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Deference, Displacement, and Due Diligence in AIIB and World Bank Lending in India: The Amaravati Capital City and Mumbai Urban Transport Projects

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Deference, Displacement, and Due Diligence in AIIB and World Bank Lending in India:

The Amaravati Capital City and Mumbai Urban Transport Projects

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Abstract:

The Asian Infrastructure Investment Bank (AIIB) has invested almost one-third of its entire pan-Asian portfolio in India, which has quietly become the Chinese-led bank's top borrower despite rising China-India tensions. Over the first half-decade of the AIIB, most of its projects were co-financed with other multilaterals, led by the World Bank, and applied their environmental and social policies, accountability mechanisms, and grievance processes. This empirical research paper traces the development of two projects in India involving AIIB and the World Bank: the ill-fated Amaravati Capital City Project in Andhra Pradesh, a cancelled co-financed project, and the ongoing Mumbai Urban Transport Project, Phase III, originally intended for co-financing but is an AIIB standalone after India's negotiations with the World Bank met at an impasse. While the cases exhibit quite different examples of AIIB and World Bank's partnership in (and with) India, both raise similar questions about AIIB's accountability for environmental and social impacts of its projects—particularly where land acquisition is concerned.

Keywords:

accountability; Amaravati Sustainable Capital City Development Project; Asian Infrastructure Investment Bank (AIIB); Environmental and Social Framework (ESF); India; Inspection Panel; land acquisition; Mumbai Urban Transport Project; Project-affected People's Mechanism (PPM); World Bank

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"One of the questions I have to deal with a lot is, 'Is this a Chinese bank?' And it's not — it's a multilateral bank… India is the largest borrower, we've invested more in India than anywhere else… it shows that any country in Asia, no matter what their diplomatic relations are, is able to engage with and benefit from the work of the AIIB."

AIIB Vice-President Danny Alexander, former UK Cabinet Minister, 2018[2]

In her 2020 lament *Twilight of Democracy,* the American-Polish writer, Anne Applebaum, shares part of a conversation with Agon Maliqi—"a young Kosovar who promotes liberal ideas and democratic culture through art, film, and education"— reflecting on his young country's recent history against a wider backdrop of new authoritarian challenges in Europe and America.

"What the West experienced as decades of struggle came to us as a piece of paper," Maliqi mused.

It is a nuanced point, given that Balkan political change has hardly been without struggle. The political analyst and democracy activist, who was born in Pristina in 1984, was only 14 and 15 during Kosovo's 1998-99 war with Serbia.[3] However, Maliqi's observation seemed to be about the work that comes after the moment of institutional creation. What happens when high-minded constitutional principles are tested in the push-and-pull of ongoing political struggles, beyond history's end, between competing interests and identities?

In an almost entirely separate domain of international relations—which, to be clear, does not include Kosovo—these very words could describe the "paper" inheritance of the Chinese-led Asian Infrastructure Investment Bank (AIIB) at its creation in 2015.[4] In just over half a decade,

[2] Kiran Stacey, Simon Mundy, and Emily Feng, "India benefits from AIIB loans despite China tensions," *Financial Times*, March 18, 2018.
[3] The province declared its independence from the former Yugoslav republic in 2008.
[4] AIIB member countries come from across the world, but its borrowers are Eurasian and Asian countries. Thus, while it bears important structural similarities to the World Bank, its lending also falls under an informal division of

AIIB has rapidly risen to become a sometimes partner and not-quite-peer of the much more established, American-led World Bank and Manila-based, Japan-led Asian Development Bank (ADB)[5]. The relationship between AIIB and the World Bank, which includes a formal Co-financing Agreement signed in 2016 and employed in many of AIIB's loans so far, has been described as both competitive and cooperative.[6] But even in hyphenation, a nuanced formulation like *competitive-cooperative* captures only two dimensions of a complex reality, and it misses what may be the most interesting "fourth dimension" of *time*.

The World Bank, as we know it, evolved over decades of struggle. Its original and still core institution, the International Bank for Reconstruction and Development (IBRD), was chartered by 44 countries led by the United States and United Kingdom in Bretton Woods, New Hampshire in July 1944, even as war continued across Europe and Asia. Amid a wave of Asian and African decolonization, the World Bank established a concessionary lending facility for the world's poorest countries, the International Development Association (IDA), in 1960. The World Bank turned—controversially—toward policy-based "structural adjustment" lending following the 1980s Latin American debt crisis.

Coverage by existing regional multilateral banks, founded over the decades since the 1994 establishment of the World Bank (originally and still formally, at its core, the International Bank for Reconstruction and Development). Kosovo comes under the regional coverage of the European Bank for Reconstruction and Development; see AIIB, "Regional Coverage for Each Regional Bank," https://www.aiib.org/en/about-aiib/basic-documents/_download/global-toolbox/Regional-Coverage.pdf, accessed January 28, 2021. The regional banks' coverages overlap significantly in Asia, where AIIB joins the Manila-based Asian Development Bank (ADB) led by Japan (which did not join AIIB, declining invitation).

[5] The AIIB reported $30.8 billion in assets in September 2020, less than a fifth of the ADB's $251 billion. The World Bank Group holds more than $600 billion in assets (including the public sector International Bank for Reconstruction and International Development Association and the private sector International Finance Corporation). Figures as reported in Mike Bird, "Five Years On, China's World Bank Challenger Has Fallen Short of Lofty Predictions," *The Wall Street Journal*, December 18, 2020.

[6] For a review whose title telegraphs its own perspective on this debate, see Ramon Pacheco Pardo and Pradumna B. Rana, "Co-operation Not Competition: The New Multilateral Development Banks and the Old," *Global Asia* 13, no. 1 (March 2018), www.globalasia.org.

The 1990s were as formative as any period in the 50-year-old institution's history, as it confronted new demands from increasingly assertive governments, both borrowers and donors,[7] that challenged its independence and framed new questions about its accountability—not only to governments, but also directly to people. The World Bank faced challenges from civil society activists and non-governmental organizations (NGOs) opposed to the increasingly market-led or "neoliberal" economic policy conditions it presented to borrowers, and deeply critical of its projects' sometimes harmful environmental and social impacts. Along with its sibling the International Monetary Fund (IMF) and the new World Trade Organization (WTO), the World Bank found itself on the frontlines of intensifying anti-globalization struggles at the turn of a new century and before the global financial crisis of the late 2000s brought an expansion in its global lending and advisory operations and reanimated the original Bretton Woods idea that stable international economic relations required strong intergovernmental organizations.

By comparison, the AIIB, born amid relative global peace and prosperity, has been active for only just over half a decade. Its "on paper" inheritance goes beyond a governance structure and institutional design rather similar to that of the World Bank—albeit with a Chinese-picked[8] president in place unlike the World Bank's U.S.-picked president, a non-resident Board of Directors in place dissimilar to the World Bank's Washington-based Executive Directors, and

[7] The original and core World Bank institution, IBRD, is backed by member countries' "callable" capital subscriptions but issues its own bonds and financial instruments in global capital markets and, between these and borrower country repayments of loans, is essentially self-financing; it has never had to call in the country subscriptions. By contrast, IDA is a fund for concessionary development assistance (below market-rate borrowing) for the world's poorest countries and is replenished by donor country contributions every three years. Though their financial models are fundamentally different, IBRD and IDA together comprise "the World Bank": they share the same staff and come under the same management and Board of Executive Directors. Many countries are "blend borrowers"; this was India's designation for decades, until its "graduation" from IDA eligibility in 2014 following its new classification as a lower-middle-income country.

[8] Jin Liqun, a former vice minister of finance for China and former Executive Director for China at the World Bank, was selected to lead the Bank's formation in 2015. He was nominated by China in May 2020 and subsequently elected by the AIIB's shareholder countries to a second five-year term beginning January 16, 2021.

some other important differences.[9] Just as significantly, the AIIB has established policies and procedures that build on precedents developed by the World Bank over many years—based on challenging and sometimes painful project experiences—thus benefitting from the older bank's experiences and perhaps avoiding some of its sharpest growing pains.

In its project portfolio, "The AIIB is more similar in its financing patterns to the World Bank of the mid-twentieth century than it is to today's World Bank, in that it almost exclusively focuses on financing infrastructure projects."[10] It does not engage in significant social sector lending such as for education or health (Covid-19 relief being an exception that may portend a wider precedent),[11] and it does not engage in policy-based lending for economic restructuring or "good governance" reforms. In other words, the AIIB so far looks much like the early "bricks and mortar"-focused World Bank, but with something like the contemporary World Bank's environmental and social impact safeguards, an ethos of accountability, and its own (rather different) policies and procedures for hearing stakeholder grievances. What remains to be seen is how accessible, responsive, and transparent these AIIB features will be in practice.

The AIIB—whose president, Jin Liqun, says it is "clean, lean, and green, but not mean"[12]—projects an image of concern for people affected by its lending operations. Unlike the World Bank's Inspection Panel, a functionally independent accountability mechanism created in 1993-94, the AIIB's not-fully-independent Project-affected People's Mechanism (PPM), which

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[9] While AIIB's Board of Directors makes decisions on broad strategies, project decisions are made by the president—giving the position much greater authority at the operations level than the World Bank's president has.

[10] Jacob Skebba, "The Context and Implications of AIIB Policy Conditionality Practices," Research Brief no. 8, *China, Law and Development* (September 25, 2019), p. 3, https://cld.web.ox.ac.uk/file/487986.

[11] In September 2020, AIIB's vice president of Investment Operations, Indian national D.J. Pandian, told Mint, "Initially, the idea of social infrastructure was not [a] focus of the bank, but we cannot avoid this anymore, we are going to do that, but we need to build up expertise within the bank to do health care and other social infrastructure projects." Ananth Krishnan, "Interview, D.J. Pandian: 'One-third of funding by AIIB has gone to India," *The Hindu*, September 25, 2020.

[12] Adva Saldinger, "AIIB President Jin Liqun: 'We're lean, clean and green, but not mean,"" *Devex*, April 26, 2017.

has been characterized as "a bureaucratic obstacle course,"[13] has not been forged in fire. It did not follow, for example, any specific transnational influence campaign like the one against Brazil's Polonoroeste road project in the Amazon in the 1980s, the first "bomb" of a project "to attract serious criticism of the [World] Bank from the U.S. government, U.S. NGOs, and the U.S. public" that became "a point of transition for the whole of the Bank."[14] Nor was it brought about by anything like the ad-hoc U.S.-led oversight exercise in the Independent Review of the Sardar Sarovar Dam and Power Project on northwest India's Narmada River in the early 1990s.[15] Both of these projects, in countries now considered "BRICS" partners of China, entailed environmental and social impacts so controversial the World Bank had to step back from the projects—returning only after Brazil made commitments to major changes, and not at all in the Indian case.[16]

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[13] Korinna Horta, "The Asian Infrastructure Investment Bank (AIIB): A Multilateral Bank where China sets the Rules," Heinrich Boell Goundation, Publication Series on Democracy, Vol. 52, Berlin, April 2019, p. 30. According to Horta, "If we consider the World Bank's Inspectional Panel and its [World Bank Group] counterpart for private-sector lending, the Compliance Advisor Ombudman (CAO) of the IFC [International Finance Corporation], the PPM falls far short of what is considered to be best international practice." In addition to posing "an unnecessarily complex obstacle course for affected communities apparently designed to deter them from submitting complaints," Horta sees a conflict of interest wherein the PPM resides within AIIB's Complaints Resolution, Evaluation and Integrity Unit instead of reporting directly to the bank's Board of Directors as the Inspection Panel does in the World Bank's accountability architecture. For a more positive (though still qualified) assessment, see Lili Pike, "'China's World Bank' is making it easier to complain: People can soon start filing grievances with AIIB projects, but the new policy still falls short," *The Third Pole*, February 25, 2019.

[14] For a nuanced outside-in and inside-out account of the relationship between external NGO pressure and internal World Bank dynamics in the Brazil project, see Robert H. Wade, "Boulevard of Broken Dreams: The Inside Story of the World Bank's Polonoroeste Road Project in Brazil's Amazon," Grantham Research Institute on Climate Change and the Environment, Working Paper No. 55 (August 11), Grantham Research Foundation and London School of Economics and Political Science; the quoted material is from p. 5. On the 1980s and 1990s emergence and consolidation of transnational advocacy networks more generally, see also Margaret E. Keck and Kathryn Sikkink, *Activists Beyond Borders: Advocacy Networks in International Politics* (Ithaca: Cornell University Press, 1998).

[15] See Bradford Morse, chairman and Thomas Berger, deputy chairman, *Sardar Sarovar: The Report of the Independent Review* (Ottawa: Resource Futures International, 1992), and on the impact of "the Narmada lesson" in catalyzing the creation of the Inspection Panel, see Ibrahim F.I. Shihata, *The World Bank Inspection Panel: In Practice*, 2nd ed (Oxford: Oxford University Press, 2000), pp. 5-8.

[16] Ibrahim Shihata, general counsel of the World Bank and a principal architect of the Inspection Panel, called India's two Narmada projects—the Sardar Sarovar project and the Narmada River Development (Gujarat) Water Delivery and Drainage project—"the most important case to draw public attention to the accountability issue… In addition to causing major environmental impacts, the dam project was originally expected to require the resettlement of 70,000 persons (an estimate that subsequently had to be increased to 120,000) from a submersion area of approximately 370 square kilometers)." Indian planners later added a second "resettlement of a similar magnitude" as a result of a canal

As opposed to the World Bank's Environmental and Social Framework (ESF)—four years in the making when it was adopted in 2018—the AIIB's identically named system was not scaffolded on top of an existing 30-year-old framework of environmental and social "Safeguard Policies." For the World Bank, a "checkered history of supporting occasionally controversial projects" led to its ESF being developed through "much negotiation and compromise, with input from governments and communities across the globe."[17] The AIIB's ESF followed a consultive process, but like the young Kosovar's observation, this important "piece of paper" did not follow "decades of struggle."

A key question for the AIIB is whether being born into a development assistance discourse and rules already emphasizing accountability for project impacts—not exactly "born free," perhaps, but rather "born accountable"—makes a significant difference in its relations with governments and with people. The World Bank, in particular, came by its accountability—still a work-in-progress—the hard way, and especially through its relations with India, over many years of lending. As AIIB transitions from mainly co-financed projects to significant standalone operations, we might ask if "the hard way" is the only way to really develop accountability policies and procedures to mitigate harm by projects and give meaning to high-minded promises.

The AIIB may not be "China's World Bank" exactly, but it is China's creation. Early American reactions conjured up fears of a "race to the bottom" that would put big building projects ahead of people and the environment. As *The New York Times* noted in 2015 ahead of the AIIB launch, "China's enormous overseas spending has helped it displace the United States

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project not covered by the Bank's original appraisal. "World Bank funding represented only about 10 percent of overall costs"—with India bearing the lion's share—"and the undisbursed balance of the IBRD loan was eventually cancelled at the request of the Indian government." The borrower may have walked away, but the Bank was significantly transformed by the experience. Shihata, *The World Bank Inspection Panel*, pp. 5-8.

[17] Gaia Larsen, "The World Bank Just Overhauled its Safeguards for the First Time in 30 Years," World Resources Institute, Blog, August 24, 2016.

and Europe as the leading financial power in large parts of the developing world"[18]—and some Western observers, especially Americans, worried that even if AIIB would not exactly *displace* the World Bank as a development lender, its Chinese leadership might distort the democratic decision-making potential in its multilateral makeup As the Times reported, "While many countries had similar doubts as the United States, they figured they could just shape the organization from the inside." China's undemocratic impulses, skeptics warned, could ultimately limit the bank's accountability even to other shareholders, but especially to stakeholders bearing environmental and social impacts of its projects.

China has a plurality 26.5 percent vote share in AIIB (27.4 percent including Hong Kong), and veto power "over decisions requiring a super-majority, although not in operational matters."[19] Its preponderant voting power is followed by India's 7.6 percent, Russia's 6 percent, Germany's 4.2 percent, South Korea's and Australia's 3.5 percent each, and France's 3.2 percent. Nevertheless, the American-led World Bank is not all that democratic either. In the system of weighted voting that the World Bank pioneered based on member country capital subscriptions, as of January 2021, the United States holds a powerful 15.6 percent vote share in IBRD and 10.7 percent in IDA. The U.S. has veto power in certain formal IBRD votes requiring 85 percent supermajorities, and a kind of informal "existential veto" and agenda-setting power on a wider range of issues.

What democratic accountability the World Bank *has* evolved was advanced at critical junctures by the efforts of ordinary people, and by professional activists, advocates, and analysts in civil society organizations in Europe and the United States. Though less widely appreciated in

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[18] Jane Perlez, "China Creates a World Bank of Its Own, and the U.S. Balks," *The New York Times*, December 4, 2015.
[19] Shahar Hemeiri and Lee Jones, "The misunderstood AIIB," *The Interpreter*, May 17, 2018.

the international relations literature, given American and European scholars' tendencies to focus on their own countries' influences on the World Bank's governance and organization, the Bank's greater accountability also grew out of its experiences in borrower countries like India—in fact, *especially* in India, given its vibrant civil society, free press, and flawed but diverse and participatory democracy.[20] Moreover, because perhaps no borrower country and borrower *society* has had as much influence on the World Bank over the decades as India, it will be essential to observe the AIIB's expanding portfolio and experiences in India.

"We Are Very, Very Apolitical": AIIB's Surprising Expansion in India

Quickly and rather quietly, the world's largest democracy has become the AIIB's top borrower. India alone accounts for around one third of all AIIB loans to date—just as it has borrowed more from the World Bank than any other country cumulatively. As of July 2020, India had borrowed roughly $4.5 billion from AIIB, averaging around $1 billion a year since the bank's beginning, and stood to receive another $1 billion in loans already "in pipeline."[21] India was also the top recipient of initial loans under the bank's Covid-19-related relief fund, with a $500 million loan in May 2020 and another $750 million in July. The appended Table following this paper's text lists all approved and proposed AIIB projects in India to date, both co-financed and standalone.

It remains to be seen if this pace of borrowing will be a passing bulge—reflecting India's relatively shovel-ready infrastructure picture, the new bank's enthusiasm to quickly establish its

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[20] For historical accounts see Jason A. Kirk, *India and the World Bank: The Politics of Aid and Influence* (London: Anthem Press, 2010) and Nagesh Prabu, *Reflective Shadows: Political Economy of World Bank Lending to India* (New Delhi: Oxford University Press, 2016).

[21] Sutirtho Patranobis, "With $4.5 billion in loans, and a $1 billion more in pipeline, co-founder India is top China-led bank borrower," *Hindustan Times*, July 28, 2020.

portfolio, and a once-in-a-century global pandemic—or if this scope of diversified development assistance will continue, but AIIB is certainly planning for expansion and, perhaps even more, significantly has already begun to shift from majority co-financed to majority standalone projects.

India's borrowing from the World Bank peaked following the global financial crisis, at a whopping $9.3 billion in outlier 2010; it has borrowed only half as much annually in other recent years but was still the World Bank's largest annual borrower in six of the 10 years between 2009 and 2018.[22] Through 2019, when India and the World Bank marked their 70th anniversary, the country's cumulative borrowing stood at $115 billion.[23]

It may seem curious that India would establish such a significant borrowing relationship with AIIB, especially at a time when its relations with China have reached perhaps their lowest point in more than half a century. Although AIIB loans seem to receive little attention in India—at least compared to the historically much higher profile of the World Bank—Indian officials seem to recognize that being the AIIB's topmost borrower may raise some eyebrows. In July 2020, even as Chinese and Indian forces fought for the first time in 45 years "with sticks and clubs, not guns" over the countries' "ill-defined, 3,440km (2,1000-mile)-long disputed border" in the Himalayan region,[24] straining economic diplomacy between President Xi and Indian Prime Minister Narendra Modi, AIIB stepped up lending in India with new infrastructure project announcements and its Covid-19 relief.

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[22] Remya Nair, "India was the largest borrower from World Bank for 3 of last 4 years," *The Print*, March 1, 2019.
[23] The World Bank, *Annual Report 2019*, Lending Data, Table: IBRD and IDA Cumulative Lending, by Country, Fiscal 1945-2019, p. 20, http://pubdocs.worldbank.org/en/724041569960954210/WBAR19-Lending-Data.pdf.
[24] See "India-China dispute: The border row explained in 400 words," BBC, January 25, 2021, https://www.bbc.com/news/world-asia-53062484.

Speaking on condition of anonymity, a senior Indian government official told *Mint*, "The World Bank is dominated by the U.S. while Japan has more influence over Asian Development Bank. We are not taking money from China but from the multilateral development bank. I don't see any structural change in our engagement with AIIB because of our tensions with China."[25]

In a September 2020 interview with *The Hindu*, D.J. Pandian, a former 35-year official in the Indian Administrative Service now serving as AIIB's vice president of Investment Operations, overseeing all lending in South and Southeast Asia, went further. He predicted that when the bank marked its five-year anniversary in India in January 2021, it may have added another $1 billion in projects to its portfolio, bringing total investments to $6 billion. When asked about China-India tensions and AIIB President Jin Liqun's July 2020 statement that the bank's decision-making "is only based on economic merits," Pandian said, "Our decisions are based on the merit of the project, not on what is happening, or on internal or external problems… We are very, very apolitical."[26]

In an example of the non-sequitur nationalism and meme-making that increasingly passes for political discourse, a viral claim on Indian social media in 2019 asserted that the Indian government, led by Modi and his Bharatiya Janata Party (BJP), had cleared all of India's debt with the World Bank over the previous six years. The tweet by "student of life" Manojava Gururaj Galgali (@ManojavG), which circulated on WhatsApp and for a time on Facebook misleadingly juxtaposed a screenshot of an earlier tweet by India's United Nations ambassador, Syed Akbaruddin, legitimately showing that India was among 35 states to be current in their dues paid to the UN, with the following message:

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[25] Asit Ranjan Mishra, "India may not alter rules of engagement with AIIB," *Mint*, July 29, 2020.
[26] Ananth Krishnan, "Interview, D.J. Pandian: 'One-third of funding by AIIB has gone to India,'" *The Hindu*, September 25, 2020.

> *For 70 years India was the biggest borrower at the world Bank* [sic.]*, Once every Indian born was a debtor at birth, the things which great economists couldn't do, a chaiwala* [tea seller] *did it, he changed India's and Indian's fate, within 6 years @narendramodi has cleared every penny of India's debt at the World Bank, all paid. Full settlement done at UN by India, who is that fellow who was talking about some economic slowdown in india? #UNLoanCleared #ModiHaiToMumkinHai* [roughly ItIsPossibleIfModiIsThere].

The claim was false; no, India had not "repaid" its World Bank loans, and a fact-checking effort by an independent journalist sought earnestly to explain that UN dues are not "loans," that UN dues and World Bank loans are wholly separate, that the World Bank had just committed an additional $3.2 billion in lending to India in 2019, and that the country still owed IBRD over $2.3 billion and IDA more than $1.1 billion for 21 projects undertaken since 2014.[27]

It is unimaginable that anyone would bother to create a meme about India's repayments to AIIB—or if they did, that anyone in India would bother to circulate it. The border fight may have led India to ban TikTok for being owned by China, but India's borrowing from the China-led AIIB was not only left undisturbed; it actually increased due to the Covid-19 pandemic.

So far, scholars have not been much more attentive to the AIIB in India than its public has been—and have paid even less attention to how AIIB's Co-Financing Agreement with the World Bank has shaped its early involvement in India. Much of the initial scholarship on AIIB has tended to focus on the competitive diplomacy behind its formation—with the United States seeking, almost entirely unsuccessfully, to dissuade leading allies and trading partners from joining the bank[28]—or has scrutinized its formal institutional design, policies, and procedures in

[27] Pooja Chaudhuri, "No, India has not repaid all its World Bank loans in 6 years of PM Modi's governance," *Alt News*, Pravda Media Foundation, October 18, 2019.
[28] Among leading U.S. allies and trading partners, only Japan conspicuously did not join in 2015; Australia, France, Germany, Israel, Italy, Saudi Arabia, South Korea, Spain, the United Kingdom, and others conspicuously did join at the bank's creation or shortly thereafter, as did Canada in 2018.

efforts to predict what kind of lender and "development partner"[29] it would be for its borrowers.[30] In another important set of partnerships, most of AIIB's projects through 2019 were co-financed, mainly with the World Bank and in a some cases with ADB. These joint projects followed World Bank or ADB policies and procedures,[31] including for environmental and social accountability.

In *The Hindu*'s September 2020 interview, AIIB Vice President Pandian was candid about the shifting role of co-financing in the bank's portfolio—and the bank's present capacities. "In the beginning, 70%-80% of all our projects were co-financed with the World Bank or ADB. Today it is the other way around, and 70% to 80% are standalone. We have been able to build up our teams and develop confidence in the Bank [AIIB]. Currently we do not have local presence, and when that comes, we will be able to do more standalone projects."[32]

Thus, a clear understanding of AIIB's lending in practice should seek to understand how its reliance, so far at least, on its partners' policies and procedures—on the hard-won achievements and occasionally high-profile failures of the World Bank especially—may have helped insulate it from public scrutiny if not accountability, paying diplomatic dividends during its first half-decade of rapid expansion. Whether the surrogacy of its partners' policies and procedures has prepared the AIIB to meet challenges and criticisms that may emerge as it takes on more stand-alone projects really remains to be seen. In years to come, just as much of what the World Bank has learned about development over the decades, it has learned in India,[33] so too

[29] AIIB governors from Bangladesh and Turkey, for example, both used this phrase to describe the bank in their remarks at its 2017 annual meeting; see "Summary of Proceedings," Annual Meeting of the Board of Governors, Jeju, Korea, June 16-17, 2017, p. 40, 43.
[30] For the author's review of the initial literature (through early 2019), see Jason A. Kirk, "China and the Asian Infrastructure Investment Bank," *Raisina Debates*, Observer Research Foundation, New Delhi, November 1, 2019, https://www.orfonline.org/expert-speak/china-and-the-asian-infrastructure-investment-bank-55693/#_edn20.
[31] Adva Saldinger, "What's new with the Asian Infrastructure Investment Bank?" *Devex*, October 25, 2019.
[32] Krishnan, "Interview, D.J. Pandian."
[33] Kirk, *India and the World Bank*.

India's significant share of all AIIB projects could provide formative experiences for the new bank that will determine how its policies and procedures are enacted, and how they evolve.

This empirical research paper will proceed as follows. The next section will largely forgo the standard general "review of the literature" on AIIB—not because scholars haven't produced quality studies, but because the space required to discuss this burgeoning literature in detail will be better served by a conceptual and institutional background that clarifies some essential elements of the partnership between AIIB and the World Bank in India. Following this conceptual and institutional orientation, the paper employs process-tracing methods to present two case studies of recent projects in India, selected for their significant social impacts associated with land acquisition, involving both lenders in different capacities.

The first was a co-financed project to build a new capital city, Amaravati, in India's southeastern state of Andhra Pradesh. A land acquisition process undertaken by the state government for this project became the subject of a Request for Inspection brought by local landowners, mostly small and medium farmers, even before the World Bank and AIIB had formally approved their planned loans. After a protracted inquiry, the project was dropped. The path followed by this problem project shows how the partnership between the World Bank and AIIB, at least in this case, put essentially all of the public-facing accountability on the former, with the AIIB barely "speaking" and leaving hardly any trace of its involvement.

The second case study, the Mumbai Urban Transport Project (MUTP-III), presents a very different model of relations among India, the World Bank, and AIIB. The project's first phase, beginning in 2002, was financed by the World Bank and, like Amaravati, entailed a land acquisition by state authorities that met with opposition, albeit in a more urbanized context and involving primarily small shop owners rather than farmers. In this case, Inspection Panel involvement led to improvements in project design and permitted the initiative to continue through its remaining first phase and a second follow-on loan which entailed minimal displacement of people. The current MUTP-III was originally going to be co-financed by the World Bank and AIIB. However, Indian officials and the World Bank came to an "impasse" over aspects of the project, and it has become an AIIB stand-alone operation. The current phase again entails significant environmental and social impact through population displacement, making it a crucial test case in the new bank's operationalization of its ESF and accountability policies and procedures.

The paper concludes with a brief reflection on lessons from these two projects—which took unexpected and divergent courses in spite of "best laid plans"—for understanding AIIB and for development assistance and democracy in India.

Extending the Institutional and Sociocultural Context: AIIB's Inheritance in India

In an October 2013 address before Indonesia's parliament in Bali, Chinese president Xi Jinping first proposed to establish "an Asian infrastructure investment bank to promote interconnectivity and economic integration in the region." President Xi's "if you build it, they will come" vision was realized with astonishing speed. Prospective AIIB members, led by China, hired an American formerly at the World Bank, Natalie Lichtenstein, to serve as Inaugural General Counsel in the drafting of the new bank's Articles[34]—even as the United States did not participate and urged allies not to join the new bank—and by June 2015, representatives of 50

[34] On this decision, see "Foreword" by AIIB president Jin Liquin in Natalie Lichtenstein, *A Comparative Guide to the Asian Infrastructure Investment Bank* (Oxford: Oxford University Press, 2018), pp. v-vii.

founding member countries, including India, had gathered in Beijing to sign the AIIB's Articles of Agreement.

In terms of shaping the AIIB's early lending, especially but not only in India, at least as important as the close parallels and key differences between the charters of the two banks is a formal Co-financing Agreement, signed in April 2016. Announcing the partnership in Washington, World Bank President Jim Yong Kim said, "As the world's multilateral development banks collaborate ever more closely, leveraging each other's financing and expertise, the people who will benefit the most will be the world's poor."

For his part, AIIB President Jin said the new bank was "very grateful for the generous and timely support offered by the World Bank Group throughout our establishment process, and we look forward to a long a fruitful relationship with ongoing cooperation in project co-financing and other areas."[35]

The Co-financing Agreement itself, for all its emphasis on "joint" and "parallel" aspects, appears to envision that "the AIIB may wish to request the World Bank's services" much more than vice-versa, naturally.[36] The agreement provides for annual consultations every March, prior to which the World Bank provides AIIB with a list of projects it is financing, or intends to finance, that it considers as potential candidates for co-financing. The two lenders commit to information sharing and retain their prerogatives to use shared information "to develop independently [each] its own evidence for use in support of corrective or remedial actions (such as sanctions)," including specifically information about "any event… likely to materially interfere with, or seriously hinder or impair, the implementation of the Project." This provision

[35] The World Bank, "AIIB and World Bank Co-Financing Agreement – key elements," April 13, 2016.
[36] "Co-Financing Framework Agreement between Asian Infrastructure Investment Bank and International Bank for Reconstruction and Development and International Development Association," April 13, 2016, http://pubdocs.worldbank.org/en/522801471875210501/AIIB.pdf.

explicitly includes “allegations or indications of a sanctionable practice… or complaints made by third parties to the World Bank’s Inspection Panel or AIIB’s oversight mechanism referred to in AIIB’s environmental and social policy.”[37]

This seeming symmetry notwithstanding, there is a one-way directionality and deferential quality to much of the Agreement, with significant aspects of the partnership coming under the following provisions: “Except as otherwise provided […] the World Bank will carry out all Services (including, inter alia, Environmental and Social Services, Procurement Services under Joint Co-Financing, Investigative Services, Financial Management Services and Disbursement Services) in accordance with its policies and procedures,” and the AIIB will “specify the same” in its agreements with Recipient and “will rely on the World Bank’s decision as to whether these policies, procedures and requirements have been complied with.”[38] Under “Environmental and Social Services” specifically, the Agreement provides that “the World Bank will conduct the environmental and social due diligence and supervision for the Project.”[39]

The World Bank’s current Country Partnership Framework for India, covering the fiscal years 2018 to 2022, provides additional context for understanding its co-financing of projects with AIIB sinceThe AIIB does not produce overall strategy documents for countries, so it has no counterpart to the World Bank’s 192-page CPF for India. The World Bank in India “will continue to shift its emphasis from serving as a ‘lending Bank’ to playing the role of a ‘leveraging Bank,’”[40] and “will work to provide complementarity and synergies with other organizations to maximize impact.”[41] The Framework does not envision reduced World Bank

[37] “Co-Financing Framework Agreement,” p. 5.
[38] “Co-Financing Framework Agreement,” p. 7.
[39] “Co-Financing Framework Agreement,” p. 8.
[40] World Bank, “Country Partnership Framework for India, For the Period FY18-FY22,” Report no. 126667-IN, July 25, 2018, p. 3.
[41] World Bank, “CPF for India, FY18-FY22,” p. 46.

lending for India, or its displacement as a source of development assistance by AIIB and other lenders, but it does seem to suggest that India's diversity and the great size of even its sub-national states—"where the state of Uttar Pradesh is [the] size of Brazil,"[42] for example—requires both "a more programmatic and holistic approach… towards state engagement" as well as partnering with other multilateral lenders in some projects and "crowding in" additional private investment. The mid-2018 report indicates that the World Bank "will continue to finance two projects and carry through on preparations of four other projects in collaboration with the Asian Infrastructure Investment Bank"[43]—which is as far as it goes to describe their co-financing operations. It gives India the real agency in this "development partner coordination," specifically through the Ministry of Finance's Department of Economic Affairs and indicates that the Government of India has "brokered" the co-financing by the World Bank and AIIB for the approved and proposed projects.[44]

The AIIB's own Environmental and Social Framework[45] was barely months old when the Co-financing Agreement was signed in early 2016; it has since been amended (in 2019) with some added specificity. Nevertheless, it remains a quite general, directive-driven document, and it has seen very limited operationalization, in India or elsewhere, given the major role of co-financing in the bank's initial portfolio. As the AIIB begins to develop and approve more of its own projects with governments, the ESF and its accountability provisions assume much greater significance.

[42] World Bank, "CPF for India, FY18-FY22," pp. 3-4.
[43] World Bank, "CPF for India, FY18-FY22," p. 46.
[44] World Bank, "CPF for India, FY18-FY22," p. 46, p. 112
[45] The AIIB's ESF was approved February 2016 and amended three years later; an additional directive was added in April 2020 to guide its implementation, adding, *inter alia*, environmental and social specialists to project teams.

One clear sign that the bank understands this is that four years after it went into operation, the AIIB undertook a review of its ESF—as, in fact, it had committed to do when the ESF was created. As a contribution to a wider dialogue in the period of this review, 2019-20, Kate Geary from the Bank Information Center Europe submitted a set of recommendations based on a review of the AIIB's ESF so far.[46] Geary examines AIIB's investments over its first four years, including case studies of the India Infrastructure Fund and National Investment and Infrastructure Fund in India, along with major projects in neighboring Pakistan, for hydropower; Myanmar, for gas power; and both Myanmar and Bangladesh, through support for the IFC Emerging Asia Fund (with the World Bank's separate private sector institution, the International Finance Corporation).

Given the high percentage of co-financing, the report finds, "the AIIB has delegated responsibility for both use and application of standards and grievance mechanisms to its cofinanciers." Only in "a couple of cases to date—for example, the Gujurat [*sic.*] Rural Roads project in India and the Bhola IPP gas power plant project in Bangladesh – have civil society organisations (CSOs) documented the application (or lack thereof) of the ESF in projects where the AIIB's ESF applies."[47] In the Gujarat case, Geary reports that though "the current ESF's sparse language on gender… 'require[s] clients to consider gender in designing operations and hold gender-inclusive consultations,'" a July 2019 study by the New Delhi-based Programme on Women's Economic, Social, and Cultural Rights (PWESCR) found:

> The project did not establish mechanisms for women to inform or shape the project. Many fewer women were hired than men to work on the project. Work sites did not have gender-

[46] Kate Geary, "Do No Harm? Recommendations for the review of the Asian Infrastructure Investment Bank's Environmental and Social Framework," Bank Information Center Europe, NGO Forum on the ADB, and Gender Action, December 2019, https://www.re-course.org/wp-content/uploads/2019/12/Do-no-harm-Recommendationsfor-the-review-of-the-AIIBs-ESF.pdf. The report's publication information page includes the note, "Oxfam Hong Kong sponsors the research work but the views expressed here are those of the author and not necessarily those of Oxfam Hong Kong."
[47] Geary, "Do No Harm?" p. 7.

> safe bathrooms or housing facilities for women workers. Project road construction reinforced gender inequalities and violated labour and human rights, especially those of tribal peoples.

The PWESCR study went on to observe and urge, “There needs to be integrated gender sensitive interventions. Without such approaches, the dominant and better off communities (men, especially rich men from upper castes and from certain ethnic and religious backgrounds) benefit from such infrastructure much more than poor women and even less so are dalit or adivasi tribal women.”[48]

Thus, while the thin evidence so far on the AIIB’s “stand-alone” ability to meaningfully apply its own ESF and accountability mechanisms in India is hardly conclusive, neither does it inspire confidence. Geary warns that a “side-stepping” tendency for the AIIB to simply adhere to co-financing terms for “any adverse impacts of the project”—for which AIIB clearly “can be held accountable by communities”—don’t really work. In strict legal terms, Geary may go so far as to suggest that AIIB is “holding itself exempt from responsibility if things go wrong” and “refuses to let itself be held accountable for its investment in… co-financed projects.” She may have a point in lamenting that “the AIIB is also foregoing the opportunity to learn lessons from any mistakes made.”[49]

The authors of another multi-NGO report on AIIB’s investments, which focuses mainly on its alignment with the Paris Agreement and UN Sustainable Development Goals, applaud the AIIB “over the first years of existence” for developing “a full set of basic documents, policies and directives, frameworks and strategies in record time.”[50] Nevertheless, the report, by lead

[48] Quoted in Geary, “Do No Harm?” pp. 20-21.
[49] Geary, “Do No Harm?” p. 29.
[50] Thomas Hirsch, Sophie Bartosch, Yao Anqi, Guo Hongyu, Yulia Menshova, Ajita Tiwari Padhi, and Md Shamsuddoha, “Aligning the Asian Infrastructure Investment Bank (AIIB) with the Paris Agreement and the SDGs: Challenges and Opportunities—A Civil Society Perspective from: Bangladesh, China, India, Russia & Germany,” (Bonn: Germanwatch, Neckargmünd: Climate & Development Advice, Dhaka: Center for Participatory Research

author, Thomas Hirsch, for lead NGO Germanwatch, goes on to observe that AIIB decision-making is highly centralized in practice: while "decisions on strategies… remain with the [non-resident] Board of Directors," these "are at least partly separated from decisions on projects, now made by the president alone." The report cautions that "Such an approach can undermine chains of accountability at [the] governance level, as pointed out by critical observers of the bank."[51]

The Germanwatch report also cites limitations of the AIIB's complaint handling process, including a first analysis of the Project-Affected People's Mechanism in which Korinna Horta, writing in German in 2018, concluded, according to the translation, "that the mechanism is more difficult to access for affected people, as compared for instance to the World Bank's Inspection Panel," based on greater difficulties accessing publicly available project information "and on the fact that people are only allowed to submit a complaint to the PPM if they have previously approached the project-level grievance mechanism and exhausted 'good-faith efforts' with AIIB management to settle their case," along with "further hurdles to be overcome."[52] The same author, writing in English, has characterized AIIB as "a multilateral bank where China sets the rules" and has criticized its "transparency deficit."[53]

Finally, the Germanwatch-led report included a section by partner organizations Indian Network on Ethics and Climate Change (INECC) and LAYA in Andhra Pradesh state on "the political and economic role of AIIB in India." The section authors report a highly centralized,

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and Development, Beijing: Greenovation Hub, Visakhapatnam: LAYA/INECC, and St. Petersburg: Russian-German Office for Environmental Information), April 2019, www.germanwatch.org/en/16354.

[51] Hirsch et al., "Aligning the AIIB with the Paris Agreement and the SDGs," p. 25.

[52] Hirsch et al., "Aligning the AIIB with the Paris Agreement and the SDGs," p. 38, citing K. Horta, "Die Asiatische Infrastruktur Investment Bank (AIIB): Transparenz und Beschwerdemechanismus," AIIB Politikentwürfe (February 2018), https://urgewald.org/sites/default/files/AIIB%20Politikentwuerfe%20Februar%202018.pdf.

[53] Horta, "The Asian Infrastructure Investment Bank (AIIB)"; Korinna Horta and Wawa Wang, "The AIIB's Transparency Deficit," Project Syndicate (published in English, German, French, Italian, Portuguese, Spanish, Polish, Bahasa Indonesia, Russian, Arabic, Chinese and Dutch), October 22, 2020, https://www.project-syndicate.org/commentary/asian-infrastructure-investment-bank-environmental-social-risks-by-korinna-horta-and-wawa-wang-2020-10.

state-led pattern in projects, dominated by the Government of India and its Ministry of Road Transport and Highways, Ministry or Power, and Ministry of Urban Development "playing key roles"; "The involvement of the corporate sector in India has so far been negligible, and the same is true for civil society," they write. While AIIB held "special dialogues" in 2018 with civil society organizations (CSO) in several states before its annual meeting that year in Mumbai and in the city during the meeting, the organizations have criticized "the lack of formal spaces such as a CSO platform at the AIIB." The authors suggest that holding only "informal dialogues… could indicated that the bank may not be willing to offer more CSO participation other than at the level of lip service only."[54]

The AIIB's July 28-29, 2020 Annual Meeting was held during Covid-19 pandemic and was webinar based. Its program indicates a two-day "virtual session to connect stakeholders and experts to discuss how to build a more inclusive and resilient tomorrow." It includes no dedicated discussions with civil society organizations. The meeting overview page directs visitors to an email contact "If you have questions about Civil Society Organization engagement."[55] By comparison, the World Bank's Annual Meeting with the IMF over September 28-October 29, 2020, featured a Virtual Civil Society Policy Forum including a Townhall event with World Bank President David Malpass and a CSO Roundtable with Executive Directors.[56]

The authors briefly review AIIB's $1.2 billion India portfolio through 2017—eight approved projects—and find significant "positioning of narratives" in relation to sustainable

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[54] INECC and LAYA, India, "AIIB in India: first lessons learned from investment projects," in Hirsch et al., "Aligning the AIIB with the Paris Agreement and the SDGs," 43-50, p. 43.
[55] AIIB, 2020 Annual Meeting, https://www.aiib.org/en/news-events/events/2020-annual-meeting/overview/index.html.
[56] World Bank, Civil Society Policy Forum, September 28-October 9, 2020, https://www.worldbank.org/en/events/2020/10/16/civil-society-policy-forum.

development goals in the documents, for example, for the $400 million loan Andhra Pradesh Rural Road Project. Scrutinizing this and other project documents, they find thin and fragmentary evidence of significant preparation by AIIB to follow through on lofty rhetoric. For example, they note that "a Gender Action Plan has been prepared for AIIB" that is "congruent with the respective mandate of the World Bank." It aims to promote women's participation, maximize project benefits to women, and minimize women's vulnerability due to loss of land, livelihoods, and accesses associated with projects. However, in its operationalization of the Plan, the AIIB does not include a gender specialist among project staff, "which would indicate a lack of seriousness in addressing gender inequality comprehensively."[57] While the focus on gender aspects of AIIB's Social policy in India, both in this report and the BIC Europe review, does not address every aspect of the Social policy, women's engagement (or lack thereof) as project stakeholders is an essential, multidimensional indicator, and at least a partial proxy for an effectively operationalized Social policy more broadly.

Overall, the INECC and LAYA authors conclude that AIIB projects in India "seem to follow a business-as-usual trajectory rather than a clear Paris-aligned approach of environmentally and socially sustainable projects."[58] Additionally. in perhaps the most essential observation, "considering that India is the second largest shareholder and topmost borrower," they see little awareness that AIIB is even a major player in the country's development assistance: "The AIIB discourse is very limited in India."[59]

[57] INECC and LAYA, India, "AIIB in India," p. 45.
[58] INECC and LAYA, India, "AIIB in India," p. 50.
[59] INECC and LAYA, India, "AIIB in India," p. 43.

State Ambition and Lender Accountability in Amaravati, Andhra Pradesh

The ill-fated Amaravati Sustainable Capital City Development Project would have been a marquee venture in the new partnership between the upstart Asian Infrastructure Investment Bank and the World Bank, leveraging the latter's decades of experience with the state government in Andhra Pradesh (AP) to finance construction of a new "greenfield" capital city. With the state's bifurcation in 2014, its interior subregion of Telangana became a new Indian state and inherited its capital, Hyderabad. Under the terms of the separation, Hyderabad could serve as a common capital for both states for up to 10 years. Nonetheless, the government of newly downsized AP, elected to a five-year term the same year, appeared eager to accelerate developing a capital of its own.

Instead of providing a high-profile and multidimensional opportunity to cement (literally) the co-financing partnership between AIIB and the World Bank, the ambitious Amaravati project drew significant complaints about the AP government's land acquisition and compensation to local landowners and farmers—even before the external lenders could tender their first dollars for this would-be Singapore in South India. The grand, even grandiose vision of the state's chief minister, N. Chandrababu Naidu, was scuppered by a range of public relations disasters, not least a prolonged inquiry by the World Bank Inspection Panel that seemed to give credence to many of the complaints. Ultimately, in 2019, the government of India withdrew its loan request in a face-saving move that let Amaravati go quietly into the "Dropped" category at the World Bank—and let the AIIB avoid high-profile association with the problem project.

In riding shotgun to the World Bank's public-facing accountability through the Inspection Panel and in deferring to the Bank's mechanisms and processes under the terms of their general co-financing arrangement, the AIIB may have also forgone an invaluable opportunity to engage its own nascent accountability capacities, evolving even as this project unfolded, and to institutionalize whatever it may have learned in Amaravati.

After the AIIB followed the World Bank in dropping the project, it went further: whereas the World Bank's website retains the original procurement information, concept and proposal documents, and various other records for the dropped project, which the Inspection Panel makes available the materials associated with its work, the project has been almost completely scrubbed from AIIB's website. Its only remaining trace is a brief mention in an external ratings report on AIIB by Standard & Poor's Global Ratings, simply noting, "AIIB has occasionally followed its more-established peers in canceling financing commitments to controversial projects. For example, in 2019, it canceled its funding for the $500 million Amaravati project."[60]

The Amaravati project envisioned $300 million in loans from the World Bank and $200 million in loans from the AIIB, under their general Co-financing Agreement. The remaining $215 million of the project's total $715 million price tag would come from the state government. However, in October 2016 a group of landowners brought a complaint to the World Bank's Inspection Panel, alleging that they were being forced to give up their land. Following a protracted inquiry period, marked by process delays as the Inspection Panel repeatedly gave the Bank's Management more time to respond to the claims, the Panel issued a third report and was

[60] S&P Global Ratings, RatingsDirect, Asian Infrastructure Investment Bank, December 17, 2020, p.3, https://www.aiib.org/en/treasury/_common/_download/RatingsDirect_AIIB_Dec-17-2020.pdf. The report further explains that its assessment of AIIB's "government and management," indicated by a score, has a "neutral effect" on its overall rating of the bank: "Our assessment considers that AIIB is predominantly owned by regional member countries—this could lead to conflicts of interest. Members also have relatively low rankings in terms of World Bank governance effectiveness indicators. This is balanced by the institution's diverse and experienced senior management team, as well as its conservative and robust financial and risk management framework."

going to recommend an investigation of the Bank's involvement in the project. Instead, in July 2019, the Government of India withdrew its loan request, ending the project's journey with the World Bank.[61] The following week, the Reuters global news agency and Indian media reported that when contacted by email, AIIB spokesperson Laurel Ostfield confirmed the bank was "no longer considering" the project for funding.[62] According to a nongovernmental organization that monitors the multilateral development assistance institutions, it was AIIB's first time droppin bng a project in its four-year history of lending.[63]

This much summarizes the Amaravati debacle—at least as far as the external lenders' involvement went—but the details are worth considering for what they indicate about the evolving relationship among India, the World Bank, longtime partners, and the AIIB as a new participant in India's development assistance relations. The project was very nearly a disaster for the external lenders, and its consequences continue to play out—as tragedy and farce—for impacted people in Andhra Pradesh.

The Amaravati project was Chief Minister Naidu's vision to create a new, modern, and "sustainable" city to serve as the new capital of Andhra Pradesh.[64] Naidu's Telugu Desam Party (TDP) had returned to power in 2014, following the April-May state assembly elections for the "rump" Andhra Pradesh, the first, after the creation of a new legislature for Telangana (whose pending statehood was formalized in June under a process driven by India's central government).

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[61] Yunus Y. Lasania, "World Bank Pulling out of Amaravati Capital Project," *Mint*, July 18, 2019.
[62] "China-led development bank joins World Bank in pulling funds for new Indian state capital," Reuters, July 23, 2019; Yunus Y. Lasania and Asit Ranjan Mishra, "Asian Infrastructure Investment Bank Withdraws Funding to Amaravati Project," *Mint*, July 24, 2019.
[63] "Press Release: After World Bank, AIIB Pulls Out of Amaravati Capital City Project," Working Group on International Financial Institutions, July 23, 2019.
[64] Mayank Aggarwal, "Amaravati Capital City Project: From Utopia to an Uncertain Future," *The Wire*, August 18, 2019, https://thewire.in/urban/amaravati-capital-city-project-from-utopia-to-an-uncertain-future.

Naidu, who had led the undivided Andhra Pradesh previously from 1995 to 2004, had enjoyed an unusually close relationship with the World Bank beginning in 1998, as it began to experiment with a new selective “focus states” strategy in India. Naidu’s highly visible association with World Bank, and the latter’s loans—including for a privatization program in the state’s power sector—had played a part in the TDP’s defeat in 2004.[65] Over the next 10 years, the state’s politics had become increasingly dominated by the Telangana statehood issue.

Following the split, in late 2014, Naidu’s government announced its plans to build a new state capital in the chosen area of Amaravati, on the Krishna River in Guntur District, roughly in the middle of the downsized state’s coastal expanse. The government created the Andhra Pradesh Capital Region Development Authority (APCRDA) to handle urban planning and development.[66] The land required to build the capital city would affect and displace a significant number of stakeholders, primarily landowners, tenant farmers, and landless laborers. Twenty-five villages and “four hamlet village settlements” were identified as located within the borders of Amaravati, with 127,505 people living in the area.[67] By midcentury, the state’s plans envisioned a city of 4.5 million which is around two-thirds the size of Hyderabad in the 2011 Census.

Based on the amount of land to be acquired and number of people who would be displaced by the project, it was a land pooling scheme “at a scale not previously experienced

[65] Kirk, *India and the World Bank,* pp. 62-74.
[66] The Inspection Panel, “Management Response," July 21, 2017, The World Bank, Washington, D.C. This and other key Inspection Panel documents on the Amaravati project, in English and Telugu, are on the Inspection Panel website, accessed January 22, 2021, https://www.inspectionpanel.org/panel-cases/amaravati-sustainable-infrastructure-and-institutional-development-project-p159808. Separately from the materials of the Inspection Panel, which operates independently, the World Bank’s documents on the Amaravati project, all in English, are accessible at https://projects.worldbank.org/en/projects-operations/document-detail/P159808.
[67] The Inspection Panel, "Request for Inspection," May 25, 2017.

anywhere in the world," and, thus, of considerable interest even beyond India as a potential "model for future similar initiatives elsewhere."[68]

APCRDA launched a Land Pooling Scheme (LPS) in 2014, which went into effect on January 1, 2015, to begin to assemble most of the land required for the project; a small portion would be acquired through eminent domain or other negotiated settlements.[69] Around 70 percent of the 217 square kilometers identified for the city was multi-crop irrigated agricultural land. The land pooling approach was conceived as an alternative to procedures defined by India's Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013,which replaced a colonial-era land acquisition law from 1894, but has been met with multiple criticisms in its own right. Under this law, government can acquire land for a project only if 70 percent of impacted landowners give consent; the law also stipulates not only monetary compensation to landowners but also rehabilitation for landless stakeholders affected by a project.[70]

Under the LPS, in exchange for contributing their land, participating landowners were entitled to a combination of benefits: return plots of higher-value urban land within the Amaravati City perimeter, annuity payments, waiver of agricultural loans, interest-free loans for establishing new enterprises, and skills training. A World Bank senior staff person who became closely involved with the Amaravati project later touted the LPS as promoting a higher standard

[68] The Inspection Panel, "Inspection Panel Third Report and Recommendation on a Request for Inspection, India, Amaravati Sustainable Infrastructure and Institutional Development Project (P159808)," The World Bank, March 29, 2019, p, 21.
[69] The World Bank, "Management Response," July 21, 2017, p. v.
[70] Sruthisagar Yamunan, "They gave up farmland for new Andhra capital. Now they are crippled with uncertainty," *Scroll.in*, February 6, 2020.

of stakeholder engagement than Indian law required, and as being at the vanguard of an emerging best practice supported by international evidence.[71]

In late December 2015, the state released its Draft Detailed Master Plan for the new capital city and invited public comment for 30 days, but the draft plan was published in English and not in the state's official language of Telugu—spoken by 90 percent of its people. Still, in January 2016 the APCRDA organized over 100 consultations, across some two dozen villages, and the Detailed Master Plan was approved in February.

Early on there were warning signs that Naidu's vision faced opposition as many large-scale development projects in India do. It was not yet clear how significant the obstacles would be, and the state appeared intent on pressing ahead with the project, even as complaints accumulated and without waiting for resolutions in the various venues. In 2015, even as the state began distributing annuity payments to landowners and monthly pensions to agricultural laborers and tenant farmers, India's National Green Tribunal ordered a halt to construction in Amaravati over environmental concerns. Later The Tribunal permitted construction to resume in 2017, subject to flood mitigation restrictions on landscape alteration in certain areas; the petitioners appealed to India's Supreme Court, which dismissed the matter in 2019.

Telugu media reports in 2016 referred to land pooling using negative phrases, roughly translating as "land grabbing" and "land scam."[72] Aggrieved parties brought lawsuits over the Land Pooling Scheme. Farmers from the villages of Penumaka and Undavalli, declining to pool their land in view of arbitrary and inadequate compensation and dissatisfaction with the quality

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[71] Author's interview with a senior staff person assigned to the project, who requested not to be identified by name or by title, citing an open Request for Inspection; the World Bank, New Delhi office, January 2019.
[72] "Politicians Hand in Land Grabbing at Amaravati," TV5 News, February 23, 2016, YouTube; "What is TDP Strategy on Amaravati Land Scam?" TV5 News, March 2, 2016, YouTube.

of return land on offer, obtained a stay from the Andhra Pradesh High Court when the state government sought to use the land acquisition law to take their small parcels.[73]

The controversies and pending litigation around the project appear not to have dissuaded the external lenders. The World Bank became involved in the Amaravati Project in May 2016 when the Indian government requested a loan.[74] The initial date of AIIB involvement is unclear, given its lack of own documentation for the project, but it followed the World Bank's interactions with Indian and state officials and adhered to the terms of AIIB's general Co-financing Agreement with the World Bank. In August 2016, India's Supreme Court dismissed allegations of coercion in the state's Land Pooling Scheme, finding them to be without merit, but it would not be the last time the Court heard complaints of official misconduct in the state's land acquisition for Amaravati.[75]

Though we can only speculate, frustration with the courts in India may well have played a part in motivating what came next. During the World Bank's preliminary involvement in Amaravati—and during its process to create social and environmental safeguard documents, but prior to a decision to loan for the project—its Inspection Panel received a Request to Investigate on October 8, 2016, asking for evaluation of the project's compliance with World Bank general environmental and social safeguard policies. The Request alleged that affected farmers faced

[73] Yamunan, "They gave up farmland for new Andhra capital." In India's external borrowings for state-level projects, the Government of India is the borrower, the state is beneficiary.
[74] The Inspection Panel, "Second Report and Recommendation," June 26, 2018.
[75] In a rare move, and as a sign of the controversy that continues to spiral around the ill-fated project, in August 2020 two Supreme Court justices recused themselves from hearing petitions in the matter, "as their direct family members had appeared for the litigants"; see "Two SC judges recuse themselves from hearing Amaravati petitions," *Times of India*, August 21, 2020. And in another conflict of interest, two daughters of Chief Justice of India N.V. Ramana were "accused of criminally conspiring with a former Advocate General of Andhra Pradesh to illegally purchase premium land in Amaravati"; see "Andhra Land Scam FIR Names Daughters of Supreme Court Judge," *The Wire*, November 25, 2020.

harm to their livelihoods. An unidentified group sent a follow-up request on October 26, citing fears of retaliation in requesting anonymity.

The Inspection Panel replied on December 19 with a “Notice of Non-Registration” claiming that with the project still in initial stages, and project-specific policies still in development, there was insufficient information about violations. Nonetheless, it invited the Requesters to resubmit as documentation and evidence became available. As it happened, the Bank produced draft Resettlement Policy Framework and Environmental and Social Management Policy documents for the project the same month. On January 19, 2017, APCRDA held a single “public consultant workshop” referencing these documents. In February, a World Bank team held additional consultations in four villages. The drafts became available on the World Bank’s website in May; the final Environmental and Social Management Framework document appeared in August, but the final Resettlement Policy Framework, a fifth version, would not be published until July 2018.

The state’s efforts continued in anticipation of the external loans, as did opponents’ efforts to stop them. In March 2017, APCRDA initiated registration of returned plots under the LPS, but in April the High Court of Andhra Pradesh halted land acquisition in one of the Requesters’ village and ordered authorities to stop marking land not acquired under the Land Acquisition Act. Meanwhile, Amaravati Rajadhani Sameekarana Raithu Samakhya, a pro-development farmers group representing over 7,000 members, lobbied the World Bank to move quickly on the project, claiming that only two percent of the affected population was opposed, and was politically motivated. The group claimed its members had voluntarily given their land and were entitled to compensation without delay. The same group, siding with the Naidu government, had previously urged the National Green Tribunal to grant clearances.

On May 24, 2017, the Inspection Panel met with the World Bank's Management to obtain information about the project. The next day, the Requestors sent the Inspection Panel a second Request for Inspection, again alleging harm due to the Bank's noncompliance with its policies and procedures. In the partially redacted Request document, participants claimed their involvement had been demanded by state officials or proxies. The undisclosed group claimed they had been coerced or intimidated into taking part in the scheme, and that some who expressed opposition experienced retaliatory property damage.[76] They said they had not been given information about their options, nor sufficiently informed as to the functioning of the LPS, nor invited to participate in the stakeholder consultations.[77] An additional group of farmers filed support for the Request the same week.

Some of the state's alleged violations seemed strategic, others slipshod. The real substance of the Request for Inspection—and the part that, if credible, gave the Requestors standing with the Inspection Panel—were charges that the World Bank in supporting the project was in violation on its own social and environmental policies and procedures.

What was highly unusual (if not unprecedented) in this case was the timing of the Request for Inspection, coming before approval of the World Bank's loan for the project. The state's haste to acquire the land, encouraged by the expected assistance, could have been seen as implicating both the World Bank and AIIB in practical and political terms, though perhaps not in strictly legal terms. Even so, the World Bank's well-established Inspection Panel was the venue the Requesters chose for lodging their opposition to the project. Its high profile and relative transparency would work in their favor, even as its centrality to the developments that followed would allow the co-financier AIIB to remain almost entirely out of view.

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[76] The Inspection Panel, "Request for Inspection," May 25, 2017, p. 5.
[77] The Inspection Panel, "Request for Inspection," p. 10.

The Inspection Panel formally accepted the Request for Inspection on June 12 by filing a Notice of Registration, finding that the Request met required criteria, calling on the Management to provide a response, and notifying the Bank's Board of Executive Directors. The Inspection Panel noted, without further comment, that AIIB was considering co-financing the project. Two days later, the World Bank's project team forwarded letters of support for the project received by the India Country Office to the Panel.

The Inspection Panel asked for Management's response by July 13; it was received over a week later. The Panel asked the Board for additional time to submit its Report and Recommendation and was granted a late September deadline. A team visited Amaravati in mid-September to meet with stakeholders. On September 27, the Panel submitted its Report and Recommendation, in which it recorded its "preliminary observations" on a "plausible causal link" between the harm alleged in the Request and the Bank's involvement in the project. The Panel's report took care to say it was "neither evaluating the sovereign decisions of the client, nor making any definitive assessment of the Bank's compliance with its policies and procedures, and any adverse material effect this may have caused."

Nevertheless, it recommended:

> …carrying out an investigation into the alleged issues of harm and related potential non-compliance with Bank policies, especially relating to involuntary resettlement […]. The investigation will primarily focus on resettlement aspects of the Bank's proposed Project, as well as environmental concerns and issues related to consultation, participation and disclosure of information as they pertain to the Bank's financing and Bank policies and procedures.[78]

The project had been scheduled for Board approval on October 5, but the Panel's recommendation of an investigation nixed this timetable.

[78] The Inspection Panel, "Report and Recommendation on a Request for Inspection, India: Proposed Amaravati Sustainable Capital City Development Project (P159808)," Report no. 119994-IN, September 27, 2017, The World Bank, p. 15.

On November 27, Management submitted an Addendum to its earlier Response, offering clarification, project updates, and additional actions it would pursue to address the issues raised. The Inspection Panel reported based on the Addendum, they believed Management could address the Requester concerns, and deferred its investigation for six months. The Board approved the Panel's new recommendation in early December, and the Bank retained consultants to conduct independent assessments of the land assembly instruments used by state authorities.

The disconnect between the state government's full-bore pursuit of the Amaravati vision and the increasingly cautious pace of World Bank activity became surreal. In September 2017, Chief Minister Naidu signaled dissatisfaction with "lack of Indian historical flavour" in designs submitted by international consultants for the project and asked British firm Foster + Partners to bring in the Telugu fantasy filmmaker S.S. Rajamouli to help give the Legislative Assembly a more "iconic" look. The director, who is not an architect, engineer, or urban planner, clarified that he was simply "interpreting" Naidu's vision to the company.[79]

State authorities that had moved precipitously since 2015 to acquire nearly all the land for the grand new capital—86 percent by January 2018—could not have been pleased with the World Bank's pace. However, with the Bank putting up the largest share for the project and AIIB's loan contingent on its processes, they could only wait—or further cloud the picture. In any event, allegations of coercion and intimidation would continue to arise.

On June 26, 2018, the Inspection Panel announced a second deferment of its recommendation for an investigation—for nine months or when Management authorized a Project Appraisal, whichever came first—on the grounds that Management required more time for independent assessment studies of the land assembly process. The Board approved the

[79] "Chief Minister N Chandrababu Naidu wants Rajamouli touch to Amaravati capital design," *The Hans India*, September 15, 2017; "Rajamouli clears the air on his role in Amaravati designs," *The Hindu*, September 22, 2017.

Panel's recommendation in July, and Management conducted a mission to finalize incomplete aspects related to the preparation of various Project components with particular focus on the safeguard documents. A Citizen Advisory Committee also held its first meeting that month. In October, Management conducted a follow-up mission, and in December the World Bank completed its Project Appraisal.

In an AIIB document, which has been deleted from the bank's website, dated March 20, 2019, the co-financer described its planned loan for the project. The AIIB said that it would follow the World Bank's Environmental and Social safeguards policies and the Inspection Panel's findings regarding compliance. The AIIB would also rely on the World Bank's Grievance Redress Service. The document indicated that AIIB was aware of the Requests already brought before the Inspection Panel and noted steps World Bank Management had taken to address the issues.

Naidu's TDP faced voters in spring 2019 elections for the Legislative Assembly, concurrent to India's general election. The Land Pooling Scheme was a highly charged political issue. In late March, less than two weeks before polls opened, the Inspection Panel issued its Third Report and Recommendation to the Bank's Board. It found that while Management had made positive moves—for example, clarifying that all land acquisition mechanisms were subject to the World Bank's Involuntary Resettlement Policy, including for landless laborers—there were still sufficient concerns about the project to recommend an investigation into actions or omissions on the part of the World Bank that may have led to harm.

The TDP was routed in the elections. Y.S. Jagan Mohan Reddy led the Yuvajana Sramika Rythu (YSR) Congress Party to victory and a commanding 151 of 175 total seats in the Legislative Assembly. Naidu was out as chief minister. The new government initially said it would not move the capital from Amaravati, and building the city was not its priority. It halted construction of the city, pending inquiries into land acquisition irregularities.

Amidst the state elections, the World Bank's Executive Board in April had requested a discussion of the Inspection Panel's Third Report, which meant that sometime after the elections it would have received information contextualizing the recommendation for an investigation. Instead, on July 15, Management informed the Board that the Government of India had withdrawn its request for the World Bank's project loan, which meant the AIIB loan would also be foregone. The next day, the Inspection Panel updated its report to not recommend investigation since the Bank would not be financing the project. Suddenly, there was nothing to see here—even though the Inspection Panel effectively had set precedents in accepting the Request for Inspection and recommending an investigation prior to project approval.

Indian news media first reported these developments on July 18—a Thursday—with some giving the World Bank credit for having "dropped" the project (understandably, as this was the status designation on its website). The Bank issued a brief press release July 21 (unusually, a Sunday) affirming its "ongoing partnership with Andhra Pradesh" in agriculture, disaster management, energy, and health sector lending, lauding the state's development record in areas including women's self-help cooperatives—and simply reporting that India had withdrawn its request for the Amaravati loan the week prior.[80] Nothing else was said about the project.

AIIB did not put forward any statement about the Amaravati project. As noted, its spokesperson did confirm simply that it was "no longer considering" the project when asked by news media; this was reported the following Wednesday. Presumably, AIIB Management in Beijing did not have to wait for press reports to be apprised of the developments in Washington,

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[80] "Press Release—World Bank Statement on Amaravati and Its Ongoing Partnership with Andhra Pradesh," July 21, 2019, https://www.worldbank.org/en/news/press-release/2019/07/21/world-bank-andhra-pradesh-amaravati.

but the public record is silent on whatever communication between the co-financiers took place. AIIB staff counterparts had participated in World Bank consultations and project preparation activities in Amaravati, according to a senior Bank staff person.[81] When the end came, the communication would have been notification, not consultation: there was no decision for AIIB to make since it was bound by the terms of its general Co-financing Agreement with the World Bank.

Still, it is hard to know how to interpret the AIIB's public reticence, and its subsequent deletion of material on Amaravati from its website only adds to the curiosity. If there were, in the policy-speak, "lessons learned" for the AIIB in the Amaravati debacle, it is not clear what these were, or how they might have been institutionalized beyond the experiences of individual staff involved with the project and Management-level exchanges between the lenders.

Medha Patkar, the Indian activist who had led the Narmada Bachao Andolan against the World Bank's involvement in the Sardar Sarovar Project a quarter century earlier, reacted to the World Bank's announcements and AIIB's statement by saying, "World Bank funding to any project brings in other bilateral and multilateral financing agencies without each one of them independently doing due-diligence, as we have seen in the case of the Narmada dam project. This nexus between financial institutions and mechanisms are [*sic*.] strengthening, and only people united and scientific facts can make them bow down, as we have seen in the case of the Amaravati project."[82]

For the World Bank's part as well as for India and Indians,we might question just how well the Inspection Panel "worked" in this project as an independent accountability mechanism. The Panel did show itself to be capable of innovation in the direction of greater accessibility to

[81] Author's interview, the World Bank, New Delhi, January 2019.
[82] Quoted in Working Group on IFIs, "After World Bank, AIIB Pulls Out…"

project-impacted persons, by allowing the Requesters, after an initial deferment, to file their claims even before the World Bank had approved the project. However, at the end of the World Bank's involvement, might the Inspection Panel have been too quick to close its file on Amaravati? Without a project, there was nothing to investigate, but then, the Panel had been prepared to recommend an investigation into the Bank's role even before there was a project. This points to an important practical issue, and not a metaphysical question: when does a project actually begin?

An investigation would have focused on the World Bank's role since its concern would have been the Bank's compliance with its own social and environmental policies. Inevitably, it would have had to contend with the state's actions, above all with respect to land acquisition. First, there would always be the question: What did World Bank staff and management know, and when did they know it? In addition, there would be the questions: Did the Bank's extensive history with Andhra Pradesh during Naidu's earlier decade as chief minister encourage a too-credulous bearing toward the state government? Did the expectation of forthcoming external assistance accelerate the state's land acquisition activity? Why did World Bank staff actively advocate for the project with the Inspection Panel and was such advocacy appropriate? Did a kind of groupthink set in between World Bank staff and their AIIB counterparts, such that a co-financing relationship that *could* have encouraged a higher standard of preparation actually had the opposite effect, of weakened due diligence? Even an investigation by the Inspection Panel might not have shed light on all of these matters,but without one, they inevitably remain unanswered.

One question that even an Inspection Panel investigation could not have answered was this: Did India withdraw its loan request to avoid the scrutiny of an investigation and a wider airing of potentially unpleasant findings about the Amaravati project? Or did it simply figure that after the change of government in Andhra Pradesh, the game was not worth the candle? Both considerations may have figured in its decision to pull the project.

The Amaravati story does not end with the winding down of the World Bank's involvement and the AIIB exit that this triggered. In November 2019, the Singapore-based consortium that had produced the master plan for Naidu's government also ended its involvement with the project. Reports in India continue to raise questions about the conduct of state personnel and proxies: a cabinet sub-committee report under the new government has raised allegations of inside dealing by officials and associates of the previous government, including former Chief Minister Naidu's son which Naidu, now Opposition leader, has denied. According to a media report describing the allegations, "TDP leaders and their associates illegally purchased about 445 acres" and used official technicalities and their power to create "a fear of land acquisition without compensation among the landowners, who panicked and sold their real estate at throwaway prices."[83]

There have also been contested allegations of caste bias in the land acquisition process,[84] with supposedly more favorable arrangements for landowners from the Kamma caste—historically an electoral base for the TDP, and one of two dominant peasant castes in the

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[83] Yamunan, "They gave up farmland for new Andhra capital."

[84] Yamunan, "They gave up farmland for new Andhra capital"; and see especially Rohini Mohan, "Amaravati: The Price of a Dream City," *The News Minute*, YouTube, November 29, 2017.

On a geographically smaller but relevant scale, scholarly work has analyzed caste dynamics and differentials in power in resistance in land acquisition for Special Economic Zones (SEZs) in the state; see Karli Srinivasulu, "Andhra Pradesh: Land Acquisition and Popular Resistance," in Rob Jenkins, Loraine Kennedy, and Partha Mukhopadhyay, *Power, Policy, and Protest: The Politics of India's Special Economic Zones* (New Delhi: Oxford University Press, 2014), pp. 72-107. Tactics used to acquire land, often by convincing farmers that resistance will be unsuccessful and that they will miss out on better compensation, primarily persuade backward castes and Dalits, who are more vulnerable as they are often poorer and hold less power. Without the network connections of dominant peasant castes, who have often transitioned to the industrial and service sectors, subordinate caste peasants often lack effective resistance when facing SEZ developers and state officials.

region—and more opposition to the state's scheme from the rival Reddy caste. Popular speculation had held that a TDP government would push for a capital in the expansive Coastal Andhra region—as Naidu's did—whereas if the YSR Congress Party came to power, it would push for a capital in the state's southwestern Rayalaseema region, where Reddy caste leadership has more concentrated ties.[85] As it happens, the new chief minister, Jaganmohan Reddy, has promulgated a plan for *three* capitals, with justification from an appointed expert panels and the Boston Consulting Group, which has said the greenfield capital envisioned by Naidu is "not feasible."[86] Under the new plan, the Legislative Assembly will remain in Amaravati, but the government's executive administration will be from Visakhapatnam (Vizag), to the northeast in Coastal Andhra, and the judiciary will be in Kurnool, Rayalaseema.

It would be too assuming of AIIB capacities to imagine it could have been alert to all of these political and economic nuances in an Indian state, especially amid such churnings in state-society relations. Even the World Bank, with its deep history in Andhra Pradesh, appears to have been unable or unwilling to assess political and social conditions bearing significantly on the $500 million investment it was prepared to make. Perhaps the clearest conclusion that can be drawn about the Bank's accessible, relatively transparent, but still limited accountability mechanism in this protracted drama—and the benefit it conferred for the AIIB through their co-financing partnership—is that the Inspection Panel helped both lenders avoid making major investments that could have posed significant risks to their reputations, and even to their capital.

The benefits of the Inspection Panel's limited work are less clear for project-impacted people in Amaravati, for whom even the electoral accountability afforded by India's democracy

[85] Sanam Roohi, "Anticipating Future Capital: Regional Caste Contestations, Speculation and Silent Dispossession in Andhra Pradesh," *Journal of Contemporary Asia* 50, no. 5 (February 19, 2020): 2.
[86] Yamunan, "They gave up farmland for new Andhra capital."

has offered little amelioration for their loss of land. "The smallest farmer with just half an acre also came forward trusting the government," one woman at a 2020 protest told a *Scroll* reporter. Another, contemplating the halted, half-finished construction in Amaravati, said there was no way they could farm their land again, even if it was returned. "How do you sow paddy on a place with three inches of concrete underneath?"[87]

AIIB Meets the Moment in Mumbai: Extending an Urban Transport Project

In the summer of 2020, as the Covid-19 pandemic gripped the world and India's cities grappled with a government-imposed "lockdown" that saw millions of migrants returning to villages across the country, the Asian Infrastructure Investment Bank announced plans for major investments in Indian infrastructure. In the offing was $3 billion for several large projects over the next year, including Delhi and Meerut Rapid Rail, Mumbai Metro Rail, and Chennai Peripheral Ring Road. The state of Maharashtra alone would account for around $1.2 billion of this with its largest project being the Mumbai Urban Transport Project, Phase III (MUTP-III) with an AIIB loan of $500 million, which actually had been approved the previous September. Additional AIIB loans totaling $1.25 billion were approved for Covid-related work in India.

"Due to Covid-19," India's *Construction Week* reported, "environmental and social due diligence is getting delayed because of travel restrictions"—an anodyne explanation for almost anything after March in 2020. A risk of diligence "delayed" is that, like justice, it may also be *denied* by time elapsing, and in major infrastructure projects, both borrower and lender may be

[87] Yamunan, "They gave up farmland for new Andhra capital."

motivated to build quickly and ask questions later. Tellingly, the report also cited the magic words that could be used to justify moving forward despite limited consultation: "These projects, once completed, will not only improve connectivity but reduce carbon footprint."[88]

No conclusions can be drawn about MUTP-III or the AIIB's involvement in it, yet; the project is too new and will take years. Nevertheless, the project's history suggests it could become a crucial test case for the young bank's accountability, given its identified significant environmental and especially social impacts. As a sequel to two earlier Mumbai Urban Transport Projects financed by the World Bank beginning in 2002, MUTP-III gives us insight into the evolution of a major infrastructure initiative in India through a long period of significant change in the local, national, and global political economies. Its more recent history also exhibits a model—different from the ill-fated Amaravati project in Andhra Pradesh—of how World Bank and AIIB loans may be used to finance a large-scale infrastructure project in India, albeit in an essentially uncoordinated and sequentially phased manner, rather than jointly through simultaneous co-financing.

MUTP was envisioned as part of a blueprint to transform the established megacity of Mumbai into a "world class" city by 2013, drawn up by McKinsey & Company, the global consulting firm.[89] The original project (a $542 million World Bank loan, spanning 2002-11) was undertaken to increase Mumbai's number of suburban trains, introduce ventilated railway coaches, improve east-west road connectivity, and implement a modern traffic management system covering about half the city. It was a complex project involving multiple institutional actors; apart from the Bank, it included the Government of India, the Government of

[88] "AIIB plans to approve loans worth $3 billion for infra projects," *Construction Week Online*, August 3, 2020.
[89] Renu Modi, "The Best and Worst of the World Bank: Involuntary Resettlement and the Mumbai Urban Transport Project (MUTP)," *Development* 54, no. 3 (September 2011): 400-6, p. 400.

Maharashtra and its Mumbai Metropolitan Region Development Authority (MMRDA), and a new, dedicated agency, the Mumbai Railway Vikas Corporation (MRVC, *vikas* meaning development) "to plan and develop transport infrastructure and services over the longer term for a commuting population of such a large and ever-growing magnitude."[90]

Urban-suburban commuters are also urban and suburban residents, and MUTP was also one of the largest urban resettlement and rehabilitation ("R&R") initiatives ever undertaken in India, impacting around 19,000 identified "project affected households" (PAHs). It sought to implement R&R policies and procedures to meet the World Bank standards while drawing lessons from international experience. Despite anticipating complex challenges of relocating residents to make way for the project, MUTP was confronted with allegations of involuntary resettlement and became the subject of an investigation recommended by the Inspection Panel in 2004. This followed a Request for Inspection by the United Shop Owners association, a community non-governmental organization, on behalf of small shop owners who claimed they had not been meaningfully consulted, and that an offered relocation site was too distant from their current businesses (leading to loss of income from regular patrons). After this group's initial request in April, the Inspection Panel also heard from three other local NGOs representing 350 people claiming harm under involuntary resettlement. After the World Bank's Executive Directors in September accepted the Panel's recommendation for an investigation, additional groups came forward and were added to Third and Fourth Requests for Inspection.

Ultimately, the Inspection Panel's December 2005 report found that World Bank management had failed to comply with Bank policies and procedures following the merger of the Infrastructure and R&R components of the MUTP into a single project. Renu Modi, a scholar,

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[90] The World Bank, "Brief: Mumbai Urban Transport Project," September 22, 2015, https://www.worldbank.org/en/country/india/brief/mumbai-urban-transport-project.

characterizes the MUTP as exhibiting "the best and the worst of the World Bank." She concludes, "The complaints and collective protests because of the inability of the Project to restore livelihoods of PAHs, mainly commercial structures, lead [*sic.*] to the involvement of the Inspection Panel of the World Bank that supported their claims on principles of equity, social justice and resulted in a relatively improved package of R&R that has had a cascading impact on the rehabilitation package for the other state funded projects in the city."[91] One of the major shortcomings of the project, she finds, was that policy was originally "premised on the fact that 99 percent of the affected structure[s] were of 'squatter category' and R&R was designed on this assumption, though this was not a fact as several of them were 'private' property."[92]

In other words, MUTP was undertaken with a poor understanding of land ownership and use in the project area, including consideration that many "shopkeepers" were also residents who lived on or above their business premises. Seeing stakeholders as "squatters" encouraged a project design that underestimated the impact on commercial and commercial-residential sites and prioritized purchase of about 19,000 "tenements" and 5,000 "transit houses" that were ill-suited to accommodate the commercial-residential needs of many. It was a basic error by state authorities and the external lender as both were out of touch with the actual lives and livelihoods of thousands of Mumbaikars in the impact zone, but perhaps not surprising, given the organic and informal nature of so much of the urban political economy.

The World Bank's second-phase MUTP-II (technically 2A, the parallel 2B was domestically funded) was a smaller but still substantial project loan of $344 million spanning 2010-16. It added new efficient trains and sought to improve the rail network's financial position by strengthening MVRC and Indian Railways managerial capacities. Its physical footprint was

[91] Modi, "The Best and Worst of the World Bank," p. 401.
[92] Modi, "The Best and Worst of the World Bank," p. 403.

much more limited, mainly consisting of new pedestrian crossings at 12 stations to provide safe access and reduce accidental deaths associated with trespassing incidents.[93] The project was specifically designed to involve no land acquisition and little resettlement impact, with fewer than 20 households, all squatters this time, requiring relocation. Even so, it enacted fairly extensive environmental and social impact mitigation safeguards—arguably, a harmless but not particularly meaningful application of lessons learned in the earlier construction-intensive phase, requiring Bank and borrower resources to implement.

MUTP-III expands the rail network further into suburban reaches of the Mumbai metro area, again with environmental and social impacts. It constructs additional lines on several established routes, most significantly third and fourth lines on the Virar-Dahanu corridor (63 km). Construction had been expected to begin in late 2017 and last for at least five years.[94] At a total cost of $2.5 billion, the original MUTP-III was envisioned as a 60:40 co-financed project between the World Bank and AIIB, with the former's share totaling $500 million. The World Bank dropped the project, and India negotiated with AIIB for a loan without World Bank co-financing. The project AIIB put forward in September 2019 entails its own loan of $500 million, alongside $308 million from the Government of Maharashtra and $189 million from the central Ministry of Railways.

World Bank misgivings appear to have emerged in early 2017. In a World Bank report cited by industry media in India, the lender criticized delays in completion of projects under MUTP 2B, the domestically funded component, and noted "inefficiency in easing overcrowding in trains." The Bank linked the two issues, saying non-completion of projects had put

[93] The World Bank, "Brief: Mumbai Urban Transport Project."
[94] Prajakta Kunal Rane, "Asian Bank, World Bank funds to put Mumbai's MUTP-III rail projects on right track," *Hindustan Times*, December 1, 2016.

"unexpected pressure on the existing suburban system," thus, further increasing rather than alleviating overcrowding. A citizen activist, Subhash Gupta, told India's *RailNews*, "A major cause of the delay in implementation of various projects is passing of the buck between railways and state government authorities. A separate public transport infrastructure committee must be set in place to supervise the progress of the projects and ensure speedy implementation."[95]

According to local officials, negotiations with the World Bank "reached an impasse." The World Bank had wanted to include a Virar-Panvel corridor in a larger version of the project, with an item cost of nearly all other components combined. Officials told *The Hindu* that this new corridor did not have the necessary government clearances to be included in the project,[96] and awaiting its approval would have impacted the project timetable. The World Bank had also sought the formation of an administrative Special Purpose Vehicle to manage and operate the entire suburban railway network, a condition that according to officials "would not be possible" as the Ministry of Railways reportedly was "not in a position to take an immediate call on" it.[97]

The issues that led the World Bank to drop its involvement appear to have been fairly fundamental—but essentially financial, managerial, and technical. The public record does not offer insights into what, if any, role social and environmental impacts may have played in the recasting of MUTP-III as an AIIB project without World Bank co-financing.

With the exit of the World Bank, India and the state have had to find new sources of financing for expanding Mumbai's rail network, envisioned to be "the largest for any city in the world."[98] Separately from AIIB, the Shanghai-based New Development Bank (the "BRICS

[95] "World Bank report blames Delay in completing projects under MUTP 2B," *RailNews*, February 5, 2017.
[96] Ajeet Mahale, "MRVC in talks with banks for MUTP 3," *The Hindu*, November 21, 2018.
[97] "MUTP-III Project: MVRC explores new funders, as WB demands conditional funding," *The Free Press Journal*, November 8, 2018.
[98] Tanya Thomas, "'Equity financing could work for Metro project,'" *Mint*, December 8, 2020. The MMRDA commissioner in charge of the project, R.A. Rajeev, told this reporter, "We don't have all the money available to

Bank") picked up part of the rail network expansion in 2018, in a $260 million loan. An additional loan for $500 million was proposed in 2020.[99]

What is not yet clear—and should be closely monitored—are whether any social impact controversies arise in MUTP-III, and, if so, how they will be addressed by AIIB in practice with the absence of the World Bank's Inspection Panel as an accountability mechanism. Local organizations involved in the first phase of the project, nearly two decades ago, quickly learned their way around the Inspection Panel's processes. They may learn to navigate the AIIB's accountability byways effectively as well, though it remains to be seen how these will perform by comparison. Design differences notwithstanding, they could be less *or* more effective; experiences in this project will offer important evidence with potentially broader implications.

There are clear indications that AIIB is taking the project impact very seriously in MUTP-III. It has assigned the project as "Category A" under its Environment and Social Framework, the highest-impact designation, meaning "it is likely to have significant adverse environmental impacts that are irreversible, cumulative, diverse or unprecedented. These impacts may affect an area larger than the sites or facilities subject to physical works and may be temporary or permanent in nature." Under this designation, the bank "requires the Client to conduct an environmental and social impact assessment (ESIA) or equivalent environmental and

implement these projects." He cited AIIB, the Japan-led Asian Development Bank, and NDB as multilateral sources for loans either secured or under negotiation, and a bilateral loan by the Japan International Cooperation Agency. "Borrowing from domestic banks are not feasible and bonds are a very uncertain market," Rajeev said, adding, "Equity financing holds promise." He predicted, "In six months, we will financially close all the Metro line projects."

[99] New Development Bank, "Proposed Projects," https://www.ndb.int/projects/list-of-all-projects/proposed-projects/, accessed January 26, 2021.

social assessment" and to prepare an Environmental and Social Management Plan or Planning Framework.[100]

The project triggers AIIB's Environmental and Social Standards for both Environmental and Social Assessment and Management (ESS 1) and (Resettlement (ESS 2). Altogether, various components required a total of three environmental assessments and three social impact assessments for the project. Part of the project traverses a coastal ecosystem including the Dahanu and Merathan Eco-sensitive Zones. However, AIIB anticipates "incremental" and "limited" impact on the ecosystem with new railway tracks aligning with existing ones "separating the coastal and agri-urban ecosystems."[101] The displacements of people appear to be more substantial, with 15- to 30-meter rights-of-way considered. For the Virar-Dahanu lines, around 143 acres will need to be acquired. Together, the Virar-Dahanu and Panvel-Karjat corridors will require land acquisitions from 695 private landowners.

Additional AIIB organizational and personnel moves seem to promote accountability. Social and environmental impact documents are on the AIIB website, both in English and Marathi. The bank's Project-affected People's Mechanism (PPM, effective March 31, 2019) will address any concerns not addressed satisfactorily "through Project-level grievance redress mechanisms or AIIB Management's processes"[102]even though it is not clear exactly who determines what constitutes "satisfactory" resolution at the prior stages. A Chief Vigilance Officer is assigned to the project for Management, and three project implementation units are set up to monitor progress. AIIB staff will make at least two field visits per year and engage local

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[100] Asian Infrastructure Investment Bank, "Environmental and Social Framework," Approved February 2016 (Amended February 2019), https://www.aiib.org/en/policies-strategies/_download/environment-framework/Final-ESF-Mar-14-2019-Final-P.pdf, p. 10.
[101] Asian Infrastructure Investment Bank, "Project Document: Republic of India, Mumbai Urban Transport Project 3," PD000228-IND, September 26, 2019, p. 14.
[102] Asian Infrastructure Investment Bank, "How We Assist You," https://www.aiib.org/en/about-aiib/who-we-are/project-affected-peoples-mechanism/how-we-assist-you/index.html, accessed January 26, 2021.

consultants for more regular monitoring work. For example, Voyants Solutions Pvt. Ltd., which has an office in suburban Navi Mumbai, conducted the social impact assessment for the project's mid-section trespass control aspect. Land procurement by the Government of Maharashtra will utilize a "willing buyer-willing seller" policy, with the Land Acquisition, Rehabilitation and Resettlement Act covering acquisitions not secured through direct purchases.

Thus far, the AIIB's approach to the project seems to reflect careful attention to lessons from past land acquisition experiences in India, including in the World Bank's earlier MUTP phases and possibly, indirectly, from the Amaravati debacle. Nonetheless, it gives slight pause to read that "The social impact of the Project is lower than that of MUTP 1 or 2, since the Project is located in suburban areas, compared to the densely populated locations of the previous phases"[103]—as if a project displacing nearly 700 property owners can be asserted to have a light footprint. Certainly, the comparison with the original MUTP is valid, but the second-phase comparison seems spurious if not simply inaccurate: MUTP 2 entailed no land acquisition and displaced a very small number of people, simply in the nature of its different purposes. MUTP-III designers should know that "suburban" Mumbai is still densely populated, particularly along existing transit corridors. From what we have seen, land acquisition in Amaravati had significant adverse social impacts, despite the project area being mostly farmland.

Interestingly, *The Hindu* quoted an unnamed official from MRVC who said in September 2019, just after the AIIB's approval of the project, "The land acquisition will pick up speed after the elections." The Maharashtra Legislative Assembly election would be held the following month with the incumbent National Democratic Alliance (BJP and Shiv Sena) securing a majority. The official added, "The process of issuing cheques has started and the aim is to have

[103] AIIB, "Project Document" for MUTP 3, p. 16.

the land parcels transferred to the railways before the agreement is signed."[104] The official's timeline doesn't really make sense since the AIIB financing for the project was already approved, but as a signal that local authorities may have been rushing to complete the land acquisition—*after* electoral accountability and *before* AIIB became actively involved in the project—it may be noteworthy and concerning. On paper, the bank's accountability mechanisms apply to project-related impacts even before the active loan, so any allegations of harm in the land acquisition process should fall under these provisions (including for PPM involvement, should it become necessary).

The AIIB's project analysis places significant emphasis on the relative weakness of MRVS as a new coordinating agency in the original project over a prolonged implementation period more than a decade ago—and places significant confidence in strengthened local capacities now. Even so, state governments and their proxies have a checkered history with land acquisition in India. The Covid-19 pandemic poses new challenges to a consultive, inclusive, and transparent process. For all of these reasons, AIIB's handling of MUTP-III will be an essential case to follow for insights into its relations with India and its ability to address impact mitigation in its lending operations.

Conclusion: The End of the Beginning?

To paraphrase one of the 20th Century's most enduring turns of phrase, the sudden arrival of the AIIB on the multilateral stage in 2015 was not the end, nor even the beginning of the end, for the World Bank. As the Chinese creation marks the completion of its first half-decade and pivots

[104] Ajeet Mahale, "MUTP 3 loan to be signed in January," *The Hindu*, September 30, 2019.

from mostly co-financed projects to primarily standalone investments, it may be "the end of the beginning" for AIIB.

In a July 2020 interview with *The Wall Street Journal*, Jin Liqun, the AIIB president, reflected on the bank's design and lending operations so far. "We learned from the existing institutions in creating this bank," he said. "We are very much in that gene pool."[105]

The years to come will show just what AIIB has learned from its partnership with the World Bank in India and with India in its first half decade of lending to its topmost borrower and the world's largest democracy, and whether its DNA really does reflect the accountability, responsiveness, and transparency the World Bank has come to exhibit, however, imperfectly. The details of the dropped Amaravati Capital City Project in Andhra Pradesh and unfolding Mumbai Urban Transport in Maharashtra exhibit an AIIB that has at times seemed a walk-on player in its own operations in India.

Through its Co-Financing Agreement with the World Bank, AIIB avoided direct accountability in the Amaravati project. The decision to drop was made in New Delhi and Washington, and in the end AIIB's Beijing-based management and staff had no more to do than read and respond to email to say that AIIB was no longer "considering" the project. The truth is, there was nothing to consider, given its own pre-agreement with the World Bank and India's withdrawal of its loan request.

The AIIB's role in Mumbai's suburban rail development will be very different, especially with the World Bank's decision to withdraw and the project's recasting as an AIIB standalone operation. It is too early to render any judgment on AIIB's Environmental and Social Framework

[105] Jonathan Cheng, "China-Backed Infrastructure Bank Seeks to Win Over Countries With Western-Style Approach; Asian Infrastructure Investment Bank will have to compete with perceptions that it is extension of Beijing's foreign policy" *The Wall Street Journal* (Online), July 30, 2020.

in this case, or on its responsiveness to any complaints and grievances that may arise in connection with the project's fairly significant land acquisition requirements and more moderate, though still significant environmental, impact. Civil society, news media, and scholarly observers will want to monitor this particular project closely for its local impact, and for both what it might teach AIIB and what it might reveal about its capacities more generally.

As the history of the World Bank's Inspectional Panel and the evolution of its environmental and social accountability mechanisms suggests, "whatever AIIB may yet become, it may not yet be."[106] India, no doubt, will be an essential arena in its development.

[106] Kirk, "China and the Asian Infrastructure Investment Bank."

APPENDIX

Table: Asian Infrastructure Investment Bank (AIIB) Projects in India, Approved and Pending, 2017-January 31, 2021

Sources: AIIB website and/or Co-Financing partner websites; research assistance from Lily Sandifer-Stech.

Notes: Non-sovereign investments involving financial intermediaries (FI) follow different policies and procedures than discrete sovereign loans where AIIB's Environmental and Social Framework applies or a Co-Financier's equivalent takes precedence (e.g. World Bank ESF).

Loans in sub-national Indian states listed (i.e. Assam, Andhra Pradesh, Gujarat, Haryana, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Punjab, Rajasthan, Tamil Nadu, West Bengal) or in cities where state agencies/authorities are implementing parties or partners (Bangalore, Chennai, Delhi-Meerut, Mumbai) are sovereign loans to the Government of India, denominated in US dollars, with domestic transfers as necessary in Indian rupees.

Where no closing/last disbursement and latest AIIB field visits are not listed, none were indicated by AIIB website or documents. The same applies where no Environmental and Social Category is listed; for indicated categorizations, "A" category projects are those with the highest-assessed environmental and/or social impact.

Project Name	**Sector(s), Sovereign or Non-sovereign**	**Approved, US$ million (year)**	**External Co-financing US$ (investor) or AIIB Stand-alone**	**Loan Closing/Last Disbursement**	**Latest AIIB Field Visit**	**Environmental and Social Category**
Andhra Pradesh 24x7 Power for All	Energy, Sovereign	160 (2017)	240 (World Bank IBRD)	June 30, 2022	October 2019	B
India Infrastructure Fund	Financial, Non-sovereign	150 (2017)	600 (Morgan Stanley)			
Transmission System Strengthening (Tamil Nadu)	Energy, Sovereign	100 (2017)	50 (Asian Development Bank)	September 30, 2021	April 15-17, 2019	B
Gujarat Rural Roads (MMGSY)	Transport, Sovereign	329 (2017)	Stand-alone	June 30, 2019	June 18-22, 2019	B
Bangalore Metro Rail Project – Line 6	Transport, Sovereign	335 (2017)	583 (European Investment Bank)	December 31, 2021	October 21-22, 2019	A

OSE InvIT [Oriental Structural Engineers Pvt Ltd and subsidiary Oriental Tollways Pvt Ltd Infrastructure Investment Trust]	Transport, Non-sovereign	50 (2018)	Co-financed with World Bank Group IFC			A
National Investment and Infrastructure Fund Phase I	Financial, Non-sovereign	100 (2018)	Stand-alone			FI
Madhya Pradesh Rural Connectivity	Transport, Sovereign	140 (2018)	210 (World Bank)	March 15, 2023	February 20-27, 2019	B
Andhra Pradesh Urban Water Supply and Septage Management Improvement	Water, Sovereign	400 (2018)	Stand-alone	April 30, 2024	November 11-14, 2019	A
Andhra Pradesh Rural Roads	Transport, Sovereign	455 (2018)	Stand-alone	April 30, 2024	November 11-16, 2019	B
West Bengal Major Irrigation and Flood Management	Water, Sovereign	145 (2019)	145 (World Bank)			B
Tata Cleantech Sustainable Infrastructure On-Lending Facility	Financial, Non-sovereign	75 (2019)	Co-financed with World Bank Group IFC			FI
Rajasthan 250 MW Solar Project-Hero Future Engergies	Energy, Non-sovereign	65 (2019)	Co-financed with World Bank Group IFC			B
Mumbai Urban Transport Project, Phase III	Transport, Sovereign	500 (2019)	Stand-alone			A
L&T Sustainable Infrastructure On-lending Facility	Financial, Non-sovereign	100 (2019)	Stand-alone			FI
COVID-19 Emergency Response and	Public Health, Sovereign	500 (2020)	1,000 (World Bank)			B

Health Systems Preparedness						
COVID-19 Active Response and Expenditures Support (CARES)	Economic Resilience, Sovereign	750 (2020)	1,500 (Asian Development Bank)			C
HDFC Line of Credit for Affordable Housing	Financial, Non-sovereign	200 (2020)	Stand-alone			FI
Delhi-Meerut Regional Rapid Transit System	Transport, Sovereign	500 (2020)	1,049 (Asian Development Bank)			A
Ayana Anantapuramu NTPC Solar	Energy, Non-Sovereign	35 (2020)	Stand-alone			B
Karnataka Rural Water Supply	Water, Sovereign	(400, pending Jan 2021, concept review Sep 2019)	Stand-alone			A
Assam Intra-State Transmission System Enhancement	Energy, Sovereign	(490, pending Jan 2021; concept review Nov 2019)	Stand-alone			B
Assam Electricity Distribution System Enhancement	Energy, Sovereign	(386, pending Jan 2021; concept review Nov 2019)	Stand-alone			B
Nangal Chaudhry Integrated Multi-Modal Logistics Hub (IMLH)	Transport, Sovereign	(70, pending Jan 2021, concept review Nov 2019)	Stand-alone			A
Chennai Peripheral Ring Road, Sections 2 & 3	Transport, Sovereign	(378, pending Jan 2021; concept review March 2020)	Stand-alone			A
Mumbai Metro Line	Transport, Sovereign	(436, pending Jan 2021; concept review April 2020)	Stand-alone			B

Mumbai Urban Transport Project 3A-1	Transport, Sovereign	(500, pending Jan 2021; concept review April 2020)	Stand-alone			A
Chennai Metro Rail Phase 2 Balance Corridor 5	Transport, Sovereign	(439 , pending Jan 2021; concept review April 2020)	Stand-alone			A
Maharashtra Multi-Modal Corridor Package III	Transport, Sovereign	(359, pending Jan 2021, Project Summary May 2020)	Stand-alone			A
Haryana Orbital Rail Corridor	Transport, Sovereign	(400, pending Jan 2021, concept review June 2020)	Stand-alone			A
Punjab Municipal Services Improvement	Urban development, Sovereign	(105, pending Jan 2021, concept review Sep 2020)	(300, World Bank, pending Jan 2021)			A
Second Dam Rehabilitation and Improvement Project (multi-state)	Water, Sovereign	(215, pending Jan 2021, concept review Oct 2020)	(500, World Bank, pending Jan 2021)			A
Kerala Solid Waste Management	Urban	(105, pending Jan 2021, concept review Nov 2020)	(105, World Bank, pending Jan 2021)			A
Resilient Kerala for Results	Multi-Sector	(125, pending Jan 2021, concept review Jan 2021)	(125, pending Jan 2021)	December 31, 2025		B