

Our client's project provides
energy and employment.

How?

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2019 AIIB ANNUAL REPORT AND FINANCIALS

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2019 at a Glance

(As of end-2019)

OUR MEMBERS

102

76 MEMBERS,
26 PROSPECTIVE
MEMBERS

OUR PROJECTS

63

OUR INVESTMENTS

USD
12.04
BILLION

PRIVATE CAPITAL
WE'VE MOBILIZED

USD
1.89
BILLION

OUR PROFESSIONAL
STAFF

279

OUR FEMALE
PROFESSIONAL
STAFF

108
(39% OF TOTAL)

OUR STAFF'S
NATIONALITIES

50



AIIB IN 2019



Who We Are and What We Do

In 2016, the Asian Infrastructure Investment Bank (AIIB) began operations to help foster social and economic development, create wealth and improve infrastructure connectivity in Asia by investing in sustainable infrastructure and other productive sectors. We help our members meet their Sustainable Development Goals and their Nationally Determined Contributions according to the Paris Agreement. We believe Asia's future prosperity will be driven by inclusive and sustainable development. Building on our core values of Lean, Clean and Green, we contribute to broad economic and social development in Asia and beyond by helping finance vital infrastructure—infrastructure that is financially, economically, socially and environmentally sustainable and supports one or more of our thematic priorities. We believe tomorrow's infrastructure will look very different. It will be shaped by rapid changes in the way markets function and how people live, move and work. What is built, how it is built and where it is built will evolve as the needs of people, the economy and the world change.

OUR MANDATE

"Foster sustainable economic development, create wealth, and improve infrastructure connectivity in Asia by investing in infrastructure and other productive sectors."

"Promote regional cooperation and partnership in addressing development challenges by working in close cooperation with other multilateral and bilateral development institutions."



ENLARGE

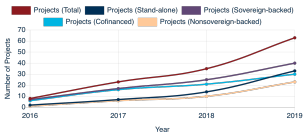
Historical Data *

APPROVED PROJECTS	PROJECTS BY THEMATIC PRIORITY		PROJECTS BY SECTOR		USD INVESTMENTS	APPROVED MEMBERS
	STAFF	SPECIAL FUND	PRIVATE CAPITAL MOBILIZED		IOCT PROCUREMENT	
Year	Total	Stand-alone (out of total for the indicated year)	Cofinanced (out of total for the indicated year)		Sovereign (out of total for the indicated year)	Nonsovereign (out of total for the indicated year)
End-2019	63	33	30		40	23
End-2018	35	14	21		25	10
End-2017	23	7	16		17	6
End-2016	8	2	6		7	1

Click to generate chart

- ☒ Projects (Total)
- ☒ Projects (Stand-alone)
- ☒ Projects (Cofinanced)
- ☒ Projects (Sovereign-backed)
- ☒ Projects (Nonsovereign-backed)

Approved Projects Since AIIB Launch



* Cumulative year-end figures. "Approved" investment figures reflect maximum amount approved. "Net Committed" equals committed amount less canceled amount. "Disbursed" refers to the amount of cash disbursement and capitalized charges. Approved membership numbers are aggregated (members plus prospective members) as of indicated year-end. "Borrowing Members" are Members with approved loans from AIIB. "Private Capital Mobilized" includes both direct and indirect involvement of AIIB that led to the commitment of private entities financing. "Special Fund" refers to grants that support the preparation of projects to be financed by AIIB. Some projects are classified under more than one thematic priority; total may exceed actual number of approved projects. "IOCT" refers to International Open Competitive Tendering Procurement for sovereign-backed stand-alone and cofinanced investments.

From Our President

The end of 2019 marked AIIB's entry into its fifth year of operations, the last of our start-up phase. It was a year of growth, development and learning for the institution as we expanded our capacity to serve our clients.

In 2019 alone we welcomed nine new proposed members to our Bank, meaning our 102 shareholders across the world now represent 79 percent of the global population. Our staff numbers grew by 50 percent over the year, reaching 279 by the end of 2019. We increased the range of financial products we can offer, including local currency financing, partial credit guarantees, variable-spread loans and non-USD hard currency loans. We expanded our operations to include seven additional AIIB members. And of course, the volume of our investment also continued to grow, amounting to more than USD12 billion in approved financing by the end of the year.

2019 was also a year of firsts for AIIB, including the achievement of AIIB's first external attestation of its effective internal controls over financial reporting, which is a keystone of investor confidence and the result of enhanced governance and high-quality controls.

2019 also saw the inclusion of a first-of-its-kind Climate Change Investment framework as part of our AIIB Climate Bond Portfolio. We also announced our subscription for preference shares in Bayfront Infrastructure Management Pte. Ltd., a first-of-its-kind platform designed to mobilize a new pool of institutional capital for infrastructure debt in Asia.

Another first for AIIB in 2019 was the issuance of its USD2.5-billion five-year bond. This much-anticipated inaugural transaction in the debt capital markets attracted over 4.4 billion orders from more than 90 investors across the globe, representing 27 countries. We feel this demonstrates investor commitment to driving socioeconomic development in Asia. These examples of innovation and partnership between an MDB and the private sector speak to our ambitions as a bank and a member of the international development community.

Soon AIIB will be entering its next phase of development, which will be characterized by growth and expansion. However, as we reflect on what was achieved over the past year, we must acknowledge that the world as it was in January 2016 when AIIB opened its doors is not the same world we live in now. The macroeconomic and geopolitical situation has changed significantly. The global economy now faces unprecedented challenges, particularly after the outbreak of the COVID-19 pandemic.

The COVID-19 crisis will be a litmus test of our ability to address formidable unprecedented challenges. Will AIIB prove to be agile and flexible enough to assist our members when unexpected circumstances arise? Now is the time for AIIB to demonstrate its adaptability, resilience, responsiveness and readiness by stepping in to provide our public and private sector clients with urgent financial support. AIIB's COVID-19 Crisis Recovery Facility allows us to support our members and clients in alleviating and mitigating economic, financial, social and public health pressures arising from COVID-19.

While the long-term consequences of the current crisis are yet to play out, it is likely that increasing fiscal pressures and economic slowdown will lead to a sharp drop in infrastructure investment, further widening what was already a very large gap. It is therefore critical that key infrastructure investments, particularly those mitigating climate change, continue to receive financing.

It is our role to step up our efforts to provide countercyclical lending to keep our members fiscally on track during times of uncertainty. Once the COVID-19 crisis is over, AIIB will need to quickly refocus on its mainstream operations in assisting developing members to invest in high-quality infrastructure for development. The crisis has also alerted us to the necessity of improving public health systems to prevent and mitigate the impact of future epidemics. We must leverage the achievements of the past four years to help our borrowing members recover from the economic shock of the pandemic by enhancing their capacity to generate revenue, strengthen their debt sustainability and support the private sector as it rebuilds.

MDBs, in particular, can be facilitators for deeper collaboration and cooperation among governments, regulators, public institutions, the private sector and other funding sources on issues of global importance. Beyond the immediate COVID-19 crisis, climate change remains the greatest long-term challenge facing our members, and we will continue to work to help all of our members achieve their targets under the Paris Agreement. We have joined eight other MDBs in a pledge to increase global climate action investments. This is an area where innovation is sorely needed, and we intend to do our part to identify new approaches to spur investment in climate-aligned projects and investments.

Looking back at what we did in 2019 gives us a better perspective on what has been achieved and what remains to be done. Beyond the immediate consequences of the COVID-19 crisis, there are other changes taking place within the infrastructure financing landscape, influenced by rapid shifts in how markets function and how people live, move and work. Once the world emerges from the pandemic, the needs of people and the economy—along with the development of infrastructure techniques—will dictate what we build and how we build it. One thing we can be sure of amid the current uncertainty is that tomorrow's infrastructure landscape will look and function very differently from how it does today.

But as long as we keep our mandate in mind and continue to serve our members under the guidance of our Board of Governors and Board of Directors, I have full confidence that AIIB will live up to the expectations of our shareholders and clients.



ENLARGE



From Our Board of Directors

MDBs are agents of change. They are well-positioned to fulfill common global needs financially and through the impact these financings lend to the global community. Yet MDBs are merely part of the ecosystem for global change. We need to work with our members and national governments, other international institutions, local and regional organizations and authorities, the private sector and civil society. Collectively, we are all agents of change.

As a collective, MDBs have the capability to respond to three pressing global needs: (1) addressing issues surrounding all three dimensions of sustainable development (economic, social and environmental), (2) bridging borders and economies and (3) closing the infrastructure financing gap. The world stands to gain from addressing all three. AIIB has chosen these as our thematic priorities to respond and contribute to these main obstacles the world is facing.

AIIB is not the only actor in these priorities. In one form or another, our fellow MDBs are also contributing to all three. The global economy and nations worldwide would benefit from MDBs' assistance in these areas.

This is when collective development governance becomes relevant. In terms of environmental policies, global political ecology and economic policies, development governance involves the diplomacy and measures needed to guide social systems toward global needs such as mitigating the effects of climate change, connecting economies or mobilizing private capital to fill the infrastructure funding gap.

Aside from development governance, development diplomacy is also key. This involves deep understanding of how to shape the development discourse among governments, financial institutions, analysts, policy makers and other stakeholders to manage development issues more effectively, collaboratively and efficiently.

Development governance and diplomacy supplement the technical, scientific or economic information we get from field experts. Coupled together, more effective solutions may materialize since governance and diplomacy include the entire set of interactions between public and private agents of change as they attempt to solve societal problems together. MDBs are thus important agents due to the enormity and impact of their organizational capabilities and activities and their role in development governance and diplomacy.

First, in terms of financing sustainable infrastructure, the most obvious contribution of MDBs is their capability to increase climate financing. In 2018, MDB climate finance in developing countries and emerging economies reached record annual levels, resulting in USD111 billion of combined MDB climate finance and cofinancing. Through their projects, MDBs are uniquely positioned to support the implementation of Nationally Determined Contributions outlined in their members' commitments to the Paris Agreement.

For our part, AIIB is developing debt capital markets for infrastructure and building a sustainable environmental, social and governance ecosystem in emerging markets. MDBs can also manage their own environmental footprint as their activities and investments impact the environment. AIIB is developing a broader Institutional Carbon Management System aimed at reducing carbon emissions related to our facilities, procurement, business travel and waste management. This allows us to not only invest in but also live our Green core value.

Second, development governance and diplomacy can accelerate cross-border connectivity. Cross-border infrastructure is one of the most underserved areas in Asia as evidenced by large connectivity gaps between neighboring and other Asian economies. Infrastructure can connect vital commercial hubs and economies. Yet infrastructures that connect borders are not limited to roads and other physical structures in which we invest. Infrastructure could connect information and data digitally. It could connect energy. It could connect finance. Infrastructure can connect people, services, markets and economies.

When we helped develop a project to improve the highway from Sylhet to Tamabil, our aim was not only to ease the flow of traffic. We wanted to ease the flow of people, goods and services between Bangladesh and India. In one of our earlier investments, we did not intend to merely lay down and connect pipes for a gas pipeline. We knew that energy from gas fields in Azerbaijan can be transmitted through Georgia, Turkey, Greece and Albania to Italy, thus connecting not just energy but commerce as well by integrating Azerbaijan with new markets in Southern Europe.

Third, MDBs can help mobilize private capital. The challenge in narrowing the infrastructure investment gap is how to transform infrastructure needs into bankable projects while creating financing platforms that allow institutional capital to enter at scale. Doing so will require many actors—from governments to regulators to investors—to collaborate, take action on different issues then bridge the demand and supply of infrastructure.

However, MDBs form but a small portion of the overall infrastructure financing ecosystem. Private capital has the potential to play a much larger role in infrastructure finance. One of our efforts to mobilize such financing in 2019 was an investment in a business platform that would build infrastructure as an asset class and mobilize a new pool of institutional capital for Asian infrastructure. We established a private equity fund to mobilize private capital for infrastructure and other productive sectors by investing in noncontrolling equity stakes in companies in AIIB members. This private equity fund will help our members undergo the energy transition shift by mobilizing private capital investments for renewable energy.

Development can no longer be treated separately from mainstream economic, operational and financial policies by governments, the private sector and multilateral institutions. MDBs in particular need to think and operate differently in the course of their operations. Development governance and diplomacy are key to managing the efforts of various agents of change.



ENLARGE

2019 Timeline

JANUARY - JUNE

JULY - DECEMBER

We launched the inaugural Asian Infrastructure Finance report.

Jan. 29

Feb. 15

For the third straight year, S&P Global Ratings gave us an AAA/A-1+ (stable) rating.

We held our first 2019 AIIB Legal Seminar in Hong Kong, China.

Feb. 21

March 28

We held our second 2019 AIIB Legal Seminar in Singapore.

Our Project-affected People's Mechanism became operational.

March 31

April 3

We approved our Strategy on Investing in Equity.

April 4



We approved our first investment in Lao PDR.

April 4



We approved our first two investments in Sri Lanka.

We became a member of the Independent Accountability Mechanisms Network.

April 7

April 8

We became a member of the Global Delivery Initiative.

Our membership grew to 97 as we approved Côte d'Ivoire, Guinea, Tunisia and Uruguay as prospective members.

April 18

April 22

We jointly organized a workshop with the China International Contractors Association to recommend actions for implementing standards for high-quality and sustainable connectivity infrastructure.

Investors backed **our debut bond**.



May 9

We priced our first global bond which raised USD2.5 billion.

May 21

We approved our first investment in Nepal.

June 8



We held our first Career Opportunities Seminar of the year in France.

June 15



We held our second Career Opportunities Seminar of the year in the United Kingdom.

We published the second volume of the AIIB Yearbook of International Law.

June 26

JANUARY - JUNE

JULY - DECEMBER

2019 Timeline

JANUARY - JUNE

JULY - DECEMBER

For the third straight year, Fitch Ratings gave us an AAA/F1+ (stable) rating.

July 9

July 10

We approved our Oversight Mechanism in Luxembourg.



We held our fourth Annual Meeting in Luxembourg, our first outside Asia.

July 12

July 12

We became a member of the Ethics Network of Multilateral Organizations.

We approved our first investment in Cambodia.

July 12

July 12

We announced a partnership to initiate our USD500-million AIIB Asia ESG Enhanced Credit Managed Portfolio.

We announced an agreement to partner with the European Stability Mechanism for technical cooperation, economic and policy strategy exchange, funding, risk management, corporate governance, legal services and staff secondment.

July 12

July 12

We announced an agreement to partner with the International Fund for Agricultural Development for cofinancing, private capital mobilization and research.

We reached the milestone membership number of 100 as we welcomed three nonregional countries (Benin, Djibouti and Rwanda) as prospective members.

July 13

July 13

We approved the Variable Spread Loan product for our sovereign and sovereign-guaranteed clients.

For the third straight year, Moody's Investors Service gave us an Aaa/Prime-1 (stable) rating.

Sep. 5

Sep. 10

We announced a partnership with Europe's largest asset manager to launch a USD500-million climate bond portfolio and accelerate climate finance action.

We held our annual legal conference on the role of international administrative law and our annual law lecture on the rise of sustainable development in international investment law.

Sep. 11

Sep. 23

We joined eight other MDBs in an agreement to jointly raise annual global climate finance to USD175 billion by 2025.

We added Local Currency Financing to our products for clients wishing to mitigate foreign exchange volatilities.

Sep. 24

Oct. 11

Our International Advisory Panel gained two new members with the addition of Scott Morris and Takatoshi Kato.

President Jin discussed water security at the 2019 Budapest Water Summit as AIIB prepared its water sector strategy.

Oct. 15

Oct. 24

Construction of our eight-hectare permanent headquarters at the Beijing Olympic Park was completed.

We held our third 2019 AIIB Legal Seminar in Seoul, Korea.

Oct. 31

Nov. 16



We held our third Career Opportunities Seminar in India.



President Jin welcomed Her Royal Highness Princess Astrid of Belgium to the Bank's headquarters as Belgium achieved full membership with AfDB.

Nov. 18

Nov. 25



Photo: AfDB

We joined other MDBs at the Global Gender Summit in Rwanda.

The FT-AfDB Summit 2019 was held in Indonesia to drive creativity and innovation in infrastructure finance.

Nov. 26

Nov. 28

We signed an agreement with Kazakhstan to finance renewable energy projects in the country.

We partnered with Clifford Capital to establish a first-of-its-kind platform to mobilize a new pool of institutional capital for infrastructure debt.

Nov. 28

Dec. 9

We held a keynote event and other activities to mark International Anti-corruption Day.

We launched the Project-affected People's Mechanism portal, with progressive inclusion of sample submission forms in national/official languages of borrowing members.

Dec. 10

Dec. 12

We approved our first investment in Russia.

We approved our first sovereign-backed investment in China in support of its transition to lower-carbon energy.

Dec. 12

Dec. 12

We approved our first investment in Uzbekistan.

We approved our first investment in Kazakhstan.

Dec. 12

Dec. 12

A project under our Special Fund was approved, the first project whose preparation we supported from the very early stage. It is also our first sovereign-backed financing investment in Nepal.

Our total approved project lending reached USD12.04 billion.

Dec. 12

Dec. 13

We added Partial Credit Guarantees to our list of products, providing payment security to commercial lenders of infrastructure projects.



Our permanent headquarters received the LEED Platinum rating (the highest honor for green buildings worldwide) and a three-star rating in the National Green Building Evaluation (the highest in China).

Dec. 26

Dec. 31

We've exceeded the **100-member** mark!

STRENGTH
IN
NUMBERS

2019: **102**

2018: **93**

2017: **84**

2016: **57**



Our total membership reached 102 as we approved Croatia and Senegal as nonregional prospective members.



2019 AIIB Annual Report and Financials

OUR GROWTH

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2019: The Year That Was

The Asian Infrastructure Investment Bank (AIIB) entered its fifth year of operations in 2020, the last of our start-up phase. Here's a summary of the year that was.

Strength in Members

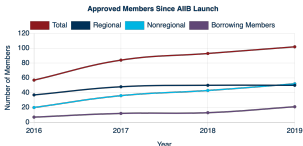
On June 29, 2015, representatives from 37 regional and 20 nonregional members gathered for the signing ceremony of the [Articles of Agreement](#) that form the legal basis of our existence. Those first 57 are our founding members. We began operations on Jan. 16, 2016, and on July 13, 2019 we reached the milestone membership number of 100 as we welcomed three nonregional countries (Benin, Djibouti and Rwanda) as prospective members. By the end of 2019, we breached the 100-mark with 102 approved members (76 members plus 26 prospective members). We ended the year with projects in 21 of our 102 members, all of which are our partners in pursuit of our mission.

Approved Members *

Year	Total (aggregated, members and prospective members)	Regional (out of total for the indicated year)	Nonregional (out of total for the indicated year)	Borrowing Members (out of total for the indicated year)
End-2019	102	50	52	21
End-2018	93	50	43	13
End-2017	84	48	36	12
End-2016	57	37	20	7

Click to generate chart

- ☒ Total
- ☒ Regional
- ☒ Nonregional
- ☒ Borrowing Members



* Cumulative year-end figures. "Borrowing Members" are Members with approved loans from AIIB.

Strength in Numbers

Four years after we began operations, our financial position remains stable. Our members offer strong support as displayed by our global and diversified shareholder base. They represent approximately 79 percent of the world's population and 65 percent of global gross domestic product. We have USD100 billion in capital stock, 20 percent of which is assigned to paid-in capital. We have one of the largest paid-in capital bases of any multilateral development bank (MDB) and hold considerable liquidity over and above policy needs. By the end of 2019, we had invested USD12.04 billion in various types of infrastructure that help improve people's lives today and will catalyze economic opportunities for future generations.

LEARN MORE

ABOUT OUR INVESTMENT FIGURES FROM 2016-2019.

Strong Credit Position

Our prudent risk management and financial policies allowed us to maintain our triple-A ratings from 2017 to 2019, with a stable outlook from the top three credit rating agencies—Standard & Poor's, Moody's and Fitch. This enabled the success of our inaugural bond in May 2019, raising USD2.5 billion that will be invested in infrastructure. That same year, our debut bond was declared the "SSAR Bond of the Year" by the [International Financing Review](#), the "Supranational Dollar Bond of the Year" by [Global Capital](#), "Best SSA Bond" by [Global Capital Asia](#) and "Sustainable Finance, China, Best New Bond" by [The Asset](#).

2019 marked the first step in our funding strategy. By participating in capital markets, we can harness further financial support from a global investor base.

On the environmental, social and governance (ESG) front, we have been

rated (on an unsolicited basis) by [three ESG rating agencies](#)—ISS ESG, Sustainalytics and Vigeo Eiris. ESG refers to the three main factors in measuring an investment's sustainability and societal impact, and these ratings are solicited by investors to enable them to determine the ESG risks of their investments.

High Financial Reporting Standards

We remain committed to the highest standards of financial and corporate governance, with responsibilities and related controls throughout the Bank being properly defined and delineated.

Our Management is responsible for establishing, implementing and maintaining effective internal controls over financial reporting (ICFR) for presentation and measurement in conformity with international financial reporting standards. Our internal control system contains monitoring mechanisms, and actions are taken to correct deficiencies identified. On June 3, 2019, our [Directive on Internal Control over Financial Reporting](#) was released, establishing a framework for the design, implementation, maintenance, testing and reporting of AIIB's ICFR. We believe that ICFR supports the integrity and reliability of our financial statements.

By end-2019, our external auditor, PricewaterhouseCoopers, certified Management's assessment that AIIB has maintained effective internal controls over financial reporting in accordance with the integrated framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Our COSO/ICFR implementation journey started in 2018, and since then we have been establishing our framework (planning, designing and implementing the Risk Control Matrix and control testing). Our control review and redesign are carried out by a newly established Internal Control Unit under the Office of the Controller, working with various stakeholders and other lines of defense in AIIB to ensure that controls are effectively carried out and monitored.

Our credit ratings are at the top and stable.



ENLARGE

Risk Governance

We adhere to sound banking principles, and our strong risk governance and balance sheet helped us maintain our credit ratings for the third straight year.

We ensure that risk-taking activities are in line with our strategy and risk appetite and cover all material risk categories applicable to AIB. To manage risk effectively, we're building and reinforcing our risk culture, articulating and monitoring adherence to the risk appetite and leveraging a model with three lines of defense to strengthen our risk management architecture.

Our Board of Directors supported the Bank's latest risk appetite statement and approved the top-down allocation of risk. The Board approved our updated Financial and Risk Management Policy Framework and Risk Management Framework. Special focus was given to build the foundation to manage compliance risk including anti-money laundering and combating the financing of terrorism. Model risk was also added to complement the Bank's risk management architecture. Our [Model Risk Management](#) directive was introduced in 2019 to ensure models are used appropriately within the Bank in line with industry best practice. Updates have been made to existing risk directives to ensure they remain fit for AIB's development.

In line with the final phase of establishing AIB's [Risk Management Framework](#), the Bank industrialized and digitalized its risk reporting capabilities throughout 2019. This facilitated greater risk-related analytical capabilities with further integration with the Bank's wider platforms. The technology platform will support AIB's future growth, both in business volumes and product offerings. The improvements will also enable Senior Management to be readily informed of AIB's risk profile and ensure appropriate decision making.

We also began establishing the roles and responsibilities of the Bank's workout and restructuring function. While in 2019 AIB had no nonperforming loans, the Bank is creating the rules to ensure loan impairment preparedness. This institutes guidelines on how to recognize and deal with projects under stress, manage their recovery and resolve complex cases. Tools include early warning systems which can alert Management ahead of problems.

With our [Capital Adequacy and Stress Testing Policy](#) as a guide, we conduct stress tests to determine adherence to risk appetite limits. To communicate these activities and outcomes, we strengthened our risk-related reporting. We furthered our stress-testing capabilities in 2019 to include a greater variety of scenarios (including climate change) at both geographical and sectoral levels to ensure Management and the Board are aware of potential sources of risk.

It is also important for us to map out guidelines for the assessment, monitoring and control of the risk of legal or regulatory sanctions, financial loss or loss to reputation AIB may suffer as a result of our failure to comply with laws, regulations, international standards and codes of conduct applicable to our banking activities. Thus, in 2019 we enhanced our minimum requirements and processes in relation to financial crime and integrity due diligence when dealing with customers and counterparties. This accelerated the implementation of our [Directive on Anti-Money Laundering and Combating the Financing of Terrorism](#). We consolidated our due diligence databases and held training sessions to better equip responsible staff with tools to conduct preliminary screening and research to identify and mitigate counterparty risks. Moody's supported AIB's Know Your Customer (KYC) and Financial Crime and Integrity assessments in 2019. As we continue to refine our procedures, even more specific guidelines on KYC and Financial Crime and Integrity Due Diligence will be issued for the Bank.

Assurance and Advisory

Our Internal Audit Office (IAO) provides professional and objective assurance and advisory services that add value to and improve our operations. Internal audit's mission is to enhance and protect organizational value by providing risk-based and objective assurance, advice and insight. IAO helps AIB accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.

IAO governs itself by adhering to the elements denoted as Mandatory Guidance in the International Professional Practices Framework of the Institute of Internal Auditors, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing and the Definition of Internal Auditing. IAO ensures that it remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities independently and in an unbiased manner, including on matters of audit selection, scope, procedures, frequency, timing and report content.

In 2019, we envisaged a transformative internal audit function and began evolving by adopting innovative practices, reinforcing a learning culture and leveraging new technology by implementing a cloud-based audit management system. IAO's capabilities and mindsets are continuously developed through successful implementation of the agile audit methodology.

Accountability

In 2019 we implemented the [Accountability Framework](#) approved by our Board a year earlier. The framework is an update to our governance model to increase accountability, transparency and efficiency. It positions AIB to embed a culture of accountability throughout the organization. It strengthens (1) the Board's role in establishing AIB's strategies and policies; (2) the President's role in conducting AIB's business, including through delegation from the Board to the President the authority to approve projects except those reserved for Board consideration and (3) the Board's role in holding the President accountable for management of our Bank.

Our President may approve projects that fulfill predefined requirements following a transparent process and shall submit to the Board the summaries of projects based on predetermined criteria. First, the projects must have passed concept review by the Investment Committee composed of the Chief Risk Officer, Vice President for Policy and Strategy, Chief Financial Officer and is co-chaired by—beginning 2020—the Vice Presidents for Investment Operations. Second, the projects must have been determined for approval within the President's authority. Third, any Director can call any of these projects into the Board of Directors if deemed necessary. This governance model was initiated in 2019, and by year-end the President had approved three projects: (1) India: Rajasthan 250 MW Solar Project—Hero Future Energies, (2) Pakistan: Karachi Bus Rapid Transit Red Line Project and (3)

This model enhances our efficiency and increases our President's accountability. The framework sets clearly demarcated roles and responsibilities for the Board and Management. It is in line with best modern governance practice, fit for a new MDB with a nonresident Board like AIIB.

The Bank's governance model was further updated when the Board of Directors approved the [Oversight Mechanism](#) on July 10, 2019. The mechanism assists the Board in supervising the management and operation of the Bank on a regular basis according to the principles of transparency, openness, independence and accountability outlined in our [Articles of Agreement](#). The Oversight Mechanism consists of (1) functions of the Complaints-resolution, Evaluation and Integrity Unit (CEIU), namely Project-related complaints, evaluation and anti-fraud and corruption; (2) the external audit function, as undertaken by the External Auditor appointed by the Board and (3) staff grievance mechanism. The Board further approved CEIU's terms of reference; the revised terms of reference of the Board's Audit and Risk Committee, Budget and Human Resources Committee and Policy and Strategy Committee and the revisions to the Board of Directors' Rules of Procedure to codify CEIU's roles and functions.

Building Partnerships and Learning Resources

The development challenge in Asia is beyond the capacity of one organization to undertake alone. There are many effective and talented organizations in the development ecosystem that have strong expertise and experience in specific modalities and sectors. AIIB's mode of operations relies on the Bank working in partnership with these like-minded private and public sector actors to maximize the use of scarce resources, avoid duplication of efforts and learn efficiently.

One such partnership involves adapting to or mitigating the effects of climate change. In September 2019 at the UN Secretary-General's Climate Action Summit in New York, we joined eight other MDBs in an agreement to increase the global climate action investments we support together each year to USD175 billion by 2025. MDB climate finance in developing countries and emerging economies in 2018 reached record annual levels, resulting in USD111 billion of combined MDB climate finance and cofinance. We jointly agreed to increase those investments.

LEARN MORE

ABOUT HOW OUR 2019 PROJECTS ALIGN WITH THE SDGS.

When it comes to being effective and efficient with resources, strong governance and avoiding corruption is an important way to protect funds dedicated to development outcomes. In line with our "Clean" core value, we have joined networks of individual professionals and organizations who strive to maintain the highest standards in ethics and accountability in their operations.

AIIB continues to collaborate closely with other MDBs in fighting corruption. We foster exchange of information and closer working contacts through the MDB Heads of Integrity Meeting and the Conference of International Investigators. We are formalizing our collaboration through Memorandums of Understanding, including this year with ADB's Office of Integrity and Anticorruption.

AIIB's membership in the [Ethics Network of Multilateral Organizations](#) (ENMO) was approved in July 2019, demonstrating our commitment to the same high standards. ENMO brings together senior professionals responsible for the ethics functions in multilateral intergovernmental institutions to exchange information and experience and collaborate on issues of common interest. We look forward to working with other ENMO members to share best practices and explore possibilities for cross-institutional collaboration.

Moreover, we furthered our internal accountability learnings by networking externally. We have been actively doing this since becoming an institutional member of the [Independent Accountability Mechanisms Network](#) (IAMnet) in April 2019. IAMnet is a network of practitioners that regularly shares ideas and assist with institutional capacity building in accountability and compliance as components of corporate governance. We participated in IAMnet outreach activities and network meetings, and CEIU represented AIIB at the annual IAMnet meeting hosted by the African Development Bank in June 2019.

AIIB also became an institutional member of the [Global Delivery Initiative](#) (GDI) in April 2019. GDI is a partnership of over 50 development organizations focused on collecting and sharing operational insights and lessons to better understand what works—and doesn't—in project implementation. GDI specialists made two virtual presentations to interested AIIB staff.

In July 2019, we signed a partnership memorandum with the [International Fund for Agricultural Development](#) (IFAD)—a specialized agency of the [United Nations](#)—for cofinancing projects and programs, mobilizing private sector financing and for research and analysis. IFAD has a strong focus on the development of rural infrastructure, renewable energy sources and climate change adaptation and mitigation.

We also signed an agreement with the [European Stability Mechanism](#) (ESM) in July 2019 to establish a framework for greater collaboration. The framework covers technical cooperation, exchange on economic and policy strategy, funding, risk management, corporate governance, legal services and the secondment of staff. ESM's support for AIIB goes back to 2017 when they assisted us in setting up our SWIFT infrastructure. This allowed AIIB to communicate securely and efficiently with financial institutions across the globe.

To further our mandate, partnerships with private financial institutions were also necessary.

In July 2019, we forged a strategic partnership with [Aberdeen Standard Investments](#) to develop sustainable debt capital markets for infrastructure, drive responsible investing in fixed income and build an effective ESG ecosystem in emerging markets in Asia.

In September 2019, we partnered with [Amundi](#) for a USD500-million Asia Climate Bond Portfolio which aims to address the underdevelopment of the climate bond market. Amundi is Europe's largest asset manager by assets under management and ranks in the global top 10. Our collaboration shows how MDBs and the private sector can jointly accelerate climate action in our members.

In November 2019, we established Bayfront Infrastructure Management Pte. Ltd. (BIM) with Clifford Capital Pte. Ltd. BIM is a first-of-its-kind platform designed to mobilize a new pool of institutional capital and address the infrastructure financing gap in Asia.

As we have from the outset, we continue to cofinance within the family of MDBs. In March 2019, we entered into a comprehensive Cofinancing Framework Agreement for sovereign operations with the Asian Development Bank (ADB). In the same year, we cofinanced projects with the International Finance Corporation, the International Development Association, ADB, the European Bank for Reconstruction and Development, the Black Sea Trade and Development Bank and the Eurasian Development Bank.

Human Resources, Training and Development

We consider our staff to be our most valuable resource. With "Lean" as one of our core values, we're conscious not only of our growth in terms of numbers, but also our growth as individuals and as a collective. Staff capacity, competency and capability are of high importance for us as we end our start-up phase and prepare for the decades to come.

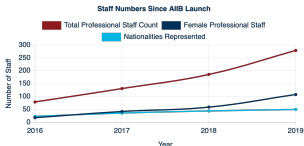
Having a diverse workforce helps us better understand our clients and members. As we continue to grow in numbers, we're also keen to recruit the right talent from around the world. By end-2019, we had grown to a mix of 50 nationalities (up from 44 in 2018). In addition, we closed the year with women comprising 39 percent of our staff (up from 32 percent in 2018).

Staff *

Year	Total Professional Staff Count	Female Professional Staff	Nationalities Represented
End-2019	279	108 (39% of total)	50
End-2018	186	59 (32% of total)	44
End-2017	131	42 (32% of total)	36
End-2016	79	18 (23% of total)	23

Click to generate chart

- ☒ Total Professional Staff Count
- ☒ Female Professional Staff
- ☒ Nationalities Represented



* Cumulative year-end figures.

We continue to hone our human resources. We believe a good mix of individual and team training will lead to better staff performance and, ultimately, better client service.

One such training is our Operational Training Program. It is a four-day modular training on core AIIB operational topics about our project cycle, safeguards and fiduciary matters. The objectives are to increase staff knowledge and expertise in AIIB's operations and mitigate operational risks.

We also launched our Credit and Investment Program in 2019, a three-week intensive program designed to standardize the credit and investment approach of staff in investment operations and risk management. This program helps us continuously deliver high-quality client services and better align staff operations with AIIB's strategic vision and policy framework.

Then there was our Workshop on Project Economic Analysis for staff members. Participants gained knowledge on sovereign and nonsovereign project economic analysis along with lessons learned in the past four years. We want to ensure that best practices are codified, reflected upon and implemented moving forward.

WE CONTINUE
TO TRAIN OUR STAFF,
OUR MOST VALUABLE
RESOURCE.



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Staff also bolstered their knowledge through the Investment Operations Sovereign Finance Training, aimed at facilitating understanding of the legal aspects of sovereign-backed projects. The interactive training was useful not only for aspiring project team leaders, but also for other staff involved in project work in different capacities.

In 2019, we offered time management courses to equip our staff with tools, anchors and mindset reframes designed to better deal with competing demands on their schedules and attention. This allows staff to deepen their abilities, perform at high standards and stay client-oriented while maintaining work-life balance and avoiding burnout.

Learning never ends. Our Senior Management Team, Directors General and Managers began attending a 12-month Leadership and Management Skills Program that entails face-to-face training focused on the self, the team and

organizational leadership as well as executive coaching. This leadership journey aims to align AIB's Senior Management Team and give them the necessary skills, knowledge and tools to effectively lead our Bank.

A suite of soft skills training is currently being developed and will be launched in 2020. Staff development will emphasize on-the-job learning and sharing best practice distilled from operational experience. We will continue to encourage leadership development and managerial accountability by strongly adhering to leadership principles, including through recruitment and performance management.

We will strengthen our talent management system to attract, recruit, incentivize and retain high-performing staff. Having a mindset steeped in growth, collaboration and teamwork will enable our team to deliver the impact our clients and members expect. It will help us grow and retain talent. It will help us position AIB as an employer of choice.

Corporate Culture

We can only be successful if we establish the right corporate culture—one that is professional, responsive and accountable. The concept of “Lean” will remain core to our corporate culture, eliminating waste in production and processes and delivering more value for clients and shareholders. This culture will be fostered to ensure we attract and retain the staff we need.

Over 70 staff volunteers have translated our cultural attributes into concrete bottom-up programs such as idea creation, innovation, peer-to-peer recognition, diversity and inclusivity, among others. We are creating a corporate culture that will underpin our objective to become a 21st century MDB characterized by fast and responsive client services, innovative and efficient practices, good governance and accountability. We aim to be recognized as an institution responding effectively to client demands while maintaining high international standards. We strive to be both a preferred partner for infrastructure clients and investors and an employer of choice for top professionals with the right talents.

We intend to deliver maximum impact with the highest possible efficiency, especially with respect to project preparation and delivery. To this end, we will continue to study and learn from the management styles and decision-making processes of other high-performing public and private financial institutions.

We will invest in our internal technology—including in data analytics—to enable more efficient procedures, effective client relationship management and informed decision-making. We will also embrace technology and develop it as our comparative advantage and core value proposition for clients.

The socialization of our cultural attributes and our corporate culture objectives is part of onboarding new staff, giving new members of the AIB team a clear path to success in our organization.



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Our Core Values

Lean

We are an agile organization that strives to eliminate waste in production and processes while satisfying customer needs. Continuous improvement will remain central to our value proposition and ambition to deliver more value to clients through fast and responsive services without compromising high standards. This requires purposeful procedures, effective systems, leveraging partnerships, the ability to quickly redeploy resources and an institutional culture which prioritizes continuous improvement, efficiency and the best possible service to clients.



Clean

We hold ourselves to the highest standards in everything we do. High project standards and good governance principles constitute an integral part of our Clean core value. Our governance structure underpins an unwavering commitment to integrity, accountability and ethical standards in our projects and the way we work with clients and partners. We have zero tolerance for corruption. We have institutionalized measures to protect whistleblowers who report [prohibited practices in projects](#). We promote transparency through a [policy on disclosure of information](#).



Green

We embrace the concept of being a green institution and are committed to enhancing our sustainable operations both in terms of project investments and corporate practices. Our policies, strategies and operations are aligned around promoting green objectives. We aspire to play a leading role in mainstreaming green objectives in the Asian financial and capital markets. We hold ourselves to high international standards through our [Environmental and Social Framework](#) which integrates environmental and social management methods into all of our operations. Our green objectives involve a special focus on climate mitigation and adaptation at the member or regional level through our projects. We embrace Green in our corporate practices and take concrete action to manage our own carbon footprint.



Our Governance

Growth is based on good governance.

Board of Governors

All our powers are vested in the [Board of Governors \(BOG\)](#), where each AIIB member is represented by a Governor and an Alternate Governor, both of whom serve at the pleasure of the appointing member. At each of its annual meetings, the BOG elects one of the Governors as chair who holds office until the election of the next chair.

The BOG has the power to, among others, admit new members and determine the conditions of their admission, suspend a member, increase or decrease our authorized capital stock, elect our Directors, elect our President or suspend or remove the President from office.

The BOG has delegated a broad range of operational oversight functions to the Board of Directors.



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Board of Directors

Our 12-member [Board of Directors \(BOD\)](#), elected by the Governors, is responsible for the strategic direction of our general operations, including setting our policies and strategies and overseeing their implementation.

The BOD functions on a nonresident basis in line with our lean culture, exercising all powers delegated to it by the BOG. The BOD meets as often as business requires—both through physical meetings and by videoconference—and maintains regular communication with our management between meetings. Under the direction of the BOD and as its chair, the President conducts the Bank's business and is held responsible and accountable for our effective and efficient day-to-day operations.

In 2019, the BOD met physically four times, with an equal number of virtual meetings in the same year.

The BOD's Oversight Mechanism helps the Board supervise AIIB's management and operations on a regular basis. CEIU which is part of the Oversight Mechanism is headed by a Managing Director who reports directly to the Board.

Board Committees

To ensure that we perform our mandate based on sound strategies and practices, [three committees under the BOD](#) give us guidance. These are the Audit and Risk Committee (ARC), the Budget and Human Resources Committee (BHRC) and the Policy and Strategy Committee (PSC).

The ARC assesses our financial statements, reporting practices, procedures and issues and reviews reports from the external auditors. Meanwhile, the BHRC assesses the proposed annual budget and implementation of our compensation and benefits policies. This committee also considers any other aspects of the budget and our human resources as the BOD may request. Finally, the PSC reviews our financial and operational policies (such as environment, social and procurement policies) and advises us on the development of our strategies.

In 2019, the BOD committees met physically four times, with three virtual meetings in the same year.

Senior Management

Staff are headed by our President who is elected by AIIB shareholders for a five-year term and is eligible for reelection once. In 2019, the President was supported by our [Senior Management](#) which includes our Vice Presidents (responsible for policy and strategy, investment operations, finance, administration and the corporate secretariat), the General Counsel, the Chief Risk Officer and the Chief Programming Officer. In 2020, the amended Terms of Reference of the Executive Committee lists key AIIB management personnel as the President, the Vice Presidents, the General Counsel, the Chief Risk Officer and the Chief Financial Officer. Together they comprise our most senior management body.

Expert External Advice

We have an [International Advisory Panel](#) (IAP) that supports the President and Senior Management on our strategies, policies and general operations. The panel meets at least twice a year—at our Annual Meeting and at our headquarters. The President appoints IAP members to an initial two-year term which can be renewed upon completion. Panelists receive a small honorarium and do not receive a salary.

Sanctions Panel

The President appointed three members to the Bank's first Sanctions Panel in November 2019. As an independent function within the Bank, the panel reviews appeal of [sanctions imposed](#) by the Sanctions Officer pursuant to the [Policy on Prohibited Practices](#). Decisions of the panel are final and cannot be appealed.



2019 AIIB Annual Report and Financials

OUR CLIENTS

[2019 Annual Report](#)
[DOWNLOAD REPORT](#)
[2019 AIIB Financial Statements](#)
[DOWNLOAD FINANCIALS](#)


Our Services and Value Addition

Sovereign-Backed Financing

The Asian Infrastructure Investment Bank (AIIB) is authorized to invest in any member as long as the investment ultimately benefits Asia's social and economic development. Such investments come in the form of sovereign-backed loans that have an average maturity of up to 20 years and a final maturity limit of up to 35 years. Sovereign-backed loans are appraised based on a full assessment of the project's benefits, risks and borrower implementation capacity. This could be in the form of a loan to, or guaranteed by, an AIIB member.

Nonsovereign-Backed Financing

We also provide financing to or for the benefit of a private enterprise or a subsovereign entity, such as a political or administrative subdivision of a member or a public sector entity. This type of financing is not backed by a guarantee or counter-guarantee. Indemnity is provided by the member to AIIB in the form of loans, guarantees, direct equity investments, indirect equity investments and underwriting of securities. The terms and conditions of such financings are set on a commercial basis and reflect market conditions and the expected risk the investment poses to AIIB. Loan or guarantee amounts in this type of service can be up to 35 percent of the project and have a final maturity limit of up to 18 years.

Equity Investments

We're guided by our [Strategy on Investing in Equity](#). AIIB may make direct equity investments in private or public sector companies, either in a new enterprise or an existing enterprise. The investment may take a variety of forms, including subscriptions to ordinary shares or preference shares (or a combination of both) or a loan convertible into equity. Our investment may not exceed 30 percent of the company's shareholdings. In exceptional circumstances, our Board of Directors may decide to approve a higher, but not controlling shareholding. Our limit to equity investments is up to 10 percent of our available capital. We expect to play the role of a minority investor and will not seek a controlling interest in the target entity or enterprise.

Financing Operations: Our Guide



We are guided by our [Operational Policy on Financing](#), which sets out our policy on providing sovereign- and nonsovereign-backed financing for projects. The policy includes an overview of the instruments, project assessments and structure of financial and contractual terms.

Pricing terms for sovereign-backed loans which meet AIIB's selection criteria are uniform across borrowers. Revised in 2019, our [Sovereign-backed Loan and Guarantee Pricing](#) policy prescribes the sovereign lending spread for loans made on Dec. 13, 2019 or thereafter. Our [General Conditions for Sovereign-backed Loans](#) prescribe the basic legal provisions applicable to the agreements entered into by AIIB for sovereign-backed projects. These general conditions are incorporated into the legal agreements for each project, including loan, guarantee and project agreements as applicable.

Our [Directive on Sovereign-backed and Non-sovereign-backed Financings](#) was revised on Dec. 6, 2019. The directive establishes responsibilities and Management decision points to enable AIIB staff to implement our [Operational Policy on Financing](#).

Preparation Advances

We make preparation advances for sovereign-backed financing. AIIB may decide to make an advance (preparation advance) to finance preparatory activities for a project to be supported by sovereign-backed financing. A preparation advance is made only when there is a strong probability that the financing for which it is granted will be extended, but granting a preparation advance does not obligate AIIB to finance or otherwise support the project for which it is granted. The maximum aggregate principal amount of all approved preparation advances for any given project may not exceed the lesser of 10 percent of the total estimated amount of financing for the project, USD10 million equivalent or if the President decides whether to approve each preparation advance.

Special Fund for Project Preparation

We have a [Project Preparation Special Fund](#) that provides grants for preparing projects we will finance. The purpose of the Special Fund is to support and facilitate preparatory activities during the preparation and early implementation of projects to be financed by AIIB from its ordinary and/or special resources.

Value Addition to AIIB and the Client

To better serve our clients and match expectations prior to finalizing an investment partnership, we determine both the project's value addition to the client and to AIIB. Our [Project Prioritization and Quality Framework \(PPQ\)](#) better aligns the project and the client's national strategies. For AIIB, the PPQ allows us to examine what the project would bring to the Bank (for example, if it would allow us to learn, build partnerships, build our brand, open new markets or develop our capacity). For the client, the PPQ allows us to (1) see if the project would add value in terms of offering financing currently not provided by the market, (2) determine if risks could be shared or mitigated and (3) see if the project design could be improved to offer better development outcomes by adhering to higher environmental, social and governance standards.

As a young bank, we do not yet have the opportunity to conduct independent evaluations after project completion. However, we recognize that it is equally important for us to learn early and quickly from different perspectives. Thus, we identify several ongoing projects each year for what we call "early learning assessments." Project teams and the Complaints-resolution, Evaluation and Integrity Unit's evaluative learning staff visit and review these projects to derive lessons for enhancing future practice. Early learning assessment findings are also shared within AIIB to stimulate discussion and experience exchange.

Client Relations and Consultations

We listen to our clients. We proactively engage with members and stakeholders, establishing relationships and forging partnerships. We collect, arrange and share project and client information for better programming of priority projects.

The Client Relations and Programming (CRP) teams connect with stakeholders, generate key contacts for AIIB in different members and organize strategically designed business development and country relations missions.

We carried out business development missions in different members with a series of follow-up visits to advance project opportunities and develop country programming memos which identify priority and prospective projects. By frequently consulting and engaging with clients, we ensure that (1) targets set in the pipeline or country programming memos are met in a timely fashion and (2) focus areas are adequately revised based on clients' priorities.

Client orientation is an essential part of AIIB's approach. To continually provide better client service, we (1) formalized CRP's structure and operating procedures, (2) developed a concept and a structure of CRP's proprietary "country intelligence system" to feature state-of-the-art tools in preparing country briefs and program memorandums and (3) initiated a system of information exchange on projects and cofinancing matters with several bilateral and multilateral agencies.



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From Our Clients

Government of Maharashtra and Ministry of Railways/MRVC

Around 86 percent of Mumbai commuters rely on public transport, but supply is not keeping up with demand. The Mumbai suburban railway network suffers from some of the most severe transport overcrowding in the world and has serious safety concerns.

So began our journey with the client—the Government of Maharashtra and the Ministry of Railways in India—with the [Mumbai Urban Transport Project 3](#). AIIB invested USD500 million in the project. India's Ministry of Railway invested USD189 million and the Government of Maharashtra invested USD308 million, with Mumbai Railway Vikas Corporation (MRVC) as the implementing entity.

AIIB funded the project because it aligns with the Bank's strategies and the United Nation's Sustainable Development Goals, specifically Goal 9 on building resilient infrastructure and Goal 11 on sustainable cities and communities. The project will also further strengthen our capacity to finance broad-based sustainable rail infrastructure that are in high demand in other areas of India and in the region.

For the client, AIIB added value by helping in project preparation and will continue to do so during project implementation. We provided substantive inputs to enhance station design and maintenance, with gender responsiveness of station facilities to be monitored and evaluated through a preproject baseline survey and a dedicated gender-related project objective indicator.

MRVC—through Chairman and Managing Director Shri R. S. Khurana and Executive Director Sanjay Singh—said they appreciate AIIB's assistance, namely (1) guiding MRVC through the preparation of the environmental and social management plan, (2) following international guidelines on environmental and social practices, (3) being quick in project appraisal and loan negotiation, (4) adopting a uniform and transparent procurement policy, (5) being prompt in responding to the client and making sure clearance of issues and documents was timely, (6) using new technology for project progress monitoring and (7) conducting speedy reviews of bid documents and the evaluation report.

Our client added that "AIIB, with their global experience and expertise, can help MRVC in capacity building such as upgrading existing infrastructure like rolling stock, station improvement, new signaling technology, new bridges and structures, energy management and construction technology."

Other areas of possible collaboration, said the client, were transit-oriented development, increasing train operation efficiency, introducing MRVC officials to state-of-the-art technologies related to mass transit and a Rupee-denominated loan. In 2019, AIIB launched its [local currency financing program](#), with the Indian Rupee as one of the currencies in the product line.

Zhanatas Wind-Power Station LLP

In December 2019, our Board approved our [first project in Kazakhstan](#). The borrower—wholly foreign-owned company Zhanatas Wind-Power Station LLP—was established for the development, construction and operation of a 100-megawatt wind power plant in the town of Zhanatas. The project will produce 350 million kilowatt-hours of electricity per year—enough to meet the power demand of millions of Kazakh families.

Chase Cheng, Head of the Planning and Financial Department of Zhanatas Wind-Power Station LLP, shared their experience working with AIIB.



AIIB helped us "arrange competitive financing for the project and realize reasonable returns" and "reduce overall project risk" by identifying "additional potential risks, areas that can be improved, best practices and mitigation measures, especially on the environmental and social issues. AIIB helped facilitate communication with government regulatory authorities. AIIB also helped develop a financing structure that suits the project, committed itself to the financing timeline and delivered results in a timely manner."

Chase Cheng
Head of the Planning and Financial
Department of Zhanatas Wind-Power
Station LLP



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AIIB was "quick in conducting project appraisal and loan negotiation" and "prompt in responding to the client and making sure clearance of issues and documents was timely." They "used new technology for project progress monitoring and conducted speedy reviews of bid documents and the evaluation report." They also helped us "follow international guidelines on environmental and social practices, adopt a uniform and transparent procurement policy and prepare the environmental and social management plan."

Sanjay Singh
Executive Director of MRVC

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"The development cost of renewable energy is relatively high in Kazakhstan," he said. "Few international financial institutions are active there, and the local financing cost is high. With AIIB's support, we were able to arrange competitive financing for the project and realize reasonable returns."

Cheng added that by working with AIIB and its appointed legal, technical, financial, insurance and other third-party advisers, they were able to identify additional potential risks, areas that can be improved, best practices and mitigation measures—especially in the environmental and social space. "This helps reduce overall project risk," said Cheng.

"The regulatory environment is marked with uncertainty despite the government's overall support for renewable energy," Cheng added. "AIIB helped facilitate conversation with government regulatory authorities. The Bank demonstrated deep knowledge of the energy sector and the Kazakh market, worked diligently and professionally and provided valuable inputs to improve the project. AIIB also helped the client develop a financing structure that suits the project, committed itself to the financing timeline and delivered results in a timely manner."

Beijing Gas Group Company Ltd

In 2019, the Beijing Gas Group became a project implementing entity for AIIB's first sovereign-backed loan in China, the [Beijing-Tianjin-Hebei Low Carbon Energy Transition and Air Quality Improvement Project](#).

Yan Kang, Chief Finance Officer of the Beijing Gas Group, said AIIB cares about debt sustainability, has transparent environmental and social policies, respects international rules and management regulations and has a transparent governance structure.

"AIIB concentrates on innovation, environmental protection and sustainability and employs experienced and expert staff who gave us many useful suggestions," said Yan. "All these are advantages for AIIB's continuous development."

AIIB's most significant value addition, according to Yan, was the establishment and standardization of environmental protection and social procedures before project implementation, in accordance with the requirements of AIIB's [Environmental and Social Framework](#).

"On the other hand, we pay more attention to monitoring and evaluation after project completion," said Yan. "Above all, AIIB's loan offered significant financial support. These all contributed to making project implementation better and smoother."

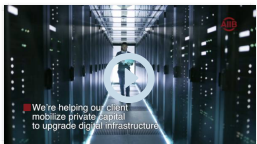


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Developing With Our Clients

Sembcorp in Myanmar

Publicly listed Sembcorp Industries is investing to increase much-needed reliable and low-carbon energy in Myanmar to ease the country's severe power deficit. The project—located in Taungtha, a township of Myingyan District in the Mandalay Division—had peripheral benefits. We helped our client finance the project which ultimately led to increased power generation. Watch how they achieved their objectives in the following video.



Oman Broadband's Digital Journey

By end-2019, AIIB had two projects approved in Oman, both geared toward helping the country diversify its economy away from reliance on hydrocarbons. This supports our commitment to help our members meet their Paris Agreement targets. Our 2017 project with Oman Broadband was AIIB's first stand-alone, nonsovereign-backed financing that involves private capital mobilization through syndication. To implement the country's National Broadband Strategy, Oman Broadband Company was incorporated as a private company to focus on fiber network infrastructure. AIIB helped Oman Broadband in the construction and operation of the first phase of a nationwide fiber broadband network. Watch the beginning of our journey with Oman Broadband in the following video.

Using Data for Better Client Service

Investment implementation data and knowledge lead us to better client service.

Internally, we monitor the performance of our projects so that our Board and Management are given an overview of the size, composition and status of our investment portfolio. The Implementation Monitoring Unit's (IMU) Investment Operations Quarterly Monitoring Report builds on our project information database and project implementation monitoring reports of effective projects. The reports deliver risk status updates and identify projects with major implementation risks.

We proactively monitor project performance and compliance. We also monitor and report implementation performance of projects that have been transferred from the origination teams. We actively supervise financial performance, construction progress and operation and maintenance of projects.

LEARN MORE

ABOUT THE PROJECTS WE APPROVED IN 2019.

Gathering, analyzing and disseminating knowledge on project performance help us better serve clients. With knowledge and experience, we identify risks and design appropriate remedies at early stages. For example, we can identify newly emerging risks and provide Management with early warnings about critical deviations from the original investment plan, while simultaneously proposing appropriate remedies and coordinating related activities with internal and external stakeholders.

With knowledge derived from data, we're able to analyze periodic financial statements and other project reports and monitor compliance with financial and other covenants. This allows us to develop an informed opinion about expected future project performance while identifying and updating risk factors. For instance, we can assure that clients comply with loan documentation and financing agreements, including delivery of reporting and other requirements.

Some examples of targets met in 2019 include aligning projects with our thematic priorities and ensuring that 80 percent of our projects have fewer than three risk flags. By monitoring project performance, we were able to determine that by end-2019, 87 percent of our projects were aligned and 96 percent had fewer than three risk flags. This informed us that, based on predetermined business indicators, our portfolio quality remains healthy.

With such data, knowledge and experience, we can build and maintain strong client relationships through the supervision process and add value to the client. We're able to effectively manage relationships with external stakeholders (such as borrowers, sponsors, co-lenders, counsels, advisers, agents, community groups and civil society organizations) and internal teams (such as investment operations, risk management, safeguards, procurement, legal and finance) and ensure collaboration with all teams concerned to assess and implement the most appropriate course of action.

Finally, by generating experience and knowledge feedback loops, we can identify and document lessons learned from the existing portfolio and feed this knowledge back to other AIB teams. This would ultimately leverage the relationship with AIB's clients with an eye toward opening new business opportunities for the Bank.

Serving More Members

Supporting Our Lower-Income Members. In 2019, we reached out to and invested in projects in our lower-income members.

- We approved our first project in the Lao People's Democratic Republic (Lao PDR) in April 2019, a [USD40-million loan to improve a critical section of National Road 13](#) that will directly benefit over half a million people. This investment will improve one of the most vital transport routes in the country. The road upgrades will enable quicker and safer transportation of goods and people, which in turn will promote socioeconomic development within Lao PDR and improve connectivity with its neighbors.

LEARN MORE

ABOUT HOW OUR PROJECT IN LAO PDR ENABLED CITIZENS.

- In May 2019, we approved our first investment in Nepal with a [USD90-million investment in the Upper Trishuli-1 Hydropower Project](#). The project will increase the country's power generation by almost 20 percent, helping to reduce acute power shortages. Power supply shortages have caused significant delays in the restoration of infrastructure and services impacted by the 2015 Nepal earthquake. By investing in hydropower and encouraging further private sector investment in the country, we can help drive economic growth and alleviate poverty.
- In July 2019, we approved our first investment in Cambodia, a [USD75-million digital infrastructure project](#) that will see a major improvement in internet speed and quality via the country's largest independent fiber optic communication network provider. The project will contribute to Cambodia's drive to accelerate digital connectivity and help develop and expand the country's telecommunication and ICT sector. This in turn is expected to benefit both end users and corporates.

We will continue catering to the needs of our members and strive to serve a broader range of our membership.

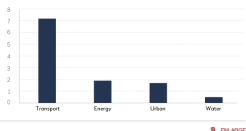
Project Preparation. One reason why some project proposals are not seen by financiers as bankable investments is that they lack proper preparation. Our [Project Preparation Special Fund](#) makes our offering more inclusive in the sense that many AIIB members, especially low-income members, face significant capacity lags in preparing bankable infrastructure projects. We have very high standards for project quality, especially for economic, environmental and social sustainability. These are also areas where some of our members need additional support. AIIB's Special Fund helps our members address these preparation gaps, improve overall quality of projects and get projects ready for AIIB investment.

The Special Fund provides support for other preparatory activities such as reviewing feasibility studies and creating legal documents, detailed engineering designs and tender documents. Given our stringent assessment of social and environmental issues in AIIB investments and our focus on building the capacity of our clients, the Special Fund also provides grants to develop proper environmental and social safeguard documents and to strengthen the local project implementation unit by filling in critical skills gaps. The Special Fund also enhances implementation readiness of projects we support, thus helping our clients save time and resources during project implementation.

Special Fund Approvals by Member (USD Millions)



Special Fund Approvals by Sector (USD Millions)



An example is our project in Lao PDR, the [National Road Improvement and Maintenance Project](#). The project received a USD995,000 Special Fund grant prior to implementation in support of preparatory activities to enhance the proposed investment's implementation readiness and quality. The grant supported consultancy services for the preparation and implementation of the Resettlement Action Plan by effectively monitoring the resettlement process through the development of a computerized system that tracks payments to prevent construction delays. It also supported project management and conceptual design for the southern section of National Road 13. The Special Fund support significantly helped improve the project's bankability by building capacity and the necessary skills to undertake future complex transport projects in Lao PDR.

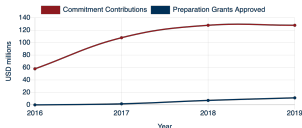
Special Fund *

Year	Commitment Contributions	Preparation Grants Approved
End-2019	USD128 million	USD11.31 million
End-2018	USD128 million	USD7.18 million
End-2017	USD108 million	USD1.70 million
End-2016	USD68 million	—

Click to generate chart

- ☒ Commitment Contributions
- ☒ Preparation Grants Approved

Special Fund Since AIIB Launch



* Cumulative year-end figures.

Further Outreach. We continued holding investment program dialogues and visiting clients to develop country programming memos and expand business opportunities in important markets where AIIB's presence has yet to be established. In 2019 we reached out to Uzbekistan, Kazakhstan, Tajikistan, Russia, Mongolia, Georgia, the Philippines, Malaysia, Vietnam, Jordan and Pakistan. We also initiated outreach programs in nonregional members such as Belarus, Romania, Hungary and Egypt.

As a result of our proactive engagement, in 2019 we secured several firsts. In April, we approved our first two projects in Sri Lanka: a USD200-million loan to improve housing conditions for low-income communities and another loan of USD80 million to reduce the risk and damage from landslides. In December, we approved our first investment in Russia with a USD500-million transport project, our first investment in Uzbekistan with a USD82-million project to improve the quality of basic infrastructure in rural villages and our first investment in Kazakhstan which is also our first wind energy project, set to become Central Asia's largest wind farm.

Board Outreach. Our Board of Directors also conducts outreach programs and provides valuable input on how to further AIIB's relations with its members. Our Board has been getting real-time, on-the-ground exposure to the frontline work of AIIB through visits to project sites and consultations with our members. These experiences and observations are converted into useful inputs for our Senior Management, helping to guide and shape our future program of activities and investment pipeline.

Our Board visited Turkey in September 2019 and met with key government officials, country representatives of international financial institutions, trade and industry associations, private sector institutions and think tanks. These meetings gave us valuable insights into Turkey's macroeconomic conditions, government priorities, development agenda, infrastructure challenges and investment opportunities. Business development potentials for AIIB include investments in the energy, transport and finance sectors. The local capacity for exploration of innovative projects appeared to be strong. Closer exchanges between AIIB, the Government of Turkey and other market players should help meet the huge demands for infrastructure financing in the country.



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In March 2019, our Board visited Oman, the Board's first visit to a Gulf Cooperation Council member and a high-income economy. While in Oman, the delegation learned more about the infrastructure requirements of a high-income member. They also noted that the power and water sectors require capital investment—supported by regulatory reform—to improve cost efficiency and satisfy growth in demand.

The Board learned that AIIB's involvement in Oman has already helped attract other investments. For instance, Oman Broadband indicated that business model changes—instituted to facilitate AIIB's investment—made the enterprise more bankable to foreign investors. Similarly, the World Bank's Multilateral Investment Guarantee Agency invested in an infrastructure project in the Port of Duqm following AIIB's participation in an earlier phase of development.

All these underline AIIB's convening power where the need for infrastructure is waiting to be fulfilled, even in high-income members.

New Financial Products

In 2019 we continued to develop new products for our borrowers. In particular, Local Currency Financing operations and Partial Credit Guarantees were added to the Bank's product portfolio primarily for the benefit of private sector borrowers.

Local Currency Financing. Some of our clients wish to mitigate the foreign exchange risk of underlying projects' cashflows, improve the credit standing of a project, protect earnings against volatility due to foreign exchange movements or they simply prefer not to borrow in hard currencies. Local currency lending is designed to address such concerns.

In 2019, our local currency loans were made available in five currencies which include the Indian Rupee, Indonesian Rupiah, Russian Ruble, Thai Bhat and Turkish Lira. We also offer loans denominated in Euro and Swiss Francs. The pricing of local currency loans is based on market principles, representing AIIB's cost of funding the loan in each currency. The underlying interest rates are dependent on benchmarks prevailing in each market.

Local currency loans may be offered in deliverable format, settling in the client's choice of currency. It could also be delivered in nondeliverable format, settling in hard currency at the foreign exchange rate determined at the time of payment. In both cases, the client's foreign exchange risk is mitigated. Hard currencies are those of the G10 or Group of Ten—those in the special drawing rights basket including USD, EUR, GBP, JPY, CAD, CHF, SEK and RMB.

To launch our local currency product offering, AIIB rolled out the necessary local currency funding platform which allows us to source various currencies through derivatives on various onshore and offshore markets.

Variable Spread Loan. In July 2019, our Board of Directors approved the [Variable Spread Loan \(VSL\)](#) product in USD for AIIB's sovereign and sovereign-guaranteed borrowers. In December 2019, we further expanded the VSL currency range to include hard currencies other than USD. Our VSL product aims to meet borrower's needs in terms of currencies and market-based pricing while retaining features of the existing Fixed Spread Loan product. The lending spread over the market-based reference rate includes AIIB's actual cost of funding in the market.



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OUR INVESTMENTS

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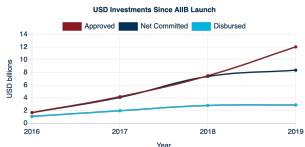


USD Investments *

Year	Approved	Net Committed	Disbursed
End-2019	<u>USD12.04 billion</u>	<u>USD6.37 billion</u>	<u>USD2.89 billion</u>
End-2018	<u>USD7.50 billion</u>	<u>USD7.38 billion</u>	<u>USD2.81 billion</u>
End-2017	<u>USD4.19 billion</u>	<u>USD4.09 billion</u>	<u>USD1.97 billion</u>
End-2016	<u>USD1.69 billion</u>	<u>USD1.67 billion</u>	<u>USD1.08 billion</u>

Click to generate chart

- ☒ Approved
- ☒ Net Committed
- ☒ Disbursed



* Cumulative year-end figures. "Approved" investment figures reflect maximum amount approved. "Net Committed" equals committed amount less cancelled amount. "Disbursed" refers to the amount of cash disbursement and capitalized charges.

We've grown from eight projects and USD1.69 billion in investments in 2016—the Asian Infrastructure Investment Bank's (AIIB) first year of operations—to 63 projects and USD12.04 billion in investments by end-2019, our fourth year of operations. Out of our total approved investments of USD12.04 billion, we've committed USD8.37 billion and disbursed USD2.89 billion as of end-2019. We reached milestones and key business indicators and our investment portfolio remained healthy.

Approved Projects *

Year	Total	Stand-alone (out of total for the indicated year)	Cofinanced (out of total for the indicated year)	Sovereign (out of total for the indicated year)	Nonsovereign (out of total for the indicated year)
End-2019	63	33	30	40	23
End-2018	35	14	21	26	10
End-2017	23	7	16	17	6
End-2016	8	2	6	7	1

Click to generate chart

- ☒ Projects (Total)
- ☒ Projects (Stand-alone)
- ☒ Projects (Cofinanced)
- ☒ Projects (Sovereign-backed)
- ☒ Projects (Nonsovereign-backed)



* Cumulative year-end figures.

We approved 28 projects worth USD4.5 billion in investments in 2019. Nineteen of those were stand-alone projects while nine were cofinanced. Of the 28, 15 were sovereign-backed projects while 13 were nonsovereign-backed.

Our Thematic Priorities

We approach investment, developing our business lines and selecting our projects based on three thematic priorities. These priorities form the foundation on which we create our sector strategies, enhance our core competencies and sharpen our focus.

Sustainable Infrastructure

We will prioritize sustainable infrastructure that is financially and economically sustainable in terms of financial returns and economic impact and must not exacerbate a country's debt sustainability. It must be socially sustainable and ensure social acceptability and inclusion of all citizens—particularly groups which are often marginalized, vulnerable or excluded from access to services. It must be environmentally sustainable in terms of addressing direct and indirect impacts on the physical and biological environment such as local pollution, climate change and land and water use.



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ABOUT OUR SUSTAINABLE DEVELOPMENT PROJECTS.

Cross-Border Infrastructure

Connectivity is of critical importance to sustain growth and promote economic and social development in Asia. Increasing connectivity can contribute to the development of the region as a whole. In line with our core mandate, we will prioritize projects that connect markets within and between countries, across Asia and between Asia and the rest of the world.

[LEARN MORE](#)

ABOUT OUR CROSS-BORDER INFRASTRUCTURE PROJECTS.

Private Capital Mobilization

Private capital mobilization is essential to address the vast infrastructure financing needs that far exceed the fiscal capacity of governments and balance sheets of multilateral development banks (MDBs). Notwithstanding the extensive private financing that can potentially be attracted, current private capital in Asian infrastructure is quite low. Private financing is still predominantly provided by the banking sectors with the large Asian institutional investor pool remaining untapped. There is a significant need for our catalytic role to increase private and other investors' appetite for investing in emerging market infrastructure and other productive sectors that are associated with and complementary to infrastructure.

[LEARN MORE](#)

ABOUT OUR PROJECTS THAT MOBILIZE PRIVATE CAPITAL.

Projects by Thematic Priority *

Year	Sustainable Infrastructure	Cross-Border Connectivity	Private Capital Mobilization	Others
End-2019	40	6	26	8
End-2018	17	5	13	6
End-2017	11	5	7	3
End-2016	2	4	2	1

Click to generate chart

- ☒ Sustainable Infrastructure
- ☒ Cross-Border Connectivity
- ☒ Private Capital Mobilization
- ☒ Others

Projects by Thematic Priority Since AIIB Launch



* Cumulative year-end figures. Some projects are classified under more than one thematic priority; total may exceed actual number of approved projects.

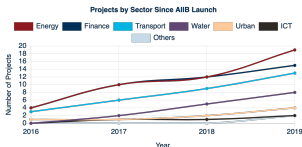
Sustainable infrastructure—those that can help our members achieve economic, financial, environmental and social sustainability—had the most with 40 projects in 2019 under that thematic priority, followed by private capital mobilization with 26 projects, cross-border connectivity with six projects and eight more classified under “Others” (some projects were classified under more than one thematic priority).

Projects by Sector *

Year	Energy	Finance	Transport	Water	Urban	ICT	Others
End-2019	19	15	13	9	4	2	2
End-2018	12	12	9	5	2	1	0
End-2017	10	10	6	2	1	1	0
End-2016	4	4	3	0	1	0	0

Click to generate chart

- ☒ Energy
- ☒ Finance
- ☒ Transport
- ☒ Water
- ☒ Urban
- ☒ ICT
- ☒ Others



* Cumulative year-end figures.

The energy sector continued to represent the largest share in our sectoral project breakdown with 30.15 percent of the total or 19 such projects by end-2019. This was followed by finance projects with 23.80 percent or 15 projects, transport with 20.63 percent or 13 projects, water with 12.69 percent or eight projects, urban with 6.34 percent or four projects, information and communications technology with 3.17 percent or two projects and "Others" with 3.17 percent or two projects.

Our Strategic Programming and Strategies

Our investment decisions are based on a [strategic programming guide](#). We review proposals from clients, then projects that meet the preliminary screening criteria are included in our rolling investment program. We then calibrate until our strategic programming matches clients' needs with our thematic priorities. These three priorities form the foundation on which we create our sector strategies.

In 2019, we drafted two new strategies that would further guide our investment decisions.

We completed our [Draft Water Sector Strategy](#), for which public consultations began in October 2019. After receiving valuable feedback from our Board of Directors, we conducted virtual consultations with various stakeholders to further shape the strategy. We also completed the first draft of our [Digital Infrastructure Sector Strategy](#) which was offered for public consultations shortly after end-2019.

Once the Water Sector Strategy and the Digital Infrastructure Sector Strategy have been finalized and approved by the Board, we will have completed our strategic framework for investing. These include our [Energy Sector Strategy](#), [Sustainable Cities Strategy](#), [Strategy on Investing in Equity](#), [Transport Sector Strategy](#), [Strategy on Financing Operations in Non-Regional Members](#) and our [Strategy on Mobilizing Private Capital for Infrastructure](#).



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Our 2019 Alignment With the SDGs and Climate Finance

The 28 projects we approved in 2019 continued to show strong alignment with four infrastructure-related Sustainable Development Goals (SDGs). These are SDG 6 (Water and Sanitation) with three projects, SDG 7 (Energy) with 10 projects, SDG 9 (Industry, Innovation and Infrastructure) with four projects and SDG 11 (Sustainable Cities and Communities) with six projects. The remaining five projects out of the 28 contribute to all SDGs 6, 7, 9 and 11 by virtue of raising private capital for these infrastructure sectors.



Our climate finance amounted to USD1.7 billion or 39 percent of total financing approved in 2019—an increase from USD2.5 billion or 35 percent of total financing approved over the previous three years combined (2016-2018). These projects can be mapped against SDG 13 (Climate Action). Of the 28 projects approved in 2019, 16 were categorized as having mitigation finance and/or adaptation finance components. Climate finance projects were categorized across various sectors: energy (5), financial institutions (4), transport (3), water (1), rural infrastructure (1), multisector (1) and other infrastructure (1). Climate finance was tracked using the Common Principles for Climate Change Mitigation Finance Tracking and the Common Principles for Climate Change Adaptation Finance Tracking, both of which are methodologies jointly adopted by multilateral development banks (MDBs) and the International Development Finance Club.

SDG alignment is achieved not only through investment flows, but also through our environmental and social standards and direct and indirect benefits emerging from our investments, partnerships and other operational activities. Moreover, it is important to note that SDGs are inherently interlinked and these interrelations are critical to achieving development benefits.

Catalyzing Funds for the Green Economy

We cannot ignore or separate the environment from our operational policies. “Green” is one of our three core values. Sustainable Infrastructure is one of our three thematic priorities. More importantly, we’re committed to help our members achieve their Nationally Determined Contributions under the Paris Agreement. Aside from working with other MDBs to [increase our combined climate financing to USD175 billion by 2025](#), we’re making our own efforts to combat climate change through our investments.

Asia Climate Bond Portfolio

One example is our [Asia Climate Bond Portfolio](#) approved in August 2019. We partnered with Amundi, Europe’s largest asset manager, to accelerate climate action in our members and address the underdevelopment of the climate bond market. With AIIB and Amundi’s partnership, this project shows how an international financial institution such as AIIB can cooperate with a private entity to help address climate change by modifying the way we invest in projects and rethinking the principles behind why we invest in the first place. The Asia Climate Bond Portfolio will invest in labeled green bonds and unlabeled climate bonds then engage with issuing companies to help them transition their business models to increase climate resilience and green leadership. We developed a first-of-its-kind Climate Change Investment framework which considers three variables: the share of green business activities, climate change mitigation and resilience to climate change. These variables are used to analyze issuers’ ability to cope with climate change. Watch the video to know more about the project.



AIIB Asia ESG Enhanced Credit Managed Portfolio

For projects that involve bond portfolios, it makes sense for us to partner with external asset managers that have comprehensive experience and capabilities in researching, screening and assessing such bonds. Similar to the Asia Climate Bond Portfolio where we partnered with an established and capable expert, with the [AIIB Asia ESG Enhanced Credit Managed Portfolio](#) we partnered with Aberdeen Standard Investments. This portfolio will comprise primarily Asian infrastructure-related bonds—including both green and unlabeled issuances—with environmental, social and governance (ESG) factors fully integrated in the investment process and portfolio management. The objective is to develop sustainable debt capital markets for infrastructure and build an effective ESG ecosystem in emerging markets in Asia.

Sustainable Capital Markets Initiative

Still in partnership with Aberdeen, in 2019 we announced the start of the Sustainable Capital Markets Initiative. We intend to engage with market participants such as corporates, investors and rating agencies to develop a sustainable debt capital market.

SUSI Asia Energy Transition Fund

In November 2019, we [approved a project to establish a private equity fund](#) that allows institutional investors to take advantage of the energy transition trend in developing Asia and invest in renewable energy, energy efficiency, energy storage and microgrid projects in the region, particularly Southeast Asia. This is one of the ways by which we're mobilizing private capital for energy transition in selected AIIB members within developing Asia.



L&T Green Infrastructure On-Lending Facility

In July 2019, we [approved a project to create a facility](#) that would be used by L&T Infrastructure Finance Limited to fund mid- and large-scale solar and wind power projects in India to increase the country's renewable energy supply through private capital mobilization.



TKYB Renewable Energy and Energy Efficiency On-Lending Facility

In November 2019, we approved a project that would [support sustainable infrastructure development in Turkey](#) by providing a long-term source of financing. The plan is to provide subloans through TKYB to privately owned companies in Turkey then invest in subprojects in the renewable energy and energy efficiency sectors. These include subprojects in the wind, solar, geothermal and biomass industries. In effect, Turkey's renewable energy and energy efficiency infrastructure would improve by channeling private funds to sustainable infrastructure.

Tata Cleantech Sustainable Infrastructure On-Lending Facility

Similar to our project strategy in Turkey, this facility will be used to finance renewable energy, power transmission and distribution and water infrastructure construction projects in India. [The project](#) is aligned with the Government of India's plans to reduce the country's carbon intensity by 30-35 percent of 2005 levels under the Paris Agreement.

Other Dimensions of Sustainability

Sustainable development goes beyond pooling funds to address environmental and economic concerns. We also need to address the social dimensions of sustainable development. In 2019, we approved projects that seek to address these various dimensions of sustainability.

Municipal Water Supply and Sanitation Project

We approved a [USD100-million loan](#) to accelerate Bangladesh's efforts to deliver improved water supply and sanitation services to underserved communities. Once completed, about 600,000 people are expected to be connected to new piped water supply systems and benefit from improved sanitation services. In particular, women and girls, often responsible for water collection, are expected to directly benefit from the project.

Istanbul Seismic Risk Mitigation and Emergency Preparedness Project

We approved a [USD300-million loan to help improve Istanbul's disaster resilience](#) against earthquakes and enhance the city's emergency preparedness. The project is aligned with the aspirations of AIIB's Sustainable Cities Strategy by making Istanbul's critical public buildings greener and more resilient to seismic shocks.

West Bengal Major Irrigation and Flood Management

We approved a [USD144.7-million project to help improve water allocation](#), increase storage potential and strengthen institutions in India that are responsible for irrigation management. About 40 percent of West Bengal is flood-prone, and agriculture accounts for about 20 percent of the economy. We're helping India reduce flooding and optimize the use of water for agriculture.

Sustainable Infrastructure Projects *

Year	Sustainable Infrastructure Projects
End-2019	40
End-2018	17
End-2017	11
End-2016	2

Click to generate chart



Sustainable Infrastructure Projects



* Cumulative year-end figures.

Connecting People, Services and Markets

Connectivity is of critical importance for strengthening regional cooperation and promoting economic growth in Asia. However, it is one of the most underserved areas in Asia as evidenced by large connectivity gaps between neighboring and other Asian economies. In line with our core mandate, we will prioritize projects that connect vital infrastructure and economies that are currently not linked within borders, across Asia and between Asia and the global economy.

Cross-border Connectivity Projects *

Year	Cross-border Connectivity Projects
End-2019	6
End-2018	5
End-2017	3
End-2016	4

Cross-border Connectivity Projects Since AIIB Launch



* Cumulative year-end figures.

Infrastructures that connect borders are not limited to roads and other physical structures in which we invest. Infrastructure could connect information and data digitally. It could connect energy. It could connect finance and economies. Infrastructure has the power to connect people, services and markets.

When we helped develop a project to improve the [highway from Sylhet to Tamabil](#), our aim was not only to ease the flow of traffic. We wanted to ease the flow of people, goods and services between Bangladesh and India.

When we helped connect Georgia, Azerbaijan and Turkey via the [East-West Highway](#), we helped our members integrate within regional and international transport systems and link their ports and airports to neighboring countries and beyond. Such investment assistance boosts regional trade and connectivity between Western Asia, Central Asia and Europe.

When we invested in the [Trans Anatolian Natural Gas Pipeline Project](#), we did not intend for the project to merely lay down and connect pipes for a gas pipeline. We knew that energy from gas fields in Azerbaijan can be transmitted through Georgia, Turkey, Greece and Albania to Italy, thus connecting not just energy but commerce as well by integrating Azerbaijan with new markets in Southern Europe.

We're focused on increasing our financing support for cross-border infrastructure. Given our mandate to promote regional cooperation and partnerships, we prioritize projects that connect vital infrastructure and economies that are currently not linked within borders, across Asia and between Asia and the global economy. Working with other MDBs through existing platforms, AIIB can continue to invest in a pipeline of connectivity projects in alignment with our mandate.

Mobilizing Private Capital

Private capital mobilization is essential to address the huge infrastructure financing needs that far exceed the fiscal capacity of governments and balance sheets of MDBs. Notwithstanding the extensive private financing that can potentially be attracted, current private investment in Asian infrastructure is quite low. There is a huge need for AIIB to play a catalytic role to increase private and other investors' appetite in emerging market infrastructure and other productive sectors, particularly those associated with and complementary to infrastructure investments. AIIB's own financing can play a critical role.

To complement its own financing, AIIB will expand its financing instruments to mobilize private capital. Mobilization can involve financing projects that leverage our own finance with additional private capital for investments supporting the development of capital markets and/or promoting infrastructure as an asset class. It also includes projects that mobilize private investments in infrastructure—including social infrastructure and other productive sectors—particularly those associated with and complementary to infrastructure investments.



Private Capital Mobilization Projects *

Year	Private Capital Mobilization Projects
End-2019	26
End-2018	13
End-2017	7
End-2016	2

Click to generate chart

☒ Private Capital Mobilization Projects



* Cumulative year-end figures.

In 2019 we invested in the [CITIC Capital Pan Eurasia Fund](#), a private equity fund to mobilize private capital investments for resource efficiency, renewables and emerging technologies. We're aware that institutional investors stand to gain from trade flows across Eurasia, and so this closed-end private equity fund was established to allow institutional investors to take advantage of rapidly growing economies and opportunities in Eurasian countries.

In the same year, we invested in the [Infrastructure Private Capital Mobilization Platform](#). It will purchase infrastructure loans from financial institutions and distribute them to institutional investors, in effect supporting private capital mobilization and building infrastructure as an asset class. The platform mobilizes a new pool of institutional capital for Asian infrastructure since institutional investors have significant assets under management that could match the long-term nature of infrastructure assets. The ability to address existing market frictions associated with investing in infrastructure debt would help crowd-in this alternative source of capital.

As envisioned under our [Strategy on Mobilizing Private Capital for Infrastructure](#), AIIB will focus on opening new markets and creating deal flows. This will require a range of financial products and services that will make projects bankable. Broadening our local currency financing will open avenues for AIIB to invest in infrastructure sectors that primarily have a local currency revenue stream and can have the added impact of stimulating investments by local private investors.

In 2019, we mobilized USD1,178.4 million in private capital through our approved projects—the most since we began operations in 2016. This included USD578.6 million in direct mobilization and USD599.8 million in indirect mobilization. AIIB's own commitment in these transactions was USD1,048.6 million.

We will deepen our partnerships with MDBs, governments, institutional investors, commercial banks, reputable project sponsors and clients to identify and structure bankable investments and devise solutions that can pool private capital.



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OUR IMPACT

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Our Impact



Through an on-lending facility, we're helping Egypt fund vital small and medium-sized infrastructure projects to sustain population growth and provide better living conditions.



China wants to transition to low-carbon energy. We're helping our member accelerate air quality improvement by increasing natural gas availability to reduce and replace coal consumption.



Through physical mitigation measures and landslide management, we're venturing into disaster risk management by helping Sri Lanka reduce risks and damage from landslides.



We're supporting Lao PDR's national strategy and socioeconomic development by enhancing road connectivity of the most critical sections of the country's backbone road network.

Bangladesh: Safe Travels for Antora and Kalpona

Our low-income members face capacity lags in preparing bankable infrastructure projects. AIIB's [Project Preparation Special Fund](#) provides support in this regard. One such project is the [Sylhet to Tamabil Road Upgrade Project](#) which aims to improve cross-border connectivity between Bangladesh and India via a safe and efficient road link between Sylhet and Tamabil.

This project will shorten the travel time of residents such as Antora who walks six kilometers to school. It could also increase road safety for tea stall owner Kalpona whose brother-in-law met an unfortunate accident and was not rushed to a hospital immediately because poor road conditions and heavy traffic delayed the arrival of an ambulance. Without proper roads, Kalpona calls the area a "death trap." Watch the stories of Antora, Kalpona and other residents in the video below.



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Sri Lanka: Manorathna Pushes Back Against Landslides

The 2017 landslide has made life difficult for 42-year-old Manori Manorathna who lives in the highlands of Sri Lanka's Sabaragamuwa Province. She gets by on a day laborer's humble income in Ayagama, a small town about 106 kilometers southeast of the Sri Lankan capital of Colombo.

Life was good two years ago. She was blessed with a good house and a good job, but both were swept away by the catastrophic landslide.

"We were displaced," Manorathna says wistfully, walking past the remnants of her house. "We lost everything following the heavy rain. Now we fear even drizzles."

Sri Lanka is affected by monsoons that vary by region. Annual rainfall is 2,500-5,000 millimeters in the southwest where Ayagama is located. Heavy rainfall makes Sri Lanka vulnerable to various disasters. Landslides are particularly frequent in the central highlands, resulting in fatalities and damage to infrastructure and the environment.

"Now we don't go into town when it rains," explains Manorathna's brother, 60-year-old tuk-tuk driver M A Gnanassena. "We fear the mountain will get washed away again. If it crashes down, the river will overflow, flooding the entire town."



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While no one died in Ayagama thanks to early warnings issued by law enforcement and disaster management officials, mudslides destroyed 14 houses and 14 businesses. The Ayagama Sri Gangaramaya temple housed many residents displaced by the disaster.

"We live in fear," says the temple's chief priest, Rambukpota Dhammadinna. "The 2017 landslide not only damaged part of our 150-year-old temple—debris also blocked the river, causing massive floods. Authorities should take action to mitigate landslides before another disaster takes place."

The Sri Lankan government is doing precisely that. Landslide survivors and about 1,000 families face fresh hopes for housing and employment with a project called *Reduction of Landslide Vulnerability by Mitigation Measures* initiated by the Sri Lankan Government in collaboration with the Asian Infrastructure Investment Bank (AIIB) through a USD80-million loan. The government is providing the rest (27 percent) of the project's total financing.

Manorathna and her brother Gnanassena are aware of the project.



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"Officials are now making arrangements to mitigate further landslides and expand the existing town," says Manorathna.

The project will make relocation of the town unnecessary and create more space to expand the existing township. Project funds will also be used to mitigate landslides on the Rathnapura-Adam's Peak road. Tourism is vital to Sri Lanka, with an estimated USD4.4 billion in revenue in 2018. Rathnapura is home to the Sinharaja Forest Reserve and Adam's Peak—two popular tourist destinations—meaning the landslide mitigation project will benefit tourism as well.

The project will make relocation of the town unnecessary and create more space to expand the existing township. Project funds will also be used to mitigate landslides on the Rathnapura-Adam's Peak road. Tourism is vital to Sri Lanka, with an estimated USD4.4 billion in revenue in 2018. Rathnapura is home to the Sinharaja Forest Reserve and Adam's Peak—two popular tourist destinations—meaning the landslide mitigation project will benefit tourism as well.

"The project's objective is to reduce risk and damage from landslides by implementing mitigation measures and enhancing policy and regulations associated with landslide management," explains R MS Bandara, National Building and Research Organisation director. Bandara adds that the project diversifies AIB's portfolio as it is the Bank's first in the area of disaster risk mitigation. It is also aligned with Sri Lanka's infrastructure priorities.

The project aims to protect people from landslides and increase the length of roads and railways bolstered by the applied measures. It will also enhance land use guidelines for landslide-prone areas and climate resilience standards and specifications for landslide prevention and mitigation.

"We coordinated with relevant stakeholders and government officers and finalized the mitigation and expansion plan," says district secretary Niranjan Jayakody. "This project is important as it will directly benefit people in the area and help the national economy by boosting tourism and allowing tea and rubber produced in the area to be transported to the capital."

Nishantha Pushpakumara, Ayagama's local council chair, adds that land prices crashed following the 2017 landslide. Implementation of the mitigation program is expected to boost the town's economy and improve the livelihoods of people living nearby.

Tuk-tuk driver Gnanassena hopes the Sri Lankan government implements the project quickly so they can stop living in fear. His sister Manorathna adds: "The project will allow us to return to our own land."



Lao PDR: Keeping the Road Safe for Manivanh

For 30 years, Manivanh Bualavong has lived in Naxaithong District on National Road 13 (NR13) north of Vientiane, Lao PDR. She sells fruits and other goods from a stall at her home, which fronts the country's main north-south highway. A fetid drainage ditch sits a few feet away. She wears a mask to protect herself from the odor and the ever-present dry season dust of the road.

Manivanh is among the estimated 500,000 Laoians who will benefit from the USD128-million [National Road 13 Improvement and Maintenance Project](#) with help from the Asian Infrastructure Investment Bank (AIIB), the World Bank and the Nordic Development Fund. The Government of Lao PDR is funding USD38.5 million of the project, with AIIB financing USD40 million.

Over the next three years, a 58-kilometer (km) stretch of the dilapidated road will be renovated. Nineteen km of the highway will be expanded from two lanes to four, while the remaining 39 km will be improved.

Today the road consists of two lanes with no centerline, no lane barriers, no pedestrian paths, little lighting and no real safety infrastructure. Traffic ranges from tour buses and container trucks to students on bicycles and even livestock—all of which mingle freely across the highway.

As Lao PDR's primary national road, NR13 links the country to China, Thailand and Cambodia, meaning improvements along its length could spur greater regional connectivity.

"This improvement project is critical for traffic safety," says Latsamy Aliyavongsing, project manager under Lao PDR's Ministry of Public Works and Transport's Department of Roads. "The road is the main backbone from north to south and this section is very important because traffic is heavy near the capital."

Like most people along the project site, Manivanh looks forward to the road improvements. "Many accidents happen here," she says, as trucks and buses overtake each other at high speeds. "I am worried about business. Another nearby road project took a very long time to finish, but we need a better highway."

Lam-ngeun Savanvilay runs a roadside noodle stall next to the spot where a bridge crosses NR13. She has lived in the area since birth.

"My house is on the other side of the bridge, and I'm receiving compensation for my shop soon," she says. Much of Savanvilay's restaurant will remain as it stands far enough back from the highway. She expects business—and quality of life in general—to improve once the project is completed.



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Meanwhile, disabled veteran Thitkor Sipphavan lives at a dusty intersection between NR13 and a local dirt road. His sturdy, two-story concrete house is one of the few that will be removed as part of the upgrade project, as the intersection next to his home will be dramatically improved. In this regard, AIIB assisted in the preparation and implementation of the Resettlement Action Plan by effectively monitoring the resettlement process through the development of a computerized system that tracks payments to prevent construction delays.

"We already have a lot behind the house where we will build another home once the NR13 construction begins," he says. "When the builders come, my wife and I will stay with a relative nearby. It will take about four months to build our new house. We'll have more space then, and the area will be much nicer."

Khemphone Sihalath, who has lived on NR13 for 70 years, owns a large house next to the road. He lives alone and has a prosthetic leg, the result of a battle with cancer.

"I'm happy to get a better road as it will benefit the district," he says. "It will also be easier for me to get around in my wheelchair." Sidewalks will be included in the road upgrade, greatly benefiting pedestrians traveling along the highway—including Sihalath on his wheelchair. As it is now, jagged and poorly maintained asphalt meets dirt at the side of NR13—there is no safe passage for pedestrians.

Many residents of Naxaithong District also face the problem of flooding and poor drainage during the monsoon season. This will also be addressed by the project.

"We hope everyone living along the road will benefit once it is improved," says project manager Aliyavongsing. "We hope traffic congestion to and from the city going to the outskirts would ease, and that residents would have better access to the city, especially those who need to go to the hospital or main market."



Kazakhstan: Wind Gives Light to Peishbek's Farm

Fifty-five-year-old Peishbek is a farmer who lives with his brothers in the town of Zhanatas in the Sarysu District of Kazakhstan. Peishbek has a problem with electricity. His home is not connected to the power grid, so he and his brothers use diesel to power the farm. They tried solar panels, but these soon broke down shortly after installation.

Fortunately for Peishbek and his brothers, the World Resources Institute lists Kazakhstan as one of the top three countries with the highest potential for wind-generated electricity, with winds reaching speeds of 45 meters per second. This is one of the reasons why a 100-megawatt wind power plant is being built southwest of the town. The [Zhanatas 100 MW Wind Power Plant](#) is the Asian Infrastructure Investment Bank's (AIIB) first onshore wind power project, first project in Kazakhstan and first AIIB-led cofinance project with the Eurasian Development Bank and the European Bank for Reconstruction and Development.

The wind farm aims to provide a sustainable and environmentally friendly source of renewable energy for the region and allow Kazakhstan to meet its commitment to produce three percent of total energy from renewable sources. As part of the Kazakhstan 2050 Strategy initiative, the country aims to diversify its resource-heavy economy and transition to a green economy. Under this initiative, the government has set a goal for the share of electricity production by solar and wind to reach three percent by 2020 and 10 percent by 2030, increasing from less than two percent in 2018.

Kazakhstan's fuel mix is fossil-heavy. Eighty percent of the country's electricity is generated from fossil fuels, with hydropower accounting for 12 percent and less than one percent generated from solar and wind installations. The country's power generating infrastructure is imbalanced and outdated. Almost half of the generating facilities in Kazakhstan are more than 30 years old. Kazakhstan's electricity sector needs significant investments to rehabilitate outdated power assets and expand capacity to meet rising energy needs.



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AIIB is helping Kazakhstan reduce the project's financing gap by mobilizing private capital and arranging the inflow of other funding sources. The total project cost is USD136.2 million. AIIB's loan is USD46.7 million, sponsors will provide USD40 million in equity while the rest will be funded by other financial institutions. This project will increase the Bank's investment in solar and wind energy by 22 percent and installed capacity by 20 percent (as of December 2019).

AIIB has been promoting higher environmental and social standards with the project with in-depth stakeholder engagement, a detailed flora and fauna monitoring report and archeological survey, among others. Seven farmers, several local officials and the public governance councilor gathered at the Zhanatas community hall for the first public meeting about the wind farm construction. Concerns raised were more about archaeological surveys, local employment and the wind power plant's impact on the environment and pastures. No other comments or grievances were

expressed at the meeting and over the consultation period.

When the 3D model of the wind farm was examined by stakeholders, they did not express concerns over the 150-meter-tall wind turbines ruining the view of the horizon. Peishbek was more concerned about and interested in livelihood and energy source opportunities. During consultations, other stakeholders—such as those from the villages of Burkitbayev and Ushbas—mentioned that the turbines might even become a local attraction, something to be proud of.

Later during the course of project preparation, it was decided that the majority of construction workers involved in civil works would be sourced from Zhanatas. Preparations were made for service provision and permanent positions to be advertised in the local community during the operational phase.

Once completed, the Zhanatas wind power plant will become the largest wind farm in Central Asia. Greenhouse gas emissions can be avoided—about 260,623 tons of carbon dioxide equivalent per year. More importantly, Kazakhstan stands to generate clean electricity, approximately 319 GWh per annum or 0.3 percent of total electricity generation in the country, benefiting people like Peishbek and his farmer brothers.

Continuing to Improve Living Conditions

Read more stories about our investments in Egypt, India, Indonesia and Turkey and how we help clients provide better living conditions to communities.

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ABOUT THE IMPACT WE'RE MAKING WITH OUR PROJECTS.

External Stakeholder Outreach

In 2019 we continued conversations with external stakeholders and people who, one way or another, are affected by our investments. We continue to do it from top to bottom: our Board of Directors go to the field to have face-to-face conversations with clients, project implementing entities and beneficiaries. Our staff visit project sites to ensure project adherence to our environmental and social safeguards or work with local communities and organizations to understand the situation on-the-ground so that issues could be addressed.

We remain a transparent organization and keep our communication channels open for the public—whether it's to solicit feedback and discuss one of our strategies, request information about AIIB, report suspected fraud or corruption or address concerns from people affected by our investments.

On March 31, 2019 the Project-affected People's Mechanism (PPM) entered into effect. The PPM is further guided by our [Directive on the PPM](#) and [Rules of Procedure of the PPM](#) and overseen by our Complaints-resolution, Evaluation and Integrity Unit. The PPM is a mechanism to provide an opportunity for an independent review of submissions from project-affected people who believe they have been or are likely to be adversely affected by AIIB's failure to implement its [Environmental and Social Framework](#). More details about the PPM and instructions on submitting a request can be viewed in our [PPM page](#) that went live on Dec. 10, 2019.

We do these because we acknowledge that we need to be on the ground and have our ears to the ground. We will continue feeling the pulse of people impacted by our investments.



2019 AIIB Annual Report and Financials

OUR TOMORROW

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The year 2020 marks the Asian Infrastructure Investment Bank's (AIIB) fifth year of operations and the last year of our start-up phase. By the end of our fifth year, we will have completed the development of our core governance frameworks, policies, sectoral strategies and basic financing products. By then, we will also deliver the mechanisms to monitor and evaluate our progress in terms of implementation and results. We will continue to expand our operations based on robust multilateral governance, high standards and sound banking principles.

Focusing on Asia

Asia is the world's largest and fastest growing region with 60 percent of the world's population and 45 percent of the global economy. Asia's role in bridging people, goods, services and markets worldwide is becoming more pronounced. We will maintain a strong focus on Asia and continue to build our core competency in the region. We will develop tools to better serve our presently underserved regional members that are currently at relatively lower per capita income levels. We also recognize the key role our nonregional members play to address climate change and further Asia's development. As such, we're expected to gradually build capacity to deliver projects to nonregional members within the principles and limits defined under our [Strategy on Financing Operations in Non-regional Members](#).

Talent

We are growing, but we're doing so prudently. In 2020 we will begin working from our permanent headquarters while recruiting staff in alignment with the Bank's objectives. Our workforce will have an improved mix of skills and we will continue to promote a diverse and inclusive workplace. We will endeavor to stay lean by promoting effectiveness with a focus on client and shareholder value.

In 2020, we will implement our Strategic Staffing Plan to expand our talent pool and support the Bank's growing needs. Our ability to recruit, develop and retain a team of high-caliber staff will remain critical to our development. We will also enhance our suite of training programs to equip our staff with sufficient technical capabilities.





Governance

By end-2020, we will have completed the first election of our President and the first review of the Bank's capital. By end-2022, we will have conducted the first review of our [Accountability Framework](#) and [Oversight Mechanism](#), both of which came into effect in 2019.

As we've experienced in the last four years, our clients' infrastructure needs are growing. To respond to this demand, we need to deepen our capabilities in promoting economic, environmental and social sustainability in the projects we finance. This will allow us to support projects of higher operational complexity and focus on quality. To be able to respond to client demand, we need to broaden our product offering.

New Products and Certifications

Our pipeline of new products and client solutions for 2020-2021 will include our [credit guarantee](#) and [variable spread loan offerings](#) to clients, which was introduced in 2019 to new and existing borrowers. We will also be pushing the expansion of local currency financing to encompass a wider range of currencies. These could include currencies in eight more countries, possibly: Bangladesh, Egypt, Kazakhstan, Malaysia, Nepal, Pakistan, the Philippines and Vietnam. This will be followed by the launch of local currency offshore and onshore bond issuance to expand AIB's access to markets. With our debut bond issuance in 2019, a key factor would be the official certification of our internal controls issued by the Committee of Sponsoring Organizations of the Treadway Commission. We're working toward this end.

Strategies

With the approval of the water sector and digital infrastructure strategies expected in 2020, we will have completed the development of our key sectoral strategies covering the main domains of infrastructure and the majority of AIB's investments. We will thus shift our focus from the development of these sectoral strategies to their actual implementation to support our business development and investment operations.

We also intend to conduct subsectoral, regional, national and thematic analyses to determine which subsectors present new business opportunities for the Bank, which geographical areas present opportunities for cross-border connectivity or which thematic priority needs to be enhanced.

Green Corporate Value

Along with other MDBs, we committed to ensure that our internal operations (including corporate services, our office building, facilities and internal policies) are in line with the objectives of the Paris Agreement. In 2020, we will begin developing a broader Institutional Carbon Management System aimed at reducing carbon emissions related to our building facilities, corporate procurement, business travel and waste management. Our sustainability efforts will be reinforced by our location to the new eight-hectare permanent headquarters which, in 2019, was awarded the LEED Platinum certification and the Three-Star Green Building Certification (respectively, the highest ratings internationally and in China). We will also continue our Act Green Together initiative to improve the environmental sustainability of our events. All these measures reflect our commitment to AIB's Green core value.

Greener Tomorrow

Our [Environmental and Social Framework](#) (ESF) underpins our efforts to integrate high environmental and social standards in AIB operations. We are conducting a review of the ESF based on experience gained from the application of the policy to AIB projects during our first years of operations.

A diverse list of shareholders is being consulted during the review. These include internal consultations (Management, the Board of Directors, AIB staff and our Complaints-resolution, Evaluation and Integrity Unit), consultations with clients and partners (member governments, development partners, public and private sector clients, project beneficiaries and project-affected people) and consultations with external organizations (United Nations organizations, organized labor, indigenous peoples' organizations, think-tanks, civil society and nongovernment organizations, academia, gender and disability organizations and human rights organizations).

We proposed the ESF's review to the Board of Directors in 2019 and expect the process to be concluded in 2020 as we continue to live and enhance our "Green" core value.





huge—a market of players with many commonalities—so much so that differentiating factors may spell the success or failure of international financiers. It is thus imperative for AIB to differentiate itself and establish its market position.

Challenges

The global macroeconomic outlook is becoming more uncertain. Borrowers are suffering from weaker repayment ability, and lower infrastructure spending could negatively affect our long-term business outlook. A challenging economic environment may also squeeze market liquidity, lowering our ability to raise funds on the most favorable terms from the capital market. It may also pose a challenge to our ability to mobilize private capital for our projects.

The COVID-19 pandemic affected everyone and the mid- to long-term repercussions are still unknown. It is our role to step up our efforts to provide countercyclical lending to keep our members fiscally on track during times of uncertainty. Once the COVID-19 crisis is over, AIB will need to quickly refocus on its mainstream operations in assisting developing members to invest in high-quality infrastructure for development.

In addition, we recognize that countries with fragile infrastructure have less capacity to handle health crises. This is where infrastructure investment—including in public health, healthcare, sanitation and information and communications technology—should be scaled up to better serve our members. We have a responsibility to our members who face tremendous pressure to maintain the health and safety of their citizens while managing the impact of an economic downturn. It is our duty to be adaptive, flexible and responsive in times of crises so our members can continue investing in these kinds of infrastructure.



Serving Our Clients

We will expand the use of our [Project Preparation Special Fund](#) by refining its focus, targeting outreach and improving disbursement efficiency. We will serve a broader range of members, prioritizing presently underserved regional members that are at relatively lower per capita income levels. While retaining its primary focus on Asia, AIB will also gradually increase support to nonregional members through collaboration with other development and cofinancing partners.

We will create an institutional culture that reinforces our ambition to become a 21st century MDI characterized by client responsiveness, innovative and efficient practices, good governance and accountability.

Opportunities

The volume of investments in infrastructure in Asia is expected to grow bigger. Consistent policy support and strong economic fundamentals in many of our members are enabling the growth of bankable projects. Demand for sustainable infrastructure is also on the rise, driven by increasing environmental and social awareness. We're finalizing our sectoral strategies to take advantage of these opportunities. We're also exploring the use of technology in enhancing project quality (such as the use of drones at project sites, software analytics and the internet of things) as transformative tools for infrastructure development.

By 2025, Asia's demand for infrastructure (excluding China) is expected to reach USD1.2 trillion. Even in the event of a recession, the demand will still be in the area of USD950 billion. The infrastructure development market is



Knowing Our Clients

In 2020, we intend to increase high- and working-level outreach and consultations, with the objective of developing our project pipeline through business development and country programming in several members. We intend to conduct high-level follow-up discussions with our members where dialogues have already been initiated, with the objective of finalizing country programming memos for those members. If necessary, we will tailor approaches to respond to clients' needs to maximize development impact, including solutions through new products.

We also intend to deploy additional necessary resources to better attend to AIB's cofinancing cooperation, as well as nonregional and new-entry clients.

Client-Engaged Structure

In December 2019, we announced to staff a new organizational structure designed to better integrate and coordinate our client engagement and business development efforts.

Effective Jan. 1, 2020, the Investment Operations Department was divided in two departments, each with a regional focus and each under a Vice President handling client relations, technical specialists and bankers. Region 1 covers Southeast Asia and South Asia (except Pakistan and Afghanistan). Region 2 covers Pakistan, Afghanistan, Central Asia, East Asia, West Asia, Europe, Africa and Latin America. The Implementation Monitoring Unit now has a dual reporting role to both Vice Presidents and the Client Relations and Programming Office evolved into two independent units, consolidating into each of the Investment Operations Departments.

A new Operational Services Department will be comprised of environmental specialists, social specialists, procurement specialists and financial managers. The Director General for Operational Services will also have a dual reporting role to both Vice Presidents for Investment Operations.

This structure will enable us to better utilize the talent we have in AIIB and give us flexibility to meet client demand as we scale up our investment program to meet the needs of our members.

Graduating from Start-Up

Not often is a new MDB born, and we're learning fast even during our early years. We will finish our fifth year of operations after this year, and we're gearing up for the next years to come.

We will strive to become recognized as a focused financier with deep expertise and agility to respond to client demand. We will work hard to become more client-oriented.

We will continue to mobilize substantial additional investment through our own resources while maximizing partnerships. We see ourselves gradually expanding our services to include support for project preparation and implementation and support for the development of infrastructure as an asset class.

We will strive to become recognized as an organization characterized by an accountable management, lean practices, a growth mindset and continuous learning in line with our Cultural Attributes. We want to become an attractive employer for high-performing and innovative staff.

Enabling Our Clients to Enable People

All this as we complete our start-up phase, as we end our fifth year of operations. We will continue to enable our clients so that they could build tomorrow's sustainable infrastructure in different sectors that face huge funding gaps. By doing so and by doing a good job, we will build better relations with our clients. The infrastructure they are building will better connect people, services and markets. Our clients are enabling communities, beneficiaries and people. To do more. To be better.

This is our contribution. This is how we will fulfill our mandate and grow our business. Over time, our clients will build a better future, one that will impact the lives of billions in Asia and beyond.



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