

BRIEF ON AIIB PROJECTS IN INDIA



INECC
People's Voices
in Policy Choices



AUTHOR

Dr. Ajita Tiwari Padhi

Lead Climate Policy, Advocacy &
Strategic Partnerships
LAYA - INECC, Mumbai

STRATEGIC INPUTS

Dr. Nafisa Goga DSouza

Executive Director, LAYA
Visakhapatnam, India

Thomas Hirsch

Director, Climate Development Advice,
Germany

Martin Voß

Policy Advisor, Germanwatch,
Germany

The materials and data mentioned in this report is intended for general use and information. You may reproduce the material in unaltered form for personal and non commercial use. Request for further authorisation may be directed to LAYA and INECC.

Designed by Myron Mendes & Kimberly Cabral, Mumbai

INTRODUCTION

Purpose, Objectives & Context

The purpose of this brief is to share information and the current state of play of AIIB projects in India. It examines all the twenty projects both approved and proposed since 2016 in India. It explores the key sectors in relation to their contribution to PA, SDG, Disaster and vulnerability frameworks from an Indian perspective. It goes on to briefly list out the kind of infrastructure required for a country like India which faces high levels of deprivation and vulnerabilities and draws examples of projects from other countries which could be promoted by the Government of India. In conclusion, it proposes a few suggestions for AIIB to take note of, for strengthening social and environmental outcomes from its projects for building long term preparedness and resilience.

The brief comprises of four sections :

Section 1 : Project Overview : Current and Overall perspective

Section 3 : Examining Resilience across Project Sectors in India - Applying the lens of Climate Resilience, Pro poor, Human Rights and Disaster Risk

Section 4 : What kind of projects should the Indian Government propose to AIIB for resilience building?

Section 5 : Suggestions for AIIB

SECTION 1

Project Overview: Current & Overall perspective

This project overview covers initial observations from the new approved and proposed projects in 2019-2020 (referred as current period) as well as an overall update of all projects approved and proposed so far (since 2017 upto May 2020) by AIIB in India with key profile indicators in Table 1.1 and 1.2. This is followed with an overall analysis of AIIBs support to infrastructure projects so far in India.

Table 1.1 Summary of Approved Projects in India : 2017-2020

Transmission system Strengthening Project • Energy Sector • E&S Category B

Year of Approval	State / Location	Sector	Cost (\$Million)	AIIB Contribution	AIIB Share (%)
2017	Raigarh (Chhattisgarh) Pugalur(T.N)	Sovereign	303	33	10.8

24X7 Power for All • Energy Sector • E&S Category B

Year of Approval	State / Location	Sector	Cost (\$Million)	AIIB Contribution	AIIB Share (%)
2017	Andhra Pradesh	Sovereign	571	160	28

Bangalore Metro rail Project- R6 • Transport Sector • E&S Category A

Year of Approval	State / Location	Sector	Cost (\$Million)	AIIB Contribution	AIIB Share (%)
2017	Bangalore, Karnataka	Sovereign	1785	335	18.76

Rural Roads Project(MMGSY) • Transport Sector • E&S Category B

Year of Approval	State / Location	Sector	Cost (\$Million)	AiIB Contribution	AiIB Share (%)
2017	Gujrat	Sovereign	658	329	50

M.P Rural Connectivity Project • Transport Sector • E&S Category B

Year of Approval	State / Location	Sector	Cost (\$Million)	AiIB Contribution	AiIB Share (%)
2018	Madhya Pradesh	Sovereign	502	140	27.8

India Infrastructure Fund • Multi Sector • E&S Category FI

Year of Approval	State / Location	Sector	Cost (\$Million)	AiIB Contribution	AiIB Share (%)
2018	All India	Non-Sovereign	750	150	20

Amravati Sustainable Capital City Development Project • Urban Sector • E&S Category A

Year of Approval	State / Location	Sector	Cost (\$Million)	AiIB Contribution	AiIB Share (%)
Project Withdrawn	Andhra Pradesh	Sovereign	715	200	28

Andhra Pradesh Rural Roads Project • Transport Sector • E&S Category B

Year of Approval	State / Location	Sector	Cost (\$Million)	AiIB Contribution	AiIB Share (%)
2017	Andhra Pradesh	Sovereign	666	455	68.3

Rajasthan 250 MW Solar Project - Hero Future Energies • Energy Sector • E&S Category B

Year of Approval	State / Location	Sector	Cost (\$Million)	AiIB Contribution	AiIB Share (%)
2017	Rajasthan	Sovereign	187	65	35

L&T- Sustainable Infrastructure on-lending Facility • Energy Sector • E&S Category FI

Year of Approval	State / Location	Sector	Cost (\$Million)	AiIB Contribution	AiIB Share (%)
2019	Multiple	Non - Sovereign	100	100	100

Tata Cleantech Sustainable Infrastructure On-Lending Facility • Energy Sector • E&S Category FI

Year of Approval	State / Location	Sector	Cost (\$Million)	AiIB Contribution	AiIB Share (%)
2019	Multiple	Non - Sovereign	75	75	100

Mumbai Urban Transport Project - Phase III (MUTP) • Transport Sector • E&S Category A

Year of Approval	State / Location	Sector	Cost (\$Million)	AIB Contribution	AIB Share (%)
2019	Mumbai	Sovereign	997	500	50

West Bengal Major Irrigation and Flood Management • Water Sector • E&S Category B

Year of Approval	State / Location	Sector	Cost (\$Million)	AIB Contribution	AIB Share (%)
2019	West Bengal	Sovereign	414	145	35

COVID-19 Emergency response • Multi Sector • E&S Category FI

Year of Approval	State / Location	Sector	Cost (\$Million)	AIB Contribution	AIB Share (%)
2020	Multiple	Sovereign	500*	500	100

Total AIB Contribution : 2987 Million USD**

** The budget excludes investment withdrawn for Amravati Sustainable City Project.

This loan amount is part of a larger loan component sought by the GoI from the MDBs including the World Bank and the ADB

Table 1.2 Summary of Proposed Projects in India : 2017-2020

NIIF • Multiple Sectors • E&S Category FI

Year of Approval	State / Location	Sector	Cost (\$Million)	AIB Contribution	AIB Share (%)
2017*	Multiple	Non - Sovereign	600	100	16.6

West Bengal Major Irrigation Project • Water Sector • E&S Category A

Year of Approval	State / Location	Sector	Cost (\$Million)	AIB Contribution	AIB Share (%)
2017*	West Bengal	Sovereign	423	145	34.2

Andhra Pradesh Urban Water Supply • **Urban / Water Sector • E&S Category A

Year of Approval	State / Location	Sector	Cost (\$Million)	AIB Contribution	AIB Share (%)
2018*	Andhra Pradesh	Sovereign	570	400	70

Mumbai Metro Line 4 • Transport Sector • E&S Category A

Year of Approval	State / Location	Sector	Cost (\$Million)	AIIB Contribution	AIIB Share (%)
NA	Mumbai	Sovereign	2224	500	50

Chennai Metro Rail - Phase 2 • Transport Sector • E&S Category A

Year of Approval	State / Location	Sector	Cost (\$Million)	AIIB Contribution	AIIB Share (%)
2019	Chennai	Sovereign	709	439	62

Mumbai Metro line 3 • Transport Sector • E&S Category Tentative B

Year of Approval	State / Location	Sector	Cost (\$Million)	AIIB Contribution	AIIB Share (%)
2019	Multiple	Sovereign	500*	236	54

Assam Electricity Distribution System Enhancement Project • Energy Sector • E&S Category B

Year of Approval	State / Location	Sector	Cost (\$Million)	AIIB Contribution	AIIB Share (%)
2019	Assam	Sovereign	482	386	80

Total AIIB Contribution : 1061 Million USD***

* These projects are now under the Approved Project list

** This project was proposed under Urban sector in 2017 but it appears under the Water sector in 2019

*** Total AIIB proposed project investment in 2019–2020. The other proposed projects have been approved.

NA- information not available for this project when accessed on 15th May 2020

1. OBSERVATIONS FROM CURRENT PROJECT PORTFOLIO : APPROVED & PROPOSED (2019-20)

The current project portfolio 2019-20 comprises nine projects. Six are approved projects of which five have been approved between April – Nov 2019 and one CoVID-19 related project was approved in May 2020. Three projects are in the proposed list.

1.1 Nature of Approved Projects : In terms of Environmental and Social Categories, three projects are Category B, two are Financial Intermediaries (FI) and one is Category A project. Among the proposed, two projects are B and one is Category A. The 5 approved projects in the year 2019 are receiving 885 million USD. It is important to note that of this amount 500 million USD is earmarked for the Mumbai metro alone which falls under the A category project. The sixth project on COVID 19 is set to receive 500 million USD.

The sectors covered under Approved projects include two FIs, one water project, one transport, one energy and one on COVID-19 that belongs to the “other “sector. The list of proposed projects has two transport projects and one energy Project. All the projects put together cover four out of six sectors of the AIB. Transport and energy sectors receive most attention. There are three sovereign projects where the Government of India is the client and three non-sovereign projects in the approved list. However, the sovereign projects are many times higher valued than the non-sovereign projects of businesses and corporates. (Refer Table 1.1).

1.2 Nature of Proposed Projects : The three proposed projects include two metro rail projects located at Mumbai and Chennai and one Assam Electricity Distribution System Enhancement Project. Two projects are under category B and one is under category A. The three proposed projects are valued at 1627 million US Dollars. All proposed projects are sovereign. (Refer Table 1.2).

2. OBSERVATION OF OVERALL TRENDS IN APPROVED AND PROPOSED PROJECTS BY AIIB

So far in the Indian context 14 projects have been approved and 7 projects have been proposed post 2017. Two of the seven proposed projects have been approved. Of the 21 approved and proposed projects, the total investment in approved projects has been 3187 million USD. The proposed investment for projects in the current year is 1061 mn USD. The overall trends point to the following:

2.1 Sector Analysis : The 4 key sectors supported by AIIB are Transport, Energy, Water, Urban. Of the total 21 projects, 8 are under the transport sector, 6 under the Energy sector, 2 each under the water and urban sectors, 2 multi sector projects and 1 CoVID-19 as 'other' project.

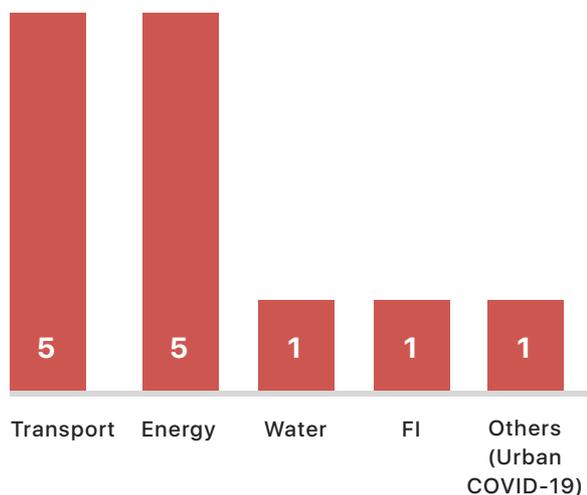


Figure 2.1 Total Number of Approved Projects (2017 - 2020)

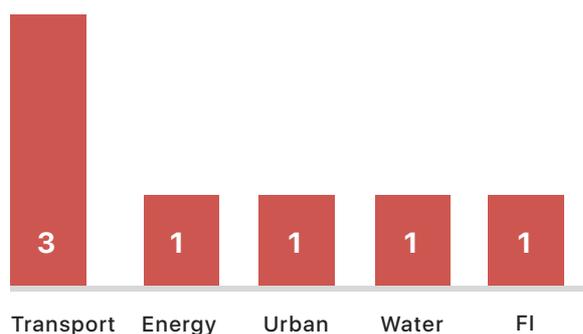
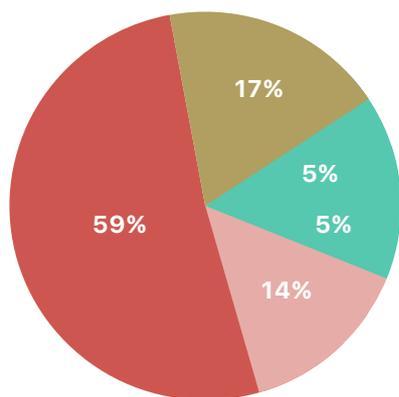


Figure 2.2 Total Number of Proposed Projects (2017 - 2020)

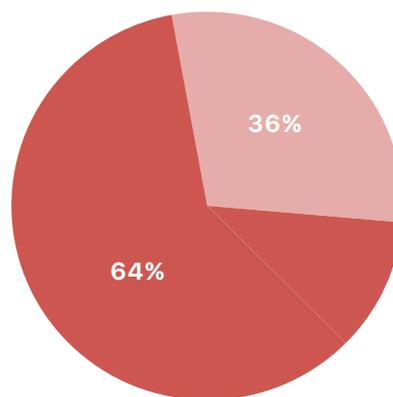
■ Energy
 ■ Transport
 ■ Water
 ■ FI
 ■ Others - COVID 19



Total Proposed Loan : \$2987 Million

Figure 2.3 Sectorwise Loan Breakup of Approved Projects (2019-2020)

■ Energy
 ■ Transport



Total Proposed Loan : \$1061 Million

Figure 2.4 Sectorwise Loan Breakup of Proposed Projects (2019-2020)

The Transport and Energy projects take the lion's share of the investments. These two categories taken together comprise (70%) of all twenty projects. This trend aligns with the overall AIB sector investment priority. Transport projects are largely urban metro projects in India metropolitan states regions of Mumbai, Chennai and Bangalore. The three rural roads connectivity projects In Andhra Pradesh, Gujarat and Madhya Pradesh which were being supported by AIB in the previous years do not find a listing in the current portfolios (2019-20). To note that for the rural connectivity projects AIB contributed three times more (924 million USD) than on the urban metro project. The energy projects were predominantly Transmission and Distribution(T&D) projects in the year 2017-18 . However, in the current phase there is a growing focus on Renewable based projects. Three out of the five approved projects in the current cycle are RE based with medium to large scale PV projects.

There is a growing push for Renewable energy projects by the Non-Sovereign Players such as businesses and corporate. The focus on RE is being pushed by non-sovereign projects indicating the growing stake holding of the private sector in renewable Energy. Projects like the Solar PV in Rajasthan and Tata Clean Tech highlight that the investment will be used for developing Solar and wind infrastructure.

This is a clear shift from the previous year. The AIIB contribution for two approved sovereign projects (excluding COVID) is 3 times higher (645 million USD) than the non-sovereign projects (240 million USD). which include businesses and corporates.

2.2 Project Categorization Trend : The proportion of categorization of projects varies across overall approved and proposed projects. There are eight category B projects, comprising 61.5 percent of investment in the overall approved project list; 3 Category A project comprising 23 percent and the remaining 15.5 percent are FI projects. In the overall proposed list 57 percent comprise of Category A projects; 28.5 percent is Category B and the remaining one project is the FI project. There are more category B projects in the overall approved list while Category A is the dominant in the overall proposed list. There are no Category C Projects so far. This is an unwelcome trend.

2.3 Expanding Stake Holding : The key stakeholders so far have been the central government ministries, state ministries and Multinational banks (MDBS) like World Bank and the Asian Development Bank (ADB). Private banks and private players like Hero and Tata Cleantech are slowly making their presence felt in the current year (2019-20).

2.4 Shift in range of AIIB Investments : While it's too early to draw conclusions but there seems a notable shift in the range and quality of AIIB investments across approved projects. In the previous phase itthe investments ranged from a minimal of 10 percent in T&D projects to about 70 percent in rural road projects. However, in the current phase its investment ranges from 35-50 percent with Mumbai metro project taking the largest share.

2.5 Projects not benefitting rural population : None of the projects in the current phase would benefit rural communities as all of them, including the solar PV projects in Rajasthan which perhaps is located in the rural area but feeds the central Grid which mostly serves the urban population. The details in the Project Summary Information (PSI) from the AIIB website, of the West Bengal irrigation and Flood management

project points out to improved irrigation by damming three rivers, but at the cost of physical displacement of rural population.

2.6 Proactive Role of AIIB in CoVID- 19 response : The bank is playing a proactive role as part of its CoVID- 19 response programme, where India's project worth USD 500 million) has been approved on the 7th May 2020. However, it is important to explore the interest rate that the bank is levying upon its member countries , especially developing countries with poor public health infrastructure in a crisis like CoVID.

The analysis of the overall trends reveals that AIIB continues to support Business as Usual (BAU) projects. The green reality paradigm is yet to set in. New innovative low carbon and resilient infrastructure or any reference to innovative infrastructure from a green Bank like AIIB appears to be missing across all project types.

SECTION 2

Examining Resilience across Project Sectors in India - Applying the lens of Climate Resilience, Pro poor, Human Rights and Disaster Risk

ENERGY SECTOR

The energy project comprises two kinds: RE projects and Transmission Distribution lines projects. In the current list of approved Projects, the aspect of climate proofing is related to advancing the energy sector through renewable projects for example the PV project in Rajasthan. The FI projects also mention that the funds will be used for supporting medium to large scale wind and solar projects and makes a reference to contributing to India's energy intensity as response to India Nationally Determined Contributions (NDC) and therefore Paris Goals. Traditional T&D infrastructure Projects which anchor on fossil fuel-based grids do not articulate resilience in their Project Summary Information (PSI) reports.

Large RE project is being pushed to meet India's Government goal of 100GW by 2022. Large PV projects involve implications on land acquisition by the state and land alienation of the local landowners. As often is the case, these large-scale project despite a 'good compensation' to the land owners undermine long term resilience especially of poor farmers or small land holders who have to forcefully give up their small parcels of land for these projects. 1350 acres is the land requirement for the Rajasthan PV project but the project PSI does not provide the details of land ownership and process involved for acquisition. In India where land is crucial for small scale farmers and livelihoods, innovative ways to harness the sun through solar projects on waterways, and others such spaces adhering to the precautionary principle (ESF)

which “do no harm” to any vulnerable groups should be considered. In this context it is important to review the results indicators of projects supported by FIs: (a) increased supply of renewable energy generation, (b) expanded transmission and distribution network, (c) deployment of energy storage systems, (d) enhanced water infrastructure and (e) improve industrial energy efficiency in India¹. This investment is expected to increase the provision of affordable, clean power reducing the level of greenhouse gas. This results framework seems to focus on technical outputs, completely missing out on the assessment of social and environmental benefits and impacts eg. social capital built, benefits to local groups (in specific ways), impact on local biodiversity etc.

Increasing the Renewable Energy basket for a growing country like India is the need of the hour and has to be encouraged, but not only through the unilateral approach that promotes only large-scale setups without a decentralized mix. Decentralized RE technologies are of immense survival value for people during the current pandemic and reports indicate that states in India which are increasingly getting prone to frequent disasters like floods, such as Assam show a growing reliance on decentralized solar systems. In this context the proposed T&D project in Assam, (which has been declared a flood prone state) should be reviewed. In a panel discussion organized by INECC in Assam. Jaideep Baruah, Chief of Assam Science Technology and Environmental Council, shared the increase in sale and use of solar panels for home use especially during the floods. T&D projects question the aspect of climate resilience as these could lead to emissions and undermine Climate resilience as these installations draw energy from the conventional fossil fuel intensive grids. Addressing T&D losses in India which is one of the highest in the world should be a priority but not through the BAU mode. Further recognizing that these projects are all Category A projects with very high social and environmental impacts, provides enough reason to consider Alternatives through innovative RE based Decentralized systems.

¹ Source : Tata Cleantech Sustainable Infrastructure On-Lending Facility.

WATER SECTOR

Articulation of 'Climate resilience' in the only project related to Irrigation and Flood management in West Bengal is relatively strong which focuses on water conservation and building institutional capacity. However, this project is Category B as it involves displacement and rehabilitation of the impacted rural community. Investments in water infrastructure is crucial for India, which is already water stressed is vital to achieve its economic and social development goals while also managing resources adapting to climate change and responding to disasters. The trade-off between building resilience and displacing communities and impacting local ecosystems needs a deeper thinking through.

URBAN SECTOR

The urban sector had two projects, one- the 'Andhra Pradesh Urban Water Supply and Septage Management Project' and the other one was the 'Amravati Sustainable Capital City Development Project'. The water supply project included infrastructure development across 50 Urban Local Bodies (ULBs) related to intake, transmission, treatment, storage and distribution of water. The PSI of the water supply project mentions the environmental and social impacts related to "land acquisition, impact on indigenous peoples, physical displacement and resettlement of both land owners and encroachers". We are yet confronted with the question of trade-offs: availability of services (household level water delivery) vis- a -vis impacts on local peoples and environment. In this context, the case of local community level water harvesting and storage becomes a compelling narrative to consider. India has had a long tradition of local level management of water systems for drinking as well as irrigation, through systems such as the taankas in Rajasthan, pokhiyan in Uttar Pradesh including jharalas and bawaris³, dobahs in Jharkhand, Dongs in Assam and many such systems in other

¹ <https://www.indiawaterportal.org/articles/water-guards-rajasthan>

² <http://ccsi.columbia.edu/2017/05/24/in-jharkhand-using-an-old-technique-for-sustainable-water/>

states. In the race for modern development, those traditional models have mostly been forgotten. Natural water bodies have been eroded and given way to develop modern infrastructure for a modern India which has largely neglected universal access to water, especially needs of the rural and urban poor.

The second urban project which was once listed under the Approved projects of AIIB finds no mention. It is understood that the erstwhile ambitious Amravati Sustainable City project which was being aggressively pushed as a controversial 'dream city' by the earlier state government of Andhra Pradesh was withdrawn by the newly elected government. This led to the World Bank including the AIIB to pull out of its USD 500 million funding commitment for the project.

TRANSPORT SECTOR

Resilience building in Urban metro projects is poorly articulated. 8/20 projects, both approved and proposed mentioned above are transport related. Given the size and scale and budgets for the transport projects which on one hand leads to construction pollution, tree cutting, Impact on biodiversity, occupational health hazards of workers and land acquisition while positively contributing to improving urban public transport on the other, needs to be reviewed through the lens of future low carbon mobility systems in the project locations. As per Ministry of Urban Development (MoUD), about 316 kilometers of Metro rail is under operation and more than 500 kms of Metro rail is under construction across the country. Metro (in India draws energy from fossil-based sources) seems to be the most sought-after mode of public transport. However, considering the climatic changes across geographical locations and future climate scenarios, the linear thinking which is metro centric needs to be reconsidered. To recall Mumbai suburban train tracks were flooded in July 2019 and currently a few metro lines are being developed underground. Having said this, the urban transport response in the form of metro trains specifically are the result in which we have planned our cities. With the increasing urban sprawl with job opportunities centered in

the city requires people to travel long distances from their place of stay to the place of work. We need to reimagine cities in India which offer livelihood opportunities and services that go beyond concentrated specific clusters (in the so-called Commercial Business districts) that manifest sustainable cities. We also need to expand our imagination to include improved means of mobility of the rural poor and people living in small towns where basic transport remains a challenge. This space has been mostly untouched by AIB projects in India. Innovation through technologically advanced local transport systems which move people across geographical settings in a low carbon and inclusive mode while safeguarding the local environment is nowhere in the global AIB portfolio including India.

From the above analysis it is fairly clear that the resilience aspect is weakly articulated except for one water project. From the lens of poor and the vulnerable, the element of disaster risk and preparedness and SDG is very weak or cannot be assessed across PSIs. However, this analysis could be incomplete considering that the PSI is quite limited in information and scope which constraints holistic assessment.

SECTION 3

What kind of projects should the Indian Government propose to AIIB for resilience building?

The growing social, economic, ecological and cultural vulnerability of the country calls for a relook at the kind of projects being submitted to AIIB. The Government of India needs to expand its project perspective to include infrastructure that matters to India and for its poorest. The current COVID 19 experience has exposed the lack of responsive infrastructure to tackle public health crisis, the bitter truth of housing especially for the urban poor, the inadequacy of water supply systems for hygiene and sanitation, the challenge of linear transport system etc. Building infrastructure like hospitals, houses, roads and schools especially in informal and poor settlements have so far only served as lip service for local development. If AIIB considers itself as a partner in collaborating with India to help reach its development objectives, AIIB should play a critical role in supporting India to develop projects that meet PA, SDG and disaster preparedness goals by investing in projects in an inclusive manner which benefits not only the urban middle and elite class but reaches out to its poor and the underserved.

In this context, INECC has been arguing for local socially relevant infrastructure that promotes the idea of Decentralization, sustainable urbanization and rural 'isation' respecting the principles of low carbon, ecosystem conservation, inclusivity and equity and justice (Refer Table 3.1).

Table 3.1 : Project Ideas for India to consider for AIIB

Energy Sector	<ul style="list-style-type: none"> • Mini grids across villages for electricity access • RE based agriculture products storage, value addition and distribution infrastructure • RE based infrastructure for public healthcare institutions • RE based irrigation systems • Biomass based improved cooking systems • RE based energy for cottage industries • RE based decentralized Waste Management Systems
Transport Sector	<ul style="list-style-type: none"> • Low emission transport infrastructure • Last mile connectivity projects • E vehicles support in rural areas and small towns • Pedestrian paths • Support R&D for local transport systems
Urban Sector	<ul style="list-style-type: none"> • Slums Innovative Low carbon housing for the poor • Health system infrastructure including beds and equipment in public hospitals • Upgrading infrastructure for govt run Municipal Schools and government colleges • Strengthening storm drains across various locations for disaster management • Investment in pedestrianization and cycling pathways • Roof top RE systems – solar or hybrid
Water Sector	<ul style="list-style-type: none"> • Projects for reviving traditional water systems • Low cost low carbon Drinking water technologies • Low cost low carbon irrigation systems • Watershed management projects • Wastewater treatment systems • Flood management systems at the local level • Water conservation and harvesting technology systems in agriculture contexts

AIIB has been proactively supporting a number of relevant projects in other countries as a development partner. However, Indian government has so far shied away from proposing such projects which address areas of village development, citizen centric infrastructure development etc. Mentioned below are a few projects for reference which India should take a cue from to make development truly transformative:

a) Uzbekistan : Prosperous Villages Project: to improve the quality of basic infrastructure and services and strengthen participatory local governance processes in targeted rural villages. This includes access to water supply for drinking, irrigation, and agricultural production; sanitation services; rehabilitation of social facilities; rehabilitation of roads, footpaths and bridges; rural electrification, and energy efficiency improvements.

b) Sri Lanka : Project with an objective of improving housing conditions of low-income communities through investment in construction of affordable housing.

c) Bangladesh : Bangladesh Dhaka Sanitation Improvement – for managing sanitation efficiently through citizen engagement.

d) Egypt : Rural Sanitation Project which aims at strengthening institutions and policies to improve rural sanitation and disposal of household sewage.

SECTION 4

Suggestions for AIIB - What should AIIB Do?

The suggestions are being made under the broad three heads :

- A. Resilience building and Climate Proofing**
- B. Enabling project governance**
- C. Looking through the Pro poor lens**

The three heads are not mutually exclusive but are interlinked to each other.

A. RESILIENCE BUILDING AND CLIMATE PROOFING

a) Phase out all Category A projects by 2022 demonstrating Zero Tolerance for Category A Projects and promote Category C projects : India's portfolio has a total of seven Category A projects, both approved and proposed. These projects indicate high social and environmental risks, which are irreversible, cumulative, diverse and unprecedented associated with the project. The bank does demand severe scrutiny of such projects but leaves it to the host country/ client, in our case the Indian Government to manage the risks and document the risk management in its Environmental and Social Impact Assessment (ESIA) or equivalent environmental and social assessment reports. Category A projects in the country context of India where regulatory and enforcement mechanisms are extremely weak with Environmental Impact Assessment (EIA) remain a grey area, and should be avoided. AIIB should intervene as a 'development partner' in evolving and enhancing mechanisms that

strengthen country EIA processes while delivering outcomes for resilience building. India so far does not have any Category C projects which manifest minimal risks. AIIB given its green motto should aim to promote category C projects and gradually phase out all category A projects. It can play a leadership role by indicating 2022 as the year for a complete phase out of Category A projects.

Instrument: Social and Environmental Policy (ESP) . More specifically this can be articulated under Pt. H related to the " Use of Country and Corporate system")

b) Provide Summary of " Feasible Alternatives" for Category A projects in the Project Summary Information : Related to the point above is the requirement for providing 'feasible alternatives' for Category A projects (including the 'without Project situation') which recommends measures needed to avoid, minimize, mitigate, or compensate for adverse impacts and improve environmental and social performance of the Project". In this context the PSI should provide summary of the "feasible alternatives" considered with reasons for non-feasibility of other options⁴.

Instrument: Project Summary Information (PSI)

c) Provide Document on Vulnerability and Infrastructure Need Assessments :The design of investments projects should be based on Vulnerability and infrastructure need assessments indicating the contribution of the investment to climate resilience of the target communities.

Instrument: Environment and Social Standards (ESS). More specifically the Environmental Social and Environmental Assessment and management Plan of the ESS 1

⁴ AIIB: ESF, pg 13. Pt 10

c) Provide Document on Vulnerability and Infrastructure Need Assessments : The design of investments projects should be based on Vulnerability and infrastructure need assessments indicating the contribution of the investment to climate resilience of the target communities.

Instrument: Environment and Social Standards (ESS). More specifically the Environmental Social and Environmental Assessment and management Plan of the ESS 1

d) Make Quantification of GHG mandatory : In the current system Clients need to approach the bank for additional finance required for GHG quantification in their projects. We strongly recommend that AIIB, given its motto should make this mandatory and not voluntary.

Instrument: Environment and Social Standards (ESS). Section A of ESS 1 (Assessing and Managing Environmental and Social Risks)

B. ENABLING PROJECT GOVERNANCE

e) Review the Top down structure to make it inclusive : All Projects are mainly Top-Down in structure. There is limited space for local stakeholder participation (Except for some level of Stakeholder participation and Project affected People Mechanism PPM). A list of social and environmental indicators can be considered which can be monitored with community help, perhaps the youth at regular intervals (as mentioned in the point above). Such a system will align with the Bank's Social Development and Inclusion principle which states "The Bank believes that social development and inclusion are critical for sound development. For the Bank, inclusion means empowering people to participate in, and benefit from, the development process in a manner consistent with local conditions"

Instrument: Environment and social Management Planning Framework (ESMPF)

f) Provide Country wise 'Rejected Projects' inventory list and reasons for

Rejection : AIIB dashboard should provide an inventory of "country wise Rejected projects and reasons for rejection" due to noncompliance with AIIB protocol and requirements. This information is currently missing, giving a sense that the bank perhaps accepts all proposals that come its way.

Instrument: Directive on Environmental and Social Policy (ESP) .Make it a mandatory reporting requirement for each project in the ESP and further report on this briefly in the PSI.

g) Share Project Strategy : To enhance transparency on Project implementation, AIIB should demand that clients share a project strategy for each project, which can be a public document. To enable this AIIB should develop a project directive in line with ESF directive.

Instrument: ESP & ESS . Very specifically, Pt 4 on 'support for clients'

h) Undertake Stock take to review lending priorities : We recommend that AIIB undertakes a country wide social and environmental stocktake every 5 years for all its projects across sectors. This can be undertaken through its Independent Accountability Mechanism (IAM). This will serve as a guide for AIIB to revisit its lending priorities from the perspective of pro- poor, low carbon resilient development.

i) Enlarge the scope of information provided in the PSI : The information provided in the PSI is quite limited. The summary of many important aspects is missing. The PSI in the current form does not allow for a deeper understanding or analysis especially in relation to project alignment with PA and SDG goals which are the key anchor points for AIIB. It is left to the reader to infer the relevance of the project keeping the principles of low carbon, pro-poor and resilience building goals. For the PSI to serve as a summary of the project, the following information should be provided :

- **Resilience metrics :** in line with water strategy all projects and portfolios should articulate resilience metrics to meet goals of resilience building.
- **Articulation of innovation :** In order to meet challenges to Sustainable Development, innovation for “Unlocking Inclusive, Resilient, and Sustainable Technology-driven Infrastructure” needs to find space in the PSI. This will be in keeping with the five elements of insight, integrity, innovation, integration and investment as mentioned in the vision of the Environmental and Social Framework⁵.
- **Articulation of vulnerability :** ‘Vulnerable groups’ has been mentioned 17 times in the ESF but the PSI mostly fails to make a mention. Access of AIIB investment and its benefits for the poor and in the poor locations needs a mention.
- **Mention of Environmental Coverage :** The reference to biodiversity conservation, biodiversity impacts with local level impacts needs to be highlighted in the PSI. Sustainability of land and water use has been skirted across Indian projects failing to make reference under environmental risks. This element is of immense importance towards building long term social and ecological resilience⁶.

⁵ AIIB: ESF pg 3, pt 6

⁶ AIIB: ESF, Section B, pg 31

- **Articulation of Mitigation hierarchy** : The Environmental and Social Standards (ESS) of the bank spells out that when the bank finds the social and environmental risks to be adverse, it takes measures to avoid, minimize, mitigate, offset or compensate. A summary of the description and mitigation hierarchy of these measures should be provided in the PSI⁷.
- **Mention of Precautionary Approach** : A mention of precautionary approach taken to anticipate, minimize impacts including development and management of Renewable Energy projects should be pointed out⁸.
- **Specify location of the Projects** : The specific location details of projects are missing in the PSI. In order to enhance transparency of information, AIIB should ensure that the exact project locations are mentioned⁹.

C. LOOKING THROUGH THE PRO POOR LENS

j) Create a Special portfolio for socially relevant Projects : Small and medium scale green projects can play a role in resilience building of the poor. So far AIIB does not have such a space which promotes socially relevant infrastructure projects which has the potential of greening the economy. To begin with AIIB can target a budget in the range of 2-5% of its annual outlay for promoting such people centric projects as part of its social responsibility. Some of these project ideas are mentioned in table 3.1.

Instrument: ESF (Social Development and Inclusion)

⁷ AIIB: ESF, Glossary, Pg 52

⁸ IIB: ESS 1, Environmental and social Assessment and Management Report, Pg 32, pt 26)

⁹ AIIB: ESF, pg 4, pt 13

k) Strengthen Environment and Social due diligence by supporting a local team of experts : Projects are reviewed primarily through secondary data while field review takes place only when required. While the client documents show how the projects are creating social and environmental benefits and mitigating risks, for India one can clearly say that most often than not these projects compromise interests of the local communities. Stakeholder consultation processes are a case in point. AIIB should consider having a small team comprising local social, environmental and community experts (youth and women) supported with technical experts in the project locations for the duration of the project. This will on one hand create job opportunities for the educated local youth while on the other create social capital and a contextual institutional mechanism for ensuring better project outcomes. By doing this AIIB can play the role of a game changer by ensuring that infrastructure projects are responsive to the local development needs.

Instrument : ESS1 relating to Environmental and Social Assessment and Management of the Environmental and Social Standards (ESS)

l) Commit for Research and Development (R&D) to exploring viability of Category C projects : There appears to be no AIIB projects under Category C which have the least social and environmental risks. The moot question is why aren't there any? The reasons point out to the fact that almost all the projects being supported by AIIB follow the lead of urbanization and development through large projects which lead to a certain degree of social and environmental impacts. Alternatives in sectors for transport, energy, urban, water etc. which could fall under Category C are perhaps still not viable or bankable enough for AIIB to invest. This demands that AIIB should strongly consider investing in researching more of Category C projects which leads to resilience building.

Instrument : Environment and Social Framework (ESF) – specifically related to the point under 'vision' on Investment and innovation

C O N C L U S I O N

It is clear that AIIB is yet to play a proactive role as a transformative partner in India's development story. India's path so far has resulted in promoting a highly polarized society. The current reality of COVID-19 only impresses this fact. So, has been the AIIB story which has overlooked the infrastructure needs of the marginalized majority of this country. It is true that the projects that AIIB supports come from its clients. A client like India needs to be shown the mirror by forward looking Banks like the AIIB. For this, AIIB needs to strengthen and sharpen its own overseeing and hand holding role with its clients for meeting its green objectives and the goals of universal resilience building. India needs to limit its emissions and create conditions for meeting its SDGs through sustainable and green infrastructure. AIIB's green motto can help India reimagine infrastructure needs especially for the poor and strive to create a balance by reaching out to the unreached. AIIB has the potential to play the role of a game changer. It can do this by beginning to invest in socially relevant green projects.

LAYA / INECC

Plot No 110, D-No: 5-175/1,
Behind Bay Crown Apartment,
Near Sun Senora Beach Campus,
Yendada, Visakhapatnam - 530045
Andhra Pradesh, India.

Ph : +91 891 2526663

www.laya.org.in / www.inecc.net

Germanwatch

Kaiserstr. 201
D-53113 Bonn, Germany

Ph : +49 (0)228 / 60 492-0

www.germanwatch.org

