The Reality of Aid ASIA PACIFIC

Paving an Unsustainable Development Path

AIIB Road Infrastructure Projects and its Adverse Impacts

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DEEP DIVE SERIES

Introduction

The Asian Infrastructure Investment Bank (AIIB) is an emerging international finance institution in the Asia Pacific region. Established in 2016 by the government of China, it is now considered the second largest development bank in terms of membership. With its wide coverage, the AIIB has mobilized significant amounts of development finance in the region, posing as an alternative to financial institutions originating from the global North.

The AIIB has found its niche in financing infrastructure projects in various sectors, declaring a mission of financing "Infrastructure for Tomorrow". In implementing infrastructure projects, it claims to commit to its core values of "lean, clean and green" and financial, social and environmental sustainability. Road construction projects remain one of the bank's priorities, as these accelerate regional and national connectivity, and provide access to accelerate sustainable development.

However, communities affected by its projects convey the opposite. In India and Indonesia, where the bulk of its transport and urban initiatives are located, the bank's activities have led to debt dependency, violation of human rights, and environmental degradation. The bank's Environmental and Social Frameworks (ESF), which are supposed to protect communities and the environment from adverse impacts brought about by these projects, remain ineffective.

With the absence of inclusive and participatory processes, civil society organizations, people's organizations, and affected communities lack the space to voice out their grievances and concerns. Inadequate accountability and transparency mechanisms in the bank and its partners also contribute to the unsustainability of its development projects.

This Deep Dive reviews the role of the AIIB in financing transport projects with case studies from India and Indonesia. It explores their adverse impacts, as well as people's demands and recommendations to the AIIB, national governments, and other development actors in pursuing genuine inclusive and sustainable development. This policy brief aims to delve into the monitoring narratives of civil society organizations in the CSO Aid Observatorio, and provide an evidence-based analysis on the bank's role in development cooperation and finance in the region.

The AIIB's role in Asia

The Asian Infrastructure Investment Bank (AIIB) is an international finance institution (IFI) initiated by the government of China, under the leadership of President Xi Jinping, in 2013. The bank serves as an agent to strengthen the country's political and economic influence in the region, as it establishes itself as a monopoly capitalist state. The emergence of AIIB is also the consequence of the dominance of the global North in development finance, as exemplified by the World Bank (WB), the International Monetary Fund (IMF) and the Asian Development Bank (ADB).

On January 16, 2016, the AIIB started its operations with 57 founding members, with the majority of 37 members from the Asian region. In 2020, its membership expanded to 103 members, from the region and beyond. The Chinese government, as the largest shareholder with a 27% voting power, wields a significant and decisive influence over the bank's projects and policies. With its current structure, the AIIB claims to represent 79% of the global population, making it the second largest IFI in terms of membership.[1]

As its name suggests, the Asian Infrastructure Investment Bank stresses on infrastructure as the solution and measure of development in the region. The AIIB's vision is a "prosperous Asia based on sustainable economic development and regional cooperation," through its mission of "financing Infrastructure for Tomorrow" that will mobilize capital, technologies and solutions.[2]

Just like other IFIs, the AIIB has contributed to the promotion of the neoliberal agenda, as it claims to supply the 'financing gap' for infrastructure in the region by mobilizing private capital and resources. As of 2020, it has provided funding for a total of 108 projects, with a focus on Covid-19 response, and in the energy, transport, and finance sectors. Other focus areas include water, urbanization, rural development, and information and communications technology (ICT).[3] Currently, a total of USD 22.02 billion has been promised to member and non-member countries, with 41% of these disbursed. Under the bank's Corporate Strategy for 2021 to 2030, it purportedly aims to promote green infrastructure, connectivity and regional cooperation, technology-enabled infrastructure, and private capital mobilization.

As it supposedly tries to fund sustainable infrastructure in the region, the AIIB boasts itself of its core values ("lean, clean and green") and commitment to sustainability in project implementation and bank operations, as well as integrity, accountability and transparency in all its processes. The bank's commitment to sustainability is articulated in different dimensions – financial, economic, social, and environmental sustainability.[4] These claims are accompanied with the Environmental and Social Framework (ESF) that claims to ensure the mitigation of adverse impacts and risks brought about by the bank's projects. The ESF details requirements to maintain standards regarding issues on environmental and societal assessment and management, involuntary resettlement, and Indigenous Peoples.

The AIIB: Paving the road for BRI?

As of 2021, transport and urban development projects constitute 21% of the bank's portfolio, with a total of 30 projects. Urban development and improvement projects consist of construction of road infrastructures, crucial for an urban service-based and manufacturing economy.[5] Combined, it is the most funded sector, followed by energy. According to the bank, the region has a "low transport infrastructure capacity" that affects the growth of trade and economies. While these projects can produce various returns for the economy, it also has significant impacts on the environment and the people. Therefore, the AIIB sees the need to "develop sustainable transport that is financially and economically viable, fiscally responsible, environmentally sustainable and socially acceptable."[6]

An overarching objective of transport projects is to promote connectivity in the region, which will eventually contribute to regional trade and economic growth. This is aligned with the goal of the Belt and Road Initiative (BRI) of the Chinese government, also the largest shareholder of the AIIB. The AIIB plays a large role in the implementation of the BRI, providing the necessary infrastructure and policy landscape to create the twenty-first century Silk Road.

Under the BRI, financing comes with significant risks as China forwards its own political, economic and security interests. With pressure from the Chinese government, the AIIB has been partaking in this initiative, implementing infrastructure projects in strategic areas, such as India and Indonesia. The location of both countries gives China the access to control major trade routes, and to enter prospective markets for transport infrastructure development.[9] As prime locations for expanding its influence, India and Indonesia are among the bank's five recipient countries for connectivity road construction projects.

Majority, or 54%, of the bank's transport projects target India. Three projects have been submitted, three are ongoing, and one is finished. The total funding amounts to USD 2.031 billion, allotted for the construction of toll roads and other infrastructures for easier trade connectivity across districts and states.[10]

Indonesia is also the site of various transport projects financed by various IFIs such as the AIIB, World Bank, and ADB. From 2016 to 2018, the Indonesian government built a total of 3,387 kilometers of new roads and 947 kilometers of new toll roads. The country's Ministry of Public Works and Housing continues to scale up road development, with its ambitious program totalling 2,500 kilometers for 2020 to 2024.[11]

Road construction projects claim to address the "local infrastructure deficit" present in these rural and urban areas. The bank perceives these deficits as hindrances to economic growth and productivity, slowing down poverty reduction and development of the people.[12] The bank states that road transport projects enable access to much-needed social services and integration to the economy.[13] In pursuing these projects, the AIIB declares its alignment with the Sustainable Development Goals (SDGs).

BOX 1. CHINA'S BELT AND ROAD INITIATIVE.
The modern Silk Road that China has been laying out is two-pronged, with the overland Silk Road Economic Belt and the Maritime Silk Road. The overarching objective of both roads is to increase their influence in trade, investment and connectivity in Asia, Europe and Africa. The BRI manifests in both hard infrastructure, in the form of extensive network of railroads, pipelines, highways and maritime routes, and soft infrastructure, in the form of policy coordination to encourage trade, investment and finance. In addition, the Xi administration plans to open 50 special economic zones in various parts of the region. Estimates show that the BRI has the capacity to establish itself in more than 80 countries in the region and beyond, affecting up to two-thirds of the global population.[7] As of 2021, the BRI remains as China's vehicle in expanding its influence, with an annual development finance commitment of USD 85 billion, disbursed largely in loans to low and middle-income countries in the region. Focusing on financing "mega-projects", the BRI has faced significant problems in its project implementation and has posed risks to its recipient countries.[8]

Photo 1. Gujarat Rural Road Projects in India.[17]

Cementing inequalities: The case of the Gujarat rural roads

In 2017, road construction initiatives by the AIIB started in India. To date, it has reached a total length of 32,083 kilometers.

The biggest road construction funded by the AIIB in India is the Gujarat Rural Roads Project, under the Mukhya Mantri Gram Sampark Yojna (MMGSY) initiative of the government of Bihar. Under the MMGSY, extension of the rural road development projects to 1,060 villages in 33 districts will be undertaken, with the help of the AIIB. The project claims to provide "all-weather road access, economic benefits and social services to the rural population" in Gujarat.[14] The total length of the road construction and improvement is 12,271 kilometers. The bank is currently financing half of the MMGSY's Phase 1, for a total of USD 329 million.

The Gujarat Rural Roads Project has undergone strategic environmental and social assessments (SESA). The SESA categorised the project as having risks and impacts that are thought to be "limited, temporary in nature and reversible", or Category B, in the bank's terms.[15] The bank still approved and implemented the project, even with a classification that indicates dangers to the people and their environment. In addition, despite having implemented the ESF, the project has overwhelmingly left women out of the design, planning and implementation, disregarded worker's rights, and contributed to environmental issues.

The Tribal Population Planning Framework (TPPF), a framework designed by the AIIB to assess the impacts of its projects on Indigenous Peoples, was also undertaken. The TPPF has shown that the rural roads will lead to the loss of land owned by the Schedule Tribes or Indigenous Peoples in Gujarat, which also affects their control of resources, livelihoods, and cultural assets. To build new roads, some communal facilities such as cultural or religious shrines, and water pumps or tanks, are in danger of being demolished.[16]

The bank claims that 46% of the project's beneficiaries will be women, since it proposes to address the lack of roads that prevented pregnant women from reaching hospitals and female students from traveling to their schools. However, with the lack of consultations and a gender-responsive approach to the planning of the roads, their specific needs and concerns were not addressed. Road construction projects were designed to reduce travel time and costs, but only for the benefit of private vehicles. These have not contributed to improving daily travel for women, who mostly walk and use public transport to look for livelihood opportunities, to fetch their children from school, and to shop for food. Female construction workers have complained of experiencing sexual harassment and poor work environments in the project sites.[18]

According to the bank's ESF, they recognize the right of workers to living wages, safe and healthy working and living conditions, and occupational safety. However, these are not ensured by the bank, as it lacks oversight and responsibility over its contractors for the recruitment of construction workers. According to the interviews with the workers conducted by Darooka and Dand, people hired for the Gujarat Rural Roads Project under the bank were heavily exploited, as they lacked contracts, worked eleven hours a day without sufficient compensation, were denied wages if they refused to work, and lived in precarious conditions. They were forced to stay in makeshift tents and with no basic amenities in the project sites.[19]

The lack of consultation with the communities have also led to faulty road designs, posing more problems. The road improvement in the Bagsara village led to the overflow of water in the low-lying areas, contributing to natural flooding and affecting crops. While the affected communities advocate for solutions to their problems, they were not consulted by the bank for the project design.[20] Consultations were conducted after the project's launch, with minimal participation from various sectors, including women. Village heads, local government officials and communities were not given notices for the construction of the roads. Grievance redress mechanisms were also kept secret from the communities.

With its flawed ESF processes, the bank has failed to uphold inclusiveness, integrity, and environmental sustainability. Risks and adverse impacts were not sufficiently addressed despite conducting assessment. The AIIB's supposed commitments to its core values have yet to translate into action.

Bypassing accountability and transparency: The case of RIDF in Indonesia

In Indonesia, the road development projects are components of the Regional Infrastructure Development Fund (RIDF) financed by the AIIB and the World Bank. The RIDF is a financial intermediary created to "increase access to infrastructure finance at the sub-national level."[21] The RIDF is designed to channel funds from the Indonesian government, the World Bank, and the AIIB to sub-national governments, in order to support implementation of projects in various sectors, such as urban transport, water supply and sanitation, hazard risk management, solid waste management and housing.

Financing is prioritized for medium and large localities, exemplified in how road projects under this initiative are primarily located in the islands of Sumatera, Kalimantan, and Papua. The bank claims that the RIDF will be benefiting urban residents in the creation of new roads. As the lead co-financier of the project, the World Bank will be administering the loan from the AIIB. The World Bank is responsible for the procurement, disbursement, compliance, reporting, and monitoring of the project, giving them considerable flexibility in using the loan.

The state-owned financial intermediary, the PT. Sarana Multi Infrastruktur (PT. SMI), is responsible for the operations of the RIDF. Established in 2009, PT. SMI accommodates foreign loans for the implementation of infrastructure development projects in Indonesia. The AIIB and the World Bank provided USD 100 million each, with the government of Indonesia financing the remaining USD 200 million. PT. SMI disburses the funds from the central government to sub-national governments to undertake infrastructure projects.

Figure 1. Structure of RIDF financing in Indonesia.[22]

*) Asumsi kurs Rp13.500/USD sebagaimana saat pengajuan pinjaman RIDF

BOX 2. ROAD PROJECTS IN INDONESIA.

1. Trans-Sumatera Toll Road Project

The Trans-Sumatera Toll Road (JTTS) is a road development that spans from the northern to the southern part of the Sumatera Island. The project is divided into different sections, funded and contracted by various financial institutions. PT. SMI has disbursed loans for four of the JTTS projects, reaching a total of IDR 16.4 trillion or approximately USD 1.16 billion. These projects include the Medan-Binjai, Terbangi Besar-Pemantang Panggang-Kayu Agung, Bekauheni-Terbangi Besar and the Palembang-Indralaya.[24] For the Palembang-Indralaya section, PT. SMI disbursed IDR 1.24 trillion (or USD 87.7 million), while IDR 0.5 trillion (around USD 35.4 million) for the Medan-Binjai segment.[25]

Another project under the JTTS, the Jami-Rengat toll road, is funded by the AIIB. This toll road development project is located in the Jami and Riau provinces, covering 190 kilometers. The AIIB provided a total of USD 1.323 million - the largest loan from the AIIB for the National Strategic Project of Trans-Sumatera. On top of the bank's financing for road projects, the AIIB disbursed the loan to Bappenas or Indonesia's Ministry of National Development Planning and the Ministry for Public Works and Housing as project implementers.[26]

2. Sosok-Tayan & Tanjung-Sanggau Road

In the West Kalimantan province, PT. SMI disbursed funds to the regional government for a 79.2 kilometer-long toll road development of Sosok–Tayan and Tanjung-Sanggau. The project aims to improve the middle lane of West Kalimantan Province, which connects all areas with Pontianak City. The PT. SMI disbursed a loan of IDR 80 billion (or USD 5.6 million) to PT. Patria Perkasa for the construction of Sosok-Tayan road.[27] These projects were undertaken by the Ministry of Public Works and Public Housing and the Indonesian Army Engineers, causing the deployment of 600 army personnel.[28]

3. Trans-Papua Highway

Papua Island becomes a target area for non-toll road development through disbursement of loans from financial institutions, such as PT. SMI, to the sub-national governments of Papua and West Papua provinces. For the Dekai-Oksibil section of the Trans-Papua Highway, PT. SMI disbursed funds totaling IDR 192.6 billion or USD 13.3 million.

Through PT. SMI, financing from the AIIB and World Bank are mobilized to fund the construction of public infrastructure in various sectors, such as transport, energy, water and telecommunication. However, road development projects are the priority of the financial intermediary (see Table 1). Almost half of the funding, or 48.21%, goes towards road construction.

Road development projects under the AIIB and PT. SMI include the toll road construction of Trans-Sumatera, West Kalimantan, and one in the island of Papua.

Financing Sectors	Financing Allocation (%)
Roads & Toll Roads	48.21
Electricity	27.23
Transportation	14.22
Telecommunication	7.06
Water Supply	0.93
Irrigation	0.67
Oil & Gas	0.66
Social Infrastructure	0.27
Social Infrastructure (Health)	0.26

Table 1. Financing Priority of PT. SMI[23]

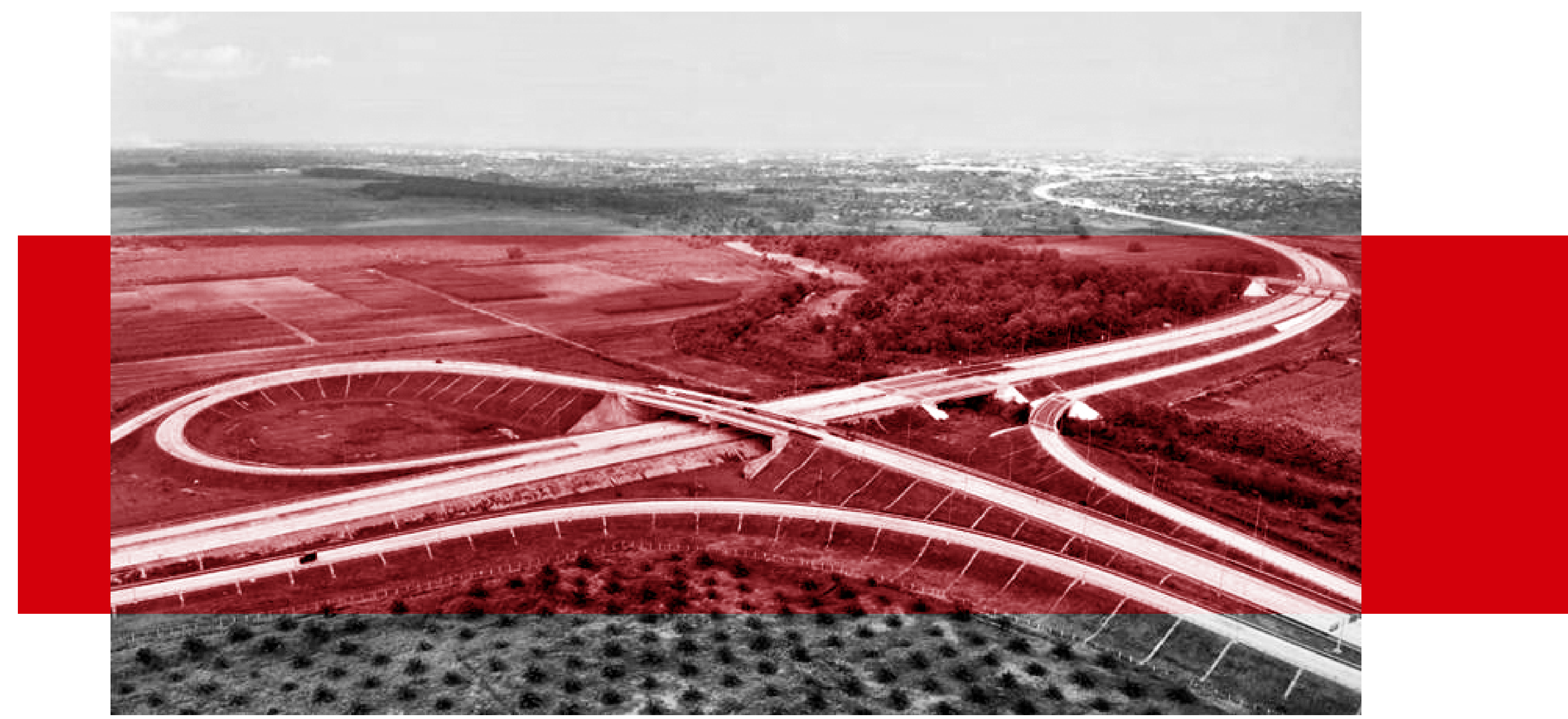

Photo 2. Toll Road of Medan - Binjai in North Sumatera Province.[29]

Photo 3. Toll Road of Palembang - Indralaya in South Sumatera Province.[30]

The AIIB as a vehicle of debt

Ever since the AIIB has started its operations, the bank has been employing financial intermediaries in its projects, such as the RIDF. The use of these intermediaries has been coined as "hands-off lending," as it disburses funds to a third-party asset manager to mobilize and attract private capital for development projects. Led by the World Bank, this mode of development financing has been promoted by IFIs due to its claimed capacity to provide developing countries access to financial markets.[31] Furthermore, in order to attract capital, development projects are designed to be "bankable", or having the capacity to attract private investment. Therefore, bankable projects are often largely financed by the private sector, contributing to the ballooning of debt among developing countries.

Indonesia's Regional Infrastructure Development Fund (RIDF) is considered a "sustainable" medium to long-term program, lasting for ten years. In 2017, the AIIB loaned up to USD 100 million for the project. By the fifth year, an additional loan of USD 100 million will be granted by the bank. Then, in 2022, the loan will increase to USD 350 million. Meanwhile, from 2023 to 2026, the government will receive a loan of USD 500 million annually. This means that the total loan from AIIB for the RIDF projects will reach USD 2.55 billion in 10 years, from 2017 to 2026.

While the AIIB supposedly mobilizes billions of dollars to finance the RIDF project, it will not go home empty-handed. As the loans keep coming, the AIIB will profit from two sources: Indonesia's membership fee and its loan interest scheme. Because states are required to pay the membership fee to be able to acquire a loan, the bank received USD 672.1 million or IDR 8.94 trillion from Indonesia alone, for the first five years of its operations. This guarantees 3.47% shares to Indonesia, becoming the eighth largest donor to the AIIB.[32]

The project has a two-stage loan process, which entails the government of Indonesia receiving the loan in US dollars, then disbursing the funds to PT. SMI in IDR. Due to the exchange rate risk, an interest will be applied to the loans being given to sub-national governments. With a 'cost plus' pricing policy, the added interest rate will depend on the yield of Surat Utang Negara (SUN) or the Indonesian government bond.[33] In repaying the loan given by the World Bank and the AIIB, an estimated total of USD 373.04

million will be earned as interest.

The Indonesian government claims that the profit will go to PT. SMI as the financial intermediary of the project. However, PT. SMI also aids in the ballooning of foreign debt. Under the RIDF Project Development Facility (PDF), one of its roles is to be the bridge for the AIIB and the sub-national governments, in order to encourage debt for the funding of infrastructure development projects. PT. SMI, as it manages the funding administration, receives a management fee. The institution also has the capacity to design projects that are suitable with the bank's criteria and propose it to the creditors, assist in loan agreement negotiation, help with the process and procurement procedures, monitor and evaluate projects, report project evaluations, and also manage the loan payment to the creditors.[34]

Therefore, the operation of PT. SMI is different from those of the financial institutions, but it still facilitates the increasing amount of debt the people will pay for these projects. Through the RIDF, the PT. SMI will be earning a significant amount of profit from the interests of loans to sub-national governments.

While the profit from these projects can be claimed by the government, these are immediately used to pay off the large debt accumulated from implementing them. The total amount of retained profit from the RIDF after ten years will reach an estimate of USD 206.02 million.[35] This amount is inadequate even to pay off loan interests, which means the majority of the debt repayment will depend on the profit from the tolls and the budget of sub-national governments.

The burden of repaying the debt effectively impacts the state budget and the provision of much-needed social services for the people. Debt repayment minimizes the finances that can be used to subsidize services. On top of existing loans, the government continues to implement an austerity budget in order to take on new debt, increasing taxes and burdening the people.

The loss of social services directly increases people's burden on costs of transportation, electricity and water, education, health, telecommunication, and housing. In the last five years, the fees for the national health insurance (BPJS Ketenagakerjaan) has increased by 54%. Basic tariff for electricity also increased by 22% to 48%, depending on the voltage.

Moreover, the cost of education is also increasing. In Jakarta, tuition fees for higher education increased from IDR 10.7 million (USD 766.43) in 2016 to IDR 20.7 million (USD 1,478.57) in 2019. The average daily transportation cost also increased significantly by 25% in 2016 and by 30% in 2019, compared to the regional minimum wage.

The RIDF also heavily promotes construction of toll roads to supposedly cut travel time. However, these impose additional costs, and are only open to those who can pay the toll rates. In India, toll roads have even caused longer travel times and increased costs, as it contributed to more traffic jams due to stop points.[36]

Inflation in transportation costs disproportionately affects the lives and livelihood of the marginalized and vulnerable, such as the Indigenous Peoples, peasants, fisherfolk, workers, urban poor, and rural women and children, among others. Payment for toll roads affect the transport of people and goods, affecting the people's daily budget. Additional costs put the burden on the peasants as they transport their product from their farms to urban centers. Minimum wage workers who depend on public transportation to get to their places of work take home less than what they earn with the increasing fares.

For most peasants in project areas, such as Sumatera and Kalimantan, additional financial burdens will drag them into usury, depending on private capital, corporations, small financial institutions, and banks. This forces them to sell their land, losing their source of income, and migrating to cities or other countries for labor, subjected to low wages and inadequate protection.

Year	Interest Rate	Loan Interest
Year 1	0.83%	USD 1.84 million
Year 2	0.82%	USD 11.4 million
Year 3	0.82%	USD 28 million
Year 4	0.69%	USD 40.6 million
Year 5	0.52%	USD 40.8 million
Year 6	0.64%	USD 55.3 million
Year 7	0.69%	USD 61.9 million
Year 8	0.60%	USD 50.1 million
Year 9	0.60%	USD 45.4 million
Year 10	0.59%	USD 39.7 million
Total	Average: 0.68%	USD 373.04 million

Table 2. Indonesian Government Loan Interest Scheme to AIIB (2017-2026)
Source: Computation by INDIES, derived from sources from AIIB, 2017

Hands-off lending and accountability

The practice of "hands-off lending" comes at the expense of environmental and social safeguards, contributing more adverse than positive impacts. Projects financed under the RIDF are under Category FI, which gives the financial intermediary power to choose, implement and monitor the bank-financed projects.[37] This also makes them responsible for implementing the bank's ESF, which often leads to the dilution of safeguards. Past projects funded by financial intermediaries have since been shown to contribute towards gross human rights violations and environmental harm, rather than development to the people.

Indonesian CSOs have noted that the World Bank's Environmental and Social Management Framework (ESMF) and Indonesia's country system required from the RIDF remains weak. The financial intermediary and its funded projects lack environmental assessments, recognition of Indigenous Peoples, and proper land acquisition regulations.[38] PT. SMI, the chosen financial intermediary of AIIB and World Bank, has also been found to be incapable of doing proper social and environmental assessments due to lack of expertise. According to the World Bank, PT. SMI is weak in its management of involuntary resettlement and issues regarding Indigenous Peoples.[39]

Generally, in Indonesia, road infrastructure development is not conducted democratically. From the planning stage, land acquisition,and implementation, to post-project evaluation, the people are not properly involved. They do not get the opportunity to convey their opinions on development projects, even when they are vulnerable to the projects' adverse impacts.

In North Sumatera Province, the toll road development of Medan – Binjai, has resulted in the acquisition of lands totaling 254 square kilometers. From the roads development-section I, funded by AIIB, 387 families rejected the project because it will lead to seizure of their settlements. The tolls development also blocks their access to their fields or farms from their houses.

The risks posed by these projects are not comparable with the unfair compensation. According to the Coordinating Minister for Economic Affairs in 2019, they will only be providing a compensation of up to 70% of material losses, based on the computation by the government.[40] The remaining losses must be shouldered by the people. However, compensation mechanisms for these projects are usually unilaterally determined by the government, which greatly underrate the impacts of land acquisition.

The government's estimation values only cover the land and building prices and relocation costs based on regulatory requirements. This puts most people in the affected communities at a disadvantage; they usually do not own land titles, and are then awarded lower compensation and refused relocation costs. The social and historical value, productivity, and biodiversity in the targeted lands are not taken into account. Those who reject land acquisitions will not be accommodated. And the government can easily leave the matter of inadequate compensation to the judicial courts.

In Deli Serdang, North Sumatera Province, the communities around the toll road development areas of Medan – Binjai experienced the adverse impacts of housing relocation and environmental damage. A total of 64 houses were damaged due to the construction work. The road development also polluted the spring where residents get their water supply: it was reported to be unsanitary and foul-smelling.[41] The lack of canals during construction have led to floods, because there was no infrastructure in place to absorb and redistribute rainwater.

The case is similar in South Sumatera Province. In the development of the Palembang – Indralaya tolls, land disputes are a major problem. The roads were built on peatland, a kind of wetland ecosystem dominated by slowly decomposing plants, making the infrastructure prone to damage. When disturbed by roads, peatlands have the capacity to emit methane, a destructive greenhouse gas, up to 49 times the usual level.

With peatlands as its foundation, the road soon suffered a 40-meter long collapse, with severe cracks. According to the Ministry of Public Works and Public Housing, the incident was caused by an error in the construction, which was carried out by the contractors.[42] Instead of providing safe passage, these roads exposed people to risks.

In West Kalimantan province, the people of Tayan Hilir and Sanggau are some of the most affected by the environmental impact of AIIB-financed projects. In January 2021, the toll road development of Sosok – Tayan and Tanjung Sanggau caused erosion in the Trans Kalimantan road, specifically in the Tayan Hilir area. The erosion is caused by the lack of water absorption brought about by the road construction. People's homes and roads were damaged, due to the accumulation of rainwater on the roads and its surrounding areas.[43]

In Jambi Province, the toll development of Jambi – Rengat is in the early phase of construction and is undergoing land acquisition processes, as of 2021. While the impacts of the previous projects should inform future road infrastructure development, the AIIB does not seem keen on learning these lessons. It also does not show any initiative to solve the various negative social and environmental impacts of its projects. Instead, it just focuses on increasing the amount of the loan to fund the rest of the road development of Trans-Sumatera. Meanwhile, the government lets the people bear the burden of the adverse impacts of road development projects.

Photo 4. Erosion in the Tayan road as Impact of Toll Road Construction of Sosok – Tayan.[44]

People's responses and demands

Peoples in Asia have long been experiencing the adverse impacts of IFI-funded development and infrastructure projects in the region. Exhausting all means to make their voices heard, the people have been responding and struggling against these projects in various forms, such as protests, demonstrations, blockades, petitions, mediations, and legal efforts, and in various levels, from the global, regional to national.

In North Sumatera Province, the significant impact of the toll road development of Medan – Binjai is met with various kinds of protest. One of these was conducted by the people of Tanjung Mulia Hilir. In August 2020, they laid down on one part of the toll road as a protest against the displacement from their own lands caused by toll development. The people continue to demand for fair compensation for the lands affected by the construction of roads.[45]

The Medan-Binjai project also triggered other land conflicts. One of the landowners, Osmar Simatupang, filed a case to the district court regarding the land acquisition brought about by the road project. He was only promised compensation for 314 square meters, which is less than half of his original 804 square meters of land. While his case was brought to the Medan District Court in 2019, the road construction on his land continued even without legal resolution. He placed a banner on his land as a sign of protest against the unfair compensation of his land.[46]

The road development of Trans-Kalimantan which passes Sosok – Tayan and Tanjung – Sanggau, have led to significant road damage from high puddles brought by the rainy season. As the people experienced the flooding and erosion of their homes, the people conducted protests against the AIIB-financed construction in the area.

Strong response is also asserted by people in Papua to the road development of Trans-Papua, including the Dekai – Oksibil road, which was funded by the AIIB. People conducted protests due to the damage the projects did to their protected and customary forests.[47] To ensure the 'smooth' implementation of the road development, three platoons of mobile brigade police were deployed to Dekai and Oksibil.[48] The police helped the 600 army personnel continue the road construction work and to intimidate the people who delivered the protest action. Despite continuing threats to the communities, the people have continued to fight for their rights. In some areas, the people have blockaded the land by setting a crossbar to stop the development.

Photo 5. People of Mulia Hilir protest the development of Toll Medan – Binjai.[49]

Photo 6. Indonesian Army secures the construction of Trans-Papua.[50]

Conclusion

From the case studies of the AIIB-financed road development projects in India and Indonesia, the bank has implemented initiatives that hinder the people's development and further subject them to harm. While road infrastructure projects have the potential to address long-standing issues of inequalities and development for rural communities, the Gujarat Rural Roads project has deepened gender disparities and worsened environmental degradation. In the case of the RIDF project in Indonesia, the bank has promoted loans and the use of financial intermediaries that further contribute to the ballooning of debt and the continuing underdevelopment of developing countries.

Meanwhile, the burden on repaying the debt falls on the people, as they face diminishing government budgets for much-needed social services. Road infrastructure projects also heavily contributed to land acquisition, leading to involuntary resettlement and inadequate compensation. Errors in construction of the roads have also led to considerable environmental harm, causing road damages, landslides and flooding. Nevertheless, affected communities and the rest of civil society continue to amplify their calls through various means, protesting the adverse impacts brought about by these projects.

The AIIB has failed to demonstrate its claims of being a clean, lean and green bank, as exemplified in their projects. With its projects' adverse impacts on the people and environment, the bank remains unsustainable in its processes. Faulty and ineffective mechanisms for environmental and social assessments, as well as accountability and transparency processes, have ultimately contributed to unsustainable development in the region.

As the bank continues to subscribe to these frameworks and mechanisms, its role in development finance proves to be dangerous and harmful to the people and the environment.

Recommendations

In financing 'Infrastructure for Tomorrow', the AIIB must stop its unsustainable and exploitative policies that have only brought adverse impacts to the people and the environment. As one of the main sources of development finance in the region, the following recommendations must be adopted for the bank to genuinely contribute to sustainable development:

Promote democratic country ownership of development projects. The Chinese government, despite being the largest shareholder of the bank, must stop using the AIIB as a vehicle to pursue its strategic and profit-led interests. Development projects should be determined and pursued according to the peoples' interests. It must uphold and pursue genuine free, prior, informed consent (FPIC) from affected Indigenous Peoples. Infrastructure projects that facilitate the entry of the private sector must not lead to the corporatization of development that discards the democratic rights of the marginalized and vulnerable.

Prove its commitment to sustainability. The AIIB must stop fostering debt dependence that further impoverishes developing countries and fragile states, amidst the Covid-19 pandemic. In promoting social sustainability, processes in planning, designing, and implementing development projects must be inclusive for all, allowing the participation of different sectors of society in these. To maintain environmental sustainability, development projects with assessed negative environmental impacts must not be pursued.

Ensure transparency and accountability. IFIs and private sector partners must be accountable and transparent, providing grievance redress mechanisms for affected communities, civil society organizations, and people's organizations to raise concerns and issues. Development actors must play their part in respecting and upholding peoples' rights, as well as the restoration of the environment brought about by the negative impacts of development projects.

Genuinely uphold South-South cooperation and development effectiveness principles in all development projects. For AIIB to genuinely promote financial, social and environment sustainability in all its development projects, the bank must exhibit its commitment to the development effectiveness of democratic country ownership, focus on results, inclusive partnerships and mutual accountability and transparency.

Furthermore, the AIIB must stop echoing practices and policies of its other IFI counterparts, instead aligning its initiatives with the South-South Cooperation principles of respect for national sovereignty, national ownership and independence, equality, non-conditionality, non-interference in domestic affairs and mutual benefit. In forwarding sustainability, a people-centered, rights-based approach must be forwarded by the bank and its partners.

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