



Concept Note

Environmental and Social Safeguards Community of Practice (CoP) Seminar on Intermediated Finance: Opportunities, Challenges and Good Practices

Date: January 25-26, 2024, Beijing, China

Background:

Reflecting its commitment to support the Paris Agreement on Climate, AIIB has set an ambitious target of ensuring that 50% of overall approved financing by 2025 will be directed toward climate finance. In addition, it announced on Oct. 26, 2021, that it would align its operations with the goals of the Paris Climate Agreement starting from July 1, 2023. Other multilateral development banks (MDBs) and development partners are making similar commitments. In 2018, ADB committed to ensuring that at least 75% of its operations support climate action by the end of the decade.

The Multilateral Cooperation Center for Development Finance (MCDF) is a multilateral initiative to foster high-quality infrastructure and connectivity investments in developing countries, through wider application of the standards of accredited International Financial Institutions (IFIs). It supports information-sharing, capacity building, and project preparation for both developing country governments and financiers. One of the areas of IFI standards that MCDF promotes is environmental and social safeguards, and so MCDF has provided support to AIIB's Operational Services Department (OSD) in chairing the MDB Community of Practice for Environmental and Social Practitioners.

MDB Environmental and Social (E&S) practitioners have formed the Community of Practice (CoP)¹ for Environmental and Social Safeguards to collaborate, coordinate and share experiences and lessons learned on the development and application of E&S policies, and on building up clients' capacities and strengthening the delivery of development results on a sustainable basis, with an initial regional focus in the East Asia and the Pacific Region (e.g. joint training, studies, knowledge sharing, and work on the establishment of training centres). With support from MCDF, the focus has been extended to the rest of the continent, including Central and West Asia and the Caucasus.

AIIB is leading in the organization of at least two annual CoP forums. These CoP events will offer a platform for experience sharing and open professional discussions at policy, investment and counterparty levels. The first CoP event on the application of E&S policies in wind energy investments was organized in June 2023 at the HQ of ADB in Manila, the Philippines. The event itself and its outcomes were highly appreciated by MDBs and all external participants. All the proceedings, presentations conducted, and key takeaways are available upon registration on MCDF's JIGSAW information-sharing platform.

This concept note aims to elaborate on the second forum for the MDB CoP jointly organized by the OSD of AIIB and MCDF.

¹ The original concept of the MDB CoP of E&S Safeguards practitioners, kick-started by the World Bank included the Asian Development Bank, Australia's Department of Foreign Affairs and Trade, Japan International Cooperation Agency, Agence Française de Développement, World Bank (including International Finance Corporation). The informal initiative is however open to any new members, including any other MDBs and development agencies, who are able and willing to contribute to the development and the application of advanced environmental and social standards and on scaling up sustainable finance globally.

The theme suggested is dedicated to the application of Environmental and Social Policies in Intermediated Finance and aims to discuss the challenges, good practices and lessons learned.

The sustainability commitments of MDBs, including on climate, nature and generally broader environmental and social objectives will not be sufficient to meet the global needs of sustainable finance and address the challenges and growing financing demands required to address the climate emergency, loss of biodiversity and degradation of natural ecosystems. MDBs must therefore increasingly leverage their efforts through collaboration with other financing institutions, including local banks, investment funds, or dedicated investment vehicles, as well as apply financing products and instruments beyond traditional project-based financing.

Scaling up financing through financial intermediaries and additional to project finance instruments and products (i.e. capital market instruments, trade finance, structured finance, etc.) requires a more flexible application of existing environmental and social policies and standards, with a focus on policies, capacities, ESG frameworks and systems applied by partner Financial Intermediaries. These vary greatly, and the landscape of global ESG frameworks is evolving rapidly at present. Therefore, an opportunity to discuss any good lessons learned, effective models applied and shared experience would offer immense value to MDBs and their counterparts.

Recognizing this opportunity, AIIB, in partnership with MCDF, will organize the Environmental and Social (E&S) Safeguards Community of Practice (CoP) seminar with a focus on the application of environmental and social policies and standards in intermediated finance and discuss experience and lessons learned with MDBs and partner financial intermediaries (FIs) from the region.

Objectives:

The seminar aims to present and discuss good practices, instruments and tools, as well as emerging new standards, and global ESG frameworks allowing MDBs and their partner FIs to manage environmental and social risks in intermediate finance investments. In addition, the seminar offers a good platform to discuss emerging opportunities and challenges, which MDBs and their partners are facing at present.

Experience sharing about lessons learned can help MDBs and their partners increase the depth and efficiency of their work on the application of environmental and social policies and will offer an opportunity to scale up investments providing significant contributions to climate, nature-positive, and other environmental and social net gains, by local financing institutions as well as by developing country governments and development agencies in Asia-Pacific region and beyond.

Format:

The event is planned as a two-day hybrid seminar, to be held at the AIIB HQ in Beijing, with a combination of physical and virtual streams, harnessing the benefits of:

- A physical event: ease of interaction in Q&A sessions; and ability to interact informally during coffee breaks and meals.
- A virtual streaming: allowing additional participants to attend, and for some speakers to be able to dial in. Participants dialling in will use Zoom and registration links will be circulated well in advance of the event.

Types of Participants Expected:

- Multilateral Development Banks

- Government and International development agencies
- Private and public sector financial intermediaries including banks and private equity funds.
- Other: international NGOs, consultancy firms and renowned international experts.

Participants Interaction:

This will be promoted through the following:

- Participants are asked to flag key questions upon registration, which will be passed to session moderators and panellists.
- Small group discussions.
- Apps to be used during the seminar for participants to respond anonymously to questions from the presenters (live polls, surveys).
- Q&A at the end of each panel discussion.

Co-organizers: AIIB, MCDF

Event Structure:

Date	Activity
Day 1, 25 January 2024	Opening Ceremony
	Plenary Session A: Application of Environmental and Social Standards in Intermediated Finance – Opportunities, Challenges and Global Trends
	Parallel Session 1a: Integration of ESG in Emerging Market Funds
	Parallel Session 1b: Integration of ESG in Local Financing Institutions
	Plenary Session B: Application of Environmental and Social Standards in Capital Market Investments
Day 2, 26 January 2024	Parallel Session 2a: Financial Intermediary – Social Risks, Challenges, and Efficient Approaches to Managing Adverse Impacts
	Parallel Session 2b: Experience with the Application of E&S Tools and Applications
	Plenary Session C: IFIs Experience Sharing
	Closing Ceremony

Post-workshop Support:

The following materials will be provided to participants through MCDF’s JIGSAW digital platform: session videos; session presentations; and reference materials. Knowledge products that summarize key good practices.

All participants will be invited to join JIGSAW to continue the discussion and for peer-to-peer learning. This can be through participants posting comments and questions on the materials, and experts and participants uploading their relevant materials on JIGSAW.

Feedback and Evaluation:

An online feedback form will be sent to all participants to assess their satisfaction with the seminar and seek their suggestions on how to improve it.