



Briefing

AIIB: Exit Bhola IPP Gas Plant, Yet Continue Funding Through Intermediary Financing

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In February 2018, the Asian Infrastructure Investment Bank (AIIB) approved a \$60 million loan for the construction of the 220 MW Bhola IPP gas-fired power plant in Bangladesh. The Islamic Development Bank provided an additional \$60 million¹. The project came under scrutiny for its lack of transparency and meaningful consultation, coercive and fraudulent land acquisition practices that targeted vulnerable communities, and severe environmental impacts that have devastated local agriculture and livelihoods². Despite repeated efforts by CLEAN and the NGO Forum on ADB to raise these concerns with the bank, it dismissed their official complaint in April 2022, citing a lack of “good faith efforts to resolve the issues with the AIIB Management”³. Subsequently, the AIIB abruptly pulled out of the project without implementing a responsible exit strategy, leaving unresolved the serious issues already brought to its

attention⁴. Following the AIIB’s departure, the original owner, Shapoorji, divested its 49% stake in Bhola IPP. By June 2022, Actis, through its Energy Fund 5, announced that Bridgin Power—a power generation company established by Actis—had acquired the 49% share in Bhola IPP⁵. Despite this, at the end of 2023, the AIIB reviewed and approved a \$100 million investment in Actis, suggesting continued indirect involvement in the Bhola IPP project.⁶ Additionally, in July 2023, the AIIB approved \$80 million in funding for its capital market project BIC IV⁷, operated by Bayfront Capital—a strategic partnership in which the AIIB holds a 30% stake⁸. BIC IV, the fourth infrastructure securitization operation funded by the AIIB, includes in its portfolio a \$14.3 million investment into Nutan Bidyut (Bangladesh) Ltd, the company that owns and operates Bhola IPP.

Neither a responsible exit nor an exit at all

At various points in the communication with the AIIB, the bank argued that it is no longer responsible for the project since the money is fully disbursed and the original client changed. This rationale disregards the negative effects that the investment has already had on the local community and leaves them without any possibility for resolution and remedy. Moreover, the argument is simply wrong, as the AIIB, despite publicly withdrawing from the Bhola IPP project, continues to invest in it via financial

intermediaries. This practice not only undermines the AIIB’s professed commitment to high environmental and social standards but also deliberately obscures its involvement, misleading stakeholders and shareholders alike. By funneling investments through financial intermediaries and complex capital market operations, the AIIB effectively sidesteps accountability, calling into question the transparency and ethical standards of its operations.

¹ <https://dialogue.earth/en/energy/bangladesh-bhola-project/>

² Mehedi, H.; Tuhin, S.H. & Prince, M. A. (2018) Bhola IPP and its Impact on Local Communities - Voices from the Ground; <https://www.forum-adb.org/aiib>

³ https://www.aiib.org/en/how-we-work/public-consultations/project-affected-people-mechanism-policy-review/_common/_download/Approach-Paper-for-the-AIIB-Project-Affected-Peoples-Mechanism-PPM-Policy-Review_26.03.2024.pdf

⁴ <https://www.accountabilitycounsel.org/wp-content/uploads/accountability-briefing-for-european-shareholders.pdf>

⁵ <https://www.nsnewswire.com/indias-shapoorji-sells-49-pct-stake-in-bhola-power-plant-as-aiib-backtracks-on-financing/>; <https://www.act.is/2022/06/29/actis-launches-power-generation-business-dedicated-to-delivering-an-equitable-energy-transition-in-southeast-asia/>

⁶ <https://www.aiib.org/en/projects/details/2024/approved/Multicountry-Actis-Asia-Climate-Transition-Fund.html>

⁷ <https://www.aiib.org/en/projects/details/2023/approved/Singapore-bic-iv.html>

⁸ <https://www.bayfront.sg/>