

**Conference report
"New kid on the block becoming an adult: AIIB after seven years of operation",
20.9.2023, Berlin**

Table of contents

I. INTRODUCTION _____ **2**

II. OVERVIEW OF THE MORNING PROGRAM _____ **2**

III OVERVIEW OF THE AFTERNOON PROGRAM _____ **2**

IV. KEYNOTE AT THE OPENING OF THE CONFERENCE - THE BEAUTY CONTEST WITH CHINA _____ **3**

V. CLASSIFICATION OF THE AIIB VIS-À-VIS OTHER MULTILATERAL DEVELOPMENT BANKS (MDBs) _____ **3**

VI COMPLAINTS MECHANISM: CLAIM AND REALITY _____ **4**

VII EXCHANGE WITH VICE PRESIDENT SCHUKNECHT _____ **5**

VIII. LARGE-SCALE RESETTLEMENT IN AIIB PROJECTS _____ **6**

IX. REALITY CHECK: AIIB PROJECTS IN INDIA AND CAMBODIA _____ **7**

X. AIIB ENERGY STRATEGY AND THE PARIS CLIMATE AGREEMENT _____ **8**

XI. HOW DOES AN EFFECTIVE GRIEVANCE MECHANISM WORK? _____ **9**

XII. THE PARLIAMENTARY ROUNDTABLE: GERMANY'S CONTROL AND INFLUENCE OVER THE AIIB _____ **9**

XIII OUTLOOK _____ **10**

I. Introduction

On 20 September 2023, the conference "New Kid on the block becoming an adult- AIIB after seven years of operation" organized by urgewald, took place in Berlin with 106 participants. At the conference, we took a critical look at the projects financed by the Asian Infrastructure Investment Bank (AIIB) in its first seven years, its governance structures and the bank's grievance mechanism PPM. We were also able to present our newly published [study on the extent of resettlement in AIIB projects](#).

The conference had the following agenda:

Time	What	Who
9.00-9.30	Arrival/ Registration/ Coffee	
9:30-9:40	Welcome and opening remarks, housekeeping	
9:40-10:00	Keynote speech Innovation "made in China?" AIIB - Where are you heading ?	Felix Lee (Journalist digital media China.Table)
10:00-10:15	Where to position AIIB inside the MDB landscape? Main challenges with AIIB	Dr. Nora Sausmikrat, Knud Vöcking (urgewald)
10:15-10:30	Discussion	
10.30-10:45	Accountability and PPM Review: Benchmarks and Human rights	Stephanie Amoako (Accountability Counsel)
10:45-11:00	Tell the truth: Reality check for the complaint mechanism	Hasan Mehedi (CLEAN)
11:00-11:15	Discussion	
11:15-11:30	Coffee Break	
11:30-11:40	AIIB Management: Statement by the AIIB Vice President	AIIB VP
11:40-12:10	Q&A	
12:10-12:20	AIIB and development: A case study on forced resettlement	Dr. Nora Sausmikrat, Mira Kracke (urgewald)
12:20-13:00	Discussion	
13:00-14:30	Lunch Break	
14:30-16:00	Open Roundtable with shareholders and CSOs <ul style="list-style-type: none"> • Lead of AIIB Euro Area EAC, Italian ED • AIIB Euro Area EAC, German alt. ED • Cases from the region 	
16:00-16:15	Break	
16:15-16:30	Energy strategy or Paris Alignment?	Aryanne de Ocampo (CEED)
16:30-17:15	Discussion	
17:15-17:45	Accountability - effectiveness of complaint mechanisms	Prof. Arntraud Hartmann
18:00-19:30	Parliamentary round <ul style="list-style-type: none"> • Deborah Düring (The Greens) • Till Mansmann (FDP) • Bernhard Daldrup (SPD) • Hermann-Josef Tebroke (CDU) 	Michael Windfuhr (Deputy Director Institute for human rights)
Fin	Drinks/Snacks and Finger food, Interviews	

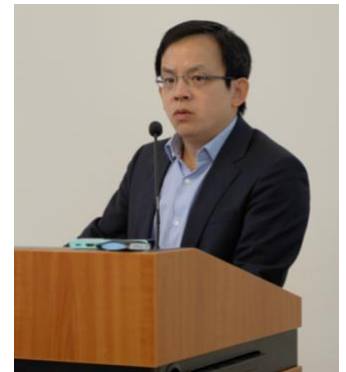
In addition to the general public, representatives from other civil society organizations and political foundations, the German Federal Ministry for Economic Cooperation and Development, the German Environment Agency, the *Board of Directors* and the AIIB's management were also present. Staff from the

AIIB's *Complaints Resolution, Evaluation and Integrity Unit (CEIU)*, representatives of the Eurozone Voting Rights Group and one of the AIIB's Vice Presidents also took part throughout the conference day. The conference day was concluded with a parliamentary roundtable in which the members of the German Bundestag Deborah Düring (Greens), Till Mansmann (FDP), Bernhard Daldrup (SPD), Hermann-Josef Tebroke (CDU) controversially discussed Germany's role to date since joining the AIIB in 2016 and possible opportunities to influence the AIIB in the future in coordination with European partners and other like-minded countries.

There were also extensive and lengthy discussions during the breaks and at the evening get-together after the event.

I. Keynote at the opening of the conference - the beauty contest with China

Felix Lee, journalist at China.Table, opened the conference with a pragmatic look at relations between Europe and China and the increasing competition between them for global influence. Historical spheres of influence of Europe and the USA are increasingly dissolving and the Global South is increasingly organizing itself independently. China is seizing this opportunity and making attractive offers, not least through the AIIB:



"For years, the countries of the Global South have been demanding that these Western-dominated bodies be opened up. Not least, the AIIB was a clever move by China to create new transnational institutions embraced by countries of the Global South. The BRICS are now others. These countries are by no means naïve. They certainly do not see China as the better superpower. But it is creating new options for them."

Although the German government's new China strategy based on the triad of "partner, competitor and systemic rival" is to be welcomed, a "true beauty contest" for the better global values would be even more effective. The attractive offers from China would be welcomed by the Global South, but at the same time no one desires a new dependency on China. In the competition between systems, Europe and like-minded partners would still have the opportunity to win over the world with their own values. In terms of climate protection, this attitude could probably also achieve more than waiting for China, which is always slowing down and delaying out of desperation to be won over as a partner.

Felix Lee thus set the tone for the conference.

II Classification of the AIIB vis-à-vis other multilateral development banks (MDBs)



In their opening presentation, Nora Sausmikat and Knud Vöcking (both urgewald) compared the AIIB's **organizational and governance structure** with that of the World Bank and other multilateral development banks (MDBs). Differences to the World Bank are the **strong decision-making power of the President** at the AIIB and weaker rules with shorter deadlines for **information and reporting obligations** for AIIB projects. Both challenge civil society to monitor compliance with environmental,



social and human rights standards in AIIB projects. In addition, the *Board of Directors* is **not based** at the AIIB headquarter and is therefore also severely restricted in its control and supervisory function. Germany had argued unsuccessfully for a resident Board of Directors before the AIIB was founded. Germany then joined the AIIB with the promise that at least the World Bank's environmental, social and human rights standards would be complied with.

Another difference is that the bank's project partners often monitor and report on compliance by themselves. The bank justifies this by claiming that it has deliberately established "lean" structures. However, as pointed out by urgewald for many years, this leads to a major **conflict of interest** if the project partners, as borrowers, were to report on their own compliance with environmental, social and human rights standards. In addition, the [bank's internal report](#) of July 7 was discussed, which served as proof of an apolitical and balanced voting structure inside AIIB. Sausmikat explained why this argument is misleading, as due to the organization of the voting groups into six different groups, even with almost 34% of the voting rights of the OECD countries, there would be no possibility of a joint vote.

III. Grievance mechanism: claim and reality



Stephanie Amoako (Accountability Counsel) described criteria for a well-functioning grievance mechanism, which must fulfill three basic functions: **Compliance Review**, **Dispute Resolution** and **Advisory** in the event of problems with project implementation. The grievance mechanism thus serves both to safeguard the rights of the communities affected by projects and to monitor and improve the Bank's projects. Unfortunately, the recommendations made by civil society during the consultation phase from 2017 to 2018 were largely not taken into account during the AIIB's PPM (*Projects-affected People's Mechanism*) review. **Not a single complaint** for the PPM has been accepted by the AIIB's complaints department (CEIU) since its establishment in 2016. As pointed out by earlier [studies](#), the independence of the complaint mechanism is challenged by **regulatory**

structures at the AIIB. The complaints mechanism is subordinate to the *Complaints Resolution, Evaluation and Integrity Unit (CEIU)*, a unit which is also responsible for anti-corruption and evaluation. This unit is too close to management to be truly independent. It is also ruled out by regulations that the PPM cannot be approached if the **AIIB co-finances a project**. Communities affected by projects must also **first contact the management of the project partner. They need** to find an amicable solution to their complaints and demonstrate a "sincere attempt to reach an agreement" (*good faith effort*). Only if these efforts do not lead to a solution can those affected turn directly to the PPM. However, having to turn first to the AIIB partner implementing the project on the ground would entail a high **risk of retaliation**. In the upcoming revision of the PPM over the next two years, **regression (no regression)** behind existing standards should be ruled out.



Unfortunately, the subsequent report by Hasan Mehedi (CLEAN) showed how important **an independent and well-functioning grievance mechanism** at the AIIB would be for the communities affected. His report on experiences with the complaints process at the "[Bangladesh: Bhola IPP](#)" must also be seen as evidence of the risk of retaliation described by Amoako. The affected local community tried to lodge a complaint with the AIIB management of the local project partner NBBL and the AIIB's PPM. The complaint included the points that the affected

communities in the construction area had only learned about the project after the start of construction and were then inadequately informed about the exact extent of the consequences, such as the impact on the environment and the livelihoods of the local community due to the burial of a canal and the occupation of agricultural land. They had insufficient information regarding the possibility of lodging a complaint with the PPM. Mehedi reported on **intimidation during the resettlement** of affected communities by a politician commissioned by the local project partner NBBL. He had responded to the complainants with drastic words such as "If you do not give up this land, we will kick you out of Bangladesh to India". The complainants had several meetings and discussions with the management of the AIIB. Nevertheless, the AIIB ultimately rejected the complaint. The AIIB criticized that the complainants had not shown sufficient "**good faith effort**". Ultimately, Mehedi stated that after these experiences, he and the affected community had completely lost confidence in the so-called independent functioning of the complaint mechanism.

In the subsequent discussion with shareholders' it was assured that the PPM was taken very seriously. It was highlighted that in other projects, the complaint to the local project heads prior to the PPM worked well. It was confirmed that for the future, the dissemination of information on projects would have to be made **more transparent with** regard to the written information for the affected communities about the PPM's grievance mechanism. It was made clear that the management wishes to enter into a **comprehensive dialogue** with civil society on the upcoming revision of the PPM over the next two years.



IV. Exchange with the attending Vice President (VP) of the AIIB

In his input, the VP presented the AIIB's **governance structures** and emphasized that the AIIB would like to have a **more in-depth exchange and cooperation** with civil society in the future. With regard to the **division of responsibilities** in the bank's **governance structures**, he referred to the Board of Governors as the bank's highest decision-making body. The **Board of Directors** is less involved in the operational business, but is responsible for the general strategy and direction of the AIIB. The Board of Directors delegates the approval of projects to the President of the AIIB. In comparison to other MDBs, the president does indeed have **more powers**. However, this would not be the case if one were to compare his decision-making power with that of the presidents of national development banks or commercial banks. In addition, the projects delegated to the president for approval are mostly "smaller" projects.

In response to the problems described by Sausmikat and Vöcking in their introduction regarding the supervisory and control function of a **non-resident Board of Directors**, in contrast to the World Bank, the VP referred to the requirement for **lean governance structures** at the AIIB. After all, the guiding principle of "*lean, clean, green*" had been adopted. Experience at the World Bank with a resident Board of Directors would also not prove that this was more effective.



When asked by the audience how he would assess the role and cooperation with other multilateral development banks, the VP clearly saw the AIIB as part of the "**MDB family**" despite the current geopolitical developments and efforts

to decouple from China. This would also mean that the same international standards and best practices would be adhered to at the AIIB. After all, the AIIB is also the largest co-financier of the World Bank (WB) and the Asian Development Bank (ADB). The AIIB is also still in a phase in which it can learn more from the other MDBs rather than competing with them.

With regard to the question of the extent to which the projects financed by the AIIB are **aligned with the goals of the Paris Climate Agreement (Paris aligned)**, it was confirmed that finances of coal and nuclear projects are excluded. In the case of gas projects, however, there would be differing opinions "even in Germany" as to how quickly the complete phase-out of all fossil fuels demanded by civil society should be implemented. Similar controversy surrounds hydropower projects. For the VP, it is crucial that every AIIB project is compatible with the **nationally determined contributions (NDCs)**.



In response to further questions from the audience about the problems with **accountability in co-financed projects**, the VP replied that even though around 60% of the AIIB's projects are co-financed and therefore the bank's grievance mechanism does not apply directly, the Board of Directors has the opportunity to select each project for joint review. He was of the opinion that the bank's grievance mechanism would "work well".

When asked by the audience, why the project "[Bangladesh: Unique Meghnaghat IPP](#)" was approved directly by the President of the AIIB despite several warning by CSOs and in meeting with the Board of Directors, the answer was evasive. The promise originally made to civil society that the Board of Directors would deal with every high-risk project was not kept. It was confirmed that the Board deals with all high-risk projects, but not necessarily with "all details".

V. Forced resettlement on a large scale in AIIB projects

Nora Sausmikat and Mira Kracke (both urgewald) presented the [world's first study on the resettlement figures](#) for AIIB projects from 2016 to 2022. The environmental and social impacts of large-scale infrastructure projects are well-known and documented. Among them, involuntary displacement is one of the worst. To quantify the resettlement impacts of the Asian Infrastructure Investment Bank (AIIB)'s projects, we conducted a study for the years 2016 – 2022, capturing the Bank's first seven years of operation. We also drew comparisons with the World Bank and the Asian Development Bank (ADB). The results necessitate urgent action. Shareholders need to take the study's findings seriously and stop approving projects which displace hundreds of thousands of people and cause harm, suffering and long term impoverishment to countless more.



According to the study presented, **51% of all AIIB projects** involve the resettlement of people, although this figure could be even higher due to insufficient data in some cases. The study also addresses **serious inaccuracies** in the AIIB's duty to report and collect and publish information (e.g. number of affected persons assigned to a household). The **ILO Convention 169** (Convention for the Protection of Indigenous and Tribal Peoples of the International Labor Organization) and provisions **on Free and Prior Informed Consent (FPIC)** were also not sufficiently complied with. The main problem is the lack of documentation of information on projects involving the resettlement of people. The availability of information also varies greatly from country

to country. In response to the presentation of the resettlement study, it was remarked by decision makers that it was hardly surprising that a bank specializing in infrastructure projects such as the AIIB would also see more resettlements than the World Bank, for example. CSOs therefore asked for stronger safeguards esp. in respect to information disclosure, grievances, reprisals and livelihood restoration. Single projects were discussed in detail.

IX. Reality check: AIIB projects in India and Cambodia

In the open exchange round with the representatives of the Board of Directors, Vidya Dinker (Growthwatch) reported on the outstanding, appropriate compensation for the pupils of a school for the deaf and dumb affected by the "[India: Bangalore Metro Rail Project - Line R6](#)".



This project resulted in the school being relocated without previous communication. To date, the pupils affected have not been adequately compensated.



For these particularly vulnerable students, the expansion of the metro line with the demolition of the school has interrupted their education and their future prospects, because the training program also included a secure job after graduation. All attempts by their organization to lodge a complaint with the AIIB, which is co-financing the project, have been rejected on the grounds that the EIB is the leading financier and therefore responsible. The situation for the students

concerned has still not been fully resolved. Overall, it is not possible to speak of an appropriate due diligence or compliance with the intended processes (*due process*) for this project. It is also unacceptable that different standards apply in India than in Europe.

The EDs present emphasized, opportunities such as this conference, where civil society and the bank can discuss individual projects, are very welcome.

Other individual cases were discussed, such as the [scandal driven microfinance loans](#) in Cambodia. The two AIIB projects in Cambodia hidden under misleading headlines like [COVID-19 Response Facility](#) or [Emergency Response Facility](#), were long [being criticized](#), which led to [impoverishment and hunger](#). In their response, it was



emphasized that the European constituency had been very critical from the outset. It was also obvious that the main reason was due to the lack of national provisions and the lack of a link between the loan programs and a control mechanism. As a result, these provisions need to be strengthened. In particular, it is currently being discussed with the management whether loans should continue to be issued against a land mortgage. Here too, greater involvement by the national authorities would be important. In fact, such projects could only be carried out if the AIIB were to establish a **local representative office**.

Another question from the audience was on how the European shareholders would ensure the promised compliance of the AIIB standards being equivalent to the World Bank's **Environmental and Social Framework (ESF)**. A functioning complaints mechanism was also promised when Germany joined the AIIB. To date, both

promises have largely not been fulfilled. In their response, the EDs pointed out that the similarity of the AIIB's regulations, standards and procedures to other multilateral development banks was certainly a credit to the European shareholders.

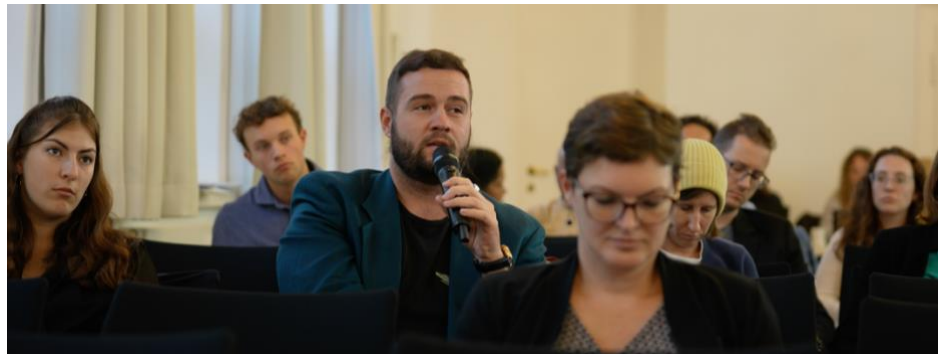
X. AIIB Energy Strategy and the Paris Climate Agreement



Aryanne de Ocampo (CEED) presented the results of the CEED study "[Greening the AIIB](#)" in her input. According to the study, the AIIB's energy sector is the area with the most investments, accounting for more than 20 % of all projects (meanwhile, it is 28% according to AIIBs webpage). From 2016 to 2022, 11 of the 36 energy projects were investments in the expansion of energy generation from fossil fuels (including 9 gas projects).¹ The AIIB's new energy strategy from November 2022 still leaves a number of loopholes open: for example, the coal phase-out for projects with indirect financing has been weakened. The use of gas instead of coal is also still planned. In addition, in view of the current state of development, there is speculative reliance on technological solutions such as **carbon capture and storage (CCS)**. Another major problem is the lack of transparency in the projects of **financial intermediaries** and the lack of limits on mega renewable energy projects (such as giant dams). The reference to the **national climate protection contributions** determined by the countries falls short. The Philippines, for example, has

set itself the target of generating 30% of its energy from renewables by 2030, whereas a target of over 80% would actually be necessary and possible.

In response to the question of how the many gas projects, including the construction of new gas-fired power plants (such as the Bangladesh: Unique Meghnaghat IPP), are to be compatible with the Paris Climate Agreement, the VP pointed out that this is a complex issue. The West is also currently expanding its gas capacities. Furthermore, in Asia there would be the additional challenge of creating new capacities for the millions of people in Asia without access to energy.



Participants from the audience pointed out that the adaptation of internal bank structures and processes are also crucial for the implementation of a **methodology to achieve the goals of the Paris Climate Agreement (Paris Methodology)**. In addition, the criteria for classifying projects as compatible with the goals of the Paris Agreement must also be communicated transparently. In response, the representatives of management and shareholders assured that internal capacity building for the Paris methodology would be a focus of the next budget cycle. They would also be happy to pass on "the point about transparency" to their colleagues. The question along which criteria the Bangladesh: Unique Meghnaghat IPP gas project could be classified by the AIIB as compatible with the Paris Climate Agreement remains unanswered.

¹ An [urgewald report](#) comes to a very similar conclusion, with 36% of all investments in the energy sector going to gas projects.

XI. How does an effective grievance mechanism work?

In her input, Professor Arntraud Hartmann reported directly on her experiences in senior management at the World Bank and the ADB. She explained that an effective grievance mechanism is only one important component of achieving **accountability**. **Environmental Social Governance** (ESG) criteria are also important in order for a company or institution to be held accountable.



The establishment of the first complaints mechanism 30 years ago was a milestone in that it gave individuals the opportunity to hold institutions to account. However, systemic obstacles remained. For example, there was evidence of retaliation in around 50% of complaints cases. Not only remedy provision was missing, but also protection to reprisals. If complainants were suppressed and harassed it is unlikely that affected people would turn to a grievance mechanism. Hartmann named four basic conditions for improving a grievance mechanism:

1. **Good and clearly defined rules** should exist. There are already a large number of international best practices for orientation.
2. The complaints mechanism must be **independent of the bank's management**.
3. Mechanisms only work if they are applied and confirmed **in practice**.
4. The mechanisms must be **easily accessible**.

With regard to the lack of complaints to date in the AIIB's PPM complaints mechanism, she emphasized that this should generally be seen as a sign that the mechanism is not trusted.

It is also necessary for the grievance mechanism to be accountable to the Board of Directors and not to the President of the bank. While it is perfectly understandable for operational reasons that the AIIB transfers these functions [of the grievance mechanism] to the other bank for co-financed projects, this would mean **out-sourcing the due diligence process**. In general, the question arises as to whether the AIIB can justify transferring the majority of all its project processes to other banks without its own staff being involved.

For the upcoming revision of the PPM in the next two years, the mechanism would have the opportunity to gain a high degree of credibility for the complaints process at the AIIB through an orientation towards international best practices and an externally led revision.

XII. The Parliamentary Roundtable: Germany's control and influence over the AIIB



At the end of the conference, moderated by the president of the German Institute for Human Rights, Michael Windfuhr, the MPs Deborah Düring (Greens), Till Mansmann (FDP), Bernhard Daldrup (SPD) and Hermann-Josef Tebroke (CDU) met in a parliamentary roundtable. All participants are also members of the Finance Committee of the German Bundestag, which exercises **parliamentary oversight and control** over Germany's membership of the AIIB. Accordingly, the parliamentary panel discussed the extent to which Germany can exert influence on the AIIB, for example to enforce human rights standards or a transparent complaints mechanism. The parliamentarians agreed that there was **still a great need for improvement** at the AIIB. While MP Düring fundamentally questioned the extent to which “this bank can



even meet our expectations with the way it is structured today”, the other MPs were more reluctant to agree with these considerations and "pull the emergency brake like Canada".² MPs Mansmann and Tebroke argued that Germany would then completely lose its influence on the AIIB, even in the

face of important geopolitical challenges. The possibility to leave the bank or to push for an external examination was discussed intensively. All agreed that there is "room for manoeuvre" and to discuss the decision to join the **external investigation** requested by Norway or, like the Netherlands, have Germany's role in the AIIB investigated. After all, creating a **blocking minority** in the AIIB together with all European partners and Canada seems to be difficult.

The question from the audience, if MPs are bound to the signature of their government to the Glasgow Statement and push for fossil exit in the AIIB, was answered by the need to discuss this and other questions in the financial committee. There were fundamentally different positions on a fossil fuel free AIIB.

Nevertheless, all MPs recognized the problems with the AIIB's governance structures, the complaints mechanism and compliance with environmental and social standards, which were also reflected in the inputs at the conference. MP Düring explained that for Cambodia there was an intense debate with the BMF on Micro Finance and its dangers. Also, the exit of fossil fuels should stay an issue, which is fought for not only in AIIB but also on World Bank level. MP Tebroke highlighted that the many members offer many opportunities to work together, MP Daldrop highlighted the cooperation should focus on climate related issues. With regard to the power



of the President and the **governance structures of the AIIB**, many MPs emphasized that the monocentric decision-making structures need to change. MP Tebroke said with regard to the bank's complaints mechanism that "there are limits that cannot be crossed. If the complaints mechanism doesn't work, an external institution will have to be brought in." MP Düring called for an **honest analysis** of the bank and Germany's role. In the "debate, there must also be honesty with our partners and also on issues such as human rights and public goods, etc. Parliament must also be in a position to draw conclusions, and an exchange with ministries and civil society on these issues is also necessary."

XIII Outlook

The success of this conference is based on the fact that we have created a framework for an open, intensive and controversial exchange between the AIIB management, shareholders, civil society and parliament. The

² Canada has frozen its membership in the AIIB following the resignation of former AIIB Communications Director Bob Pickard, who is a Canadian citizen, and is currently reviewing Pickard's allegations of heavy influence by the Chinese Communist Party on the AIIB.

still relatively young AIIB is also still about generating public attention. Together with our Asian partner organizations, we have made a critical analysis of the AIIB accessible to a broader public. We also reiterated our demand that we urgently need a rapid, comprehensive and irreversible phase-out of all fossil fuels in order to achieve the Paris climate protection goals.

Even if we cannot be satisfied with the answers and commitments made by the bank representatives present, it will be difficult for the AIIB management and the European shareholders to ignore civil society in the future.



The AIIB is currently making great efforts to intensify its exchange with civil society. The high-caliber participation of bank representatives at this conference should be understood in this light. At the same time, more and more international shareholders of the AIIB are asking themselves how they can and should continue their membership of the AIIB. This conference is therefore a prelude and an opportunity for us to

continue the dialogue with the AIIB and its shareholders in this proven format and to provide a platform for the demands from civil society for more climate and environmental protection and respect for the rights of communities affected by AIIB projects. In 2017, when urgewald had its first AIIB-conference shortly after Germany joined the bank, MPs have been 100% positive on the German membership, as our [report](#) showed. 6 years later, they were confronted with realities. The AIIB could be a forerunner instead of a laggard. But the reality of the last 7 years provoked CSOs to shout in front of the chancellery: "Instead of lean, clean, and green, AIIB is dirty, dusty and mean".