AIIB OBSERVER

Empowering Communities, One Story at a Time

INNOVATING FINANCE, EVADING ACCOUNTABILITY?

A look into the AIIB's investments in Bayfront Infrastructure Management

Multilateral development banks (MDBs) have been seeking innovative financing solutions to attract private investments towards the implementation of the Agenda 2030 and Sustainable Development Goals as well as the Paris Agreement. The Asian Infrastructure Investment Bank (AIIB) in particular has been supporting the development of capital markets for infrastructure since 2018 as one of the 'innovative' financing solutions for sustainable development and climate action. Key to this approach is infrastructure debt securitisation to create infrastructure asset backed securities (IABS) and the adoption of the environmental and social governance (ESG) investing principles.

This 'innovative financing solution' poses potential risks to communities affected by the infrastructure projects underpinning the IABS because of the securitisation process as well as the AIIB's adoption of the environmental and social governance (ESG) approach in lieu of its Environmental and Social Policy (ESP). The securitisation process creates complex, non-transparent financial relationships between investors and projects in capital market investments which makes

CONTINUED ON PAGE 3

FORUM NETWORK BOYCOTTS AIIB ANNUAL MEETING OVER EXCLUSIONARY PRACTICES

The NGO Forum on ADB, a coalition of civil society organizations, has officially announced its boycott of the Asian Infrastructure Investment Bank (AIIB) Annual Meeting in Uzbekistan. This move follows the AIIB's refusal to integrate meaningful civil society engagement into the event's format, despite formal requests from the Forum for dedicated civil society panel discussions.

In a letter addressed to AIIB President Jin Liqun, the Forum expressed disappointment over the lack of changes to the Annual Meeting program, highlighting the AIIB's persistent disregard for civil society input on crucial issues such as the Gender Action Plan, Corporate Strategy, Climate Action Plan, and Accountability Framework. "We regretfully decline this year's participation at the AIIB Annual Meeting in Uzbekistan and are calling for a boycott of the event by our network," the letter states, though it acknowledges that some members may attend in person while supporting the boycott's principles. The Forum's decision to boycott the event stems from several key grievances:

- **Lack of Meaningful Civil Society Consultations:** The AIIB has been criticized for pushing through policies without consulting civil society. The Forum argues that this exclusion undermines transparency and accountability, key principles for effective and inclusive development banking.
- **Exclusion of Diverse Perspectives:** In contrast to other Multilateral Development Banks (MDBs), the AIIB has not allowed civil society organizations (CSOs) to lead panel discussions at its Annual Meetings. Even on panels discussing issues such as financial intermediaries and gender—areas where civil society has significant expertise—CSO experts and impacted communities have been left out of the conversation.
- **Failure to Provide Visa Support:** Many local civil society groups have faced significant barriers in securing visas to attend the Uzbekistan meeting. The AIIB's failure to offer meaningful support in this regard has further limited the participation of those directly affected by the bank's decisions, perpetuating a sense of exclusion.

Despite the boycott, the NGO Forum on ADB remains open to dialogue with the AIIB. "Our decision is driven by the intent to prompt AIIB decision-makers to address these issues and commit to meaningful reforms in civil society participation," the letter concludes. The Forum hopes that the boycott will serve as a wake-up call for the bank, urging it to take concrete steps to ensure that future Annual Meetings include genuine engagement with civil society.

CONCERNS MOUNT OVER LAND GRABBING, ENVIRONMENTAL ISSUES, AND HUMAN RIGHTS VIOLATIONS IN THE MANDALIKA PROJECT

The Mandalika Project, a large development effort on Indonesia's Lombok Island, is drawing widespread criticism owing to a number of issues. Initially planned in the 1980s, the project stagnated for decades until gaining steam in 2014, when the Indonesian government revived its plans and won finance from the Asian Infrastructure Investment Bank (AIIB) in 2018. Since then, the project has faced claims of land grabs, forced evictions, environmental degradation, and human rights breaches.

One of the main concerns about the Mandalika Project is the rapid and brutal land grab that has occurred since the government's renewed commitment to the effort. According to affected communities, many families have been forcibly evicted from their homes, frequently without compensation or due process. This practice of land grabbing is consistent with a broader tendency in development projects that prioritize economic growth and infrastructure development over local community needs.

The AIIB's involvement in the project has raised concerns among local communities and environmental advocates.. The bank backed Indonesia Tourism Development Corporation (ITDC), which has been accused of pushing villagers to leave their land in order to facilitate construction projects. This raises serious concerns regarding the role of international financial institutions in fostering sustainable development. The AIIB's quest for rapid expansion without adequate safeguards exemplifies a disturbing trend in which economic interests trump human rights. By focusing on financial gains, the AIIB risks deepening existing inequities and disenfranchising vulnerable groups.

IFIs such as the AIIB open operate with the goal of promoting economic growth in developing countries, however, the Mandalika Project ighlights a critical flaw in this approach: the absence of necessary environmental and social safeguards. When development finance prioritizes short-term economic advantages, it can have long-term negative consequences for local communities and ecosystems. This situation raises the issue of accountability for the AIIB. Are they sufficiently scrutinizing the projects they finance, or are they complicit in human rights violations and environmental degradation? The AIIB's present trajectory in the Mandalika Project indicates an urgent need for reform in how development finance is approached, with human rights and environmental factors integrated into all funding decisions.

Affected communities have voiced a number of demands, highlighting their fight for justice in the midst of the development frenzy. They demand complete payment for uncompensated land, rectification of payments made to erroneous individuals, and adequate resettlement for those who have been forcibly evicted. These demands highlight the necessity of fair compensation and the respect of land rights, especially in an area where livelihoods are inextricably linked to the land.

Environmental considerations are also important. WALHI (Friends of the Earth Indonesia) has voiced concerns about the Mandalika Project's possible environmental repercussions, including increased flooding and landslides caused by the disturbance of natural landscapes. The organization is urging the AIIB to freeze loan payments until a thorough environmental study is completed and the socioeconomic consequences for affected areas are addressed. This emphasizes an important feature of sustainable development: the requirement for comprehensive environmental impact evaluations and community engagement prior to project implementation. Ignoring these issues can cause irreversible damage to ecosystems and livelihoods.

Adding to the urgency of the matter, the Indonesian government has yet to pay the licensing payments for the upcoming MotoGP race, which is planned for the end of September. This has created uncertainty about the event, which may have an even greater impact on local communities that are already dealing with the project's consequences. The race's likely cancellation calls into question the Mandalika Project's long-term viability, as well as the government's

CONTINUED ON PAGE 3

INFRASTRUCTURE FOR YESTERDAY: THE AIIB'S CAPITAL MARKET OPERATIONS INCLUDE MAJOR FOSSIL FUEL INVESTMENTS

The Asian Infrastructure Investment Bank (AIIB) has long touted itself as a champion of sustainable infrastructure, promoting a vision of "infrastructure for tomorrow." However, a recent analysis by environmental NGO Urgewald raises serious concerns about the bank's actual practices, particularly its capital market operations (CMOs). According to the report, a significant portion of AIIB's capital is being funneled into fossil fuel infrastructure, starkly contradicting its green ambitions.

The report 'Infrastructure for Yesterday: The AIIB's Capital Market Operations Include Major Fossil Fuel Investments' reveals that 62% of the AIIB's capital market investments, amounting to $321.41 million, have been allocated to fossil fuel projects. When including private capital mobilization, this figure skyrockets to an estimated $1.82 billion. This heavy reliance on fossil fuels poses a direct threat to the global transition toward clean energy, which the bank claims to support. Such investments not only undermine AIIB's public commitment to sustainability but also raise questions about its role in promoting a green agenda. Another key concern highlighted by the report is the lack of transparency surrounding these investments. Urgewald estimates that an additional $870.48 million may be invested in fossil fuel companies through undisclosed portfolios, making it difficult to hold the bank accountable. Despite AIIB's promise of openness, this opacity contradicts its claims of fostering a responsible and sustainable financial system.

Even more concerning is the fact that AIIB's CMOs are excluded from the bank's Environmental and Social Framework (ESF), which sets the standards for environmental and social protections in its other projects. This loophole allows CMOs to operate without proper oversight, resulting in significant gaps in the protection of affected communities and ecosystems. By outsourcing responsibility to third-party Environmental, Social, and Governance (ESG) managers, the bank risks sidestepping the rigorous safeguards it applies to other projects.

The exclusion of CMO-funded projects from the AIIB's Project-affected People's Mechanism (PPM) further compounds the issue. This mechanism allows communities impacted by AIIB projects to raise concerns and seek redress. Without access to this accountability tool, those affected by projects such as the Bhola gas-fired power plant in Bangladesh or offshore oil exploration in Guyana are left without a clear avenue to voice grievances or hold the bank accountable for potential harm.

These controversial investments have drawn criticism from environmental groups and local communities, who argue that AIIB's financing of fossil fuel projects runs counter to its stated commitment to sustainability. Projects like the ones in Bangladesh and Guyana are emblematic of a troubling trend within the bank, where short-term financial gains appear to take precedence over long-term environmental and social impacts.

The Urgewald report stresses the urgent need for reform within AIIB. If the bank is to live up to its promise of supporting the global energy

CONTINUED ON PAGE 4

WHY DEVELOPMENT BANKS SHOULD NOT FUND THE ROGUN MEGA-DAM IN TAJIKISTAN, IF THEY REALLY CARE ABOUT PEOPLE AND THE ENVIRONMENT

In Tajikistan, the government is dreaming big. To build one of the tallest dams in the world, Tajikistan is bringing together old foes and getting support from all the major financiers in the world. But for dozens of thousands of people, this is far from being a dream: the Rogun dam – with its catastrophic environmental and social risks – is rather set to turn into their worst nightmare.

Built along the Vakhsh river, the Rogun dam is expected to displace at least 50.000 people. Precious ecosystems, including the UNESCO World Heritage site "Tugay Forests of the Tigrovaya Balka", risk being heavily impacted. And as the river flow to the Aral Sea will be severely reduced, there will be repercussions also for the neighbouring countries downstream (Afghanistan, Turkmenistan and Uzbekistan).

Yet, despite these worrying impacts, the concerns of the affected communities risk remaining unheard. According to CIVICUS, the space for civil society in Tajikistan is "closed": as human rights defenders and journalists are routinely imprisoned and attacked, most people live in a climate of fear and they would not even dare to raise their concerns and openly oppose a project.

In such a restrictive context, no consultations around the Rogun dam can be considered meaningful: for development banks investing in the project, it is virtually impossible to comply with their commitments to public participation. Yet, more and more financiers are jumping in the band-wagon and rushing to fund this destructive dam.

The Rogun hydropower plant was first conceived in the 1970s and the project was then relaunched in 2006. If completed, with its 335 metres in height and 13 cubic km storage, Rogun will become the biggest structure of this kind in the world. Works have already started, but less than 25% of all construction works have been completed.

Tajikistan has already spent USD 4 billion on it, but lacks at least USD 6.4 billion to finish building the dam. During the last decade, projected costs of Rogun Dam completion have increased by 15% annually. Despite the concerns around the project and the rising costs, Rogun is still attracting investments from all over the world (including Europe, China and Iran), as Tajikistan is at the crossroads of major geopolitical interests. Bordering Afghanistan and China, in the past decades it has been mainly under the Russian sphere of interest. Recently, however, Europe has also been seeking to expand its influence here, to reduce the Central Asian countries' dependence on Russia and to counter China's Belt and Road Initiative.

Some of the major international financial institutions – World Bank (WB), European Investment Bank (EIB), European Bank for Reconstruction and Development (EBRD), Islamic Development Bank (IDB), Eurasian Development Bank (EDB), the Asian Infrastructure Investment Bank (AIIB) – are getting involved in the "Rogun sustainable finance" scheme orchestrated by the World Bank. Other development banks (e.g: Asian Development Bank, ADB) are financing associated projects, such as transmission lines or roads.

Most of these banks, in their safeguards, are committed to comply with environmental and social safeguards. Yet, to push forward with this project, they are ignoring their own policies and disregarding the concerns raised for years by international and regional organisations.

For instance, the World Banks' policies clearly prescribe to avoid and minimize forced resettlement. Reducing the 335-meter dam by 35 meters (from 1300 to 1265 meters above sea level) would reduce the need for resettlement by 60% (to 14000 newly resettled people), while downsizing it by one third (to 1200 meters above sea level) eliminates new resettlement. Money saved by project downscaling could be used to build solar farms and diversify Tajik energy sector, which by 95% consists of hydropower and suffers sever energy shortages in water-deficient periods.

In recent months, international and civil society organisations have addressed several letters to international finance institutions, calling on them to withdraw from this highly controversial project.
In particular, they have highlighted the following concerns:

1. **Social impacts** - Over 7000 people have been displaced so far, and it is estimated that 43.000 additional people will have to be resettled once the project is completed. In a 2014 report, Human Rights Watch already highlighted some of the negative impacts for the displaced communities, including lack of access to land for farming and raising livestock, reduced access to and variety of food, loss of income-generating activities, unreliable and inadequate access to basic services, and lack of fair or adequate compensation.
2. **Fiscal health** - According to the International Monetary Fund (IMF), Tajikistan is already under huge fiscal pressure. Financing Rogun will push the level of debt far beyond sustainable levels and exacerbate fiscal health problems, especially considering the increasing project costs and delays. The construction of this mega-dam will also force the government to reduce spending on essential services, such as health, education, social welfare and other infrastructures. Need to cover construction costs also necessitates significant increase in electricity tariffs which spurs the inflation
3. **Impacts on the environment and biodiversity**- Building a dam on the Vakhsh river would impact the connected rivers and water basins, with huge impacts on the ecosystems and agriculture. For instance the Amu Darya, a major river in Central Asia, gets 40 per cent of its water from the Vakhsh. The dam risks having destructive environmental impacts also on the "Tugay Forests of the Tigrovaya Balka", a World Heritage site in the Vakhsh River floodplain, and degrading the habitat of critically endangered species, such as the endemic shovelnose sturgeons.
4. **The project is not climate-friendly** - According to EU standards, with expected emissions of more than 102g CO_2 e/KWH, the Rogun project does not meet the criteria for a "substantial contribution" to climate change mitigation. Nor will Rogun hydropower contribute to the decarbonisation of the Tajik energy system, which has a similar emission intensity (106g CO_2 e/KWH). If Uzbekistan and Kazakhstan decide to rely on energy imports from this source, the project could delay Central Asia's green transition by 15 years. Alternative renewable schemes based on solar and wind could be built five times faster and three times cheaper than the giant Rogun dam.
5. **Lack of transparency and consultations** - As repeatedly pointed out by civil society organizations, in such a restrictive context - with low levels of transparency, high risk of corruption, and widespread human rights violations - no consultations can be considered meaningful. The "updated" Environmental and Social Impact Assessment (ESIA), published in December 2023 by the World Bank, omits consequences of several risks, which have previously been the focus of public attention. In 2024, no meaningful regional consultations on the environmental social impact assessment (ESIA) have been announced, the updated ESIA has not been fully disclosed, and the biodiversity management plan and resettlement action plan are not publicly available yet.


The Rogun mega-dam in Tajikistan

A Stakeholder Engagement Plan (SEP) was published in February 2024, but it does not satisfy basic policy requirements. The plan fails to take into account the civic space concerns and to address the operational risks posed by the serious civic space restrictions in the country. Of particular concern is the involvement of the military. The World Bank's Environmental and Social Commitment Plan acknowledges that this might pose some risks, but it suggests that the project's grievance mechanism will be able to handle potential grievances, ignoring the intrinsic risk of reporting misbehavior or violence perpetrated by military officers.

Finally, the Stakeholder Engagement Plan fails to cover transboundary consultations with potentially impacted communities. The Rogun Dam is being built on the Vakhsh river, which feeds into a river flowing into Afghanistan, Turkmenistan and Uzbekistan. As these countries also have highly restrictive contexts, there are serious doubts that any meaningful stakeholder engagement will be conducted.

A message for the AIIB and other development banks involved in the Rogun dam

It is difficult to see how banks such as the EIB, EBRD, World Bank, AIIB and ADB can justify their involvement in this project. While environmental and social policies and procedures are useful for improving business practices and implementing processes to mitigate individual impacts, they will not have a significant impact on such an already significantly flawed project. Better procedures may help prevent some misconduct, but they can't make the resettlement of 50,000 people acceptable, nor can they guarantee water security and ecological balance in the already struggling Amu Darya Basin. If development banks want to comply with their safeguards and stay true to their promises, there is only one possible solution: withdraw from this project, before it's too late.

INNOVATING FINANCE... *(from page 1)*

it difficult to trace and establish who financially enabled the harmful projects. Without making this financial connection visible, protection policies against environmental and social harms that would have been in place cannot be implemented. Moreover, the AIIB has excluded capital market projects such as IABS from its ESP, making these projects ineligible to the bank's accountability mechanism, the project-affected people's mechanism (PPM). The project manager's ESG Framework, which must be aligned in "spirit and vision" with the AIIB's own Environmental and Social Framework (ESF) will instead be applied.

The AIIB's investments in Bayfront Infrastructure Management (Bayfront) demonstrates how the application of the ESG approach in IABS projects is not adequate in addressing risks associated with infrastructure projects and providing remedy to affected communities. To date, the AIIB has five investments supporting Bayfront and four of its IABS issued through Bayfront Infrastructure Capital (BIC). Bayfront was established as a 70/30 partnership in 2019 by Clifford Capital Holdings and the AIIB with a goal of raising finance for infrastructure development in capital markets. Bayfront is Asia's first fully-fledged infrastructure securitisation platform. Bayfront acquires project finance and infrastructure loans from different banks, repackages and divides them into tranches with different levels of risk and return, and then distributes these tranches as notes for interested institutional investors to buy and trade. According to the AIIB, the bank's 30% equity investment in Bayfront helped embed leading environmental and sustainability guideline standards into the portfolio selection principles in Bayfront's E&S Framework, which was developed with inputs from the AIIB and is supposedly "consistent with the spirit and vision of the AIIB's ESF". Although summaries of Bayfront's E&S Frameworks are available on its website, the full texts are not posted. The sector guides for transactions in oil and gas, metals and mining, and hydropower are also not available on Bayfront's website. Without the full texts of these documents, it is difficult to assess exactly how Bayfront assesses and manages the risks of the assets in fossil fuels and extractive industries which can result in grave social and environmental impacts.

The AIIB approved up to $320m to invest in Bayfront's infrastructure asset-backed securities between 2021-2024 for BIC II, III, IV and V. A significant portion of the projects in BIC II, III, IV and V portfolios are fossil fuel projects, belying the AIIB's description of its operations as "clean and green." Between 39 to 66 per cent of the value of these portfolios are dedicated to oil and gas assets, compared to 19 to 30 per cent for renewable energy. Collectively, these IABS issuances have been supporting oil and gas projects valued up to ~$950m, twice the size of the value of its support for renewable energy (~$420m). Among these fossil projects is Jambaran Tiung Biru (BIC III and IV), a conventional gas field in Indonesia which is not compatible with the AIIB's Energy Sector Strategy, which supposedly excludes investments in upstream oil and gas projects. Envisioned to become one of the largest gas producers in Indonesia, its projected output is 192 million standard cubic feet per day (MMscfd) and is expected to reach its economic limit only in 2047. The oil and gas projects in BIC II, III and IV (BIC V's list of portfolio projects is not yet publicly available) also have life spans that may extend well beyond 2030. Supporting these projects does not contribute to the IPCC's recommendations of reducing greenhouse gas emissions by at least 43% by 2030 and at least 60% by 2035 to keep global temperature rise within the 1.5 degrees Celsius limit. The robustness of the ESG approach in identifying E&S risks is further put into question as Bayfront acquired debts supporting infrastructure that were already causing harm at the time of the acquisition. Nutan Bidyut's Bhola-2 220MW Combined Cycle Power Plant in Bangladesh that was also directly funded by the AIIB in 2018 is included in the portfolios of BIC III and IV. Bhola-2 which is planned to operate until 2043 adds to another fossil gas power plant in Bangladesh that will not be retired by 2030. In April 2022, affected communities together with civil society led by Bangladeshi CSO Coastal Livelihood and Environmental Action (CLEAN) and NGO Forum on ADB filed a complaint against the project to the PPM. The complaint highlighted the lack of information disclosure and meaningful consultation with affected communities; coercion, fraud, and intimidation on land acquisition; and environmental impact and livelihood loss. According to affected families, there was coercion and intimidation from 'middlemen' appointed by the project implementer, Nutan Bidyut Bangladesh Limited (NBBL), to acquire their lands at the lowest rates. The construction of the power plant also caused siltation of the Mandartoli Shakha Khal river channel which floods Dakshin Kutba village. Despite an ongoing complaint against the power plant, Bayfront still included it in BIC III and BIC IV's portfolio which were launched in 2022 and 2023, respectively.

Bayfront also acquired debts for projects by Daehan Wind Power Company, Adani Hybrid Energy Jaisalmer One, Two, Three, and Four Limited, Adani Solar Energy Jaisalmer One Private Limited, and Adani Solar Energy RJ One Private Limited. These companies are included in the list of "sustainable assets" to which the proceeds of the so-called sustainability tranche of Bayfront's IABS are dedicated to. Daehan Wind Power Company in Jordan (BIC IV) which built and operates the 51.75MW wind farm in Jordan's Tafila Governorate has had an ongoing complaint at the International Finance Corporation's accountability mechanism, the Compliance Accountability Ombudsman (CAO) since June 2020. The CAO's compliance appraisal report in 2022 concluded that there are preliminary indications of harm to the complainants which include lack of information, consultation, and engagement regarding the project's risks and impacts and environmental and social prevention and mitigation measures, and the lack of assessment of land use and consideration of potential impacts, such as noise and shadow flicker affecting communities and farmers working on their lands. Meanwhile, Adani Green Energy Limited's (AGEL) six of subsidiaries–Adani Hybrid Energy Jaisalmer One, Two, Three, and Four Limited, Adani Solar Energy Jaisalmer One Private Limited, and Adani Solar Energy RJ One Private Limited–are part of the BIC II, III, IV portfolio of assets. These subsidiaries are involved in developing several solar and wind energy infrastructure inside renewable energy parks in the state of Rajasthan that are being opposed by local communities because of encroachment over ancestral lands. AGEL's, including the subsidiaries listed above, were found to have questionable links to coal projects in the Toxic Bonds Network report. In May 2023, AGEL was dropped from Science Based Targets Initiative's (SBTi) list of companies that are taking action against climate change were removed from the list due to non-compliance with SBTi's fossil fuel policy. Despite this, AGEL's subsidiaries were still included in BIC IV which was issued in September 2023.

The AIIB justifies its ESG approach on IABS and other capital market projects by claiming "the objective of such investments is the development of capital markets for infrastructure rather than the financing of specific infrastructure projects." This downplays the fact that the AIIB's financial investment and public support provide an enabling environment for the specific infrastructure projects to operate, including the impacts that these projects have on communities. The AIIB's support to IABS and other capital market projects similar to Bayfront also signals to other investors that it is perfectly acceptable to claim commitment to the Paris Agreement while financing climate-wrecking investments, particularly in a region where most of the population are highly vulnerable to the impacts of climate change. As the AIIB reviews its PPM, civil society organisations, including Recourse, are calling for significant reforms such as overturning the exclusion of capital market projects from the PPM as well as revisiting policies regarding the public disclosure of these projects' portfolios to ensure affected communities can seek accountability and remedy.

CONCERNS MOUNT ... (from page 1)

commitment to ensure that development benefits rather than harms local citizens' rights.

If the race is canceled, it may indicate a larger failure in the government's project planning and implementation, demonstrating a mismatch between high-profile development programs and the realities of local communities. The MotoGP event was meant to serve as both a major attraction and a stimulus for regional economic growth. Its likely withdrawal could undermine the project's economic justification, further discouraging impacted residents who were promised development advantages. This circumstance highlights the need for the government to handle the project's immediate financial and operational issues while simultaneously confirming its commitment to protecting the rights and livelihoods of local populations. Without a clear and accountable path forward, the Mandalika Project risks becoming a cautionary tale of development that prioritizes spectacle over substantive community welfare.

As the Mandalika Project continues, the AIIB must rethink its role and responsibilities. The bank must acknowledge that its funding decisions have a substantial impact not just on the economy, but also on human lives and the environment. To avoid complicity in the violations reported by local communities, the AIIB should implement stricter safeguards, ensure transparent oversight, and actively engage with affected populations. The bank's commitment to sustainable development must go beyond financial investment and include a comprehensive approach that values human rights and environmental integrity. By implementing these actions, the AIIB can help turn the Mandalika Project from a symbol of exploitation to a paradigm for inclusive and responsible development—one that truly benefits all stakeholders.

34 CIVIL SOCIETY ORGANIZATIONS SUBMIT JOINT RECOMMENDATIONS ON HOW TO STRENGTHEN AIIB'S PROJECT-AFFECTED PEOPLE'S MECHANISM

As the Board of Governors of the Asian Infrastructure Investment Bank gather for their annual meeting in Samarkand, Uzbekistan, we call on the Bank to strengthen its Project-Affected People's Mechanism (PPM) and reaffirm the importance of accountability to its operations and remedy for communities negatively affected by its financing.

Five years ago, AIIB created the PPM to provide quasi-independent oversight for its projects; since then not a single case has been accepted by the Mechanism. While the bank is still relatively young, its financing is already causing harm as evidenced by the 5 complaints the PPM has received and the 34 complaints instituted at other MDBs arising out of AIIB's co-financed investments. In the absence of a viable accountability channel, AIIB is not hearing about environmental and social issues associated with its financing, not only risking the ability of its investments to hit their mark but also continuing to harm the bank's intended beneficiaries.

For years, CSOs and affected communities have been raising concerns about accessibility challenges with the PPM Policy. Prohibitive entry barriers, exclusion of large parts of the AIIB's portfolio, and the lack of a community-oriented approach have led to an erosion of community trust in the PPM, and groups have raised concerns about whether AIIB can still be considered to have a good faith commitment to accountability. These challenges have already had impacts on communities negatively impacted by AIIB financing in India, Bangladesh, and elsewhere. Early this year, the MD-CEIU acknowledged many of these concerns as it instituted a review of the PPM Policy and invited written comments to improve the visibility, accessibility, and effectiveness of the PPM. In July 2024, 34 CSOs submitted joint submissions providing detailed recommendations on how the PPM can become fit for purpose. Many of these recommendations have already been endorsed by the independent expert hired by the MD-CEIU to review the PPM.

The PPM must be empowered to self-initiate and accept cases associated with its financing:

- The PPM should be able to hear cases from all co-financed projects as project staff at AIIB need to understand how and why co-financed projects caused harm and prevent such harm in the future. Moreover, AIIB should use its leverage to provide remedy to affected communities.
- Parallel judicial or arbitral proceedings should not bar complaints to the PPM as those do not look at AIIB's own non-compliance in a project.
- PPM should be able to self-initiate a complaint when it receives credible information about systematic and substantial harm but factors including risk of reprisals impact the ability of communities to file complaints.
- AIIB should also accept complaints about harms around biodiversity, critical habitats, cultural heritage sites, and other global public goods by any natural or legal person.

The accountability process must be responsive to the needs of affected communities:

- In the restrictive civic space AIIB operates and in the absence of well-functioning client-led GRMs/management processes for redress, the PPM should not require communities to engage with these channels before coming to the PPM.
- Complainants should have the ability to authorize their chosen representatives whether local, national, or international to support them through the accountability process.
- The PPM should continually assess, prevent, and mitigate any retaliation risks faced by complainants and have and implement a zero tolerance policy towards retaliation.
- The PPM should ensure that it assesses and mitigates any power asymmetries between complainants and clients during its dispute resolution process.
- Complainants should have the opportunity to provide their inputs on the PPMs draft findings and recommendations before they are finalized, and be consulted on management action plans.

The accountability process should facilitate institutional learnings and remedy:

- The PPM should be able to recommend remedial actions in the compliance review report and based on them, the management should commit to clear time-bound actions for returning AIIB to compliance and achieving remedy for affected communities.
- The PPM should have the ability to independently monitor the implementation of the Management Action Plan including by conducting site visits and hearing from complainants.
- The PPM should be able to recommend suspension of projects to the Board due to concerns of imminent harm.
- The PPM should have an institutional learning and advisory function informed by its case work, so that institutional policies and operational practices could improve and adapt in real time to benefit future projects. The effectiveness of the accountability system at AIIB should be measured by the extent to which institutional policies and practices have improved in response to complaints.

In addition to providing recommendations, the joint submissions also share examples of good policy from other independent accountability mechanisms and further propose policy language to amend the PPM Policy.

The ball is now in AIIB's court and we will be closely awaiting the draft of the amended policy later this year.

INFRASTRUCTURE FOR YESTERDAY: THE AIIB'S...
(from page 2)

transition, it must extend its environmental and social safeguards to cover all of its operations, including CMOs. Prioritizing renewable energy investments over fossil fuels is crucial if AIIB is to avoid locking countries into a future dependent on fossil fuels Moreover, AIIB must improve transparency and accountability in its capital market activities. The lack of public information about certain investments and the exclusion of CMOs from key accountability mechanisms are serious concerns that undermine the bank's credibility. By failing to address these issues, AIIB risks damaging its reputation as a leader in sustainable infrastructure development.

The report makes it clear that AIIB must take urgent action to align its practices with its public statements. Only by adopting stronger environmental and social safeguards, enhancing transparency, and prioritizing investments in clean energy can AIIB truly support the global transition to a sustainable, low-carbon future. Failure to do so could severely undermine the bank's standing and its ability to drive meaningful change in the infrastructure sector.

NOT CLEAN, NOT GREEN: THE AIIB'S ENERGY INVESTMENTS IN UZBEKISTAN

A new report titled Not Clean, Not Green: The AIIB's Energy Investments in Uzbekistan, prepared by Urgewald and CEE Bankwatch, raises significant concerns about the Asian Infrastructure Investment Bank's (AIIB) energy projects in Uzbekistan. The report critically examines these projects in light of the AIIB's Energy Sector Strategy, its alignment with the Paris Agreement, and the human rights implications for local communities.

One of the key findings of the report is the **AIIB's approval of two gas-fired power plants in Sirdarya and Surkhandarya,** which suggests the bank is prioritizing fossil fuel infrastructure over low-carbon energy alternatives. This casts doubt on the AIIB's stated commitment to the global clean energy transition. Moreover, these gas projects are expected to operate far beyond the timelines recommended by the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA) to limit global warming to 1.5°C, which risks undermining global climate targets.

The report further reveals that the AIIB is financing companies involved in fossil fuel expansion, contradicting its public stance as a promoter of green energy. This support for fossil fuel companies raises questions about the bank's commitment to sustainability. Additionally, the AIIB's investments in Uzbekistan are linked to flawed land acquisition practices and human rights violations, particularly affecting farmers and local communities. These issues bring the bank's diligence and commitment to social safeguards into question.

The report calls for several reforms. First, it recommends that AIIB add all upstream, midstream, and downstream oil and gas activities to its Environmental and Social Exclusion List (ESEL). It also suggests the creation of an independent screening mechanism to ensure that the bank does not indirectly support fossil fuel expansion. Transparency in decision-making and project monitoring needs improvement, and greater consideration of human rights impacts is necessary to ensure the voices of affected communities are acknowledged.

Ultimately, the report argues that the AIIB's current approach to energy investments is inconsistent and lacks transparency, eroding its credibility as a truly sustainable institution. For the bank to align with the Paris Agreement and contribute meaningfully to the global energy transition, it must reform its practices, prioritize renewable energy investments over fossil fuels, and strengthen its environmental and social safeguards.

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