FINANCING FOSSIL FUELS
FAILING OUR FUTURE

Brief on the AIIB Investments in Bangladesh
from 2016 to 2021

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Tanya Lee Roberts-Davis
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For further information on the issues raised in this report please contact:
CLEAN (Coastal Livelihood and Environmental Action Network), 4 Mallick Bari Road, Boyra-Rayermahal, Khulna 9000, Bangladesh. Phone: +88 041 761 458, Email: clean.khulna@gmail.com, Website: https://www.cleanbd.org
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Brief on the AIIB Investments in Bangladesh from 2016 to 2021
Financing fossil fuels, failing our future
Securing her future is more important than securing profit

Photo: Hasan Mehedi
2 October 2019 | Burhanuddin, Bhola
The Asian Infrastructure Investment Bank’s (AIIB) investments in Bangladesh reached USD 2,391.98 million in August 2021 from USD 165 million in 2016, rising at an average rate of 32% per year. The consequence is that in effect, **AIIB loans are entrapping the people of Bangladesh and our economy with an onerous debt burden in the midst of the COVID-19 pandemic and attempts to move forward into a post pandemic recovery period** (p 14).

**So far, the AIIB has invested USD 605 million in the energy sector of Bangladesh, with investments increasing at an average rate of 23% each year.** In spite of this level of financing, significantly the AIIB has yet to invest in any RE options (wind, solar) in the country, exposing the bank as an influential financier directly undermining global efforts to protect the climate and community resilience (p 20).

Among the first flagship investments of the AIIB in Bangladesh was a private sector stand-alone USD 60 million loan approved in 2018 for the Bhola Independent Power Plant (Bhola IPP)\(^1\) - a greenfield gas power project. To this day, three years later, **the communities in Bhola are still awaiting information as to how and when they will be compensated for their losses due to unjust land acquisition and canal grabbing by the operator company, Nutan Bidyut Bangladesh Limited (NBBL)\(^2\)** which is a subsidiary of Indian conglomerate Shapoorji Pallonji Infrastructure Capital Company Limited (p 26).

Due to the lack of appropriate management and disposal of sand and debris from the construction site, the local canal, Mandartoli Shakha Khal, has been filled and blocked on several occasions, causing flooding and damage to crops. Finally, after the filing of

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several petitions by local people, the operator company temporarily repaired the canal by re-excavation or dredging. In absence of proper and consistent dredging, the betel leaf (paan) farmers have been suffering from water logging every year (p 28).

Meanwhile, SPICCPL has entered into a deal to sell off the power plant to Mauritius and UK-based Actis Energy for USD 270 million. Before this transfer of ownership is sealed, it is incumbent upon the AIIB as a key investment partner, to compel the borrowing company to pay adequate compensation to the landowners and betel leaf (paan) farmers for the losses and damages they have been subjected to over the last three years as a direct result of the project. The company must also be held accountable for fully rehabilitating the Mandartoli Shakha Khal to its pre-project state. (p 29).

Another stand-alone project financed by the AIIB exposes the role of the AIIB in facilitating fossil fuel-dependent power generation in Bangladesh. In 2019, the AIIB approved a USD120 million loan for the “Power System Upgrade and Expansion Project” (PSUEP)³, which aims to upgrade and expand the power transmission system in Chattogram. Although the rationale sounds benign, the project in fact directly connects the coal power plants of the Chattogram-Cox’s Bazaar Zone with the national grid through constructing 27-km overhead and underground high voltage transmission lines. (p 32).

Indeed, the actual realities on the ground illustrate the questionable practices of the AIIB project staff in ensuring communities are informed, let alone able to raise concerns without fear of reprisals. For example, though the scant project data made publicly available claims the number of beneficiary families of the PSUEP is 287,000, consultation meetings were organized for only 93 persons (i.e. a mere 0.03 percentage of the population claimed by the bank as beneficiaries). Crucially, administrative and political persons were also included in the consultation with affected

communities. As a result, the affected communities were in forced into a position of silence, unable to raise their concerns properly due to fear of potential retaliation and intimidation (p 33).

According to AIIB policies, the Environmental and Social Management Plan (ESMP) and Resettlement Planning Framework (RPF) must be translated into local languages so that the affected communities can understand the proposed project and its impacts easily. Revealingly, the RPF for this project has been translated into the wrong language and some sections of the texts fail to even be coherent. This situation directly means that the AIIB has failed to uphold the ‘right to know’ of locally affected communities (p 35).

At this time, it is incumbent upon the AIIB to put an end to its investments in fossil fuel projects and supporting infrastructure. Instead, the bank must take its role as a multilateral development bank with a global footprint seriously, shifting gears towards promoting RE in Bangladesh and beyond; unequivocally supporting the CVF target\(^4\) to achieve reliance on 100% RE by 2050 — in line with the Paris Agreement and most up to date scientific recommendations on climate (p 38).

\(^4\) CVF Marrakech Communiqué: [https://thecvf.org/activities/program/declarations/marrakech-communique/](https://thecvf.org/activities/program/declarations/marrakech-communique/)

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Gender Policy is must to ensure gender equality at project level
Photo: Sajjad Hossain Tuhin
Bangladesh is one of the most densely populated countries in the world, being home to 168.22 million people within an area of 147,570 km\(^2\) (BBS, 2021). The country is also positioned amongst the 10 most vulnerable countries (MVCs) of the world to the widespread, severe impacts of extreme climate change induced conditions (Germanwatch, 2021). Living in the largest riparian delta in the world in the tropical zone, the people of Bangladesh face an onslaught of frequent tropical cyclones, flash floods, erratic rainfall, salinity intrusion, river erosion and drought. The costs to peoples’ livelihoods are incalculable, being reflected even in the losses to the nation's Gross Domestic Product (GDP), which in recent years has increased year on year from 1.49 percent to 3.02 percent (Haroon, 2019).

Amidst the devastation associated with climate change and the COVID-19 pandemic, the economy of Bangladesh is said to have achieved remarkable progress since the 1990s, being supported by sustained growth, according to traditional economic metrics. Poverty declined from 48.9 percent in 2000 to 20.5 percent in 2019, based on the international poverty line of $1.90 a day (BBS, 2020). As a result, Bangladesh reached lower-middle-income status in 2015 and is on track to ‘graduate’ from the UN’s Least Developed Countries (LDC) list in 2026 (WB, 2021). The annual per capita income of the country reached USD 2,227.00 in 2021 from USD 780.00 in 2011 (DT, 2021). Notably, though, such ‘progress’ for the country comes at a high cost and fails to be centered on the lived realities of people since Bangladesh remains highly dependent on external resources for development projects and bolstering its position in the world economy.

Bangladesh has distinguished itself as one of the founding members of Asian Infrastructure Investment Bank (AIIB). The country's membership was approved on 22 March 2016 with subscription of USD 660.5 million against 6,605 shares and 0.776% voting rights.
Bangladesh also stands among the first four borrowing countries of the AIIB. This first loan, approved in 2016, amounted to USD 165.00 million, and was intended to finance a Distribution System Upgrade and Expansion Project. This project entailed the laying of 85km of underground power distribution lines and to enable approximately 2.5 million service connections for rural consumers (AIIB, 2016).

As a country-member under constituency-3 of the AIIB with Malaysia, Maldives, Nepal, Philippines and Thailand, Bangladesh holds the right to one seat on the Board of Directors (BOD). Currently, Bangladesh is leading the constituency as the Director with representatives from Philippines and Thailand taking up the position of Alternative Directors, and representatives from Malaysia, Maldives and Nepal acting as Advisors (AIIB, 2021d).

Source: AIIB. Members and Prospective Members of the Bank as of 7 July 2021

Bangladesh also stands among the first four borrowing countries of the AIIB. This first loan, approved in 2016, amounted to USD 165.00 million, and was intended to finance a Distribution System Upgrade and Expansion Project. This project entailed the laying of 85km of underground power distribution lines and to enable approximately 2.5 million service connections for rural consumers (AIIB, 2016). Since its first intervention, AIIB’s investment has rapidly increased
year-on-year in Bangladesh, amounting to a total of USD 2,391.98 million for 13 projects within the last 5 years. Currently, Bangladesh is the third largest borrowing Developing Member Country (DMC) of the AIIB following India and Indonesia.

The majority of approved AIIB projects are located in Asia, and nearly 50% in South Asia. According to the latest report, Bangladesh ranked top borrowing country in the period of January 2020 - February 2021 superseding India, Indonesia, Turkey, Uzbekistan behind. AIIB has emerged as one of the key financiers for Bangladesh and has confirmed USD 560.00 million worth of financing only during the period of January - August 2021 (Griestop & Sausmikat, 2021).

**Figure-2** Sectors of AIIB Investment Globally (as of 10 August 2021)

![Sectors of AIIB Investment Globally](chart)

*Source: Analysis of the Study Team based on AIIB Project Database (10 Aug 2021)*
PILING UP THE DEBT BURDEN?

AIIB approved a single project each year in the period of 2016-2019. The number increased to 6 in 2020 with an amount of USD 1,324.81 million (i.e. nearly 703% more than the first year). The trend of approving more projects continued in 2021. Two projects with an amount of USD 562.16 million have already been approved, while seven projects with an amount of USD 1,889.69 million are waiting for approval by the fourth quarter of 2021. If all of them are approved, the total investment of AIIB within 5 years will reach USD 4,278.69 million. This scale of investment is massive, if compared to the national annual budget of Bangladesh (e.g. AIIB financing for the year 2021-22 stands equal to 33 percent of Bangladesh’s national budget for the Health sector).

**Figure-3 Trend of AIIB Investment in Bangladesh (USD Million)**

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<td>500.00</td>
<td>1,000.00</td>
<td>1,500.00</td>
<td>2,000.00</td>
<td>2,500.00</td>
<td>500.00</td>
<td>1,000.00</td>
<td>1,500.00</td>
</tr>
<tr>
<td>2017</td>
<td>0.00</td>
<td>200.00</td>
<td>500.00</td>
<td>1,000.00</td>
<td>1,500.00</td>
<td>2,000.00</td>
<td>2,500.00</td>
<td>500.00</td>
<td>1,000.00</td>
<td>1,500.00</td>
</tr>
<tr>
<td>2018</td>
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<td>500.00</td>
<td>1,000.00</td>
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<td>2,000.00</td>
<td>2,500.00</td>
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<td>1,000.00</td>
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<tr>
<td>2019</td>
<td>0.00</td>
<td>200.00</td>
<td>500.00</td>
<td>1,000.00</td>
<td>1,500.00</td>
<td>2,000.00</td>
<td>2,500.00</td>
<td>500.00</td>
<td>1,000.00</td>
<td>1,500.00</td>
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<tr>
<td>2020</td>
<td>0.00</td>
<td>200.00</td>
<td>500.00</td>
<td>1,000.00</td>
<td>1,500.00</td>
<td>2,000.00</td>
<td>2,500.00</td>
<td>500.00</td>
<td>1,000.00</td>
<td>1,500.00</td>
</tr>
<tr>
<td>2021</td>
<td>0.00</td>
<td>200.00</td>
<td>500.00</td>
<td>1,000.00</td>
<td>1,500.00</td>
<td>2,000.00</td>
<td>2,500.00</td>
<td>500.00</td>
<td>1,000.00</td>
<td>1,500.00</td>
</tr>
</tbody>
</table>

**Source:** Analysis of the Study Team based on AIIB Project Database (10 Aug 2021)

The cumulative external debt of Bangladesh reached USD 70,671.31 million in December 2020 from USD 22,086.00 million in 2011, meaning an increase of 220% over the course of 10 years.
(Haroon, 2021). The Debt-GDP ratio reached 40.16% this year, increasing from 33.33% in 2020 (Statistica, 2021). As a result, the per capita debt burden would be equivalent to USD 428.31 in 2021. Based on these figures, it becomes clear that the AIIB now stands as responsible for 3.38% of the total debt of Bangladesh, which in itself continues to increase every year. The recent initiative of the AIIB for quicker approval and execution of projects will only create more debt burden on the country (Kabir, 2021).

**Image-1**  
Design of the 366.9 million dollar Kewatkhal Bridge: an example of unnecessary debt

*Source: Roads and Highways Department (RHD)*
HIDING BEHIND THE ‘BIG BROTHERS’

At the time of writing, the total value of the projects AIIB has financed in Bangladesh stands at USD 5,283.8 million, of which the Government of Bangladesh (GOB) contributed USD 1,205.97 million (22.8%) and co-financiers 1,657.75 million (31.4%). Among the partnering financial institutions, the Asian Development Bank (ADB) is the largest co-financier of AIIB projects with an amount of USD 967 million (18.3%) followed by the World Bank Group (USD 570m/10.8%). The Islamic Development Bank (ISDB) and Infrastructure Development Company Limited (IDCOL), a Bangladeshi state-owned non-bank financial institute (NBFI), are the lowest co-financiers with an amount of USD 60 million (1.1%) each.

Figure-3 shows the size of partnership between AIIB and other financial institutes. Within the AIIB portfolio for Bangladesh, 37% of...
projects are stand-alone and eight (63%) are co-financed with ADB, ISDB or WBG. According to the Environmental and Social Framework (ESF) of AIIB, “The Bank may, on a case-by-case basis, in lieu of the ESP, ESSs and ESEL, apply the environmental and social policies and procedures of Multilateral Development Banks (MDB), bilateral development organizations and development finance institutions that are co-financing the Project, provided that the Bank is satisfied that these policies...” (AIIB, 2021b).

Concerningly, around half of total AIIB investments have been funneled into Category A projects — those which are labelled as such due to their significant negative impacts on the local environment and/or communities, including but not limited to contamination of surrounding land and water ecosystems, biodiversity loss, displacement and loss of livelihoods. The AIIB has not taken the lead of any co-financed projects, but rather uses the safeguard system of the co-financing MDBs. Even when investment amounts are the same from both, the AIIB surrenders the responsibility of leading on safeguard implementation to co-financiers. This delegation of responsibility also means that the AIIB refuses to be held accountable for the impacts of its co-financed projects: under the ESF, if communities suffer harms, they must approach the co-financier’s accountability mechanism, not the AIIB’s.

Notably, in line with its institutional motto of staying lean, its 316 employees now have the daunting task of supervising a total of 134 projects (meaning in practical terms that two or more staff would be responsible for each project) (AIIB, 2021a).

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ADDICTION TO FOSSIL FUELS

AIIB is the one of the two MDBs formed after the adoption of the Paris Agreement with a motto of “lean, clean, and green”. The Bank is also a member of the MDB Paris Alignment Working Group (MDB-PWG), which was formed in 2015 through a Joint Statement endorsed by six MDBs (later increased to nine MDBs) that committed them to align their financial flows with the objectives of the Paris Agreement (EIB, 2015).^{5}

**Figure-5**  Sectors of AIIB Investment in Bangladesh (USD Million)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Proposed</th>
<th>Approved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>605.0</td>
<td>609.79</td>
</tr>
<tr>
<td>Finance</td>
<td>550.0</td>
<td>1000.00</td>
</tr>
<tr>
<td>Health</td>
<td>100.0</td>
<td>600.00</td>
</tr>
<tr>
<td>Transport</td>
<td>667.0</td>
<td>1000.87</td>
</tr>
<tr>
<td>WatSan</td>
<td>2.00</td>
<td>472.0</td>
</tr>
</tbody>
</table>

*Source: Analysis by the Study Team based on the AIIB Project Database*

In 2018, the MDB-PWG declared a “6 Building Blocks” approach to ensure financing remains in line with the Paris Agreement (WBG, 2018). According to the first and third ‘building blocks’, the AIIB and

^{5} Specifically, the Joint statement suggests that signatory MDBs will pay particular attention to Art.2.1(c) of the Paris Agreement, a clause which calls for ‘making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development’.

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other MDBs should only finance Renewable Energy (RE) in DMCs. Yet on the contrary, the AIIB’s investments in fossil fuels have in fact increased dramatically, including in the case of Bangladesh.

Up to July 2021, the AIIB had approved 134 projects amounting USD 26.25 billion. When broken down by sector, it is evident that energy is the largest sector in which AIIB invests globally, amounting to a total of USD 5.35 billion (20.4% of its disbursements to date); which is only slightly less than the proportion of ADB financing similarly dedicated to the energy sector (21.13%).

![Figure-6 Sub-sectors of AIIB Energy Portfolio in Bangladesh (USD Million)](source: Analysis by the Study Team based on the AIIB Project Database)

However, to date, in the bank’s portfolio for Bangladesh, transport-related investments stand out as the highest in dollar terms with a share of 27.9% (two projects) followed by energy (25.3%/five projects), finance (23.0%/two projects), water & sanitation (19.6%/three projects) and health (4.2%/one project). In the period of 2016-2021, the AIIB’s total investments in fossil fuel-related projects (i.e. fossil fuel power plants, oil and gas infrastructure and power T&D) in the Asian region, increased at an average rate of 38.92% while investments in RE increased at an average rate of 29.93%.
In Bangladesh, the consolidated investment of AIIB in the energy sector will reach USD 1.21 billion in 2021, thereby superseding the transport sector (USD 1.001 billion) and the finance sector (USD 1.0 billion) this year, pending approval of proposed projects by the bank’s board. In the period of 2016-2021, investment in the Energy Sector increased at a rate of 30.9% with zero investment in RE.

Since 2016, AIIB has approved 5 projects in the energy sector in Bangladesh, amounting to USD 605 million. More than 90% of this total investment has gone into the sub-sector of energy transmission and distribution (T&D), the majority of which was for grid connected electricity transmission and distribution (80.2 percent or USD 485.00 million).

Meanwhile, gas transmission lines have received 9.9 percent (USD 60.00 million). The remaining investments in the energy sector have gone towards fossil fuel based power generation (i.e. for Bhola Independent Power Plant [Bhola IPP]). With no current or proposed projects to support meeting the RE targets of Bangladesh, the AIIB’s investment portfolio exposes it as among the most complicit MDBs involved in propping up the dirtiest fossil fuel industries in Bangladesh.
Figure-7  Map of AIIB Projects in Bangladesh

Source: Compilation of the Study team based on AIIB Project Database

Brief on the AIIB Investments in Bangladesh from 2016 to 2021
<table>
<thead>
<tr>
<th>SL.</th>
<th>Name of the Project</th>
<th>Sector</th>
<th>ESF</th>
<th>Current Status</th>
<th>AIIB Lending</th>
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<tbody>
<tr>
<td>01.</td>
<td>Distribution System Upgrade and Expansion Project</td>
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<td>10.</td>
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* Million USD

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<tr>
<th>SL.</th>
<th>Name of the Project</th>
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<th>ESF</th>
<th>Current Status</th>
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<td>20.</td>
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<td><strong>Total 20 Projects</strong></td>
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<td><strong>4,280.85</strong></td>
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*Source: Analysis of the Study Team based on AIIB Project Database*
BHOLA IPP: BROKEN PROMISES

Bhola Independent Power Plant (Bhola IPP) or Bhola II is located at Kutba Union, Burhanuddin Upazila, Bhola District, Bangladesh, occupying 35.293 acres of land along the banks of two canals, the Dehular Khal and Mandartoli Shakha Khal. It is a Combined Cycle Power Plant (CCPP) run by Domestic Fossil Gas (DFG) and High Speed Diesel (HSD) as a secondary fuel.

The installed capacity of the plant is 225 MW under a 23 years power purchasing agreement with Bangladesh Power Development Board (BPDB). The power plant is operated by Nutan Bidyut Bangladesh Limited (NBBL), a subsidiary of Shapoorji Pallonji Infrastructure Capital Company Limited (SPICCPL), which is itself a subsidiary of Indian conglomerate Shapoorji Pallonji Group.

Figure-8  Bhola IPP in the coastal zone of Bangladesh

Source: Developed by Sajjad Hossain Tuhin based on LandSat Data (August 2021)


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As per the financial closure report, AIIB provided USD 60.00 million non-sovereign loan as the lead financier (ERM, 2018) while ISDB and IDCOL provided USD 59.67 million each as co-financier of the USD 271-million project (IJGlobal, 2018). A large infrastructure project in an extremely vulnerable area like Bhola has led to several highly negative impacts in the surrounding areas which local communities and the civil society groups which support them have raised several times to the executing agencies and AIIB staff and Board (Mehedi et al., 2018).

5.1 Land Acquisition

Initially, the executing agency, NBBL, took 13.22 acres of land from BPDB and Bangladesh Inland Water Transport Authority (BIWTA) on the basis of an annual lease, while 15.60 acres from the community as well as 4.64 acres right-of-way (ROW) were granted via a government acquisition process (ERM, 2020). After BWGED and allied organizations raised serious concerns about policy-based violations, including grossly inadequate compensation, NBBL reviewed the land acquisition and paid out an additional BDT 2.97 crore (USD 3.58 million) to the landowners.

In addition, the executing agency took 1.83 acres of land from local farmers in the period of December 2018 to April 2019 without any public consultation or prior notification (AECOM, 2019). While 20 landowners claimed that NBBL took over more land than what was initially claimed and compensated, other farmers were subjected to appropriation of their lands, primarily along the bank of Mandartoli Shakha Khal in the northwestern part of the power plant.

The farmers submitted complaints according to the company’s Grievance Redress Mechanism (GRM) in 2019 and 2020 but have yet to receive any reply from NBBL. Now the people are moving forward with a process of filing collective court cases against the executing agency, arguing their legal rights to possession have been violated.
5.2 Canal Grabbing

Dehular Khal is one of the most important navigation channels in the district as regular passenger ferries (launch) are operated through the channel from Bhola to Dhaka, the capital city of Bangladesh. To construct a jetty and other necessary infrastructures, NBBL took 0.33 acres of land from BIWTA as a lease, which is up for renewal on an annual basis (AECOM, 2019). However, according to satellite data collected in October 2020, 0.71 acre of land was occupied by NBBL in only the jetty area (Google Earth, 2020). Thus 0.38 acres (115.2%) additional land from the canal has been grabbed illegally by the executing agency.

**Figure-9** Comparative view of the project area (2018-2020)

Source: Developed by Sajjad Hossain Tuhin based on Google Earth Pro 7.3.4.8248

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5.3 Water Logging and the Farmers

The paan farmers of the area have reported major losses in their crops due to fungal diseases in their plants since 2018, directly connected to the water-logging caused by the deposits of sand and construction debris in the Mandartoli Shakha Khal (Mehedi et al., 2018). A full commitment to re-excavation was demanded by the community to save the farmers from unexpected water-logging. Subsequently, the NBBL claimed that it had dredged the canal twice. Nevertheless, during a visit of the BWGED research and documentation team in August 2020, it was observed that the canal had only been partially dredged (i.e. 8-12 inches). The inadequacy of the measure in effect, meant there was absolutely no notable improvement in the problem of water-logging. These findings therefore exposed the claims of the company as ‘beautification’ of the canal, rather than any real effort to dredge it or rehabilitate it through proper excavation and disposal of debris.

Furthermore, it is important to note that prior to project development, local farmers used to rely on using fertile silt from the canal-bed to enrich the soil nutrient levels and ensure the health of their crops. Recently they noticed that heavy construction sands in the canal-bed had the effect of decreasing, rather than increasing local soil
nutrients. Indeed, on average, spilled sands from the site during monsoon season reduced betel leaf (paan) production at a rate of 60 percent. Ultimately, the farmers have been forced to consider changes to their livelihoods, in order to have the possibility of eking out a basic subsistence. Though local communities have raised the issue to the company’s community liaison officer, no solution or remedy from the executing agency has been offered to date.

5.4 COVID-19 Emergency Response
After the outbreak of Coronavirus in February 2020, the Government of Bangladesh declared a lockdown and public holidays on 24 March 2020 (Mamun, 2020). Nevertheless, NBBL didn’t announce holidays for the construction site workforce at Bhola, meaning that construction work continued without any safety measures. After a few months, when they gave a break, there was no way for the labourers to go back home. So, they were stuck in adjacent villages such as Dakshin Kutuba and Chhoto Manika. Due to ongoing lockdown measures and restrictions on mobility, the day labourers, shopkeepers and hawkers lost their jobs. At least 23 villagers have also been affected by COVID-19 in the period of 2020-2021. But NBBL has taken no initiative to support the labourers or the villagers at this time, not even as part of a self-proclaimed Corporate Social Responsibility agenda (CSR).

5.5 The Uncertain Future
According to media reports, SP Group appointed Standard Chartered to find a potential buyer for 100% acquisition of Bhola IPP at an estimated price of USD 270 million, with the intention to reduce its debt burden (The Mint, 2020). BWGED communicated with both NBBL and the AIIB to confirm the news. To date, neither the company nor the bank have responded. However, based on the limited public information available, it has become evident that Mauritius-based Actis Ambergen 2 Limited and London-based Actis Energy 5 LP jointly applied for a guarantee from the WBG’s Multilateral Investment Guarantee Agency (MIGA) for acquisition and refinancing of the project (MIGA, 2021). It is clear from circumstances that the Bhola IPP has been sold by SP Group. But it is now uncertain which entity will be accountable for the liabilities of unpaid compensation and how the disputes around Bhola IPP will be resolved under these circumstances.

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The PSUEP is an AIIB stand-alone project implemented by Power Grid Company of Bangladesh (PGCB), a state-owned enterprise under BPDB. AIIB invested USD 120.00 million in the project while GOB and PGCB contributed USD 46.39 million and USD 10.21 million respectively. The stated objective of the project is to upgrade and expand the power transmission system in the Chattogram (Chittagong) region to ensure adequate and reliable power supply (AIIB, 2019b).

The project comprises of six components as outlined by the AIIB:

1. Anwara-Anandabazar (New Mooring) 400 kV double-circuit transmission line: 20 km overhead and 7 km underground cable: 27 km in total
2. Hathazari-Rampur 230 kV double-circuit underground cable: 3 km
3. Madunaghat-Khulshi 230 kV double-circuit underground cable: 16 km
4. 230/132 kV GIS substation at Anandabazar (New Mooring) with transformer
5. 230/132/33 kV GIS substation at Khulshi with transformer
6. Two 230 kV GIS line bays at Madunaghat substation.

According to the document posted on the AIIB website (as of September 2021), the project is intended to promote Bangladesh’s goal to provide electricity for all by 2021. However, available documentation does not clarify if — and how — poor communities will benefit (Recourse, 2019). What is clear is that the power grid connection will be located near several fossil fuel based power plants in Chattogram Zone, including China-backed Banshkhali (SSPL) 1320 MW Coal Power Plant in Banshkhali Upazila, Chattogram and Matarbari (CPGCBL) 1200 MW Coal Power Plant in Maheshkhali, Cox’s Bazar, which are yet to be connected with the national grid.
Figure-10 The Transmission Lines undertaken in Chattogram Zone

Source: Analysis based on ESIA Report (PGCB 2019), Project Profile (PPPA 2020) and Project Information (PGCB 2021b)

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Link with Coal Expansion

In fact, it would seem that the objective of the project itself is questionable. Though the project is supposedly being implemented in the name of upgrading and expanding the power transmission system in Chattogram zone to ensure adequate and reliable power supply, 93% of the people living in and around this area already have access to sufficient electricity (Daily Star, 2019).

So, it appears that in reality the project is not intended to connect the communities to the grid, but rather fossil fuel power plants — especially those that are reliant on coal.

PGCB had already signed an agreement with Indian multinational company KEC International as EPC Contractor for 214 km Matarbari—Madunaghat—Meghnaghat 400 kV transmission line under the Japan International Cooperation Agency (JICA) financed Matarbari Coal Power Project (Daily Sun, 2019) while AIIB is financing the Madunaghat—Khulshi 230 kV double-circuit underground transmission line. The Government has also taken an initiative to establish Matarbari—Banshkhali—Madunaghat 400kv transmission line to connect Banshkhali 1320 MW (SSPL) Coal Power Plant (NewAge, 2021).

So, it appears the project will directly support the transmission of electricity from present and future coal power plants in the area, especially for example, from Matarbari and Banshkhali.
Conflict of Interest

In light of the above, it is notable that the Environmental and Social Impacts Assessment (ESIA) of the project was conducted by the Centre for Environmental and Geographic Information Services (CEGIS), a state-owned research centre that operates under the Ministry of Water (CEGIS, 2021). CEGIS has conducted the Environmental Impact Assessments (EIA) for several controversial projects including Banshkhali (SSPL) Coal Power Plant and Rampal (BIFPCL) Coal Power Plant, and is known for its biased reports in favour of other state-owned enterprises.

![Figure-11 Participants of the Consultation Meetings](image)

Source: Environmental and Social Impact Assessment Report of PSUEP (p 6-3)

Faulty Consultation Process

According to the ESIA report, a total of 9 consultation meetings were organized between November 2016 and October 2018 with recorded participation numbering a mere 93 stakeholders in the project area in contrast to the number of beneficiary families of 287,000 claimed by the ESIA (PGCB, 2019). It is also of note that there are no dates mentioned in the attendance registers of the consultation meetings nor any other indication in these documents.
to verify timing. Furthermore, powerful administrative and political persons like Union Parishad Chairman, Councillors and Engineers were listed as present in the consultation meetings alongside the affected communities (CEGIS, 2018). As mentioned above, a similar process was noted in relation to the AIIB financed Bhola IPP project (Mehedi et al., 2018). In such a situation, community members — young and old alike — would not be in a position to express their opinions freely without fear of potential reprisals or intimidation at the hands of those in power, who themselves may have vested interests in the energy and power sectors.

According to the ESIA report, the total number of affected persons is 920 while only 28 project affected persons (PAPs) were invited to participate in the consultation meetings (30.1% of total participants). Thus, only three percent of directly affected persons were involved in the consultation process. On the other hand, four consultation meetings were held with the participation of 51 (54.8%) elected representatives of local government institutions (LGIs) and four consultation meetings with the participation of 14 administrative representatives (15.1%).

Source: United News of Bangladesh (UNB)
People’s Right to Know

According to the Article 57 of the Environmental and Social Policy (ESP) of the AIIB, it is obligatory for AIIB clients to ensure relevant information about environmental and social risks and impacts of the project as well as mitigation and resettlement plans are disclosed in a timely and accessible manner, in a form and language(s) understandable to the project-affected people (AIIB, 2019a). Nevertheless, the Environmental and Social Management Plan (ESMP) of PSUEP has yet to be written in a coherent, legible Bengali text. Meanwhile, the ESMP and Resettlement Planning Framework (RPF) in Bengali language were not found on AIIB and PGCB websites when checked on 10 August 2021 (AIIB, 2021e & PGCB, 2021a).

Unjust Compensation

A total land of 211.08 acres has been taken as Right-of-Way (ROW) from local inhabitants. 279 families are affected directly as the high voltage underground and overhead transmission line and towers are

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established on their lands. 76 residents are also affected by the project directly due to overhead transmission lines (PGCB, 2019). The land price estimated in the ESIA report stands is a mere one third of the actual market price. Meanwhile, the project documents claimed that the cropping intensity of the area is around 159%, although other research reports have shown it as 191-232% (Shahidullah et al., 2017).

Image-5 A Proposed Site for Khulshi Substation

Source: ESIA Report of the Project. Page 4-7

As a result, the estimated crop compensation amounts to approximately half of actual price. According to the ESIA report, 96 big, 162 medium and 307 temporary shops will be affected temporarily due to construction works. Yet, just 14 days of lost income for 565 shopkeepers are allocated in the ESMP for the project period — although it is expected to take at least 3 months for all associated construction works.(CEGIS, 2018).
03

DEMANDS

Together, the organizations that have collaborated on this report expect that AIIB will urgently take heed of the evidence of problems and negative impacts reported by communities affected by its project investments — and/or community affiliated allies — including but not limited to those detailed above in Bangladesh, as well as in other DMCs.

Together we note that at a fundamental level, one of the major challenges facing communities and broader civil society organizations is the lack of accessible information about many of the Category-A and Category-B projects of AIIB, as the bank has yet to make an unequivocal commitment in regards to openly and fully disclosing detailed project information and documents (regardless of whether they are sovereign, non-sovereign of financial intermediary investments).

This means that affected community members and concerned members of civil society end up with limited ways to raise concerns or questions before project approval, either to the Bank’s board members or management. This effectively shuts down meaningful options for vigorous discussion and consultation in project affected areas.

To this end, AIIB must:

01 Disclose project documents and ESIA reports at least 120 days and 90 days before approval when considering Category-A and Category-B projects respectively, with public notification and circulation in the project area through large information boards in public places, in all major local languages as well as in braille.

02 Disclose full project documents relating to non-sovereign projects so that the affected communities and concerned civil society members have detailed information about the areas to
be impacted and components of the project not only in English, but also in local languages including braille.

03 Without exception, recognize and respect the rights of affected communities to raise concerns about safeguard compliance and accordingly make use of the accountability mechanism, i.e. Environmental and Social Framework (ESF), Policy on Public Information (PPI) and the Project affected People’s Mechanism (PPM) of the AIIB, regardless of whether or not they also make use of accountability mechanisms of any co-financiers, or internationally recognized processes such as consideration by National Contact Points under the OECD Guidelines.

04 Ensure that before publication, documents in local languages are fully checked and verified by independent evaluators to ensure they are readable, easily understandable and applicable in local contexts.

**Energy Investment**

As an MDB formed after adoption of the Paris Agreement, the AIIB must take a lead in supporting the needed energy transition in the region, setting a replicable example for the MDB Paris Alignment Working Group (MDB-PWG) and more broadly for the International Development Finance Club (IDFC) to invest without exception in renewable and decentralized power options in Asia, especially in climate-vulnerable Bangladesh.

To this end, AIIB must:

01 Stop investing in coal and fossil fuel-supporting infrastructures including transportation, transmission and distribution (T&D), port development, hybrid plants, as well as Carbon Capture, Utilisation & Storage (CCUS).

02 Support its developing member countries, including Bangladesh, to achieve 100% RE by 2050 at the latest to ensure zero emissions from the energy sector, powered by the
sun and wind, as opposed to for example, burning waste or forest/plantation derived materials, or large scale hydropower.

03 Focus on distributed, decentralized and utility-scale RE projects which are ecologically sustainable, community-based, locally-owned, operated and managed and beneficial for the natural resource dependent people.

04 Commit to developing a methodology to assess embedded emissions of T&D, so that AIIB can be accountable for its part in increasing GHG emissions through its support for fossil fuel related infrastructure. AIIB must also measure and set reduction targets for embedded emissions in line with the goal of the Paris Agreement.

Bhola IPP

As Bhola is upheld as one of the AIIB’s flagship non-sovereign investment projects in Bangladesh, it is imperative that the AIIB look into the project-related concerns raised to date, ensuring communities’ full rights to remedy and reparations are met at the current time, regardless of whether or not ownership over the project is transferred. The AIIB will need to take responsibility, given its key role in bringing this project online, for the project’s impacts on affected communities.

To this end, AIIB must compel SPICCP and NBBL to:

01 Resolve the allegation of uncompensated land appropriation, by ensuring reparations are provided to all impacted individuals with due regard to ensuring rates are agreeable to local, self-identified representatives of the affected farmers of Dakshin Kutuba and Chhota Manika villages, and respecting that rates must encompass not only the land, but also the loss of crops, livelihoods and intergenerational income.

02 Compensate the harm and damage reported by betel leaf (paan) farmers in surrounding communities, taking into
account losses of production dating back to the start of construction in 2018.

03 Remove the discharge pipelines from the construction site to Mandartoli Shakha Khal to stop the flow of debris and contaminated sands into the canal and ensure proper on-site disposal practices are adhered to.

04 Ensure water-logging of Mandartoli Shakha Khal is avoided by removing debris on a regular basis, in consultation with community members to the canal is able to carry the high tide water flows, particularly in the lead up to, during and after monsoon season (with due regard to the fact that in the context of the current climate crisis, traditionally observed timings of the monsoon are in flux).

The Power System Upgrade and Expansion Project

As the AIIB is increasingly focusing on T&D investments, it is critical that such projects ensure full alignment with the Paris Agreement, stringent, robust compliance with the Bank’s environmental and social safeguard framework and full accessibility for impacted populations to its project affected peoples’ mechanism.

To this end, in the specific case of PSUEP, AIIB must compel PGCB to:

01 Disseminate related information in locally appropriate, coherent and accessible language.

02 Allocate adequate compensation for households and shopkeepers, based on rates agreed upon by community-selected representatives, including but not limited to loss of land, crops and income, according to the period of interruption and self-reported, verified loss and damage. Such compensation packages should not be limited to a financial settlement, but also be inclusive of relocation, rehabilitation and restoration of livelihoods.
Compensate the landowners of areas affected by the ROW land acquisition on an annual basis as they will be affected permanently by the high voltage transmission lines overhead and underground.

Initiate a cumulative impact assessment of different power plants and transmission lines in Chattogram zone, all of which should be considered possible associated facilities to the transmission lines being installed. Ensure the measurement of embedded GHG emissions is included in this cumulative assessment.
Brief on the AIIB Investments in Bangladesh from 2016 to 2021
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CLEAN (Coastal Livelihood and Environmental Action Network) was established in 2010 and works in the coastal zone of Bangladesh with smallholders and women farmers, fisher folks, forest peoples, indigenous communities, other producers and stakeholders to protect natural resources like forests, common water bodies, land resources, mineral resources and atmosphere from being grabbed by powerful groups including IFIs, corporate companies and vested interest groups.

CLEAN (Coastal Livelihood and Environmental Action Network)
4 Mallick Bari Road, Boyra-Rayernahal, Khulna 9000, Bangladesh
Phone: +88 041 761 458, Email: clean.khulna@gmail.com
Website: https://www.cleanbd.org