



Why should  
Indian people  
care about AIIB

The Research Collective

# **Why should Indian people care about AIIB?**

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### **The Research Collective (TRC)**

The research unit of the Programme for Social Action (PSA), facilitates research around the theoretical framework and practical aspects of development, industry, sustainable alternatives, equitable growth, natural resources, community and people's rights. Cutting across subjects of economics, law, politics, environment and social sciences, the work bases itself on people's experiences and community perspectives. Our work aims to reflect ground realities, challenge detrimental growth paradigms and generate informed discussions on social, economic, political, environmental and cultural problems.

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## **What is the AIIB?**

The Asian Infrastructure Investment Bank (AIIB) is a new international bank set up by China in 2016. The bank lends money to governments and to the private sector for infrastructure projects. It is primarily focused on Asia, and its rules say that Asian members must hold at minimum 75% of the votes in the bank. But the bank also includes members from across the world including Europe, Latin America and Africa, although notably both the US and Japan have chosen not to join it.

Asia, just like much of the Global South, has a large infrastructure gap. Many governments and inter-national development banks argue that huge investment in infrastructure is required for countries to develop and prosper. The Asian Development Bank (ADB) estimated in 2017 that the region needs to spend \$1.7 trillion a year until 2030 to address the lack of infrastructure in Asia. The AIIB aims to focus specifically on this issue, funding infrastructure projects in the region, and beyond.

The bank is also a political and economic project for China. It was initially set up as an alternative to the World Bank, IMF and other traditional International Financial Institutions (IFIs), as part of China's attempt to become, and be recognised as, a world power. However so far the bank is not proving to be very different from the ADB, World Bank, etc. and does not seem to be much of a threat to them.

But the AIIB is still a break from the past and a symbol of a changing world, with economic and political power moving from the West to the East. It is a bank created by, and emerging, from the Global South, with so-called 'developing countries' making up the majority of its shareholders, unlike other IFIs. While the other new bank from the South, the BRICS-created New Development Bank (NDB) only includes Brazil, Russia, India, China and South Africa, the AIIB keeps expanding its membership, which has now reached 86 countries.

## **The AIIB AGM in Mumbai June 2018**

The AIIB is holding its third Annual General Meeting (AGM) in Mumbai from 25-26 June this year. A representative from each member country (usually the Finance Minister, as well as government officials) will attend to discuss, plan and approve the AIIB's work.

In advance of this the AIIB is holding a number of meetings in India, partnering with the Confederation of Indian Industry (CII), the Federation of Indian Chambers of Commerce and Industry (FICCI) and the Associated Chambers of Commerce and Industry of India (ASSOCHAM). These meetings have taken place in Kolkata, Vishakapatnam, Ahmedabad, Bangalore, Guwahati, Bhopal, Pune and Mumbai. The topics for the meetings were Mass Rapid Transport Systems; Port and Coastal Infrastructure; Urban Development; Futuristic, Resilient, Inclusive and Digital Infrastructure; Regional Development; Clean and Renewable Energy; Water and Sanitation; Private Sector Participation and Innovation in Resource Mobilisation. Two "stakeholder engagement" meetings took place also, hosted in 5 Star hotels in Delhi and Mumbai!

### **India and the AIIB**

India is the second largest investor in the AIIB, after China. It holds 7.66 % of the votes in the bank, next after China, which has 26.6%. India's total subscription to the bank is \$8,367.3 million. It is the only other country apart from China which has its own Director in the 12 member Board of Directors which governs the bank.

India is represented in the AIIB annual meetings by the Minister of Finance, as well as various officials from the Ministry.

One of the five Vice-Presidents of the bank is Indian: DJ Pandian, the Chief Investment Officer of the AIIB, based in Beijing. He is a former IAS officer who worked in Gujarat alongside Narendra Modi in the area of industry and mines, petrochemicals and energy.

## What is the AIIB doing here in India?

India is the largest recipient of loans from the AIIB, receiving close to 25% of the bank's funding so far: **6 of the current 25 approved AIIB projects are in India.** The approved projects add up to \$1.2 billion, and cover roads, urban rail, energy and private sector investment in infrastructure (Refer to Table (i) showing the AIIB's loans in India so far).

There are six official projects in the pipeline for approval, as well as at least six others currently mooted. The media has reported that up to \$3 billion worth of projects are under consideration. The officially listed projects on the AIIB website include Andhra Pradesh urban water supply, Andhra Pradesh rural roads, West Bengal irrigation and flood management, Andhra Pradesh Amaravati city, Mumbai metro project and the National Investment and Infrastructure Fund. More generally the proposed projects cover port development, rural connectivity, urban transport, national highways, power system improvement, irrigation and flood management, water supply and management. Many more projects seem likely to be funded in the years and decades to come as the AIIB increases its lending.

The AIIB has also lent to many of India's neighbours in South Asia, including Bangladesh, Pakistan, Burma, and to countries in South East Asia, West and Central Asia, and has proposed projects in the pipeline for Sri Lanka and Nepal as well.

Date Approved	Borrower	State	Project	Sector	Amount (millions)	Co-Funder
11/04/2018	Republic of India	Madhya Pradesh	Rural Connectivity (Roads)	Transport / Roads	\$140	World Bank
08 /12 /2017	Republic of India	Karnataka	Bangalore Metro	Transport / Urban Rail	\$335	European Investment Bank (EIB)
27/09 /2017	Powergrid Corporation of India Limited	Tamil Nadu	Transmission System Strengthening	Energy /Power	\$100	ADB
04/07/2017	Republic of India	Gujarat	Rural Roads Programme	Transport / Roads	\$329	None
15/06 2017	India Infrastructure Fund / Morgan Stanley	N.A.	Private Equity Investments in Infrastructure	Multi Sector	\$150	None
02 /05 /2017	Republic of India	Andhra Pradesh	24/7 Power for All	Energy / Power	\$160	World Bank

Table (i)

## **Why is this relevant to Indian movements?**

The AIIB may seem big and far away, but even in two years, its work and reach has been significant. It has loaned a large amount of money to diverse projects in India, and will only continue to increase its lending and engagement in India over the years to come. Thus it is likely to become an important player in Indian infrastructure development, and one that needs to be watched carefully by Indian movements.

Indian movements and communities have a long history and much experience of problematic and destructive lending by IFIs to “development” projects in India, which have led to community displacement, loss of livelihood, repression and human rights violations, and huge environmental damage. From the World Bank funding of Narmada dam, to ADB funding of problematic hydro projects in Himachal Pradesh, to the IFC (a part of the World Bank) funding of GMR project in Odisha , or the IFC and ADB of the Tata Mundra project in Gujarat, disastrous and destructive development has often been promoted and funded by global development banks. There is no particular reason to believe that the AIIB will be any different.

The AIIB projects and presents itself as different, new and better than previous banks. It frequently stresses that it is a bank from the South and for the South, and of course there is the potential for it to be different. But so far it has not shown any evidence to be so. It is noteworthy that unlike other development banks, the AIIB does not mention the word poverty in its mission statement, and makes no commitment that its loans should help to reduce poverty, focusing merely on improving infrastructure in Asia, meaning that the AIIB may simply focus on projects which support corporates and rich citizens rather than the impoverished.

There is also a significant lack of information and transparency at a national level about the AIIB, and India’s position on it. It is very difficult to try to uncover what policy positions the Indian government is taking

within the bank, and there is almost no discussion of it in the Parliament. While the AIIB talks about being ‘lean, clean and green’, Indian movements would be wise to watch the new bank and its interventions in India very carefully.

### **What could be the AIIB impact on our issues?**

It is still early and the AIIB is only slowly establishing itself. However Indian movements and communities should surely learn from decades of experience with IFIs and be wary and watchful of this new bank. The AIIB intends to increase its loans every year, and is already loaning a lot to Indian projects, more than to any other country. The bank has already lent to one Financial Intermediary scheme—the Indian Infrastructure Fund—and is also considering lending to the Amaravati project. This is in spite of numerous issues, complaints and ongoing legal cases about how land was procured for the building of the city.

### **What have been the concerns voiced by movements and civil society so far?**

As mentioned earlier, the AIIB says that as an organisation it will be “lean, clean and green”. It also says that it will only fund projects that are financially, environmentally and socially sustainable, and it will build on learning of other IFIs so far. However groups which have been monitoring the AIIB since the beginning have raised a number of concerns that counter these claims.

At an environmental level, they note that the AIIB hasn’t ruled out funding coal unequivocally, unlike other IFIs. Also, while the bank did develop an Environmental and Social Framework (ESF), the public consultation on this was quite problematic: not enough time was given to groups to comment and consult on the draft policy, all documents were provided only in English rather than translated into local languages, and no physical consultation meetings took place.

As regards accountability and impact, the AIIB, rather alarmingly, began funding projects before it had the ESF, information disclosure policy and complaints procedure in place. Indeed even now, more than two years since it started operating, it is not clear what has happened regarding the AIIB's complaints procedure, when exactly it will be implemented, and how it is that affected communities can complain to the bank about negative impacts of projects funded by the bank.

Movements in India and globally have worked long and hard to fight for basic standards, principles and procedures to hold IFIs to account for their lending practices, and it is not yet clear if the AIIB will stick to or undermine these. Full Prior and Informed Consent on projects seems unlikely, with no clear community consultations taking place in advance so far and a lack of clarity and information disclosure on projects. Moreover, the AIIB is 'so far' mainly relying on the environmental, social and other standards and procedures of its co-funders (such as the World Bank and ADB), or on national procedures and laws, to address a range of issues such as environmental and social impact. In a context where Indian social and environmental regulation is being undermined and dismantled, this is an alarming prospect.

The AIIB also seems eager to lend to 'Financial Intermediaries', which are essentially private sector profit-seeking funds who invest in infrastructure. These kinds of investment funds have proven very tricky for movements to deal with when problems arise, as they are not bound by the same environmental and social standards as IFIs, and do not disclose information about the projects they fund.

The AIIB has also not made many attempts to genuinely engage with affected communities across Asia. When it undertakes consultations, they take place only through English, with no documents being translated into local languages across the region. The bank does not undertake outreach and has not undertaken any specific national or regional consultations on the issues of concern to communities and civil society, although it does allow them to attend some sessions of its AGM.

The AIIB facilitated 10 'lead-up' events across India in advance of the AGM meetings, often in collaboration with industry groups which were attended by academics, private sector, government officials and industry bodies, as well as think tank staff. However the bank did not invite civil society or affected communities to attend any of these issue-based meetings, confining them to the separate "stakeholder" meetings which took place in 5 star hotels in Delhi and Mumbai. For example, groups in Gujarat working with the urban poor protested their exclusion from the seminar on urban development in Ahmedabad, saying it showed "a trend of opacity, non-transparency and indifference to the concerns of the various sections of society which inhabit a city".

### **Potential AIIB Impact on Fishworkers**

It is a little early to tell what the actual impact of the AIIB might be on fishworkers and on coastal issues. However, the AIIB hosted a meeting in the Marriott Hotel in Vishakapatnam on the theme of 'Enhancing Port and Coastal Infrastructure' co-hosted by the Confederation of Indian Industry (CII) with speakers representing Maersk, PWC, KPMG and various private companies presented at the meeting. The meeting discussed and promoted the Sagaramala project, as well as the blue economy, the need for regulatory changes and the importance of the private sector. Unsurprisingly, it does not appear that any fishworker was present at or consulted for the meeting when port development has been listed as one area where the AIIB will invest in the future in India.

### **Potential AIIB Impact on Forestworkers**

Again it is hard to know what the impact of AIIB could be on forestworkers, rural and Adivasi communities, and it depends on how the AIIB's loans to India proceed in the future. However it is clear that the AIIB will become a big lender to India and have a strong influence on infrastructure development, and the broader development model, in the years to come. It will also focus on a range of areas including

roads and transport, energy, water, irrigation and flood management as well as others, all of which could impact on forests and land across the country. Also, the AIIB is currently considering funding Andhra Pradesh's Amaravati City project. This project has been the subject of many delays and substantial controversy around land procurement, with farmers claiming they were pressured to give up land, displaced and not given adequate compensation, and the state government recently changing the national Land Acquisition, Rehabilitation and Resettlement Act, 2013 at the state level to avoid its strong protections for small farmers and the requirement to do a social impact assessment, among other provisions.

### **What can we do about it?**

- Come to Mumbai and attend the People's Convention on Infrastructure Financing on 21-23 June!
- Critically engage on the issue of development and infrastructure. Is this mega-project huge investment and big loans approach to infrastructure really what India needs? Will this kind of investment be good for poor Indians, or for corporations and profit-seekers? What kind of development and infrastructure do you and your community need?
- Learn and read more about the AIIB
- Educate your community/group about the AIIB
- Watch out for future AIIB loans and carefully monitor them

**To learn more see <https://wgonifis.net> and <http://www.cenfa.org>**

