



Vienna, 9 December 2019

Subject: Consultations on the Draft Water Sector Strategy of the Asian Infrastructure Investment Bank – Written Comment

Dear President Jin Liqun,

the Austrian Platform for Development and Humanitarian Aid (Global Responsibility) and the Coordination Office of the Austrian Episcopal Conference for Development and Mission (KOO) represent Austrian CSOs active in the fields of development cooperation and humanitarian aid. Together we represent more than 50 member organisations. As Austria is one of the funding members of the AIIB, we welcome the opportunity to communicate our concerns regarding the bank's draft water sector strategy (WSS).

We appreciate that the draft WSS recognizes water as a “finite resource that is renewable only if managed properly”, makes repeated reference to the UN Sustainable Development Goals (SDGs) and acknowledges that water sector projects are often accompanied by negative impacts on local communities, the environment and the climate. However, we are concerned that the draft WSS lacks clear guidance on which measures should be taken to assess, mitigate and prevent these negative impacts. We miss plans to consult potentially affected communities and other stakeholders during project development and implementation. We are worried about the strong emphasis on mobilizing private capital, taking into account that the AIIB's environmental and social framework (ESF) does not yet specify detailed requirements for private sector participation.

Mitigating negative impacts on local communities and the environment

In section 19, the draft WSS acknowledges that “water infrastructure investments have environmental and social impacts to varying degrees, which need to be assessed, mitigated and monitored through dedicated instruments”. Unfortunately, the verbs chosen in the rest of the section (“consider”, “assess”, “attention will be paid”) do not go beyond an assessment of potential risks, which gives reason to doubt whether the AIIB is also going to take action to mitigate these risks. We therefore consider it of utmost importance that the draft WSS provides clear guidance on which measures should be taken to assess, prevent and mitigate negative impacts for local communities and the environment (during project development as well as implementation). We also recommend the inclusion of additional portfolio and project outcome indicators, which provide incentives to take risk reduction measures that minimize negative impacts on local communities and the environment.



Engaging local communities and other stakeholders

The water sector analysis complementing the draft WSS recognizes that “outcomes will greatly improve” if stakeholder and beneficiaries are involved at an early stage of project development. Despite this positive assessment, the draft WSS does not discuss the participation of local communities and other stakeholders. We recommend that the WSS defines the implementation of an inclusive consultation process as a necessary prerequisite for project approval. This prerequisite should also apply to sub-projects funded by financial intermediaries (FI). In addition, the WSS should define who is to be included as stakeholder in those consultations, such that the selection is not left to the discretion of the respective AIIB client.

Local communities and other stakeholders can only address possible negative impacts if they have access to adequate information at an early stage of project development, i.e. *prior* to project approval. Since the environmental and social framework (ESF) is yet to be updated, we encourage the AIIB to include time-bound project disclosure requirements relating to social and environmental impacts of water sector projects on affected communities already in the draft WSS. In addition, we recommend seizing the upcoming ESF review as an opportunity to include such time-bound project information disclosure requirements for AIIB projects in general.

In addition, the draft WSS should be clear on the procedures and the timing for reviews of water sector projects. Procedures should include the consultation of affected communities and other project stakeholders.

Applying strong social and environmental standards to private sector clients

We are concerned about the strong focus of the draft WSS on mobilizing private sector finance. In a recent [letter by 46 CSOs](#) from September 2019, we brought to the AIIB’s attention our concerns regarding an increase in investments via financial intermediaries (FI) to mobilize funding from the private sector. These concerns include a lack of information disclosure on sub-projects funded by FIs, the delegation of control regarding the management of environmental and social risks to FIs, as well as the risk that FI investments end up funding fossil fuels. We consider it of utmost importance that the AIIB assures that its environmental and social standards also apply to sub-projects funded by FIs. We therefore encourage the AIIB to expand the ESF to include detailed requirements for FI lending, including enhanced information disclosure *prior* to project approval as well as during project implementation. Again, since the review of the ESF is yet to be done, we recommend that the WSS specifies detailed requirements for FI lending and private sector participation.

Improving the public consultation process

While we appreciate that the AIIB has started a public consultation process on its draft WSS, we encourage the bank to follow in the future the example of other multilateral development banks and to



timely disclose a full public consultation plan such that consultations do not come as a surprise. Also, the fact that only an English version of the draft WSS was published prevents many potentially affected communities from raising their concerns. We recommend translating the draft WSS in the most-widely spoken Asian languages and to provide local communities and local CSOs with low-barrier opportunities to raise their concerns, e.g. by organizing regional consultation workshops. Finally, for transparency reasons, we strongly hope that the AIIB will provide a response to each comment it receives on the draft WSS on its website.

We thank you for taking our concerns into consideration and are looking forward to your response.

Yours sincerely,

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