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**Globale
Verantwortung**

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Vienna, 13th of March 2020

Subject: Recommendations regarding the Corporate Strategy of the Asian Infrastructure Investment Bank

Dear Ms. Schreitter,

Dear Austrian Advisor of the Euro Area Constituency at the AIIB,

we are writing with regard to the AIIB's ongoing development of a Corporate Strategy.

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 civil society organisations (CSOs) active in the fields of development cooperation and humanitarian aid. Together we represent more than 50 member organizations. As a member of the Euro Area Constituency, we ask you for your support to ensure that the AIIB commits in its Corporate Strategy to the implementation of the 2030 Agenda for Sustainable Development as well as the Paris Agreement on Climate Change.

We appreciate that the AIIB has embarked on the process of developing a Corporate Strategy. This is a unique opportunity for the bank to reflect its role for enhancing sustainable development and climate action, to specify its core values "lean, clean, and green" and to commit to promoting social and environmental co-benefits of its activities. It is, however, disappointing that the AIIB has decided to abstain from a public consultation on its Corporate Strategy or any other way to include the local expertise and experience of civil society, affected communities and other stakeholders. We would be grateful if you could continue to press the AIIB to ensure that it opens up the consultation to include these stakeholders. In the meantime, we would like to take the opportunity to share our recommendations for the Corporate Strategy with you and hope for your support at the Board.

Aligning corporate goals and sustainable development

In its Corporate Strategy, the AIIB should make clear how the pursuit of its corporate goal – infrastructure development – contributes to achieving the 2030 Agenda and its Sustainable Development Goals



(SDGs) as well as climate change targets and temperature goals of the Paris Agreement. Bridging the infrastructure funding gap is critical for achieving the SDGs. But without the necessary precautions, infrastructure projects are particularly susceptible to having negative impacts for local communities, the environment and the climate (e.g. land conflicts, displacement, gender-based violence, forest destruction, or fossil fuel investments).

We encourage the AIIB to commit in its Corporate Strategy explicitly to high environmental, social, human rights and governance standards. Ensuring that the AIIB's infrastructure investments do no harm, and that projects are implemented in such a way as to protect people and the environment, should be a guiding principle for all the activities of the bank. This principle should apply to all of the AIIB's investments, whether direct or indirect, including projects co-financed with other multilateral development banks (MDBs), investments through financial intermediaries or ESG fund investments.

Taking the Strategy 2030 of the ADB¹ as an inspiring example, we encourage the AIIB to commit in its Corporate Strategy to promoting quality infrastructure investments that are green, sustainable, resilient, and inclusive, and to improving access of the poor, women, indigenous people and vulnerable groups to basic infrastructure and services. With respect to gender, the AIIB should follow the recommendations of the OECD², which finds that infrastructure projects tend to be gender blind and recommends to define the improvement of lives and opportunities of women and girls as an explicit objective of infrastructure projects. In addition and in line with Article 2.2 of the AIIB's Articles of Agreement ("utilize the resources at its disposal for financing such development in the region (...) having special regard to the needs of less developed members"), we ask the bank to increase lending to low and middle income countries (LMICs) which face the greatest challenges in accessing capital for their development needs.

Specifying core values: lean, clean and green

The AIIB emphasizes being a "lean, clean and green" bank in several of its policies. Since these core values are not part of the bank's Articles of Agreement, they should be defined in the Corporate Strategy and their implications specified in detail. We would like to suggest the inclusion of the following aspects:

- **Lean:** In general, we welcome the AIIB's quest for efficiency which it plans to put into practice by "focusing on [its] mission and purpose by meeting the needs of [its] clients" and "applying lean thinking and actions in managing [its] business, people and work processes", according to the bank's Code of Conduct for Bank Personnel. It is, however, important that the bank balances being a lean bank in the interest of its clients with ensuring high quality and high social and environmental standards in project implementation. Prerequisites for meeting both objectives, efficiency as well as high quality and standards, are staff expertise, instruments and stakeholder

¹ ADB (2018): Strategy 2030 - Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific, p. 9

² OECD (2004): Why Gender Matters in Infrastructure



contacts, which might not be sufficiently in place yet. We therefore urge the AIIB to commit in its Corporate Strategy to enhancing its human resources, comparable to the commitment of the ADB in its Strategy 2030³. This commitment should include hiring expert staff, investing in training and development of staff, facilitating knowledge sharing and promoting diversity (e.g. gender balance), but also fostering the exchange with affected communities and civil society to support understanding and broaden perspectives.

- **Clean:** We appreciate the bank's decision to include being a clean bank into its core values as defined in its Code of Conduct for Bank Personnel. We therefore recommend to use the development of the Corporate Strategy as an opportunity to strengthen the bank's commitment to "disclosing and explaining the reasoning behind the business and people decisions at all levels" by specifying how this core value will affect the Bank's approach to guaranteed timely and comprehensive public information disclosure at the project level as well as with consultations. Furthermore, we think that the bank's commitment to "acknowledging mistakes and errors, regardless of consequences, and taking all actions necessary to redress them promptly" should be further defined in its Corporate Strategy to outline the bank's approach to the implementation of its Project-affected People's Mechanism. Moreover, we recommend the AIIB to enhance the transparency of the ecological impact of its operations by committing to a project level emission assessment as part of its clean core value.
- **Green:** The Asia and Pacific region is the fastest growing source of greenhouse gas (GHG) emissions. As a major bank operating specifically in this region, the AIIB has a unique role within the MDBs in supporting the transformation towards a low GHG emissions development pathway in Asia by enhancing GHG mitigation actions as well as supporting resilience against climate change impacts. We therefore encourage the bank to commit in its Corporate Strategy to a phase out of financing fossil fuel extraction, infrastructure and fossil fuel intensive industries⁴, to promote climate change adaptation co-benefits of infrastructure projects and to set out an ambitious climate operations target as a percentage of its overall investments⁵. Furthermore, the Corporate Strategy should outline how the bank will implement its commitment to align all its activities with the Paris Agreement and how this commitment will be verified.⁶

³ ADB (2018): Strategy 2030 - Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific, p. 26

⁴ The commitment by the European Investment Bank to stop financing "unabated fossil fuel projects, including gas, from the end of 2021" could serve as an example for such a commitment.

⁵ The ADB's commitment of 75% of its committed operations to support climate change mitigation and adaptation by 2030 (based on agreed definitions and methodologies among MDBs) could serve as guidance for AIIB's target.

⁶ A dedicated climate change action plan (additional to the existing policies and strategies) could be the right tool to operationalize the bank's commitment to climate action and its contribution to the Paris Agreement, as shown by the World Bank Group.



Moreover, the definition of the bank's core value "green" would benefit from the inclusion of other international environmental agreements, such as the UN Convention on Biodiversity and the UN Convention on the Law of the Sea.

Collaborating with civil society organizations and other stakeholder

Working with CSOs and other stakeholders enables the AIIB to learn from their expertise and specific knowledge about local circumstances in order to reduce potential harmful impacts associated with their projects. We therefore encourage the bank to strengthen its collaboration with CSOs and other stakeholders, both on the local and the international level. This includes engaging with civil society, vulnerable groups, women and indigenous peoples in project design, implementation and monitoring of all projects supported by the AIIB (including co-financed projects, projects of financial intermediaries and ESG fund investments) as well as proactively approaching CSOs for inputs and advice when developing and reviewing AIIB policies and strategies. The ADB Strategy 2030⁷ as well as the World Bank's Forward Look⁸ could serve as examples.

While we regret that the AIIB has decided to develop its Corporate Strategy without a public consultation, we strongly encourage the bank to make the final strategy publicly available on its website.

We thank you for taking our suggestions into consideration and hope for your support at the Board.

Yours sincerely,

Annelies Vilim
Director
Global Responsibility
Austrian Platform for Development
and Humanitarian Aid

Anja Appel
Director
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Episcopal Conference for
International Development and Mission

⁷ ADB (2018): Strategy 2030 - Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific, p. 27

⁸ World Bank Group (2016): Forward Look - A Vision for the World Bank Group in 2030, p. 2