

### 3 Years Asian Infrastructure Investment Bank (AIIB): Study Shows Where European Shareholders Must Question China

- **AIIB President can decide about many projects on his own**
- **Standards of other multilateral banks not met**
- **China could abuse bank for its geopolitical interests**

*Berlin/Beijing, April 2, 2019* Three years after the launch of the Asian Infrastructure Investment Bank (AIIB), **a new study reveals that the AIIB's standards for transparency, the environment and human rights fall well short of those of other multilateral banks.** The author of the study is Urgewald's Senior Adviser Dr. Korinna Horta, a long-standing expert for multilateral banks. The research was commissioned by the Heinrich Böll Foundation and Urgewald and presented yesterday evening in Berlin.

Horta examined how consistently the AIIB policies ensure environmental protection, human rights and transparency in its projects and she compared her findings with other multilateral banks. She discovered massive flaws in the bank's standards. **"The standards usually sound good, but on closer inspection they contain large gaps and are often more optional than mandatory.** Apparently, the AIIB sees this as a strategy to attract potential borrowers," Horta says.

The AIIB's aim is to finance infrastructure projects in Asia and other world regions. Among the now 70 member states, China is by far the leading nation. With over 26 percent of the voting shares, it has a de facto right of veto. Germany, the largest non-regional shareholder, holds over 4 percent of the voting shares and is the fourth largest shareholder after China, India and Russia.

It will be a difficult challenge for member states other than China to control the AIIB transactions. The Board of Directors, which is supposed to oversee management, is a non-resident board, as opposed to common practice at most other large multilateral banks like the World Bank. **With a few exceptions, the AIIB's Chinese President Jin Liqun will decide on his own on all projects for the private sector with a volume of up to USD 100 million.** For projects in the public sector, he will even decide on all projects with a volume of up to USD 200 million. The level of detail of project information provided to the Board of Directors remains unclear.

"Given these limitations, member states can never foresee the dangers of a project for the environment or civil society. Yet, infrastructure projects in particular can cause serious damage, for example large dams or roads in forest areas. **If the AIIB wants to avoid becoming a bank of destruction, it must urgently allow more oversight,**" Knud Voecking, Urgewald's campaigner on multilateral financial institutions, said.

In the event of complaints, the AIIB asks affected people to contact its Project-affected People's Mechanism (PPM). Horta's analysis: **"In contrast to the complaint mechanisms of other multilateral banks, the AIIB has set up an obstacle course of bureaucratic hurdles.** Affected people, often living in remote areas, have little

chances to meet all requirements for their complaint. This obviously aims to keep affected people at a distance.”

The AIIB intends to outsource the environmental and social standards by allowing its public and private customers to apply their own protection standards. “It is completely unclear how the AIIB management wants to monitor whether the borrower’s standards correspond to its own and whether the borrowers adhere to the rules”, Voecking criticized.

According to Horta's analysis, the AIIB's strategy is to maximize capital outflow while minimizing the conditions for borrowers. This could lead competitors such as the World Bank and the Asian Development Bank to dilute their transparency, environmental and social standards in order to keep up with the new competitor.

Joerg Haas, International Policy Officer at the Heinrich Böll Foundation and coordinator of the study, said: **"European AIIB shareholders, who give the Bank international credibility, have a combined voting share of just under 24 per cent. They must make use of it and advocate a strong, independent complaints mechanism, more transparency and the control and limitation of the power of the AIIB management."**

“It has recently become known that the AIIB is also mentioned in the agreements on Italy's accession to China's ‘Belt and Road Initiative’. **This feeds the concern that the Chinese government could abuse the AIIB for its own geopolitical interests by rewarding political good behavior,**” said Haas. Just recently, AIIB President Jin Liqun described the Chinese Belt and Road Initiative and the AIIB as two engines of the same aircraft.<sup>1</sup>

## Further information:

Download the study – “The Asian Infrastructure Investment Bank (AIIB): A Multilateral Bank where China sets the Rules”: <http://ow.ly/kl6z30oe5EU>

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<sup>1</sup> China Daily, September 7, 2018:

<http://www.chinadaily.com.cn/a/201809/07/WS5b91e867a31033b4f4654cd3.html>