

AIIB Annual Meeting 2023

Euro-Area Constituency Member Countries' Written Statement

Austria, Belgium, Croatia, Cyprus, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, The Netherlands, Portugal, Spain

Mr. Chairman of the Board of Governors, President Jin, Honorable Governors, Representatives of Member States, Ladies and Gentlemen,

We wish to express our appreciation to the Government of Egypt and the People of Sharm El Sheikh for hosting the 2023 Annual Meeting of the Asian Infrastructure Investment Bank.

Eight years into operation, with 106 approved Members representing almost 81 percent of the global population, the AIIB has established itself in the international financial architecture as a fully operational multilateral development bank (MDB), with a distinctive geographical and sectoral focus and a recognized brand name. We commend the Management for attaining a steady growth of the AIIB investment portfolio, while building and maintaining a strong financial profile and reputation, as confirmed by the Bank's AAA ratings and successful expansion into global capital markets.

We welcome the prompt measures adopted by the AIIB in relation to the Russian war of aggression against Ukraine, which have included putting all operations in Russia and Belarus on hold and managing governance, operational, and financial risks. Russia's unprovoked and unjustified military aggression against Ukraine grossly violates international law and the attack is challenging global security, stability, and prosperity. This inexcusable attack is exacting a tragic human cost on the people of Ukraine. We encourage the Bank to remain vigilant and keep containing reputational risks.

As the AIIB draws resources from shareholders and international investors, its sound international reputation is as valuable as its capital. Both must be diligently managed and preserved. The AIIB's success in fulfilling its mission will be measured by its ability to mobilize financial resources to meet growing infrastructure needs in Asia and to achieve development results, as well as by remaining focused on its core mandate, firmly established within the wider MDB system.

The need for the AIIB to remain focused on its core mandate and comparative advantage in infrastructure financing and connectivity in Asia cannot be stressed enough. Maintaining this geographical and sectoral focus will allow the AIIB to continue building its expertise and become the institution of reference for green infrastructure and development in Asia. It also allows for an effective division of labor among International Financial Institutions.

Mobilizing financial resources

We commend the AIIB's strong capital position and sound financial management, especially in the context of rising interest rates, growing public debt and increased pressures on

financial stability. However, considering the growing development needs and increasing demand from developing countries, we encourage AIIB to continue its best efforts to use its capital as efficiently as possible in order to find headroom for additional lending capacities and make these resources available to finance a green transition in Asia. We commend the Bank for thoroughly assessing the potential to leverage efficiencies and implementing measures in line with the MDBs Capital Adequacy Framework (CAF) recommendations and the G20 Roadmap for the Implementation of these recommendations.

We encourage and support the AIIB in crowding in public and private capital to meet the needs to finance and build infrastructure in Asia. Infrastructure is an increasingly attractive asset class, especially for institutional investors looking for steady, long-term growth. To this end, we urge the Bank to continue building high-quality, diverse investment pipeline in line with its core mandate.

AIIB role as a development bank

AIIB should continue its commitment to deliver strong development impact in all kinds of operations and to reach out to underserved and particularly vulnerable regional members. In addition, the AIIB should ensure financial and value additionality and operate according to the highest environmental, social and governance standards. Continued striving for high standards represent a key factor to achieve impact. We deem it vital that in its operations the AIIB will remain committed to planning and measuring for results, effective monitoring, and systematic learning to achieve higher impact.

As MDBs are more and more expected to work as a system to maximize their contributions as a group, we welcome the cooperation of the AIIB with the other MDBs as co-financier of projects and we encourage continued efforts to maximize synergies while remaining committed to the specificity of its core mandate. Collaboration among MDBs should facilitate adopting and applying international best practices for compliance with environmental and social safeguards, gender mainstreaming and results measurement and evaluation. In addition to financial resources, the AIIB's high standards represent a key factor to achieving a high development impact.

AIIB as a green bank

We commend the Bank for delivering on its commitment to ensure Paris Alignment of all projects from July 2023 and active engagement in securing a sustainable energy transition for its members. We welcome the adoption of a methodology to assess the alignment of AIIB direct investments, as well as intermediated financing, with the Paris Agreement. However, we urge the Bank to be more ambitious about its "green" motto and actively use its leverage to accelerate the private sector transition to net-zero.

As a green Bank, the AIIB should focus its support on environmentally sustainable and socially inclusive infrastructure, which is essential especially for lower-income countries to

deal with the macroeconomic costs and physical impacts of climate change, while also achieving sustainable development goals. We urge the AIIB to act as a frontrunner in financing green energy infrastructure and climate resilient and nature-based solutions. We trust the Bank to effectively use its expertise in financing green infrastructure and resources to accelerate the green transition and support the adaptation needs of its members facing the unavoidable consequences of climate change.

Gender

The Bank, both as a catalyst for change and a model for strong environmental, social and governance standards in Asian infrastructure projects, must live up to its commitments on gender equality. We welcome Management's renewed attention to this cross-cutting theme, including by introducing gender-based reporting into project documents and hiring a gender expert. The adoption of a formalized institutional approach on this crucial issue, however, remains long overdue. We refer to the recent statement co-signed by several AIIB member countries in this regard.

We urge the AIIB to align with its peer MDBs and with the G20's commitment to achieving gender equality and empowerment of all women and girls, and renew our Constituency call on Management to urgently develop and adopt a comprehensive Gender Strategy with the aim to mainstreaming gender equality into all its operations and investments. This is the only way the Bank will be able to fully deliver on its mandate to foster sustainable economic development for all.

We expect the Board of Directors to be fully engaged in this exercise. In addition, we call upon the AIIB to adopt best practices on creating an enabling environment for mainstreaming gender inclusion in building resilient infrastructure and actively engage with other stakeholders, such as civil society organizations, peer MDBs and clients.

AIIB Corporate Governance

To deliver on the priorities described above, the Bank must continue to enhance its own institutional standards and procedures. In this regard, we encourage the Bank to continue working on the basis of the roadmap on Board Efficiency. We acknowledge the preliminary recommendations outlined in the recent Internal Management Review concerning AIIB's culture, staff grievance avenues and HR processes and we welcome the commitment to a robust and credible follow-up process, with the support of external expertise. This process should further strengthen the organization and the governance of the AIIB, to reaffirm the position of the AIIB as a trustworthy partner. We expect close involvement of the Board of Directors in every step of the process.

Our Constituency remains committed to working closely with the AIIB to implement and further improve the governance principles and processes agreed under the Accountability Framework. We urge the Bank to accelerate measures in support of the full independence and adequate resourcing of the Compliance, Evaluation, and Integrity Unit (CEIU), aligning

the AIIB with MDB best practices and ensuring the functionality and effectiveness of the Bank's independent grievance mechanism consistent with international standards.

"Transparency" will be a key word at various levels: in the Bank's functioning, through defining the strategic direction, by setting performance indicators, and monitoring the performance of management; in the information sharing process with the Board of Directors, including a more effective record keeping of Board decisions and discussions; in procurement, and in the engagement with external actors. External accountability, underpinned by transparent public information and the availability of grievance mechanisms, is of crucial importance to build trust. A review of the Project-affected People's Mechanism is warranted to decrease the risk of issues in projects.

Alongside the Bank's governance, the ability to recruit and retain a diverse, international, high caliber workforce is of critical importance to enable AIIB to deliver on its mandate. We appreciate the efforts made in this regard but urge the Bank to further increase the share of women, as well as the presence of multi-country staff at all levels of seniority.