CSOPartnership for Development Effectiveness

The Reality of Aid Network

An Independent Review of Poverty Reduction and Develoment Assistance

ASIAN INFRASTRUCTURE INVESTMENT BANK and the NEW DEVELOPMENT BANK

Paradigm Shift or Rehashing Corporate-Led Development?

Asian Infrastructure Investment Bank and the New Development Bank:
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ASIAN INFRASTRUCTURE INVESTMENT BANK
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Paradigm Shift or Rehashing Corporate-Led Development?

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INTRODUCTION

Asian Infrastructure Investment Bank and the New Development Bank: Paradigm Shift or Rehashing Corporate-Led Development?

The Asian Infrastructure Investment Bank (AIIB) and the New Development Bank (NDB) have touted themselves as the much-needed alternatives to the Western-dominated traditional international finance institutions like the World Bank and International Monetary Fund. The two new banks entered the development financing landscape to much fanfare with their mandate of catering to the development needs of the South, particularly in building sustainable infrastructure. Five years into their operation, how do they fare in relation to commitments on sustainable development, development cooperation, and people's rights in Asia-Pacific?

The AIIB and NDB are two new players in the multilateral development game that were birthed by countries in the Global South. The impetus for their creation was a growing discontent and frustration against traditional International Finance Institutions (IFIs) such as the US-led International Monetary Fund (IMF) and World Bank Group (WBG) and the Japan-led Asian Development Bank (ADB).

For China, at whose drive the AIIB was established, and the BRICS (Brazil, Russia, India, China and South Africa), who established the NDB, the frustration is due to the dominance of the Global North in both the leadership and decision-making processes of traditional IFIs.

The United States has maintained its dominance on the World Bank, Europeans have monopoly over the presidency in the IMF, and Japan has been the leader of ADB since the time of its founding.

The decision-making process is also stacked against the Global South as the allocation of voting shares in these institutions are not proportionate to the countries' contribution to the global gross domestic product (GDP). In the IMF, for instance, only 10.3% of the votes are given to the BRICS despite accounting for a quarter of global economic output between them, while China, despite being the world's second largest economy, individually has less voting shares than Japan, Germany, France, and the United Kingdom (UK)[1].

Similarly, traditional IFIs are believed to fall short in addressing the need for infrastructure development in the Global South. As the narrative goes, there exists a financing gap in infrastructure development that needs to be urgently filled. An estimated USD 3.2 trillion infrastructure investment is required per year[2], and even with infrastructure spending of older IFIs combined, there still remains a huge gap. Some emerging economies have already moved to contribute in filling this "financing gap" through bilateral development financing cooperation with other developing countries.

However, for marginalized and vulnerable communities in the Asia-Pacific region, the discontent is rooted in a more fundamental issue: these IFIs' promotion of the neoliberal agenda and the corporatization of development has led to the dispossession of Indigenous Peoples of their ancestral lands, militarization of communities by government and private entities, environmental degradation brought by destructive industries, and forced displacement of rural and urban poor families are among the concrete impacts that push communities to further oppression and abject poverty.

In this context, the establishment of AIIB and NDB, led by emerging economies, raised hopes for higher standards for sustainable development and easier terms for loans that are accessible to countries in the Global South.

The AIIB is a multilateral bank established in 2015 whose mission is to "improve social and economic outcomes in Asia and beyond". A self-professed "lean, clean and green" bank, AIIB is focused on financing sustainable infrastructure development in Asia, and, to a limited extent for now, in other parts of the globe. Apart from sustainable infrastructure, AIIB's thematic priorities include cross-bor-

1 Kasahara, S. 2017. "The New Development Bank (NDB) vs The Asian Infrastructure Investment Bank: An Analytical Comparison from a Critical Perspective". In Conference Paper (No. 19).

2 McKinsey. 2013. "Infrastructure Productivity: How to Save $1 Trillion a Year". https://www.mckinsey.com/~/media/McKinsey/Industries/Capital%20Projects%20and%20Infrastructure/Our%20Insights/Infrastructure%20productivity/MGI%20Infrastructure_Executive%20summary_Jan%202013.ashx

3 Asian Infrastructure Investment Bank (AIIB). 2015. "50 Countries Sign the Articles of Agreement for the Asian Infrastructure Bank". https://www.aiib.org/en/news-events/ news/2015/2015 0629_001.html

4 Saldinger, A. 2019. "What's New with the Asian Infrastructure Investment Bank?". Devex. https://www.devex.com/news/what-s-new-with-the-asian-infrastructure-investment-bank-95885

5 New Development Bank (NDB). 2017. "NDB's General Strategy". https://www.ndb.int/wp-content/uploads/2017/07/NDB-Strategy-Final.pdf

der connectivity and private capital mobilization. As of July 2019, it has a membership of one hundred (100): forty-four (44) Regional (Asian), thirty-one (31) Non-Regional, and twenty-five (25) Prospective Members.

China was the brains and the (political) muscle behind the establishment of the AIIB. China's President Xi Jinping first pitched the creation of the AIIB during the Asia-Pacific Economic Cooperation Summit held in Bali, Indonesia in October 2013.

With strong push from China, the proposal quickly gained traction in the region and in 2014, twenty-one (21) Asian countries signed a Memorandum of Understanding (MoU) on the establishment of the AIIB. Non-Asian members soon made announcements to join the AIIB – including the UK, Australia, France, Germany and Spain – despite the United States' attempts to persuade its allies to shun the new bank, and by the time the deadline for countries to express intent to be among the "Prospective Founding Members" (PFMs) on March 31, 2015, fifty (57) regional and non-regional countries were already on board.

The PFMs signed the Articles for Agreement on 29 June 2015[3], and on December 25, 2015, the AIIB became fully operational when the Articles for Agreement entered into force after a sufficient number of members with at least 50% of the initial subscriptions of the authorized capital deposited their instruments of ratification. As of 2019, AIIB has approved financing for sixty-two (62) projects.

Similar to the AIIB, the New Development Bank's purported goal is to support infrastructure and sustainable development projects in BRICS and other emerging economies, though to date, its approved projects as well as its membership has remained exclusive to BRICS countries.

BRICS is a political-economic bloc composed of five emerging economies: Brazil, Russia, India, China and South Africa. The bloc, which was initially composed of four countries (Brazil, Russia, India and China), was formed during its first formal summit in Yekaterinburg in 2009 where the countries discussed the need to "create a fairer world order" and how the cooperation among the countries can be strengthened. South Africa joined a year later.

Among the unities of the BRICS countries were the need to improve the global economic situation through the establishment of a new global reserve currency and to reform Western-dominated financial institutions.

The seeds of what would later become the New Development Bank were first sown when India proposed the bank's creation during the BRICS Summit in 2012. The succeeding Summits in 2013 and 2014 were devoted to concretizing the idea, and in the 7th BRICS Summit in 2015, the NDB was formally established with the Agreement on the NDB entering into force. The NDB became fully operational upon the signing of the Headquarters Agreement with the Chinese Central Government and the Memorandum of Understanding with the Shanghai Municipal Government (as the host city) in February 2016.

By and For the Developing World?: A Look into the Governance and Power Structures in the AIIB and the NDB

The creation of the AIIB and the NDB held much promise and hope on breaking the hegemony of traditional IFIs and providing a counterbalance to the dominance of the Global North in the development landscape. The AIIB and NDB put much emphasis on their being Southern-led and their promotion of South-South Cooperation (SSC). It is important to ask: are these institutions' governance systems and voting structures egalitarian, or do they simply mimic the unequal power dynamics in traditional IFIs?

The AIIB and NDB have made some innovations in their governance structures. Both have made their Board of Directors non-resident and non-paid, a move to reduce administrative cost[4] and to allow the Board to "focus on high-level policy issues and particularly complex projects rather than routine day-to-day operations"[5]. The rest of AIIB and NDB's governance structures is largely patterned after other multilateral development banks', with each member appointing one Governor and one Alternate Governor to sit in the Board of Governors, which is the highest decision-making body in both institutions. NDB's President is elected from among the founding members on a rotational basis, and each of the founding members gets to be represented by at least one Vice President[6]. Meanwhile, AIIB's President may be elected from any of the AIIB's regional (i.e., Asia) members. Both institutions do not grant their President any vote except a deciding vote in the case of an equal division.

As for the distribution of voting power in these two institutions' Boards of Governors and Directors, the NDB is a bit more egalitarian, at least for now. Since the founding members shared the same

BRIEF TIMELINE ON THE BIRTH OF AIIB AND NDB

2009	• First BRIC (Brazil, Russia, India and China) Summit was held in Yekaterina, Russia
2010	• National development banks from BRIC countries signed a Memorandum of Understanding of mutual cooperation. • BRIC was renamed BRICS after South Africa joined the bloc.
2013	• China announced the "Silk Road Economic Belt" and the "Maritime Silk Road," two blueprints that were later on merged into the Belt and Road Initiative (BRI).
2014	• BRICS leaders signed the Agreement establishing the New Development Bank at the sixth BRICS Summit in Fortaleza. • 21 Asian countries signed the Memorandum of Understanding to establish the Asian Infrastructure Investment Bank. 56 prospective members of the AIIB signed the Articles of Agreement.
2015	• The AIIB Articles of Agreement entered into force on 25 December 2015, upon the ratification by 17 prospective founding members.
2016	• The Headquarters Agreement with the government of the People's Republic of China and the Memorandum of Understanding with the Shanghai Municipal People's Government were signed, effectively deeming the NDB fully operational.

AIIB AND NDB AT A GLANCE

	AIIB	**NDB**
Founding Members	Fifty-seven (57) countries including China, India, Malaysia, Indonesia, Singapore, Saudi Arabia, Brunei, Myanmar, Philippines, Pakistan, Britain, Australia, Brazil, France, Germany and Spain, among others.	Brazil, Russia, India, China and South Africa
Membership Eligibility	All UN Member States	All UN Member States
Types of Voting Power Share	*Basic Vote*- equally distributed among all members; comprises 12% of the grand total votes *Share Vote*- equal to a member's number of shares of the institution's capital stock *Founding Member Vote*- each founding member is allocated additional 600 votes	Voting power is equal to the number of subscribed shares in the capital stock of the Bank.
Veto Power	Yes, for members with voting power share of 25% and up	No

initial subscribed capital, and the bank's Articles of Agreement specifies that the voting power be equal to the number of subscribed shares, all members equally have one vote and no member has veto power. While the NDB Agreement specifies that membership is open to all UN Member States, which means that non-BRICS countries can later on join the bank, it also includes safeguard provisions to ensure that BRICS retains its dominance in the decision-making process.

In the case of AIIB, the distribution of voting power is more complex. The total voting power is a sum of the following: basic vote, share vote, and Founding Member vote. The basic vote, whose purpose is to ensure that member countries with smaller financial capacity have a say in the decision-making, is equally distributed among all members. The share vote is equal to the number of a member's shares in the Bank's capital stock. Founding Members also get an additional 600 Founding Member votes. A member that has 25% of voting shares hold veto power.

While structurally, the two banks seem to provide an equitable share of voting power and leadership opportunities, the current situation highlights the influence of China more than other members, particularly in the AIIB. China holds a majority of voting shares with 26.1% of the total, making it the sole member of AIIB that has veto power.

Intensifying Corporate-led Development

There has been a strong push for increasing the role of the private sector in development financing since 2015. The oft-echoed narrative is that there is a financing gap in the sustainable development goals set for 2030 and in infrastructure development which makes it imperative to mobilize private sector capital. The estimated financing gap for the SDGs is at USD 2.5 trillion per year in developing countries alone (UNCTAD, 2014), while there is a projected USD 15 trillion gap between anticipated financing and the actual amount needed for infrastructure worldwide by 2040, according to the G20's Global Infrastructure Hub[7].

Traditional IFIs such as the World Bank and IMF, for instance, co-authored a brief titled "From Billions to Trillions: Transforming Development Finance," which argues that the "greatest potential for expansion lies with private finance and the engagement of private business in the development process." This is echoed in the World Bank Group's Maximizing Finance for Development (MFD) approach to "leveraging the private sector in ways that optimize the use of scarce public resources"[8].

AIIB AND NDB'S ROLE IN CHINA'S BELT AND ROAD INITIATIVE

China's Belt and Road Initiative is the country's global development strategy that is aimed at establishing increased cooperation and connectivity in Africa, Asia and Europe. It has two major components: 1) the Silk Road Economic Belt, which aims to strengthen trade, infrastructure and other economic and policy links of China with Central, South, West and Southeast Asia, Russia, and the Baltic region in Europe; and 2) the 21st Century Maritime Silk Road, the maritime route which connects China with Europe and China with the South Pacific. The BRI is estimated to cost USD 1.2-1.3 trillion by 2027.

Financing this grand project are China's state-owned banks and multilateral development banks. The NDB and AIIB, two banks where China plays a key role, have been financing projects that are part of the BRI. The AIIB has made several statements distancing itself from the BRI. However, majority of the projects it finances are in the countries that are covered in the BRI. The NDB has likewise invested a significant amount in regions along the BRI.

6 NDB. 2015. Articles of Agreement. https://www.ndb.int/wp-content/themes/ndb/pdf/Agreement-on-the-New-Development-Bank.pdf

7 Global Infrastructure Outlook. https://outlook.gihub.org/?utm_source=GIHub+Homepage&utm_medium=Project+tile&utm_campaign=Outlook+GIHub+Tile

8 The World Bank. "Maximizing Finance for Development." http://documents.worldbank.org/curated/ en/168331522826993264/pdf/124888-REVISED-BRI-PUBLIC-Maximizing-Finance.pdf

This approach puts private sector solutions at the top of the list, and only when private sector possibilities are exhausted would purely public financing of projects push through. Pilot countries for this approach include Cameroon, Cote d'Ivoire, Egypt, Indonesia, Iraq, Jordan, Kenya, Nepal, and Vietnam.

This narrative has reached near consensus in various international fora. In the Third International Conference on Financing for Development held in Addis Ababa in July 2015, multilateral development banks and international finance institutions agreed on a financing plan for the post-2015 agenda and its outcome document, the Addis Ababa Action Agenda, underscored the need to blend public with private capital to scale up financing for the SDGs, including infrastructure. Similarly the BAPA+40 document stated that it recognizes "that the shortage of resources continues to hinder the expansion of South-South and triangular cooperation" and underscores "the need for further mobilization of resources and to engage, inter-alia, the private sector in South-South and triangular initiatives for sustainable development"[9]. In July 2017, the G20 finance ministers approved a framework for increasing private investment to support countries' development objectives for MDBs.

In order to attract private entities to invest in otherwise "risky" projects, efforts are being made to make development projects "bankable". This entails incentivizing corporations through what is broadly referred to as "blended finance", which is defined by Organization for Economic Co-operation and Development (OECD) as "the strategic use of development finance for the mobilization of additional finance towards sustainable development in developing countries"[10].

The AIIB envisions itself to be the "champion and leading institution to catalyze private capital for infrastructure investment in the region". To realize this vision, it implements its Strategy for Mobilizing Private capital to pursue "a range of activities, including actively originating the Bank's private sector pipeline, executing high quality transactions, and achieving a distinctive, efficient client experience"[11].

As of 2018, AIIB has mobilized USD 715.96 in private capital for its projects. At the beginning of 2019, AIIB announced a USD 500-million fund for promoting green and sustainable investments in emerging Asian markets as an effort to woo private corporations.

However, there are concerns about how the effectivity of pouring in development assistance into blended finance actually produces the intended result of private capital mobilization[12]. A report by the Inter-Agency Task Force (IATF) on Financing for Sustainable Development[13] admits that "further evidence is needed" that blended finance produces development results.

Further, the profit-driven nature of corporate-led development brings into question this trend's compatibility with South-South Cooperation (SSC) principles. As Southern-led institutions, AIIB and the NDB raised expectations that it would abide by SSC principles of respect for national sovereignty, national ownership and independence, equality, non-conditionality, non-interference in domestic affairs and mutual benefit; however, mutual benefit has given way to corporate interests. SSC must necessarily be based on empowering and uplifting the quality of life of its citizens[14], and not on profit.

9 UN General Assembly. A/RES/73/291. Buenos Aires outcome document of the second High-level United Nations Conference on South-South Cooperation. 30 April 2019. https://www.unsouthsouth.org/wp-content/uploads/2019/10/N1911172.pdf

10 OECD. 2018. Making Blended Finance Work for Sustainable Development Goals. http://www.oecd.org/development/making-blended-finance-work-for-the-sustainable-development-goals-9789264288768-en.htm

11 AIIB. 2018. "Strategy on Mobilizing Private Capital for Infrastructure". https://www.aiib.org/en/policies-strategies/strategies/private-capital-infrastructure-strategy.html

12 IBON International. 2019. Policy Brief on Development Financing: Serving whose interest?

13 Inter-Agency Task Force on Financing for Sustainable Development. 2019. "Financing for Sustainable Development Report 2019."

14 CPDE and ROA. 2018. Policy Research on Operationalizing People-Centered South-South Development Cooperation

Paradigm Shift? Weak Environment and Social Framework, Weaker Implementation

Sustainable development has been the crux of both the AIIB and the NDB's priorities. AIIB's President Jin Liqun has said that it is the bank's "sacred mission" to invest "without leaving an environmental footprint"[15]. In 2018, both banks joined other MDBs in committing to align their development financing with the goals set out in the UN Framework Convention on Climate Change (UNFCCC) and the Paris Agreement[16], particularly in six (6) core areas[17]:

1. Alignment with mitigation goals – Operations to be consistent with the different countries' low-emissions development pathways and compatible with the overall climate change mitigation objectives of the Paris Agreement.

2. Adaptation and climate-resilient operations – Active management of physical climate change risks, in a manner consistent with climate-resilient development, and in identifying opportunities to make our operations more climate-resilient.

3. Accelerated contribution to the transition through climate finance – Actively support low-emissions and climate-resilient development pathways and further scaling-up of climate financing.

4. Engagement and policy development support – Support for the process of revising nationally-determined contributions and development of services to help countries and other clients put in place long-term strategies and accelerate the transition to low-emissions and climate-resilient development pathways.

5. Reporting – Further development of tools and methods for characterizing, monitoring and reporting on the results of our Paris-alignment activities, and where possible, collaboration to harmonize approaches.

6. Align internal activities – Progressively ensuring that MDBs' internal operations, including facilities and other internal policies, are also in line with the objectives of the Paris Agreement.

Like other MDBs, AIIB and NDB have put in place their own Environment and Social Frameworks (ESF) which serve as mechanisms to ensure the environmental and social sustainability of their projects and operations. The two ESFs recognize the banks' responsibility to uphold the Paris Agreement and also their member countries' commitments under it, and lay down policies and standards that aim to guide the banks in screening and assessing potential risks and impacts of projects, integrating environmental and social management provisions in project agreements, and supporting their clients in identifying and managing environmental and social risks and impacts.

However, assessing the two banks' Environment and Social Framework against the Paris Agreement reveals significant gaps and calls into question the genuineness of their commitment. At the onset, the process by which NDB's ESF was drafted has been criticized by civil society organizations for

15 Kjell, Petra. 2018. "Why is the world's newest development bank investing in coal despite its green promise?". Climate Home News.https://www.climatechangenews.com/2018/06/21/worlds-newest-development-bank-invests-coal-despite-green-promise/

16 The UN Framework Convention on Climate Change is an international environmental treaty that entered into force in March 1994 whose objective is to "stabilize greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system". It sets non-binding limits on countries' greenhouse gas emissions and has no mechanisms for implementation. Succeeding binding agreements within the UNFCCC have been established since, such as the Kyoto Protocol (1997), and most recently, the Paris Agreement (2016) which binds State Parties to determine, plan, and regularly report on their nationally-determined targets for mitigating global warming.

17 African Development Bank, et al. (2018). "The MDBs' alignment approach to the objectives of the Paris Agreement: working together to catalyse low-emissions and climate-resilient development".

being non-consultative[18]. AIIB did open its ESF draft for comments, but CSOs complained that the process was not adequately consultative[19].

One of the main critiques against AIIB's and NDB's ESFs is that they set a low standard for reducing greenhouse emissions in the projects that they finance, with requirements that sound more discretionary than mandatory. NDB's ESF only requires that alternatives be "considered" in order to reduce project-related greenhouse gas emissions; for projects with significant greenhouse implications, emissions are to be quantified in line with national protocols "where technically and financially feasible."

AIIB's requirement is similarly soft: that alternatives be assessed and "technically and financially feasible and cost-effective options" be implemented to support its clients in meeting their nationally determined contributions. Both ESFs also contain an Exclusion List which prohibits the banks from "knowingly" financing projects that involve items specified in the list. Due to these discretionary terms, the banks and their clients can very easily cite unfeasibility as an excuse for using environmentally-destructive processes and technologies in their projects, or wriggle out of accountability for financing projects in its exclusion list by feigning ignorance.

Further, noticeably missing in the ESFs is the clear prohibition on the use of coal in projects. This is unsurprising considering that the two banks have expressed openness to financing projects that use coal. For instance, the NDB has stated that it is open to funding coal projects on a rare basis; its President, KV Kamath, even reinforces the myth of clean coal by stating that one of the bank's learnings from other MDBs is "not to do coal that is harmful, that is done in a traditional manner"[20]. The AIIB in its Energy Sector Strategy stated that "carbon efficient oil and coal-fired power plants will be considered if they replace existing less efficient capacity" or in case where "viable or affordable" alternative forms of energy exist[21].

Despite the flaws in the ESFs, AIIB's and NDB's track record in financing projects shows that they are not following the rules that they themselves have set. One way the AIIB does this is through indirect funding. For instance, AIIB co-finances the Shwe Taung

KEY FEATURES OF AIIB AND NDB'S ENVIRONMENT AND SOCIAL FRAMEWORK

AIIB	NDB
• States support for the aims of the Paris Agreement • Aims to harmonize policies with co-financing MDBs, but allows for the application of the co-financier's policies on a case-by-case basis • Provides for the assessment and categorization of projects into four (4) categories based on their potential environment and social risks and impacts • Provides environment and social standards in three areas: Environmental and Social Assessment and Management (ESS 1); Involuntary Resettlement (ESS 2); and Indigenous Peoples (ESS 3) • Contains an Environment and Social Exclusion List	• Enumerates the following core principles: inclusive and sustainable development, country systems, environment and social interests, and climate change • Favors the use of country and corporate systems in the management of environmental and social risks and impacts • Provides for the assessment and categorization of projects into four (4) categories based on their potential environment and social risks and impacts • Provides environment and social standards in three areas: Environmental and Social Assessment and Management (ESS 1); Involuntary Resettlement (ESS 2); and Indigenous Peoples (ESS 3) • Contains an Environment and Social Exclusion List

Source: AIIB's Environment and Social Framework. Approved February 2016 (Amended February 2019); NDB's Environment and Social Framework. March 2016

THE CASE OF SCHWE TAUNG CEMENT

The Shwe Taung Cement Company (STC) is a subsidiary of Shwe Taung Group (STG), one of Myanmar's leading corporations whose business portfolio is spread across various sectors, including infrastructure investment and building materials. The company is currently in the process of expanding a cement plant and an associated coal mine in the Mandalay region of Myanmar. The key feature of the cement plant expansion includes the construction of a new kiln which will increase the plant's production capacity from 1,500 to 4,000 tons of cement per day.

The expansion project is significantly funded by two multilateral development banks (MDBs): direct funding from the World Bank's International Finance Corporation (IFC), and indirect funding also from the IFC and from the Asian Infrastructure Investment Bank (AIIB), through the IFC Emerging Asia Fund (EAF). The IFC approved direct funding in July 2017, and in September 2017, the AIIB Board approved a USD 150 million equity investment to be coursed through the EAF.

Even before its approval, the project has been criticized for its environmental impacts and lack of transparency in the community consultation processes. In terms of environmental impacts, the substantial increase in the coal burned to fuel the new kiln will nearly quadruple greenhouse gas (GHG) emissions according to IFC's estimates. It will likewise require increased extraction from a coal mine run by another STG subsidiary, Shwe Taung Mining (STM), which is expected to more than double its output from 60,000 to 150,000 tons per year.

While the company reports that it has conducted community consultations as early as January 2017, it wasn't until the IFC announced the project and 170 civil society organizations sent a letter expressing concern about the funding that the company held a multi-stakeholder meeting – just under two weeks prior to IFC Board approval. The research conducted by the Bank Information Center Europe has found that not everyone in the communities affected by the project was invited in the "consultation" meetings, and that the meetings mostly focused on providing information on the benefits of the project and not consulting the community members.

Since the expansion project has started, communities near the cement plant and the coal mine have complained of air and water pollution caused by the project, and impacts of these on their health, water supply and subsistence crops. They also reported some unresolved land issues from the time of construction of transmission lines, many of which have remained unresolved. Meanwhile, grievance mechanisms remain weak. Apart from establishing a village committee in the cement plant region to engage with the company to resolve complaints, which the company ceased engagement with following the resolution of one loss of crops complaint, there is only a "suggestion box" on the wall of the company's information center. However, no information is provided on how to submit a complaint or the procedures that were followed to handle grievances.

Source: Financing Development in Myanmar: The Case of Shwe Taung Cement. Bank Information Center Europe, Centre for Research on Multinational Corporations (SOMO), and Inclusive Development International, November 2018. http://www.ifiwatchmyanmar.org/wp-content/uploads/2019/02/Financing-development-in-Myanmar_Eng.pdf

Cement Plant expansion project in Myanmar, together with the World Bank's private-sector arm, the International Finance Corporation (IFC). Despite concerns raised by civil society organizations (CSOs) about the project's social and environmental risks prior to its approval, AIIB went ahead and indirectly funded the project by funneling the money through IFC's Emerging Asia Fund (EAF)[22]. The expansion of the cement plant involves

18 http://pubdocs.worldbank.org/en/784141543 806348331/Joint-Declaration-MDBs-Alignment-Approach-to-Paris-Agreement-COP24-Final.pdf

19 Santos, Lean Alfred. 2015. "AIIB releases draft environmental and social safeguards, opens consultations." Devex.https://www.devex.com/news/aiib-releases-draft-environmental-and-social-safeguards-opens-consultations-86924

20 NDB. 2016. "NDB President: 60% of funding will be for renewables". https://www.ndb.int/president_desk/ndb-president-60-funding-will-renewables/

21 AIIB. 2017. "Energy Sector Strategy: Sustainable Energy for Asia". https://www.aiib.org/en/policies-strategies/strategies/sustainable-energy-asia/.content/index/_download/aiib-energy-sector-Strategy-2017.pdf

22 Bank Information Center (BIC) Europe, Center for Research on Multinational Corporations and NGO Forum on ADB. 2018. "Financing Development in Myanmar". http://www.ifiwatchmyanmar.org/wp-content/uploads/2019/02/Financing-development-in-Myanmar_Eng.pdf

the construction of a new kiln that requires more than double the output from a coal mine that supplies the plant exclusively and almost quadruples the plant's carbon emissions.

The AIIB also invests, through the EAF, in Singapore's Summit Power International, which operates thirteen (13) fossil fuel-run power plants in Bangladesh. According to a report from Bank Information Center Europe, 20% of AIIB's portfolio is funding fossil fuel-related projects, particularly gas; meanwhile only 8% goes into renewable energy projects[23]. As noted in the report, this investment trend shows that the AIIB doesn't just treat gas as a transition fuel, but has rather become the bank's default option (BIC Europe, 2019).

Other projects backed by the AIIB are also linked with displacement of communities. For instance, AIIB has approved the provision of USD 248.39 million for the Mandalika Special Economic Zone in Indonesia, which has had a long history of land-grabbing, displacement of farmer and fisherfolk communities in Central Lombok Regency, Indonesia. Similarly, the Metro Manila Flood Management Project, which the AIIB co-finances with the World Bank, threatens to displace 60,000 urban poor families.

The NDB, too, has come under fire for investing in fossil fuel-related projects in South Africa. In 2019, the NDB approved a USD 480-million loan to Eskom, a South African electricity public utility, to enhance the Mepudi Thermal Power Plant[24], making it the largest coal-fired power plant under construction on earth.

AIIB and NDB likewise invest in hydropower projects that have serious environmental and social impacts. For instance, AIIB has invested in the expansion of the Tarbela Fifth hydropower plant in Pakistan[25] and the Nurek Hydropower Rehabilitation Project in Tajikistan. Apart from these, the Tarbela Dam has a legacy of critical social issues that have remained unresolved, like the displacement of tens of thousands of people during the dam's construction in the 1970s[26]. For both projects, AIIB applies the environment and social safeguard policies of its co-financier, World Bank.

More and more projects funded by the AIIB and NDB are being associated with serious social issues that took place either before the projects were approved for financing by the Banks or during the implementation of the projects with the support of the Banks. The NDB, for one, has approved the construction of another dam and water transfer tunnel within the Lesotho Highlands Water Project[27], a water supply project with a hydropower component that has in the past been mired in corruption and human rights violations, including labor rights violations and the massacre of five (5) construction workers during a peaceful demonstration in 1996. The Mandalika Special Economic Zone development project has for years been embroiled in land-grabbing, and since funding for the project was approved by the AIIB in December 2018, the displacement of

23 BIC Europe, Coastal Livelihood and Environmental Action Network and NGO Forum on ADB. 2019. “Dangerous Distractions: Why the Asian Infrastructure Investment Bank must help turn the tide on fossil fuels in Bangladesh”. https://www.bic-europe.org/wp-content/uploads/2019/07/Dangerous-Distractions-July-2019-FINAL-1.pdf

24 NDB. 2019. “NDB ramps up operations in South Africa, supporting sustainable infrastructure development.” https://www.ndb.int/press_release/ndb-ramps-operations-south-africa-supporting-sustainable-infrastructure-development/

25 AIIB. “Pakistan: Tarbela 5 Hydropower Extension Project”. https://www.aiib.org/en/projects/approved/2016/pakistan-tarbela-5.html

26 BIC Europe. 2017. “AIIB must do more to meet its environmental and social commitments”. https://bankinformationcenter.org/en-us/update/aiib-must-do-more-to-meet-its-environmental--social/

27 NDB. “Lesotho Highlands Project”. https://www.ndb.int/lesotho-highlands-water-project-phase-ii/

28 AIIB. 2018. “Policy on the Project-affected People's Mechanism. https://www.aiib.org/en/policies-strategies/operational-policies/policy-on-the-project-affected-mechanism.html

29 AIIB. 2018 Annual Report. https://www.aiib.org/en/news-events/annual-report/2018/home/index.html

SUMMARY OF AIIB'S PROJECTS BASED ON FINANCING SCHEME

Year	Total	Stand-Alone	Co-financed
End-2018	35	14	21
End-2017	23	7	16
End-2016	8	*2*	6

residents and intimidation of the communities by the police and military have intensified.

Evading Accountability via Co-financing and 'Country Systems' Reliance

With evidence on the disregard for climate change mitigation and the rights of affected communities stacking up against the AIIB and the NDB, the banks maintain policies and strategies that help them evade accountability for the harms caused by the projects they finance. Co-financing is one such example: it serves a dual purpose of facilitating private sector investment in otherwise risky endeavors, and in the context of Environment and Social Framework implementation, allows the banks to skirt its sustainability commitments. In co-financing arrangements, it is the intermediaries' and co-financers' environment and social safeguard policies and accountability mechanisms that apply to projects.

As a matter of policy, AIIB aims to adopt a "common approach to appraisal, environmental and social management requirements, monitoring and reporting" regarding projects and allows for it to "agree" to the application of a co-financier's environmental and social policies and procedures only on a case-by-case basis. In practice, many of AIIB's co-financed projects apply other MDB's mechanisms. AIIB's complaint mechanism, the Project-Affected People's Mechanism (PPM), excludes complaints on projects co-financed by other MDBs if AIIB has agreed that the other institution's environmental and social policies be applied[28]. Thus, people cannot seek remedy under AIIB's PPM for the impacts of such projects. Civil society groups have raised concerns about the restrictions that co-financing may impose on communities' access to accountability and effective remedy. This is particularly concerning since the AIIB and the NDB have entered into agreements with MDBs that are notorious for financing projects that have resulted in human rights violations and serious environmental harm.

The NDB has yet to co-finance a project. AIIB, however, is actively pursuing co-financing of projects. Of the thirty-five (35) projects it had approved in 2018, twenty-one (21) are co-financed with other multilateral financial institutions[29]. Aside from the World Bank Group (including IFC), with whom AIIB co-finances over 50% of its projects, it has co-financed projects with the ADB in India, Pakistan, and Georgia.

A telling example of how co-financing is conveniently used by the Banks to evade accountability is the AIIB-backed Shwe Taung Cement Project, which apart from the environmental impacts, has resulted in land disputes that remain largely unresolved. Residents of communities affected by the project have reported having suffered from land and crop loss during the construction of transmission lines for the project. Because AIIB's ESF allows for it to apply the environment and social policy of its co-financing institution or intermediary, it has absolved itself from the responsibility of providing redress to the people who have been harmed by the project. But even in projects where AIIB is the sole financer, which entails the application of its own ESF standards, its risk assessment has been focused more on environmental over social risks. For instance, it has not addressed the potential risk of use of forced labor in its project in Oman.

Reliance on country and corporate systems in the management of environment and social risks and impacts is another means by which the bank transfers accountability to its clients.

The NDB puts more premium to the country and corporate systems, allowing clients to choose an appropriate instrument from among a variety of instruments to address the potential environmental and social impacts, with the requirement that the systems be chosen in consultation with the NDB and be fully compliant with its ESF. AIIB, on the other hand, specifies that the bank "may, if requested, decide to offer the Client (whether public or private) the option to use all or part of the Client's existing environmental and social management system for all or part of the Project," provided that client's system, as well as its capacity to apply the system, is found to be adequate.

Reliance on country and corporate systems has proven ineffective in the case of multilateral development banks like World Bank and the Inter-American Development Bank. Especially in countries whose policies are not at par with international human rights, social and environmental standards, reliance on country systems have resulted in weakened safeguards.

Corporate systems are even more unreliable, as corporations are not legally bound by international human rights obligations. With the drive to mobilize private capital expected to be intensified, the prospects of redress and resolution of complaints would be made even more difficult.

Ways Forward for a Sustainable AIIB and the NDB

The AIIB and NDB, with their initial posturing as a challenge to dominant IFIs, are increasingly proving themselves to be replicas of the old institutions. With only several years of operation, they have already exhibited how they complement and further the same neoliberal agenda and corporate-led development that the IFIs have long been criticized for. This is much evident in their promotion of private sector financing as a means of plugging the infrastructure investment gap.

Also worrying is the two banks' tendency to evade accountability for the projects they finance. They offload their responsibility to assess and monitor the projects' compliance with environment and social standards to their co-financiers, which in most cases have a record of committing human rights violations and causing substantial harm to the environment.

In order for the two institutions to truly promote sustainability, they must consider the following:

Reduce Inequalities among its Members. South-South Cooperation must be re-oriented towards reducing inequalities among developing countries. SSC was initially intended as an alternative to top-down dynamics of North-South cooperation, with equality as one of its principles. AIIB and NDB must revisit their commitments to upholding the principles of South-South Cooperation and reflect them in their policies and practices.

Keep Green Promises. The AIIB and NDB must limit its investment to clients who steer clear of fossil fuel, or at least have a clear, short-term de-carbonization plan for their projects. Both must exercise due diligence by vetting procedures for both projects and co-financers and financing conduits to ensure that they are adherent to international standards. The two banks must also revise their Environment and Social Frameworks to reflect a clear prohibition of fossil fuel projects and large dam projects.

Strengthen Adherence to Development Effectiveness Principles. The AIIB and NDB must strengthen its policies and practices on transparency and accountability, and must ensure that communities, people's organizations and civil society organizations have access to their redress mechanisms. For social and environmental harms already caused by existing projects, they must ensure that complainants are given adequate redress. They must likewise ensure that the other principles of development effectiveness, including democratic ownership and inclusive development, are observed in the Banks' operations and projects.

Put People, Not Profit, at the Center. Communities must be at the center of all development projects. The AIIB and NDB must ensure that communities have ownership of development processes—that is, making development financing based on the needs of the communities, not the interest of corporations. The banks need to move away from the dominant international private finance narrative of an "infrastructure gap" and the need for development projects to be "bankable" in order to make them palatable to private corporations.

Focus must be given in developing a rights-based, people-powered approach to development. Consultations with communities affected by projects must be genuine—the concerns must be adequately taken into consideration in the decision-making before approval of the project, and if approved, during project implementation. Mechanisms must likewise be established for coordination and engagement with a wide range of civil society organizations.

Opportunities and Threats of AIIB and NDB in Central Asia

Farida Abdyldaeva, *Public Association "The Right Step"*

The study explores the development assistance landscape in the countries of the Central Asian region with the formation of new development banks – Asian Infrastructure Investment Bank (AIIB), established by China, and the New Development Bank (NDB), created by the BRICS member countries. The main priority of both banks is to support infrastructure projects with a focus on the countries of the BRICS (NDB) and developing countries in Asia (AIIB).

China, as the leader of AIIB and a key member of NDB, provides investment support for Beijing's projects within the framework of the "One Belt One Road" program (also known as the Belt and Road Initiative or BRI), where Central Asia is considered a key area. The geographical proximity of Central Asia to China and the region's rich natural resources make its location strategic for the implementation of China's long-term goals. This study also discusses China's failure to recognize progressive agreements to improve aid effectiveness and prioritize development effectiveness, as well as the possible consequences of such failure.

The New Development Bank (NDB)

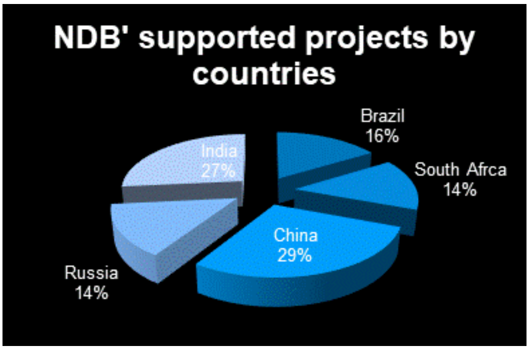
The inception of South-South Cooperation (SSC) was met with much optimism, as it was seen as an alternative to the North-South Cooperation (NSC) that has long been criticized for its unequal mentoring-paternalistic approach to development and for its promotion of the neoliberal agenda. South-South Cooperation is based on the principles of "complete equality, mutual respect and mutual benefit"[30]. The BRICS (Brazil, Russia, India, China and South Africa)-led National Development Bank, was a product of SSC. As a Bank that is composed of donor countries from the Global South, it was supposed to bring diversity to the existing aid architecture and address its shortcomings. The NDB was expected to contribute to greater independence of developing countries from the financial policies of Western countries.

NDB's goal is to become a key player in sustainable infrastructure development, including in sectors such as renewable

30 South-South Cooperation Principles: An Essential Element in South-South Cooperation. November, 2009. https://www.south-centre.int/wp-content/uploads/2013/09/South-South-cooperation-Principles_EN.pdf

31 https://www.ndb.int/wp-content/uploads/2017/08/NDB-Strategy.pdf

32 https://www.ndb.int/wp-content/uploads/2017/08/NDB-Strategy.pdf



energy, energy efficiency, clean transportation and water and waste management. According to NDB's General Strategy 2017 – 2021, the NDB will mobilize resources for infrastructure and sustainable development projects in BRICS and other emerging economies and developing countries, complementing the existing efforts of multilateral and regional financial institutions for global growth and development. The Bank likewise seeks to become an important player in helping BRICS and other Emerging Economies and Developing Countries (EMDCs) achieve the UN 2030 Sustainable Development Goals (SDGs), as well as those of the Addis Ababa Action Agenda on Financing for Development and the 2015 Paris Agreement on Climate Change[31].

NDB's decisions are made on the basis of a simple majority, and not a single member has a veto power on any issue. The NDB supports projects designed to meet the needs of individual countries, their priorities and development strategies. Notably, the mandate of the NDB does not include prescriptions of political, regulatory and institutional reforms for borrowing countries, since "experience shows that externally recommended processes and practices do not necessarily lead to successful development results"[32]. The Bank notes that it will conduct an equal dialogue with borrowers about how to best solve specific problems of their socio-economic environment, noting that this is consistent with the main international development agreements, in particular the Paris Agreement and the Accra Agenda for Action. It also recognizes the fact that development projects are more effective when recipient countries are given full reign on the projects.

To date, the NDB has approved funding for forty-nine (49) projects aimed at energy and infrastructure. China has become the biggest recipient of NDB's financing, followed by India, then Brazil, and lastly, by Russia and South Africa. The chart below shows the percentage of BRICS' borrowing from the NDB:

It is encouraging that the NDB recognizes the Paris Declaration and the Accra Agenda for Action, emphasizing the importance of equal cooperation. Examples of solidarity with countries in need of assistance without mentoring and conditions are needed to formulate new development cooperation paradigms. However, the main drawback of NDB is the priority of the interests of the five BRICS member countries, and to date, all forty-eight (48) projects supported by the Bank have been provided only to the founding countries of the NDB. In order to achieve real changes in the architecture of international assistance, increase credibility of the organization and to embody fundamentally different approaches to development assistance, it is necessary to expand the beneficiaries of the Bank to non-BRICS members.

The Asian Infrastructure Investment Bank (AIIB)

Following the BRICS' New Development Bank (NDB), a new multilateral development bank is emerging under the leadership of China: the Asian Infrastructure Investment Bank (AIIB). AIIB's goal is to support the construction of infrastructure in the Asia-Pacific region.

If the creation of NDB was perceived by the world relatively calmly, the emergence of AIIB stirred several discussions and criticisms from Western actors, mainly the United States and Japan, particularly on China's control over the Bank. In particular, Japanese analysts called the AIIB as the “the internal bank of China”, expressing doubts that the proportion of countries in the authorized capital, unequal balance of votes, and China’s control over the Bank’s headquarters and leadership positions will allow AIIB to become a truly international organization.

The fact that the Bank was conceived as a tool of China in its pragmatic strategy of gaining access to sales markets and Asian resources, which is required by its economy built on the overproduction of various goods, was emphasized. In particular, it was stated that this structure is aimed at drawing many countries of the region as possible into the orbit of China’s economic influence and creating a counterbalance to the International Monetary Fund (IMF), the World Bank (WB) and the Asian Development Bank (ADB) controlled by imperialist powers; the creation of its own instrument in the global financial regulation system, and provide investment support for Beijing’s strategy under the framework of the “One Belt One Road”, also known as the “Belt and Road Initiative”.

The statement of China’s Deputy Minister of Finance, Shi Yaobin, during the inaugural session of the Bank says that “in the initial period of the AIIB, China will not apply for loans”[33] was immediately perceived as China’s desire to benefit from the interest on loans to other countries, promote the *renminbi* as a world currency, lobby for financial support for profitable People’s Republic of China (PRC) projects, or diversify ways of providing loans. China is the largest shareholder of AIIB and has 26.6% voting rights, more than the next five largest founding members combined. This gives China veto power over all majority decisions. It has already used such powers to reject Taiwan and North Korea’s membership applications.

Nevertheless, despite United States and Japan’s distancing from AIIB, the Bank quickly achieved success. To date, one hundred (100) countries signed up as AIIB members, of which seventy-five (75) are Members and twenty-five (25) are Prospective Members. AIIB is actively implementing large-scale infrastructure projects in thirteen (13) countries of East Asia, Southeast Asia, South Asia and Central Asia. From 2016 to 2019, sixty-three (63) projects were supported for more than USD 12.04 billion. China itself also uses AIIB loans in three (3) of its infrastructure projects.

From the very beginning, China announced its desire to cooperate with traditional development banks such as the IMF-WB, ADB, and European Bank for Reconstruction and Development (EBRD), among others. To integrate with traditional development banks, China has revised its focus only on economic growth, having the framework of the Sustainable Development Goals set out in the UN Agenda for 2030 integrated into its terms of cooperation. China agreed that the projects under the Infrastructure Platform will be implemented subject to principles of the market economy and relevant international standards, as well as on openness, transparency and competition in the implementation of joint initiatives.

As of 2019, AIIB has signed Memoranda of Understanding (MoU) with the ADB, the World Bank and twelve (12) other development banks and funding agencies. The AIIB has been eager to emphasize its position as ‘a member of the international family of development banks’. Many of AIIB’s senior staff are former ADB and World Bank employees. Today, 23 out of 63 AIIB projects are financed jointly with the IMF-WB, ADB, EBRD, and the World Bank private sector arm, the International Finance Corporation (IFC). Active cooperation with traditional development banks has also contributed to the recognition of AIIB by the international community. To increase its international prestige and authority, AIIB has developed a number of policies on transparency and accountability and ongoing projects, having previously consulted with civil society organizations (CSOs)[34].

Noting the progressiveness of the above documents, it should be pointed out that an analysis of the documents shows that it is too early to talk about breakthrough and fundamentally new and effective mechanisms for the independent control of AIIB projects by the borrowing countries. On the contrary, there have been attempts to "reach out" to traditional development banks in ensuring openness, transparency and accountability. In other cases, AIIB uses the World Bank's (WB) Environmental and Social Safeguard Policies (ESSP) since they are consistent with AIIB's Articles of Agreement and materially consistent with the provisions of AIIB's Environmental and Social Policy and relevant Environmental and Social Standards[35].

Of particular concern is the excessive vagueness of the wording "Exceptions to Disclosure Requirements" of Policy on Public Information such as:

- 8.1.2 Exception 2: Information that would compromise the financial worth or competitiveness of a natural person or the Bank or any other corporate entity, or their assets.
- 8.1.3 Exception 3: Information that would compromise the Bank's administrative functions or its deliberative and decision-making processes.
- 8.1.4 Exception 4: Information that is legally privileged, or would compromise the integrity of an inspection, investigation, legal proceedings or audit involving the Bank.
- 8.1.5 Exception 5: Information that would compromise the Bank's credit worthiness or access to capital markets at prices the Bank deems reasonable.
- 8.1.6 Exception 6: Information that would compromise the international character of the Bank, in accordance with Article 31 of the Articles of Agreement, or is inconsistent with the Bank's duty of due respect to national laws and regulations.
- 8.2 If the President determines that the legitimate interests protected by these Exceptions to Disclosure Requirements can be given equal protection by delaying or redacting the disclosure of information, then the disclosure of such information shall be delayed or redacted accordingly.
- 8.3 The Bank shall not disclose information, that is not already in the public domain, originating from a third party without consulting with that third party[36].

Obviously, each of the above statements of the exclusion from the rules can be interpreted quite broadly and in fact, can jeopardize the feasibility of this mechanism and cast doubt on the impartiality of the Bank in resolving potential conflicts. Moreover, among the Bank's policies and procedures, there are no mechanisms and procedures for institutionalizing the active involvement of other development actors, including CSOs, parliaments, and local authorities in discussing country projects, monitoring the progress of projects, and evaluating their results.

33 At first, China will not apply to the AIIB for loans - the Ministry of Finance of the PRC. Pulse of the planet-Asia ITAR-TASS. 2016.16 Jan.

34 Policy on the Project-affected People's Mechanism, Dec. 7, 2018; Directive on the Project-affected People's Mechanism, December 21, 2018; Policy on Public Information, September 2018; Rules of Procedure of the Project-Affected People's Mechanism. Issued by the Managing Director; Complaints-resolution, Evaluation and Integrity Unit (CEIU), June 13, 2019

35 https://www.aiib.org/en/projects/approved/index.html

36 https://www.aiib.org/en/policies-strategies/public-information/_download/Policy-on-Public-Information.pdf

AIIB in Central Asia

Four countries of the Central Asia region, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan, became founding members of the AIIB in 2016. Turkmenistan is the only country in the region not included in the Bank. The share of the contribution and the proportionate voting rights of the Central Asian countries in the AIIB are as follows:

Member	Membership Date	Total Subscriptions		Voting Power	
Kazakhstan	Apr 18, 2016	*Amount (million USD):*	729.3	Number of Votes:	9,704
		Percent of Total:	0.7541%	Percent of Total:	0.8574%
Kyrgyz Republic	Apr 11, 2016	*Amount (million USD):*	26.8	Number of Votes:	2,679
		Percent of Total:	0.0277%	Percent of Total:	0.2367%
Tajikistan	Jan 16, 2016	*Amount (million USD):*	30.9	Number of Votes:	2,720
		Percent of Total:	0.0320%	Percent of Total:	0.2403%
Uzbekistan	Nov 30, 2016	*Amount (million USD):*	219.8	Number of Votes:	4,609
		Percent of Total:	0.2273%	Percent of Total:	0.4072%

Source: https://www.aiib.org/en/index.html

From 2016 to 2019 Uzbekistan, Kazakhstan and Tajikistan received more than USD 216.2 million for energy, social and transport projects:

No	Country	Year	Project	Loan Amount	Co-financing
1	Uzbekistan	2019	Prosperous Villages Project	$82 million	World Bank - IDA: $100 million
2	Kazakhstan	2019	Zhanatas 100 MW Wind Power Plant	$46.7 million	
3	Tajikistan	2017	Nurek Hydropower Rehabilitation Project, Phase I	$60 million	Eurasian Development Bank: $40 million
4	Tajikistan	2016	Dushanbe-Uzbekistan Border Road Improvement Project	$27.5 million	European Bank for Reconstruction and Development: $62.5 million

Source: https://www.aiib.org/en/projects/approved/index.html

The number of AIIB-funded projects in Central Asia is not very significant compared to South Asia (25 projects funded) or Southeast Asia (9 projects funded). However, because Central Asia is an important part of the land transport corridor within the framework of the BRI and because AIIB is seeking to expand the geography of its assistance, there is reason to believe that Central Asian countries will actively interact with the Bank in the near future. In the meantime, China gives loans for infrastructure projects on a bilateral basis and it is already known that majority of external debt among Central Asian countries are owed to China:

Country	External Debt to China	Percentage to GDP
Uzbekistan	$3.006 billion	5%
Tajikistan	$1.5 billion	18.75%
Kyrgyzstan	$1.7 billion	22%
Kazakhstan	$12.3billion	6.8%

The economic activation of China in Central Asia is largely due to the fact that Central Asia occupies an important place in China's global strategy based on the region's geographical proximity, border contiguity of more than

3,000 kilometers, the possibility of creating transport corridors, and Beijing's intention to form a new macro-region, "Big Central Asia", with a center in Xinjiang Uygur Autonomous Region (XUAR) in the future. XUAR is the main center of concentration of all Eurasian transit routes of the PRC, from which traffic flows to more than thirty (30) countries of Eurasia, while Kazakhstan is considered as the main transport gate to the Central Asian region[37].

The PRC government plans to integrate the Silk Road project, a major component of the BRI, into a broader initiative to create an Asia-Pacific free trade zone. In addition, the economic prosperity of the XUAR is considered by the PRC as an essential element in preventing the destabilization of the region and, as a consequence, maintaining the territorial integrity of the country. An equally important incentive to support Central Asian States is the need to ensure regional security and maintain a stable political situation in the countries of the region, since their proximity to the borders of China can cause problems in the PRC itself. In addition, by providing foreign assistance to the Central Asian countries, China is gaining access to their mineral resources, which is especially important against the backdrop of growing domestic demand for commodities. By strengthening energy cooperation with Central Asian countries, Beijing seeks to reduce dependence on energy supplies from the Middle East and Africa, which currently account for about 90% of their imports[38].

It should be noted that the anti-Chinese Sinophobia within the populations of Central Asian countries is a serious obstacle to both the predictability of the processes in the region, which are necessary for strategic planning, and the security of the funds invested by the PRC.

The following factors contribute to the growing Sinophobia in Central Asia:

- *Opacity of Chinese loans.* The expert community notes[39] the low reliability of Chinese statistics regarding foreign investment. About 80% of Chinese direct investment abroad in 2015 fell into five offshore jurisdictions (Hong Kong, Netherlands, the Cayman Islands, Bermuda and the Virgin Islands), which makes determining their ultimate destination difficult. Given the fuzzy boundaries between aid and investment in the Chinese sense, this poses a challenge in accurately assessing the extent of aid. In addition, loans are granted not to the recipient country, but to Chinese contractors who work on projects.

  China is not a member of the OECD Development Assistance Committee (DAC) and accordingly, does not provide data on the volume of assistance provided there. In addition, it is guided by its own methodology and classification of assistance, which are much broader than the OECD concept of Official Development Assistance (ODA). The PRC includes in its definition of foreign aid not only traditional forms of aid, but also commercial loans of state-owned Exim Bank and other banking institutions, swells foreign direct investment[40].

- *Tied aid and conditionalities.* The loan agreements are negotiated so that goods and services are purchased in China according to Chinese standards, and

37 The Central Asian region as the most important link in the infrastructure cooperation of Greater Eurasia-2030. U. Zi., Sazonov S.L. https://cyberleninka.ru/article/n/region-tsentralnoy-azii-kak-vazhneyshee-zveno-infrastrukturnogo-sotrudnichestva-bolshoy-evrazii-2030/viewer

38 Chen J., Wang N., Tang H., Li J., Xiong B. Impact of Sustained Low Oil Prices on China's Oil & Gas Industry Systemand Coping Strategies. Natural Gas Industry Beijing, 2016, vol. 3, no. 3, pp. 181–186. DOI:10.1016/j.ngib.2016.05.001

39 See the following studies:
1. China's overseas lending. Sebastian Horn, Carmen M. Reinhart, Christoph Trebesch. NBER WORKING PAPER SERIES. National Bureu of Economic Research. Cambridge. July, 2019. 2. Help PRC to Central Asian Countries. V. Kashin, A. Korolev. World Economy and International Relations, 2018, Volume 62, No. 3, p. 78–85.

40 Help PRC to Central Asian Countries. V. Kashin, A. Korolev. World Economy and International Relations, 2018, Volume 62, No. 3, p. 78–85.

Chinese companies are not taxed. Chinese companies and laborers are involved in the work and all disputes are resolved in China in accordance with Chinese laws.

- *Non-adherence to environmental standards.* The case of the repair of a thermal power plant in Bishkek revealed that Chinese companies, through the corruption of the Kyrgyz authorities, independently prepared a feasibility study for their own project. And after residents of Bishkek City noted the deterioration of the city's ecology, the authorities did not confirm this[41]. Conflicts between Chinese companies and the population in the Salton Sary of the Naryn region of Kyrgyzstan were also caused by collusion and concealment by the Kyrgyz authorities of non-compliance with environmental standards by Chinese companies, which led to cattle mortality and rising of allergies among a local population. Meanwhile, China in its own country significantly tightened environmental standards amid growing public discontent over environmental pollution.

- *Opinion in Central Asia that China colonizes the region economically and politically.* In the process of this colonization, China pumps resources out of the region and at the same time turns it into a "sewage pit" for dirty industries. Active discussions were provoked by the fact that in exchange for the construction of the Dushanbe-2 TPP, the Tajik government granted the Chinese company TBEA Co., Ltd. the right to mine gold at the Upper Kumarg deposit. China will own the field until Tajikistan returns USD 331 million. In addition, the non-compliance with environmental standards of Chinese companies and their hidden negotiations with corrupt officials without the participation of representatives of local communities in project areas, led to periodic outbreaks of discontent among the population of Central Asia.

- *Sinophobia sentiments of the population of Central Asia caused "re-education camps" for the Uyghur, Kazakh and Kyrgyz minorities of China.* There is widespread debate about the existence of "re-education camps" in Western China, where about two million ethnic Kazakhs, Kyrgyz and Uighurs undergo ideological treatment in these camps. Periodically, protests flare up in Kyrgyzstan and Kazakhstan in defense of China's ethnic and Muslim minorities. Kazakhstan is shaken by scandals related to lawsuits to return[42] Chinese refugees of Kazakh nationality to the PRC, where they risk getting into re-education camps.

Conclusion

Sinophobia sentiments in Central Asia are not only limited to periodic anti-Chinese protests, but are often accompanied by attacks on Chinese workers by the local population, property damage and obstruction of the work in companies that take place in Kyrgyzstan and Kazakhstan. Relatively free political regimes in Kazakhstan and Kyrgyzstan make it possible to take to the streets with anti-Chinese manifestos (very sensitive for the authorities). However, tough authoritarian regimes in Uzbekistan and Tajikistan have atrophied the ability of citizens to go out with political slogans to street rallies.

In social networks, for topics devoted to China's issues, one can almost always see the negative responses of Tajiks and Uzbeks – their fears and mistrust of the PRC mainly

41 More details: https://www.vestifinance.ru/articles/31845

42 One of many similar cases: Custer Musakhanuly and Murager Alimuly, two ethnic Kazakhs from Xinjiang fled from China and and applied for political asylum to Kazakhstan. However the Kazakh authorities are judging them for illegal border crossing. Refugees at risk of torture if forced to return to China. This story, like other similar cases, has a great public resonance. Zaysan, January 6, 2020. Hadisha Akayev / Radio Azattyk, 2020. https://www.hrw.org/ru/news/2020/01/ 10/337631

due to the Muslim re-education camps and threats coming from their countries' high external debt to China, which does not negate the high sinophobic potential in the region. And of course, China is interested in improving the image of the country through control of international structures such as the AIIB, protection of Chinese investments and investors and stability and predictability of the BRI.

Central Asian governments are also interested in improving the image of China, as this will add legitimacy to Chinese loans, which are vital in diversifying the region's developing economies. Often, it is the authorities of the republics who are held hostage between the angry population on the one hand, and China requiring the fulfillment of the agreement on the other. So far, the authorities of Central Asian countries have somehow kept control of anti-Chinese actions. However, the abovementioned challenges can turn into a serious threat to Beijing's economic agenda in the region in the future.

It is necessary for both the PRC and the authorities of Central Asian republics to immediately review the rules and procedures of their cooperation, actively introducing mechanisms of accountability and transparency, which is the only condition for improving the image of China, which consequently can reduce Sinophobia and build mutually beneficial cooperation, by taking the following steps:

1. *Radically rethink China's approach to cooperation with Central Asian governments:*

- avoid negotiations with authorities without first consulting the communities living in project-affected areas,
- adhere to the high environmental standards that the Chinese government adheres to in their own country,
- institutionalize the participation of CSOs and other development partners in discussions and decision-making processes on the effective use of Chinese loans, and
- establish mechanisms to promote transparency and accountability, environmental protection and respect for human rights.

2. *"Untied" assistance.* The focus of aid should be assisting the region in eliminating poverty and inequality.

3. *Stop the promotion of China's economic interests in the mining industries:*

- conditions for lending to the mining sector should be fully transparent and the public should be able to access agreements on the sharing of production and on the division of profit and other similar documents,
- projects in the extractive industry should not be considered if these do not provide significant social and economic benefits to the majority of the local population of the recipient country,
- stop financing investment projects in ecologically valuable areas where the public opposes such projects and where investments can provoke conflicts, and
- each project should have an emergency response plan, which should be part of the Environmental Impact Assessment (EIA) documentation, and China as well as development banks (new and old) should take responsibility for any damage caused by their projects.

4. *Recognize the progressive agreements of the Paris Declaration, the Accra Agenda of Action, the Busan and Nairobi Statements.*

5. *Start consultations on the development of a framework for cooperation between Asia Pacific CSOs and AIIB.* Asia Pacific CSOs and China should build a principally new and progressive development partnership in accordance to commitments of solidarity and equality agreed upon at South-South Cooperation.

Financing Concerns on the Operations of AIIB and NDB in South Asia

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The New Development Bank (NDB) and Asian Infrastructure Investment Bank (AIIB) are key Multilateral Development Banks (MDBs) established by developing countries on July 15, 2014 in Brazil and on December 25, 2015, respectively. The NDB and AIIB are promoted as alternatives to the International Monetary Fund-World Bank (IMF-WB) but ended up amplifying neoliberal capitalism instead.

In September 2017, AIIB backed the International Finance Corporation (IFC) Emerging Asia Fund, which bought equity in Shwe Taung Cement for the expansion of a cement plant in Myanmar, provoking wide environmental concerns. AIIB also approved financing for transmission and distribution lines in Assam in November 2019 that will facilitate the construction of dams in India's North East. Both the NDB's and AIIB's infrastructure financing mechanisms eventually led to the destruction and exploitation of peoples' lands and resources. The NDB and AIIB should stop reinforcing the neoliberal development model and instead promote sustainable development where people, the environment and human rights are at the center.

The BRICS New Development Bank vis-à-vis Traditional International Finance Institutions

Much hype has been generated by the BRICS countries (Brazil, Russia, India, China, and South Africa) when they announced the creation of the New Development Bank (NDB) and the Contingency Reserve Arrangement (CRA) on July 15, 2014 in Fortaleza, Brazil. The NDB is the first Multilateral Development Bank established by developing countries and emerging economies. BRICS governments have promoted the NDB as an alternative to the World Bank, and the CRA as an alternative to the International Monetary Fund, traditionally controlled by the United States, Europe and Japan.

The NDB was established aiming to mobilize resources for infrastructure and sustainable development projects in BRICS and in other emerging economies and developing countries. The BRICS speak of the Bank as being green, sustainable, innovative and less bureaucratic in its functioning than traditional MDBs. The NDB envisaged providing loans, equity investments, guarantees and technical assistance in support of public or private projects, including public-private partnerships (PPPs). The Bank may, in the future, allow non-BRICS members to join but the BRICS capital share cannot fall below 55%.

With an initial capital of USD 100 billion dollars, NDB was born from a combination of circumstances including emerging economies' frustration with the largely Western-dominated World Bank Group and International Monetary Fund[43]. However, questions persist whether NDB will be able to promote a different type of development – a transformative development agenda – to usher meaningful development in the Global South.

According to the Bank's Five-Year General Strategy, around two-thirds of all its financing commitments in the next five years will go to sustainable infrastructure development. In April 2016, the NDB approved its first set of loans worth USD 811 million for renewable energy projects – one each in Brazil, India, China and South Africa, while a USD 100 million project was announced for Russia in energy infrastructure. Of the USD 811 million, USD 300 million went to Brazil, USD 81 million to China, USD 250 million to India, and USD 180 million to South Africa. The money, to be disbursed in a staggered manner, is intended to support renewable energy projects with a capacity of 2,370 MW in Brazil, China, South Africa and India. The first tranche of USD 75 million was given to Canara Bank in India for "on-lending to projects for generating 500 MW additional renewable energy capacity"[44].

A loan of USD 180 million (R2.6 billion) was given to South Africa's power utility, Eskom, to develop a 670 MW of power generation and 500 MW worth of renewable energy projects involving independent power producers. In July 2016, the NDB issued USD 450 million worth of five-year green bonds in China (in Chinese currency). In India, NDB is funding major projects in Madhya Pradesh, Bihar and Rajasthan[45]. The NDB on March 31, 2019 announced the approval of five additional projects (two in China and three in South Africa) with loans aggregating to approximately USD 1.2 billion.

In April 2019, the NDB approved funding of USD 790 million for three South African projects. The funding includes USD 480 million to support the struggling South African state power firm's Medupi coal-fired power plant[46]. Earlier in 2018, the NDB approved 17 loans totalling about USD 4.6 billion[47]. For now, the NDB only loans to projects in the BRICS member countries[48].

In 2019, the Bank envisaged to double its loan approval book to about USD 16 billion, according to Mr. K. V. Kamath, President of the NDB, in his keynote speech at the 4th Annual Meeting of the institution in Cape Town, South Africa. As of September 2019, the NDB provided 37 infrastructure loans valued at USD 10.2 billion covering sectors from transport to renewable energy, water and urban renewal[49].

The NDB's formation created much excitement and optimism that it would challenge and provide an alternative to the dominant financial institutions and economic systems globally. The NDB is partly seen as an assertion to traditional Western powers of BRICS' own economic muscle in the world, and a retort to the lack of reform in the Bretton Woods system. The Structural Adjustment Programs (SAPs) that the World Bank and the International Monetary Fund impose upon their borrowers include currency devaluation, austerity measures, market liberalization and privatization of state-owned companies caused much controversy. While the Bretton Woods institutions repeatedly

43 "Will the New BRICS Bank Break with Traditional Development Models, or Replicate Them?" by Kanya D'Almeida, Inter Press Service, 7 July 2015 http://www.ipsnews.net/2015/07/will-the-new-brics-bank-break-with-traditional-development-models-or-replicate-them/

44 "BRICS to sanction loans worth $250 million to Canara Bank for renewable energy project in India", DNA India, 15 April 2016 https://www.dnaindia.com/node/2202811.html

45 "New Development Bank yet to find its green groove", by Aditi Roy | Sep 4, 2017, India Climate Dialogue https://indiaclimatedialogue.net/2017/09/04/new-development-bank-yet-find-green-groove/

46 "BRICS development bank approves $790 million funding for this African country's projects", CNBC, 1 April 2019. https://www.cnbcafrica.com/news/financial/2019/04/01/brics-development-bank-approves-790-million-funding-for-this-african-countrys-projects/

47 "New Development Bank (NDB) Outlines Ambitious Plans to Boost Loans, Increase Impact of Investment", Press Trust of India | 4 April, 2019 https://www.business-standard.com/article/pti-stories/new-development-bank-ndb-outlines-ambitious-plans-to-boost-loans-increase-impact-of-investment-119040400338_1.html

48 "BRICS bank is offering more of the same rather than breaking the mould", The Conversation, 4 May 2017 http://theconversation.com/brics-bank-is-offering-more-of-the-same-rather-than-breaking-the-mould-76807

49 "BRICS' New Development Bank turns four: what has it achieved?", World Economic Forum, 20 Sep 2019 www.weforum.org/agenda/2019/09/brics-new-development-bank-four-sustainability

assure the international community that these conditions will contribute to the nation's economic development in the long run, results have largely shown otherwise. The ongoing struggle in Argentina and several African states to overcome its economic crisis and indebtedness to the World Bank are evidences of the catastrophic consequences of the Structural Adjustment Programs[50].

A revealing dimension of the BRICS' communiqué in its formation is the creation of USD 100 billion Contingent Reserve Arrangement, which many considers as a historic blow to the IMF's relevance and centrality. But what actual and drastic measures will the NDB initiate to provide a real alternative to the 'Washington Consensus', defined by privatization, public spending cuts, etc.?

Similarities and Differences of NDB with Other MDBs

Adherence to NDB's core focus of sustainable, green development: NDB claimed that the focus on sustainability and rising local currency funding and focus on "country systems" are what sets it different from other financial institutions . The concept of sustainable infrastructure used by the NDB in its general strategy is very broad and vague and lacks definition. There is no policy framework in place to ensure that the support of sustainable projects relied on regulatory systems in member countries for project approval and to undertake environmental and social impact assessments.

Further, an assessment of the projects funded by the NDB with potential social and environmental impacts, inadequate appraisal of impacts, lack of people's participation in decision making and focus on commercial interest of corporations indicates that NDB-financed projects are not as sustainable, green and clean as projected. Indeed, a huge increase in coal-fired power plant financing resulted from the biggest single loan announced during the BRICS summit – the China Development Bank's USD 2.5 billion credit to complete the state-owned power company, Eskom's generators at Kusile is still mired in corruption and missed deadlines. With its 4,800 megawatts of supply, Kusile will emit 31 million tons of CO_2 annually, becoming one of the world's most carbon-intensive power plants.

Following a major 9/11 campaign against the World Bank and the US, Exim Bank's financing of Eskom's coal generator expansion with focus on Kusile's predecessor, Medupi power plant, the leading pollution watchdog, Groundwork, has called for a halt to all works by Kusile. The NDB energy grid loan to Eskom is also being challenged by the National Union of Metalworkers of South Africa for its efforts to privatize the power supply, and the lack of recognition of the rights of workers and their families through increased tariffs and retrenchments.

Lack of transparency that undermines CSOs' role: The international agreement establishing the NDB states that the bank must be transparent in its activities and that the rules to be drafted will be accessible to the public. Although the NDB has already begun financing projects, it is still in the process of developing the internal rules to govern project selection and implementation. There is a lack

50 "BRICS' New Development Bank: The End of the Bretton Woods Institutions?", by Paula, Brown Political Review, 24 September 2014 http://www.brownpoliticalreview.org/2014/09/brics-new-development-bank/

51 "What is new about the New Development Bank?", Wu Yixiu, 31 August 2017, China Dialogue, https://www.chinadialogue.net/article/show/single/en/10025-What-is-new-about-the-New-Development-Bank-

52 BRICS bank fails to live up to hype", June 22, 2018, Mail & Guardian, https://mg.co.za/article/2018-06-22-00-brics-bank-fails-to-live-up-to-hype/

53 "Transnet reports R49bn in irregular expenditure", SIPHELELE DLUDLA, 30 SEPTEMBER 2019, IOL https://www.iol.co.za/business-report/companies/transnet-reports-r49bn-in-irregular-expenditure-33656191

of transparency on the processes of approving projects[52]. At the summit held on September 3–5, 2017 in Xiamen, China, the NDB has still not clearly disclosed which projects will receive funding.

In 2016, meanwhile, the Bank disclosed a set of policies, including an Interim Information Disclosure Policy and an Environment and Social Framework (ESF) without involving civil society inputs and consultation. Public consultations are common practice among other multilateral banks like the ADB and the World Bank. The absence of an official channel for dialogue with the bank, low levels of transparency and clarity on its social and environmental policies is a concern for civil society organizations (CSOs). Very little information is available on projects funded by NDB, such as in the case of the Canara Bank investments from NDB on renewable energy in India. These new banks have the chance to learn from previous banks' mistakes and establish best practice from the start. NDB seems wary of engaging with civil society or unwilling to consider the rights of communities to be affected by NDB funded projects, primarily infrastructure projects.

Infrastructure financing and concerns: The vice president of the NDB, Leslie Maasdorp, told the Mail & Guardian at the Bank's annual meeting in 2018 that the USD 8 billion will be allocated to fund South Africa's infrastructure gap[52]. The NDB, led by Board Chairperson Nhlanhla Nene, has announced total funding of USD 5 billion for projects in BRICS countries. There is much speculation that NDB will revamp the old "mega-project" model of development, as opposed to small- and medium-scale sustainable projects, which has proven to be a failure both in terms of poverty eradication and of increased access to basic services. However, the current funding of NDB focusing on unsustainable and large infrastructure projects, with wide social and environment implications, only echoed the overwhelming infrastructure focus of MDBs. The lack of civil society participation and an accountability mechanism further complicates the development concerns, much akin to financing by other MDBs.

In South Africa, the NDB reactivated a USD 180 million deal for restructuring Soweto's electricity grid while also privatizing renewable grid lines. It is opposed by Soweto community activists led by activist Trevor Ngwane, on grounds that it will end up squeezing local consumers.

Transnet received a USD 200 million loan from the NDB to finance the expansion of the Durban port-petrochemical complex, which is firmly opposed by local activists and community members for reasons ranging from the borrower's prolific corruption to insensitivity to climate change and from the anticipated rise in local pollution to housing displacement.

Transnet has been given a USD 200 million loan to rehabilitate Durban port's container terminals and increase its capacity. Concerns persist over the loans granted to Transnet due to lack of transparency and disrupting communities and the environment. Irregular expenditure and corruption plagued Transnet as the South African state-owned freight and rail company received a qualified external audit opinion for the year ending March 31, 2019 due to its failure to adhere to prescribed procurement regulations. Transnet reported R49 billion in irregular expenditure due to irregular locomotive contracts. In May 2019, the Zondo Commission found that Transnet had violated its own regulations in approving the cost method used to price the cost of 1,064 locomotives, which saw the price increase from R38.9 billion to R54 billion[53].

Focus on privatization: The NDB wants loans to the private sector to eventually take up a 30% share of its project portfolio. The NDB is targeting an overall 70%-30% split between sovereign and non-sovereign loans in its project portfolio and is seeing a strong demand for private sector loans especially in Brazil, South Africa and Russia. The NDB in May 2018 approved six new projects which brought its loan portfolio up to over USD 5.1 billion across 21 projects. Two of these were non-sovereign loans, which are issued to companies without a government guarantee[54]. The overt focus on privatization of the power grid in South Africa already led to much concern and protest by workers union.

The BRICS Expert Group report on a new Credit Rating Agency (RA) recommended, "BRICS RA shall adopt the issuer-pay business model since it is well-tested and globally accepted. The BRICS RA should be set up as a private sector entity to ensure private sector efficiencies, independence from government influence, credibility and acceptance by global investors. On the governance and operational aspects, too, private sector efficiencies can be derived to ensure commercialization on market-based principles." This recommendation is a reinforcement of privatization processes inherent in a neoliberal development model[55].

Exclusive safeguards and fallacies of country systems: The NDB placed a focus in their safeguards on the need to respect country systems of monitoring and legal protection in the countries they are lending to, and seem to be offloading their monitoring responsibility as lenders to the clients who are borrowing from them. The use of country systems to analyze development projects is also a characteristic of other multilateral banks such as the World Bank and the Inter-American Development Bank (IADP). The regulation at country level is much weakened, with dilutions of social, environmental safeguards and human rights norms.

In India, single window clearances are being proposed to remove all hurdles and obstacles to obtain necessary clearances required under the newly proposed and amended laws. The Government is creating the Draft Forest Policy 2018, which is aimed at promoting industrial plantation and commercial forestry while also promoting sustainable forest management as a form of climate change mitigation. Civil society organizations expressed concern that such policy dilutions will further alienate indigenous communities from their lands. With weakened policies and inadequate regulatory mechanism to hold corporate bodies unaccountable, reliance on country systems is just a ploy to allow corporate bodies to commit ruthless plunder of peoples' lands and natural resources with impunity and with the State's tacit support.

Policies such as the North East Hydrocarbon Vision 2030, Manipur Hydropower Policy 2012, and the amended Mining Act 2015 failed to recognize communities' right to participation in development decision making, while focusing on promoting private sector role in the utilization of water, oil and gas and other mineral resources. In this context, the push for country systems is simply untimely. Further, the NDB prepared its Environment and Social Framework policy without any input from civil society, despite repeated submissions for consultation. There are worries that the NDB, instead of leading the best practice, could precipitate a race to the bottom in terms of standards.

Repeating the Bretton Woods Institutions: BRICS criticized the lack of democratic governance of the World Bank and called for a more democratic governance structure. The NDB is expected to represent an alternative source of finance for developing countries and to wear its marked differences from the Bretton Woods institutions. It was also supposed to undo the grave injustice to communities inflicted by traditional multilateral institutions. However, the NDB is already proving to be a replication of the Bretton Woods institutions. The financing instruments and the business model – mobilizing finance from international capital markets – are not so distinct from the institutions that already exist. In September 2016, the New Development Bank signed partnership deals with the World Bank to co-finance projects. The agreement also aims to facilitate knowledge and staff exchanges.

While the NDB used language that criticised the existing MDBs and Bretton Woods's system, it now speaks of being transformative and collaborative. However, the NDB rattled critics when the NDB chief said, "We greatly appreciate timely support offered by the World Bank Group throughout our establishment process, and look forward to advancing and deepening our cooperation," after signing a memorandum of understanding for co-operation with the World Bank in September 2016.

NDB already signed Memoranda of Understanding (MoU) with the European Investment Bank (EIB), European Bank for Reconstruction and Development (EBRD), the Asian Infrastructure Investment Bank (AIIB) and the Eurasian Development Bank (EDB). With the history of original designers of NDB as former World Bank chief economists, Joe Stiglitz and Nick Stern, there is a concern that NDB can never challenge the world financial order. This puts NDB in bed with the institutions it was established to counter.

Further, the Contingent Reserve Arrangement as a supposed alternative to the IMF, also failed to project as such. Once a country borrows 30% of its quota from the CRA, it must still go to the IMF and get a structural adjustment programme to access the remaining 70%. BRICS is gearing towards the issuer-pay business model, setting up a private sector entity to ensure private sector efficiencies.

Corporate-led development model: Today, the NDB is pushing for the corporate-led, profit-oriented development model just like the World Bank and other Bretton Woods institutions. The New Development Bank seems more focused on protecting its investments at the expense of the interests of the BRICS citizens. There are also concerns that most of the loans to date have been dollar denominated, exposing the borrower to currency risk. The NDB loans seem to be non-concessional as well. This corporate-led model impoverished many people in emerging economies, leading to farmer suicides, plunder of natural resources and environmental degradation[56].

NDB as an alternate financing source for developing countries: The differences in BRICS countries' economic resources mean that the commitment from each country is not equal from the outset. China committed USD 41 billion while Brazil, Russia and India committed USD 18 billion each. South Africa has the least share, with only USD 5 billion. CRA does not yet have the firepower to provide critical bailout financing in the case of a crisis. The proposed expansion of the BRICS countries has been justified as a move to strengthen the bloc and fill the void created by rising protectionism in the US. But it has been met with mixed reactions even among member countries. India, for example, has expressed its disapproval that BRICS "plus" is China's ploy to cut New Delhi's influence in the group by roping in more pro-China countries. The NDB's bias towards Asia in financing suggests that it will not become an alternative source of finance to the rest of the developing regions. The divergence of political system and interest among BRICS, from overt neoliberalism to authoritarianism can also undermine the effectiveness of NDB.

Conclusion

The NDB's activities are often shrouded in secrecy. There are no clear official records available to the public about the bank's activities, decisions and operational guidelines. The bank seems to be veering towards an opaque disclosure regime that is inconsistent with its own Environment and Social Framework. Likewise, it seems to prefer keeping a distance from civil society engagement. It is alarming that the NDB has yet to finalize a clear, transparent and independent oversight and grievance redress mechanism for communities impacted by their lending. Second, the Bank has yet to present any socio-economic redress and environmental operational guidelines for communities. Further, the NDB prepared its Environment and Social Framework without any input from civil society, despite the latter's repeated calls for consultation.

These practices give rise to the worry that instead of modeling the best practice, the NDB could precipitate a race to the bottom in terms of standards. As a co-financier of traditional development institutions like the World Bank, the Bank's seriousness about promoting transparency, accountability and probity remains questionable. Although the NDB projects itself as an alternative to the IMF and the World Bank, it appears that it is only planning to work with existing development institutions, both public and private. The BRICS bloc starts with the rhetoric

54 "BRICS New Development Bank CEO Zhu Xian says targeting an overall 70-30 split between sovereign and non-sovereign loans in its project portfolio", May 29, 2018, Live Mint https://www.livemint.com/Industry/KHPzI4kkrOrqK4odpj39pO/BRICS-development-bank-to-expand-lending-to-private-sector.html

55 "BRICS Leaders Are Reinforcing, Not Replacing, the Global System of Power", The Wire, 6 August 2018 https://thewire.in/diplomacy/brics-leaders-are-reinforcing-not-replacing-the-global-system-of-power

56 "BRICS bank is offering more of the same rather than breaking the mould", The Conversation, 4 May 2017. http://theconversation.com/brics-bank-is-offering-more-of-the-same-rather-than-breaking-the-mould-76807

about an 'alternative' to Western hegemony but ends up amplifying neoliberal capitalism[57].

The New Development Bank must focus more on small-scale investments rather than large-scale infrastructure projects. The latter often lead to exclusion of peoples and communities, worsening vulnerabilities rather than bringing development. The NDB must commit itself to transparency, accountability, democratic decision-making, and promotion of human rights and meaningful sustainable development.

AIIB's Infrastructure Financing in South Asia

The Asian Infrastructure Investment Bank (AIIB) is a multilateral development bank initiated by China that aims to support the building of infrastructure in the Asia-Pacific region. It was established in December 2015 with the mission to improve social and economic outcomes in Asia and beyond and it opened for business in January 2016. Its priorities include investments in energy, power generation, transport, rural infrastructure, environmental protection and logistics in Asia. The starting capital of the bank was USD 100 billion, equivalent to 2⁄3 of the capital of the Asian Development Bank and about one third that of the World Bank.

AIIB was established by 67 countries, with India sits as the second largest shareholder after China. While India is the second largest investor in AIIB, it is also the largest borrower as of 2018. AIIB's investments in India have grown exponentially. India currently has a 30% share in AIIB's total loan portfolio. By 2025, AIIB has targeted to approve assistance worth USD 10 billion annually, in which India is expected to maintain its share of 30%. AIIB commenced its operations in India in 2016.

The involvement of AIIB has intensified across South Asia in the past couple of years. The AIIB approved a loan of up to USD 90 million for the Upper Trishuli-1 Hydropower Project, AIIB's first project in Nepal in 2019. The project envisaged increasing the country's power generation by almost 20% and to address the problem of power shortages in the country. The Bank has also provided Nepal with USD 900,000 for the proposed Tamakoshi V Hydroelectric Project and USD 1 million for the proposed Power Distribution System Upgrade and Expansion Project from its Project Preparation Special Fund which provides grants to support the preparation of projects in eligible AIIB members. AIIB aimed to intensify investing in hydropower and to encourage private sector investment in Nepal for economic growth and poverty alleviation. Co-financed with International Finance Corporation, the Asian Development Bank and other development institutions, the project involves a USD 650 million investment.

In 2019, AIIB approved two projects in Sri Lanka amounting to USD 280 million for the construction of 5,500 affordable housing units to reduce the risk of landslides. Pakistan is also likely to receive investments for development projects, including roads and sewerage plants, worth USD 1.4 billion. The Bank is considering investments in the Karachi Bus Rapid Transit (BRT), Rawalpindi's Ring Road, Lahore Wastewater Management and Karachi Water and Sewerage Service projects, among others[58]. In Bangladesh, AIIB has approved a USD 100 million loan to accelerate the country's efforts to deliver improved water supply and sanitation services to underserved communities[59]. The AIIB is considering financing four more projects to further contribute to Bangladesh's infrastructure development.

India continues to be the top receiver of financing from. Almost 28% of the money lent by AIIB in the first two years of its operations has gone to projects in India. The three focus areas of AIIB funding in India include transport, energy and water. Energy-sector projects focus largely on renewable energy, as well on power transmission and distribution lines.

AIIB plans to invest USD 1 billion funds in India by 2020, which primarily targets power and

India as Biggest Receiver of AIIB Investment in South Asia

water projects. The multilateral development bank has already approved a project loan worth USD 500 million (Rs 3,589 crore) to Mumbai Urban Transport Project (MUTP) for the development of suburban infrastructure around Mumbai. The AIIB also approved USD 75 million (Rs 538.39 crore) in September 2019 to renewable energy financier, Tata Cleantech Capital, for onward lending to projects. The total committed financing by AIIB in India stands at USD 2.9 billion (Rs 20,817 crore)[60] as of November 2019.

The Asian Infrastructure Investment Bank also announced support for India's National Investment and Infrastructure Fund (NIIF). The USD 100 million equity investment is the first phase of funding for NIIF, a collaborative platform for those interested in investing in commercially-viable Indian infrastructure projects. The second phase will likely see another USD 100 million tranche. The venture is also a highly controversial intermediary lending structure that has watchdogs warning of the dirty energy and social harm it could end up funding. The involvement of NIIF could serve to revive a host of stalled projects in the country – many of which includes the controversial Srikakulam Thermal Power Station in Andhra Pradesh and other mega hydropower projects. The IFC has already been forced to reduce this kind of lending via third party financial intermediaries because of human rights and environmental scandals[61].

AIIB and Energy Infrastructure Projects

Energy and allied infrastructure continue to be one of the key focus areas of AIIB investment in South Asia. The AIIB is directly involved in financing hydropower projects for energy generation in Nepal. It is likewise funding high voltage transmission and distribution lines both in Nepal and in Assam in India's North East as well as in Andhra Pradesh in South India, which are crucial infrastructures for pursuance and viability of hydropower projects.

The AIIB has agreed to provide a sovereign-backed loan of USD 112.3 million to Nepal to increase electricity access and improve the quality of the electricity supplied in the country. The loan will be used by the country to finance its Distribution System Upgrade and Expansion project. AIIB maintained that its investment gives much-needed financing to provide affordable, reliable and modern energy, especially in rural areas where people lack basic infrastructure. Although 78% of the country's population has access to grid electricity, around 22% of the population located in the hilly and rural areas of western Nepal does not have complete access. The project will focus on constructing twenty-one (21) primary substations and over 2,000 km of supply lines across thirteen (13) districts in Provinces 5 and 6 (Karnali Pradesh). The project is also reported to be the first to receive AIIB's Technical Assistance (TA) under the Special Fund, which has backed the project preparation from its inception.

57 The BRICS dilemma, Pluralist World Order, November 1, 2017. http://blogs.uta.fi/pluralistworldorder/2017/11/01/the-brics-dilemma/

58 AIIB likely to invest USD 1.4 bn for development projects in Pakistan, Press Trust of India, 1 February, 2019

59 AIIB Approves USD100 Million Loan to Improve Bangladesh Water Supply, Sanitation, July 12, 2019, AIIB https://www.aiib.org/en/news-events/

60 "Billion-dollar boost: AIIB plans $1 billion investment in India", Financial Express, November 16, 2019

61 Civil society sounds alarm on AIIB's latest 'hands-off' lending deal, Devex, By Kelli Rogers, 26 June 2018

In Bangladesh, AIIB has approved a USD 100 million loan to accelerate the country's efforts to deliver improved water supply and sanitation services to underserved communities[62]. The AIIB is considering financing four more projects to further contribute to the country's infrastructure development. The projects are the Dhaka and Western Zone Transmission Grid Expansion, Dhaka Sanitation Improvement, Mymensingh Kewatkhali Bridge and Sylhet to Tamabil Road Upgradation.

Moreover, the multi-donor bank has already approved five projects for Bangladesh amounting to USD 505 million for developing infrastructures. The projects are the Distribution System Upgrade and Expansion (USD 16.5 million), Natural Gas Infrastructure and Efficiency Improvement (USD 6 million), Power System Upgrade and Expansion (USD 12 million), Bangladesh Municipal Water Supply and Sanitation (USD 10 million) and Bangladesh Bhola IPP (USD 6 million). The AIIB has also approved around USD 3 million grants under the Special Fund for Project Preparation for two transport sector projects in the country[63].

AIIB expects to tap as much as USD 100 million green and renewable projects in India annually, AIIB Director General for Investment Operations Pang Yee announced in November 2019 after addressing the South Asian Diaspora Convention. The investment is expected to come from the private sector, which will be considered as foreign direct investment, relieving the Indian government of project financing challenges[64].

Andhra Pradesh, India

AIIB has approved a loan of USD 160 million to finance a power project in India. The project, co-financed with the World Bank, is part of the government's "24x7 Power for All Programme" and will strengthen the power transmission and distribution system in Andhra Pradesh. The 24x7 Power for All is an initiative by the government to ensure availability of 24x7 power supply to all households, industries, commercial businesses, public needs and any other electricity consuming entity and adequate power to agriculture consumers by 2019. AIIB intends to support its members in their transition toward a low-carbon energy mix by promoting the improvement of energy efficiency, such as upgrading the existing transmission and distribution networks. The Bank expects the Andhra Pradesh 24x7 Power for All project to be the first of many projects AIIB invests in India[65].

Assam, North East India

The AIIB is considering a proposal to finance a power transmission and distribution upgrade programme in Assam. The AIIB Vice President and Chief Investment Officer D.J. Pandian indicated that the quantum of financing would be USD 400 million, which will be made in two phases. If approved, the financial assistance will be given to the project implementing agency, Assam Power Distribution Company Ltd., a state-government power distribution utility. In the first phase, an assistance of USD 250 million is likely to be made. AIIB has also lent to Power Grid Corporation of India, the central transmission utility of India for transmission schemes connecting the Eastern Grid and the Southern Grid. Out of the total project cost of USD 303.47 million, AIIB's lending was USD 100 million[66].

Upper Trishuli – 1 HEP Project. The Upper Trishuli-1 Hydropower Project is co-financed by AIIB with the International Finance Corporation, Asian Development Bank and other development institutions. The project involves a USD 650 million investment, financed entirely by foreign capital. It aims to serve as an example of how to facilitate investments in the sector. The Upper Trishuli-1 Hydropower Project is a greenfield run-of-river hydropower plant to be developed on the Trishuli River under a build-own-operate-transfer model. The project will sell power to the Nepal Electricity

AIIB's Co-Financed Projects

Authority under a power purchase agreement. IFC and a consortium of Korean and Nepali partners, in collaboration with the Government of Nepal, have spent over seven years developing the Upper Trishuli-1 project, which is a prime example of IFC's ability to create markets through upstream project preparation work over many years in low-income countries.

The project is being implemented by Nepal Water and Energy Development Company, whose key owners are Korea South-East Power, Daelim Industrial, Kyeryong Construction Industrial, and IFC. The IFC is providing USD 190 million in financing, including USD 95 million of equity and loans from its own account, and USD 95 million as the implementing entity for other funding sources. The Multilateral Investment Guarantee Agency (MIGA), another member of the World Bank Group, will provide USD 135 million in guarantees to cover political risk for the sponsors. Other financiers include the Export and Import Bank of Korea (K-EXIM), CDC (Colonial Development Bank), FMO (Netherlands Development Finance Company), the OPEC Fund for International Development (OFID), and PROPARCO (French Development Finance Institution).

The project also includes assistance from the International Development Association's Private Sector Window, a global facility of concessional funds to support high-impact private sector investments in lower-income countries, the Finland-IFC Blended Finance for Climate Program, and the Climate Investment Funds.

While arranged by the IFC, the loan agreements were signed to provide a total loan amount of USD 453.2 million. The loan amounts signed by IFC, ADB, AIIB, K-EXIM, KDB, CDC, FMO, PROPARCO and OFID are USD 161.3 million, USD 60 million, USD 39.6 million, USD 100 million, USD 30.8 million, USD 21.9 million, USD 15.4 million, USD 11 million, and USD 13.2 million, respectively. The Bank of New York Mellon (BNY), as the Offshore Account Bank, and Nepal Investment Bank (NIB), as the Onshore Account Bank, were also parties to the Financing Agreements.

AIIB and WB Proposed Financing of Amravati City Project, Andhra Pradesh

A week after the World Bank pulled out of Amaravati, the AIIB also decided to withdraw its offer to finance the capital city project. The AIIB had committed to co-finance USD 200 million (Rs 1,400 crore) along with the World Bank, which intended to provide USD 300 million (Rs 2,100 crore) for the project. The decision was made after the investment committee of the AIIB came to know about the World Bank's move to drop Amaravati from its funding proposal following the Indian government's withdrawal of the request for financing the project on July 15, 2019. Together, the World Bank and the AIIB committed to funding Rs 3,500 crore, one of the largest chunks of APCRDA's (Andhra Pradesh Capital Region Development Authority) borrowing plans[67].

The project was intended to support the construction of a new capital city, called Amaravati, for the state of Andhra Pradesh in India, which will span 217 square kilometres and host a population of 4.5 million by 2050. Because the proposed area in which the

62 AIIB Approves USD100 Million Loan to Improve Bangladesh Water Supply, Sanitation, July 12, 2019, AIIB https://www.aiib.org/en/news-events/news/2019/201 90712_001.html

63 AIIB plans to fund 4 more projects in Bangladesh, BSS, Dhaka, 14 September 2019, http://www.theindependentbd.com/printversion/details/215232news/2019/20190712_001.html

64 "AIIB Expects Investment Worth $100 Million a Year in India's Renewable Projects", PTI, Updated: November 17, 2019 https://www.news18.com/news/business/aiib-expects-investment-worth-100-million-a-year-in-indias-renewable-projects-2389617.html

65 AIIB approves $160 million loan for Indian power project, the Morung Express, 3 May 2017. http://morungexpress.com/aiib-approves-160-million-loan-indian-power-project/

66 AIIB To Finance Power T&D Project In Assam, T&D India, 15 November 2019, http://www.tndindia.com/aiib-finance-power-td-project-assam/

67 "Asian Infrastructure Investment Bank pulls out of Amaravati funding after World Bank snub", The Indian Express, 24 July 2019

new mega-city will be constructed consists of primarily agricultural land, the state government created a Land Pooling Scheme under which resident farmers pool their agricultural land and transfer their land titles to the State to develop the land. In return, farmers receive an annuity for ten years, and a smaller plot of land to be transferred back after the land is developed.

World Bank documents initially described the Land Pooling Scheme as an "innovative" scheme that "seeks to avoid any major displacement," but the scheme has been the subject of significant opposition and controversy, including concerns that there are insufficient protections in place to prevent impoverishment of displaced farmers and agricultural labourers[68].

The World Bank had apparently taken into consideration the widespread complaints lodged by farmers in the region on alleged forcible taking over of their fertile lands by the previous dispensation in the name of land pooling for capital development. Several NGOs and environmentalists have been opposing the previous Telugu Desam Party (TDP) plans to build the capital by acquiring land from farmers and protested development very near to the Krishna riverbank[69].

Key Issues

Co-financing with other multilateral banks: The AIIB is increasingly resorting to co-financing with other multilateral development banks for energy, infrastructure and water supply projects in India, Nepal and Bangladesh. The AIIB and the World Bank Group signed a Memorandum of Understanding (MoU) on April 23, 2017 to strengthen cooperation and knowledge sharing between the institutions. The memorandum of understanding provides an overall framework for cooperation between the World Bank Group and AIIB in common areas of interest, including development financing, staff exchanges, and analytical and sector work. It paves the way for the two institutions to further enhance coordination at the regional and country levels[70].

By the end of 2019, AIIB had already signed co-financing framework agreements with the African Development Bank (AFDB), African Development Fund (ADF), Asian Development Bank (ADB), Eurasian Development Bank (EDB), European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), Inter-American Development Bank (IADB) and Inter-American Investment Corporation (IIC), Islamic Development Bank Group (ISDB), and New Development Bank (NDB) in addition to the World Bank Group.

Private Sector focus: AIIB investments encouraged the private sector's role and involvement in the projects without discussing the implications of overt social impacts of the privatization of services. AIIB underscored the importance of private sector in energy and infrastructure sectors, emphasizing that private investment is key to build resilience in infrastructure development in South Asia. Describing South Asia, particularly India, as a "vibrant private sector market", AIIB said that private investments validate business models of infrastructure and ensure sustainability economically[71].

Financing of unsustainable projects: The AIIB is also focusing on financing unsustainable and environmentally destructive energy projects like hydropower projects. The AIIB financed a series of large hydropower projects in the fragile Himalayan region. The AIIB approved a loan of up to USD 90 million for the Upper Trishuli-1 Hydropower Project, AIIB's first project in Nepal in 2019. The bank has also provided Nepal with USD 900,000 for the proposed 87-MW Tamakoshi V Hydroelectric Project and USD 1 million for the proposed Power Distribution System Upgrade and Expansion Project from its Project Preparation Special Fund. The cumulative impacts of Hydropower Projects, Transmission and Distribution Lines and the associated road projects in the fragile Himalayan landscape, on diverse and unique flora and fauna as well as on indigenous peoples have not been adequately assessed.

These hydropower projects are also financed as climate change mitigation projects when in fact, hydropower projects are confirmed to be one of the worst emitters of greenhouse gasses. The AIIB has committed to be 'green' and to support the implementation of the Paris Climate Agreement and the Sustainable Development Goals (SDGs). However, the AIIB has yet to put its commitments into action through its investments. As of May 2019, at least 20% of the AIIB's total portfolio supported fossil fuels. This stands in stark contrast to just 8% going towards renewables – mainly funding large scale renewable projects, rather than distributing renewable energy options which could reach the poorest communities.

The construction of Upper Trishuli I in Nepal is laden with high environmental and social risks as evidenced by previous cases of impacts of dam building in Nepal, which fall in high seismic zones in the Himalayas. The 7.9 magnitude earthquake of April 2015 that rocked Nepal has raised further questions about the safety and feasibility of large hydropower dams. The 2015 earthquake damaged hydropower facilities at least at 19 sites and killed at least Six (6) killed workers at Upper Trishuli 3A, Mailung and Rasuwagadhi in Nepal[72].

Blended Financing and SDGs: Blended Financing projects with a private sector thrust has been pursued through AIIB financing with other multilateral donors, supposedly to help countries achieve the Sustainable Development Goals and drive economic growth. AIIB pursued blended financing even if clear guidelines for social, environment and human rights safeguards are still lacking, as well as guidance to ensure accountability of private sector involved in financing and project implementation.

The financing of high voltage transmission and distribution lines such as in Nepal and in Assam are major and crucial infrastructures that will support the pursuance and construction of hydropower projects. Indeed, nearly 200 mega dams are planned across the Brahmaputra and Barak River system in Assam and Arunachal Pradesh and several dams are also planned over the myriad rivers flowing from the Himalayan Glaciers in Nepal. The AIIB financing of transmission and distribution lines in Nepal will directly facilitate the construction of hydropower projects in Nepal. Many private corporate bodies will only benefit from such financing and thus affect the social impacts and benefits of the project.

Financing through financial intermediaries: The AIIB is increasingly looking at mobilizing private capital from global long-term investors. AIIB stressed the importance of attracting investment from pension funds, endowments, and insurance companies. Some of AIIB's investment is already being channelled through financial intermediaries – including commercial banks or funding platforms such as National Investment and Infrastructure Fund, which receive funds from AIIB and then lend to companies to execute a range of infrastructure projects. It is this "hands-off" lending that made civil society actors increasingly concerned over the structure of the latest deal, which they say lacks systems to ensure safeguards and transparency through all funding levels. World Bank's financing of 1200 MW Teesta III Hydroelectric Project in Sikkim through financial intermediaries is fraught with lack of adherence to social and environmental safeguards and indigenous rights

68 "AIIB must do more to meet its Social and Environmental Commitments", Bank Information Centre, Human Rights Resource Centre's Chinese Responsible Investment Overseas Newsletter Issue 2, June 2017. https://bankinformationcenter.org/en-us/update/aiib-must-do-more-to-meet-its-environmental--social/

69 "World Bank drops Chandrababu Naidu's Amaravati Project", India Today, July 19, 2019, https://www.indiatoday.in/india/story/world-bank-drops-chandrababu-naidu-s-amaravati-project-15710 57-2019-07-19

70 "World Bank and AIIB Sign Cooperation Framework", World Bank, 23 April 2017. https://www.worldbank.org/en/news/press-release/2017/04/23/world-bank-and-aiib-sign-cooperation-framework

71 "AIIB Expects Investment Worth $100 Million a Year in India's Renewable Projects", PTI, Updated: November 17, 2019. https://www.news18.com/news/business/aiib-expects-investment-worth-100-million-a-year-in-indias-renewable-projects-2389617.html

72 "Studies on the impacts of Upper Trishuli I Hydroelectric Project in Nepal" by Subha and Shradha, LAHURNIP, 2017. https://www.lahurnip.org/uploads/articles/UT%201%20Report_FINAL_ENG.pdf

violations, partly also due to lack of safeguard to regulate such financing and to hold financiers and corporations accountable.

Social and Environment Impacts of AIIB-funded projects: Several civil society organizations expressed concerns with the Upper Trishuli I Hydroelectric project due to lack of feasibility in transforming the power situation in Nepal. A submission of nearly thirty (30) CSOs wrote to the Green Climate Fund for also classifying the project as climate feasible, stating that nearly thirty (30) hydro projects built in the Trishuli River Basin already led to immense social and environmental impacts. The project will also worsen climate change, the submission stated[73]. Moreover, the project will displace Tamang indigenous community of Rasuwa district in the project affected areas in Haku, Ramche and Dhunche of Rasuwa District in Nepal.

Impacts of loans: The massive AIIB financing in energy and power infrastructures such as in Nepal, India, Sri Lanka, and Pakistan will worsen the indebtedness of these countries. Nepal is one of the world's most indebted countries and the massive financing as loaned by AIIB and other multilateral banks will only worsen the country's situation, with private corporations benefiting most and thus, reducing the capacity of the country to invest or support other social sectors.

Nepal owes USD 3.8 billion in debt to foreign lenders, including USD 54 million to the IMF and approximately USD 3 billion to the World Bank and ADB. According to the most recent World Bank numbers, Nepal paid USD 217 million debt in 2013, approximately USD 600,000 in average daily debt payments, or more than USD 35 million since the earthquake[74].

Sri Lanka's accumulated foreign debt is estimated at USD 55 billion in 2017. Between 2019 and 2023, Sri Lanka must garner USD 17 billion for foreign loans maturing and debt servicing. Its lenders include the China Development Bank, the governments of Japan and India as well as multilateral institutions like the World Bank, AIIB, and ADB[75].

Application of safeguards and human rights standards: The application of other human rights and development standards, including the SDGs remains a challenge, especially within indigenous communities where unsustainable development projects are pursued. The application of Development Effectiveness (DE) principles of promoting human rights-based approach to development, ensuring the rightful participation of communities in development decisions, implementation and monitoring and upholding the social and environmental integrity and accountability of the private sector involved, has been a challenge. The role of AIIB in monitoring the social impacts of its projects is also unclear as no project monitoring information has been posted on AIIB's website so far.

Conclusion

The Asian Infrastructure Investment Bank embarked on financing in the South Asia region with the objective of closing some of their infrastructure financing gaps. AIIB has said that South Asia, as a sub-region, is facing some of the widest gaps in providing sustainable and resilient infrastructure to its peoples as enunciated in the 2030 Agenda on Sustainable Development. Not only were the South Asian countries among the founding members of the new bank, they have also emerged as its important borrowers. While India is the second shareholder of the bank, it is also one of the biggest prospective markets for transport infrastructure development among AIIB's Asian members[76]. Of the ten (10) AIIB-approved projects, six are to fund

73 Letter to the Board of Directors of GCF on 31 March 2017 by Human Rights Alliance Nepal, Rural Construction Nepal, International Rivers, Green Peace and other organizations

74 "International Monetary Fund Refuses Nepal Debt Relief", by Jubilee USA, 26 June 2015 https://www.cadtm.org/International-Monetary-Fund,11812

75 "New Chinese loan may further plunge Sri Lanka into debt trap", The Economic Times, The Economic Times, 3 September 2018 . https://economictimes.indiatimes.com/news/international/world-news/new-chinese-loan-may-further-plunge-sri-lanka-into-debt-trap/articleshow/65659719.cms?from=mdr

76 "Fully Invested: India Remains the China-led AIIB's Biggest Borrower", the Diplomat, By Krzysztof Iwanek, September 06, 2019

building transport infrastructure in India. Of the remainder, two are energy infrastructure projects and two may be termed "green infrastructure" projects. AIIB loans for such projects could arguably pave the way for some of the major Chinese companies to come in, giving these firms experience and their first outposts in India's infrastructure market.

The bank has intensified co-financing with other multilateral financing institutions, primarily with the World Bank and Asian Development Bank. The AIIB has signed a co-financing framework agreement with the World Bank and three non-binding Memorandum of Agreements (MoAs) with the Asian Development Bank (ADB), European Bank for Reconstruction and Development (EBRD), and the European Investment Bank (EIB). In 2016, ADB and AIIB signed an MoU on the sidelines of ADB's 49th Annual Meeting of the Board of Governors, for joint financing of projects. The AIIB financing, along with other MDBs, will worsen the indebtedness of many of the countries in South Asia, which are also some of the most indebted countries globally. The contribution of AIIB financing in worsening the pattern of indebtedness of South Asian countries, primarily in Least Developed Countries (LDCs) like Nepal, and its direct and indirect implications on social services need to be carefully examined.

The AIIB focused overtly on financing of physical infrastructures, energy and water projects, with major thrust on private sector role and financing. Many of the energy projects are focused on projects that are marred with social and environmental impacts and that will undermine sustainable development and worsen climate change and biodiversity loss, especially the hydropower project and the associated high voltage transmission and distribution lines in the Himalayan region in Nepal and in Assam in India's North East. Hydropower itself is becoming unsustainable, in addition to the violations and non-application of safeguards in many indigenous people's areas and has been confirmed to contribute in aggravating climate crisis.

The AIIB is a crucial part of the Belt and Road Initiative (BRI), despite the lack of explicit mention of AIIB projects as components of the BRI. As Forbes noted, "It doesn't take an expert in the geopolitics of Eurasia to notice that many of the countries that have so far received funding from the AIIB are located along China's Belt and Road Initiative (BRI)". Beyond the direct funding of some BRI or BRI-related projects, the power plants and transportation infrastructure that AIIB is currently investing in will assist many BRI projects, and vice versa. The interaction between the AIIB and China-led BRI across Asia becomes clear in places like Myanmar.

AIIB's push for private sector-led development has resulted in the expropriation of the lands and natural resources of indigenous people's territories. CSOs of Nepal along with other international organizations, objected the Upper Trishuli Hydroelectric Project stating that the project will displace the Tamang indigenous community of Rasuwa district in the project affected areas in Haku, Ramche and Dhunche of Rasuwa District of the country. The Shwe Taung cement plant, which AIIB financed USD 20 million for expansion, affected the livelihood of Chin and Karen indigenous peoples in Myanmar.

The financing of mega infrastructure projects through financial intermediaries has long been a concern. Nine (9) large hydro projects in Nepal are established in territories inhabited by indigenous peoples, without their free, prior informed consent (FPIC) and participation. AIIB's focus on financial intermediaries through mobilization of private funds yet again posed social, environmental and accountability challenges. Although MDBs, in their financing through intermediaries, are required to apply the Environment and Social Framework to their investments, there is little evidence that this is being done. It is unfortunate that AIIB's focus on energy infrastructure is leveraging the private sector for profiteering, targeting hydropower sector (which is considered as an unsustainable energy source), worsening climate crisis, in addition to other social and environmental impacts.

As the Bank continues to grow its portfolio and increase its influence in South Asia, it is necessary that it begins to apply Development Effectiveness principles of promoting human rights-based approach to development, ensuring the rightful participation of communities in development decision, implementation and monitoring, and upholding the social and environmental integrity and accountability of the private sector involved.

AIIB Financial Support for Mandalika SEZ Deprives People's Rights

Kurniawan Sabar, *Institute for National and Democracy Studies*[77]

The Government of Indonesia (GoI) has set several goals for strengthening the role of tourism in the Indonesian economy in the 2015-2019 National Medium-Term Development Plan (Rencana Pembangunan Jangka Menengah Nasional or RPJMN). Along with RPJMN, the GoI launched the Indonesia Tourism Development Priority Program (Program Prioritas Pembangunan Pariwisata Nasional Indonesia or PPPNI) to accelerate the development of ten (10) National Priority Tourism Destinations (Destinasi Pariwisata Prioritas Nasional or DPPN).

Mandalika is one of the priority tourism destinations whose development was set to go on until 2024. It was designated as a Special Economic Zone (SEZ), also known as Kawasan Ekonomi Khusus or KEK, based on Government Regulation Number 52 of 2014, and is envisioned to become "World's Best Halal Tourism and Cruise Destination". This priority destination consists of four (4) SEZs and six (6) National Tourism Strategic Areas (Kawasan Strategis Pariwisata Nasional or KSPN).

The Mandalika SEZ is located in Pujut sub-district, Central Lombok Regency, West Nusa Tenggara Province with an area of 1,035.67 hectares. However, based on various data and other information, it is known that the area of Mandalika SEZ reaches 1,250 hectares covering four (4) villages, namely: Kuta Village, Sukadana Village, Mertak Village and Sengkol Village. Its boundaries are as follows:

- East: Sengkol Village and Mertak Village
- West: Kuta Village, Rembitan Village and Prabu Village
- North: Mertak Village and Sukadana Village
- South: Kuta Bay, Serenting Bay, and Aan Bay, Indian Ocean

LIST OF 10 NATIONAL PRIORITY TOURISM DESTINATIONS

No.	Tourism Destination	Regency	Province	Status
1.	Toba Lake	Simalungun - South Tapanuli - Simosir – Asahan - Labuhan Batu	North Sumatera	NTSA
2.	Kepulauan Seribu	Kepulauan Seribu	Jakarta SCR	NTSA
3.	Tanjung Kelayang	Belitung	Bangka Belitung	SEZ
4.	Wakotobi	Wakatobi	Southeast Sulawesi	
5.	Candi Borobudur	Magelang	Central Java	NTSA
6.	Bromo Tengger Semeru	Lumajang	East Jawa	NTSA
7.	Labuan Bajo/Komodo Island	West Manggarai	East Nusa Tenggara	NTSA
8.	Morotai	PulauMorotai	North Maluku	SEZ
9.	Tanjung Lesung	Pandegelang	Banten	SEZ
10.	Mandalika	Central Lombok	West Nusa Tenggara	SEZ

Source: Bappenas (2016) dan BKPM

Based on Law No. 39 of 2009 concerning Special Economic Zones, the aim of developing SEZs is to encourage investment and to increase international competitiveness, economic growth, job creation and foreign exchange earnings. The Mandalika SEZ development has become one of the targets for large-scale investment in the tourism sector to bring in as many foreign and domestic tourists as possible.

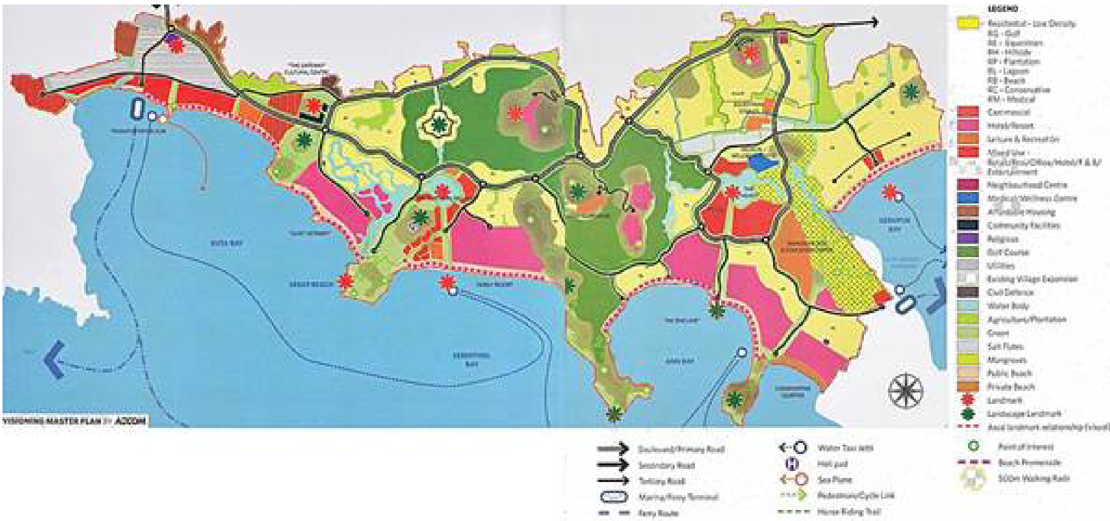

Photo 1. Masterplan ofMandalika SEZ; Source: indoplaces.com, 2015

AIIB Financing the Development of Mandalika SEZ

The Mandalika Urban and Tourism Infrastructure Project[78] (MUTIP) is being carried out by the Indonesia Tourism Development Corporation (ITDC) with a loan from the Asian Infrastructure Investment Bank (AIIB), with the Government of Indonesia as guarantor. ITDC is a state-owned enterprise[79] responsible for the overall project preparation and implementation, and oversee the monitoring and evaluation (M&E) of the project, including compliance with environmental and social safeguards.

The AIIB-funded project is aligned with the broader Indonesia Tourism Development Project for 2018-2023 that is being financed by the World Bank and the Swiss State Secretariat for Economic Affairs, which focuses on three priority tourist destinations: Lombok in West Nusa Tenggara Province, Borobudur-Yogyakarta-Prambanan in Central Java Province and Yogyakarta Special Region, and Lake Toba in North Sumatra Province. The aim is to improve the quality of roads and access to basic services for tourism, strengthen the local economy related to the tourism sector, and encourage private investment in the three tourist destination areas. The World Bank's total commitment amount for the project is USD 300 million[80].

The MUTIP is in line with AIIB's goal of "fostering sustainable economic development by investing in infrastructure" and "mobilizing private capital". It is the Bank's first tourism-related infrastructure investment.

77 Penulismenyusunessay berdasarkanstudiliteratur (Desember 2019) danhasilinvestigasi: Kawasan Ekonomi Khusus (KEK) Mandalika, Kab. Lombok Tengah, Provinsi Nusa Tenggara Barat (NTB), 17 – 20 Agustus 2019 (INDIES – Koalisi Pemantau Pembangunan Infrastruktur)

78 See: Invest Islands: Mandalika Project Update (2019) Lombok Island, Indonesia.https://www.youtube.com/watch?v=K-nY8ss-cqSU retrieved 28 December 2019

79 Profile ITDC as SoE: http://www.itdc.co.id/about-us

80 https://projects.worldbank.org/en/projects-operations/project-detail/P157599?lang=en

Key infrastructure for the Mandalika tourist destination will be developed in two phases: Phase I (2019-2023) and Phase II (2024-2026). The first phase of development began running on March 2019 and is expected to end on March 2024, and is focused on building infrastructure facilities including roads, hotels, homestays, lodging, restaurants, electricity and the Mandalika Street Circuit (Moto GP) and other supporting facilities.

Photo 2. Masterplan of Street Circuit Complex. Source: ITDC/suarantb.com. See the recent progress: https://www.youtube.com/watch?v=IxV17zl2Ls4 retrieved 28 December 2019

The total cost of the Project is estimated at USD 316.50 million, which is funded through a sovereign-backed loan from AIIB and counterpart funds provided by the Government of Indonesia through the ITDC. The total financial support from AIIB is USD 248.39 million, which consists of two components:

Component 1: Provision of basic services and infrastructure. This component would include new construction, rehabilitation, and reconstruction of infrastructure in Mandalika as well as selected surrounding communities.

Component 2: Technical Assistance and Capacity Building. This component would provide Technical Assistance (TA) to increase the capacity of the ITDC in carrying out project activities to a high standard. As the sole multilateral development bank financing the

ESTIMATED PROJECT COST AND FINANCING PLAN - PHASE 1 (2019-2023)

Component	**Cost Amount**	**Financing Source**	
		AIIB	GoI / ITDC
Component 1: Basic Services and Infrastructure (including neighboring villages)	169.30	169.30	0.00
Component 2: Implementation Support and Capacity Building	15.40	14.40	1.00
Land Cost	67.11	0.00	67.11
Contingencies (Physical and Price)	41.36	41.46	0.00
Financing Charges During Construction	23.34	23.34	0.00
Total	316.50	248.39	68.11

In USD million; Source: AIIB, 2018

project, AIIB's Environmental and Social Policy (ESP) is applicable to the Project[81]. The Project is assigned to Category A, due to the nature of the project activities, the local environmental and social context, as well as the significant and diverse potential environmental and social impacts. Projects assigned to Category A are "likely to have significant adverse environmental and social impacts that irreversible, cumulative, diverse or unprecedented". The Bank's three Environment and Social Standards (ESSs) are triggered, namely: Environmental and Social Impact Assessment (ESIA)/Environmental and Social Management Plan (ESMP), Resettlement Planning Framework (RPF), and Indigenous Peoples Development Plan (IPDP).

The Environmental and Social Situations in Mandalika SEZ

The Mandalika SEZ is located in the southern part of the island of Lombok and faces the Indian Ocean. It is about 48 kilometers from the city of Mataram or the administrative center of the West Nusa Tenggara Province. The condition of the land in Mandalika SEZ is mostly barren and hilly with an altitude of 0-200 meters above sea level.

When going along the shaft road from Kuta Mandalika to Mertak Village and Sengkol Village, one finds agricultural land with poor soil conditions. Along the road, there are many villas, guest houses and luxury resorts. The most common sight are information boards citing the land claim of the Limited Company or Perseroan Terbatas (PT) ITDC, which have been pitched along the road, in the residents' farmland, and around the homes of residents. This gives the impression that the entire area is owned by the PT ITDC.

The total population of all four (4) villages (Kuta, Sukadana, Sengkol and Mertak) is around 9,448 families or 32,857 people (BPS Lombok Tengah, 2017). Initially, the residents were people who migrated to this area to clear and cultivate the land (referred to as land admirers or ngagumtanah) since the 1920s. They came from various regions in Central Lombok, such as Batujai, Penujak, Rembitan, and Praya.

The majority of the community works as farmers and fisherfolks. The fisherfolks rely on fish catches in certain seasons, and the fishing gears they use are still very simple

Photo 3. Situation of road and view when entering the KutaMandalika. Doc. INDIES, 2019

and traditional. If the weather is bad, they will not get any income at all. Farmers' income is also uncertain because it depends on the rainy season or one planting season in one (1) year. They cultivate corn, peanuts, long beans, soybeans, cassava, and sweet potatoes on hillsides and fields with traditional agricultural tools and technology.

For a certain period of time, they only rely on income from selling coconuts. For additional income, they raise livestock such as buffaloes, cows and goats through the ngadas system (maintaining other people's livestock with a production sharing system).

In 1990, the Fisheries Department of Central Lombok Regency pioneered seaweed cultivation in Kuta and surrounding areas. At the time, this program was enough to help the community's income in these areas. However, less than (6) months later, the presence of PT

81 According to AIIB's Environment and Social Framework, the Bank may agree to apply another institution's environmental and social policies and standards in the case of co-financed projects. For instance, in some projects co-financed by AIIB and the World Bank, the latter's policy applies.

Lombok Tourism Development Corporation (LTDC)[82] crushed their hopes. With the support of the government of West Nusa Tenggara Province and the Central Lombok Regency, PT LTDC began carrying out evictions for the development of the tourism industry in Kuta Village and its surroundings. By 1991, about 1,500 seaweed and terrestrial farmers had been evicted. Ironically, the price of seaweed reached its peak during the eviction.

Impacts of the Development of Mandalika SEZ

The following Human Rights Violations (HRVs) have been observed from the development of AIIB-backed Mandalika SEZ operated by PT ITDC:

Land Grabbing and Conflict

Monopoly and land grabbing for Mandalika SEZ development is an unresolved root of the problem. PT. Lombok Tourism Development Corporation (LTDC) was the first to lay claim over the land upon which Mandalika SEZ was built, which spanned across 1,250 ha. After the PT ITDC took over, the whole land was claimed to have a “clean and clear” status. Therefore, since the beginning of the development of Mandalika SEZ around 2016, PT ITDC did not reconfirm the status of land and conflict that during the period when PT LTDC was managing the development initiative. However, in the 2018 annual report, PT ITDC recognized the problematic status of land which covered the land ownership of twelve (12) families. It was claimed that PT ITDC was supposed to do mediation to solve the problem of land acquisition in 2019.

“There was no land releasing process by PT. ITDC since the beginning of the development. They thought all lands were clear and clean without any conflict. The community has filed a case and has resisted the project, particularly for the land grabbing being committed by PT LTDC.” (MI, Bebunut Hamlet, Kuta Village, 19 August 2019).

The following findings illustrate how the development of Mandalika SEZ by PT ITDC continues the land grabbing practices and prolongs the conflict in the area:

1. The process of land acquisition by government and PT LTDC (before turned to ITDC) has seized land rights from peasants through an unfair process.

Photo 4. Information board of land claim of PT ITDC in farming land in Sengkol Village. Doc. INDIES, 2019

2. No confirmation was provided by PT ITDC and local government to the community regarding the land status and the previous conflict.

3. Since the beginning, PT ITDC has not established a disputes mechanism on land conflicts or any other cases related to the development.

Until now, the community believes that land conflicts are not over and there are at least three (3) categories of land conflicts, namely:

1. Lands that have been fully acquired through the buying and selling process, albeit done under intimidation and coercion.

2. Lands that were only paid for with the downpayment and not given full compensation, including compensation for growing crops, buildings, and moving costs.

OVERVIEW OF LAND ACQUISITION IN MANDALIKA SEZ DURING THE PERIOD OF PT LTDC

- The land prices by PT LTDC that time were marked at around Rp. 10.000-Rp. 350.000/are; some of the lands were not compensated at all.
- There was no clear standard of land prices published by the local government and PT LTDC.
- The PT LTDC speaker specified that the amount of money given to farmers would be in the form of downpayment.
- The land owners were promised a compensation of buildings, plants, and moving costs, but to date, it isn't realized.
- The land owners were forced to accede to the process of land release through threats and intimidation made directly by the delegation of PT LTDC and by several elements of the village government and the local military apparatus:
    - The farmers were considered to have insufficient proof of land ownership.
    - Farmers were told that they must sell their lands. If not, the lands were taken by force and without payment. There were even some farmers who were jailed for refusing the process of land acquisition.
    - In many cases, the letter for land acquisition was signed by alleged robbers or thieves. Community houses were even burned by strangers.
- Lands that were never sold by their owners were still claimed unilaterally by the PT LTDC. In addition, a lot of land is sold by other people who have no blood or familial relationship with the owners.
- There are no documents that certify the sale or handover of the land. Landowners were only told to thumbprint when receiving money and were not even given a copy of the letter. Most of the land documents were seized by PT LTDC.

3. Lands that have never been paid or released but have been claimed unilaterally by PT LTDC.

According to the community, many farmers or families are involved in each category. However, it is difficult to estimate how many cases fall under each category since all land acquisition documents and proof of land tenure have been taken by the PT LTDC. The community considers that all corporations that came in from the beginning of the project up to now are the same. They all came to seize the land and displace the inhabitants. These corporations have been taking advantage, and as a result, people have been suffering.

Not Transparent and Undemocratic Information and Development Planning

"If there is socialization, it means they are kind guys. Unfortunately, there wasn't. So, they are cruel" (MZ, Bango hamlet, Sengkol village, 18 August, 2019).

The development of Mandalika SEZ has ignored people's rights, both in the planning process and during implementation. The following practices have been noted:

1. There is no meaningful public consultation and dissemination regarding the project master plan, the development stage, project type, social and environmental impacts, compensation standards, grievance mechanisms and dispute resolution.
2. There is no socialization and community participation in the process of Environmental Impact Analysis (AMDAL). Until now, people are not aware about the AMDAL process in the development of Mandalika SEZ.
3. Meetings facilitated by the Head of Sub-district and the Village Head only discussed compensation and appeals for the evacuation of the project site. Communities were not involved in the process of planning and land acquisition. If someone

82 PT LTDC formed through the Basic Agreement No. 133 of 1989. The existence of PT LTDC also stated in the Local Regulation (Perda) No. 10 of 1989 concerning joint venture of the local government with the third party through establishment of Limited Company (PT) to develop the tourism area in Aan beach and surrounding area

Photo 5. Billboard tentang Master Plan Sirkuit Jalanan Mandalika. Doc. INDIES, 2019

Photo 6. The victim of eviction in Kuta Village forced to live in the former of Pasar Seni Kuta. Doc. WALHI Sulsel, 2019

is evicted, they will only receive building compensation and moving costs.

4. PT ITDC does not provide detailed information on the development planning that people can access easily, clearly, and openly, neither at the project site nor in village information centers. PT ITDC has put up only one (1) billboard master plan for Mandalika Street Circuit Complex on the side of the road to Kuta Mandalika Beach.

The lack of consultation and transparency about the project has caused a lot of confusion and worry among the members of the community, as can be seen in the following observations:

1. The community does not fully understand the development planning for Mandalika SEZ and the types of projects that will be built.
2. There is a lack of clarity among community members about complaints mechanisms and plans for resolving issues related to land conflicts, evictions, and the social and environmental impacts of the project.
3. There is a big worry within the community because their agricultural/plantation sites, ponds, and dwellings can be immediately seized without prior information and compensation due to the unilateral claim made by the PT ITDC. It also makes people worried about planning agriculture and other economic ventures.

Extensive and Systematic Eviction

The development of various projects in Mandalika SEZ has displaced the community. Some cases of forced eviction that occurred due to the construction of the Mandalika SEZ under PT ITDC operations are as follows[83]:

1. In 2016, forced eviction was carried out by PT ITDC on settlement and community land in Ketapang Hamlet, Kuta Village, for the construction of the 8 hectare of Masjid Nurul Bilad Mandalika. Around 36 families or approximately 400 people were displaced. After the eviction, the community did not get compensation for buildings and lands, as well as relocation for new settlements.
2. In 2018, around 11 families in Hamlet Bebunut, Kuta Village were evicted without notification and compensation. They were forced to live temporarily in neighbouring houses and some are looking for new settlements.
3. In 2019, PT ITDC demolished agricultural land for road construction. The land has been planted with corn and soybeans which were due to be harvested two weeks later. According to the people in Bebunut, the ITDC showed up one night with an excavator and began demolishing the crops.

From the unresolved issues in the earlier stages of the project, it is anticipated that the next stage of development will result to the further displacement of the community and harmful impacts on the environment in the area. Some of the warning signs are:

1. Lack of field markings on the boundaries of Mandalika SEZ area may lead to the project going beyond the targeted 1,250 ha.
2. Landfills have closed waterways and damaged agricultural land and farms that belong to the community. They have also caused massive dust pollution in the area.

3. The road that connects Seger Beach and Ann Beach to Bango and Gerupuk has been damaged.

4. The relocation option has never been proposed or offered by PT ITDC and the local government. The mediation and relocation options at this time are allegedly only an effort to quell citizens' protests.

5. In August 2019, communities in various hamlets, especially in Kuta Village, Sengkol and Mertak, had heard information about the planned eviction and clearance of the location. This information was disseminated by PT ITDC and some unknown people. The eviction will target hundreds of farming families, fisherfolks and traders who live in PT ITDC-claimed area.

"I have seen all this, by my own eyes. Then I thought. They want to make this area become the zone of 1000 roads because they built many roads but actually they are not. They piled up there and here, damaged the farm lands of people, the plants were destroyed. You can see it over there! It is not a development. These are ITDC's strategy and tactic to clear the land of the community. If it continues, people would be forcibly removed. Take a careful look!" (MZ, Dusun Bango, Desa Sengkol, 18 August 2019)

Intimidation and Repression by Security Forces

The involvement of civilian and military forces cannot be separated from the long history of conflict and land grabbing in the area of Mandalika. Since the operation of PT LTDC, the civilian police and military personnel (ABRI/TNI) have been mobilized in land acquisition processes, securing projects, and in evicting residents.

According to the community, the current conditions in the field are not much different from the time LTDC was operating. In fact, the number of the police and army deployed in the area has increased. The evictions in several locations in Kuta Village clearly showed the involvement of the police and military to ensure that evictions go smoothly. Their presence was not meant to protect the interests and security of the community, but was entirely for the benefit of the company.

Some descriptions of the involvement of security apparatuses for the development of Mandalika SEZ are:

1. The community estimates that the amount of PT ITDC security personnel has increased. This is estimated from the increase in the number of newly-recruited personnel and the number of officers attending the daily ceremony.

2. The working process of the project in the field and installation of land claim information boards of PT ITDC are usually accompanied by police officers. Similarly, field workers from ITDC employ police escorts whenever there is a protest action from community.

3. After the eviction in several hamlets in Kuta Village, the activities of police and military officers seemed to become more active in the field. The community have noted an increase in police and army presence in several project sites (July-August, 2019).

4. On August 16, 2019, the NTB Regional Police conducted an Independence ceremony in the yard of Nurul Bilad Mandalika Mosque, in front of PT ITDC office. This was the first time this police event was held in Kuta Village. The ceremony was attended by hundreds of police personnel and mobile brigade units with complete weapons and rows of security vehicles.

Photo 7. The hoarding of residents' ponds in Sengkol Village. Doc. INDIES, 2019lika. Doc. INDIES, 2019

83 The report of investigation and monitoring."Tourism Development of Mandalika: Massive Eviction in the Land of Sasak". KoalisiPemantau Pembangunan Infrastruktur – WalhiSulawesi Selatan, 2019

"We were surprised about the ceremony. There was no notification before. There are hundreds police personnel and brimob attend the ceremony. So many people watched them."(NI, pedagangdi depan Masjid Nurul Bilad, 19 Agustus 2019)

Other Potential Violations

1. Termination of the service of making land certificates – The local government and the National Land Agency of Central Lombok have stopped the service of making land certificates for most of the communities in four (4) villages of Mandalika SEZ, especially in the hamlet area which serves as the main project site.

2. Restricted access and economic activities of community – In Kuta Beach Mandalika, hawkers or street vendors have already been banned from selling. In addition, the community has also been banned from farming seaweed and making lobster and fish cages like in Gerupuk Hamlet, Sengkol Village, and the access of fishermen to the coast has been very limited. Currently, the construction of a project boundary wall on the coast of Tanjung Ann in Sengkol Village is right in the coast where the seaweed farmers live.

Photo 8. The police of NTB in displacement process in Kuta Mandalika; Source: rri.co.id. 2018

Photo 9. Wall boundary of Mandalika area in Tanjung Ann Beach. Doc. INDIES, 2019

Conclusions and Recommendations

The process of planning and implementing the Mandalika SEZ development by PT ITDC with loan from AIIB are undemocratic and lacks accountability to the community, especially in the four (4) villages in Pujut Sub-district which serve as development areas for Mandalika SEZ. AIIB's financing of the project, as operated by the government through PT ITDC, prioritizes corporate interests and disregards the safety and livelihood of the community. As a result, land grabbing and monopoly, conflict, eviction, restrictions on access, and intimidation have intensified.

The development of Mandalika has so far resulted in the violation of people's rights, including:

- Right to land
- Right to public information
- Right to freedom of expression
- Right to development
- Right to security
- Right to fair agreement
- Right to decent work and livelihood

The development of Mandalika SEZ has failed in abiding by the principles of Development Effectiveness (Country Ownership, Focus on Results, Inclusive Development Partnerships, Transparency and Accountability) and in achieving the Sustainable Development Goals, especially Goal 1 (No Property), Goal 8 (Decent Work and Economic Growth), Goal 10 (Reduced Inequalities), and Goal 12 (Responsible Consumption and Production). PT ITDC also does not implement good development principles such as Free, Prior, and Informed Consent (FPIC).

Particularly, the responsibility of PT ITDC to implement AIIB standards was also not carried out in Mandalika SEZ Project. The description of the conditions and facts above shows that PT ITDC violates and ignores The Bank's Three Environment and Social Standards (ESS): Environmental and Social Impact Assessment (ESIA)/Environmental and Social Management Plan (ESMP), Resettlement Planning Framework (RPF), and Indigenous Peoples Development Plan (IPDP).

Therefore, the Central Government, the Government of West Nusa Tenggara (NTB) Province, the Government of Central Lombok Regency, PT ITDC, and AIIB must ensure the implementation of the Environment and Social Framework and be responsible for solving problems faced by the communities in four (4) villages of the Mandalika SEZ area. These institutions must immediately review the Mandalika SEZ development planning and stop the current project implementation until a fair and democratic agreement is reached. All forms of land grabbing, intimidation, and PT ITDC's unilateral evictions and claims on land in four (4) villages in Pujut District must be stopped, and the victims of eviction be given redress.

AIIB, in particular, must immediately stop funding PT ITDC, evaluate the implementation of the AIIB ESS in the project, and review the funding agreement for development of Mandalika SEZ.

Organizations of peasant, workers, youth, women, and other civil organizations at the local, national, and international levels must help organize, campaign, and advocate for the affected communities in the Mandalika region. The development of people's organizations is one of the main ways to build solidarity in fighting for people's rights.

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China Lending in the Philippines, No Strings Attached?

Jennifer Guste, *Council for People's Development and Governance*

The China-led Asian Infrastructure Investment Bank (AIIB) claims it promotes sustainable development projects that consider the rights of affected communities or what AIIB refers to as "Project Affected Population (PAP)". Through participatory planning, AIIB-funded projects are promoted as democratic because it considers the voice of the people in planning for relocation sites that includes promotion of in-city relocation areas. AIIB claims it is different from the existing multilateral development banks (MDBs) to the extent that it considers people's welfare and does not demand loan conditions which characterized loans extended to the Philippines by the already well-established US-led World Bank (WB) and the International Monetary Fund (IMF), and the Japan-led Asian Development Bank (ADB).

However, the fact that it is required to enter in co-financing arrangements with established MDBs in its first years of operation makes such posturing weak. The AIIB has in fact signed a co-financing framework agreement with the World Bank in April 13,2016. The agreement outlines the co-financing parameters of World Bank-AIIB investment projects as the two banks jointly undertake development of infrastructure projects. Under the agreement, the World Bank will prepare and supervise the co-financed projects in accordance with its policies and procedures in areas like procurement, environment and social safeguards[84].

The Philippines joined the Asian Infrastructure Investment Bank (AIIB) as a founding member in December 31,2015. Its Senate ratified the membership a year later in December 6, 2016. As a founding member, the Philippines is bound to contribute USD 195.8 million to be paid in five years at USD 39.16 million per year[85].

The Philippine government's decision to join the AIIB comes on the heels of the Philippine-China dispute over the islands and resources in the West Philippine Seas. Serious concerns were raised that the loans from the China-led bank, including bilateral Official Development Assistance (ODA) from China might be used as leverage by the Chinese government to assert its claim over the disputed islands despite a decision by the United Nations favoring the Philippines by virtue of the UN Convention on the Laws of the Sea (UNCLOS)[86].

Meanwhile, bilateral loan agreements signed by the Philippine government with China have been criticized as they contain provisions deemed onerous and even compromising of Philippine sovereignty, such as the Chico River Pump Irrigation Project and the New Centennial Water Source-Kaliwa Low Dam Project loan agreements.

In the first three years of his term, Philippine President Rodrigo Duterte had banked on China ODA and the AIIB to finance the bulk of its

84 World Bank and AIIB Sign First Co-Financing Framework Agreement. Press Release, 13 April 2016.

85 "Philippines infrastructure to get a boost after senate clears AIIB entry", Reuters. 6 December 2016.

86 "The Philippines and China Look to the AIIB", East Asia Forum. 20 July 2016.

87 NEDA list of infrastructure flagship projects, June 2018 and June 2019

88 Katigbak, Jovito Jose P."Bridging the Infrastructure Investment Gap Through Foreign Aid: A Briefer On Chinese ODA". CIRSS Commentaries, Vol. V., No. 11, June 2018. Foreign Service Institute, ISSN 2423-2920

priority infrastructure projects under its PHP 8 trillion worth “Build, Build, Build” (BBB) infrastructure program. BBB is President Duterte’s centerpiece for development under the Philippine Development Plan 2017 – 2022. It was supposed to propel the Philippines to the golden age of infrastructure. Financing the BBB will come from taxes collected through the publicly contested Tax Reform Acceleration for Inclusion Program (TRAIN) and from ODA under the so-called hybrid PPP (Public-Private Partnership).

In its previously released list of 75 priority infrastructure projects (IFP),48 projects (64%) have been targeted for ODA financing, of which 47% (35 projects) are Chinese ODA. The list was later upgraded to 100 projects, of which 49 are ODA-funded, 22 are funded through the General Appropriations Act (GAA) and 29 under PPP[87].

President Duterte’s state visit to China in October 2016 led to the signing of thirteen (13) cooperation agreements with the Chinese government. President Duterte likewise secured financial assistance and investment pledges worth USD 24 billion, with business-to-business contracts amounting to USD 15 billion, and the remaining USD 9 billion covered are Chinese ODA for about 40 government-to-government infrastructure projects. According to the National Economic Development Authority (NEDA), the USD 7 billion comprise commercially-tied loans, while the remaining USD 2 billion will fall under concessional loans[88].

Approval of the funding of two infrastructure projects, namely, the Chico River pump irrigation project worth USD 53.9 million, and the New Centennial Water Source-Kaliwa Dam project amounting

TABLE 1. INDICATIVE TOTAL ODA (ACTIVE LOANS* AND GRANTS) RANKING BY FUND SOURCE; AS OF MARCH 2019 (IN USD MILLION)

Fund Source	Loan Amount**	Grant Amount****	Total ODA	% Share	Rank
Japan	8,152.86	106.76	8,259.62	46.02	1
WB	3,146.47	33.43	3,179.90	17.72	2
ADB	2,865.54	74.64	2,940.18	16.38	3
USA	-	886.47	886.47	4.94	4
Korea	581.77	83.70	665.46	3.71	5
Australia	-	476.19	476.19	2.65	6
UN System***	85.70	349.28	434.99	2.42	7
China	273.30	91.62	364.92	2.03	8
AIIB	207.60	-	207.60	1.16	9
France	168.04	1.31	169.35	0.94	10
EU	-	148.74	148.74	0.83	11
Germany	-	73.12	73.12	0.41	12
Canada	-	55.80	55.80	0.31	13
Italy	35.48	5.55	41.03	0.23	14
OFID	30.00	-	30.00	0.17	15
New Zealand	-	8.32	8.32	0.05	16
Spain	-	8.10	8.10	0.05	17
TOTAL	15,546.76	2,403.02	17,949.78	100.00	

**Active refers to loans that are newly signed, newly effective and/or closed within the 1st Quarter of CY 2019*
***Loan amounts of non-USD denominated loans (Japan, IFAD,Italy and OFID) are based on the Q1 2019 BSP average exchange rate*
****UN System is composed of FAO, IFAD, ILO, IOM, UN HABITAT, UN WOMEN, UNDP, UNFPA, UNICEF, UNIDO, UNOPS, WFP, and WHO*
*****Grants are updated on a semestral basis*
Source: NEDA-Monitoring and Evaluation Staff, generated on June 11,2019 accessed at https://www.neda.gov.ph

to USD 374 million, were forged during the visit of Chinese Prime Minister Li Keqiang to Manila in November 2017. The Philippine National Railways-South Long-Haul Project was also approved for Chinese ODA funding worth USD 3,268.7 million and signed on August 29 2019. The Chinese government agreed to provide grants for the construction of two bridges crossing Pasig River, drug rehabilitation centers in Mindanao, and provision of aid to rehabilitation efforts in Marawi City. The Agreement on Economic and Technical Cooperation involving a RMB 500 million grant was also signed to finance several projects, including the feasibility study for the Davao City Expressway Project, among others[89].

Three years later, however, government finance managers claim that not much has been disbursed from China to date, and the other committed financing support have yet to materialize[90]. As of 2018, combined financing from China ODA and the AIIB amounted to USD 572.52 million and comprised only 3.19% of total active ODA. Of the amount, USD 207.6 million is from AIIB (see Table 1). The amount does not yet include the recently approved multi-billion peso funding for the PNR-South Long-Haul Project.

Meanwhile, the Philippines has already paid USD 156.64 million or 80% of its share capital to AIIB[91].

The Metro Manila Flood Control Master Plan

The Department of Public Works and Highways (DPWH) initiated a holistic flood management master plan in 2011 which the World Bank funded together with the Australian Agency for International Development (AusAID) under the Global Facility for Disaster Reduction and Recovery Trust Fund. The National Economic and Development Authority (NEDA) approved the plan in September 2012. The master plan, upon its completion, aims to prevent and control flooding in Manila and its surrounding areas. It includes 11 long term projects for sustainable flood management in Metro Manila to be completed by 2035.The total estimated cost of the whole package of projects is PHP 352 billion or USD 7.5 billion[92]. The goal was to establish a road map for a sustainable and effective flood management in Metro Manila and surrounding areas (Laguna, Rizal and parts of Bulacan), in order to prevent a repeat of the immense damage wrought by Tropical Storm “Ondoy” and Typhoon “Pepeng” in 2009[93].

Three major flooding occurrences in Metro Manila were identified: (1) high volume of water from the Sierra Madre mountain ranges; (2) drainage capacity constraints in Metro Manila’s core area; (3) low lying communities around Manila Bay and Laguna Lake. Table 2lists the 11 major projects[94].

The Master Plan has five main components:

1. Structural measures to reduce flooding from river systems that run through the city, including a high dam in the upper Marikina River catchment area;
2. Structural measures to eliminate long-term flooding in the flood plain of Laguna Lake;
3. Structural measures to improve urban drainage; and,
4. Non-structural measures such as flood forecasting and early warning systems

89 Ibid.,Katigbak.11, June 2018

90 “Where’s the money?”. Philippine Daily Inquirer, February 10, 2020

91 AIIB Auditor’s Report and Financial Statements for the Year Ended Dec. 31, 2018

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93 Singson, Rogelio. “Flood plan has measurable outcomes”. @inquirerdotnetPhilippine Daily Inquirer / 03:00 AM December 20, 2015

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95 Ibid., AIIB 27 September 2017

96 Rada, JulitoG.“Gov’t set to start $500-m Metro Manila flood control project this month”. Manila Standard, 9 January 2018.

97 Ibid., AIIB 27 September 2017

98 Ibid.

99 As per NEDA conversion in its 2018 ODA report generated in 11 June 2019, accessed at https://www.neda.gov.ph

TABLE 2. RECOMMENDED STRUCTURAL MITIGATION MEASURES AND ESTIMATED COSTS UNDER THE FLOOD MANAGEMENT MASTER PLAN FOR METRO MANILA (2012 TO 2035) IN PHP BILLION

Project	Estimated Cost
Pasig-Marikina River Improvement and Dam Construction	198.44
Meycauayan River Improvement	14.04
Malabon-Tullahan River Improvement	21.64
South Parañaque-Las Pińas River Improvement	17.34
East Mangahan Floodway (Cainta and Taytay River Improvement)	25.90
West Laguna Lakeshore Land Raising	25.19
Land Raising for Small Cities around Laguna Lakeshore	7.16
Improvement of the Inflow Rivers to Laguna Lake	0.64
Manila Core Area Drainage Development	27.26
West Mangahan Area Drainage Improvement	5.52
Valenzuela-Obando-Meycauayan (VOM) Improvement	8.61
TOTAL	351.72

Source: "Flood Management Master Plan for Metro Manila and Surrounding Areas", DPWH as cited in IBON Facts and Figures Special Release, 31 October 2013, Volume 36, No. 20

and community-based flood risk management, and, recommendations for an improved institutional structure to deal with flood management.

The AIIB's involvement in the project is to provide support for the implementation of Master Plan activities linked to the third component which is improvement in urban drainage and assist with scaling up "easy" interventions that the Philippine government has already initiated such as riverbank protection and improvement of pumping infrastructure[95]. This includes the rehabilitation of 36 pumping stations in Metro Manila and the construction of 20 new pumping stations in Manila, Pasay, Pasig, Mandaluyong, San Juan, Caloocan, Valenzuela and Quezon City[96].

The project is seen to contribute to the social and economic development in Metro Manila, which to the AIIB is in accordance with its mandate of fostering sustainable growth and infrastructure development through investing in infrastructure in the region[97].

The Metro Manila Flood Control Management Project

According to the plan, improving urban drainage will focus on 56 potentially critical drainage areas in 11 local government units or LGUs. The 56 drainage areas,with estimated drainage area of 11,100 hectares (ha), are more than 17% of the total area of Metro Manila. The total population of the 56 drainage areas is estimated at 3.5 million or 760,000 households. The direct project beneficiaries, i.e., those adversely affected by regular flooding, are estimated at 1.7 million (370,000 households)[98].

The total amount of the project is USD 500 million or PHP 26,815 million[99]. The World Bank, through its lending arm, the International Bank for Reconstruction and Development (IBRD) lent an initial USD 207.6 million or PHP 11,133.6 million for the project. The AIIB has also provided the same amount. The loan agreement was signed with the multilateral banks by the Philippines' Department of Finance (DoF) on December 19,2017[100].

Urban poor families live in informal settlements along major Metro Manila waterways. Source: Photo lifted from https://www.aiib.org/en/news-events/media-center/profiled-projects/projects/4-Philippines-Metro-Manila-Flood-Management-Project.html

TABLE 3. PROJECT COST AND FINANCING PLAN FOR THE METRO MANILA FLOOD CONTROL MANAGEMENT PROJECT (IN USD MILLION)

Project Components	Cost	Financing		
		AIIB	IBRD	GoP
Modernizing Drainage Areas	375.2	168.84	168.84	37.52
Minimizing Solid Waste in Waterways	48	21.6	21.6	4.8
Participatory Housing and Resettlement	55.75	7.64	7.64	40.47
Project Management and Coordination	20	9	9	2
Total Direct Project Cost	498.95	207.08	207.08	84.79
Front-end Fee	1.04	0.52	0.52	0
TOTAL	499.99	207.6	207.6	84.79

Source: AIIB

The loans from the World Bank and AIIB are sovereign-backed loans with maturity of25 years and with a grace period of 14 years[101]. Table 3 provides the details of the project financing. Participatory housing and resettlement are included in the project financing with an allocation of USD 55 million or PHP 2,989.9 million.

The difference of USD 84.8 million or PHP 4,547.8 million is funded by the Philippine government, to finance land acquisition, site development and housing construction under and 10% of the costs for the other components[102].

The Department of Public Works and Highways (DPWH) and the Metro Manila Development Authority (MMDA) will implement the project in close coordination with local governments and key shelter agencies including the National Housing Authority (NHA) and Social Housing Finance Corporation. The project is scheduled to be completed in 2024[103].

The project document (PD 0023-PHL) downloaded from the AIIB website shows that the project was given an environmental and social category “A” and project risk was rated as “high”[104].

Specific to the third component of the plan, the objective is to improve flood management in selected areas of Metro Manila. This will be achieved through the following activities:

1. Modernizing of Drainage Areas with USD 375.2 million financing. This involves (a) construction of 20 new pumping stations and modernizes 36 existing ones;(b) improvements in the appurtenant infrastructure, associated waterways and draining channels; (c) dredging, including accumulated sediments and solid waste, and improvements to waterways and drainage channels[105].

2. Minimizing Solid Waste in Waterways to cost USD 48 million. Under this component, activities will be organized on a spatial scale, to focus at a neighborhood-level on areas upstream of the pumping stations, and on metropolitan-wide activities[106].

3. Participatory Housing and Resettlement with USD 55.75 million funding. New pumping station sites will require resettlement of PAPs. Resettlement is also needed in an estimated 16 drainage areas. The AIIB estimated some 2,500 households of PAPsto be resettled. Most of the households are informal settler families (ISFs) with a rejoinder that the actual number of ISFs may change based on the pumping stations that will ultimately be included in the project[107].

   The component will carry out a program of activities to resettle people away from the technical footprints by providing access to better housing and basic services and building stronger community organizations. This includes land acquisition, site development, housing construction, rental support for a transition period of up to 24 months as needed, and livelihood assistance programs. Technical assistance and capacity building activities will strengthen the ability of the community organizations, local government units (LGUs), and implementing and housing agencies to implement resettlement programs.

4. Project Management and Coordination with a budget of USD 20.0 million will provide support for the operation of the Project Management Offices (PMOs) in DPWH and MMDA to manage and coordinate their respective activities[108].

Urban Poor Resettlement

Around 60,000 families of urban poor settlers or informal settler families live along the eight water ways in Metro Manila and the DPWH identified these as critical areas that need widening, deepening and surrounded by a retaining wall. These families are part of the 100,000 families targeted to be resettled in three years during the term of then President Benigno “Noynoy” Aquino. About PHP 50 billion was allocated for the years 2011 to 2016, or PHP 10 billion annually for the immediate relocation of the ISFs. Dubbed Oplan Likas, the plan was to move 20,000

100 Ibid., Rada 2018.

101 Project Document of the Asian Infrastructure Investment Bank, PD 0023-PHL Republic of the Philippines Metro Manila Flood Management Project, September 27, 2017, AIIB

102 Ibid., AIIB 27 September 2017

103 Ibid., Rada 2018

104 Ibid., AIIB 27 September 2017

105 Ibid.

106 Ibid.

107 Ibid.

108 Ibid.

ISFs every year. A big portion of the fund has been spent by the National Housing Authority to purchase thousands of housing units constructed by the New San Jose Builders Inc., in Montalban, Rizal and in Bulacan[109-110].

The flood control project's so-called participatory housing and resettlement component looks appealing and appears to be a departure from the forced resettlement of the past. However, a review of the implementation of Oplan Likas shows the same flaws on how government narrowly views the issue of relocating ISFs as an issue of housing without considering the other dimensions of the social problem such as livelihood and access to economic resources. Urban poor families are thrown to designated relocations sites that turn out to be unsustainable because of unavailability of social services, inaccessibility of transportation, and lack of opportunities for economic activities. Worse, designated relocation sites are also prone to flooding and are near earthquake fault lines[111-112].

A scholarly study done on the government's resettlement program Oplan Likas termed the program as "benevolent" eviction which is just another form of dispossession. To justify the eviction of urban poor communities, the government identified as "danger zones" the settlements along waterways including coastal areas. Resettlement under Oplan Likas is carried out under a 'participatory' in-city housing program. The flood control and management project adopted this mode of relocation. The eviction of urban poor households in so-called danger zones is allegedly necessary and for the benefit of the households.

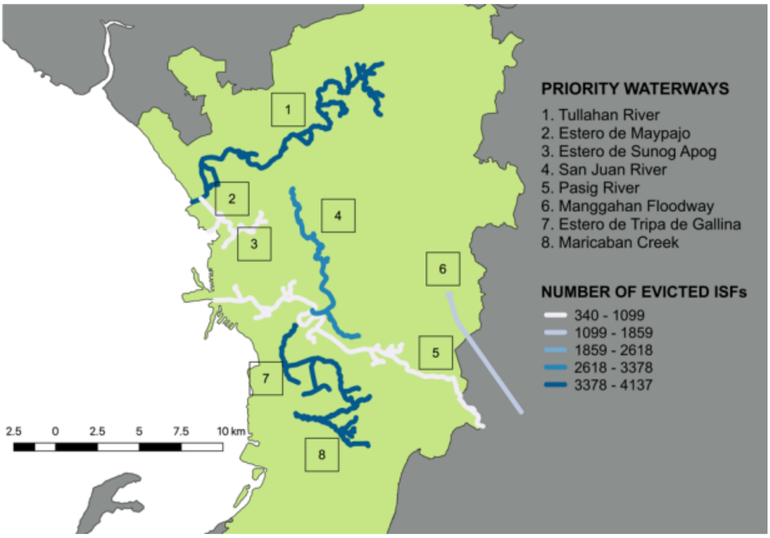
However, based on the experience of the affected urban poor communities, the government has confined consultations and participation to the housing resettlement plan and not on the flood control project planning and implementation itself. Under the continuing adherence of the government to the neo-liberal market-biased policy framework in the crafting of its economic policies, dispossession and eviction of communities are considered a necessary consequence of development projects including real estate development that serve the interest of profit seeking business of urban development[113]. The development programs and projects crafted are detached from the real needs of the people.

Construction of a Large Dam

Part of the flood control management is the construction of an81-meter high, 350-meter long Marikina Multi-purpose Dam across the Marikina River gorge.Recent news articles released that report of the feasibility study of the upper Marikina River Dam project is already underway. The project will be funded by the World Bank[114-115] .

Figure 1

Evicted ISFs in priority waterways under the Metro Manila Flood Management Project, 2012-2017. Data from National Housing Authority–National Capital Region. Cartography by **Claudine Alvarez**, produced for Maria Khristine Alvarez for her research "Benevolent evictions and cooperative housing models in post-Ondoy Manila".



Source: Figure lifted from Alvarez, Maria Khristine. "Benevolent evictions and cooperative housing models in post-Ondoy Manila", in Radical Housing Journal, April 2019, Vol 1(1) ISSN 2632-2870

The dam would sit within the Valley Fault System with two active faults close to the dam – West Valley Fault and the East Valley Fault. The dam is considered critical because a dam failure would cause extreme effects due to the large population and infrastructure value concentrated in the Marikina River. Watershed in the reservoir area would be inundated and cause direct physical and economic displacement of farmers and indigenous peoples[116].

However, the construction of this high dam is being challenged especially as there is a more viable alternative being offered – i.e., the possibility of putting in place capture tunnels in the Marikina-Montalban watershed to reduce the discharge of floodwater flowing into Marikina river. The captured water volume may be returned to the Sierra Madre divide for discharge eventually to the Pacific Ocean. This solution is cheaper and could be integrated in the overall scheme of flood water management. This would result to less discharge of floodwater inundating areas of the metropolis. It would also entail smaller ecological disturbance and lesser chance of damage to livelihood and properties. The proposed dam structure includes construction of a channel from Marikina Valley directly to the Manila Bay which would potentially run over infrastructure and residents[117].

Despite criticisms against the Marikina Dam Project, the DPWH insists on the dam as a more viable option[118]. Equally problematic is the fact that NEDA approves infrastructure projects without public consultations[119].

BBB Financing and Onerous ODA Agreements

To finance its BBB program, President Duterte introduced the hybrid PPP supposedly to fast-track the process for identifying contractors for the projects and other processes needed to roll-out the big-ticket infrastructure projects. Previous PPP projects were delayed because of lengthened negotiations including disputes among private contractors[120].

Under the hybrid PPP, private corporations are still contracted to build the infrastructure, but these are according to terms provided in the loan contract with the foreign government. In all cases, the contracting corporations that will undertake the projects are from the foreign lender's country. Private corporations later carry the operation and management (O&M) after the projects have been constructed[121].

109 "The Urban Poor Under Aquino". IBON Facts and Figures Special Release, 31 October 2013, Volume 36, No. 20.

110 AIIB, 27 September 2017

111 Ibid., IBON Facts and Figures Special Release, 31 October 2013.

112 Alvarez, Maria Khristine. "Benevolent evictions and cooperative housing models in post-Ondoy Manila", in Radical Housing Journal, April 2019, Vol 1(1) ISSN 2632-2870

113 Ibid.

114 AIIB, 27 September 2017

115 De Vera, Ben O. "Marikina River Dam Readied, World Bank lending $400 for 81 meter-high dam 350 meter long project". Philippine Daily Inquirer, 10 February 2020

116 De Vera, Ben O. "Marikina River Dam Readied, World Bank lending $400 for 81 meter-high dam 350 meter long project". Philippine Daily Inquirer, 10 February 2020

117 Arcilla, Carlo A. "P350-B flood control project flawed". 1 November 2015, @inquirerdotnetPhilippine Daily Inquirer.

118 Singson, 20 December 2015

119 Arcilla, 1 November 2015

120 www.dof.gov.ph. 31 October 2017.

121 "Hybrid PPP to complement infra buildup", 31 October 2017. https://www.dof.gov.ph/index.php/hybrid-ppp-to-complement-infra-buildup/

There is also the so-called unsolicited PPP which pertains to projects proposed by private corporations and are not in the investment menu of the government. President Duterte increased the awarding of unsolicited PPP through the "Swiss Challenge" instead of public bidding. The Swiss Challenge allows a private entity to submit unsolicited project proposals, which third parties can later match or challenge[122].

Onerous Contracts

The hybrid PPP was also supposed to correct the mistakes by past governments in negotiating contracts with the private sector including concessionary contracts for the supply of electricity and water. Likewise, the provision of government guarantees on loans incurred as in the case of energy projects by Independent Power Producers (IPPs) and other such incentives later proved onerous to consumer welfare and the Philippine economy in general[123].

According to the Department of Finance, as of 2018, cumulative contingent liabilities incurred by the government for the various PPP projects it negotiated is estimated to be at least PHP 309 billion. The amount includes the potential claims by water concessionaires against the government estimated at about PHP 80 billion combined because of a performance undertaking executed under the Ramos administration that guarantees the government will not interfere nor question water utility rates[124].

In the case of National Power Corporation (NAPOCOR), the government assumed all its debts including those it incurred through onerous deals with the IPPs, which as of the fourth quarter of 2017 amounts to PHP 202.93 billion (USD 4.06 billion) or 43.5% of total NAPOCOR debt of PHP 466.24 billion or (USD 9.33 billion)[125-126] .

These debts are passed as universal charge of PHP 0.1938 per kilowatt hour (kWh) collected from electricity consumers for the payment of IPP obligations by NAPOCOR[127]

Is the Hybrid PPP worse?

Hybrid PPP is worse than the regular PPP, which is already burdensome for the Filipinos, for the onerous terms of PPP contracts. In a regular PPP, the private corporations raise the funds to build the infrastructure and then operate and maintain it within a determined timeframe to recoup investments with substantial profits. With the hybrid PPP, the public will be burdened with direct debt servicing for the ODA loans.

What's wrong with Chinese ODA?

What about ODA loans then? ODA loans, in principle, are helpful in financing programs and projects that should be beneficial to the people and the economy, but as mentioned above, many such loans are tied to conditions that represent the interest of lending governments and their institutions, and their private corporations[128-129].

Such conditions provide larger gains for lending governments on top of the interests accruing from the loans they provide. Conditions include requiring the borrowing countries like the Philippines to exclusively source from firms based in lending countries the goods and services needed to build large infrastructure projects such as mega dams. Lending governments and institutions also determine the technology, design and construction of the infrastructure to accommodate their own suppliers and infrastructure corporations. Given this, foreign contractors have the advantage in cornering the O&M contracts once the infrastructure projects are turned over for private O&M[130].

Alarm bells on the government's reliance on ODA loans to fund its infrastructure projects are loudest for China ODA-funded projects. Academics and economic analysts raise concern over the nature of China ODA-funded projects being more of a commercial loan and thus more detrimental than they are helpful to countries' economies. Several Asian countries have recently decided to discontinue projects with China because of the conditions in China

ODA loan agreements that borrowing countries deem disadvantageous to their economies.

Pakistan, for instance, recalled its USD 14 billion infrastructure agreement with China for the Diamer-Bhasha Dam. The Pakistani government allegedly deemed China's conditions for funding the project undoable and compromising of Pakistani interests. The onerous conditions included China taking ownership of the project, provisions on the operation and maintenance costs and pledging to build another operational dam[131]. Nepal also called off a USD 2.5 billion hydropower plant awarded to a Chinese state-owned company because of unacceptable terms of contract[132].

Comprehensive research was undertaken by an independent research institution on the nature of China ODA loans. AidData, a research lab which is part of the Global Research Institute based in William and Mary University in the US, tallied 4,373 China ODA-funded projects from 2000 to 2014. AidData found that a fifth of the USD 354.4 billion were China ODA grants or other aid. Another one-fifth was considered unclear on its terms that it is hard to determine whether it was aid or business. The remaining deals were mostly commercial in nature[133].

As in other ODA loans contracted by the government, China ODA requires that Chinese corporations and their subsidiaries are the ones to build the projects. However, what makes it worrisome for the country receiving China ODA is the fact that China is claiming Philippine territories in the West Philippine Seas which has been decided by the UNCLOS as rightfully under Philippine sovereign jurisdiction, but which China continue to disrespect. Becoming heavily indebted to the Chinese government for the country's strategic infrastructure projects i.e., major road networks of highways and railway system including mega dams that harness natural resources makes the Philippines even more vulnerable to Chinese bullying and may likely lead to Chinese eventual takeover of Philippine territories if the Philippine government is not careful in the loan agreements it is forging with the Chinese government.

Philippine Experience with China ODA

The country had several projects in the past financed with China ODA. Two projects under then President Gloria Arroyo had failed and eventually stopped. These are the USD 330 million NBN-ZTE national broad-band project and the USD 400 million 32-kilometer first section of the North Luzon Railways Corp. (Northrail) project[134].

The NBN-ZTE deal was terminated because there were reported kickbacks to senior government officials while the Northrail

122 IBON Midyear Birdtalk, July 2018

123 10/09/18 https://www.dof.gov.ph/index.php/dof-implementation-of-bulacan-airport-proposal-should-ensure-protection-of-govt-public-interests/

124 Ibid.

125 Op. cit. IBON Policy Study, 2018

126 Financial Management, PSALM's Financial Obligations, https://psalm.gov.ph/financial/obligations

127 Op. cit. IBON Policy Study, 2018

128 Padilla, Arnold."Building destruction? Foreign creditors gain more from Duterte's infra plan". IBON Features. 21 July 2017http://ibon.org/2017/07/building-destruction-foreign-creditors-gain-more-from-dutertes-infra-plan/

129 Padilla, Arnold. "Dutertenomics': golden age of oligarchic and foreign interests in infrastructure?"IBON Features. 20 April 2017. http://ibon.org/2017/04/dutertenomics-golden-age-of-oligarchic-and-foreign-interests-in-infrastructure/

130 Ibid.

131 "Pakistan pulls plug on dam deal over China's 'too strict' conditions in latest blow to Belt and Road plans."16 November 2017, Liu Zhen, SCMP Today: HK Edition http://www.scmp.com/news/china/diplomacy-defence/article/2120261/pakistan-pulls-plug-dam-deal-over-chinas-too-strict

132 Ibid.

133 "The Big Winner from China's Foreign-Aid Frenzy: China Beijing's development assistance generally also lands deals for the country's companies." Asian Wall Street Journal. 11 October 2017.

134 Mangahas, Malou. "Romancing China under DU30 Manila, Beijing dating again: 'Who is the screwer, screwed?', 9 May 2017.

project was cancelled because no bidding was conducted. China, however, refused the cancellation of the Northrail project and demanded the Philippine government pay back more than half the total China ODA loan already disbursed or USD 180.8 million plus three percent annual interest[135].

While there have been China-funded projects completed as scheduled, the nature of current China ODA loan agreements, especially with the negative experiences of other Asian countries, add to the already negative perception to the rising imperial power especially with its bullying presence and stance over the West Philippine Seas.

The PHP 3.14 billion (USD 62.1 million) Chico River Pump Irrigation loan agreement signed by the Philippine and China governments in April 10,2018 and the loan agreement for the PHP 10.2 billion (USD 211.2M) New Centennial Water Source – Kaliwa Low Dam Project (NCWS-Kaliwa Low Dam) forged in November 18,2018 are found to have onerous provisions compromising to Philippine sovereignty[136-138].

The Chico River Pump Irrigation Project loan has a 20-year maturity inclusive of the 7-year grace period, with annual interest rate of 2% and a commitment fee of 0.3% for undisbursed amounts which shall accumulate or increase on daily basis; plus, a one-time payment management fee equivalent to 0.3% of the total loan amount or USD 186,260.51. The project holder National Irrigation Administration (NIA) partners with the China CAMC Engineering Co., Ltd. under a commercial contract for the construction of the project[139].

The 2% annual interest for China ODA loan is higher than the 0.25% to 0.75 interest charged by Japan, the country's biggest source of actual ODA loans for 2017[140-141]. Japan's ODA loan term for the Manila Subway System is 0.1% interest per year for non-consulting services and 0.01% for consulting services, and payable in 40 years. With the China loan, there's no distinction between consulting and non-consulting services. This makes the Japan ODA loan much cheaper[142].

Moreover, only Chinese contractors are qualified to bid and undertake the project. Philippine corporations are not allowed to bid and undertake the project[143]. For this project, the winning bidder is CAMC China Engineering Corporation, a subsidiary of Sinomach, which is a subsidiary of China state-owned enterprise, China National Machinery and Equipment Group[144].

The same onerous provisions are found in the NCWS-Kaliwa Low Dam loan agreement. It also has a 2% interest rate (commercial loan); management fee of USD 633.6 thousand or 0.3% of total loan amount); and a commitment fee of 0.3%[145].

The Chinese law governs the two loan agreements. This is a dangerous provision because it subsumes Philippine sovereignty under China[146-147].

Under the Chico River Pump Irrigation Loan Agreement, Article 8 on Miscellaneous provision, Section 8.4 through 8.5 of the loan agreement states that:

Governing Law. This Agreement as well as the rights and obligations of the Parties hereunder shall be governed by and construed under the laws of China... Any dispute arising out of or in connection with this Agreement shall be resolved through friendly consultation. If no settlement can be reached ... each party shall have the right to submit such dispute to the China International Economic and Trade Arbitration Commission (CIETAC)... the arbitral award shall be final and binding upon both Parties. The arbitration shall take place in Beijing[148].

In the same manner for the NCWS-Kaliwa Low Dam loan agreement, Art 8.4 for China Law governing disputes; Art 8.5 on arbitration by HK Intl Arbitration Court states similar provisions[149].

Such provisions are potentially one sided and makes the Chinese corporations unaccountable to the Philippine government. At the same time, the loan contract is a commercial undertaking and treats the Philippine government, through the NIA and the MWSS, as a business partner with the Chinese corporations who will source the fund from China's Export-Import Bank. Further on the Chico River Pump Irrigation loan agreement, Article 5 or Representations and Warranties by the Borrower, Section 5.5., the Philippine government through the NIA may be sued and tried by the CIETAC as provided for in the loan agreement[150-151].

Worse still, under the NCWS-Kaliwa Low Dam loan agreement, the Philippine government under Art 8.1 Waiver of immunity (Patrimonial assets and properties of commercial use), "waives any immunity on the grounds of sovereignty or otherwise for itself or its property in connection with any arbitration proceeding" on assets within the territory of the Philippines unless prohibited by law. Equally detrimental is Article 7 on loan default by the Philippines within 30 days and also when China deems the Philippines cannot pay - makes it too easy for China to declare that the loan is in default (and even if the country has defaulted in its other loan commitments) and to subsequently declare "all the principal of and accrued interest... immediately due and payable"[152].

Under the Chico River Pump Irrigation loan agreement, there is a similar provision that transfers to the Chinese partner ownership of the project assets and all resources therein – as stipulated under Article 5, Section 5.5 of the agreement – should the Philippine government defaults on its loan obligations[153].

Given these onerous loan terms, the Philippine government must be called upon to cancel the loan agreement and not to allow such terms to be included in its subsequent loan agreements with China and for other ODA-funded projects in grant or in loan.

President Duterte in April 2019 ordered the review of the loan agreements and ordered cancellation of onerous loan contracts, but nothing has been heard of the review[154]. The call for the review of the loan agreements came after the public exposure of the onerous provisions of the China ODA loan agreements, first exposed by the research think tank IBON Foundation, Inc. Petitions to recall the loan agreements were soon after filed by civil society organizations (CSOs) led by members of the Makabayan Bloc.

135 Ibid.

136 17th Congress 3rd Regular Session #22 H.B. No. 8169 - FY 2019 General Appropriations Bill (Part 2), 19 September 2018, accessed at http://www.congress.gov.ph/streaming/?id=292

137 Preferential Buyer's Credit Loan Agreement on the Chico River Pump Irrigation Project Between the Export-Import Bank of China as Lender and the Government of the Republic of the Philippines, Acting by and Through the Department of Finance as Borrower, 10 April 2018

138 Preferential Buyer's Credit Loan Agreement on the New Centennial Water Source-Kaliwa Dam Project between the Metropolitan Waterworks and Sewerage System as Borrower and the Export-Import Bank of China as Lender Dated November 20, 2018.

139 Chico River Loan Agreement, 10 April 2018

140 Cigaral, Ian Nicolas. "Philippines gets China loan for Chico River Pump Irrigation Project". 12 April 2018. Accessed at https://www.philstar.com/business/2018/04/12/1805 328/philippines-gets-china-loan-chico-river-pump-irrigation-project

141 2017 ODA Portfolio. Accessed from the NEDA website

142 17the Congress 3rd Regular Session #22 H.B. No. 8169. 19 September 2018

143 Ibid.

144 Op.cit., Mangahas, Malou. 9 May 2017. 8

145 NCWS-Kaliwa Low Dam loan agreement, 20 November 2018

146 Op.cit., Preferential Buyer's Credit Loan Agreement on the Chico River Pump Irrigation Project, 10 April 2018

147 Op.cit., Preferential Buyer's Credit Loan Agreement on the New Centennial Water Source-Kaliwa Dam Project, 20 November 2018

148 Op.cit., Preferential Buyer's Credit Loan Agreement on the Chico River Pump Irrigation Project, 10 April 2018

149 Op.cit., Preferential Buyer's Credit Loan Agreement on the New Centennial Water Source-Kaliwa Dam Project, 20 November 2018

150 Op.cit., Preferential Buyer's Credit Loan Agreement on the Chico River Pump Irrigation Project, 10 April 2018

151 Op.cit., Preferential Buyer's Credit Loan Agreement on the New Centennial Water Source-Kaliwa Dam Project, 20 November 2018

152 Ibid.

153 Op.cit., Preferential Buyer's Credit Loan Agreement on the Chico River Pump Irrigation Project, 10 April 2018

154 Placido, Dharel. "Duterte nixes Drilon on contracts review; warns of warrantless arrests if pushed to limit". https://news.abs-cbn.com/news/04/04/19/duterte-nixes-drilon-on-contracts-review-warns-of-warrantless-arrests-if-pushed-to-limit. 4 April 2019

Lacking in Public Consultations

Affected communities attest that there were no proper consultations or that their positions against the construction of the dam projects are being considered or respected. With the New Centennial Water Source Project – Kaliwa Low Dam, the affected Dumagat and Remontado communities including settlers in Quezon and Rizal provinces claim they were misinformed on the nature of the dam project i.e., that the NCWS-Kaliwa Low Dam is just a baby dam, and that they will not be displaced with the dam construction. Such disinformation has caused confusion and division among the communities[155-156]. The local government unit of Infanta, Quezon testified in a public forum that the Department of Public Works and Highways has started road construction in Infanta leading to the proposed dam site without permission from the Infanta LGU[157].

What makes things worse is the fact that the government is moving ahead with getting the preparatory phases of the projects rolling even as the communities and stakeholders that are supposed to benefit from the dams and other infrastructure projects are opposing and questioning the purpose why they are being built.

The loan agreements were signed without the government getting the free prior and informed consent (FPIC) of the indigenous people's (IP) communities affected. Even the Environmental Clearance Certificate (ECC) was issued in the absence of the FPIC[158].The same is true for the Chico River Pump Irrigation Project. IP communities complained that there was no FPIC concluded. A petition to stop the project and recall the onerous loan agreement has been filed at the Supreme Court[159-160].

For the NCWS-Kaliwa Low Dam project, the Philippine Commission on Human Rights (CHR) has held various dialogues among affected communities, proponent government agencies and organizations, as well as coalitions against the building of these destructive large dams. In one of these dialogues, the Dumagat and Remontado[161] representatives share the deceptive and misinformation drive of the MWSS and the National Council for Indigenous Peoples (NCIP), including the presence of military personnel in the direct impact areas of the project – a violation of the Indigenous People's Rights Act (IPRA). Communities also complain about the red-tagging of IP leaders and forcing local barangay officials to be part of the government's implementation of its campaign "end local communist armed conflict" (ELCAC) which they say is sowing undue anxiety among community members[162].

Towards Development Effectiveness

Concerns about the nature of loan agreements forged by the Philippine government whether with China of with any other country and MDBs, should be taken seriously by the responsible government agencies. In the case of China, the Philippine government should be reminded of its sworn duty to protect Philippine sovereignty and the sovereign rights of the Filipino people over the country's resources. It is to the Filipino public the Philippine government should first be accountable and not any other foreign country, foreign business or local

155 IBON Policy Study on Large Dams and Sustainable Alternatives, 2018

156 Testimony of the Daraitan Indigenous People Mandatory Representative at the Roundtable discussion on the NCWS-Kaliwa Low Dam Project at Room 4, 5th Floor, Senate of the Philippines, 24 September 2018.

157 Testimony by Mr. Alfredo M. Darag, Jr. during the Public Forum on Dams and Launch of Network Opposed to NCWS, 6 October 2018. Miriam College, Quezon City

158 Various testimonies by Dumagat and Remontado communities representatives in dialogues and field interviews conducted from 2018 through 2019.

159 Quitasol, Kimberlie. "Cordillera IP groups call for suspension of Chico River irrigation project". Inquirer Northern Luzon, 7 May 2019 https://newsinfo.inquirer.net/1114839/cordillera-ip-groups-call-for -suspension-of-chico-river-irrigation-project#ixzz6GB 5dOnnR

THE NEW CENTENNIAL WATER SOURCE PROJECT[163-164]

Kaliwa Low Dam – This PHP 12.2 billion project involves construction of a 63-meter concrete faced rockfill dam with full supply level capacity of 160 meters and potentially deliver additional 600 million liters per day (MLD) potable water. Its reservoir gross capacity is 57 million cubic meters (MCM). Its spillway is ready for 10,000 years flood. It also involves the construction of a 27.7 kilometers conveyance tunnel from Teresa, Rizal to Pantay, Rizal to accommodate the flow of 2,400 MLD of water (i.e., 600 MLD from Kaliwa Low Dam and 1,800 MLD from Laiban Dam to be constructed as soon as the Kaliwa Low Dam is operational).

Laiban Dam will include a power plant to generate 50 MW of energy. The dam will be a concrete faced rockfill dam. Its reservoir gross capacity is 649 MCM at full supply level of 270 meters to deliver 1,800 MLD of potable water. Its spillway is also ready for a 10,000 years flood. Two water treatment plants (WTP) each with 300 MLD capacity will be constructed in Teresa and Pantay towns of Rizal. Another WTP will be constructed at Tanay in Rizal and likewise, a 22.7 kilometers conveyance tunnel from Kaliwa to Tanay. Permanent impacts of the dam aside from displacement of communities include loss of precious ecological values due to flooding of agricultural/ forest areas, and wild lands and wildlife habitats. Affected assets include land, houses/structures and community infrastructures, agricultural trees and crops, timber trees and accompanying income losses. Portions of the impact areas are also covered by land reform under the Comprehensive Agrarian Reform Program (CARP) and also covered with ancestral domain titles under the NIPAS. Likewise, sacred sites of Dumagat IP groups will likely be part of the areas to be inundated along the Kaliwa and Kaliwa Low Watershed areas. Access to farmlands and water resources will also affected.

Without Laiban dam, the Kaliwa Low Dam would be severely silted at 80% sedimentation in 10-20 years. The current state of the Kaliwa and Kaliwa Low Watersheds will not be able to support the infrastructure comprising the NCWS.

Construction of the NCWS Kaliwa Low Dam and Laiban Dam will inundate agricultural, forest area, wild lands and wildlife habitats comprising 2,239 hectares inside the Kaliwa Watershed Forest Reserve and 113 hectares inside the Real, Infanta, General Nakar (REINA) Natural Park Wildlife Sanctuary and Game Reserve (NPWSG). Both sites are classified as environmentally critical areas. An estimated 6,214 households or about 31,070 individuals mostly Dumagat and Remontado IP groups will be displaced.

The affected areas of Kaliwa Low Dam cover portions of the municipalities of Tanay, Antipolo and Teresa of Rizal province; and Gen. Nakar and Infanta municipalities of Quezon province. The dam structure and the inundation area of the reservoir occupy the stretch of Kaliwa River along the boundaries of Barangays Pagsangahan of Gen. Nakar, Magsaysay of Infanta Quezon and Daraitan of Tanay. The conveyance facility encompasses areas in Bgy. Magsaysay of Infanta while traversing within the boundaries of Tanay and Antipolo to the WTPs in Sitio Pantay, Bgy. San Jose of Antipolo and Sitio Pantay, BgyDalig of Teresa, Rizal. Secondary impact zones include areas downstream of Queborosa all the way to the built up and coastal areas of Infanta and Gen. Nakar of Quezon.

Based on studies, the entire coastal municipality of Infanta will be eaten up by ocean waters because of the trapped sediments that will eventually accumulate in the dams and reservoirs of the NCWS project[165-166] .

Meanwhile, the direct impact areas of Laiban Dam include portions of the Municipalities of Tanay and Antipolo of Rizal Province and Gen. Nakar of Quezon Province covering Barangays Laiban, San Andres, Sto. Nino, Cayabu, Mamuyao, Tinucan, and Sta. Ines of Tanay, and Lumutan of Gen. Nakar. The power plant will cover a portion of Barangay Daraitan of Tanay. Its secondary impact areas downstream are the direct impact areas of the Kaliwa Low Dam.

160 Punay, Edu. “Supreme Court to Palace: Answer petition on Chico River loan agreement”. The Philippine Star, 11 April 2019. https://www.philstar.com/headlines/2019/ 04/11/1909104/supreme-court- palace-answer-petition-chico-river-loan-a greement

161 Indigenous people’s groups inhabiting the Sierra Madre mountains.

162 High level dialogue on the Kaliwa Dam Project, Commission on Human Rights, 9 December 2019

163 RebelGroup International 2013 Feasibility Study on New Centennial Water Source Project

164 Impacts of New Centennial Water Source- Kaliwa Dam Project (NCWS-KDP), Environmental Impact Statement (EIS), July 2019, MWSS

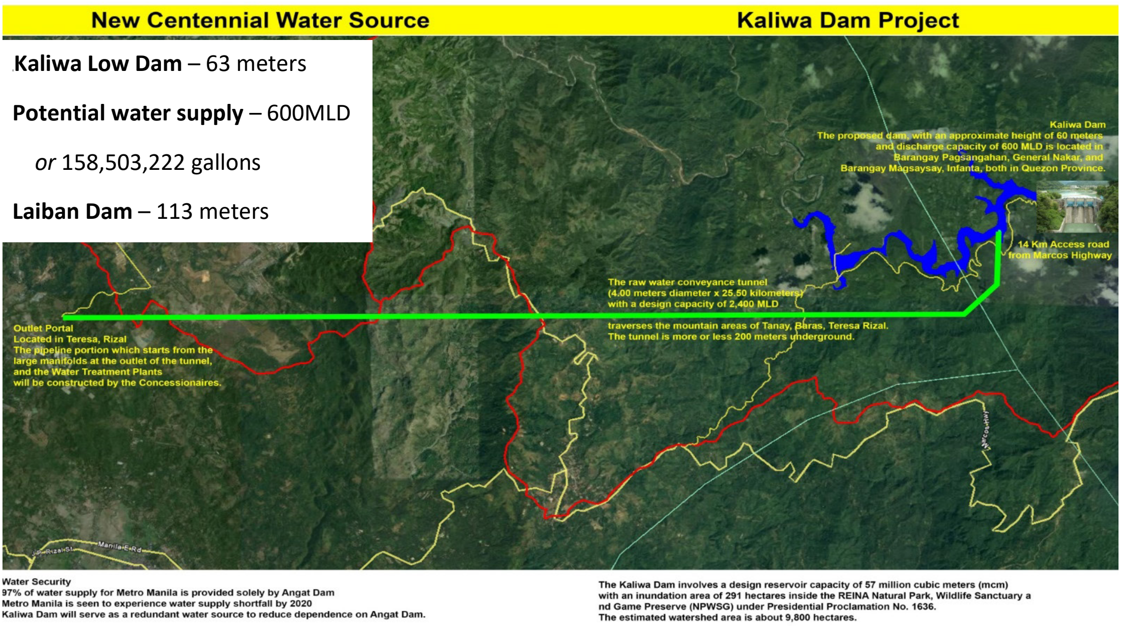
165 Testimony by Mr. Alfredo M. Darag, Jr., 6 October 2018, Quezon City

166 Impacts of New Centennial Water Source- Kaliwa Dam Project (NCWS-KDP), Local Government Unit of Infanta, Quezon presented during the Public Forum on the NCWS-Kaliwa, Kanan and Laiban Dams on 6 October 2018 at the Miriam College, Quezon City.

private interest. China's aggressive actions over the internationally-recognized Philippine territories it claims ownership to must not be dismissed. The government should also take to heart the lessons from the past ODA agreements in forging new ones.

Involving the Filipino people in the planning and crafting of development plans and programs should be seriously exercised by the government, not just as a token compliance but as an essential part of genuine development.

The mechanisms already in place such as the ODA Monitoring and Evaluation by the NEDA, the Citizen's Participatory Audit of projects by the Commission on Audit (COA), and the Philippine Development Forum should be maximized and genuinely opened to participation by as broad a number of development partners among civil society organizations rooted in grassroots community work as possible. The NEDA should likewise open to public participation the evaluation



27.7 kilometers water conveyance tunnel – equals the distance between Baclaran to Comonwealth Avenue. According to the environmental impact statement (EIS) of the MWSS, Kaliwa Low Dam will be filled with sediments in 40 years if the larger Laiban Dam will not be constructed. In 10-20 years, the Kaliwa Low Dam will accumulate a huge volume of sediments thus the Laiban should be constructed immediately after the Kaliwa Low Dam. MLD – million liters per day (Sources: MWSS website; Rebel Group 2013 Feasibility Study, EIS on Kaliwa Dam July 2019)

The selected location for the Laiban Dam is at a narrow section of Kaliwa River just downstream of the confluence of Lumutan and Lenatin rivers in General Nakar, Quezon and Tanay, Rizal. (Photo Credit: Jen Guste/IBON Foundation)

Stretch of the Chico River in Brgy. Katabbogan, Pinukpuk, Kalinga is the source of the P4.37 Billion Chico River Pump Irrigation Project. The Chico River is the most extensive river in the Cordilleras. It traverses through several municipalities of Mountain Province and Kalinga before merging with the Cagayan River. (Source: https://remate.ph/wp-content/uploads/2019/04/CHICO-RIVER-PUMP.jpg) process for the projects under its Investments Coordinating Committee (ICC).

The lack of proper public consultation and non-transparency for contract agreements and development plans show how public interest and welfare is being excluded in the development process. Genuine development should consider the democratic participation of the people with public welfare as the primary motivation in program development and project implementation.

Indeed, foreign investments with their capital input and loans are needed for infrastructure development. But the Philippine government must prioritize national interest and public welfare ahead of any local or foreign business interest. It should not allow any foreign interest to undermine its sovereignty.

For development to be effective, it should be rights-based and in accordance with the aspirations of the Filipino people towards genuinely sustainable economic progress. Genuine people's participation is key to effective development. The Philippine government should plan its infrastructure development in accordance with the development of Philippine agriculture alongside basic industries necessary for national industrialization and do away with market-oriented, wealth and profit-biased development policies that for decades have not led to eradication of poverty and inequality.

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2 *AIIB General Conditions for Sovereign Backed Loans 1 July 2019*

3 *IBON media releases on China ODA*

The Asian Infrastructure Investment Bank (AIIB) and the New Development Bank (NDB) have touted themselves as the much-needed alternatives to the Western-dominated traditional international finance institutions like the World Bank and International Monetary Fund. The two new banks entered the development financing landscape to much fanfare with their mandate of catering to the development needs of the South, particularly in building sustainable infrastructure. Five years into their operation, how do they fare in relation to commitments on sustainable development, development cooperation, and people's rights in Asia-Pacific?

CSOPartnership
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The Reality of Aid Network
An Independent Review of Poverty Reduction and Develoment Assistance