

STRATEGY ON FINANCING OPERATIONS IN NON-REGIONAL MEMBERS

February 24, 2018

The Articles of Agreement of the Bank authorize the Bank to invest in any Member, i.e., both regional and non-regional (Article 11.1(a)). All Bank financing, irrespective of whether the project is located in or outside the Region, must be in furtherance of the purposes and functions of the institution, as defined in Articles 1 and 2 of the Articles. Accordingly, a project located outside of the Region must benefit Asia, i.e., it must foster economic development, create wealth or improve infrastructure connectivity in Asia, and such benefits must be significant.

1. **Principles on Eligibility of Operations in Non-Regional Members for Bank-financing.**

The Bank prioritizes regional investments. Therefore, in order to meet the requirement of “significant benefits” to Asia, non-regional investments are subject to additional Principles and a ceiling on such investments as a share of total Bank financing as described below. The *Strategy* proposes three Principles for determination of eligibility of investments for Bank financing in non-regional Members. Projects that are aligned with one or more of the three Principles below may be considered for possible Bank financing.

- i. the Bank may consider investments with the objective to support trade and connectivity with Asia, including ports, transport links, power generation and transmission, and gas pipelines. This Principle is aligned with the AIIB thematic priority, *cross-country connectivity*. The majority of non-regional financing is expected to fall under this Principle, and priority will be given to projects meeting this Principle;
- ii. the Bank may consider investments in global public goods, specifically renewable energy generation projects (including transmission and storage). Investments under this Principle should be contained in the country’s National Determined Contributions as defined in the Paris Agreement (entered into force October 5, 2016). This Principle is aligned with the AIIB thematic priority, *sustainable infrastructure*; and
- iii. the Bank may consider investments in non-regional Members which the Board of Directors considers are geographically proximate to and closely economically integrated with Asia. Egypt, a non-regional Member having territory in the Asian continent, meets this Principle.

2. **Ceiling on investment in non-regional Members as a share of total approved Bank financing**. In order to preserve the Asian character of the institution and to ensure sufficient availability of financing for its regional Members, the Bank will specify in future Business Plans and observe a ceiling on its financing for operations in non-regional Members expressed as a three-year rolling share of volume of approved Bank financing in non-regional Members during current plus two previous years over total approved Bank financing in the same period. Until such ceiling is determined in a future Bank Business Plan, the ceiling on investment in non-regional Members as a share of total approved Bank financing is 15% starting from 2018.
3. The Board of Directors will periodically review and, as appropriate, revise this Strategy. The timing of such reviews will be agreed with the Board of Directors in the context of the Annual Business Plans.