

Written Statement by the Netherlands

- The Netherlands would like to thank the authorities of China and the AIIB for accommodating the process of hosting a virtual meeting. This year marks the fifth anniversary of the founding of AIIB. This Annual Meeting is therefore a timely event for reflecting on the Bank's operations and performance thus far and focusing on the future orientation of the AIIB, including how the AIIB can play a role in mitigating the impact of COVID-19.
- The portfolio of operations after four and a half years has grown steadily, AIIB's strong financial standing is evidently visible through the Bank's capital buffers, AAA-rating and successful first issuances of bonds attracting global investors. Next to portfolio growth and financial sustainability, the AIIB has also shown commitment in mitigating operational risks both internally and in the projects that the Bank finances. We commend the AIIB for this prudent approach and, going forward, expect that growth of the portfolio continues to go hand in hand with strong internal checks-and-balances and highest project standards. The former relates especially and not limited to anti-corruption, AML/CFT and compliance. The latter includes among others transparency, E&S safeguards, and debt sustainability.
- Focusing on the strategic pillars for coming years that will be critical in shaping the Bank's business model, it is important that the AIIB cements its comparative advantage in the *Corporate Strategy*. The Founding Members of this Bank acknowledged the large infrastructure gap in Asia and the need for a new International Financial Institution (IFI) that can address this gap and contribute to sustainable economic development in Asia. We ask the Bank to deliver on this mandate through financing bankable infrastructure projects in Asia and mobilising private capital.
- The Netherlands strongly supports the ambition of AIIB for leveraging climate financing (mitigation and adaptation) and introducing an ambitious climate finance target, backed by a clear internationally agreed methodology of aligning investments with the objectives of Paris Agreement. Given that AIIB does not have 'brown' legacy assets on its balance sheet and green is one of its core values, we have high expectations of the Bank in this realm. The aim to expand the non-sovereign (private) portfolio and mobilise private capital is a distinct feature of the AIIB that we also highly support. This is highly needed to address the infrastructure financing gap in Asia.
- Delivering on the mandate of financing sustainable infrastructure projects is not possible without focus on the other two core values of the AIIB next to green, namely lean and clean. We call on the Bank to continue along the path of efficient allocation and use of resources while persevering the highest attainable standards. The current review of the *Environment and Social Framework (ESF)* provides the opportunity to showcase that the AIIB is adapting its processes and policies in such a way that the outcome fits its business model but always is geared towards improving standards. In particular, we expect enhanced and timely project and E&S documentation disclosure and further embedding operations through financial intermediaries in the E&S policy. As for strengthening accountability, we look forward to the establishment of an effective Evaluation and Learning function, that besides accountability also contributes to the learning function of the AIIB. Continuous engagement with civil society organizations, maximum transparency and an open and well-functioning complaints-handling mechanism form an integral part of strong accountability.
- The current COVID-19 pandemic is an unprecedented global challenge that has affected all economies one way or another. We strongly welcome the swift emergency response

from AIIB to meet clients' urgent needs under its *Crisis Recovery Facility*. This exemplifies the countercyclical role the AIIB can play during a crisis. Whilst extraordinary times sometimes require unconventional measures, we would like to underscore the temporary nature of these unconventional activities (financing social infrastructure, providing budget support and concessional financing) during this emergency phase of the crisis. In addition, we would like to emphasise the importance of a targeted approach in which resources are allocated to low and middle income countries hardly hit by the crisis, consistent with AIIB's regional and sectoral focus. Cooperation with IFI's, and continued close coordination with IMF on debt sustainability constraints, is key for an effective response.

- Beyond the emergency phase of the crisis there are looming large financing needs for economic recovery in countries. The Netherlands encourages the AIIB to use its financial firepower also in this second phase, thereby fostering economic recovery of countries in Asia, mainly through regular AIIB projects in sustainable (hard) infrastructure that are closely aligned with its business model and modus operandi. Again, it is of the essence that AIIB ensures such financing is sustainable over the long-term for borrowing countries in light of rising debt levels.
- Steering the AIIB momentarily in uncharted waters and ensuring that the long-term objective remains in sight means that the AIIB president will have to perform a careful balancing act. In this respect we welcome the nomination of the incumbent president Jin Liqun as candidate and expect the good cooperation between the Board, President and the Bank will be continued and further strengthened in the coming years to deliver AIIB's mission.
- To conclude, "*Financing Infrastructure for Tomorrow*" requires the AIIB to build on its business model and specialise in meeting the large infrastructure needs of its beneficiaries in Asia while continuing to be efficient, transparent, well-governed, financially sound and operational based on highest international standards.