



**ASIAN INFRASTRUCTURE INVESTMENT BANK**

**ANNUAL MEETING  
OF THE BOARD OF GOVERNORS**

**SUMMARY OF PROCEEDINGS**

**JEJU, KOREA  
JUNE 16-17, 2017**

## **ASIAN INFRASTRUCTURE INVESTMENT BANK**

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## **INTRODUCTORY NOTE**

The 2<sup>nd</sup> Annual Meeting of the Board of Governors of the Asian Infrastructure Investment Bank took place on June 16-17, 2017, in Jeju, Korea. His Excellency Dong Yeon Kim, Governor for Korea, served as the Chairman.

The Summary of Proceedings records, in alphabetical order by members, the texts of statements submitted by Governors, the transcript of Governors' contributions at the Governors' Roundtable, and the resolutions adopted by Governors of the Asian Infrastructure Investment Bank.

Danny Alexander  
Corporate Secretary  
Asian Infrastructure Investment Bank

Beijing, China  
August, 2017

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# **AGENDA**

## **PROGRAM OF THE 1<sup>ST</sup> GOVERNORS' BUSINESS SESSION**

1. Opening of the Meeting
2. Adoption of the Agenda
3. Work Progress Report
4. Audited Financial Statements
5. Allocation of Net Income
6. 2016 Annual Report and 2017 Budget
7. Admission of New Members
  - a) Argentina
  - b) Madagascar
  - c) Tonga
8. Date and Place of 2018 Annual Meeting
9. Close of Meeting

## **PROGRAM OF THE GOVERNORS' ROUNDTABLE AND 2<sup>ND</sup> BUSINESS SESSION**

1. Opening of the Meeting
2. Roundtable Discussions
  - a) Chair's opening statement
  - b) Introductory remarks on the topics by President Jin
  - c) Topic 1: Investment targeting
  - d) Topic 2: Mobilizing private capital
  - e) Topic 3: Policy support and coordination
  - f) Summary by VP Joachim von Amsberg
3. Election of Officers of the Board of Governors
4. Appreciation
5. Closing of Meeting

## **OPENING SESSION**

### **ADDRESS BY MOON JAE-IN PRESIDENT OF THE REPUBLIC OF KOREA (Translation)**

Honorable President Jin Liqun of the Asian Infrastructure Investment Bank (AIIB),  
Delegates of AIIB Members and international organizations, and  
Distinguished guests,

Congratulations on the opening of the second Annual Meeting of the Board of Governors of AIIB. On behalf of all Koreans, I would like to extend a warm welcome to each and every one of you for traveling all the way here to Jeju, Korea.

While this is the second Annual Meeting after AIIB opened its doors last year, it is actually the first AIIB Governors' Meeting held outside of China, where the AIIB headquarters is located. I am indeed delighted to host this meaningful event in Korea. This being the first international event that I have attended after taking office as the President of the Republic of Korea, I personally find today's event even more meaningful.

We are now in Jeju, which is one of Korea's most valuable treasures with its unique natural environment, history, and culture. This beautiful island is globally recognized as a treasure island full of nature's blessings. UNESCO listed the island as a World Natural Heritage, Biosphere Reserve, and Global Geopark. I hope you have a wonderful time, and I hope that you enjoy Korean culture and the beautiful natural landscapes of Jeju to the fullest during your stay.

Distinguished guests,

The dynamism of Asia is attracting much attention worldwide. The region accounts for more than 60% of the total global population and one-third of the global GDP. While it is the largest market in the world, it also serves as an important hub of global production. At the same time, Asia has a rich growth potential to lead the progress of the global economy in the years to come.

Just as the region is important in terms of economy, Asia has a very significant role in terms of international politics too: the progress of democracy and political stability in Asian countries are increasingly important for global peace and security.

Asia is home to some of the earliest human civilizations. For several millennia, different human civilizations and cultures emerged and perished across the vast land mass of the region. And the long-accumulated histories and tales of our ancestors in Asia are now serving as a pool of inspiration for humanity in the 21st century. Although Asia was a step behind in ushering in the wave of modernization, this region has its own source of power - the power of culture and history, and the power of diversity.



Humanity is now faced with diverse challenges in different fields, including politics, security, economy, and environment. But I am strongly convinced that these issues at hand may be addressed through solidarity and cooperation between Asian countries. Based on this belief of mine, I began to talk to many heads of states in Asia and sent special envoys to India, Australia, and the ASEAN countries as soon as I took office as President of the Republic of Korea. I strongly believe that Asia will show its true power to take a lead in overcoming the current challenges we face, and to take another leap forward.

In this context, I have great expectations for AIIB. I believe that all of you at AIIB will continue to serve as a bridge that connects people to people and country to country, playing a critical role in addressing current difficulties and opening doors to a brighter future for all.

Distinguished guests,

Today's Annual Meeting is being held under the theme of "Sustainable Infrastructure".

Over the years, investment on infrastructure has been a critical driving force for the speedy growth of Asia. The investment created numerous jobs and laid the foundations – electricity, water supply, communication, and transportation, to name a few – for the progress of related industries in the manufacturing sector and others.

Laying more infrastructures is still important for Asian countries, especially when we aspire to eliminate poverty and further grow the economy. Among many developing countries, particularly for poorer countries in Asia, expanding infrastructure is an even more pressing issue.

In response to the Fourth Industrialization, which is just around the corner, we also need to build new ICT infrastructures, including more accessible wireless internet, IoT networks, and smart highways. These are essential prerequisites for Asia to enjoy a more sustainable and greater growth.

It is estimated that investment demand for infrastructure in Asian developing countries amounts to 1.7 trillion USD annually for the next two decades. However, we must take into account the high demand for infrastructure investment and tight fiscal spaces in many countries that have been suffering since the financial crisis of 2008. Against this backdrop, AIIB has even more significance and critical roles to play as an international organization that came into being to support the development of infrastructure in Asia.

After opening its doors about a year and half ago, AIIB has accomplished so much in such a short time. In fact, it became a true international multilateral bank both in name and substance by expanding its membership from 57 to 77, including non-regional members. The bank already managed to lend 2.5 billion USD to support 16 projects in developing countries, making great contributions to propel the progress in infrastructure expansion in those countries. It is my hope that AIIB would continue to support the economic growth of developing countries in a more effective manner by working with other multilateral development banks in the years to come.

I would like to take this opportunity to express my gratitude to the Chinese government for taking the lead in launching AIIB and to President Jin Liqun for your dedication and hard

work to ensure the stable but strong beginning of the bank.

Distinguished guests,

The direction of AIIB investment on infrastructure corresponds well to the Korean government's direction of economic growth. And I stand here to propose three principles that we should uphold in infrastructure investment going forward.

First of all, infrastructure investment should always aim to support sustainable growth. While investment on infrastructure contributed much to the economic growth of many countries, it also brought about considerable consequences to the natural environment.

We all know that any form of infrastructure development that destroys nature would result in even more future costs to undo the damage. In fact, environmental issues not only affect the country concerned but also its neighbors. Therefore, our focus should be on eco-friendly development and cross border cooperation.

Fortunately, there is a strong consensus in the international community on the necessity of developing sustainable infrastructures that are eco-friendly and able to support addressing environmental issues. Also, there is an on-going discussion to devise strategies to promote international cooperation to this end.

Welcoming this recent development in the international community, Korea is preparing its own plans to actively take part in the trend. We aim to boost the share of power supply from renewable energy sources up to 20% of the total by 2030. We intend to lessen the amount of thermal power generation and move closer to nuclear power-free. Also, we plan to promote the use of eco-friendly cars, including EVs. In this process, we are willing to sharing our own experience and expertise in developing sustainable infrastructures like renewable power generation and "green energy" towns with fellow AIIB members.

Furthermore, we must ensure that infrastructure investment contributes to "inclusive growth". To enjoy sustainable growth, we need to take care of each and every member of the society, making sure that we grow together.

Basic infrastructures, including water supply, hygiene, and electricity, are fundamental and necessary elements to ensure the decent living conditions that every human being deserves to have. Transportation and communication infrastructures promote more robust exchanges between different regions, helping us achieve a balanced growth and promote social integration.

Investment on infrastructure should focus on closing the gap between countries and regions, leading to a well-balanced development that promotes inclusive prosperity. To this end, when we are to make decisions on infrastructure investment, we must consider if the benefits from the facilities that we build are accessible to everyone and help marginalized people, regions, and countries. I believe that is where "inclusive growth" really begins.

Lastly, infrastructure investment should help us create more jobs.

Many countries worldwide, including Korea, are going through a crisis punctuated by the jobless growth and youth unemployment. The new administration of Korea sets forth the concept of a "human-centered economy" as a core principle of its economic policies, pressing ahead with strategies that prioritize the creation of more decent jobs.

In general, infrastructure investment leads to job creation. Construction and civil

engineering projects involved in infrastructure development generate numerous jobs by themselves. Also, the development of infrastructure is a basis of growth for the manufacturing and service industries, which will also lead to creating more jobs. Furthermore, ICT infrastructure development is expected to contribute greatly in fostering new industries and generating new jobs in the years to come. In particular, it will provide abundant economic opportunities to young people, women, and seniors who had less access to decent jobs.

Distinguished guests,

Korea enjoyed rapid economic growth in a very short period of time. And what really enabled the “Miracle of the Han River” was our active investment in infrastructure. New expressways and high-speed railways accelerated the flow of people and logistics. This also led to the rapid growth of the auto and steel industries. Thanks to this improved accessibility, provincial cities began to grow faster with more robust regional exchanges.

I believe many of you have come to Jeju after a transferring flight at Incheon International Airport. The airport is a good example that demonstrates why Korea is one of the world’s most dynamic infrastructure powerhouses. In fact, the airport has won the world's best airport award for 12 consecutive years.

Korea has been generous in sharing its own expertise and experience in infrastructure development with many neighbors in Asia. For example, we participated in the Hanoi-Haiphong Expressway project in Vietnam, tapping into our past experience from the expressway construction. Also, based on our experience of building 31 bridges connecting the north to the south of the Han River, we are supporting the construction project of Panguil Bay Bridge in Mindanao, Philippines. In addition, we plan to take advantage of our know-how from the construction of Incheon International Airport in the upcoming project to build a new airport in Tashkent, Uzbekistan.

Distinguished guests,

Korea rose from the ashes of war in just half a century, successfully achieving rapid economic development and implementing democracy. In fact, it is the world’s first country to have successfully joined the ranks of donor countries after receiving post-war aid. In addition, Korea managed to achieve an unprecedented political upheaval through the power of its people. I believe that Korea can provide a lot of practical help to its developing neighbors in Asia, based on its experience of an impressive economic and social development.

Going forward, based on its experience and expertise, Korea will serve as a reliable partner for developing countries in Asia by joining efforts to assist their economic and social progress. You may be rest assured that Korea will continue to fulfill its responsibilities and serve its duty as a country that serves as a bridge between developing countries with advanced counterparts.

In ancient times, the Silk Road connected the West and the East, prompting the two sides to open their markets to each other and exchange their cultures.

The Korean peninsula sits at the end of the Far East side of the Asian continent. However, at present, the peninsula and its cross-border Gyeongui Railroad remains disconnected between South and North Korea. And when the railroad once again connects the two Koreas, we shall witness the true coming of the New Silk Road by Land and Sea. More importantly, I expect

that peace on the peninsula will contribute to the stability and solidarity of Asian countries. Therefore, I would like to ask for your continued support on our road to peace.

I hope that the Annual Meeting today would serve as a meaningful opportunity for us to engage in in-depth discussions and draw practical conclusions to set future AIIB investments and policies in the right direction. I am looking forward to seeing all AIIB member countries contribute to the economic progress of Asia by expanding their investment in infrastructure. As an active member of AIIB, Korea will spare no effort in increasing its financial contributions and personnel support.

Last but not least, I would like to express my deepest gratitude to everyone from AIIB, the Ministry of Strategy and Finance, and Jeju officials for your hard work to prepare for the meeting today.

Thank you.

**ADDRESS BY JIN LIQUN**  
**PRESIDENT OF THE ASIAN INFRASTRUCTURE INVESTMENT BANK**

Your Excellencies, the President of the Republic of Korea; the Deputy Prime Minister and Minister for Strategy and Finance; Distinguished Governors and Members of the Board of Directors; Honored Guests; Ladies and Gentlemen,

It is a great privilege and an honor for me to welcome you to the second Annual Meeting of the Board of Governors of the Asian Infrastructure Investment Bank.

On behalf of us all at the Bank, I extend our deepest appreciation to the Republic of Korea, the Jeju Provincial Authorities, and the Korean people for your gracious hospitality, and the superb arrangements for this Meeting –the first AIIB Governors’ Meeting being held outside China. We are indeed delighted that the meeting is being held on this beautiful and scenic island. Please accept our heartfelt thanks.

Asia is at a critical juncture. It’s role on the world stage is increasing, thanks in large part to its growing economy, demographic changes, technological innovations and, more importantly, enhancements in corporate and state governance. But despite these impressive achievements, the region now faces new and complex challenges. In particular, rapid urbanization, a massive infrastructure gap, the impact of climate change and environmental degradation are very tough problems to solve.

These challenges cannot be addressed with any degree of success by any one institution single-handedly, be it governmental, social or corporate.

AIIB vows to help tackle these challenges. Our approach is to support economic and social development by investing in infrastructure and other productive sectors. We will not, and cannot, change the course of the planet alone, but we will step up, alongside our members and partners, to do our part to build a sustainable tomorrow.

The global importance of a robust and dynamic Asian economy is evident. It is mission critical that the Bank contributes to sustaining growth in the region. But now, more than ever, it is crucial to promote shared benefits. Not just for Asia, but for the entire world. The question then is, how can these benefits be realized and shared in concrete and tangible forms?

Our shareholders envisage a future of common prosperity across Asia and beyond. A vision that focuses on economic growth and environmental sustainability. Through international cooperation and partnerships, AIIB is working with its clients and stakeholders to put this vision into reality. We are not building a future just for ourselves, but more importantly as a legacy for our children and future generations. I am proud to say that the commitment and buy-in for this vision is deep and growing.

Since we last met just one year ago, the Bank’s approved membership has expanded from 57 to 77. Subject to the Board of Governor’s decision later today, the Bank’s approved membership will reach 80. The Bank is truly global, having members from every continent. Broad support from both our regional and non-regional membership manifests a firm confidence in AIIB. This is the acknowledgement of the Bank’s adherence to the values and principles of openness, transparency and accountability. This is also recognition of our delivery

of our commitments as executed over the last 18 months.

We are encouraged by such confidence and trust. And we warmly welcome you, delegations of our 20 new Approved Members, to this Annual Meeting. We look forward to working with all of you on win-win approaches to improving the livelihoods of your people in the years and decades to come.

Over this past year, the Senior Management Team has been reaching out to the media, NGOs, CSOs, and other stakeholders for meaningful dialogue and information-sharing about the Bank. We have tried our best to get our messages across to the world, so the Bank's mission will be better understood. As an open and transparent organization, the Bank is duty bound to provide clear, accurate and timely information to the public. But much still remains to be done in our public communications, and we will continue to improve. Ultimately, AIIB can only be deeply appreciated by what it does on the ground. We can only be convincing by being transparent and willing to listen. And by being an effective and efficient organization that is driving tangible and positive outcomes for our clients.

In most of Asia, infrastructure is now all the rage. The importance of quality investment in infrastructure and regional connectivity cannot be overstated. Much too often, it is not just a question of the quality of individual projects in and of itself. What matters is the overall impact of infrastructure development. What is most crucial is to make sure that all the infrastructure projects are coordinated, balanced, and integrated in a way so that maximum benefits can be garnered. An airport or sea port should not wait for the construction of roads or railways connecting it to be completed. A power plant should not wait for the transmission or distribution system to be finished. That is why we in AIIB place emphasis on a sound strategy for resource allocation in the context of national and regional connectivity and development.

Connectivity drives economic and social development. This concept lies at the center of our engagement with our members. We are supporting our members to build and improve their roadways, rails, and ports; expand water supply and enhance wastewater management; promote clean and efficient energy generation, transmission and distribution; improve access to telecoms, and develop sustainable cities.

This is also the reason why we attach great importance to working with our members to ensure that our investments in infrastructure can achieve maximum results in promoting growth, productivity, and in helping our members meet their Nationally Determined Contributions under the Paris Agreement.

Ours is an MDB whose members from across the world are all signatories to the Paris Agreement. The Bank has an important role to play as a facilitator and supporter of the Paris Agreement, and we thus place great emphasis on helping our members transition towards a low-carbon future.

Furthermore, there are no coal projects in our pipeline, and we will not consider any proposals if we are concerned about their environmental and reputational impact.

We care about those who might otherwise be left behind without our support, hence our rigorous implementation of the safeguards. We care about poor people's access to urban infrastructure, hence the slum upgrading in Indonesia. We are serious about addressing global

warming, hence the rehabilitation and upgrading of the hydropower station in Pakistan.

Please allow me to elaborate a bit on the power transmission project in Bangladesh. This is a project prepared by our own staff in the very early stage of the Bank's operation. The project will help bring affordable and reliable electricity to over 12 million rural people while realizing energy saving equivalent to an annual reduction of CO<sub>2</sub> of 16,400 tons. This project demonstrates AIIB's commitment to development, to helping the world's underprivileged, and to the environment.

Such investments and critical connectivity links for our members will benefit not only the communities where the projects are located, but they will also have far-reaching and positive impacts on economies across the globe. Connectivity in infrastructure means connectivity with prosperity, and disconnectivity from poverty.

Distinguished Governors, in January 2016, at the Bank's inauguration, I made a pledge to you that we would ensure that this institution operates as a 'lean, clean and green' organization. Eighteen months on, I can report to you that the Management and the staff have been translating these principles and aspirations into reality, step by step, by ingraining them in the Bank's corporate culture and organizational modus operandi.

We are lean – we operate as an agile and responsive institution, with a focused Management team, clearly defined mandate and accountability, and a core of talented, highly experienced, and dedicated staff.

We are clean – good governance is crucial to our credibility, and the key to success. No compromise is allowed in this regard. We hold ourselves fully accountable for the Bank's management, and adhere to full compliance with the Bank's rigorous governance standards and principles. We operate transparently and have zero tolerance for corruption.

And we are green – we are committed to the principles of sustainable development in the conceptualization, design, and implementation of our investments, and are actively working to facilitate our clients' transition to a less carbon-intensive energy mix as they develop and improve their infrastructure and increase energy access. We are also committed to supporting our members in meeting their goals and commitments under key global initiatives.

In an increasingly globalized world, partnerships and cooperation are vital. AIIB is the newest member of the family of multilateral financial institutions and development banks. We are working with our sister MDBs. As the traditional Chinese saying goes, when we all chip in and add wood to the bonfire, the flames will go much higher.

The generous support from this community has greatly facilitated the Bank's development, and we are very appreciative of this strong collegial support. Since the Bank's inauguration, we have enjoyed close partnership with our MDB partners – we have co-financed operations with a number of MDBs and are working, collaboratively, with them and others to support global initiatives and platforms such as the Paris Agreement and Sustainable Energy for All. Such cooperation has brought forth benefits to us all – MDB partners and our clients. We look forward to further deepening such collaboration in the coming years. Through our concerted efforts, we will jointly make a remarkable difference in the economic and social landscape of our members.

Looking forward,

We will continue to strengthen our institutional foundation. We are dedicated to building up our capacity and strength, and will try our best to be a well-managed organization. We are quickly moving upwards on the learning curve. We are striving to ensure that this Bank, a 21st century development institution, achieves results by doing things differently, responsibly, and effectively. The Bank will operate true to the values and principles that are encoded in its Articles of Agreement. We will realize our grand vision of a future of shared benefits across Asia and beyond. We have every reason to be optimistic about our ability to accomplish what we have set as our goals. Let us work together in the years and decades to come.

Honorable Governors, let me once again convey our profound gratitude for your continuous guidance and wise counsel, and for the exemplary support of our Board of Directors. This has laid the foundation for a modern, innovative and trustworthy institution. Your continued, unwavering support will underpin our overall success.

We salute and thank you.



**ADDRESS BY DIMITRY KUMSISHVILI  
FIRST DEPUTY PRIME MINISTER AND MINISTER OF FINANCE  
OF GEORGIA**

Esteemed President Liqun,  
Honorable Members of the Board of Governors,  
Distinguished Delegates, Ladies and Gentlemen,

Let me start by expressing my pleasure to participate in the Second Annual Meeting of the Asian Infrastructure Investment Bank (AIIB) in the Republic of Korea and also I would like to express my sincere appreciation to the Republic of Korea for the excellent organization of the event and warm hospitality.

As we all know the beginning is the most difficult part and today after passing this part in a very short period of time by the AIIB, in the world full of challenges, the AIIB managed to form itself as the reliable and needed partner for its allies. After the first year of the Bank's inauguration we can see its successful operation despite the volatility and global slowdown of economic growth.

The bank has already showed real success by investing 2.2 billion dollar in 13 different projects for infrastructure and environmental improvement across Asia. More projects will be implemented with AIIB financial support in the Bank's member countries. AIIB Board of Directors yesterday already approved some of projects, among which is project for Georgia - Batumi Bypass Road Project which signing is scheduled tomorrow, on June 17.

The Bank continues fast progress and extends its boundaries by accepting new members. This is an important step for strengthening AIIB as a multilateral financial institution and for achieving its fundamental mission to unite countries to address the infrastructure challenges across Asia. We believe that the Bank's devotion toward creation sustainable infrastructure across Asia remains unchanged and it will promote the financing collaboration and trade, economic and policy coordination and member country should have equal opportunity to benefit from AIIB.

The theme of our meeting here today is "Sustainable Infrastructure". This is a very relevant theme as we have learned many lessons over the last year that sustainable infrastructure creates prosperity in all sectors.

In this respect let me turn to Georgia and briefly say couple of words about our ongoing and at the same time planned activities.

Nowadays, Georgia implements significant infrastructure projects to increase inter and intra-regional connectivity. Geographical location of the country provides potential to deepen connectivity between Asia and Europe. We are implementing transit infrastructure, East-West highway, Anaklia Deep Sea Port and Railway Modernization Project are among those, which can play an important role for development Georgia as the regional hub. We are engaged in the ancient Silk Road restoration processes and actively participate in "One Belt One Road" initiative of China which is part of ancient Silk Road. This is one more important step for strengthening connections between Europe and Asia.

During last two decades, Georgia has undergone though a remarkable period of economic transformation led by major institutional and structural reforms. The reforms succeeded in building smart and low regulations, business friendly tax system, private sector driven and corruption-free country.

With the achieved success Government of Georgia initiated new economic program – "Four

Point Reform Plan". The Plan embarks on four strategic directions and one of them is - Spatial Development Reform, which envisages investing in core infrastructure development supporting expansion of the east-west and south-north trade corridors. The objective of the plan is to utilizing Georgia's potential of a transit country between Europe and Asia, as well as its touristic potential, thus creating economic opportunities for our citizens.

We believe that Georgia can play an important role to improve interconnectivity across the region and to create desirable investment environment in the crossroad of Europe and Asia. In this direction we have implemented significant tax reforms in 2016. In particular, from January 2017 new law is in force which implies the taxation of corporate profits only on distribution. The aim of this reform is to create more desirable and stable investment environment.

We are proud to note that, Georgia has Free Trade Agreements (FTA) with many countries in the One Belt One Road Economic Corridor and are working with more. We have FTA with China, Deep and Comprehensive Free Trade Agreement with EU, FTA with CIS countries and Turkey.

In 2017 year Doing Business ranking Georgia takes 16th place in the world. The index of economic freedom of the Heritage Foundation ranks Georgia 13th. The Rule of Law Index published under the World Justice Project in 2016 ranks Georgia as the leader country in the Eastern Europe and Central Asia. These indexes confirm our aspiration to become economically stable country and to create desirable investment environment.

At the same time of our significant reforming process we got new possibility to strengthen our ties with Europe by getting visa liberalization. This is an important step for our country and encourages us toward strengthening reforming process to become a reliable country for all our partners.

Here, I want to use opportunity to express our readiness and desire for further development of our ties with AIIB region. I am confident that sharing experience and knowledge will bring us more beneficial results for entire region. We should deepen cooperation so that development plans of different countries will complement and reinforce each other. We need more initiatives, including promotion and support of entrepreneurship and facilitation of opportunities.

Apart from appropriate infrastructure, needs well-coordinated policies and harmonized rules and regulations. We should create new models of investments and financing and encourage cooperation between government and private sector. In this respect should be applauded the Bank's readiness to cooperate with various development organizations and financial institutions. By working together, we can achieve the best result in a much shorter time. Also, I think it is important for the Bank to assess its impact, how investment enhances productivity and, ultimately, growth in the longer-term.

Finally, I want to express our respect toward bank's management and staff for their devotion and once more express our gratitude toward all delegates presented today. As a Governor, I encourage you, President, to continue in the same manner and hope for future enhancement of our ties and further development our cooperation for benefit to both the Bank and all our countries. I wish the Bank and all of you a full success!

Thank You!

**ADDRESS BY AMR EL-GARHY**  
**MINISTER OF FINANCE OF THE ARAB REPUBLIC OF EGYPT**

Honorable Heads of Delegations,  
Honorable Ministers, President Jin  
Distinguished Guests,  
Ladies and Gentlemen,  
Dear Friends,

Thank you for the invitation. It is a pleasure to be speaking here at the Second Annual AIIB Meetings as the Governor of my country, Egypt and as a representative of one of the non-regional founding members.

Egypt was amongst the founding members that were very enthusiastic about the idea of the Bank at the very early stages in 2015, And ever since its foundation in 2016, we have been keen and active believers in the potential role of the Bank's strategy to contribute to a sustainable transformation of our wider region.

Egypt in particular as a country that enjoys a strategic location as a cross roads between Asia, Africa and Europe realizes the establishment of the bank comes at a critical time due to the large financing gap not only in Asia but the world, there is great demand for increased investment in different kinds of infrastructure particularly in the fields of transportation and energy, putting into consideration the many challenges many countries face in their efforts to develop their infrastructure such as shortage of funds and lack of technical expertise, the establishment of the AIIB could not have come at a better time to support and enhance the development of infrastructure in Asia as well as its connectivity with other regions of the world, with the end goal of ensuring enhanced regional economic connectivity and integration and therefore inclusive growth for all.

Above all, this shows the rapid pace of capacity-building that the Bank has been able to achieve, which reflects its unique core values of being "lean, clean and green". We very much encourage this model of light and flexible institutions and strongly believe in its ability to achieve quick and efficient wins, especially in emerging market developing countries environments.

We would like to commend the bank on the newly approved and adopted Energy strategy, the bank staff along with the BOD and other Stakeholders have been working relentlessly on this essential document which manages to successfully manages to strike a balance between the Nationally Determined Contributions (NDCs) of our countries highlighted in the Paris Agreement with the right of our countries to develop, therefore living up to the "Lean, Clean and Green" theme of the bank without compromising the necessary economic growth targets of our countries, i am confident that the bank and administration will display the utmost and strictest adherence in regards to the social and environmental framework standards and safeguards that have been set out.

Already in the past 18 months, we have all witnessed significant efforts and dedication by the team of the Bank along with its members to transform the Bank's unique vision into a diverse pipeline of projects.

We are observing the developments closely and are already proud of the progress that was achieved in a such a short period of time. This is proven by the sheer number of approved and ongoing projects (16 projects), and even more so, the smooth and gradual shift from co-financing projects with other Multilateral Institutions to the execution of stand-alone projects by the Bank.

This successful formula of operation, coupled with appealing sectoral and thematic priorities of the Bank to focus on Sustainable Infrastructure, Cross-country Connectivity and Private Capital Mobilization have created more believers and enthusiasts about the Bank.

We are happy to welcome the New Group of New Members with growing appetite from both regional and non-regional countries, including Latin America and Africa. Which stands as a testament to the Bank's success as well as galvanizing support from countries from outside of Asia and will only help to further foster the cross-country connectivity inside and outside Asia and assure the inclusive and dynamic role of the Bank.

Speaking for Egypt and emerging economies, we see various opportunities that match our pressing needs with the Bank's strategic priorities, to bridge infrastructure gaps and unleash significant growth potential in the region.

More specifically, we are eager to utilize the Bank's tools to enhance the role of private investments. In fact, we consider this mix of mobilizing, both, public and private investments as a clear edge of the AIIB that helps realize otherwise unaffordable projects.

I look forward to the next highly packed round of meetings and hope for a fruitful outcome, Thank you once again and best of luck!

**ADDRESS BY DONG YEON KIM  
DEPUTY PRIME MINISTER AND MINISTER OF STRATEGY AND FINANCE  
OF THE REPUBLIC OF KOREA  
AND CHAIR OF THE BOARD OF GOVERNORS**

Ladies and gentlemen,

Welcome to the second Annual Meeting of the Asian Infrastructure Investment Bank! Thank you all for coming so far to be a part of this meeting.

Last night, I had the pleasure of meeting governors and delegates at the president's reception. They were kind enough to praise the beautiful scenery of Jeju Island. If I may be more ambitious, I hope that you can see beyond the beauty to truly appreciate the warm hospitality that comes from the bottom of our hearts.

Distinguished guests,

It has been 18 months after the establishment of the Bank in January last year. During that short period of time, the Bank became fully operational, approving 16 projects worth 2.5 billion dollars. And since the first meeting last year, 20 countries have additionally joined the Bank, and three more countries are set to join later today. No other international organization has achieved such a rapid growth. In that sense, as the Chairman of this Annual Meeting, I would like to extend my deepest gratitude to President Jin Liqun and his team.

Ladies and gentlemen!

We need to continue building on the remarkable achievement to stay on the path of progress. For one thing, we need a comprehensive strategy for our investments.

Over the past year, the Bank has made every effort to develop a set of objectives and guiding principles for investment in the energy sector. They are reflected in the investment strategy the Board of Directors approved yesterday. These efforts should be extended to other areas of infrastructure, such as transportation and urban development for a better alignment with the goals of the Bank. We also need to put in place a structured system to manage the growing volume and number of projects. It should oversee projects across the entire lifecycle, from development to post evaluation.

This of course, requires time and commitment. Meaningful inputs from member countries based on their experiences can however, expedite the process. I look forward to constructive discussions over the next two days so that we can move forward on these issues.

Ladies and gentlemen,

Sustainability has become one of the pressing agendas of the international community.

Since the UN's adoption of a new long term development agenda in 2015, Sustainable Development Goals have been recognized as the dominant paradigm of development and a key mandate of MDBs.

In applying this spirit to the AIIB, the Bank has focused on building infrastructure that can effectively address challenges such as climate change and regional disparity, rather than simply increasing their quantity.

Distinguished guests,

Building “sustainable infrastructure” is not an easy task from three perspectives. First, investment decisions often aim to maximize economic benefits at the expense of environmental and social impacts. Second, an inconsistency between infrastructure policies and economic policies could diminish the impact of investment. Third, despite the numerous efforts to attract private sector investment, some countries continue to rely heavily on public finance.

In this regard, I would like to suggest a word, if I may, that points to the path for solving these challenges: “HARMONY”. Harmony could lead to an optimal balance among different factors necessary for sustainable infrastructure investment. More specifically, this could mean: Harmony among economic, social and environmental considerations, Harmony between infrastructure policies and other government policies, and Harmony between the public and private sectors.

The first Harmony is among economic, social and environmental factors. As an example, I would like to introduce Korea’s Eco-friendly Energy Town project, for which Jeju will be the next target location. This project is an initiative the Korean government has been pursuing since 2014. These towns, operated by local residents, utilize livestock waste to produce bio-gas that is sold for economic profit of the local community. And this economic profit produces social benefits, which can also be shared by local residents. As a result, facility developers as well as local residents and their neighbors end up with a big smile on their face. This project shows how harmony among economic, social and environmental factors can lead to a successful case of “sustainable infrastructure.”

The second Harmony is between infrastructure policies and other government policies. It is not uncommon to find a conflict in policies especially in the energy sector. Subsidies are provided for fossil fuels while promoting renewable energy infrastructure. Korea is trying to avoid these problems by enhancing consistency among policies. For instance, we have been cutting subsidies and imposing taxes to discourage the use of fossil fuel. Fostering harmony in policies enabled Korea to host the Green Climate Fund headquarters in 2013 and such commitment will continue in sustainable infrastructure investment.

Lastly, the third Harmony is between the public and private sectors. Strong wind on the island makes Jeju an ideal place for wind power plants. In fact, if you travel around Jeju, you will spot many wind farms. Behind the rapidly increasing number of wind power facilities, there lies a close cooperation between the public and private sectors. Private companies initiated the investment in wind power plants, backed up by incentives provided by the government. The guarantee of the minimum price of electricity encouraged the participation of the private sector, which in turn alleviated the financial burden of the government.

Distinguished guests,

As you are all aware, a new government took office in Korea just a little over a month ago. I was also newly appointed as the Deputy Prime Minister and Minister of Finance last week.

The economic policy direction of the new administration emphasizes “inclusive growth” mainly through “job creation,” and “building a platform for sustainable growth.” This policy direction is in line with “sustainable infrastructure,” the key theme of this meeting. I hope that “sustainable infrastructure” can help “job creation” and “inclusive growth.”

In this context, the Korean government fully supports AIIB's pursuit of "Sustainable infrastructure." With strong commitment of the Korean government, and discussions from this Annual Meeting, I hope that the Bank will be able to solidify its position as an international organization at the forefront of developing "sustainable infrastructure."

As I mentioned in the beginning of this speech, Jeju is an island filled with natural wonders. It is no surprise that visitors often overlook the inherent beauty of the island. It is paradoxical that the true charms of this island are what is coined "The Three Lacks": No Thieves, No Beggars, and No Locked Gates. These Three Lacks imply Abundance, Generosity, and Openness.

You are now here on an island full of these true charms and splendid surroundings I would like to recommend that you take time out of your busy schedules to truly enjoy Jeju island and make unforgettable memories.

Thank you.

## **SESSIONS OF THE BOARD OF GOVERNORS**

### **PRESIDENT'S REPORT TO THE BOARD OF GOVERNORS**

The Chair of the Board of Governors, the Deputy Chairmen, Distinguished Governors, Members of the Board of Directors, Honored Guests, Ladies and Gentlemen.

First of all, please allow me to again express our deepest appreciation to the Korean government and people for their generous hospitality as the host for the second Annual Meeting of AIIB.

I feel privileged and honored to report to you on the significant advances that AIIB has made since the first Annual Meeting of the Board of Governors, which was held in Beijing last June.

Your Excellencies, Governors, and members of the Board of Directors, I submit to you that we, the Management and staff of AIIB, owe a great deal to you for what the Bank has achieved over such a short period. Under your strong leadership and inspiring guidance and direction, we have made great progress towards scaling the heights in our efforts to promote broad-based economic and social development through investment in infrastructure and other productive sectors.

As I noted in my address at the Opening Ceremony, we are heartened by the continuing strong interest in Bank membership and welcome our 20 new Approved Members. Expanded membership, which is expected to increase further, implies greater responsibilities, and also brings about more opportunities. We must first do a very good job of responding effectively to infrastructure development needs in Asia, and, in due course, move beyond Asia to also support non-regional members, thus enabling broader and more extensive connectivity that will benefit the global community of nations.

We have been putting in place a sound system consisting of the organizational components and processes to effectively and efficiently manage this Bank. This will ensure that the Management and the staff will follow, without failure, proper procedures to allow every project financed by the Bank to achieve great success. To this end, we actively listen to our shareholders. We are attentive to the needs and concerns of the local communities, and we seek to ensure that not only are they not adversely affected, but also, that they reap the benefits of well-prepared and effectively implemented projects. The voices of the CSOs and NGOs will be heard, and we will pay due heed to the experiences of other MDBs.

Over the past year, the Board's Policy and Strategy, Human Resources and Budget, and Audit Committees have all been constituted and are now active. An enhanced Board portal to facilitate communications between the Board and Management, and among Board members, is being developed. We appreciate the active role of the Board of Directors in guiding, supervising and monitoring the Bank's management. Later this year, the first country visits by the Board of Directors will help them to see what is going on in some of the borrowing member



countries, and, ideally, to see the first signs of the difference that the Bank is making on-the-ground.

Distinguished Governors, let me touch on some key aspects of the Bank's operations to date.

On the investment side, we have not only met, but even exceeded, our plans and expectations. The 2016 lending target was in the \$0.5-\$1.5 billion range, but, the final outcome was significantly higher at \$1.73 billion. For this, I express our appreciation for the strong support from our shareholders, as well as the World Bank Group, ADB, EBRD, and other partners, which was crucial in our first year of operation. I submit to you that the AIIB and these well-established development institutions are not in competition. It is imperative that close coordination, collaboration and partnership define our relationship, particularly since the needs for infrastructure financing are so substantial. As we consolidate and build upon such partnerships, I would also like to acknowledge the dedication of our staff who, in the co-financing process, actively demonstrate AIIB's 'value-added' by contributing their expertise and due diligence.

Regarding this year's lending, as of yesterday, the Bank has approved 7 projects totaling \$770 million, supporting vital investments across a wide range of sectors and sub-sectors, among them: efficiency improvements in Bangladesh's natural gas sector; dam safety enhancements in Indonesia; the upgrade and enhancement of Andra Pradesh's power transmission and distribution system in India; a regional corridor upgrade in Georgia; and energy security improvement in Tajikistan. We have co-financed 6 projects with our MDB partners and one investment has private sector sponsors.

We are working on a number of projects for Board approval later this year and aim to reach the higher end of the lending range established in the 2017 Business Plan -- up to \$2.5 billion. Over the past 18 months, we have listened to the advice and suggestions of our members, clients and stakeholders about the ways that the Bank can play a great, and unprecedented role, as a new member of the MDB family. From these interactions and engagements, we have identified three thematic priorities that are now shaping our investment profile and business activities. These are: (i) sustainable infrastructure; (ii) cross country connectivity; and (iii) catalyzing private capital. These three priorities are now embedded in our sectoral strategies -- which are our key instruments for identifying future business lines.

The Energy Sector Strategy -- which was finalized just this week after an extensive consultative process -- pilots this approach. This Strategy will help our member governments and private sector efforts to bring affordable and reliable energy to many people in Asia for the first time, and will support our clients in their transition to a low-carbon energy mix, including reaching their nationally determined contributions (NDCs) under the Paris Agreement. This is in line with our 'green' core value. We are consulting with the Board of Directors on the work plan for additional sectoral strategies for the Bank's operations as we move forward. As our pipeline grows, management is actively mindful of the need to take a holistic view of the project cycle -- from screening to implementation and achieving results. We are actively engaged in continuously improving our processes. In this regard,

- First, we have begun to develop a framework to maximize the strategic fit and impact of our investments, focusing on project selection, quality, and implementation. We evaluate projects in the pipeline for their alignment with the three thematic priorities, and we assess our financial, risk-bearing and institutional capacity to deliver each operation.
- Second, we are continuing our efforts to strengthen our systems, and provide the necessary training to the staff, to ensure that all the investments we make will meet the highest economic, financial and technical standards and will comply with the Bank's procurement, environmental and social safeguard policies.
- And third, we are focused on learning. Our Senior Management Team is working to develop a system for continuous monitoring and learning, throughout the project cycle and ex-post project evaluation, to track and assess implementation effectiveness and draw lessons thereof for future operations, thereby ensuring that the Bank's performance will keep moving upward on a continuous learning curve.

As part of the governance structure, the Compliance, Effectiveness and Integrity Unit (CEIU) plays a fundamental role in ensuring that the Bank's lending and financial services for its clients and shareholders meet high standards. I am pleased to advise that this Unit has staffed-up and has begun implementing the work plan endorsed by the Board of Directors last September. Among the Unit's activities is the development of a complaints handling mechanism that will allow people in project areas to voice concerns, if any, over the implementation of safeguard policies. The Unit has also initiated cross-departmental design work on evaluation and sustainability reporting functions. Having put in place a rudimentary system for integrity due diligence, this Unit is also working on the drafting of a Directive for the Policy on Prohibited Practices, which includes provisions on whistle-blower protection. Steps to strengthen learning and knowledge sharing are being incorporated into all these activities.

I am pleased to inform you that the 2017 administrative budget is on track. We made some internal readjustments in the second quarter to further rationalize the financing of priority commitments. In the future, we will continue to strengthen the budgetary framework, exercise prudent financial management and expenditure controls.

The Bank's financial position continues to strengthen. We currently have paid-in capital totaling \$8.86 billion, which is more than sufficient to fund our lending operations and administrative expenses. We take great care in managing our equity capital, striving to achieve reasonably high returns through prudent risk-taking.

I am also pleased to advise that our independent auditor has issued an unqualified opinion on the 2016 Financial Statements of the Bank.

We have been in discussions with the major international credit rating agencies and look forward to receiving their ratings in the next few months. Market conditions permitting, and, subject to having completed our internal setup, we may launch our debut bond issue later in the year.

As an international development and financial institution, we are committed to deepening

the Bank's financial infrastructure. Clearing, payments, and liquidity management platforms are being developed - along with a custodian relationship.

The Bank is also implementing a robust Risk Management Framework that lays the foundation for managing diverse risks, such as financial, operational, integrity, environmental, social and other reputational risks. Phase 1 of this was completed in December 2016 and Phase 2 is now underway.

The three-year IT master plan has entered its second phase which focuses on core business systems development in loan administration, treasury, and investment processes. During this transitional period, we are also putting in place appropriate measures to ensure that our interim operational systems are shielded from risks. This will provide the Bank with robust resiliency against external shocks, and the capability to continue its operations, without interruption, during any crisis situation.

Looking forward,

The Bank now has a pool of highly talented staff recruited from across the world. Our staff are our most valuable resource. We are continuing to recruit top talent, enhance training and build our in-house capacities. As part of the long-term strategy of human resources management, we will be welcoming the Bank's first batch of Young Professionals in the late autumn.

As the Bank grows, and its activities expand, embedding a strong, principled corporate culture remains a top priority; a culture that is about supporting innovation and being nimble, responsive, client-focused and results-oriented.

We will continue to deepen the Bank's core specializations to further distinguish it from other financiers, and to build our brand as the 'go-to' premier infrastructure financing institution.

For the foreseeable future, sovereign lending will comprise the majority of our portfolio. However, we are working to increase the number of non-sovereign operations and expect its share to increase gradually. We are also preparing a paper on Approaches to Private Capital Mobilization, intended for deliberation by the Board of Directors in the fourth quarter of this year.

Infrastructure projects typically require massive investment, and co-financing with other MDBs is a pragmatic and viable option to meet these needs. We are continuing to work closely with our partners in the MDB family on such co-financing opportunities. As we go forward, we expect that the share of stand-alone operations in our portfolio will increase and become the primary lending modality as we develop our in-house capacities, build our own brand, and demonstrate our own distinctive features and specializations.

Finally, we look forward to all our prospective members completing their ratification processes and becoming full members of the Bank. We also expect to receive further new applications for membership in the coming months. As we become a truly global institution, we will continue to develop our communication, our governance, and our engagement to ensure that all our Members may play their part in the further development of this Bank.

This is a brief summary of the significant activities that are currently in progress.

Although we are pleased with this positive trajectory, we are not complacent. There remains a significant, complex and challenging agenda ahead.

My Management Team and I look forward to the continued strong support and guidance from you, Distinguished Governors, and our Board of Directors.

I am fully confident that the Bank is on the right course to develop and mature as an ethical, innovative and agile institution, supporting its membership with timely and sustainable financial products and services to boost regional connectivity and to help meet the critical infrastructure financing needs.

**RESOLUTIONS ADOPTED BY THE BOARD OF GOVERNORS**

**ASIAN INFRASTRUCTURE INVESTMENT BANK**

**BOARD OF GOVERNORS**

**Resolution No. 42**

*Approval of the Audited Financial Statements*

The Board of Governors RESOLVES THAT:

The attached audited Financial Statements for the Bank for the period from January 16, 2016 (date of commencement of operations) to December 31, 2016 and the audited Financial Statements for the AIIB Project Preparation Special Fund (“Special Fund”) for the period from June 24, 2016 (date of the establishment of the Special Fund) to December 31, 2016 be approved.

*(Adopted on June 16, 2017)*

**Resolution No. 43**

*Approval of the Allocation of Net Income*

The Board of Governors RESOLVES THAT:

The total amount of net income of the Bank for the period ending on December 31, 2016 be allocated to retained earnings.

*(Adopted on June 16, 2017)*

**Resolution No. 44**

*2016 Annual Report and 2017 Budget*

The Board of Governors RESOLVES THAT:

1. The Board of Governors of the Bank takes note of the 2016 Annual Report submitted by the Board of Directors of the Bank in accordance with Section 3 (b) of the By-Laws of the Bank.
2. The Board of Governors of the Bank takes note of the 2017 Budget submitted by the Board of Directors of the Bank in accordance with Section 5 (c) of the By-Laws of the Bank.

*(Adopted on June 16, 2017)*

**Resolution No. 45**

*Date and Place of the 2018 Annual Meeting*

The Board of Governors RESOLVES THAT:

1. The invitation of the Government of the Republic of India to hold the Third Annual Meeting of the Bank in Mumbai, India in 2018 be accepted; and
2. The 2018 Annual Meeting be convened from June 25 to 26, 2018.

*(Adopted on June 16, 2017)*



## **Resolution No. 46**

### *Admission of the Republic of Argentina to Membership in the Asian Infrastructure Investment Bank*

The Board of Governors,

**HAVING CONSIDERED** the application by the Republic of Argentina (the Applicant) for membership in the Bank;

**TAKING INTO ACCOUNT** Articles 3, 5 and 44 of the Articles of Agreement of the Bank;

**ACTING UPON** Article 3.2 of the Articles of Agreement;

#### **RESOLVES THAT**

The Applicant be admitted to Membership in the Bank on terms and conditions as follows:

1. The Applicant shall deposit with the Bank an instrument of ratification, acceptance or approval of the Articles of Agreement not later than 31 December 2018.
2. The Applicant shall subscribe to up to fifty (50) shares of the capital stock of the Bank, of which ten (10) shall be paid-in shares and forty (40) shall be callable shares. The par value of each share shall be one hundred thousand (100,000) United States dollars.
3. Payment of the amount subscribed to the paid-in capital stock of the Bank shall be made in five (5) installments of twenty (20) per cent each of such amount. The first installment shall be paid on or before the date of the deposit of the instrument of ratification, acceptance or approval by the Applicant. The remaining four (4) instalments shall become due successively one (1) year from the date on which the preceding instalment becomes due.
4. The Applicant shall become a Non-Regional Member of the Bank on the date referred to in the preceding paragraph upon the completion of its payment of the first installment.

The Board of Governors wishes to bring to the attention of the Applicant Members' obligation under Article 44.2 of the Articles of Agreement, in order to enable the Bank to fulfil its purpose and carry out the functions entrusted to it by Members.

*(Adopted on June 16, 2017)*

## **Resolution No. 47**

### *Admission of Madagascar to Membership in the Asian Infrastructure Investment Bank*

The Board of Governors,

**HAVING CONSIDERED** the application by Madagascar (the Applicant) for membership in the Bank;

**TAKING INTO ACCOUNT** Articles 3, 5 and 44 of the Articles of Agreement of the Bank;

**ACTING UPON** Article 3.2 of the Articles of Agreement;

### **RESOLVES THAT**

The Applicant be admitted to Membership in the Bank on terms and conditions as follows:

1. The Applicant shall deposit with the Bank an instrument of ratification, acceptance or approval of the Articles of Agreement not later than 31 December 2018.
2. The Applicant shall subscribe to up to fifty (50) shares of the capital stock of the Bank, of which ten (10) shall be paid-in shares and forty (40) shall be callable shares. The par value of each share shall be one hundred thousand (100,000) United States dollars.
3. Payment of the amount subscribed to the paid-in capital stock of the Bank shall be made in five (5) installments of twenty (20) per cent each of such amount. The first installment shall be paid on or before the date of the deposit of the instrument of ratification, acceptance or approval by the Applicant. The remaining four (4) instalments shall become due successively one (1) year from the date on which the preceding instalment becomes due.
4. The Applicant shall become a Non-Regional Member of the Bank on the date referred to in the preceding paragraph upon the completion of its payment of the first installment.

The Board of Governors wishes to bring to the attention of the Applicant Members' obligation under Article 44.2 of the Articles of Agreement, in order to enable the Bank to fulfil its purpose and carry out the functions entrusted to it by Members.

*(Adopted on June 16, 2017)*

## **Resolution No. 48**

### *Admission of the Kingdom of Tonga to Membership in the Asian Infrastructure Investment Bank*

The Board of Governors,

**HAVING CONSIDERED** the application by the Kingdom of Tonga (the Applicant) for membership in the Bank;

**TAKING INTO ACCOUNT** Articles 3, 5 and 44 of the Articles of Agreement of the Bank;

**ACTING UPON** Article 3.2 of the Articles of Agreement;

#### **RESOLVES THAT**

The Applicant be admitted to Membership in the Bank on terms and conditions as follows:

1. The Applicant shall deposit with the Bank an instrument of ratification, acceptance or approval of the Articles of Agreement not later than 31 December 2018.
2. The Applicant shall subscribe to up to twelve (12) shares of the capital stock of the Bank, of which two (2) shall be paid-in shares and ten (10) shall be callable shares. The par value of each share shall be one hundred thousand (100,000) United States dollars.
3. Payment of the amount subscribed to the paid-in capital stock of the Bank shall be made in five (5) installments of twenty (20) per cent each of such amount. The first installment shall be paid on or before the date of the deposit of the instrument of ratification, acceptance or approval by the Applicant. The remaining four (4) instalments shall become due successively one (1) year from the date on which the preceding instalment becomes due.
4. The Applicant shall become a Regional Member of the Bank on the date referred to in the preceding paragraph upon the completion of its payment of the first installment.

The Board of Governors wishes to bring to the attention of the Applicant Members' obligation under Article 44.2 of the Articles of Agreement, in order to enable the Bank to fulfil its purpose and carry out the functions entrusted to it by Members.

*(Adopted on June 16, 2017)*

**Resolution No. 49**

*Election of Officers of the Board of Governors*

The Board of Governors RESOLVES THAT:

The Governor for the Republic of India be elected Chairman, and the Governors for the Republic of Kazakhstan and the Kingdom of Norway be elected Vice-Chairmen of the Board of Governors of the Bank, to hold their respective offices until the election of officers at the end of the 2018 Annual Meeting of the Board of Governors.

*(Adopted on June 17, 2017)*

**Resolution No. 50**

*Appreciation*

The Board of Governors RECORDS:

Its warm appreciation and thanks for the generous and gracious hospitality of the Government and people of the Republic of Korea on the occasion of the Second Annual Meeting of the Bank held in Jeju on June 16-17, 2017.

*(Adopted on June 17, 2017)*

## GOVERNORS' ROUNDTABLE DISCUSSION

*Topic 1: Where are the investment opportunities that can best meet your country or region's needs, while also meeting the Bank's thematic priorities? What are the projects that have to be invested in now?*

### China

Thank you, President Jin. It is a great pleasure for me to share my observations on this topic. Given that infrastructure investment opportunities are diverse, I would like to focus my intervention on three aspects based on China's development experience over the past 30 years and China's collaboration with the MDBs.

Firstly, the AIIB is encouraged to align infrastructure priorities with the different development stages and dynamic needs of borrowers. China's development experience has indicated that developing countries are most affected by lack of resilient infrastructure when their economies set to take off. At this stage, it is critical to pool the limited resources to address major infrastructure bottlenecks, such as transport and energy projects. Once economic growth enters a period of rapid industrialization and urbanization, the constraints on resources become acute. The needs for infrastructure investments will gradually switch to environment protection, energy conservation and smart city development. The transition towards green and low-carbon economy will thus become an inevitable trend. The focus of China's lending portfolio with MDBs has indicated such a shift of infrastructure priorities. Therefore, the AIIB should be fully aware of different development stages of borrowers and align its strategies with borrowers' development priorities in order to support infrastructure projects underpinning borrowers' development.

Second, we expect the Bank to steadily push forward cross-border connectivity. The growing interactions between countries and expanded global trade and social exchanges have called for a closer infrastructure connectivity. Against this backdrop, it is imperative for the AIIB to support cross-border connectivity as one of its three thematic strategies. During the Belt and Road Forum for International Cooperation hosted by China in May this year, China signed the Memorandum of Understanding on Collaboration on Matters of Common Interest under the Belt and Road Initiative with six MDBs including the AIIB and World Bank Group. This effort provides a renewed impetus to the development of regional transportation corridor, trade and logistics corridor as well as economic corridor. We encourage the Bank to conduct systematic diagnosis and assessment on related regions, countries and sectors so as to better identify investment opportunities and risks, by taking into consideration of the urgency and complexity of the projects. It is also crucial for the Bank to promote borrowers' policy reforms to improve business environment, and deploy innovative lending modality and financing instruments in order to build a diversified financing system that is long-lasting, stable, and sustainable with manageable risks.

Third, it is important to leverage projects as a vehicle to enhance knowledge sharing on

infrastructure. AIIB should give priority to developing expertise and leadership in supporting sustainable infrastructure. We expect the Bank to take advantage of projects as a platform to bring value addition in promoting knowledge sharing and experience exchanges. China's experience of infrastructure development has indicated that "hard infrastructure" and "soft infrastructure" are equally important. In building "soft infrastructure", we attach great importance to sound planning and management, as well as institutional capacity. Based on China's experience of cooperation with MDBs, although access to funds is essential, it is more valuable to draw upon modern concepts and experience in terms of international competitive bidding, environmental impact assessment, construction supervision, charge for sewage treatment, post-evaluation, and so on. These measures have become standard practice that provide guidance to our domestic infrastructure projects. In the long term, clients' policy reforms and institutional building are indispensable to sustainable infrastructure. The AIIB should work on how to help clients promote institutional reform and improve business environment, with an aim to build its own brand and institutional capacity in supporting infrastructure development.

### **Bangladesh**

Honourable Chairman, Mr. Dong-yeon Kim, Deputy Prime Minister and the Minister of Strategy and Finance, Honourable President of - Dr Liqun Jin, distinguished governors, alternate governors and members of the Board and single delegate. Very good morning to you all. I express my deep gratitude and thanks for giving us the opportunity to talk on governors' roundtable session this morning.

I would like to talk on the Bangladeshi perspective first. Bangladesh has made in the global export light for many of its remarkable achievement, rapid property deduction is one of them. Bangladesh made impressive gain in deduction of property prevalence from 56% in 1991 to 23.6% in 2016. The level of income inequality has also improved in the same time. This has been a unique outcome, not only in the region, but also globally.

Despite the ongoing sluggishness and crises in the global economy, the economic growth in Bangladesh is quite robust. The average GDP growth rate for the last 10 year is more than 6%, and growth in our economy has been support by set of positive indicators over medium term, including the current fiscal year. The current fiscal year, we are projecting the growth rate will be more than 7%, and last year it was also 7%.

The government of Bangladesh has embarked on the implantation of its seventh five-year plan, with a view to accelerating growth and empowering citizens, leading to realisation of Vision 2021 that was formulated encompassing the SDC targeting along with relevant action plan. Removal of infrastructural bottleneck in the various sector and further promoting public-private partnership initiative has given importance in this plan. In the period from 2015 to 2020 we foresee an outlay of US\$398 billion the real-estate sector, of which public and private sector share only will be the 23% and 77% respectively. Their share of external financing to the total outlay will be 9.6%.

The current GDP-Investment ratio is 20-30%, which we would like to increase 34% by

next two, three years, and development of infrastructure, especially transport and communication is a precondition for achieving sustained and accelerating growth with immense distributional impact, especially for achieving this general balanced growth.

This is more important for Bangladesh as the country is forced to take off to a new growth path, envisioning to achieve more than 7% for the next five years. The transport system of Bangladesh consists of road, railway, inland water, boat, marine and air transport. Among the different mode of transport, road transportation has become the dominant mode.

According to World Bank's update on competitiveness ranking, Bangladesh is still lagging behind. The government is committed to promote regional connectivity and support for the Trans-Asian Highway project and to address the anticipated Chittagong port capacity constraint, owing to growing income and international trade.

Bangladesh has made a strong progress with the expansion of export that has supported the rapid growth of manufacturing outlay and employment, but the progress on export and the ability to develop the diversified export base, will required an efficient and low-cost for infrastructure and that will extend then the competitiveness of Bangladesh export.

Bangladesh has made significant progress in increasing power generation capacity, in increasing actual power production and consumption and increasing the population access to electricity.

Moreover, Bangladesh need to ensure energy security and is on way to initiating different project of alternative source of energy, like construction of energy pipeline network, importation of energy, and LPG, et cetera. AIIB has been supporting this initiative through energy sector strategy sustainable energy for Asia.

Bangladesh has taken also Blue Economy initiative, the maritime pillar of the future strategy, to promote its smart sustainable and inclusive growth and employment opportunity in maritime economic activity in the short-, medium- and long-term frames, to realise the necessary international cooperation and support to alleviate the Blue Economy of the international sustainable development agenda. Bangladesh, among the coastal countries has targeted the prospective process and formulated action plan for the same emerging sector, like energy, fishery, maritime trade, shipping, coastal, et cetera.

We are thankful to AIIB that AIIB has approved to loan for Bangladesh in power and energy sectors. We hope the AIIB, along with other development partner will join us to overcome those challenges and to make our journey for a present level to higher trajectory of development.

AIIB may take the opportunity to provide more cooperation with infrastructural development in Bangladesh and take project related to production sector - productive sector, like transport, communication, energy, power, ICT, blue economy, et cetera. While investing in this sector will be in line with AIIB's thematic priorities, sustainable infrastructure and cross-border connectivity, we have already sent AIIB seven project proposal under power, communication and other sectors. We'll submit another three projects shortly. I hope AIIB will come up to invest to those projects and will contribute to the economic development of Bangladesh through its sustainable infrastructural expansion.

The seventh five-year plan estimate that during 2016-20 about USD 410 billion financing,



which is twice the size of current GDP, will be needed for development of Bangladesh infrastructure. AIIB, along with other development partners, needs to escalate up its operation in Asia to meet that growing demand for better infrastructure for the emerging economy member countries. I hope AIIB will come up with more investment project for Bangladesh to support the economic countries infrastructure development.

Mr. Chairman, thank you for providing me the opportunity to share my thoughts. Thank you, excellencies, ladies and gentlemen for kind attention. Thank you.

### **Afghanistan**

Thank you, Mr. Chairman, President Jin, distinguished governors, head of delegates, ladies and gentlemen. Very good morning to all of you. I'm delighted to be here at the second annual meeting of Board of Governors and thank you for inviting me and accepting Afghanistan's membership in a family of AIIB. I would also like to thank the Jeju administration for hosting us in this beautiful city.

Afghanistan's development needs are enormous, as we rebuild our country. Afghanistan's vision for achieving self-reliance lays out a blueprint of our efforts to achieve that self-reliance. Regional integration, using Afghanistan's strategic location, linking central with south Asia and east with the Middle East provides enormous economy economic opportunity, not only for Afghanistan, but also for neighbours and region as a whole.

Given this opportunity for regional economic cooperation, mainly infrastructure cooperation, that not only link Afghanistan from within, but also with its neighbours for cross-border trade and connectivity are high on our list of priority areas for development.

Our key infrastructure and sustainable power projects are being designed with a primary aim of connecting Afghanistan to the region, corridors and energy trade. These correspond to two of three thematic priorities identified by AIIB, sustainable infrastructure and cross-border connectivity. For Afghanistan, railway connectivity has been identified as a priority and cost-effective means of supporting rapid and secure transport in bulk, between Afghanistan and its neighbours and beyond.

Four railway corridor projects have been identified as priorities to achieve sustainable economic growth, promote employment and exploit Afghanistan agriculture, and natural mineral resources, both for internal and regional distribution. According to Afghanistan geological survey and US geological survey, Afghanistan has up to 3 trillion worth of mineral resources.

The northern corridor is part of a five-nation railway project, a commercial transit and flight corridor of just over 1100 kilometres, with a potential to enhance the commerce and communication of five countries, namely Afghanistan, Iran, Tajikistan, Kyrgyzstan and China. This corridor should be built in six phases, and the cost is estimated close to US\$2.25 billion. The southwest corridor will connect Herat in the west to Helmand, Kandahar and Spin Buldak in south, with three points to Pakistan. Construction of the first 95-kilometre stage between Kandahar and Spin US\$152 million, of which the Afghan government has already committed

16% - 17% of the cost. There is a funding gap that requires financing. The Afghan government is funding the feasibility study for the second 246-kilometre stage of this line, to be carried out this year.

Finally, a north/south corridor is planned connecting northern Afghanistan from Kunduz, at the border of Tajikistan, through to Kabul, Jalalabad, Torkham, which borders with Pakistan. This 640-kilometres line will build in three phases over three years, with prefeasibility and feasibility studies already completed. We have designed five airports, 14 dry ports and fibre optics ring that will facilitate trade and transit within the region.

Beside transportation, power is a fundamental infrastructure requirement for the development of our industry and private sector. In this regard, three storage dam projects are intended to provide water for agriculture, industrial and domestic use, as well as creating sustainable energy supplies for Afghanistan and our neighbours. The construction of these dams will also reduce the floating and subsequent draw-out that affects so many of our people every year.

Finally, to begin take advantage at the scale of solar energy, the Hisori Shahir solar park in Nangarhar province in Afghanistan will generate up to 100 megawatts of electricity, plus back up storage for Jalalabad and Kabul, supporting growing industrial commercial and domestic needs.

While we finalise the internal procedural step for our full membership of the AIIB, we look forward to working with the Bank on these key projects that will drive the economic growth, trade and prosperity, not only for Afghanistan, but also for the whole region.

I thank you for your attention.

## **Turkey**

Thank you. Mr. Chairman. Mr. President and esteemed governors. I would like to extend my sincere appreciation to the Bank management and to the government of Korea for the excellent organisation and warm hospitality. I also commend the management and the staff for their high level of commitment and impressive quality of work during the Bank's establishment process.

As the establishment of the Bank is now largely complete, it is now time to focus on delivering on the Bank's mandate and mobilising private capital in Asia.

The current environment in the region presents great opportunities for the AIIB in terms of both stand-alone projects and to co-financing projects with other multilateral development banks. In that regard, we appreciate AIIB's efforts throughout last year to foster close cooperation with the MDBs. This type of collaboration would help the different MDBs leverage on their technical knowhow and implement robust safeguard policies.

As a developing country at the crossroad of Asia, Middle East and Europe, Turkey is determined to significantly improve its infrastructure. Our priority areas range from sustainable energy supply, including renewables and international energy pipelines to strategic transportation projects that will support integration of original and international market.

I would like to emphasize these areas further, which I believe would perfectly fit the Bank's thematic priorities. First, energy infrastructure investments are at the core of Turkish investment strategy. Energy investment will not only help power the Turkish economy, but will also provide energy security for European countries, on the one hand and the market diversification and increase revenues for exporting regional member on the other. One of such project where the banks have already involved is the tunnel project, which is an excellent example for both the sustainable infrastructure and the cross-border connectivity priorities of the Bank.

Renewable energy sector is another aspect of the energy infrastructure that is very important for our government.

Urban transport infrastructure, especially light rail, in metropolitan cities could be another area where AIIB may explore financing for municipal sector.

Environmental infrastructure in Turkey is required to comply with the EU processes, which will necessitate the significant level of investment in the short to medium-term. AIIB financing to the municipal sector through financial intermediaries, could be explored in the sector as well.

Second, with regards to the mobilising private capital, Turkey has gained significant experience in the public-private partnership model. So far, a total of 211 PPP project in various sectors have been contracted, with a total contract value of \$123 billion. Our government has strong support and commitment for implementing new PPP projects, particularly in the transportation and the health sector.

In the transportation sector, we have recently achieved a series of mega PPP projects, enhancing connectivity between Asia and Europe. The pipeline includes the extension of these projects through motorway and highways, including an intercontinental bridge. The total value of this project is around \$5.5 billion.

Key market players and the MDBs have displayed their interest to our PPP portfolio. However, fiscal constraints and the traditional bank-funded models appear as the main bottleneck. In particular, we have been observing a shift to non-banking instruments, including risk-sharing matters in order to mobilise private sector resources.

With these, I celebrate the first year of AIIB, which has been a journey of dedication and hard work, and would like to express Turkey's strong trust in the Bank in becoming a lean, clean and the green development partner.

Thank you.

## **Argentina**

Thank you, Mr. Chairman. Mr. President, esteemed governors. On behalf of the government of the Argentine Republic, I would like to express our gratitude to the AIIB for extending an invitation to join the Bank as a non-regional member. We recognise the importance of the support given to Argentina in this process and we are very proud to join in.

No doubt, for Argentina to become a member of the AIIB is a milestone that contributes to the intentions to strengthen our relations with Asian countries, as well as a big challenge to promote together the implementation of different projects that could contribute to a sustainable economic development and better infrastructure connectivity between Asia and South America. Always within the frame of an open, inclusive and balanced regional economic cooperation.

Thank you, Mr. Chairman.

## **Chile**

Thank you, Mr. Chairman. As you know, Chile is one of the newest prospective members of the Bank. We intend to discharge our responsibilities in a constructive and positive way. We are now taking up the necessary steps in Chile in order to become a full member as soon as possible.

We attribute great importance to the work of the Bank. Out of the priorities that the Bank has set for itself, we confirm special relevance to what relates to trans-boundary connectivity. In fact, some important projects are already being implemented in Chile. We are constructing two tunnels - two long tunnels, between Chile and Argentina. Those tunnels and also other projects, in order to improve roads and railways, are very important for us, first from the point of view of integration with other Latin American countries, but also in order to collaborate among each other so that products from those countries in the Atlantic Ocean can access to ports in the Pacific Ocean, for later export to the Asian markets.

Other projects to build tunnels might come up in the future, and the Bank could be involved in them.

Also, another initiative, which is of especial interest for us is the construction of an optical fibre cable between Chile and China. This project is already under consideration. A feasibility study has been carried out. It will be complemented. Three routes are being considered, all the way across the Pacific Ocean, from Chile to China. When this project is operating, it will provide a useful and necessary direct digital link between Asia and South America.

I believe that we might, in the near future, talk to the Bank again about the implementation of this important project.

Finally, let me say, Mr. Chairman that this interest of Chile in the Bank, our accession as a prospective member, for the time being, and a future full member, relates to our interest to get closer to Asia. For many years now, we have implemented a policy of getting near to Asia and the Asian countries. We have concluded free trade agreements with most countries in Asia. We are negotiating other trade agreements. Our trade has grown exponentially during the last two

or three decades.

We look at the Bank as a very important and relevant instrument in order for us to develop this interest and to get close to - closer to Asia. We will continue collaborating with the Bank and I assure you of our fullest support and interest in your work.

Thank you, Mr. Chairman.

### **Ethiopia**

Thank you, Chairman. I share the others for well organisation for this meeting. This, my point is we thank that Ethiopia is joining this organisation recently. My point is on your article yesterday, when we're discussing different investment forum, priority is given for Asia and for investment. If once the others than Asians is joining, why it's - priority is given only for Asians? Maybe in article as I heard, if it is supporting Asians, the priority is given for Africa.

Nowadays, I think as far as my understanding, Asian countries, especially China joining on investment in Africa, in hydropower, in roads and in other infrastructure, already export and import is growing to Asian countries. Why this priority is put in the article? The infrastructure is given priority for Asia is the case? Maybe that gives for us already indicated zero corruption, it gives for expertise to be - to make a problem and to give priorities and selecting.

If you explain this detail for me. Thank you, Chairman.

### **Cyprus**

Thank you, Mr. Chairman. I would like to take this opportunity to thank the AIIB, the President, the Vice President, the senior staff and all the staff members of AIIB, for all their support they have given to Cyprus' application to join the Bank. We are very proud to become a new member of the Bank and we are committed to close collaboration.

I would also like to take this opportunity, as I'm also non-resident accredited ambassador in Korea, to thank you, Mr. Chairman, and the government of Korea for an exemplary organisation and hospitality. Thank you so much.

*Topic 2: How can AIIB help your country better mobilize private finance?*

**Singapore**

Thank you, Chairman, and fellow governors.

Infrastructure project financing is often difficult and complex, for at least three reasons.

The first is that a capital investment is messy. It involves billions of dollars and is often beyond the means of any single lender, or even a government, especially from a developing country.

Second, infrastructure is meant to last many years, which means that the benefits flow over many years, so during this time, things can change. New technology, new requirements, or new rules. This means greater uncertainty in the projects.

Third, the cost and benefits of infrastructure projects are often diffused or spread over many different people. Citizens, public agencies and companies can all benefit from it, or they can all be negatively affected by it.

So, as a result of this, you find that financing of infrastructure is very different from financing of many other typical expenditure. Now, Chairman Kim, as well as - raised the concept of harmony yesterday and President Jin Liqun spoke about linkages. So building on this, let me suggest three things that the AIIB can do to help mobilise private financing and to make projects more bankable and for us to be able to tap private financing better.

The first thing is to build expertise to minimise project costs. So not just in the initial process of tendering and having a degree of transparency to get the best deal, but also in the concept of the costs. I think we mentioned about the costs in terms of lifecycle, and I do think that, given the long period which infrastructure projects are supposed to last, the lifecycle management of costs is very important. So not just the initial capital outlay, but the operational costs and the maintenance costs.

In that regard, sustainable infrastructure is an extremely important topic. There's no point having a project that seems cheap at the beginning, but which can either become very costly to maintain later on, or projects which - for which - can cause a lot of harm, like say pollution. In that regard, the renewable energy and the renewable - the focus on sustainability is quite important. There I think the AIIB can take a lead in terms of subjects like green financing. So the first thing is to build expertise to minimise project costs.

The second thing that AIIB can do is to build expertise to maximise project value. Now, President Jin Liqun made important point yesterday about the comprehensive planning. That there's no use building a port if there are no roads leading to it, nor a power or a power plant where power grid is not ready to provide a supply.

So that connectivity is key, and I think this morning Governor Xu from China spoke about the Belt and Road initiative as well as the governors from Afghanistan and Chile also talked about international connectivity. So this sort of cross-border connectivity is important in moving - helping us to ensure that we can have more cross-border exchanges - cross-border exchanges of goods, services, ideas and so on.

In that regards, I would like to add that the digital connectivity is going to become an increasingly important point - both domestically, in terms of the way that the fourth industrial revolution and the Internet of Things can connect up devices and help in the maintenance, as well as cross-border, as our Chilean minister have mentioned earlier.

So, how do we - how does AIIB help to build expertise, to maximise project value?

Now, the third thing that AIIB can do is to ensure the harmony between the private and public funding. Because the financing needs are large, no single bank or lender can fulfil all the needs on most occasions. But AIIB can catalyse and crowd in private funding - like a concept of a catalyst in a chemical sense, a small amount can create a big chain-reaction - and I hope that the AIIB can do this chain-reaction.

There are several ways to do this. I think our colleagues from Turkey mentioned about PPP earlier on. There are other ways, like promoting guarantee against sovereign defaults, given the relationship that AIIB has with the governments, or providing certain forms of syndicated loans, for instance, the A/B type loan structure, where the AIIB can provide the A loans and act as a lender of record, to attract banks and investors to provide the B loans, and in that way the B lenders can enjoy the AIIB's credit status. Or the AIIB can administer infrastructure fund, to draw in commercial equity.

So, in summary, infrastructure funding is complex, because it is massive, it is long-term, and that the benefits are often very diffused over many, many different parties. The three things that AIIB can do to bring all this into harmony is to minimise the cost of the project, to maximise the value that gets created out of the project, and to catalyse private funding.

Thank you.

## **Australia**

Thank you, Chair, and President Jin, Deputy Prime Minister Kim, Sir Danny, fellow governors. Those of us gathered here today in beautiful Jeju, Korea, understand the importance of infrastructure investment. That's why we're here. Investment in infrastructure is vital to securing the productivity gains needed to power Asia's transition to high income for its citizens. It also reinforces our commitment to the 2030 agenda for sustainable development and the sustainable development goals.

Better infrastructure is needed. More infrastructure is needed. We're all familiar with the Asian Development Bank's assessment that the Asian region alone - alone - requires \$26 trillion worth of infrastructure development by 2030.

Working with partner governments is absolutely key, but public funding alone will not be enough to bring about the step change needed. Private capital will be essential and public-private partnerships will be key to maximising outcomes.

This is why our nations, our governments have joined together to help create the Asian Infrastructure Investment Bank.

Australia has always said that the AIIB has the capacity to be a game-changer for the region by catalyzing private sector investment. The AIIB's commitment to being lean is one of its key

imperative assets, and it requires the Bank to partner with others and be flexible and responsible and responsive - to be - as President Jin indicated yesterday - to be nimble. To be nimble. He emphasised that and it's so true. Private sector participation in infrastructure development can bring innovation. It's a word that our Prime Minister, Malcolm Turnbull, has reiterated. New technologies, experience, improved efficiency and management and greater access to both start-up and patient capital.

The challenge is to make infrastructure projects in the region attractive to investors, because the lack of stable returns or project risks can be difficult to quantify and mitigate. In this context, the Bank must engage the private sector early, select sound advisors and be more ambitious and innovative than the other multilateral development banks. This means the Bank must be willing to supplement financing gaps and share project risks. Having an operational culture that encourages private sector participation and an integrated approach to project preparation is absolutely essential. Each AIIB investment should incorporate a robust analysis of private investment opportunities and also constraints.

Australia's experience with infrastructure delivery and finances evolved to adapt to modern infrastructure needs and innovative financing models. Now, in 2014 the Australian government embarked on an asset recycling initiative to encourage state territory - I guess you'd call them provincial governments - to privatise assets that have an established risk return profile and reinvest the sales' proceeds into new infrastructure.

This initiative sought to take advantage of the private sector's willingness to take on established brownfield assets, while freeing up public sector resources to take on greenfield risk. There is scope for the AIIB to consider how it can encourage a similar reallocation of risks in its member countries.

As bank members, we must ensure that we also support the policy and regulatory reforms in client countries that enhance enabling environments and encourage innovation and financing partnerships to emerge.

Beyond addressing shallow capital markets, the AIIB should consider co-financing projects, by acting as an anchor, strategic investor. Doing so would directly address the constraint of limited investor experience and uncertainty, whilst ensuring the viability of new projects, rather than competing with private investors for the same, limited bucket of bankable investments.

Finally, the objective of fostering private sector investment in infrastructure - it's not new - we all know that. MDBs have been wrestling with how best to do this for quite some time, but with mixed results. Many of the impediments, domestic policy settings, regulatory approach, et cetera, are really in the hands of national governments, but the AIIB has the unique opportunity, starting with a clean sheet of paper, to bring a fresh perspective - learning from the lessons of others, while not constrained by their mistakes.

Thank you very much.



## **New Zealand**

Thank you. Thank you very much, Mr. Chair. Good morning colleagues.

Just building on the comments that we've just heard and thinking about the precise question about what can the AIIB do to help mobilise private capital, I'm struck by really three words - confidence, certainty and clarity, because I think those three words are almost foundational to help promote private finance - to mobilise private finance in the sorts of complex, large-scale infrastructure projects which our colleague from Singapore talked about.

Just to give you a sense of how New Zealand has tried to do this, we've worked with local governments, regional governments, with the private sector and with various parties in central government, to actually look at our infrastructure needs over the next 30 years. So, we've have a national infrastructure plan that gives a sense of the needs of the country, built collectively with partners. We've taken that to another level by actually identifying a 10-year plan, which is a bit more specific, which identifies that we have intentions amounting to around NZ\$125 billion worth of investment - again, private sector, regional government and central government investment.

Providing that sort of information, I think is one of those foundations where you can start to build confidence in the private sector in general to start thinking about how it can contribute. of course, it's not the whole story. We do need to continue to look at how we ensure confidence in contracting, confidence in the development of PPPs. There is a lot of experience around the world already. I think the AIIB can play an important role to benchmark best practice, to share best practice, and to promote those key foundational factors that I talked about.

I mean, in particular, just as another example, just following on from my Australian colleague, the Australia and New Zealand governments have developed a pipeline portal. It's available on the internet and it indicates big infrastructure projects of at least \$100 million that are in the pipeline. This enables the private sector to actually identify what it is that, in Australia and New Zealand at least, is being planned, and I know the G20 and its infrastructure hub is similarly looking to put together a global infrastructure portal, to signal intentions ahead.

All of those things contribute, I think, to building confidence, building certainty and building clarity. I think the AIIB, by the place it has in the - in all our countries in the region, has got a great opportunity to promote that.

Thank you very much.

## **Germany**

Thank you, Chairman. I am very happy to be here and congratulate the AIIB for the great start of its work and also thank the hosts in here, in this beautiful place.

I share the comments of the previous speakers and I'd like to add a few observations from the perspective of G20, of which Germany has the presidency this year.

The role of the AIIB in the multilateral process, contributing to the global growth as well as to the goals of the Bank, I think is an important issue to consider, and to achieve the 2030

sustainable development goals, and the objectives of the Paris agreement.

We all know that public resources are scarce and to reach our goals and they create the infrastructure that is needed - concerted action is needed, supported by innovative tools, to put existing resources to best use and to mobilise and catalyse private finance. The multilateral development banks in general are key actors in this regard, as they have the capacity to select appropriate projects, and to help improve the institutional frameworks in countries, and allow for a greater participation of private funds.

The MDB world in this regard is changing and the AIIB is already contributing to this change, which I think is great. Under the Chinese presidency last year and the German presidency this year, the multilateral development banks have made impressive progress on this issue of mobilising private capital, and I would like to thank all of them, and in particular the AIIB. The MDBs have developed a common framework to guide their actions towards a substantial increase of private sector finance mobilisation and they - and the G20 has agreed on joint principles for crowding in private finance.

The framework contains important elements, such as improving the regulatory framework in investment climate, which should aim - which should help to reduce political and operational risks of investments - of infrastructure investments, and the framework helps expand and standardise financial instruments to share and reduce risks such as guarantees and insurance projects, which helps develop financial markets and reduce related risks.

The framework also prioritises commercial financing, the blending of concessional and private resources and the reviewing of internal incentives within the multilateral development bank, so that they themselves have an incentive to crowd in, rather than crowd out private finance.

The MDBs clearly pointed out that country ownership is key and that ultimately, it's the countries that have to want the infrastructure investment and this involvement of the private sector and the implementation of the principles. Therefore, I would invite all partners to actively support this endeavour.

More on the G20 side again, the multilateral development banks have also developed ambitions on crowding in private finance, where they identify and quantify their ability to crowding in private funds. I think that is also an important achievement to enhance transparency and accountability of multilateral development banks. In particular, they have set a target of 25% to 35% increase in mobilisation over three years, which will be detailed and presented in Hamburg in a few weeks, at the G20 summit.

The multilateral development banks are also committed to further work in this area, notably on improving the quality of privately-financed projects, and I think that the AIIB will have an important role in this, both - so to speak - itself, in the development of its own capacities to learn from the activities of others, but also in being a role model for other multilateral development banks. So I think the MDB's - the AIIB's role in this regard will be crucial.

Let me close with one observation regarding the intervention in the previous session - section of this session, of our Afghanistani colleague, who commented that their plan is to build 600 kilometres of railway within three years. I mean, if that is the ambition and if that is realistic

and the AIIB contribute to that successfully, then I think we, as Germany, should consider to get the AIIB also to work with us, because we would have difficulties producing 60 kilometres in 30 years. So, I found that a very inspiring example, and I wish you all the success.

### **Hong Kong, China**

Thank you, Chairman. President, fellow governors, good morning. I would like to first thank Korea for being such a wonderful host and thank you very much for the great hospitality and exemplary organisation of this annual meeting.

It is my great pleasure to join you here, after Hong Kong has become a new member of the Bank. As a new member I would like to share with you our thoughts on financing infrastructure developments in Asia.

Much has been said about the infrastructure financing gap and the need to mobilise private capital to fill the gap. In fact, in our experience, there is a strong interest, a strong investment interest in infrastructure as an asset class by investors. The difficulty is that there is a lack of bankable projects for the investors and financiers, due to a number of challenges, especially for infrastructure projects in developing countries, which are greenfield ones, without secure revenue streams.

At the country level, political, legal and regulatory risks may undermine the feasibility of a project. At the project level construction risks, cost overrun, demand risks, currency risks and refinancing risks would negatively impact the projects' profitability. Funding of cross-border or regional projects becomes even more challenging as the above risk factors may be magnified. It calls for a coordinated effort to find ways to derisk the projects, to make them the investible and bankable.

As the world's leading fundraising centre, Hong Kong is uniquely positioned to facilitate infrastructure investment initiatives for its capital markets. We have been among the world's top five in the initial public offerings - I mean IPO fundraising - for the past 15 years, and has been ranked first globally in terms of funds raised for IPO in the past two years in a row. We are also one of the world's largest stock exchanges - one that is connected with the stock markets in both Shenzhen and Shanghai of China. As a matter of fact, Hong Kong has all along being a premier listing performer for companies from a variety of industries, including those relating to infrastructure projects.

Currently around 700 companies listed on our stock exchange relating to the sectors relating to infrastructure projects, such as industry, energy, utilities, telecommunication, construction and property. We noticed the number of listings belonging to these sectors has been on a rise in recent years, demonstrating the growth of these sectors in the region.

More importantly, Hong Kong is China's international financial centre and the largest offshore renminbi business centre. We are the springboard for many Chinese companies expanding overseas and similarly an attractive destination for overseas corporations wanting to get a foothold in the mainland market. Today, over 60% of foreign direct investments in China's overseas direct investments have made their way through Hong Kong. In recent years,

a growing number of these companies have been looking into investments in the infrastructure and related projects. Just two months ago, our securities regulator - the Securities and Futures Commission - issued a statement to explain our approach to the listing of infrastructure project companies in Hong Kong.

While recognising that infrastructure project companies can give rise to special investment risks that reflect the nature of the project or its location, and sometimes that risks cannot be addressed by disclosure alone, our regulator pointed out that if there are sufficient risk mitigating factors, we will take them into account when reviewing the proposed listing of infrastructure project companies.

Some of the factors are particularly relevant to today's discussion, for example, commitment of a development or international bank to providing ongoing project finance and the direct involvement or shareholding into the project by relevant state government.

We also fully recognise it is crucial to bring key stakeholders together in facilitating and managing infrastructure projects. Last year we set up an infrastructure financing facilitation office in our Hong Kong monetary authority, with a mission of bringing together stakeholders who are interested in infrastructure investments and their financing, through clustering them together.

In about a year we have built up a network of over 60 partners, covering development banks, project developers and operators, financiers, institutional investors and professional service providers. This facilitation office, with partners come not only from the east and west, but also from the public and private sectors.

There is much more that Hong Kong can offer, besides our sophisticated capital markets and efficient financial infrastructure. Our deep pool of multicultural and multi-talent professionals in architecture, urban planning, engineering, management and many more, can certainly meet - help meet the huge demand for top-class professional services, arising from the planning, design, construction and operation of infrastructure projects.

Our legal profession is another compelling strength, with the rule of law and our independent judiciary, Hong Kong's legal professionals are known to be leader in the field in conducting due diligences, ensuring contract enforcement and helping resolving disputes. This service will certainly come in handy when the projects are in full swing.

President, Chairman, fellow governors, Hong Kong pledged to play a variable role in facilitating more efficient and sustainable infrastructure investment flows to fill the substantial infrastructure gap in the region, we will support wholeheartedly the work of AIIB on various funds and hope to contribute to the sustainable and inclusive development of Asia and the region. Thank you, Chairman.

## **Myanmar**

Thank you Chair. Good morning, ladies and gentlemen. I would like to thank, like other fellow governors, to AIIB and Korean government for organising and hosting this second annual meeting of AIIB.

I also would like to congratulate the AIIB management for its achievements within one and a half years. As a founding member of the AIIB, Myanmar will have closely cooperation and collaboration with the AIIB.

As you all know, Myanmar is one of the least developed countries around the region. Lots of infrastructure gaps between economic development and investment, particularly in the power sector. The other sectors, the energy, roads, railroad, airport, seaport, dry port, harbour and development, water sanitation, et cetera. So we need to impress in both public and private sector, including the PPP as well. Therefore we are inviting now the foreign dollar investment and domestic private sector investment as well.

So we do believe that we can gain fruitful outcome from this annual meeting, with the help of active participants and step forwards to shape AIIB as a multilateral financial institution, to ring bring countries together to address the infrastructure needs across Asia.

Thank you, Chair.

## **Indonesia**

Thank you, Mr. Chairman. Honourable head of delegation, President of AIIB. The first thing AIIB has to do in terms of mobilising private financing for member countries is the flexibility to be directly involved with the private sector in the member countries.

Other multilateral development banks sometimes have difficulty dealing with the non-sovereign loan or financing, so I think it's time for AIIB to be more flexible dealing with the private sector. What I mean by private sector, of course, including the state-owned enterprise. Some member countries are really using state-owned enterprise as agent of development in building infrastructure. So of course, we hope that AIIB can provide, for example, direct financing or direct lending to the respective SOE in the member countries. of course, the member countries will provide any support, any guarantee that's needed for AIIB to give their financing directly to the companies.

The other area of the mobilising private capital is through public private partnership, and in our opinion, there are three ways AIIB can be involved in supporting PPP in the member countries.

First thing is project preparation. Sometimes member countries have difficulty to offer projects through PPP scheme, simply because the project is not really feasible or bankable. So it's good if AIIB can give some kind of technical assistance in preparing the projects, including feasibility study, so at the end the project will be feasible as well as bankable. By doing that, of course, there will be more appetite from private sector to invest in PPP infrastructure, PPP projects in the member countries.

Secondly, of course, AIIB can finance the private sector itself, through project financing, especially for the investors that already get the mandate in the PPP.

Third, counter guarantee. A good PPP scheme will require some kind of government guarantee. of course, the government itself will provide the guarantee, but AIIB can boost the guarantee by providing counter guarantee facility.

Last but not least, I would like to propose AIIB to consider direct equity financing, or direct equity participation in infrastructure project, especially with private sector. It will be even more ideal if this direct equity financing intended for greenfield project. of course, the existence of AIIB in the direct equity financing scheme, will attract more participation from other private investor to put their equity in the greenfield project in the member countries. So we hope by involving SOE, and then involving in PPP, as well as direct equity financing, AIIB will be a distinctive MDB in mobilising private sector money into infrastructure projects.

Thank you very much.

### **Saudi Arabia**

Thank you very much, Chair. I would like to thank Republic of Korea for the hospitality and the Bank for the excellent arrangements when arrived here and participate in this meeting. Really, it's not the age of the Bank, it's really the experience or at least, drawing from the experience of others. I think the Bank - we are confident now that the Bank will be moving in a very speedy way, and realising its objectives and we thank the management - thank you, President, for the - leading this very important effort in establishing and hitting the road running. You are starting from the end, and we congratulate you on this and commend you and we would like to you to continue working in this direction.

For the investment - infrastructure investment, as we all know, the - it's not the choice that we need to involve the private sector. Most of government now, especially after the financial crisis, they have some difficulty in their own finances, so the private funding is very important.

Then, the Bank - how the Bank can help. Is it in innovative financing? Creating trust funds? Establishing a private window, or even an organ within the Bank for the private sector funding? Is it through guarantees? I think the Bank need to move in this direction very quickly. It's not only just the funding that is needed, but also the private sector experience efficiency that we need.

I think the tapping into the financial markets, be it through sukuk or bonds, I think it very important for different countries. At the same time, technical assistance for countries to help establishing or creating enabling environment for the crowding and the private sector funding.

For example, for us, in Saudi Arabia, we already last year announced a very comprehensive, ambitious plan to transform the economy, our Vision 2030, and we expect the Bank and others to really to see how they can help and they can participate in this. It's really relying on the private sector. Not only just in funding, but also in managing and executing projects and managing the overall projects in the vision.

For the Bank, I think we have in our region and with participation of World Bank, the coordination group. I think the Bank needs to see how it can benefit from the coordination group, which coordinates its interventions in different countries and simplifying and unifying procedures. Sometimes it's difficult for different countries to comply with different procedures, requirements from different multilateral investment or banks - or multilateral developmental banks.

This coordination group, I think it can help - or at least the Bank can see what can it benefit from the experience of these regional and international multilateral institutions.

Again, the Bank can help in trying to crowd in, as it was mentioned, the private sector funding and being - fully participating in the infrastructural projects. The problem is not the demand, it's the Bank will be difficult in finding demand for this, but the problem is how to select the best that can maybe connectivity, interconnectivity that was mentioned earlier is very important as the criteria that the Bank selects the projects as they're efficient and the most efficient and e most effective projects.

We appreciate the work of the Bank and we are looking forward to the continuous improvement of the Bank and being the starting of the - from the end.

Thank you very much.

### Canada

Good morning everyone, and thank you, Chair, and to our Korean hosts as well. I have three points I'd like to make, colleagues. I'll be very brief. The first point is how delighted Canada is to be a new member of the AIIB. It's not surprising, given we're Pacific nation with a focus on multilateralism, inclusive growth - the fit is very good.

We're a non-regional member, although I would note that we feel quite regional, as well. The Pacific Ocean has been shrinking, due to technology - which, by the way, hasn't solved the jetlag problem.

The second point is on private financing. I think I liked the characterisation earlier of private financing is not optional. It is an absolute reality that we face - all of us, at this time, and I think you've heard from countries universally on that point.

The good news is that institutional investors - some of the big pension funds, sovereign wealth funds - are looking for these kinds of opportunities, so in a way, the moment is perfect to connect private sector financing with public goods oriented infrastructure, I think in a way that has not happened before.

The challenge for the Bank, and across banks, I think, is developing a new vehicle, which is going to be more usable for the private sector, and I think there were a number of comments about that. The New Zealand and Hong Kong made some good points about coordination, and there are a number of things here that will help move this forward towards what we would call a standardised investment vehicle, which I think could be of great value for bringing in the private sector.

The third point I wanted to make here this morning is on the role of the AIIB more generally. We would agree with many others who have noted the key role that the AIIB is going to play over the next few years. We'd agree with the point that it is both a soft and hard sustainable infrastructure lens. That's very much how we characterise it in Canada as well.

I think the success of the AIIB is going to influence, potentially, a global model for infrastructure, moving forward. Our German colleague mentioned the work on other MDBs. I think the AIIB will also influence the direction where that goes, and we would encourage the

AIIB to coordinate with the other MDBs.

We greatly look forward to being part of the Bank. Thank you very much.



*Topic 3: What further policy or regulatory support from countries, as well as coordination between countries and regions, would be required?*

### **Sri Lanka**

Thank you. Thank you, Mr. Chairperson. May I first take this opportunity to thank the AIIB and the government of the Republic of Korea for the excellent arrangements and for the cordial welcome accorded to me and my delegation.

Mr. Chairperson, economic growth of many Asian countries, including Sri Lanka, has been driven by large infrastructure projects. Given the lack of modern facilities, that are vital to facilitate domestic industries, as well as to track FDI.

However, developing physical infrastructure must go hand-in-hand with reforming administrative and legal frameworks, to ensure required policy or regulatory support, to streamline and boost both public and private investments.

Making policy reforms and putting in place a rules-based investor environment is the key for attracting private investors. We have seen an increase in the private sector participation, in the infrastructure development attracted by rising demand for quality infrastructure and expectation of high returns. This has been made possible through different variations of public-private partnership. Inadequate reforms in the administrative in legal framework have also become a hindrance in targeting investments. As such, countries should focus on addressing the challenges, so as to improve the investment climate, especially through the removal of barriers to investment and trade.

The Sri Lankan government has already taken measures to build a momentum for such reforms. We plan to make Sri Lanka an export-driven economic and financial hub of the Indian Ocean, creating an unprecedented opportunities in many sectors. In order to achieve these objectives, the government has set out a high-level reform agenda in several key sectors of the economy, facilitating and empowering the private sector as the principal engine of growth. Formulation of new trade and investment policy, tax reforms and various other measures, to improve investment climate are also being implemented.

The proposed new constitution presently being drafted by the Constitutional Council of Sri Lanka will also further strengthen the political stability of our country.

Mr. Chairman, given the rapid increase in climate-related disasters in many countries, like the floods in Sri Lanka - like the floods Sri Lanka faced just two weeks ago, the building of climate-disaster-resilient infrastructure will be of paramount importance for the future. The Bank must incorporate climate-resilient concepts into their future infrastructure development projects, if we are to meet this challenge. Therefore, it is pivotal to support the use of environmentally friendly technologies, the adoption of environmental safeguard measures and the establishment of institutional capacities to strengthen the enforcement of these measures.

I thank you.

## **Poland**

Thank you, Chair. Congratulations to the authorities of Korea, and the Bank, for the excellent organisation of this annual meeting.

I would like to draw your attention to the issue of coordination between countries of approaches to technical standards and policy planning in cross-border infrastructure projects.

It is often difficult to effectively manage complex, transnational infrastructure investment, not only because of the fragmentation of interests, but also because of different technical standards and different legal frameworks. These circumstances discourage the private sector from getting involved in large infrastructure projects.

Those difficulties imply a necessity to prepare long-term counter-infrastructure development plans as part of comprehensive country development strategies that may be coordinated, if possible, with neighbouring countries.

Now, a reference to European context and experience that I think is not so bad as my German colleague depicted a few minutes ago. Over the recent decades, the European Union has managed to achieve a pretty decent level of cohesion among its members, in terms of basic infrastructure. This was possible, among others, because of the harmonisation of approaches and adoption of common regional platforms for infrastructure development. Let me give you a few examples of this harmonisation.

The European Union requires all member states to have long-term development plans, including in the area of transport and energy. In addition, there is a basic common vision of EU infrastructure development. The Union has devised and is gradually implementing a network of trans-European transport corridors. Finally, the European Union has put in place a set of best practices and common standards.

It should be stressed that the coordination and harmonisation of standards must serve as a solid basis for planning large regional infrastructure projects. The European case demonstrates that it is easier to implement cross-border infrastructure projects if they constitute an element of the wider regional integration process, or at least regional coordination process.

So what is the conclusion for the Bank? The AIIB should be interested in, and maybe should promote the idea of coordination of technical standards and application of best practices throughout Asia. The Bank may also play a significant role in helping member countries to coordinate their plans and prioritise infrastructure projects, through transferring expertise and knowhow to governments and local communities. As already mentioned here, this should facilitate attracting private investors.

Thank you.

## **Denmark**

Thank you, Mark. Let me beginning by adding my voice to colleagues who have thanked the government of Korea and the province of Jeju for their generous hospitality and the absolutely excellent arrangements, and our appreciation to President Jin and his team for their

hard work.

Now, multinational cooperation has many advantages. One of them, I suppose, being that it provides a platform for sharing of experiences, for sharing of lessons learned - good and bad. I suppose there are few areas where that exact function is as important as when it comes to infrastructure development. We're talking about investment decisions that will have consequences for the next 20 to 30 years. I suppose essentially, it's a question of whether we are locking in to a non-sustainable or a sustainable path.

So, for us, I think absolutely key to learn from the experiences of each other, to avoid what I suppose you can call costly mistakes, and instead take full advantage of the possibility to leapfrog.

Now, to do that I think it's important that we also work hard to dispel myths, so that we keep our eyes focused on the opportunity to build tomorrow's infrastructure, not yesterday's. Let me provide just a few examples, all related to a topic that concerns all of us - energy.

Now, there's been a lot of talk about the need of course, to generate power and a lot of discussion on whether that need to generate power was equal to the need to burn coal as the most cost effective solution. To us this is a myth. Today's technology makes renewable energy a fully competitive source in the short run and a far superior source of energy in the long run.

Another myth is that renewable energy is slow - it takes time to install - but this is also a myth. Let me give you an example. In a remote part of Kenya private investors have put up - in less than a year - a 300-megawatt windfarm - a windfarm which will supply 15% to 20% of Kenya's electricity production. This is a triple win. This is good business, it's good for economic growth and sustainable development and of course it's good for the climate.

What is it that's made this investment come about? It is of course a conducive policy environment - a policy environment based on tomorrow's needs, not yesterday's tradition.

So, to conclude, I think the AIIB can play an absolutely crucial role in sharing and disseminating experiences between countries, because the knowledge and the knowhow is there, but we need to share it, so that we make sure that the investments that we support, that we incentivise, that we nudge are those that are fit for tomorrow and not yesterday.

I think AIIB, as the new kid on the block, has an opportunity to change the game and someone said, learn from the mistakes of others, not repeating them. Thank you.

## **Nepal**

Thank you, Chair. Nepal needs 9% to 10% of GDP for this infrastructure financing. Our current investment is only 4%. Therefore, we need to fulfil this gap through public and private financing. We have recently formulated PP policy and authorised IFC and ADB to issue local currency bond to finance the infrastructure through the private investors. AIIB can jump into, to provide support to public and private sectors for the infrastructure development.

We have given priority to hydropower, transport, urban infrastructure and/or to supply investment. I would be happy to see it, the list of bankable projects in this area which are capable to transform the economy and enhance the growth. Thank you.

## **Greece**

Thank you, Mr. Chairman. Distinguished governors, on behalf of the Greek government I would like to express our gratitude to the Board of Directors for accepting Greece as non-regional member of the AIIB. I also want to thank the government of Korea for hosting and organising the second annual meeting of the Board of Governors.

Greece will fulfil its obligations and cooperate fully with the AIIB, taking into account the special links, trade, transport and economic already established with many region members of the Bank. In particular, I would like to remind you that Piraeus port, one of the biggest in the Mediterranean, is becoming now under the management of a Chinese company - a key port linking China and other Asian countries wider with many European markets. This project has also the support of the Greek maritime industry, which is playing a key role in the world transport system.

Similar infrastructure projects are also under construction with the support of other Asian countries. Such as the Kastelli airport, in which an Indian company is fully involved.

Finally, Mr. Chairman, Greece's participation to the AIIB will contribute to promote further the strong economic relationship and Asia. Thank you.

## **Hungary**

Thank you Mr. Chairman. On behalf of the Hungarian government, as the representative of a new non-regional member of the Bank, let me express how pleased we are that it can join for the first time a newly-established multilateral development bank.

Having heard all the valuable comments so far, I just wanted to briefly assure you how committed Hungary is towards the goals of the Bank serving its clients along the lines of well-defined strategic priority areas.

Furthermore, I'm confident that Hungarian expertise, particularly in the health industry, water management, the green energy sector, reliable electricity and smart cities, all in line with the thematic priorities outlined the Bank, could effectively be channelled directly or indirectly into infrastructure development projects relevant in Asia.

In this respect let me mention a cooperation platform just initiated by the Hungarian government, between the Visegrad Four countries of central Europe, example, Poland, the Czech Republic, Slovakia and Hungary, and central Asia. The rolling out of this initiative will be an important element of the Hungary's upcoming presidency of the Visegrad group, so you might hear more on this in due time.

All in all, we offer our partnership to the Bank and its members in fact-finding potential areas for meaningful cooperation to create value in Asia.

Thank you, Mr. Chair.

*Conclusion by Joachim von Amsberg, Vice President of AIIB*

Thank you, Chair, and good morning, Governors.

It is impossible to capture the richness of the contributions in two or three minutes, so I will limit myself to just a few highlights that I think we are taking away from this discussion, but also assuring you that the comments that all of you made are very carefully listened to and very carefully recorded, and are falling on very fertile ground of us and management of AIIB who are working jointly to develop AIIB's strategy and AIIB's architecture, because all of these comments that you made are most welcome for us, to help us in this endeavour to build the strategy. You will hear back from us in due course in the various strategy discussions at the next annual meetings about the many issues you've raised.

Let me just reflect on highlights of the three segments of discussion we had this morning. The first segment really focused on the infrastructure needs. To summarise, this discussion unsurprisingly validated the premise on which AIIB was founded, which is a reflection of the very large - very large infrastructure needs of all our member countries, from the least to the most advanced countries among them. That clearly is a validation of our mandate.

I think we heard interesting comments on the interaction between infrastructure and economic development. Both our infrastructure needs to resolve bottlenecks to economic development, but also our infrastructure can be a driver of economic development.

I think we heard a clear set of expressions of support and examples of infrastructure in the priority thematic areas that AIIB has already posed, as a result of our consultations with our shareholders and members, in particular sustainable infrastructure and cross-country connectivity.

We've heard on sustainable infrastructure the importance of investing in sustainable energy systems, renewable energy and other forms of low-carbon energy. We heard about sustainable cities - urban rail systems, for example, were mentioned as examples where AIIB could help its clients.

We heard quite a bit about the demand for cross-country connectivity. In transport it was I think most discussed, but likewise in energy and digital infrastructure. We also heard quite a bit from our non-regional members about the potential for cross-country connectivity. Indeed, the articles of AIIB do allow us to invest in non-regional members, in particular in connectivity that benefits regional development in Asia.

I think we've also heard for the first time that we have a category of non-regional members who feel regional, and I think we are pondering the operational implications of this category of membership.

So I think this is maybe my reflection on the first part of comments on the infrastructure needs.

We also heard I think the expectation that AIIB will help with project preparation, with reducing the costs of projects and increasing their value, but we also hear reinforcement of our intention to be a very lean, nimble and responsive bank. I think we will work very hard to reconcile these different demands that also create some tensions in our business model.

In the second session, on private capital, I think there was a lot of energy in the comments around the room. See clearly, I think broad endorsement of the necessity for multilaterals like AIIB to use its capacity to catalyse private investment rather than fill investment gaps alone. A need to connect to the ongoing discussions in the G20 and in the various MDB fora where this agenda has been discussed for the last few years and where we want to build on this agenda and use ourselves as a newcomer to innovate and move the agenda forward.

Furthermore, very good examples were provided on public private partnerships, on financial mechanisms, for example to recycle brownfield assets and stimulate the development of financial markets that can unlock private investment in infrastructure.

I think relevant for some of the comments is the financial structure of AIIB that allows us to seamlessly work between public, private sector and work with sovereign and non-sovereign partners in a seamless way, from one balance sheet with one staff. I think that's very relevant for those who encourage us to work with SOEs and public-private partnerships and local governments.

In the third and final section of the discussion we talked about the policy environment necessary to stimulate investment, in particular investments in infrastructure. I think there were two buckets of issues raised. The first bucket is about the complementary policy reforms that are necessary to get the most benefit out of infrastructure - the soft investment that needs to accompany the hard infrastructure investments, in particular trade reform, trade facilitating reforms, investment reforms, so that the economic activity can take place that makes full benefit of the infrastructure that countries invest in.

The second bucket of issues relates to policy-enabling reforms that create the environment in which investment and infrastructure become more viable. of course, topics like rules-based environment, standards for cross-country infrastructure, cross-country harmonisation were mentioned, and various measures that governments can take to derisk project. By derisking project I don't mean just shifting the risks from the investor to another party, but actually reducing the risks, in particular those risks that emanate from policy actions that are actually under the control of government.

So, with that summary - brief summary, that is not attempting to capture all the very rich comments here, just to highlight a few, I thank you again for these very rich and most valuable contributions.

## STATEMENTS FROM THE BOARD OF GOVERNORS

### AUSTRALIA

I would like to thank the Government of the Republic of Korea for hosting this meeting and the people of Jeju for their hospitality.

This meeting occurs at a time of continued global uncertainty and transition. After experiencing the lowest growth rate since the global financial crisis in 2016, global growth is expected to strengthen with the IMF forecasting growth of 3.5 per cent in 2017 and 3.6 per cent in 2018. Asia continues to be a major driver of global growth and sustainable infrastructure investment plays an important role in supporting the region's growth. Nevertheless, downside risks remain over the medium term including heightened policy uncertainty and limited progress on structural reforms. It is essential we resist pressure to return to inward looking policies that will only dampen investment and restrict global trade, two key drivers of prosperity.

The AIIB is well placed to contribute to the region's prosperity. By focusing on financing investment in much needed economic infrastructure, the AIIB can support connectivity and economic development in Asia. The Bank has the capacity to play a significant role catalysing private sector investment in regional infrastructure.

Over the past year, the Bank has made significant progress, and together we have much about which to be proud. This progress would not have been possible without the significant efforts of AIIB Management, and in particular President Jin Liqun. We were delighted to host a visit from President Jin to Australia earlier this year to discuss the Bank's priorities and progress.

The AIIB benefits from its broad membership. Australia is pleased to welcome an additional 20 members to the Bank, increasing its membership to 77. We congratulate the Board of Directors and Bank Management for the work which has allowed the consideration of new membership applications, within the existing available unsubscribed capital. And we look forward to all prospective members, including founding members, completing their domestic ratification processes by the end of this year.

Australia also welcomes the growing portfolio of projects across Asia, 13 projects in eight countries, many done in collaboration with other multilateral banks. This is an impressive achievement. However, the Bank needs to be wary of being driven by lending targets.

Rather, Australia encourages the Bank to use the experience it gains from these projects to develop and test its internal operational systems and to sharpen its strategic focus.

Establishing a clear strategic vision for the Bank, and demonstrating a commitment to that vision, is key to building the Bank's credibility. The Bank needs to measure the effectiveness of each of its investments, learn from experience, and make performance count. The

development of a clear framework against which to monitor results should be a priority for the Board.

Australia also encourages the Bank to continue to draw on existing platforms, such as the Global Infrastructure Hub, to provide research, best practice guidance on project preparation and pipeline assessments.

Australia encourages the Board and Management to be innovative in establishing a differentiated approach to financing infrastructure while preserving the strengths of a traditional multilateral bank. As a new multilateral bank, the AIIB has a unique opportunity to build an operational culture supportive of catalysing private sector financing- drawing on the lessons of other multilateral development Banks (MDBs) and the recent analysis by the Global Infrastructure Hub to establish effective internal incentive structures, and to build the necessary flexibility in its project approval processes. The AIIB can play a leading role in exploring innovative infrastructure financing models to attract private capital, as called for by the G20 and the 2030 Agenda on Financing for Development. Consideration of each AIIB investment should incorporate robust analysis of private investment opportunities and constraints and how the AIIB's human and financial resources can be most effectively deployed to encourage commercially sustainable solutions. In this context, Australia encourages the Board of Directors, through its Policy and Strategy Committee, to develop an approach that brings this ambition to reality.

We welcome the development of an Energy Sector Strategy, reflecting a balanced and pragmatic approach to supporting the transition of the Asian region to a lower carbon future, in line with the 2030 Sustainable Development Agenda and COP21 objectives. The new Energy Sector Strategy should enable the Bank to help address Asia's energy needs - vital for both economic development and human welfare in the region. This will require support for energy efficiency improvements, renewable energy investment and investments in low emissions fossil-fuel based energy generation.

While ensuring that its operations crowd in finance that would otherwise not occur, the AIIB could consider balancing portfolio risks by looking at opportunities of non-sovereign or sub- sovereign lending in its more economically advanced member countries. Investing in a mature market would provide the AIIB with the opportunity to make quality long-term investments at near market rates, generating solid returns and also provide learning opportunities for the AIIB.

Australia is pleased with the progress made in developing sound governance and institutional arrangements, which reflect a commitment to leanness, transparency and accountability. In this context, we specifically welcome the Board and Management's work, since the 2016 Annual Meeting of the Board of Governors, enabling the establishment of three committees of the Board of Directors, improved risk management and financial oversight, and revisions to the compensation and benefits package.

It is important that the Bank invests in the workforce and capabilities it needs to deliver on its promise to the region.



As the AIIB moves through its start-up phase, the Bank will need to focus on longer term strategic workforce planning. In this regard, the establishment of a young professionals' program is welcome. Also, to ensure the AIIB performs as a 21st century institution, it needs to reflect the priorities of the broader international community, including the G20's request for MDBs to focus on gender equality. Australia encourages the Bank to focus on attracting and retaining a diverse workforce, particularly high quality female staff in leadership positions.

The AIIB has embarked upon a unique modus operandi, without the country-based offices and resident Boards around which other MDBs have based their operations. Effective communication and timeliness of information flows remain essential to the success of the model. If the benefits of this approach are to be fully realised, it will also need clear lines of responsibility in a risk-based delegation framework.

In conclusion, our efforts together on establishing the AIIB have laid the foundations for an effective new multilateral institution - one that can complement the work of existing institutions in helping to grow and connect the economies of the region. Australia looks forward to working with other members and Management to build effectively on these foundations.

Thank you.

## AUSTRIA

Mr. Chairman, Mr. President, Distinguished Governors, Ladies and Gentlemen,

Let me start by expressing my sincere gratitude to the Government of the Republic of Korea for hosting this event on Jeju island and my appreciation for the professionalism and hospitality shown to all guests.

This is the second Annual Meeting of the Asian Infrastructure Investment Bank and, considering that this institution is so young still, the results achieved are truly impressive. It is a major endeavor to start an organisation of this size and importance from scratch and build up a pipeline in such a short timeframe. As a Founding Member, Austria would like to thank you, President Jin, AIIB's management and all of AIIB's staff for their dedication and hard work. Only seventeen months into operations, AIIB is a well established and respected international player.

Austria has been and will remain committed to the social and economic development of Asia, where 330 million people still live in absolute poverty on less than \$1.90 a day. Given the well known vast lack of infrastructure in the region, AIIB's infrastructure focus for sustainable economic development is well chosen. Adequate physical infrastructure is needed to achieve economic growth, which, in turn, is crucial for a country's sustainable development. Yet, for us the key word here is sustainability in all its dimensions. If economic growth is to be meaningful, it also needs to be environmentally and socially sustainable. While the environmental dimension has gained importance in the international sphere, the social dimension of sustainability is often more neglected. Nevertheless, equitable growth is not only a more effective growth but also contributes to social cohesion and stability. AIIB already has the 'green' among its core values, in our view it is essential, as a 21st century MDB, to also

give sufficient room to the social dimension of sustainability.

AIIB has been created with a view to become a state of the art, modern MDB that adds value to the existing institutions and yet functions somewhat differently. We value this effort and agree that AIIB should not repeat mistakes made elsewhere. At the same time, we encourage the Bank to take a close look at its sister institutions and actively engage with them and learn from their experience. In this context, we appreciate that AIIB has concluded MoUs with all major MDBs, has already engaged into co-financing with many of them and has established various spheres of cooperation with other MDBs in many areas. As a shareholder, we are particularly requiring the institutions we form part of to fulfil certain standards, as for instance, when it comes to transparency, accountability or environmental or social issues. The standards so far set by AIIB in these areas have been encouraging and we are confident that the ongoing public consultation for the establishment of a complaint handling mechanism will also result in the best possible outcome. Nevertheless, two areas still need to be shaped and are of particular interest to us, these are evaluations and the creation of a results measurement system. Both of these fields are essential for AIIB to verify if and how it reaches its results and therefore necessary for AIIB to become the kind of effective and efficient institution it strives to be. Moreover, an appropriate evaluation function provides the right tools, over the long run, to become a learning institution and turn mistakes into success. Again, we encourage management and staff to reach out to other MDBs and learn from their lessons as there is no need to reinvent the wheel. But, let me be clear here, learning goes both ways and, with contentment, we have already seen the positive impact AIIB has had on its sister institutions in many ways.

I already mentioned the many impressive results the Bank has achieved in a very short time. After seventeen months of operational activity, Austria draws a very positive balance. But still, we feel that it is too soon to make major changes with respect to the way the institution functions and takes decisions. It takes time to build up trust and confidence between management and the Board and also among Board members and to reach a certain level of routine in working together. The fact that the AIIB has a non-resident Board that only meets physically four times a year also hampers things to a certain regard. In addition, AIIB is massively expanding its membership, which is truly impressive and shows the enormous global interest in and valuation of this organisation. New members should have the opportunity to engage with management and staff the same way founding members had so far. For these reasons, we would like to keep the current governance and decision making structure and postpone any related alterations to a later stage, ideally after the first wave of new membership accessions has been completed.

Finally, Mr. Chairman, I would like to raise an organizational issue. An institution is only as good as the individuals that account for it. We understand that AIIB seeks to attract the best talent for the buildup of its staff while maintaining a very lean organisational structure. This is a challenge. We would urge management to pay special attention to diversity in the recruitment process as we all know that diverse teams perform better. When talking about diversity, I not only refer to gender and nationality, two very important aspects that all MDBs have, at one

point, or are still struggling with, I would also like to underline the relevance of striking a certain balance in age and family status when recruiting for a lean, clean and green 21st century MDB.

Let me conclude by offering President Jin, AIIB's management and staff Austria's partnership and support for the challenges ahead.

## **AZERBAIJAN**

Your Excellences, Distinguished guests, Ladies and Gentlemen!

Let me, on behalf of the Government of Azerbaijan, express my deep respect and gratitude to the Government of Korea and AIIB Secretariat for an excellent arrangement of the 2nd AIIB Annual Meeting.

Using this opportunity, I would like to start by thanking AIIB management for its 600 million USD contribution to the construction of Trans Anatolian Natural Gas Pipeline (TANAP) which is the part of Southern Gas Corridor Programme – the world's largest gas development - which will play a key role in diversifying the EU's energy sources by linking Europe to Azerbaijani gas, and potentially other producers in the Caspian Sea.

I would also like to highlight the importance of today's meeting from a perspective of AIIB's collaboration in financing Asia's priority infrastructure needs and achieving a well-functioning and sustainable infrastructure in the region's member countries.

Today, AIIB's role contributes to fostering transition to a sustainable infrastructure and there is a need for the strategic framework that will guide us - the member countries and our development partners - towards a stronger partnership and engagement, and concrete results.

The year 2016 was special for AIIB as the Bank's principles on its procedures, operations and strategies focused towards transforming strategic priorities into investment opportunities. Despite a challenging economic landscape, since AIIB commenced its operations on January 16, 2016, the total amount of loans allocated to various operations in the member states reached to USD 2.16 billion, covering 13 projects.

AIIB's net profit and accumulated reserves for the first 15 months of its operations according to the Financial Statements provide us with a huge sense of early accomplishment and these are indicators of efficient implementation of Bank's strategy.

Distinguished Guests!

Recent tendencies in global and regional economy has made necessary to make adjustment to Azerbaijan's development path. Azerbaijan is now set to emerge as a global transport hub as it progressively de-links its national economic growth from revenues coming from the oil and gas sector. The economic policy has been focused on gaining profit from its favorable geographic location through developing transportation potential and streamlining the potential of agencies behind the sector. The government is doing everything necessary to ensure the transit potential of our country to increase. From this point of view, AIIB's 3 thematic priorities – sustainable infrastructure, cross-border connectivity and private capital mobilization – are fully in line with the strategic focus priorities made by the Government of Azerbaijan according

to its new Strategic Road Map.

In the last year, Azerbaijan continued to make progress in transport sector by realization of projects related to multimodal corridor network development and by implementing structural reforms aimed to national single window development, transit potential improvement and coordinated border management.

To ensure infrastructure sustainability the Government of Azerbaijan in its joint projects with International Financial Institutions (IFIs) along with roads and railways rehabilitation and construction gives special attention to rehabilitation and construction of offices, depots, provision of goods and equipment for the regional motorway and railway maintenance units.

At the same time, from the sustainability perspective Azerbaijan will ensure maintenance and development of the logistics infrastructure and attract FDI in this sphere by further stimulating a transition to participation of the private sector where public investments will act as a catalyzer while private sector will be a locomotive for the development. In order to choose the most appropriate approach for managing this transition, Azerbaijan will study the options of various models, such as public-private sector partnership and the 'Construct-Manage-Deliver' model. Nowadays, Azerbaijan puts more emphasis on application of Community Driven Development approach for enhancing infrastructure sustainability in rural areas via enabling communities to choose sustainable solutions and establish clear maintenance plans based on credible information.

Taken actions towards increasing the productivity of the operation of transportation and its competitiveness allow for optimizations of cross-border connectivity along the country.

It is worth to note that AIIB's one of three projects related to the cross-border connectivity was with Azerbaijan which constitutes 27% from the Bank's total lending so far.

Moreover, through the established Coordinating Council on Transit Freight cargo transportation services and corridor performance in Azerbaijan have been improved significantly. In a short period, the number of procedures for transit was decreased, costs for certain type of transit services were diminished up to 40%, and as a result, the volume of transit freight for 1st quarter of 2017 was increased by 40%.

Moreover, one of the biggest regional projects - Baku-Tbilisi-Kars railway that will be commissioned soon - will connect Asia and Europe and contribute to economic revival and prosperity in the region. The new route will shorten the cargo delivering time from China to Europe and vice versa from its current 30-35 days to 12-15 days.

This project will allow to increase the competitiveness of the Trans-Caspian International Transport Route, which has been created to provide transport connections between the East and West of Eurasia, transporting goods from China through Kazakhstan, Azerbaijan, Georgia and then through Turkey and Ukraine to Europe. The first test container train via this route arrived in the Baku International Sea Trade Port from China in August 2015. Approximately 300,000-400,000 containers are expected to be transported via the Trans-Caspian International Transport Route by 2020.

Azerbaijan also has been leading the execution of the North-South Transportation Corridor - a grand railway project that will interconnect Europe and South Asia, Europe and Gulf

Countries and vice versa.

These projects are very good examples for Azerbaijan's contribution to develop economy of the region and aimed at high-level cargo transportation within, from and to Asia.

The revival of New Silk Road within the framework of TRACECA and the developments around China's "One Road, One Belt" strategy aiming to link China and Europe via land has increased the significance to establish the Free Trade Zone in the Baku International Sea Trade Port which is the most technologically advanced port in the Caspian region. Located at the strategic crossroads of Europe and Asia and nearby the sizeable markets like China, Turkey, Iran and Russia, the new Port of Baku is poised to become the leading trade and logistics hub of Eurasia.

Completion of these three infrastructure projects will enable implementation of the best intermodal and multimodal transactions, by strengthening the integration of Azerbaijan into international corridors.

In this direction, there is an essential need for the global business community and MDBs to engage with and support Azerbaijan to increase the existing volume and diversity of trade between different countries in Europe and Asia.

We also strongly welcome AIIB's engagement in the business development and exploration of options for innovative financing mechanisms, including local currency financing in its member countries.

Despite the above-mentioned improvements in the regional and macroeconomic level, we must note that, occupation of Azerbaijani territories by the Armenian armed forces is one of the main obstacles to mutual cooperation of the regional countries and their economic development. Today 20% of our territories is occupied by Armenia, over 1 million Azerbaijanis live in the status of refugees and internally displaced persons, which causes enormous damage to the Republic of Azerbaijan.

The fact of occupation and non-implementation of UN Security Council Resolutions, impose the biggest threat to the security and economic prosperity of the region and hinders the realization of various local and regional scale projects.

Distinguished Guests!

Seizing this opportunity I would like to commend AIIB for its commitment and readiness to support the Government of Azerbaijan in its determination to drive the economic reforms process forward to ensure sustainable and inclusive economic growth for the years ahead.

We would like to wish a great success to the AIIB activities and hope that the Bank's cooperation with Azerbaijan, as well as with all its other member states will be based on principal of mutual benefits.

## **BRUNEI DARUSSALAM**

On behalf of the Government of His Majesty the Sultan and Yang Di-Pertuan of Brunei Darussalam, let me express our sincere gratitude and appreciation to His Excellency Mr. Dong Yeon Kim, Deputy Prime Minister and Minister of Strategy & Finance as Chair of the Board

of Governors of the Asian Infrastructure Investment Bank (AIIB) as well as the Government and people of South Korea for hosting the 2nd Annual Meeting of the AIIB on the beautiful island of Jeju and for the warm hospitality accorded to us. I would also like to thank His Excellency Mr. Jin Liqun, the President of the AIIB and his team for the excellent preparations for the meetings.

The Bank has shown remarkable progress and growth since it commenced operations. To date, it has invested in more than a dozen projects, providing loans surpassing the USD 2 billion mark. This is evidence of the strong demand for infrastructure financing in Asia and the important role that the Bank is undertaking in the region. As the world's newest multilateral development bank (MDB), the AIIB continues to build its capacity by, among others, adopting international best practices, recruiting world-class talent and building a strong and credible reputation through its involvement in major infrastructure projects and cooperation with other MDBs. These positive developments have resulted in additional support from the international community seen in the Bank's increased membership from the original 57 founding member countries to 80 approved members today. The 2nd Annual Meeting is a valuable opportunity for all of us to build upon the Bank's early success.

The global economy will always be subjected to uncertainties. But there are some things that we are able to foresee based on our actions today, such as the rise in populations around the world and the need to maintain the quality of our natural environment. These developments call for more investment in sustainable infrastructure to address them. So, with this in mind, the following are some of our thoughts on 'Sustainable Infrastructure', the theme for this year's Annual Meeting:

Firstly, sustainable infrastructure is critical for the continued socio-economic development in all countries. In the context of Brunei Darussalam, we have made investments in many on-going infrastructure projects with the view to support our efforts in diversification, including the construction of bridges; port upgrading and development; and rejuvenating assets for the generation and transmission of electricity. Sufficient capacity of our infrastructure will be essential in ensuring that the investments we have made and continue to make in soft infrastructure such as making it easier to do business and promoting FDI and MSMEs will result in growth in the private sector and greater movement of goods and services that can be sustained well into the future. At the same time, we will also build on the momentum of our institutional reforms to ensure that these investments are planned, built and provide services in a way that is socially, environmentally and economically sustainable. We look forward to working with the Bank on these projects in the near future and availing ourselves of the Bank's resources.

Secondly, the Bank should continue to closely observe its core values of 'lean, clean and green'. These core values serve as a simple reminder to all stakeholders of the Bank's focus on its objective, its integrity and commitment to protection of the environment. They are integral in developing infrastructure projects that are sustainable in every aspect and is one of the reasons that the Bank has been able to receive the support it has from countries all around the world and considerable interest in its membership. These values resonate well with many

countries, including Brunei Darussalam because they represent the ideal environment in which to do business and the goals to aspire towards in our own countries. In Brunei, our efforts towards the same core values can be seen, amongst others, through our policy of prudent spending and growth-friendly fiscal consolidation and the introduction of legislation and guidelines, such as the Environmental Protection & Management Order, 2015 and the Environmental Impact Assessment Guidelines. The Bank should continue to leverage on this strength and continue to build its reputation moving forward as a 'lean, clean and green' institution while encouraging its members to follow suit.

Thirdly, the latest research and development should be incorporated and cutting-edge technology utilised, where appropriate. Operational policies of the Bank serve as essential components in managing, guiding and regulating the operations of the Bank and therefore need to take into account the latest in high-quality research and development to stay relevant. This is especially pertinent in the case of the Environmental and Social Framework (ESF), to ensure that it continues to serve its purpose in achieving environmentally and socially sustainable development outcomes. Building the Bank's capacity to ensure implementation of the ESF in line with the standard set by long-standing MDBs is equally as important to allow the Bank to expand its portfolio of stand-alone projects. Similarly, keeping up-to-date with the latest technological advancements will also allow the Bank to maintain its core values by allowing it to conduct its activities throughout the lifecycle of a project in the most efficient and effective manner. Technology is already being used to benefit the Bank by the Board of Directors to convene meetings in way that is cost- and time-efficient as well as environmentally sustainable and the Bank should look into taking this approach in other areas of its operations.

To conclude, I would like to congratulate President Jin and his team on the AIIB's success thus far. We are encouraged by what has been achieved in such a short period of time and look forward to working together to meet the Bank's noble objective in helping to promote economic development in Asia through infrastructure.

Thank you.

## **CAMBODIA**

Mr. Chairman, President Mr. Liqun JIN, Fellow Governors, Ladies and Gentlemen.

I am greatly honored to represent and participate, on behalf of the Kingdom of Cambodia, in the 2nd Annual Meeting of the Board of Governors of the Asian Infrastructure Investment Bank. I would like to express my sincere appreciation to the Government of the Republic of Korea for hosting this Meeting in this "unique cultural folk heritage island" of Jeju and for the warm hospitality extended to our delegation.

Mr. Chairman,

The Meeting's theme of "Sustainable Infrastructure" is relevant in the context of challenges posed by the rapid pace of urbanization and climate change in the Asia region, which will place a huge burden on lower-income and emerging economies. Fiscal resources of governments are limited and will not be able to meet the level of investments required. The

assessment also shows that fiscal reforms could generate additional revenues equivalent to about 2% of the GDP for the region against the current infrastructure investment gap of about 5% of the GDP. There is a very little option but to seek private sector financing to meet the balance of the 3% GDP gap, which will require private investments to increase from the current \$63 billion to \$250 billion annually. The mobilization of private capital through the Public Private Partnership (PPP) will, therefore, need to become one of the key priorities of the Bank.

However, financing through PPPs alone cannot meet the investment requirements, as these will only flow into bankable infrastructure investments. The Multilateral Development Banks (MDB) and Bi-Lateral Official Development Assistance (ODA) will continue to be the main sources of financing for developing Asia. In this regard, the Bank should define its role as a major source of financing for the investments of economic priority and set its own targets for lending. The Bank must create its own identity in order to make a difference, presenting a vision that needs to transcend all other priorities.

Many of the lower-income developing countries lack the capacity to develop PPP projects in a way that could make them attractive to private investors. Good project preparation, procurement and transaction services are essential for PPPs. The Bank should look into providing a dedicated corpus of grant funds, as technical assistance to help this group of developing members in building their “in house” capacity and preparing a pipeline of bankable PPP investments.

As it was expressed by Cambodia in the 1st Annual Meeting, investments for the financing of cross border connectivity infrastructure, that contributes the most to reducing development gaps between countries in the region, must become the key priority of the Bank. Cambodia would like to see an acceleration in the development of infrastructure that promotes regional connectivity and benefits all countries equally. In addition to financing, this will require the Bank to play a collaborative role with other MDBs in coordinating and developing the right policy environment for the implementation of cross border infrastructure.

For a country like Cambodia, the advancement of the rural economy is critical for both economic growth and tackling poverty. While it is necessary to address the rapid pace of urbanization, developing the rural sector in order to improve the living standards of rural poor will be equally important, which will also help better control urbanization. Large scale investments in climate resilient rural infrastructures, like irrigation systems, should form part of the Bank's lending priorities.

The Bank will need to accelerate the development of concessional lending and technical assistance policies to pay special regard to the needs of the least developed members of the region. Cambodia would like to urge the Bank to take all necessary steps to develop the concessional lending and TA grant policies and secure additional commitments for Special Funds.

The Bank has done a remarkable job in its first 15 months of operations by extending \$2.2 billion of loans for 13 projects. Cambodia congratulates the President, Mr. Liqun JIN, the Management and Staff of the Bank for this excellent performance.

I would like to conclude by, once again, thanking the Chairman and the Government of



the Republic of Korea for successfully hosting the 2nd Annual Meeting of the Bank, and President JIN and his team for making excellent arrangements for the Meeting.

## CHINA

It is my great pleasure to be with you here in the beautiful Jeju Island to attend the 2<sup>nd</sup> Annual Meeting of the Board of Governors of the Asian Infrastructure Investment Bank (AIIB). I would like to thank the Korean Government and the AIIB for their thoughtful arrangement during the Annual Meeting and extend my warm welcome to new members of the AIIB family.

The theme of this Annual Meeting – “Sustainable Infrastructure” is of great significance, manifesting the AIIB’s firm commitment in promoting Asian and global economic development by supporting sustainable infrastructure investment. The current economic recovery remains uneven in the world, coupled with emerging global challenges. It is widely acknowledged by the international community that scaling up infrastructure investment could help break infrastructure bottleneck, boost potential growth, and accelerate the global recovery. The United Nations’ 2030 Agenda for Sustainable Development has specified the importance of resilient infrastructure in supporting economic development and human well-being.

Against this backdrop, the AIIB came into being as a new member of the global development architecture. Chinese President Xi Jinping and Premier Li Keqiang attach great importance to the establishment and operations of the AIIB. All of its members have high expectations of the AIIB’s future development. Compared with other multilateral development banks (MDBs), the AIIB focuses on infrastructure investment, operates in a lean and efficient manner, and enjoys late-mover advantages in promoting sustainable infrastructure development, mobilizing private capital, and responding swiftly to client demands. We are happy to see that since its launch in January 2016, thanks to the strong support of all members and the leadership of President Jin Liqun and the Management, the AIIB has efficiently set up its institutional and organizational structure and got off to a good start. Meanwhile, the AIIB has admitted more than 20 new members from within and outside the Asian region, and deepened partnerships with related parties. The successful operation of the AIIB has proven itself as an important member of the multilateral development architecture. Hereby, I would like to share my three observations on the AIIB’s future development.

First, the AIIB shall establish its own brand and uniqueness, providing new impetus to the multilateral development system. While operating in accordance with models and principles of MDBs and building on the effective practice and experience of existing institutions, the AIIB shall strive to demonstrate its uniqueness and innovation as a new MDB in the 21st century. Centering on the three strategic priorities of sustainable infrastructure, cross-border connectivity, and private capital mobilization, the AIIB needs to develop its expertise and leadership. Strategic priorities should be embedded in the lending program and project selection process so as to build up a high-quality project portfolio with more standalone projects. It is also important to leverage projects as a vehicle that could play a demonstrative and leading role in enhancing knowledge sharing and exchange of development experience. In

addition, the AIIB should make good use of the Project Preparation Special Fund to facilitate project preparation for low-income countries.

Secondly, the AIIB should grasp the new trend in international development, and better meet diversified demand of members. In an effort to promote coordinated and integrated development, the AIIB should be fully aware of different development stages and practical needs of members so as to align its strategies with client countries' development priorities and regional plans, as well as major cooperation initiatives among member countries. During the Belt and Road Forum for International Cooperation hosted by China in May this year, China signed the Memorandum of Understanding on Collaboration on Matters of Common Interest under the Belt and Road Initiative with six MDBs including the AIIB and World Bank Group. This has clearly demonstrated that MDBs, such as the AIIB and World Bank Group, have become crucial forces underpinning the international development cooperation, and important partners for the Belt and Road Initiative. The joint effort of all parties will inject renewed impetus into the development of sustainable infrastructure and connectivity.

Thirdly, it is an imperative task for the AIIB to mobilize more private capital, and build a professional and efficient platform for infrastructure financing. Strongly advocated by the G20 and other cooperation mechanisms, MDBs are exploring the joint principles on mobilizing private funds. The AIIB should improve its strategy on leveraging private sector investment, and deploy innovative business model and financing instruments to spur borrowers' policy reforms and mitigate risks for private sector engagement. Meanwhile, the AIIB should play a positive role in exploring cooperation models such as Public-Private Partnership (PPP), and leveraging co-financing, tri-partite and multi-partite cooperation opportunities in order to build a diversified financing system that is long-lasting, stable, and sustainable with manageable risks.

China is a participant and beneficiary, as well as a constructive contributor of the international development system. Apart from paying the subscribed capital installments on time, we have committed to contributing USD 50 million to the Project Preparation Special Fund, of which USD 30 million has been put in place. China will continue to support the development and expansion of the AIIB, and would like to sincerely cooperate with other members to advance the AIIB's contribution to the development of infrastructure and connectivity, as well as economic recovery and sustainable development of Asia and the world at large.

## **FINLAND**

Mr. Chairman, Mr. President, Distinguished Governors, Ladies and Gentlemen,

On behalf of Finland I would like to express my sincere appreciation to the Government of the Republic of Korea for hosting this event on Jeju Island and the warm hospitality towards all guests.

I would first like to commend the Bank and its management for the great job they have done over past seventeen months of operation. It seems that you have succeeded to live up to

your declared modus operandi of lean, clean and green Bank.

As the international financial institution of the 21st century, we see a particular value added for the AIIB to concentrate its strategy on innovative projects for sustainable development, especially through the promotion of renewable energies, sustainable water resource management and efficient transport systems. Fostering connectivity is also one of the key objectives. I wish to emphasize that enhancing connectivity is not only about building roads, bridges and power grids, but also investing in digital connectivity to enable the Asian continent connect even further.

Infrastructure needs are huge and often complex and there is a clear need for cooperation and coordination with other international financial institutions. Therefore we particularly welcome the cooperation agreements signed and the co-financing of the first projects with other IFIs. We encourage the Bank to implement its high standards in all its future financing projects.

Fiscal resources alone cannot close the financing gap. Mobilizing private capital is of crucial importance in order to crowd in private money for much needed infrastructure investment and here I think that the AIIB has an important role to play. I note with satisfaction that this is one of the themes during the round table discussions here in Jeju.

Efficiency and leanness are the core principles of the Bank's structure and governing bodies. I am pleased to note that the membership of the Bank is growing and becoming truly multilateral. Let me in this context stress the importance of ownership and the possibility of all member countries, also the incoming ones, in the coming years to be able to directly influence the build up of the project portfolio. It is important to together gain experience, build up confidence and routines between management and the non-resident Board. Therefore in my mind any changes in the decision making structure of the Bank should not be rushed into.

Let me conclude by wishing President Jin and his capable team all the best in advancing the AIIB's mission. Finland is fully committed to support the Bank in its future challenges.

## FRANCE

Mr. President,  
Mr. Chairperson,  
Distinguished Governors,  
Ladies and Gentlemen,

I would like to start out by extending my warmest thanks to the Korean government and the province of Jeju for an excellent hosting of this second AIIB Annual meeting.

I also convey my sincere appreciation and congratulations to the AIIB staff and management for their efforts in building up a functional Bank in such a tight timeframe. This success has led to an impressive broadening of the Bank's membership and I would like to take this opportunity to welcome all new members who are joining us on board today. France has been among the very first non-regional founding members of the Bank and has been closely following the Bank's establishment, its first projects and the setting-up of its policies. During this last year of intense work, the Board and Management have engaged in a deep and fruitful

dialogue. Discussions on projects have been and will continue to be especially useful to refine the Bank's strategies and policies in this initial phase. We have collectively set ourselves a number of ambitious objectives for the AIIB, in the spirit of the "lean, green and clean" motto of the Bank, to which France is very much attached.

Our "green" feature is of utmost importance: it is a clear commitment towards sustainability and transition to a low-carbon economy. For France, this means that we do not expect the Bank to propose any financing for projects involving coal, except in very precise cases (least developed countries with no other viable alternative, if the power plant is essential to the reliability and integrity of the energy system and replaces a less energy-efficient plant). It also means that the AIIB will have to play its part in the fight against climate change and the achievement of the goals of the Paris Agreement. As the Bank reaches its cruising speed and develops its lending portfolio, we will need to set ambitious targets in terms of climate financing.

As it grows, the AIIB is defining ever more precisely its strategic priorities and its specific positioning in the multilateral system, as illustrated by the very rich agenda of seminars during this Annual meeting. Three thematic priorities have been defined: sustainable infrastructure, cross border connectivity and private capital mobilization. These priorities must now translate into a concrete approach on the field, in order to ensure that quality projects emerge, respectful of the Bank's mandate. They are the key areas where the AIIB must demonstrate its added-value and its capacity for innovation, while being ever mindful of the principle of additionality to avoid any crowding-out of the private sector. In the near future, we would also like the Bank to work on its approach to transparency, including by defining specific requirements toward non-cooperative jurisdictions.

In a context of growing global uncertainty, it is our collective responsibility to work towards more coordination and a stronger multilateral approach to reducing poverty. I am confident in the AIIB's capacity to tackle the upcoming challenges and deliver strong and efficient support for the sustainable development of Asia. France stands beside the AIIB as it continues to build up its capacity and vision in support of the fight against poverty and the promotion of sustainable development in Asia.

Thank you for your attention.

## **GERMANY**

One and a half years ago, in January 2016, we came together to inaugurate the Asian Infrastructure Investment Bank. Our common aim: To help closing the enormous infrastructure financing gap in Asia and providing financing for development in transport and energy networks, waste and water facilities in demand across Asia.

To ensure financial, social and ecological sustainability of building up this infrastructure depends a lot on good concepts. Therefore, the AIIB was set up to be a "Bank for the 21st century" with a clear focus on the sustainability of its project financing operations. Its operations follow the guideline of "lean, clean and green". The Bank's mission is to identify

and finance investments that are technologically advanced, climate resilient, socially inclusive (by diminishing poverty or increasing employment), and reduce carbon emissions and, hence, addressing the economic, social and environmental challenges of the continent. A clear commitment to the Paris Agreement is key to achieve the Bank's aims. The Strategy will guide the operations of the Bank, and clean, efficient and renewable energy sources and power generation are the way to go forward for the AIIB.

Transparent project development and implementation are other major elements for the Bank's success, and the review of the Public Information Interim Policy (PIIP) during the second half of 2017 will be an important step in this regard. Key issues are accessibility, timeliness, relevance and reliability of project information as well as their availability in different languages.

Accelerating the flow of private capital into sustainable energy, water, and transport systems will be a fundamental element to reach the ambitious infrastructure investment goals for Asia. Here, the AIIB provides already a valuable contribution in the context of the G20 works on infrastructure investment and crowding-in private finance. Setting ambitious benchmarks for leveraging own funds and creating a close and multi-layer relationship with the private sector will be key to successful operations of the AIIB as an important new player in the international financial architecture.

We welcome the accession of new members to the Bank. The continued interest for the Bank from countries around the globe underlines the attractiveness and relevance of this new international financial institution.

The Bank's staff has achieved significant milestones so far in this short period of time. For further extending the Bank's operational activities, continued efforts in strengthening and speeding up the hiring process will be vital.

I wish President Jin and his capable team all the best in advancing the AIIB's mission in the next 12 months. Germany will continue to give the AIIB its resolute support. I thank the Government of the Republic of Korea for hosting the second Annual Meeting of the AIIB at this wonderful island of Jeju, and I am already looking forward to our next Annual Meeting in Mumbai, India.

## **HONG KONG, CHINA**

Since early 2015, Hong Kong, China has been actively participating in the discussion and preparatory work relating to the establishment and operation of the Asian Infrastructure Development Bank (AIIB). I am delighted that Hong Kong, China has recently been accepted as a non-sovereign member of the Bank. We will continue to support the work of AIIB on various fronts, and hope to contribute to the sustainable and inclusive economic development of Asia.

The economic centre of gravity has long been shifting to Asia, and the pace of that movement has accelerated since the 2008 Global Financial Crisis. Developing Asia today is the key growth engine of global economy, accounting for more than 60% of global growth.

Hong Kong, China has benefitted hugely from the region's enviable growth and sustained wealth accumulation. The long-term promise of Hong Kong, China undoubtedly begins with our location - at the heart of Asia, and our deepening economic ties with the Asian economies. For Asia to maintain growth and sustainable development, investment in infrastructure, especially in the emerging economies, is essential in raising productivity and tackling bottlenecks for longer-term economic development. It is estimated that developing Asia would need to invest US\$1.7 trillion annually in infrastructure until 2030 to maintain growth momentum, reduce poverty, and address climate change. Concerted and coordinated efforts are necessary in making effective and efficient use of financial resources, both from the public and private sectors, in order to take forward these big projects.

Being an international financial and business centre, Hong Kong, China is well placed and equipped to serve as the infrastructure financing hub of Asia. Our sophisticated capital markets, efficient financial infrastructure, multicultural and multi-talented professionals as well as our leading international legal and dispute resolution services, can bring key stakeholders together in facilitating and managing infrastructure projects.

In July 2016, the Hong Kong Monetary Authority established the Infrastructure Financing Facilitation Office (IFFO) to provide a platform for key stakeholders to work together to facilitate infrastructure investments and financing through sharing experience, building capacity and exploring new opportunities. Today, we are pleased to share that more than 60 international organisations, multilateral financing agencies, development banks, investors, asset managers and professional services firms have joined the IFFO as partners. We are confident that Hong Kong, China will continue to play a valuable role in facilitating more efficient and sustainable infrastructure investment flows to fill the substantial infrastructure gap in the region.

I would like to thank the Government of the Republic of Korea for hosting the second Annual Meeting of the AIIB, and making all the excellent arrangements.

Thank you.

## **INDIA**

His Excellency President Moon Jae-in, Mr. Chairman, Governors of AIIB and Heads of Delegations, President JIN, Distinguished Guests, Ladies and Gentlemen,

First of all, I express my gratitude to the AIIB and the Government of Republic of Korea for the warm welcome and hospitality in this wonderful backdrop of volcanic landscape.

It is indeed remarkable that within a year and half of inauguration in January last year, the AIIB has carved out a place of its own amongst the multilateral development banks. Since we met last time, several new Members have joined the Bank. The Bank has already approved thirteen loans in eight countries. This is no mean feat for a young Bank, for which I commend President JIN and his team.

### **Challenging Global Perspective**

The global economic environment is still uncertain and challenging. On the brighter side,

the world economy is finally on a mend, with global growth projected to rise from 3.1 per cent in 2016 to 3.5 per cent in 2017 and 3.6 per cent in 2018. There is a long awaited cyclical recovery in investment, manufacturing and trade. But this good news is tempered by an increasing possibility of disruption in the global economy due to inward looking policies of some advanced countries, which has the potential of frittering away much of the hard earned gains from the globalization.

Throughout the challenging time, India has remained resilient, maintaining a consistently high growth rate of over 7 per cent. As per IMF's assessment in January 2017, India is expected to grow at 7.2 per cent and 7.7 per cent in 2017 and 2018 respectively. We have successfully implemented a slew of reform measures. These include one of the largest currency reform initiatives ever implemented, which will move the Indian economy to a less cash trajectory, increase tax compliance and reduce the threats from counterfeit currency. Another big reform is the Goods and Service Tax, which will be rolled out from July 1. This will convert India into a unified common market and unlock the true potential of the economy. Other major initiatives include reforms in the budget process, enactment of a comprehensive Insolvency and Bankruptcy Code, liberalization of the FDI policy, initiatives and various facilitation measures to improve the attractiveness and competitiveness of India globally.

### **Sustainable infrastructure development**

The estimated unmet demand for infrastructure investment in Emerging Markets and Developing Economies (EMDEs) is gargantuan. Most importantly, the EMDEs need to carry out this huge investment in a sustainable manner. A Brookings Institution study estimates that the world will need to invest upwards of USD 6 trillion annually in sustainable infrastructure in the next 15 years, more than double the current level. As much as three-quarters of the incremental investment will need to take place in emerging and developing economies, with the largest part in middle-income countries. The older MDBs like the World Bank are now capital constrained. This provides a huge opportunity to a newer Bank like the AIIB. It is quite apt that the theme of AIIB's 2017 Annual Meeting is "Sustainable Infrastructure", and several events on the sidelines provide opportunities to discuss this subject.

### **Importance of Sustainable infrastructure**

Infrastructure is intrinsically linked to quality of life. Investment in high-quality, sustainable infrastructure can provide basic services to households; lead to productive gains for industry; provide market access for agriculture; enable sustainable urban development; open corridors of trade for poor and landlocked countries to the global economy; and help progress towards a more climate-smart world. Quality infrastructure is important not just for economic growth but also for the provision of public services as well as ensuring that various welfare measures of the government benefit the poor in timely and effective manner. Infrastructure being a major contributor to greenhouse gas emissions with subsectors like energy and transport, it is of utmost importance that any global effort to sustainability should involve the infrastructure sector as a major component. Sustainable infrastructure is obviously at the center of this global agenda and a key focus area. In short, how countries design, build and operate infrastructure will be a major factor in whether the world will deliver a global sustainable

development agenda and the Paris Agreement objectives and goals.

### **Resource Implications**

The Sustainable Development Goals (SDGs) adopted by the World leaders in September 2015 at the UN Summit, and the Nationally Determined Contributions of Parties under the Paris Agreement will have very significant resource implications worldwide. There are various estimates at the global level on the total investment needs. All studies point towards the enormous magnitude of financing requirements for sustainable infrastructure. A paper by the Brookings Institute<sup>1</sup>, inter alia, concludes:

“The world will need to invest upwards of \$6 trillion annually in sustainable infrastructure in the next 15 years, more than double the current level. As much as three-quarters of the incremental investment will need to take place in emerging and developing economies, with the largest part in middle-income countries.”

### **Twin challenges of Finance and technology**

The developing countries in general have been deficient in good quality infrastructure and much needs to be done to improve the condition. Lack of finance as well as technology has been two factors hindering infrastructure sector development in these countries.

A shift towards a low carbon infrastructure development can certainly help deliver global sustainable development agenda. However, it would result in larger financial as well as technology requirements. The different starting points of different countries and their specific national circumstances will be the basis for crafting national level targets.

A strong enabling environment for encouraging private sector investment is inevitable to mobilize the large quantum of resources. To address the urgency and scale needed to build sustainable infrastructure, it is necessary to make use of all sources of finance through various channels. Sustainable financing needs have to be effected through a wide range of financing instruments both by the public and private sector. The Brookings Institution report (2016) aptly observes, “.....Strong and concerted actions will be needed across public and private sectors, and at national and international levels, including important transformations in the way infrastructure investment is developed, financed, and implemented. More than half of the financing will need to be mobilized from the private sector.”

### **India's Roadmap**

In India, sustainability has attained prominent focus. The growing pace of urbanization in India leading to doubling of urban population would require huge expansion of urban infrastructure. India has voluntarily taken several actions in the direction of developing sustainable infrastructure. For example, the recently launched Atal Mission for Rejuvenation and Urban Transformation (AMRUT) aims to (i) ensure that every household has access to a tap with assured supply of water and a sewerage connection; (ii) increase the amenity value of cities by developing greenery and well maintained open spaces (e.g. parks); and (iii) reduce pollution by switching to public transport or constructing facilities for non-motorized transport (e.g. walking and cycling). The 100 Smart Cities programme initiated by the Government of India is a major step towards achieving significantly higher levels of resource efficiency and environmental sustainability.



Sustainable infrastructure will form a key part of the India's post 2020 climate actions under the Paris Agreement. India's Nationally Determined Contributions (NDC) under the Paris Agreement are to lower the emissions intensity of its GDP by 33 to 35 per cent by 2030 from 2005 levels, and to increase the share of non-fossil based power generation capacity to 40 per cent of installed electric power capacity by 2030.

India has set an ambitious target of generating 175 Gigawatt of renewable energy by 2022. Out of the targeted capacity, 100 GW would be from solar power, 60 GW from wind, 10 GW from biomass and 5 GW from small hydro power. Under the National Solar Mission, since 2010, solar capacity cumulatively has increased by more than 300% till 2017. India has played a leading role in launching a historic International Solar Alliance (ISA) which is envisaged as a coalition of solar resource-rich countries to address their special energy needs and to collaborate on addressing the identified gaps through a common agreed approach.

The National Green Highways Mission (NGHM) launched by the Ministry of Road Transport and Highways (MoRTH) envisages 100 Million tree plantations along the national highways, which in turn will generate 100 Thousand direct employment opportunities in plantations sector in next ten years and sequester around 1.2 mn MT CO<sub>2</sub>e. As a first collaboration with private sector under NGHM's 'Adopt a green highway' program, NGHM has collaborated with Power Finance Corporation Ltd. (PFC) for plantations work on NH 7 in Nagpur region covering 87 km stretch.

### **Role of the MDBs**

As we move towards SDGs, it is important that we remain focused on bringing development to all our people and on poverty eradication for which bridging infrastructure gap remains central. More democratic and inclusive institutions of global governance giving adequate representation and voice to developing countries will be crucial to enable such an environment.

Multilateral Development Banks like AIIB have an opportunity to play a key role here. It is necessary for institutions like AIIB to live up to the global goals that the international community have embraced through the adoption of SDGs and Paris Climate Agreement. MDBs have historically focused their efforts on increasing infrastructure investments particularly in developing countries. MDBs have now committed to increasingly devote their financing resources in support of sustainable infrastructure investments.

In fact, MDBs are uniquely placed to play the catalytic role in mobilizing resources and help crowd in private sector flows. Examining the finances through a green lens has become a necessity rather than a desirable attribute. Given the long life-span of infrastructure and much of the infrastructure that would be in place in developing countries in 2030 or 2050 doesn't exist today should force us to turn the challenge into an opportunity.

### **India and the AIIB**

India itself provides an unending opportunity. Our infrastructure investment needs are enormous. A conservative estimate puts it about USD 646 billion over the next five years. 70 percent of this will be required in power, roads and urban infrastructure sectors. Perhaps, our Prime Minister expressed it best when he said<sup>2</sup>: ".....India alone offers the opportunities that

could rival those of an entire continent. It offers today, the possibilities of a full century. And we want to do all this in a cleaner, greener and sustainable way.” I invite the AIIB to be a partner in this unique opportunity, and unfolding India growth story. We would welcome AIIB investment in Government’s signature initiatives, like Smart Cities, Transportation, Energy including renewable energy, irrigation and development of next generation sustainable infrastructure.

A year back, I had promised that a robust pipeline of projects for at least USD 2 billion will be posed to the AIIB. The promise has been kept. Now, we expect quick loan appraisal, signing of loan agreements and disbursements on part of the AIIB. I am happy to note that a beginning has been made with the approval of first AIIB loan for India for a power distribution project in Andhra Pradesh. I understand that several other loans are at advanced stages of approval, and I do hope, by the time we meet again next year, at least USD 2 billion loan will be approved for India.

#### **Prime Minister’s address at the Vibrant Gujarat Summit**

India has over decades actively developed Public Private Partnership ecosystem and now has various success stories of private sector infrastructure projects. To further encourage it, India would like to request AIIB to consider local currency Indian Rupee lending to the Private sector infrastructure companies. As an extension of the above, we would like to encourage the AIIB to consider issuing Indian rupee denominated Masala Bonds.

I had explained last year as to why the AIIB should consider opening a regional office in India. With India already posing more than USD 2 billion worth of projects, which would go up to USD 5 billion by 2019, we would like to reiterate our request for opening a South Asia Regional office in India. India is a country of continental proportion, and an India office will be a “win-win” proposition for both the AIIB and India. It would not only enhance Bank’s operational efficiency in the region, but would also help them to get additional business opportunities.

#### **2018 Annual Meeting**

Finally, let me convey my sincere thanks to all fellow Governors and President JIN for agreeing to India’s proposal to host the 2018 Annual Meeting of the AIIB in Mumbai. This is itself a reflection of our commitment to work closely with the AIIB, and to build a mutually beneficial long term partnership. Mumbai is India’s commercial capital, and the next Annual meeting will provide opportunity of a deep engagement with our vibrant private sector leaders. Indian Government will engage closely with the AIIB and all Members to make the event a grand success. As the host of the next Annual meeting of the Bank, I warmly invite you all to Mumbai in June, 2018. I promise it would be a memorable experience.

See you all in Mumbai next year.

Thank you.

## INDONESIA

Excellency Chairman of the Board, Fellow Governors of AIIB, President Jin Lique, Executive Directors, and Management of The Bank,

It is an honour for me to attend the 2nd Asian Infrastructure Investment Bank (AIIB) Annual Meeting at beautiful Jeju island, South Korea. I congratulate AIIB and Government of South Korea for arranging this excellent Annual Meeting, and believe the Annual Meeting in Jeju Island will be remembered as an important milestone for AIIB growth in mitigating the huge gap in infrastructure financing.

### **The Progress of AIIB Operation**

As a new major player on the world of multilateral development banks (MDBs), I praise the AIIB for its outstanding progress for the last 18 months in managing its operation and developing its organization. In lending operation side for instance, to date, I recognized the Bank's approval to finance 13 projects amount to US\$2.2 billion consisting of 10 projects are financed through co-financing type with other MDBs and the remaining 3 projects are stand-alone financing using Bank internal resource. I believe the number of approved projects will increase significantly in the future since there are 20 more projects in the pipeline with the value around 2.5 billion. Although the figure of project approvals is very much lower than the financing needs in Asia, which is requiring around US\$1.7 trillion per year, I am quite satisfied with the Bank achievement so far, and have confidence in AIIB in the future to be a dominant international financial institution in infrastructure financing.

During its first and half years of operation, I also notice that the Bank has worked hard in shaping the Bank's priorities and policies in accordance to its mission. The Bank has issued some important policies related to its operations, sector strategy such as in energy, environment and social safe guards, human resources, and good corporate governance. Those current and future policies should be kept align with the Bank's core values which are lean, clean, and green. In my view, those values should be reflected in the Bank operation and activities in which the Bank should: (1) dedicate for less bureaucratic business with streamline and quicker decision making process supported by a few high caliber staff; (2) declare no tolerance on integrity and governance; as well as (3) be a strong supporter for infrastructure projects adopting sustainable environment and broad community acceptance.

### **Project Financing**

The role of MDBs including AIIB is crucial since MDBs can play two roles simultaneously which are alternative sources of financing and transfer of knowledge. As a new multilateral financial institution, AIIB is expected to leverage its resources with other sources in order to fulfill the financial needs in the region. In this regard, a collaboration with other MDBs will enable the Bank to leverage its sources with other MDBs' sources while at the same time enhance its capacity and human development.

I am impressed with the Bank's close collaboration with other MDBs in co-financing big size infrastructure projects. The collaboration proves my belief that there is no competition among MDBs in development agenda especially in the infrastructure sectors. The demands in

the infrastructure financing is so huge even surpass total combined lending from all MDBs. Through the partnership, AIIB can learn from other MDBs various knowledge not only on managing the Bank's resources in accordance with international best practices but also on how to serve better the client countries according to their needs. The partnership should be looked at as the starting point for AIIB in order to develop its unique characteristics and capabilities as the development bank focusing in infrastructure financing.

I encourage the Bank to finance more stand-alone projects in the near future. As the capacity of the Bank and its staff increases and becomes familiar with business model of certain infrastructure projects, the Bank should be ready to manage the overall cycles of projects by itself. Managing fully the projects will provide an avenue for the Bank to transmit its core values to the recipient country's stakeholders, and successful transmission will result in more positive outcomes delivered by AIIB compared to other traditional MDBs. Any challenge during the project cycles should be treated as new knowledge or lesson learnt for future improvement.

The Bank should also assist the recipient countries in fulfilling the readiness criteria for having the project to be approved. Some developing countries have capacity constraints in preparing the project F/S (Feasibility Study). The constraints continue to the supervision phase and corporate governance. Therefore, the establishment of Special Funds is very relevant and badly needed for some member countries in order to assist member countries to enhance their capacity.

In regard to the effort of the Bank obtaining credit ratings, I strongly support the initiative to expedite the Bank to retrieve the highest ratings from international credit rating agencies. This is helping the Bank to build credible profile and provide lower cost of fund.

### **Thematic Priorities**

I also welcome the thematic priorities that have been launched and pursued in near future by the Bank, namely sustainable infrastructure, cross-border connectivity, and private capital mobilization. The thematic priorities are very relevant with the needs of member countries in boosting the economic growth, and facilitating optimal trade and investment among member countries and the rest of the world while at the same time addressing the solutions for income inequality and poverty issues. These priorities help the Bank to sharp its core competencies, and lead the Bank to be the front-runner in infrastructure financing in the region. Those priorities are also well-aligned with Indonesia national infrastructure agenda with the focus on achieving sustainable development and advancing connectivity.

With regards to sustainable infrastructure, I view it as having a multi facet of objectives. It creates not only a sound economic development, but also improving quality of life for the people, giving positive impacts on the societies, helping protect our environment, and promoting a more effective and efficient use of financial resources. I see the strategic policy in energy sector has contained the sustainable principle that guides the Bank to carry out its operations and assists its members in shifting the project technology to low carbon technology. However, the Bank should not prohibit the use of certain commodities, labeled as the contributor of high carbon emission, as the source of energy. Using the appropriate technology,

those commodities can contribute to the low emission energy. In addition, the Bank should assist the countries in determining the most optimal energy options for them.

The Bank's constant support to the development of renewable energy and efficiency in Asia is the right thing to do. Fossil fuel reserves are constantly decline, and therefore, countries should find other alternative source of energy. The support is also in line with the global efforts for achieving sustainable development goals, and helps the member countries to be more resistant to climate change. Furthermore, there is an immense opportunity to invest in Indonesia for renewable energy. We have reformed some regulations and provided incentives to create a better climate to invest for the private sectors. I do hope the Bank could play a key role in the development of energy projects including to attract private sectors to invest in Indonesia.

The AIIB strategy to mobilize private capital is very supportive. A shifting paradigm to unlocking the private sector in financing infrastructure needs to be facilitated, taking into account the relatively low engagement of private sectors in financing infrastructure. Some international financial institutions have a consensus that only half of the financing needs for infrastructure in Asia is available. The infrastructure financing in Asia, in 2010 to 2014, is predominantly provided by the public sector which contributes around 90% of the regional's investment.

As mandated by the Governors, the Bank should also foster the connectivity in the region. A cross-border infrastructure obviously creates better mobility of people and provide wider access to basic infrastructure. The cross-border investment is important to help countries in developing their economy and creating welfare of the people. Considering the huge amount of finance needed, I suggest AIIB to work together with other MDBs and other international initiatives such as Belt and Road Initiative in financing cross-border infrastructure projects.

### **AIIB Projects in Indonesia**

Like many countries, Indonesia has also a huge infrastructure gap that could not be borne by the public budget. To address this challenge, the Government of Indonesia has promoted new paradigm of infrastructure financing, which is more engaging private sectors and state owned enterprises (SOEs) in financing the gap. The private sectors are encouraged to invest in the sectors that are commercially attractive, while the government spending is allocated to finance the less attractive infrastructure projects for private sectors and green field projects.

We greatly appreciate the Bank for the continuous supports in accelerating the development of infrastructure in Indonesia. The Bank has provided loans to finance three projects together with other MDBs totaling US\$441.5 million in various sectors which are: (i) National Slum Upgrading Program (NSUP); (ii) Dams Operation Improvement and Safety Project (DOISP); and (iii) Regional Infrastructure Development Fund (RIDF). Indonesia is also planning to propose other 4 infrastructure projects in the urban, transportation, water, and energy sectors. Those approved and proposed projects are very vital to our development agenda since they will help people to have better access to basic services, public facilities, and job creation as well as to facilitate more efficient trade and investment in our country.

We have already decided 255 infrastructure projects as national strategic priorities directed to support national and regional connectivity and economic competitiveness. More than half of

those projects are economically sound for private sectors involvement. However, only few projects can attract the investment from private sectors. In my view, the private sectors are actually interested to participate in the remaining projects, but they want to reduce their risk by asking government or MDBs to participate in those projects. Therefore, it is a big opportunity for AIIB to have more exposures and expand its business in Indonesia.

Indonesia is fully committed to fulfill any obligations in our side to support those projects and other future AIIB projects to be delivered as planned on a timely manner. We view AIIB as a trusted partner who always endeavors to find possible solutions in financing the infrastructure gap in its member countries without harming the AIIB's core values. Since more than half of financing gap in Indonesia will be contributed from private sectors, I encourage AIIB to prioritize the completion of mobilization of private sector fund policy as soon as possible.

### **Closing**

I would like to close my statement with a big hope that AIIB is continuing its current good track and performance in the years ahead. The challenges to implement its mission are quite high, I encourage AIIB to translate those challenges to become good opportunities for AIIB to play a key role in endless endeavors to eliminate the financing gap in infrastructure projects faced by the member countries. With the spirit of taking the opportunities, I believe AIIB will be one of the determinant factors in creating sustainable growth through infrastructure financing.

Thank you.

## **ISRAEL**

Israel wishes to compliment the Bank on its effective and result oriented policy. Lean, Clean, Green, proved to be not only a slogan, but an ideology, directing the Bank's management and staff in every decision. From the clear, concise documents to the rapid and effective execution of projects, the Bank is setting a new standard regarding pace, impact and quality of multilateral work.

Asia, as a heterogeneous continent is thirsty for multilateral investments. Emerging countries at the border of economic breakthrough require an external boost to reach their economic and well-being potential. Developing countries require significant external funds to build the foundation and infrastructure necessary to enter the 21st century. Strong economies in the region and beyond wish to contribute to those processes, which are beneficial for global equilibrium and well-being. The Bank, as a dominant multilateral player, embodies the entity that connects all of those forces, empowers the region and improves people's lives.

The diversity within the Bank's staff and within member countries is important to achieve those objectives. The high demand from countries to join the Bank as members illustrates a quality certificate for the Bank, and a strong indicator of good governance and effective policy. Israel is a proud founding member of the AIIB. Only 2 years after its foundation, the Bank's positive presence in the region has already been significant. Acknowledging the importance of

multilateral collaboration for regional development, Israel is not only doing, but is continuing to make its best to support the Bank's activity, and contribute through its membership. While establishing the Bank was a major challenge, implementing its vision is no less challenging. We trust management to carry out its goals with the same high standards that the Bank has set so far.

## ITALY

Mr Chairman, Mr. President, Distinguished Governors, Ladies and Gentlemen,

Italy would like first of all to express deep appreciation to the Government of the Republic of Korea for hosting this second annual meeting of the AIIB in Jeju, and for providing the highest level of hospitality and a truly warm welcome to all guests.

Italy is strongly committed to the economic and social development of the Asian region, and is convinced that a new multilateral institution like the AIIB has an important role to play, much more so because it focuses specifically on one of the key issues that constrain development in several countries of the region: the infrastructure gap.

We appreciate and praise not only AIIB's role and operational focus, but also the achievements that President Jin and his staff have been able to realize in such a short time. We must acknowledge that leveraging on experience, professionalism, and the ability to facilitate effective cooperation with all relevant MDBs, the AIIB is already fully operational and with a well-defined, important pipeline of projects in so many corners of the infrastructure development sector: energy, connectivity, transportation, water.

The extent of the infrastructure gap in the continent and related financing requirements is indeed significant, particularly for land-locked countries in central Asia, which need to be more integrated in international trade and global capital markets.

Filling in this gap is too daunting a challenge for any institution, no matter how well-endowed, financially and technically. Like other MDBs, the AIIB is called to operate within a well-coordinated system where all the concerned actors cooperate on the basis of a development-linked rationale for the division of responsibilities, so as to avoid forum-shopping and harmful competition and produce synergies by complementing each other's strength. We reiterate our appreciation for this choice, which the AIIB has already made.

It is in this context of cooperation and collaboration that we invite the AIIB to join the ongoing works of the other MDBs to develop even further harmonized approaches on key policy issues, such as environmental and social safeguards, procurement standards, additionality of the investments with the private sector, and division of labor on infrastructure.

In this latter respect, we very much welcome the emphasis on Sustainable Infrastructure and Mobilizing Private Capital, as overarching building blocks of the AIIB's strategy, and we would like the Bank to remain focused on the thematic priority of Cross border Connectivity, building accordingly its expertise and capacity, and expanding its financing of projects that may benefit inter-Asian and Asian-European trade flows.

MDBs, above all the AIIB, have a crucial role to play in achieving these ambitions, while delivering on their strong commitment to tackle climate change by making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development. We expect the AIIB to fully align its investment strategy with this objective, in line with other MDBs.

While the AIIB is well positioned to provide its financing contribution to address the infrastructure gap in Asia, the size of the challenge requires extra efforts to crowd in greater levels of private sector investment and blend scarce public money with private resources, via effective policy dialogue on the business environment, co-financing, mobilization, and catalytic mechanisms.

In this respect it is important that the potential for demonstration effect of pioneering investments and the strength of the AIIB's de-risking and financial capacity be combined with effective country and sector dialogue on the business climate, above all on public procurement and the regulatory framework.

By advocating and concretely pursuing international competition and fair access to procurement opportunities under its projects, the Bank can lead by example in this regard.

We strongly support the Bank in its efforts to crowd in greater levels of private sector investment. In this respect it is important to be reassured that its activities with the private sector generate genuine additional investment, which would not materialize without public intervention. We therefore invite again the Bank to team up with the other important development agents in the region to achieve a common understanding on additionality and prevent patchy approaches and harmful competition, possibly resulting in capital misallocation and less additional investment for development.

While commending its prudent initial approach and its co-financing activity with other multilateral financial partners, we also encourage the Bank to soon move upstream in the project cycle, developing new ambitious projects, particularly in the clean energy sector and with significant gender mainstreaming elements, in order to accelerate economic growth in those countries more in need of a catalyst institution. This would also help the Bank in establishing its own brand and being accredited as a fully-fledged regional development bank.

At the same time, we are aware that this will require even greater efforts in enhancing staff capacity, as well as the ability to resist the temptation to respond to greater challenges by simply expanding the headcount. We do believe that great opportunities lay ahead, not only operationally, but also in terms of innovating and streamlining management processes, ultimately benefitting the buildup of the pipeline and the stream of financial resources available for investment. A strong culture of transparency and effective governance mechanisms, built on the central decision making and oversight role of the Board, need to be maintained and further developed.

Allow me to conclude by reiterating to President Jin and all management and staff of the AIIB, Italy's partnership and support for the challenges ahead.



## MALTA

It is with great pleasure that I address this second meeting of the Asian Infrastructure Investment Bank (AIIB) and to meet with you, distinguished guests. First, I would like to take this opportunity to thank the Government of the Republic of Korea and all the organisers for their hospitality in hosting this year's meeting in the picturesque Island of Jeju.

Secondly, I would like to congratulate President Jin and management for the amazing job they did since the AIIB was inaugurated in January 2016. Progress made over this relatively short period of operations is truly admirable. Indeed we respect the hard work and dedication of staff at the AIIB in order to live up to the Bank's declared modus operandi of lean, clean and green. Judging from the performance to date, we have every reason to believe that this will continue in future.

It is notable that in recent years, infrastructure investment in Asia has been accelerating from a low base. We anticipate that, in line with the positive outlook for the region as a whole, this trend could be set to continue going forward. Taking into account this important development against the backdrop of a continuing rise in the region's population as well as the immediate need to address climate change, the urgency of having a sustainable infrastructure in the coming years becomes more pronounced particularly in the energy sector. Unfortunately many less developed countries in Asia still lack provision of energy and power, water resources and sanitation, transportation and telecommunications, urban, rural and agricultural development as well as environmental protection.

In this respect, I consider it appropriate that the theme chosen for this second Annual Meeting of the AIIB is "Sustainable Infrastructure" – as quality infrastructure, when sustainable, can be a powerful stimulus to growth in Asia, supporting the growing population and contributing positively towards eradicating global poverty and ensuring higher standards of living. Ultimately this will translate into far reaching benefits for the global economy. Yet we are also aware that constructing quality infrastructure requires significant upfront capital, with the benefits being spread over a number of years.

Indeed, the purpose for which the AIIB was set up is to promote win-win economic and social development through infrastructure investment in Asia, also taking into account the urgent need for climate change mitigation measures. The Bank is urged to respect the Paris Accord COP 21 principles on climate change. We are pleased to note that in order to address its members' most urgent needs, the Bank has developed three important areas that will guide its investment prioritisation namely sustainable infrastructure, cross-country connectivity and mobilization of private capital.

Since its establishment, the Bank has already set a respectable track record for itself making huge strides in this direction. I would like to take this opportunity to commend the AIIB for providing US\$2.2 billion in loans across 13 projects that can address the needs for power, transport and clean water across the countries in the region. However more needs to be done to provide adequate facilities for the people of Asia and to support cross-border trade flows and investment. It is encouraging to note that there are a number of other projects in the

pipeline with the most challenging related to investment in sustainable cities.

Such achievements can be credited both to the joint support of AIIB's member countries as well as the cooperative spirit the Bank has been upholding. It is impressive how much collaboration between the Bank and other Multilateral Development Banks has deepened in a relatively short period. Indeed, the AIIB has co-signed memoranda of understanding with the Asian Development Bank, the European Bank for Reconstruction and Development, the European Investment Bank, the New Development Bank, and the World Bank Group and has also collaborated with other institutions both in the private and public sector. I would like to commend all these institutions for their cooperative spirit in supporting sustainable development efforts in Asia and contributing to the common goal of global growth.

Malta warmly welcomes all the prospective members that have recently become part of the international partnership that makes up the AIIB, bringing the Bank's total approved membership to 77. We also support the third group of applicant countries and look forward to seeing other countries join in the Bank's quest of its strategic goals.

I would like to conclude by reaffirming Malta's strong support to the AIIB. Looking ahead, I am confident that, in spite of the uncertainties which still prevail in the current economic climate and the various challenges which the external environment is presenting, the determination, the skill and dedication of the President and his professional staff will be instrumental in steering the AIIB to attain its objectives during the coming years.

## **NEPAL**

Mr. Chairman,  
Fellow Governors / Alternate Governors,  
Mr. President Lin Liqun, and  
Distinguished Delegates,

I am delighted to attend the second Annual Meeting of Asian Infrastructure Investment Bank, here in Jeju, a panoramic city of Korea. At the outset, I express my sincere gratitude to the Government and the people of Korea for hosting this important meeting and extending great hospitality to me and my delegates. I highly appreciate Mr. Jin Liqun, the president of AIIB and his team for excellent arrangements made for this meeting.

I note that within a short period, AIIB has been able to establish its visibility as a strong financier in the infrastructure development in Asia. The quick decision making process, dedicated team members and extraordinary leadership have collectively contributed to introduce it as a strong institution immediately after its establishment. I, personally and on behalf of the Government of Nepal, would like to congratulate the Bank team for this achievement.

On this occasion, I would like to recall Mr. President's presence in the Investment Summit held in Nepal in March this year. I believe, his visit and inspiring speech boosted the confidence of potential investors, attending the Investment Summit.

Mr. Chairman,

The Asian countries have great potential of faster economic growth. Although some countries have moved much ahead, many of us are still struggling to take a larger stride of development. The lack of connectivity and quality infrastructures are the major impediments for accelerated growth. This is not only increasing the cost of development, but also barring to benefit from the cross-country trade and to get spillover effects of other countries' growth.

Many member countries have adopted the Sustainable Development Goals. The Bank's support is crucial for many of us in achieving those goals by investing in the infrastructure that enhances the connectivity thereby increasing economic activities and creating the employment opportunities. In this context, we commend and support the AIIB's focus on the development of infrastructure and other productive sectors in Asia, including energy and power, transportation and telecommunications, rural infrastructure and agriculture development, water supply and sanitation, environmental protection, urban development and logistics, among others.

While underinvestment in the infrastructure is a problem, sustaining already developed infrastructure is a huge challenge. Nepal is not an exception to these problems and challenges. We have a wide resource gap in capital investment. The capital expenditure shares less than 30 percent in total budget, most of which is being spent for already existed scattered projects. On one hand this has caused serious resource insufficiency for transformational large projects, and on the other hand sustaining those scattered projects is becoming more challengeable. Further, the studies show that Nepal needs infrastructure investment of at least 10 percent of GDP in every year, against current 4 percent investment. I believe that the Bank can help us to reduce this gap.

There are several priority areas for infrastructure investment in Nepal. Being a mountainous country, many parts of the country are not linked with the roads. Despite having enormous potential of hydropower, the actual generation is far less of it. We have recently adopted the Federal Governance System with 7 provincial and 744 local levels. Developing them as the urban centres and establishing the reliable connectivity within these centres is crucial for overall socio-economic development. Thus, we have prioritized road and energy connectivity, power generation and urban infrastructure for possible AIIB support.

I am pleased that the AIIB has already put two projects that Nepal submitted into the pipeline for this year. We are confident that the Bank approves them at the earliest. We have proposed four additional projects for the Bank to consider. I believe that these projects contribute to transform the economy as a whole and the project area in particular.

Mr. Chairman,

Let me now briefly touch upon the overall economic scenario of Nepal. After overcoming the negative impacts of two major shocks in the year 2015, the economy has gradually improved and projected to attain the growth rate of nearly 7 percent – highest in last two and half decades. The ever increasing inflation rate has gone down sharply to lower than 4 percent. The post-earthquake reconstruction activities have gained the momentum. The investment atmosphere has been significantly improved. We have favorable external sector indicators. Politically, the country is eyeing for early ending of the long standing political transition after

the local level elections, which are to be completed later this month, the first phase of which has already concluded electing 15,000 representatives. These elections are being held after 20 years. We believe that this will help in speeding up of the development activities from the grassroots level.

We recently announced the federal budget for next Fiscal Year that begins in mid-July. This budget has transferred nearly 19 percent resources to the provincial and local level to carry out the development activities in their area. This budget has given highest priorities for reconstruction and infrastructure development. The scaled up budget is proposed for the flagship projects that increase employment and have a lot of positive externalities. We believe that by accelerating the infrastructure development works and by investing in drivers of growth like agriculture, industry and selected service sector, we can realize the SDGs by or before 2030. We are privileged to have friendly and supportive development partners. With your support, we are confident that we can achieve our goals.

Private sector in Nepal is growing and contributing to the economic growth. It is estimated that private investment contributes 70 percent in total investment. However, the private sector is still waiting to handle the large projects because of lack of investment capacity. Therefore, private investors may approach the Bank to enhance their investment and technical capacity. I am confident that the Bank does not disappoint them.

Mr. Chairman,

In closing, on behalf of the Government of Nepal, I would like to thank and congratulate all those who contributed for bringing the Bank in its current shape. I wish the Bank to stand tall in infrastructure and productive sectors development in Asia.

Nepal looks forward to build strong relationship and expand the collaboration with the Bank. We appreciate and welcome the engagement and persistent support to Nepal's efforts in rising from the physical ruins and economic devastation brought by natural disasters. I wish the Annual Meetings a great success.

Thank you and Namaste!

## **NETHERLANDS**

Mr Chairman, Mr. President, Distinguished Governors, Ladies and Gentlemen,

We congratulate the AIIB with its excellent first operational year. While during the last Annual Meeting in Beijing we were happy to compliment the Bank on the first financing proposals, up to this Annual Meeting financing to 16 projects has been approved, which is an impressive achievement, especially given the still very lean organization. With the existing and still growing needs for infrastructure investments in Asia we see a clear task for the AIIB to provide financing for sustainable and high quality projects. AIIB's contribution will lead to inclusive finance and unleash the potential for private sector involvement and development.

Equally importantly, since the last Annual Meeting the bank continued further institutional building. Important policies have been approved and strategic focus has been narrowed down. These outstanding achievements do not mean no further challenges remain, both in the region

and within the Bank's organization. We encourage the AIIB to develop other policies and strategies and to work on a thorough project approval process with clear guidelines and well-defined criteria and benchmarks for project selection. Thereby, additionality and crowding in of private financing should remain key. We are glad that the program of this Annual Meeting reflects that focus and brings together a great variety of experts and stakeholders.

Implementation of the already approved policies and strategies is also key. The energy strategy is a good starting point for the Bank to support the region in its transition towards a sustainable energy mix and we would like to encourage the AIIB to put a special emphasis on the renewable energy sources in its operations, given its responsibility as a new IFI with 'green' explicitly being part of its motto. Another important issue which requires a special attention is gender equality. This important principle should have a prominent spot in AIIB's DNA, both internally with respect to better gender balance of its staff, as well as in all the Bank's operations and strategies.

The AIIB also continues to show a clear willingness to be transparent and open, both to its shareholders and to the outside world. We are convinced that good relationship with the stakeholders is key and we are glad with what has already been achieved. A two-stage public consultation procedure with regard to the Energy Strategy is one excellent example of openness and inclusiveness. We also very much welcome the opportunity for NGO's and other observers to be present at this Annual Meeting. Having said that, we have to build further on these good results, also with regard to several key policies which will be implemented and reviewed in the coming year, among which the Public Information Interim Policy and the Accountability Mechanism.

We are very much looking forward to work together with AIIB's management and all the founding and new members of the Bank to keep building on the already achieved impressive results. We encourage the Bank to keep on working in this direction and remain to strive for the highest standards, safeguards and an impeccable reputation, in an open atmosphere. We are convinced that president Jin Liqun, AIIB staff and the Board of Directors will continue to deliver on this and indeed ensure a lean, green and clean international financial institution.

Finally, we would like to thank the Government of South Korea and all the organizers for the splendid organization of the 2017 Annual Meeting.

## **NEW ZEALAND**

Dear fellow Governors,

I would like to thank the Republic of Korea for hosting the second Annual Meeting of the Board of Governors of the Asian Infrastructure Investment Bank.

I would like to congratulate President Jin Liqun and AIIB staff on how this institution has developed over the past year. The many new members in the process of joining the AIIB are a testament to its success so far.

I am delighted that the theme of this Annual Meeting is 'Sustainable Infrastructure', given the strong alignment with the AIIB's core mandate.

Consistent with this theme, I am pleased to see that the AIIB's Energy Sector Strategy embraces Sustainable Energy for All, the 2030 Agenda for Sustainable Development, and the Paris Agreement, and that the Strategy outlines the AIIB's plans to proactively support renewable energy and energy efficiency investments.

As the OECD sets out in its new publication, Investing in Climate, Investing in Growth, countries can achieve strong and inclusive economic growth while at the same time reorientating their economies towards low greenhouse gas emission pathways.

As a multi-lateral institution with a focus on fostering sustainable economic growth through investments in infrastructure, the AIIB is well placed to make a contribution towards ensuring that economic growth and climate objectives progress hand-in-hand.

We look forward to seeing the Energy Sector Strategy being put into action to take us forward in this ambition.

## **PAKISTAN**

As a founding member of the Asian Infrastructure Investment Bank (AIIB), Pakistan is pleased with the progress made by AIIB in a very short period of time. This is a testimony to the vision and support of the People's Republic of China for building AIIB, and the leadership of President Jin and his team since AIIB's inception. The establishment of AIIB is a landmark as it is providing a new financing window to address the large financing gaps for infrastructure projects and programmes in developing countries in the Asia-Pacific region.

Despite bright economic prospects, underdeveloped infrastructure remains a challenge for many emerging countries in the Asian region. Governments have made significant progress, in partnership with existing Multilateral Development Banks (MDBs), to cater to the growing infrastructure development needs in the region; however, considerable gaps still remain. AIIB has started its operations with a vision to complement and cooperate with the existing MDBs in order to address the present disparity between the need and availability of financing for infrastructure projects.

AIIB's bid to promote partnership for infrastructure development is admirable as it would develop synergies between Development Partners, and lead to identification, approval and implementation of high impact projects, by benefiting from mutual experiences. Pakistan appreciates AIIB's initiative to co-finance projects in Pakistan with MDBs, namely, the National Motorway M-4 Project and the Tarbela-V Hydropower Extension Project. These projects will help to develop Pakistan's transport and energy infrastructure, and improve the socio-economic condition of people of our country.

We would like to suggest that AIIB should create a niche for itself by focusing on large projects with transformational potential, especially in the energy and transport sectors. This would be in line with the needs and aspirations of many recipient countries, including Pakistan. There is also considerable appetite in Pakistan for investment in other sectors including urban development, logistics, education and healthcare.

Availing this opportunity, I would like to share good news on the economic turnaround

and macroeconomic stability achieved by Pakistan during the last four years, owing to successful implementation of a comprehensive structural reforms agenda which has been recognized by credit rating agencies, international financial institutions, development partners, think-tanks, independent economists and experts.

Pakistan's real GDP grew by 5.28% in the current fiscal year ending on 30th June 2017, the highest GDP growth rate in a decade. As a result the economy maintained its growth momentum above 4% for the 4th year in a row. The size of Pakistan's economy has surpassed US\$ 300 billion for the first time ever. Inflation has been brought down to single digit and is expected to be around 4.3% in FY 2017, compared to average inflation of 12% during FY 2008-13. In addition, an effective resource mobilization strategy has helped in achieving a historic increase of 81% in tax collections over the last 4 years, a 20% average annual increase. As a result of these efforts, the Government has successfully brought down the fiscal deficit from 8.2% in FY 2013 to 4.2% in FY 2017. However, despite curtailing fiscal deficit, the Government has not only maintained but also significantly increased allocation to the social safety net program from Rs. 40 billion to Rs. 121 billion and national development spending from Rs. 625 billion in FY 2013 to Rs. 2,113 billion in FY 2018. After achieving macroeconomic stability, now our focus is on achieving higher, sustainable and inclusive economic growth, and our target is to reach GDP growth rate of 7% by FY 2019. Pakistan's economy is on the rise and we are open for business offering attractive investment opportunities.

Pakistan realizes that our economy can only realize its true potential if we develop sustainable infrastructure in our country. To this end, Pakistan is in the process of planning and implementing various infrastructure projects, including in the energy and transport sectors, under the China-Pakistan Economic Corridor (CPEC) over the next 10 years. CPEC, it may be added, is a part of the One Belt One Road initiative (OBOR). In addition, we are also working to enhance regional connectivity, and implement infrastructure projects, through bilateral and multilateral agreements including the Central Asian Regional Economic Cooperation (CAREC), CASA-1000, TAPI and the Afghanistan-Pakistan Trade Agreement.

In order to extend the outreach of AIIB's activities and to ensure that more countries are able to benefit from the promising potential of AIIB's financing, Pakistan supports a widening of the membership of AIIB and the inclusion of new members. We would like to reiterate our trust in the management of AIIB to devise a phased, workable plan to include new members.

In the end, I would like to acknowledge the sagacity, wisdom and personal stewardship of President Jin in making the vision of AIIB into a reality in the shortest possible time. Pakistan looks forward to further enhancing and strengthening our partnership with AIIB over the years to come.

## **PORTUGAL**

Mr. President,  
Mr. Chairman,  
Dear Governors,

I would like to begin by expressing my warmest gratitude to the Government of Korea and to the city of Jeju for hosting this Annual Meeting. This is my first annual meeting as Alternate Governor and I am very pleased to represent Portugal in such an important event. Portugal is proud to have been one of the founding members of AIIB. We are now looking forward to deepen our engagement with the Bank, which we recognize as an important strategic partner for international economic cooperation in Asia and in other geographies.

The Portuguese economy is gradually, but steadily, recovering. Portugal is back to convergence with Europe, growing even at faster rates than the euro area average, buoyed in particular by an increase of exports. Unemployment is now at 2009-levels and job creation more than doubles the European average. Our public deficit fell down to 2% of the GDP in 2016, the lowest level of the last 40 years. Our external current and capital account has been in surplus for five years in a row, reaching almost 2% of GDP in 2016.

Portugal is a small but open economy with a broad and comprehensive view of the world, forged in our historical openness to new worlds and new business opportunities.

We look forward to cooperating with Asian countries and institutions, helping to fulfill development needs. Asia needs to reinforce the efforts currently underway to tackle poverty and promote growth in an economic, environmental and socially sustainable manner. We are conscious of the development needs in the region, both in terms of hard and soft infrastructure. These needs are estimated by a sister institution, the Asian Development Bank, to be at around USD 1.7 trillion per year until 2030.

Portuguese companies possess a wide range of expertise in the fields of renewable energies/non-polluting technologies, construction, plastic and metallic molding, water and waste management, transports and logistic operations, which could be harnessed to AIIB projects.

In the short term it is very likely that the bulk of their activity and income will continue to be generated in Europe, Africa and Latin America. However, many of these companies are looking to expand their activities into Asia and contribute to the fostering of sustainable economic growth and social development in the region.

Therefore, raising the profile of AIIB in Europe as a whole, and particularly in Portugal, remains an important goal. We call on the Bank to adopt an active engagement with private sector agents and to promote outreach events aimed at helping the Bank in the creation of new partnerships and additional visibility with stakeholders. We are ready to assist Management in this area.

Ladies and gentlemen,

Turning now to AIIB operational issues, I would like to mention three topics.

First, we congratulate the Bank for the results obtained in its first full year of operations. AIIB approved nine infrastructure projects in seven member countries, with a total financing of USD 1.73 billion. It is a major achievement for a brand new bank. Considering the operations already approved this year, as well as the pipeline for the remaining 2017, we believe that this will also be a successful year for AIIB.

Second, regarding the Bank's Energy Sector Strategy, we commend Management's efforts



to accommodate different views. Energy supply is crucial for development. We need to fulfill the increasing demand by Asian countries, if we want those countries to grow and improve the life conditions of their population. This growth must however be also sustainable, ensuring a better future for the generations to come. Clean energy is vital. So now, more than ever, we need to work together towards cleaner energy mixes and more sustainable ways of producing energy, in accordance with the commitments set out in the Paris Agreement. We believe in the AIIB's commitment to define itself as a green Bank.

Third, we welcome the three batches of new shareholders knocking on the Bank's door. We believe that they will make the Bank stronger. AIIB is growing. It is consolidating its policies. It is promoting development and regional integration in Asia by connecting countries through infrastructures.

But Asia also needs to be better connected to the wider world. We encourage Management to go further, in due time, by expanding operations outside Asia within the Bank's mission. Investing in transcontinental infrastructures, improving cross-border connectivity and promoting strategic hubs in several continents will surely underpin Asia's growth, economic development and regional integration.

Thank you for your attention.

## **SINGAPORE**

I would like to thank the Government of the Republic of Korea for hosting the 2nd Annual Meeting of the Board of Governors of the Asian Infrastructure Investment Bank (AIIB), and President Jin Liqun for the excellent meeting arrangements.

I would also like to welcome all new prospective members of the AIIB who have initiated commitment to the Bank's mission of fostering sustainable economic development and improving connectivity in Asia by investing in infrastructure and other productive sectors. Singapore looks forward to working with regional and non-regional members to build on the remarkable progress made by the Bank within the first year of its establishment.

Congratulations and thanks are due to the AIIB management and host for focusing this year's Annual Meeting on the theme of "Sustainable Infrastructure" – a timely topic that is in line with ambitious goals set by the international community through the adoption of the 2030 Agenda, the Sustainable Development Goals (SDGs) and the agreement on climate action at COP21 in Paris.

Sustainable infrastructure is a rich subject matter that is galvanising the Bank and its members to come forth to exchange unique circumstances, relevant insights, and common lessons that can benefit all members in our shared progress towards environmental and socio-economic sustainability for our societies.

Environmentally sustainable infrastructure is a matter of making the best responsible use of the resources we have and caring for the state of the environment. It not only limits pollution during construction and operation, it is also resource-efficient and takes climate change impact and extreme weather events into account.

Socio-economically sustainable infrastructure is a matter of creating and delivering the benefit of sustainable resource use to the people. It supports inclusive growth by contributing to enhanced livelihoods and social wellbeing as well as access to basic services such as water, sanitation and clean energy. It should also help to create jobs, strengthen employment and build capacity.

Taken together, environmentally and socio-economically sustainable infrastructure are a mission of care – for the planet and for the people, over generations. It is an urgent matter relevant to all the Bank’s members as each country faces the effects of climate change, urbanisation, technology changes, and demographic shifts. When the cost-benefit analysis is rigorously conducted, the elements of responsibility, efficiency, and inclusiveness are evident to investors, stakeholders, and the public alike, winning sustained support from the people for such projects.

Well-scoped sustainable infrastructure projects are bankable and fiscally defensible from the investment perspectives of both public and private sectors, without the imposition of high costs on users. Sustainable infrastructure projects also incorporate the best available technology, such that each new wave of technological disruption enhances rather than debases the worth of the infrastructure. Most importantly, they have the support of the people, when the people experience the benefits of sustainable infrastructure and have confidence in responsible stewardship of finite resources for future generations.

Because infrastructure projects are large and long-term, effective planning and execution are vital. In the construction phase, transparency and good governance are important. Even before building completion, longer-run maintenance and lifecycle costs need to be prepared for. Governments can also take steps to create policy-enabling conditions to incentivise sustainable infrastructure investment. This could mean building strong capital markets and creditworthiness to provide access to bond markets and other debt financing instruments, to crowd in the private sector such as institutional investors.

Among the Bank’s members, we all stand to gain by sharing our experiences in policy-making, planning, financing, construction, operation and governance. We should seek and mobilise useful resources and expertise from one another and a range of institutions, including private sector players. The World Bank-Singapore Infrastructure and Urban Development Hub is one such entity with which the AIIB could partner to extend financial and technical assistance. The Hub encompasses key infrastructure global practices as well as the International Finance Corporation (IFC) which provides private sector development solutions to maximise development impact. Singapore’s Centre for Liveable Cities (CLC) is another resource that AIIB could tap on. It distils, creates and shares knowledge on liveable and sustainable cities, and has set up multiple knowledge platforms focusing on research, capability development and advisory in urban governance and integrated long-term master planning. I extend my compliments to the AIIB for prioritising the planning and construction of sustainable infrastructure, in accordance with its vision of being “Lean, Clean and Green”.

To this end, Singapore hopes to work with the AIIB and play our part in promoting projects that increase economic development and connectivity in Southeast Asia. The AIIB has

developed a credible business plan to sharpen its strategic focus and strengthen its core competencies. In line with the AIIB's priority to mobilise private capital to leverage its own resources and those of other MDBs to meet client demand, we hope that the AIIB will be able to access capital markets in Singapore and the region to crowd in private sector and institutional investments for bankable projects. International Enterprise (IE) Singapore remains committed to continue facilitating loan syndication discussions between the AIIB and Singapore-based financial institutions. We are also looking to work with the AIIB to conduct further outreach in Singapore to highlight the Bank's procurement policies and investment priorities. We also remain eager to learn from members, and happy to share our experience in urban governance and integrated long-term master planning as a knowledge partner to the AIIB.

Let me reaffirm Singapore's strong commitment to working with the AIIB and all member countries to drive sustainable development and to bring about impactful and continuous growth in the region for our peoples and our planet – for many generations to come.

## **TAJIKISTAN**

Dear Mr. Chairman,  
Dear Mr. President,  
Distinguished Board of Governors,  
Ladies and Gentlemen,

On behalf of the Government of Tajikistan, I would like to express my sincere appreciation to the Government of the Republic of Korea for hosting the 2nd Annual Meeting of the Asian Infrastructure Investment Bank (AIIB) and the authorities of Island Jeju for the excellent arrangements and warm hospitality.

Tajikistan being a regional member of the Asian Infrastructure Investment Bank always supports the initiatives of Bank and its members in the field of development of a regional cooperation. During functioning of Bank is already accumulated a sufficient experience on accomplishment of tasks and investment of infrastructure projects, priority spheres of investment are determined and sphere of interaction within project process extended.

We consider this Meeting as an important instrument of coordination of further steps on enhancement of process of interaction in the field of investment of infrastructure projects and determination of regional priorities to promote the accelerated and strong growth of the countries of the region by expansion of opportunities of development.

The government of the Republic of Tajikistan expresses gratitude for support of infrastructure projects of the country in the sphere of transport and energy. We hope, as further the Bank will support infrastructure projects of Tajikistan, which promote further development of a regional cooperation and regional trade, and also effective use of natural potential, development of "Green power" and "Sustainable infrastructure".

The current situation in world economy requires search of new opportunities and sources of development. Investment of infrastructure projects improve economic and social situation of developing countries including emerging countries, and also promote development of a

cross-border and regional cooperation.

It is the most important to consider priority not only on industries, but also priority on regional scale. It is necessary to pay attention to those regions, which have bigger unrealized potential in development of infrastructure. Creation of the corresponding conditions in these countries will be able to solve the greatest number of problems of all region. Such principle of selection of infrastructure projects will promote acceleration of rates of economic growth and improve population welfares in regional scale.

We support the choice of priorities on industries. The energy, transport, rural infrastructure and agriculture development, environmental protection, water supply and others will keep priority still long time. These industries are driver not only for economic growth and for private sector development, but also are an impulse in the sphere of regional interaction, which contribute to all countries-members of the Bank.

Tajikistan reached growth of economy on average of 7% per year thanks to a right choice of priorities of investment into the sphere of energy and transport. These spheres act as drivers of growth and reduce degree of vulnerability of economy to external shocks. Further investment into these spheres will promote development of a regional cooperation and forming of the industry markets including the energy market. Energy and transport sectors can become the driver of growth of economy of the Asian countries.

Tajikistan further scenario of development of economy and regional cooperation are described in the adopted National Development Strategy for the period till 2030. The main priorities of new strategy are transition from ensuring energy independence to effective use of the electric power, from the country's connectivity to a transit country and from ensuring food security to access of the population to high-quality food.

At the same time, we have been undertaking measures to ensure sustainable development of our country based on industrial and innovative development. Implementation of these plans require huge investments including investments into infrastructure.

Along with it, I want to note that within the sectoral priority issues of Asian Infrastructure Investment Bank, it is necessary to develop future development strategy of energy, transport and some other spheres, which as much as possible will promote forming of the regional markets, will improve trade and economic interaction between the countries. We should be guided only by future development of "Green and Sustainable infrastructure", with the maximum benefit for all countries - members of the AIIB.

## **THAILAND**

Mr. Chariman, Mr. President, Fellow Governors, Distinguished Guests, Ladies and Gentlemen,

It is my great honor to address the 2nd Annual Meeting of Asian Investment Infrastructure Bank (AIIB) in Jeju, Republic of Korea. On behalf of the Royal Thai Government, I would like to thank the Government of Republic of Korea for the warm hospitality and excellent preparations for the meeting. In addition, I would like to congratulate AIIB on remarkable

achievement ever since the establishment in January 2016 and serve its role as important catalyst of regional infrastructure development, approving over \$2.2 billion of high quality loan across 13 projects in 8 countries and continuing to drive Asia's economic landscape through infrastructure investment.

### **Thailand, AIIB and Asia Economic Development**

Amidst global economic recovery with ever-increasing geopolitical uncertainties, Asia is still growing and increasing its influence as world's new growth engine. Asia is home to 60% of world population, while contributes 32 % of world GDP. It still has lots of opportunity to grow. Moving forward, Asia development will be challenged by providing enough infrastructure to support its rising population and growing economies. As Asian economies become more integrated and connected, Thailand like many other Asia countries believes economic connectivity is the key to Asia economic prosperity. However, funding infrastructure to promote economic connectivity prove to be challenges for many Asia countries.

AIIB was established in 2016 to bridge that financing gap and to turn the vision into reality. Thailand is one of 57 founding members of AIIB, because we believe in AIIB's mission to promote infrastructure investment as the mean for regional connectivity and bridge the financing gap for Infrastructure development in Asia. AIIB is a successful story that showcase how 57 members from over the world can unite together to support the same cause of infrastructure investment and share the same vision of Asian's economic prosperity. Despite the success beginning, AIIB on its own, will not be enough to bridge the infrastructure investment gap.

It will take collective effort from all member countries, including Thailand, to create successful regional economic connectivity.

### **Thailand and Sustainable Infrastructure**

In 2017, Thailand is on track on economic recovering with estimated GDP growth of 3.6%. Tourism and government spending through national infrastructure investment continue to be two main drivers of Thai economy.

Recently, Thailand introduced new economic model "Thailand 4.0" initiative that will turn Thailand from heavy-industrial-based economy (Thailand 3.0) into innovation and value-based economy, leading it out of the middle-income trap and promoting sustainable and inclusive growth.

National infrastructure investment is key foundation to this economic reform. Not only large in scale, it is equally important for Royal Thai Government to ensure that investments are sustainable, meaning benefiting all stakeholders in a way that not harming environment and not compromising our future generation through putting burden on public debt.

Given its strategic location in the heart of AEC and CLMV, the Royal Thai Government will invest approximately \$65 billion, within five years, in 56 different national transportation infrastructure projects such as rail, road, air, waterway, as well as intra-city and inter-city transportation system. The investment projects will support Thailand's aspiration as the economic hub of ASEAN, leading to regional economic prosperity.

Apart from investment in logistic infrastructure to improve regional connectivity, Thailand also invests in nationwide financial infrastructure. It recently introduced “National e-Payment” masterplan to encourage both private and public sectors to progress toward digital economy. As a result, the system will reduce transaction cost, increase speed and security, and improve transparency, benefiting all stakeholders.

In addition, the Royal Thai Government recently launched Eastern Economic Corridor project, worth \$43 Billion of public and private investment in the first five years, to serve as industrial hubs for targeted industries such as advanced automotive, smart electronic, bio food, aviation and medical hub in the eastern industrial provinces of Thailand. The project will be the first area- based development in Thailand that integrated various infrastructure projects together such as expansion of U Ta Pao airport into Eastern Aerotropolis, construction of Bangkok-Rayong High- speed train connecting U Ta Pao airport with other two international airports in Bangkok, expansion on Laem Chabang seaport into Eastern Seas Gateway, and building of Innovation hub and Digital park to support innovation.

To achieve this investment goals in a sustainability manner, the Royal Thai Government focuses on private sector participation.

To offer better incentive for private sector to participate, the Royal Thai Government has shortened Private-Public Partnership (PPP) process from 25 months to 9 months for all fast track projects. As per PPP Strategic plan 2015 – 2019, it currently has 66 projects in the pipeline from various sectors such as transportation, telecommunication, education and public health. This policy is estimated to crowd in \$19.8 billion (approximately 696 billion baht) worth of private investment.

Moreover, the Royal Thai Government recently approved a national infrastructure fund called “Thailand Future Fund: TFF”, which is a vehicle for mobilizing private capitals to invest in both brownfield and green field public infrastructure projects through IPO of various tranches to individual investors, retail investors, and institutional investors both locally and international. The fund is expected to start with initial IPO of \$1.5 Billion with cash flows from two expressway projects serving as underlying assets. TFF has tremendous potential to become the largest infrastructure Fund in Asia-Pacific region.

By promoting regional connectivity and crowding in private investment through National Infrastructure projects, the Royal Thai Government believes its policy will support the regional economic foundation and align with AIIB to spring up our Asia Pacific Region to achieve sustainable and inclusive development goals.

Lastly, Thailand wishes AIIB all the success in its mission and operations as important catalyst of regional infrastructure development in Asia.

## **TURKEY**

Mr. President, Esteemed Governors,

I would like to extend my sincere appreciation to the Bank Management and to the Government of Korea for the excellent organization and warm hospitality.

I also commend the Management and staff for their high level of commitment and impressive quality of work during the Bank's establishment process. As the establishment of the Bank is very successfully complete, it is now time to focus on delivering on the Bank's mandate, and mobilizing private capital in Asia.

The world economy has not yet emerged from the period of slow growth. The current global environment is characterized mainly by prolonged weak investment and slowdown of productivity growth. Studies find out that the contribution of investment to global growth has declined two-fold since 2012, as a comparison to 2007. To weather these challenges, what we need is to keep our momentum on economic reforms. We cannot depend excessively on monetary policy to support growth. We need policy measures that move beyond demand management. We have to reap benefits of Asia's rich economic potential through better development expenditure for infrastructure.

More rapid development of infrastructure and recovery in productivity would enable greater private investment, support growth, and boost employment. Our countries have gained significantly by structural reforms that target macroeconomic stability and enabling business environment. We need to keep up that pace.

Over more than the seven-decade long history, Multilateral Development Banks successfully combined finance and technical knowledge towards investments to stimulate growth and reduce poverty. Considering the new and diverse challenges that we face today, MDBs remain uniquely suited to channel their assets to deal with these challenges. AIIB's establishment is timely in this sense. The experiences of the MDBs provide an opportunity for the AIIB to think over the difficulties that lie ahead and to find effective and innovative strategies towards a more robust, flexible, and effective multilateral response to them.

To this end, I will focus on five aspects that I believe would shape the AIIB's future directions better:

First. Current environment in the region presents great opportunities for the AIIB for both stand-alone and co-financing operations with other MDBs. In this respect, Bank's approvals have reached 2 billion dollars since its inception. This support was mostly through co-financing with peer multilateral development banks. The AIIB has been building up ties with other MDBs to strengthen its association and work together on joint projects. This is an acknowledgement by the MDB community of the high standards adopted by the AIIB in such a short period of time. We encourage the Bank Management to continue to pursue its cooperation model for its medium term operations.

Second. We appreciate the Bank's efforts for setting clear objectives on the private sector mobilization. We believe the Bank needs to further strengthen its partnerships and networks to crowd-in private capital. We encourage the Bank to actively originate private capital and give priority to providing tools and training to its staff in mixing traditional and new financial instruments. As we all know, the financial resources needed to achieve the Sustainable Development Goals far exceed current financial flows. In this regard, we very much welcome the role that the AIIB will play in helping to narrow the huge infrastructure investment gap.

Third. The Board of Directors has approved two major policies: Energy Strategy and

Operational Policy on International Relations. In this respect, Bank should keep its focus on realities of the region. In particular, we welcome that the newest version of the Energy Strategy does not categorically exclude any project segment. While we strongly support clean technologies and recognize the importance of climate change, we expect the Management to be flexible in extending support to energy investments that employ clean technologies.

Fourth. It is important for the Bank to have a human resource capacity with high-performing staff, aligned to member states' future needs. Building up human resource capacity would help deliver AIIB's expanded lending capacity. In addition, we as the shareholders should enable the Management to have the necessary flexibility to offer attractive compensation schemes in order to hire high quality staff. We also expect the Management to be sensitive in terms of regional, national and gender diversification.

Lastly, regional cooperation and integration holds great promise for the future of Asia. Without having strong connectivity among the region, our infrastructure investments cannot be sustainable. In this respect, Bank should complement the regional initiatives. "One Belt One Road" is a significant example in this sense. We believe that this regional initiative will contribute to regional development, welfare, cultural exchange and enhance contacts at grass-roots level. It will also provide new employment opportunities and energy security. Thus, we support East-West integration projects in the fields of transportation, logistics, investment and trade which would contribute to the realization of the "Modern Silk Road".

As the newest regional MDB, yet with diverse participation of countries from all over the globe, AIIB should give significant momentum to lean, clean and green development of sustainable infrastructure in the region. With these, I celebrate the first year of AIIB which has been a journey of dedication and hard work, and would like to express Turkey's strong trust in the Bank in becoming a lean, clean and green development partner.

Thank you.

## **UNITED ARAB EMIRATES**

Mr. Chairmen,

Fellow Governors, your Excellences, Ladies and gentlemen,

I am delighted to join you today at this important meeting in South Korea and convey to you all the warm greetings of the Government of the United Arab Emirates.

I would like to take the opportunity to also welcome the participating members states delegations and observers from AIIB's International Partners.

Under the wise directive of our leadership, the UAE, has been playing a prominent role in supporting sustainable development in more than 145 countries across the world.

We, as a nation, recognise infrastructure development as an important prerequisite for accelerating sustainable social and economic growth in emerging nations around the globe.

The UAE, as a founding member of the Asian Infrastructure Investment Bank, seeks to effectively contribute to the growth and diversification of resources dedicated to fund infrastructure projects across Asia.



Distinguished guests,

The UAE has been funding infrastructure projects that help achieve sustainable development and enhance living standards in developing countries for more than four and a half decades.

We are committed to leveraging our rich experience towards financing projects that meet Asia's development needs and translate into long-term economic impact for the region at large.

The development aid programme carried out by the UAE across the globe focuses on meeting the socio-economic needs of some of the least economically developed countries and through our attendance at the meeting, we hope to further advance the UAE's cooperation with other Asian nations in areas of shared interest.

Ladies and gentlemen,

The UAE is stepping up its collaborative efforts to assist developing countries in addressing key development challenges and joining the global economic mainstream.

Our endeavours in this regard align with AIIB's strategy of financing infrastructure priorities of Asian countries.

We are confident that such synergies will empower developing countries to accelerate growth in vital infrastructure sectors, attract new investments and create new job opportunities for their citizens.

We are dedicated to collaborating with the bank as a key partner in the broader context of regional development and to doing our part to achieve prosperity across the region.

In closing, we look forward to our discussions at this meeting and to the UAE being an active member of the AIIB for decades to come.

Thank you.

### **WIDER EUROPEAN CONSTITUENCY**

*(representing Denmark, Iceland, Norway, Poland, Sweden, Switzerland and the United Kingdom)*

The Wider Europe Constituency would like to thank the Republic of Korea for hosting us on the island of Jeju for the Second Annual Meeting of the Asian Infrastructure Investment Bank.

We wish to congratulate the Bank on its continuing successes, including the projects approved since the last Annual Meeting. We welcome the significant expansion of the Bank's approved membership, a sign that the AIIB has truly established itself in the global financial architecture in a short period of time.

We also welcome the Bank's identification of its emerging thematic priorities, based on client and stakeholder engagement: sustainable infrastructure, cross-country connectivity and private capital mobilisation. Together with the operating principles "lean, clean and green", this framework will be a vital tool for the Bank in maintaining and developing its strategic focus as it moves towards a more mature phase of operations.

We look forward to continuing our work with the Bank on its ongoing strategic development. In this context, we would like to particularly underline our support for the Bank's

commitment to promoting green and sustainable infrastructure in Asia, where we believe that the Bank has an opportunity to develop a strong niche in assisting member countries.

As a new, lean, agile multilateral development bank, the AIIB should keep its focus on investment in sustainable infrastructure in the Asia region specifically, and maintain special regard for the needs of less developed countries within the region.

The impact of climate change threatens to diminish economic growth and to prevent countries from reaching their development goals. Investment in sustainable infrastructure helps mitigate against the effects of climate change as well as local pollution, and has far-reaching benefits. Local communities benefit from jobs, improved security, and higher quality of life, and increased trade across wider regions promotes economic growth. For us, the Bank's commitment to being green means having, and meeting, ambitious targets on sustainable infrastructure, particularly with regard to renewable energy and energy efficiency. Through taking a clear strategic approach to the projects it invests in and by continuing to comply with the highest standards of governance, the AIIB should continue to lead the way in sustainable infrastructure investment.

It is widely known that there is an extensive infrastructure funding gap in Asia. The work of the AIIB and other international financial institutions should give confidence to private sector investors, who have a vital role to play in helping close the infrastructure funding gap in Asia. We welcome and encourage the Bank working towards mobilising and deepening collaboration with private sector finance in sustainable infrastructure and co-operating with other multilateral development banks in such endeavours. The infrastructure funding deficit in Asia is one that no government, corporation or multilateral development bank can meet alone.

We also look forward to the Bank developing its strategic thinking on cross-cutting issues such as gender equality, which is a prerequisite for achieving sustainable and inclusive growth, and which we would like to see integrated into project design and implementation. We stand ready to work with the Bank in close partnership to assist in any way we can.

Transparency is one of the hallmarks of leading-edge financial institutions. We commend the Bank on the transparent and collaborative approach it has taken to developing its Energy Sector Strategy. We will follow the Bank's implementation of its Energy Sector Strategy closely, and will work with the Bank to ensure that its ambitious goals are realised in strong and environmentally sound investments.

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