



# Community Guide to the Asian Infrastructure Investment Bank

An action resource for people  
affected by AIIB-funded projects



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A Publication of Inclusive Development International



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Authors: Mark Grimsditch & Natalie Bugalski

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Inclusive Development International works to advance social, economic and environmental justice by supporting communities around the world to defend their land, environment and human rights in the face of harmful investment projects. Through research, casework and policy advocacy, we hold corporations, financial institutions and development agencies accountable to their human rights and environmental responsibilities and promote a more just and equitable international economic system.

For more information or to order a hard copy of this guide, please contact:

Inclusive Development International

9 SW Pack Square, Suite 302

Asheville, NC 28801

USA

Email: [info@inclusivedevelopment.net](mailto:info@inclusivedevelopment.net)

Web: [www.inclusivedevelopment.net](http://www.inclusivedevelopment.net)

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# Introduction

The Asian Infrastructure Investment Bank (AIIB) is a multilateral finance institution that commenced operation in 2016. The AIIB was established to provide financing for infrastructure projects across Asia. Initially, 57 countries signed on as members of the bank, but membership has since grown to 100.

The bank seeks to help stimulate economic growth and improve connectivity. As of December 2019, the AIIB had approved over 63 projects in the energy, transport, urban, water, and financial sectors across the region. Although it is mostly focused on investments in Asia, the bank now has members from across the world, and has invested in a small number of projects outside the Asia region.

Investment in infrastructure is badly needed across the world and these projects have the potential to bring important benefits, including improving access to services, markets and employment for poor communities. However, large-scale infrastructure projects often have severe negative impacts on the environment and on local people. They can pollute rivers, destroy forests, and affect the health and livelihoods of local residents. Big infrastructure projects can displace entire communities and affect the territories and natural resources of Indigenous Peoples.

The AIIB has policies and standards that aim to protect people and the environment from harm. But unless local communities know about these policies, and unless civil society monitors their implementation and holds the AIIB accountable to them, these standards may not be met in practice.

This guide is written for communities who are at risk of facing negative impacts from AIIB-supported projects, and for the civil society groups supporting them. It contains information and interactive exercises that can be used for workshops with people that are affected, or might be affected, by AIIB projects.

The first chapter explains what the AIIB is and how it provides financial support to governments and companies for projects, including through financial intermediaries and co-financing. Chapter 2 explains what the AIIB Environmental and Social Standards are and who is responsible for implementing them and making sure they are respected on the ground. Chapters 3-4 explain the main protections for the environment, for people who are involuntarily resettled and for Indigenous Peoples, and the key entitlements of affected communities under the AIIB standards. In chapters 5-6, the guide explains what affected communities can do if an AIIB-supported project does not comply with the standards and causes harm. It discusses using project-level complaint mechanisms, gathering evidence, raising the issues directly with the AIIB, and using the AIIB's grievance mechanism, called the Project-affected People's Mechanism (PPM).

The Facilitators' Edition contains activities and discussion questions on each topic that are aimed at guiding affected communities to apply the information to their own situations and develop advocacy strategies to defend their rights and protect their environment.



## Using This Guide

The guide is intended for communities who have been impacted, or are likely to be impacted by an AIIB project. Therefore, the interactive lessons contained here aim to help participants understand that project better, what environmental and social standards apply and some of the actions they can take to defend their rights. It is therefore very important that before the training, the facilitators make themselves familiar with the project that is of concern to the participants.

Information on **approved projects** can be found here: <https://www.aiib.org/en/projects/approved/index.html>

Information on **proposed projects** can be found here: <https://www.aiib.org/en/projects/proposed/index.html>

We also recommend reading the AIIB's Environmental and Social Standards and the Policy on the Project-affected People's Mechanism (PPM) before the workshop. This guide simplifies the information for the purposes of a community training, and the community participants may have questions that this guide does not cover. It is worth taking a copy of the Environmental and Social Standards and the PPM policy to the workshop, so you can access it easily if required.

The **Environmental and Social Framework** is available here: <https://www.aiib.org/en/policies-strategies/framework-agreements/environmental-social-framework.html>

The **Policy on the Project-affected People's Mechanism (PPM)** is available here: <https://www.aiib.org/en/policies-strategies/operational-policies/policy-on-the-project-affected-mechanism.html>

**Important:** *The AIIB Environmental and Social Standards may not apply to a project that is co-financed with another multilateral development bank or bilateral development agency. In these cases, the AIIB's complaints mechanism, the Project-affected People's Mechanism will also not accept complaints. Instead the co-financier's environmental and social policies may apply, and complaints should be submitted to the co-financier's accountability mechanism. It is essential to find out if this is the case before deciding whether to facilitate a workshop using this guide. Project documents on the AIIB website make clear which policies and complaints mechanism apply.*

The AIIB is now in the process of reviewing its Environmental and Social Framework. The updated framework will be published in late 2020. This guide will be updated later to reflect any changes.



# 1 The Asian Infrastructure Investment Bank

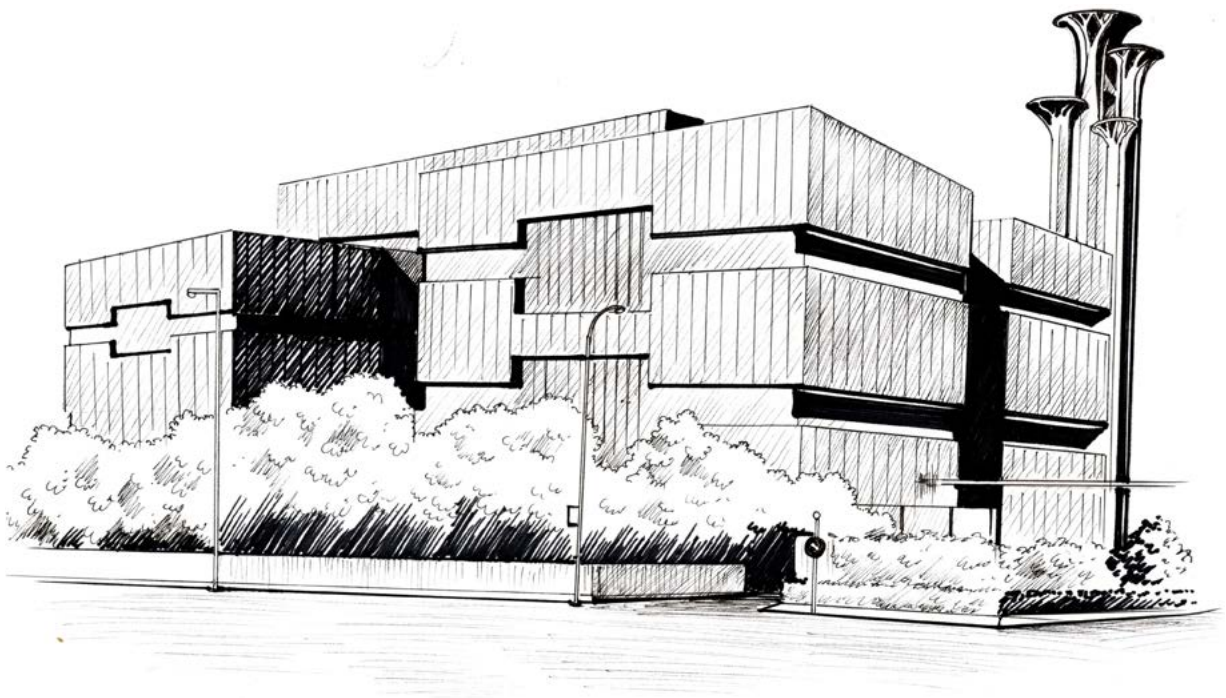
## 1 What is the AIIB?

The **Asian Infrastructure Investment Bank (AIIB)** is an international development bank that began operations in 2016.

The AIIB's mission is to help build and improve infrastructure, mostly in Asia, but the bank also has a small number of projects outside Asia. Its purpose is to promote sustainable development, create wealth

and improve connectivity by investing in infrastructure and other sectors. In the process, it aims to increase connectivity through better transport and communication infrastructure, as well as improve access to services. Ultimately, the AIIB exists to help strengthen the economies of Asian countries.

The main way the AIIB works to achieve its mission is by providing funding to governments and to companies to fund large infrastructure and other projects.



The AIIB headquarters, Beijing

## 2 Who Owns the AIIB?

Like other older development banks, such as the World Bank and the Asian Development Bank (ADB), the AIIB is a **multilateral bank**, which means it is owned by a group of countries. These countries contribute money to the bank in order to become members, and then have a right to vote on major decisions about the bank's policies and operations. They can also receive loans from the bank to support infrastructure projects in their countries. As of December 2019, the AIIB had 75 country members, with 25 more in the process of joining.

China led the creation of the AIIB and the bank's headquarters are located in Beijing, the capital of China. China has the most control over decision-making at the AIIB, because it holds by far the largest ownership share of the bank compared to any other country. As of December 2019, China

held more than 30% of the shares in AIIB, while the second largest shareholder, India, held less than 9%. The third largest shareholder is Russia, with just under 7%. The AIIB is structured in such a way to ensure that Asian members hold the majority of shares. Individual European members hold smaller amounts, but when combined they hold almost 22% of the bank's shares.<sup>1</sup>

The members of the bank oversee its operations through a **Board of Directors**. Membership in the bank is broken up into 12 country groups. Each group is represented on the board by one director. Nine of these groups are made up of Asian (or regional) countries, and three are made up of "non-regional" countries.<sup>2</sup>

**Bank Management** is responsible for the day to day running of the bank, and reports to the Board of Directors, which makes decisions on strategy, policies and approval of most projects.<sup>3</sup>

### What commitments has the AIIB made to sustainability?

The AIIB's founding document states that the bank's purpose is to promote sustainable development, create wealth and improve connectivity by investing in infrastructure and other productive sectors.

The term "sustainability" may be interpreted by different people in different ways. The bank has developed policies that aim to avoid or reduce harm to people and the environment. In its policies and strategies, the bank has made commitments to address the climate change impacts of its projects, and to support its members to achieve sustainable development goals.

These commitments alone do not ensure that every project the AIIB supports will be environmentally and socially sustainable, these commitments also need to be put into practice. Sometimes there are differing opinions between governments, civil society and affected communities on what actually constitutes "sustainable development".

<sup>1</sup> A list of members, their shareholding and voting powers can be found here: <https://www.aiib.org/en/about-aiib/governance/members-of-bank/index.html>.

<sup>2</sup> A list of directors can be found here: <https://www.aiib.org/en/about-aiib/governance/board-directors/board-members/index.html>

<sup>3</sup> The AIIB Organizational Structure can be found here: [https://www.aiib.org/en/about-aiib/governance/\\_common/\\_download/AIIB\\_organizational\\_structure.pdf](https://www.aiib.org/en/about-aiib/governance/_common/_download/AIIB_organizational_structure.pdf)

### 3 How Does the AIIB Fund Projects?

There are two main ways that the AIIB funds projects: *direct investments* and *indirect investments*.

Projects may be “**standalone**”, in which case the AIIB is the only source of funding, or they may be “**co-financed**”, which means that the AIIB works with other banks to provide a joint loan to the project. As of December 2020, just under 50% of AIIB projects were co-financed.<sup>4</sup>

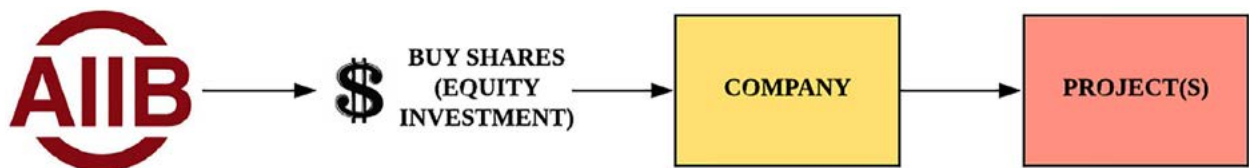
#### 3.1 Direct Investments

The AIIB provides money to governments and companies to build and operate infrastructure and other projects. Sometimes the project is developed by a government agency, and other times the project is developed by a private company (and sometimes both). An entity that receives AIIB funds is called a **client**.

The AIIB can provide funds in several ways. The main two ways are (1) loans to the government

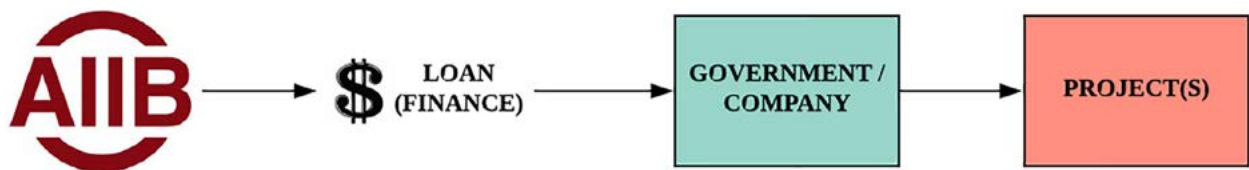
or company developing a project, and (2) buying shares in a company.

**Loans:** When the AIIB loans money, the company or government that receives the loan is required to pay back the money with an additional amount, called interest, over an agreed time period. This is also called providing **finance**.



**Share purchase:** When the AIIB buys shares, it invests money in a company and in return it receives an ownership stake in that company. In other words, it invests in the company by becoming a part owner and expects to earn profits from

its investment when the company earns profits from its business activities. It can also earn profits when it sells its shares in the company to others at a higher price than the amount it paid for them. This is also called an **equity investment**.



<sup>4</sup> More information about the AIIB’s Project Process can be found here: <https://www.aiib.org/en/projects/process/index.html>

Here are some examples of projects that the AIIB has funded directly:

- In 2016, the AIIB approved a \$165 million loan to the *Government of Bangladesh* to improve and expand electricity transmission infrastructure.
- In 2017, the AIIB approved a \$250 million loan to the *Beijing Gas Group Company* to construct a system for connecting natural gas to homes in rural villages around Beijing.
- In 2018, the AIIB approved a \$200 million loan to the *Government of Sri Lanka* for urban development in the capital city Colombo.

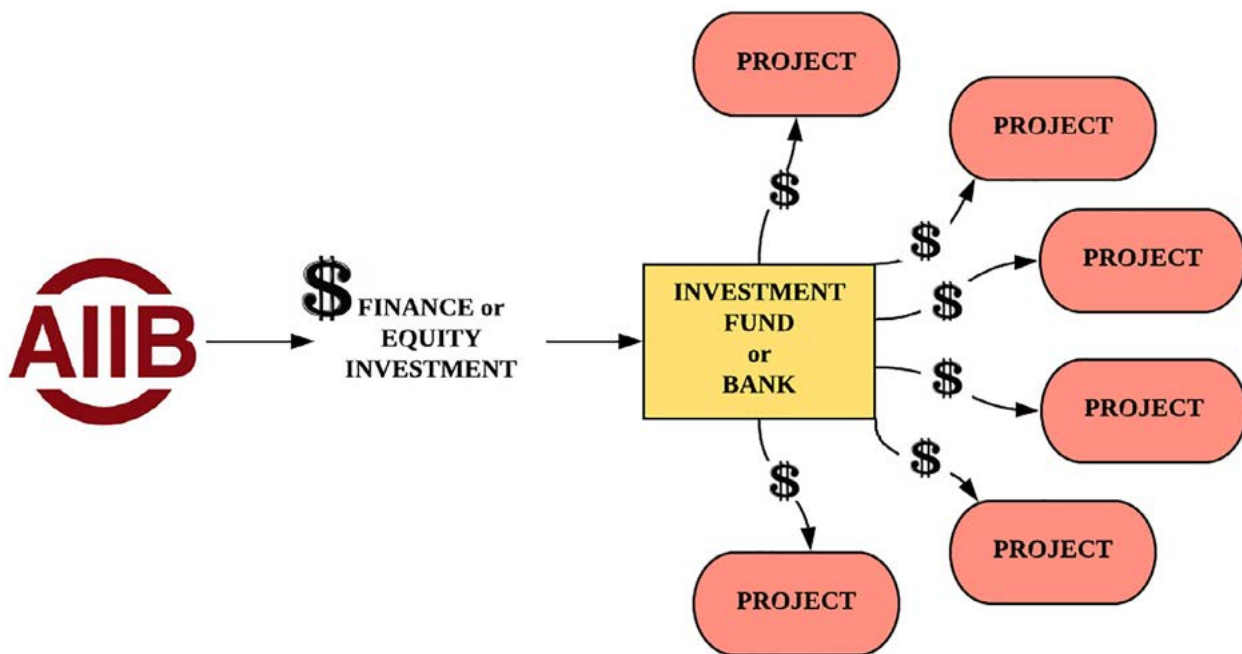
### 3.2 Indirect Investments

Sometimes, instead of providing funds directly to a government or company, the AIIB can fund projects *indirectly*. One way that it does this is to give its money to an investment fund or a bank.

These funds and banks are called **financial intermediaries** because they take money from the AIIB, along with other investors, and then give that money to companies operating projects on the ground through loans or by buying shares. The AIIB delegates decision making power to

the intermediary regarding which projects it will invest in.

These funds and banks are not operated by the AIIB. The funds and banks make decisions about which projects and companies to give money to, independently of the AIIB. However, the AIIB must first review these clients, look at what kinds of projects they are involved in, and ensure they are capable of following AIIB standards.





Here are some examples of financial intermediary projects that the AIIB has funded:

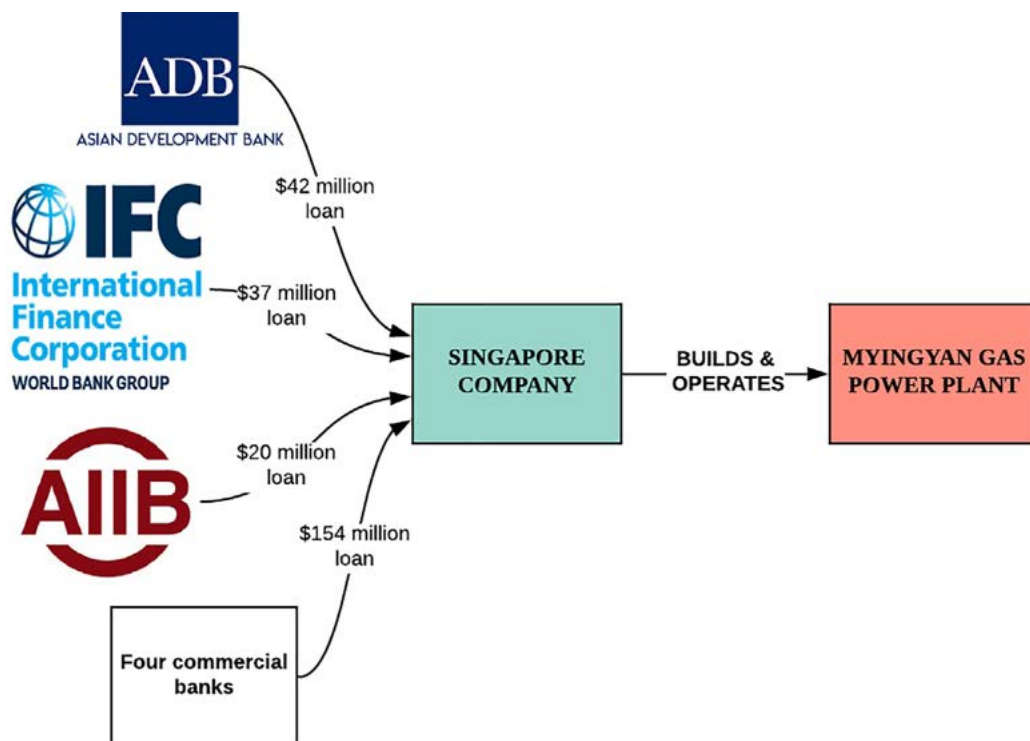
- In 2017, the AIIB approved an investment of \$150 million in a fund called the *IFC Emerging Asia Fund*. The fund was set up by another development bank to invest in different companies operating in Asia. The fund has made several investments, including in a cement factory in Myanmar and a power company in Bangladesh.
- In 2017, the AIIB approved an investment of \$100 million in the *National Investment and Infrastructure Fund*, which is managed by the Indian government and invests in infrastructure and related projects in India.
- In 2017, the AIIB approved a loan of \$100 million in the *Regional Infrastructure Development Fund*, which is managed by the World Bank and provides financing to provincial governments in Indonesia for infrastructure projects.

### 3.3 Standalone Projects and Co-Financed Projects

The AIIB can fund projects by itself (standalone), or in partnership with other banks and investors (co-financed).

**Co-financed projects:** As the AIIB is a new bank, it began by funding most of its projects in partnership with other more experienced development

banks, such as the World Bank. This is called co-financing. One example of a co-financed project is the *Myingyan Gas Power Plant* in Myanmar. Here the AIIB is one of several development banks that are providing loans to the project developer.



**Standalone projects:** The AIIB also funds projects by itself. As the bank becomes more established and experienced, stand-alone

investments will increase. An example of a stand-alone project is the *Andhra Pradesh Rural Roads Project*, which the AIIB invested in alone.



### Why it is Important to Know if a Project is “Standalone” or “Co-financed”

The next chapter of this guide discusses the AIIB’s environmental and social rules. At the moment, these rules only apply to the standalone projects of the AIIB, where it has not co-financed with other development banks.

Later in the guide we will look at the AIIB’s complaints process. Currently, complaints can only be submitted to the AIIB for standalone projects.

Under the AIIB’s policies, if it co-finances a project, it can choose to rely on the environmental and social policies of a co-financing partner. For example, if the AIIB and the World Bank co-finance a road, the AIIB can make an agreement for World Bank policies and complaint mechanisms to apply to the project.

For all of the projects that the AIIB has co-financed up to now, it has decided to rely on its partner’s environmental and social policies. In these cases, people affected by the project cannot file a complaint to the AIIB’s complaints mechanism, but instead must use the co-financier’s mechanism.

Although it is not possible to file a complaint to the AIIB’s complaints mechanism on co-financed projects, the AIIB still has a responsibility to ensure that its projects are implemented appropriately. Affected people can still communicate with the AIIB and raise concerns. They may push the bank to assess those concerns, communicate with co-financing partners, and work with those partners to ensure a project is in compliance with the relevant environmental and social policies.

To find out if a project you are concerned about is co-financed, and to see which policies apply to that project, you can check the Project Summary Information document on the AIIB website. These documents can be technical and are written in English, so you may wish to seek support from your civil society partners.

Proposed projects: <https://www.aiib.org/en/projects/proposed/index.html>

Approved projects: <https://www.aiib.org/en/projects/approved/index.html>

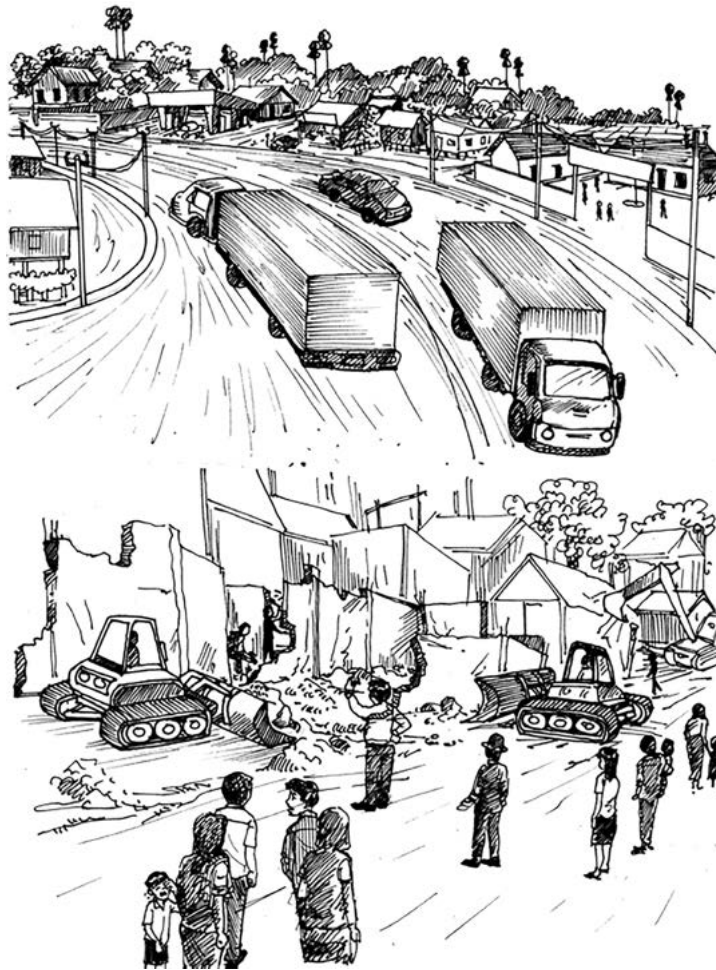
## 2 AIIB Environmental and Social Standards

### 1 AIIB's Objective and the Impacts of its Projects

AIIB's objective of promoting sustainable development by building infrastructure and other projects aims to boost economic development and improve the lives of ordinary people. This means that before the AIIB agrees to provide support

(both directly or indirectly) to a project, it should make sure that the project will have a positive impact on peoples' quality of life. As a multilateral development bank, owned by governments, the AIIB has a responsibility to ensure it does not support projects that will increase poverty or cause hardships for local communities.

However, big infrastructure projects can have both positive and negative impacts on people.



Infrastructure projects can have both positive and negative impacts.  
A new highway can improve a country's transport system but can also displace people.

## 2 AIIB's Environmental and Social Standards

During the 1980s and 1990s, many civil society groups and affected communities publicly criticized major development banks like the World Bank and the Asian Development Bank for the negative impacts of their projects on the environment and communities. These groups argued that development projects should not harm people or the environment and that projects should be planned so that everyone can share the benefits, not just a small few.

As a result of these civil society campaigns and community struggles, development banks started adopting policies aimed at preventing negative impacts to people and the environment. When the AIIB was created, its management promised that it would have similar policies to ensure projects that it funds do no harm.

In 2016, the AIIB adopted its **Environmental and Social Framework (ESF)**. This document sets out how AIIB-supported projects should be implemented in a way that avoids, minimizes and addresses environmental and social impacts.

After the AIIB receives a request for support from a government or company (the client), it reviews the proposal and assesses the type, location, and environmental and social risks of the project. Based on this, the bank gives each project a category: A, B, C or FI. Category A projects have the most serious environmental and social risks, Category C have minimal environmental and social risks. The higher the risk, the more comprehensive environmental and social protections

must be in place. FI means the project is a financial intermediary project (discussed earlier).

The Environmental and Social Framework contains an important section that sets out the bank's **Environmental and Social Standards (ESS)**. These are rules that must be respected by a government or company when it accepts financial support from the AIIB so that no harm is done to people and the environment. The standards are also aimed at making sure that people who are likely to be affected by an AIIB-supported project have access to information and are properly consulted.

As mentioned earlier, these standards only apply to standalone AIIB projects, not to projects that the AIIB is co-financing with another institution.

When the AIIB does its initial review of a proposed project, it identifies which of the Environmental and Social Standards the client must follow.

The standards cover:

1. *Environmental and Social Assessment and Management*: The process AIIB clients must follow to assess and manage environmental and social impacts of projects.
2. *Involuntary Resettlement*: The protections that AIIB clients must provide if the project will take people's land, resulting in resettlement of communities, or affecting their livelihoods, including their access to natural resources, jobs or income.
3. *Indigenous Peoples*: The protections that AIIB clients must provide if the project will impact Indigenous Peoples, especially their land and natural resources.

**Who is Responsible for Implementing the AIIB Environmental and Social Standards?**

Both the AIIB and its clients (the government or company it funds) have responsibilities to ensure that the Environmental and Social Standards are implemented and respected.

- **Governments or companies** (the **AIIB clients**) that receive financial support from the AIIB are responsible for ensuring the Environmental and Social Standards are respected on the ground. Clients are also responsible for making sure that any contractors that they hire operate in a way that follows these standards.
- When the AIIB invests in a **financial intermediary**, the intermediary is responsible for ensuring the governments and companies they support (called **AIIB sub-clients**) respect the Environmental and Social Standards on the ground.
- **Before** it provides support, the **AIIB** is responsible for checking that the client is likely to respect the standards. If it does not believe that the client is able to respect the standards, it should apply conditions to the investment to ensure that the client will comply with the standards over a reasonable period of time, or it should not approve the investment.
- **After** it has provided support, the **AIIB** is responsible for monitoring and supervising to make sure its client implements and respects the Environmental and Social Standards. If a client fails to follow the standards, the bank must propose measures to bring a project into compliance. If this does not happen in a reasonable time period, the AIIB may cancel its support for a project.

All proposed projects must be assessed before they are approved, and categorized in terms of their potential impact on people and the environment. In general, the Environmental and Social Standards should apply when money flows from the AIIB to a project that has serious effects on the environment or local communities.

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# 3 Environmental and Social Assessment and Management: Environmental and Social Standard 1

## 1 The Objectives of Environmental and Social Standard 1

After the AIIB receives a proposal from a client for a new project, it conducts an initial review of the project. If the AIIB finds that there are likely to be negative environmental and social risks, it requires the client to apply **Environmental and Social Standard 1** to the project.

The objective of Environmental and Social Standard 1 is to ensure the environmental and social sustainability of projects and to support the “integration of environmental and social considerations” into the project planning, decision-making processes and implementation.

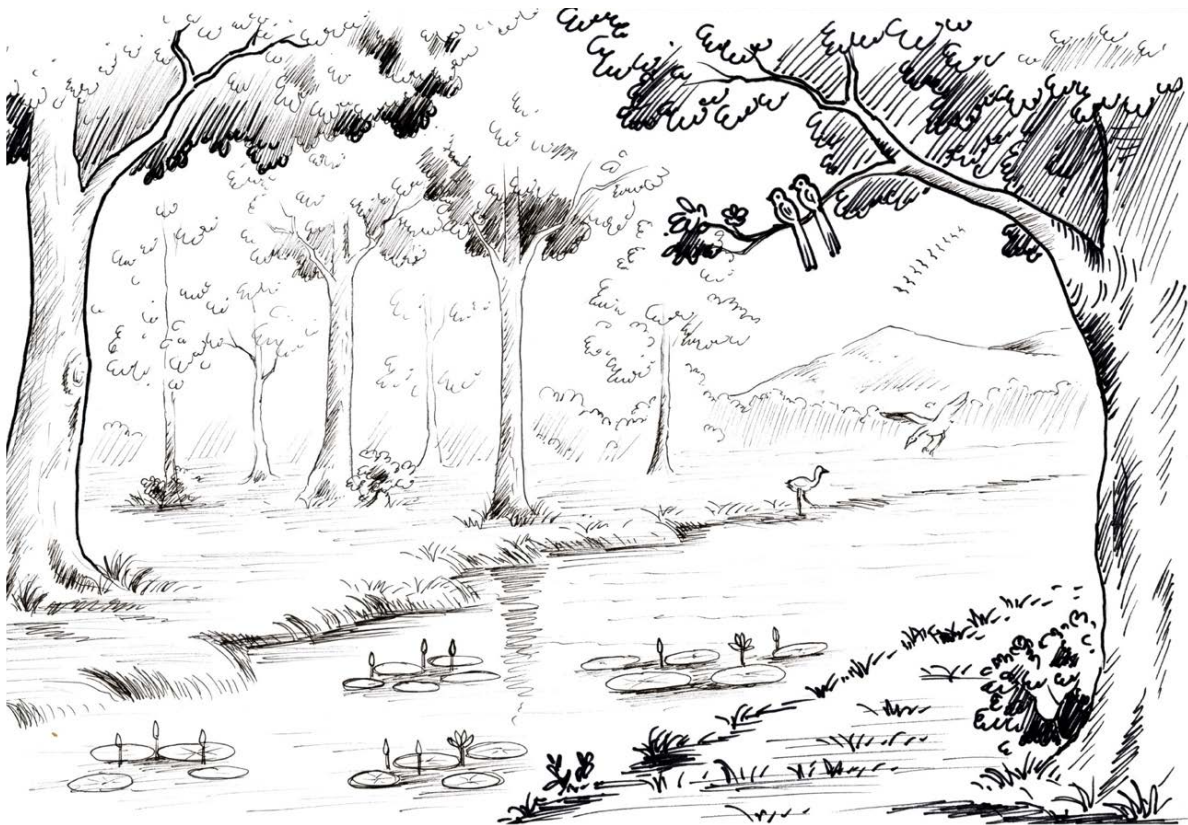
The client is required to conduct an **Environmental and Social Assessment**. This includes an assessment of the likely impacts of the project on local communities and the

environment, and a plan for avoiding, minimizing and remedying those impacts.

If the project is likely to cause involuntary resettlement of local people or impacts on Indigenous Peoples, the client is required to conduct specific studies and plans to address these impacts. These issues are covered in chapters 4 and 5 of this guide.

## 2 Conducting Environmental and Social Assessments

The client must conduct an impact assessment and prepare a plan that is proportionate to the level of risk associated with the project. For example, a Category A project (projects with very large impacts) would require detailed studies and a comprehensive management plan. A Category B and C project, with lower impacts, would require a more basic assessment.



AIIB clients must assess both environmental and social impacts of AIIB funded projects

AIIB clients are expected to use the following approach to managing impacts on people and the environment:

Anticipate and avoid risks and impacts



Where avoidance is not possible, minimize or reduce risks and impacts to acceptable levels



Once risks and impacts have been minimized or reduced, address those impacts



When risks or impacts remain, compensate or find other ways to address them

After a project's impacts have been identified and there is a plan for addressing them, the client should prepare an **Environmental and Social Management Plan**, which needs to be approved by the AIIB. This should include plans

for managing risks and monitoring and reporting on the implementation of the plan. It must also include a description of how the AIIB client will provide information to affected communities and consult them.

### Information Disclosure and Consultation

Under AIIB policy, information about environmental and social impacts and how they will be addressed should be made available to affected people. Summaries should be released as soon as a project is listed on the AIIB website as a proposed project.

Draft environmental and social management plans should be shared by the bank "as early as possible" in the process of reviewing a project. Final versions of these plans should be published once they are complete. This information should be accessible and in a language that affected people can understand, and should be shared by the client at the location of the project's impact.

AIIB policy also requires that clients conduct meaningful consultation with project-affected people and facilitate their informed participation in consultations about the project's impacts and how to address them. Meaningful consultation is a process that:

- begins early in the preparation stage of the project and continues on an ongoing basis throughout the life of the project;



**Information Disclosure and Consultation**

- ensures that all parties have a voice in consultation, including people affected by the project, Indigenous Peoples, NGOs, etc.;
- provides additional support as needed to ensure participation of women and men, as well as elderly people, young people, disabled people, minorities, and other vulnerable groups;
- provides information as soon as possible and ensures that the information is understandable and accessible to the people affected by the project and other interested groups;
- happens in an atmosphere free of intimidation or coercion;
- ensures that the views of people affected by the project and other interested groups are considered in decision-making.

### 3 Issues Covered by Environmental and Social Assessments

Assessments should cover both positive and negative impacts of a project, including direct and indirect impacts. The table below gives an overview of some the important areas that must be considered by the environmental and social assessment.

Type	Issue
Environmental	Biodiversity
	Critical habitats, e.g. habitats endangered animals depend on
	Natural habitats
	Protected areas
	Sustainability of land and water use
	Pollution prevention
	Resource efficiency
	Emissions and climate change

Type	Issue
<b>Social</b>	Involuntary resettlement
	Impacts on Indigenous Peoples
	Vulnerable groups and discrimination
	Gender
	Land and natural resource access
	Restrictions on land use
	Cultural resources (such as burial grounds, spirit forests, etc.)
<b>Working Conditions &amp; Community Health and Safety</b>	Safe working conditions and community health and safety
	Child labor and forced labor
	Building safety
	Traffic safety
	Use of security personnel
<b>Legal compliance</b>	Compliance with host country law and regulation
	Compliance with international treaties the country has signed on to

### Considering the Alternatives

In addition to assessing the impacts of the project during the planning stages, assessments should also consider alternative options for the project that would cause fewer negative impacts. It could also consider alternative locations, design and technology. It should also consider the option of not developing the project at all.

If the client does not conduct a thorough environmental and social impact assessment and develop a management plan, it is likely to be in violation of Environmental and Social Standard 1. This may be the case, if the assessment is inadequate and does not consider the full range of impacts, if the management plan does not incorporate suitable

ways to address the impacts, or if documents are not disclosed and people are not meaningfully consulted. If this happens, affected people may be able to file a complaint to the AIIB's complaints mechanism. This option is discussed in chapters 6 and 7.

# 4 Involuntary Resettlement: Environmental and Social Standard 2

## 1 Investment Projects and Displacement

Displacement can be one of the most serious impacts of large-scale investment projects. It is also one of the most common impacts. In many cases, people are evicted from their homes and land to make way for projects such as roads, dams and other types of infrastructure. Many people around the world have become poorer due to displacement. This is because, in addition to losing their homes, they may lose access to the land and resources they depend on for their food and livelihoods.

When people are displaced from urban areas and are forced to move to new locations, they can lose access to their places of work. In rural areas, displacement can lead to lost resources including forests, rivers and farmland. People might also lose access to services including community centers,

schools or health clinics. Displacement can lead to the breakdown of communities and social and support networks.

Sometimes people are affected by “economic displacement”. This means that even when people are not physically displaced or resettled, they may lose access to resources, fisheries, markets, and other things that they depend on for their livelihoods.

## 2 Environmental and Social Standard 2: Who Does it Protect?

After the AIIB receives a proposal from a client for a new project it conducts an initial review of the project. If the AIIB finds that there is likely to be involuntary resettlement, the client will be required to apply **Environmental and Social Standard 2** to the project.



Environmental and Social Standard 2 provides protections for people who are displaced from their homes and land by AIIB-supported projects. For example:

- It protects a family that has to move from their home because of a planned highway that will be built by a national government with a loan from the AIIB.

The standard protects people who will lose access to the land, business or resources they depend upon for their livelihoods. For example:

- It protects a farmer who will lose his farming land because it is needed to extend a railway line.
- It protects a businesswoman who will lose her

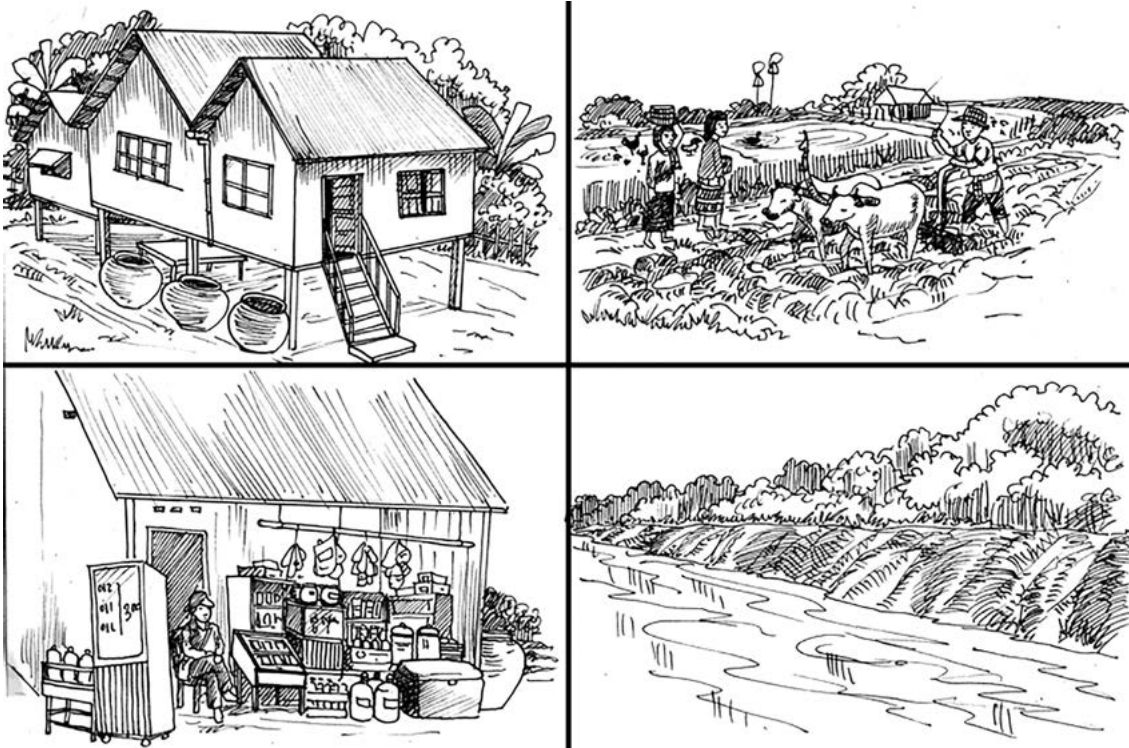
shop because the land is taken.

- It protects a community who will lose access to a forest that they use to collect food or products to sell.
- It protects a fishing community who will lose access to a riverbank or the seashore and will not be able to catch, eat and sell fish as a result.

All these types of people are protected if they have to move away from their home or land, or if their access to and use of the land is restricted by the project.

### What is “Involuntary Resettlement”?

“**Involuntary Resettlement**” is any situation where people’s land or housing is taken, or access to land that people live, work on or use for their livelihoods is restricted and they do not have the right to refuse. This is also called **physical and economic displacement**.



People displaced from their home, land, jobs or resources they depend on for livelihoods because of an AIIB-supported project are protected by Environmental and Social Standard 2

## 3 Objectives of Environmental and Social Standard 2

Environmental and Social Standard 2 aims to do five main things:

- To avoid involuntary resettlement wherever possible;
- To minimize involuntary resettlement by exploring project alternatives;
- When it is not possible to avoid involuntary resettlement, to improve affected people’s livelihoods, or at least restore them so that nobody is made worse off by the project;
- To improve the overall social and economic situation of poor and vulnerable groups who are displaced by the project; and
- To design and implement resettlement activities as sustainable development

programs, ensuring that people displaced by the project also share in its benefits.

Prior to project implementation, the AIIB client should conduct a survey of the land and assets likely to be impacted and do a full census of those likely to be displaced. This should be used to develop a clear picture of how many people will be affected, their livelihood status and legal status, as well as the resources and assets that will be impacted.

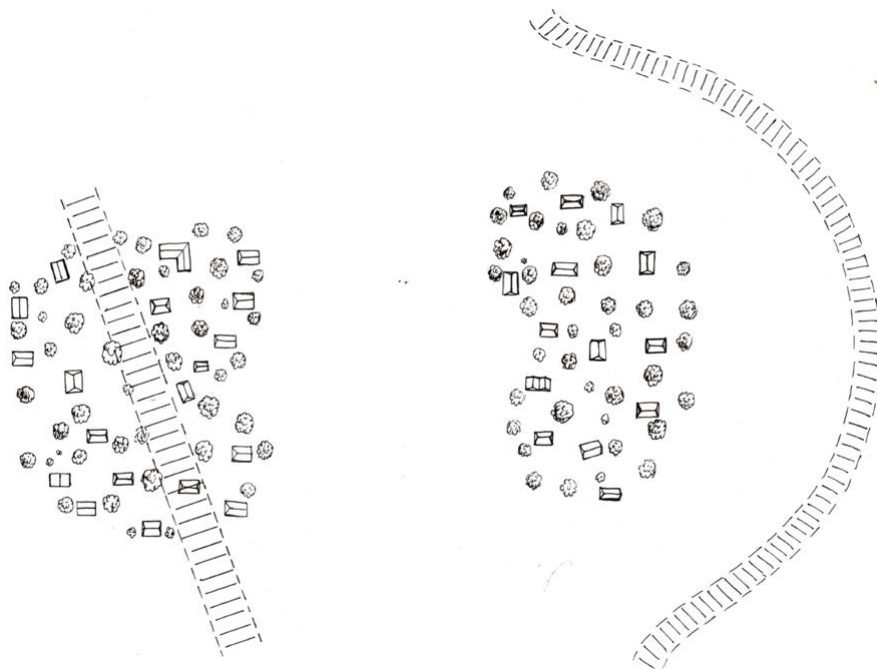
The next step is to develop a **Resettlement Plan**. All of the issues and options described below should be included in the Resettlement Plan. The plan should be developed in consultation with affected people. The draft and final Resettlement Plans should be made available to affected people.

When affected people's homes will not be moved, but their jobs and other livelihoods will be affected, the AIIB client has to prepare a **Livelihood Restoration Plan**.

## 4 Avoiding Displacement

Two important objectives of Environmental and Social Standard 2 are to avoid or minimize displacement. The AIIB client has a duty to both plan and implement the project in a way that reduces displacement as much as possible or avoids it altogether. If there will be some displacement, as few people as possible should be displaced.

The client should consider ideas such as using less land for the project or finding a location or route for the project where there are no houses, farms or other important natural resources. The example in the illustration below shows two different options for building a railway. Plan 1 goes right through a village and will cause a lot of displacement. Plan 2 goes around the village and will avoid displacement.



The second plan can be used to avoid displacement

The AIIB client must also try to avoid or minimize negative impacts on people's livelihoods. For example, if a shipping port is being built, it should be located in an area that minimizes loss of access to the seashore by fishing communities.

## 5 People should not be made worse off

For people who will be displaced by an AIIB-supported project, Environmental and Social Standard 2 aims to ensure that at a minimum, no one is made worse off. In fact, the AIIB client should aim to *improve* livelihoods and the overall situation of poor and vulnerable communities that are affected.

The exact entitlements of displaced people under Environmental and Social Standard 2 depend on what they lose and whether they have legal rights to the land that is taken.

**For people whose livelihoods are affected,** Environmental and Social 2 aims to improve, or at least restore, their livelihoods. In order to achieve this, the AIIB client must do the following:

For lost land:

- Provide **replacement land** when affected people have legal rights to the land and their livelihoods are land-based (e.g. farmers and herders who own their land) or when land is collectively owned; OR
- Provide **cash compensation for land** when affected people have individual legal rights to the land and their livelihoods are not land-based. The compensation amount must be enough to allow the household to purchase

replacement land of the same size and quality and cover the costs of the purchase as well as the transition.

- When affected people do not have any legal rights to the land under domestic law, AIIB clients do not have to provide them with compensation for the land (but they are entitled to resettlement assistance and compensation for non-land assets).

For other lost assets (including for affected people without legal rights to the land):

- Provide **replacement assets** of equal or higher value; OR
- Provide full **cash compensation for assets** that can't be restored.

The AIIB client must also provide **capacity building** programs to support improved use of livelihood resources, including alternative livelihood sources.

**For people who will be relocated,** the AIIB client must do the following:

- Ensure that resettlement activities are conducted as **sustainable development programs** and enable displaced people to share the project benefits.
- Provide people who will be relocated with **security of tenure over new land and assets**, with rights that are as strong as the rights they had to their previous land and assets.
- Ensure the resettlement site has **access to employment and livelihood opportunities** that is at least equal to affected people's former locations.
- Provide **proper housing** at resettlement sites.
- Provide **support for the transition** including for the move to the new site.

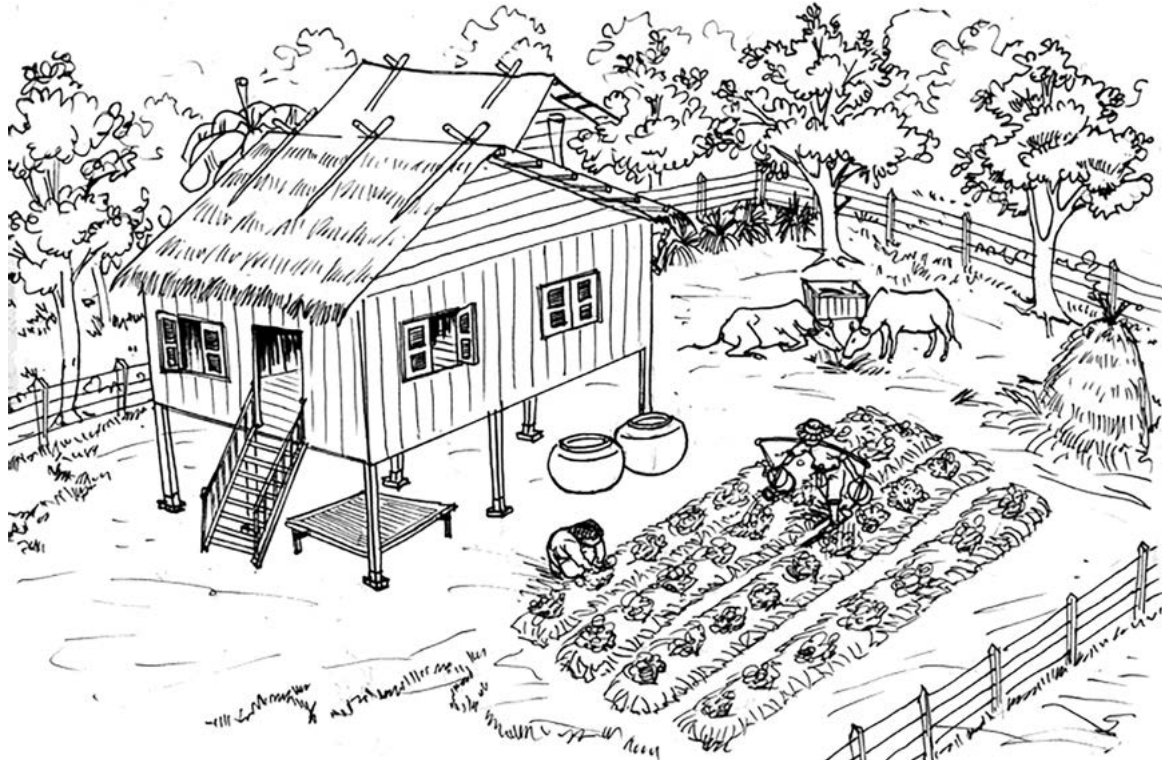
- Provide **development assistance**, such as land development, credit facilities, training or employment opportunities.
- Provide **infrastructure and community services**, which could include water, sanitation, electricity, roads, health posts and schools, as required.

All compensation and other entitlements should be paid or provided *before* any physical or economic displacement happens. The AIIB requires the client to engage in meaningful consultation with the people affected in this process.



This land will be taken for an AIIB-supported project. The family owns the land and house. They are entitled to either full cash compensation or replacement land and housing of at least equal value and quality





Even though this family does not have legal rights to this land, they are entitled to compensation for the housing and crops, since they own these assets. If they are resettled, they should be resettled to adequate housing with tenure security.



If people lose land or access to resources that they depend for their livelihoods, they should be given assistance to find new sources of income. Here, people are being trained to be tailors.



This couple was given alternative land with fertile soil to restart their farm.

### Protections for “Non-legal Settlers”

Infrastructure projects can impact people that have full legal rights to their land (e.g. those that hold a land title or another kind of legally recognized land right). They may also impact people who do not have legal rights to their land. These people may be living on state land, for example, in the area directly alongside a road. These people are sometimes called “non-legal settlers”, “informal settlers”, or “squatters”.

The AIIB’s policy recognizes that non-legal settlers live on or use land that may be affected by projects it supports. Environmental and Social Standard 2 therefore provides certain protections for these people. They are not entitled to compensation for the land that they lose, but AIIB clients are required to make sure that if people without legal land rights are displaced, they should be given assistance to relocate, and compensated for non-land assets. These people must also be consulted in the resettlement planning process.

It is important to note that just because someone does not hold a land title, it does not mean their occupation is illegal. Households may have other recognized rights to the land, for example, tenancy rights (renters), an official right to use the land, or customary tenure rights that are recognized by law. Other households may have legally recognizable rights because they peacefully settled on unused land long ago and have continued to use it without facing any objection (known as adverse possession rights). This will differ from country to country, but AIIB clients must assess the legality of affected people’s occupation based on national laws.

## 6 Ensuring that Displaced People Benefit from the Project

Environmental and Social Standard 2 aims to ensure that the socio-economic situation of displaced people is improved, and that the design and implementation of resettlement plans enables displaced people to share the benefits of the project. AIIB clients are supposed to treat resettlement as an opportunity for sustainable development that will help affected people improve their lives.

For example, affected people could be offered jobs that are created by the project. If the aim of a project is to build infrastructure that will provide basic services, affected people could receive those services for free or at an affordable price. For example, if a dam is being built to generate electricity, people who are being displaced for the dam could be given free or subsidized access to the electricity at their new homes. The community

could also be provided with a share of the profits generated from the sale of electricity. Revenue could be directed to improving other infrastructure and social services in the area that is affected.

Environmental and Social Standard 2 includes specific commitments to improve the standards of living of the poor and other vulnerable groups displaced by a project, including women, children and persons with disabilities. AIIB-supported projects should be implemented in a way that lifts the conditions of these groups to at least “national minimum standards”. For example, in rural areas, they may be provided with legal and affordable access to land and resources, and in urban areas provided with appropriate income sources and affordable access to adequate housing.

All of the entitlements discussed above, as well as the options that affected people will be offered should be set out in the Resettlement Plan or Livelihood Restoration Plan (if there is only economic displacement).

### The Resettlement Plan

The Resettlement Plan is an important requirement under Environmental and Social Standard 2. If a project is likely to result in physical and economic displacement, a resettlement plan must be developed. The Resettlement Plan should include:

- What displaced people are entitled to.
- An income and livelihood restoration strategy.
- Who is responsible for implementing all aspects of the plan.
- A monitoring and reporting framework.
- A budget and plan for implementation which includes clear dates for implementing each part of the plan.

Affected people must be involved in the process and consulted on the Resettlement Plan. The AIIB client must disclose the draft resettlement documentation in the project area in a language understood by affected people. Once complete, the final plan must also be disclosed in the same way.

## 7 People Must Be Consulted

People who will be affected by an AIIB-supported project must be provided with all important information and be consulted about compensation, resettlement and livelihood assistance plans. They must be given options to choose from.

The AIIB's Environmental and Social Standards say that consultation must be "meaningful". Consultations should include people who will be displaced, communities where the project is located, and non-governmental organizations. Environmental and Social Standard 2 states that

this consultation must be "informed", which means those involved should have access to all the necessary information, in a form that they understand. Under Environmental and Social Standard 2:

- Consultation should **begin early on** when displacement and other impacts are being identified.
- It should **continue throughout the process** of compensation, resettlement and livelihood assistance.
- Affected people should be **informed about their rights** in the resettlement process, their entitlements and resettlement options, and how they can participate in the process.



Here, company representatives have come to a village to inform and consult communities who will be affected by a project

- Affected people should be involved in the **monitoring and evaluation** of the process.
- The needs of **vulnerable groups must be considered**, including those below the poverty line, landless, elderly, women and children, Indigenous Peoples and those without legal title to land. Their involvement in consultation must be ensured.

Consultation does not simply mean *informing* people about a project, it means hearing their views and opinions and incorporating the

community views into decisions on project design (and whether a project should even go forward). In order to do this, affected people must be able to express themselves in an environment that is free from intimidation. For example, armed security forces, military or police should not be present at consultations.

The results of community consultation should be incorporated into the Resettlement Plan, which should be shared in draft form and when completed, in the project area in a form and language that is accessible to affected people.

# 5 Indigenous Peoples: Environmental and Social Standard 3

## 1 The Objectives of Environmental and Social Standard 3

After the AIIB receives a proposal from a client for a new project it conducts an initial review of the project to assess whether or not it may impact on Indigenous Peoples. This review should include consultation with social scientists with expertise on the social and cultural groups in the project area, the Indigenous Peoples concerned and the client. If the AIIB finds that there are likely to be impacts on Indigenous Peoples, **Environmental and Social Standard 3** applies to the project.

Environmental and Social Standard 3 aims to do four main things:

- To design and implement projects in a way that respects Indigenous Peoples' identity, dignity, human rights, economies and cultures.
- To ensure they receive culturally appropriate social and economic benefits from the project.
- To ensure they do not suffer negative impacts as a result of project.
- To ensure they can participate actively in the project affecting them.

Environmental and Social Standard 3 applies if Indigenous Peoples:

- Are present in the proposed area of the project, or
- Have a collective attachment to the proposed area of the project.

### How is “Indigenous Peoples” Defined by the AIIB?

Environmental and Social Standard 3 says that “Indigenous Peoples” may be referred to differently in different countries, including “ethnic minorities”, “aboriginals”, “minority nationalities” and “hill tribes”.

Under Environmental and Social Standard 3, the term “Indigenous Peoples” refers to a distinct social and cultural group with some of the following characteristics:

- Self-identification as indigenous and recognition of this identity by others.
- Collective attachment to land, territories, natural resources and habitats.
- Customary laws, decision making processes and cultural practices.
- Their own language.



An indigenous community celebration in Cambodia

## 2 Avoiding Harms, Addressing Impacts, Sharing Benefits

When an AIIB client is planning a project, it has a duty to think about how to avoid negative impacts on indigenous communities. First, the client must try to design the project in a way that avoids or reduces negative effects on the communities. If the project will cause negative impacts on the community, the client has to develop a plan so that the community does not suffer harm. The client is also required to look for opportunities for the community to benefit from the project in a way that is culturally appropriate.

The client must conduct a **Social Assessment** and develop a plan, called an **Indigenous Peoples Plan**, with the informed participation of the indigenous community.

The **Social Assessment** should look at all impacts the project may have on Indigenous Peoples, both positive and negative. It should identify social and economic benefits for affected Indigenous Peoples that are culturally appropriate, and that will have benefits for men and women, young and old. It should also include actions to avoid negative impacts on them, or when avoidance is not possible, to minimize these impacts. This assessment should consider what options indigenous communities prefer regarding project benefits and what steps will be taken to reduce harms.

Based on the social assessment, the **Indigenous Peoples Plan** provides details on:

- The framework for continued consultation with affected Indigenous Peoples during project implementation.
- Actions to ensure that Indigenous Peoples receive culturally appropriate benefits.
- Actions to avoid, reduce, balance or compensate negative impacts.
- Culturally appropriate grievance procedures that affected communities can use if problems arise.

This plan should be prepared with the assistance of qualified and experienced experts, and should be developed in a way that includes indigenous knowledge and participation by the affected indigenous communities. Indigenous communities, including elders, village councils or other

customary representatives, should have the opportunity to participate in the process of designing, implementing and monitoring the implementation of the Indigenous Peoples Plan.

Some projects may involve commercial development of natural or cultural resources, such as minerals, forests, water, and so on. In such cases, affected indigenous communities must be fully informed of their legal rights to these resources under national and customary law, how these resources will be developed and by who, and what the impacts of this development will be.

Indigenous Peoples Plans should include arrangements for affected indigenous communities to receive an equitable share of the benefits from development of these resources. These benefits should be delivered in a culturally appropriate way.

### Consultations with Indigenous Peoples

The process of conducting the Social Assessment and developing the Indigenous Peoples Plan must be done in consultation with affected indigenous communities. Environmental and Social Standard 3 states that these consultations must be “meaningful”, and conducted in a culturally appropriate, accessible and inclusive manner, and ensure affected peoples’ informed participation. This means that people need access to all the relevant information, and need to be able to contribute freely to discussions and have their voices heard.

Consultations should involve Indigenous Peoples’ representative bodies and organizations (e.g., councils of elders, village councils or chiefs) as well as community members and indigenous peoples organizations. There should be enough time for Indigenous Peoples’ decision-making processes to take place, and consultations should support Indigenous Peoples’ involvement in the design of project activities and management plans.



### 3 Free, Prior and Informed Consultation

In three types of situations, under Environmental and Social Standard 3, AIIB clients must conduct **Free, Prior and Informed Consultation (FPICon)** in order to get “**broad community support**” from affected indigenous communities before a project may go forward. These situations are:

1. When the project will impact on the customary lands and natural resources of Indigenous Peoples, whether or not they have legal title.
2. When the project will require the relocation of Indigenous Peoples from their lands and natural resources.
3. When the project will have significant impacts on important cultural, spiritual or religious sites.

FPICon is an additional process that builds on the “meaningful consultation” discussed earlier. FPICon applies during the design and planning for projects that affect Indigenous Peoples. It requires “good faith negotiations” between the client and Indigenous People about project activities that will affect the community.

### 4 Projects Must Have “Broad Community Support”

In order for the AIIB client to proceed with the project, it must first conduct FPICon and obtain “broad community support”. The client must be able to show AIIB that:

- A consultation process took place between the client and Indigenous Peoples regarding the project design, plans to avoid or manage impacts, and to share benefits.
- That the consultation process was accepted by both parties.
- That a good faith negotiation resulted in “broad community support” for the project.

Broad community support does not necessarily mean that 100% of affected people support the project. Some individuals or groups within a community may disagree with a project, but if in general the broader community is in favour, this can be regarded as “broad community support”.

If the AIIB client cannot provide evidence of broad community support for the project, it must stop project activities that would affect the indigenous communities’ land, natural resources and cultural and spiritual sites. In this case, the project would need to be redesigned.

**How is FPICon defined?**

**Free:** The community must feel free to express their views without any intimidation or pressure.

**Prior:** The negotiation must happen before the project commences and impacts begin and before final decisions on project design are made.

**Informed:** The community must be provided with all relevant information in a form and language that they understand, and

**Consultation:** Good faith negotiations must take place between the AIIB client and the affected Indigenous People, and the client must be able to show that there is broad community support for the project.

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Some other multilateral banks such as the World Bank Group require Free Prior and Informed **Consent** (FPIC) for projects that affect Indigenous Peoples. This is an international standard recognized in the United Nations Declaration on the Rights of Indigenous Peoples.

FPIC, and the requirement of consent, is a stronger standard than FPICon and broad community support.

Environmental and Social Standard 3 only requires FPIC if the laws of the country where the project is being implemented requires it.

# 6 Seeking Redress, Part 1: Taking Action Locally

## 1 What if AIIB Environmental and Social Standards Are Not Respected?

Although the AIIB has standards that should protect people from being harmed by projects that it supports, in some cases the standards may not be properly followed and communities will face negative impacts. As the AIIB is a fairly new bank, it is

still in the process of developing and learning how to implement its policies, including those that relate to environmental and social issues.

It may be that your community is opposed to a project entirely, or that you want to influence the way in which a project is designed and implemented, in order to make it better and ensure that local people benefit and the environment is protected. The information contained in this chapter and the next can be used in both cases.

### What Your Community Can Do

If your community is facing negative impacts from an AIIB-supported project, you should consider whether you want to try to prevent negative impacts or seek redress for harms already done. You should consider whether you want to change the design of the project or challenge it altogether.

There are several different advocacy strategies that your community may want to use to achieve its goals, including advocacy directed at the AIIB client or, if it is possible in your country, using the courts.

Here we discuss gathering evidence, using the project-level grievance mechanism, and (in the next lesson) raising the issues with the AIIB and using the AIIB's independent complaints mechanism, called the Project-affected People's Mechanism (PPM).

**Your community should consider what risks you may face in using these strategies, including risks to personal security, and make sure there is a plan for dealing these risks if they occur.**

## 2 Collecting Evidence

Effective advocacy requires evidence about a project's impacts. It is not enough to simply say that you have concerns or that there have been harms

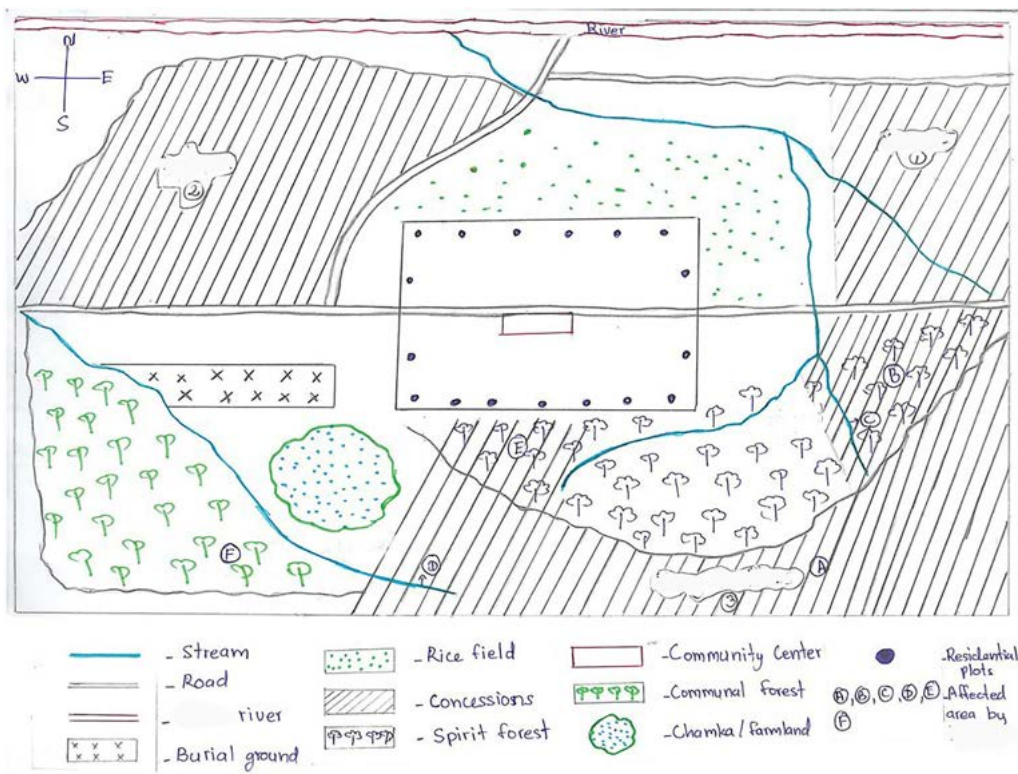
to your community and the environment. It is important to show evidence of the types of harms that you are concerned about or the harms that have actually occurred.

There are many different ways to collect evidence, including the following:

- Holding community meetings to discuss the impacts and making a list of all the different impacts the project has caused.
- Selecting community interviewers to meet with individual households and groups, such as women, children and minority groups to discuss and write down the impacts that they have faced.
- Carefully watching the things that happen because of the project and recording all the important information, for example, by writing it down and taking photos or a video.
- Community mapping, by drawing the community's village, land and resources and the way the community uses the different areas, and then marking the areas that have been affected by the project.

It is very important to gather *detailed evidence*. For example, if community fish catch is reduced, try to find out how much it has fallen by. For example: "Since the project commenced operation, fish catch has fallen from 30kg per week to 10kg per week". If people lose market access due to a project: "Since the project began, sellers have lost access to the best areas where they used to sell their products, and their income has fallen by over 50%".

The more of this type of evidence you collect, the stronger your advocacy will be. You can include the evidence in complaint letters, when you talk to media, and in meetings with companies, government and the AIIB.



Example of a community map showing the village and the areas where the company's three concessions are affecting their land and resources.

### Try to Gather Project Documents

Both the AIIB and its clients are required to publish certain documents related to AIIB-supported projects. These documents will include important project details, as well as information on how the client plans to deal with issues such as managing environmental impacts, resettlement and impacts on Indigenous Peoples.

If you can locate these documents you can assess if the client has done enough to consider the negative impacts of its project, and if the plans it has designed are adequate for managing them.

You can also assess if they are actually implementing their environmental and social plans as promised, and if not, you can push for them to honour their commitments.

Documents to look out for include:

- Environmental and Social Assessment Report
- Environmental and Social Management Plan
- Resettlement Plan
- Indigenous Peoples Plan
- Monitoring reports

These documents can be found on the AIIB website in the project section. They are usually in English, sometimes with a local language version, and can be long and detailed. You may need to request support from a CSO partner to find and make sense of these documents.

## 3 Project-level Grievance Mechanisms

The AIIB's Environmental and Social Standards says that all AIIB clients must establish a **project-level grievance mechanism** that can receive and resolve concerns or complaints of people who believe they have been negatively impacted by an AIIB-supported project. Before the AIIB approves support for a project, it must be satisfied that an appropriate project-level grievance mechanism is in place.

The project-level grievance mechanism may use mechanisms such as a telephone hotline, complaint boxes, appointing a community liaison officer, or

opening a complaint window at the company or local government offices. It could also involve a combination of these mechanisms.

The client must inform affected people from the beginning that this mechanism exists, so that affected people know that if they have concerns or experience negative impacts, they can communicate with the client through the grievance mechanism. The mechanism should be understandable to affected people, transparent, and able to respond to and address people's concerns in good time. This process should be culturally appropriate, gender-sensitive and accessible to affected people.



A local level office that receives complaints regarding development projects

*If the AIIB client has established a grievance mechanism, the affected community should consider trying to use it to resolve the problems they are facing.*

- This may involve writing a letter to the government office or company department that is responsible for receiving complaints.
- The letter should clearly set out all the concerns and negative impacts you have experienced, or that you fear may happen in the future.
- You should keep a copy of the letter with the date that it is sent. If you get a receipt you should also keep that safe. If the AIIB client does not respond adequately, the letter can be used in advocacy with the AIIB or a complaint to the AIIB's complaints mechanism, discussed in the next lesson. (In order to access the AIIB's complaints mechanism, communities have to show they first tried their best to use

the project-level mechanism. If you feel that is not safe to use the project-level grievance mechanism, you may be able to submit a complaint directly to the AIIB.)

*If the client has not established a functioning grievance mechanism, or has not informed the community about it, the client is failing to follow AIIB Environmental and Social Standards.*

- If there is a grievance mechanism, but it is not functioning properly (e.g. it refuses to receive complaints, takes too long, or does not handle complaints adequately) you should document these problems.
- This failure to establish a functioning grievance mechanism should be added to the list of problems with the project, which can be used in advocacy with the AIIB, including formal complaints.

# 7 Seeking Redress, Part 2: Using the AIIB's Complaints Mechanism

## 1 Communicating Directly With the AIIB

The AIIB has a responsibility to ensure that the projects it invests in are designed, developed and operated in a way that complies with its Environmental and Social Standards. If you have concerns about a project, it may therefore be a good idea to let the AIIB know about the problems early on, at the same time you communicate with the AIIB client.

If you inform the AIIB, it may contact its client and let it know that it is monitoring the situation, which could be helpful and apply some additional pressure on the client to address your concerns. You can inform the AIIB about the situation by sending a list of your concerns. If you file a complaint at the project-level grievance mechanism,

you may consider also sending it to the AIIB so that it is aware of the issues and the steps that you are taking.

If you have tried to use the project-level grievance mechanism but your problem has not been solved adequately, you may want to write to the AIIB and let them know you have not received an adequate response. You can ask them to ensure that the Environmental and Social Standards are respected by the client receiving AIIB financial support.

The AIIB currently only has one office, located in Beijing. It does not have any country or regional offices. Therefore, you will have to send your communications to bank staff in Beijing. You can send this in your own language, but it will be read and acted on more quickly if you can translate your letter into English.

### Where to Send Communications

If you are seeking more information about a project, you can email:

*Information@aiib.org*

If you want to communicate with the people responsible for your specific project and raise concerns about the project, you can find their names on project summary documents posted on the AIIB project pages.

**Proposed** projects are listed here:

*<https://www.aiib.org/en/projects/proposed/index.html>*

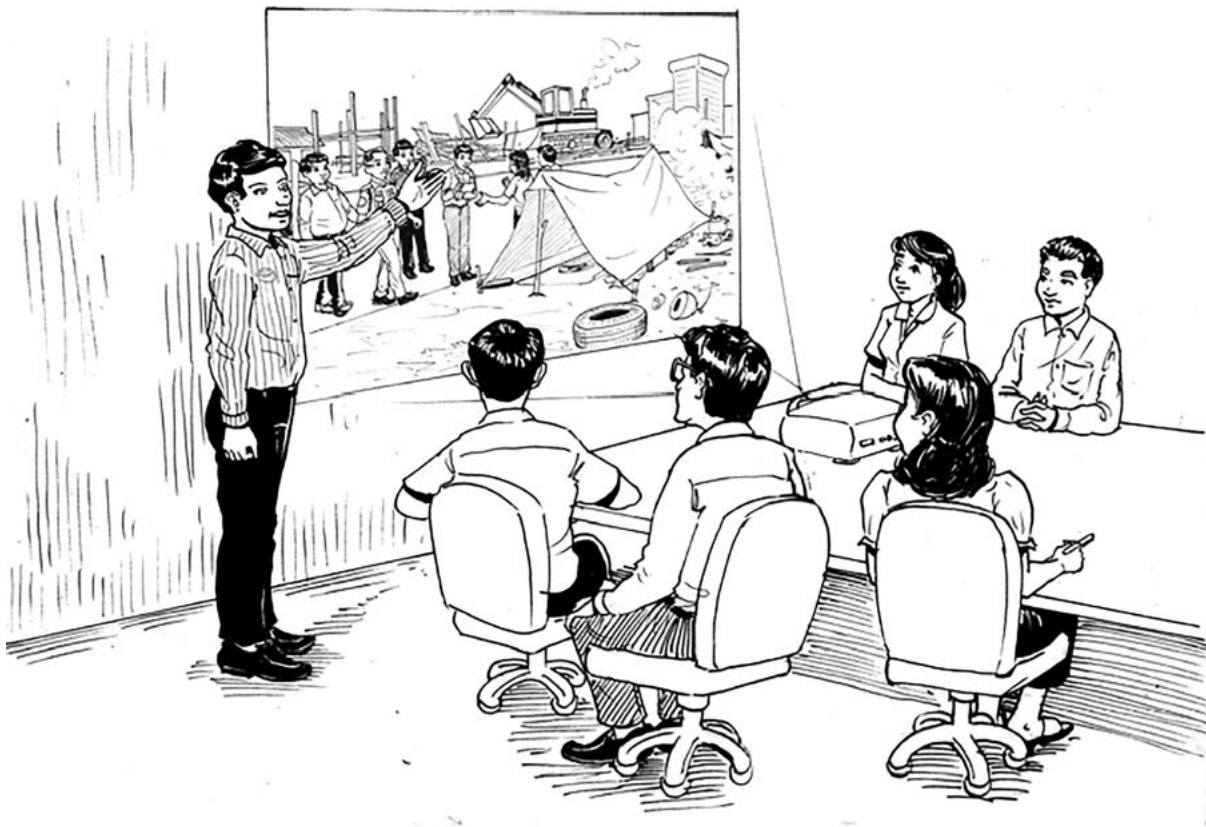
**Approved** projects are listed here:

*<https://www.aiib.org/en/projects/approved/index.html>*

The AIIB website is only available in English. If you need help finding the necessary information and with sending communications to the bank, you may wish to seek support from a civil society organization.

Your community may also decide to request a meeting with the AIIB to discuss the situation in more detail. It can be helpful for AIIB staff to meet community representatives face to face and listen to the experiences in person. This can be much more powerful than just sending a letter or email. However, as all AIIB staff are based in

Beijing, meeting them can be difficult. But AIIB staff do make trips to project sites, and may be able to meet with you during one of those trips. If the issues you are facing are serious, you may even consider making a trip to Beijing to meet with the AIIB.



Here, a community representative is presenting the problems faced by his community to the AIIB.

If you think it is too risky or difficult to meet with the AIIB in your country, you can ask for support from a civil society organization that specializes in AIIB advocacy to help you raise the problems with the project with the AIIB.

If you are unable to resolve your concerns at the local level by engaging with your government

or the company developing the project, and if you feel the AIIB has also not done enough to address your concerns, you may want to consider filing a formal complaint to the AIIB's complaints mechanism.



## 2 Filing a Complaint to the Project-affected People's Mechanism (PPM)

The AIIB has an independent complaints mechanism called the **Project-affected People's Mechanism (PPM)**. People who believe they have been harmed or will be harmed by an AIIB-supported project because of failures to follow AIIB standards can submit a formal complaint (called a "submission") to the PPM. The PPM is managed by the **Complaints-resolution, Evaluation and Integrity Unit (CEIU)** of the AIIB.

The PPM is supposed to be independent from the AIIB management. It reports directly to the board of directors of the bank. Therefore, if the AIIB management has not responded adequately to your requests, the PPM may play a more constructive role in resolving the problems. However, at the time this guide was written, no complaints had been submitted or handled by the PPM, so its effectiveness is still untested.

The offices of the PPM are based in the AIIB office in Beijing. Complaints can be submitted by email ([complaints@aiib.org](mailto:complaints@aiib.org)), fax (+86-108358-0003), mail (Managing Director, Complaints-resolution, Evaluation & Integrity Unit, B-9 Financial St., Xicheng District, Beijing, China 100033), or hand delivered.

**Important note: Co-financed projects** Many AIIB projects are currently co-financed with other *multilateral development* banks. For example, the AIIB may invest in the same project alongside the World Bank or the Asian Development Bank. In cases like this, the AIIB can agree with the co-financing bank to follow their policies. In these cases, the complaints mechanism of the co-financing bank will be used, *and you cannot file a complaint with the AIIB's mechanism.*<sup>5</sup>

Complaints can be written in English or your own language and should clearly set out:

- **Names:** The names of the complainants (there must be at least two people to file a complaint), and their contact details. If affected people have appointed a representative, such as an NGO, their name and details must also be included.
- **Project and location:** The name and location of the project. When the project is indirectly financed by the AIIB through a financial intermediary, the complaint should also state

who the financial intermediary is.

- **Impacts:** The negative environmental and social impacts the community is facing.
- **Violations of Environmental and Social Standards:** The ways in which the AIIB client has not met the Environmental and Social Standards (e.g. no meaningful consultation; inadequate compensation or resettlement; no broad community support of Indigenous Peoples) and how the AIIB failed to ensure that its client respected these standards.

While it is not essential to include this, it will

<sup>5</sup> AIIB (2019), *Policy on the Project-affected People's Mechanism (PPM)*, article 5.1.6.

make the complaint much stronger and is particularly important if the community wants the PPM to conduct a compliance review (see below).

- **Efforts already taken:** The steps you have taken to resolve your concerns by using the project-level grievance mechanism and raising the issues with AIIB management. If this was not possible, for example because there is no project-level mechanism or because of security risks, this should be explained in the complaint.

Complaints can also include the following information:

- **Objectives:** Explain the outcome the community wants and how your concerns can be resolved.
- **Confidentiality:** If you want your identity to be kept confidential by the CEIU, you must tell them and explain why.

A sample complaint form is included in the AIIB's Rules of Procedure of the PPM, available here:

[https://www.aiib.org/en/policies-strategies/\\_download/project-affected/PPM-RofP.pdf](https://www.aiib.org/en/policies-strategies/_download/project-affected/PPM-RofP.pdf)

**Important Note: Project-level grievance mechanisms** The PPM requires that complainants first attempt to resolve their concerns at the local level, by using the project-level grievance mechanism. Under the PPM rules, a complaint may be rejected if the complainant has not made a real effort to use the local mechanism first.

There are exceptions to this though:

- if there is no local mechanism,
- if the local mechanism does not function properly, or
- if the complainant has a real fear that they may put themselves in danger by raising their complaint locally.

In a complaint to the PPM, you should explain if and when you used the project-level grievance mechanism, and why you are unhappy with the result. If you did not use the mechanism, you should explain why. *If you don't do this, your complaint may be rejected.*<sup>6</sup>

<sup>6</sup> AIIB (2019), *Policy on the Project-affected People's Mechanism (PPM)*, article 5.1.8.

### Preparing a Complaint to the PPM

Complaints to the PPM can be simple and it is not necessary to submit detailed supporting evidence along with the complaint.

However, if you submit a detailed and strong complaint with supporting evidence about the impacts your community is facing, and the AIIB policies and standards that you think have not been respected, you are more likely to be successful for several reasons:

- First, your community is more likely to be prepared to engage in the process with clear information about the facts and the impacts.
- Second, if you give the people working at the PPM clear detailed information, they can do a better job of trying to resolve the problems or assess compliance with AIIB policies.
- Third, the AIIB Management will prepare a response to the complaint, and it is harder for the AIIB and its clients to deny that there are problems or that the impacts are their responsibility if you write a strong clear complaint, supported by evidence.

You may decide it would be helpful to ask an NGO with experience writing complaints to help you draft yours. The PPM will accept complaints submitted by NGOs on an affected community's behalf, as long as there is proof of authorization of the community.

This can be a local organization or an international organization. However, the bank will only allow an organization outside the country to file a complaint for you in "exceptional circumstances", if there is no local group that can help.<sup>7</sup>

## 3 How the PPM Handles Complaints

The PPM has three main ways of dealing with a complaint: *project processing query*, *dispute resolution* and *compliance review*. If a complaint is found

eligible by the PPM, the complainant will be asked which route they want to take.

As mentioned above, at all stages in this process communities must consider what risks they may face in using these strategies, including risks to personal security, and make sure there is a plan for dealing these risks if they occur.

### Project Processing Query<sup>8</sup>

Once a project has been posted on the AIIB's website as "proposed", a complaint may be submitted

for a Project Processing Query. This process aims to solve "simple matters" that come up during the

<sup>7</sup> AIIB (2019), *Policy on the Project-affected People's Mechanism (PPM)*, article 3.1.

<sup>8</sup> AIIB (2019), *Policy on the Project-affected People's Mechanism (PPM)*, article 2.1.1.

preparation of the project, such as consultation, dealing with less serious environmental issues or restrictions in movement that may occur during

project preparation. After the bank has approved a project, this function can no longer be used.

## Dispute Resolution<sup>9</sup>

The PPM can be used to help the complainants and the AIIB client to resolve complaints through a jointly agreed process. This usually involves negotiations between communities and the AIIB and/or its client with the assistance of a **mediator**.

A mediator is trained to facilitate discussions between the two sides and help them try to reach an agreement. Mediators must be neutral, meaning that they act fairly and do not favor any party to the negotiations.

### Gaining Power for Negotiations

If the complainants decide to attempt negotiations, it is very important for them to prepare before the negotiation meetings begin. There is almost always a very big power imbalance between an affected community and a bank client, and negotiations will only be successful if the community is organized and strong and finds a way to gain more power in the negotiations.

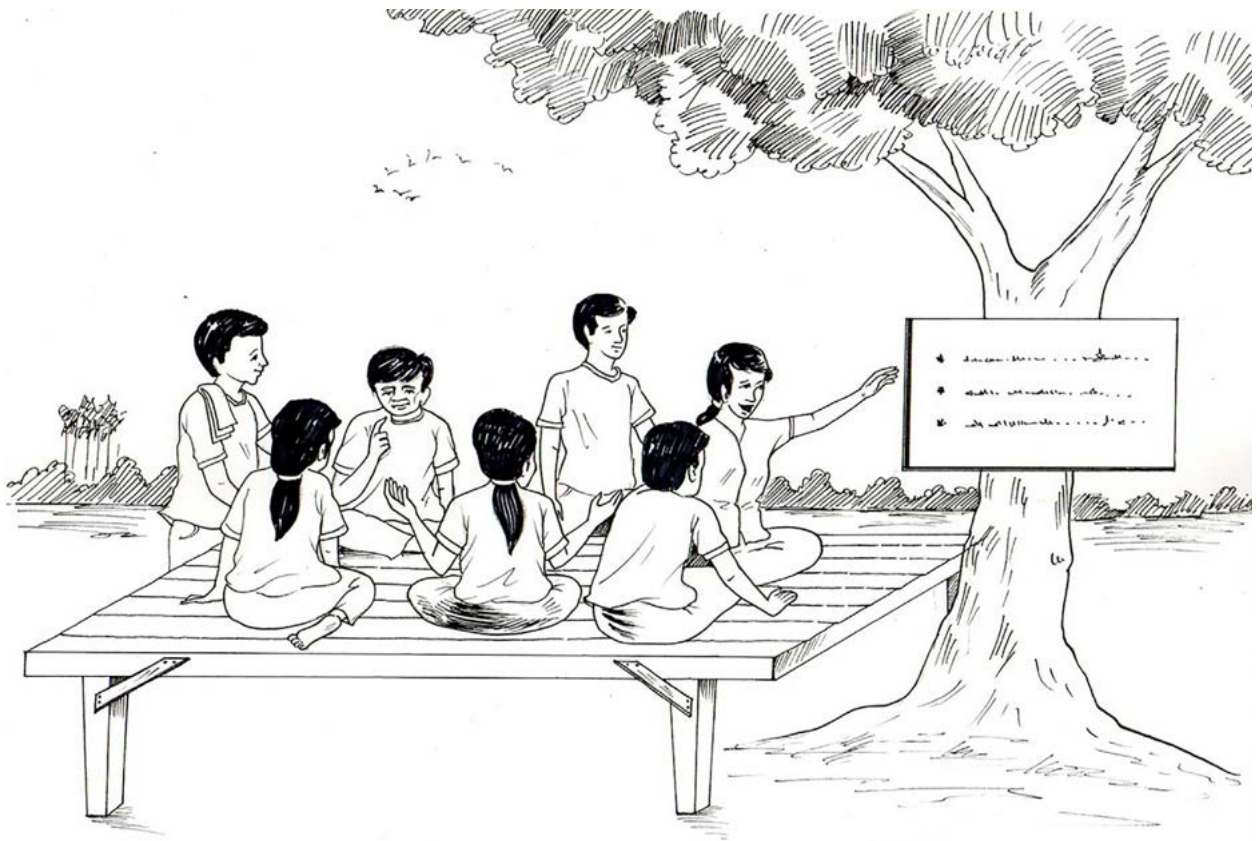
The community can gain more power by:

- Getting organized and staying united, through regular meetings and selecting trusted representatives for negotiation meetings.
- Agreeing on a strategy and goals for the negotiations.
- Doing other forms of advocacy if the client does not negotiate fairly.
- Identifying the best alternative strategy to use if negotiations fail, including transferring the complaint to compliance review, going to court, or media advocacy.
- Getting support from civil society organizations and networks.

It is also important for the community to be aware that if there are many impacts and they are serious, negotiations usually take a long time. The community needs to be prepared for this.

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<sup>9</sup> AIIB (2019), *Policy on the Project-affected People's Mechanism (PPM)*, article 2.1.2.



Here, members of a community are discussing their negotiation strategy and goals

Negotiations and other forms of dispute resolution are only possible if the complainants and the client, and any other key parties involved in the case, agree to participate. The PPM cannot force the parties to negotiate or reach an agreement. If the dispute resolution process is successful, the parties will usually develop a written agreement on what steps will be taken to address the dispute. The PPM will then

monitor the implementation of this agreement.

The complainants can decide at the beginning that they do not want to try dispute resolution. They can also withdraw from the dispute resolution process at any time if they are unhappy with the process or if they feel it is not working. They may then submit a request for the complaint to go to compliance review (see below).

## Compliance Review<sup>10</sup>

If complainants request compliance review, the PPM will assess whether the harms that the

complainants allege are real and whether they are caused by a failure of the AIIB to follow its

<sup>10</sup> AIIB (2019), *Policy on the Project-affected People's Mechanism (PPM)*, article 2.1.3.

own policies to ensure that its client respects the Environmental and Social Standards.

The PPM first decides whether the concerns or impacts in the complaint are real and serious. The PPM also considers AIIB management's response, including any actions it proposes to address the problems. It may also consider information provided by the government of the country concerned, including local authorities. Based on this information, the PPM decides whether an investigation is appropriate, and makes this recommendation to the AIIB Board of Directors, which must approve the investigation.

If an investigation is approved, the PPM creates a task force to review the complaint. This task force will try to verify the evidence of negative impacts, and assess if they were caused by the AIIB's failures to follow its policies. This includes reviewing the complaint, all available documents, interviewing the complainants, local authorities, AIIB staff and the AIIB client. It may involve site visits to the project area.

When the PPM finishes its investigation, it prepares a **Compliance Review report**. In the report, the PPM explains whether or not the AIIB followed its own policies properly and whether this caused harms to the affected community. The PPM provides a draft of the report to the complainants for comment and to the AIIB Management and client for a response.

If the PPM finds the AIIB did not comply with its policies, the AIIB Management prepares a **Management Action Plan**, which sets out actions necessary to fix the problems. The AIIB must share a draft of the Management Action Plan with the complainants, who can provide their views on whether the plan will address the problems they are facing.

The final Compliance Review report and Management Action Plan are sent to the AIIB's Board of Directors for approval. AIIB and its client must then implement the Action Plan.

The PPM helps to monitor implementation and updates are sent to the AIIB Board of Directors.

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### Getting the AIIB to Prepare Strong Action Plans to Fix the Harms

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The PPM cannot force the AIIB management to prepare and implement a good action plan. Therefore, it is important for complainants to push the AIIB to do the right thing and develop and implement a good action plan that will fix the harms.

It is important to send letters and try to meet with the AIIB, and the AIIB's Board of Directors (which represent the countries that are members of the bank) to let them know about your case and what you expect from an action plan to fix the problems.

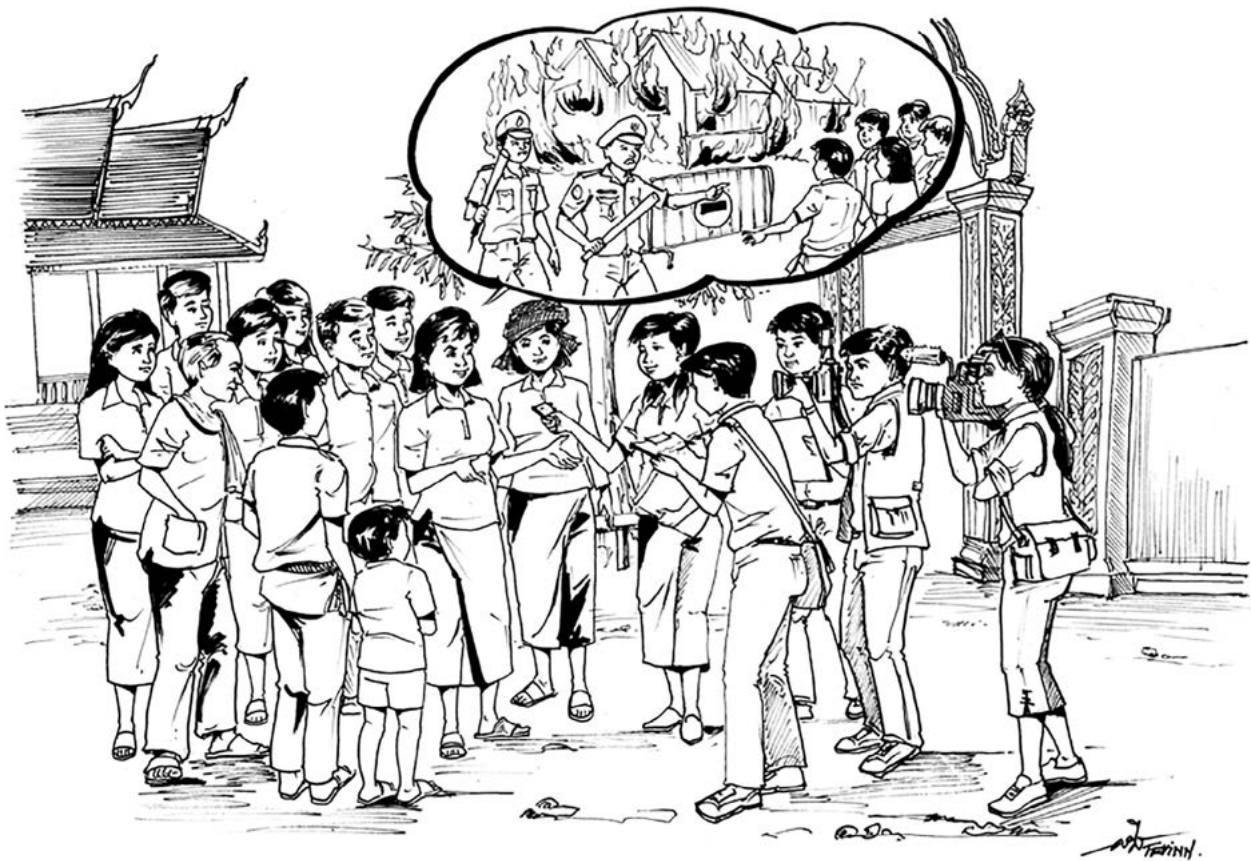
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### Getting the AIIB to Prepare Strong Action Plans to Fix the Harms

You should explain clearly what the AIIB client must do to provide redress for the harms your community has suffered. This may include things like improving resettlement sites, returning land, replanting forests, repairing water sources and providing compensation for damages the project has caused.

It may also be a good idea to do media advocacy about the case and what the AIIB and the client must do to redress the harms. The AIIB is more likely to develop a good action plan, and the client is more likely to work with the AIIB to implement the action plan, if you communicate clearly with them and place pressure on them through advocacy. It may be a good idea to ask an NGO with experience doing this sort of work to help you lobby the AIIB and use the media.

The community should consider what other forms of advocacy may be effective in getting the AIIB and the client to fix the harms, including local advocacy involving the government.



Here, a community is telling journalists what happened to their community.

**Dispute Resolution or Compliance Review?**

Affected people need to think carefully about whether or not they want to try dispute resolution or go straight to compliance review. Dispute resolution can bring all sides to the table to discuss solutions to problems that emerge from a project. This can be a practical way to address issues and find compromise. However, this may not be appropriate if people are entirely against a project, or if the impacts are so severe that they cannot be negotiated.

In such cases, compliance review may be more appropriate as it will lead to an investigation and public report that should document violations of AIIB standards that result in harms. It is important to keep in mind that if violations are found, the AIIB response will be to develop a plan to address these problems – it will not necessarily stop the project. However, a compliance review report that confirms the concerns of the community can be very helpful in a broader advocacy campaign challenging the project.

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# Glossary

**Asian Infrastructure Investment Bank (AIIB):** A multilateral development bank that began operations in 2016. The AIIB’s mission is to help build and improve infrastructure, mostly in Asia, but the bank also has a small number of projects outside Asia. Its objective is to promote sustainable development, create wealth and improve connectivity by investing in infrastructure and other sectors.

**Bank Management:** The AIIB staff responsible for the day to day running of the bank. Bank management assess projects, prepare policies and strategy documents for submission to the Board of Directors, manage relationships with bank members and monitor and oversee general project implementation.

**Board of Directors:** Membership of the AIIB is broken up into 12 groups. Each group is represented on the board by a director. The board makes decisions on strategy, policies and approval of most projects. It also plays role in the bank’s complaints mechanism, approving investigations and reviewing the outcomes of dispute resolution and compliance reviews.

**Broad community support:** One component of Free, Prior and Informed Consultation. Broad community support does not necessarily mean that 100% of affected people support the project. Some individuals or groups within a community may disagree with a project, but if in general the broader community is in favor, this can be regarded as “broad community support”.

**Client:** The bank, company, government, etc. that receives funds from the AIIB.

**Co-financed project:** A project for which several banks collectively provide funding.

**Complaints-resolution, Evaluation and Integrity Unit (CEIU):** The office within the AIIB that is responsible for receiving complaints about AIIB projects among other things. The CEIU is responsible for managing the Project-affected People’s Mechanism.

**Compliance review:** One option for people that submit a complaint to the Project-affected People’s Mechanism (PPM). If complainants request a compliance review, the PPM will assess whether the harms that the complainants allege are real and whether they are caused by a failure of the AIIB to follow its own policies to ensure that its client respects the Environmental and Social Standards.

**Compliance review report:** When the PPM finishes a compliance investigation, it prepares a Compliance Review report. In the report, the PPM explains whether or not the AIIB followed its own policies properly and whether this caused harms to the affected community.

**Dispute resolution:** One option for people that submit a complaint to the Project-affected People’s Mechanism (PPM). If complainants request dispute resolution the PPM will help the complainants and the AIIB client to resolve complaints through a jointly agreed process. This usually involves negotiations between communities and the AIIB and/or its client with the assistance of a mediator. A mediator is trained to facilitate discussions between the two sides and help them try to reach an agreement.

**Environmental and social assessment:** If a project is likely to result in negative environmental and/or social impacts, an environmental and social assessment must be conducted by the client. This includes a full assessment of project risks and impacts.

**Environmental and Social Framework (ESF):** This document sets out how AIIB-supported projects should be implemented in a way that avoids, minimizes and addresses environmental and social impacts. The ESF includes the bank's Environmental and Social Policy, which sets out the bank's approach to dealing with environmental and social impacts, and the Environmental and Social Standards, which AIIB clients are required to follow.

**Environmental and Social Management Plan (ESMP):** Linked to the environmental and social assessment process, an ESMP must be developed in order to manage any potential negative impacts that are identified during the assessment process.

**Environmental and Social Standard 1 (ESS 1):** Standard that AIIB clients must follow in the preparation and implementation of AIIB-funded projects concerning environmental and social assessment and management.

**Environmental and Social Standard 2 (ESS 2):** Standard that AIIB clients must follow in the preparation and implementation of AIIB-funded projects concerning involuntary resettlement.

**Environmental and Social Standard 3 (ESS 3):** Standard that AIIB clients must follow in the preparation and implementation of AIIB-funded projects concerning Indigenous Peoples.

**Equity investment:** When a bank invests money in a company and in return it receives an ownership stake in that company.

**Finance:** When a bank provides a loan for a specific project or for a company to use however it needs to.

**Financial intermediary:** Sometimes, instead of providing funds directly to a government or company, the AIIB can contribute to a collective investment fund or a bank. This bank or fund then provides loans or investments to other projects or companies. These funds and banks are not operated by the AIIB, but separately. This bank is called a financial intermediary.

**Free Prior and Informed Consent (FPIC):** An international standard recognized in the United Nations Declaration on the Rights of Indigenous Peoples. FPIC, and the requirement of consent, is a stronger standard than FPICon and broad community support.

**Free, Prior and Informed Consultation (FPICon):** FPICon is an additional process that builds on the "meaningful consultation" required in projects that involve non-indigenous people. FPICon applies during the design and planning for projects that affect Indigenous Peoples. It requires "good faith negotiations" between the client and Indigenous People about project activities that will affect the community.

**Indigenous Peoples Plan:** Based on the social assessment, the Indigenous Peoples Plan provides details on: the framework for continued consultation with affected Indigenous Peoples during project implementation; actions to ensure that Indigenous Peoples receive culturally appropriate benefits; actions to avoid, reduce, balance or compensate negative impacts; and culturally appropriate grievance procedures that affected communities can use if problems arise.

**Involuntary resettlement:** Involuntary Resettlement" is any situation where people's land

or housing is taken, or access to land that people live, work on or use for their livelihoods is restricted and they do not have the right to refuse. This is also called physical and economic displacement.

**Livelihood Restoration Plan:** A plan to restore affected people's livelihoods to pre-project levels, or improve them.

**Loan:** When the bank provides funding for a specific project or general operations, and requires the funds to be paid back within a specific period of time with interest.

**Management Action Plan:** If the PPM conducts a compliance review of a project and finds the AIIB did not comply with its policies, AIIB Management is required to prepare a Management Action Plan, which sets out actions necessary to fix the problems.

**Mediator:** A mediator is trained to facilitate discussions between the two sides involved in a dispute and help them try to reach an agreement. Mediators must be neutral, meaning that they act fairly and do not favor any party to the negotiations.

**Multilateral bank:** A bank that is owned by a group of countries.

**Project Processing Query:** One function of the Project-affected People's Mechanism (PPM). This process aims to solve "simple matters" that come up during the preparation of the project, such as consultation, dealing with less serious environmental issues or restrictions in movement that may occur during project preparation. After the bank has approved a project, this function can no longer be used.

**Project-affected People's Mechanism (PPM):** The AIIB's complaints resolution process. The PPM has three functions: one that deals with

project processing queries, another that offers dispute resolution services and a third that conducts compliance review.

**Project-level grievance mechanism:** A system set up at the project level by the AIIB client to resolve complaints around the project.

**Resettlement Plan:** A plan that sets out the steps that will be taken to ensure that a project is implemented in line with Environmental and Social Standard 2 on involuntary resettlement. This plan should be developed in consultation with affected people.

**Secure tenure:** Guarantees that someone is secure on their land and cannot be removed from that land unless the land is acquired in a legal way that respects people's human rights and provides due process. This can take the form of a legal document, such as a land title.

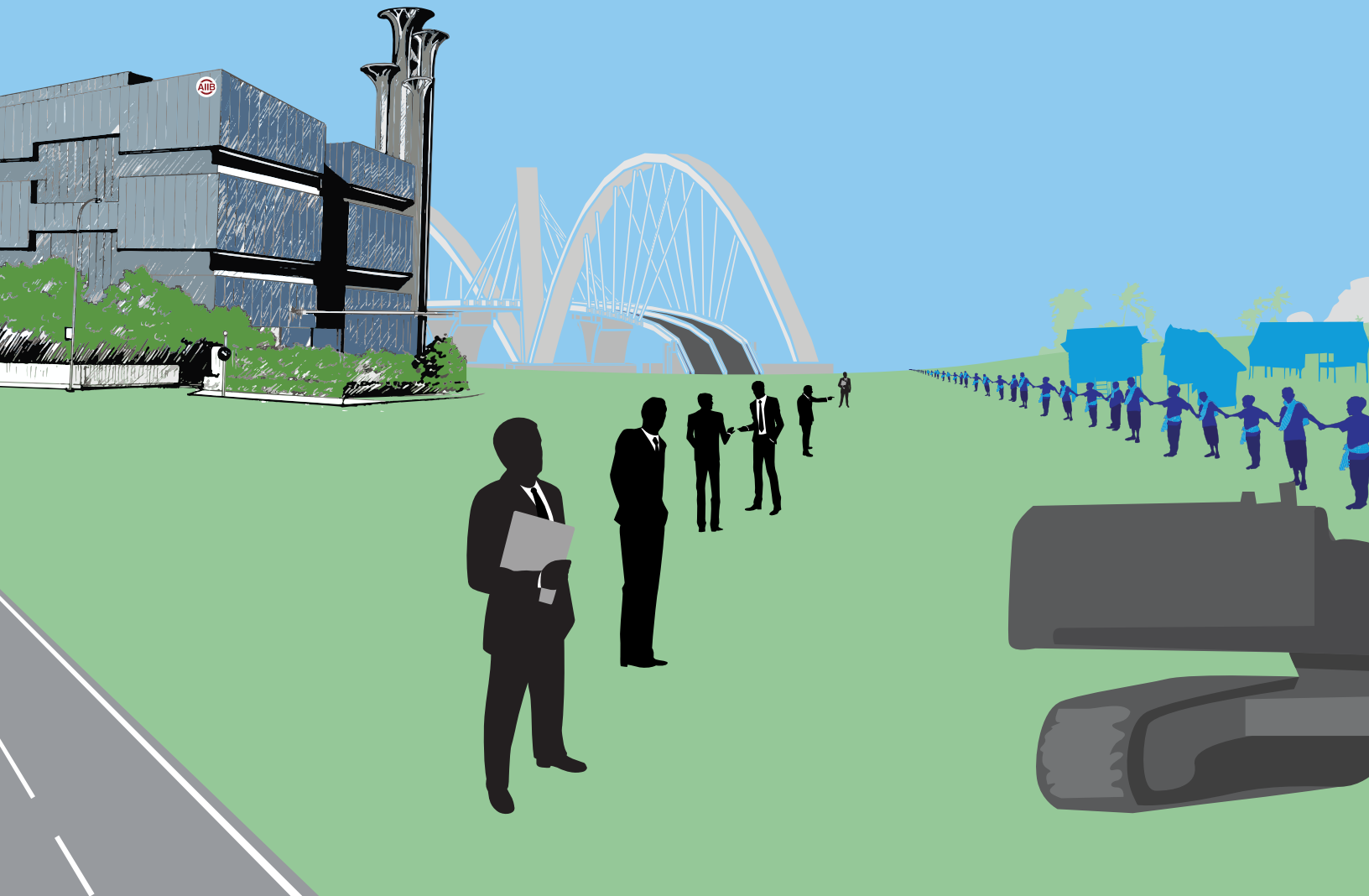
**Share purchase:** When a person or entity buys a stake in a company.

**Social Assessment:** A requirement under Environmental and Social Standard 3 on Indigenous Peoples. The Social Assessment should look at all impacts the project may have on Indigenous Peoples, both positive and negative. This assessment should consider what options indigenous communities prefer regarding project benefits and what steps will be taken to reduce harms.

**Standalone project:** A project that is financed only by the AIIB, without involvement from any other banks.

**Sub-client:** A company or bank that receives funds from a financial intermediary client of the AIIB.

**Transitional support:** Support to help people move to a new place and/or rebuild livelihoods after physical or economic displacement.



The guide is an action resource for communities affected by projects funded by the Asian Infrastructure Investment Bank (AIIB).

The guide explains what the AIIB Environmental and Social Standards are and who is responsible for implementing them and making sure they are respected on the ground. This includes standards on environmental and social assessment and management, involuntary resettlement and indigenous peoples, covering their objectives, and the main protections and entitlements affected communities are supposed to receive. Lastly, the guide explains what affected communities can do if an AIIB-supported project does not comply with the Environmental and Social Standards and causes harm. It discusses collecting evidence, local-level grievance mechanisms, raising issues directly with the AIIB, and using the AIIB's independent complaint mechanism, the Project-affected People's Mechanism (PPM).