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Multilateralism with Chinese Characteristics The emergence of the Asian Infrastructure Investment Bank and its place in the international economic order

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The emergence of the Asian Infrastructure Investment Bank and its place in the international economic order

A dissertation submitted in partial satisfaction of the requirements for the degree Doctor of Philosophy in Geography

by

Adina Matisoff

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ABSTRACT OF THE DISSERTATION

Multilateralism with Chinese Characteristics The emergence of the Asian Infrastructure Investment Bank and its place in the international economic order

by

Adina Matisoff

Doctor of Philosophy in Geography

University of California, Los Angeles, 2022

Professor John A. Agnew, Chair

In January 2016, the Asian Infrastructure Investment Bank (AIIB) was established in order to ‘fill the gap’ in financing for infrastructure in Asia, but its significance is more than the roads, power plants and fiber optic lines in which it invests: Financially and politically backed by the Chinese Party-State and a membership of more than 100 governments and counting, the AIIB is unprecedented as an institution of global governance. Yet tensions between the US-led international economic order and China’s vision for a system of global economic governance that respects the territorial sovereignty of its members make the trajectory of the new institution unclear. In this moment of historic uncertainty, I focus on the AIIB’s environmental and social policies as a site of struggle between these competing forces. On one hand, transnational advocacy networks draw authority from forces of US hegemony to advocate for strong bank control over environmental and social standards. On the other hand, the bank’s founders have

promised its members from developing countries that a China-led MDB will free them of bank interference in the domestic affairs of borrower countries.

Drawing on five years of fieldwork starting while the AIIB was still an idea on the negotiator's table until the adoption and implementation of its environmental and social framework and related policies, I argue that the AIIB represents the desire of the Chinese state to disentangle the international economic order from US hegemony. However, the bank's choice to adhere to global financial norms, including raising money on international bond markets in US dollar-denominated notes, leaves few options for offering its borrowers a substantive alternative to major MDBs. In this context, environmental and social governance of projects has emerged as a site to introduce 'non-interference' into bank norms, but, I argue, this is also an attempt by the bank to dismantle transnational advocacy networks. As such, the choice to re-territorialize borrower sovereignty is also one that isolates place-based struggles against national development projects and thus perpetuates the inequities and harms of neoliberal development against marginalized peoples and environments.

The dissertation of Adina Matisoff is approved.

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- "Between Lean and Green: How the Asian Infrastructure Investment Bank is negotiating competing shareholder interests and forging a new multilateral lending institution." *Chinese Global Engagements Abroad: Changing Social, Economic and Political Configurations*, Hong Kong University of Science and Technology, Hong Kong, 5-6 July, 2019
- "Building the Asian Infrastructure Investment Bank: NGO Advocacy in an era of 'Global China." Oral presentation as part of panel session: "A Green Belt and Road? Environmental Aspects of Chinese Outbound Investment." *Association for Asian Studies Annual Conference*, Denver, CO, 22 March 2019
- "Beyond Commerce: China's impact on ethics and development in Latin America," FPI China-Latin America Workshop, *Johns Hopkins University School of Advanced International Studies*, Washington, DC. 8-9 June 2018.
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- "Becoming Global: Chinese Corporate Social Responsibility as Contested Governance in Latin America," *Conference of the International Geographical Union*, Beijing, 21 August 2016.
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Chapter One: Introduction

In January 2016, the Asian Infrastructure Investment Bank (AIIB) was established in order to 'fill the gap' in financing for infrastructure in Asia, but its significance is more than the roads, power plants and fiber optic lines in which it invests: Financially and politically backed by the Chinese Party-State and a membership of more than 100 governments and counting, the AIIB is unprecedented as an institution of global governance. Yet tensions between the US-led international economic order and China's vision for a system of global economic governance that respects the territorial sovereignty of its members make the trajectory of the new institution unclear. In this moment of historic uncertainty, I focus on the AIIB's environmental and social policies as a site of struggle between these competing forces. On one hand, transnational advocacy networks draw authority from forces of US hegemony to advocate for strong bank control over environmental and social standards. On the other hand, the bank's founders have promised its members from developing countries that a China-led MDB will free them of bank interference in the domestic affairs of borrower countries.

Drawing on five years of fieldwork starting while the AIIB was still an idea on the negotiator's table until the adoption and implementation of its environmental and social framework and related policies, I argue that the AIIB represents the desire of the Chinese state to disentangle the international economic order from US hegemony. However, the bank's choice to adhere to global financial norms, including raising money on international bond markets in US dollar-denominated notes, leaves few options for offering its borrowers a substantive alternative to major MDBs. In this context, environmental and social governance of projects has emerged as a site to introduce ‘non-interference’ into bank norms, but, I argue, this is also an attempt by the bank to dismantle transnational advocacy networks. As such, the choice to re-territorialize borrower sovereignty is also one that isolates place-based struggles against national development projects and thus perpetuates the inequities and harms of neoliberal development against marginalized peoples and environments.

The continuation of neoliberal development alongside new norms that increase territorial state sovereignty present new challenges to place-based resistance. In the context of the shrinking space for civil society happening in many countries around the world, there are growing tendencies within institutions of global governance that perpetuate economic inequalities while shoring up the political power of ‘strongmen’ leaders at national scales. I call this ‘multilateral authoritarianism’ and I see the AIIB as contributing to it.

The stakes of development finance

In the Myingyan District of Mandalay Division, Myanmar, only 24% of households had access to electricity for cooking and lighting in 2014, according to a national census. For those who live in rural areas, mostly making their living as farmers, loggers and fisherfolk, that figure dropped to just 12%, or one in eight households with electricity (GoM & UNFPA, n/d, p. 100). That is why Zaw Toe[1], who worked for a transnational advocacy organization and was based in Yangon, told me that people in Myingyan District initially welcomed a proposed 225MW gas turbine power plant. “People there are so poor, and they thought this could help them,” he said (fieldnotes, June 26, 2018). Having grown up in a rural area where a lack of roads meant he

[1] Real name withheld to protect identity

spent hours each week commuting by boat to get to the nearest school, Zaw Toe identified with the desire for better infrastructure.

Now as an adult, Zaw Toe works with an advocacy NGO called Bank Information Center-Europe (BIC-Europe) to monitor the Myingyan project. In 2017-18, when construction of the power plant was in full swing, he called local residents weekly and visited the district. Part of his mission was to check if the project was proceeding according to the approved plans. This included a promise that the electricity generated at the power plant would go to the national grid, where its developers claimed that it would alleviate brownouts and lower overall electricity costs to consumers.

But Zaw Toe quickly became concerned that the power plant would not be the boon that local residents had hoped. Power lines went up, but the electricity was going directly to a newly built special economic zone nearby, bypassing the national grid, people's homes and local businesses along the way. This was made more frustrating because some local residents of Myingyan District had had to give up their land as part of the project's 'involuntary resettlement' plan; a scheme to pay people to leave their land to make way for the construction of the power plant.

Even though the prospect of having their energy needs overlooked infuriated people, Zaw Toe said that local residents did not dare raise the issue with the consortium of companies that owned the power plant. One of the companies was rumored to be linked to Myanmar's military junta; a prospect that left some local residents paralyzed with fear. Zaw Toe told me if it was a civilian company the people might feel like they could do something about it, but "a company owned by the military is off-limits."

While the fear of military involvement foreclosed direct communication with the owners of the power plant, BIC-Europe concerned themselves with raising the issue with the project's international financiers. This was a strategy that they and other NGOs often refer to as 'financial advocacy.' In this approach, advocacy organizations will 'follow the money'; focusing on the role that global capital plays in bankrolling environmentally and socially dubious projects around the world. While there are numerous sources of global capital that NGO advocates have called out - institutional investors, bond markets, equity investors, commercial banks and insurance companies to name a few - an important target has always been multilateral development banks, or MDBs.

MDBs and development finance

Multilateral development banks (MDBs) are financial institutions whose shareholders are sovereign states. These publicly-owned banks leverage the relatively secure credit of their sovereign shareholders to provide loans for projects that are deemed to be good for the home country's development. Most private banks won't invest enough money in large-scale infrastructure projects like the Myingyan power plant to get them off the ground, deeming them to be unprofitable or technically difficult. MDBs have sought to 'fill the gap' in funding for infrastructure, especially in middle- to low-income countries like Myanmar (Asian Development Bank, 2017).

At the same time, MDB-financed projects have a history of producing poor development outcomes (Wapenhans, 1992),[2] which has made environmental and social advocates balk for

[2] For a discussion of the poor development outcomes experienced by one major MDB, see the Portfolio Management Taskforce report by Willi Wapenhans, an internal review of the World Bank's portfolio, which is also referenced and discussed in chapter two of this dissertation.

decades. The potential for dubious development outcomes from the Myingyan power plant - which included not only the inadequate and inequitable distribution of electricity, but also the involuntary resettlement of people who make their livelihoods off of their land (BIC-Europe et al., 2018) - was reminiscent of flawed mega projects dating back to the 1980s. For example, there was the Polonoroeste Northwest Region Integrated Development Program in Brazil, which was financed by the World Bank starting in 1981 (Redwood, 2002). The Polonoroeste project destroyed a swath of rainforest to make way for agricultural expansion into the Brazilian Amazon, but paved the way for illegal logging on the protected lands of indigenous tribes and failed to improve the economic well-being of migrants to the area (Rich, 1985; Sierra Club, 1986; R. H. Wade, 2016).[3] Another case is the Sardar Sarovar Dam on the Narmada river in India, which was financed by the World Bank in 1985 (World Bank, 1985). This elaborate hydroelectric and irrigation scheme led to an estimated 200,000 people losing their homes (Kumar & Miller, 1993; Satheesh, 2019). Another infamous case is the Chad-Cameroon oil pipeline, which received a loan from the World Bank in 2000. Critics blamed the project for propping up the autocratic regime of then-president Idriss Déby (Rice, 2008).

Three MDBs had enthusiastically supported the Myingyan power plant with loans and promises that it would help the people of Myanmar. The Asian Development Bank (ADB) provided the lion's share of loans, while the International Finance Corporation (IFC)[4] and the Asian Infrastructure Investment Bank (AIIB) also came onboard (ADB, n/db). The ADB hailed the project as a win for their twin goals to promote "inclusive economic growth" and to "develop the

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[3] For more about the Polonoroeste project in Brazil, see chapter four of this dissertation

[4] The IFC is part of the World Bank Group. It provides loans for development projects to clients in the private sector rather than to governments.

private sector." In the project data sheet, they wrote "The project will improve the reliability and stability of Myanmar's power supply at a competitive tariff, while addressing power shortages and helping avoid future brownouts that hinder economic growth" (ADB, n/db).

Others disagreed that the Myingyan power plant lived up to the ADB's aspirational description of the project. NGOs including BIC-Europe and the Philippines-based NGO Forum on ADB incorporated the project into their long-standing campaigns to establish more equitable finance at major MDBs (BIC-Europe et al., 2018; Geary, 2020). The NGOs countered the view of the project put forward by the MDBs that financed it with the grievances that Zaw Toe and other Myanmar civil society organizations collected from Myingyan residents. They built a campaign geared towards the major MDBs that underscored issues that they saw as endemic to development finance: the lack of project accountability; the bank's championing of "public-private partnerships", and ellusive claims of inclusive and equitable development (Geary, 2020).

While NGOs had years of records about ADB and IFC-financed projects and policies from which to launch campaigns about the Myingyan project, they had relatively little knowledge of the AIIB. The nascent MDB approved the loan to the Myingyan power plant in late September 2016, which was a mere nine months after opening for business (BIC-Europe et al., 2018). Thus, the AIIB had no track record from which to know how it would handle the social controversies that arose from the projects it financed. The AIIB echoed the ADB's promises that the power plant would help solve Myanmar's energy crisis, but did not have clear, enforceable policies and protocols for handling project information disclosure, resettlement or accountability.

Construction of the Myingyan power plant concluded in November 2018 and the plant was fully operational by April of the following year (Ramboll Environ, 2021). Zaw Toe and BIC-Europe (now called Recourse) were still seeking answers about the public benefits of the Myingyan power project a year later in Spring 2020. Over the course of that year, electricity prices in Myanmar increased by as much as 72 percent; an alarming rate at any time, but especially given promises that the project would alleviate electricity shortages and offer consumers electricity at competitive rates (Geary, 2020, p. 6). But getting answers as to why the power plant had delivered on its promises proved impossible as there is no law in Myanmar to protect the right to request information, and the project's international financiers, including the MDBs involved, refused to make public the power purchasing agreement between the operating company and Myanmar's Ministry of Electric Power (MOEP) (Geary, 2020). Under the lending framework for PPPs, such agreements that involve private companies are considered confidential rather than public domain, making it all but impossible to assess the financial terms of projects, the costs to taxpayers or the debt burden on the government versus that of the private company involved.

The military coup in Myanmar on February 1, 2021 made finding answers to these questions of public concern even more challenging. Up until that point, the project's MDB financiers had required independent environmental and social monitoring reports that oversaw compensation for involuntary resettlement and a host of other conditions on a semi-annual or annual basis. But after the coup those reports abruptly stopped, and with it, any access to official information about the project halted as well. The coup also brought increased risks of physical harm to Burmese citizens who question the actions of the military junta, or who communicate with foreigners, including NGOs such as Recourse and NGO Forum on ADB. Thus, many questions remain about the Myingyan power plant and its benefits to the people of Myingyan township and Myanmar more broadly.

Even without clear answers about the outcomes of the electricity project, this case highlights important tensions in development finance and global governance that I will take up in this dissertation. I explore the AIIB's environmental and social policy-making processes from 2015 to early 2020 in order to understand how the new institution is engaging with governance norms of development finance. I also explore the AIIB's relationships to NGOs during these policy-making processes in order to understand the impacts that the bank is having on transnational advocacy networks.

A more equitable global governance system?

NGOs are not alone in their concern about fairness, equity and accountability in MDB financing. In 2013, Chinese President Xi Jinping also criticized the existing MDBs, but as a state leader who believed that institutions of global governance were failing his country and many developing countries as well. In that year, President Xi first proposed establishing the AIIB (Xi, 2013), which he envisioned as a new MDB that would "help make the global economic governance system more just, equitable and effective" (Xi, 2016). Xi's grievances about the global governance system centered on the monopoly that rich countries like the US and Japan have over economic rule-making institutions such as the International Monetary Fund (IMF) and the World Trade Organization (WTO) (Bradsher, 2015). The Chinese State was an important creditor within the IMF, but did not hold voting rights commensurate with its capital investment. At the same time, the US resisted requests by the Chinese State to make the *renminbi* one of a handful of currencies in which IMF loans could be denominated. The Chinese leadership's lack of ability to effect change within the IMF, even after it proved itself as an economically significant player, was a contributing factor in its decision to seek alternatives such as the AIIB.

By the time the AIIB opened for business in early 2016, the leaders of 57 countries had signed on as its founding members. Getting buy-in from the United Kingdom and other MDB "donor" governments was seen as instrumental in legitimizing the new bank, but Chinese leaders also made impassioned appeals to their counterparts in developing countries to join the ranks. A key feature of this appeal was to emphasize that the new financial institution would be more fair and equitable in how it distributed loans. President Xi played to frustrations amongst MDB borrower governments about bureaucratic, costly and time-consuming lending practices. This would be a bank, he said, that would "explore new business models and financing tools, and help member states develop more infrastructure projects that are of higher quality and at lower costs" (Xi, 2016).

The president of the AIIB, Mr. Jin Liqun, echoed and elaborated on the inequalities and injustices that had compelled the AIIB into existence. Reflecting in 2018 on these early conversations about the AIIB, President Jin wrote:

> "The old institutions are not keeping up with the needs of a fast-growing Asia and the benefits of growth are unequally distributed among nations…It was time, we thought. Asia needed a new development institution…Nations have benefited from globalization in varying levels of success, yet those benefits were not equally shared, leaving some behind…we welcomed the idea of a new MDB that would develop a new way of doing things and would actively participate in the shaping of Asia" (N. G. Lichtenstein, 2018, p. vi).

Both Chinese President Xi and AIIB President Jin cast China and developing countries as kindred spirits. In their accounts, an upwardly mobile China would serve as the leader of this campaign for justice, and the AIIB as an institution would be sympathetic and responsive to the development needs of all countries throughout Asia.

But it is not always clear that China's economic interests align with those of developing countries. Undeniably, Chinese policy banks have been quick to offer loans to governments regardless of poor credit history or international sanctions. For example, between 2010-2016, the China Development Bank (CDB) lent an astonishing $7 billion to the government of Ecuador, despite the fact that the country had defaulted on its loans from the World Bank and IMF (William & Mary Research Lab, n.d.). But the lending terms offered by China's sovereign banks (which I also refer to as "policy" banks) are not financially benevolent. So-called 'resource-backed loans' allow for all or part of a loan to be paid back through shipments of oil and other resources to China, but the borrower risks default if commodity prices fall (Downs, 2011). Other loan terms of Chinese policy banks require that borrower governments hire Chinese firms to build infrastructure, and CDB does not offer concessional lending. I raise these examples to highlight that Chinese state actors may view the country as akin to developing states, but their financial interests may run counter to them.

President Xi has emphasized that China's mixed economic and financial allegiances are a "unique strength" for the AIIB. He argues that an MDB that is financially backed by the Chinese State could be "a bridge and a bond to facilitate both South-South cooperation and North-South cooperation" (Xi, 2016).   But what does an institution of the AIIB's "unique" character look like in practice? How does it both make good on the vision of a more fair and equitable system of global governance that it has sold to middle-income and poorer countries, *and* protect the economic interests of China, its most important shareholder?

What do the grievances of Chinese state actors have in common with the critiques of those who are opposed to the Myingyan project? In these two examples, we see a shared frustration with institutions that privilege the economic interests of dominant shareholders over lesser ones, borrowers and project-affected peoples. For NGO advocates focused on the Myingyan power plant, criticisms stem from the marginalization of affected peoples (and environments) in development projects; which, in this case, was the lack of access to electricity generated by the power plant. And a disregard for the interests of the Chinese state as a shareholder in MDBs is at the root of President Xi's dissatisfaction. Both sets of actors express concern for institutions that distribute decision-making power unequally and favor the powerful over the marginalized. However, the grievances of advocacy NGOs and top officials of the Chinese State diverge in terms of their understanding of state sovereignty and its role in global governance.

I examine AIIB rhetoric about inequality in global governance and ask what that looks like in practice: In what ways do the concerns and interests of the Chinese state present themselves in AIIB institutional governance and policy-making? How does this intersect with the actions of NGOs that advocate on behalf of affected peoples and environments, and to what effect? As I will show in the pages that follow, the founders of the AIIB present the bank as an equalizing force in global governance, but their version of the playing field is narrowly focused on the interests of states. The interests of a broader constellation of actors who participate in governance, including transnational NGOs, citizens and project-affected people, are ignored or delegitimized. I argue that this conflates the interests of marginalized peoples and environments with those of states. Furthermore, this state-centric view of global governance, with its intolerance for plurality, enables the stifling of dissent at the project level.

Argument of the dissertation

I want to understand how the geopolitical shift away from US-led governance affects the institutional dynamics between bank donors and borrowers, and how these dynamics play out in its project approvals and oversight. I also want to understand the responses to these shifts by NGOs that advocate for the interests of peoples and environments that have largely been marginalized from decision-making about development projects and their promised benefits. Therefore, the broad questions that animate this dissertation are: How is the AIIB navigating tensions between global capital on one hand and demands for more equitable global governance on the other? How will it address the issues of inequality, poor development outcomes and environmental harms that have plagued institutions of development finance for decades? What are the implications for how transnational networks of advocates support peoples and environments most affected by MDB-financed projects?

I argue that the AIIB is characterized by the tensions between global capital and the political desire to loosen the grip that traditional MDB donors such as the US hold over bank governance. While the US is not a member of the AIIB, the bank's commitment to the logic of markets - including its emphasis on mobilizing private capital and project profitability; non-sovereign lending; lending through financial intermediaries; raising capital on international bond markets; and issuing loans in USD rather than local currencies - largely reinforce the economic systems created under US globalism. In this way, the AIIB has made a choice to conform to the international economic order. Significantly, these are the types of choices that have produced poor development outcomes among MDB-financed projects for half a century; prioritizing the interests of donors and foreign contractors over the peoples and environments most impacted by bank-financed projects.

Re-centering the role of the State in MDB governance

However, I identify three areas of governance within the AIIB that *do* take power away from traditional donors, and in doing so, re-center the role of the State in global governance.

Governance of project approvals

The first is governance of project approvals, for which decision-making power has historically rested in the hands of an MDB's Board of Directors,which are typically controlled by donor governments. However, the AIIB's Accountability Framework calls for much of this power over project approvals to be passed to the bank President. In fact, by my count of projects released in the first two and a half years after the Accountability Framework was adopted, roughly half met the requirement to have the president decide rather than the Board. While such a move is justified as part of the AIIB's promise to be more efficient, it also serves a geopolitical function to neutralize the power of traditional donors in decisions about the bank's lending activities. It does not necessarily limit the power of the Chinese State, however. For structural, geographic and cultural reasons, the AIIB president is (and likely will remain in the future) accountable almost exclusively to the Chinese State. Therefore, the AIIB's rescaling of governance over project approvals has the effect of curtailing the global reach of traditional donors , and also leads to the *de facto* expansion of China as a globalist power.

Governance of environmental and social safeguards

The second area in which the AIIB is taking power away from traditional donors and re-centering the role of the State is in the governance of environmental and social safeguards. Governance of environmental and social risks of MDB projects has long been a site of struggle over sovereignty. The earliest environmental and social safeguards were pushed for by representatives of donor governments in collaboration with NGOs. *Ex-ante* policy conditions such as environmental and social impact assessments (E/SIAs) were modeled off of regulations in the US and then imposed on MDB borrower countries as part of legally-binding loan contracts. Furthermore, MDBs often require borrowers to use (and pay for) the bank's technical experts, operational protocols and procedures rather than the country's own national laws, regulations and agencies. In this way, environmental and social safeguards are one means through which donors have projected power onto other countries. And the spread of environmental and social rules and norms from the US in particular emphasizes the role that US hegemony plays in MDB loans.

But governance of environmental and social risks is one area in which the AIIB is actively attempting to re-affirm the centrality of state authority. AIIB policies have cut *ex-ante* conditionality and employed the use of borrower 'country systems' to assess and manage environmental and social risks. These policy measures codify the AIIB's commitments to respond to the concerns of its borrowers, who count bureaucratic environmental and social regulations among their top grievances about MDB lending. Other MDBs, including the World Bank, have begun to adopt the "country system" approach in response to challenges from its borrowers as well. Here too though, donors have placed conditions on the use of country systems, to the effect of narrowing their applicability to a small set of middle-income countries rather than all borrowers. On the contrary, AIIB policies assume the primacy of national authorities, laws and regulations, and make it difficult to override these systems. In this way, the AIIB's governance of environmental and social risks is a powerful means through which to re-center state sovereignty in global governance.

Disciplining critique

The third area in which the AIIB is taking power away from traditional donors and reaffirming state sovereignty is in the disciplining of NGO critique, which I argue is ultimately geared towards reigning in dissent in borrower countries. NGOs have raised awareness about the negative environmental and social impacts of MDB-financed development projects since the 1980s, and some of the fiercest resistance to MDB-financed projects have been waged by project-affected peoples with the assistance of transnational networks of advocacy organizations. However, the AIIB's environmental and social policies and rhetoric have sought to delegitimize transnational advocacy networks as an imposition on the sovereignty of borrower states. This has implications for the type of advocacy that the bank is conditioning NGOs to practice - which invites NGOs that present themselves as 'helping' governments, but not those who resist their government's notions of development. An important consequence of the AIIB's moves to discipline critique is that place-based struggles lose access to technical expertise, experience and other resources that help them resist MDB-financed projects.

Background: What is the AIIB and why is it important?

The AIIB is a multilateral institution that is financially and politically backed by the Chinese State. The institutional character of the bank - which differs from that of major MDBs in terms of its shareholding composition - is a clear departure from US dominance over institutions of development finance. However, the geographic orientation of the bank and its lending focus are more ambiguous, which signals that the AIIB strives to be global rather than regional in scope.

Support from the PRC

At its inception, the AIIB's total capital stock was set at $100 billion, of which China's Ministry of Finance committed a full half (AIIB, n/d). Additionally, the AIIB would not have existed without the political support of the Chinese State. Chinese state officials incubated the new bank from the start: President Xi first proposed the new multilateral development bank during a speech to the Indonesian Parliament in 2013; Mr. Jin Liqun, a former Vice Minister in China's Ministry of Finance and former Chairman of China International Capital Corporation and Vice President of the ADB, was chosen as the President-designate (AIIB, n.d.-g); Mr. Jin then helped attract Founding Members among not only Asian, but also several European states; and China's Ministry of Finance organized eight rounds of negotiations among delegates from 57 Founding Members to draft the AIIB Charter and other foundational documents before the official launch in January 2016 (AIIB, 2015). Thus, the AIIB is the manifestation of the Chinese State's financial and sweat equity.

A break from US dominance

The AIIB diverges from the norms of major MDBs in terms of its shareholder composition, which is significant because it affects the allocation of voting rights among member states.[5] Namely, the US government is the largest or second largest shareholder of five major MDBs: This includes a 15 percent stake in the World Bank's IBRD; a 12 percent stake in the ADB; a 30 percent stake in the Inter-American Development Bank (IADB); a ten percent stake in the European Bank for Reconstruction and Development (EBRD); and a six percent stake in the

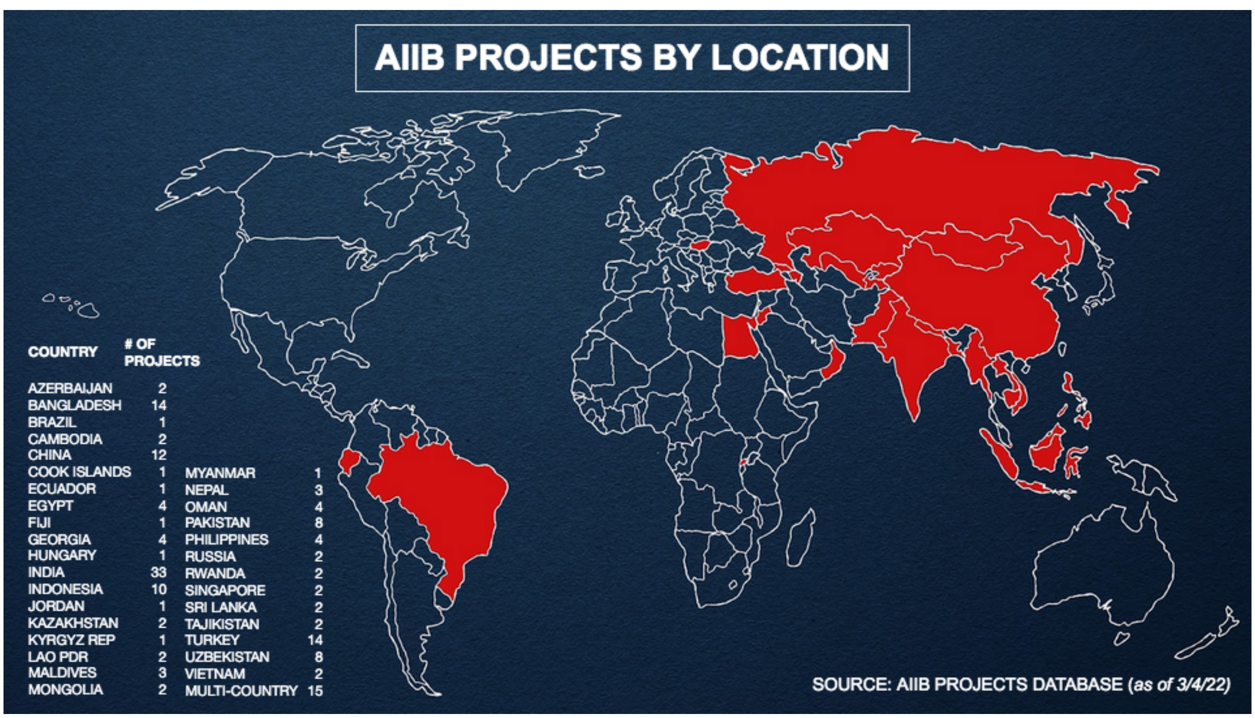
[5] Eighty-five percent of voting shares in the AIIB are allocated based on shareholding, which makes it the most important factor in determining voting rights (AIIB, n/d).

African Development Bank (AfDB) (Birdsall & Morris, 2016). Japan is also a dominant shareholder in many major MDBs, including the ADB. It is the second largest shareholder at the World Bank's IBRD with over eight percent of voting shares; and shares the largest shareholder position with the United States at the ADB (12.84 percent each) (Morris & Higashikokubaru, 2015). Japan is also in the top five largest shareholders at the AfDB, IADB and EBRD (Birdsall & Morris, 2016). However, the US and Japanese governments chose not to join the AIIB, and therefore own no shares and have no voting rights.

In contrast, the AIIB's largest shareholder is the PRC, with 30 percent of ownership shares and roughly 26 percent of voting shares at the time the bank launched. This geopolitical shift from the US (and Japan, to a lesser degree) to China is significant because it affects the allocation of voting rights, which are used to steer the governance of the bank. For example, with its 26 percent of voting shares, the China-appointed Executive Director of the AIIB holds a permanent seat on the Board of Directors, and veto power over any decisions requiring a Supermajority (N. G. Lichtenstein, 2018). This means that the Chinese Executive Director has the final say on issues such as amending the AIIB's Charter; increasing the bank's capital threshold; the election of the President; changing the rules of the Board of Directors; changing regional shareholding percentage requirements; increasing lending limits; making major operational and financial policies; and delegating operational decisions from the Board of Directors to the President (N. G. Lichtenstein, 2018, pp. 156–160). By comparison, the next five largest regional shareholders (India, Russia, South Korea, Indonesia and Saudi Arabia) have a combined voting power of 23% and the largest non-regional members (Germany, the UK and France) have a combined voting power of a mere 10% (N. G. Lichtenstein, 2018, p. 163). These two institutional trends at the AIIB - the US and Japan's absence and China's prominence - set it apart from major MDBs.

Geographical ambiguity and the geopolitical ambitions of the Chinese State

While the AIIB's name implies that it is a regional development bank focused on lending in Asia, in practice the geographical scope of the bank's membership and lending is ambiguous.



(Figure 1: The AIIB's Geopolitical Reach; Figure 2: AIIB projects by location)

Membership in the AIIB is open to any government that is a member of the World Bank's International Bank for Reconstruction and Development (IBRD). Given that the IBRD has a membership of 189 countries, nearly any country in the world is eligible to join.[6] From its initial 57 Founding Members, AIIB membership has grown steadily. After six years in operation, the bank's membership had ballooned to 105 members and prospective members (89 members and 16 prospective members) (AIIB, n.d.-c). By comparison, membership in the ADB, which was established in 1966, is much smaller, and more geographically concentrated in Asia and the Pacific regions. The ADB's membership in 2022 stood at 68 countries in comparison to the 89 members of the AIIB (ADB, 2020). And while the ADB's regional membership is more than double its 'non-regional' membership, the AIIB is divided almost evenly (see figure3).

COMPARISON OF MDB MEMBERSHIP

	REGIONAL MEMBERS	NON-REGIONAL MEMBERS	TOTAL MEMBERSHIP
WORLD BANK	---	---	189
ADB	49	19	68
AIIB	46	43	89

Figure 3: Comparison of MDB Membership; Source: AIIB, World Bank, ADB

[6] For context, the United Nations recognizes 193 countries in the world, although other counts exist.

The AIIB's interpretation of the "Asian" region in practice is expansive, and the distinction between 'regional' and 'non-regional' does not prevent the latter from receiving loans. For example, the regional/non-regional divide appears to influence the rules around shareholding and voting shares, but not lending. This may be because the AIIB's focus on "regional connectivity" makes it possible for the bank to lend money just about anywhere in the world, as long as it can be justified as benefitting the region. For example, several countries in the Middle East are considered regional members of the AIIB, including Israel and Jordan. However, Egypt, which shares a border with Israel, is not. Even though Egypt is not considered part of the "Asia" region, it has received four loans from the AIIB (AIIB, n.d.-f). This demonstrates that although the AIIB is ostensibly a regional bank, in practice it is much more global.

Furthermore, while the 'non-regional' members of the ADB are almost exclusively European and developed (with the notable exception of the United States, which is also the ADB's largest shareholder alongside Japan) (ADB, 2020), the AIIB has sought a greater diversity of members, both in terms of geographic regions and income levels. As of March 2022, the AIIB's 'non-regional' membership included 20 European countries, 11 countries from the African continent and seven countries from North and South America (AIIB, n.d.-c). In terms of income level, while ADB 'non-regional' membership consists of developed industrialized countries (Wan, 1995), the AIIB accepts at least six non-regional countries that are among the United Nations list of Least Developed Countries (LDC) in the world (UNCTAD, 2022). This signals that the AIIB is not only thinking about its 'non-regional' members as sources of capital, but also as sites for future projects.

Geography of AIIB projects

The AIIB's portfolio of projects is less geographically diverse than its shareholder composition, but expansive nonetheless. As of March 2022, the AIIB has approved 166 projects in 32 countries.[7] While the vast majority are loans to "regional" members, about 20 percent go to "non-regional" members. These "non-regional" loan recipients include Brazil, Ecuador, Egypt, Hungary and Rwanda (AIIB, n.d.-f).

The 'fuzziness' of the AIIB's membership and lending is reminiscent of the Chinese State's Belt and Road Initiative (BRI). The Chinese State benefits from ambiguity surrounding its ambitions in the Belt and Road Initiative, and a similar logic may apply to the AIIB. Narins and Agnew (Narins & Agnew, 2020) discuss the competing tendencies of the Chinese State to assert territorial sovereignty as its main priority on one hand and expand its projection of power globally on the other. Using Agnew's (2009) 'sovereignty regimes' as a conceptual framework, they argue that the Chinese government leaves the BRI map intentionally 'fuzzy.' The ambiguity of the map serves two purposes: it leaves open the possibility of unlimited expansion of Chinese trade and investment in the world; and serves to "lessen antagonism" towards China from its "weary neighbors and far-off rivals" about the growing global power of Chinese actors (Narins & Agnew, 2020, p. 24). In other words, the geographical ambiguity of the BRI leaves the actions of Chinese overseas actors open for interpretation. Given sensitivities to and around US economic power in the world, the lack of clarity around the BRI may help the Chinese State fend off direct comparisons to domination. The lack of definitive geographical parameters lends itself to a vision of the bank that is global rather than regional in scope.

[7] I do not include two projects in Belarus that are in the AIIB's project database, but are listed as "on hold."

The role of the state in narratives about global governance

Early literature on global governance characterizes it as replacing weakened government authority. It is in this context that scholars discuss ‘governance gaps’ created by ineffective or inadequate government (Florini & Simmons, 2000; Scholte, 2011), or predict ‘governance without government’ (Rosenau & Czempiel, 1992). These assertions of government deficiency are premised on the assumption that globalization erodes the significance of national boundaries. Thomas Friedman (2005) famously describes a ‘flattening’ of the world as flows of capital, goods and people across borders intensify. These ‘flows’ are seen as eliminating national differences as they create “almost infinite openness and interdependency” (Roberts et al., 2003, p. 888).

For more than two decades, geographers and other spatial theorists have problematized the assumption that states are increasingly irrelevant to governance because their control and authority are limited by territorial boundaries. One of the earliest and most impactful interventions from geography into international relations theories of the state is Agnew’s (1994) ‘territorial trap.’ Rethinking the ‘territorial trap’ entails critically analyzing and redefining the concept of sovereignty in the context of economic globalization. Arguing that sovereignty “is neither inherently territorial nor is it invariably state-based,” Agnew proposes the idea of ‘sovereignty regimes’ in which power is “circulating and available” rather than fixed in legally-defined territorial states (J. A. Agnew, 2009, p. 9). In this framing, “effective sovereignty,” is constituted by overlapping “sovereignty regimes,” which are “capacities of states in different global situations to exercise sovereignty internally and externally”(J. A. Agnew, 2009, p. 9).

The regimes that Agnew (2009) lays out include classic, integrative, globalist, and imperialist. A 'classic' sovereignty regime is one characterized by a strong, centralized state that sees itself as deploying power over a bounded territory. At the other end of the spectrum is a de-territorialized 'globalist' sovereignty regime, for which the main example is hegemony (J. A. Agnew, 2009). Closely associated with the rise of globalization, this form of political power is not linked to a single territory, but instead to a range of actors and processes that interact through de-territorialized networks, only some of which can be controlled by state fiat. Thus, territorial control is one aspect of state sovereignty, but other forms of sovereignty are unbound by territorial constraints and interact with the world in a networked fashion.

This is important to global governance because it conceptually decoupled the necessary relationship between territory and state power. In doing so, states are reinstated as active agents in political, economic and regulatory processes that span territorial jurisdictions. In this way, scholarship on sovereignty and globalization breaks down the naturalizing discourse of 'ineffective' and 'weak' government authority in the face of intensified processes of globalization.

But the rise of Chinese state actors in global governance demands a reconsideration, and to some extent, a reconceptualization of the role of the state in global governance once again.

The 'rise' of Chinese actors in global governance: fact and fictions

Just after the AIIB opened for business in 2016, an article in the Financial Times declared it "China's answer to the World Bank" (Anderlini, 2016). Certainly, the Chinese state was deeply involved in the establishment of the AIIB in terms of its financial and political backing, and the bank's headquarters in Beijing are within the legal jurisdiction of the PRC. But the characterization of the AIIB as a 'Chinese' bank also carries with it a set of assumptions, mostly negative, about how it engages in global economic activities. These assumptions point to narratives about Chinese overseas actors more generally.

Indeed, as the role of Chinese actors in global economic activity and governance processes has increased over the past two decades, scholarly and popular portrayals of Chinese overseas engagements cast Chinese actors as causing a "race to the bottom" in environmental, social and labor standards across the world; often by snatching up natural resources and exploiting local labor forces while saddling the governments of developing countries in unsustainable debt (Brautigam, 2009, 2020). This creates what sociologist C.K. Lee (C. K. Lee, 2014, 2017) calls the "specter of 'global China'".

In such portrayals, Chinese actors are not only painted negatively, they are also characterized as homogenous, static and qualitatively different from their western counterparts. For example, International Relations literature tends to reduce Chinese actors either to an opportunity for or a threat to US economic and geopolitical interests. These narratives expose western desires and intentions to exploit or contain China's 'rise,' but offer little in terms of understanding the motivations of real actors (Pan, 2015).

Methodological nationalism is a useful concept to describe this tendency in some research on Chinese overseas actors. It is an analytical approach that conflates nation, state and society. As an analytic, it naturalizes the nation-state as a unit of social organization and scientific inquiry, obscuring historical contingencies and transnational dynamics (Bender, 2002). In the case of Chinese overseas investments, avoiding methodological nationalism has three benefits: first, as a means to resist the assumption of a China 'model' of development in which Chinese actors are singularly motivated by political aims; second, to disaggregate the experiences of these actors in order to understand their relationships to the global economy; and third, to attend to the ways in which Chinese actors conform to capitalist logics in global economic governance. Put simply, there is a need to interrogate statements that there is something fundamentally different about the way that Chinese actors operate in the world.

With these aims in mind, empirical studies have sought to complicate negative and homogenizing characterizations of Chinese actors in global economic and political affairs. Studies have highlighted variation among Chinese actors across firms and sectors in terms of their motivations, corporate strategies, levels of experience in international business and community engagement, and political ties; and finds strong evidence that strategies and practices are being developed through trial and error and negotiation (Corkin, 2013; Gonzalez-Vicente, 2011; C. K. Lee, 2014; Ray et al., 2015).

Furthermore, simplistic and essentialist characterizations of Chinese actors in global economic affairs overlooks the ways in which these companies and bankers are enmeshed in the global economic system. Critical research emphasizes that Chinese overseas investments do not take place in a vacuum, but rather in the context of pre-existing power structures and market conditions that are premised on particular experiences of colonialism, post-colonialism and structural adjustment (Gonzalez-Vicente, 2011; C. K. Lee, 2014). Speaking to this point, C.K. Lee's (2017) ethnographic study of Chinese construction companies and mining firms operating in Zambia lent much needed nuance to popular tropes about Chinese neocolonialism and labor exploitation. She illustrated that narratives that cast Chinese firms as motivated by the political aims of the Chinese state are overblown. While companies in strategic sectors such as mining were at times politically motivated — such as hiring local people to satisfy political elites— first and foremost, Chinese firms operate according to capitalist logics about profit and growth. Through this case study, Lee makes an important theoretical point that Chinese capital, and state capital more generally, is not so different from private capital. Both are conditioned by and responsive to the global capitalist system. Thus, avoiding methodological nationalism in research on Chinese overseas investments requires an acknowledgement of the ways that actors from China are deeply embedded in and constrained by dominant economic paradigms.

The relationship of Chinese state actors to the international economic order is also important for understanding the AIIB because the bank's entanglements in the global economy are many. For example, the AIIB adheres to the economic and financial logics of major MDBs through choices such as prioritizing investments in the private sector; being profit-driven; using financial intermediaries; raising capital on international bond markets; and issuing loans in USD rather than local currencies. One of the most significant ways that the AIIB is tied to the global economic order is through its participation in international bond markets, which puts limitations on how and to whom the bank issues loans.

Bond issuances as a disciplining factor in AIIB lending

Although the capital stock of MDBs are based on subscriptions from its sovereign members, very little of that money is actually on hand. Instead, MDBs require a certain percent to be paid by member states, and the rest is raised on international bond markets. This is how that works:

MDBs divide their shareholding subscriptions into “paid-in” and “callable” shares. “Paid-in” shares refer to the capital that a shareholder pays into the bank when it becomes an official member. “Callable” shares are those that the member state promises to make available in the event that the bank asks for it, but they do not actually have to put up that money (N. Lichtenstein, 2017). The AIIB’s Articles of Agreement establishes that 20 percent of member shares are paid-in, and the other 80 percent are callable upon request (AIIB, n/d). So with a subscribed capital of $100 billion, the AIIB has $20 billion from shareholders in its accounts, with the remaining $80 billion on standby. To stand in for the callable shares of their capital stocks, MDBs finance their loans by issuing bonds on capital markets and these bonds are guaranteed by the bank’s shareholders.

The decision to raise money on capital markets incentivizes MDBs to adhere to global economic norms in a couple of important ways. First, it encourages MDBs to attract members with high credit rating scores. This is because bonds have lower interest rates when they are guaranteed by governments with high credit ratings. Credit rating agencies such as Standard and Poor’s, Moody’s and Fitch rate the sovereign guarantees of wealthy, economically stable economies most highly. Thus, MDBs have a strong monetary incentive to have industrialized economies as shareholders in order to offer competitive interest rates and longer maturity rates to borrower countries. This, in turn, allows MDBs to undercut their competitors or have a bigger profit margin (Humphrey & Michaelowa, 2013).

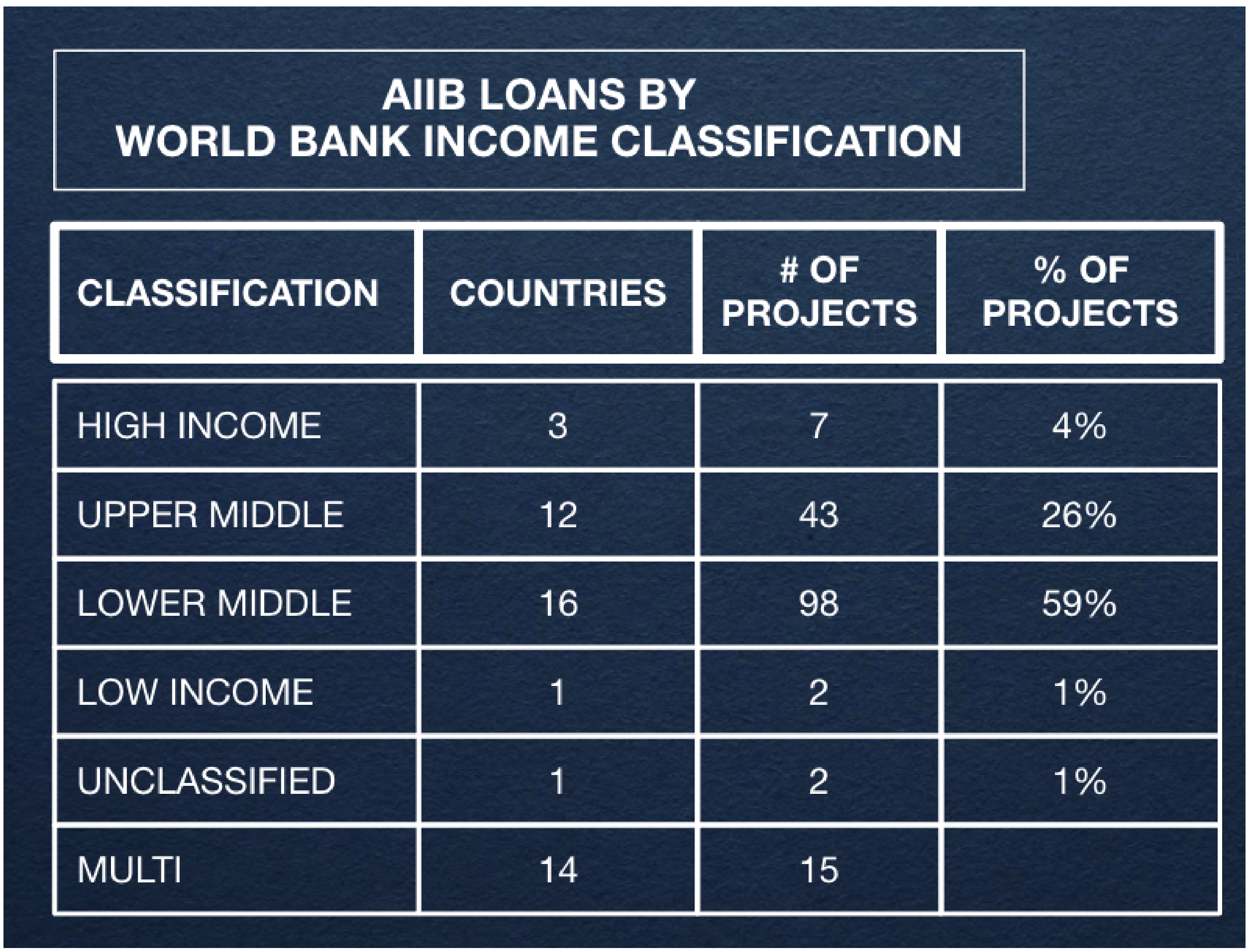
Historically, MDBs that have the greatest number of industrialized economies as shareholders offer the most competitive interest rates and longest repayment periods. The World Bank borrows at an extremely low interest rate, and regional MDBs such as the ADB that have high proportions of shares owned by wealthy economies are also able to borrow at attractive rates. However, MDBs whose shareholder composition includes higher ratios of economically unstable governments lose out on low interest rates on their bond issuances. As a result, MDBs with a majority of shareholders who borrow from the bank have higher financial costs than MDBs dominated by non-borrowers (Humphrey & Michaelowa, 2013).

With respect to the AIIB's bond issuances, China's position as the largest shareholder provides the bank with the financial assurances it needs to obtain a high credit rating score. Moody's, Standard and Poor's and Fitch, which are the three largest credit rating agencies in the world, have all given the AIIB their highest ratings. In its decision to assign a Aaa rating (the highest available) for a long-term bond issued by the AIIB, Moody's wrote that China's "strategic interest in sustaining the bank's operations" reassured them that the bank would be able to pay back its bondholders because the Chinese government was likely to make available "further, extraordinary, support" if needed (Moodys, 2019). The significance of the AIIB's credit rating is that it can offer competitive interest rates and loan repayment periods in comparison to other major MDBs. With more and more options available to borrowers for loans from national development banks and other sovereign lenders, this is an important means through which the AIIB builds its lending portfolio, and its economic power.

The need for a high credit rating score also serves to compel the AIIB to adhere to global economic norms. For example, Moody's rationale for assigning the AIIB a Aaa rating for a long-term US dollar-denominated bond issuance was based in part on the assumption that it "will retain full operational autonomy from its largest shareholders including China" (Moodys, 2019). In this way, the credit rating agencies put pressure on the AIIB to follow the rules of markets rather than its largest shareholder. Given that credit rating agencies were established and continue to be supervised by US state institutions, this is an important means through which the AIIB's ability to flout global economic norms are kept in check. That being said, more and more there is evidence that neoliberal economic policies set up under US hegemony are no longer benefiting US interests (J. Agnew, 2015b; Hopewell, 2015). While the credit rating agencies may warn the AIIB to guard against the political influence of the Chinese State, they are not incentivized to lower the bank's credit rating score because their own legitimacy may be jeopardized if parallel institutions are established under the supervision of the Chinese state.

The credit rating agencies also emphasize that the AIIB should keep its underwriting and risk management processes consistent with the "highest-rated MDBs" (Moodys, 2019). Meaning that the bank should not stray from standards set by the World Bank (and some of the other regional MDBs) in terms of its risk threshold. This matters because one of the complaints that borrowers lodge against MDBs is that there is a dearth of funding for infrastructure projects. Risk-averse MDBs have moved towards 'soft' lending in areas such as 'good governance', capacity-building and education rather than tangible projects like infrastructure that tend to draw more controversy from advocacy organizations and activists (Moretti & Pestre, 2015). With the AIIB's promise to "fill the gap" in financing for infrastructure in Asia, it is also challenging norms around risk management. Thus a reminder to keep its risk management processes consistent with the "highest-rated MDBs" also serves to pressure the AIIB to conform to the global economic order.

The credit rating agencies also seek to influence the AIIB's list of clients. In terms of trust in the projects that the AIIB has selected to finance, Moody's stated that the relatively stable credit-worthiness of borrowers such as Indonesia and India offset the weak or declining credit scores of other borrower governments including Oman, Pakistan and Turkey (Moodys, 2019). This challenges the AIIB's promise to be more "inclusive" and to treat states equally because it privileges lending to some states over others. The differential credit scores of its borrowers is certainly a factor in the AIIB's lending decisions. However, one way that the bank is able to mediate the influence of poor credit rating scores among some of its borrower members is by offsetting them with loans to China and other upper-middle, or even high-income countries. A breakdown of AIIB lending based on income level shows that just over 30 percent of loans go to these income classes, while just two percent of loans go to low-income countries (see figure 4).



AIIB LOANS BY WORLD BANK INCOME CLASSIFICATION

CLASSIFICATION	COUNTRIES	# OF PROJECTS	% OF PROJECTS
HIGH INCOME	3	7	4%
UPPER MIDDLE	12	43	26%
LOWER MIDDLE	16	98	59%
LOW INCOME	1	2	1%
UNCLASSIFIED	1	2	1%
MULTI	14	15	

Figure 4: AIIB Loans by World Bank Income Classification

The loans to China stand out to me because bank officials told me that the Chinese state doesn't need loans, so AIIB lending to the country is being employed as a strategic tool to keep its promise of inclusivity and fairness rather than out of necessity. Still, the fact that the lion's share of loans go to middle-income countries demonstrates that the market rules employed by credit rating agencies remain a disciplining factor in the AIIB's lending decisions.

In these ways, maintaining a high credit rating is contingent on the AIIB's cooperation and adherence to financial norms. While these norms generally serve to maintain power of status quo actors such as credit rating agencies and financial regulators in the US, the position of China as an economic power does allow the bank to make choices that go against the logic of international markets, including in decisions about to whom and for what it makes loans.

Conceptualizing the role of the state in Chinese overseas investment activities

This does not mean that the state is an irrelevant actor in global economic affairs. Agnew (2015a) argues that contemporary economic globalization was made possible through the explicit support of states, which created the rules that govern global capital and actively regulate its flows. When it comes to Chinese overseas investments, the Chinese party-state has made a deliberate choice to accept capitalist economic paradigms. This began with the idea of 'socialism with Chinese characteristics,' first introduced by Deng Xiaoping at the start of 'Reform and Opening Up' (改革开放). Deng insisted that the path to China's economic prosperity was through the introduction of more liberalized markets, while at the same time maintaining a commitment to Marxism (Deng, 1984). From that point, the Chinese Communist Party (CCP) has positioned itself as "the party of [China's] national salvation," forging a link between the survival of the nation, capitalist economic development, and the CCP (Hughes, 2006, p. 4). This narrative became an important mechanism through which economic reforms were reframed as patriotic choice. The CCP took this narrative even further, advocating for a "globalization of nationalism" that calls on Chinese actors to compete in the global economy as a means to counter the West's 'international hegemony'. This narrative is potent because it plays on collective animosity and resentment among Chinese citizens about the experience of 100 years of national humiliation at the hands of foreign colonial powers (Callahan, 2009). Under President Xi Jinping, stepping out of the shadow of Western colonial powers remains a powerful narrative to catalyze and justify overseas investments in the Belt and Road Initiative.

Chinese traditional culture also informs the origin story of contemporary Chinese overseas economic activity. Callahan(Callahan, 2015) argues that Xi Jinping's 'China Dream' draws on seemingly contradictory traditions of socialism and Confucianism to explain and encourage China's rise as a world economic and political power. They appear disparate, but Callahan finds convergence in their emphasis on a strong state as the necessary means to make China a great power.

Alongside discourses about overcoming national humiliation and traditional Confucian values, the Chinese party-state has incentivized overseas business expansion through policy-making and party guidance. At the beginning of the 2000s, the 'Going Out' strategy (走出去政策) facilitated the overseas expansion of Chinese state-owned enterprises, with the aim of becoming 'national champions' to rival the world's leading multinational companies. In carrying out these missions abroad, Gonzalez-Vicente (2012) reminds us that Chinese state-owned enterprises make strategic decisions to adapt to the international capitalist system, which is "…a very particular political stance, one that accepts the mainstream Western conceptualization of the "right" world economic order."

The strategic decision to adapt to the international capitalist system has also permeated into how the Chinese state engages with institutions of global governance. Namely, Chinese trade negotiators have sought to use capitalist tools and logics to push against the preeminence of US and European interests at the World Trade Organization (WTO). Starting with the Doha Round, Chinese trade negotiators (along with those from many other developing countries, especially Brazil and India) used the WTO's leniency about protectionist agricultural subsidies in the US to argue for similar protections for their own exports (Hopewell, 2016). As a strategy, this has proved compelling, and has effectively shut down negotiations (Hopewell, 2016). According to Hopewell (2016), "By demanding that all members of the WTO live up to the principles of "free trade," these developing states caused the negotiations to collapse under their own contradictions." This example highlights that the Chinese party-state's political interests need not interfere with the established rules of global economic governance in order to push against US-led global governance. Rather, the rules can be used to beat dominant US and European actors at their own game.

Yet there are also important areas in which Chinese actors push back against hegemonic logic, although this takes political and regulatory rather than economic forms. Gonzalez-Vicente (2015) argues that China's policy of 'non-interference' (不干涉) is as central to China's contemporary foreign policy discourse as 'democracy promotion' is in US international relations. The discourse emphasizes a 'no-strings attached' approach to political conditions; refusing, for example, the idea of economic sanctions against states on the grounds of human rights or humanitarian violations. This policy is framed in legal sovereignty terms, which is in contrast to the West's international hegemony.

Part of the rationale for 'non-interference' is the Five Principles of Peaceful Coexistence. These principles have been a hallmark of the foreign policy of the CCP since the 1950s, when the nascent republic was seeking to avoid becoming a battleground in the proxy fights of the Cold War (Cohen, 1967). The five principles are mutual respect, mutual non-aggression, mutual non-interference in each others' internal affairs, equality and mutual benefit, and peaceful co-existence (Wen, 2004). The Principles, through their framing of mutuality between nation-states, emphasizes the Westphalian conception of state sovereignty. In this conception, nation-states, through their central governments, are the only legitimate representatives of the land and people they claim to represent, and the only legitimate actors in international relations. Thus, the primacy of state sovereignty is seen as the key to peaceful international relations.

In terms of the contemporary international economic activities of Chinese state actors, the official policy of 'non-interference' complements the official discourse about 'South-South' relations. The stance of the Chinese state towards developing countries emphasizes camaraderie, cooperation, mutual benefit and mutual respect. For example, rhetoric about attaching importance to China's neighboring countries and economically weak states is premised on the idea that China, as a developing country, is also weak in its ability to influence the global economic order and compete economically with developed countries (Mao, 2014). Given this shared sense of insignificance in the international economic order, the rhetoric about China's South-South cooperation emphasizes economic cooperation (Li et al., 2015), and stresses the importance of "shared prosperity", "win-win cooperation and peaceful development," fairness' and ‘efficiency’ in those relations (Huang et al., 2015; Liu, 2017; Wei, 2016; Zhang, 2018). In focusing on these mutual benefits, discourse about China’s relations with developing countries seeks to set Chinese state actors apart from the economic hegemony of the West, and particularly the US. Furthermore, the concept of ‘non-interference’ makes its way into economic regulation and control by stressing the importance of national policies to drive development decisions (Zhong, 2017). This, again, sets Chinese notions of global governance apart from the trend of supra-national policies and regulations that have characterized the global economic order in the Post-World War II period.

A prime example of China’s non-interventionism at work is in environmental and social safeguards of overseas investments. Namely, the environmental and social policies and norms of the China Export-Import (Exim) Bank and China Development Bank (CDB). The two Chinese policy banks finance state-backed projects abroad and employ standards that emphasize adherence to national laws and regulations rather than imposing their own or “international standards”. An analysis of the environmental and social policies of CDB and China Exim Bank alongside the World Bank and other MDBs found that the Chinese policy banks differed from their peers in terms of their lack of sector-specific policies, transaction transparency, adequate consultation of local stakeholders in decision making processes, and grievance mechanisms (K. Gallagher et al., 2012).

While the discourse of ‘non-interference’ claims that the overseas economic engagements of Chinese actors is apolitical, some scholars argue that this discourse cannot be taken at face value. Gonzalez-Vicente (Gonzalez-Vicente, 2015) argues that ‘non-interference’ is not apolitical, but rather dictates particular types of political and economic engagements that are at odds with some existing regional governance norms. In his view, entering into economic or development activities abroad is political because it supports the "prevailing institutions, norms and political elites" (Gonzalez-Vicente, 2011, p. 206). Mawdsley (2012, p. 267) sums up the political stakes of such a position: "when China talks about "respect for sovereignty", there is no acknowledgement that sovereign power may be contested from below, and that it by no means necessarily translates into an empowering relationship between a nation-state and its citizens." In practice, China's non-interference serves to promote bilateralism and centralized state authority, which is not the same as being 'apolitical'. Significantly, it does not acknowledge the agency of citizens in international affairs as legitimate.

The idea of 'non-interference' based in the Westphalian conception of sovereignty is of great consequence to how we think about the attitudes of Chinese state actors towards the role of NGOs in global governance. Scholarship about NGOs in global governance debate the role that these actors play in perpetuating hegemony. Gramscian scholars of social relations and social change view civil society as a space of contestation and struggle in which the hegemony of ruling class elites is either reproduced or resisted, and NGOs have been implicated in both arguments. Notably, NGOs working across transnational advocacy networks have been credited with amplifying the voices of marginalized people (Keck & Sikkink, 1998, 1999), and with spurring powerful MDBs to incorporate environmental and social protections into their agendas (Fox & Brown, 1998). At the same time, scholars theorize that NGOs are important agents through which the hegemony of ruling elites is reproduced in society (Cox, 1999; Hall, 1986). Specifically, Goldman (2005) argues that, through their engagement with bank priorities and logics, NGOs have become key sources of legitimacy for multilateral financiers. Furthermore, NGOs that choose to work on the 'inside' – engaging directly with the institutions and structures of power they seek to change – have become more technocratic in their approaches and limit their advocacy to measures that are in accord with dominant neoliberal paradigms (Hopewell, 2015). This argument is especially salient when discussing 'reformist' NGOs (Scholte, 2004) who offer 'expertise' in matters such as development that conform to the goals of Western governments and donors (Bebbington et al., 2008).

Scholarship on governance in China suggests that decades of 'fragmented authoritarianism' in policy-making (Lieberthal & Oksenberg, 1988) leaves little room for democratic expression through contentious politics or popular protests, but has opened a narrow space for non-state actors (Mertha, 2009). These 'policy entrepreneurs' gain legitimacy by working within limited channels to offer compelling alternatives to official opinions and through providing 'strategic' support to under-funded government officials (Mertha, 2009; Teets, 2013). Yet the political landscape in China is dynamic, and the continued expansion of governance space is deeply questioned by the recent introduction of a law to restrict the activities of foreign NGOs (Wong, 2016). Nevertheless, the increased openness and transparency necessary to operate an organization with members representing the governments of more than 100 states with diverse cultural and political backgrounds challenges assumptions that an authoritarian form of policy-making will apply within the AIIB. In the context of the limitations put on civil society by the Chinese government and the heterogeneity of decision-makers within the AIIB, new questions arise about who counts as legitimate participants in global economic governance that is increasingly shaped by the Chinese state.

The message in this discussion is that the motivations and experiences of Chinese actors that engage in economic activities abroad are complex, and require empirical evidence to unpack. More specifically, empirically grounded accounts of Chinese actors in the global economy attend to the ways that market logics and national interests intersect, and the adaptive strategies and narratives that they employ to succeed within the global capitalist system. Applying the lessons of grounded research on Chinese overseas investments to analysis of the AIIB therefore necessitates going beyond methodologically nationalistic explanations that take for granted that the AIIB must be different from its peers because its largest shareholder is the Chinese state. Instead, I want to understand how it operates in comparison to other major MDBs, with attention to the interplay between economic paradigms and political interests.

Methodological approach: An ethnography of an international institution

This research project on the AIIB follows the approaches of scholars from across the disciplines of social science who conduct ethnography of international institutions. The ethnographic approach, with its emphasis on understanding how and why things are the way they are, rejects the tendency to frame institutions as monolithic, inevitable or natural. Rather, the ethnographic studies that have influenced my understanding of the AIIB attend to the varied, often opposing interests at work in shaping institutions (Bebbington, 2006; Clark et al., 2003; Fox & Brown, 1998; Goldman, 2005; Kirsch, 2014; R. H. Wade, 2002; Welker, 2014). These works theorize institutions as co-constituted by multiple actors and in relationship with complex transnational forces. I am particularly interested in the ways that these studies have attended to NGOs as agents of change, and to the dual influences of capitalist development logics and authoritarian governance.

The role of NGOs in studies of international institutions

My focus on the role that networks of NGOs play in shaping the AIIB are most akin to studies of the influence of "outsiders"on institutions of development finance. For example, Dana Clark, Jonathan Fox, and Kay Treakle (2003) showed how resistance to World Bank-financed projects in the 1980s and 1990s drove the bank to establish the Inspection Panel, a first-of-its-kind independent accountability mechanism through which people harmed by development projects could seek accountability from financiers. These authors cast the World Bank not as impenetrable and unmoved by protest, but as contested and adaptable. Michael Goldman (Goldman, 2005) also paints the World Bank as an adaptive institution, but is much more cynical about the impact that NGO outsiders play. I am compelled by his argument that the World Bank's NGO critics were key to legitimizing its adoption of "sustainable development" (which he views as the green neoliberal agenda) in the face of resistance to the ecological and social impacts of its projects; and has heightened my attention to the ways that criticism serves as legitimation in my analysis of NGO engagement with AIIB staff about bank policies. While I agree with Goldman that NGOs often serve as agents for dominant paradigms in capitalist development finance, my dissertation focuses on why that might continue to be true. I emphasize the ways that the bank and other transnational forces attempt to keep advocacy organizations locked into patterns and roles that prevent NGOs from connecting to place-based struggles against development finance.

Why the AIIB?

According to quantitative indicators, the AIIB is a modest multilateral bank. It has only been dispersing loans since mid-2016, which has not given it much time to build a portfolio of projects.[8] And the AIIB is operating at under one-quarter of the World Bank's lending capacity.[9] If the AIIB is relatively unremarkable as far as its finances go, why is it worth writing about? And why is the AIIB of interest to someone who is concerned with global economic governance and its impacts on peoples and environments?

I think the AIIB is more than the sum of its loans. Rather, one of the most significant roles of an MDB is as a producer of ideas about development. Here, I draw on studies of the World Bank which suggest that ideas such as "social capital," "participatory development" (Bebbington, 2006) and "sustainable development" (Goldman, 2005) have all been mainstreamed in development practice through the research and policy-making of the bank. An important aspect of this, and one that I think is important in connecting development with global governance, is that MDBs and the World Bank in particular, is a key player in ensuring that any new ideas about development uphold dominant economic logics, what Robert Wade (1996) calls "paradigm maintenance".

If we agree with these scholars that MDBs are influential not only because of the loans they provide, but also because of the ideas they adjudicate and mainstream, then the AIIB is an exciting institution because it is emerging at a time when institutions of global economic governance are in upheaval. Thus, I look at the AIIB as a site of struggle over the rules and norms of development finance and global governance. The AIIB sits at the intersection of competing ideas, but nothing about its trajectory is inevitable or natural; nothing about the ideas

[8] The AIIB had approved 167 projects as of January 2022 (AIIB, n.d.-f)

[9] The AIIB had just under US$25 billion in committed financing as of January 2022 (AIIB, n.d.-f), in comparison to the $104 billion lent by the World Bank in 2020, which was the most recent statistics at the time of writing (World Bank, 2020).

adjudicated by those who constitute it are pre-determined. It is only by studying this emerging institution that we can understand the influence it will have on development theory and practice and on global economic governance.

Why does the policy-making process matter?

Development outcomes are seldom what policy-makers and project planners intended. Likewise, a broad theme in policy analysis is the 'gap' between policy and implementation. If policies have such little bearing on outcomes, why have I chosen to study the AIIB's policy-making processes rather than the projects themselves? Despite these concerns, there is value in writing about policy-making processes at the AIIB. Two reasons in particular motivate me: First, that this dissertation is as much about the process through which the policy came about as it is about the rules themselves. The policies that I attend to have been vigorously contested; and they were shaped by these disagreements. Even if the final version of the policies disregards the criticisms made about them during the drafting phase, there is insight to be gained from seeing how and why demands were ignored. In this way, policy-making is an important component of institution-building.

The second reason I am interested in the AIIB's policies is because they set the terms of future struggle over projects. Policies are important not so much because they guarantee that the borrower and the bank will abide by the rules. Rather, if and when bank staff and borrowers fail to live up to their promises, policies become a source of leverage for NGOs and impacted peoples to resist or otherwise demand recourse. For example, policies create leverage by laying out the information borrowers must divulge to affected peoples and the public; how and when they release it; what languages they release that information in; how long after the bank begins developing a project must they let people know about it; how long people have to learn about and digest that information before the project is allowed to begin; how extensive the bank's study of potential negative environmental and social impacts must be and what steps the bank must take to manage those risks. This is not an exhaustive list, but rather begins to paint a picture of some of the ways that policies act as a form of leverage if and when a project is contested. Considering the role that policies play in shaping contestation at the project level, I see my examination of the AIIB as relevant beyond the policy literature; it also has insights that are relevant to theories about resistance to capitalist globalization.

Methods

I observed the AIIB from 2015 when the AIIB was still an idea on the negotiation table until the Covid 19 pandemic halted international travel and large conferences in early 2020. During those four and a half years, I attended four bank annual meetings, three in-person and two virtual consultations about bank environmental and social policies and nine NGO strategy meetings and workshops focused on responses to the AIIB.[10] I monitored the process through which the AIIB drafted and adopted two policies related to its environmental and social safeguards, and analyzed numerous other bank documents including: three founding document; one called the Articles of Agreement (also called "the Charter") another the Accountability Framework and the third the Environmental and Social Framework (ESF); the database of AIIB approved and proposed projects, which numbered 207 at the time of writing; and numerous press releases, speeches and news articles about the AIIB in the English-language press, as well as Chinese-language sources.

[10] See appendix A for a chronological list of my fieldwork, including dates, locations and topics

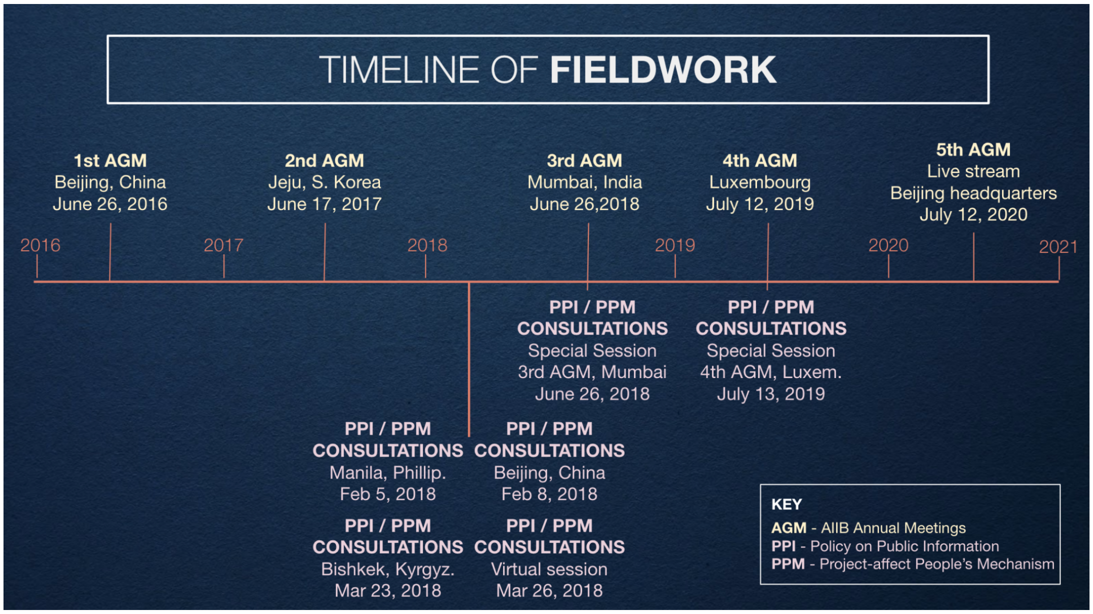


Figure 5: Timeline of Fieldwork

Participant observation across my research sites

Research on the AIIB requires attention to the ways that political-economic systems span processes, locales and actors who are dispersed across space (Marcus & Fischer, 1999). As such, I conducted ethnographic fieldwork across seven countries and the online spaces of email listservs, social media and virtual meetings. One of the main sites for my fieldwork was the AIIB's Annual General Meeting (AGM), the one time of year when the bank hosted an open conference alongside meetings of their Board of Governors and Board of Directors. I attended the AIIB's AGM in-person from 2016-2019, covering the first four years of the bank's existence. These meetings were held chronologically in Beijing, China; Jeju, South Korea; Mumbai, India; and Luxembourg (City), Luxembourg. Despite the business attire, I always appreciated attending these annual gatherings, as they spoke volumes about the institution-building process.

The AIIB's AGMs served as a barometer for the growth of the bank, not just in the size of the meetings or the variety of people they attracted from one year to the next. They were also a barometer in terms of watching how institutional norms came to life. I paid attention to major themes and dominant narratives in discussions among speakers on carefully curated expert panels. Ideas such as "bankability," "sustainable infrastructure," and "regional connectivity" were (re)packaged as part of the AIIB's image of a fairer, more equitable system of global governance. And I observed how environmental and social advocates pushed the bank to create spaces and processes of critique (and sometimes created their own spaces of dissent). This was born out in the formalization of "Management-CSO/NGO dialogues," and a host of side meetings organized by networked groups of NGOs.

Another set of sites important to my research was in-person consultations that were arranged by NGOs. These consultations were organized in order to discuss drafts of two policies, called the Policy on Public Information (PPI) and Project-affected People's Mechanism (PPM), both of which concerned the bank's environmental and social protections. I attended three of these sessions, which were organized by groups of NGOs in Manila, the Philippines; Beijing, China; and Bishkek, Kyrgyzstan. It was at these "face-to-face" consultations that I most closely observed the struggles between bank staff and their critics to shape AIIB policies and norms. This is also where I came to most appreciate the diversity of actors across the networks of NGOs concerned about the AIIB's environmental and social impacts. I saw that positionality within these networks influenced the nature of their interactions with the bank, and also the treatment they received from bank staff.

I supplemented my attendance at annual meetings and policy consultations with attendance at NGO strategy meetings and workshops. These meetings were mostly, but not solely, focused on the AIIB. They usually were held immediately before or after a larger gathering, such as the

AIIB's AGM or a consultation (one exception to this was a strategy meeting about the AIIB in the broader context of China's Belt and Road Initiative, held in Bangkok, Thailand during summer 2016). These NGO meetings were the most intimate of my fieldwork sites. They were spaces in which people were relatively candid about their frustrations and critiques, which often allowed me to more easily pay attention to subtext during dialogue sessions between NGOs and bank staff.

My final research sites were online platforms in which NGOs shared information and digital spaces through which the bank organized its own "public consultations" about the PPI and PPM. I attended four of these sessions, and on each call there were between two and four people. Attending these meetings turned out to be useful mostly for comparison to the "face-to-face" consultations that groups of NGOs had organized. A smattering of company contractors, non-networked NGOs, and former or current employees of other MDBs called into these meetings. In the sessions I attended, my impression was that callers were split between company and bank contractors networking for procurement and other contracts with the bank and NGOs and researchers. Unsurprisingly, comments from callers about the policies were piece-meal and the sessions were significantly shorter than their in-person versions. Because this was the version of "public consultation" pushed for by bank staff, I also saw this as part of the discursive practices of AIIB staff towards their critics.[11]

[11] The staff who organized these consultations pushed back on the idea that in-person meetings were necessary; even going so far as to argue that virtual meetings were "more inclusive", although this ignored issues of inequalities in digital and language accessibility.

Document Analysis

Analysis of the AIIB's policy documents, including the Environmental and Social Policy (ESP), Policy on Public Information (PPI) and Project-affected People's Mechanism (PPM), were also important methods through which I examined the institution-building process of the bank, assessed how it aimed to be different from major MDBs, and how it was implementing promises to be borrower-friendly.

My analysis took three forms: First, I did close readings of the language of the policies to assess whether or not the documents required that the bank and its clients meet certain conditions, or if they provided them as recommendations. This is important because bank policies, including those pertaining to environmental and social practices, are considered legally binding. Because of the multilateral nature of MDBs, the contracts they sign with their borrowers are considered international treaties. Therefore, if a borrower violates any of the terms of the bank's policies, they are in contravention of international law (Dann & Riegner, 2019). With the potential violation of international law at stake, the language that bank policies use to articulate environmental and social responsibilities of it and its clients is immensely important. For example, what seem like slight differences in linguistic choices - the use of "may" instead of "shall"; or the choice between "can," "should" or "will," — have different ramifications in terms of policy enforceability and accountability. It is something very different if the policy states that a client "may" publicly release a document than if it "shall" make it public. Here, "shall" means that the bank or the client must do the action as a condition of the loan, whereas "may" merely gives the bank or the client the option to do it. Taking note of these small word choices was one of the ways in which I came to understand the AIIB's position towards ex-ante policy conditionality, which is a much contested issue between donor and borrower members.

The second way in which I analyzed the AIIB's policies was to chart revisions that were made to the documents from one draft to another. Before the final AIIB policies were approved by the bank's Board of Directors and put into operation, one or more drafts were first made available for public comment. For example, before the AIIB released its finalized PPI, it made two earlier drafts public. The first was an interim policy released in January 2016, before the bank had functionally begun operations and meant as a good-faith placeholder for a more comprehensive policy that promised to take into consideration the bank's "early experiences" in establishing its "overall institutional, operational and financial policies" (AIIB, 2016a, p. 1). The interim policy was followed by a draft of the PPI in January 2018, and the final, Board-approved version was released in October 2018. One of the benefits of doing fieldwork on the AIIB while its policy-making was in progress rather than after the documents were finalized is that I was able to observe how the policies came to look the way they did.

The iterations of each policy served as litmus tests for the bank's positions towards national sovereignty and borrower friendliness. The bank tested policies that diverged from MDB norms and received pushback from NGOs when they sought to do away with ex-ante policy conditions, or to delegate environmental and social oversight to borrowers. While the bank went ahead with the essence of most policies regardless of the comments and criticisms they received, sometimes how they packaged the policies changed. For example, NGOs were forcefully resistant to the AIIB's lack of an explicit list of documents that were required to be publicly disclosed. This is one of the ex-ante policy conditions that borrowers loathe. But in the draft version of the PPI that was released in January 2018, the bank had included a list of documents that it said were examples of what it could require its borrowers to disclose. When NGOs argued that this disadvantaged project-affected peoples who should be entitled to know what information the project company is obligated to make public, the bank responded in a surprising way. The final version of the PPI not only kept intact the elimination of a list of documents that the borrower was required to make public, but also did away with the sample list of possible documents. Observing what points did — or did not — change from one draft of the policies to another were therefore a useful way for me to see not only the substance of the documents, but also how the bank responded to criticism from NGOs. In this way, my analysis of policy documents contributed to understanding how the AIIB handles critique.

Thirdly, I analyzed AIIB policies by comparing them to similar policies of other MDBs. This was a clear-cut way in which I was able to evaluate the differences between the AIIB and its peers. For example, it was useful to think about the AIIB's PPI alongside the World Bank's (2002) Policy on Disclosure of Information and the ADB's (2018) Access to Information Policy (AIP). There were several notable differences between the AIIB's PPI and those of its peers, including how rigid the policies were on issues such as "time-bound disclosure" (requiring the bank or client make information public or respond to a request for information within a set time period); or whether or not they include lists of specific documents that the bank or clients are required to include or exclude from public access (called "inclusion" and "exclusion" lists). I found that the AIIB eliminated these requirements, and this was telling because the absence of these policy conditions are consequential to my understanding of how the AIIB implements its promise to be more inclusive, fair and effective.

My analysis of AIIB policy documents complemented the observations I made while attending bank and NGO meetings. Representatives of the bank and NGOs often made reference to the policies and experiences of other MDBs; using this as justification for why the AIIB's policies should be a certain way. For example, When a bank staffer who helped draft the PPI introduced the document to NGOs during in-person consultations in Manila and Bishkek, they started by saying that they had drawn on the experiences of other MDBs. They talked about attending a meeting of international financial institutions about information disclosure and stakeholder engagement in Greece during the fall (October 2017) before the policy was drafted in order to understand how information disclosure policies of other MDBs were structured, how they worked in practice and how the staff of other MDBs would change these policies, if given the chance. The focus on the experiences of other MDBs and their problems served as a jumping off point for the AIIB's policy-makers to introduce the PPI. They framed changes such as the elimination of time-bound disclosure and inclusion/exclusion lists — which was met with pushback from NGOs — as a means to fix the parts of the policies of other MDBs that were broken. This is just one example of the long shadow that other MDBs, especially the World Bank and ADB, cast over the AIIB's institution-building and policy-making processes. Taking the documents of other MDBs as a baseline allowed me to understand precisely what changes the AIIB intended to make and to interpret the meaning of bank promises to be a more inclusive institution of global governance.

As my explanation of my research methods demonstrates, participant observation and policy analysis were at the heart of many of the arguments I make in the pages that follow. These methods enabled me to glean important observations and insights into how the AIIB addresses borrower sovereignty, policy conditionality and resistance from NGOs. In addition to these methods, I also used semi-structured and informal interviews with bank staff (current and former), NGOs, government officials, and bankers to clarify statements and actions that I observed or read, and official speeches and news articles were especially helpful to fill in the perspectives and opinions of actors beyond my reach, such as Chinese President Xi Jinping and AIIB President Jin Liqun.

Summary of dissertation chapters

In **chapter two**, I narrate the history of environmental and social policymaking at multilateral development banks, emphasizing the tension between donor and borrower countries over sovereignty. An important takeaway from this discussion is that donors have historically wielded control over MDB borrowers through the imposition of legally binding environmental and social safeguards. Borrower governments have long held resentment towards the environmental and social safeguards of major MDBs and the donor governments who insist upon them. Borrowers see these policies as a mechanism through which donor governments infringe on their sovereignty.

Having covered the background about the geopolitics of MDBs, and how environmental and social policy-making is operationalized in these struggles, in **chapter three** I turn to the AIIB. I ask how the AIIB compares to other MDBs in terms of its governance structures and policy-making. I argue that the AIIB maintains the capitalist logics that underpin MDB lending norms, but shifts the nucleus of decision-making power away from traditional donor governments. The significance of China being the most powerful donor is not just that it has veto power rather than the US; it should not be understood as a straight one-for-one power shift, or as a shift away from development finance logics that emphasize profits and economic returns over environmental protection and social equity. Rather, the importance is that the AIIB has changed the channels through which decision-making power is exercised, consolidating project approvals in the hands of bank management rather than donors on its board of directors and localizing the oversight of projects with implications for the rescaling of institutional governance and project management and oversight.

Having established that the AIIB is rescaling institutional governance and project management, in **chapter four** I examine the implications of rescaling in how the AIIB addresses environmental and social risks. I interrogate the AIIB's environmental and social policies and policy-making processes to understand how the localization and consolidation of decision-making affects the bank's handling of environmental and social risks. Historically, transnational networks of groups affected by bank projects have teamed up with NGOs from the countries of donor governments to push for environmental and social protections, or to resist bank-financed projects outright. However, during the AIIB's environmental and social policy-making processes, I observed the bank's efforts to dismantle these transnational advocacy networks and cut-off local project-affected people from the leverage they could gain from working with transnational NGOs. In particular, through positioning the AIIB as "borrower-friendly," bank policy-makers are preemptively sidelining NGOs with knowledge, experience and expertise from campaigns against bank-financed projects.

Finally, in the **conclusion** I offer some reflections on the implications of the AIIB's rescaling governance and dismantling transnational advocacy networks.

Chapter Two: Multilateral Development Banks and the Politics of Environmental and Social Governance

"What is the 'norm'?"

In a sterile conference room in a far corner of the European Convention Center in Luxembourg, members of the AIIB's Policy and Strategy Department sat in a row along one side of a rectangular table, facing a group of (mostly European) representatives of environmental advocacy NGOs. The occasion was the bank's fourth annual meeting and the topic at hand was the upcoming review of the AIIB's Environmental and Social Framework (ESF); the bank's first since the policy came into effect in 2017. After three years of operation, the ESF review would evaluate the bank's policies and procedures for safeguarding vulnerable groups and environments in the projects it finances. The review was still more than a year out, but bank managers were already deluged with critiques from NGOs and their (again, mostly European) allies who were among the bank's government shareholders.

The AIIB staff at this meeting did indeed receive a number of critiques of its ESF. During one such incident, a representative of an NGO complained that the AIIB's Policy on Public Information, which fell under the scope of its ESF, failed to give people who would be affected by bank-financed projects adequate time to understand and dispute project plans that would negatively impact their lives or livelihoods. This person made reference to the Performance Standards of the International Finance Corporation (IFC), the private lending branch of the World Bank, to make the case that other banks allowed for more time. The NGO representative said that the AIIB claimed to have high standards, but its policies about public disclosure of information and accountability to local people were not up to snuff. Why, this person asked, didn't the AIIB follow the internationally recognized best practice? This resonated with a refrain I had grown accustomed to hearing among NGOs: that the AIIB failed to adhere to the "international standards" and "best available practices" to which "traditional" development institutions committed.

The response to these remarks were increasingly familiar as well, and are indicative of the shift that is apace in development finance. Managers from the AIIB admitted that their requirements "are different" from those of the World Bank, but retorted, "What is the 'norm'? Our government members have a different interpretation of 'best practice' than you do." I interpret this response as an explicit challenge to the status quo. In asking "what is the norm?", the message is really, 'we no longer feel compelled to do things your way.'

As comments by bank staff at the meeting in Luxembourg signal, the AIIB's safeguards do not necessarily fall in line with those of "traditional" institutions. Thus an important question is how does the reconfiguration of institutional and governance arrangements affect the AIIB's environmental and social safeguards? However, before that question can be addressed, we need to first understand "the norm." Specifically, what do environmental and social policies of major MDBs entail? How did they come to take the form that they did? And importantly, why are they contested and by whom?

In this chapter, I tell the history of environmental and social policy-making at MDBs, with attention to historical relations of power between donor and borrower countries. I argue that the imposition of legally binding environmental and social safeguards is one form of control that wealthy donors exert over borrowers. Borrower governments have long complained about environmental and social safeguards as an imposition on their sovereignty, but it is only with the emergence of new institutions of development finance from middle income countries that some of their grievances have begun to be addressed. However, issues of fairness and equity persist, as more "borrower friendly" environmental and social safeguards have largely been reserved for loans to middle income countries, but have been withheld from poorer developing countries.

MDB Environmental and Social Safeguards and the Politics of Country Systems

Environmental and social safeguard systems are one of the most polarizing aspects of multilateral development finance. The way they are implemented at MDBs exposes a geopolitical rift between rich donor governments and the developing countries that borrow from them. Historically, powerful donor governments such as the US pressure MDBs to impose a long list of environmental and social conditions with which borrowers must comply in order to receive loans. These shareholders prefer that projects follow bank requirements, no matter the situation in borrower countries. Borrower shareholders, on the other hand, view safeguards as a bureaucratic and expensive nightmare for borrowers: Designed to be compliance-driven, which, critics argue, shields donors from criticism, but fails to support borrowers in carrying out safeguard requirements. They want MDBs to put responsibility for environmental and social risks in the national laws and regulatory agencies of the countries that take out loans from MDBs - referred to as using "country systems" or "borrower systems."

MDBs have long favored donors in this struggle between its shareholders over safeguards, but more and more that stranglehold on power is challenged by increasingly influential borrowers.

Notably, efforts by “rising powers” such as China have had success compelling MDBs to apply country systems to loans for middle-income countries. The significance of this cannot be understated, as the use of country systems to implement environmental and social protections in middle-income countries has taken a massive shift in economic power to achieve. However, the benefits of these reforms have eluded borrowers from developing countries, which continue to bear the burden of complex, compliance-oriented safeguard systems rather than support for using their own national laws and regulatory systems. This institutional gap in how safeguards are applied to loans in middle-income and developing countries has created the space for the AIIB to step in as a champion of developing country interests; a major MDB that is finally willing to put more control in the hands of its borrowers and respect their national sovereignty through the use of country systems.

What are Safeguards?

Safeguards have been popularized at MDBs since the 1990s as a means to address environmental, social and legal risks of bank-financed projects. They are operational requirements that MDBs impose on the projects they finance. They work by identifying and categorizing project-related risks before loan approval, and also include measures to prevent, control, mitigate or compensate for those issues throughout the project cycle (Himberg, 2015). Of the more than 20 MDBs in existence, all will make some mention of how environmental and social risks are to be addressed in the projects they finance. However, as I will explain, there is huge variation among these institutions in terms of how extensive their safeguards are, and how much control the bank assumes in managing those risks. “Major” MDBs, those with the largest lending portfolios, tend to have the most rigid and rigorous safeguards. First and foremost, this includes the lending divisions of the World Bank: International Bank for Reconstruction and

Development, International Development Assistance and International Finance Corporation. It also includes major regional MDBs such as the African Development Bank (AfDB), the Asian Development Bank (ADB), the Inter-American Development Bank (IADB), the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD).

There are two types of safeguards that MDBs apply to their projects. The first type are safeguards that refer to specific environmental and social issues, and the second type are general protocols that apply to all projects regardless of sector (e.g. Transport, energy, education, etc). There is a wide range of safeguards that cover specific issues. Some examples of environmental safeguards include wildlife habitat protection, air pollution and asbestos control. Issue-specific social safeguards may include labor standards, protection of indigenous peoples or involuntary resettlement and land acquisition. Procedural safeguards, on the other hand, provide instructions for decision-making processes related to projects. Procedural requirements may include the implementation of environmental and social impact assessments (E/SIAs) and management plans (ESMPs), as well as rules about stakeholder engagement, transparency and accountability. According to one study of World Bank projects, the most often triggered safeguards are environmental assessments, which comprise 72% of the time that safeguards are applied, and involuntary resettlement, which are applied 30% of the time (Humphrey, 2015a; World Bank, 2010).

How do MDBs decide whether or not they need to apply safeguards to their projects? Before MDBs even begin to develop project plans, they must first conduct environmental and social screening and categorization. Screening includes the bank's assessment of the magnitude of environmental and social risk involved in the project. For example, the environmental assessment safeguard is applied if risks are flagged during the initial screening. Involuntary resettlement safeguard policies are applied if the project includes land acquisition, for example to build a large-scale hydropower or transport project. Risk categorization then assigns the project a category commensurate with that risk. Category “A” indicates that the project is at high risk of having adverse environmental and social risks; Category “B” has limited risks, which may be few in number, confined to a specific site, or the negative impacts are reversible; and Category “C” have few or no risks. Environmental and social risk categorization is a significant factor in the appraisal process because it determines the institutional requirements and protocols that apply. Category A projects carry high risks and therefore may require the most stringent protections. This likely includes thorough E/SIAs, public consultations and extensive environmental and social management plans. Category B projects likely require E/SIAs and ESMPs as well, but they would be more limited in scope in accordance with their lower level of risk. Finally, category C projects may not even require E/SIAs because their initial environmental and social screenings show minimal risk. In short, those projects that have the potential for the highest risk also require the most safeguards (Himberg, 2015). It is rare that projects are designated as Category A, but the ones that are tend to be controversial and contested. For example, a recent statistical analysis of the World Bank’s entire portfolio between 1994 and 2016 found that only nine per cent of projects were Category A; however those projects were most likely to have negative impacts and were most likely to incur complaints through the bank’s accountability mechanism (K. Gallagher & Kilby, 2018).

Banks have developed layers of policy and process for environmental and social risk protection. Environmental and social frameworks (ESF) provide the overarching policy outlining a bank’s approach to environmental and social protections, including its key objectives, policies, principles, scope and organizing framework (Himberg, 2015, p. 3). Below ESFs in the organizational structure, safeguard requirements make an effort to distinguish between bank and borrower responsibilities. Operational policies spell out requirements to be met by borrowers, while bank procedures address the bank's own responsibilities. Accompanying these policies and procedures are guidance documents, which are generally voluntary and provide advice and "best practices" for implementation to borrowers and bank staff. Access to information policies deal with transparency, including the bank's rules about information it must or must not disclose, and how and when it must make information available to the public (public disclosure policies may apply to other types of information produced by the bank or borrower as well, not only that which is relevant to environmental and social safeguards). Finally, accountability mechanisms pertain to the bank's compliance with its own policies, offering a place for those impacted by a project to bring grievances.

As this explanation of safeguards demonstrates, MDBs have systems designed to address different kinds of environmental and social risks. These systems cover a range of issues and procedures, and include multiple layers of governance specifying how the risks are to be handled throughout the project cycle and by whom. The above description of environmental and social safeguards and their place within MDBs may give the impression that they are apolitical and straightforward, but as I will show in the following sections, they are highly controversial.

Divergent models of safeguard systems

The safeguard policies and institutional structures described above have become the norm among major MDBs, but there is not a singular approach to address environmental and social risks among financial institutions. Later, I will discuss some of the ways these norms are being challenged; first and foremost by "new actors" such as some national development banks, and also by the AIIB. Before I do that though, let me take some time to identify and characterize safeguard systems for conceptual purposes. Most important in understanding the differences between approaches is the variation in roles and responsibilities they assign to banks and their borrowers.

To help distinguish between the ways that MDBs structure their ESFs, I borrow from Gallagher and Yuan's (2017) conceptual framework comparing the environmental and social safeguard systems of international development banks. They divide environmental and social safeguard systems into three categories. The first category is "Conditional harmonization," which are safeguard systems that require borrowers to comply with bank policies and procedures. In this model, the banks are responsible for doing work to ensure that the project is in compliance with its safeguards, and to provide technical assistance to borrowers should they lack the necessary resources or skills to meet the bank's requirements. In short, this type of framework requires that all bank projects, no matter where they are located or who implements them, must meet the bank's own standards, regardless of national laws.

On the opposite end of the safeguards spectrum is "deferential recognition." In this second model, bank staff are the most hands-off in their approach to environmental and social protections. They may make suggestions to the borrower about ways to prevent or mitigate environmental and social risks associated with the project, but none of their advice is mandatory. Additionally, given the voluntary nature of environmental and social protections in this approach, bank staff abstain from checking that projects are in compliance with applicable national or local laws and regulations.

The third and final category in Gallagher and Yuan's (2017) conceptual framework is "capability enhancing recognition." This is a hybrid type of system occupying a middle ground in terms of the balance of power between banks and borrowers over environmental and social protections. Capability enhancing recognition relies on borrower country standards, but requires more bank oversight through due diligence, checking compliance with national laws and the provision of technical assistance if the borrower lacks the legal, technical or regulatory systems to carry out the necessary environmental and social safeguards. In this middle ground approach, scholars argue that safeguards need not be all or nothing. To the contrary, some of the most vocal advocates of safeguard reform at the major MDBs assert that the effective application of country systems for environmental and social protections, rather than insisting that banks remove themselves from safeguard implementation, they should be vigilant mentors to their borrowers. This includes "intensive and better funded technical assistance" to borrowers, implemented with rigor, meticulousness and transparency (Humphrey, 2016, p. 1). A significant advantage to this approach is to encourage borrowers to bring their own systems for environmental and social risk assessment, protection and mitigation into conformity with their country's own national laws and regulations. Furthermore, this approach allows for banks to maintain the power to pull financing from projects that fail to meet "pre-defined bottom line standards" (Humphrey, 2016, p. 7). Thus, scholars point out that bank and borrower systems need not be in opposition to each other. Rather, a hybrid approach emphasizes that there are specific conditions under which borrower systems can effectively protect environments and peoples, which relies on MDBs to take responsibility through robust technical assistance and support to ensure that borrowers make the most of their national laws and regulatory systems. These caveats are important because they show that how country systems are implemented, including the bank's role in operationalizing those systems, is consequential.

To summarize, what Gallagher and Yuan's (2017) conceptual framework makes clear is that there is significant variation in the types of approaches to environmental and social protection that MDBs may take: on one end of the spectrum, safeguard systems can emphasize uniformity and bank control; while on the other end, policies and procedures can be entirely voluntary, and stress the pre-eminence of national laws, regulations and agencies. Contrary to either extreme, the hybrid approach is more about creating coherence between bank and borrower than relegating either to the sidelines or allowing banks to abdicate responsibility. Doing so, some scholars argue, would allow banks to maintain a certain standard across their portfolios, while also serving the long-term development of their borrowers. In practice however, a great divide between donors and borrowers have prevented this balance between environmental and social protections on one hand and serving the long-term development of borrowers on the other. In the next section, I will explain the major points of contention between donors and borrowers, and offer my view as to what is at the heart of such divisions.

Safeguards and the 'Hassle Factor' at Major MDBs

Scholars are increasingly critical of MDB safeguard systems that are characterized by Gallagher and Yuan as the "conditional harmonization" model. Among the condemnations are evidence that safeguards are bureaucratic, expensive and pay little mind to the needs of borrower governments. Chris Humphrey (2015) calls this "the hassle factor," a nod to borrower sentiment toward the inclusion of complex safeguards in the process of obtaining loans. While borrower complaints about MDB safeguards may be expressed in terms of practical factors such as cost and administrative hassle, a deeper reason is geopolitical. Regardless of their expense or administrative burden, borrower governments bristle at the lack of ownership they have over safeguard systems. Thus, at the heart of debates about MDB environmental and social safeguards are questions of bank control and state sovereignty, and struggles between donors and borrowers.

High on the list of complaints about the application of safeguard systems at major MDBs is that they are overly bureaucratic, and thus slow down project timelines. A study of the World Bank's safeguards system calculated the time added to loan approval and disbursement processes owing to environmental and social protections. Gallagher and Kilby (2019) examined World Bank projects between 1994-2016 and found that safeguards slowed down project preparation during the approval process and the speed with which loans are disbursed after they have been approved. Overall, projects that required safeguards took more than 25% longer to prepare than those without, and the preparation time for Category A projects was 40% longer than a category C project (preparation took 293 days without safeguards, and 487 days for a Category A project) (K. Gallagher & Kilby, 2018, p. 11). The study also found that safeguards slowed down disbursement of loans approved by the World Bank by 1-3 months due to issues such as compliance checks (K. Gallagher & Kilby, 2018, p. 12).

Furthermore, banks that are heavily controlled by their donor shareholders have longer loan approval and disbursement speeds in general. One analysis of loan approval processes found that the amount of time varies across MDBs, with loan approvals at the IADB averaging 6 months, while the World Bank, ADB and AfDB were more likely to take 11-14 months on average (Humphrey, 2015b, p. 12). These approval times were significantly longer than those at MDBs that are majority borrower-driven, which take an average of 3-6 months, and in some cases as few as a month and a half (Humphrey, 2015b; Humphrey & Michaelowa, 2013).

This correlation between donor-controlled MDBs and longer loan approval and disbursement speeds can be explained by the emphasis that they put on bank control over safeguards. Policy analysis has shown that donor-led MDBs are more rigorous than other lenders in terms of the most commonly triggered safeguards (World Bank, 2010). For example, the World Bank's E/SIA safeguard requires independent experts to carry out assessments before loan approval and to serve in advisory roles throughout the project cycle for category A projects. The World Bank E/SIA safeguard also has stringent rules around public consultation, including a requirement to meet with local NGOs in addition to people directly affected by the project, to show proof that their input was taken into consideration, and to continue consultations throughout implementation (World Bank OP 4.01). Environmental and social screening and assessment were not the only factors that drive longer loan approval times. Unsurprisingly, donor-driven MDBs were also found to have lengthy and cumbersome internal reviews, quality control, procurement due diligence and financial assessments (Humphrey, 2015b).

On the other hand, there are MDBs such as the Development Bank of Latin America (CAF), which is entirely laissez-faire when it comes to safeguards: CAF is more than 90 percent owned by borrower governments, and its take on environmental and social safeguards is the antithesis of the major MDBs. For example, CAF neither requires its clients to abide by a particular set of standards, nor checks if borrowers follow their own national laws and regulations. CAF does not formally obligate borrowers to conduct E/SIAs. Rather, it suffices with requiring borrowers to abide by their own national laws. According to CAF's first safeguard, "all projects financed by CAF conform to the environmental legislation of the country where the project is executed, as well as the international agreements and commitments by shareholding countries" (CAF, 2007, p. 13; Humphrey, 2015, p. 11 translation by Humphrey). And the CAF absolves itself of the need to check the borrower's environmental compliance by having them shoulder the entirety of environmental and social risks. The bank states that "It is the responsibility of the client to adopt measures necessary to avoid, control, mitigate and compensate environmental and social impacts and risks" (Humphrey, 2015, p. 11). In light of the enormous gap between safeguards among financial institutions, Humphrey (Humphrey, 2015, p. 12) concludes that "CAF is several orders of magnitude more lax [than the World Bank and IADB], leaving almost complete flexibility to assess each project as it chooses."

A related critique of MDB safeguards is that they increase the cost of projects. An evaluation commissioned by the World Bank in 2010 found that safeguards added an average of $19 million to project costs in category A and $5 million in category B. Additionally, costs related to planning, supervision and implementation of safeguards amounted to three percent of a project's total budget (World Bank, 2010). This included spending up to $250,000 on the bank's planning and supervision such as paying for environmental and social specialists and the travel costs associated with environmental and social risk identification, appraisal and monitoring. It also includes upwards of $6 million spent by borrowers to implement environmental and social safeguard plans, such as prevention, mitigation and compensation (World Bank, 2010, pp. 73–74).

Given the 'hassle' associated with safeguards, it is unsurprising that perceptions of them among borrowers of MDBs are overwhelmingly negative. According to a survey of government borrowers in Latin America, the hassle of bureaucratic safeguard policies were ranked as a top disadvantage of borrowing from the World Bank and IADB (Humphrey, 2015). Another survey of government officials and managers at the World Bank found that bank clients have avoided taking on all or part of a project, made revisions or dropped the project completely in order to avoid safeguards. Two-thirds of managers at the World Bank's IBRD had clients that dropped projects because of safeguards and 18 percent of managers reported clients who changed the scope of a project to avoid category A classification (World Bank, 2010). At the IFC there was a similar trend: Roughly 50 percent of investment officers and environmental and social specialists reported clients who avoided working with the bank or a particular aspect of a project because they viewed safeguards as overly time-consuming and expensive (World Bank, 2010). According to a third survey of World Bank borrowers presented at the World Bank in 2012, given the choice, respondents would prefer a streamlined loan approval process over any other benefit, including improved financial terms for their loans or access to development expertise (Humphrey, 2015b, p. 15).

Poor performance among safeguard projects

Adding to these critiques is evidence that safeguard projects perform poorly. According to data about World Bank projects between 1994-2016, projects that require safeguards not only take longer, they also draw more complaints to the bank's independent accountability mechanism, called the Inspection Panel. In fact, the World Bank's Category A projects were 18 times more likely to receive Inspection Panel inquiries than those that do not require safeguards (K.

Gallagher & Kilby, 2018, p. 16). Furthermore, projects in which safeguards were applied were four percent less likely to lead to positive development outcomes (K. Gallagher & Kilby, 2018).

While these findings about project performance appear as forceful condemnations of safeguards, the explanation of poor project performance is more complex. In the case of the World Bank, the Inspection Panel only hears complaints about a project's compliance with the standards that the Bank applies to it. If the Bank does not apply safeguards to a particular project, no complaints about the violation of those standards may be brought. Therefore, the high rate of complaints about projects that apply safeguards may be an issue of opportunism: non-safeguard projects do not draw more complaints because the Bank forbids it. Moreover, the study's authors propose that there is a deeper issue at play. Gallagher and Kilby (2019, p. 14) write, "…the negative and significant effect could simply reflect problems inherent in the types of projects that need safeguards rather than the impact of the safeguard procedures themselves." Re-assessing whether MDBs should fund environmentally and socially damaging projects points to a fundamental and normative dilemma in development finance rather than an issue with safeguards, per se. Should projects that require the resettlement of thousands of people, or decimate biodiversity, or threaten an area that is home to indigenous peoples on the brink of extinction be scaled down or scrapped completely?

The evidence from these studies are thus mixed. Empirical evidence shows that environmental and social safeguards do slow down projects and contribute to their costs. Moreover, the links between burdensome bureaucratic systems and MDBs that are donor-driven is undeniable: donor-led MDBs may take double or even quadruple the amount of time as borrower-led banks during the early project approval phase; they may also add millions of dollars to project budgets.

Still, this view of safeguards may be too myopic, as additional evidence suggests that time and cost overruns, as well as poor development outcomes, have more to do with the complex and risky nature of Category A development projects than the safeguards themselves. This implies that MDBs, if they really want to address the bureaucratic issues that plague many projects in which safeguards are applied, would need to fundamentally rethink whether such projects constitute sound development.

Struggles Over Sovereignty at the Heart of Borrower Dissatisfaction with Safeguards

Borrowers are less interested in fundamentally re-assessing what types of projects constitute development than they are in limiting bank control and conditionality over those projects. Safeguards have become a site of struggle over project ownership, with borrowers voicing strong opposition to them as an imposition on their national sovereignty.

Behind the surveys of bank staff and clients about their perceptions of safeguard systems are testimonies from bank managers and government officials that borrowers resent the imposition on their national sovereignty. According to one World Bank procurement specialist interviewed by Humphrey (2015b), government officials from borrower countries consistently demand to know why they must follow the bank's rules rather than use their own national systems. Quoting the specialist, "They say, 'we have our own laws, why should we follow your procedures?'" (Humphrey, 2015, p. 18). Thus, interviews illustrate that a main driver of the negative perceptions that borrowers have towards safeguards are resentment about MDB's lack of regard for their national institutions, laws and processes.

Part of the tension between MDBs and their clients over safeguards is that MDBs were not always so involved in setting the environmental and social standards of the projects they financed. Before the first safeguards were adopted in the 1990s, there was a clearer sense of borrower autonomy over environmental and social management because projects needed only to be in compliance with domestic laws; separate bank procedures did not exist. The emergence of safeguards changed this however, opening the door for bank policy to encroach on borrower sovereignty. Dann and Riegner (2019, p. 542) explain that safeguards, "…increasingly imposed requirements on how member states were to design and implement projects: EIAs were to be conducted, indigenous peoples to be consulted, resettlement plans to be drafted, project affected people to be compensated etc. The scope for sovereignty and collective autonomy of member states shrank."

Dann and Riegner illustrate that MDBs use legal means to squeeze borrower sovereignty. Even though borrowers seldom want bank safeguards applied to projects, they are compelled to because environmental and social protections are pre-conditions to obtaining a loan from an MDB, which is called *ex-ante conditionality*. This requires prospective borrowers to submit loan applications to the banks in accordance with environmental and social requirements outlined by safeguard policies. Furthermore, loan agreements between MDBs and their clients are considered treaties, and are thus binding under international law (Head, 1996). This puts government borrowers at risk of violating international law should they refuse to comply with environmental and social conditions put forth by an MDB. Thus, from the perspective of borrowers, safeguards are a hassle that cannot be avoided in their loan contracts with MDBs; ignoring safeguards would put borrowers in non-compliance with their legally binding loan contracts.

Another reason for the tension between MDBs and borrowers over safeguards is its association with the broader issue of conditionality. Compliance-heavy safeguards became the norm among MDBs even as evidence emerged that piling preconditions onto borrowers did not support positive project outcomes. In 1992, the World Bank commissioned a report that assessed the effectiveness of its entire portfolio of projects. The Portfolio Management Task Force Report (known as the Wapenhans Report, after its lead author) found that World Bank staff believed a full one-third of the bank's 1,800 projects that were completed in 1991 failed to meet their stated development objectives (Wapenhans, 1992). Poor project performance was especially concentrated in the poorest countries, many of whom received International Development Assistance (IDA) concessional loans. In some countries, such as Uganda, the failure rate was 50% or more (Wapenhans, 1992). The problem was linked to a culture that was concerned primarily with ensuring that projects complied with the Bank's loan conditions (including structural adjustment programs), but cared far less about evaluating actual benefits and the sustainability of projects once they were put into operation. Willi Wapenhans, the report's author, reflected on this:

> "There is a declining trend in project performance, highly concentrated in IDA countries and the Bank is contributing to it because of the presence of an approval culture. To remain the leading and preeminent institution that it is, it needs to reverse, and it can reverse to its earlier emphasis on performance. It should not resort to more bureaucracy, to a further invitation to promote compliance. It should not invite its staff, including its managers, to protect their rear. Such an emphasis would further foster risk aversion, not only of staff but also of managers. If not contained, it could retard development" (Wapenhans, 1993).

Given the precedent of ex-ante conditionality as tools to control sovereign states without the positive track record to back them up, it is unsurprising that borrowers recoil at the idea of environmental and social preconditions.

As the AIIB embarks on institution-building and policy innovation, how will it address the many critiques that have emerged of MDB safeguard systems? Will it take its cues from institutions that have few safeguards and limited oversight, such as national development banks and borrower-driven MDBs? Or will it heed the advice of scholars who call for MDBs to concern themselves less with ex-ante compliance, and more with a project's development outcomes, which were an original impetus for safeguard policies in the first place? These are questions that I hope to answer in this dissertation.

Challenges to MDB Safeguards from Middle Income Countries

While borrower frustration with safeguards is no secret, their dissatisfaction has not, historically speaking, made much of an impact on the way MDBs approach environmental and social risks. Rather, powerful donors have overwhelmingly dictated safeguard systems at MDBs since their inception in the 1990s. That is, until the rise of middle-income countries (MICs). MICs are defined by the World Bank as those countries that have a per capita gross national income between US$1,036 and $12,535 (Hamadeh et al., 2021). Accounting for as much as one-third of global gross domestic product but high demand for development to serve more than 60 percent of the world's poor (Hamadeh et al., 2021), MICs began to reshape relations of power between MDBs and their clients. In particular, borrower shareholders have been able to take advantage of the rise of BRICS countries in global economic activity to challenge MDB policies and procedures, including safeguards. This challenge is embodied by borrower demands for greater use of ‘country systems’ to meet MDB environmental and social protection requirements.

The connection between donor shareholders and safeguard systems at major MDBs

Staff and executive directors at the World Bank, IADB, and AfDB unanimously stated in interviews that lengthy approval procedures are the result of rules imposed by the MDB’s non-borrower shareholders (Humphrey, 2015b, p. 14). Why do borrowers feel such little ability to affect change over safeguard systems? In short, this is because historically, the processes that established safeguard systems at MDBs have largely been dominated by donors. In particular, US lawmakers have played an outsized role in the adoption of safeguard policies, informing what issues get covered and how protections are implemented.

The role of the US Congress in appropriating money for MDBs gives it significant leverage over the MDBs in which it is a shareholder. MDBs rely on US financial contributions to be able to offer concessional (low or no interest) loans to low-income borrowers. But these injections of capital would not be possible without Congressional approval. Specifically, the US Senate Committee on Foreign Relations and the US House Committee on Financial Services are responsible for drafting and managing legislation to replenish or increase capital investments in MDBs. The Foreign Operations Subcommittee of the House and Senate Committee on Appropriations also has a say in whether the US continues to fund MDBs, and at what amounts. This ability to withhold all or a portion of its capital investments from MDBs is referred to as the “power of the purse” (Nelson, 2015, p. 14).

US lawmakers have not been afraid to use Congress' power of the purse to intervene in MDB decisions about safeguards. One notable example is Congressional pressure to enact a policy requiring environmental and social impact assessments at the World Bank (Operational Policy 4.01) in the early 1990s. US Representative Nancy Pelosi proposed an amendment to a World Bank appropriations bill that tied the US contribution to the bank's International Development Assistance (IDA) program to a requirement that environmental impact assessments be included in bank procedures. This came to be known as the "Pelosi amendment" (Dann & Riegner, 2019; Park, 2010).

Furthermore, when safeguards are adopted, they have been modeled after US regulations and norms. For example, the National Environmental Policy Act (NEPA) of 1969 was the inspiration and guide for the World Bank's Operational Policy 4.01, mentioned above (Esteves et al., 2012; Park, 2010). In fact, major MDBs, bilateral and international organizations and dozens of countries were shaped by the NEPA (N. Lee & George, 2005, p. 3). As Holder (2006, p. 43) writes, the NEPA "has since provided a template for environmental assessment regimes the world over."

Another example of US control over MDB environmental and social rules is the development of independent accountability mechanisms. For example, when the Board of Directors of the World Bank established the Inspection Panel in 1993, there was debate as to whether this should be an internal or independent review panel. An internal review process initially favored by European Executive Directors would have made Bank management responsible for monitoring and enforcement of safeguards and other bank policies. However, they eventually got behind the proposal for an independent review panel which was put forward by the US Executive Director instead (Dann & Riegner, 2019; Park, 2017). The IAM is a decentralized approach to accountability that mobilizes individuals with a direct interest in compliance rather than monitoring and enforcement by Bank management. It was subsequently adopted by the World Bank's Board of Directors, as well as other major MDBs, including the ADB, IADB, AfDB, EBRD and EIB (ADB, n/da). Even though the idea to establish a compliance review board emerged from a crisis of MDB legitimacy in the countries in which they financed projects, input from borrowers did not impact discussions (Dann and Riegner, 2019). Thus, even though safeguard policies and related accountability mechanisms would greatly impact borrowers, donor countries, especially the US, were largely responsible for shaping the final policies that were enacted.

The Business Case for MDB dependence on Middle Income Countries

The challenge from MICs poses a serious threat to donor-driven MDBs because loans to middle income countries are a significant part of business. For one thing, middle income countries may comprise 50% or more of MDB clients. One comparative analysis found that more than 90% of loans at the IADB are offered at market rate, while roughly three-quarters of ADB loans and nearly half of World Bank (inclusive of IBRD and IDA) loans are non-concessional (Humphrey, 2015b, p. 2).

The statistics on non-concessional lending among these institutions makes an existential point about MDBs in general: they would not be able to function without their lending to middle income countries. This is because MDBs rely on non-concessional loans to pay for administrative costs such as staff salaries, or anything that cannot be billed directly to a project.

With massive numbers of staff and multiple offices around the world or regions in which they operate, anything less than a steady stream of clients would put the MDB business model at risk.

Competition for clients from Middle Income Countries

At the same time that business from middle-income countries is essential to the administrative operations of MDBs, these non-concessional clients have more options for lenders than ever before. Within the 'international loan market' as it has been called, the rise of new bilateral financiers - especially Chinese sovereign lenders - has democratized the sources of development finance, and with it, competition for borrowers.

Over the past two decades, sovereign lenders, especially those from China, but also Brazil, the Middle East, Malaysia and other middle-income countries and regions, have become more significant sources of development finance. In 2011, *The Financial Times* reported that China Development Bank and China Export-Import Bank overtook the World Bank as the biggest sovereign lender to developing countries (Dyer & Anderlini, 2011). And in Latin America and the Caribbean, Gallagher and Yuan (2017) note that China Development Bank alone accounted for 25% of all sovereign loans between 2007-2015, while the World Bank has cut back on lending to the region since 2011 in the wake of the 2008/09 financial crisis. Thus, these "traditional" institutions remained important lenders in the region, but undoubtedly less significant than before CDB entered the loan market.

The implications of the introduction of new international sovereign lenders has spurred debate about loan conditionality, including environmental and social safeguards. As the portfolios of lenders from China and other countries grow, middle-income borrowers have greater choice and leverage in negotiating the terms of their loan agreements. They no longer need to accept World Bank conditions at face value, which is beginning to have effects on MDB loan conditions in specific countries and even across certain regions. For example, one study of World Bank loans to countries in Africa found that the bank was more likely to offer a lower number of loan conditions in countries that also received loans from Chinese lenders than in countries that did not receive these other loans (Hernandez, 2017). The trend diminished for countries that also received loans from other sovereign lenders, such as those from Middle Eastern countries. This suggests that the World Bank and other major MDBs consider Chinese sovereign lenders in particular to be a threat to their business in Africa and perhaps other regions of the world.

The introduction of new sovereign lenders also increases pressure on MDBs to loosen environmental and social safeguards. Gallagher and Yuan (2017) point out that there is a significant divide in approaches to safeguard systems between MDBs and newer international sovereign lenders. While major MDBs have largely stuck by "conditional harmonization" as their modus operandi, newer lenders such as CDB and China Exim have explored the "deferential" model that relinquishes control to the borrower. Anecdotal evidence suggests that MDB managers are sensitive to the influence that national development banks are having on the international lending market. For example, in 2006, as CDB and China Exim began to have a more significant role in international project finance, the president of the EIB called out China's sovereign lenders for causing a 'race to the bottom.' In a November 2006 *Financial Times* article, EIB president Philippe Maystadt claimed that due to a lack of environmental and social standards, "Chinese banks have snatched projects from under the EIB's nose in Asia and Africa, after offering to undercut the conditions it imposed on labour standards and environmental protection" (Beattie & Parker, 2006). This statement from the president of the EIB speaks to the intense pressure that major MDBs feel to cater to MIC interests in the face of competition from new sovereign lenders.

Empowered by their growing global economic standing and dissatisfaction with existing options, MICs have also pushed for new multilateral lenders. The idea for an alternative MDB in Asia dates back to the 1990s when borrower countries such as China and Sri Lanka grew increasingly frustrated with the types of loans offered by existing MDBs and their lack of voice within the governance of these banks (for example, their inability to change voting shares). The 2008 financial crisis and the fiduciary incompetence of Western financial institutions that it exposed, was another driver of MIC interest in alternative MDBs, eventually leading to the establishment of the AIIB (Kellerman, 2019). This is actually a familiar trend: White (1970, p. 29) argues that the emergence of regional MDBs such as the IADB and ADB were acts of "political resistance" against the World Bank and the hegemony of the US in the world economy.

MICs exercise their leverage to demand greater use of country systems

Throughout the 1990s and 2000s environmental and social safeguards became increasingly robust and commonplace among donor-driven MDBs. However, as Park and Vetterlein (2010) argue, institutionalization of safeguard policies should not be misconstrued as borrower buy-in. Rather, Park (2010) argues that even as safeguards were being taken up by MDBs at an institutional level, the lack of borrower input meant they never received "cultural validity" among bank clients. Upset with complex safeguard requirements, MICs began to demand that their national laws, institutions and processes be used to carry out environmental and social protections rather than those of MDBs.

Borrower frustration manifested in calls to use “country systems" or “borrower frameworks.” This is an approach in which the MDB allows a country to replace all or part of a project’s safeguard requirements with domestic laws, institutions and procedures. Proponents of country systems have argued that safeguards (as well as MDB procurement rules) are a one-size-fits-all approach that imposes external development priorities and are inefficient. Why, they argued, should countries with different legal frameworks, developmental histories, and institutional capacities be forced to abide by the same rules and use the same procedures (Humphrey, 2015b)? The strongest case in favor of country systems came from MICs, who argued that their own systems were competent to undertake development projects. Furthermore, country systems can better serve the long-term development interests of borrowers if MDBs invest in them through contributions of technical expertise and capacity building (Humphrey, 2016).

Major MDBs begin to yield to MICs

The pressure from MICs to use country systems has had tangible impacts on MDB lending. Over the past two decades, MDBs have introduced new lending approaches and products aimed at MIC concerns about bureaucratic procedures and national sovereignty. The World Bank (n.d.-b) has touted its MIC program as “responsive, flexible, and innovative.” Significantly, the bank speaks directly to borrower critiques about complex loan approval processes and safeguards in their promotion. According to the World Bank’s website, its new approach to MIC lending includes “streamlining investment management, procurement, and social and environmental systems" (World Bank, n.d.-b). Such statements give the impression that MDBs have begun to wake up to borrower concerns.

Indeed, major MDBs have introduced initiatives, programs and policy revisions to integrate country systems into their lending approach. In 2005, major MDBs were among 26 multilateral organizations that agreed to begin to use country systems in procurement and safeguard procedures (Humphrey, 2015b; Organization of Economic Cooperation and Development, 2012). The World Bank was the first to put this into practice with its Middle Income Strategy (2005), and an accompanying pilot program to test the strategy in 10 countries, called the "OP 4.00 Piloting the Use of Borrower Systems to Address Environmental and Social Safeguard Issues in Bank-Supported Projects (World Bank, 2005). Other MDBs, including the ADB, AfDB and IADB followed suit. Later, the World Bank introduced the Program for Results (P4R) initiative in 2012 (World Bank, 2012). Program for Results varies slightly from the Bank's Middle Income Country Strategy, in that it links the disbursement of funds to project outcomes. Like under the Middle Income Strategy, in P4R countries use their own systems. But in this approach, the Bank reimburses them for their expenses if the agreed results are achieved. Therefore, the Bank does not have to pay for safeguard-related costs if its standards are not met, and countries are incentivized to adhere to bank norms in order to get reimbursed for their costs.

In practice, these programs and initiatives have proven largely ineffective in normalizing the use of country systems, however. Studies of various programs found that, in general, the conditions placed on using borrower systems are so strict that they hardly ever get used. An analysis of the country system pilot program at the IADB found that only four countries qualified to have their national systems stand in for bank safeguards. At the ADB the numbers were even lower. Just one country applied to use their national system over a period of six years, and it was not successful (Humphrey, 2015b). Similarly, the P4R program was stymied by constraining its use to just five percent of World Bank lending, which stands in sharp relief to the size of its lending to MICs.

In light of these constraints, borrowers have been disillusioned with early programs to employ country systems. According to a 2010 report by the Independent Evaluations Group of the World Bank, "...client expectations that Bank safeguard responsibilities would be transferred to the borrower did not occur" and some borrowers did not see the process of applying for the program as worth the trouble. (Humphrey, 2015b, p. 17; World Bank, 2010). A major impediment to the success of these programs has been a requirement that the national system be legally equivalent to bank safeguards, which is not feasible for most countries.

As the country systems approach laid out in 2005 failed to meet borrower expectations, MDBs shifted course. A newer strategy attempts to loosen restrictions on the use of country systems through a more piecemeal approach. No longer must countries undergo scrutiny of every aspect of their legal and institutional frameworks just to be eligible. Rather, they can have the Bank assess the systems that specifically pertain to each project and measure against the Bank's safeguards (Humphrey, 2015b). For example, if the project has nothing to do with indigenous peoples, the borrower need not have its policies for the protection of indigenous cultural identity and land rights subjected to Bank review. This revised approach has been integrated into the World Bank's review of its safeguards system, which culminated in the release of a new Environmental and Social Framework in 2016 (World Bank, 2016a). Other MDBs, including the IADB and ADB have taken similar steps. Even still, there is much about MDB safeguards for borrowers to take issue with, including the unequal application of borrower frameworks across countries.

Unequal application of country systems

While MICs have succeeded in loosening compliance-oriented safeguards by pushing for the use of country systems, evidence suggests that the application of those systems is not equally applied across MDB borrowers. Rather, better-off countries are able to shake the yoke by taking advantage of the before-mentioned initiatives, while poorer countries remain saddled under the control of bank systems.

For example, while the World Bank did finally overhaul its safeguards system, replacing it with more borrower-friendly rules under a new Environmental and Social Framework in 2016, the application of new rules is open to interpretation and manipulation. In practice, 'rising powers' such as the BRICS countries won the use of country systems, even for high-risk projects of any volume or size. The World Bank's ESF now stipulates that country systems can be used as long as those standards have "objectives materially consistent with" the Bank's (Dann & Riegner, 2019, p. 553). This means that implementation can differ from borrower to borrower, with more developed middle-income countries having a greater ability to avoid using bank safeguards than weaker developing countries.

Yet, there is very little guidance from the World Bank about how to determine if a country's national laws are "materially consistent with" those of the banks. The Bank issued an interpretation aid from management, but it is non-binding (Dann & Riegner, 2019). This means that the interpretation remains somewhat loose, and open to pressure from interests such as environmental NGOs and donors such as the US government. To this end, it is telling that the World Bank's revamped safeguards system received immediate and strong pushback from both environmental NGOs and the US government.

The outcry from environmental NGOs about the ESF directly spoke to the shift towards country systems in applying environmental and social standards. For example, in July 2016, 14 NGOs from around the world that are active in monitoring MDBs reacted to the changes in a joint letter. They expressed their objection to a softening of the standards through loopholes, vague language, loose principles and reliance on country systems, which they argued, "reflects a race to the bottom in a shameful scramble to eliminate requirements for careful environmental and social due diligence" (Bretton Woods Project, 2016).

Pushback from the World Bank's largest shareholder also laid out a number of issues with the ESF with respect to country systems (which they refer to as borrower systems/frameworks). US legislators raised issues including a lack of clear requirements and methodology for assessing borrower systems; and a lack of clear distinction between roles and responsibilities of the bank versus those of the borrower. Four US Senators put pressure on the US Treasury Secretary, Jack Lew, to "ensure that the World Bank does not introduce dilutions of existing policy," which included the weakening of mechanisms for due diligence requirements for the use of borrower systems" (B. Cardin et al., personal communication, May 12, 2016). The senators argued that the World Bank needed to have "substantive requirements - not merely objectives" to measure the borrower frameworks against, and they wanted the bank to provide a "detailed methodology for assessing borrower frameworks in advance of adoption of the new ESF." The letter went on, “Use of borrower frameworks should be restricted to the least risky projects until the Bank can demonstrate, preferably with a formal review, a track record of successfully managing their use.” Furthermore, they wrote that the new ESF lacked clarity about the “roles and responsibilities of the Bank versus borrower countries,” which would make it difficult for them to assess bank compliance with Environmental and Social Standards and time-bound requirements.

Furthermore, while the World Bank’s Board of Directors approved the new ESF, the powerful US Executive Director expressed reservations which seemed to signal that the US government did not want the shift towards borrower systems to go too far in taking oversight away from the Bank. The US Treasury released a letter welcoming the new ESF, but raising concerns including how the use of borrower frameworks would be implemented. The U.S. Treasury called on the World Bank to “be conservative in its use of borrower frameworks,” including “focusing on selected high capacity borrowers” (U.S. Treasury Department, 2016). This can be read in a couple of ways: First, as a consolation to environmental NGOs and US lawmakers that were up in arms about the decision, signaling to them that the bank would not abdicate the hands-on oversight that they advocated for. It is also a compromise that acknowledges the growing clout of the bank’s middle income country members, while recognizing that the bank’s governance structure that affords the US Congress significant oversight powers, would not be upended.

This example of resistance to the use of country systems in the World Bank’s 2016 ESF demonstrates that donor sway may be shaken by the rise of up-and-coming MICs, but it is far from obsolete or inconsequential (Dann & Riegner, 2019). While the World Bank’s 2016 ESF has provided for greater use of country systems than ever before, there is strong evidence that the beneficiaries are being limited to middle-income countries. The requirement that country systems be "materially consistent with" those of the Bank's is a barrier to entry that few developing countries can pass. Furthermore, the policy is vague and lacks binding standards which are applied universally across borrowers. This leaves the country system option for implementing bank safeguards open to interpretation and manipulation by the bank's powerful donors. In that regard, resistance from the US government, which is the largest shareholder of the World Bank, and holds the position of the top one or two shareholders in all of the major MDBs, is not promising. Is it likely that the governments of developing countries will be able to persuade the US Executive Directors of MDBs to grant them the same terms as powerful borrowers such as the BRICS countries? In this light, the country system concessions that major MDBs have made may be a white unicorn to many of their borrowers. As traditional donors such as the US continue to exert their will over MDB agendas, the AIIB has the opportunity to be a game-changer for many borrowers.

Conclusion

Up to this point I have described the disproportionate power wielded by traditional donors over governance and policy-making at major MDBs, and the frustration that many borrowers have towards compliance-driven environmental and social safeguards as a result. Where do the AIIB's governance systems fall in this struggle between traditional donors and borrowers? And how is that position reflected in its policies and procedures related to environmental and social risks?

Chapter Three: The AIIB's Rescaling of Governance

Introduction

> *"From the outset, the core principles could not have been clearer: We were not aiming for a bank that would be dominated by one or a few members. Rather, the bank would rest upon multilateralism and international cooperation. It would be inclusive, innovative, efficient and cost-effective. It would be built on trust and partnership. It should remain in the gene pool of the MDB family, but by no means should it become a clone of the existing members. The youngest child of the multilaterals should represent the new century while closely collaborating with its well-established siblings. Thus AIIB was born expeditiously, carrying the DNA of its founders."*
>
> *- AIIB President Jin Liqun*[12]

This is a quote by AIIB President Jin Liqun in the foreword to Natalie Lichtenstein's (2018) book comparing the new bank's Articles of Agreement to that of other MDBs. The sentiments in this quote are ones that I heard repeated often in the course of my research: that the AIIB will remain "in the gene pool" of other MDBs, but will also strive to be an "inclusive, innovative, efficient and cost-effective" institution that represents "the new century" and will not be dominated by any one country. In this quote, President Jin seems to be at once reassuring leaders of traditional donors and major MDBs that the AIIB will maintain the status quo in development finance, while at the same time exciting the heads of borrower countries with the prospect of greater voice and less bureaucracy than they received from donor-driven MDBs. But beyond the rhetoric about family lineage, how are the aspirations espoused by President Jin being translated into institutional arrangements and governance practices? Namely, how is the AIIB addressing tensions that characterize major MDBs; tensions between donor-monopolized decision-making and borrower sovereignty? And how are those decisions reflected in the AIIB's policies and procedures related to environmental and social risks?

[12] AIIB President Jin Liqun, quoted in Lichtenstein, N. (2018). A Comparative Guide to the Asian Infrastructure Investment Bank, preface, p. vi.

I argue that the AIIB has chosen to stick to the economic and financial logics of major MDBs through choices such as prioritizing investments in the private sector; being profit-driven; using financial intermediaries; raising capital on international bond markets; and issuing loans in USD rather than local currencies. While the bank's senior management are unable to cast the AIIB as 'borrower-friendly' in these economic and financial areas, they have looked to do so in other areas that have been contested by borrowers at major MDBs: namely, donor control over project approvals and the lack of borrower control over environmental and social protections, such as doing away with ex-ante compliance stipulations and the use of country systems to carry out environmental and social management. The big takeaway from this chapter is that the AIIB's claims of being 'borrower-friendly' are somewhat overstated. Significantly, the economic and financial terms that underpin its lending are typical of capitalist development finance logics at major MDBs (and not borrower-friendly). In the areas in which the AIIB has sought to be seen as borrower-friendly, it is only borrower control over environmental and social protections that the bank lives up to its rhetoric.

Imagining the AIIB as causing a 'race to the bottom'

In 2014, the Chinese Ministry of Finance deployed emissaries to lobby treasury secretaries and finance ministers from around the world to become founding members of the AIIB. High on their list of potential members were wealthy OECD countries, but they faced strong resistance from the US. According to newspaper coverage at the time, the Obama Administration was reluctant to join "China's answer to the World Bank" (Anderlini, 2016). *The New York Times* reported that the US Treasury Department did not believe the AIIB would abide by the standards set by US-led MDBs, including those pertaining to environmental issues and procurement protocols. An unnamed senior Obama administration official expressed this skepticism when they stated to a reporter, "How would the Asian Infrastructure Investment Bank be structured so that it doesn't undercut the standards with a race to the bottom?" (Perlez, 2014). Playing up fears about the assumed environmental and social shortcomings of the AIIB, US Treasury and Obama administration officials allegedly warned the leaders of other wealthy states to reject membership in the new lending institution (Anderlini, 2016). And yet, judgements against the AIIB by US officials were purely speculative, as the new bank had not yet drafted any of its policies.

In raising concern about the AIIB causing a 'race to the bottom,' the Obama administration official tapped into negative tropes about Chinese companies and financiers pushed by Western policy-makers, media outlets and some scholarly communities. The most hyperbolic of these narratives portrayed lawless Chinese actors as gobbling up natural resources and construction contracts across the African continent and Latin America to fulfill the neo-imperialist ambitions of the Chinese Party-State (Brautigam, 2009; K. Gallagher & Porzecanski, 2010; C. K. Lee, 2017). Implicitly or explicitly, assumptions such as these cast Chinese actors as inferior to their peers from Western and advanced economies, who, by contrast, are portrayed as abiding by 'internationally recognized' environmental and social standards.

Thinking critically about MDBs and geopolitics makes it difficult to take seriously the claims made by the Obama Administration about the AIIB; and such claims, I believe, do a disservice to understanding how the AIIB differs from its peers in practice. Significantly, pre-emptive fears by the US Treasury and Obama Administration that the AIIB would cause a race to the bottom appeared to have more to do with the involvement of the Chinese state than it did with substantive critiques of the bank's environmental and social policies. Those who deploy the 'race to the bottom' critique assume the AIIB has low environmental and social standards because China is its biggest shareholder. But this is a poor tool by which to assess the bank's policies; and is one that assumes the AIIB is antithetical to US-led institutions such as the World Bank. Such framings invoke imagery of dueling Superpowers that is reminiscent of the Cold War struggle between the US and the Soviet Union; one that necessarily pits the US against China in a battle for global domination. It leads many in 'the West' to make zero-sum calculations about the AIIB; viewing it as inherently a threat to the existing world economic order and failing to attend to the ways that the bank is entangled in global economic networks.

I reject these overly simplistic, ethnocentric framings of the AIIB. They are misguided and unproductive lenses through which to understand the differences between the bank and US-led institutions of development finance. Importantly, the AIIB checks all the boxes when it comes to 'international standards' for addressing environmental and social issues of development projects: The new bank has an environmental and social framework, as well as specific policies related to transparency and accountability; just like its peers.

While many early critiques of the AIIB have their roots in a Cold War-style *realpolitik* mentality, I argue that, in fact, the AIIB *is* changing the rules of play for MDB-financed development and infrastructure projects -- but not in the ways these critics thought. As Natalie Lichtenstein (2017), the AIIB's Founding General Counsel told an audience during a talk at Harvard University in April 2017, all MDBs appear similar on paper, but no matter how similar their charters may be, "they all look different on the ground." In the case of the AIIB, my analysis reveals that the AIIB is undertaking a rescaling of governance in development finance that sees key decision-making powers re-imagined and concentrated in the hands of management and borrowers rather than shareholders of the bank. These shifts fundamentally affect how the bank relates to the projects it finances, and how peoples and environments must respond in turn. One of the implications of such institutional and governance arrangements is that the AIIB's policies and practices related to project approvals and implementation favor national sovereignty much more than at other major MDBs; a boon to borrowers in their on-going struggle to wrest control over development projects from donors.

To explain these arguments, in this chapter I first separate fact from fiction in terms of the assumptions that the AIIB, as a Chinese-led bank, is somehow environmentally and socially bankrupt in comparison to its US-led counterparts. I then lay out some of the ways that the AIIB has embarked on a rescaling of governance; first from powerful donors on the Board of Directors to bank management, and then from the bank to borrowers. I then conclude with some thoughts about how the AIIB's efforts to rescale governance affect resistance to those projects. Namely, that the AIIB's policies limit the scope of NGO advocacy in support of and cooperation with project-affected peoples. I discuss this argument in greater depth in the next chapter as well.

Bending Over Backwards to Demonstrate Conformity with MDB Environmental and Social Policies

What does the AIIB's Environmental and Social Framework entail? And how does it compare to those of other MDBs? In the face of criticism from Western media and government officials, the

AIIB set out to design environmental and social rules and processes that emulated, and improved on those of major MDBs. This included enlisting the consultation of veterans of other MDBs to draft its policies, conforming to the structure of other MDB frameworks in terms of creating policies and protocols that stress public participation, transparency, and accountability; and going through rounds of consultation processes to promote buy-in from civil society organizations across Asia and beyond. Thus, in form at least, the AIIB's ESF and related policies fit the mold shaped by those US-led MDBs that came before it.

While I will spend some time commenting on the AIIB's environmental and social rules in comparison to that of other MDBs, I want to push back on the inclination to analyze the AIIB policies and protocols simply as stronger or weaker than those of other MDBs. An analysis of this sort limits our thinking of environmental and social risks and policy measures to what already exists. But as we know from the previous chapter, existing MDB standards are far from adequate to address the environmental and social risks of large-scale infrastructure and development projects. And the historical record shows that the governments of borrower countries have expressed frustration with these standards from the outset. So even as I argue that there is nothing about the AIIB's rules that are particularly aberrant in comparison to the status quo, I want us to keep in mind that the status quo has not been satisfactory in the eyes of many affected communities, environmental advocates and governments of borrower countries. Therefore, I propose that a line-by-line comparison of the AIIB's policies with that of other MDBs is limited - and insufficient - in scope.

First though, I discuss three ways in which the AIIB has made the effort to conform to MDB norms in the creation of its rules for addressing environmental and social risks related to its projects. This is by no means a comprehensive, point-by-point analysis of the policies, but rather some of the key ways that highlight the similarities.

Conformity through hiring MDB veterans as consultants

One of the best ways to ensure that the AIIB's policies and procedures would look the same as at other MDBs was to hire the people responsible for creating them at those institutions. This is exactly the strategy that the AIIB took when it came to environmental and social standards (and more broadly in high-level management positions throughout the bank). A few key personnel stand out in this regard, including the consultant who drafted the overarching Environmental and Social Framework and its corresponding Environmental and Social Policy and the consultant and staff hired to draft and run the Project-affected People's Mechanism (PPM). These choices of hiring 'old hands' of other MDBs are indicative of the bank's strategy to signal conformity with the status quo by hiring people who are the most intimately familiar with the ins and outs of those policies and processes that are highly visible and scrutinized by donor governments and MDB watchdog organizations.

Dr. Stephen Lintner, who drafted the AIIB's Environmental and Social Framework and the Environmental and Social Policy within it, is a former employee of the World Bank and other MDBs with expertise in multilateral technical processes, much of it in Asia (Tsinghua University, 2018). He began his career at USAID focusing on technical issues related to water resources before moving on to a 26-year career at the World Bank. There he distinguished himself as part of the team that drafted the original safeguard policies, eventually becoming a senior technical expert with oversight of all of the World Bank's environmental and social policies, and later drafting the environmental and social policies of the EBRD and the AfDB. The AIIB also hired Mr. Hamid Sharif, formerly of the ADB as the bank's Director General of the Corruption, Effectiveness and Integrity Unit (CEIU), and Dr. Maartje van Putten, formerly of the World Bank's Inspection Panel, as a consultant to help draft the Project-affected People's Mechanism (PPM) (AIIB, 2016b). The Inspection Panel is the body charged with deciding if the World Bank violated its own policies and standards in claims brought against bank-financed projects by affected peoples. With hands-on experience with the Inspection Panel, this consultant was intimately familiar with the workings of bank norms related to accountability and compliance. The consultants I mention here are just three of the AIIB's many hires with extensive experience at other major MDBs. They occupy posts at the highest levels of the bank (including the president, who is a former Vice President at the ADB), as well as mid-level management and as consultants with specific expertise. Collectively, these MDB veterans have handled everything from drafting the bank's Articles of Agreement, to overseeing the bank's investment portfolio and creation of policies and overarching strategy, to running its Corruption, Integrity and Effectiveness Unit.

Conformity with guiding documents

A second way that the AIIB's environmental and social rule-making reflected those that came before them were the basic documents that they created to address environmental and social risks. These documents include its Environmental and Social Framework (ESF), as well as the Policy on Public Information (PPI) and Project-affected People's Mechanism (PPM). The ESF is an umbrella document that lays out the bank's approach to addressing environmental and social risks and impacts of its projects (AIIB, 2016b). The PPI sets out the standards that the bank must use in communicating information about the projects it lends to both before and after loan approval (AIIB, 2018d). The PPM establishes a structure for how the AIIB will respond to grievances about the projects it finances from those who are directly impacted by them (AIIB, 2018e).

When comparing MDB handling of environmental and social risks and impacts, these three documents are emblematic of the status quo. For example, the PPM is the document that meets the standard at major MDBs of having an independent mechanism to hear complaints about the bank's compliance with its own rules. All the major MDBs have this type of accountability mechanism, and are members of the Independent Accountability Mechanisms Network (IAMNet), an industry association "of dedicated practitioners who contribute to the regular exchange of ideas and assist with institutional capacity building in accountability and compliance as components of corporate governance" (ADB, n/da). Very shortly after launching, the AIIB joined the IAMNet, signaling its acceptance of MDB accountability norms. With the ESF and the PPI, the AIIB similarly accepted MDBs norms of having some sort of rules around handling environmental and social risks and information disclosure.

The AIIB's acceptance of the substance of MDB norms around environmental and social risks (including information disclosure and accountability) is much more complicated to ascertain. The content of these documents does vary across MDBs to some extent, with some MDBs having fairly strong language about some risks (say, for example, free, prior and informed consent of indigenous peoples, or strict bans on investing in coal-fired power plants), but may lag behind in other areas. Therefore, any meaningful comparison of policies and standards across MDBs would require an issue-by-issue analysis. That being said, a more general comparison reveals an acceptance of the basic components and key issues included in these documents. With respect to the overarching structures through which MDBs handle environmental and social risks, one of the MDB veterans who helped draft the AIIB's ESF stated that the "essential elements" of any framework are a vision statement, policies, standards and an exclusion list; and the AIIB's ESF includes all of these (*Interview with Consultant Hired to Draft the AIIB's ESF*, personal communication, August 12, 2016). In comparison to other MDBs, the AIIB was ahead of the game in terms of when it adopted its ESF. The earliest version was written and approved by the bank's Board of Directors in February 2016, just one month after the bank officially launched (AIIB, 2016b). By comparison, the World Bank didn't adopt any environmental or social policies until the 1990s, and did so on an *ad hoc* basis rather than as a framework. This was the norm at the World Bank until it adopted its ESF in 2018 (Himberg, 2015). The World Bank is an outlier among MDBs in how long it waited to adopt an ESF, but the point is that the AIIB followed the path of other banks in terms of how it structured rule-making about environmental and social risks.

The AIIB also followed the example of other MDBs in terms of the standards reflected in the environmental and social policy (ESP) it created. For example, the AIIB's ESP requires environmental and social screenings and environmental and social risk categorization, which uses the "A", "B", "C" categories used at the World Bank and other major MDBs. Its ESP, like those of the major MDBs, also requires impact assessments and management plans in the case of projects deemed to be higher risk (Category "A" and "B") (AIIB, 2016b). In terms of issue-specific standards, the AIIB follows the lead of the World Bank by including standards that address specific risks of its lending projects to indigenous peoples and land acquisition and involuntary resettlement. Admittedly, the AIIB's ESP does not cover the scope of issues that some other MDBs do. The new bank has three standards included in its ESP, which relate to environmental and social assessment and management, indigenous peoples, and land acquisition and involuntary resettlement. It does not cover some issues that other banks have, however, such as biodiversity conservation, labor and working standards or cultural heritage (cf World Bank's Environmental and Social Standards 2, 3, 4, 6, and 8) (World Bank, 2016a). However, when one takes into consideration that over 70% of the instances when safeguards were triggered at the World Bank related to environmental assessment and management or involuntary resettlement, the more limited scope of the AIIB's issue-specific standards may not matter in practice (Humphrey, 2016).

It is also worth noting that direct comparisons of the relative strength of MDB environmental and social standards is difficult to ascertain because each MDB varies slightly in terms of the substance of their policies. For example, the IaDB requires Free, Prior and Informed Consent (FPIC) of indigenous peoples, but the World Bank only requires consultation (Himberg, 2015). In that case, the AIIB's standards are certainly weaker than the IaDBs, but so are the World Bank's. This demonstrates the difficulty with making judgements about what is considered 'standard.'

Another issue with assessing the relative strength of MDB environmental and social policies is that there are significant gaps between the policies and their implementation on the ground. Take the World Bank's independent accountability mechanism for example. The Inspection Panel is considered the industry standard, in part because it requires a separation between the bank's project management and compliance review, and that it requires the members of the Inspection Panel to report directly to the Board of Directors rather than the President of the bank. But when scholars have considered the effectiveness of the Inspection Panel and other MDB independent accountability mechanisms, the results have been underwhelming. One of the most glaring critiques of independent accountability mechanisms is that their scope is too limited to be effective. They can only investigate whether or not the bank is out of compliance with their own rules, but do not pass any judgements or punishments on the company or government that took out the loan (Lenci & Belanger, 2021). This has resulted in very few cases being brought before the Inspection Panel and other MDB independent accountability mechanisms (Accountability Console, n.d.). One can see that a discussion of whether or not the AIIB's accountability mechanism is as independent as other MDBs is inconsequential if the overarching issues of IAM effectiveness remain unaddressed.

Furthermore, when the AIIB's ESF and related policies have veered from the status quo, bank representatives have argued that changes were made to improve on existing practices around policy-making. For example, one of the consultants who helped draft the AIIB's ESF said that he thought it was better for the AIIB to have a simpler policy and set of standards because it is "short, not encumbered with qualifications" (*Interview with Consultant Hired to Draft the AIIB's ESF*, personal communication, August 12, 2016). This representative's decades of experience working on multilateral technical processes, he said, had taught him that a paired down policy would be easier for the bank's staff to implement "the way it was intended to" by the writers of the policy and the board that adopted that language (*Interview with Consultant Hired to Draft the AIIB's ESF*, personal communication, August 12, 2016). He thought that the AIIB's ESF was a clearer document than the World Bank's, and would therefore be easier to put into practice. I do not necessarily agree with this person's assessment that simpler is better. In fact, one could argue that a less specific policy leaves open the potential for vastly different interpretations of the policy by different project managers at the bank. But in leaving the policy more open to interpretation by practitioners, it also becomes more flexible, which speaks to one of the major complaints by borrowers about loans from major MDBs. Recall Humphrey and Michelowa's (2013) study among MDB borrowers in which they found that bureaucratic application processes and stringent environmental and social standards are two of the main deterrents among borrowers to taking out loans from major MDBs. In this way, perspective matters: a less detailed ESP and standards leave the rules more open to interpretation and variation, which is concerning to some stakeholders: donor governments of major MDBs worry about a 'race to the bottom' and the potential for tarnished reputations; while environmental and inclusive development advocates and local activists see the potential loss of policies that have sought to protect habitats and vulnerable populations across financial institutions. However, from the perspective of the governments and corporate borrowers of MDB loans, greater flexibility in environmental and social rules is a significant *improvement* over the status quo. At a time when borrowers have more choice about where they apply for loans, and thus more leverage over MDBs than perhaps any other time in history, norms that were born from the desires of donor countries alone are being called into question. In this shifting geopolitical terrain of MDB rule-making, it is no longer clear who decides what 'the norm' means.

On the whole then, a comparison of the basic documents that MDBs use to guide their handling of environmental and social risks and impacts reveals an acceptance of the foundational elements — having specific policies to address environmental and social risks, which includes how those risks are categorized; protocols for how and when the bank will disclose information to the public about the projects it finances; and establishing a mechanism through which to hold itself accountable for complying with its own standards. There are shortcomings in terms of the scope of issues covered by the AIIB's environmental and social policies, however, it is difficult to argue that these gaps constitute significantly weaker standards than 'the norm' given the variation across MDBs and that the AIIB has standards that cover the most common issues.

With this in mind, I do not think that debates about whether or not the AIIB's standards are weaker than other MDBs is the most productive use of space in this dissertation. Rather, I want to focus on understanding what the AIIB's governance structures and policies reveal about how the AIIB diverges from the status quo at the institutional level. In other words, what, if any, changes are being made to *who makes decisions* about environmental and social protections, and if so, what types of decisions are affected?

The 'Rise' of the Global South in Global Economic Governance

The debates about what should be considered 'the norm' that have been going on at the AIIB as it crafts its ESF and related policies resonates with broader conversations about the fate of global norms, institutions of global governance, and global relations of power as countries in the Global South 'rise' to power and prominence. In particular, scholarship in this area focuses on the increasing role of the 'BRIC' countries - Brazil, Russia, India and China - in restructuring global relations of power, institutions of global governance and the rules and norms of the global economy. I will draw on analysis from those who point out that the rise of Global South actors does not happen in a vacuum, but rather they make deliberate choices to accept capitalist economic paradigms. Indeed, state financial actors from Brazil, India and China in particular have destabilized existing power hierarchies and asymmetries within institutions of global economic governance without questioning the market logics which underpin them. There is a growing body of research that demonstrates the choice of ‘emerging powers’ to reject political liberalism but maintain the world economic order, including at the World Trade Organization (WTO) (Hopewell, 2016), in development assistance and cooperation (Mawdsley, 2012), and in foreign direct investments (Gonzalez-Vicente, 2011). Many of these scholars question the possibilities for liberation from unjust and unequal relations of power without changing economic paradigms.

In this context of acknowledging that up-and-coming Global South actors are following the same old capitalist playbook, scholars have dug more deeply into what, in fact, has changed. One area that has been rich fodder for analysis attends to the ways in which market logics intersect with the national interests of state (and other?) actors from the Global South in global economic affairs. To understand what this looks like in practice, Emma Mawdsley (2012) examined ‘South-South’ development assistance in comparison to North-South relations in development assistance. While ‘North-South’ is rooted in the idea of charity, ‘South-South’ development assistance (for example that originating from China) is framed in the language of solidarity, reciprocity and respect for sovereignty. As much as this discourse presents South-South Cooperation as entirely ‘win-win’, Mawdsley (2012) reveals that this frame conceals national self-interest and contested ideas of development within the nation-state. Ruben Gonzalez-Vicente’s (2015) analysis of China’s ‘non-interference’ foreign policy reveals a similar sleight of hand; he argues that China’s policy of non-interference claims to be apolitical because it does not include policy conditions or exclude politically sanctioned states a la the Washington Consensus, but is not free of politics because Chinese actors have chosen to engage in global economic affairs according to capitalist logics. In practice, this choice to disengage about ‘political’ or ‘diplomatic’ issues while maintaining the economic status quo serves to reinforce and empower centralized state control over decision making; with the effect of rescaling economic governance from supra- and subnational regulatory approaches to state-based arrangements. In these ways, Mawdsley and Gonzalez-Vicente both contribute to our understanding of the ways that increasingly powerful actors from the Global South have been able to work within existing global economic paradigms to further their own national interests; and that much of this is done under the guise of a shared identity as ‘developing’ nations that have mutual respect, learning and benefits.

Below, I examine the AIIB through this lens of interrogating the interplay between economic paradigms and political interests. In particular, I follow Gonzalez-Vincente (2015) in mapping out how the AIIB’s institutional structures and rules is rescaling governance of environmental and social risks. I argue that these changes signal a rescaling of governance in two important ways: first, the scale at which decisions are made about the internal functions of the bank and demonstrated by the shift in governance powers from shareholders to the President; and second, the scale at which decisions are made about projects, which are manifest in shifts in responsibilities from the Bank to its borrowers. These changes, I argue, are far more significant than mere power politics or issues with the scope of issues covered by its ESF. Rather, they signify a shift in how ideas about sovereignty and governance are conceptualized and enacted.

Rescaling Governance from Shareholders to the President

The Board of Directors is a key part of the loan approval process at major MDBs. While there are generally several stages of design and due diligence before a project goes before the Board, this is the final hurdle that must be overcome in the project approval process. Donor members of

MDBs historically hold more sway over Board decisions than borrowers. While seats on the Board of Directors rotate so that members take turns participating in the governance of MDBs, it is common for the largest donor members to hold permanent seats. The AIIB has a similar arrangement to other major MDBs when it comes to voting shares and deciding the composition of the Board of Directors, with a few notable exceptions. Like other major MDBs, the AIIB assigns voting shares based on capital inputs from its member states. In other words, the states with the largest capital inputs are the bank's largest donors. The largest donors hold permanent seats. In the case of the AIIB, China and India, the two largest donors, each constitute their own blocks and therefore hold permanent seats on the Board of Directors while all others must rotate every couple of years (Lichtenstein, 2018).

But there are significant divergences from the norm as well, and these governance arrangements are key to how the AIIB sidelines traditional donors in the loan approval process. The bank limits the involvement of the Board in decisions about projects. This is evident in the AIIB's Accountability Framework, a document that lays out the roles and responsibilities of the Board of Directors and the President in the loan approval process (AIIB, 2018a). The Accountability Framework offers two stipulations in particular that serve to shift power away from powerful donor governments on the Board of Directors. The first is the decision to have a non-resident Board of Directors rather than one that is on-site and full-time; and the second is the decision to hand over some of the Board's loan approval powers to the AIIB President. As I will show, both of these choices limit the role of donor members in the loan approval process of the AIIB.

Ceding power to the President

The AIIB's Accountability Framework stipulates that the power of approval is delegated to the bank president in the case of private loans under $100 million or sovereign loans under $200 million (AIIB, 2018a Article 2.1.10). This is distinct from governance rules at the World Bank and other major MDBs, which require board approval of all projects that receive loans. Putting project approval power in the hands of the president serves to take control away from shareholders and place it with the bank's top management. In practice, this rule is significant both in terms of the quantity and the types of projects to which it applies: In terms of quantity, the president of the AIIB was delegated decision-making power over half of the projects approved between 2019 and mid-2021, the period for which I have data after the Accountability Framework went into effect[13] (see figure 6); and in terms of scope, it is important to recognize that $200 million may not seem like much when it comes to building large-scale development projects, but it is enough to build a coal-fired power plant and other controversial and frequently contested projects. Also, some of the loans that the AIIB makes are financed in pieces, with an initial loan approved and then further loans approved to complete sections of the larger project. Breaking down the AIIB's existing loan portfolio illustrates that many of its most controversial and consequential loans need only meet the approval of the President, and need not go through even the motions of a consensus-building process such as a vote by the Board of Directors.

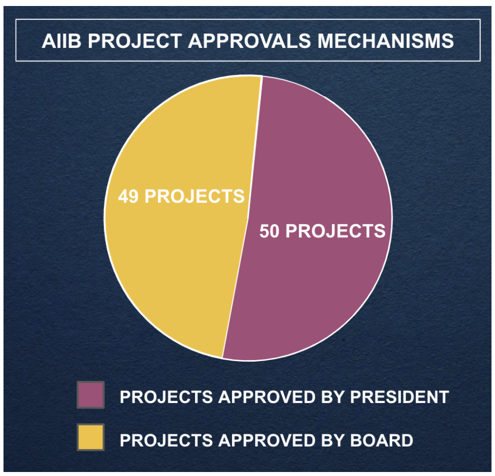


Figure 6: AIIB Project Approvals Mechanisms
Source: AIIB Projects Database

A non-resident Board of Directors

Donors have less control over project approvals than at other major MDBs. At the World Bank and all of the major regional MDBs, a Board of Directors maintains full-time posts at bank headquarters. The AIIB has chosen a different arrangement for its Board of Directors, however. Its Board is non-resident, meaning that Executive Directors meet far less often, in fact only on a quarterly basis (AIIB, 2018a). AIIB management explained this decision in terms that speak to

[13] I did not count projects approved before 2019 because the AIIB's Accountability Framework was only passed in July 2018, about one and a half years after the bank began making loans. For reference, the AIIB approved 35 loans between 2016 and 2018 and 99 from 2019 to mid-2021. Of those 99 projects, 50 were under the jurisdiction of the bank president, including both sovereign and non-sovereign loans (AIIB, n.d.-f accessed July 28, 2021).

the concerns of borrower governments. They point out that board residency status correlates with loan approval timeframes and the extent of bureaucratic procedures (Humphrey & Michaelowa, 2013). They argue that it is only at donor-driven MDBs which spend the most time on the loan approval process that a resident board is the standard. Borrower-friendly MDBs and private banks with the quickest loan approval periods maintain non-resident boards as the norm (Author interview, 2016d; Lichtenstein, 2018). Another argument that proponents of non-resident boards make is that it is more cost-effective because it allows the bank to save on operating costs associated with paying the salaries of full-time board members (Chen, 2016). By emphasizing the efficiency and cost-saving benefits of a non-resident board, the AIIB appeals to the interests of borrower shareholders.

While having a non-resident board may limit bureaucracy and costs, critics see this as a detrimental trade-off for board oversight. Proponents of resident boards argue that they are indispensable to board oversight of management and operations (Orr, 2016). Advocates of resident boards argue that there is a lack of clarity about the access non-resident boards have to information about projects and the level of detail to which they are privy. One advocate asserted that, with a non-resident board "member states can never foresee the dangers of a project for the environment or civil society…" which will lead the AIIB to become "a bank of destruction" (Schröder-Therre, 2019). In answer to these claims about the oversight capabilities of a non-resident board, Natalie Lichtenstein, the AIIB's Founding General Counsel, argues that the Board of Directors of the AIIB have explicit supervisory powers that donor-driven MDBs have yet to make explicit. Although the nature of this supervisory power is unclear, she argues that "this provision can be seen as adding more definition to the Board's role in the non-residential context, where physical presence is not an element of oversight" (Lichtenstein, 2018, p. 28).

In my research, concerns about weak Board oversight were born out in practice. This was brought to light after the AIIB's Board approved a loan to the Beijing Air Quality Improvement and Coal Replacement Project . For this project, the bank provided a US$250 million non-sovereign-backed loan to the Beijing Gas Company Group in late 2017 (Beijing Gas Company, 2017). Soon after the loan was disbursed, problems arose that advocates thought could have been avoided, and were not adequately addressed by the client after the fact. When a Chinese NGO investigated the project's failings in the aftermath, they discovered that the phone number for grievances was disconnected (Green Watershed et al., 2018). In terms of board oversight of this project, they discovered that board directors were almost completely in the dark: they didn't know even basic information about the project, including where the villages were located (Green Watershed et al., 2018). One Board Director reportedly told a representative of an NGO that the Board had acted like a rubber stamp for this project, not bothering to consider the due diligence reports, because they knew President Jin wanted it to go forward and it was 'in the backyard' of the bank (*Representative of NGO*, personal communication, July 2018).

Rescaling Governance from the Bank to Borrowers

I argue that the AIIB's approach to environmental and social risk protection is a boon to borrowers who view MDB safeguards as an undue burden and infringement on host-country project ownership. The AIIB's approach appeals to borrowers in two significant ways: first, it minimizes ex-ante requirements with which clients must comply; and second, it allows the use of country systems to fulfill requirements such as environmental and social impact assessments and management plans, information disclosure and project-level grievances mechanisms. Therefore, while other major MDBs have begrudgingly made modest overtures towards greater host-country ownership of projects, the AIIB centers national sovereignty; even if it means sacrificing a degree of environmental and social risk protection to do so.

In this section, I will use the conceptual framework outlined by Gallagher and Yuan (2017) to articulate how the AIIB's environmental and social policies diverge from most major MDBs. Recall that Gallagher and Yuan (2017) articulate a conceptual framework for understanding the spectrum of safeguard systems among international development banks that differentiates between models in terms of the roles and responsibilities they assign to banks and their borrowers. For example, the "conditional harmonization" model, which describes safeguard systems among most major MDBs, stresses uniformity and bank control over the implementation of environmental and social protections. Meanwhile, the "deferential recognition" approach, which is favored by China's sovereign lenders and smaller MDBs such as CAF, puts the onus of responsibility for environmental and social protections on the borrower, allowing them to use the country's national laws and regulations rather than bank rules, and relies on the country's own agencies and institutions for implementation (Gallagher and Yuan, 2017). Additionally, safeguard systems of major MDBs are characterized as focused on compliance with extensive and pre-set rules rather than on host-country capacity building or project outcomes (Humphrey, 2016). According to these descriptions of safeguard systems, the AIIB's environmental and social policies are aligned with the deferential recognition approach.

Ex-ante Compliance

The first way in which the AIIB rescales governance from the bank to its borrowers is through de-emphasizing ex-ante compliance. While the AIIB is far from overhauling environmental and social preconditions wholesale, it has made subtle policy changes that strive to curtail the bureaucratic hassle that borrowers complain about.   Notably, the AIIB's (2018) Policy on Information Disclosure, which was adopted in late 2018, limits the scope of information which must be released to the public and eliminates timeframes for making those documents available. Furthermore, exceptions to the AIIB's policy on information disclosure are at the sole discretion of the bank's president rather than the Board of Directors, which demonstrates another way in which power is being shifted from traditional donors to bank management.

Using Country Systems

The second way the AIIB rescales governance from the bank to its borrowers is through the use of country systems. The AIIB has taken up the use of country systems throughout its ESF, notably, within environmental and social impact assessments (E/SIAs) and management plans (ESMPs), its policy on information disclosure and on its mechanisms for project-affected people to seek accountability for harm. Below I discuss how country systems are employed in the AIIB's impact assessments and management plans.

Environmental and Social Impact Assessments and Management Plans

Like donor-driven MDBs, the AIIB has adopted an Environmental and Social Framework (ESF) that calls for environmental and social impact assessments (ESIA) and environmental and social management plans (ESMP) to be carried out before or as early in the project preparation process as possible (AIIB, 2016b).   However, the bank has adopted rules regarding environmental and social safeguards that favor the desires of borrower shareholders. Specifically, the AIIB allows borrowers to use their own environmental and social management systems (if they exist) for preparation of the ESIA and ESMP. Using these "country and client systems" puts the onus of responsibility on the borrower (whether public or private) to draft the necessary documents, disclose that information to the bank and the public, and hold consultations with project-affected people that covers "project design, mitigation and monitoring measures, sharing of development benefits and opportunities on a Project-specific basis, and implementation issues" (AIIB, 2018d Article 59). Meanwhile, the bank is responsible for evaluating the client's documentation, determining the feasibility of the project in light of the risks involved, monitoring the client's compliance with their own plans and disclosing the information given to them by the client on the AIIB's website (AIIB, n.d.-d). In this way, the policy appears to be like Gallagher and Yuan's hybrid model, but in practice it is much more deferential to borrower systems.

Project-level Accountability Mechanisms

Throughout the debates I witnessed about the AIIB's environmental and social policies, a major issue was how much responsibility and control the bank was going to hold over the projects it finances. Would it carry out environmental and social assessments and management plans using its own resources, or would it rely on "client systems" to do the work? Would bank staff draft information about the projects and make them publicly available, including through public consultations, or would its clients be responsible for that? Would the bank set up an independent accountability mechanism (IAM) for people affected by projects to be able to bring complaints, or would this fall on the clients as well? In AIIB environmental and social policies, "client systems" or "country or client systems" are prominent (AIIB, 2018e, pp. 4–5); and, as I will argue, they are another key way that the bank strives to be "borrower-friendly."

For example, the AIIB's draft PPM included the following clause about filing a submission to the bank's independent accountability mechanism: "The Independent accountability mechanism will not accept: …Submissions that have not first been taken up with the Project-level Grievance Redress Mechanism (GRM), where one is available, or with AIIB Management or staff concerned." (AIIB, 2018e4.3.5 para 19, Subject Matter Exclusions). This means that the bank's Managing Director of the Compliance, Effectiveness and Integrity Unit (MD-CEIU) will not accept a complaint about a bank-financed project unless the persons making that complaint can prove that they've first tried to raise concern using mechanisms set up by the company or government that took out the loan. The AIIB's PPM does not specify exactly what is a "Project-level Grievance Redress Mechanism," but in the discussions about the PPM at the public consultations I participated in, this referred to a range of things, from hotlines people could call to get in touch with the project's construction company, to domestic courts or tribunals (fieldnotes, February 5, 8 and March 23, 2018). Through this clause, the PPM signals that grievances are not a welcome responsibility of the bank, they are first and foremost the concern of borrower governments and private clients.

Those in charge of drafting the AIIB's PPM justify the document's clause about first using the project-level GRM in terms of sovereignty. When asked to explain their reasoning behind prohibiting submissions that have not first been taken to the project-level GRM, the AIIB's CEIU framed their answer in terms of respecting the sovereignty of the borrower government (or the implementing authority in cases of private loans). The draft PPM noted that, "In considering any submission, PPM will take into account any proceedings filed in local fora and the effect of any of its decisions on local fora to avoid a situation where two contradictory findings may be made. PPM will avoid making any pronouncement on functioning (*sic)* of local courts or tribunals" (AIIB, 2018a, p. 17 at para 79). Put simply, the PPM characterizes the bank as peripheral to the projects it finances. Paraphrasing comments made by the MD-CEIU, the borrower countries own the project, not the bank, and hence the borrower countries have more say over the projects. MDBs should be smaller players in development. In this way, the PPM demonstrates the AIIB's commitment to state territorial sovereignty over project environmental and social risks, including an emphasis on the application of national laws, and non-interference in domestic affairs. Key to this is limiting the bank's own accountability to project-affected peoples.

Conclusion

What is the significance of the AIIB's rescaling of governance in the ways I have described above? I do not deny that the AIIB is the embodiment of a geopolitical shift in global economic governance; one that sees the largest donors of other MDBs without power and a new rule-maker at the helm. But far more important is the shifts in *how* the bank is governed. To this end, the rescaling of governance that I describe in this chapter demonstrates a marked shift in the logics that underpin the bank's operations. It is not a simple one-for-one transfer of power from the US to China; exchanging the preferences and whims of one powerful government for another. Rather, the AIIB's governance and policy modifications are consistent with discourses about non-interference in the internal affairs of sovereign states and of South-South cooperation that envision equal standing to demoralized recipients of foreign aid. Following these logics, what I describe in this chapter points to the possibility for re-imagining how sovereignty is put into practice within international institutions and multilateral fora. Donor shareholders may no longer expect to have the last word on each and every project that goes up for consideration at the bank; and borrowers are being afforded greater discretion over how much and what information to make available in the project preparation stage, and greater control over how projects are implemented. Together, these are a bold reframing of the role of donors within the governance structure of MDBs, and the role of banks in development projects.

While this discussion emphasizes that the AIIB is distinguishing itself from its peers, especially as it pertains to sovereignty, there is still the question of the impact that these new logics are having in practice. Specifically, how does the rescaling of environmental and social governance at the AIIB affect different civil society actors who seek to engage with the bank? That is a question I will address in the next chapter.

Chapter Four: The AIIB's dismantling of transnational advocacy networks

Introduction

The AIIB's third annual meeting was held in Mumbai, India amongst the posh hotels by the water. The bank was not even three years old, but the meeting drew enough government ministers, bankers, contractors, representatives of NGOs, journalists and academics that the panel sessions and meetings were spread across two adjacent hotels and the opera house. It was monsoon season, and navigating the torrential, sideways rain to get from one building to another in my business attire was proving challenging. More frustrating than the weather though was my inability to get access to meetings between NGOs and bank representatives about the bank's environmental and social policies.

These weren't just any meetings, they were the last chance for dialogue and debate between NGOs and bank policy makers about the PPI and PPM before the two documents would be put to a vote by the AIIB's Board of Directors. NGOs had organized "face-to-face" meetings with bank staff in locations across Asia earlier in the year, and I was lucky enough to be invited to attend three of these. I went to a meeting in Manila on the invitation of NGO Forum on ADB; to Beijing to attend a meeting organized by Oxfam Hong Kong; and to Bishkek to join a meeting sponsored by Nash Vek with the support of NGO Forum on ADB.[14] I heard of two other face-to-face meetings - one in Dhaka, Bangladesh and another in Germany – but was not invited to attend either.

[14] See appendix A for a full list of fieldwork sites, dates attended and locations

The meetings were organized according to region. The gathering in Manila was for organizations from Southeast Asian countries; the Beijing consultation was attended mostly by groups from the Mainland and Hong Kong; and the Bishkek meeting brought together groups from across Central Asia. Likewise, I was told that the meeting in Bangladesh was for stakeholders from South Asia. Of course, these were not hard and fast categories. In every meeting there were participants who didn't fit the regional definition, whether it be Japan, Australia and the United States in Manila; or participants from the Philippines in Bishkek. But I was told that for each consultation, the idea was to give groups from the same region the chance to gather their critiques and suggestions and hope that there would be strength in presenting as unified groups (fieldnotes, February 4, 2018).

As for my own participation, I acted mostly as an observer but also sought to help my hosts when asked. In Beijing and Bishkek, I was asked to take notes during the consultations; a task that made sense considering that the meetings were held in English and I am a native speaker. To the organizers and participants of the consultations who had their hands full with translation, facilitation and asking questions, having me take notes freed them to be more engaged in the meeting (fieldnotes, February 8 and March 23, 2018).

When I arrived at the AIIB's annual meeting in Mumbai the following summer, I was keen to learn if and how bank policy-makers might have revised the drafts of the PPI and PPM in response to the feedback they received during the "face-to-face" consultations that I had attended earlier in the year. And yet, my emails asking permission of bank staff in charge of the PPM to attend discussions about the policy went unanswered. I assumed that bank officials had been too busy to respond, or that my request had arrived too late.

The radio silence from the bank may have been more intentional, however. When I arrived at the conference location, one of the organizers of the face-to-face consultations that I had attended told me that the bank staff in charge of the PPM was "not happy" that I had been present at three out of the four in-person consultations held in Asia. When I asked why the representative of the bank was upset, this person told me that the bank director did not like that I had been given access to what he had understood to be 'regional consultations' (fieldnotes, June 25, 2018).

In thinking about why the bank manager considered my participation in face-to-face consultations suspect, his comments about these being spaces for 'regional' stakeholders stuck with me. One interpretation is that the official likened my presence to that of an elite NGO, who he viewed as trying to influence and manipulate the input of "Asian" civil society. From my perspective, this was an unfair characterization of my participation, as it did not take into account that I was asked by NGOs in Beijing and Bishkek to act as a note-taker because it was difficult for some non-native speakers to take notes while also actively engaging in the discussion. The irony is, that if the bank had decided to conduct the consultations in the languages spoken by the majority of participants at those meetings (Mandarin, Russian), I would not have been asked to take notes and their objection to my participation would have been more compelling.

I recount this story at the beginning of this chapter because I think it speaks to the discursive practices used by bank officials to contain organized critique of the bank across space. In the pages that follow, I focus on the ways in which high-level managers at the AIIB position the bank as fully capable of quelling resistance to the projects it finances. I argue that the bank has set up spaces to include civil society organizations in its policy-making processes, but it has gone out of its way to bar these groups from launching campaigns against its projects in the countries in which they are located. While it is not new for MDBs to draw its NGO critics into technocratic policy-making processes as a way to impede resistance, I find that it is using an innovative spatial strategy to weaken the transnational advocacy networks that have been instrumental to resisting MDB-financed development projects in the past. The AIIB divides and disempowers its NGO critics - drawing lines between 'Asian' and 'international,' and 'domestic' and 'external' in the spaces that it has created for civil society participation. In one engagement sphere, bank staff relegate "international," mostly Western, transnational NGOs to spaces for providing input in AIIB environmental and social policy-making processes. In the other realm of engagement, the bank attempts to keep these 'external' organizations from assisting activists and project-affected people in borrower countries from waging campaigns against the projects it finances.

Key to carving up spaces of civil society critique and resistance in this way are the discursive operationalization of arguments for equitable and fair development. Bank managers reject transnational NGOs as representatives of project-affected peoples by claiming respect for the territorial sovereignty of governments of developing countries. This denunciation draws strength from critiques of 'elite' NGOs that crowd out voices from civil society in the Global South and are intimately entwined with US hegemony. In this way, representatives of the AIIB appear to bolster calls for Southern representation within international institutions that have long been dominated by wealthy donor countries. However, upon examining the bank's own treatment of these groups, the bank's claims of raising up organizations of the Global South prove to be disingenuous. Indeed, in its policies, institutional protocols and engagement practices, AIIB managers have found ways to exclude, discount and demean organizations from developing countries. The bank does so by demanding the types of 'expertise' — meaning technical knowledge, transnational experience and financial resources — that are prevalent among transnational NGOs, but which is as yet unattainable for many organizations from developing countries that have shown interest in monitoring the AIIB. In these ways, the AIIB is doing discursive acrobatics in order to delegitimize transnational NGO engagement in project campaigns on one hand, while frustrating attempts by organizations from developing countries to become formidable advocates for the interests of people affected by bank-financed projects on the other.

The role of transnational advocacy networks in resisting MDB-financed development projects

MDBs and the projects they finance were the earliest targets of campaigns about the environmental and social ills of development that relied upon the formation of alliances between actors in the Global South and the Global North.   Keck and Sikkink (1998, p. 2) describe transnational advocacy networks (TANs) as alliances of non-state actors who work together across borders on an international issue, and are "bound together by shared values, common discourse, and dense exchanges of information and services." Although Sociologists rather than Geographers, Keck and Sikkink (1998) highlight the ways that scale, place and space have become pivotal in campaigns to defend human rights, stop the destruction of environments and combat violence against women. The authors use the metaphor of a boomerang to explain how TANs work and the rationale behind them. They argue that activists affected by an issue in a particular place utilize their connections to advocacy organizations, usually among NGOs in the US and Europe who share their values, to put pressure on agents of the state in their own countries. While activists may find themselves with little power in local or national politics, their voices and causes are buoyed if they have allies abroad who bring them international attention. Historically, this has worked among environmentalists and human rights advocates in the countries in which the investors have their headquarters, mainly the US and Europe (Keck and Sikkink, 1998). This international attention, especially from policy makers of economically and politically powerful states, puts pressure on national and subnational government actors to respond to the concerns of locally marginalized peoples and environments. The 'boomerang' pattern through which TANS work activates scale as part of an advocacy strategy that acknowledges the power differentials in local struggles, and responds to them by exploiting international politics and the uneven relations of power between nation-states.[15]

Figure 7: Boomerang Effect (Keck and Skkink 1998)

[15]Keck and Skink's 'boomerang' theory exclusively emphasizes the agency of state actors in international politics and largely ignores the agency of multinational companies and market forces. But at its core their theory is useful as it explains the network dynamics in advocacy campaigns that relate to MDBs. They are still salient, I would argue, because governments are the shareholders of MDBs and therefore have remained primary levers of power in campaigns related to their investments (The advocacy organizations I observed were constantly seeking government ministers to champion their causes within the banks).

MDB-financed projects have been fitting targets for campaigns by TANs because they draw on the lobbying expertise and resources of environmental NGOs in the US and Europe, and because policy makers from those countries hold considerable influence over these institutions through their impact on funding and veto power. Take the World Bank for example, every time the IDA requests a replenishment of funds for its concessional lending operations from the US government, the US Congress has to authorize the capital allocation by passing an appropriations bill into law (Nelson, 2015). This has given the US Congress considerable power over the bank, power which environmentalists have sought to harness in their campaigns about the environmental and social impacts of MDB-financed development projects (Keck & Sikkink, 1998; R. H. Wade, 2002).

The first campaigns against MDB projects started in the late 1970s and early 1980s and focused on environmental issues and the rights of indigenous peoples. The campaign emerged In response to the announcement that the World Bank would finance the Polonoroeste Project, which entailed the construction of a road through a recently colonized swath of the Brazilian Amazon (Redwood, 2002). According to anthropologists who studied the project, the road threatened the lives, livelihoods and culture of indigenous peoples who called that section of the Amazon home (Redwood, 2002; Rich, 1985). Conservation organizations in the US, including the Environmental Defense Fund (EDF), Friends of the Earth (FOE), the Sierra Club and others were also concerned about the project because of the implications for deforestation and biodiversity loss in opening up such a large area of the Amazon for development (Rich, 1985; Sierra Club, 1986).[16] However, the above-mentioned environmental organizations found it difficult to convince people in the US of the urgency and importance of the destruction of

[16]The Polonoroeste project area was comparable in size to California or England.

ecosystems in the Amazon as a stand-alone issue. Environmentalists used vivid language to describe the destruction, marrying environmental issues to those of the human rights of rural peasants and indigenous peoples (Keck and Sikkink, 1998). As Wade (2016, p. 217) argues: "Polonoroeste offered powerful images of palls of smoke, bulldozed trees, blackened stumps. It presented a saga of victims and villains, of immiserized peasants and state-of-nature Amerindians squashed by military governments, rapacious loggers, and multilateral banks."

For their part, environmental NGOs in the US provided their knowledge and resources related to US policy-making processes within the US Congress (especially the ins and outs of World Bank Appropriation Bills, including the committees within the House and Senate that bill had to get through; the Congresspeople who sat on those committees; and whether or not they might be sympathetic to the concerns of the environmental NGOs), and connections to media in the US (Keck and Sikkink, 1998; Wade, 2016). These NGOs were able to capitalize on their relationships with members of Congress who took issue with the World Bank over how it used its funds. As a result of their lobbying, US Congress held 17 hearings about MDBs and the environment between 1983 and 1986 alone (Keck and Sikkink, 1998, p. 139), giving them a near constant stage through which to make their case, and giving them significant say in the environmental conditions that US lawmakers would eventually impose on the banks as conditions when they signed new appropriation bills for the IDA. In the case of Polonoroeste, this included the stipulation that the local government in Brazil put an NGO representative on the local oversight committee in charge of the project (Keck and Sikkink, 1998).[17] By marrying the powerful imagery of sympathetic indigenous peoples with the resources and policy advocacy

[17] Although that person's influence was hampered by local government and the bank managers, exposing the limits of shareholder power.

strategies of environmental NGOs in the US, the alliance of indigenous peoples in the Brazilian Amazon and policy and media-focused environmental NGOs in the US successfully grabbed the attention of the World Bank's Board of Directors and members of the Rondonia subnational government in Brazil. They forced the bank to suspend disbursement of some of the loan on the basis of environmental and social risks. It was the first time in the bank's history that payments were suspended for those reasons (Wade, 2016).

Similar campaigns followed, especially after the Mott Foundation funded a coalition of environmental NGOs to campaign on MDB-financed projects starting in 1986 (Keck and Sikkink, 1998). These collaborations produced campaigns not only against the Polonoroeste road project in Brazil, but also a transmigration project in Indonesia, the Narmada dam project in India and a cattle ranching project in Botswana, all of which were documented in a report produced by the Sierra Club (1986) called "Bankrolling Disaster".

In light of these transnational campaigns that brought visibility to place-based struggles beyond the subnational or even national scales, MDB ideas about how to address environmental and social risks of projects began to shift. In 1987, Richard Constable, then President of the World Bank, publicly announced that the bank had made "missteps" when it came to Polonoroeste, and that it would no longer finance "integrated rural development" projects that so egregiously mishandled the risks to environments and indigenous peoples (Park, 2010; Redwood, 2002). The transnational campaigns have been credited with moving the World Bank to adopt the principle of 'do no harm' and spread it to other MDBs (Park, 2010). Safeguard policies followed, with the World Bank adopting EIAs into its pre-project evaluations and the IADB pioneering the first policy for the protection of indigenous peoples (Nelson, 2015). Others have credited the campaign against the Narmada Dam in India, which saw thousands of people involuntarily resettled to make way for a large hydropower project, as an important catalyst for the creation of the World Bank's Inspection Panel (Clark et al., 2003; Fox & Brown, 1998). The Inspection Panel became the first grievance mechanism set up by an MDB, or any investment bank for that matter, and paved the way for IAMs across other banks, including those making loans for project finance in the private sector (Putten, 2006).

Tensions between policy reforms and project impacts

As these examples of the windfalls from the Polonoroeste Project make clear, this was an important case that led to policy change within the bank. It was the first step in bringing about the ideas of "environmental sustainability" and protections for indigenous peoples into the discourse and developmental paradigms of the major MDBs (Wade, 2016). But the rhetoric of policy reforms were not reflected in the lived experiences of those who daily felt the impact of that project. The situation for indigenous peoples living in areas across the project site did not improve in light of the international attention. Although international pressure did compel the World Bank to temporarily suspend its loan disbursements and the Brazilian government to institute a series of changes to supposedly mitigate the potential for negative impacts, one advocacy organization for the protection of indigenous peoples wrote in 1986 that "the situation remains a tragedy" (Schwartzman, 1986). The report went on to describe uncontrolled migration far beyond the numbers estimated by the bank and Brazilian authorities; poor enforcement and legal recognition of demarcated zones for indigenous peoples from illegal loggers and a failure to create sustainable agriculture for the settlers who the project wooed to come from other part of Brazil (Schwartzman, 1986).

The discrepancy between the policy changes associated with NGO advocacy on one hand, and the failure to achieve tangible remedy or recourse for affected peoples on the other, raises an important and persistent issue with campaigns over MDB-financed projects, and in global governance and development practice more broadly: to whom are MDBs (and international institutions) accountable, and for what? While MDBs have adopted the language of 'sustainable development' and a 'pro-poor' agenda called for by NGOs, the projects they finance often fail to meet their stated development goals and may even exacerbate inequalities between global elites and the world's poor. This tension between policy and practice also informs the establishment of environmental and social policies at the AIIB.

Some view NGOs, particularly in the Global North, as complicit in the enduring power asymmetries between 'developed' and 'developing,' or Global North and Global South. With respect to multilateral development finance, many have taken issue with the intimate relationship between NGOs in the Global North and the donor governments of MDBs. Wade (2002) shows that US NGOs enjoy a privileged position within the World Bank because of their close ties to members of the US Congress. This is because the US Congress uses its 'power of the purse' to influence decisions about policies, particular projects, and governance (as shown through its veto power) (Nelson, 2015). And as cases like Polonoroeste highlight the limitations of campaigns that emphasize policy change rather than remedy and recourse at the project level, many have come to view NGOs that largely hail from the Global North and work for policy change as harming the interests of place-based struggles. Goldman (2005) argues that, through their engagement with bank priorities and logics, NGOs have become key sources of legitimacy for multilateral financiers. Furthermore, NGOs that choose to work on the 'inside' – engaging directly with the institutions and structures of power they seek to change – have become more technocratic in their approaches and limit their advocacy to measures that are in accord with dominant neoliberal paradigms (Hopewell, 2015).

Along with these accusations of complicity in perpetuating hierarchies between rich and poor countries are concerns that NGOs can promote "undemocratic accountability" if they are beholden to elites within government, big business and major donors rather than the marginalized groups whose causes they purport to champion (Bebbington et al., 2008; Scholte, 2011). This argument is especially salient when discussing 'reformist' NGOs (Scholte, 2004) who participate in ritualized, perfunctory consultations that produce little policy change (Scholte, 2011, p. 7). Implicit in these critiques are issues of legitimacy and representation: What is the basis for NGOs to claim to represent local project-affected peoples and environments, especially if they are in contest with locally elected officials? This raises the issue of power hierarchies across TANs, which persist even across justice-oriented networks that strive for horizontality (Cumbers et al., 2008; Juris, 2008; Routledge, 2003). In light of these power asymmetries, critics argue that NGOs 'flatten' ideas about who civil society actors are; crowding out other voices of the Global South (Chandhoke, 2002, 2009). Thus, some have called for a new 'epistemology of the Global South' to replace 'international norms' and 'universally shared values' that over simplify and singularize movements for change and ignore non-Western forms of knowledge and practice (Santos, 2012).

While power asymmetries persist within TANs and lead to serious issues of representation and perpetuation of the status quo, the terrain of struggle over development projects has shifted since the rise of transnational campaigns during the 1980s. For example, a linguistic study of the

World Bank's portfolio found an overall decline in reports mentioning lending for "concrete" infrastructure projects on the whole between 1996 and 2012 (Moretti & Pestre, 2015). I argue that this demonstrates that advocacy that includes 'elite' NGOs can and does have an impact on place-based struggles. The fact that MDBs have been deterred from financing certain types of controversial projects in turn may have eliminated the rise of some place-based struggles. On the other hand, the steady decline in public financing for physical infrastructure is also a factor in the rise of alternative financiers, especially sovereign lenders from middle-income countries like CDB or China Exim Bank. I draw the reader's attention to this because it highlights that advocacy NGOs do have an impact on the ground even as they have become increasingly technocratic. And even as the World Bank and other traditional MDBs did for many years draw down their financing for infrastructure projects, other banks have been ramping up their investments in those sectors. The AIIB is explicit in stating that it is "filling the gap" in Asia's investments in infrastructure, but it is much less clear how it will address the environmental and social risks that contributed to the decline in MDB spending on infrastructure in the first place.

In summary, TANs emerged as a source of transnational leverage for place-based groups in their struggles against neoliberal infrastructure and development projects. As the examples of the Polonoroeste project and other MDB investments demonstrate, transnational advocacy networks have successfully exploited the 'globalist' sovereignty regime of the US state and its wealthy allies to compel the national and subnational governments of MDB borrower countries to account for the risks of development projects on marginalized peoples and environments. However, the reforms that emerged from such campaigns have not always - or even mostly - delivered restitution to place-based struggles. This highlights a fundamental critique of transnational advocacy that functions in the context of US hegemony: that power asymmetries between NGOs of the Global North and place-based struggles of the Global South are endemic, and this raises concerns about representation and accountability that are on-going points of tension between actors working across transnational networks. Still, the impact of transnational advocacy on MDB-financed neoliberal development projects cannot be reduced to a single story line. While power asymmetries characterize the relationships between 'elite' NGOs and place-based struggles of the Global South, there is also evidence that indicates an overall shift among major MDBs away from financing the most controversial and locally contested projects, chief among them physical infrastructure investments. This discussion highlights that the record is mixed about the implications of TANs on place-based struggles.

At the same time, the emergence of 'alternative' financiers like the AIIB further complicates this picture because of the tensions that exist between adhering to the international economic order that has facilitated transnational advocacy strategies and the introduction of the Westphalian concept of territorial sovereignty into the governance of environmental and social risks. Below, I discuss how the AIIB is navigating these tensions. I argue that, despite gestures towards 'civil society engagement' in response to early critique, AIIB policies and rhetoric, which are based on a territorial concept of state sovereignty, seek to create barriers between 'elite' NGOs and place-based struggles. Rather than support the empowerment of citizens of borrower countries and project-affected peoples, early evidence suggests that these reforms in fact cut off place-based struggles from resources and expertise necessary to maneuver the broader relations of hegemonic economic power in which the AIIB has chosen to operate.

NGOs descend on the AIIB

The advocacy networks and strategies used towards MDBs by environmental organizations and critics of development finance that I describe above have proved influential at the AIIB. NGOs experienced with monitoring the environmental and social risks of development finance were the first organizations to show an interest in the AIIB, and helped draw attention to opaque policy-making procedures that the bank later became more transparent about. The NGOs who participated in this early advocacy towards the AIIB built on their existing networks and expertise to challenge the bank.

One example of how communities of 'bank watchers' mobilized in the early days of the AIIB was by participating in its annual meetings before the bank had approved even a single loan. At the AIIB's first annual meeting (AGM), held in Beijing during summer 2016, some of the most recognized organizations advocating for better environmental and social protections within institutions of development finance were present; and they used the opportunity to not only introduce themselves to the bank's small staff, but also to put those staff on notice that they would be on the bank about the kinds of environmental and social safeguards they had pushed for at other MDBs.

Participants in the meeting were a who's who of the MDB and development finance watchdog community: Representatives of Greenpeace-East Asia and The Nature Conservancy (TNC) spoke on one of only two plenary sessions held by the AIIB during the inaugural annual meeting; high-profile critics of MDB-financed development from NGO Forum on ADB, Bank Information Center, BankWatch, Friends of the Earth-US and others asked pointed questions from the audience, which was full of government finance ministers and media; and many other groups from across the globe shared thoughts about the bank in NGO gatherings on the sidelines of the AGM (fieldnotes, June 26, 2016). Collectively, these organizations brought decades of experience with MDB technical processes and campaigning to the room, signaling that the newest MDB would not fly under the radar of environmental, health, labor or gender rights advocates.

At the AIIB's inaugural AGM and the three subsequent meetings that I attended, NGOs raised issues such as transparency and accountability across bank operations, especially by the Bank's project managers, the Policy and Strategy Department and the Compliance, Effectiveness and Integrity Unit (CEIU); sensitive topics such as land acquisition and involuntary resettlement, financial intermediaries, and climate change; and 'dodgy' projects that exemplify the dangers of policies that fail to reign in these problems.[18] They set up listservs and organized strategy meetings; they made contact with as many bank staff and country representatives as they could get introductions to; and they wrote open letters to bank management when they saw bank staff trying to push through environmental and social standards and related policies without the input of civil society in Asia and the AIIB's donor countries (fieldnotes from email listserv, August 28 and 29; September 2, 3 and 4, 2015).

Initially, environmental advocates and critics of development finance institutions were caught off-guard by the early push to form the institutional-building blocks of the AIIB, including those pertaining to environmental and social risks (fieldnotes from email listserv, August 28 and 29; September 2, 3 and 4, 2015). In response, civil society organizations active in monitoring other

[18] See Appendix A for dates and locations of AIIB annual meetings.

MDBs and Chinese financial institutions quickly mobilized as watchdogs of the AIIB. They organized channels to share information with each other (fieldnotes, June 27, 2016); figured out the Secretariat staff in charge of the environmental and social policy-making (fieldnotes, June 28, 2016); raised critical questions about issues such as involuntary resettlement, climate change and financial intermediaries at bank meetings (fieldnotes, June 26, 2016); and gave unsolicited recommendations about the bank's policies, including the ESF, interim policy on information disclosure, the complaints handling mechanism and the policy about lending to projects in the energy sector.[19]

This vocal contingent of organizations were later able to demand that the bank pay attention to their concerns in subsequent versions of the ESF and related policies. Their successes in organizing consultation processes in four locations across Asia and in Europe speaks to their ability to coordinate across geographic regions and peoples with different interests and leverage over the bank. In other words, right from the start, transnational advocacy networks have been a key feature of pressuring the AIIB to pay greater attention to many of the environmental and social issues that are contentious at other MDBs.

Transnational Advocacy Network Dynamics and the AIIB

To NGOs, working as a network helps them share skills and resources, especially as less experienced groups from the countries that the AIIB has deemed "legitimate" representatives of project-affected peoples and "stakeholders" in the bank are being expected to have a

[19] At least seven NGOs submitted comments about the ESF to the AIIB between September-October, 2016; at least five organizations provided comments about the Energy Sector Strategy between 2016-2017.

sophisticated familiarity with bank processes; and that the groups with greater expertise, to an extent, share their knowledge and train the greener groups.

One example is the mobilization that happened around the ESF as it was being drafted and shared with the AIIB's shareholders. The NGO Forum on ADB, a Manila-based network of organizations based in Asia that was established in 1991, created a listserv for "bank watchers" to share information about the new institution (fieldnotes, June 24, 2016). Members of this listserv shared with each other real-time updates about the AIIB as it set up its Interim Secretariat (fieldnotes, September 15, 2015 and June 28, 2016). Groups also used an online platform to alert others in their network as the ESF was drafted and passed among the bank's shareholders; ensuring that it would not be finalized without input from civil society organizations (fieldnotes, September 11, 13, 14, 15, 2015). One participant in this listserv shared the unreleased draft of the bank's ESF (fieldnotes, August 28, 2015), while others sent a request for signatories to an open letter to the bank calling for public consultations about the document (fieldnotes, September 4, 2015). When the AIIB did announce consultations about the draft ESF with just days' notice, the news was spread through this platform in the hopes of generating as much interest and input in the process as possible. And after the short series of consultations took place, listserv participants shared their summaries and reflections upon those meetings so they could all be aware of the issues being raised and the bank's responses (fieldnotes from email listserv, August 28 and 29; September 2, 3 and 4, 2015). While these organizations did not successfully manage to change the language of that earliest version of the ESF, the bank set aside 60-day comment periods for later policies, including the Policy on Public Information and Project-affected Peoples Mechanism. Therefore, their efforts did compel the bank to take notice of their concerns, which set the stage for more significant engagement and targeted pressure.

The AIIB's performative inclusion of civil society organizations

The AIIB has adopted the language of inclusivity and engagement when it comes to interactions with civil society organizations; including those NGOs and activists who are its most vocal critics. Bank executives make proclamations of its friendship and partnership with NGOs (fieldnotes, June 18, 2017); they hold consultations to get feedback about draft policies (fieldnotes, February 5, 8, and March 23, 2018); organize dialogues between CSOs and some of the bank's top executives (fieldnotes, June 18, 2017; June 25, 2018; and July 13, 2019); and give some NGOs a platform to raise awareness about the issues they advocate for across the bank's network of development finance professionals and investors (fieldnotes, June 17, 2017). But similar to other MDBs, these gestures are superficial, conditional on what it deems as appropriate behavior, and limited to policy-making processes but exclusive of tangible projects.

Early in its existence, the AIIB adopted a friendly and welcoming disposition towards civil society organizations, At the AIIB's second AGM, held on Jeju island, Korea during the summer of 2017, President Jin spoke to a ballroom of about 40 representatives from various NGOs about the important role they played within the emerging institution (fieldnotes, June 18, 2017). He cast his audience as friends rather than adversaries: acknowledging the often contentious relationship between staff of MDBs and NGO representatives, but highlighting this as valuable to the proper functioning of the bank.

> *"You are our partners. You are our friends. You are our supporters. And sometimes you support us with very critical comments. That is something which we need. We may not agree on each and every thing, but your critical comments on what we do will be very important for us to help us keep cool-headed; to help*

> *us understand that there are difficult issues to address…I can assure you, I can understand only by working with you will it be possible to maximize our development impact and minimize mistakes, errors and troubles. This is our solemn commitment…We have a very good team. I think a striking feature is that all of us are willing to listen. We touch the ground, we understand how important it is to promote the broad-based economic and social development. We know no institution is perfect, but as long as we are willing to listen, willing to correct our mistakes, we are willing to change we can do the maximum in achieving the common objective. So, my words I would just like to assure you I am your friend." - AIIB President Jin Liqun, Jeju, South Korea* (fieldnotes, June 18th, 2017)

In his remarks, which he repeated almost verbatim at more than one meeting with CSOs (fieldnotes, June 18, 2017 and June 25, 2018), President Jin hinted at the decades-long struggle waged by CSOs to reform the development practices and outcomes of MDBs. He presents himself, his executives and the bank more generally, as open and willing to take criticism. But cognizant of experiences at other MDBs, he is also careful to point out that the bank will make decisions that CSOs disagree with; that they will listen to CSOs, but not necessarily make any promises to act on their grievances; and the assumption is one of a "common objective" to "maximize our development impact" and "promote the broad-based economic and social development," but does not acknowledge that different civil society actors have very different notions of what "development" looks like.

One very public way in which the AIIB performs its enthusiasm for MDB norms about civil society engagement is through sharing their highly visible platform with select NGOs. Again, the bank's annual meetings are the venue for these acts of inclusion (fieldnotes, June 26, 2016). The two-day meetings are filled with plenary sessions on themes such as "Energy Infrastructure", "Digital Connectivity" and "Regional Connectivity between Europe and Asia." These sessions may feature one of the bank's own economists, investment officers or social specialists, but they also include a host of invited speakers from government, business, intergovernmental organizations, and in a small handful of instances, NGOs (fieldnotes, June 26, 2016 and June 17, 2017). These sessions are open to anyone who has registered to attend the conference, regardless of the grouping listed on their badge. For NGOs, these sessions are one of the only spaces at the conference to be together with people from business and government and so presents the opportunity to get out messages from their organizations to a broad audience of development finance professionals. In the four years that I attended the AIIB's AGMs, the bank invited one or more representatives of NGOs to speak each year. The first year it was a campaigner from Greenpeace - East Asia who previously had a career at an investment bank and was suggested by the AIIB's interim Chief Financial Officer, who was a former VP at Morgan Stanley (personal communication with Calvin Quek, June 30, 2016). He spoke mainly about the need for MDB investments in renewable energy projects. Another year, someone from The Nature Conservancy (TNC) in Washington, DC was invited to talk on a panel about energy infrastructure. To the dismay of some environmental advocates in attendance, this person largely advocated for the bank's mission of connectivity rather than using the platform to critique the draft Energy Sector Strategy, which was of major concern to environmentalists because it did not rule out financing for fossil fuel or large-scale hydropower projects (fieldnotes, June 19, 2017). Other organizations had made desperate pleas to TNC staff the night before this panel, trying to convince them to critique the ESS, but to no avail (fieldnotes, June 16, 2017). These examples show that the bank is savvy in terms of the politics of its engagement with CSOs. It shared its platform in very public parts of the meetings, demonstrating the qualities of transparency and inclusivity that MDBs often purport to be. At the same time though, the bank selected only those civil society actors who spoke about the importance of renewable energy and connectivity and steered clear of any discussion about long-standing critiques of MDBs, such as their role in aiding the destruction of ecosystems and marginalized peoples.

The bank reportedly invited a speaker from an organization in Bangladesh during the second annual meeting in 2017 which was a riskier choice than the speakers from either Greenpeace-East Asia or TNC, except that fear of government retaliation kept this person from attending. This person would have spoken about the issues with resettlement going on in a controversial project being financed by the AIIB. The NGO Forum on ADB had pushed the AIIB to invite this person, and when the bank actually followed through it was a pleasant surprise to members of their network (fieldnotes, June 18, 2017). However, the person decided not to attend because of fear of retaliation against them and their family by authorities in their home country. One perspective on this is that the AIIB welcomed critique and was being reflexive about its projects. But when this is considered alongside its policies that put more control in the hands of local authorities, a grimmer picture emerges. The bank instead appears as one that is willing to hear out its critics in certain circles, but does so carelessly, without consideration of the repercussions that person may incur at home. Ultimately, the person's decision not to attend spoke to her lack of confidence in the AIIB to protect her from government retaliation if she did.

President Jin's remarks are indicative of not only the bank's framing of their relationship with NGOs as partners working towards the same goal, but also the form that engagement takes. The bank has established certain spaces for engagement, but the rules around how and when those conversations happen are fairly rigid. For example, President Jin's speech that I quoted above took place during a "Management-CSO Dialogue" session at one of the bank's annual meetings; a session that was exclusively for meeting attendees who had registered as a "CSO" or "NGO" (Fieldnotes, June 18, 2017). Although, as my attendance suggests, it was possible to skip by the gatekeepers or ask for special permission to enter, but not without effort. As far as I saw, few attendees from industry or government attended these sessions, with the notable exception of the time when members of a French Chamber of Commerce went to the trouble of registering as a CSO and then dominated the microphone for one-third of the meeting in order to introduce himself to President Jin and praise China's Belt and Road Initiative (Fieldnotes, June 18, 2017). Whether by design or by indifference, these sessions had the feel of being closed-door.

The "management-CSO dialogues became a regular feature of the AIIB's annual meetings starting with the meeting in Korea, but despite its name, this is not a venue for back-and-forth conversation about substantive issues. The questions are pre-screened and filtered by the bank's Communications Director, who acts as the facilitator; and the high-level VPs who participate in these meetings on behalf of the bank seldom have direct knowledge of specific projects. On occasions when someone from the audience would ask a pointed question - for example, about involuntary resettlement ahead of a hydropower project in Georgia (fieldnotes, June 18, 2017), or before a tourism sector development project in Indonesia - bank communications staff would move quickly to intervene, telling the person who asked the question, "this isn't the time to talk about specific projects. We have a lot of questions and we want to be able to get to them all" (fieldnotes, June 25, 2018). If the Communications Director did not intervene fast enough and one of the VPs or the President was put on the spot, the answer was invariably some version of “that’s the best we can do,” or “we’ll look into it.” As such, these meetings are ‘dialogues’ mostly in name rather than substance.

While anyone with an “NGO/CSO” badge can attend the hour-long CSO/Management dialogue at the AIIB’s annual meetings, most NGOs busied themselves trying to get smaller private meetings with bank staff who they could have a real back-and-forth conversation with (fieldnotes, July 12 and 13, 2019). Private meetings with bank Project Managers who directly oversee the implementation of the loans were the most difficult to arrange.

With some maneuvering NGOs were sometimes able to get one-on-one or small group meetings with bank staff to discuss a particular issue in greater depth. For example, to discuss a specific policy like the Energy Sector Strategy; or an issue like environmental and social risks associated with using financial intermediaries, or about a particular project like the Myingyan Power project in Myanmar that raised red flags in the eyes of environmental and human rights advocates (fieldnotes, July 12 and 13, 2019). But only a select few seemed to have the clout to get one of these meetings, and doing so required intense relationship-building premised on the notion of ‘helping’ the bank (fieldnotes, July 12 and 13, 2019). One representative of an NGO who enjoyed better access to bank staff told me that he was helping the bank “behind the scenes” to get certain government delegations on board with the bank management’s agenda on renewable energy (personal communication, June 30, 2016). Others were able to provide the bank with their field research about how controversial projects were being implemented on the ground (fieldnotes, June 25, 2018).[20] But there could be consequences should someone from one of these

[20] The AIIB does not have country offices, so regular information about the projects it finances must come from its government or corporate clients, which are not incentivized to divulge information that paints them in an unfavorable light.

chosen organizations become outspoken in their critique. One representative of an NGO told me that an unnamed source at the bank had gotten word to her organization through a third party to warn her that if she became confrontational during a one-on-one meeting with bank staff again, they would "throw comms in front of them," meaning the bank's communications support staff (fieldnotes, June 27, 2016). Another participant from an NGO told me that they cc'd their bank contact on every email that their organization sent to anyone at the bank, regarding anything at all, because it made their messages harder to ignore. "They respond to us," this person reflected, "but not everyone gets the same treatment" (personal communication, September 27, 2016). It is no surprise then that those who were able to cultivate close working relationships with bank staff felt protective of them.

By and large - and as the quote about 'throwing comms in front of them' alludes to - those I spoke with from NGOs viewed the small handful of staff from the Communications Department, environmental and social specialists and the CEIU as their handlers, charged with making them feel heard, but keeping them from the real decision-makers. One representative from an NGO, after a particularly frustrating day, told me that the bank's ESF specialist may look jolly with his bushy white beard, but underneath he had "dead eyes," and that he couldn't have lasted four decades helping MDBs avoid taking responsibility for environmental and social impacts if he had a soul (fieldnotes, June 26, 2018). Harsh words aside, this person was angry because she had asked for a meeting with the manager of a project that her and her team had spent months investigating. They wanted to raise concerns about human rights violations, corruption and environmental destruction concerning a particular project, and felt it was urgent and not just a policy issue. The AIIB's ESF expert had turned down her request, using the excuse that project managers would not be attending the AGM that year. She later found out that this was a mistruth, that the project manager she had inquired about was in fact at the meeting. Her comment about the coldness of the bank's ESF expert was a response to the gatekeeping that she and many other CSO representatives were subjected to.

All of this made the representatives of NGOs and CSOs with whom I spoke skeptical of the bank's talk about partnerships and common objectives. Instead, and similar to engagement with civil society at other MDBs, what I saw and heard demonstrates the sort of performative inclusivity and disciplining that others have written about in the literature regarding the institutionalization of NGO participation in global economic governance (Hopewell, 2015). MDBs and other institutions may be increasingly open to NGOs, but it comes in superficial forms and is limited to technocratic interventions.

The elisions, distortions, superficiality and gatekeeping that I describe above is the status quo in engagement between MDBs and their critics among civil society. The AIIB has accepted MDB norms about civil society engagement. They hold the special sessions at their annual meetings; they invite feedback on drafts of their policies, and they share the stage with a select few of these groups; lending their spotlight to get messages like the need to ramp up investments in renewable energy to audiences in the broader investment and development finance sectors. But these norms have never been about fundamentally changing development, about making local stakeholders owners and equal decision makers, and the AIIB's engagement processes are not different in that regard.

Hindering Resistance by Exploiting the Politics of Time and Space

While the AIIB has quickly signaled it would follow many MDB norms regarding civil society engagement through its show of inviting collaboration and shared goals, the bank has also worked to limit NGO involvement in place-based resistance to bank-financed projects. In my observations, the bank's actions to limit NGO campaigning at the project level can be explained according to both temporal and spatial logics. In terms of a temporal rationale, the AIIB's policies exploit the timing of the project cycle to prevent local affected peoples from having time to understand and organize a campaign of resistance. Furthermore, once a project is in the implementation stage, the AIIB's policies do not require temporarily halting construction if the bank finds credible accusations of harm against it, thus diminishing the chances that the project will be canceled. Other Bank policies and actions to foreclose NGO involvement at the project level work according to a spatial logic of dividing TANs. The bank's policies make it more difficult for transnational NGOs to assist project-affected peoples, hindering the kinds of transnational connections on which successful campaigns against development projects have been executed in the past. The sidelining of NGOs, especially from the Global North, is done under the guise of empowering actors from the Global South.

Politics of Time

Timing is a delicate and sensitive matter when it comes to the project cycle. To banks and their clients, timing can be the difference between being under or over budget, and borrowers view it as an indicator of the hassle associated with doing business with an MDB. Recall from chapter two Chris Humphrey's (2015) description of the 'hassle factor,' which is that lengthy loan approval processes, financial costs and bureaucratic environmental and social requirements were three of the top complaints among the borrowers of MDBs. Part of being different from traditional MDBs, which is to say being "borrower-friendly," means taking steps to do away with the bureaucracy and the lengthy wait times that these institutions are notorious for.

Timing is also important to those who object to or resist these projects. Stuart Kirsch (2014) has shown in his study of the relationship between a multinational mining company and its adversaries in communities surrounding the OK Tedi mine in Papua New Guinea, that timing determines the demands that project-affected peoples and activists can make and the leverage they have. If affected peoples and activists are able to 'get out in front' of the project then they have the greatest flexibility and leverage in terms of the changes they demand. For example, if the project is in the pre-approval stages (identification, appraisal, negotiation), then they can demand that it be canceled. But the more money and energy the bank and corporate owners sink into a project - moving from due diligence reports and E/SIAs to breaking ground and throughout construction - the less leverage the project's critics have. If the project construction is well underway, the most activists can hope for is compensation for their losses, or reclamation of their land.

Kirsch (2014) writes about mining projects, but a similar politics of time is at play in campaigns targeting MDBs and the projects they finance. Namely, project-affected peoples and activists hold the most leverage before the bank has disbursed any of the loan money. Once monies are released to the client, the bank loses much of its sway over the borrowers. Typically, loans are disbursed incrementally in tranches that are triggered when a stage of the project has been completed (AIIB, n.d.-f), so the further along in the project cycle, the more inclined the bank will be to keep the project going, even if it is met with resistance from local affected peoples and activists.

The managers of the AIIB and their NGO adversaries are well aware of the ticking clock of the project cycle and how it affects the power they can or cannot exercise. In dialogues that NGOs had with the Managing Director of the CEIU, campaigners tried to persuade the AIIB's IAM to extend the period during which affected peoples could file a complaint about a project with the bank to two years after the completion of construction. However, the MD-CEIU argued that it would be practically impossible to enforce because the borrower would have already received the loan money in full and would have little incentive to comply with the bank's demands (fieldnotes, February 8, 2018).

The Bank's choices about when to disclose information to the public in its policies go beyond practical considerations, however. The bank's policies also use their knowledge about the timing of the project cycle to preemptively stave off resistance by project-affected peoples and activists. Examples of this are apparent in both the AIIB's Policy of Public Information (PPI) and the Project-affected Peoples Mechanism (PPM). Although the AIIB's Articles of Agreement and Environmental and Social Policy (ESP) require information disclosure to project-affected people, other stakeholders and the general public (AIIB, 2016b para 57 and 58, n/d Article 34(4)), the conceptual basis of the PPI give the AIIB's clients significant flexibility in terms of when and what it releases. The AIIB describes its PPI as "principles-based," "events-based" and "interest-based"; all of which can be viewed in contrast to 'time-bound" and "list-based" disclosure. "Time-bound" refers to set time frames in which a bank must release certain types of information to the public, and is something that the World Bank, ADB and other MDBs have committed to (Bank, 2018; World Bank, 2002). Time-bound disclosure relates to information such as short summaries of projects, that are released during the initial project identification or preparation stages, or environmental and/or social impact assessments during the project appraisal stage. For example, the NGO Forum on ADB suggested to the AIIB that it require a 120-day period for people to comment on EIAs, resettlement plans, indigenous peoples plans, and other social impact assessments (fieldnotes, February 5, 2018). This is particularly important, the organization argues, during the pre-project approval phases, "in order for local communities to make their requests in the project design and ensure the least adverse impacts and ensuring social and environmental safeguards" (fieldnotes, February 5, 2018). But AIIB policy-makers disagreed, offering no set timelines for the release of project information. Instead, they stipulated that the bank requires its staff and clients to release information triggered by "certain events" in the project cycle. For example, releasing the client's environmental and social documents prior to the appraisal review stage, or sharing the Project Document after the Board or President's approval (fieldnotes, February 5, 2018). At the same time, there is no explanation of the AIIB's project cycle in the PPI or ESP. Furthermore, the emphasis on "interest-based" disclosure does not require the bank to provide a specific list of documents which it must or must not disclose to the public (rather, it decides on a case-by-case basis if making each document related to the project would harm its own, or its clients financial or other interests). Without a clear sense of what the various stages of the project cycle are, the minimum length of time each is allocated, and what documents they should be looking for, project affected peoples and activists are left in the dark when it comes to understanding the ramifications of a project in the precious pre-approval stages.

A statement released by the bank when it released the final version of its policy explained one of the major reasons for taking this approach. In their words, this approach "facilitates the AIIB's role as a preferred investment partner by enabling the bank to protect the legitimate interests and so command widespread stakeholder confidence" (AIIB, 2018b). This statement, with its emphasis on being "a preferred investment partner" and protecting the "legitimate interests" of its clients, signals to the AIIB's borrowers that the bank intends to grant them greater flexibility in terms of when environmental and social documents and other sensitive or contested information need to be released, and that the borrower-friendly bank management will have greater discretion over which documents shall be made public at all.

Another example of how the AIIB's policies use the timing of the project cycle to advantage their borrowers and hamper criticism of projects on the ground is evident in how its PPM deals with complaints. Specifically, the PPM states that the borrower need not halt activity on a project in the event that a complaint submitted to the bank's complaints handling mechanism is deemed eligible. According to the PPM, "The fact that a submission has been found eligible shall not affect ongoing Project preparation or implementation. The review by the PPM of an eligible submission shall not prevent Management from addressing the issues it raises directly with the Requestors or the Client. During its review, the PPM may consider actions taken by Management to address issues raised in the submission" (AIIB, 2018e para 7.1). This means that even in the event that the bank is investigating possible or already-occurring negative material impacts, the borrower is allowed to proceed with the project. From the perspective of the bank and its borrowers, this clause offers assurance that the project will not be held back by environmental and social regulations that are so loathed by clients and some staff of other MDBs. But for local affected peoples and activists, the forward march of the project forecloses certain avenues of recourse, increasing the likelihood that they will be calling for reclamation and remedy rather than prevention of negative impacts.[21]

The PPM further stipulates that a failure of the client or the bank's project managers to notify people about the existence of either the bank's PPM or the client's project-level grievance redress mechanism requires the sort of bureaucracy that the bank has sought to do away with for its clients. Specifically, a person must bring the issue to the attention of the Complaints resolution, Effectiveness and Integrity Unit (CEIU), who in turn must notify in writing the management, followed by the President, and finally the Board of Directors. This must be done sequentially, such that the CEIU will only notify the President if they receive no response from management within an unspecified amount of time. And while such a request may get lost in the abyss, there is no protocol for informing all three levels at once, nor a responsibility to make any part of this process public (fieldnotes, February 5, 8 and March 23, 2018). Thus, the irony of these stipulations in the PPM is that it potentially has the effect of slowing down the process of holding the bank accountable, even as it espouses the need to be more efficient and cut down on bureaucracy. This clearly is a measure that aligns with the interests of borrowers rather than the principle of efficiency more broadly.

In these examples from the AIIB's PPI and PPM, we see how policies have been crafted in such a way as to privilege the forward motion of projects over concerns about transparency and accountability; stipulations that borrowers are likely to look on with approval, while project critics see leverage they may have had slip away.

[21]In practice IAMs rarely are useful avenues to hold the project accountable, in large part because allegations of harm are limited to the bank rather than its clients. One could argue that forbidding project stoppage in the face of eligible grievances will therefore affect very few projects. But one could also argue that for the handful of projects that are deemed eligible, this is important.

Politics of Space

The AIIB has also made efforts to discourage resistance to the projects it finances by exploiting the understanding that bank officials have of the spatial dynamics of transnational advocacy. First and foremost, the AIIB's PPM stipulates a near-ban on project-affected peoples receiving assistance from transnational NGOs to submit complaints to the bank about projects. This is reflected in the PPM's rules for being eligible to file a grievance with the bank's independent accountability mechanism (AIIB, 2018e clause 4.3.2). Clause 4.3.2 refers to the types of complaints that are permitted, and who is allowed to make the submission. It states that direct submissions by the persons who are "potentially or actually adversely affected by the Project" are preferred, but they may also submit "with local assistance." When asked what "local" referred to in the context of eligibility to file complaints, the bank's MD-CEIU replied that it meant national and sub-national groups; which is not restricted to the "project area of influence," but does not include international or foreign organizations (fieldnotes, February 8, 2018).

It is only "in exceptional cases" when people who want to file a grievance to the bank can do so with "nonlocal assistance." In order to demonstrate an "exceptional case," the claimants must prove that "adequate local assistance for filing a request is not available" and it must be "adequately justified by the affected persons at the filing of their submission" and "endorsed by the PPM," which, in effect, means that approval is at the discretion of the bank's MD-CEIU (AIIB, 2018e clause 4.3.2 para 15 and 16). This was seen as problematic by NGOs at all three of the consultations I attended, in no small part because they viewed the AIIB's MD-CEIU to be "pro-management" rather than "pro-people" or "pro-user." They did not trust the MD-CEIU to make decisions about nonlocal assistance (or anything else) in the interests of project-affected persons (fieldnotes, February 5, 8 and March 23, 2018).[22]

Why is assistance in filing a complaint an important issue? In short, the process is onerous and difficult. It can take up to two to three years, according to the AIIB's MD-CEIU, and take many steps to complete; it requires access to communication technologies that may be unreliable in some areas; the process is complicated and formal; and it may be dangerous for vulnerable or marginalized people. With all its challenges, people wishing to file grievances look to outside sources for help. For all these reasons, NGOs participating in the AIIB's consultations about the PPM did not think that it should matter whether people filing complaints about bank-financed projects look to local or foreign sources. "Communities should have access to representation of their choosing," one person told the MD-CEIU (fieldnotes, February 5, 2018). But the response they received from the representative of the bank was that it was "A matter of cultural appropriateness" and that "local groups understand the local context" (fieldnotes, February 5 and 8, 2018). It wasn't clear what this person meant by "culturally appropriate." Was it a language issue? Or familiarity with national laws? These might pose challenges if the complaint was submitted to a national ombudsman, or a domestic court, but why should the "local context"

[22] Clause 4.3.2 of the draft PPM focuses on eligibility to file a submission to the AIIB's independent accountability mechanism. After listing the types of complaints that are permitted, it turns to who is allowed to make the submission. The clause states: "The process to be followed…is as follows: Direct submission by any two or more persons from the Project area of influence who are potentially or actually adversely affected by the Project; or submission by any two or more affected persons in the Project area of influence with local assistance; or in exceptional cases, by two or more affected persons in the Project area of influence with nonlocal assistance that is adequately justified by the affected persons at the filing of their submission and the same is endorsed by the PPM." Para 16: "Ordinarily, Project-affected people will be expected to file any submission themselves. However, they may seek assistance locally to file a submission. In exceptional circumstances, where adequate local assistance for filing a request is not available, such assistance may be sought internationally. If a submission is filed by a party other than the Project-affected people, the party must clearly identify the Project-affected people on whose behalf the submission is filed and provide evidence of the authority to file on behalf of such people. The filing party must have no conflict of interest and act with transparency and in good faith." (4.3.2 para 15 and 16 of the PPM, Eligibility to File)

make a difference in filing a submission to the AIIB? Would it not be more important to have assistance from whomever knows well the procedures for filing grievances at the bank?

One way to make sense of the comment about "cultural appropriateness" and the local assistance clause of the PPM is how they complement other ways in which the bank is pushing for greater localization of control over bank-financed projects. Like other policy measures, this is about discouraging people from going outside the borrower government to seek authority over projects.

What is remarkable about the "local assistance" clause though, is that it takes the idea of local control a step further. The emphasis on the local at the AIIB is not only about using "client systems" such as putting information disclosure and grievance mechanisms in the hands of borrower governments or private clients. It is also about putting restrictions on who can be seen as legitimate civil society stakeholders. As I will show in the next section, the bank's policies and rhetoric specifically target transnational NGOs that have experience monitoring multilateral development banks (MDBs).

Discourses of Global South Empowerment

Furthermore, the bank seeks to change the narrative about NGO involvement in project-level campaigns when it interacts with these organizations. I argue that Bank representatives make a show of calling for empowering organizations from the Global South while also calling into question the legitimacy of NGOs from the Global North to take part in project campaigns. This takes two discursive forms: the first is rhetoric that seeks to discredit "international" NGOs, separating them from their "Asian" peers; the second draws distinctions between "external"

NGOs and "local" or "domestic" civil society. These narratives take slightly different angles, but the intent is the same: to discredit NGOs that have the most experience and expertise monitoring MDBs in order to keep them from getting involved in project campaigns.

Narrative one: "Asian" vs. "International" NGOs

The first narrative draws a line between "Asian" NGOs and those that the bank labels as "international." During the interactions that I observed between bank staff and NGOs, I found that Bank staff advocated for greater input from those organizations it described as Asian. For example, in one meeting between bank staff and NGOs in Beijing in which NGOs pushed back on the bank about the "local assistance" requirement in the PPM, bank representatives responded by turning it into an issue of representation. The bank representative turned on the NGOs, all of whom were Chinese nationals except for myself and one other person. His voice tinged with annoyance, he asked the room, "Where are all the Asian CSOs?" He then made a speech about how few "Asian" NGOs had turned up at a meeting of the Independent Accountability Mechanisms Network, which is an industry association of sorts for the IAMs of all MDBs, the previous summer (fieldnotes, February 8, 2018). He was speaking to a room full of participants from China, so the critique seemed unwarranted, and peculiar at the time. Why would he scrutinize the identities of NGOs? Why were the nationalities associated with NGOs that assist project-affected peoples so important to the bank? To respond to concerns about this clause in the policy by discussing representation shows an effort to redirect attention from one about whether or not local project-affected peoples have the right to seek and receive assistance from the organizations of their choosing to a more general, and somewhat irrelevant, comment about representation at a meeting in which few NGOs - Asian or otherwise - attend.

Bank staff may have genuinely cared about the representation of Asian voices in forums of global economic governance, but their concern appeared arbitrary, and more about politics than substance. For example, in organizing a series of in-person consultations between NGOs and the bank's MD-CEIU and Communications Department about the PPI and PPM, bank staff chose to partner with the NGO Forum on ADB, which is based in Manila, the Philippines. The Bank and NGO Forum on the ADB organized the consultations with the intention of making it possible for the authors of these two policies to meet directly with constituents from across Asia; constituents who had a vested interest in the bank's policies about transparency and accountability. This is what NGO Forum endeavored to do, but I also learned that another organization, Oxfam-HK, which had an office in Beijing, had also approached Bank staff about organizing consultations about the two documents with constituents from across Asia (fieldnotes, March 22, 2018). The bank declined the offer from Oxfam to hold in-person consultations, save a single meeting with Chinese NGOs in Beijing. Someone from NGO Forum on ADB later told me that the bank had chosen them as the representatives of Asian civil society, casting Oxfam as foreign and that that was the reason they didn't get the bank's cooperation on their own plans to hold face-to-face consultations (fieldnotes, March 22, 2018). But the bank's categorization of NGO Forum on ADB as the legitimate organizer of Asian NGOs while Oxfam-HK is not, relies on inconsistent and impractical logic. Oxfam-HK has worked in Asia since 1976, first in Hong Kong and later in Beijing (Oxfam Hong Kong, n.d.). And while the bank reportedly found Oxfam-HK to be too international to organize constituents from Asia, the meetings organized by NGO Forum on ADB were not strictly comprised of "Asian" NGOs either. The meetings they organized included both individuals that were citizens of Asian countries but worked for organizations that had branches or operated transnationally (for example, Friends of the Earth-Japan, WALHI aka Friends of the Earth-Indonesia and Accountability Counsel), as well as individuals from North

America who worked for US-based organizations (BIC-US, for one) (fieldnotes, February 5, 2018). I raise this point not to argue that one of these organizations was more deserving than the other to collaborate with the bank on this task (and in fact, the bank's insistence that it would only work with one of these organizations to get feedback on its policies is indicative of the ways that the bank tries to funnel critique into a single channel, stifling disparate voices and making it easier to control dissent). Rather, it raises questions about how the bank decides which NGOs count as 'Asian,' and demonstrates the impossibility of making such a distinction based on problematic ideas of authenticity.

And as I recounted at the beginning of this chapter, my own participation in consultations was considered suspect. Bank staff expressed dissatisfaction with my attendance at public consultations to one of the organizations that had invited me to participate on the grounds that the consultations were spaces for "Asian" civil society (fieldnotes, June 25, 2018).

In all of these cases, an 'Asian' identity became the basis for exclusion and was used as a tool to distract and control critical actors and sensitive situations. But the "Asian" vs. "International" discourse does not on its own delegitimize all elite NGOs as watchdogs of bank projects. Specifically, it does not address the involvement of elite NGOs based in Asia. What does the AIIB do to further marginalize NGOs with technical expertise?

Narrative two: "Domestic" vs. "External" organizations

The bank exploits discourses about empowering borrowers in order to further alienate project-affected people and place-based activists from NGOs - even if they are "Asian". As I previously argued in the section of this chapter about the AIIB's politics of space, the AIIB's

PPM includes a stipulation that project-affected people may only use “local assistance” if they want to file a complaint about a bank-financed project (AIIB, 2018e). By preemptively excluding these “outside” actors from supporting people affected by bank-financed projects with their grievances, the AIIB has positioned itself as a gatekeeper, passing judgment about who is and is not sanctioned to participate in project decision-making. In excluding “nonlocal” assistance, the AIIB is specifically targeting transnational NGOs, excluding them in ways that other major MDBs do not.

There are limitations to the bank’s ability to enforce the local assistance clause, however. By their own admission, the bank has no power to tell people who they can and cannot associate with outside the very narrow scope of bank offices and meeting venues (fieldnotes, February 8, 2018). To this point, during the consultation with NGOs in Beijing, a bank manager was asked to clarify this rule, which led to a conversation about the difference between “representation” and “support” (the latter being deemed appropriate, which I presume is because they have no way to enforce the rule).

Even without real teeth, this policy is central to how the bank operationalizes discourse in order to isolate transnational NGOs. This includes when bank staff say that local assistance is “culturally appropriate,” and that “local groups understand the local context.” These become discursive practices to not only exclude the elite NGOs of the US and Europe, but also ‘bankwatchers’ across Asia, such as the NGO Forum on ADB which is based in Manila and has more than two decades of experience monitoring and campaigning against the Asian Development Bank (NGO Forum on ADB, n.d.).

In summary, if taken at face value the policies and rhetoric of the AIIB seek to dismantle unequal relations of power between the Global North and Global South, and in particular disrupt the dominance of elite organizations from the US and Europe, or "Asian" groups that do not know the "local" contexts. But, as I will illustrate in the next section, the logic of "local" and "culturally appropriate" advocacy is more about marginalizing seasoned critics than empowering voices from the Global South.

Disempowerment through expertise

Bank staff use the language of fairness and equity to argue for the appropriateness of local actors, but fail to consider the 'fairness' of their rules and procedures to the people who live in borrower countries. In this section, I discuss the knowledge and experience necessary for civil society organizations to advocate for environmental and social protections in projects financed by the AIIB. I focus on bank expectations about the types of expertise that organizations it deems as "culturally appropriate" hold.

With this in mind, this section compares organizations labeled as "domestic" versus "external" in bank policies and rhetoric. I critically examine how differently positioned civil society organizations respond to the bank's formal and informal rules of engagement. To that end, I consider interactions between bank staff and civil society organizations during face-to-face consultations and annual meetings. The consultations in Bishkek and Manila were particularly revealing of the differences in advocacy skills. In making these comparisons, I found that engaging with AIIB policies and processes regarding environmental and social protections requires forms of expertise that are prevalent among elite NGOs; however, they create high barriers to entry among those "local" organizations that bank managers deem legitimate.

When I say "expertise," I am referring to a combination of technical knowledge and experience with MDB advocacy. Technical knowledge includes English language skills and legal training; Additionally, I include prior knowledge of or experience with MDB advocacy, especially when it came to discussions about 'best and worst practices.' From what I observed at public consultations and annual meetings, these forms of expertise were important factors in how NGOs engaged with AIIB policies and management, and the outcomes of their interventions.

Technical knowledge and training

Understanding the bank's policies are an important part of monitoring its activities, and yet, these documents were incomprehensible to most of its "local" constituents in Beijing and Bishkek (fieldnotes, February 8 and March 23, 2018). This is because, counterintuitively, English is the only official language of the AIIB. This means that none of its policies (including the PPI and PPM that were the subject of the consultations I observed), or its governance documents (including its Articles of Agreement and its Accountability Framework, which lays out governance arrangements such as the responsibilities of the Board of Directors and the President) have been translated into any other language. Furthermore, AIIB events are all held in English, including the face-to-face consultations that it held to discuss its policies on transparency and accountability with CSOs in four locations around Asia. The choice to be monolingual in a non-Asian language is perplexing, not only because English is not widely spoken in many locations in which the AIIB makes loans, but also because translation of important documents into multiple languages is standard practice at other major MDBs (Himberg, 2015).

The refusal to make the AIIB multilingual vexed and confounded NGOs seeking to provide feedback on its policies and engage in dialogue with its staff. On numerous occasions throughout my research, NGOs implored AIIB officers to reconsider its position on language and translate its policy documents into languages such as Chinese and Russian (February 5, 8 and March 23, 2018). At the very least, some argued, the AIIB should make funds available to NGOs to hire translators for face-to-face consultations on the grounds that they could not meaningfully participate unless they were able to accurately understand the bank's position and express themselves (fieldnotes, March 23, 2018). In response though, bank staff outright refused to provide additional translations on the grounds that the English-only mandate came from the bank's Board of Governors (February 5, 8 and March 23, 2018).

The inaccessibility of the AIIB's policy documents was compounded by the highly specialized and technical way in which the documents were written. Even if CSOs were proficient in English, it was difficult to make sense of some policy documents without familiarity with the legal phrasing and technical jargon. The inaccessible language was especially egregious in the case of the PPM, a document which included 27 pages of legalese (AIIB, 2018e). Many CSO participants in the public consultations complained that even the figures providing visual representation of the bank's accountability process were overly complicated (fieldnotes, February 8, 2018). To these participants, the PPM was a mess of technical terms, such as "dispute resolution," "complaint" and "concern"; each of which counted as a different type of submission that could be filed with the AIIB's Compliance, Effectiveness and Integrity Unit, but they all had different rules for the circumstances and time periods in which they could be filed, and the responses they were entitled to receive from those with some authority over the project (including the Managing Director of the CEIU, the project managers of the contested project, the loan recipient (client), the judiciary and legal system of the borrower country, the President of the AIIB, and finally, the bank's Board of Directors) (AIIB, 2018e). It was the equivalent of reading a legal contract in a foreign language and it tested even those participants who were proficient in English, never mind those with little exposure.

Responses to complaints about the PPM from bank staff again frustrated many NGOs. Bank staff insisted the legalese was necessary in case of legal action taken against the bank. However, they dismissed requests to translate the PPM, both into lay terms and into other languages, as unimportant. Their rationale for refusing to provide translations was that project-affected people needn't concern themselves with bank governance and policies. They need only be able to read the Project Summary Information (PSI) document, which the AIIB's Environmental and Social Policy requires to be translated into local languages (fieldnotes, February 5, 8 and March 23, 2018). The PSI provides a short (as few as 2pp) overview of each project, but it is not a substitute for making the bank's policies available. Rather, it contains information such as the name and contact information of the loan recipient; the loan's date of issuance and the amount; the project's objectives and expected results; a brief description of the project; the applicable environmental and social standards and the due diligence that was conducted; the estimated project costs and financing sources; and finally, the projected implementation schedule (AIIB, n.d.-f). This is important information to make publicly available, but it will not be a useful resource for those who want to understand if a project violated the bank's environmental and social rules and what to do about it.

The inaccessibility of the AIIB's policies unevenly impacted NGOs. I found that those with English proficiency and legal training responded to the documents with more nuanced feedback and they questioned the logic on which the policies were based. On the other hand, those without these skill sets struggled to understand important terms and offered less substantive critiques. Using as examples the consultations about the PPI and PPM in Manila and Bishkek provide a way to compare the elite but mainly 'external' organizations that the AIIB tries to delegitimize with the "local" groups that the bank envisions as representing people affected by bank-financed projects. Participation of the elite NGOs who possessed strong technical knowledge was concentrated in the consultation in Manila, whereas the consultation in Bishkek included only two people who spoke English fluently, and only one of whom was a trained lawyer (fieldnotes, February 4-5 and March 21-23, 2018). At the consultation in Manila, the majority of participants were professionally fluent, or at least proficient, in English, and many were lawyers with formal training in Australia, the Philippines or the United States (fieldnotes, February 4-5, 2018). Although the consultation emphasized constituents from Southeast Asia, in reality attendees came from all parts of the globe. Participants joined from the Philippines, Vietnam, Indonesia, Japan, Malaysia, Pakistan, Sri Lanka, Myanmar, as well as the United States, United Kingdom and Australia. Some were native English speakers, while others were the product of colonial education systems or had become proficient through their years of participation in transnational advocacy networks targeting MDBs or other international organizations (fieldnotes, February 4-5, 2018).

The organizers of the Manila consultation arranged for participants to meet the day before to prepare what they wanted to say to bank staff. They quickly read through the two documents and then began summarizing their major critiques and discussing how to present the information to bank officials. One of the benefits of rapidly digesting the information in the policies was that they had the time to question the terms and scope of their engagement which was laid out in the policies. At one point while the NGOs were preparing for the consultation in Manila, a participant from a transnational NGO based in Malaysia asked about pushing back against the bank's whole approach to information disclosure, to which the meeting organizer responded, "That's a good question, do we want to play their game?" (fieldnotes, February 4-5, 2018). They proceeded to critique the logic of the policy well beyond what was found in its pages. For example, the PPI and PPM stipulated that the bank's rules about publicly disclosing information and handling grievances by project affected peoples only applied to the bank's environmental and social policy. This meant that most of the rules that applied to the bank's project, such as those found in the AIIB's industry-specific policies, procurement procedures, founding charter, etc., were off-limits to people seeking information or claiming grievances. The prevalence of English speakers meant that the participants in Manila had more time to prepare, which allowed them to push back on the premises of the policies that the bank had put in front of them.

Fundamentally challenging the scope or framing of the bank's policies was a power move, but one that not all organizations were equipped to do. Participants from the Central Asian Republics who joined the consultation in Bishkek had a much harder time seeing the framing and scope of the documents as open for debate, and this was, in part, due to their limited understanding of the English language documents. The meeting facilitator, who also led the consultation in Manila, urged the participants to spend the little time they had to prepare for the meeting thinking "outside the box" (fieldnotes, March 21-23, 2018). This meant spending less time understanding the document verbatim, line editing as they went, and more time thinking broadly about gaps or inadequacies in the policies that they thought were imperative for the bank to address. Despite the recommendations by the facilitator, 20-30 participants spent an entire day and long into the night translating the bank's policy documents in preparation for their dialogue with bank staff (fieldnotes, March 21-23, 2018). Thus, English language proficiency became a major factor in the quality and character of engagements between bank staff and CSOs.

Similarly, legalese was not so much a problem for NGO participants in Manila, many of whom were lawyers by training, but CSOs who attended consultations in Beijing and Bishkek lamented the great time and energy it took for them to understand the document. And even if someone did have a decent grasp of English and legal training, their interventions still might be discounted by bank staff if they weren't the right kind of lawyer. One bank official addressed a human rights lawyer from Tajikistan with condescension when the person insisted the bank's policy failed to conform to international law. The bank official, who was a lawyer by training, verbally sparred with the human rights lawyer until both began yelling "I'm a lawyer" back and forth at each other (fieldnotes, March 21-23, 2018).

Experience

Another type of expertise that proved important to NGO advocacy towards the AIIB was the ability to reference the policies and past projects of other MDBs. This was important because every decision made about the policies and operations of the AIIB were being benchmarked against those of their peer institutions. This was something I saw from bank managers and NGOs alike; although as different kinds of evidence. Among NGOs, the experiences of other MDBs were used for a couple of reasons. First, as a way to compel the bank that something the NGOs demanded was "best practice," or the "norm" in development finance. Second, NGOs cited the experiences of other MDBs to warn bank managers of the potential negative consequences of their decisions. NGOs with knowledge and experience of such cases pointed out cases they saw as the worst practices of other MDBs and their consequences as a way to compel AIIB managers not to make the same decisions (fieldnotes, February 5, 2018). On the other side of these discussions, bank managers invoked their own versions of 'lessons learned from other MDBs' when they argued that a procedure was unnecessary or required a shorter or longer period of time to fulfill. NGOs would respond by pointing out a flaw with the mechanism rather than its lack of utility. This goes to show that often, pushing back on institutional decisions at the AIIB required NGOs to not only be familiar with the policies of other MDBs, but also to be able to cite specific cases which could demonstrate the implications of those policies.

Yet when it came time for NGOs that were deemed by the AIIB as legitimate "local" stakeholders to provide input about the bank's policies, it was clear that many had little experience with other MDBs. I witnessed this at AIIB annual meetings and during its consultations about the PPM and PPI. Sometimes, people had questions about the basic functioning of the bank. One participant from an NGO in China asked me how governments were involved in bank decision-making (fieldnotes, June 25, 2018); an attendee of the AIIB's annual meeting from India asked me what "retaliation" means (It was important for that person to know what the word meant because it was the subject of a workshop in which the bank's MD-CEIU requested feedback from CSOs about the ability of the PPM to protect project-affected people from harm if they brought a claim against the borrower government or contractor) (fieldnotes, June 26, 2018). The person who asked me about retaliation was more of a casual observer than deeply enmeshed in the process, so it is understandable that they were unaware of what the term meant. However, the point is that the AIIB's policies - the processes they follow, the terms they use, etc - are not intuitive and are not easily picked up overnight. It would be unreasonable to expect organizations, many of whom do not have staff who are proficient in English and who are not well experienced with the idiosyncrasies of MDBs, to acquire these forms of expertise without resources and support to do so.

The inaccessibility of the AIIB's policy documents - even those geared towards being transparent and accountable to the people most affected by its projects - begins to make sense when framed in terms of 'non-interference' in the domestic affairs of borrower states. If national laws, policies and systems are to be a main feature of AIIB-financed projects, bank staff have no intention of interacting with any aggrieved parties within the borrower countries; nor of handling directly issues that arise in those places. Thus, this example illustrates that the AIIB's vision of state-led development, while rebalancing power between rich and poor countries, leaves civil society and project-affected peoples with fewer options to bring their complaints.

Conclusion

Putting the pieces together, the AIIB's rules about localizing control over the projects it finances, weaponized by its rhetoric about empowering the Global South, attempts to systematically unravel transnational advocacy networks. If and when this strategy is successful, claimants and their advocates are deprived of the leverage they gain from cooperation between organizations of the Global North and Global South.

As a concluding thought, I want to put forward a provocation which I will discuss further in my concluding chapter: That is, who is hurt most by the bank's efforts to divide transnational advocacy networks? If the rhetoric is to be believed, it would be a blow against elite NGOs of the Global North. That may be true as they grapple with existential questions about their role within the AIIB. From what I have seen though, creating spatial divisions between organizations of the Global North and Global South will be most consequential to civil society organizations and project-affected peoples in countries with a shrinking space for civil society. These are the groups that are most constrained in their advocacy against state-led capitalist development and resistance to government-sponsored or -endorsed infrastructure projects.

For example, from my interviews and observations among organizations from Myanmar, it was apparent that project-affected peoples and their supporters among domestic civil society organizations do not speak out against their own governments because they fear retaliation. The AIIB exacerbates their fears by adopting policies that force complainants to seek recourse and remedy for their grievances through the very government and corporate systems that cause them harm. In the exceptional cases that the bank does agree to accept grievances from affected peoples, it refuses to guarantee that complaints will be held in confidentiality; another blow to whistleblowers about AIIB projects in authoritarian countries. With the AIIB proposing environmentally and socially risky projects all over Asia, the implications for project-affected peoples and the transnational advocacy networks that support them could be far-reaching.

Conclusion

Taking a step back, I want to reflect on how the arguments I have laid out in this dissertation contribute to scholarship about institutions of development finance, global governance and the transnational advocacy NGOs and place-based organizations that critique or resist development projects. Below, I highlight three contributions of my research to the literature: First, the implications of the AIIB's consolidation of control over project approvals for the balance of power between donors and borrowers in multilateral development finance; second, the implications for how we understand sovereignty in global governance; and third, how the AIIB is shaping the concept of the 'Global South' and the ramifications for marginalized peoples and environments.

Rescaling governance and the optical illusion of more equitable global governance

Early analysis of the AIIB tended to focus on its shareholder and board composition, and honed in on the differences one might expect to see between China's use of veto power and the US's veto at other major MDBs like the World Bank or ADB. But my finding about the AIIB's rescaling of governance points to a shift in the locus of decision-making power about many projects away from the Board of Directors altogether. This shift in control over project approvals from Board to President does two things: Discursively, it allows the AIIB's biggest donor (the Chinese State) to avoid direct comparisons to the role that the US government plays in major MDBs, which is a source of long-standing resentment among MDB borrowers. But while this *looks* like a move to do away with unequal relations of power between donors and borrowers, it is anything but. Instead, this shift consolidates power in the hands of a single person whose employment is largely decided by the Chinese State, and who lives and works within the jurisdiction of the Chinese State. Given the potential leverage that the Chinese State holds over the AIIB president's work and public life, there is little question that the Chinese Executive Director of the AIIB holds sway over the bank's top executive. Thus, the AIIB's rescaling of governance may be redefining what it means to be a 'donor' in development finance, but that is not necessarily to the greater benefit of its borrowers.

The Partial Reinstatement of Territorial Sovereignty in Global Governance

Alongside the consolidation of power over project approvals, I pointed to the localization of project oversight in country or client systems. This is described as "borrower friendly" because it gives borrowers increased control over the 'hassle' of environmental and social safeguards. This is more than a matter of eliminating frustrations, however. AIIB environmental and social policies reinstate the borrower's territorial sovereignty over development by doing away with rigid timeframes, checklists and other rules about the disclosure of project information, and protecting the jurisdiction of national authorities in grievance cases.

But regaining borrower control over environmental and social regulation and policy-making must be contextualized alongside the aspects of development finance over which borrowers are denied greater control. Here I am thinking about financial controls such as the denomination of loans in local currencies, credit rating scores, loan repayment periods and interest rates. These are all of great consequence to borrower sovereignty, but remain out of their control. Instead, the AIIB's financial norms are entangled with the same forces of global capital as its peers: it raises capital for its lending activities on international bond markets rather than tap into the callable shares of its member states; it is at the mercy of credit rating agencies who hold significant power to decide the bank's own credit rating score, which in turn limits the interest rates and loan repayment periods it offers to its borrowers; and the fluctuations of foreign exchange markets make lending in US dollars a more practical choice than local currencies (or even the Chinese renminbi).

Claiming the 'Global South'

Through its discursive practices in its engagements with NGOs, the AIIB is shaping the concept of 'Global South' in such a way that it: 1) affirms China as a member of this group; and 2) the 'Global South' is aligned with -even tied to - the idea of the nation-state. This is significant because it erases the experiences of marginalized peoples and environments. The vision of advocacy that the AIIB is putting forward as an alternative to transnational advocacy networks is much more aligned with that of advocacy within authoritarian regimes. Borrowing from the literature on 'policy entrepreneurs' in China (Mertha, 2009; Teets, 2013) illustrates that critique and resistance are punished, while advocacy is thought of as 'helping' state actors to implement their policy agendas. In my observations of the AIIB's relationship to NGOs, the bank is seeking to eliminate spaces for NGOs to collaborate transnationally with place-based struggles.

Multilateral authoritarianism?

In my research to understand what kind of international institution the AIIB is shaping up to be and how that might look different from existing institutions, I call attention to the ways that ideas about territorial state sovereignty co-mingle with neoliberal development. There are four main takeaways from my research. First, even as the idea of the AIIB pushes back on US hegemony, it is adhering to financial and economic norms that reproduce it. The tensions between adhering to global economic norms while redirecting the benefits from those activities are complicated. But I also found that the AIIB is reconfiguring governance norms in three ways :

1. Rescaling governance of project approvals from the Board of Directors to the President;
2. Rescaling governance of project environmental and social risks from the Bank to the borrower;
3. Dismantling transnational advocacy networks: The bank's policies make it more difficult for transnational NGOs to assist project-affected peoples, hindering the kinds of transnational connections on which successful campaigns against development projects have been executed in the past. The sidelining of NGOs, especially from the Global North, is done in the spirit of loosening the grip of US hegemony on borrower state authority, but it has the effect of disempowering place-based struggles against bank-financed projects.

The AIIB's institutional arrangements, as I've tried to show in this dissertation, seek to dismantle transnational advocacy networks, to limit NGO advocacy to those organizations that take a "policy entrepreneur" approach as Chinese NGOs have learned to do, and to forbid (or at least frustrate) attempts by project-affected peoples and transnational NGOs to collaborate on project campaigns. Under the false illusion of raising up 'local' and 'Asian' voices, the AIIB is legitimizing a notion of 'global south empowerment' that encourages non-state actors to 'help' carryout state capitalism, but not one that leaves space for dissent.

Returning to the Myingyan power plant project that I described in my introduction, I'd like to highlight four points that are at the heart of debates about the impact that shifts in institutions of development finance, and in global governance more generally, are having on peoples and environments in particular places: 1) that if local affected peoples are afraid of retaliation, the AIIB's insistence that complainants first exhaust 'country systems' puts them in danger of bodily harm; 2) that in these cases, having allies that operate outside the country, like BIC-Europe, is one of the only means through which problematic issues can be safely brought to the attention of the project's foreign lenders; 3) That this underscores a problem with holding up PPPs as necessarily operating differently than through state-owned companies. 4) that there is a fatal flaw in the approach of the AIIB - and all MDBs for that matter - when it comes to improving development outcomes. MDBs are moving toward using 'country systems' to monitor environmental and social risks of projects, but this project demonstrates the potential negative harms this creates: a potentially deadly concoction of state enforcement (repression) in the interest of private business (electricity for the special economic zone rather than local households and businesses). For their part, the AIIB and other multilateral lenders are showing their willingness to support this mixture of state authoritarianism and capitalism as the latest shift in global governance. I call this multilateral authoritarianism.

Further Research

A logical question that emerges from my explanation of multilateral authoritarianism is to ask about the implications of this trend for peoples and environments affected by AIIB-financed development projects. In Chapter four, I described what NGO advocacy looks like in an authoritarian context; focusing on Chinese NGO engagement with the AIIB. It was important for me to show 1) that 'authoritarian' does not mean the complete absence of non-government stakeholders in governance and policy-making processes. Instead, the literature on 'policy entrepreneurs' in China shows that NGOs working in these contexts frame their work in terms of service to the state. I found this pattern replicated among the majority of Chinese NGOs that engaged with the AIIB; and 2) In traditional conceptions of transnational advocacy networks, Chinese NGOs are positioned to provide solidarity to place-based struggles, including access to media, strategic policy-makers, etc. But so far Chinese NGOs have not been willing or able to provide such support, even (especially?) when there was a need for such support on an AIIB-financed project in China.

I did not have the opportunity in this dissertation to write about other instances in which the AIIB makes loans in places where the space for critique is circumscribed, but I do think they are worth interrogating: like the ways that protests outside the AIIB's annual meeting in Mumbai were canceled out of fear of a police response; or that NGOs from Central Asia that I met during the public consultation in Bishkek were not only less familiar with MDB-sponsored development finance than at other regional meetings, but also many fit the description of the "policy entrepreneur" that I described in reference to Chinese NGOs in my introduction. The observations I made about these organizations and events in Central Asia, India and other places, combined with the "policy entrepreneur" approach that characterizes advocacy in China, point to the need to re-conceptualize both the ways that transnational advocacy operates and the limits of what it can achieve.

Reflecting on the future of transnational advocacy and place-based resistance to development finance, I see a need for further research in two areas: First, there's a need for case studies of AIIB projects in order to understand if and how the dynamics I describe within transnational advocacy networks effect the material conditions of marginalized peoples and environments. Drawing from my argument in chapter three that the AIIB's rescaling of governance results in the localization of project oversight and governance, I believe the national scale will be more important than ever as a site of struggle. If transnational NGOs want to remain relevant and achieve their goals to mitigate the negative environmental and social risks of development projects, they will need to focus their efforts on pressuring bank officials to influence national actors and to protect project-affected peoples from state retaliation rather than establishing bank-wide policies and mandates. In the new development finance paradigm in which environmental and social management systems are reconfigured to be 'borrower-friendly,' it may be that focusing on bank-wide policy reforms becomes irrelevant.

Drawing from my argument in chapter three, the new development finance paradigm is reconfiguring environmental and social management systems to be 'borrower-friendly.' If transnational NGOs want to remain relevant and achieve their goals to mitigate the negative environmental and social risks of development projects, they will need to focus their efforts on pressuring bank officials to influence national actors and to protect project-affected peoples from state retaliation. This is a qualitatively different approach than putting their efforts into establishing bank-wide policies. It recognizes that the national scale will be more important than ever as a site of struggle. I observed that some NGOs have already begun to make these shifts in strategy, and case studies of AIIB-financed projects in which transnational NGOs take interest will reveal the challenges they face, and the impact they have on local struggles between marginalized groups and development actors. Based on the AIIB's lending portfolio at the time of writing, it would be interesting to see case studies that focus on projects in Indonesia, Bangladesh and China. Furthermore, there is an ever-growing body of case studies about the impact of Chinese investments on environmental and social management systems in host countries. I have seen studies that focus specifically on how the risks of environmental and social harms in projects along China's Belt and Road Initiative (BRI) are assuaged or exacerbated by national governance and national development policies (for example, from Boston University's Global Development Policy Center, focusing on Indonesia (Pramono et al., 2021). I think that studies of AIIB-financed projects in the same countries will offer greater understanding of how public finance from multilateral and bilateral sources may differ in their impacts, and in the advocacy and resistance that they foment.

The second area for further research is to follow the bank's geographic expansion and multilateral ambitions. I have believed for some time that the founders of the AIIB envision the bank as more than just another regional development bank, and ; more than a mechanism for finance. It also represents China's first foray into multilateral leadership and a diplomatic tool to win friends the world over. In Chapter two, I described some of the institutional arrangements of other major MDBs as a point of comparison to the AIIB. One way that the AIIB differs is its membership. While other regional MDBs have focused their membership on governments from the regions they provide loans to, the AIIB looks more like the World Bank in that its shareholder composition is truly global with 100+ members that span every continent. The AIIB is also broad-thinking in terms of the geographic scope of its lending. The bank's Articles of Agreement articulate the bank's mission as lending for infrastructure throughout 'Asia', but the definition of that term is both vague and flexible. In just the first few years of the bank's existence it lent money on the African continent (Egypt), and financed its first projects in Latin America, including on-lending to a state development bank in Brazil in January 2022 (AIIB, 2022). Is Latin America the bank's next frontier? The fact that that is a possibility speaks to the dynamism of the bank, and, I would think, China's aspirations for a new multilateralism. As a researcher, I am curious to understand the experiences of new governments, especially those from the 'Global South', as they are incorporated into the shareholding structure of the bank. I am interested in the cultural questions that arise; or rather, I am interested in how this institution of development finance absorbs new members, and how its 'borrower friendly' approach to environmental and social protection evolves as it meets new contexts (I'm thinking about decentralization, the 'selective absence' of the neoliberal state, and the violent uprisings that emerge as people are afforded rights under the law, but then denied those rights when they rub against rights afforded to corporations. These are trends that I have seen in places like Brazil, Peru and Ecuador, and it creates challenges for an institution that both wants to localize and streamline project decision-making and uphold a global reputation as equitable and fair).

A related area for future research would focus on how NGOs from countries in Latin America relate to the bank. I recently learned that a group of NGOs from Latin America met with representatives from the AIIB in mid-2021. I was somewhat surprised to learn that such a meeting took place given that there are no AIIB projects to-date in Latin American countries. But it also is telling of the ambition that AIIB management have for the bank to be global in scope, and their hesitancy about wading into the kinds of environmental and social controversies surrounding development projects that I describe above. As some NGOs in Latin America have already demonstrated their desire to engage with the AIIB, one set of research questions would focus on how these organizations step into the existing advocacy terrain surrounding the bank.

What synergies and tensions emerge, especially between the contentious style that is familiar to many NGOs in Latin America and the "policy entrepreneur" style of Chinese organizations (I've been told there are trust issues)? And how do Latin American NGOs fit into the AIIB's conceptualization of the 'Global South'? How will the AIIB mediate the demands by Latin American NGOs to be seen as institutional stakeholders, and does their involvement change the bank's rhetoric about being pro-Global South?

Possible Futures

I do not believe that the trajectory of transnational advocacy is predetermined, and so this is not necessarily a story of the demise of critique and resistance in the face of a shifting landscape of global governance. Instead, I see this more as an invitation, or an opening, for NGOs to meet the demands of the changing global governance terrain. Now more than ever, perhaps, some NGO representatives I spoke with were seeing this as a moment to redouble (or start?) their efforts to deepen connections with local groups in their struggles over land, resources and the meaning of development. Rayyan Hassan stated this need in an interview from 2016 with the Heinrich Boell Foundation. He said:

> "What would a fisherfolk, or a child in Myanmar, or Bangladesh or Indonesia want? They would want clothing, healthcare, education, clean water, a natural environment where they can live and breathe. They would not want another export processing zone. So when you look at the entire IFI architecture, the development model that is promoted by international financial institutions, it is not matching with the sustainable development needs of the people. So local communities have to voice this out. The battleground is

> not stopping the IFIs, the battleground is at the national and local level that is what is the development agenda which you would want your state to fulfill. That is convincing your state to take financing for the right projects. And this is where we need to make our voices heard, this is where we need to consolidate our energies, this is where civil society needs to build bridges and make constituencies with people who care about the development agenda of the future. We are in a climate crisis and the way these big projects are coming at us, we need to counter with our own development agenda and we have to do it all together."[23]

Here, Hassan's focus on struggles at the national and subnational level seem prescient. I know from my fieldwork on the AIIB that there are NGOs trying to confront the new obstacles being put in front of them by the AIIB by intensifying their bonds across political boundaries.

But I also know that there is much that prevents them from being successful in this work. There is a scarcity mentality that drives some groups to hoard contacts, access and leverage. There are ideological disagreements and resentments that build up. There are cultural and language divides that add logistical hassle to collaboration efforts. And all of this is before the Covid-19 pandemic fractured the world into quarantined bubbles, made people recoil at the thought of transnational travel, and raised the volume on nationalist rhetoric. And so while I push against the idea of an inevitable death of dissent, the skeptic in me knows that an alternative vision of transnational consciousness and collaboration, of how 'global south' is defined, and of development more broadly, is the next terrain of struggle in global governance.

[23] Hassan, Rayyan, *Interview with Heinrich Böll Stiftung* (Heinrich-Böll-Stiftung Southeast Asia, 2019)

Appendices

Appendix A: Timeline of Fieldwork

AIIB annual meetings (AGMs) that I attended:

- 2016: First AGM, Beijing, China; June 26, 2016
- 2017: Second AGM; Jeju, Republic of Korea, June 17-18, 2017
- 2018: Third AGM; Mumbai, India; June 25-26, 2018
- 2019: Fourth AGM; Luxembourg (City), Luxembourg, July 12-13, 2019
- 2020: Fifth AGM; Livestream sessions from AIIB headquarters in Beijing, China, July 29, 2020

AIIB consultations about policies that I attended:

- Policy on Public Information (PPI):
    - Manila, Philippines, February 5, 2018
    - Beijing, China, February 8, 2018
    - Bishkek, Kyrgyzstan, March 23, 2018
    - Virtual sessions, March 13, 2018
- Project-Affected People's Mechanism (PPM):
    - Manila, Philippines, February 5, 2018
    - Beijing, China, February 8, 2018
    - Bishkek, Kyrgyzstan, March 23, 2018
    - Virtual sessions, March 26, 2018
    - Special session at third AGM in Mumbai, India, June 26, 2018

    - Special session at fourth AGM in Luxembourg, July 13, 2019
- Environmental and Social Framework
    - "Management-CSO/NGO Dialogue," Second AGM in Jeju, Korea, June 2017
    - "Management-CSO/NGO Dialogue" and NGO meeting with Mr. Stephen Lintner (author of the AIIB's ESF) at the third AGM in Mumbai, India, June 2018
    - "Management-CSO/NGO Dialogue" and side meeting between AIIB Vice President for Policy and NGOs at the fourth AGM in Luxembourg, July 2019

NGO meetings that I attended:

- Pre-AGM Strategy Session, Greenovation Hub and GreenWatershed, Beijing, China, June 24-25, 2016
- "China Global" NGO debrief after AIIB AGM 2016, Beijing, China, June 27, 2016
- "One Belt One Road (OBOR): Energy and Infrastructure Nexus and the Role of AIIB", NGO Forum on ADB, July 24-25, 2016, Bangkok, Thailand
- Pre-AGM meeting about AIIB's Energy Sector Strategy, Natural Resources Defense Counsel (NRDC), Jeju, Korea, June 2017
- Pre-consultation NGO strategy session, Manila, Philippines, February 4, 2018
- Post-consultation NGO debrief, Manila, Philippines, February 5, 2018
- Pre-consultation NGO strategy session, Beijing, China, February 7, 2018
- Pre-consultation NGO strategy session, Bishkek, Kyrgyzstan, March 20-22, 2018
- "Peoples Convention on Infrastructure Financing: A Response to AIIB Annual Meeting"; Mumbai, India, June 21-23, 2018

Other Fieldwork

- Scoping research + interviews with NGOs that monitor the Asian Development Bank; Manila, Philippines, July 13-29, 2016;
- Scoping research + interviews with NGOs, AIIB Interim Secretariat staff, US Department of State Economic Unit, US Department of Treasury Attache, Fudan University Center for BRICS Studies researcher; Beijing, China, June-August 2016

Appendix B: Timeline of Policy Development

Environmental and Social Framework

- September 2015: AIIB releases draft of its Environmental and Social Framework (ESF), holds virtual consultations about the draft; released statement that the draft document received “broad support” before public consultation concluded;

- December 2015: AIIB ESF approved by Board

- February 2016: ESF released to the public

Policy on Public Information (PPI)

- January 2016: Public Information Interim Policy (PIIP) made public

- January 2018: first draft of Policy on Public Information (PPI) released for public comment

- January 22 - March 16, 2018: 60-day public consultation period

- September 2018: Final version of the PPI approved by Board of directors

Project-affected Peoples Mechanism (PPM)

- April 27 - June 26, 2017: "Phase one public consultation;" this was done before preparing a draft of the document in order "to shape and inform the development of the AIIB complaints handling mechanism."[24]

- January 2018: Draft PPM released for public comment

- Jan 26- March 26, 2018: 60-day phase two public consultation period

- June 2018: Special session about the PPM held with NGOs at AIIB Annual Meeting in Mumbai, India

- December 2018: final approval by Board of Directors

- March 31, 2019: PPM goes into effect along with PPM Directive and PPM Rules of Procedure

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[24] AIIB, "Call for Public Consultation for the Proposed Asian Infrastructure Investment Bank (AIIB) Complaints Handling Mechanism," April 27, 2017

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