both mitigation and adaptation measures in a Project facing such challenges. The Bank supports its Clients in their evaluation of both the potential impacts of the Project on climate change and the implications of climate change on the Project. To this end, the Bank plans to prioritize investments promoting greenhouse gas emission neutral and climate resilient infrastructure, including actions for reducing emissions, climate-proofing and promotion of renewable energy."*

Thus, the ESF is a tool to ensure that the Bank meets this goal of 'prioritising greenhouse gas (GHG) neutral infrastructure'.

Ending public finance for fossils: the world's largest multilateral lender steps back from fossil fuels

Announcing the European Investment Bank's (EIB's) new energy policy in November 2019, EIB President Werner Hoyer said, "Climate is the top issue on the political agenda of our time. Scientists estimate that we are currently heading for 3-4°C of temperature increase by the end of the century. If that happens, large portions of our planet will become uninhabitable, with disastrous consequences for people around the world. The EU bank has been Europe's climate bank for many years. Today it has decided to make a quantum leap in its ambition. We will stop financing fossil fuels…"[11]

EIB Vice-President Emma Navarro, in charge of climate action and environment, said: "To meet the Paris climate goals we urgently need to raise our level of ambition and this is precisely what we have done today. … The European Union and its bank, the EIB, commit to mobilise investments on an unprecedented scale to support climate action projects around the world. In addition, we commit to align all EIB Group activities with the principles and goals of the Paris agreement by the end of 2020. Any financing that is not green will be made sustainable, according to the requirements of the Paris deal."

Though the policy still contains some disturbing loopholes, notably around natural gas, civil society groups have broadly welcomed the commitments. Alex Doukas of campaign group Oil Change International, reacted: "This new policy is a signal to the wider financial community that the era of fossil fuels is past. The policy approved today positions the EIB ahead of its peers by starting from the assumption that new fossil fuel infrastructure is not acceptable if we are serious about fighting climate change…"[12]

Investments in fossil fuels currently represent just over a sixth of the value of AIIB's overall portfolio. This is a reduction from a year ago when it accounted for a quarter of the portfolio, but the share of approved energy projects has gone down from a peak of almost half of all project approvals in 2017, to less than a fifth to date in 2019. Looking at the energy portfolio alone, the share of fossil fuel investments has only decreased by 6.5% - from 61.5% to 55%. Despite the AIIB directing more investments towards renewable energy, the amount invested is relatively low and the energy portfolio is still dominated by fossil fuels, with a 'brown to green ratio' of 2:1. Nor does this take into account funding for fossil fuels through AIIB's indirect lending to financial intermediaries (FIs) where it is less clear where the funding ends up. FIs currently represent approximately 12% of the value of the overall AIIB portfolio and this proportion is expected to grow in the coming years in line with the AIIB's strategy on mobilizing private capital for infrastructure[13] and the strategy on investing in equity[14].

Despite the AIIB directing more investments towards renewable energy, the amount invested is relatively low and the energy portfolio is still dominated by fossil fuels, with a 'brown to green ratio' of 2:1.

At the individual investment level, the AIIB is funding a number of projects with a heavy carbon footprint. The **Myingyan gas power plant in** Myanmar, in which the AIIB invested in 2016 alongside the International Finance Corporation (IFC, the World Bank's private sector lending arm) and the Asian Development Bank (ADB), is an example of where the AIIB has chosen to back a high carbon project over renewable options. This was an opportunity for the AIIB to help Myanmar forge a new pro-poor and low carbon future, but instead the AIIB has followed other banks in funding a gas project which did not lack investors.

The alternatives assessment carried out for the project did not attempt to explore the relative feasibility of solar or wind power, but rather focused on gas as an alternative to hydropower. One of the reasons given is a 'lack of funds' to support wind and solar: "While Myanmar is rich in renewable resources, the development remains severely limited by availability of funds to support the research and development, lack of a clear renewable energy policy and lack of talented manpower."[15] For a new MDB, keen to forge a "green" image, the AIIB could have chosen to address such a gap, and to seek to challenge and overcome such assumptions as made in the alternatives study that, "Overall, however, at current costs, solar energy is unaffordable."

Instead, the AIIB invested in a gas plant which, while more efficient than older technologies, will still result in the emission of nearly three quarters of a million tonnes of carbon dioxide per year[16] - an amount deemed "significant" under both ADB and IFC standards.

The **Bhola greenfield gas plant** in Bangladesh – which unlike Myingyan is an AIIB 'standalone' project, meaning that the ESF applies – will contribute at least 2.5% of the overall annual GHG emissions from Bangladesh's electricity sector once in operation, according to the Environmental and Social Impact Assessment (ESIA). And yet the alternatives study failed to adequately consider green energy alternatives.

The 'no project' scenario in the Bhola ESIA talks only about the importance of electricity to Bangladesh as a whole – even spelling out that it might not help the local area at all: "…whilst the country as a whole will benefit from power; the local area may get subjected to a disproportional impact vs the benefit to the whole nation."[17] Moreover, contrary to the ESF's ambitions to prioritise investments promoting GHG emission neutral infrastructure, there is no assessment of alternative fuel sources in the ESIA.

The AIIB's President and senior management have repeatedly stated that the AIIB does not finance coal power projects[18] – but this does not mean there is no coal in its portfolio. In Myanmar, the AIIB invested in the expansion of **Shwe Taung Cement**'s coal mine and cement plant, through its support for the **IFC Emerging Asia Fund (EAF)**. The IFC estimates that the expansion of the cement plant, which uses coal-fired kilns, will more than triple emissions. Emissions from the coal mine have not yet been quantified, despite the project being already in operation.[19]

Also through the EAF, the AIIB supported the largest Independent Power Producer in **Bangladesh, Summit Power**, whose portfolio consists entirely of fossil fuel projects. In this extremely climate-vulnerable country, the AIIB chose to back heavy fuel oil and gas over lower carbon solutions to energy needs. Not one of the AIIB's investments in Bangladesh to date supports renewables.[20]

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One of the most significant omissions from the AIIB's current ESF is a requirement for GHG accounting at the project level.[21] This is the most basic measure of a bank's contribution to global warming – in 2020 it is not defensible for a publicly-funded bank to have no means to assess its contributions to emissions from the projects it supports. Certain banks, including the EIB, the European Bank for Reconstruction and Development (EBRD), and the World Bank Group (WBG), already measure the carbon footprints of their investment projects. Many MDBs are signatories to the 2015 Framework for a Harmonized Approach to GHG Accounting.[22] This approach has been further updated for projects in specific sectors, for example for renewable energy and energy efficiency projects (2019) and transport projects (2015).[23]

The Results Management Framework of the AIIB's Energy Sector Strategy (ESS) does talk about GHG measurement, but only of emissions *reductions* and support for renewables, not *contributions* to emissions through projects.[24] Without such measurements to provide a baseline, the bank cannot set effective targets to cap and reduce its emissions.

The AIIB's ESF opens the possibility for this GHG monitoring, but leaves it at the discretion of the client:

> *"In order to support reporting on greenhouse gas emissions for implementation of the Paris Agreement, the Bank may, at the Client's request, finance measures for the Client to quantify and report to national authorities, in accordance with internationally recognized methodologies and good practice, direct and indirect emissions from Project-related facilities."*

Proposals for reform to ESF:

In an assessment of the AIIB's alignment with Paris to date, Germanwatch[25] points to a number of areas where the AIIB could usefully upgrade its ESF and indicates where other MDBs already have policies in place. These include:

- **Expansion of the exclusion list**: The AIIB should be clear about the kinds of projects it views as misaligned with Paris. The EIB's recent announcement that it will not support fossil fuels after 2021 (with some exceptions) is the most progressive of any MDB to date (See Box page 9). Other MDBs have the following exclusions: coal-fired power plants (WBG, EBRD), exploration of new oil fields (WBG, EBRD, African Development Bank, ADB), exploration of new gas fields (WBG, AfDB, ADB), and oil extraction (ADB, WBG).
- **Positive list for climate finance:** most banks now set targets for the percentage of their portfolio they will dedicate to climate finance, ranging between 20% and 40%. The AIIB should develop a definition of what would constitute a positive list of mitigation and adaptation investments and activities, which fully aligns with Paris.[26]
- **Emissions benchmarks:** The EIB sets emission performance standards for electricity production, and for best available technology benchmarks, along with EBRD. This is a step the AIIB should emulate.

In addition, it is vital that the AIIB introduce GHG accounting for projects' contributions to emissions, as without measurements, targets to control emissions cannot be set. The AIIB should:

- **Introduce GHG accounting and targets to cap and reduce emissions:** As an example, the World Banks pledges to "include an estimate of gross GHG emissions resulting from the project". Additionally, the Bank will help clients with this estimation: "Where the Borrower does not have the capacity to develop the estimate of GHG emissions, the Bank will provide assistance to the Borrower."[27] As a signatory to the MDB's alignment approach to the objectives of the Paris Agreement, the AIIB should also adopt the GHG assessments agreed in the 2015 Framework for a Harmonized Approach to GHG Accounting.[28]
- **Introduce climate change-focused commitments to the ESF:** One way to address the climate challenge would be to include top-level commitments in the ESF – in terms of the exclusion list, GHG accounting, emissions benchmarks, and targets for emissions caps and emissions reductions, etc. – and then to detail those commitments, how they would be implemented in practice and application to various sectors through a **Climate Change Action Plan**. Many other MDBs have developed action plans to drive their climate agendas – it is high time for the AIIB to follow suit, especially in light of the joint MDB commitment to align with the Paris Agreement, and the opportunity of the AIIB developing its Corporate Strategy in 2020.

2 Resettlement and livelihoods

Economic or physical displacement as a result of a development project can be one of the most devastating and traumatic impacts of infrastructure projects on local communities.

Economic or physical displacement as a result of a development project can be one of the most devastating and traumatic impacts of infrastructure projects on local communities. It can lead to impoverishment, community breakdown, and loss of livelihoods, while the process of eviction can be coerced and violent. Gender-based violence is often a feature of displacement, with sexual intimidation and attacks used to intimidate communities into leaving. Newly displaced women and girls often find themselves exposed to rape and sexual harassment while awaiting promised resettlement into new housing with private toilets.

Environmental and social standards should protect against these impacts – though they too often fail. The AIIB's current ESF has some important features, but there are worrying gaps where protections may not be sufficient.

In the ESF review, it is vital that progressive measures should be kept, while gaps are filled. One such progressive measure is the recognition that many communities lack secure land title, often through no fault of their own. The AIIB ESF "recognizes that significant populations already inhabit both urban and rural land without title or recognized land rights in its countries of operation. Given this situation, the Bank requires the Client to ensure that displaced persons without title to land or any recognizable legal rights to land, are eligible for, and receive, resettlement assistance and compensation for loss of non-land assets, in accordance with cut-off dates established in the resettlement plan, and that they are included in the resettlement consultation process."

One of the AIIB's first projects, the Tarbela 5 Hydropower Extension Project (HEP) in Pakistan, in which the AIIB invested in 2016 alongside the World Bank and the government of Pakistan, illustrates the deep-rooted problems with resettlement. The Tarbela 5 project is taking place in a landscape and community that have suffered extreme harms, that have not yet been righted. Tens of thousands of people were displaced in the 1970s and 1990s by two mega hydropower projects, Tarbela and Gazi Barotha. Most of the affected people were subsistence farmers and fishers; Tarbela alone submerged 120 villages. A case study for the World Commission on Dams, as well as other research publications, documented significant problems with the resettlement of affected people.[29] To this day many thousands of families remain impoverished and are still seeking fair compensation and redress for their losses.

The AIIB has recognised this and has committed that its $300 million investment in Tarbela 5 will not only contribute to the new construction, but also address "social legacy issues" from the previous projects – a commendable ambition, but one which is not being realised.[30]

In addition, the construction of the project's transmission line will affect about 50 acres of land. Farmers whose land will be affected are dissatisfied that they are only being offered compensation for one crop cycle. Budgets for compensation for affected communities are unclear in the project documents, which means that the AIIB's Board approved this project without knowing its true costs.

It is vitally important to ensure that accurate resettlement numbers, the budget for restoration of livelihoods, and compensation figures are known and costed before project approval. Once a project is underway, the difficulties of displacement and livelihood restoration can be swept aside or ignored. However, the AIIB's current ESF fails to stipulate this requirement. Resettlement Action Plans and Frameworks, which should include such budgets, are merely to be released in a "timely manner and phased approach": speeding up loan approvals to the detriment of public access to information and participation, and without full acknowledgment and management of the external costs of projects on local communities.

A major impact of the Tarbela 5 HEP project is the construction of the Islamabad West grid station where the electricity from the hydropower extension project funded by AIIB will be delivered. This will economically or physically displace 260 households. But despite this clearly being an 'associated facility' of the project that AIIB funded in 2016 – as defined by both AIIB and World Bank standards – these resettlement impacts have not been included as part of the project. According to World Bank sources[31], the AIIB did not want to become embroiled with the resettlement problems involved in the construction of the grid station, so asked that it be excised from the project and treated separately. At the time the AIIB approved funding for Tarbela 5, no Resettlement Action Plan for the grid station had been published. It was not made publicly available until June 2017.

In Myanmar, after construction had already started on the Myingyan gas plant, the project underwent a major design change, which could result in serious impacts on local communities' livelihoods. The original ESIA consistently claimed that the wastewater pipe from the plant would not discharge into the Ayeyarwady River, but rather to an irrigation canal, and so largely dismissed its potential impacts on agriculture and on fisheries. In 2016, the design was changed, and the wastewater now discharges into the Ayeyarwady. This is a critical issue, given the potential for significant impacts of high-temperature wastewater being discharged directly into the river – Myanmar's main river system, uniquely biodiverse and home to the extremely rare Irrawaddy dolphin.

The power plant started operation in 2018. However, the ESIA has still not been revised to take into account impacts on the river ecosystem, on fisheries, and so on the livelihoods of local people, using actual data from wastewater discharge measurements. It is vital that new studies be undertaken and disclosed to local people in a form and language accessible to them, and the project developers should hold new consultations on any impacts and their mitigation.

At the Bhola gas power project in Bangladesh, land ownership and transfer has been a very contentious issue. The ESIA claims that land procurement for the site was voluntary, but community members told a research team they felt pressured to sell their land to middlemen for a fixed price, and only later learned that selling directly to the authorities paid up to five times as much.[32] Any land acquisition up until 2017 that is deemed "compulsory" should be compensated with twice the market value, according to a Bangladesh law that was changed that year to increase the rate of compensation to three times its value.[33] Local people also questioned the authenticity of some of the land owners listed in the ESIA, arguing that some names were missing while others were unrecognised. While the AIIB has acknowledged the problem and taken steps to rectify it, some people who had used the site to graze their livestock have not yet been compensated.[34] This includes many women, who are now forced to buy feed for their animals. Women who used to come to the area to bathe and wash dishes must now walk a kilometre to collect water.

It is vitally important to ensure that accurate resettlement numbers, the budget for restoration of livelihoods, and compensation figures are known and costed before project approval. Once a project is underway, the difficulties of displacement and livelihood restoration can be swept aside or ignored.

Despite the Bhola gas power project being very similar to the Myingyan project, while the latter is classified as Category A – or high risk – AIIB chose to classify Bhola as medium risk, Category B.

This risk categorisation is justified in the project documents as follows, "The project has been classified as Category B since its impacts are similar to those induced by the existing adjacent BPDB power plant, limited in number and localized to the project area." However, this document also recognises the risk of cumulative impacts: "Cumulative impacts on physical, biological and socioeconomic conditions are anticipated due to the existing adjacent BPDB power plant and the proposed project."[35]

Local people are already suffering from noise pollution from the adjacent power plant and are worried they may have to move away entirely once the new power plant comes into operation. Already, researchers found that noise from the plant's construction is well above the permitted levels and is continuing – illegally – into the night. According to the interviewees, only about 5% of local people have been employed to work on the plant's construction.

Local people say the construction of Bhola is harming the environment. According to the Bangladesh Working Group on External Debt and the Coastal Livelihood and Environmental Action Network, the ESIA has underestimated the number of species in the area such as plants, birds and reptiles, including some which are rare. The AIIB is committed to "protecting and conserving biodiversity and promoting the sustainable management of living natural re- sources" under the ESF. Despite this, local people say no more than two or three fish species are left in the project area, down from at least 12 species since work began. The project engineers have built a new jetty to serve vessels with oil and other materials for the plant and once in operation the

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project is expected to discharge hot water into the river, both of which are likely to cause further reductions to the fish stock. According to the AIIB, a two-year study on fisheries is underway.

Proposals for reform to ESF:

- **Progressive protections** under Environmental and Social Standard (ESS) 2 on resettlement should be retained in the ESF, such as recognition of informal land rights, and the requirement to treat resettlement as a development project.
- Resettlement Action Plans, Indigenous Peoples Plans, resettlement costs and budgets should be **prepared and disclosed in advance of Board approval** of a project. This recommendation is linked to requirements to have time-bound information disclosure in line with best practice at other institutions – for example, the Green Climate Fund, which requires 120 notice for high risk and 30 days for lower risk projects.[36]
- **Associated facilities' impacts must be included and made public** in a time-bound fashion, to ensure that all the costs and impacts of projects are fully acknowledged and understood before Board approval.
- From the first version to the final version of the current ESF, the internationally recognised requirement to gain **indigenous people's Free, Prior and Informed Consent** was weakened to FPIConsultation, for which, as the AIIB itself admits[37], there is no internationally agreed definition. The review of the ESF is an opportunity to correct this anomaly, in line with best practice at other MDBs, for example the IFC.[38]
- **Time-bound disclosure of changes to project design and mitigation measures**: The current ESF does provide for the impacts of major design changes to be addressed, calling for "an additional assessment of such changes and stakeholder engagement in accordance with the ESP and applicable ESSs." But again, specific time-bound targets for this disclosure must be added to ESS1.
- According to the AIIB's current ESF, the Bank requires the Client to prepare the Resettlement Action Plan or Resettlement Planning Framework as applicable. As part of its due diligence and taking on board lessons learned from other MDBs, the AIIB should consider **capacity building** for government officials, clients and contractors at the national and sub-national levels to ensure their familiarity in implementing the ESF. This is particularly critical in stand-alone AIIB projects which currently account for a significant proportion of the bank's total lending portfolio.
- The AIIB ESF states that its protections will apply to Category A projects and "on a case by case basis" to Category B projects. Given the possibility of risk miscategorisation, illustrated by the Bhola IPP project, it is vital that the **AIIB ensures its ESF provisions apply equally to Category A and B projects**.

3 Gender

The AIIB, unlike other MDBs, such as the ADB and EBRD, does not have a stand-alone gender policy, but rather relies on its ESF to protect and advance the rights of women and men. The AIIB's principal social specialist, Michaela Bergman, told journalists in 2018: "You don't have to have a gender policy to look at gender. Within the environmental and social framework, there's enough requirements to look at differentiated impacts."[39]

The current ESF's sparse language on gender which "require[s] clients to consider gender in designing operations and hold gender-inclusive consultations" is inadequate to have a robust impact. Various case studies, such as the Gujarat Rural Roads Project, demonstrate that clients do not interpret "considering gender" to provide meaningful guidance. To address this shortcoming, the new ESF must provide a freestanding gender standard and integrate gender dimensions into all other standards.

From experiences with AIIB-funded projects to date, it appears that despite good intentions, the AIIB is falling short on ensuring infrastructure not only promotes women's empowerment but also that it protects their rights.

Much research focuses on the gendered impacts of infrastructure. The OECD finds that infrastructure projects can often be gender blind, ignoring differentiated impacts on men and women and assuming that all will automatically benefit: "Too often, the positive outcomes experienced by women through infrastructural projects have been unintended and unplanned. Improving the lives and opportunities of women and girls should be an explicit objective of infrastructure projects. ... When gender equality issues are not taken into account, women can become worse off – both absolutely and in relation to men."

In addition, women and girls are frequently victims of infrastructure construction workers' gender-based violence and sexual harassment.[40]

From experiences with AIIB-funded projects to date, it appears that despite good intentions, the AIIB is falling short on ensuring infrastructure not only promotes women's empowerment but also that it protects their rights. At the Tarbela project in Pakistan, women reported that project developers made scant effort to ensure their voices were heard, in a context where women's mobility, access and voice are already highly restricted. The ESIA for the Myingyan project in Myanmar claims that consultations focused on women, as well as other vulnerable or marginalised members of local communities, but mitigation measures specifically targeting women are not detailed. Such an approach risks ignoring the particular gendered impacts of the project, and so missing the opportunity to remedy them. The Gujarat project included far too few women in early project consultations when women's voices about their needs could have had an impact.

Although a Gender Action Plan is part of the ESIA for the Bhola IPP, local groups have raised a number of issues regarding the gender impacts of the project. Most significantly, grazing land has been drastically reduced, with no recognition of or compensation for the many women who relied on the pastures for feeding their livestock. This has had a negative impact on their livelihoods, as they are forced to buy food for their animals instead. The project has also resulted in several other negative impacts on women, for example, reducing access to clean water and sanitary facilities.[41]

Gujarat roads project, India

In terms of positive gender impacts, the AIIB often highlights one project in particular: the Gujarat Rural Roads Project in India.

Following is an excerpt from Gender Action's summary of a case study by the New Delhi-based Programme on Women's Economic, Social, and Cultural Rights (PWESCR), published in July 2019.

"The project did not establish mechanisms for women to inform or shape the project. Many fewer women were hired than men to work on the project. Work sites did not have gender-safe bathrooms or housing facilities for women workers. Project road construction reinforced gender inequalities and violated labour and human rights, especially those of tribal peoples."

"The Gujarat case underlines that the AIIB, which is rapidly increasing loan approvals, can no longer delay creating and implementing a robust gender safeguards framework. This requires developing and implementing a rigorous rights-based mandatory gender equality policy, hiring gender experts and training all managers and staff to be accountable for avoiding harmful and ensuring beneficial gender impacts throughout the project cycle."

PWESCR notes in its study: "There is a growing awareness around the critical need for infrastructure such as road connectivity for economically poorer communities, especially in rural areas, in development and inclusive growth. However, by just building roads in the name of development, one cannot address the numerous negative social and economic impacts that are faced by poor women, especially in rural areas. There needs to be integrated gender-sensitive interventions. Without such approaches, the dominant and better off communities (men, especially rich men from upper castes and from certain ethnic and religious backgrounds) benefit from such infrastructure much more than poor women and even less so are *dalit* or *adivasi* or tribal women."

- The new ESF must provide a **freestanding gender standard** and integrate gender dimensions into all other standards.
- The AIIB's current ESF does contain some positive assurances regarding gender, which must be retained but also strengthened. According to PWESCR, it "encourages its clients to not just reduce the risks of negative impact but to proactively promote equality of opportunity and women's socio-economic empowerment." However, "encouraging" clients is insufficient. The new ESF standards **must "require" clients to promote gender equality and prevent harmful gender impacts.**
- Given the massive and differentiated impacts of large infrastructure projects on women, greater specificity is needed to avoid the ESF being more than vague platitudes. The ESF must contain requirements to **disaggregate data, have clear and comprehensive gender indicators, seek to ensure women's voices and specific needs and concerns are heard in an atmosphere devoid of fear of intimidation at the time of project design, to act on any retaliation and abuse, and to assess the physical, economic, cultural and social impacts of projects on women.**
- Similar to climate change, the AIIB should develop a standalone **gender strategy**, to ensure gender concerns are prioritised within all of the AIIB's investments.

4 The risks of 'hands-off' lending through financial intermediaries

Over 12% of the value of the AIIBs total portfolio is now channeled through financial intermediaries (FIs) – third parties such as infrastructure funds, that then on-lend to sub-projects or clients. The AIIB's peer institution, the IFC, which invests over half of its portfolio through FIs, has been forced to undertake a number of far-reaching reforms to its FI lending as a result of scandals, involving human rights abuses, forest destruction, eviction of indigenous peoples and support for coal projects.[42] The AIIB's current ESF is not adequate to prevent risk and harm arising from this hands-off form of lending, as BIC Europe has documented extensively in our work on three of those investments: the IFC Emerging Asia Fund (EAF)[43], the India Infrastructure Fund[44] (IIF - now renamed North Haven) and the National Investment and Infrastructure Fund (NIIF)[45]. A number of common concerns arise from analysis of these projects:

Lack of information disclosure: The AIIB does not include information about sub-projects funded through any client FIs on its website. For example, though the AIIB invested in two infrastructure funds in India – the NIIF and the IIF – two and three years ago now, no information has yet been made available to citizens in India about what will happen at the sub-project level, although AIIB staff have informed us that investments have indeed been made. This despite well-documented fears around the possible refinancing of 'stalled' projects – those stalled by land conflicts, indigenous peoples' resistance, or for environmental reasons such as coal mine impacts. This leaves potentially affected communities in the dark about their rights to know both who is behind the project affecting them, and that the AIIB's ESF standards should be applied. Though the AIIB has committed to release information 'within 12 months' of such projects' approval, this is too late to help third parties and potentially affected people to identify and raise concerns up front, and lags behind best practice at other institutions.

Exposure to fossil fuels: though the AIIB aims to be a 'green' bank, there is a significant risk of FI investments ending up backing fossil fuels, as evidenced in the case of the EAF. For example, as discussed earlier, one client, Summit Power in Bangladesh, has a portfolio that is 100 per cent fossil-fuel based,[46] while another, STC in Myanmar, is expanding extraction at a coal mine to increase its cement production.[47]

Delegation of control to FI clients/co-financiers: the AIIB delegates decision-making around risk classification and environmental and social (E&S) management entirely to the FIs in which it invests. Such lack of oversight can exacerbate problems and can lead to risks being ignored or overlooked, as has happened at the IFC, documented by its watchdog the Compliance Advisor Ombudsman.[48] Research demonstrates that many FIs do not put adequate E&S management systems in place and fail to apply standards at the project level.[49] This can result in projects causing harms – such as land conflicts – even when investments appear 'green', such as large-scale renewables.

Though the AIIB aims to be a 'green' bank, there is a significant risk of FI investments ending up backing fossil fuels

Issues with implementation arise in part because of policy gaps. To date, the AIIB has not disclosed any documents that reveal how it assesses, prepares and finalises potential FI investments. It is important that the AIIB adopt a systematic and transparent approach to its FI lending. The review of the AIIB's ESF provides an ideal opportunity both to address these gaps and to ensure that AIIB staff are equipped with the guidance they require to ensure FI investments do no harm.

Proposals for reform to ESF:

Information disclosure and transparency

The AIIB should adopt an ESF that commits to principles of disclosure and transparency and enshrines best practice, including:

- Requiring **time-bound disclosure** of sub-project information in advance of approval, in line with best practice. For example, the Green Climate Fund requires disclosure of high-risk sub-projects 120 days ahead of Board consideration.
- Disclosure of the **name, sector and location of higher risk sub-projects** financed via FIs on the AIIB's website and on the client's website.
- Disclosure of the AIIB's involvement in sub-projects at the **project sites**, ensuring that it is clearly visible and understandable to affected communities.

Supervision and monitoring

The AIIB ESF delegates responsibility for due diligence, monitoring and supervision to the FI client, as well as the responsibility for categorising risk of sub-projects.

- To avoid problems such as those experienced by the IFC, the AIIB should commit to carrying out **due diligence, monitoring and supervision itself in high risk sub-projects**, and in large-scale infrastructure projects; and make sure it assesses the accuracy of FI clients' risk categorisation.
- The AIIB ESF also states that its social and environmental policies will apply to high risk 'Category A' sub-projects financed through financial intermediaries; and "if the Bank so determines" to Category B projects also. Again, the IFC and its clients have a history of misclassifying risk resulting in protections not being applied. **The AIIB should ensure application of its ESF standards to all Category B FI sub-projects, to help to avert risk and harms**.
- Given the documented problems with FI mis-categorisation of projects at other institutions (the incentive is to categorise the projects at a lower risk level to avoid costly due diligence), the EBRD has developed a '**referral list**'[50] for higher risk projects, to ensure bank staff both assess risk categorisation and monitor E&S standards implementation in higher risk sub-projects. The AIIB could usefully adopt a **'referral list'** approach, where higher risk sub-projects

are automatically flagged and given higher attention, including by bank staff. This should include all large-scale infrastructure by default.

- EBRD language **requires the bank to engage** as follows "EBRD will assist FIs with the appraisal of these [referral list] subprojects. EBRD environmental/social specialists will review the due diligence information collected by the FI, determine any additional information needed, assist with determining appropriate mitigation measures and, if necessary, specify conditions under which the subprojects may proceed." The AIIB should adopt a similar approach.
- Additional requirements should be included in the ESMP for FI projects to **have clearly defined responsibilities for the FI Client, sub-project client and the Client's contractors.** The AIIB and its FI client must ensure that hired contractors are also adequately equipped to implement the ESF.
- Implement **ring-fencing of FI debt investments** to support specific projects that are low-E&S risk and have genuine development impact and ensure this ring fencing is legally enforceable and traceable.

Climate change

As research on the IFC's portfolio of FI investments has revealed, there is a high risk of indirect funding backing fossil fuels in a less visible and traceable way than direct investments.[51] The AIIB is exposed to this risk, as is demonstrated in the EAF's exposure to Summit Power in Bangladesh and STC in Myanmar.

The AIIB has the opportunity to join the MDB leaders in ensuring the transformation in international financial flows necessary to avert catastrophic climate change. To do so, the AIIB should:

- Introduce climate provisions that apply in the ESF to **direct investments must also be extended to apply to indirect investments** through FIs or other financial instruments. Otherwise the AIIB will not be able to claim that its portfolio is aligned with the goals of the Paris Agreement on climate change.
- Adopt a requirement for all FI clients to **track and disclose coal and other fossil fuel investments**;
- Ensure that none of its investments results in an **increase in coal use**: whether for power generation or industrial uses, or for associated facilities such as transmission lines and railways or ports primarily meant for the transmission or transportation of coal;
- **Exclude upstream oil and gas** from FI investments;
- Not invest in clients with more than **5 per cent portfolio exposure to coal**;
- Invest only in FI clients who commit to develop a **portfolio decarbonisation plan** to achieve emissions reductions in line with targets set under the Paris Agreement on climate change.

5 Information disclosure and consultation

Information is the absolute bedrock of promoting meaningful consultation and inclusion of local communities in projects which affect them. Without timely disclosure of important project information – such as Resettlement Action Plans and ESIAs – in relevant languages, local people will lack opportunities to participate or to challenge any mistakes, and for its part, the project developer and its financiers will miss a chance to spot and avert risks at an early stage.

On information disclosure provisions, the AIIB's ESF currently lags behind many other MDBs, in that although it agrees to disclose important project information, it does not commit to do so within a set timeframe. Civil society had hoped that this shortcoming would be addressed by the development of the AIIB's Public Policy on Information, but this did not address project information. It is vital that this gap is addressed in the ESF review. Also, the Bank says it may defer disclosure of information because of legal or regulatory requirements and/or because of the commercially sensitive nature of the involved transaction: "The prerogative to defer disclosures shall be exercised by the Bank's management, and the deferrals so approved by the management shall be reported to the Board of Directors."

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The problems with weak information disclosure have already been witnessed in AIIB's existing investments. In Pakistan's Tarbela project, local communities reported that they had received no project information in local languages. Only after BIC Europe published a report[52] and raised questions with the AIIB and the World Bank were basic studies made publicly available in Urdu – unfortunately in a form that local people find challenging to understand.

Local communities affected by the construction of the Myingyan gas power project are largely supportive of the development. Nevertheless, they have reported a lack of project information and consultation, and little clarity around how the project would impact their lands and livelihoods. When the project first got underway in 2016, there were disturbing reports that farmers signed blank pieces of paper they were told they must sign to in order to receive compensation.[53] In addition, the AIIB only released information about the project on its website five days before the Board approved financing for the project.

Proposals for reform to ESF:

- The failure to provide adequate notice on a high risk Category A project, such as Myingyan, arises from the lack of a **commitment to time-bound information disclosure** in the AIIB's ESF, which only commits to disclosure "in a timely and accessible manner". This already weak commitment is further undermined by the ESF stating that crucial documents, such as resettlement plans, environmental impact assessments and indigenous peoples' plans, will only be provided "prior to, or as early as possible during the Bank's appraisal of the Project" - which leaves the timeframe wide open. An additional technical Directive in early 2019 has amended this already weak commitment, and has removed the 'prior to' language, aiming to release these vital studies only "as soon as they become available". The AIIB's commitments in this regard are far weaker than other IFIs. **The AIIB should adopt best practice from its peers, for example the IFC, World Bank and GCF, which disclose project documents for high risk projects between 120 days to 60 days in advance.**

5 Side-stepping the ESF: ESG funds and co-financed projects

The AIIB's ESF claims that it applies to all investments supported by the bank:

> "The ESP [Environmental and Social Policy] applies to all Projects. The Bank requires each Client to manage the environmental and social risks and impacts associated with its Project in a manner designed to meet the ESP and the applicable ESSs in accordance with the environmental

and social management plan (ESMP), and environmental and social management planning framework (ESMPF), as applicable, required for the Project under this ESP and ESSs."

This is now not the case. The AIIB is beginning to support complex financial instruments that lie outside the ESF. For example, the AIIB is now piloting the Environmental and Social Governance approach, which is likely to be a major focus for the bank in future. Already in its first year, the value of ESG fund investments has risen to account for 11% of the AIIB's total portfolio.

These ESG managed funds are not subject to the AIIB's Environmental and Social Policy (ESP). In order to allow this, the project teams approached the bank's Board and requested a derogation of the ESP. As stated in a summary of information on a Singapore platform investment: "The ESP is designed for lending to new projects and is not 'fit for purpose' for application to the capital markets or debt and equity security instruments".

The first ESG managed fund approved by AIIB in December 2018 was the ***AIIB Asia ESG Enhanced Credit Managed Portfolio***. The project seeks to develop a portfolio of corporate bonds in "Asian infrastructure and other productive sectors" and to launch an ESG Markets Initiative to catalyse ESG investing strategies and build capacity with market participants in Emerging Asia. Investments will include quasi-sovereign bonds (e.g. SOEs), corporate bonds and green bonds. The ESG Enhanced Credit summary document states that the AIIB ESG Framework will be "consistent with the spirit and vision of the AIIB's Environmental and Social Framework".[54]

The second approved project is the ***Infrastructure Private Capital Mobilization Platform***. This platform will "purchase infrastructure loans from financial institutions and distribute them to institutional investors through securitization or other formats". The bank has invoked exception 2 under its Policy of Public Information and redacted the actual name, country or sponsor of the platform in the summary document posted online. This project was approved by the Board without any prior public disclosure. According to the AIIB, this lack of disclosure is "because the information it contains falls under Section 8: Exceptions to Disclosure Requirement, of the Bank's Policy on Public

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Information. In this case, the PSI [project summary information] will contain information about the majority shareholder and operator which, if disclosed prematurely to the public at large, would compromise their financial worth and competitiveness. The PSI also falls under Section 15 of the Directive on Sovereign-backed and Non-sovereign-backed Financing, which authorizes the Bank to defer the disclosure of the PSI due to "the commercially sensitive nature of the transaction … where premature disclosure would compromise the financial worth or competitiveness of a corporate entity or its assets."[55] A Singapore fund called Bayfront Infrastructure Capital, managed by Clifford Capital, fits the description in the now-disclosed PSI.[56] 50% or more of the fund's portfolio could be in fossils and 12% in metals and mining.[57]

A third project, the ***Asia Climate Bond Portfolio***, gained Board approval for a $500 million investment in August 2019.

The other exceptions come when the AIIB is not the lead financier in a project: *"Development Partner Policies. The Bank may agree, on a case-by-case basis, to the application of the environmental and social policies and procedures of multilateral development banks and bilateral development organizations who are co-financing the Project, provided that the Bank is satisfied that they are consistent with the Bank's Articles of Agreement and materially consistent with the ESP and ESSs, and that appropriate monitoring procedures are in place."*

The AIIB's two co-financiers in the Myingyan project – the IFC and ADB – are clear that they can be held accountable by communities for any adverse impacts of the project. Additionally, the project's ESIA makes clear that both ADB and IFC

By holding itself exempt from responsibility and accountability if things go wrong, the AIIB is also foregoing the opportunity to learn lessons from any mistakes made.

standards are being applied to the project. But the AIIB refuses to let itself be held accountable for its investment in this and other co-financed projects. By holding itself exempt from responsibility and accountability if things go wrong, the AIIB is also foregoing the opportunity to learn lessons from any mistakes made.

Proposals for reform to ESF:

- It is essential that the ESF is **fit for purpose** and can be applied to all of the AIIB's investments, whether direct or indirect, and regardless of the complexity of the financial instrument. The ESF must be revised to ensure it can capture this complexity, rather than derogating from the ESF whenever ESG funds are approved.
- Although standalone projects are increasing, a significant proportion of the AIIB's portfolio still consists of co-financed projects. It is therefore imperative that the **AIIB bears responsibility for the social and environmental outcomes of co-financed projects**, such as the Myingyan gas power plant. Excluding communities affected by co-financed projects from access to the AIIB's accountability mechanism, the Project-affected People's Mechanism, is to deny them the opportunity to hold the AIIB accountable for its social and environmental commitments. Not only does this exclusion deny communities the opportunity to seek redress from the AIIB, it also denies the AIIB the opportunity to learn from its mistakes.

WORDS INTO PRACTICE: STANDARDS ARE ONLY AS GOOD AS THEIR IMPLEMENTATION

The AIIB's current ESF is a sparse document – for example only containing three standards where the World Bank and the IFC have ten each. This lack of detail could present implementation challenges for investment officers looking for guidance. Because of implementation challenges, MDBs often issue separate guidance on how to implement social and environmental standards: for example, the World Bank has issued a series of guidance notes to its ESF[58], while the IFC has a detailed Interpretation Note[59] for implementation of FI investing standards.

The AIIB's original ESF promised:

> "Detailed mandatory procedures for implementation of the ESP and ESSs are under development and will be issued by the Bank's President in a Directive: Environmental and Social Procedures."

Although a Directive has been published by the AIIB, it does not give any useful detail, aside from who is responsible for what.[60] There is currently no published guidance for how to implement the requirements of the ESF. If such guidance exists, it would be beneficial for the AIIB to disclose this publicly to allow for expert input, including from civil society.

In the end, no matter how good the reforms to the ESF, implementation is what matters – words must be put into practice, and not just remain tick-box exercises.

The problems with the lack of implementation of standards is illustrated by the Bhola IPP gas power project in Bangladesh. Despite the ESF's commitment that: "The Bank requires the Client to ensure that relevant information about environmental and social risks and impacts of the Project is made available in the Project area in a timely and accessible manner, and in a form and language(s) understandable to the Project-affected people, other stakeholders and the general public, so they can provide meaningful inputs into the design and implementation of the Project," communication with the local communities has been poor. In fact, many assumed that Bhola IPP represented a second phase of the existing power plant, rather than a new project altogether. The project's ESIA states that 15 consultations took place, but only a few of the people interviewed by a research team from BWGED and CLEAN had attended these or knew of anyone who had. Those who had taken part felt that their concerns had not been taken into account. Overall, community members did not feel that they could talk freely about the project due to fears arising from local power dynamics.

It is difficult for local communities to access project information on the AIIB and project developer's websites because many local people are illiterate or do not have internet access. According to the research team, translations of project documentation into Bengali are unreadable and strewn with errors. Under pressure, the project developer admitted this fault and committed to correct the translations.[61]

In the end, no matter how good the reforms to the ESF, implementation is what matters – words must be put into practice, and not just remain tick-box exercises.

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[2] See: https://www.aiib.org/en/policies-strategies/framework-agreements/environmental-social-framework.html

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[4] For example, reacting to the UK's joining the AIIB, the US embassy stated "We hope and expect that the UK will use its voice to push for adoption of high standards."
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[19] See: https://bic-europe.org/reports/financing-development-in-myanmar-the-case-of-shwe-taung-cement-burmese/

[20] https://www.bic-europe.org/wp-content/uploads/2019/07/Dangerous-Distractions-July-2019-FINAL-1.pdf

[21] According to the Asian Development Bank, "Globally, about 70% of all GHG emissions come from the top-10 country emitters, three of which are DMCs: the People's Republic of China (PRC), India, and Indonesia. Nearly half of global GHG emissions—47.6 gigatons of carbon dioxide equivalent (GtCO2 e)—are from countries in Asia (23.3 GtCO2 e) [ADB Climate Change Operational Framework 2017 – 2030]." This is also consistent with the bulk of projects being funded by AIIB, 32.69% (17 out of 52) of its projects are directed towards India, Indonesia and China without a clear GHG accounting mechanism and baseline meet any GHG reduction targets that may be set at a later time.

[22]https://unfccc.int/sites/default/files/resource/International%20Financial%20Institution%20Framework%20for%20a%20Harmonised_rev.pdf

[23] https://unfccc.int/climate-action/sectoral-engagement/ifis-harmonization-of-standards-for-ghg-accounting/ifi-twg-list-of-methodologies

[24] "**Greenhouse gas emission reduction, tons of CO2 equivalent per year**
The avoided carbon dioxide (CO2) equivalent emission as a result of a lower carbon and efficient energy generation or energy efficiency project or component of such a project. Projects with CO2 emission reduction include renewable energy generation; supply- and demand-side energy efficiency projects; and use of cleaner fuels."

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[33] Ministry of Law, Justice and Parliamentary Affairs. The Acquisition and Requisition of Immovable Property Ordinance, 1982. http://bdlaws.minlaw.gov.bd/print_sections_all.php?id=619
54 See for example, http://www.theindependentbd.com/arcprint/details/114089/2017-09-15

[34] Mehedi, H, Hossain Tuhin, S, and Alam Prince, M, 2018. Bhola IPP and its Impact on Local Communities: Voices from the Ground, A Civil Society Study Report. Bangladesh Working Group on External Debt and Coastal Livelihood and Environmental Action Network.

[35] https://www.aiib.org/en/projects/approved/2018/_download/Bangladesh/PSI-Bangladesh-Bhola-IPP-120118.pdf

[36] In the case of ADB, other "relevant information" **must** also be disclosed in a timely manner, in an accessible place, and in a form and language that the affected persons can understand. Accordingly, these relevant information include the "details of compensation and resettlement options, the information regarding measurement of losses, detailed asset valuation, entitlements and special provisions, timing of payments, and displacement schedules. For illiterate persons, other suitable communications methods may be used, including pictorial messages and announcements in public places, such as a weekly market" (ADB, Involuntary Resettlement Safeguards: Planning and Implementation Sourcebook).

[37] See AIIB ESF para 61: "There is no universally accepted definition of FPICon"

[38] Best practice at other institutions such as the Roundtable on Sustainable Palm Oil and the Forest Stewardship Council, extend the right to Free, Prior and Informed Consent to all project affected peoples, not only indigenous.

[39] Devex (2018): AIIB's approach to gender might not involve a gender policy.

[40] See for example: https://bankinformationcenter.org/en-us/update/world-bank-works-to-address-gbv-related-ramifications/

[41] Mehedi, H., Tuhin, S.H., and Mitu, A.S., 2019. Excluding the Excluded: Impact of AIIB funded Bhola IPP on gender in Burhanuddin Upazila, Bhola, Bangladesh. CLEAN and BWGED

[42] https://www.inclusivedevelopment.net/what-we-do/campaigns/outsourcing-development/

[43] See: https://bic-europe.org/news/aiib-funds-first-coal-despite-assurances/

[44] See: https://www.google.com/search?client=safari&rls=en&q=BIC+Europe+risky+business&ie=UTF-8&oe=UTF-8

[45] See: https://bic-europe.org/wp-content/uploads/2018/06/Risky-Venture_FINAL.pdf

[46] As of October 2019, the AIIB confirmed that the IFC Emerging Asia Fund has divested from Summit Power.

[47] https://bic-europe.org/reports/financing-development-in-myanmar-the-case-of-shwe-taung-cement-burmese/

[48] http://www.cao-ombudsman.org/newsroom/documents/FIAUDIT.htm

[49] See: http://www.cao-ombudsman.org/newsroom/documents/FIAUDIT.htm and https://www.inclusivedevelopment.net/what-we-do/campaigns/outsourcing-development/

[50] The EBRD referral list is as follows: **PR9 Annex 2 The FI Referral List**
The financing by FIs of the following environmentally or socially sensitive business activities financed with EBRD funds is subject to referral to EBRD:
The principal Performance Requirement that proposed transactions will be expected to meet is indicated in italics.
(i) Activities involving involuntary resettlement - *EBRD Performance Requirement 5*
(ii) Activities that occur within or have the potential to adversely affect an area that is protected through legal or other effective means, and/or is internationally recognised, or proposed for such status by national governments, sites of scientific interest, habitats of rare/endangered species, fisheries of economic importance, and primary/old growth forests of ecological significance - *EBRD Performance Requirement 6*
(iii) Activities within, adjacent to, or upstream of land occupied by indigenous peoples and/or vulnerable groups including lands and watercourses used for subsistence activities such as livestock grazing, hunting, or fishing - *EBRD Performance Requirement 7*
(iv) Activities which may affect adversely sites of cultural or archaeological significance -*EBRD Performance Requirement 8*
(v) Activities in the nuclear fuel production cycle (uranium mining, production, enrichment, storage or transport of nuclear fuels)101
(vi) Energy generation using nuclear fuels (excluding electricity import/export)102
(vii) Activities involving the release of GMOs into the natural environment – *EBRD Performance Requirement 6*
(viii) Any micro, small or medium-sized HPPs that do not trigger Category A requirements – *EBRD Eligibility Criteria for Small Hydropower Plant Projects*
(ix) Any Category A projects included as Appendix 2 to the EBRD Environmental and Social Policy

[51] http://bic-europe.org/world-bank-financial-intermediaries/

[52] https://bic-europe.org/wp-content/uploads/2018/01/Tarbela_case_study_FINAL-2.pdf

[53] See: https://bic-europe.org/wp-content/uploads/2018/06/Myingyan_FINAL.pdf p 6.

[54] https://www.aiib.org/en/projects/approved/2019/infrastructure-private-capital-mobilization-platform.html

[55] AIIB response to information request from BIC Europe; email from Xiaobo Wu, 21 August 2019 to Kate Geary, BIC Europe.

[56] https://www.aiib.org/en/projects/approved/2019/_download/infrastructure-private-capital-mobilization-platform.pdf

[57] https://www.cliffordcap.sg/bayfront-infrastructure-capital

[58] https://www.worldbank.org/en/projects-operations/environmental-and-social-framework

[59] https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/publications/publications_policy_interpretationnote-fi

[60] https://www.aiib.org/en/about-aiib/who-we-are/role-of-law/.content/index/_download/Directive-on-Environmental-and-Social-Policy.pdf

[61] Meeting between CLEAN, BWGED, NBBL and AECOM, 25 April 2019