



**ASIAN INFRASTRUCTURE INVESTMENT BANK**

**ANNUAL MEETING  
OF THE BOARD OF GOVERNORS**

**SUMMARY OF PROCEEDINGS**

**MUMBAI, INDIA  
JUNE 25-26, 2018**

# **ASIAN INFRASTRUCTURE INVESTMENT BANK**

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## **INTRODUCTORY NOTE**

The 3<sup>rd</sup> Annual Meeting of the Board of Governors of the Asian Infrastructure Investment Bank took place on June 25-26, 2018, in Mumbai, India. His Excellency Piyush Goyal, Governor for India, 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' contribution 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, 2018

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# **AGENDA**

## **PROGRAM OF THE GOVERNORS' BUSINESS ROUNDTABLE**

1. Opening of Meeting
2. Thematic Discussions
  - a) Topic 1: Transport
  - b) Topic 2: Sustainable Cities
  - c) Topic 3: Mobilizing Private Capital
3. Closing

## **PROGRAM OF THE GOVERNORS' OFFICIAL SESSION**

1. Opening of Meeting
2. Adoption of the Agenda
3. Work Progress Report by President Jin Liqun
4. 2017 Annual Report
5. 2018 Budget
6. Report by Host Country Government on Findings and Results of Lead-Up Events
7. Report by Corporate Secretary on Result of 2018 Election of Board of Directors
8. Admission of New Members - Lebanon
9. Date and Place of 2019 Annual Meeting
10. Election of Officers of the Board of Governors
11. Appreciation

## **OPENING SESSION**

### **ADDRESS BY PIYUSH GOYAL MINISTER OF FINANCE OF INDIA AND CHAIR OF THE BOARD OF GOVERNORS**

A very good morning and a warm welcome to all of you to the Opening Ceremony of the Third Annual Meeting of the Asian Infrastructure Investment Bank (AIIB)! It is my privilege to welcome Hon'ble Prime Minister Shri Narendra Modi ji to this momentous occasion signifying global cooperation and development. A special welcome to all the distinguished participants from abroad! It is my privilege, as the Governor of AIIB for India, to address this august gathering of international leaders and dignitaries representing governments, developmental agencies, banks, academia and business.

India is honored to host this year's Annual Meeting of AIIB. India has a symbiotic relationship with this institution as one of its 21 founding member countries and the second largest shareholder.

Ladies and Gentlemen:

India is blessed to be guided by the principles of Mahatma Gandhi who dedicated his life to the cause of serving the poorest of the poor. He once remarked "*In a gentle way you can shake the world.*" AIIB is gently shaking the world with its focus on helping member nations improve the life of their citizens by combating poverty and climate change. We will be celebrating the 150th birth anniversary of Mahatma Gandhi next year and this meeting in many ways is dedicated to achieving his vision.

Ladies and Gentlemen:

The solution to all our problems lies in development. AIIB will help in concretizing Asia's aspirations and will be the bank that will build the 21st century's Partnership for Progress in Asia. In this context, the role of infrastructure as one of the core drivers of growth assumes great significance.

In India, the investment need in infrastructure to meet the needs and aspirations of our people is huge. One Study estimates that over the next five years i.e. FY 18-22, key sectors such as energy, transport and urban development will require investment of about 750 billion US Dollars. In this fiscal year 2018-19, we have budgeted infrastructure spending of around 90 billion US Dollars. AIIB will be an important pillar in meeting this requirement.

Ladies and Gentlemen:

Developmental finance will be pivotal to meet the financing gaps in infrastructure. The role of multilateral development banks like the World Bank, Asian Development Bank, New

Development Bank (NDB) and AIIB in poverty alleviation is immense, and they will need to facilitate development finance in close coordination amongst each other.

Particularly, the newly established multilateral development banks such as NDB and AIIB will have to collaborate with each other more to develop innovative financing instruments, transformational projects and project processing mechanisms. This will enable greater access to finance for less developed and developing countries. These banks will also have to develop faster processes for loan disbursement, create efficient as well as flexible organizational structure and give due consideration to country systems, wherever possible. These newly emerging institutions have the potential to redefine the contours of multilateral financing and set new rules for engagement.

Multilateralism has helped the world achieve inclusive economic growth across countries at different stages of development. We need to strengthen multilateral cooperation to help us meet the challenges of climate change, economic slowdown in many parts of the world and rising protectionism.

Ladies and Gentlemen:

India is a leading emerging market economy and has been an oasis of economic growth over the last few years. It is one of the most favored destinations for business, trade and investment. The transformational reform of institutions and processes especially in industry as part of the 'Make-in-India' initiative has significantly improved the business environment in the country.

The Government has stressed upon 'Ease of Living', working towards ensuring the availability of basic amenities like electricity, water, housing, education and healthcare for all. Under the guidance of the Hon'ble Prime Minister of India it has worked towards doubling of farmers' income through a multi-pronged strategy. This includes investments in warehouses and cold chains, and value addition through food processing.

Ladies and Gentlemen:

As part of the Third Annual Meeting of AIIB, a number of Host Country Seminars have been organized on important issues centered on the theme, "Mobilizing Finance for Infrastructure: Innovation and Collaboration". I am sure that the distinguished panelists will have given bold new ideas to achieve our objectives. We look forward to receiving their recommendations for formulating future policy. In this context, I hope you all have an engaging, stimulating and lively exchange of views during this Annual Meeting.

The Upanishads from our ancient Indian texts state that "*the little space within the heart is as great as the vast universe.*" Our meeting here is an embodiment of this philosophy - it is a meeting of open minds and hearts to achieve the universal goals of prosperity and progress.

I once again extend a warm welcome to all of you.

Thank you.

Jai Hind!



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

Honorable Prime Minister of India; Finance Minister; Governor and Chief Minister of Maharashtra; Distinguished Governors and Members of the Board of Directors; Honored Guests; Ladies and Gentlemen.

It is a pleasure to be in Mumbai for AIIB's third annual meeting. We are grateful to the Government of India for offering to host the annual meeting, and for organizing such a successful event.

After Asia's economic growth far outpaced the global average for nearly three decades, Asia's economy has become a global heavyweight. Asian developing countries now account for 60% of global growth, while roughly two-thirds of global trade is part of value chains passing through Asia. Indeed, Asia is assuming leadership in new areas.

But growth is just a means to an end. The ultimate objective is to improve people's lives, enable individuals to reach their potential and enjoy prosperity and security. It is the dream of all of us Asians to live a middle-class lifestyle with good education and healthcare, a clean environment and consumer comforts.

Yet still today, eleven percent of Asia's population remains in poverty. There is no room for complacency. We know that poverty is concentrated in areas that do not have good connectivity to the global market. So part of the solution is right in front of us. We simply need to act.

It is against this backdrop that AIIB was formed. Economic openness and investment in infrastructure drove Asia's growth in the previous decades. Now, much more must be done to ensure the future continues to brighten for all of Asia.

Asian populations support global economic integration because it has brought benefits to the region. A 2014 Pew Global Attitudes survey found that most Asian countries see trade as a job creator. Unfortunately, protectionism practiced by some countries is likely to dim the prospects for all countries in the world, including themselves.

Globalization can be disruptive. A key task of governments is to ensure that the benefits of trade are widely spread—to help the losers adjust and become winners.

When China joined the WTO, free trade was a challenge for many sectors, particularly agriculture, which was not China's comparative advantage. But the Chinese government implemented crucial reforms and economic restructuring, and improved its social policies and income redistribution. The result: In China, globalization is popular because many have benefited. China's success rests on the government's willingness to adapt short-term sacrifices, and the people's embrace of reform.

Looking at the prospects for developing Asia, I would ask—will we continue to have an open global trading system or will the world retreat into protectionism? I urge some developed countries to resist protectionism and remain open, and developing countries to continue opening up. We must strive to preserve those features which spread benefits, and we must

rejuvenate and rethink those systems which may be weakening to find a path forward in the 21st Century— the Asian Century.

We must also revitalize the global economic institutions. The global economic order is precious, but imperfect. As developing countries increase their share of the world economy, they should have greater weight in the multilateral institutions. But, with greater weight also comes the responsibility to support them and take a lead role in reforming and financing them.

I am delighted to say that the AIIB is your Bank, founded by developing Asia with the support of non-Asian countries, built on the experiences of Asia, to create the future of Asia.

A key feature of developing Asia's success to date is aggressive infrastructure investment. The economy cannot grow and people cannot reach their potential without necessary economic infrastructure.

Between now and 2030, Asia's investment in infrastructure must rise to \$2 trillion a year, or roughly triple what it has been in the past. This is an enormous challenge.

Where will financing for this investment come from? It will have to come from multiple sources—domestic and international, public and private. International finance can make some contribution. The task requires joint effort, and it is because of this that partnership is encoded in the DNA of the AIIB.

Many of our initial projects have been prepared in collaboration with other MDBs—the World Bank, Asian Development Bank, European Bank for Reconstruction and Development and the European Investment Bank. I would like to thank all our partners for the cooperation we have achieved in our first two years of operation.

We also have stand-alone projects and expect to have more of these in the future as we increase our capacity. Quality is our first priority, and we always ensure that each project we finance is financially sustainable, environmentally friendly, and accepted by local people.

In addition to our formal partnerships, I would note that our members are involved in a wide range of regional infrastructure and trade arrangements. The Belt and Road Initiative is one such arrangement. It is an invitation by China to other sovereign nations and multilateral partners to cooperate and collaborate in line with the principles of broad consultation, joint contribution and shared benefits. Other multilateral arrangements we will work with include the Greater Mekong Subregion program, the Central Asia Regional Economic Cooperation program, the South Asia Sub-Regional Economic Cooperation program, and the Asia-Africa Growth Corridor. For the countries involved, it makes sense to coordinate their AIIB investments with these other programs. For the AIIB, we will promote co-operation in all of these areas, provided that the projects meet the high standards we expect.

However, it is important to note that there is a limit to how much infrastructure financing can come from abroad. Today, the average debt for Asian countries is at a favorable level and continued rapid growth means countries can cautiously take on more external debt. But there are some countries that face unsustainable external debt and they will need to adjust their policies.

This issue of external debt sustainability is one of the reasons why foreign financing must work in partnership with domestic sources, including the domestic private sector and local

governments. And it is for this reason that the title of this year's Annual Meeting is "Mobilizing Finance for Infrastructure: Innovation and Collaboration."

Well-designed technical assistance from MDBs and other sources can help developing countries design good projects and implement them effectively. Some keys to implementation are competitive bidding on contracts, independent supervision and auditing and environmental and social safeguards.

Another aspect of policy frameworks that I know of personally is pricing of infrastructure services and cost recovery.

When China opened up in the early 1980s, the country was faced with mounting infrastructure constraints and scarce fiscal resources. Early on, the government's policies moved toward cost recovery, particularly in power and roads. China now has more kilometers of toll roads than any other country. People who had to cope with stiff tolls and high utility charges are now benefiting from extraordinary infrastructure facilities, thanks to the rational pricing which enabled the networks to expand quickly.

Malaysia and Thailand are good examples of cost recovery in the power sector. Each has average electricity tariffs above average cost to make the industry profitable, which has gone hand in hand with high electricity quality. In a number of developing countries, pricing of utilities, especially for households, falls short of cost recovery, and unless addressed properly and promptly, infrastructure bottlenecks will continue to slow down economic development.

We cannot discuss infrastructure and growth without also considering the environmental impacts of climate change. Environmental and social sustainability is a fundamental aspect of AIIB's support for infrastructure development and enhanced interconnectivity in Asia. Consistent with the United Nations' Sustainable Development Goals, we recognize the need to address the three dimensions of sustainable development—economic, social and environmental—in a balanced and integrated way. We also subscribe to the principles of sustainable development in the identification, preparation and implementation of our projects.

Now, let me cite examples of what AIIB-financed projects actually mean on-ground. In Gujarat, India, a \$329-million loan will support the improvement of rural roads for 1,060 villages. Connectivity is essential for accessing health and education and for participating in the market economy. These roads will benefit 8 million people, of whom one-sixth are below the poverty line.

In the Philippines, typhoons and floods are responsible for 80% of natural-disaster-related deaths in the Philippines. AIIB is partnering with the Government of the Philippines and the World Bank to upgrade waste management and modernize pumping stations along Metro Manila's main waterways.

The past year also saw AIIB's first loan outside Asia. The Board of Directors approved a strategy which guides our approach for lending to nonregional members. AIIB's \$210-million investment in Egypt will transform an open desert in Benban into a solar power park, hastening Egypt's use of renewable energy sources while decreasing the country's dependency on gas and oil.

We have been approached by countries in Africa, Latin America and Europe looking for AIIB's help. We focus on Asia, but we also support development in other regions.

Another way of bridging the infrastructure financing gap is to create a mechanism to mobilize private capital from global long-term investors such as pension funds, endowments and insurance companies.

An example of where we are doing this is our \$150m investment in a fund to make private equity investments in India's infrastructure sector, with Morgan Stanley as the fund manager. Through this kind of fund, we can reach smaller projects that would not be efficient for AIIB to take on directly. And this week, we have also agreed to invest \$100m in India's new National Infrastructure and Investment Fund, an innovative new mechanism to attract more private capital to meet this country's huge infrastructure needs.

In summary, AIIB is off to a good start. We have hired seasoned professionals to build the business, and we are putting more focus on hiring capable young professionals who can form the backbone of this institution for years to come. We are establishing a strong corporate culture focused on embedding our core values of being lean, clean and green. And we are developing a workplace environment free of corruption and harassment, with a culture of openness and candor underpinned by mutual respect for others.

We are investing in infrastructure in a wide range of countries, investments that are already starting to have an impact. But we must ramp up quickly because infrastructure needs in developing Asia are huge. And we need to work in partnership, particularly with the private sector and local governments. Solid global growth is crucial for our members to meet their objectives, and an open trading system is a foundation of that global growth.

I look forward to working with all of you toward this end. Thank you very much.

**ADDRESS BY TIMUR SULEIMENOV**  
**MINISTER OF NATIONAL ECONOMY OF KAZAKHSTAN**  
**AND VICE-CHAIR OF THE BOARD OF GOVERNORS**

Your Excellency Prime Minister Modi, your Excellency President Jin, your Governors, ladies and gentlemen,

Let me express my greetings and sincere congratulations on behalf of the Government of Kazakhstan on hosting this third Annual Meeting of the Asian Infrastructure Investment Bank. I would like to thank Indian Government for the true Indian welcome and true Indian hospitality. I also express my gratitude to all of you for supporting Kazakhstan's candidature to be one of the first Vice Chairs for this annual meeting.

It is with a great pleasure that we can state that within a short period of time AIIB has become an equal participant in the International Multilateral Development Organization and has won its rightful place within the world's economic and financial system. Kazakhstan was extremely pleased to take the news on the Bank's AAA rating given by all three major rating agencies. It confirms the Bank's sound financial position and ability to lend to its member countries. We also wholeheartedly welcome and congratulate Lebanon on becoming the 87th member of the AIIB family.

The theme of the third annual meeting of the Bank is "*Mobilizing Finance for Infrastructure: Innovation and Collaboration*". It is closely linked to Kazakhstan's foreign economic policy which is aimed at multi-vector cooperation, openness and adherence to the rules-based system of international trade. We believe in the context of current global processes. The future of our region is determined by our cooperation. On our side we have set the goal of entering the top 30 most developed countries in the world, and to that end we implement a number of structural institutional reforms to achieve that goal.

In order to closely integrate our country with Central Asia, China, countries of the ASEAN Economic Union and Europe, we're implementing significant regional infrastructure projects. Kazakhstan plans to become a regional business and investment and transpiration hub, and we're diligently working towards that goal. The construction of the 3000-kilometre long Kazakhstan section of the International Transit Corridor Western Europe-Western China has been completed. It is a key element that connects physically the Belt and Road Initiative with the countries of the Eurasian Economic Union with Central and Eastern Europe.

We have seen the prior turnover when the region has increased by two and a half times and the transit traffic by three times. Three pilot container trains have been launched. We call them Nomad Express and the Trans-Caspian International Transport Route. It connects China, Kazakhstan, Azerbaijan, Jordan and Turkey, as well as China and Iran through Kazakhstan and Turkmenistan.

New logistics hubs have been built in the eastern and western regions of our country, as well as the joint Kazakh-Chinese logistics terminal at the seaport of Lianyungang. The capacity of our ports on the Caspian Sea have been increased to the total of 26 million tons per year.

Special economic zone “Khorgos – Eastern Gates” is now fully operational and is functioning for unimpeded trade and boosting our transit cargo flows. Work is underway to create an international aviation hub near Almaty. By 2020 we will have direct air connections with all 10 leading global financial centers from New York to Shanghai and Tokyo. Financial infrastructure is of key importance to Kazakhstan and our region in general. To that end the Astana International Financial Hub was established and it will become, we hope, the hub for the whole Central Asian region.

It offers state of the art technological and regulatory infrastructure and it is governed by the English law. On July fourth and fifth we will have a grand opening of the Astana International Financial Centre, and I would like to welcome and invite all of you to Kazakhstan.

We clearly understand that physical infrastructure is of vital importance, but it is not enough by itself. In light of our adherence of free trade, free investment, free transit, we have recently signed a free trade agreement, temporary free trade agreement with Iran and we have signed a trade and economic agreement with the Peoples Republic of China.

As a member of the Eurasian Economic Union, along with all our member countries, we’re negotiating free trade agreements with India, Israel, Singapore, to name a few. We believe that AIIB as a bank of multilateral cooperation and development has wide mandate, great flexibility, understanding of our region, excellent staff and a very dynamic, ambitious management. We’re confident that the Bank will make significant contribution to development of our region, to interconnect in our region and making lives better for each and every one of us.

Thank you very much for your attention.

**ADDRESS BY NIKOLAI ASTRUP  
MINISTER OF INTERNATIONAL DEVELOPMENT OF NORWAY  
AND VICE-CHAIR OF THE BOARD OF GOVERNORS**

Prime Minister, President Jin, Ministers, distinguished participants, ladies and gentlemen,

I am very grateful to have the opportunity to speak to you at this opening ceremony of the third Annual Meeting of the AIIB as your elected Vice-chair of the Board of Governors. Even though this is the opening ceremony, it is already clear to us all that our host country, India, has done a tremendous job. I would like to convey a warm thank you from all of us for making this meeting a success and for making us feel so welcome.

Norway is proud to be among the founding members of the AIIB and to have been part of two exciting and successful first years of operation. We have seen a rapidly increasing membership and a steadily expanding project portfolio. A number of policies and strategies have been adopted and we are seeing successful co-financing projects with other multilateral development banks. The AIIB has learned from but not copied partner banks, which in certain respects makes the AIIB a different kind of bank.

In my view the multilateral finance architecture needed a slightly different institution. I think we are well on the way to creating a bank that provides quick, cost effective tailored solutions for borrowing countries. This is thanks to the hard work of President Jin and each and every staff member at the AIIB. I welcome the choice of topic for this meeting – *Mobilizing Finance for Infrastructure: Innovation and Collaboration*. The international community has now developed a vast multilateral finance architecture with the AIIB, the other MDBs, the Green Climate Fund and a host of other multilateral financing mechanisms.

However, I wonder if our appetite for new innovative mechanisms sometimes gets in the way of addressing the real challenge for many, which is accessibility and the need to have an overview of all the different financing options and instruments available to us and understanding how to use them. Is there perhaps a need for some kind of one-stop shop created by these institutions in collaboration to help guide us all? The AIIB has been created to help fill the huge infrastructure financing gaps in the clear knowledge that this will not be possible without massive amounts of finance from both private and public sources.

In this endeavor we need to improve our ability to mobilize institutional investors. I know firsthand that this is easier said than done. But it is essential if we are to mobilize the necessary funds for worldwide development. I truly hope that the AIIB will be able to put together investment packages that are attractive to this class of investors.

I cannot talk about infrastructure without mentioning the oceans, the true highways of the global markets. More than 90 per cent of world trade is carried by sea. The oceans are a perfect illustration of our interconnectedness and our interdependence.

But there is also another less positive side to the story. Every year a staggering eight million tons of plastic ends up in the oceans, and 80 per cent of marine litter comes from land-based sources. This needs to stop. The people of India, just like the people of Norway and

countries all over the world are rallying to do their bit to reverse the trend of plastic waste suffocating the seas. But we have to do more, much more to ensure clean and productive oceans for the future. I hope that the AIIB will become an important partner and investor in this endeavor. We will have to invest a lot of money in waste management in the coming years if the oceans are still to sustain marine life in 2050.

The only good thing about this bad situation is that waste management is both a very profitable line of business and an area with great opportunities for job creation. President Jin, it is tempting to add waste management of part of the substance to the clean part of lean, clean and green, but I can accept that green will cover it for now. Thank you so much.



**ADDRESS BY NARENDRA MODI  
PRIME MINISTER OF INDIA**

President of the Asian Infrastructure Investment Bank,  
Other Dignitaries on the dais,  
Distinguished Delegates from India and abroad,  
Ladies and Gentlemen,

I am happy to be here in Mumbai, for the Third Annual Meeting of the Asian Infrastructure Investment Bank. We are happy to have this opportunity to deepen our engagement with the bank and its members.

AIIB started its financing operations in January 2016. In less than three years, it has in its fold, 87 members. And a committed capital stock of 100 billion US Dollars. It is poised to play a critical role in Asia.

Friends.

The Asian Infrastructure Investment Bank is a result of collaborative efforts of Asian countries to provide a better tomorrow to our people. As developing countries, we share similar challenges. One of them is to find resources for provision of infrastructure. I am happy that the theme of this year's Meeting is "*Mobilizing Finance for Infrastructure: Innovation and Collaboration*". Investments by AIIB in sustainable infrastructure can impact the lives of billions of people.

Asia still faces wide ranging disparities in access to education, healthcare, financial services and formal employment opportunities.

Regional multi-lateralism through institutions such as AIIB can play a central role in helping to raise resources.

Sectors such as energy and power, transportation, telecom, rural infrastructure, agriculture development, water supply and sanitation, environment protection, urban development, and logistics require long term funds. The interest rates on these funds need to be affordable and sustainable.

In a short period, AIIB has approved 25 projects in a dozen countries with a total financing of over 4 billion US Dollars. This is a good beginning.

With committed capital of 100 billion dollars and huge need for infrastructure in member countries, I take this opportunity to call upon AIIB to expand from financing 4 billion dollars, to 40 billion dollars by 2020 and 100 billion dollars by 2025.

This would require simpler processing, and faster approval. It would also need high quality projects and robust project proposals.

I believe that India and AIIB are both strongly committed to making economic growth more inclusive and sustainable. In India, we are applying novel Public Private Partnership models, Infrastructure Debt Funds, and Infrastructure Investment Trusts to fund infrastructure. India is trying to develop brownfield assets as a separate asset class for infrastructure investment. Such assets, having passed the stages of land acquisition and environment and

forest clearances, are relatively de-risked. Hence, for such assets, institutional investment from pension, insurance and sovereign wealth funds are likely to be more forthcoming.

Another initiative, is the National Investment and Infrastructure Fund. This aims to channel investments from both domestic and international sources into infrastructure. This Fund has received a boost with AIIB committing 200 million US Dollars for investment.

Ladies and Gentlemen,

India is one of the most investor-friendly economies in the world. Investors look for growth and macro-economic stability. They want political stability and a supportive regulatory framework to ensure protection of their investment. From the point of larger scale of operations and higher value addition, an investor is also attracted by a large domestic market size, availability of skilled labor and good physical infrastructure. On each of these parameters, India is well placed and has performed very well. Let me share with you, some of our experiences and achievements.

India has emerged as a bright spot in the global economy which is driving global growth as well. With a size of 2.8 trillion US Dollars, it is the seventh largest in the world. It is the third largest in terms of purchasing power parity. In the fourth quarter of 2017, we grew at 7.7 per cent. In 2018, we are projected to grow at 7.4 per cent.

Our macro-economic fundamentals are strong with stable prices, a robust external sector and a fiscal situation firmly in control. Despite rising oil prices, inflation is within the mandated range. The Government is firmly committed to the path of fiscal consolidation. Government debt as percentage of GDP is consistently declining. India has achieved a rating upgrade after a long wait.

The external sector remains robust. Our foreign exchange reserves of more than 400 billion US dollars provide us enough cushion. Global confidence in India's economy is rising. Total FDI flows have increased steadily – more than 222 billion US dollars have been received in the last four years. As per UNCTAD's World Investment Report, India continues to be one of the top FDI destinations in the world.

Ladies and Gentlemen,

From the point of a foreign investor, India counts as an extremely low risk political economy. The Government has taken a number of steps to boost investment. We have simplified rules and regulations for businesses and undertaken bold reforms. We have provided investors an environment which is efficient, transparent, reliable and predictable.

We have liberalized the FDI regime. Today, most sectors are on automatic approval route.

The Goods and Services Tax is one of the most significant systemic reforms that our country has undergone. It works on the One Nation - One Tax principle. It reduces tax cascading, increases transparency, and adds to logistics efficiency. All of this makes it easier for the investor to do business in India.

These and other changes have been noticed by the global fraternity. India has jumped 42 places in three years to enter the top hundred in the World Bank's Ease of Doing Business Report 2018.

The size and growth of the Indian market hold much potential. India's per capita income has doubled in the last ten years. We have over 300 million middle class consumers. This

number is expected to double in the next ten years. The size and scale of requirement in India gives the added advantage of economies of scale for investors. For example, the housing program in India targets ten million houses in urban areas. This would be more than the total requirement of a lot of countries taken together. Therefore, the use of new technology in house construction would have added advantage, if tried in India.

Another example of scale would be the Renewable Energy Program in India. We have set a target to construct capacity of 175 Giga Watt of renewable energy by the year 2022. Of this, the solar energy capacity will amount to 100 Giga Watt. And we are well on course to exceed these targets. We have added more capacity to renewable energy than conventional energy in 2017. We are also making collaborative efforts to mainstream solar energy in the form of an International Solar Alliance. The founding conference of the Alliance was held in New Delhi earlier this year. The Alliance aims at a solar capacity of 1000 Giga Watt with an investment of one trillion US Dollars by 2030.

India is working on e-mobility. The challenge before us is of technology, particularly with respect to storage. We will be hosting a global mobility conference this year. I hope that this will help us in moving forward.

Friends,

In India, we are upgrading connectivity at all levels. The Bharatmala scheme is aimed at improving road connectivity by constructing national corridors and highways. The Sagarmala project has been undertaken for boosting port connectivity, port modernization and port-linked industries. Dedicated Freight Corridors are being developed to mitigate the congestion of our railway network. The Jal Marg Vikas project would augment capacity of navigation on National Waterways for internal trade carried through inland water transport. Our UDAN scheme works towards regional airport development and improved air connectivity. An area which I believe still remains untapped and needs attention is the possibility of utilizing India's large coastline for transportation and freight movement.

While we talk about the conventional concept of infrastructure, I must mention some of the modern day infrastructure on which India has worked. Bharat Net is targeted at providing last mile internet connectivity in the country. India has over 460 million internet users and 1.2 billion mobile phones in use. We are promoting the use of digital payments. Our United Payments Interface system or UPI along with BHIM App and RuPay Card has shown the true potential of digital economy in India. Through the UMANG App, more than 100 public services have been made available to the citizens through their mobile phone. Our Digital India Mission aims to bridge the rural-urban digital divide.

Agriculture is the lifeline of the Indian economy. We are promoting investments in warehouses and cold chains, food processing, crop insurance and allied activities. We are promoting micro-irrigation to ensure optimal use of water with increased productivity. I would like AIIB to look into potential investment opportunities in this field and associate with us.

We aim to provide every poor and homeless household a house with toilet, water and electricity by the year 2022. We are also looking at various strategies for effective waste management.

We have also recently launched Ayushman Bharat, our National Health Protection Mission. This will provide a benefit cover of over 7000 dollars annually to more than 100 million poor and vulnerable families. The resulting expansion of health care facilities will lead to the creation of a large number of jobs. This will also promote the production of high quality medicines, consumables and other medical technology equipment. Jobs will also be created for ancillary activities including call centers, research and evaluation and IEC activities. The entire healthcare industry will receive a boost.

Moreover, with the Government assuring healthcare benefits, the savings of a family, can now be better used for other consumption and investment. This increased disposable income in the hands of a poor family would lead to increased demand in the economy. I see great untapped potential in this for investors.

Friends,

The Indian story of economic resurgence closely mirrors that of many other parts of Asia. Now, the continent finds itself at the center of global economic activity. It has become the main growth engine of the world. In fact, we are now living through what many have termed the 'Asian Century'.

A 'New India' is rising. It is an India that stands on the pillars of economic opportunity for all, knowledge economy, holistic development, and futuristic, resilient and digital infrastructure. We look forward to our continued engagement with our development partners including AIIB.

In conclusion, I hope that the interactions in this forum will be fruitful and enriching for all.

Thank you.

## **OFFICIAL SESSION OF THE BOARD OF GOVERNORS**

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

Your Excellencies,

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

Let me begin by once again expressing our deepest appreciation to the Indian Government, the Mumbai Authorities and Indian people for their generous hospitality as the host for the Third Annual Meeting of AIIB. Mumbai hosted the second meeting of the Chief Negotiators on January 16, 2015.

I am pleased to report to you on progress that AIIB has made since the Second Annual Meeting of the Board of Governors, which was held in Korea last June.

Under your strong, committed leadership and timely guidance, we have made several advancements in the second year of our operations, both in terms of our membership and towards the realization of our four institutional priorities: Pursuing Strategic Directions; Serving Clients and Scaling-up Operations; Bolstering Financial Sustainability and Building the Institution.

Distinguished Governors,

Since we last met, AIIB's membership has continued to expand. We now have 86 members across the globe – 64 full Members and 22 Prospective Members. You will consider an application for membership from Lebanon later in this session and we expect further applications to be received in the coming months.

The expanding membership represents a vote of confidence in our young institution. We will facilitate the new applicants' process of membership.

I am pleased to inform you that, upon the decision of the Board of Directors, we are in the process of applying for permanent observer status in the United Nations. Our host country, the People's Republic of China, has offered to sponsor our application, and I kindly invite all Members of AIIB to support this initiative and join as cosponsors of our application in the General Assembly later this year.

Let me now brief you on progress towards the realization of our four Institutional Priorities.

First, the Strategic Direction of AIIB:

During the past year, under your guidance, we have made significant advancements in further refining our strategic framework and business model.

I am pleased to report that our three thematic priorities – Sustainable Infrastructure; Cross-Country Connectivity; and Private Capital Mobilization – which were endorsed by the Board of Directors in late 2016 - continue to shape our investment profile and business activities.

These three priorities are clearly reflected in the Energy Sector Strategy which was finalized last year, and underpin our Strategy on Mobilizing Private Capital for Infrastructure and Strategy on Financing Operations in Non-Regional Members, which our Board of Directors approved in February.

All these strategies will guide our future investments. We're also working on strategies for transport and sustainable cities.

These Strategies will also inform and contribute to the development of our corporate strategy, which is expected to be finalized by the end of 2020, and implemented starting 2021. Your comments during yesterday's Board of Governors Roundtable provided very valuable guidance in the development of our strategies.

We have begun to develop a Results Framework designed to monitor our operations. We expect to have an in-depth discussion with our Board of Directors on this in the coming months.

Turning to our second institutional priority, Serving Clients and Scaling-up Operations:

Since AIIB's inception, 28 projects amounting to USD 5.34 billion have been approved in 13 Members.

Five projects totaling USD 1.15 billion have so far been approved in 2018. These investments are aligned with the AIIB's thematic priorities and core areas of expertise.

For 2018, we are on track to extend USD2.5-3.5 billion of financing. We are also developing a high-quality Investment Project Pipeline that is aligned with our priorities and strategies. For this purpose, several Country Programming Visits have been undertaken over the past year. Such consultations will be a standard part of our business development.

We are beginning to draw down the resources from the AIIB Project Preparation Special Fund to accelerate the preparation of high quality projects in low income developing countries. So far, five Special Fund projects have been approved. We are grateful to China, the United Kingdom and Korea for their generous contributions to the Fund.

Distinguished Governors,

As the investment portfolio of AIIB grows, I assure you that Management will continue to focus on project quality and prioritize implementation and effective monitoring.

To this end, we are working across several fronts. First, we have developed a Framework to facilitate decision-making on project selection, design and readiness.

Second, we are enhancing our capacity and expanding our tools for effective portfolio monitoring and implementation. An online Investment Operations Portfolio Monitoring Dashboard is now fully operational and accessible to all Board members through the Board Portal.

Third, we have put AIIB on an early learning path to improve our operational effectiveness. Our Compliance, Effectiveness and Integrity Unit, CEIU, has launched Early Learning Evaluations of two of our on-going projects. We believe these evaluations will be immensely helpful exercises for us to capture important lessons early-on, and be able to improve the design and implementation of projects moving forward.

The CEIU has been playing an important role in ensuring that AIIB's operations meet the high standards set for this Bank. The Unit conducts regular awareness-raising trainings for staff on integrity issues. It also addresses complaints relating to fraud and corruption, should they occur in AIIB-financed projects.

To deal with possible future complaints about AIIB non-compliance with its own policies and procedures in projects it finances, and to address any negative impacts on 'Project-affected People', we are establishing a robust Complaints Handling Mechanism. This Mechanism is

being developed through extensive public consultations to ensure that it assimilates the views of all stakeholders. We are aiming to finalize the mechanism before the end of 2018.

Partnership is important for our business as big-ticket projects in infrastructure call for cofinancing. We have partnership with the World Bank Group, ADB, EBRD and EIB. We have also signed MOUs for strengthening our cooperation with the Inter-American Development Bank, African Development Bank and Islamic Development Bank Group. We look forward to expanding and deepening our engagement with other organizations through a variety of platforms, including the Asian Infrastructure Forum that takes place this afternoon.

Let me now address our third institutional priority, Bolstering AIIB's Financial Sustainability

AIIB continues to gain strength in its financial position.

We currently have paid-in capital totaling USD12.575 billion, which is more than sufficient to fund our lending operations and administrative expenses. We take great care in managing our equity capital. We have initiated the preparatory work for our debut bond issue.

Our external auditor has issued an unqualified opinion on AIIB's 2017 Financial Statements.

As reported to you earlier, AIIB has obtained Triple-A credit ratings from the three major international credit rating agencies. This is a significant achievement for a young institution. We will ramp up our efforts to maintain our Triple-A rating in the years and decades to come.

Over the past year, our financial infrastructure has been further strengthened with the development of a robust Treasury Management System and the onboarding of the SWIFT system.

Phase II of the comprehensive Risk Management Framework has been completed and the tender for Phase III will be initiated shortly.

We have prepared a risk based Internal Audit Plan for 2018 to 2020 and are developing the Internal Control Framework. Our teams are also working to strengthen the internal audit function.

Finally, I am very pleased to inform you that our 2018 Administrative Budget is on track. We will continue to monitor our dynamic portfolio and spending patterns and exercise strict expenditure controls.

Our fourth and final institutional priority addresses Governance and Institution Building  
Effective institutional governance is at the heart of every successful organization.

The approval of the Accountability Framework by the Board of Directors in April 2018 represents an important milestone for AIIB's governance, clearly demarcating the respective roles of the Board of Directors and the President. Successful implementation of this Framework underpins our institutional efficacy and effectiveness, and the Bank's reputation as well. The management is committed to implement the Accountability Framework by a high standard.

The Board Committees - Policy and Strategy, Human Resources and Budget, and Audit and Risk - are functioning effectively. They play a vital role in ensuring the flawless operation of this Bank in many dimensions.

The Bi-annual Board-Management Retreats are extremely valuable occasions for the Board and the management to be engaged in an ongoing dialogue to address challenges faced

by the Bank. These retreats have helped to foster a trusting, candid and effective working relationship between Management and the Board of Directors.

Three Board Country Visits were organized over the past year to China, Pakistan and Indonesia, respectively. Directors reflected positively on the opportunity to gain first hand understanding of the needs of the borrowing members. Their feedback from these visits has proven beneficial in guiding and shaping the Bank's investments. The Board country visit program has been institutionalized.

Earlier this year, I appointed an interim Chief Ethics Officer under the Codes of Conduct for Board Officials and Bank Personnel. With the establishment of an Ethics Office, the immediate priority is to operationalize the requirements of the respective Codes of Conduct. A confidential hotline has been set up and the Office has started providing guidance on ethical matters and implementing measures to ensure that Board Officials and Bank Personnel comply with these codes.

As a young institution, over the past two and a half years we have concentrated on putting in place institutional policies, alongside critical administrative and IT systems which underpin our operational effectiveness. I am pleased to advise you that the Internal Legal Framework is nearing completion and we are finalizing our work on the Policy on Public Information. The Business Continuity Framework is now operational, and, by the end of 2018, we expect to complete the Second Phase of the IT Strategy.

Our staff are our most valuable assets. We are developing a robust human capital base.

As of June 18, we have 165 staff on-board, and we are on-track to reach the year-end projections for our recruitment. We are also developing engagement plans to retain high-performing staff.

The Bank started its Young Professionals Program in 2017, and the inaugural batch of Young Professionals is on board. We will have the second batch for 2018. This summer, our first cohort of interns from around the world are participating in the Summer Internship Program.

We are developing our corporate culture, critical for a 21st Century MDB. We are working hard to promote an enabling environment and have begun to develop a Multi-Year Culture Building Program. Based on our core values of Lean, Clean and Green, we are nurturing a culture of learning, innovation, and professional and ethical integrity. I look forward to briefing you on its progress over time.

Distinguished Governors,

Building our reputation and brand as a modern, efficient and lean infrastructure financing institution requires continual and relentless hard work. We will not compromise our fundamental principles as we grow and expand. We will do this by continuously seeking innovative ways to make our investment operations more efficient and responsive to our clients' needs. But we will always remain true to the highest standards of governance that you, our shareholders, expect of us.

We aim to be a bank of choice for the sustainable infrastructure investments that will drive Asia's future. I am confident that AIIB is on the right track towards becoming a mature, ethical, innovative and agile institution, supporting our membership with timely and sustainable



financial products and services to boost regional connectivity and to help meet critical infrastructure financing needs in Asia and beyond.

Thank you very much.

## **REPORT BY HOST COUNTRY GOVERNMENT ON FINDINGS AND RESULTS OF LEAD-UP EVENTS**

Chairman, Mr Piyush Goyal, President of AIIB, Mr Jin Liqun and all the 86 Governors and heads of the delegations, I welcome you again and hope that your stay in Mumbai in India has been comfortable and that you were able to most optimize your participation on the Third Annual Meeting of the AIIB. At the very beginning when we were settling down the team of the Third Annual Meeting, India came over the idea to organize as many as eight leadup events focusing on all aspects of infrastructure and its financing.

With the Annual Meeting theme centering on innovations and collaboration, these leadup events were organized around optimizing synergies between AIIB's extensive focus on infrastructure, infrastructure financing and India's enormous infrastructure financing requirement. While these events focused on Indian infrastructure, the learning and solutions which came up during these events are highly relevant for all the other emerging markets and frontier economies as well. I have the privilege to present the full year brief report of these leadup events.

A detailed report which has been published is already placed on your table for your information. While the objectives and coverage of leadup events was very wide across all major sectors with physical infrastructure as well as digital infrastructure, let me underline three key objectives of these events.

First, we wanted to discuss and identify suitable innovative modes of financing, ownership and implementation while talking of the infrastructure development across all sectors. India has developed quite a few highly promising innovative financing models which are getting mainstreamed. Development of these models and their adoption by private sector participants has been very encouraging lessons for us.

Second major objective was to study the subnational dimension which plays such a significant role in a federal country like India and to bring forth many of those important lessons for infrastructure development from the subnational perspective, and extrapolate them at the macro level.

The third objective was how we could look more at both a program-based approach, considering special characteristics of each of the specific sector and the project-based approach which is the usual in infrastructure financing.

Nearly 340 sector experts from academia, policy-makers and industry representatives took part in eight seminars, which was attended by as many as 2000 people. These seminars form meaningful debates and policy recommendations on trends and patterns of existing investments, emerging financing requirements, technological challenges and options and the legal, institutional and regulatory aspects were all brought up. We believe these are relevant for all the members of the AIIB. Let me now highlight some major takeaways from the sectoral perspective.

Mass Rapid Transportation Systems. 21 new projects at different stages of development in India with investment of US\$70 billion are going on. To meet these financing requirements,

several traditional innovative sources of financings were discussed in these events, land value capture, land monetization, development rights, advertisements, betterment levy, land value tax, congestion charges, fuel surcharges, vehicle license duties and levy on private vehicles applying on corridors. Experiences where these approaches have been tried or successfully implemented were also discussed.

**Coastal Infrastructure.** India has launched a large program to implement a port land development model in as many as 142 ports. This program is called Sagarmala project. This holistic project aims at port connectivity, port modernization and port linked industrialization. Coastal Employment Zones in the Sagarmala program could be linked with ports to ensure its successes. An integrated development of coastal areas is expected to propel the blue economy in the country as well.

**Urban Development.** Resilient and sustainable urban infrastructure has been emphasized through the triple missions of hundred smart cities, housing for all and a mission for rejuvenation in urban transport called AMRUT India. The government plans to build 100 smart cities by 2022 at a cost of US\$40 billion, benefiting about 100 million Indians. Innovative options for urban financing like public private partnerships and municipal bonds could be and have been tried. The role of multilateral financial institutions has been found to be very crucial in bridging this funding gap in urban development.

**Digital Infrastructure.** Two major government programs, Digital India and BharatNet seek to bridge the digital rural urban divide. There were suggestions about introducing 5G making the airwaves less congested and also other technological options.

**Regional Development.** An effective approach to connect cities and the urban centers with remote and less developed areas could be to develop them in the framework of corridors. Transport corridors can first lead to logistics corridors and eventually to economic corridors.

**Transition to Renewable Energy.** India's plan to decarbonize the growth process more aggressively than required, even as per the national contribution commitment of reducing carbon emissions by 35 per cent by 2030 made in COP21 in Paris in 2015. As the energy demand is often there is likely to go up by 2.7 to 3.2 times between 2012 and 2040, larger capital flow in the renewable energy sectors would be necessary. The success of this renewal program would be influenced by government's predictability and rate of return.

**Universal Water and Sanitation.** The private sector can be a source of innovative solutions in this field as well. Decentralized models and user technology for water supply and sanitation could be the key. Right incentives for recycling and waste segregation have to be provided to tackle the challenges of landfills. On India's initiatives in innovative financing, new ideas are emerging in brownfield investments amenable to low risk and patient investors like pension funds, insurance funds and sovereign wealth fund found them very interesting.

Some projects are part of this new approach of build, monetize, expand chain adopted by the government to address the nation's infrastructure deficit. India is one of the largest infrastructure markets in the world, attracting long term global capital through innovative instruments like infrastructure investment trusts could be a promising way forward. India has done a lot of design experimentation and mainstreaming many of these initiatives of new innovative financing vehicles like in which I mentioned, REITs which is a Real Estate

Investment Trust, infrastructure that funds and National Infrastructure Investment Fund has been created as an equity vehicle.

A promising model is the tax operate transfer model which has been very successfully tried in the road sector, which we hope to generate about \$10 billion of revenues very soon. I hope these lessons would be of some utility to all the member countries. With this I lay down my report for consideration of the Board of Governors, thank you very much.

## **RESOLUTIONS ADOPTED BY THE BOARD OF GOVERNORS**

### **ASIAN INFRASTRUCTURE INVESTMENT BANK**

#### **BOARD OF GOVERNORS**

##### **Resolution No. 62**

###### *Admission of the Republic of Lebanon in the Asian Infrastructure Investment Bank*

The Board of Governors,

**HAVING CONSIDERED** the application by the Republic of Lebanon (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 accession of the Articles of Agreement not later than 31 December 2018.
2. The Applicant shall subscribe to up to one thousand three hundred and ninety-seven (1,397) shares of the capital stock of the Bank, of which two hundred seventy-nine (279) shall be paid-in shares and one thousand one hundred and eighteen (1,118) 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 June 26, 2018)*

**Resolution No. 63**

*2017 Annual Report and 2018 Budget*

The Board of Governors RESOLVES THAT:

1. The Board of Governors of the Bank takes note of the 2017 Annual Report submitted by the Board of Directors of the Bank in accordance with Section 3 (b) of the By-Laws of the Bank; and
2. The Board of Governors of the Bank takes note of the 2018 Budget submitted by the Board of Directors of the Bank in accordance with Section 5 (c) of the By-Laws of the Bank.

*(Adopted June 26, 2018)*

**Resolution No. 64**

*Date and Place of the 2019 Annual Meeting*

The Board of Governors RESOVLES THAT:

1. The invitation of the Government of the Grand Duchy of Luxembourg to hold the 2019 Annual Meeting of the Bank in the Grand Duchy of Luxembourg be accepted; and
2. The 2019 Annual Meeting be convened in the Grand Duchy of Luxembourg from July 12 to 13, 2019.

*(Adopted June 26, 2018)*

**Resolution No. 65**

*Election of Officers of the Board of Governors*

The Board of Governors RESOVLES THAT:

The Governor for the Grand Duchy of Luxembourg be elected Chairman, and the Governors for the Republic of Singapore and the Arab Republic of Egypt 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 2019 Annual Meeting of the Board of Governors.

*(Adopted June 26, 2018)*



**Resolution No. 66**

*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 India on the occasion of the Third Annual Meeting of the Bank held in Mumbai from June 25 to 26, 2018.

*(Adopted June 26, 2018)*

## GOVERNORS' ROUNDTABLE DISCUSSION

*Topic 1: What are the key transport infrastructure priorities and cross-border infrastructure needs in your region? What innovative measures should the Bank develop to help countries finance transport infrastructure more efficiently? How can policy co-ordination be achieved more effectively? What role can the AIIB play?*

### China

Thank you, Mr Chair. Transport is a fundamental sector in the national economy, with strategic importance. It is the infrastructure for market economy, making available access to the market. If you want to prosper, first you should build more roads. This Chinese saying vividly reflects China's development experience over the past 40 years of Reform and Opening Up.

AIIB is now working on its transport strategy. I would like to share four observations on the development of transport infrastructure and how AIIB could play a bigger role.

First, identify priorities of transport investment, based on the development programs and needs of client countries. When I mentioned this point, it just reminded me of one of my own experience around probably 15 years ago when I visited ADB and had discussion over transportation strategy with the then Vice President of ADB. The ADB Vice President made the point that ADB should finance the feeder road in China, instead of the trunk road and expressway. He was making the point that ADB is a multilateral development bank, working on poverty reduction. Expressway does not look like a poverty reduction project, so he said that ADB should focus its financing on the feeder road.

I spent 40 minutes discussing this issue with him. I argued that transportation system has its own rule to take – first you have to develop the trunk road system, and then you can link this trunk road to the feeder road, and go on link to the villages. Otherwise, without the trunk road system in place, if you first started with the financing of the feeder road around the villages, then those roads will lead nowhere – you will only have roads around the villages.

That was a story 15 years ago and nowadays, if you look at China – there are trunk road systems all over the country and the Chinese government allocated a lot of resources to develop the feeder road system – extending road access to the villages. That is what ADB was in favor of 15 years ago.

The story I mentioned above leads to the point I would like to make, that is, Asia is home to many countries that are at different development stages and have diversified needs for transport infrastructure. AIIB should take this into full consideration when developing its project pipeline. Moreover, AIIB should align its transport investment with development programs of client countries and strengthen cooperation with other

bilateral and multilateral development institutions, to implement more key infrastructure projects that meet clients' needs.

Second, keep abreast of economic globalization and promote cross-border connectivity. Efforts should be made to promote connectivity with neighboring countries and build international corridors to support our open economy with a higher standard. Cross-border connectivity is one of AIIB's three strategic priorities. AIIB should strengthen alignment with major global and regional cooperation initiatives and mechanisms like the GMS, the Belt and Road Initiative, etc.

The Bank should actively assist its members in strengthening policy coordination and project implementation to achieve both hard and soft connectivity and ensure cross-border projects will benefit countries and the peoples that are involved.

Third, innovate financing models and tools to offer long-term, stable, diversified and sustainable financing for client countries. China is now upgrading its transport sector by piloting new financing instruments such as PPP and encouraging insurance funds to invest in transport in the forms of debt and equity financing. In the short term AIIB may focus on key projects to help client countries to shore up transport weaknesses through more traditional sovereign loans, however, in the medium term to long term, AIIB is expected to diversify its financing models, such as equity financing, co-financing, project financing, tripartite cooperation, multiparty cooperation, to mobilize more resources from bilateral, multilateral development institutions and the private sector.

Fourth, proactively use new technologies and enhance knowledge sharing. AIIB should take the lead in using and disseminating new technologies and new business models, enhance the global transfer of new technologies and help developing countries grow through innovation. Meanwhile, AIIB should take stock and share successful experience of transport investment in member countries, increase project value added from the planning, management and new technology application perspectives and combine capital and knowledge to maximize development impact.

I will stop here. Thank you.

### **Philippines**

President Jin, honorable Governors and delegates, good afternoon.

Transport infrastructure is clearly our most urgent need. It immediately contributes to economic expansion and broadens the revenue base of countries. Businesses are able to improve productivity dramatically and households are able to improve incomes with the modernization of transport infrastructure.

Transport infrastructure improves cross-border connectivity, enhancing trade and opening the way to closer economic integration. This is critical among the island and archipelagic economies of southeast Asia. This is especially urgent in the light of ASEAN's effort to build the common market that will encourage investments in industries.

The Philippines embarked on a massive infrastructure program, known as Build, Build, Build, intending to have both immediate and strategic impact on our economic expansion. The 75 flagship projects included in this program all relate to making transport more efficient. They include ports, railways, airports and roll-on, roll-off vessels.

To be sure, strategic infrastructure projects are costly. We are building a strong basis for our infrastructure program by modernizing our revenue systems, pursuing financial sector reforms, intending to broaden participation and strengthening our banking system, to enable capital accumulation. But we will rely heavily on our development partners for strategic financing support.

Our flagship projects are of long gestation and therefore require long-term finance. The role played by our development partners such as the Asian Infrastructure Development Bank is indispensable. Our development partners can enable shorter tenures for our key projects and superior cost advantages over commercial financing sources by ensuring longer maturity and more favorable financing terms. It will greatly benefit emerging economies such as ours if our development partners are able to include a grant element of 25% and superior access to knowledge, experience and technology.

We do expect our development partners to help ensure the best advantage for recipient economies by speeding up processing without compromising the quality of preparation and implementation.

We look to the AIIB for more immediate longer-term financing that will guarantee the success of our infrastructure investment program and the strong expansion of our domestic economies.

Thank you.

### **Saudi Arabia**

Thank you, Chair. Let me first thank Government of India and people of India and city of Mumbai for the hospitality and the Bank for the excellent arrangement and preparation for this meeting.

I will limit myself to the three points that were raised in the note provided by the Bank. First of all, they talk about the state of transportation in our region - Middle East. I would like to just refer to the World Bank report, which states that the state of transport in the Middle East, is quite good - relatively good, compared to other regions. For sure, there are a lot of room for improvement and to grow – offer growth to support economic growth, as well as rising population.

The other one of the problems facing the region is the lack, or relative lack of connectivity, compared to other regions. There is a need to improve on that, be it governments need to enter into agreements that help improving connectivity, as well as building intercountry roads or rails.

For also the subregion of TCC, we are pleased to see that we are tackling this problem of connectivity through roads, through railway. We are actually embarking on

this internally. For us in Saudi Arabia we have the Vision 2030 that takes into account the improvement in all areas of transport, be it land, be it sea or air and rail, so we are also building very ambitious, very big projects in Riyadh City and Mecca and Medina and other areas.

The AIIB really needs to - as it is in its title - pay a lot of attention to infrastructure, in terms of innovative financing as well as involving more the private sector.

As we know, we listened to Your Excellency, the Chairman and others in the first workshop - the seminar today, and we listened carefully to the difficulties, to the financing needs. Some people say the finance is available, but the problem is how to attract finance, how to reduce risk for private sector participation - and the Bank - I'm sure that they work with other developmental institutions - MDBs - they can work in a very cooperative way, with governments to help in advancing this area.

I'm sure that we all understand the importance of transportation to the economic development, and we need, really, since we understand most of the difficulties, we need really to address how to resolve them, how to have better access to finance, how to better involve local communities into this area.

I thank you, Mr Chair.

### **Austria**

Thank you, Mr Chair. Mr President, dear ladies and gentlemen. Austria is a landlocked country in the heart of Europe. It has developed an extensive and well-functioning railway network, reaching even remote areas. We are a country at the interface between east and west, north and south, and hence with huge needs of transit infrastructure. We consider ourselves a knowledge provider in the railway sector, with vast experience when it comes to integrate transport modes, station development and maintenance of the railway network, to name but a few areas.

Moreover, we have excellent and internationally recognized private sector expertise in these areas. We support the AIIB to expand its engagement in the railway sector and would be happy to actively engage in exchange with the Bank and other members on this topic.

Thank you very much.

### **Afghanistan**

Thank you very much, Mr Chair. Good afternoon. Thank you, India, for hosting us and AIIB for excellent preparations. I just wanted to make one comment, supporting the points that the distinguished speaker from China made.

On transport there's a lot of potential. I think we are at the hub where a lot of magnificent things could happen, but there is an issue of not just financing, but also softer issues that we need to look into. Sometimes the policies - the cross-border harmonization of policies between different neighbors, be it trade, be it customs, these things can be a hindrance. If you look at where the bottlenecks are, these happen to be

not just the physical infrastructure but softer issues. So, I think there is an opportunity for the Bank to work with other MDBs and the governments to address them. So maybe one point to note on that.

Thank you very much.

## **Poland**

Thank you. Mr Chair, thank you. I would like to make a few comments about the transport in Poland. Global value chains are highly dependent on international transport operations carried out through complex networks of routes and hubs. Effective flow of goods can only be carried out with proper cooperation of neighboring countries and entities responsible for specific sections of the whole. Cross-border transport infrastructure is essential for developing linkages within the Asia continent and beyond. If you look at Asia and Europe linkages, the vast majority of European-Asian trade currently takes place via maritime transport. It can be assumed that the importance of rail and intermodal transport will gradually increase, growing in importance in the coming years.

As a relatively new and small development bank, AIIB should find its own niche among more experienced MDBs active in the transport sector - traditional road and rail sections seem well covered, while maritime and air transport infrastructure seem to receive less attention.

In case of Poland, the major transport project currently under development is the central communication port with accompanying investments that are to create a coherent and effective transport system within Poland, as well as to connect Poland, Central Europe and the European Union with Asian countries. The construction of a new port is necessary to replace the Warsaw Chopin airport, which in the coming years will not be able to handle rapidly-growing air traffic in the region. The new airport to be located east of Warsaw would be one of the largest airports in Europe, -serving up to 100 million passengers. The facility, together with accompanying road and railway infrastructure will cost up to US\$10 billion.

Poland's transport policy will be remodeled and based on hub and spoke model, in which central communication port plays a central role, synergizing international air cargo and rail and constituting a reference point for the development of other basic transport investments.

Building a sustainable transport requires an integrated approach to cooperation, with multiple stakeholders, going beyond the current co-financing agreements with other MDBs.

The AIIB should attempt to establish long-term partnership with national and local authorities, transport leaders, as well as the development and business communities. It should also engage more with international initiatives focused on transport, such as for example, MDBs Working Group on Sustainable Transport, to shape their international policy in the area.

Thank you.

## **Turkey**

Thank you. I would like to thank you for allowing me to present my views on leveraging the finance for the region's infrastructure.

Turkey is placing increased importance to transportation infrastructure investments and the recent infrastructure investments in Turkey have concentrated around the light rail and the subway investments in urban areas, high speed trains interconnecting developed cities in the country and the large highway and the airport construction project, financed via PPP model.

We note that the financial sustainability of infrastructure project appears utmost importance and achieving this requires operational efficiency and the accuracy of the financial forecast in projects to our government subsidies required.

Hence, we believe that there are two ways for the Bank to facilitate the provision of financing to infrastructure projects. First, the Bank may create tools for the involvement of private investors, as well as the Bank itself, in the financing of infrastructure projects. This deal financing structure by the Bank and the private sector may impose discipline on the beneficiary, through enhanced monitoring and the main role for the Bank in this type of financing is to improve the reputation of the project so that the private sector involvement becomes possible, increasing the efficiency with which the project is undertaken.

Second, the Bank may provide expertise and insight in the planning and the visibility phases of the project and the improved accuracy with which the forecast take place will lead to better decisions about the project selection.

I believe that AIIB has the unique role in providing especially international coordination and AIIB also has the chance to work with other MDBs and their respective countries might be able to offer ways to improve efficiency and the effectiveness of the projects, and that is the point of information sharing between countries for international project.

Thank you.

## **Azerbaijan**

Thank you, Mr Chairman, ladies and gentlemen. First of all, I would like to express my sincere appreciation to the Government of India for hosting us today and for the Asian Infrastructure Investment Bank for organizing this excellent Annual Meeting today.

Ladies and gentlemen, using this opportunity, I'd like to announce that Azerbaijan, Turkey and some other regional countries just recently, on 12 June this year, celebrated the grand opening or inauguration of the Trans-Anatolian Pipeline Project, one of AIIB's financed projects, which is a part of the greater project, called Southern Gas Corridor - the largest pipeline construction project nowadays in the world. This project will be playing a key role in diversifying the use energy sources by linking Europe to Azerbaijan's gas and potentially other producers in our region.

Azerbaijan is giving an important role to the development of the infrastructure, including transport infrastructure. Since the early days of our independence, we launch a number of projects for the rehabilitation of transport infrastructure in our country. For the past 15 years we constructed about 10,000 kilometers of roads and highways. Today, according to the World Economic Forum's relevant ranking, we're the 36th among 137 countries worldwide, according to the quality of road infrastructure, and, by the way, the best among the countries of the former Soviet Union.

Within the short period of time, we completely rehabilitated the infrastructure in the field of air transportation. We are also implementing a very large and important project on the Caspian Sea. We build the largest new sea port on the Caspian Sea. Moreover, we have rehabilitated completely our railway transport infrastructure and today we are implementing various important regional projects and also co-sponsoring such projects.

All this is done in order to increase the role of the transit and transport corridors between east and west, and south and north. By the way, I should say that we implement these projects together with other countries in the region. Our partners are Turkey, Georgia, Kazakhstan. Of course, China and EU countries are giving more importance to this project, especially the east-west transit and transport corridor that is linking both railway infrastructure - railway networks of Asia and Europe via - as I said - Azerbaijan, Georgia, Turkey and Kazakhstan.

By the way, at the end of last year, we have completed the implementation of the large region project on the construction of a railway network between Azerbaijan, Georgia and Turkey, called Baku-Tbilisi-Kars. This will definitely increase the volumes of transit between the two continents.

At the same time, we are implementing very large and ambitious project on the north to south transport and transit corridor, together with our northern European partners, Russia, Iran, which will also enable a much shorter way for the Indian transporters and supplies of products to get to their markets in Europe.

Here, with this note, I'd like to stress that we would encourage the Bank not only to look at the important regional projects that are taking place across our large region, but also to see how to engage more private sector in such projects, but also to stimulate the private sector to play an important role in such projects and implement such projects throughout the whole region.

Thank you very much for your attention.



*Topic 2: What are some of the most urgent infrastructure investments that cities in your country need? How can the Bank effectively work together with national and sub-national governments, and other partners to develop bankable sustainable cities projects? What further policy support and/or coordination between national and sub-national governments would be required for sustainable city development?*

### **Sri Lanka**

Thank you, Mr Chairperson. Let me first of all thank the Government of India and Asian Infrastructure Investment Bank for hosting this year's annual Governors' meeting here in Mumbai.

At the outset itself, I wish to reiterate Sri Lanka's full commitment to achieve UN Sustainable Development Goals by 2030 that include SDG Goal number 11, to introduce sustainable cities and communities. I must also underline that Sri Lanka undertakes to implement the UN habitats new urban agenda. Towards that direction, my government has taken many steps in accordance with the universal best practices.

In this context, Mr Chair, the Government of Sri Lanka has accorded high priority to achieve sustainable development in urban areas, while taking various policy measures to uplift the living conditions of the poor. The Government introduced a new cabinet portfolio three years back, only to manage city development under the Megapolis and Western Region Development Ministry.

The theme of my national budget proposals for this year was blue green economy. In this context we recognized the inalienable relevance of ocean-related economic potential of our country as an island. We introduced sustainable development strategies that paved the way to achieve our vision for 2025 that envisages a country enriched with higher per capita of over US\$5000. Especially, in line with the megapolis development plan, various development activities had been initiated, targeting both economic and social development. For this purpose we received the assistance from multiple development partners, including the AIIB.

I highly appreciate the commitment and prompt grant assistance extended by the AIIB for the preparation of the Colombo solid waste project. We have received a positive response from the AIIB for the urban regeneration program, which aims at relocating 50,000 low and lower-middle income households living in slums and shanties, in Colombo city, into new apartments in the suburban areas. In addition, the project of reduction of landslide vulnerability - mitigation measures aiming at implementing mitigation measures and thereby minimize the damages from landslide. It is evident that both the frequency of occurrence of disasters and their severity had been increasing in the recent past, therefore the AIIB collaboration was solicited for disaster risk reduction strategies to minimize the damages.

Sri Lanka, being an island, hosts over 100 lagoons and estuaries. Environmental sustainability of those precious water bodies will ensure the wellbeing of many aquatic resources. Therefore, we are now in the process of implementing a lagoon development

project, a project for which the national budget has already allocated Rs1 billion for this year, and we would also be requesting the AIIB to become a strong partner in this project in due course.

Finally, I wish to underline that our investments will be the catalyst to realize each of the component goals of urban sustainability, while the ultimate objective of creating a sustainable city should be the preservation of our precious natural environment.

Thank you.

## **Nepal**

Thank you, Mr Chair. I would like to touch upon two aspects of sustainable cities, the key drivers of urbanization and then the key intervention areas where we have to announce, in order to see that our cities are sustainable.

Our nation is in a development process, which we cannot just stop. We have to manage it with our proper infrastructure and policy regimes in place. We know the push and pull factors around rural to urban migration, and I would like to highlight here on the ever strong upturn of the rural economy vis-à-vis the urban economy and the lack of proper linkage between rural and urban sectors of the economy, which leads to a creation of uneven opportunities in the urban areas compared to the rural areas and the people keep on moving and having stress on the infrastructure - basically utilities and also on the land and the settlement patterns.

Having said that, I would like to highlight on four or five aspects of addressing the issue of sustainability of cities. A couple of them we know already. The physical aspects - how we have been developing unplanned settlements, particularly in underdeveloped countries like my own country, Nepal - having no proper land usage strategy, with crowded settlements, no open spaces, unsafe constructions, and also no policy to deconcentrate the movement of people, particularly not having a proper management of satellite cities and transport infrastructure to connect semi-urban or peripheral cities to the core cities of the countries.

The economic aspect is even more glaring, I would say, because rural poverty is now transforming to urban poverty, with unemployment taking place and particularly when you're talking about the revolution in IT - the kind of jobs that are created in the urban area is driven by technology and the kind of people we have in the rural areas who have migrated to the urban areas, having no skills. The skill set gap is creating a kind of joblessness and that I will say has - the kind of displacement taking through the innovations in technology.

So, we have to see how we can address this kind of urban poverty, along with growing inequality in the cities, which might create several dissatisfaction and grudges over a section of population and that might disturb the whole peace process.

The third aspect, which I would like to highlight is the social and cultural aspects, the cultural aspect particularly. There are cultural cities and they have aesthetic values, and we want to maintain those aesthetic values and also the archaeological heritage, the

importance of the cities, but at the same time, we have to modernize it. The conflict between modernization and maintaining the heritage is a challenge and we have to address this problem with proper management of our urban policies.

The fourth aspect of course is environmental. Low-income countries can very least afford to address the environmental issues, particularly when it comes to noise, dust, water or air pollutions in our cities. We don't have a proper renewable energy supported transportation system. Our economic activities are still centered in urban areas, which also create a lot of pollution, and our construction and cross-border air pollutions also create problem in several cities of the country.

The other aspect is our governance. We do have a three-tier government and the municipal governments are autonomous, in principle. But they don't have sufficient resources to finance their urban infrastructure and they have to be supported by the national government. And we have to see how we can work together.

On that, we have also to solicit supports from the international level of our partners to see, in a triangular manner that between national, the municipal and the external development partners, to see that our basic infrastructure problems of our cities are addressed.

I think I should stop here. Thank you.

## **Israel**

Thank you and good afternoon. I would like to take this opportunity to thank the Indian Government for warm hospitality.

I want to try and add another angle to the discussion about finances for the sustainable cities. Sustainability is about people and in our days, understanding people goes through big data. For example, if the mayor of Mumbai would like to meet every citizen, just for one minute - I asked my team to calculate - it will take 34 years straight - no sleeping, no eating, no taking breaks. Actually, we wanted to try it in Jerusalem, but we could not find Israelis that would agree to take the stage only for one minute.

Recent technological developments allow us to listen to citizens' needs in a different way. As a by-product of living in the city, citizens generate an immense amount of data. By the time I will finish this three-minute speech, there will be four million new posts on social media. This data is worth so much more than a one-minute discussion with the mayor. However, we need to figure out how to process all that data. If we become attentive to it, we can recognize the citizens' needs before they even notice it themselves.

A growing number of municipalities in Israel and around the world have already adopted this model. Using artificial intelligence these municipalities are more attentive to their citizens. They take big data consisting of social media, calls to municipality hotlines, and different sensor located around the city. All this information is made easily accessible to municipal decision-makers through an informative dashboard indicating the status of the cities' most valuable assets, its people.

I'd like to give an interesting example from a case of a municipality that was interested in paving new bike trails in one of its districts. Surprisingly, the initiative ignited public debate and even protests. Signs were put up on streets, and no one at the municipality could understand why a positive initiative like paving bike trails received such negative public opinion. Big data analysis revealed the reason for the objection. It turns out that the objection was not the bike trails, but the planned location of the trail - in the middle of a green and highly popular boulevard.

The new information allowed the municipality to change the plan of the trails that eventually executed with the support of and the specification of the citizens. Not only did the objection disappear, but also people's feeling was that the city really understands me.

Implementing such a solution can help identify the most urgent needs and to detect the investment with the most positive impact for the city. This would provide a competitive edge for the Bank's investments. Once a project is implemented, the system can help evaluate and assess the real impact of the projects, while giving an equal voice to all communities living in the city. Using such a client-oriented and result-oriented interface is refreshing news for municipalities. This also helps them use their resources more effectively, to answer the citizens' real needs, and this is what can make a city GREAT - with capital letters.

People are the beating heart of the city; therefore, a city can only be sustainable if it is attentive to its citizens' needs.

Thank you.

## **Denmark**

Thank you, Chair and thank you for the Indian and the Bank hospitality and for the opportunity to talk about sustainable cities. It is indeed appropriate to talk about cities in a metropolis like Mumbai.

When I attended a roundtable this morning, I was really struck by the complexities of the many issues in cities, from mobility to pollution, and waste to integrated water management.

When something is really complex, the best strategy is often to ask a simple question - so what is a great city? A great city is a city that's livable. Livability means that there are good transport solutions, there's access to sport, healthcare, schools, et cetera. In short, that it works, and you can enjoy.

The next question is, how do you achieve that? Here I agree with my Israeli colleague - you focus on people. By focusing on infrastructure and making it people-friendly, you'll increase the livability of a city. Allow me to give a few examples from my own hometown, Copenhagen. With climate change Copenhagen will experience more frequent heavy rains - like here in Mumbai. The rain could cause flooding, even flash floods. One of the ways that we cope with this is by building football pitches in the middle of Copenhagen. The smart thing is that in case of heavy rains, these sports

facilities will serve as reservoirs for excess water. In other words, you increase the city's resilience, while making it more livable, by setting people first.

Another example. In Copenhagen we're currently building what will be one of the most efficient waste to energy facilities in the world. That's great. It lets you get rid of waste without filling up landfills and the facility will heat our houses and water through a super-efficient district heating and cooling system. How do you make this people centric? Well, in the wintertime it will double as a ski hill and in the summertime, it is a vertical park. It's not quite the Swiss Alps, I know, but it's not too shabby for our country where the highest peak is 172 meters. It's called CopenHill, if you want to Google it.

At this morning's roundtable, Lord Stern concluded that to make infrastructure investments fiscally sustainable, the concept of value capture is central. In Copenhagen, consistent investment in livability has paid for themselves by increasing property values, thus property and other taxes.

Our message is this. If you want a great city, think of people first. The examples here were from Denmark, but we firmly believe that the lessons apply for Colombo and Kathmandu as well as Copenhagen.

Thank you for your attention.

## **Switzerland**

Thank you very much, Mr Chairman, and I would also like to thank India for the hosting and organization of this Annual Meeting.

Now, turning to the topic of sustainable cities, we think indeed that urbanization is absolutely a critical trend. And if I may just quote a few figures in this respect, there are estimates that in 30 years from now 70% of the Asian population will live in cities. Asia is undergoing a historic transformation from a rural to an urban economy. It is important that cities are able to use this challenging transformation to reduce poverty, to improve resilience, to make cities more livable - as has been mentioned by previous speakers before me - and to increase cities' economic strength.

Therefore, we support this strategic focus of the AIIB on sustainable cities in Asia and we are convinced that AIIB can make a significant contribution in supporting Asian cities in their endeavor. Over the past years my country has been very active in urban development, working bilaterally and with various multilevel development banks in countries across Asia on these topics. We have supported almost 200 cities in their strategic investment planning and successfully linked them to over US\$10 billion of infrastructure lending.

As we are meeting in Mumbai today, I would like to mention one example of such a project, namely the City Development Initiative for Asia. This initiative has worked in a city - or in several cities - about 190 kilometers away from Mumbai - that is in the city of Pimpri, and in other seven secondary cities. The aim was to bridge the gap from the strategic master planning to concrete policies and infrastructure projects. In the

framework of this initiative, priority investment projects in the field of urban transport, of solid waste management, of water supply, of slum upgrading, and of flood management were prepared.

These projects have addressed issues such as environmental aspect, poverty reduction, climate change mitigation, good governance and institutional capacity-building. Thanks to this City Development Initiative for Asia, over US\$800 million of well-prepared and bankable projects were then financed through the public and the private sector.

Now, this is only one of the different experiences we have made in Switzerland with projects in cities. And based on the different experiences we have, we would like to make three points and think them also a little bit as recommendations to the AIIB for the implementation of its sustainable cities strategy.

The first point is that we should strive for high quality investments for urban infrastructure projects. That means that investments should be based on solid data and planning. They should strictly follow environmental and social standards. Finally, they should be financially sound. Cities often need support to ensure that they can respond to the requirement to make investment climate resilient, inclusive and compliant with sustainability requirements.

The second point is that different cities have different needs. There is no doubt that capital cities are essential in the urban transformation of Asia. However, secondary cities will deliver nearly 40% of GDP growth by 2025. At the same time, secondary cities often lack institutional capacities and are in even greater need for financing. As a regional bank, AIIB should include them into its scope of work. It should develop a sound understanding of the needs and it should provide swift and tailor-made solutions to these cities.

My third point is that AIIB doesn't need to start from scratch. We encourage the Bank to work closely together with and complement the work of other multilateral development banks of the private sector and other partners through existing facilities and programs. These facilities and programs already support urban planning, investment prioritization, and infrastructure financing in Asian cities.

In conclusion, as urbanization is one of the most critical trends shaping the world today, we highly welcome AIIB's focus on sustainable cities and welcome the fact that it creates a significant strategic match with our own work on integrated urban development.

In order to foster exchange of experience and cooperation between our main partners, we have initiated an urban development roundtable in 2013. We cordially invite AIIB to join this yearly roundtable, which brings together senior practitioners from multilateral development banks, cities alliance, Swiss academia and other stakeholders. We will indeed be happy to share our longstanding experience and to provide access to our international network of partners to the AIIB and thus to contribute to AIIB's development approach on sustainable cities

Thank you very much.

## **Hungary**

Thank you very much, Mr Chairman. First of all, on behalf of the Hungarian Government, let me express how pleased we are that we can be part of joining forces addressing to alleviate the huge infrastructure financing gap that exists in Asia.

Given the time constraints, let me specify on a grass-cutting strategic issue in the focus of today's roundtable discussion. Sustainable cities that is currently in the making through the Board of Directors process. Given the context I also would like to highlight some issues relating to water.

As the Bank's draft strategy on sustainable cities points out, by 2050 the world's urban population is expected to nearly double, making urbanization one of the 21 century's most transformative trends. This poses massive, massive sustainability challenges, in terms of infrastructure, basic services, food security, nutrition, health, public health, education, decent jobs and the vital issue of water and sanitation systems. In this respect, we warmly welcome that water appears as part of the sustainable cities strategy, integrating multiple sectors.

However, considering the size and the complexity of related projects, we encourage AIIB to be more ambitious and formulate a separate, standalone strategy as part of next year's work plan as capacities are low for all water-related themes, such as flood protection, drinking water, irrigation, wastewater treatment and so on. Water is really vital in the strictest sense of the word.

In this regard, we think that AIIB should adopt integrated urban water management principles and reflect on challenges associated with cross-country connectivity as well as include other sustainable development goals to achieve sustainable economic social environmental goals, as these principles aim to avoid fragmentation and application in policy and decision-making.

Mr Chairman, Hungary is strongly committed to sustainable, integrated water management, which is evidenced by the fact that the Hungarian President of the Republic, Mr Janos Ader was requested to participate in the United Nations high level panel on water.

We stand ready to share our knowledge and technologies with our partners. As regards Hungary remains committed to such strategic discussions. We hope that the next Budapest Water Summit, which is to be held in 2019, will provide all stakeholders with an opportunity to redefine our horizons when it comes to managing the world's water resources.

Finally, Mr Chairman, may I express our gratitude to the Government of India for hosting this meeting and the hospitality we enjoy. Thank you very much.

## **Austria**

Thank you very much. Austria places high value on environmental sustainability and infrastructure and brings vast knowledge and experience in this area. We think that

AIIB has a special role to play in preserving the global environment and we greatly appreciate that this is directly reflected in the Bank's mandate to be Lean, Clean and Green. We stand ready to support the Bank with our national expertise to meet the highest environmental standard in all infrastructure engagements. Thank you very much.



*Topic 3: What are the factors hindering private capital from financing infrastructure projects in your country? Which steps are needed to further improve the infrastructure landscape and the regulatory framework to mobilize private capital? Which credit enhancement or financial products are missing in the infrastructure finance market? How critical is the role of capital markets in mobilizing private capital for infrastructure? How can AIIB play its role in developing infrastructure into asset class? For which sectors or type of infrastructure projects do Governors think private capital can be mobilized effectively? How can AIIB help other public players (SOEs, sub-national governments, etc.) attract more private capital?*

### **United Kingdom**

We're all agreed that infrastructure investment is critical for increasing growth, for improving productivity and creating the conditions for businesses to grow. The infrastructure gap facing Asia is clear. Estimates suggest that developing Asian economies will face investment needs of around \$26 trillion by 2030, to meet the infrastructure needs in the region, and that's why the UK was keen to support the AIIB from the outset. The AIIB's set to play a vital role in narrowing this gap, and the \$4.5 billion worth of loans that it has approved so far, is excellent progress.

The deficit in Asian infrastructure investment requirement is clearly one that no government, corporation or multilateral investment bank can meet on its own. National initiatives can play a part, including China's Belt and Road Initiative, provided that they meet international standards. But collaboration, including vitally between the private and public sectors, will be crucial if we are to bridge this funding gap.

Every country faces its own set of challenges to deliver vital infrastructure. In the UK we've found that a collaborative approach between the public and private sectors has been key to ensuring infrastructure investment.

Over the coming years we plan to deliver a sustained increase in infrastructure investment. We're pushing ahead with some of the largest and most complex projects anywhere in the world. We're just completing Crossrail, a tunneling under London. HS2 is just beginning, the next generation of high speed rail, including some development through highly densely developed areas of London, and we're carrying out the UK's largest road-building program in 40 years.

Collaboration between the public and private sector, both commercially and financially, has been key to this increase in investment and will continue to be. That's why we're actively working with the private sector to deliver our infrastructure plans.

Our national infrastructure and construction pipeline sets out £600 billion worth of projected investment in UK infrastructure over the next 10 years and we estimate that over 45% of that investment will be financed and delivered by the private sector. The purpose of setting it out in this way is to give the private sector clear visibility of the pipeline, going forward.

We understand that mobilizing private investment can require active public sector support. For example, our UK guarantees scheme has directly supported over £4 billion

of investment to date by providing treasury-backed guarantees and last year we've expanded this scheme to include construction phase only guarantees for projects.

We also understand that developing national infrastructure is a long-term issue and needs a stable cross-sector approach. That's why the UK is committed to providing clarity and certainty to markets and investors, to encourage investment and delivery of infrastructure in the UK.

We need to set a long-term strategy for our infrastructure planning, which is why we've created the independent National Infrastructure Commission, to objectively assess our long-term infrastructure needs and set the appropriate direction for the UK's investment plans.

The NIC will be publishing their first-ever national infrastructure assessment next month, with a range of recommendations for how we can continue to improve the UK infrastructure landscape.

We've also set up the Infrastructure and Projects Authority, the IPA, a collaboration between the Treasury, the Cabinet Office, as a center of expertise at the heart of Government, a resource that cross-government project sponsors can draw on to help them drive the implementation and delivery of these plans.

Our experience shows that with effective collaboration between government, investors and the market, it is possible to not only develop ambitious infrastructure plans that are targeted to improve growth and productivity, but also to deliver them effectively.

This goes for international collaboration too. The UK is committed to sharing knowledge of infrastructure delivery globally, and to work with others to share best practice, which is why we support the G20's renewed focus on boosting global investment in infrastructure.

Earlier this year, the UK hosted a symposium in London, bringing together over 200 private sector and G20 representatives. There participants agreed that the G20 should take an important role in promoting the adoption of standardized approaches to help close the investment gap. The UK, working with Mexico and others, has since developed a set of G20 project preparation principles, for example, ensuring that a project fits with national development goals, is affordable, deliverable and of course commercially viable. These principles seek to transform good ideas into investable projects, and we hope they will receive the G20's endorsement later this year, in Buenos Aires.

International collaboration is critical. That is why we launched the Green Growth Equity Fund, with India's National Investment and Infrastructure Fund earlier this year, focusing on channeling international private capital into Indian infrastructure and it's great to hear that the AIIB will also be investing in the GGEF, through a \$100 million NIIF fund of funds.

The UK is also a lead donor to the Private Infrastructure Development Group, bringing together specialist companies working at every stage of the infrastructure project cycle, to provide a holistic approach to infrastructure development in some of

the least developed countries in south Asia and sub-Saharan Africa. In 2017 alone, PIDG support mobilized US\$2.5 billion from private investors and development finance institutions.

Finally, raising private capital is crucial for addressing the infrastructure gap and ensuring that the impact of finite public sector financial resources is maximized through leverage.

Mobilizing this capital is a collaborative effort. As well as supporting the efforts of international financial institutions, including the AIIB, to raise finance, the UK is also uniquely placed to support other efforts to leverage private investment into infrastructure in emerging markets.

As the number one international financial center, London offers services to the world, with an unrivalled deep and liquid capital market. 480 infrastructure-related companies around the world are represented on the London stock exchange alone, with a combined market capitalization of \$2 trillion. Added to this is London's extensive experience in mobilizing billions for infrastructure investment, through local currency finance, transferring currency risk to the market, through new innovations, such as the Indian Masala, Chinese Dim Sum and Indonesian Komodo bonds.

We're also taking a leading role in financing sustainable infrastructure across the world. Last week I announced a new green finance institute to apply the UK's experience in finance and climate science to the growing international demand for green and resilient infrastructure.

The global reach of our financial markets and their ability to unlock capital on the LSE's primary and secondary markets, through venture capital or private equity, is a unique offer for companies from all over the world, to come and raise finance in London. London's ability to package finance and project support together, as well as providing a legal jurisdiction, only boosts this offer further.

To close, the infrastructure gap facing Asia is indeed large, but by working collaboratively, we are already taking steps to address it, and the more we can do together to mobilize the private capital needed to help, the better.

The UK and the London markets stand ready to continue to work with the AIIB and others to assist in every way that we can.

Thank you.

## **Singapore**

Thank you, Chair. Singapore welcomes the theme of Mobilizing Finance for Infrastructure. Infrastructure demands, as we hear, from all our delegates around the world are very large and with limited fiscal resources, governments alone cannot meet these demands. The AIIB's focus on mobilizing private capital to plug the infrastructure financing gap is therefore most timely.

In April of this year Singapore had the honor of chairing the Association of Southeast Asian Nations, or ASEAN, Finance Ministers' and Central Bank Governors' and related meetings. In fact, several of my ASEAN colleagues are here with us today.

From our discussion, it was clear that the same topic was a key preoccupation of all Finance Ministers and Central Bank Governors.

Let me share some key takeaways. First, we agreed on the need to promote better visibility of the project pipeline in our region. Developers and investors need better awareness and understanding of our projects, so that they can have greater clarity of the opportunities available.

Second, even though demands are large, not all projects are bankable. Hence, promoting bankability is critical. For example, we need to improve the capacity of our officials in properly structuring projects and allocating risk between financial institutions who have different risk appetites. In this way, we can better match demand and supply and also reduce the number of downstream issues.

Third, as governments, we also saw the need to improve the investibility of our projects, to make them more accessible to institutional investors. For example, the greater adoption of standardized contract clauses and the use of data can make it easier for institutional investors to compare cross-border infrastructure offers and find opportunities that best suit their own risk profiles.

Singapore is happy to support the AIIB's efforts through our newly set up Infrastructure Asia office. Infrastructure Asia is intended as a platform to connect local and international stakeholders across the value chain, enabling information exchange, facilitating infrastructure investments and connecting infrastructure players with relevant professional services as a way of bringing demand and supply together.

One upcoming opportunity for different stakeholders to connect is the Asia-Singapore Infrastructure Roundtable that will be held in Singapore on 23 October this year. We welcome the AIIB and all member countries to take part in this event.

Singapore is also hosting the World Bank-Singapore Infrastructure and Urban Development Hub that provides a range of services relating to infrastructure and urban development. These efforts help us to meet needs that are very large globally. We have also set up the Centre for Liveable Cities. As our colleagues from Denmark and Israel mentioned, sustainable cities are really about being liveable for people, and we hope that the Centre for Liveable Cities is collating research and sharing lessons on what we can do together to make cities more liveable and sustainable.

On that note, I thank you very much.

## **Indonesia**

Thank you very much, Chair.

Indonesia really needs private sector participation in infrastructure investment. In the five years' plan 2015 -2019, we need around US\$370 billion of infrastructure, in

which only 40% can be fulfilled by the Government budget, another 23% by our state-owned enterprise and of course, 37% will be on the private sector.

However, in our experience, we found some obstacle for private sector in Indonesia to participate in infrastructure project financing. The first would be sometimes the tariff or the fare is too low for many infrastructure projects. Secondly, complexity and uncertainty of the legal framework. Third, small utilization of long-term funding, as well as lack of incentive for long-term projects. Fourth would be lack of readiness of the projects. Fifth, less conducive investment climate to attract the investor - including foreign investor. Sixth is the dominant government and state-owned enterprise on best asset in infrastructure.

What will be the solutions? Now government is working on some solutions in order to attract more private sector in infrastructure investment. First and foremost would be deregulation, simplification of the procedures, including land acquisition, as well as give the incentive. However, this is only what we called is the necessary condition for attracting private sector investment in infrastructure, but not yet sufficient. In order to have sufficient condition, we need to go a little bit into detail for the schemes, as well as the support from the financial sector.

First sufficient factor would be introducing more public-private partnership. I think governors around the table already mentioned the importance of PPP. But of course, to attract more private sector, they will look for higher in the knowledge of return. It means we need to complement our PPP not only with our guarantee scheme, especially for political risk, but also more facilities and flexibilities for the PPP itself.

Second one, better project pipeline. I think some governors round the table already mentioned the importance of the pipeline. In our opinion, the so-called prospective pipeline would include (1) project that is part of the national priority and (2) the project that already has detail and a comprehensive feasibility study that makes the projects bankable. (3) I think we need to introduce the project recycle. Of course, many or most of the private sector investment might not be interested to participate in greenfield project, especially in emerging economy.

In the case of emerging economy, like Indonesia, the greenfield can be done by either government or state-owned enterprise, but we can attract private sector to start participating in brownfield states or in the major states. When the project becomes more feasible and becomes more profitable, it's easier for private sector to participate. If we introduce the project recycle, then the so-called pension fund, insurance, sovereign wealth fund, and other type of long-term fund might be participating, as we witness in some developed countries.

The other factor would be how to make sure that the government and state-owned enterprise will no longer crowding out the market for infrastructure project itself. Sometimes, because they already have the best assets in terms of infrastructure, they don't want to do divestment, or they don't want to share some of ownership with private sectors.

The next would be how to promote creative and alternative schemes. We understand now that to invest in infrastructure cannot just rely on direct equity participation. Of course, now we know the scheme called limited concession scheme that has been quite successful, especially for airport investment and airport development, but we can also provide other instruments, like securitization of future revenue of certain infrastructure projects, mere equity instrument, especially perpetual notes, as well as a limited mutual fund.

Then, on the other side of the investment we need to keep deepening our financial sector. We need to come up with the new instrument. Governor of UK just mentioned about the Komodo Bonds of Indonesia. That is also part of the alternative financing in the capital market.

Last but not least, I would like to mention what kind of roles that AIIB can play, in order to improve private sector attraction in infrastructure. (1) I think AIIB can be an enhancer of PPP in member countries. For example, by providing direct financing to private sector that is participating in the bidding process of a PPP project in member countries. Or AIIB can provide loan for government support. For example, if we are building the light rail transit project, in a urban area, maybe member countries can borrow the loan from the AIIB for the construction, while we can invite private sector to do their investment on the O&M - operation and maintenance - as well as on the rolling stock management.

The other possibility of AIIB involvement would be syndication for debt financing, as well as doing the treasury management by investing in infrastructure-related financial instrument issued by member countries.

I thank you.

## **Korea**

Thank you, Chair. First of all, I would like to extend my sincere gratitude to Indian Government for warm hospitality and excellent preparation of this meeting.

Before I speak on mobilizing private capital, I would like to briefly share with you the recent progress on the inter-Korean relations. The two Inter-Korean summits and the very first North Korea-United States summit mark a very meaningful step towards peace and co-prosperity on the Korean peninsula. I believe that this will be a giant leap for the stability and development for the Asia Pacific region and further, the global community. I ask for your strong support and cooperation in Korea's future airport to realize Panmunjom Declaration and Sentosa Agreement.

Distinguished guests, the growing infrastructure gap in Asia cannot be addressed by public resources alone. To narrow this gap, it is important to effectively attract private investments. Public-private partnership is the primary measure in leveraging private capital in infrastructure development.

Today I would like to share some suggestions on promoting PPP projects in this region. First, institutional framework on PPP should be designed to not only provide

sufficient incentives for private capital, but also ensure balanced division of labor between the private and the public sectors. To this end, it is important for developing countries to build institutional capacity to develop bankable projects and to properly distribute risks, costs and benefits between the government and the private sector.

At the same time, we needed to also enhance the transparency and predictability of related regulations. In addition, when designing a country specific PPP framework it is also critical to learn from both the successful examples and the trial and error processes of other countries.

Korea has so far implemented 719 PPP projects worth over US\$100 billion since the introduction of the program in 1994. In the process, Korea has become one of the leading countries in PPP, but not without pain. For example, some PPP projects in Korea faced harsh criticism from the public, due to high user fees of PPP facilities and the generous minimum revenue guarantee scheme by the Government that excessively benefited a private party. Learning from this experience, Korea's priority in PPP policy is now to ensure its sustainability by balancing the interests of various stakeholders, including the government, the private sector and the public.

Second, AIIB needs to play the role as a catalyst in facilitating PPP projects in the Asian region. As the one and only international financial institution that is specialized in Asia's infrastructure development, AIIB can greatly contribute to identifying bankable projects in the region, based on its expertise and networks. AIIB can also take advantage of its reputation and leveraging to reduce political or regulatory risks of PPP projects in partner countries.

In this context I welcome AIIB's initiative to become the leading institution in PPP projects in the region on its private capital mobilization strategy, which was adopted last February. As AIIB's close partner, Korea will fully support AIIB's plan to expand the PPP projects, based on its rich experience and expertise in PPP. Thank you.

### **Germany**

Thank you Chair. I'd like to thank our Indian hosts and I'd like to congratulate the AIIB for the impressive track record that it has built, not only in terms of the project pipeline, which is already there, but also in terms of the top notch modern governance of the institution which has yielded the AIIB already a high reputation and a triple A rating.

Going forward, I think one of the challenges is to mobilize and attract more private capital. For the reasons that several of us have mentioned in previous interventions, public money is scarce if measured against infrastructure financing needs. Also, we should take advantage of the involvement from the private sector in terms of the efficiency that this can generate in the project management and implementation.

What are the three things that are needed for more private sector mobilization?

First, I think the AIIB should look at the instruments that can be used to mobilize private capital. Chancellor and Governor Hammond has already referred to the G20,

and MDBs' Principles and Ambitions on Crowding-in Private Finance, the so-called Hamburg Principles and Ambitions, that have been developed during our G20 Presidency in 2017. I think that the expansion of the range of credit, equity and other financing products is an important way to make better use of financing.

The second element is of course the homework we need to do. The major tasks in this regard have also been mentioned here, i.e. to lower regulatory and political risks and to better administer our public investment projects and our infrastructure development. Based on experiences in Germany, I sympathize very much with those who suggest for a strong role of the private sector.

The third element here is the role of the multilateral institutions themselves including the role of the AIIB within this framework. The institutions need to work better together as a system and realize that all institutions are, so to speak, in the same boat. Again, we have undertaken important efforts in the G20 context on this issue, starting in the Chinese presidency of 2016, continuing in our German presidency in 2017. These include the already mentioned Hamburg Principles and Ambitions, as well as the setting up of a so-called G20 Eminent Persons Group on Global Financial Governance that will make proposals on reforms to improve the functioning of the global financial architecture and governance by October 2018.

I'd also like to thank and congratulate you and other MDBs in this context on the progress that has already been achieved in enhancing cooperation and coordination among MDBs, for example, by establishing a collaboration platform on project preparation as well as on credit enhancement and risk mitigation. This is an important step in the ongoing endeavor to scale up private investment in infrastructure and enhance the catalytic role MDBs play in mobilizing private resources to bridge the global infrastructure gap.

Thank you very much.

## **India**

Thank you, Chair. A lot of discussion has taken place on how to mobilize the private capital for meeting infrastructure deficit in Asia. Two facts which are very clear. One is that there are a lot of numbers have been mentioned. Pension funds and others hold something like \$60-\$70 trillion of capital, so capital is available. The other fact is there's a huge infrastructure deficit in Asia- various estimates available - \$24 trillion, and so on and so forth. It may not be very accurate, but what is very clearly established is that the infrastructure deficit is also very, very large.

The issue now is how to marry the both. How to bring them together. In this context, I would like to cite a couple of examples from India where we have tried innovative approaches for meeting this gap, especially in view of the technological requirement changing in infrastructure, as well as the infrastructure's special characteristics, which might be useful for the governors here.



One on the road sector. A traditional model of mobilizing private capital was the BOT - build, own/operate. It did not succeed at a stage where it was difficult for the private capital to find bankable projects to be funded from banks. Then we tweaked the model in the country. We moved to a hybrid model where part of the project cost was taken on by the government, in the form of 40% EPC contract and the remaining was also where traffic risk was taken away, and the private investor met 60% of that. That turned around our program completely, from virtually a standstill program on the road sector. Now we have a \$90 billion program in the road sector, which is doing 50,000 kilometers roads are under construction, and that has really, really taken off.

The other example which in most of these infrastructure projects while loans and debt might still be met, the equity becomes a big constraint. We created the institution of NIIF, which the England Governor also mentioned. This NIIF brings together a lot of equity - partly funded by the Government and mobilized through the equity fund. On a contribution of about \$3 billion from Government, we are mobilizing another \$3 billion to \$3.5 billion, which then further leverages equity, and our estimates are that with this investment we should be able to have about \$15 billion of equity investment in the infrastructure space. That is making a lot of progress.

The third kind of intervention which I would like to mention is if we somehow can take away technological risk and make the scale so big, that allows that the commercial risks are in a way completely de-risked, the investment flows like anything. One instance - the Minister Goyal is here, who launched the LED program in the renewable energy sector, while we were doing about a one million replacement of the LED bulbs. The scale it was raised to was 77 million over a three- to four-year period. The scale was about 800 times of the one, and that changed the game completely - something which was coming to about \$7 to \$8 a bulb got reduced to about \$1 a bulb, and something which required public support to be given was completely become public requirement free. The entire program became the privately-funded.

Similar experiment now is happening in India in the solar space, where the scale has been raised to a phenomenal level of 100-gigawatt over a three to four years' period, which is succeeding like anything. It has brought down the cost of the projects in such a way that there is a tremendous competition now for the private capital to come and invest in that.

So there are ways available. There are means available. There are options available. I think what is needed is to move beyond the bankability, as we traditionally refer. The banks are a good source of finance, but banks are not the good source to mobilize the complete private capital - we'll have to think about innovatively.

Today I think if AIIB can bring together this experience which is happening all over the world, and also can mainstream in other countries, that perhaps would be the best contribution to go.

Thank you very much.

## Myanmar

Thank you, Chair. Firstly, thanks to Government of India and AIIB for organizing this third AIIB India meeting here in Mumbai.

In terms of private capital mobilizing for infrastructure, Myanmar would like to support AIIB strategy, which is devising innovative solutions that catalyze private capital in partnership with other MDBs, governments, private financiers and other partners. We also notice the AIIB's three activities for current, medium and long-term.

It is very much in line with the theme of this year "*Mobilizing Finance for Infrastructure: Innovative and Collaboration*", so we should recognize the private sectors by their role for bridging the infrastructure gap to achieve these own and sustainable infrastructure investment. We welcome AIIB's initiatives for this strategy. Thank you.

## Hong Kong, China

Thank you, Chairman. Several of our fellow governors mentioned the population growth and the challenge posed by urbanization. I'd like to just briefly share our experience with funding viable, sustainable and bankable infrastructure projects that would address the dual problems of transport and housing. This is actually based on what we have developed as a rail plus property business model.

Under this model, we do not borrow from public or private sources as such, but we will actually arrange the infrastructure project in a way that would finance itself. The key is that when we develop a new railway line, our Government provides our Mass Transit Railway ("MTR") corporation with land development rights at the stations or at the depots along the route. Now, we convert these development rights to land by requiring MTR to pay the Government for the land premium, based on the land's market value, without the railway. MTR then builds a new railway line and partners with private developers to build properties.

The choice of private property developer is made through a competitive tender process. MTR received a share of the profits that developers make from these properties. These properties of course provide residential accommodation, commercial facilities and also even office buildings. The share of the profits could be a percentage of the development profits, a fixed lump sum or a portion of the commercial properties built on the site.

By capturing part of the value of the land and the property around railway lines, the railway company can generate funds for new projects, as well as for operations and maintenance. That is why it does not need government subsidies or loans. Rather the revenues from this railway plus property developments enable them to develop actually new town and new railways.

A summary of all this is that with this rail plus property model, it generates significant financial and social benefits, excellent transit, new and vibrant

neighborhoods, opportunities for real estate developers and small businesses and also the conservation of open space.

So the whole system operates on a self-sustaining basis, without the need for direct taxpayer subsidies.

Thank you for your attention.

### **Finland**

Thank you. Thank you, Chairman, dear colleagues. I of course fully subscribe to the goal of mobilizing private capital. It is essential for fulfilling infrastructure needs.

Just wanted to touch upon a specification many colleagues already mentioned, namely PPP projects. Now, those of course have their uses, particularly for countries that have limited access to international financial markets, but they do also have their risks, which the Governor for Korea already highlighted, and I could add a few other examples from my own home country, but in the interests of time I won't.

Just say that in PPPs the devil is very much in the details. If mismanaged, they can be very expensive, and not all projects are suitable for PPP. So by all means let's make use of PPPs, but let's do it with care - and learn from the experience of others who have learned how not to do it. Thank you.

### **Canada**

Thank you very much, Chair. First of all, a warm thank you to India for the hospitality and the liquidity that's outside of the building here. We would also like to thank the AIIB for an excellent set of sessions today. I'm very pleased here today to represent Canada at our first formal meeting of the AIIB, now being a full member.

I will just make one point in the spirit of just a few minutes remaining, and that is to stress something that was mentioned by the UK and Germany already, and that is, given the consensus on the need to mobilize private capital, what are the ways we can do this?

One that was mentioned was the role of the multilateral development banks working as a whole integrated system on creating a new asset class for infrastructure, and we think that that is a very promising avenue and we think the AIIB is particularly well-placed to do so. I think for a glass half-full sense of the issue, one side is the size of the infrastructure gap, of course the other side of the glass is the amazing amount of infrastructure which will take place in Asia over the coming years that is going to be the driver of much infrastructure globally. So there's a huge opportunity there. The AIIB is at the center of that, as well with its innovative governance model, that is a moment to seize this opportunity and help lead the pack of MDBs.

Thank you very much.

### **Italy**

Yes. Thank you, Mr Chairman. Let me first of all thank the warm hospitality of the Indian authorities. It's a pleasure for us to be here in Mumbai. I want also to thank the Bank for the third Annual Meetings of this new institution, which is increasingly having a central role in the region and in the international financial architecture.

Before moving to the issue of this session, let me first say that we are proud to be shareholder of this institution and we want to commend the bank for the important results that have been achieved so far. We trust them in the Bank, and for the future we would like to see and to keep seeing this transparency and this important involvement of capitals and of the Board.

The focus of this roundtable has been right on the competitive advantages that we see already in the Bank, so thanks for this very frank and the informal discussion.

Moving to the topic of the mobilizing credit capital, this has become a mantra in all the international fora, in all the annual meetings of the multilateral development banks. But the challenges are huge. And as the eminent lead speakers of this session have already underline, the bankability of projects and the standardization of projects are of course the key to attracting the huge amount of liquidity among institutional investors.

So we see a role for the Bank, but it's a role that it's very much depending on the characteristic of projects. If the project is bankable, it's of course easier to have a mitigation risk role, but probably less, in terms of financing, because you can attract more private capital. There could be probably less additionality then for projects that are not bankable.

We would like to see the Bank to continue and to look at all these also not bankable projects, because it's of course important for the development impact to achieve and to reach the most rural areas, so the most remote people are equipped both with hard and soft infrastructures.

At the same time, for the bankable projects we would like to see the Bank starting with all the other multilateral development banks, as has been underlined [with the due to any works], but also the MDB's taskforce. How to, for example, reduce in the regulatory - I would say in the rating agencies' evaluation, the way they attach to the credit announcement, and all the venues that can be taken to increase the standardization and the bankability of projects as the principles cited by the Minister Hammond and all that due to any works mentioned by the others before my intervention.

So we are very happy that the AIIB has signed memorandum with the African Development Bank, with the Inter-American Development Bank, because this is important to share experiences and to share best practices, but also to make some changes in this respect.

Thank you.

## STATEMENTS FROM THE BOARD OF GOVERNORS

### Australia

I would like to thank the Government of India for hosting this meeting and the people of Mumbai for their hospitality.

Global economic growth has continued to strengthen and appears more sustainable, with the drivers of growth becoming increasingly broad-based. In 2017, the global economy grew at its fastest pace since 2011. Growth has been widespread and the global cycle is better synchronized than it has been for some time. The economic momentum is expected to carry into the near term, before slowing in some regions as major advanced economies push up against capacity constraints.

Strong global outcomes have been buoyed by increased business investment and industrial production, and there has been an upswing in global trade volumes, especially in Asia. The Asia Pacific region is central to the growth of the global economy. By 2030, Asia stands to deliver nearly two thirds of global growth. Addressing the region's infrastructure needs will be central to ensuring the region fulfils its growth potential. The AIIB can play an important role in support of delivering on this opportunity.

The AIIB has achieved a great deal over the past two years. It has a growing portfolio of investments. It has established productive co-financing arrangements with multilateral development banks, and has secured a 'AAA' rating, with sound prudential, governance polices and operating systems.

I would like to highlight seven priorities for Australia.

First, the recently agreed Accountability Framework is a significant innovation with the potential to lead the way for others in enhancing the quality of MDB governance. If implemented effectively, the Framework will allow Management to efficiently progress low risk projects that meet the Bank's lending criteria, leaving the Board to focus its consideration on higher risk projects and on setting and monitoring the Bank's strategies and policies. While driven by the practical realities of a non-resident Board, it has the potential to address issues relating to the distinctions between accountability for strategy/policy and operations that apply at all the MDBs.

However, both Board and Management need to remain committed to fulfilling this potential and considerable further work will be needed to operationalize key elements of the framework. In particular, we look forward to the Bank establishing an oversight mechanism to provide further Board assurance that approved policies are being fully and properly implemented. And we look forward to working with other members and Management to develop a comprehensive Results Framework covering all of the Bank's strategies and investments.

In this context, we welcome the Results Monitoring Framework for the Energy Sector Strategy. It is now for the Bank to implement the Energy Strategy across the entire energy mix – lower emission fossil fuel energy generation as well as renewables – to help borrowing countries meet Paris Agreement commitments and energy access goals. Management public communications need to accurately reflect and reinforce Bank policies, which direct Bank investments to meeting the diverse needs of countries in the region.

Second, the AIIB has an opportunity to play a leading role in promoting good practice standards in infrastructure financing and development in the region. AIIB projects should help build capacity and lift the national standards of borrowing countries in project design, safeguards, procurement and life cycle asset maintenance. This will help ensure that all infrastructure investment, and not just that financed by the AIIB, brings positive economic and social benefits.

Third, we urge the AIIB to continue building its capacity and comparative advantage in mobilizing private sector investment. The Bank's strategy on mobilizing private sector capital provides a sound basis for the AIIB to progressively engage more with the private sector. We strongly encourage the AIIB actively to seek out projects with potential to engage private sector finance and leverage commercial co-financing to bridge the infrastructure deficit. In time, we would like to see the Bank establish partnerships with institutional investors, including through third party funds, better to channel private finance into emerging market infrastructure.

Fourth, Australia encourages the AIIB to continue to strengthen its partnerships with other multilateral development banks and multilateral forums, including the G20, in support of the strategic priorities agreed by the Board of Directors. Effective cooperation and coordination will maximize the Bank's comparative strengths and lead to better infrastructure financing outcomes. The AIIB is already an established co-financing partner with other banks. We encourage the AIIB to continue these arrangements, while working with the multilateral development banks to harmonize standards and practices, and to support the G20 Infrastructure Working Group agenda, including the establishment of an emerging market economy infrastructure asset class.

Fifth, we call on the AIIB to be a leader in mainstreaming inclusive policies through its investments and in its corporate management. Infrastructure must meet the needs of the communities in which it is delivered, including women and those with disabilities.

Sixth, as the Bank's membership expands to include a number of Pacific island countries, we encourage Management to engage with the Board of Directors on how best the Bank can assist these very small countries, whose unique challenges are compounded by geographical isolation and high risks of natural disaster.

Finally, we underscore the importance of the Bank continuing to build its staff capabilities. It is crucial that it has the skill base and resources to ensure the quality of its expanding sovereign and non-sovereign operations, consistent with the robust policies and strategies we have agreed.

Through these formative years the structure and strategies of the Bank lay the foundation for the AIIB to become an effective multilateral institution into the future. Australia will continue to work with the AIIB to improve the lives of the billions of people in the Asia region.

### **Austria**

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

It is a pleasure for me to attend this third Annual Meeting of the Asian Infrastructure Investment Bank (AIIB) here in Mumbai and I sincerely thank the Government of India and the City of Mumbai for hosting this well-organized event.

In its third year of operations AIIB is no longer a newcomer. It is already a well-established and respected international financial institution that contributes to the development of Asia and the improvement of the lives of its people. As a founding member Austria is proud of what AIIB has achieved in such a remarkably short time and we are also proud that we were and are part of this endeavor. It has, indeed, been an exciting adventure.

Let me mention only a few of the major milestones that were completed in the course of last year. First of all, AIIB received a Triple-A credit rating from the three major rating agencies – a remarkable accomplishment for an organization with almost no track-record at that time. We see this as a strong signal of the joint commitment to create a well-capitalized institution. We congratulate management and staff and will support their efforts to maintain such a rating. Second, AIIB further shaped its strategic focus by producing groundwork documents such as the Strategy on Financing Operations in Non-Regional Members and the Strategy on Mobilizing Private Capital for Infrastructure. Moreover, work on further sector strategies, such as the Sustainable Cities Strategy, is well underway. We consider it to be important to further pursue these efforts. Third, AIIB has considerably grown over the last year and now has 64 Members and 22 Prospective Members from all over the world, an impressive success story for such a young organization. It will be critical to fully integrate these new Members into the governance of the Bank.

But, at the same time, much still needs to be done to acquire the level and standards we all strive for with this institution. For Austria, raising transparency and accountability to an even higher level is a priority. This is particularly important, considering that project approval authority for the vast majority of projects was delegated to the AIIB President earlier this year. It is essential, that the various elements of the so-called Accountability Framework are in place before this decision will come into effect. In that regard the establishment of a clear, transparent and comprehensive Public Information Policy and independent Project Affected People's Mechanism is a strong priority. Moreover, the Bank needs a Non-Cooperative Jurisdiction Policy and we feel that more work is needed in relation to compliance and integrity, including on

how different actors within the Bank work together. Also, the establishment of an appropriate evaluation function that has the right tools for AIIB to become a learning institution and turn potential failure into success should be a priority. In addition, the development of a Bank-wide corporate strategy, jointly by management and both Boards, and the creation of a results measurement system are major tasks yet to be accomplished, which will help AIIB to become a high-class effective and efficient institution. In this context we also place great importance on ensuring a high development impact of AIIB projects. Finally, the buildup of an open and diverse staff culture, not only reflecting AIIB's many member countries but also gender, age and family status, should be a priority issue for all of us.

For Austria, this is a particularly important point in time as we are, not only, about to take over the Presidency of the Council of the European Union but also the Chair of the Euro Area Constituency within the AIIB. We are very excited and ready to take on both responsibilities. We are also determined to strongly engage with other members of the Bank, management and staff in order to jointly and constantly advance and improve this organization.

Let me conclude by offering President Jin, AIIB's management and staff Austria's appreciation for their continued dedication and hard work.

## **Azerbaijan**

Dear President,

Dear Chairman,

Distinguished Governors and Alternate Governors,

Dear Guests,

Let me express my high respect and deep gratitude to the Government of India and the team of Asian Infrastructure Investment Bank for the excellent organization of the 3rd Annual Meeting of the Board of Governors of the AIIB and hosting us here, in Mumbai.

Due to the important government event to be held in Baku these days, Mr. Shahin Mustafayev, Minister of Economy, AIIB Governor for Azerbaijan could not participate in BOG's Annual Meeting, thus, it is my pleasure to convey Mr. Mustafayev's sincere greetings to you.

We highly appreciate AIIB's activities for the expanding of its operations in the member states, as well as increasing the number of its regional and non-regional members. It is admirable fact that while the number of AIIB members was 57 as of the end of 2016, it reached 84 at the end of 2017 and some new states applied in 2018 as well. The applications of Kenya and Papua New Guinea were already approved by the Board of Governors.

We can see from the Bank's Annual Report that the Bank achieved its targeted lending program for 2017, approving USD 2.5 billion for 15 projects. As of March 2018,



the Bank has approved 24 projects totaling USD 4.3 billion, 77% of which is sovereign-backed financing, while 23% is non-sovereign financing. The energy sector constitutes the largest share with 47%, followed by the transport sector with 27%. Let me mention that Azerbaijan's share in the Bank's total investment amount reaches 14%, by borrowing USD 600 mln for TANAP project. We have already disbursed all this amount and hope that AIIB will support us further if needed.

It is notable fact that the AIIB started to use its Project Preparation Special Fund in 2017 and two projects were already approved: one for Sri Lanka in the amount of USD 0.7 million and one for Nepal in the amount of USD 1 million.

Furthermore, we appreciate that the Bank continued to formulate its sectoral Strategies. The Energy Sector Strategy was approved, while Transport Sector and the Sustainable Cities Strategies are expected to be approved until the end of this year.

Dear President,

Ladies and gentlemen,

Taking this opportunity I would like to inform you briefly on the economic reforms carried out in Azerbaijan and to encourage AIIB to investigate opportunities in financing private sector development of the country.

Targeted economic policy allowed Azerbaijan to improve economic infrastructure, develop private sector, reduce poverty, and strengthen economic security and state administration.

Series of reforms focused on enhancing the business environment, fight against corruption and reduction of bureaucracy, namely the suspension of state inspections of business operators, increasing the efficiency of public services, simplification of licensing and customs procedures, modernization of tax system, introduction of investment and export promotion mechanisms significantly contributed to sustainable economic development and diversification of national economy.

To enable sustainable growth, the Strategic Road Maps for the development of priority sectors were put in action. We already applied to some IFIs to support us in the implementation of the tasks set forth in the Strategic Road Maps. Currently, we commence a work with ADB and EBRD team on the identification of possible cooperation areas.

Azerbaijan successfully transformed itself into a regional transport hub and logistics centre through the development of the East-West and North-South transport and transit corridors. Through the established Transit Coordination Council transportation services and transit corridor performance have been improved significantly. Within a short period, the number of procedures for transit was decreased, the costs for certain types of transit services were reduced by 40%, and as a result, the volume of transit freight in 2017 was increased by 81%.

In the field of business and investment promotion, we strengthened various important support mechanisms and launched new projects. Nowadays, 5 industrial parks operate in Azerbaijan offering their residents attractive incentives. Over \$2.5 billion was already invested in industrial parks by residents and more than 11,000 new

jobs were created. In the next few years, it is expected that more than \$1.1 billion will be invested generating 7,500 more jobs. Moreover, four industrial zones were established in four priority cities, hosting production facilities in the fields of automotive industry, agricultural installations, polyethylene pipes, modular school buildings, fish feed and other important areas. The plan is to establish industrial zones in all regions of the country. On this note, we encourage the Bank to consider support for the private sector projects in industrial parks and zones.

Development of small and medium sized business is another priority area in our agenda. In order to support small and medium-sized businesses, enable better environment for their operations, ensure integrated approach in SME development policy, the Small and Medium Entrepreneurship Development Agency under the Ministry of Economy was established in 2017.

A number of measures have been taken in the field of tourism. The country's related infrastructure has been modernized, the preferential loans are granted to SMEs operating in the field of tourism, tourism related activities have been removed from the list of activities requiring licenses, the new hotels and hostels were constructed and the old facilities were repaired, a Tourism Portal, namely "www.azerbaijan.travel" covering a vast database of tourism potential of the country was launched, the State Tourism Agency was established. Azerbaijan introduced one the simplest visa systems worldwide, offering foreign visitors the advantage of electronic visa. Currently it takes about 3 hours to acquire a visa.

As a result of taken measures the value added in tourism has grown about 5 times in last decade, the number of operating hotels and hotel-type facilities reached to 563. Over the period of past 10 years the number of foreign tourists visiting the country has grown more than 3 times, and in 2017 it has grown by more than 20%. According to the World Economic Forum's "The Travel & Tourism Competitiveness Report 2017" Azerbaijan ranked at the 2nd place among 15 reformer countries.

Undertaken reforms and their achievements have been also highly appreciated by the prestigious international institutions. According to the World Economic Forum's "Global Competitiveness Report 2017–2018", Azerbaijan ranked 35 worldwide maintaining its leading position among CIS countries for nine consecutive years. Azerbaijan ranks 57th among 190 countries and was one of the three most reforming European and Central Asian countries in the Doing Business 2018 report published by the World Bank.

In 2017, Azerbaijan continued to implement large regional projects. Along with other international financial institutions, AIIB made significant investment in the Southern Gas Corridor, namely in the Trans - Anatolian Natural Gas Pipeline (TANAP) which will play a key role in diversifying the EU's energy sources and improving the security and diversity of the energy supply to Europe and Turkey. TANAP was inaugurated on June 12, 2018. The opening ceremony was attended by the Presidents of Azerbaijan, Turkey, Ukraine, Serbia, ministers and officials of other countries.

Last year we celebrated opening ceremony of one of the biggest regional projects - Baku-Tbilisi-Kars railway and “the North-South Transportation Corridor”. Both projects will connect Asia and Europe and contribute to the economic revival and prosperity of the region. These projects are successful examples of Azerbaijan’s contribution to regional cooperation.

However, regrettably we must stress 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 are occupied by Armenia, and 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.

Taking the advantage of this opportunity, I would also like to inform you that on May 22, 2017 Azerbaijan officially nominated Baku to host the World Expo 2025. Support of AIIB member countries to Azerbaijan’s bid under the theme “Developing human capital, building a better future” could contribute not only to the development of Azerbaijan but also to our region at large.

Last but not least, I would like to thank AIIB for its contribution to our economy through financing of TANAP and wish another successful year for the Bank and its team.

Thank you.

## **Bangladesh**

Distinguished Chair, Governors, Alternate governors, panelists, Excellencies, Ladies and Gentlemen,

Mobilizing financing for infrastructure means many things, each an important component of the whole. It means we must mobilize domestic resources. We have to mobilize international financial resources. We need to harness the role of the private sector in financing infrastructure and to maximize the use of innovative financing sources and mechanisms. Working together, these components will help increase trade capacity and investment to help create good jobs and drive economic growth-with the resulting benefits of reductions in poverty and increases in shared prosperity.

Improving Domestic Resource Mobilization and reducing Illicit Financial Flows are central to enabling countries, communities, and individuals to benefit from economic activity. I’d like to elaborate a bit on these two components.

Increasing tax revenues in developing countries is critical to ending extreme poverty and boosting shared prosperity. There is increasing evidence that countries with tax revenues below 15 percent of GDP have difficulty funding basic state functions.

In the face of the growing momentum, in April 2016 the IMF, the OECD, the UN, and the WB launched the Platform for Collaboration on Tax, which aims to intensify cooperation on tax issues, with a view to strengthening their capacity-building support for developing countries.

Ultimately, if countries can create jobs, formalize the economy and drive economic growth, they will maximize Domestic Resource Mobilization. This is particularly relevant in developing countries, which suffer from high rates of unemployment and informality.

Another important component will be partnerships involving all development players, including the private sector. These partnerships will be key to scaling up the financing needed for industrial infrastructure and projects.

If commercial financing is available, that is the preferred course. If commercial financing is absent, we will utilize risk instruments and our own matching capital to try to encourage private investment. Finally, if these fail, then, if absolutely necessary, public and concessional financing will be used.

In addition to the mobilization of private finance, I want to share with you two new innovative financing avenues-one is finance in green climate fund and other is SDG-link bonds. The World Bank raised its first bonds linked to SDGs which could be followed by AIIB.

AIIB could also support countries in efforts to maximize the benefits of to emphasize the importance of enhancing the foundations and main pillars of the financial sector, namely: (i) consumer protection; (ii) financial literacy; (iii) effective and well-coordinated regulation; and (iv) market development and innovation. Through this, we can be more confident on the role of the financial sector in mobilizing savings and promoting investment efficiency.

Finally, the impact of maximizing financing for development has to be felt at the local level, where people receive vital goods and services to live and thrive – in areas such as health, education, water, job training, and infrastructure. AIIB could work with many partners in the localization of implementation of the SDGs, tailoring interventions to the needs of townships, cities and regions.

We look forward to continuing the joint work with AIIB to support governments, the private sector, and other key stakeholders in the promotion of inclusive and sustainable development by mobilizing finance in infrastructure.

Thank you very much.

### **Brunei Darussalam**

Your Excellencies, Chairman of the Board of Governors, Fellow Governors, President of the Asian Infrastructure Investment Bank, Distinguished Guests, Ladies and Gentlemen,

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. Arun Jaitley, Minister of Finance, India as Chair of today's Meeting as well as the Government of the Republic of India for hosting the 3rd Annual Meeting of the Asian Infrastructure Investment Bank (AIIB) and for the warm welcome to this vibrant and bustling city of Mumbai. We would also like to thank His Excellency Mr. Jin Liqueun, the President of AIIB and his team for the excellent meeting preparations.

Mr. Chairman and fellow Governors,

Since its establishment three years ago, the AIIB has made a number of significant milestones. Amongst others, the AIIB is now globally recognized with its expanding membership, approved project financing reached over US\$4 billion, have put in place a number of fundamental operational policies to ensure the AIIB runs smoothly, and we are nearly reaching our target authorized capital of \$100 billion. We commend the good work done by the AIIB on addressing the region's infrastructure needs so far and encourage the AIIB to continue down this path. With infrastructure development needs increasing to an estimated US\$26 trillion through 2030, multiple global players are needed to fill in the financing gaps. This is why this year's theme of Mobilizing Finance for Infrastructure: Innovation and Collaboration is fitting and timely in giving us the opportunity to discuss this matter here today. So allow me to share a few points on this:

Firstly, one important source of infrastructure financing is from Foreign Direct Investments (FDI). There strong correlation between FDIs and infrastructure development is apparent. The infrastructure needs of the FDIs in Brunei Darussalam have partly contributed to our national infrastructure developments. For example, to ease operations of certain FDIs in Brunei Darussalam, roads and bridges have been built to increase connectivity. These types of infrastructure spillover from FDIs coming into Brunei Darussalam are beneficial to not only the FDIs but also to us. Having said that, any investments must meet the risk and return appetite for investors. Hence, it is important for us to put on the table projects that are bankable to attract financing from foreign investors. Brunei Darussalam have pinpointed certain sectors towards developing out national infrastructure agenda, such as:

- Ports infrastructure – where our joint venture with private companies seeks efficiency and better service to support import and export activities for the purpose of operating and managing our ports;
- Power sector – where we are looking at corporatization of electrical services, investment into asset rejuvenation to improve reliability of our power system; and
- Telecommunication sector – where everything is government-owned and we are exploring a new structure to optimize efficiency, provide higher speed network, wider coverage and capacity, as well as ultimately providing services and products that are value for money for consumers.

Secondly, it is important to Brunei Darussalam to ensure that we attract international private sector players into the country. Brunei Darussalam have taken

initiatives to create conducive environment for domestic and international businesses, such as the FDIs, to grow. This includes undertaking Ease of Doing Business reforms to ensure open, transparent, pro-business and pro-investment local business environment to attract more FDIs into the country such as:

- Establishment of the Business Support Centre in April 2016 to facilitate the operations of both domestic and foreign SMEs and investors.
- Reduction of import and excise duties on several items for certain business sectors such as industrial machinery and spare parts for heavy vehicles effective, 1 April 2017, to encourage private sector development.
- Implementation of the e-Darussalam project, which includes the online Business Licensing System (BLS).
- Exempting some businesses from having to apply for business licenses under the Business License Act effective 1 January 2016.
- Enforcement of Brunei Darussalam Accounting Standards (BDAS), effective 1 January 2018.
- Streamlining our bureaucratic processes and strengthening our legal as well as our tax structures to ensure a more enabling business environment and regulation.

These initiatives have contributed to easier running of businesses in Brunei Darussalam. We have also seen increase in the number of collaboration with the private sector. To date, Brunei Darussalam hosts over 20 FDI projects in areas of downstream oil and gas, business services such as logistics, halal manufacturing of food, cosmetics and pharmaceuticals. In the long term, we are looking to expand collaboration with the private sector in these areas to further create job opportunities for the locals and stimulate the local economy.

Thirdly, we would like to encourage the AIIB to continue employing quality talents. This is to ensure that the AIIB remains relevant and competitive in the global market. Most importantly, we would like for the AIIB to be ahead of the curve alongside other multi-development banks. With the right talent, the AIIB will be able to search for, and tap into innovative solutions for financing the region's infrastructure needs. This can mean a combination of financing methods such as through acquiring private funding or through collaboration with other multi-development banks who share the same objectives as the AIIB. Besides that, with a strong human resource unit, the AIIB will be able to carry out projects with better planning, management and execution. Additionally, in the era of modern technology, it is also encouraged that the AIIB utilizes the vast technological advancements to be used to the AIIB's advantage.

Lastly, for the AIIB put emphasis to assist smaller and less developed economies in terms of infrastructure development. This is so that all members are given the opportunity to benefit from funds available in the market. Multi-Development Banks play an important role in helping these economies to attract and expand potential investors, and thus increasing financing from the global market. Wherever possible, the AIIB may also provide expertise to teach smaller member states to showcase and build

projects that are viable and bankable. This can be a start for the smaller and less developed countries to develop or to continue to advance their national infrastructure development agenda.

Mr. Chairman, and esteemed Governors,

With that, let me conclude by acknowledging the AIIB's achievements under His Excellency Mr. Jin Liqun's leadership in the pursuit of minimizing the infrastructure financing gap in the region. With the main aim of strengthening its operational efficiency and long-term sustainability against the ever changing and volatile global environment, we hope the AIIB will continue build upon these achievements and continue to be a reliable partner for the region. We too look forward to working with the AIIB in moving forward our national infrastructure development agenda and to enhance our connectivity in the global value chain.

Thank you.

## **Cambodia**

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

It is my honor to represent the Kingdom of Cambodia to participate in this 3rd Annual Meeting of the Board of Governors of the Asian Infrastructure Investment Bank (AIIB). I would like to express my sincere appreciation to the Government of the Republic of India for hosting this meeting in Mumbai, the financial, commercial and entertainment hub of the country. Indian hospitality has indeed warmed the hearts of my delegation.

Mr. Chairman,

It has been three years since the representatives of the Bank's Founding Members signed the Articles of Agreement on June 29, 2015 with a shared vision to create AIIB as a multi-lateral financial institution, a 21st century bank that can tackle new challenges and meet the existing and emerging needs of its broad membership. It is more than two years since we gathered to launch the Bank on January 16, 2016. Today, the Bank has successfully established itself with a lean and effective organizational structure and put in place rules and procedures, by-laws, lending policies and regulations which have enabled it to start lending operations so quickly. I highly commend President JIN, his management team and the Board of Directors for successfully steering the AIIB to the operational stage and for the brilliant results as demonstrated by the lending portfolio of USD 4.25 billion as of March 2018.

However, the realization of the Bank's Charter requirement to give special regards to the needs of its less developed members remains subdued. Cambodia has been advocating consistently for high concessional lending and grants to the less developed

member countries and urged the Bank to complete the formulation and adopt the special rules and regulations for the establishment of the Special Fund for this purpose.

All lending operations of the Bank are thus far focused on member countries that have the ability to absorb terms and conditions for ordinary operations. The lack of progress in developing the concessional window for less developed countries, like Cambodia, is a matter of concern. Cambodia and other member countries in a similar situation, I believe, highly expect the Bank to provide financing for our development on concessional terms when the provision of the Special Funds was included in the Bank's Charter.

While the Special Fund of USD \$50 million has been established with the kind contribution of the People's Republic of China for providing grant for the preparation of projects, less developed members have not yet benefited from such grant in the absence of concessional lending window.

Cambodia, therefore, urges the Bank to accelerate the development of concessional lending and technical assistance and secure additional resources for Special Fund to meet the special needs of the less developed members. It is our hope that concessional lending will be made available beginning from 2019.

I would like to conclude by, once again, thanking the Chairman and the Government of the Republic of India for successfully hosting the 3rd Annual Meeting of the Bank, and President JIN and his team for making excellent arrangements for the meeting.

## Canada

On behalf of Canada, I would like to thank the Government of India for hosting the third Annual Meeting of the AIIB. Canada formally joined the AIIB in March 2018, and we are pleased to be participating in this year's Annual Meeting as a full member. In addition, we would like to warmly thank and congratulate President Jin and the AIIB staff for a successful first two full years of operation. We look forward to working closely with the AIIB and its member countries.

Canada would like to highlight three priorities related to the theme of mobilizing finance for infrastructure: innovation and collaboration.

**First, the role of MDBs as a system in mobilizing private capital** – MDBs collaborating as a system can achieve transformational outcomes that could not otherwise be realized by these institutions acting alone. We recognize that, in certain areas - such as: mobilizing private capital for development; and enforcing environmental, social and governance standards - the whole can be greater than the sum of its parts. We call on the AIIB to continue to work with other MDBs in areas where a systemic approach can be transformational, such as the G20 agenda on infrastructure and the creation of an emerging markets asset class recognized by private investors. At the Charlevoix G7 meeting, leaders committed to support innovative financing



approaches to achieve greater sustainable development outcomes and we see this as an opportunity for the AIIB to work with other MDBs.

**Second, gender equality** – Through its Feminist International Assistance Policy, Canada has committed to promote inclusive and sustainable economic growth globally. Our own analysis suggests that gender inequality cannot be adequately addressed without addressing gender issues in infrastructure. Infrastructure is not, de facto, gender-neutral. Women can be disproportionately affected by inadequate infrastructure, including by restricting their ability to participate in economic opportunities. For example, if public transit systems are not designed with well-lit and safe waiting areas, women would be less inclined to use the transit infrastructure. Investment in infrastructure needs to be deliberate about incorporating gender analysis at the design stage if it is to help foster economic empowerment and gender equality for all. We appreciate that the AIIB must focus its resources strategically as a new and growing player. However, we would challenge the AIIB, as a modern and forward-looking institution, to ensure that we are investing in projects and policies that contribute to gender equality and an inclusive and sustainable global future.

**Third, business model innovation** – Canada values the AIIB’s objective of being “lean, clean, and green”. We are supportive of innovation that modernizes the MDB business model and continues to keep multilateralism relevant in the 21<sup>st</sup> century. The AIIB should invest in a manner that supports the implementation of the Sustainable Development Goals and the Paris Climate Agreement and operate in a manner that helps facilitate working alongside the private sector.

## China

It is my pleasure to attend the Third Annual Meeting of the Board of Governors of the Asian Infrastructure Investment Bank (AIIB) in Mumbai. I would like to thank the Indian government and AIIB for their thoughtful arrangements, and extend my warmest congratulations and welcome to new members who have joined the AIIB family since the Second Annual Meeting.

2018 represents a key transitional year in AIIB’s first five-year start-up phase. At present, while a new round of technological and industrial revolution is sweeping the world, countries attach greater importance to the role of infrastructure in promoting social and economic development, and international development cooperation is facing new opportunities and challenges. Against this backdrop, this annual meeting, with the theme of “Mobilizing Finance for Infrastructure: Innovation and Collaboration” is highly relevant and of great significance.

Faced with the profound changes in the global political and economic landscape, Chinese President Xi Jinping calls for building a community with a shared future for mankind. He emphasizes extensive consultation, joint contribution and shared benefits in global governance to make economic globalization more open, inclusive, balanced and beneficial to all. As a new member of the global multilateral development

architecture and a new platform for building a community with a shared future for mankind, AIIB should continue to operate at the international high standards, keep innovating while learning from good practices, and strive to build a comprehensive and close partnership, thereby contributing to common development in Asia and implementation of the 2030 Agenda for Sustainable Development and the Paris Agreement on Climate Change.

We are pleased to see that since the Second Annual Meeting, thanks to the huge support of all parties, AIIB has achieved remarkable progress. The Bank was awarded the AAA rating by all the three major international rating agencies, built a family of 86 members with more to come, and realized another major governance innovation by delegating project approval authority to the Management. These hard-won results demonstrate, once again, the solidarity and firm commitment of all parties to jointly build AIIB into a new multilateral development bank of the 21st century.

The ever-expanding membership profile as well as the different development stages and diversified needs of members require that the Bank deliver on its mandate with greater effectiveness. Here I would like to share my expectations for AIIB's future development.

First, focus more on aligning with development strategies of client countries to meet diversified development needs.

While emerging market economies and developing countries are in urgent need of filling up infrastructure gaps, they are also facing a historical opportunity to catch up with the trend of digital and smart infrastructure and achieve leapfrog development. AIIB should further align its key strategies, policies and business plans with global and regional cooperation initiatives such as the Belt and Road Initiative as well as development strategies and programs of client countries to offer diversified products and services that are tailored to their needs and bring benefits to more members. The Bank should strengthen consultation with client countries when formulating key strategies, policies and business plans. The Bank should also stay close to the technological frontier and proactively apply new technologies, new industries, new forms and models of business to project design. This includes leveraging innovative tools such as big data and cloud computing to improve project management, and further enhancing efficiency, quality and value addition.

Second, build more comprehensive partnership and effectively mobilize private sector finance for infrastructure.

The private sector plays an important role in infrastructure financing. Self-driving technology, smart transportation system, distributed energy system and internet of energy provide opportunities for the private sector to invest in infrastructure and make profits. AIIB is encouraged to fully implement its Strategy on Mobilizing Private Capital for Infrastructure. To support this effort, AIIB needs to focus on project design, establish proper risk-sharing and revenue compensation systems through innovative financing, and crowd in the private sector through tools such as PPP, guarantee, credit

enhancement, equity funds, and asset securitization, and maximizing its catalytic role as a new multilateral development institution.

Third, promote sharing of development experience and inject new vigor into international development cooperation.

AIIB is a platform not only for financing but also for knowledge and experience sharing. We hope that AIIB can tap into the Project Preparation Special Fund for greater impact on project performance. This will include drawing on members' experience in implementing infrastructure and sustainable development projects to help members better explore development paths that are in line with their national circumstances. A successful combination of financing and knowledge cooperation will maximize the development impact. During this process, AIIB should further consolidate and deepen comprehensive cooperation with multilateral and bilateral development agencies, contribute to the collective effort of multilateral development banks and jointly enhance international development cooperation.

This year marks the 40th anniversary of China's reform and opening-up. As an integral part of reform and opening-up, cooperation with MDBs such as the World Bank Group(WB) and Asian Development Bank (ADB) has contributed greatly to China's economic and social development. As China has experienced a transition from high-speed growth to high-quality development, we will conduct mutually beneficial cooperation with the WBG, ADB, AIIB and New Development Bank and other MDBs at a higher level. China will continue to play its role as a responsible major country, actively participate in global economic governance reform, and continue to contribute Chinese wisdom and strength. China will, as always, support AIIB's development, and work with other members to jointly support AIIB in its efforts to make new and greater contribution to infrastructure connectivity and sustainable development in Asia and beyond.

## **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 India for hosting this event in Mumbai and the warm hospitality towards all guests.

The need for infrastructure financing in Asia is huge. Asia is urbanizing at an unprecedented scale and speed. At the same time climate change poses challenges that need to be responded to. I am pleased to note that AIIB is preparing its strategy for sustainable cities, because this is an area where AIIB can make a difference. Collaboration with members, partners, promoters and peer MDBs is crucial.

However, public money alone is not sufficient to fill the financing gaps. It is of utmost importance to crowd in the private sector by creating bankable projects, where AIIB can play the role of anchor investor. 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. I note also with satisfaction that “*Mobilizing finance for infrastructure: Innovation & Collaboration*” is the theme during the round table discussions here in Mumbai.

In this connection I wish to underline the importance of applying highest standards in all policies and operations. Adhering to best practices, to highest environmental and social standards, to a transparent and timely communication as well as addressing possible concerns of projects affected people in an adequate and effective way, will contribute to further strengthen the reputation of the AIIB as the multilateral of the 21st century. At the same time private investors can rely on AIIB as provider of quality stamp in large infrastructure projects.

Let me now turn to another point relating to the financial sustainability and leanness of the Bank. I am pleased to note that AIIB has already during its second year of operation achieved a triple A rating from all major rating agencies. I welcome the aim of President Jin to build a financially sustainable institution without the need for capital replenishment. In this context I want to stress the importance of an adequate loan pricing, while at the same time providing the clients with attractive rates passing on the funding benefits of the Bank’s triple A rating.

I welcome the accession of new members to the Bank. The continued interest for the Bank from countries around the world underlines the relevance and attractiveness of the AIIB.

The Bank’s staff has achieved significant milestones during the first years of operation. In order to further extend the operational activities, it is vital to have a skilled and motivated staff on board, while still keeping the Bank lean and efficient.

Let me conclude by wishing President Jin and all management and staff of AIIB all the best in advancing the AIIB’s mission. Finland is fully committed to support the Bank in its future challenges.

## **France**

France would like to convey its warmest thanks to the Indian government and to the city of Mumbai for hosting this third AIIB Annual Meeting.

We very much appreciate the hard work done by AIIB staff and management since our last Annual Meeting. We are very pleased to see their strong commitment to consolidate the collective effort to build a multilateral development bank that can respond to Asia’s need for infrastructures in a sustainable, inclusive and efficient way. After two years of operational work, the Bank has already approved a significant number of projects and established important policies. France is committed to maintaining the strong dialogue that has been sustained for two years between the Board and the Management. These discussions between the Bank and its shareholders are fundamental to collectively set the means to our ambitions, and we share the

responsibility to build up policies and strategies that will shape a Bank that will live up to its “lean, clean and green” motto, with transparent governance, sustainable projects, responsible investments and cost-efficiency.

Among the policies approved this year, the Accountability Framework is key. Given the very large scope of the delegation authorized by shareholders, the most strategic policies and strategies should be in place as soon as possible to guarantee a comprehensive operational framework. In particular, before the Accountability Framework enters into force, we should agree on *(i)* an improved reporting and follow-up framework regarding projects, *(ii)* a policy on Non-Cooperative Jurisdictions, *(iii)* a clearly defined compliance mechanism, and *(iv)* and an ambitious Public Information policy. These policies and processes are necessary to forge the credibility of the Bank as a young but robust Multilateral Development Bank. We are confident, for instance, that the Bank’s openness and transparency with the consultation of civil society for the Public information policy will be rewarded.

France strongly supports the definition of an ambitious strategy for sustainable cities and promotes the integration of climate as a cross-cutting issue in the operational framework of approval for projects. We encourage the AIIB to keep prioritizing sustainable development and sustainable infrastructures as a key challenge, both at the strategic and operational level.

It is important for the Bank to commit to an ambitious pathway toward low-carbon and climate-resilient project developments, in line with the objectives of the Paris agreement. In that regard, a constant dialogue between the Bank and all the countries in the region will be a strong support to foster the increase of the ambition and support better NDCs (nationally determined contributions) in recipient countries.

As a conclusion, France is confident in our collective capacity, Board and Management, to build up a Bank that will deliver good projects and efficient support for the sustainable development of Asia. We know that some challenges remain ahead as the Bank still has to define important strategies and processes, but we are convinced that this process will allow the Bank to better tackle the needs of the region and help shaping the future of Asia by reducing the infrastructure gap and thus sustaining development.

## **Georgia**

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

Let me thank the Asian Infrastructure Investment Bank (AIIB) management and the Government of India for planning and hosting this year’s annual meeting in Mumbai, India.

As the second shareholder and founding member of AIIB, India has played an important role in achieving the Bank's objectives.

During the three years of operation the bank showed real success and continues fast progress by extending its boundaries and accepting new members. The bank's commitment to openness, transparency, independence and accountability has enable AIIB to foster sustainable economic development, improve infrastructure connectivity, promote regional cooperation. By investing in sustainable infrastructure and other productive sectors today, establishing a commonly shared corporate culture, better connecting people, services and markets that over time AIIB will impact the lives of billions and help build a better future.

The bank has already showed real success by investing in different projects for infrastructure and environmental improvement across Asia. I am sure more interesting projects will be implemented with AIIB financial support in the nearest future in the Bank's member countries.

The theme of our meeting – “Mobilizing finance for infrastructure: innovation & collaboration” is a very significant theme as we have learned many lessons that sustainable infrastructure creates prosperity in all sectors. Mobilizing finance for infrastructure means that we have to mobilize international financial resources and match innovative finance to critical infrastructural needs; we need to tie the role of the private sector with the public sector in financing infrastructure, and to maximize the use of innovative financing sources and mechanisms. Working together, these components will help increase trade capacity and investment to help create jobs and drive economic growth - with the resulting benefits of reductions in poverty and increases in shared prosperity.

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. It went through the remarkable process of transformation led by major institutional and structural reforms with the objective to build new independent democratic Georgia. We have reached tremendous success and tangible results in terms of building democratic institutions, rule of law, efficient governance and building business environment. Georgia is number nine in World Banks Doing Business ranking, we are number five in Open Budget Index, and we rank in World Bank Governance indicators among EU countries.

These indexes confirm our aspiration to become economically stable country and to create desirable investment environment.

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.

We have a quite important pipeline of projects planned over the next few years, which includes urban transport, water and wastewater infrastructure, roads, energy, etc., in terms to implement our Four Pillar 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. One of the important components of our future work will be partnerships involving all development players, including the private sector. These partnerships will be key to scaling up the financing needed for industrial infrastructure and projects.

In this context AIIB support will be crucial in implementation of it in terms of providing financing. We look forward to continuing the joint work with AIIB and other IFIs to support governments, the private sector, and other key stakeholders in mobilizing finance for infrastructure and achieving our mutual objectives.

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 brings us more beneficial results for entire region.

Finally, I want to express our respect toward bank's management and staff for their excellent work. We are convinced that the Bank is in the right track to focus on its most pressing priorities, and to equip itself with the tools to remain relevant and useful to its member countries.

I wish the Bank a full success and hope for future enhancement of our ties and further development of our cooperation.

Thank You!

## **Germany**

When we came together in January 2016 to inaugurate the AIIB we shared a common vision: To support Asia in unfolding its full potential by providing finance for its infrastructures.

We were also driven by the insight that the best way to achieve this objective would be in a partnership which would put us into a situation in which we could achieve more together than anyone of us could ever achieve alone.

Since its inauguration only 2 ½ years ago, AIIB has built an impressive track record that is validating our ambitions and the trust we have put into it as multilateral institution of the 21<sup>st</sup> century: Its portfolio of loans and equity has grown to more than 4.4 billion USD in volumes. AIIB is attracting top talents from private sector, as well as public and multilateral institutions. Its membership base has expanded to more than 80 active and potential members. AIIB's good work and potential have been acknowledged by major multilateral institutions that have entered into cooperation agreements with the Bank. Last but not least, the three major rating agencies are acknowledging the financial and institutional strength of AIIB through their assignments of best in class ratings to AIIB.

AIIB's solid position is a necessary, but not sufficient, prerequisite for our vision to become reality. In order to meet the infrastructure needs that will allow Asia to live up to its potentials, it will also be necessary to strengthen the involvement of the private sector. Hence, AIIB's ability to leverage, attract and incentivize private capital will be essential for its future success.

Given AIIB's self-commitment to operating as "lean, clean and green" institution, the Bank will have to overcome two bottlenecks for this task: First of all, AIIB has to identify and build projects which are bankable and thus attractive for private investors, and second, as multilateral institution for the 21<sup>st</sup> century AIIB will have to safeguard that these projects be sustainable – not only in financial terms but also from a broader economic, social, and ecological perspective. This is a complex issue which touches both on questions of macroeconomic policies, as well as on the content and applicability of legal, social, and environmental standards.

AIIB's current approach to involving the private sector by building up own expertise through collaboration with long-term established parties demonstrates due diligence. However, the mission to crowd in private capital comes at a phase when the Bank is gradually moving from partnering to leading transactions. More and more, AIIB will thus be tasked to design own projects that balance opportunities and risks in most productive and responsible ways.

In the context of private capital mobilization, the *Joint MDB Statement of Ambitions for Crowding in Private Finance* that Multilateral Development Banks agreed upon during the German G20 Presidency in 2017 can serve as potential compass to guide AIIB's further course.

The current practice and operations of AIIB demonstrate that the Bank is implementing these ambitions already. Not only is AIIB working closely together with clients in more than 12 countries either on the basis of own standards, or those of its co-financing partners. It also offers financing through various channels – including co-financing and fund arrangements for lending, as well as direct investments into equity funds. Moreover, as rules-based institution that is committed to international financial, legal, social and environmental standards, AIIB is adding to sustainable standardization of infrastructure financing in Asia. Transparent project development and implementation are other major elements for the Bank's success, and the current reviews of the Public Information Interim Policy and the Complaints Mechanism are important steps in this regard. Here, it will be essential that both policies comply with internationally established best practices.

Against this background, the further roadmap for AIIB's strategy and operations in the twelve months to come is clear: In light of the track record it has already established AIIB will be in the fortunate position to *exploit* own achievements. At the same time, in order to continue its efforts on mobilizing private capital, AIIB will have to *explore* innovative solutions that foster private sector participation, and meet the expectations of its shareholders. Given this framework, AIIB's task of attracting private



capital does not imply competition over short term yields but rather refers to intelligent solutions of risk sharing, insurance, and capital provision.

The vision behind AIIB's inauguration in 2016 is still valid in the third year of the Bank's operations. Germany will continue to give the AIIB its resolute support. I wish President Jin and his team all the best in advancing the AIIB's mission in the next 12 months. I thank the Government of the Republic of India for hosting the Third Annual Meeting of the AIIB and I am already looking forward to our next Annual Meeting in Luxembourg.

### **Hong Kong, China**

We would like to thank the Government of India for hosting the 3rd Annual Meeting of the Asian Infrastructure Investment Bank (AIIB) in Mumbai. We would also like to thank the management and staff of AIIB for the very rich agenda and excellent arrangements for the event.

The theme of "Mobilizing Finance for Infrastructure: Innovation & Collaboration" is most timely and relevant. We need to continue to invest collectively in infrastructure, especially in the emerging economies, in order to raise productivity, alleviate poverty, and tackle bottlenecks for longer-term and more sustainable economic development.

Since its inception, AIIB has been playing a pivotal role to support infrastructure building, including offering much-needed sovereign and non-sovereign financing for sound and sustainable projects in energy and power, transportation and telecommunications, rural infrastructure and agriculture development, water supply and sanitation, environmental protection, and urban development and logistics. Over the past three years, AIIB has approved 25 projects with a total value of over US\$4.39 billion to address the daunting infrastructure needs. The fact that AIIB earned a triple-A credit rating from three top rating agencies testifies to the bank's strong financial position, governance framework and policy implementation.

Hong Kong, as an international financial center, stands ready to assist AIIB to leverage on the financial strengths of Hong Kong to support AIIB's operation. As a key infrastructure financing center, we can serve as a hub for AIIB to source investment opportunities, prospective investors and financing partners.

Given the vast infrastructure needs in Asia, it is critical to draw on not just public but also private sector investment to bridge the funding gap. To this end, Hong Kong set up the Infrastructure Financing Facilitation Office (IFFO) in 2016 to facilitate infrastructure investment and their financing through working with a cluster of key stakeholders. To date, over 80 organizations from Hong Kong and overseas have joined IFFO as Partners. They include multilateral financial agencies and development banks, public sector investors, private sector investors and asset managers, banks, insurance companies, project developers and operators, professional service firms and international business councils. IFFO has been actively pursuing its work in various

areas, and organized and participated in over 20 large-scale conferences, seminars and workshops on infrastructure investment and financing. IFFO very much forward to collaborating closely with AIIB and its members, along with other public and private sector stakeholders, in developing a more conducive environment for infrastructure investment and financing in the region.

Let us leverage on the platform provided by AIIB to achieve inclusive, sustainable and resilient development in Asia and beyond. To this end, Hong Kong will be making a contribution of US\$10 million to the Project Preparation Special Fund of AIIB to help eligible members in preparing their projects to be financed by AIIB.

## **India**

It is my great pleasure to welcome President AIIB, all Governors and their delegations, AIIB staff and other delegates to the third Annual Meeting of AIIB which India is very happy to host. AIIB is a multilateral bank set up largely by borrowers themselves to meet their massive infrastructure finance needs and India does have the largest infrastructural investment agenda for next two decades. It is most appropriate confluence of India and AIIB coming together in staging of this big event.

While these are still very initial years for AIIB, India believes AIIB has got of a flying start and has established itself already on very firm footing. Its fast increasing membership and expanding lending portfolio both on sovereign and non-sovereign sides is the biggest evidence of its increasing credibility and significance in the infrastructure development financing space.

### **Bank's performance**

While Asia is set to gain pre-eminence to become the continent with more than 50% of global GDP in this century, its very high growth potential will require its still relatively poorer infrastructure become its biggest growth contributor rather than a binding constraint in realizing this potential, as some people fear. There is no argument that both physical and digital infrastructure and that too of very good quality will be the lynchpin of development. There is good evidence to believe that 1% of GDP spent on infrastructure can lead to a 1.5% increase in the GDP within 4-5 years. Hence the AIIB's stated purpose of fostering sustainable economic development, creating wealth and improving infrastructure connectivity in Asia by investing in infrastructure is in line with our own ambitions and thinking. Further, its focus areas of operations in Rural Infrastructure, Energy and Power, Environmental Protection, Transportation and Telecommunications, Water Supply and Sanitation, Urban Development and Logistics fits very well with the above narrative. Further refining the focus the bank's three thematic priorities of Sustainable Infrastructure, Cross country connectivity, and Private capital mobilization underscore the importance the bank accords to invest in the right infrastructure.

Translating promises into action, the AIIB approved in the first two years of its operations 13 projects, and in the third year it has cleared 12 projects making up a large portfolio of 25 operations amounting to \$4.4 Bn. I appreciate the President of the Bank and his management team for this remarkable achievement.

### **Global Economy and Multilateralism**

The global economy continues to be a better spot with global growth of around 4% expected this year with positive growth in almost entire world. Emerging markets and many developing countries have shown remarkable resilience to global economic shocks of 2014-2016 in which their strong domestic demand did play a significant role. Emerging markets, particularly in Asia play a bigger role in rebalancing of global aggregate demand. Although demand-side corrections continue to remain preferred policy tools for the countries, the importance of supply side reforms, particularly reviving industrialization and building infrastructure as enabler of growth and development is increasingly felt. It is projected that Asian Economies are likely to grow at 6 per cent. India carried out massive structural reforms in 2017 and still managed to grow at 6.7% in 2017-18, averaging 7.3% in four years 2014-2018. India will contribute to global growth momentum with its expected growth of 7.5% in 2018-19.

The AIIB is a fine example of multilateralism serving people of Asia very well. AIIB combines capital contributed by the members with the savings of the people raised through financial markets leveraging its highest credit rating. It would be herculean task for most members of AIIB to even contemplate raising finances for their infrastructural needs from the markets directly. The World would do well to mobilize the power of multilateralism to create a better and sustainable world.

### **Mobilizing Finance for Infrastructure: Innovation and Collaboration.**

The 3rd Annual meeting's theme "Mobilizing Finance for Infrastructure: Innovation and Collaboration," recognizes the private sector's vital role in bridging the infrastructure gap besides the continued relevance of public funding of infrastructure as major contributor. The Asian Development Bank estimates India's infrastructure investment need between 2016 and 2030 to be about USD 4.36 trillion. The inauguration of Asian Infrastructure Forum during the 3rd Annual Meeting will gather infrastructure practitioners in a practical and project-driven discussion, focused on matching innovative finance to critical infrastructure needs. 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.

ADB's report on Asian Development Bank. "Meeting Asia's Infrastructure Needs," says that Asia needs \$1.7 Trillion per year investment to sustain the growth that is double of what being spent presently. The common thread in all these findings is that there will be an acute shortage of funds for infrastructure going forward. Sustainable investment in Infrastructure is another challenge that has been clearly identified in the Sustainable Development Goals 2030. Such kind of shortage while being a challenge

is also an opportunity for the new and emerging development banks to perform, especially so for AIIB.

### **India's Initiatives**

In the World Bank's Ease of Doing Business Report 2018, India jumped 30 places in one single year to enter the top 100 in the country rankings. This improved rank is largely because of a number of reforms that India carried out such as moving towards less cash economy and implementing GST. The Government of India has granted 'infrastructure' status to the logistics sector. This will promote access to infrastructure lending in easier terms with enhanced limits. This will stimulate the development of the logistics sector in the country.

We have substantially liberalized the Foreign Direct Investment regime. The introduction of Insolvency and Bankruptcy Code (IBC) has been another major reform that will ensure time bound resolution of insolvency cases. The National Investment and Infrastructure Fund (NIIF) was created with a corpus of approximately Rs. 40,000 crores (USDollar 5.9 billion) to provide investment opportunities in commercially viable projects.

We have introduced alternative financing vehicles such as Infrastructure Investment Trusts (InvITs) and Real Estate Investment Trusts (ReITs) for attracting long-term investment from institutional investors in the infrastructure and real estate sectors, respectively. These are trust-based structures that aim to maximize returns through efficient tax pass-through and improved governance structures. So far, three InvITs have been successfully issued.

India is also trying to develop Brownfield projects into separate asset classes to tap into the changing risk profile of projects over their lifecycle. Brownfield projects are comparatively de-risked given that they have crossed the difficult stages of construction. We see monetization of fully constructed assets not only as the way to ease constraints on financing infrastructure but also to provide very attractive instruments of investing savings by pensioners and other people in need of long term investment products.

### **Going forward on Infrastructure Finance**

Recognizing this huge gap in infrastructure financing globally, the main priority of G20 Argentine Presidency this year is also to develop infrastructure as an asset class. This is a discussion which AIIB may need to join productively and develop innovative financial instruments for boosting infra-financing. The theme identified for this year's Annual Meeting "Mobilizing Finance for Infrastructure: Innovation and Collaboration" is apt, and matching to the current thinking around the world. Hopefully at the end of the Annual Meeting, that would have seen 23 seminars and 8 Lead up events in 8 cities, AIIB comes up with some innovative and collaborative ideas and products that can foster development of newer initiatives and instruments attractive enough for the private sector to invest.

## **India and AIIB**

India is the second largest shareholder in the bank and with nearly 30% of AIIB operations in India (6 out of the 25 project loans approved so far) makes it the most active member in the Bank. Further, it has also posed 9 more projects amounting to USD 2.4Bn. AIIB Board has approved a loan of \$100 million to the National Investment and Infrastructure Fund (another tranche of \$100 million will follow) today. With this investment, AIIB will be joining an infrastructure platform in India which leverage AIIB's investment manifold across several infrastructure sectors in India. It would be truly a partnership, a collaboration, which this Annual Meeting was looking for. While we appreciate prominence given to India in approving loans, it might be advisable to think about expanding regional network of AIIB and establish its first regional office in India.

I take this opportunity to reiterate India's commitment to work very closely with AIIB to develop a strong shelf of projects that are both sustainable and commercially viable.

Finally, with the hope and confidence that stay of all delegates would be something to be always remembered, I wish the 3rd Annual Meeting a grand success.

## **Indonesia**

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

On behalf of the Government of Indonesia, we express our gratitude and appreciation to the Government of India for arranging the 3<sup>rd</sup> Asian Infrastructure Investment Bank (AIIB) Annual Meeting here in Mumbai which serves as an important platform for us to deliberate on strategic issues to further enhance AIIB's role in mobilizing finance for infrastructure development in Asia.

It is a pleasure to observe significant progress on AIIB operation during 2017 particularly on the loan distribution front as the Bank has approved 15 projects with a total value \$2.5 billion, which has increased significantly from 8 projects with a value \$1.6 billion approved in the previous year. Particularly, AIIB has also been successful in improving the proportion of stand-alone projects from 25% to 33% and in expanding project sectoral diversification including to new sectors such as water, telecommunication and finance sector.

We are confident that continuous improvement of AIIB loan distribution will be accelerated in the future. We note that a 35 projects pipeline has already been identified in 12 countries totaling \$ 6.3 billion for 2018 and 2019.

Indonesia also appreciates the Bank's commitment to support infrastructure financing manifested through several programs including launching programming dialogue with client countries, strengthening collaboration with co-financiers, targeted systematic business development, and accelerating project processing. We also note positive progress with regards to admission of new members to AIIB which we believe

will contribute to strengthen the Bank's capacity in fostering innovation of infrastructure development and integration.

Distinguished Boards and Management of AIIB,

Closing the infrastructure development gap remains a key factor to unlock further potential economic growth and improve income distribution to support poverty alleviation in Indonesia. Our Government has identified 245 National Strategic Projects in 17 sectors with highest investment value in the sectors of energy, transportation, water and as well as logistic such as industrial zones. The total financing requirement for those projects reaches US\$342,5 Billion in which only US\$141,3 Billion can be financed from the state budget while the remaining US\$ 76,1 will come from state owned enterprises and US\$ 125,1 will have to come from the private sectors.

Our Government has also introduced various reforms and policy packages to help accelerate infrastructure development in the country and attract private sectors to participate as the financial provider.

On the fiscal reform front, the Government has stepped up efforts to increase public finance capacity to support infrastructure development by introducing taxation regulatory, institutional, and information system reform, including utilizing the automatic exchange of information, to improve the tax base and compliance as a way to improve the tax ratio. The Government has also improved efficiencies in non-priority spending and strengthening the quality of spending through significant reallocation of the state budget to finance infrastructure projects. In addition, we have introduced various financial instruments to supports financial viability of projects such as Project Development Facility, Viability Gap Funding, Guarantee Fund, Tax Facilities, Availability Payment, and Land Fund.

On the institutional reforms front, we have enacted policies covering (i) the establishment of the Committee for Acceleration of Priority Infrastructure Delivery to coordinate infrastructure development affairs across units within and outside the Government, (ii) strengthening of State Owned Infrastructure Supporting Financial Institutions including PT Sarana Multi Infrastruktur and Indonesia Infrastructure Guarantee Fund, (iii) strengthening of the State Asset Management Agency (BLU. LMAN) which received a mandate to provide a land fund for National Strategic Projects to ensure timely land acquisition process, (iv) establishment of Public Private Partnership (PPP) unit to facilitate the preparation of PPP projects.

On the structural reforms front the Government has passed economic policy packages that strive to deregulate bottlenecks and remove impediments for infrastructure development. Specifically, the Government has issued a Presidential Regulation No.148/2015 as an implementation of Law No.2/2012 to mitigate challenges associated with the land acquisition process, and Presidential Regulation No.82/2015 that enables direct lending to SOEs to accelerate financing closing processes.

Distinguished Boards and Management of AIIB,

The Government of Indonesia believes that AIIB will be able to make significant contribution towards infrastructure development not only in Indonesia but also in the region of Asia.

Indonesia welcomes the Bank's continued efforts to work together with other MDBs especially to facilitate synergies, avoid overlaps, and ensure adoption of best practices of the Bank's operation. Indonesia also supports the Bank's endeavor to build its ability to originate, structure, and execute stand-alone projects which as stated in the Bank's Strategy on Mobilizing Private Capital for Infrastructure would become an essential priority in the 2018-2020 period. The Bank should ensure its capacity to develop areas for differentiation that could include financing structures and markets that are currently underserved by other MDBs. In that context, Indonesia supports the Bank to deepen its competitive advantage in providing support for non-sovereign backed financing including sub-national governments, and to target regional initiatives that would enhance cross country connectivity and economic integration.

We also observe the requirement for the Bank to further expand its financing support instruments that would increase its flexibility and appropriateness towards a wider range of approaches. For example, by accelerating the implementation of a credit enhancement facility particularly credit guarantee, considering expansion of support through innovative mechanisms such as an availability payments arrangement, continuously expanding the provision of local currency loans, expanding collaboration with financial intermediaries to better collate and target strategic projects.

We believe that challenges in project preparation due to financial and technical constraints remain a serious impediment for infrastructure development in our region. We hope that AIIB will be able to respond to this situation by revamping its support to assist and improve project preparation capacity in the region via the use of targeted special funds. One potential avenue would be by including the grant facility as an integral component of project loans. This approach in our view would strongly relate to the Bank's strategic goal of increasing the Bank's portfolio of origination projects.

We also view that AIIB can make a substantial contribution to the global agenda of promoting infrastructure as an asset class particularly to deal with challenges of legal and regulatory bottlenecks, the lack of viable financing structures, and asymmetric information caused by lack standardization of an infrastructure project framework. The Bank can work with other stakeholders to advance ongoing works to improve the quality and availability of information, including benchmarking and development of risk metrics to improve the ability to model asset allocations and investment risks.

In addition, the Bank should continue to enhance its ability to act as a catalyst to attract private sector capital, particularly by enhancing risk characteristics of infrastructure projects that would improve its credit rating and render it more suitable with private sectors' risk tolerance, while also at the same time reduce borrowing cost.

Distinguished Boards and Management of AIIB,

We are confident that the Bank's excellent operational performance will continue in the future, especially with regards to its ability to attract private finance, devise a

wider range of innovative instruments, and improve synergy with other MDBs while at the same time develop differentiation and competitive advantages; to realize its overarching objectives of improving infrastructure development that would improve the economic and social wellbeing of the region.

We look forward to deepening our mutually beneficial cooperation with the Bank in the future.

Thank you.

### **Israel**

The combination of innovation and collaboration captures the essence of blended finance. Upon these two pillars stands the opportunity for new finance models and instruments to make real progress. Israel views the AIIB, as a valuable platform that enables the mobilization of institutional and private capital into large-scale impact projects in emerging economies. The expertise and capacity of the AIIB allows it to establish infrastructure projects in places that are considered unsafe for private capital. However, official development assistance together with AIIB's resources are not enough to meet the needs of the region. Private capital is essential. Finding the way to engage it in infrastructure projects is crucial. We encourage the AIIB to build bridges through which private and institutional capital can penetrate these markets in a way that is safe, sustainable and beneficial for all parties. The Bank's ability to engage in large-scale, long-term infrastructure projects makes it a favored potential partner for institutions that are seeking this kind of investment. We should identify and harness those interests, to leverage the Bank's activities towards reaching its strategic goals, and to face immense regional challenges.

In order to truly fulfil the blending potential of the Bank, we must work to better understand and in certain ways imitate the private sector. We have to be more relevant and attractive partners to the private sector, without abandoning our own goals and values. This requires a flexible, efficient and responsive outlook, together with a clear goal of making positive impact. Only then, can we truly grow in today's challenging environment.

### **Italy**

Italy thanks the Government of India and the city of Mumbai for the excellent hosting of the third Annual Meeting of the Asian Infrastructure Investment Bank and the warm hospitality.

We congratulate the AIIB and all members for the significant milestones achieved in regional and global cooperation, and President Jin for his decisive leadership in shaping an open, inclusive and transparent multilateral Institution, whose membership has been constantly growing over the last three years.



The AIIB has moved fast to establish itself as an important emerging actor in the international financial architecture and as a key catalyzer of economic development in the region through an innovative vision: its focus on infrastructure and its culture of a lean, clean and green multilateral institution.

In all fora, Italy has been advocating the idea that MDBs should not be seen as individual institutions competing for scarce resources, but as a system able to deliver a transformative impact, where each institution builds on its respective mandate and expertise for an effective and efficient division of labor.

Therefore, we welcome AIIB's commitment to keep building on its competitive advantages by focusing on a sector – infrastructure - where it is clearly able to add great value. And in this respect, we also welcome and further encourage the significant efforts that the Bank is producing in seeking open and effective collaboration with other multilateral institutions.

AIIB stands now ready to contribute to strengthening the existing infrastructure financial landscape and spurring innovation in the development of infrastructure as an asset class and contributing to its development. Looking ahead, it will be important that adequate relevance be given, in this context, to standardization of projects and project documentation and terms, as well as improved transparency for project finance loans.

The pipeline of projects under evaluation is progressively filling with potential investments that will expand the Bank's ability to ensure additionality and significant development impact of its operations. We will welcome, in this context, the development of a well thought, efficient and robust evaluation framework, in order to assess the positive fallouts of its investments and guide future expansion of its operations.

Safe and sound management is being enhanced by the significant progresses achieved in risk assessment and mitigation. We commend the Institution for its risk-based focus and its commitment to sustain its capital base through a policy of constant reinvestment of profits and a buildup of reserves. We are of the view that the pricing of loans shall fully reflect such vision and ensure financial self-sustainability. In due course, an adequate pricing policy should concur to achieve the full coverage of operational and intermediation costs.

An important element in achieving financial balance is indeed efficient governance of the cost structure, which is being adequately pursued at AIIB.

We have supported the quest for a more agile management model, fully calibrated to the business mission and the absence of a resident board. We trust that the delegation of powers will be wisely exercised, and we commend the gradual approach that has been envisaged. In this respect, Italy supports the establishment – already under advanced discussion – of a modern, best practices-aligned Oversight Mechanism, adequate to ensuring that the Board, although non-resident, will be in the condition to exercise effectively and efficiently its strategic functions and its oversight on a fully accountable Management.

President Jin must be praised for his capacity and leadership, in designing and bringing to full operational mode a strong organization, underpinned by a corporate culture of transparency.

Transparency towards all stakeholders, including civil society will enhance the ability of the bank to grow in its operations and meet expectations and desiderata of both borrowing and non-borrowing countries.

Looking ahead, acquiring excellent, specialized, flexible and reliable human resources needs to be a priority. We appreciate the merit based selection criteria, and we encourage the Bank to keep its employment conditions competitive, though aligned to those of similar institutions.

We also encourage the Bank to support gender mainstreaming in the projects it financially supports, and to keep pursuing, as it already has done so far, quality over quantity in all operations, particularly in its stand-alone and in private sector projects.

Moving forward, by also leveraging on the main theme of this annual meeting, we encourage and support the AIIB to crowd in public and private capital in the wider context of its mandate to address the infrastructure needs of the Asian region.

The Bank is now fully equipped to play a greater role and cope with the challenges of the Region. We have in place a well devised organizational structure and a very clear mission, in addition to a well-shaped investment portfolio and a well-recognized positioning on the international financial markets, thanks to the prestigious AAA rating achieved in 2017. To conclude, Italy expresses its convinced support to the Bank and its Management, and welcomes its ambitious agenda of expanding its operations in order to advance infrastructure development and connectivity in the Asian region, where the scale of infrastructure needs remain immense. A strong, committed AIIB, with high standards of governance, a clear vision and adequate procurement environmental and social safeguards in place, will continue to prove a key factor to achieve impact in this context.

Thank you very much

## **Jordan**

Mr. Chair, Mr. President,  
Ladies and Gentlemen!

I would like to share our sincere appreciation to the Republic of India and the city of Mumbai for their hospitality and warm welcome and to thank the AIIB for organizing the event at such a high level.

We are glad that 2017 has marked another successful year for AIIB and it is not solely because of the number of projects or the expansion of membership.

Jordan is proud to be part of this reputable financial institution and is greatly appreciates the Bank's efforts towards achieving its core mission and to be an agile business model under the strong stewardship of its President.

Ladies and Gentlemen,

Jordan's external environment remains challenging. Regional conflicts have been pressuring the country's resilience, economic performance as well as security and stability.

Jordan is faced with a very low economic growth, elevated debt levels, increasing unemployment and very difficult social conditions.

The Syria crisis has added strain on the Jordan's economy and infrastructure and has put pressure on all sectors including education, health, housing, water, municipal services and electricity supply in addition to security and military pressures.

The existing situation did not weaken Jordan's strong drive and commitment for reforms on multiple-parallel tracks including ones that aims at promoting inclusive growth and job creation.

Building on its 10-year socioeconomic blueprint, Jordan 2025, the Government launched the Jordan Economic Growth Plan (JEGP) 2018-2022 in 2017 with the aim of doubling economic growth over the period 2018-2022, reducing the debt burden, creating jobs and increasing incomes, notwithstanding the challenging regional situation.

Jordan continues to provide comprehensive range of incentives to potential investors, including preferential access to regional and global markets through multiple free trade arrangements.

Ladies and Gentlemen,

Our discussion themes are all of paramount importance for Jordan and are corresponding to each other while providing broad environment for investment mobilization, partnerships and greater potential for regional connectivity, a key ambition of the AIIB.

Jordan is underscoring the importance of building and maintaining effective transport systems and assigns high priority to identify the investments needed to maximize the sector's share, where greater investment of both time and money into Jordan's local, regional and international transport networks is expected and major public transport projects are currently under way, along with continued expansion of land and sea links, taking the advantage of Jordan's strategic position on historical trade routes continues to give it a great comparative advantage for international transport and logistics outfits.

The National Long Term Transport Sector Strategy envisage a greater role for railways to shift freight from roads, particularly along the Aqaba-Amman and Amman-Syria transport corridors. Better maintenance and safety enhancements of roads were also highlighted, as well as boosting public transport, with plans for a Bus Rapid Transit (BRT) System in Amman, and between Amman and Zarqa. This is in addition to the aviation network.

Ladies and Gentlemen,

Stimulating the involvement of private capital in strategic and infrastructural development project requires a sound regulatory environment and legal framework.

Over the past decade, Jordan was able to position itself as successful model for PPPs in the region with over US\$10 billion worth of projects that were implemented in the sectors of power generation, water and wastewater, renewable energy, and transport.

From our lessons learnt and experience gained over many years, we extremely see that delivering on large scale PPPs requires stronger collaboration among government, private sector financiers and MDBs. Having in place and scaling up high quality advisory services for project preparation and PPPs is extremely important.

In addition, the high capital intensity of infrastructure investment as well as the volatile access to public resources make it indispensable for the involvement of private capital in financing sustainable projects and recognizing its vital role in bridging the infrastructure deficit.

What is also key is the sufficient innovative and diverse financing schemes for financing strategic infrastructure projects focusing on critical sectors that will promote further economic development as well as regional integration and cross border cooperation.

We consider the launch of the Infrastructure Forum at this year's Annual Meeting as an appropriate platform to solicit the dialogue and partnerships between members and to unveil new methods to contribute in addressing the demand for infrastructure challenge.

Jordan has always been a strong supporter of the good work implemented by AIIB since its establishment.

Jordan would like to thank the President, Management and all the Staff for the committed work, and we look forward to further progressing and to assisting the Bank as much as possible in its outstanding work.

Thank you!

## **Korea**

President Jin Liqun,  
Fellow Governors,  
and Ladies and Gentlemen,

Before I speak on Public Private Partnership, I would like to briefly share with you the recent progress on the inter-Korean relations.

The two inter-Korean Summits and the very first North Korea-United States Summit, mark a very meaningful step towards peace and co-prosperity on the Korean peninsula. I believe that this will be a giant leap for the stability and development of the Asia Pacific region and further, the global community. I ask for your support and cooperation in Koreas' future effort to realize "Panmunjom Declaration" and "Sentosa Agreement."

Distinguished guests,

The growing infrastructure gap in Asia cannot be addressed by public resources alone; To narrow this gap, it is important to effectively attract private investments. Public Private Partnership(PPP) is the primary measure in leveraging private capital in infrastructure development. Today, I would like to share some suggestions on promoting PPP projects in this region.

First, institutional framework on PPP should be designed to not only provide sufficient incentives for private capital, but also ensure balanced division of labor between the private and the public sectors. To this end, it is important for developing countries to build institutional capacity to develop bankable projects, and to properly distribute risks, costs, and benefits between the government and the private sector. At the same time, we need to also enhance the transparency and predictability of related regulations. In addition, when designing a country-specific PPP framework, it is also critical to learn from both the successful examples and the trial and error processes of other countries.

Korea has so far implemented 719 PPP projects worth over 100 billion USD since the introduction of the program in 1994. In the process, Korea has become one of the leading countries in PPP, but not without pain. For example, some PPP projects in Korea faced harsh criticism from the public due to high user fees of PPP facilities and the generous Minimum Revenue Guarantee (MRG) scheme by the government that excessively benefitted a private party. Learning from this experience, Korea's priority in PPP policy is now to ensure its sustainability by balancing the interests of various stakeholders including the government, the private sector, and the public.

Second, AIIB needs to play the role as a catalyst in facilitating PPP projects in the Asian region. As the one and only international financial institution that is specialized in Asia's infrastructure development, AIIB can greatly contribute to identifying bankable projects in the region based on its expertise and networks. AIIB can also take advantage of its reputation and leverage to reduce political or regulatory risks of PPP projects in partner countries.

In this context, I welcome AIIB's initiative to become the leading institution in PPP projects in the region under its "Private Capital Mobilization Strategy" which was adopted last February. As AIIB's close partner, Korea will fully support AIIB's plan to expand PPP projects based on its rich experience and expertise in PPP.

Thank you.

## **Lao PDR**

Mr. President,  
Distinguished Delegates,  
Ladies and Gentlemen,

It is a great pleasure for me and my delegation to be present here in this beautiful city of Mumbai to attend the 3<sup>rd</sup> Annual Meeting of the Board of Governors of the Asian Infrastructure Investment Bank (AIIB). Let me join other delegations in thanking the

Government and the people of India for warm welcome and sincere hospitality extended to Lao delegates and excellent arrangements for the event.

First of all, I would like to congratulate AIIB and its new members who recently joined the Bank. This shows a positive global commitment towards AIIB's businesses. Together we can make a difference in connecting many regions through sustainable infrastructure development financing and more access to alternative resources.

As we know that infrastructure needs in developing Asia and the Pacific is estimated to exceed \$22.6 trillion through 2030, or \$1.5 trillion per year, if the region is to maintain growth momentum. With climate change incorporated, the estimate is even larger to over \$26 trillion, or \$1.7 trillion per year, in order to keep pace with expected population growth, particularly in emerging-market cities. We also know that governments have limitation in scaling up infrastructure spending through their own domestic resources, private investments continue to be far below the required level as a result of the risk profile of large infrastructure projects, particularly in developing countries with changing regulatory regimes.

This is a clear message that the demand for Asian infrastructure investment far exceeds supply. This translates roughly into large annual financing gap of the infrastructure development in the region. The width of this infrastructure financing gap presents a key problem for the Asian region. Closing this gap represents a major development challenge that requires innovative solutions and strong collaborations.

Mr. President, Lao PDR has implemented the most important connectivity strategy in transforming from a "land-locked" to a "land-linked" country. We attach great importance to the implementation of the 2030 agenda towards a sustainable, equitable and prosperous future, leaving no one behind. Since their adoption, SDGs have been streamlined into our 8<sup>th</sup> Five-year National Social-Economic Development Plan (8<sup>th</sup> NSEDP) for 2016-2020.

Based on our Infrastructure Development Plan 2016-2020, there are over 35 eligible projects that require funding for more than \$4.2 billion. In particular, there are numbers of eligible transmission line project connecting from various hydropower plants that also require substantial funding. We recognize the important role of private investments contributing to sustainable development, including infrastructure sector, through tools and mechanisms such as public-private partnerships (PPP). Currently, we are in the process of preparing PPP framework, which will serve as an important tool to increase the efficiency of public investments, allow public resources to be redirected to other priority sectors, and reduce its budget deficits.

To enhance the capability of Lao DPR in increasing bankability and well-prepared investment of projects, encouraging private sector participation, and enhancing efficiency of public spending, we further look forward to AIIB to provide the soft financing together with technical support and capacity building programs. As it is a least developed and land-locked country, Lao PDR also encountered challenges and constraints on both technical and financial resources. From the past decades, Lao PDR has heavily depended on external resources and assistance from the international

communities to continue supporting our development, especially on infrastructure. In this regard, the lower-cost and concessional financing supported by Multilateral Development Banks, as well as the AIIB will not only help the Government in narrowing its external debt burden but will also provide substantial impact on our infrastructure development with creating more jobs and contributing to the growth of the Lao Economy.

Let me take this opportunity to express our sincere appreciation to the AIIB for approving its Project Preparation Special Fund for the National Road 13 Improvement and Maintenance Project. We look forward to working closely with the team to ensure the successful implementation of the Assistance. We are certain a further collaboration in co-financing among the AIIB, the World Bank and NDF for this Project will contribute to the development of Lao PDR.

I, on behalf of the Government of Lao PDR, would like to express our sincere appreciation to the Management and staff of AIIB for assistances given to the Lao PDR. We look forward to having future continued supports and collaboration from AIIB in order to attain realizing tangible development results for the nation. Let me conclude the statement by wishing this meeting a great success.

## **Malaysia**

### **INTRODUCTION**

On behalf of the Government of Malaysia, we would like to express our sincere thanks and congratulations to the Government of the

Republic of India for hosting the 3rd Annual Meeting of AIIB, in the beautiful city of Mumbai. We also thank President Jin Liqun, as well as the management for their concerted efforts towards once again successfully organizing the Annual Meeting.

### **DEMAND FOR INFRASTRUCTURE DEVELOPMENT WITHIN ASIA**

There is an increasing demand for infrastructure development within Asia, where it is estimated USD26 trillion worth of investments are required for 2016-2030, which is equivalent to USD1.7 trillion per year. Closer to home, ASEAN infrastructure needs are estimated to reach around USD3.4 trillion between 2013-2020, which is equivalent to USD200 billion per annum. Given the magnitude of funding needed to meet this demand, there is an urgent need to identify sources of funding for infrastructure development.

In view of this, Malaysia commends the Asian Infrastructure

Investment Bank (AIIB) for this year's theme of "*Mobilizing Finance for Infrastructure: Innovation & Collaboration*". Indeed, this discussion is timely, when many countries are seeking guidance and financial assistance towards meeting the needs of their respective infrastructure development projects. Currently, the financing tendency is increasingly focused towards private sector operations or windows of multilateral development banks and development finance institutions. In this regard,

the AIIB has a critical and crucial role towards meeting this need amongst member countries.

## **MOBILISING FINANCE FOR INFRASTRUCTURE: INNOVATION & COLLABORATION**

Malaysia supports AIIB's 3 thematic priorities of sustainable infrastructure, cross border connectivity and private capital mobilization. In the area of sustainable infrastructure, Malaysia is committed to support and implement the 2030 Agenda for Sustainable Development as we embark onto the next chapter of development. In the case of

Malaysia, the nation's development agenda has always been people-focused, and it runs parallel to the aspirations of the Sustainable Development Goals (SDGs). Therefore, Malaysia supports AIIB's sustainable infrastructure development initiative, which is very much aligned with the United Nation's Sustainable Development Goals (SDGs) 2030 Agenda.

In Malaysia's experience, the utilization of market-based financing has enabled Malaysia to manage its infrastructure development needs. Our first Public Private Partnership (PPP) project was launched more than 3 decades ago. These infrastructure projects were supported by Malaysia's bond market and currently stands at RM1.3 trillion (USD325 billion). This achievement is a testimony of Malaysia's capital market's capabilities to cater to both the medium- and long-term infrastructure financing. Given Malaysia's experience, we strongly support AIIB's move forward towards the issuance of debt and equity instruments in the near future, which will in turn be a catalyst for Public Private Partnership financing of infrastructure investments.

The emergence of green finance over this past decade serves as an avenue for financing infrastructure projects that would be beneficial for the environment and societies. Within the ASEAN region, the ASEAN Green Bond Standards (GBS) was launched in November 2017, with a total issuance of USD313.5 million of ASEAN Green Bonds. In light of the increasing interest in green financing, AIIB's partners should come forward and partake in the provisions of innovative financing in the AIIB's thematic priorities of sustainable infrastructure, cross border connectivity and private capital mobilization.

We commend AIIB's measures in strengthening its financial capability through the establishment of cooperation with potential co-financing partners, including the World Bank, ADB, EBRD and EIB. We recognize the Bank's efforts to collaborate with partners towards bridging the gap in infrastructure financing as it is imperative towards catalyzing PPP and investment.

However, the Bank needs to be cautious of one of the key challenges in any infrastructure project as it moves forward – risks. If not managed carefully, risks can potentially impact project timeline, pricing and sustainability. While traditional investors in infrastructure are driven by volume of projects, the new generation of infrastructure investors are risk-reward driven.



## **CONCLUDING REMARKS**

On behalf of the Government of Malaysia, we would like to express our sincere appreciation to President Jin Liqun as well as the AIIB management and staff for their tireless efforts in ensuring the success of this Meeting. We look forward to further strengthen our partnership with AIIB in promoting sustainable infrastructure development for the benefit of Asia.

Thank you.

## **Malta**

It is an honor for me to address this third Annual Meeting of the Asian Infrastructure Investment Bank (AIIB), two and a half years since its successful inauguration. First, I would like to take this opportunity to thank the Government of India and the authorities for hosting this prestigious event in Mumbai, a city steeped in culture and history.

On behalf of the Maltese Government, I would like to commend President Jin Liqun, management and staff for their high level of commitment in living up to the Bank's core values of lean, clean and green. Testimonies to this are the AIIB's remarkable achievements in such a relatively short period of time since it was set up. Needless to say, the outlook for the Bank continues to be promising.

I take this opportunity to warmly welcome all prospective members that have joined the AIIB family since we last met. We note with satisfaction that the total number of approved members has now reached 86, including also regions that span beyond Asia. This certainly represents a vote of confidence in the Bank and further shows the strong commitment member countries have for multilateral cooperation in promoting infrastructure development. We look forward to expanding further this international partnership that makes up the AIIB.

The Bank's relentless drive in promoting sustainable development and prosperity in Asia is reflected in the growing number of approved projects in its portfolio, many in collaboration with other Multilateral Development Banks (MDBs). I would like to take this opportunity to commend the AIIB for providing an astounding US\$4.39 billion in loans across 25 projects that will address investment needs in sectors for transport, power, water supply and sanitation within the region.

I am pleased to note that the AIIB has continued to foster its collaboration with other MDBs. As a relatively young institution, the Bank undoubtedly derives substantial benefits from tapping the rich experience partner MDBs have accumulated over the years in project implementation. Nevertheless, each party will stand to benefit from the other's complementarity and comparative advantages, ensuring better outcomes. I strongly welcome the more recent working arrangement with the African Development Bank that aims to strengthen cooperation between these two institutions in promoting sustainable economic development.

As Asia continues to grow economically and progresses in technological innovation, its role as an effective global player is becoming ever more relevant. Yet we note that the region still faces some complex challenges in its quest for high and inclusive economic growth, prominent among which is the huge and growing infrastructure gap. Needless to say, a sound infrastructure, that also meets climate challenges, requires substantial upfront capital to reap benefits that are staggered over time, and which are, at times, inundated with difficulties.

I wish to underline the crucial role that private sector funding and institutional investment can potentially play in providing much needed finance for infrastructure investment in Asia. In this regard, the AIIB, like other MDB's, is well positioned to catalyze such investment rather than fill investment gaps alone. I therefore consider the theme chosen for this year's Annual Meeting on "Mobilizing Finance for Infrastructure: Innovation and Collaboration" as truly appropriate.

Indeed, Malta supports the AIIB in its endeavor in making infrastructure investment in Asia more appealing to the private entrepreneur. We note with satisfaction that the Bank's approach to achieving the highest impact in private capital mobilization has now been further defined in its "Strategy on Private Capital Mobilization". Looking ahead, there is no doubt that the Bank will succeed in its long-term vision of being the market leader, as well as trusted partner in providing innovative infrastructure financing solutions to its client countries.

This year, we look forward to the launch of the Asian Investment Forum. We hope that through constructive dialogue this will prove to be the ideal platform for matching innovative finance with critical infrastructure needs.

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 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 years to come.

## **Myanmar**

Mr. Chairman,  
President of AIIB,  
Honorable Governors,  
Excellencies,  
Honorable Heads of Delegations,  
Distinguished Guests,  
Ladies and Gentlemen,  
Mingalabar to you all.

I would like to wish you all in good health and peace soul at this very graceful moment. And, I am much pleased being here with you – leaders and practitioners from

all types of organizations and levels of government to share ideas and experiences for creating a sustainable future through sound infrastructure investment.

First and foremost, I would like to say that I am much proud of AIIB which keeps growing as a multilateral development bank with 86 approved members from six continents at present. It implies that AIIB has a strong commitment to promoting infrastructure development through rules-based multilateral cooperation with high standards of governance.

This year's theme is "Mobilizing Finance for Infrastructure: Innovation and Collaboration," in recognition of the private sector's vital role in bridging the infrastructure gap.

This theme reminds me of Public Private Partnership (PPP) which is very successful in some developed countries like China, India and Republic of Korea. Infrastructure development is a target – a long way to go, for developing countries. Even in most developing countries, basic infrastructure is failing, insufficient, or non-existent - compromising livelihoods and holding back economies. Infrastructure investment is needed just to keep pace with expected population growth, particularly in emerging-market cities.

Since modern infrastructure is essential for economic growth and lasting prosperity, the Myanmar Investment Commission, a government body to facilitate both foreign and local investment, has set plans to provide more incentives for investors in the two areas that are crucial to the country's growth, labor-intensive industries and infrastructure development.

For this good intention, our government has initiated master plans to support infrastructure development : National Transport Master Plan has been initiated in 2014 to assist with investment planning and decision making for a variety of transport sector projects, and Myanmar National Electrification Plan in 2015, which is developed to ensure the efficient use of energy resources, to create effective investment environment, and to employ innovative technologies, etc.

By implementing these plans which are closely aligned with the thematic priorities and sector strategies of the Bank, AIIB, we will better connect people, services and markets that over time will impact the lives of billions and build a better future. However, as a government of a developing country, we cannot afford to scale up infrastructure spending through tax revenues and aid alone. Private investment continues to be far below the required level as a result of the risk profile of large infrastructure projects, particularly in developing countries with changing regulatory regimes.

At the same time, many institutional investors are looking for stable, long-term debt yields to match their long-term pension and other obligations that infrastructure project loans could provide. Closing this gap represents a major development challenge - one that requires innovative solutions and strong partnerships.

Therefore, I am looking forwards to hearing how we can address the gap in an environmentally and socially friendly way from infrastructure practitioners in a

practical and project-driven discussion focused on matching innovative finance to critical infrastructure needs.

Thank you for your kind attention.

## **Nepal**

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

I feel honored and privileged to attend this meeting in the beautiful city Mumbai. At the outset, I must express my sincere gratitude to the Government of India for hosting this important meeting and extending warm hospitality to my delegation. I take this opportunity to appreciate Mr. Jin Liqun, the president of AIIB and his team for the excellent arrangements made for this meeting.

I am happy to note that AIIB has been able to carry forward, in its less than three years of operation, 25 projects related to infrastructure and environment with investment amounting to more than 4.4 billion US Dollars. I appreciate that most of this investment has been approved for projects in South Asia which is really facing huge infrastructure gap. Nepal, so far lagging behind in tapping the AIIB resources, would take immediate steps to benefit from such window of opportunity. I also note that the thematic priorities of this institution which include sustainable infrastructure, cross border connectivity, and private capital mobilization are realistic and appropriate for the journey towards this region's prosperity.

Mr. Chairman,

Asia is rapidly striding to catch up its 15th century's share to world GDP which slipped down along with industrial revolution in the West. In the recent decades, Asia has been increasing its share in global GDP with spectacular growth. During 2010 to 2017, its GDP grew by 2.5 folds resulting to 35 percent share in the world GDP. The expectation that Asia should have at least half of world's GDP by 2040s can only be achieved by raising factor productivity in the region rather than simply by accumulating capital and depleting natural resources. Efficient infrastructure system would be a key intervention in this process. We should also be better prepared to achieve sustained economic growth and achieve sustainable development goals by mobilizing the regional resources in infrastructure sectors that promote green growth and efficient connectivity. I am sure, this would help our region to continuously be the engine of economic growth for the world economy.

For maintaining the growth momentum, tackling poverty and responding to climate change, Asian developing countries need to invest at least US\$ 1.7 trillion per year to close their infrastructure related investment gap until 2030. I am confident that AIIB would be able to address the regional infrastructure problems, especially in road and

waterways, aviation, telecommunication, power and connectivity, and water supply and sanitation, among others.

Nepal also faces huge infrastructure and connectivity gaps. The country needs to invest at least 50 per cent of GDP annually to meet the SDGs alone during the entire period till 2030, and this translates to public sector financing gap of more than 10 percent of GDP, on average, for the entire SDG period. As more than half of such SDG investment requirement belongs to infrastructure, I see a great role that AIIB can play for meeting the SDG infrastructure financing gap.

Nepal deserves the geographical advantage of linking two of the largest economies of Asia which are also the largest markets. The country has overcome prolonged political instability with the promulgation of Nepal's Constitution in 2015 and smooth transition from unitary to federal set up of the state. After the parliamentary election of November 2017, a stable government has been formed with more than two-thirds majority in the parliament. Provincial and local elections held prior to the parliamentary election has elected more than 36 thousand people's representatives at the sub national levels in a highly inclusive pattern which have deep rooted democratic system and decentralized governance. But infrastructure bottlenecks in provincial and local government units has been detrimental for their effective service delivery. We are making joint efforts to ensure that the 753 local level and 7 provincial level government and interconnected through basic infrastructure facilities amid resource constraints at each level.

Nepal's government has come up with crystal clear vision of Prosperous Nepal and Happy Nepali with an objective of graduating from LDC status by 2022, reaching to lower middle-income country and achieving the sustainable development goals by 2030. To achieve this, the country needs huge investment in infrastructures in connectivity, tourism and energy for accelerating economic growth to double digit level and ending all kinds of poverty. There is large investment opportunity for both the public and private sectors and such investments carry attractive rates of return.

Nepal government has committed to construct, in 10 years' time, 2000 km of railways, 15 thousand MW of electricity, 70 thousand km of roads including highways and roads for regional connectivity. We have also the agenda for constructing additional international airports, hotels and other tourism infrastructure to bring in 5 million tourists by 2027. We are committed to ensure renewable energy and basic water supply for all in three years' time along with addressing unfinished MDG agenda. Thus, we look forward to extended support from our development partners to meet the financing and other capacity gaps both at the public and private sectors.

Nepal entrusts AIIB as a specialized 21st century multilateral development bank for improving social and economic development of Asia to complement with other regional cooperation mechanism. While we seek all the available options and windows of investment that is being accessible to LDCs, we are confident that AIIB will be our trusted partner for mobilizing necessary additional resources for our infrastructure development.

Mr. Chairman,

Nepal's current majority government led by Communist Party of Nepal has presented its budget for the next fiscal year with the objective of achieving 8 percent GDP growth focusing on jobs and better connectivity. Almost half a million people enter in the domestic labor market every year; and so far, less than half of them are absorbed in the domestic labor market and the rest opting for foreign employment. Most of such jobs are expected to be generated in the construction, industrial and service sectors which can only be achieved through larger investment in these areas. Nepal also values the role of private sector in delivering better infrastructure facilities and services. The solutions are not only limited to financing but extend beyond to include innovation and efficient management. Policy reforms undertaken by the country to take private sector on board in the aviation, energy, tourism and industrial sectors have already yielded encouraging results. We are amending our investment laws and PPP frameworks for implementing mega projects. I am confident that these initiatives will encourage both domestic and international private investment in infrastructure and enterprises. We look forward for substantive engagement of AIIB in our endeavor to this direction.

In closing, Nepal looks forward to building strong relationship and expand meaningful collaboration with the AIIB. The discussions and deliberations throughout the meeting, I am confident, will pave the way to address investment gap in the region. We are also eagerly looking forward for even more proactive role of AIIB to help poor countries of the region to come out of extreme poverty by means of its technical and financial cooperation.

I wish the Annual Meetings a great success.

Thank you.

### **Netherlands**

At the previous Annual Meeting in Jeju we congratulated the AIIB on an excellent first operational year and complimented the Bank on the amount of projects approved thus far. This year we are pleased to see that the number of approved projects increased and actual disbursements are starting in earnest. The Bank is moving further towards a fully operational and mature phase in its young existence. The well-documented infrastructure investment needs in Asia call for a strong and capable AIIB and The Netherlands is committed to working together on building an institution that is up to the task.

We thank staff, management and the Board for their hard work over the past year. The policies, strategies and frameworks developed so far have created the basic building blocks of the AIIB and their implementation will require further work and effort. In this context we ask management to ensure growth opportunities for staff and to ensure that the AIIB is a highly attractive international employer.

Throughout the establishment of the AIIB we have seen a willingness by the Bank to be transparent and open towards different stakeholders and we appreciate the consultation procedures around important policies. We call on the Bank to continue this openness, particularly around the Project-affected People Mechanism, the Policy on Public Information and the Oversight Mechanism. Given the recent allegations of sexual intimidation and misconduct in international development we wish to underline the importance of a transparent, open and safe working environment. On a project-level, safeguards should ensure the prevention, identification and mitigation of sexual harassment. This should be explicitly taken on board in relevant policies. Furthermore, gender equality should be included as an explicit priority both at headquarters and in the field.

An important policy which was recently approved is the Accountability Framework, which delegates the authority of approving a large share of projects to the President. Prior to the framework coming into effect, we need to ensure that the required institutional and procedural set-up is in place to guarantee proper governance. Particularly essential are a detailed project approval process with concrete project prioritization criteria and benchmarks, a reporting template that ensures full transparency towards the Board, a strong and clear compliance function, a system of red flags and mechanisms to trigger an independent assessment for projects with compliance risks and a Non-Cooperative Jurisdictions policy. Monitoring tools such as the Project Implementation Monitoring Report are helpful, but more is needed to ensure effective oversight. Importantly, we expect an open and transparent review of the Accountability Framework in 18 months.

In general for this institutional set up to function properly, it is important to keep the Board and shareholders engaged through both the AIIB's policies and projects. Projects may have meaningful broader ramifications and project discussions are another chance for the Board to give strategic guidance.

The theme of this annual meeting is 'Mobilizing finance for infrastructure: innovation & collaboration'. We cannot stress the importance of mobilizing private capital enough and innovative ways to attract private investors are much needed. In this regard, collaboration between national and local governments, the private sector and MDB's such as the AIIB is crucial.

Key for creating well-designed, viable and efficient infrastructure projects that are attractive for investors is thorough project preparation. MDB's such as the AIIB can help governments play their role with capacity development, on top of providing expertise and funding for project preparation where necessary. The AIIB Project Preparation Special Fund has a potentially important role to play here and we see opportunities for increased activity. Governments – apart from providing the right frameworks and ensuring due process – need to involve the private sector early on to make use of their technical expertise which can provide a reality check as to the viability of a project.

In this context we would like to mention our excellent collaboration with the AIIB in the innovation challenge for urban water infrastructure projects: ‘Water as Leverage for Resilient Cities Asia’, a stimulating partnership between the AIIB, the Dutch government and public and private partners. This partnership aims to develop bankable, innovative and comprehensive urban water infrastructure projects in close collaboration with the cities of Chennai (India), Khulna (Bangladesh) and Semarang (Indonesia). The challenge will not only be to develop innovative projects, but also to take on board lessons learned, bring this approach to scale, replicate it across the region and thereby creating a new model for collaborative, innovative and comprehensive climate financing.

In conclusion, we remain committed to building the AIIB together. To be truly able to facilitate the Board in its strategic role, some important policies and safeguards still have to be adopted and implemented through directives and guidelines. In this way the AIIB as an institution can focus on the imperative task we have in front of us: reducing the daunting infrastructure investment gap in Asia.

### **New Zealand**

Dear fellow Governors,

I would like to thank India for hosting the third Annual Meeting of the Board of Governors of the Asian Infrastructure Investment Bank.

I would like to recognize the role that President Jin Liqun and AIIB staff have played in steering this institution towards its goal of improving social and economic outcomes in Asia and beyond through investing in sustainable infrastructure.

Infrastructure impacts on the living standards of all people: it is critical to allowing people to enjoy a high quality of life and provides a platform for economic growth. The challenges to sustainable infrastructure investment presented by Asia’s fast growth are immense and international co-operation will be required to address these pressures. The broad based support the AIIB has both in and outside the region mean that the AIIB is well placed to address these challenges.

Clearly more needs to be done if Asia is to meet the current demand for infrastructure investment. That is why I am pleased that the theme of this Annual Meeting is “Mobilizing finance for infrastructure: innovation and collaboration”. Attracting greater third party capital allows constrained funds to be stretched further and can help overcome disincentives to investment facing current providers of finance.

We endorse the AIIB’s *Strategy on Mobilizing Private Capital for Infrastructure*. Focusing on partnerships with the private sector and local government, developing more innovative methods of financing infrastructure and de-risking projects should help catalyze greater involvement of the private sector. The continued commitment to the AIIB’s high economic, environmental and social standards will further enhance the strong investment platform the AIIB has already established.



We look forward to seeing the strategy being put into action to take us forward in realizing the AIIB's vision.

## **Pakistan**

Dear Mr President and AIIB Management,

I am pleased to know that our bank is sensitive to changing development challenges with forward looking approach to strategize for future redressals. Rural – urban migration has got impetus with the differential in infrastructure development between the urban and rural settings. The phenomenon is more pronounced in case of Asian cities, south Asia in particular.

Although rapid urbanization stimulates economic growth, but this requires matched resources for infrastructure development. Like many Asian cities, big cities in Pakistan are no exception and still face inadequate access to clean water and sanitation facilities, rampant power shortages, traffic congestion and transport issues, air and water pollution, inefficient land use, climate related threats and a lack of decent housing amongst others. In recent past we have witnessed relentless urban densification and expansion, resulting in ever-increasing demand for urban services and growing pressures on urban service institutions to deliver. Pakistan's Vision 2030 and Framework for Economic Growth envisage livable cities as engines of national growth and centers of economic activity, culture, and knowledge.

Lack of strategic planning coupled with insufficient legislation, obsolete planning standards, and inadequate allocation of economic resources, are the outcome of major urban problems. The urban centers are required to be creative, eco-friendly through improved city governance, effective urban planning, efficient local mobility infrastructure (mass transit systems) and better security to make urbanization instrumental for economic growth. The cities are getting congested and immovable day by day with the increased use of individual / private transport automobiles. Water and sanitation facilities which were created many years ago are insufficient to cater to the needs of recipient population today which grew many fold. Similarly, recreation facilities created initially are insufficient today due to their size and change in recreation priorities.

The Sustainable Cities Strategy should focus on prioritized financing for integrated mass transit systems; integrated supply chain systems; environment and eco-friendly structures; robust mechanisms for potable water supply, solid and water waste disposal, cleaning and fumigation; resilience to the climate change; adequate and sufficient recreational facilities; creation of knowledge based economic activities and productivity centers; adequate health, education and skill development facilities. The national and sub-national governments should be supported for legislation on modern urban developments; capacity building on modern structure management, land acquisition, project planning and implementation, strengthening of transport linkages, land and housing reforms and capacity building of local government institutions.

Pakistan is actively collaborating with the MDBs for financing of the important infrastructure projects. Currently, two projects are in pipeline for financing of urban infrastructure and services through AIIB which are Lahore Water & Waste Water Treatment Plant at Lahore and Rawalpindi Ring Road Project in Rawalpindi. There is an equal emphasis of the government to enhance capacity building of local government institutions engaged in urban planning, management and provision of urban services. The important interventions of the government include:

- Provincial Strategy for Inclusive and Sustainable Urban Growth (ADB)
- Punjab Intermediate Cities Improvement Investment (ADB)
- Karachi Bus Rapid Transit Project Design Advance (ADB)
- Peshawar Sustainable Bus Rapid Transit Corridor Project Design Advance (ADB)
- Khyber Pakhtunkhwa Intermediate Cities Improvement Project (ADB)
- Punjab Cities Program (world Bank)
- Pakistan Housing Finance Project (world Bank)
- Strengthening Pakistan's Urban Disaster Response Capacity (World Bank)
- FATA Urban Centers Project (World Bank)

## **Philippines**

I thank the Government of India for graciously hosting this year's Annual Meeting of the Asian Infrastructure Investment Bank (AIIB) Board of Governors. We must congratulate President Jin Liqun and the staff of the AIIB for the great work they have put in to ensure a productive meeting. The choice of this meeting's theme—*Mobilizing Finance for Infrastructure: Innovation and Collaboration*—could not have been more apt.

Although the AIIB is a relatively young institution, it has made its mark in helping drive Asia's economic emergence. The Bank has helped finance strategic infrastructure projects that underpin the dramatic growth of our region's economies.

The role the AIIB was designed to play is an indispensable one. The region's economies can advance only by building up its infrastructure base. Modern infrastructure will enhance the movement of people and goods, foster profound connectivity among our people and make possible the inclusion of all our communities in the mainstream of a truly remarkable economic expansion.

The unprecedented investment in modern infrastructure by all the economies of Asia ensures our region will be the driver of global growth in this century. These investments will cause many economic miracles to happen. They will be the principal means by which we liberate tens of millions of people from poverty.

The Philippines is presently one of the fastest growing economies in the region. The key to escalating our economic expansion is a forward-looking infrastructure development plan we call "Build, Build, Build." This massive infrastructure plan is

financed both by modernizing our revenue system and by the inflow of assistance from our development partners.

With this infrastructure program, we expect to further encourage economic participation, draw investments into our economy and link our growth more closely to the dynamic economies of the region.

Literally and figuratively, we are building long bridges to link our peoples. These bridges will underpin a period of peace and prosperity in Asia.

We are thankful for the support the AIIB generously extended to our efforts to grow a dynamic and inclusive economy. The first AIIB-financed project in the Philippines is the Metro Manila Flood Management Project. The USD 500 million required to better secure our main metropolitan area from floods is co-financed by the AIIB and the World Bank (WB). We have cleared the way for the rapid implementation of this urgently needed project.

We look forward to many more joint undertakings with the AIIB in the coming years. By putting our heads together in meetings like this one, I am confident we can further innovate on the way we mobilize financing for the greatest infrastructure undertaking in human history. With a partnership as robust as this one, I am confident our economies will be prepared to meet the challenges of a future more comprehensively shaped by new technologies.

## **Portugal**

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

It is an honor for me to attend the Annual Meeting of the Asian Infrastructure Investment Bank.

First of all, I would like to express my gratitude to the city of Mumbai for this well-run event and to the Government of India for the warm welcome and hospitality.

Allow to start with a few words about the Portuguese economy, which is now going through a very positive momentum.

In 2017, GDP recorded a growth of 2.7%, the highest of the century and above the euro area average. The employment rate grew by 3.3% while the unemployment rate fell to 8.1% in the last quarter of 2017. In what concerns investment and exports, both increased 9.2% and 7.9%, respectively, in the same period. The overall general government deficit was 0.9% in 2017 (the lowest ever in democracy), while public debt was reduced by 4.2 p.p. (in % of GDP), the largest reduction in 20 years. All these figures led to the recent upgrade of the country's rating to investment grade levels by two rating agencies.

But coming back to AIIB, this year annual meeting is devoted to the theme of "Mobilizing finance for infrastructure: innovation and collaboration". Infrastructure is

one of the key factors for development. Infrastructure promotes growth and trade, attracts investment and provides better living conditions for citizens. But to efficiently build the sustainable infrastructure requires sizeable investment and this is a major challenge that requires synergies between different several stakeholders: national and local governments, international institutions, and, particularly, private agents. During our meeting in Mumbai, I am sure that I will participate in fruitful discussions on how to mobilize private capitals and achieve innovative solutions in what concerns development funding.

Taking into account the double mission of the Bank: (i) fostering sustainable economic development; and (ii) promoting regional cooperation, within Asia, but also with other regions of the world, we would like to see AIIB building bridges between continents soon, working not only in Africa, but also with Europe and Latin America. I am certain that Portugal could bring added value to future operations in all these regions.

Finally, two brief notes on the resources of the Bank, which deserve further attention on our view. The first aspect is related to AIIB's financial resources. The Bank is financially sound. As the Bank's Vice-President and Corporate Secretary put it in his visit to Lisbon, AIIB is a very well-capitalized start-up. While this is true, we would like to state for the future that the Bank's return should be set at levels that allow for the endogenous growth of its reserves, avoiding any general capital increase in the foreseeable future. The second aspect is related to AIIB's human resources. The Bank is approaching to the first renewal of contracts signed at inception. Being a lean institution puts additional pressure in the Bank's capability to attract and retain the right staff. The tools available to Management in this area should bear this in mind.

This young institution is increasingly recognized as an important player when it comes to development, and I have the confidence that together we can contribute for a stronger, even more transparent, and global AIIB in order to promote sustainable development in Asia for all.

Thank you very much.

## **Samoa**

On behalf of the Government of Samoa, we acknowledge and extend our appreciation to the Board of Governors of the Asian Infrastructure Investment Bank (AIIB) for officially finalizing the membership request of the Independent State of Samoa earlier this year. We are pleased and honored to be a member of this prestigious financial institution – an institution that is timely in its establishment and to which we note will work collaboratively with other multilateral institutions to leverage finance for the advancement and sustainability of the world's infrastructures and economy.

As a small island developing state, we are faced with significant challenges beyond our own individual capabilities and limited resources. Collaboration and partnerships

between and within countries is now more important than ever in the face of increasing risks we are currently facing, particularly from natural disasters. That said, we kindly encourage the AIIB and our membership to ensure any infrastructure development is climate resilient, given the onset of severe climatic conditions that have become more frequent in our times. Further, we note the importance of public-private partnerships towards strengthening and sustaining our infrastructures and economic developments. As a financial institution, we feel that it is essential for the AIIB to identify and mobilize the most efficient and effective mode of financing available to member countries to facilitate the strengthening of our various infrastructure needs. Our collaborative efforts now can ensure the sustainability of our countries and our planet for future generations.

We therefore commend this year's theme. We also congratulate and thank the Government of India for hosting this third Annual Meeting for the AIIB.

We thank you for this opportunity.

### **Saudi Arabia**

Mobilizing non-government financing of infrastructure is impacted by a complex set of factors, which may be of varying degrees of relevance to different countries. The most critical ones, which are also most commonly recognized, are regulatory uncertainty; imbalanced risk-reward structure, including pricing policy relating to infrastructure services and the associated fiscal and contingent liability implications for the Government; lack of long-term financing available domestically, which is largely a function of the state of development and vibrancy of the domestic capital markets for both debt and equity; and the currency risk arising out of external debt financing, given that infrastructure services are priced in domestic currency.

The MDBs have been, and continue to be, engaged on many of these issues. There is a lot for AIIB to learn from their experience and collaborate with them opportunistically and innovatively. One way to do this would be for AIIB to establish three-way project-level collaboration arrangements between itself, the World Bank Group (WBG) and the Asian Development Bank (ADB). Under such a collaboration model, the WBG or the ADB, as the case may be, would provide regulatory advice and upfront technical assistance (TA) for project preparation, with advisory fees and TA costs being either paid upfront by client country or built into the cost of the project. The collaboration could also include joint financing with the WBG and/or ADB but its principal advantage would be that AIIB would be able to present well prepared, ready to finance bankable projects to commercial banks, private equity funds (where applicable) and institutional investors. Moreover, such collaboration will contribute to establishing AIIB as an originator and syndicate leader of infrastructure projects. In the long run, however, AIIB may need to add advisory and TA services to its own product line.

Another worthwhile innovation may be to utilize the asset-backed and risks-sharing features of Islamic Finance, which help mitigate risks for lenders and investors. Islamic Finance offers great potential to bring additionality to infrastructure finance in general. In order to take advantage of the rapidly growing Islamic finance market and extend AIIB's reach to financial institutions engaged in the provision of Islamic finance, it would be useful to establish collaboration arrangements with the Islamic Development Bank Group (IsDB). Also, this is an area where the AIIB would benefit from strengthening its internal capacity.

One issue that is constraining the development of infrastructure as an investment class for institutional investors is the lack of financing instruments and modalities to effectively manage the construction and completion risks associated with greenfield infrastructure projects. A possible solution is to divide infrastructure financing into two phases, where financing in the pre-operation phase is provided by AIIB, preferably with co-financing from other MDBs and domestic development finance institutions at risk-based pricing, and upon project completion and start up, this financing is replaced by institutional investors and interested commercial banks. Construction phase financing can either be in the form of loans, or guarantees with funding mobilized from other financial institutions. I would encourage AIIB to seriously explore this financing model.

Another instrument that is currently lacking is affordable insurance against currency risk. It has been suggested (by G20) that MDBs should explore developing pooled risk insurance products, and I encourage AIIB to work in that direction with the WBG, ADB and other MDBs, including IsDB.

Finally, AIIB's focus, at least at this stage of its evolution, should be on sectors that are attractive to potential financiers. Experience shows that, other things being equal, power generation and telecom projects, bulk and container terminals, pipelines and to some extent toll roads and airports are more likely to attract private financing because risks in these sectors can be defined clearly and managed effectively. The converse is true of sectors such as water, waste management, power transmission, rural roads, etc.

## **Singapore**

I would like to thank the Government of the Republic of India for hosting the 3rd Annual Meeting of the Board of Governors of the Asian Infrastructure Investment Bank (AIIB), and President Jin Liqun for the excellent meeting arrangements.

Since its establishment, the AIIB has made tremendous progress. It now has 86 approved members and 25 approved projects, with a steady pipeline of projects over the next couple of years. Last year, the AIIB achieved the highest possible rating by Moody's, Standard & Poor, and Fitch; and is on track for its inaugural bond issuance later this year. I congratulate President Jin Liqun and his capable team on these

developments and am confident in their ability to continue delivering good outcomes for the region.

The theme for the 2018 Annual Meeting “Mobilizing Finance for Infrastructure: Innovation & Collaboration” is very apt. Private capital plays a key role in meeting the region’s infrastructure needs, as it is clear that government funding alone will not be sufficient. Multilateral development banks play a key role in catalyzing the participation of the private sector in infrastructure development.

AIIB’s strategic focus on mobilizing private finance for infrastructure resonates strongly with Singapore’s priorities as the 2018 ASEAN Chair. I would like to express my appreciation to the AIIB for its support for Singapore’s ASEAN chairmanship. For the first time, the AIIB participated in the ASEAN Finance Ministers’ Meeting as well as the ASEAN Finance Ministers’ and Central Bank Governors’ Meeting. I thank the AIIB for its insights on scaling up innovative infrastructure financing in the region.

Project bankability continues to be a key issue in attracting long-term, sustainable private capital into the region. Under Singapore’s ASEAN Chairmanship, we are promoting the wider adoption of standardized contractual provisions as well as building up ASEAN’s capabilities in project preparation and structuring through dedicated workshops. The ASEAN Finance Ministers also had a good, in-depth discussion on these issues during our meeting in April.

Complementing AIIB’s mission, Singapore’s newly established Infrastructure Asia Office will serve as a platform to connect local and international stakeholders across the value chain, encourage information exchange, facilitate infrastructure investments, and enable infrastructure players in the region to tap these opportunities. I am confident that the Infrastructure Asia Office and the AIIB can work in partnership to leverage on Singapore’s ecosystem of infrastructure players to close the financing gap for the region. On this note, I hope that the AIIB will be able to strongly support the Asia-Singapore Infrastructure Roundtable organized by the Infrastructure Asia Office in October this year. We hope that these initiatives will create better opportunities to match demand from project sponsors with the supply of funds from global investors who are seeking more attractive returns.

The size and diversity of the ASEAN market makes it an interesting testbed for innovative financing solutions. As Chair, Singapore continues to seek innovative solutions to try to close the infrastructure gap in the region and improve the lives of peoples in the region. In this regard, we remain strongly committed to working with the AIIB as a valued partner to make this difference.

## **Thailand**

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

It gives me great pleasure to participate in the 3rd Annual Meeting of the Asian Infrastructure Investment Bank (AIIB) in Mumbai, Republic of India. First and foremost, I would like to thank the Government of India for hosting this event with excellent arrangements and wonderful hospitality. Having attended this year's Annual Meeting, I am pleased to witness a considerable progress made by the AIIB in strengthening its organizational capabilities as well as delivering supportive mechanism in enhancing infrastructure in Asia.

### **Financing for Infrastructure Development**

Despite continued growth momentum of the Asian region, particularly the emerging Asian countries, infrastructure development remains uneven, with infrastructure capacity and quality in most of the countries lagging behind that of developed countries. Since infrastructure is a basis for economic prosperity as well as an enabling tool to achieve inclusive growth, it is among the top priorities for Asian policymakers.

To overcome the infrastructure bottleneck is indeed a challenge. We need to invest USD 26 trillion by 2030 to fill the infrastructure financing gap in Asia. Multilateral Development Banks (MDBs) has continuously supported Asian countries to bridge this gap. Since the inaugural operation of the AIIB in January 2016, the AIIB has been active in providing financial assistance to member countries, both stand-alone and co-financing loans, as evidenced by 25 approved projects valuing USD 4.4 billion across 12 countries in diverse sectoral distribution.

### **Harnessing Private Capital in Financing Infrastructure**

While the government is generally a dominant player in infrastructure investment, fiscal constraints are major impediments to public infrastructure financing. Limited public resource has become an impetus for private sector participation, which has the potential to provide complementary financing for infrastructure. Despite abundant untapped private capital in the market, significant challenges remain in mobilizing private capital into infrastructure investment.

Infrastructure financing is being recognized as a novel type of asset. Infrastructure projects, therefore, need to be bankable in order to draw in private investors' participation. Project bankability requires much effort in good project design, structuring, reasonable returns and risk mitigation. Furthermore, proper institutional framework and clarified process of operation are necessary for private sector's decision.

The Royal Thai Government is supportive of the Public-Private Partnerships (PPPs) and has taken PPPs as a key channel to stimulate essential infrastructure investments in the country. The current PPPs law encourages private sectors to participate in government projects and provides a clear PPPs delivering process. Additionally, to further strengthen the legal framework, the amendment of the current PPPs law is underway to emphasize the partnership principle between public and private investments and provide promotional measures for PPP projects under the monetary



and fiscal discipline. Under the “PPP Fast Track” designed to expedite the delivery of projects to the market, there are currently 10 transport projects worth USD 24 billion being pursued.

To leverage private financing from capital market, the Government is in the final process of establishing the so-called “Thailand Future Fund (TFF)”, an alternative funding mechanism for government’s infrastructure investment. The TFF is aimed to raise fund with target size of USD 3 billion from different types of investors to allow both domestic and overseas investors’ participation in Thailand’s logistics infrastructure projects.

### **Investing in Regional Connectivity for Regional Economic Growth**

There have been considerable discussions on regional connectivity, following the regional integration trend in Asia. In fact, regional connectivity requires a large amount of capital to finance cross-border infrastructure projects. For regional connectivity to yield optimal economic benefits, supporting economic activities need to be put in place.

Greater Mekong Subregion can immensely benefit from cross-border connectivity and trade due to its geographic location. As such, the Thai Government is actively working to improve its transport infrastructures worth USD 100 billion under the Transportation Master Plan 2015-2022. Inter-city rail, highway and public transportation network in Bangkok and metropolitan as well as air transportation and maritime capacity will be upgraded and prepared for regional connectivity.

The flagship special economic zone will be established in the eastern part of the country under the name “Eastern Economic Corridor (EEC)”, covering the area of Chonburi, Rayong, and Chachoengsao provinces. The EEC is designed to attract investments in 10 targeted industries. Planned infrastructure projects for the EEC include, for example, U-Tapao International Airport, Laem Chabang Port Phase 3 and high speed rail - eastern route. The EEC infrastructure and industries will be financed by combined public and private investments, valuing approximately USD 51.5 billion in the first five years.

The EEC will not only highlight Thailand’s strategic location in the region, but will also generate economic impacts leading to closer sub-regional and regional connectivity. This new flagship project can also be linked to the trade routes under China’s Belt and Road Initiative, thereby paving the way towards closer regional integration leading to regional economic growth and shared prosperity.

Last but not least, I am delighted to see significant achievements in the operation of the AIIB during the past year. I believe the AIIB will continue its active role to achieve the mandate in delivering quality assistance to member countries in infrastructure financing.

With huge demand for infrastructure investments awaited in the region, it is great opportunity for the AIIB to play a crucial role by work closely and deeply with member countries in expanding its regional coverage of project financing as well as to develop AIIB’s strategies including innovative financing structures for greater efficient resource

mobilization for infrastructure development in the region. Also, sustainability in infrastructure financing will be a crucial factor of the long-term success of infrastructure development.

## **Turkey**

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

I would like to express our appreciation to the Indian authorities for this excellent organization.

As you know, last year the Asian economies have enjoyed favorable economic conditions and high growth rates. A similar trend is expected in 2018 as well, with the region staying as the most dynamic region of the global economy. However, there are still downside risks such as global financial tightening, increased geopolitical tensions, and protectionist policies.

In addition, substantial infrastructure investment gap still remains and in this regard we definitely need the support of multilateral development banks. As the shareholders of the AIIB we encourage the Management to accelerate its operations to this end.

Dear Governors,

At its third annual meeting, Bank has now 86 member countries. Nearly all major economies from different continents have become the members of the AIIB. AIIB has also gained a complementary role by cooperating with several multilateral development institutions in its operations, confidently placing itself in the multilateral world.

AIIB has proven its capacity by obtaining triple-A ratings from all three international credit rating agencies. I congratulate Bank Management for these achievements.

We are glad to see that the lending operations are well in line with the targets. We appreciate that approvals of the Bank have exceeded 5 billion dollars since its inception. I am certain that the Bank will continue to increase its capacity to finance more stand-alone projects while also catalyzing more private capital.

Dear Governors,

With these observations, let me briefly express my views on a few issues that are on the agenda.

First. The Board of Directors has recently approved several policy and strategies. We believe these policies will help implement lean and effective business practices.

In particular, the Accountability Framework can significantly expedite the approval and implementation processes. However, we should definitely protect the role of the Board of Directors in setting the strategic direction of the Bank and guiding Management. We need to secure a delicate balance between the duties of Management

and the Board. Management should continue to maintain efficient communication with the Board concerning project approvals. The scope of the delegation of authority is an extended version of the current practices of other international institutions. This is a manifestation of the shareholders' trust to Management. I have no doubt that the Bank will be a pioneer institution in terms of accountability.

In addition, Bank's strategy on private capital mobilization will also pave the way towards more effective resource mobilization. Bank currently has a strong capital base. However, without the involvement of the private finance, Bank could not support the infrastructure investments of the region. Therefore, mobilizing private finance is very important. Bank should encourage investors to contribute more to the projects in the region.

In Turkey we apply public private partnership models in a wide range of sectors, with various innovative financing mechanisms. In this respect, Bank could explore alternative financing tools to facilitate more private finance in its activities.

Second. We all know that the Articles of Agreement allows for operations in non-regional members and in special circumstances even in non-members. Yet, we believe that the focus of the Bank should primarily be its region. We should avoid extensive usage of Bank resources in projects in non-regional members.

Third. The Board of Directors is now working on the transport strategy, which will be another key strategy of the Bank. Urban transport systems and cross-border connectivity projects are very important for the region. In this respect, we encourage the Bank to focus on railways, including urban, and sea ports projects.

Lastly, I would like to touch upon fair representation of member countries among the Bank staff. If AIIB aims to be a modern international institution, we need to have a diversified staff base, which would definitely include open, transparent and merit-based recruitment practices that respect balance of nationalities and genders. In this respect, we expect the Management to offer priority to the underrepresented nations and gender in terms new positions.

I would like to reiterate my sincere gratitude to those organizing this successful meeting.

Thank you.

### **United Arab Emirates**

Your Excellencies; Distinguished Governors and Members of the Board of Directors; Honored Guests; Ladies and Gentlemen,

It is a privilege and an honor for me to be here with you all, in Mumbai, India's most vibrant financial center, for our third Annual Meeting of the Board of Governors of the Asian Infrastructure Investment Bank.

I would like to take this opportunity to thank our host country, India, for the warm welcome and hospitality.

Moreover, please allow me to convey the warm and heartfelt greetings of the UAE leadership and government.

Over the past four-and-a-half decades, the UAE had supported multiple projects with high- economic and social impact in more than 140 countries across the globe.

Our leaders have always believed that a reliable infrastructure is crucial to enable economic growth and, hence, uplifting communities from poverty.

The UAE is committed to play its integral role in delivering the AIIB's mission towards a future of common prosperity across Asia.

We shall work together to position AIIB as the champion and leading institution in catalyzing institutional investors and private capital for the infrastructure investment in the region.

Distinguished Governors and Members of the Board of Directors,

It is our top priority to forge partnerships with like-minded organizations to enhance the efficiency of development aid and utilize our collective resources to deliver the greatest impact.

The UAE is proud to play an integral part in realizing the ambitions of AIIB. As a founding member of the Bank, we seek to support and facilitate the AIIB's thematic priorities to enhance sustainable infrastructure, cross-border connectivity and private capital mobilization.

In the three years since its founding, the AIIB has grown to become a key enabler for regional infrastructural development within emerging and growth economies. By prioritizing the mobilization of private funds the Bank can further extend its impact as a catalyst for global progress.

The Bank's objectives are in perfect alignment with the UAE's international social, humanitarian and development aid effort that has earned the country, for the fifth consecutive year, the title of the world's largest official development aid donor relative to national income.

Our collaboration with the Asian Infrastructure Investment Bank also conforms to the vision of the UAE government to step up regional cooperation and integration with other Asian nations in areas of shared interest.

Distinguished guests,

The UAE recognizes the importance of leveraging expertise to support projects that translate into a long-term economic impact on the region. We focus in particular, on the needs of member countries with the least developed economies.

Furthermore, we are committed to identify new ways to assist emerging economies in overcoming their development challenges, helping them to tap and develop the local potential.

The UAE will continue, together with our partners in the Asian Infrastructure Investment Bank, to deliver vital development aid to the governments of developing countries for years to come.

Ladies and gentlemen,

Thank you, I wish you a productive participation in this meeting.

## Vietnam

Dear Mr. Chair,

Fellow Governors and distinguished guests,

Today, I am honored to represent the Socialist Republic of Vietnam, as one of the AIIB founding members, at the 3rd Annual Meeting of the Board of Governors of the Bank. First of all, I would like to express my sincere thanks to the AIIB and the Organizing Committee for their excellence preparation for this event. I would also like to give special thanks for warm welcome and heart-felt hospitality extended to us by the Republic of India and the local authority and people of Mumbai, enabling us to visit this beautiful beach city.

The 3rd Annual Meeting of AIIB themed “Mobilizing Finance for Infrastructure: Innovation & Collaboration” is a meaningful event in the context that the regional countries have been exerted a great endeavor to fill the shortage of infrastructure capital and resources. Approximately, developing Asia will need to invest US\$26 trillion from 2016 to 2030, or US\$1.7 trillion per year, if the region is to establish quality standards, foster growth momentum, eradicate poverty, and respond to climate change. It is clear that demand for Asian infrastructure investment far exceeds supply.

Ladies and Gentlemen,

Current regional context has posed new challenges for international and regional organizations including AIIB that should have concrete actions to efficiently support its member countries, contributing to the maintaining of a good balance between economic stability and momentums for growth as well as pertaining growth achievements. The multilateral development banks (MDBs) have been signified their substantial role in narrowing the huge infrastructure financing gap with the total MDBs support have contributed around 2.5% of the region’s infrastructure investments. For recent decades, developing Asia has seen dramatic improvements in infrastructure investment but remains far from adequate. Better access to infrastructure has driven growth, reduced poverty and improved people’s lives. Yet over 400 million Asians still lack electricity; roughly 300 million have no access to safe drinking water and 1.5 billion lack basic sanitation. In many countries, undeveloped port and railway system hinder the integration across and outside the region, constraining economic growth. City traffic congestion also costs economies huge amounts daily in lost productivity, wasted fuel, and human stress.

As a founding member of the AIIB, Vietnam has been at the forefront of the Bank’s consultation process, establishment and operation, and AIIB has since proven to be a credible multilateral financial institution. For a few years, the Bank has obtained impressive achievements including growing portfolio of projects across Asia as well as broad membership applications.

To contribute to these above achievements, it would be noteworthy to mention the Bank's clear strategic vision through the development of Strategies on Energy and Mobilizing Private Capital for Infrastructure as well as drafting of Transport Strategy and Sustainable Cities Strategy which will be soon finalized. These important documents have laid the solid foundations for building up a high-quality portfolio, being the lodestar for a consistent investment decision making process so as to realize AIIB's strategic priorities and the meaningful mandate set out by the founding members. We welcome the outstanding spirit of the Strategy on Mobilizing Private Capital for Infrastructure which is the Bank constantly seeking innovative and differentiated approaches to financing infrastructure while preserving the strengths of a traditional multilateral development bank (MDB). AIIB is a newly established MDB in the context that existing MDBs are transforming themselves to put more focus on the excavation of private sector strengths to help development, as such, we believe that AIIB has a unique opportunity to draw on the lessons of similar MDBs and to build an organizational structure and an operational culture supportive of catalyzing private sector financing at the very beginning. This would in turn support building the necessary flexibility in the project approval processes and designing innovative financing products to meet the changing requirements of clients. Vietnam is pleased to witness a significant progress made by AIIB this year in institutional management, including developing human resource programs, reinforcing the roles of Committees, approving Risk Appetite Statement, and especially approving Accountability Framework. Vietnam expects that this Framework would enable an effective institutional arrangement, reflecting the best of international standards of internal governance which ensures that the Bank's operation is well-aligned with the strategies and policies guided by the Board of Directors.

On the progress of portfolio expansion, Vietnam encourages the Bank to constantly draw market knowledge and experience, to improve effectiveness of each investment decision, to develop and test its internal operational systems and to sharpen its strategic focus so as to bring the ambition to reality. By investing in sustainable infrastructure and other productive sectors today, AIIB is envisaged to better connect people, services and markets that over time will impact the lives of billions and build a better future. Over the past journey, the Bank has made an impressive progress, and together we have much about which to be proud. This progress would not have been possible without the significant efforts of AIIB Board of Directors, AIIB Management, and in particular President Jin Liqun and AIIB staff. However, AIIB still has a long way to go to improve itself to become a credible, independent and truly "lean, clean and green" multilateral institution as the set mandate of the Bank and Vietnam is committed to accompany and shoulder with the Bank to deliver on its promise to the region.

Ladies and Gentlemen,

Over the past decades, Vietnam has been emphasized on infrastructure development with the infrastructure spending over gross domestic product being high compared to other regional countries. However, the width of infrastructure financing

gap remains huge, and infrastructure shortage still represents a key problem impeding the economic growth momentum. To meet this challenge, Vietnamese government is committed to mobilize all resources to upgrade country's infrastructure stock, eliminating the bottleneck to the development. Continued pressure on sovereign resources, which is projected to increase with time, means that the way forward to narrow the large infrastructure financing gap is to mobilize different funding sources, especially private capital. This requirement urges the government to develop an integrated strategy of effective financing solutions for infrastructure and promoting private sector involvement in infrastructure projects. In the 2017 Vietnam Joint Ministerial Statement, APEC Finance Ministers have also recognized the importance of mobilizing long-term investments in infrastructure and reiterated the relevance of quality infrastructure for sustainable economic growth. While recognizing the role of public investment, APEC Finance Ministers supported that diversification of financing sources and fostering private sector involvement in infrastructure projects is an important solution to meet the significant demand for long-term capital for infrastructure.

It is undeniable that AIIB's Strategy on Mobilizing Private Capital for Infrastructure is consistent and agreeable with Vietnam's context and strategy for infrastructure financing at the current stage and moving forward. In this sense, Vietnam particularly highlights AIIB's substantial role in financial mobilization from private sector and prioritized use of non-sovereign window to support infrastructure development especially countries with public debt constraints. Vietnam expects that AIIB will offer diversified products for private sector, designed for the local context and implemented with flexibility. Our expectation is generally in line with the Bank's vision of a solution-driven approach and innovation and excellence promoting. With its prestige and influence, we encourage that AIIB will position itself as not only a lender but also an originator, a facilitator of private investment who structures and executes the deals of private capital from institutional investors, commercial and investment banks... Such approach to Vietnam market would show AIIB's responsive to the needs of clients with promising results, supplementing to the traditional funding and diversifying the financing sources for infrastructure development.

Vietnam highly appreciates the goodwill and attention of AIIB's Management and staff on Vietnam's needs for infrastructure development while sharing concerns on how to keep a good balance between pressure of public debt threshold and increasing demand for infrastructure investment. On the basis of supportive relationship between Vietnam and AIIB, with the consistency in infrastructure financing strategy, and on the position of a founding member of AIIB, we expect to soon realize the goal of having the first AIIB financed project in Vietnam. The government of Vietnam pledges to create favorable conditions and enforceable policies to attract and protect private investors.

Taking this opportunity, let me express my sincere gratitude to the Government of the Republic of India, AIIB and other development partners for having been with

important development steps of Vietnam. I am confident that this cooperation will continue to be strengthened in both width and depth.

I wish the 3rd Annual Meeting of the Bank a great success and thank you very much for your kind attention!

### **Group Statement**

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

The Wider Europe Constituency thanks India for hosting the third Annual Meeting of the Asian Infrastructure Investment Bank in Mumbai.

We congratulate the Bank on the impressive progress it has made since the 2017 Annual Meeting in Jeju. We welcome the fact that membership and operations continue to grow, with 86 approved members, and over \$4.5 billion in investment. The governance of the bank also continues to evolve; the new accountability framework is an important milestone for the AIIB in reaching its aim to be a modern and innovative multilateral development bank. We welcome, under this framework, the expanded role for the Board of Directors to set strategic direction and the enhanced responsibility and accountability of the President and management for conducting the business of the Bank. The WEC will continue to be an active and constructive member of the Board of Directors and will continue to work with management to carefully oversee the implementation of policies, strategies and projects.

We recognize that there is an extensive funding gap for sustainable infrastructure in Asia, which no government or multilateral development bank can bridge alone. The work of the AIIB, in collaboration with sovereign, sub-sovereign and multilateral partners, will provide confidence to the private sector investors who have a vital role to play in narrowing this gap. Attracting private sector financing into infrastructure investment should continue to be a clear priority for the AIIB in order to maximize the impact of finite public sector financial resources.

We therefore welcome the Annual Meeting's theme: "Mobilizing Finance for Infrastructure: Innovation and Collaboration", and we look forward to the ambitious implementation of the recently approved strategy for private capital mobilization. As active and committed members of the Bank, we want to see the impact of our investment in the Bank go far beyond our capital contributions, and we commend the Bank for continuing to expand operations away from the standard sovereign lending structure to achieve this.

We also strongly support the Bank's ambition to prioritize the development of expertise and comparative advantage across the themes of sustainable, green infrastructure and cross-country connectivity. In particular, we believe that delivering investments that are socially, environmentally and economically sustainable in support of the Sustainable Development Goals must be at the core of the Bank's business model. We look forward to finalizing the planned green strategies for transport and sustainable



cities, and we urge management to continue to develop further thematic and sectoral strategies, including for the water sector. We welcome and support the emergence of greater focus on the vital issue of gender inclusion in strategies and projects.

We recognize that delivering across this ambitious agenda will take time, and we appreciate the work of the Bank's management to establish solid and sustainable foundations on which it can build: clear strategic and policy frameworks, robust financial and risk management systems, and an emphasis on recruiting and retaining the world-class people needed to build an innovate new global bank.

In conclusion, we urge the Bank to continue to develop its operations and footprint in a way that is consistent with the challenge it has set itself: to be lean, clean and green. We see financing sustainable and inclusive infrastructure as being at the heart of meeting this challenge, and we stand ready to work with the Bank in close partnership to assist in creating a greener and more sustainable Asia in any way we can.

## **PARTICIPANTS TO THE ANNUAL MEETING**

### **DELEGATIONS OF MEMBERS**

#### **Afghanistan**

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*Advisor*  
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Fisseha Kidane

## **Fiji**

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Christian Kraemer  
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*Temporary Alternate Governor*  
Jon Gunnar Vilhelmsson

## **Ireland**

*Temporary Alternate Governor*  
Paul Ryan

*Advisor*  
Luke Devoy

## **India**

*Governor*  
Piyush Goyal

*Alternate Governor*  
Subhash Garg

## **Israel<sup>1</sup>**

*Alternate Governor*  
Matan Lev-Ari

*Advisor*  
Ofar Peleg

## **Indonesia**

*Alternate Governor*  
Bambang Permadi Brodjonegoro

*Advisor*  
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Dewi Kania  
Irfa Ampri  
Kennedy Simanjuntak  
Rionald Silaban  
Siliwanti Siliwanti  
Siska Indirawati  
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## **Italy**

*Temporary Alternate Governor*  
Federica Diamanti

*Advisor*  
Fabrizio Costa  
Alberto Cogliati  
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## **Iran**

*Alternate Governor*  
Mohammad Khazaei Torshizi

## **Jordan**

*Temporary Alternate Governor*  
Emad Shana'ah

## **Kazakhstan**

*Governor*  
Timur Suleimenov

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<sup>1</sup> Upon request of the State of Israel, it is recorded that the State of Israel did not participate in the consideration of Resolution No. 62.

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Yung Jin Kim  
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Young Sam Jun  
Tae Sik Yoon  
Sungwon Kim  
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**Kyrgyz Republic**

*Temporary Alternate Governor*

Mirlanbek Baigonchokov  
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**Lao PDR**

*Alternate Governor*

Thipphakone Chanthavongsa

*Temporary Alternate Governor*

Theutthoune Soukaloun

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**Luxembourg**

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Pierre Gramegna

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Arsène Jacoby

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Max Dörner  
Pooja Viridi  
Sam Schreiner  
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**Madagascar**

*Temporary Alternate Governor*

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**Malaysia**

*Temporary Alternate Governor*

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**Maldives**

*Alternate Governor*

Ahmed Munawar

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Abdul Ghafoor Abdul Haleem  
Arif Hilmy  
Fathimath Shaana Farooq  
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## **Malta**

*Governor*  
Edward Scicluna

*Advisor*  
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## **Myanmar**

*Alternate Governor*  
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*Advisor*  
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## **Nepal**

*Governor*  
Yuba Raj Khatiwada

*Advisor*  
Yug Raj Pandey  
Shreekrishna Nepal  
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## **Netherlands**

*Alternate Governor*  
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*Advisor*  
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## **New Zealand**

*Alternate Governor*  
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## **Norway**

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*Alternate Governor*  
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*Alternate Governor*  
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## **Philippines**

*Governor*  
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## **Poland**

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*Temporary Alternate Governor*  
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*Temporary Alternate Governor*  
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**Russian Federation**

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**Samoa**

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*Alternate Governor*  
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*Alternate Governor*  
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## **United Kingdom**

*Governor*  
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*Alternate Governor*  
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*Advisor*



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### **Vietnam**

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### **Belgium**

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### **Peru**

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### **South Africa**

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Jae Hyung Kwon

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Fabio Batista

Abhishek Haridas Pathak

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**Pacific Islands Forum Secretariat**

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**PricewaterhouseCoopers**

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**SAARC Development Fund**

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**United Nations Industrial Development  
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**World Bank**

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