

AIIB Annual Meeting 2024

Euro-Area Constituency Member Countries' Written Statement on behalf of Austria, Belgium, Croatia, Cyprus, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, The Netherlands, Portugal and 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 Uzbekistan and its People for hosting the 2024 Annual Meeting of the Asian Infrastructure Investment Bank.

Our constituency reiterates that Russia's unprovoked and unjustified military aggression against Ukraine grossly violates international law, and the war continues to challenge global security, stability and prosperity and the global economy. We also express our strongest condemnation of the brutal terrorist attacks conducted by Hamas and other terrorist groups against Israel on 7 October 2023. We are deeply concerned about the humanitarian crisis in Gaza and deplore all loss of civilian life. We call on all parties to fully comply with obligations under international law, to comply with rulings of the ICJ and call for an immediate ceasefire according to UNSC resolution 2735.

We commend management for the diligent efforts to further strengthen the sound international reputation of AIIB as reflected in the narrowing of benchmark spreads in capital markets. Higher spreads imply higher refinancing costs for the bank and higher prices for its clients. We hence urge the bank to maintain current achievements and to continue to manage risks as it has successfully done over the past 10 years.

Governance

We compliment the bank on its strong governance framework as well as management's efforts and achievements to further improve this framework, amongst others by following up on the recommendations from the 2023 Internal Management Review.

We reiterate our request to adjust the budget process commensurate with the enhanced complexities of AIIB as a growing institution. This will ensure that future strategy and policy proposals will be accompanied with sound forecasts on their budgetary implications, enabling AIIB's non-resident Board of Directors to take well informed strategic decisions in a timely and transparent manner. Our Constituency remains committed to working closely with AIIB to implement and further improve the governance principles and processes agreed under the Accountability Framework, while supporting the Bank's determination to keeping its own institutional standards at par with or surpassing international best practices.

In that context we take note of the Gender Action Plan. We consider this Action Plan a step in the right direction and will support and monitor its implementation. However, we call on management to aim for scaling up to a full gender strategy.

Complaints-resolution, Evaluation and Integrity

We commend the efforts and activities of the Complaints-resolution, Evaluation, and Integrity Unit (CEIU) in 2023 and thank the Managing Director of the Unit for his leadership. We look forward to further benefit from the independent reflections of CEIU on the operations, policies and strategies of the Bank. We reiterate our support for the review of the Project Affected People's Mechanism (PPM) through a transparent and inclusive process ensuring alignment with the Internal Accountability Mechanisms of peer institutions. We commend AIIB for its lead in the process of establishing mutual recognition of such mechanisms in the context of co-financing operations and trust the outcome of the review process will enable recognition of AIIB's mechanism by peer institutions.

Finance & Operations

We congratulate AIIB on its impact and financial performance in 2023 and the manner in which it managed uncertainties and proactively reacted to developments in capital markets. For the future it remains of importance to maintain the financial sustainability of the Bank, by adhering to sound banking principles, efficient usage of AIIB's budgetary resources, staying closely aligned with the Bank's governance framework and its regional and sectoral mandate.

We call upon the Bank to continue to focus on the development of projects in which AIIB can add greater value through its own expertise.

Against this backdrop, we strongly encourage AIIB to ensure it is also serving its members most in need. Keeping in mind AIIB's large capital surplus, we also encourage exploring the possibility to use part of retained earnings to benefit AIIB low-income members, while maintaining the financial sustainability of the bank.

MDB Collaboration

Close cooperation with other MDBs and development partners in the spirit of "MDBs operating as a system" is central. In delivering on its mandate, we urge the Bank to continue to enhance its own institutional standards and apply transparent procedures.

We commend the President and senior management for successfully placing AIIB firmly within the MDB system including through closely cooperating and coordinating with other MDBs and development partners. We specifically welcome AIIB's active participation in multilateral reflections on the future of MDBs and its dedication to be at the forefront of developing innovative practices, as for instance in AIIB's involvement in the Review of MDBs' Capital Adequacy Frameworks (CAF) process and AIIB's judicious implementation of the G20 recommendations. The U\$1 billion guarantee to IBRD, improving the Bank's ability to lend to low-income borrowers by USD 400 million, sets a virtuous precedent on measures that can benefit the MDB system.

Experience in multilateral development financing and an excellent ability to represent the interests of all its shareholders has enabled successful cooperation with its members and clients. We trust these attributes will guide the succession for senior management positions, including the election of a new President. In this process we also request AIIB to pay close attention to the gender balance within senior management positions.

We trust after successfully completing this process AIIB is well placed to continue its commitment to review its own strategy through implementing G20 recommendations on better, bigger, and more effective MDBs in order to better

address countries' sustainable development goals as well as global and regional challenges.

Mid-term review of the Corporate Strategy

The members of our constituency reiterate their support for the Corporate Strategy and its priorities as agreed in 2021 and welcome the opportunity to discuss the mid-term review of the Corporate Strategy in the context of the Annual Meeting. This review provides an excellent opportunity to recalibrate the desired level of ambition of the Bank.

Climate Finance

We commend AIIB for delivering on green infrastructure, outperforming its target of 50% climate finance ahead of the original planning. In view of that achievement and against the backdrop of pressing financial needs in climate mitigation and adaptation in Asia, we encourage the Bank to remain ambitious on climate finance, also within its regular project finance. In this context, we believe higher levels of ambition are warranted, supplemented with impact-oriented targets, a biodiversity target as well as sectoral diversification strategies and targets pertaining to the transition of high-emitting activities less covered by the MDB system. We recall our ambition is both quantitative and qualitative and that we shall not be satisfied by a climate finance volume increase without a significant improvement in project-proven additionality on the ground.

Non-Sovereign Backed Financing

We congratulate AIIB on increasing its portfolio in non-sovereign backed financing. We are conscious that the current target has not been fully achieved, in large part due to the pandemic. We hence urge management to increase respective efforts, particularly through leveraging private capital as a share of AIIB portfolio. The importance and necessity of substantially increasing the private sector leveraging has been consistently highlighted, including in the context of G20 and COP discussions. It is essential our ambitions in this area are reflected in indicators that are widely recognized and comparable with our partners.

In delivering on the Corporate Strategy, we call upon AIIB to remain focused on its core mandate, providing infrastructure financing in Asia. While global developments require flexibility and responsiveness, it remains essential AIIB continues to develop as the go-to institution for providing infrastructure solutions that respond to the needs of clients. In supporting the introduction of a policy-based lending instrument, we recommend it be used sparingly and judiciously, in coordination with other IFIs with a view to achieving concrete policy results.

We urge the Bank to focus on impact measurement to track its developmental outcomes and we encourage the Bank to develop appropriate incentives for staff which steer toward sustainable development impact objectives. We are confident these actions will successfully contribute to the maturing of the AIIB institution.

Lastly, we call on AIIB to continue to adhere to its forward leaning and innovative approach and to the highest social and environmental standards. We look forward to continue closely cooperating with the Bank to deliver on its mandate and the corporate strategy for the benefit of the people in Asia.