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10 Years of Asian Infrastructure Investment Bank

A Critical Assessment of the European Membership

Content

Between Aspiration and Reality

The Asian Infrastructure Investment Bank (AIIB) is celebrating its tenth anniversary—a timely moment to take stock. What has become of its former aspiration to establish a "good bank" that sets itself apart from established institutions such as the World Bank or the Asian Development Bank? Ten years since European governments promised active involvement in shaping the AIIB, were those expectations fulfilled?

This report addresses policymakers, civil society, and European shareholders. It offers a critical analysis of the AIIB, Europe's role within it, the bank's evolution, and its geopolitical relevance. The report explores how the AIIB navigates the tensions between efficiency, control, and sustainable development, and outlines key lessons for the years ahead. The following chapters provide a foundation for informed debate on Europe's future engagement with the AIIB and the broader direction of multilateral development finance in shifting global power dynamics.

Hardly any other multilateral development bank has attracted as much attention as the AIIB in such a short time. Founded in 2015 on the initiative of Chinese President Xi Jinping, it officially began its work in January 2016. Today, it has 110 member countries—including many European nations. This makes the AIIB the second-largest multilateral development bank in terms of member countries, behind only the World Bank. Its rapid rise is not only an expression of China's new confidence, but also a symptom of a changing global order in which traditional centers of power are being challenged.

The AIIB was founded at a time of profound geopolitical change. China, now the world's second-largest economy and the largest exporting nation, sought more influence on the international stage. Its previous role as the "workshop of the world" was no longer enough—China's leadership wanted to be perceived as an equal, formidable power. The AIIB thus became a conspicuous symbol of this change. Its purpose was not only to finance infrastructure projects in Asia but also to challenge the dominance of Western institutions such as the World Bank or the International Monetary Fund and establish a new "Chinese" model for multilateral cooperation.

Most European governments decided to join in 2015, shortly after the UK. They saw membership as an opportunity to introduce their own standards for transparency, sustainability, and human rights. Have European countries made use of opportunities to do so over the past decade?

The AIIB presents itself confidently as a modern, efficient, and client-oriented infrastructure investment bank. Its mission statement—"Lean, Clean and Green"—promises lean structures, effective anti-corruption measures, and sustainable development. However, the decentralized Board structure, efficiency focus, and responsiveness to borrowing members complicate the picture, raising questions about accountability, transparency, and genuine sustainability. While the bank scores with quick decisions and uncomplicated processes, important supervisory and control mechanisms are in danger of falling by the wayside. This presents potentially serious consequences for the environment, local communities, climate, and compliance with international standards.

At the same time, the AIIB is no longer a purely Asian project. With the accession of numerous countries from Africa, South America, and Europe, and the growing importance of global infrastructure investments, it has become a key player in the international competition for influence, values, and economic development. The bank is caught between Chinese interests, Western demands, and the needs of the recipient countries—a balancing act that repeatedly leads to conflicting objectives.

This report analyzes the development of the Bank, the role of European shareholders, its geopolitical significance and the challenges for the coming years. The aim is to provide a sound basis for the debate for policymakers, civil society, and stakeholders in Europe and beyond and to formulate concrete recommendations for the next four years. The question persists: How can European shareholders help the AIIB become a "good bank," and what are the risks of failure?

1. Geopolitical Landscape

The AIIB began operations in January 2016. By 2019, the Beijing-based institution already had 70 member states, with another 23 countries listed as candidates for membership. In just ten years, the AIIB has established itself as the second-largest multilateral bank by membership, with 110 member states.

The cautious distance of the early years to geo-economic, Chinese-initiated projects such as the Belt and Road Initiative (BRI) gradually faded over time. From today's perspective, the reasons for the bank's emergence are clear. They are directly linked to several parallel geopolitical processes.

New Chinese Foreign Policy

Between 2010 and 2015, China established itself as the world's second-largest economy and leading export nation. Its economic rise enabled the country to underpin its geopolitical ambitions. Until Xi Jinping came to power in 2013, China's foreign policy was an economic policy tailored towards individual regions, following the principle of a "peaceful rise." This changed under President Xi's new government. Global political ambitions, including in areas that go beyond economic interests, and the desire to be recognized as an equal great power alongside the USA are now at the forefront.[1] Xi Jinping's vision of the "Great Rejuvenation" emphasizes the common ancestry and cultural identity of the "sons and daughters of the Chinese nation in China and abroad" under a common ethno-nationalist, civilizational narrative.[2] The "China Dream" aimed to create a prosperous nation. Some suspect a reference to the "American Dream." The Belt and Road Initiative ties in with the so-called "going out" policy (since 1999) which was formulated under Jiang Zemin. Targeted support through foreign investment by Chinese companies further consolidated China's influence in Asia, Africa, and Europe.[3] This is part of a broader strategy aimed at aligning the international order more closely to Chinese interests as well as replacing the US as the world's leading power.

Expanding Regional Spheres of Influence

A central aspect of China's geopolitical strategy at the time the AIIB was founded was securing territorial claims and creating economic corridors, particularly in Central Asia and the South China Sea. The People's Republic of China (PRC) was in direct competition with the USA and Europe. The aim was to secure their respective spheres of influence: The US pursued their ambitions in Asia under the slogan

"Pivot to Asia" or "New Silk Road" (since 2011), the Europeans under the so-called European "Juncker Plan" and the European Infrastructure Investment Initiative (2014), and the Chinese under the EU initiative under "16+1" (2009/10) and the Shanghai Cooperation Organization (SCO, since 2001).[4] The economic integration of Central Asia was the primary goal of both the American Silk Road and the BRI. At around the same time, conflicts with the Philippines over territorial claims in the South China Sea began. Between 2014 and 2015, China intensified the construction and militarization of artificial islands in this region. These measures were aimed at consolidating China's control over strategically important sea lanes and strengthening its position vis-à-vis neighboring countries and the US.[5]

Disputes over Voting Rights in the World Bank

The founding of the AIIB was an expression of dissatisfaction with voting rights within the World Bank. It offered an alternative to established institutions such as the World Bank and the International Monetary Fund (IMF) and thus also challenged the dominance of the USA and the lack of willingness to reform existing institutions. China had long been calling for its voting weight in the World Bank to be increased in line with its growing economic strength. The US Congress blocked this, while the Europeans supported the change in voting rights. The AIIB is therefore China's attempt to break the dominance of the USA in the multilateral banks.[6]

Integration into the International Financial Architecture: The Same and Yet Different

The founding of a multilateral bank by the People's Republic of China was a strong signal to existing multilateral banks. Over the last ten years, the initially highly politicized atmosphere surrounding the AIIB has diminished. For the first few years, the AIIB acted as a "little sister" to established multilateral banks such as the ADB or the World Bank. In 2020, for example, only seven of 27 projects were standalone, meaning the AIIB's environmental and social standards were not applicable to the majority of projects.[7]

The New Development Bank (NDB), also called BRICS Bank, was founded at the same time as the AIIB. It was initiated by India and has only seven members so far. While China plays an important role in both banks, it plays a much greater role in the AIIB. The establishment of a multilateral institution under China's leadership was part of the country's integration into multilateral institutions and the transformation of these from within.

Multilateralism – Same Word, Different Meaning

The AIIB plays a central role in Chinese multilateralism by establishing a new form of international cooperation.[8] It is worth highlighting here that China criticizes the existing rules-based multilateral order:

> "[The multilateral order] is not 'fair and just', but protects 'the self-interests of a particular group'. The Belt and Road Initiative (BRI), on the other hand, is presented as an alternative 'Chinese-style multilateralism' based on 'joint consultations', in which cooperation with other countries is not based on generally binding rules for international cooperation, but on bilateral agreements. China's vision of multilateralism is therefore more of a 'multi-bilateralism'".[9]

China propagates a "cooperative multilateralism" that is based on bilateral agreements and questions the established international norms. On the international stage, China never tires of presenting itself as a leader in strengthening multilateralism and common development goals, such as those defined by the United Nations. As recently as January 2025, Vice President Ding Xuegang announced the "new" multilateralism in Davos under the Chinese President's motto "Building a community with a shared future".[10] Under President Xi, building a "community of common destiny" has become the overarching frame of Chinese foreign policy—not just regionally, but globally. The term, a defining aspect of "Xi Jinping Thought," was incorporated into the Chinese constitution in October 2017. In March 2017, it was also included in a UN Security Council resolution for the first time, a unanimously adopted resolution to extend the mandate of the UN assistance mission in Afghanistan for one year.[11]

Under the current Trump administration, the work of the multilateral banks is heavily influenced by a review of US memberships. Even a withdrawal is not yet ruled out. In response, the AIIB is facing a revaluation. Meanwhile, China is well integrated into multilateral institutions. In the United Nations (UN), China has become the second-largest financier and has since joined forces with Russia to shield itself from accusations of human rights violations. In the World Trade Organization (WTO), China has been a member for a quarter century. China has also been a member of the G20 since 1999. In 2015, China was party to the Paris Climate Agreement and has been working informally with the Paris Club on debt settlement since 2020.

The AIIB must therefore be seen against the backdrop of complex geopolitical developments. Its role in the international financial architecture cannot be viewed in isolation from China's geopolitical role vis-à-vis the US, Europe, and Russia.

MCDF - "A Vehicle for More Multilateralism in BRI Financing"[12]

The Multilateral Cooperation Center for Development Finance (MCDF) was jointly established in 2019 by the Chinese Ministry of Finance and multilateral banks. In 2020, it was decided to locate the secretariat within the AIIB in Beijing.[13] However, the MCDF is not subject to review by the AIIB Board of Directors.

With the establishment of the MCDF, it became clear how closely the AIIB is linked to the Chinese Belt and Road Initiative (BRI). The cooperation platform was an essential outcome of the first BRI summit in 2017[14] and is intended to facilitate cooperation between multilateral banks along the economic corridors of the BRI. The goals of the MCDF include eliminating bottlenecks in infrastructure projects through capacity building, information sharing, and providing greater resources for project preparation. The Ministry of Finance of China describes it as a platform for BRI investment.[15]

The founding signatories in 2017 were the AIIB, the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), the New Development Bank ("BRICS Bank"), and the World Bank Group.[16]

There are persistent inconsistencies and unanswered questions:

- The MCDF is presented as functionally independent of the AIIB, yet all known standards and bodies are aligned with the AIIB.
- There is a secretariat based at the AIIB, which is responsible for day-to-day administration. However, it is not defined which governing body is responsible for ensuring that all projects meet the accredited standards of international financial institutions (IFIs).[17] As a result, it is unclear which standards apply.

- In 2021, the AIIB issued a directive that the AIIB Vice President for Policy and Strategy will oversee the administrative functions of the MCDF.
- In November 2021, the MCDF Policy on Information Disclosure was issued. It states: “This policy is consistent with the principles of the information policy of the AIIB, which acts as the administrator of the MCDF.”
- The four-page document does not provide any information on disclosure deadlines or the collection of environmental and social impact assessments.

It is crucial to ensure that shareholders and the public are able to monitor the environmental and social impacts of MCDF investments. This requires the timely publication of risk analyses, action plans on how these risks are addressed and monitored, as well as the evaluation results after completion of the projects.

The MCDF primarily provides technical advisory services *(Technical Assistance)* to governments, commercial banks, and financial intermediaries. Only accredited partners, such as the African Development Bank (AfDB) or the Development Bank of Latin America and the Caribbean (CAF), can apply for grants. Implementing partners are expected to work closely with new partners, including other financial institutions that typically do not apply environmental and social standards. In this way, AIIB projects can be awarded to financial intermediaries that then develop appropriate environmental and social standards through the MCDF. For example, the regional development bank Banco de Desenvolvimento do Estado de Minas Gerais (BDMG) in Brazil has received a grant for the implementation of the AIIB-supported Renewables Asia Connectivity Facility (2022).[18] The MCDF is financing the bank’s development of its environmental and social policy standards. The commercial bank City Bank PLC (CBL) in Bangladesh is also receiving support from the MCDF (2024) to align its environmental and social standards. Since the AIIB itself does not have particularly high environmental and social standards and repeatedly emphasizes that it is still a young, learning bank, there is no guarantee that the alignment or development of the guidelines will be based on best practices. Furthermore, without binding rules on the disclosure of sub-projects, the affected communities are unable to prepare themselves in good time.

2. External Governance: The Role of China and the European Shareholders in the AIIB

The Influence of Large Shareholders like China

The establishment of the bank by China has repeatedly raised doubts about the political influence of China on the bank, in particular the Chinese Communist Party.

In his speech at the opening of the AIIB Annual Meeting 2020, Chinese President Xi Jinping stated:

> "In late 2013, I proposed on China's behalf the establishment of the AIIB. The initiative is designed to develop infrastructure and connectivity in Asia and deepen regional cooperation for shared development."[19]

At the AIIB 2024 Annual General Meeting in Samarkand, Uzbekistan, the representative of the Chinese Ministry of Finance emphasized:[20]

> "We encourage AIIB to further align with the [Chinese] Global Development Initiative, the Belt and Road Initiative, actively explore and expand tripartite cooperation with other development partners and engage in the implementation of G20 MDBs reform recommendations. (...)"
>
> "2025 will be a very important juncture for AIIB's development. As the largest shareholder and host of the AIIB, China will abide by President Xi Jinping's instruction of making the AIIB a new platform that promotes development for all of its members and facilitates the building of a community with a shared future for mankind."

By referring to genuinely Chinese concepts that are linked to the President of the People's Republic of China, such as the Global Development Initiative (GDI), the Belt and Road Initiative (BRI), or the constitutional enshrined "community with a shared future", the AIIB is the only multilateral bank to be linked to political concepts and industrial programs of the bank's founding nation.

In 2023, the AIIB's Canadian Head of Communications made serious accusations against the bank. He resigned from his position and declared that there was a highly "toxic culture" within the AIIB and that the bank was dominated by members of the Communist Party.[21] Canada immediately froze all its contributions. The incident triggered a broad debate among European shareholders. The bank initiated an internal investigation. Just three weeks after the incident, on July 7, 2023, the AIIB published a statement based on interviews with a handful of employees. The main message of the 36-page internal management report is that the allegations are unfounded and that internal governance is not objectionable.[22] Nevertheless, the bank conceded that complaints mechanisms within the bank should possibly be revised.

In September 2023, Urgewald and partners invited the Executive Directors, German members of parliament, senior management representatives, and civil society representatives from Asia and Europe to discuss this and other fundamental issues of accountability and environmental protection. The bank's senior management wanted to defuse the situation and pointed out that the bank adheres to the highest standards.[23] European shareholders generally rejected the idea to leave the AIIB. Nevertheless, the possibility of joining the external investigation demanded by Norway and the Netherlands was discussed intensively.[24] The Swedish government argued to wait for the Canadian investigation. To date, nothing is known about the reviews.

"You can never completely escape the influence" (Jin Liqun)

The influence of China is no longer disputed by the President of the Bank himself. He described the influence of large shareholders as "completely normal" in view of the practices in the World Bank and IMF: "Traditionally, the President of the World Bank is chosen by the USA and the Director of the IMF by the Europeans. China has been criticizing this for a long time. I say it quite openly: You can never completely escape the influence of the big shareholders. This is not negative per se. The question is how influence is exerted."[25]

Although Chinese state banks account for a much larger share of BRI project financing overall and India, the bank's second-largest shareholder, still has no ambition to support the BRI through a Memorandum of Understanding (MoU), AIIB President Jin Liqun described the BRI and AIIB in 2018 as "two engines of an airplane," both of which are needed to ensure a high and comfortable flight.[26] Time and again, it becomes clear the bank is guided by the economic guidelines of the Chinese five-year plan. One example is the expansion of the digital infrastructure, which ranks at the top of the agenda of the current Chinese five-year plan (2021-25). The Fifth Plenum of the Chinese Communist Party also confirmed this in 2020. A short time later, the AIIB announced the expansion of digital infrastructure as a priority task.[27]

The Role of European Shareholders in the AIIB

Although the European shareholders collectively hold 22.6 percent of the voting power, their influence has so far remained limited. The role of the shareholders, represented by the Executive Directors, is to be "responsible for the direction of the Bank's general operations." This includes approving the AIIB's strategy, annual plan and budget, setting policies, making decisions about the bank's operations, overseeing management and its activities, and establishing a monitoring mechanism.[28] This is where the AIIB differs from other banks such as the World Bank, where the Executive Directors are much more closely involved in day-to-day operations, such as the approval of loans.[29]

The Board of Directors comprises twelve Executive Directors (EDs) who represent the member countries. Each constituency holds the combined voting share of its member countries. The voting rights are based on a basic share for each member state, an additional share for founding members, and a share that depends on the amount of capital invested in the bank. The investment-related share is the decisive factor.[30]

The European shareholders in the AIIB are divided into two voting groups: the Euro Area Constituency (EAC) and the Wider European Constituency (WEC). The EAC is the bank's second-largest constituency with 15.3 percent of the votes; the WEC holds 15.3 percent.[31] Combined, they control 22.6 percent of the voting share, still less than China's 26.5 percent. Even though a qualified majority of 75 percent is required for key decisions, the European bloc cannot unilaterally stop sweeping proposals. In contrast, China holds a de facto veto.

In 2024, the President pointed out that China's veto power was comparable to the voting shares of all member countries of the Organization for Economic Cooperation and Development (OECD) and that there was therefore no imbalance.[32] In fact, all OECD countries together account for around 34 percent of voting rights. However, the OECD countries are spread across six different voting groups, making it very difficult for them to use their voting shares in a coordinated manner to influence decisions. The only countries that have their own voting group are China, India, and Russia, which together account for 40.1 percent of voting rights.

The participation of the European countries in the AIIB was by no means certain. The USA had decidedly opposed membership of the bank by Western countries and saw the establishment of this bank as a direct attack on the US-dominated multilateral world order. After the UK announced its accession on March 12, 2015, Germany, France, and Italy followed in quick succession. The resistance was broken and the US's closest allies ignored its warnings.

Voting Rights of the Euro Area Constituency (EAC) and Wider European Constituency (WEC) compared to other shareholders

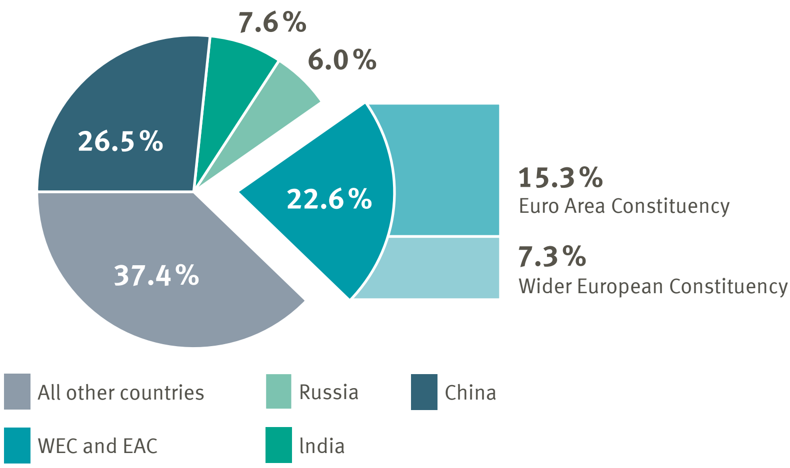


Figure 1: Voting ratio by constituency

With the accession of the European states, the AIIB increased its founding capital from 50 to 100 billion dollars. One-fifth was paid in directly, the remaining 80 percent is in the form of guarantees. This enabled the AIIB to receive the highest rating from the rating agencies, AAA, which is also held by the World Bank. The better the rating, the cheaper it is for the bank to refinance through bonds.

In the case of Germany, the membership in the AIIB was justified in Parliament with the argument that meaningful influence on the bank's standards and principles could only be achieved from within. Social, environmental, and human rights standards were considered essential; it was emphasized by all parties that these should be aligned at least with those of the World Bank.[33] However, in November 2015, the Finance Committee noted that the AIIB's official standards were not yet available at the time of the decision—the first version was published only in 2016.

Against this background, all parliamentary groups urged the German government to advocate for strict ESG and governance standards, including a ban on investments in coal and nuclear power, an independent complaints mechanism, and strong provisions for transparency and accountability.[34] The government committed to these principles as the foundation of its support.

After years of unsuccessful appeals, Mrs. Sarita Kumari and Growthwatch spoke up on behalf of affected communities before the president of the AIIB, Jin Liqun, at the AIIB annual meeting in Sharm El-Sheik 2023. Credit: Kevin May / Oxfam Hong Kong

3. Internal Governance: Management and Guiding Principles of the AIIB

Corporate Strategy and Business Model

After 10 years of operation, the AIIB is at a critical juncture with the mid-term review of its corporate strategy. The 2021-2030 strategy came into effect five years after the bank began operations and defined its vision, mission, and strategic direction—the foundation upon which the bank is built.

The AIIB sees itself as an investment bank, rather than a traditional development bank. Its name, Asian Infrastructure Investment Bank, clearly indicates that it focuses on financing infrastructure. “Infrastructure for tomorrow” is the title of its corporate strategy. Its business model is, therefore, closer to that of the European Investment Bank (EIB) than to the business models of traditional development banks such as the Asian Development Bank (ADB).[35]

The AIIB’s governance model represents a departure from traditional practices at other multilateral banks. The bank’s corporate strategy sets out its core values: “Lean, Clean and Green.” A new feature is the lean management system, designed to make processes more efficient.[36] The flexible and rapid approval of projects and the unique position of power held by the bank’s President are intended to contribute to the achievement of this goal. The AIIB promises to respond quickly and non-bureaucratically to the wishes of its borrowers in government and the private sector.

In its external communications, the AIIB repeatedly emphasizes that it wants to set itself apart from other multilateral banks through its lean structure.[37] One example of this is the decentralized structure of the Board of Directors, which does not work at the bank’s headquarters as is customary, but operates from the member states. These aspects go hand in hand with its focus on customers, enshrined in its corporate strategy. The strategy emphasizes “finding customer-oriented solutions” and paying “special attention to the views of customers.”

All these aspects are intended to make the AIIB more attractive to its member countries, the majority of which are not democracies. Projects should be easier to implement and less expensive. However, this is precisely where the weaknesses of this model become apparent. On the one hand, the AIIB wants to be lean, but on the other hand, this aspect is coupled with the ideals of a "clean" and "green" bank—in other words, a bank without corruption that actively contributes to environmental protection. Implementing these principles simultaneously produces tension. The AIIB's lean structure means fewer internal control mechanisms and a decentralized board, which can make coordination and comprehensive project oversight difficult. An efficient administrative structure can speed up processes and reduce costs, but it must not come at the expense of the countries' supervisory responsibilities. Strong institutional control is essential, especially for large infrastructure projects that have significant environmental and social impacts.

Similarly, customer focus is primarily directed at borrower countries and the private sector. The local population and affected communities are not taken into account. Behind the question of organizational design lies the question of who should benefit from projects. Ultimately, this AIIB model reflects a concept of development that places greater emphasis on economic efficiency and investor interests than on the social and environmental impacts of its projects. This aligns with the Chinese concept of development. Truly sustainable and future-proof infrastructure financing, however, must take both sides into account. It must consider the perspectives of member countries as well as that of the local populations; it must adhere to an efficient structure but also facilitate responsible monitoring. The weak emphasis on the perspective of local populations indicates a weak complaint mechanism intended to safeguard the rights of those affected, as well as the development policy added value of the project.

Human rights and the concept of development

China prioritizes the "right to development" over individual political rights. Disagreement over the recognition of the universality of human rights and the right to development is at the heart of the conflict between Western countries and China. The discussion gained new momentum with the collapse of the Soviet Union and the World Conference on Human Rights in Vienna (1993). While the World Conference affirmed the universality of human rights, an additional document, the so-called "Bangkok Declaration of Human Rights," was drafted on behalf of 34 Asian countries to emphasize the national contextuality and relativity of human rights.[38]

Regarding development financing, China has criticized Western donor countries for “making improvements in good governance, anti-corruption, and human rights a condition for development aid. It takes the position that these aspects should not be placed above economic and technical development issues such as infrastructure development (...)”.[39] The right to development (understood here as economic development) should take precedence over all other defined human rights. The UN International Covenant on Economic, Social and Cultural Rights, adopted by the United Nations General Assembly (UNGA) in 1966 and ratified by 172 countries, including China, is a multilateral binding treaty under international law. The “International Covenant on Civil and Political Rights,” the parallel covenant to the Social Covenant, was signed by China in 1998 but has not yet been ratified. In 2012, China fundamentally questioned the universality of human rights in its now famous internal document No. 9 and rejected concepts such as freedom, democracy, and human rights as part of a Western value system.[40] Since then, the country has been trying to incorporate the proactively formulated twelve socialist core values[41] into international treaty documents and United Nations declarations. The Communist Party’s understanding of democracy and human rights, as well as the so-called “Xi Jinping Thought,” have now been integrated into various UN documents. This weakens the conventional understanding of human rights.

Structure and Administration

The AIIB’s organizational structure is based on that of other development banks. As the largest shareholder, China has the (unwritten) right to nominate the President of the AIIB, similar to the US at the World Bank. The President is then formally elected by the Board of Governors, whose twelve members[42] represent the member countries.

The Board of Directors, represented by the Executive Directors, advises on the bank’s policies, strategies, and lending. It decides on the AIIB’s guiding principles, annual plans, and budget, and oversees the administration and operation of the AIIB. The Board of Directors is responsible for the “big picture,” while day-to-day business is left to the President and his management team. The Board of Directors is, therefore, the AIIB's ultimate governing body.

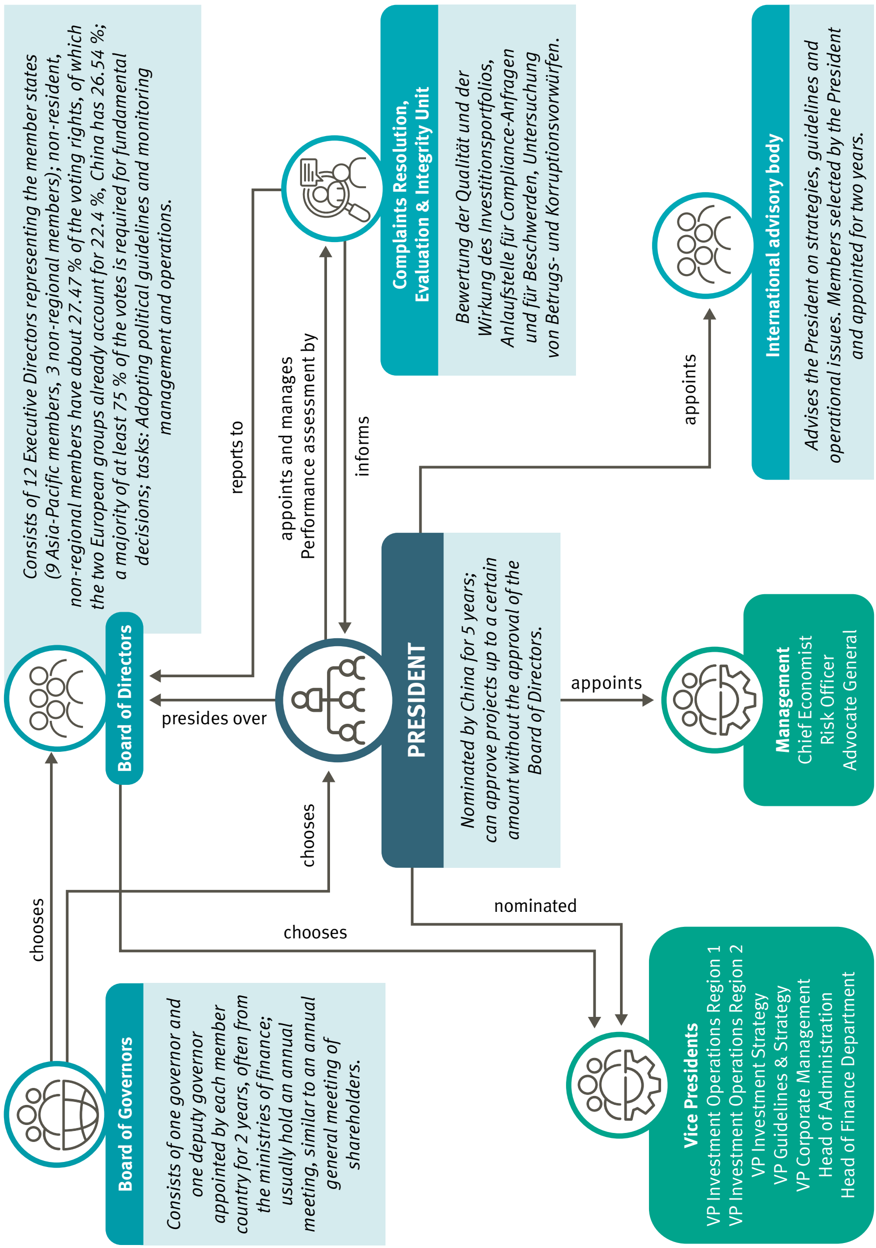
Typical of multilateral banks, the President is part of the management. In certain respects, however, the autonomy of the AIIB President differs significantly from that of other multilateral banks. Within the AIIB's so-called Accountability Framework, the President can independently approve projects of up to $300 million in the public sector, up to $150 million in the private sector, and up to $35 million in equity investments—all without prior approval by the Board of Directors.[43] This practice is unique among multilateral banks.

Although each of the twelve members of the Board of Directors may request that individual decisions be referred to the Board, this is complicated by the allocation of tasks, the geographical distribution of the Executive Directors around the world, and the resulting difficulties in the flow of information (including informal communication). This means that adequate control by the shareholders is not guaranteed.

The authority of the AIIB President also extends well beyond that of other multilateral banks in terms of the supposedly independent complaints mechanism. The President appoints the Chair of the Complaints Resolution, Evaluation and Integrity Unit (CEIU), in which the complaints mechanism (Project-affected People's Mechanism, PPM) is embedded. Furthermore, the PPM does not report directly to the Board of Directors but is represented by the chair of the CEIU.[44] As the Chair is appointed by the President, there are serious doubts about the independence of this body.

The AIIB's accountability system already shows several weaknesses. First, the Board of Directors lacks a reporting channel that is independent of management. Second, project approvals are not reviewed on a regular basis, but only at the initiative of the Supervisory Board.

This is exacerbated by the fact that the AIIB has a non-resident Board of Directors. Unlike the World Bank or the ADB, the Board of Directors is not based at the AIIB's headquarters and does not work full-time, which severely limits its control and supervisory function. For example, it approved the framework for accountability without first ensuring that rules for public access to information were established. Germany had unsuccessfully advocated for a resident board of directors prior to



Grafik 2: Organisationsstruktur der AIIB (Quelle: *https://www.aiib.org/en/about-aiib/basic-documents/_download/articles-of-agreement/basic_document_english-bank_articles_of_agreement.pdf*) ©2025 Urgewald

the establishment of the AIIB. The Board of Directors meets regularly in person or via video conference for consultations. The AIIB aims to create a lean management structure, as envisaged in its corporate strategy's "Lean, Clean and Green" principle. However, this precludes informal interaction and information flow between board members and management, which is part of everyday work at institutions such as the World Bank or the ADB.

4. Institutional Framework: “According to the Highest Standards”?

When it comes to comparing the standards of the AIIB and the World Bank, representatives of European shareholders and scholars refer to the 2016 report by the Scientific Service of the German Bundestag reviewing the AIIB’s protection standards.[45] Germany joined the AIIB expecting that the bank’s standards would be at least equivalent to those of the World Bank. The report compares the World Bank’s standards with those of the AIIB. It concludes that, in terms of language, the standards of the AIIB and the World Bank are very similar, even though the World Bank’s Environmental and Social Framework (ESF) formally contains “three times as many standards” as the AIIB’s ESF. “Looking at the substance of the standards formulated, it is clear that both ESFs offer a similar level of protection in a number of areas.” The report is based on a strictly textual analysis of the standards.

The similarity in wording is hardly surprising, given that the AIIB adopted many of the terms directly from the World Bank and specifically recruited senior staff from the World Bank and the ADB for this purpose. By involving former World Bank employees in the development of the ESF, the AIIB wanted to ensure its rules would stand up to comparison with international standards. To someone unfamiliar with the details, this appears to be the case. All keywords and target descriptions considered important to interest groups are mentioned. However, the AIIB standards were drafted during a period when the World Bank was revising and watering down its own standards. In the process, fundamental human rights were called into question, including the obligation to obtain the free, prior, and informed consent (FPIC) of project-affected communities. The permission to use “preventive force” by private security outfits was also discussed. The report concluded that the AIIB’s ESF lacks independent standards on working conditions, public health and safety, cultural heritage, biodiversity, and the prevention of environmental pollution, such as those that exist at the World Bank.

Urgewald subsequently published a critical assessment of this report. The counter-report concluded that there were major shortcomings in the AIIB standards, particularly with regard to access to information. The AIIB regulations are “so open and flexible that project managers have considerable leeway to decide arbitrarily when and what information is made public.”[46] The following chapter takes a critical look at the implementation of the standards in practice and highlights existing gaps.

Environmental and Social Standards

The Environmental and Social Framework (ESF) was adopted before the AIIB began operations in January 2016. It was revised in 2019, fundamentally overhauled in 2020–21, and supplemented by an addendum in 2024.

Solid environmental and social standards are essential for a multilateral development bank, especially since the AIIB's business model is based on financing large infrastructure projects with far-reaching consequences for people and the environment. This is the only way to avoid biodiversity loss, water and air pollution, irreversible destruction of wildlife habitats, and massive resettlement of communities, as well as the loss of livelihoods. With 22.5 percent of voting shares, European shareholders bear a special responsibility for the sustainability of the projects in which they invest, encompassing the protection of human rights, compliance with social security standards, ensuring transparency and disclosure of information, and climate protection.

Transparency, Disclosure and Reporting Requirements

Reliable environmental and social standards are based on robust information and reporting requirements, not least to enable public participation and prevent harm. In general, it is essential that local communities affected by projects are fully informed before projects receive approval and are implemented. This allows problems to be identified at an early stage and avoided where possible. However, it is precisely in this area where the ESF's greatest weakness lies. As a result, the well-worded objectives are rendered meaningless. In this respect, the AIIB differs significantly from the World Bank and the ADB. The AIIB has weaker transparency and reporting requirements. Binding deadlines for the publication of project information and environmental and social impact assessments (ESIA) were only introduced in 2021, after years of pressure from civil society actors and certain voting groups. This means that the bank operated for six years without mandatory disclosure deadlines.

The disclosure deadlines now in place—60 days for risk category A projects and 30 days for risk category B projects—represent progress but still fall short of international best practices. Other multilateral banks, such as the ADB, have stricter rules. For government projects, environmental impact assessments must be published at least 120 days before the ADB Supervisory Board's decision. For indigenous communities, the AIIB's 30-day deadline is not enough, especially if documents aren't translated into local languages.

In addition, there are still significant restrictions with regard to reporting requirements. For example, there is no obligation to publish information on so-called commercially sensitive projects. Even more serious is the lack of transparency in the rapidly growing area of lending through financial intermediaries such as commercial banks, capital market instruments, and private equity funds. During ESF consultations, civil society organizations called for a commitment to disclose sub-projects financed through financial intermediaries. No such provision can be found in the revised ESF. Without such transparency, effective monitoring is virtually impossible.

Consultation Does Not Mean Consent

The AIIB's ESF undermines the requirements of Convention 169 of the International Labor Organization (ILO) on the protection of the rights of indigenous peoples—despite the fact that many of the bank's member states ratified this convention, which is still considered a binding standard in all multilateral banks. The Convention requires that indigenous and tribal peoples be consulted on all matters affecting them. Furthermore, their free, prior, and informed consent (FPIC) must be ensured in political and development decisions that directly affect them.

In contrast, the AIIB's ESF merely stipulates that "the client shall conduct free, prior, and informed consultation (FPICon) with the affected indigenous communities."[47] The bank is thus replacing the obligation to obtain consent, which is enshrined in international law, with non-binding consultation. The following paragraph also states: "There is no universal definition of FPICon." With this wording, the AIIB deliberately evades the protection mechanisms for indigenous peoples established by the United Nations.

Early, comprehensive information and involvement of local communities is crucial in order to identify and avoid potentially negative impacts of projects and, ideally, to resolve problems before projects are approved and implemented. This key area reveals a major weakness of the ESF. Despite its well-intentioned objectives, the protection of indigenous rights remains inadequately regulated, which significantly undermines its effectiveness.

Application and Scope of the ESF

A fundamental problem remains that the implementation and monitoring of the ESF is primarily the responsibility of the client. The bank justifies this with its deliberately “lean” structures. Compared to other multilateral banks, the ESF assigns extensive responsibility to borrowers. Borrowers are required by the bank to comply with due diligence obligations regarding environmental and social compatibility in their projects, to inform and consult the communities affected, and to report regularly on project progress and any problems that arise.

It is particularly problematic that borrowers are also responsible for assessing whether a project should be implemented at all from an environmental or social perspective. This creates a significant conflict of interest. Project partners have an interest in implementing projects cost-effectively and certifying that they meet environmental and social standards.

Another concern is that capital market operations are not governed by the ESF, but by the environmental, social, and governance (ESG) guidelines of the respective borrowers. The bank justifies this by arguing that the application of familiar standards facilitates implementation for project partners and strengthens their institutional capacities, especially where gaps or weaknesses still exist. However, there is no clear structure for how the equivalence of these ESG guidelines with the ESF is to be verified and ensured.

Even the revised version of the ESF contains very few legally binding standards. In an online consultation with the bank, management refers to the Environmental and Social Management Plan (ESMP) in the ESF, which contains legally binding commitments. However, neither the management plan nor the ESF as a whole mentions “legally binding” commitments. Instead, the 2021 ESF uses the restriction “if/where applicable” 120 times and the phrase “possible/feasible/deferrable” over 60 times.

The AIIB has the option of approving a project without an environmental and social impact assessment. It is unclear how the “one director rule,” which states that the Board of Directors can submit a project for review and decision with just one vote, is supposed to work in this case. If basic information is not yet available, such a decision is hardly possible before approval.

Shareholders who have ratified ILO Convention 169 on Indigenous Peoples and the Protocol to the ILO Convention on Forced Labor (No. 29) and who fully support the requirements of the UN Guiding Principles on Business and Human Rights must comply with the commitments made here and guarantee an independent review of the projects.

Complaint Mechanism

Like other multilateral banks, the AIIB enjoys immunity. It cannot be sued by individuals or communities who have suffered harm.[48] Against this backdrop, the history of the first complaint mechanism, established over 30 years ago, seems increasingly relevant. The Inspection Panel (IP), one of the most far-reaching institutional reforms in the global political economy, was created in 1993 in response to criticism of the impact of the World Bank-financed Sardar Sarovar Dam in India. Since then, individuals have been able to file formal complaints with the World Bank. The establishment of the IP became a model for almost all multilateral banks. When the AIIB was launched, complaint mechanisms had been considered a settled norm for decades.[49]

The objective of complaint mechanisms is to provide an easily accessible and management-independent means of complaint for affected persons. This is intended to remedy any unintended negative impacts and to safeguard the rights of those affected as well as the development policy added value of the project. Complaint mechanisms play an important role in the bank's internal governance and enable the Supervisory Board and thus the shareholders to fulfill their supervisory function.

Upon receipt of a complaint, complaint mechanisms review the extent to which management has fulfilled its obligations with regard to environmental and social standards (ESF). They do not explicitly investigate the borrower, but focus on the role of the bank's management. Once a complaint has been deemed admissible, the mechanism includes, among other things, a review of all project-related documents, discussions within the bank with responsible staff, and visits to the project area to talk to the people affected and verification of the complaints on site. The resulting investigation report serves as a basis for remedying the negative impacts. Additionally, complaint mechanisms should foster institutional learning to prevent recurring mistakes. These functions appear to be particularly relevant for the governance of the AIIB, as the AIIB's non-resident supervisory board is not located within the bank and cannot interact directly with management. In addition, the President has more extensive lending powers than those in other multilateral banks. This raises two important questions: To what extent have European shareholders managed to implement a complaint mechanism comparable to those at other multilateral banks? Which shareholders actually hold the bank accountable?

Disappointing Results of the "Project-Affected People Mechanism" (PPM)

In its ten-year history, the AIIB's complaint mechanism has not accepted a single complaint. This is not because there were no problems with any of the projects, but because no complaint has been deemed admissible so far. Serious concerns have since been raised about the AIIB's approach to accountability. Above all, barriers to access and the exclusion of large parts of the AIIB portfolio have meant that the PPM has not been accessible to affected persons, even though AIIB financing has led to at least 34 complaints to other banks' complaint mechanisms. The fact that no complaints have been admitted cannot be justified by the fact that this is a comparatively new bank. Given the 30 years of experience with other complaint mechanisms shared among the international team of respected development experts hired by the AIIB, the impact of the restrictive policy was well known when the PPM was established.

In recent years, around 40 percent of projects were deemed ineligible for complaints.[50] This was mainly because co-financed projects are explicitly excluded from the complaint mechanism. This practice exists in this form only at the AIIB.

To date, two complaints have been filed regarding the remaining portion of the portfolio. Both were rejected. The first complaint concerning the Mumbai Metro Line 4 was not accepted because it was filed by a single individual; the policy requires two or more complainants.[51] This arbitrary restriction, while not uncommon, undermines the rights of individual complainants and ignores the fact that a human rights violation is serious even if only one person is affected. In countries with repressive political conditions, it is also virtually impossible for several people to join forces to file a joint complaint, as this can entail considerable personal risks for them.

The second complaint concerning the Bhola IPP gas-fired power plant in Bangladesh was rejected on the grounds that the affected parties did not undertake "sufficient efforts" to resolve the issue directly with the project management, as required by the guidelines. However, several meetings took place over a period of three years, which the affected communities did not consider to have produced satisfactory results. Those affected were not only denied access to the complaint mechanism. After withdrawing from its direct investment without considering remedial measures for the obvious negative impacts, the AIIB indirectly contributed to the power plant through a capital market operation.[52] These indirect investments were in turn excluded from the PPM mandate.[53]

Barriers to access come with big risks for those affected. The PPM's 2018 policy puts the burden of proof on communities. It requires potential complainants to first engage with both management and project-level grievance mechanisms (GRMs) before they can file a complaint with the PPM. If this is not possible, complainants must provide reasons.

The external evaluation for the revision of the PPM policy54 in turn points to structural problems with the GRMs. Members of management have themselves admitted that they are not sufficiently informed about the protocols and capabilities of staff in dealing with complaints. Further problems were identified by an analysis of the customer websites of financial intermediaries working with the AIIB, including that little information is available about how GRMs actually work. Further reference was made to insufficient AIIB monitoring visits to GRMs at project level.55 In this context, the risks associated with the restrictive PPM policy in terms of accessibility become clear. The policy ignores the risk of reprisals and a lack of trust on the part of those affected in cooperating with GRMs and management. The approach continues to delay the rapid elimination of negative impacts, leads to uncertainty, and, in the worst case, can result in people being subjected to retaliatory measures. The high barriers in the guideline make the complaint mechanism de facto inaccessible to affected communities. As a result, civil society's trust in the PPM and the AIIB is dwindling.

Power imbalances between affected people and the AIIB are reinforced rather than addressed by the PPM Policy. Applicants are currently only allowed to appoint representatives from their own country. Individuals or organizations outside their country are only allowed to act as representatives in exceptional circumstances where representation in the country is not possible. At the same time, the AIIB and its clients are free to choose their representatives and legal counsel without having to justify their choice. Complainants may prefer to appoint local, national, or international organizations as their representatives for various reasons. These include the expertise, resources, or experience of the organizations. Another reason could be that affected persons do not want to reveal their identity for fear of political persecution. As the external review report notes, complainants should therefore have the opportunity to be represented by those they consider appropriate, regardless of whether they are local or international civil society organizations. If the AIIB is committed to achieving positive impact through its investments, there is no reason why the rights of potentially affected people should be restricted in this way.

Ten years after the AIIB was founded, following numerous reports on the structural problems of the PPM, and an in-depth external evaluation commissioned by the AIIB itself, everyone involved knows where the problems lie and how they can be solved.[56] Civil society is paying considerable attention to the current revision process of the PPM. The outcome of the revision will show whether the AIIB's shareholders take the rights of people negatively affected by projects seriously. Failure to implement fundamental improvements would be a clear sign that the projects are not about protecting human rights or improving living conditions, but about securing profits.

Meeting between AIIB management and civil society at the AIIB Annual Meeting in Samarkand, 2024. Credit: Kevin May / Oxfam Honkong

A Disaster Waiting to Happen – The Rogun Dam

The AIIB is providing $270 million in support for the continued construction of a 3,780 MW hydropower plant in Tajikistan.[57] The Rogun Dam will be 335 meters high and enclose a 170 km2 reservoir. This will make the Rogun Dam the largest dam in the world. The famous Three Gorges Dam is "only" 185 meters high. The total cost of completing the project is more than $6.4 billion, not including previous expenditures. The first construction phases took place from 1976 to 1991 and from 2006 to 2024.

The Rogun Dam is intended to increase energy security, promote renewable energies, and drive regional decarbonization. The reservoir will enable seasonal energy regulation and potential exports of clean energy to Central Asia. These promises are offset by massive negative impacts, primarily involuntary resettlements. At the end of 2023, the number of people to be resettled was estimated at 46,000, and by early 2024 it had already risen to 50,000.[58] Following critical inquiries from civil society organizations, the figure has now been revised to up to 60,000, taking population growth into account.[59]

Experience with other large dams shows that the number of resettlements can increase significantly during construction. The documentation on the Rogun Dam downplays and neglects the diverse and problematic consequences of resettling 50,000 to 60,000 people. The erosion of the reservoir's banks and the impact on downstream areas have not been adequately considered. Political factors also play a role. The affected people live in a society with little political and individual freedom, low transparency, high levels of corruption, and increasing human rights violations. All these negative impacts are being accepted even though the environmental and social impact assessment showed that a smaller dam with a height of 300 meters instead of 335 meters could meet almost all project objectives while avoiding the resettlement of 32,000 people.

Despite these circumstances, numerous interventions by civil society and a complaint to the World Bank's Inspection Panel,[60] those responsible at the AIIB appear to remain prepared to leave the local people to their fate instead of seriously considering the existing alternatives to avert harm. Displacements such as those at the Rogun Dam also represent a structural problem. A study by Urgewald found that 51 percent of AIIB projects between 2016 and 2022 resulted in displacement.[61] Shareholders point out that the AIIB is an infrastructure bank, and that displacement is therefore unavoidable. Urgewald's comprehensive analysis underscores the need for improved transparency, accountability, and standardization in the documentation and reporting of the social impacts of resettlement and land acquisition in AIIB projects. Addressing the identified shortcomings, including inconsistencies in documentation and data availability, is crucial to ensuring responsible and inclusive project implementation.

Private Capital Mobilization at Any Cost?

The AIIB has set itself a key goal in its corporate strategy: In the future, 50 percent of its portfolio will be allocated to projects involving the private sector. Already, 41 percent of its funds are going to non-governmental financing. This development is part of a general trend whereby multilateral banks are increasingly raising the share of private sector financing in their overall portfolios. Nevertheless, the AIIB's share is well above that of other multilateral banks.[62] By way of comparison, the World Bank continues to invest over 70 percent of its funds in government projects, and the ADB invests more than 90 percent.[63] With this strategy, the AIIB is deviating significantly from the traditional role of development banks, which originally focused primarily on providing low-interest loans to countries to promote public infrastructure, climate protection, and social justice.

A large proportion of private sector financing flows into so-called financial intermediary (FI) projects. FI projects are a form of indirect financing in which multilateral banks do not invest directly in projects but provide funds through financial intermediaries such as banks or investment funds. These financial institutions then decide how the funds are allocated to the final recipients. The number and percentage of FI projects in the total portfolio has risen steadily every year since 2016, with the exception of 2024 (Figure 3).

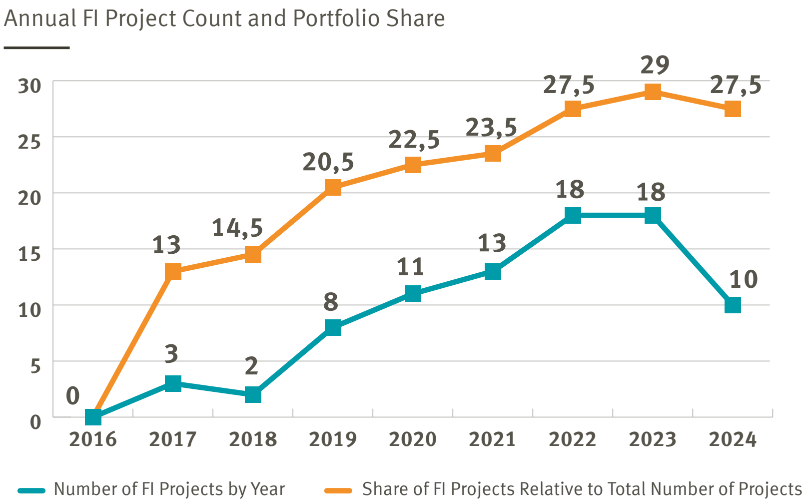


Figure 3: Share of FI projects in the AIIB portfolio

The AIIB primarily invests in its FI projects through private equity funds and on-lending facilities. In the first case, the capital flows to private investment companies, which in turn invest in companies or projects via funds. In the second case, the bank provides capital via bridge financing, which is passed on to end customers by the banks. This type of project is justified on the grounds that it promotes the growth of companies in developing and emerging countries and finances projects that would otherwise have no direct access to capital markets. In practice, however, these positive effects are often difficult to verify, and in many cases the investments even have negative effects.

A key problem with FI projects is their limited transparency. Since the AIIB delegates responsibility for selecting, evaluating, and monitoring projects to financial intermediaries, there is a lack of detailed information about the final recipients of the funds. A 2023 report by Recourse, Accountability Counsel, and Inclusive Development International shows that for the majority of FI projects, only “project summary information” was published, which provides only superficial information about the project objectives. Detailed project documents, monitoring reports, and environmental and social standards were missing in most cases.[64] The lack of disclosure of sub-projects is particularly problematic. Without this information, it cannot be ensured that the funds are being used effectively.

One argument often used against the disclosure of sub-projects is the need to protect business confidentiality. However, a series of interviews and consultations with the private sector conducted by Publish What You Fund in 2024 showed that the publication of sub-projects is already common practice (e.g., on third-party websites) and supported by the private sector.[65] At the same time, the lack of disaggregated data leads to market inefficiencies and increases the cost of doing business with development banks, further inhibiting private investment. From a private sector perspective, there are no compelling reasons against more transparent disclosure practices.

Despite the revision of environmental and social standards in 2021, there are still significant weaknesses in the handling of FI projects. Responsibility for selecting, evaluating, approving, and monitoring these projects is largely delegated to FI clients. The ESF only requires them to have a sound environmental and social management system in place—a requirement that is difficult to verify without sufficient transparency.

A concrete example of the inadequate regulation of FI projects is the financing of the Bhola IPP gas-fired power plant in Bangladesh. In February 2018, the AIIB approved a $60 million loan for the construction of the 220 MW plant. Following its official withdrawal, the AIIB nevertheless remained indirectly involved in Bhola IPP through financial intermediaries, as revealed by research conducted by Urgewald in 2024.[66] In 2023, the AIIB approved a $100 million investment in Actis, a company that now holds a 49 percent stake in Bhola IPP. Later, in July 2023, the AIIB provided $80 million for the BIC IV capital market project. This was used to make a $14.3 million investment in Nutan Bidyut (Bangladesh) Ltd, the owner and operator of Bhola IPP.

This example shows how the lack of transparency in FI projects means that environmental and social standards are not always properly enforced. Although the AIIB has officially withdrawn from Bhola IPP due to its serious impact on the environment and affected communities, it remains involved through indirect financing structures. Such complex investment mechanisms allow the bank to evade its responsibilities and dodge accountability for violations of its environmental and social guidelines. This underscores the necessity of close monitoring and critical scrutiny of the growing share of private sector financing.

Mobilizing private capital is not an end in itself. Without clear regulation and transparency, there is a risk that projects will focus on optimizing returns rather than on nurturing sustainable development. Instead of promoting climate protection and poverty reduction, uncontrolled investments could lead to environmental destruction and social conflict. The problem is the transparency of private sector projects is much more limited than that of public projects. While it is evident that climate finance must be increased, it is equally important to ensure that the funds allocated are in fact directed toward projects that contribute to mitigating or adapting to climate change.

Climate Finance

In addition to its private capital mobilization goals, the AIIB's corporate strategy sets out the bank's first climate change target: At least 50 percent of the financing approved by the AIIB is intended to be used for climate finance by 2025.

Thus far, the AIIB has been primarily notable for its provision of finance for fossil fuel infrastructure. By August 2021, the bank had invested half a billion US dollars in Bangladesh's energy infrastructure, none of which went to renewable energy. Research by Urgewald shows that between 2016 and 2022, the AIIB invested 36 percent of its funds in gas infrastructure.[67]

Back in 2022, the AIIB announced that it would allocate 56 percent of its investments to climate finance, thereby achieving its 2025 target ahead of schedule.[68] By 2023, this figure had already risen to 60 percent. At first glance, this appears to be a success. Yet a closer analysis reveals that this rapid increase is not solely due to a stronger focus on climate goals.

A study by Recourse and BRICS Feminist Watch in 2024 showed how the calculation methods and definition of climate finance played a big role in boosting the numbers.[69] For example, not all areas of financing were included in the calculation. The AIIB's Covid-19 Crisis Response Facility (CRF) was excluded from the calculation, which meant that the share of climate finance was not calculated on the basis of the entire portfolio, but only on the basis of part of it. The AIIB's method was not recognized in the joint report on climate finance by multilateral banks. Only 35 percent of the AIIB's operations in 2022 were classified as climate finance due to this different calculation method.[70]

In addition, the AIIB's method allows even the smallest aspects of a project to be counted as climate finance. One example is the Guangxi Chongzuo Border Connectivity Improvement Project, which aims to promote economic and trade relations between China and Vietnam. One percent of this project was counted as climate finance. This raises the question of whether the high proportion of climate finance actually flows into projects for climate change mitigation and adaptation, or whether it is merely the result of counting the smallest sub-areas within larger projects. In theory, it can be argued that a small part of almost any project has a positive climate effect. But instead of symbolic contributions, what is needed is real investment in renewable energies and effective climate adaptation programs.

Another problem is the reliability of calculating the climate finance share of individual projects. To date, the AIIB has not disclosed the basis on which it calculates its climate finance. In its 2022 *Sustainable Development Bond Impact Report*, however, it published a table showing the share of climate finance in individual projects. In this table, the bank classifies 83 percent of the *Asia Infrastructure Securitization Program II* as climate finance.[71] A study by Urgewald revealed that 65 percent of the investments from this program went to fossil fuel companies (see box on capital market operations).[72] If even projects that promote the expansion of fossil fuel infrastructure are considered climate finance by the AIIB, it is questionable how many of the projects counted as 60 percent climate finance actually contribute to combating climate change.

Capital Market Operations

Capital market operations encompass a wide range of financial instruments and activities that serve to raise capital and hedge financial risks. At their core, these are transactions involving exchange-traded assets such as stocks and bonds. Portfolio management is often delegated to external asset managers who make investment decisions regarding capital market products.

In early 2019, the AIIB announced its intention to develop infrastructure as an asset class.[73] According to this statement, the bank sees institutional investors as the largest untapped source of private capital. Through its capital market operations, it seeks to attract private investors to infrastructure projects in Asia.

Since this announcement, the AIIB has steadily expanded its capital market financing. The AIIB currently has eight capital market operations with a total volume of $1.9 billion in its portfolio. According to research by Urgewald, 62 percent of these investments—over $320 million—go to fossil fuel infrastructure. The AIIB argued that the high investments in fossil fuel infrastructure were necessary to ensure a “diverse” portfolio. At the same time, one of these projects was classified by the AIIB as 89.2 percent “climate finance” and another as 83 percent. It is also particularly worrying that capital market operations have been explicitly excluded from the revised Environmental and Social Framework (ESF) of 2021. This exemption creates a loophole that allows the AIIB to make investments without having to comply with its own environmental and social standards. Instead, it relies on third-party ESG guidelines, which are often inadequate. Capital market operations are also excluded from the AIIB’s complaint mechanism, which means that affected communities have no way of holding the bank accountable for the negative impacts of projects or demanding compensation. The problem behind this exclusion becomes clear when looking at individual projects in which capital market operations have invested. Major investments have been made in the Bhola gas-fired power plant in Bangladesh and offshore oil drilling in Guyana, both of which have been heavily criticized for their environmental destruction and impact on local communities.

5. Taking Responsibility, Pushing Ahead with Reforms

As an AAA-rated FI with shareholders who signed core UN declarations on human rights, the bank needs to do more than basic requirements. For a multilateral bank working on development issues, it should be mandatory to act in favor of the well-being of people and nature. Given Europe's central role holding 22.5 percent of voting power in the AIIB, European governments must push for reform and higher standards at the bank.

From the outset, European membership to the AIIB was subject to clear conditions of high environmental, social, human rights and governance standards, as well as effective accountability mechanisms. This report shows that these standards are in many cases not upheld in practice: The complaints mechanism has not yet admitted a single case and is not independent of management; important basic principles such as the ILO Convention on the Protection of the Rights of Indigenous Peoples have been disregarded in the environmental and social standards; and the share of climate finance has been artificially increased through accounting tricks. Even ten years later, the bank's standards still do not match those of other multilateral banks.

It was only through the membership of the European shareholders that the AIIB was able to secure an AAA credit rating and establish itself as part of the multilateral banking system. This also entails a responsibility not to allow the bank to operate unsupervised. European and like-minded constituencies must use its role to actively shape the bank.

The European Parliaments play a central role in shaping the continued development of the AIIB. They must ensure that institutional frameworks are created that guarantee transparency, accountability, and compliance with the highest standards. The ongoing strategy of securing influence through participation has had only limited effect. Stronger parliamentary control and a clear reform agenda covering the following areas are needed:

Structural inclusion of civil society: The European Parliaments should regularly seek information from independent bodies and consult civil society (local and international), think tanks, and representatives of local communities on the impact of AIIB investments.

Increasing transparency, building trust: The European Parliaments should advocate for higher transparency standards. This includes measures for extensive disclosure and improved quality of project and investment information, as well as regular public deliberations in the responsible committees.

Political engagement for higher standards: Europe must make a long-term and consistent commitment to further developing the AIIB's environmental, social, human rights, and governance standards and aligning them with international best practices. In doing so, the European shareholders should make even greater efforts than before to form coalitions in order to bring about progressive change together.

Improvements to resettlement policies: The European Parliaments should advocate for resettlements to be minimized and safeguarded by robust standards and an independent grievance mechanism. Minimum requirements must include standardized documentation, guidelines, and methods for data collection; introduction of the principle of "free, prior, informed consent;" disclosure of the full extent of those affected in a coherent manner (with the introduction of a resettlement inventory); and recognition of customary land rights. In addition, effective protection against reprisals must be established.

External evaluation: Europe's accession must not be seen as a final decision, but subject to ongoing political and technical monitoring. The tenth anniversary of the AIIB and the reconstitution of the German Bundestag provide a suitable opportunity to externally review the conditions of European membership. Such a review should include governance structures, the accountability mechanism, compliance with the Paris climate targets, and the practical implementation of environmental and social standards.

List of Abbreviations

AIIB	Asian Infrastructure Investment Bank
ADB	Asian Development Bank
AfDB	African Development Bank
BDMG	Banco de Desenvolvimento de Minas Gerais
BRI	Belt-and-Road-Initiative
CAF	Development Bank of Latin America and the Caribbean
CBL	City Bank PL
CEIU	Complaints-resolution, Evaluation and Integrity Unit der AIIB
CRF	Covid-19 Crisis Response Facility
EAC	Euro-area Constituency
EBRD	European Bank for Reconstruction and Development
EDs	Executive Director
EIB	European Investment Bank
ESF	Environmental and Social Framework
ESG	Environmental, Social, and Governance
ESIA	Environmental and Social Impact Assessment
ESMP	Environmental and Social Management Plan
FI	Financial Intermediaries
FPIC	Free Prior Informed Consent
GDI	Global Development Initiative
GRM	Grievance Redress Mechanism
IEA	International Energy Agency
IFI	International Financial Institutions
ILO	International Labor Organization
IP	Inspection Panel
IMF	International Monetary Fund
MCDF	Multilateral Cooperation Center for Development Finance
MoU	Memorandum of Understanding
NDB	New Development Bank
OECD	Organization for Economic Cooperation and Development
PPM	Project-affected People's Mechanism
SCO	Shanghai Cooperation Organization
UN	United Nations
UNGA	United Nations General Assembly
PRC	People's Republic of China
WEC	Wider European Constituency
WTO	World Trade Organization

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