



ASIAN INFRASTRUCTURE
INVESTMENT BANK

2020 AIIB ANNUAL REPORT

This is our story: how being born resilient and agile empowered us to help our clients at a time of great need.



© Asian Infrastructure Investment Bank 2021
AIIB Headquarters, Tower A, Asia Financial Center
No. 1 Tianchen East Road, Chaoyang District, Beijing, China
100101 Tel: +86-10-8358-0000

CC BY-NC-ND 3.0 IGO. Some rights reserved.

The Asian Infrastructure Investment Bank (AIIB) uses a Creative Commons license for all intellectual property contained in this work except where specified. Copyright designations may or may not apply to third-party content found herein. AIIB does not necessarily own each component of the content contained in or linked from this work and will not be held accountable for any such third-party content. AIIB does not guarantee the accuracy of the data contained in or linked from this work and accepts no responsibility for any consequences of their use. The mention of companies or any trademarked entity or object in this work does not imply that they are being endorsed or recommended by AIIB in preference to others that are not mentioned. The contents of this work do not necessarily represent the views or policies of AIIB, its Board of Directors or its members. Any designation of or reference to a specific territory or geographic area, or the use of the term “country” in this work does not constitute and shall not be construed as constituting an express or implied position, endorsement, acceptance or expression of opinion by AIIB as to the legal or other status of any territory or area.

2020

AIIB ANNUAL REPORT

As Approved by the Board of Directors
May 2021

Contents

1. Who We Are and What We Do	1
1.1. Our Mandate.....	1
1.2. 2020 at a Glance (as of end-2020)	3
1.2.1. Approved Projects.....	3
1.2.2. Projects by Thematic Priority	3
1.2.3. Projects by Sector.....	3
1.2.4. US Dollar Investments	4
1.2.5. Members	4
1.2.6. Staff	4
1.2.7. Special Fund	5
1.2.8. Private Capital Mobilized	5
1.2.9. International Open Competitive Tendering Procurement.....	5
2. From Our President	6
3. From Our Board of Directors	10
4. 2020 Timeline	13
5. The First Five Years: From Start-Up to Growth	17
5.1. Building on Our Foundations.....	17
5.2. Our Governance in 2020.....	18
5.2.1. Board of Governors.....	18
5.2.2. Board of Directors.....	19
5.2.3. Senior Management	21
5.2.4. Sanctions Panel.....	21
6. Laying the Groundwork for Infrastructure for Tomorrow (i4t)	22
6.1. Developing Our Corporate Strategy	22
6.2. Financing Infrastructure for Tomorrow (i4t)	24
6.3. Our Thematic Priorities.....	24
6.3.1. Green Infrastructure	24
6.3.2. Improving Infrastructure Connectivity in Asia and Regional Cooperation	26
6.3.3. Private Capital Mobilization.....	28
6.3.4. Empowering Our Clients through Digital Infrastructure and Broader Technology-Enabled Infrastructure	30
6.3.5. Project Data (excluding the COVID-19 Crisis Recovery Facility).....	32

7. Responding to COVID-19.....	33
7.1. Creating Our COVID-19 Crisis Recovery Facility	33
7.2. Strengthening Partnerships, Building Relationships and Developing Capacity..	35
7.3. CRF Projects.....	36
7.3.1. Public Health.....	36
7.3.2. Intermediary Financings to Alleviate Liquidity Constraints.....	37
7.3.3. Economic Resilience	39
7.4. COVID-19 Crisis Recovery Facility Project Data.....	41
7.5. AIIB Institutional Responses to COVID-19	42
8. Our Investments.....	44
8.1. Our Investments Data.....	44
8.1.1. US Dollar Investments	44
8.1.2. Approved Projects.....	45
8.2. Project Preparation Special Fund.....	45
8.2.1. Status of Commitments and Payments to the Project Preparation Special Fund (as of end-2020).....	45
8.2.2. Approved Project Preparation Special Fund–Supported Projects	46
8.2.3. Projects Supported by the Special Fund Window	46
8.3. Our Clients.....	47
GREEN INFRASTRUCTURE.....	47
8.3.1. Oman: Project Harnesses the Power of the Sun and Investors.....	47
8.3.2. Maldives: From Waste to Energy	49
8.3.3. India: L&T Sustainable Infrastructure	52
CONNECTIVITY AND REGIONAL COOPERATION.....	53
8.3.4. Indonesia: Tapping the Private Sector for Satellite Connectivity.....	53
8.3.5. Oman: Connecting Commerce and Future-Proofing the Economy	57
PRIVATE CAPITAL MOBILIZATION.....	60
8.3.6. AIIB-Amundi Climate Change Investment Framework.....	60
TECHNOLOGY-ENABLED INFRASTRUCTURE.....	64
8.3.7. Water from Air: Climate Resilience with Lightsmith.....	64
COVID-19 CRISIS RESPONSE FACILITY	68
8.3.8. Beijing and Chongqing: Race against COVID-19 in China’s Megacities.....	68
8.3.9. Viet Nam: VPBank’s Journey with Small and Medium-Sized Enterprises during COVID-19.....	72
8.3.10. Georgia: Healthcare Infrastructure and Social Protection Measures for COVID-19 Response.....	75
8.4. Sustainable Development Goals and Climate Finance.....	79

9. Managing Risk	81
9.1. How We Manage Risk.....	81
9.1.1. A Coordinated, Cross-Functional, Bank-Wide Response to Risk.....	81
9.1.2. Three Lines of Defense and a Well-Established Risk Management Framework.....	82
9.1.3. Risk Management Strategies	83
9.2. Embedding Our Clean Core Value.....	86
10. Strengthening the Bank for Growth	87
10.1. Our Corporate Financing	87
10.2. Environmental and Social Framework Review.....	90
10.3. Civil Society Engagement.....	90
10.4. Investing in Technology.....	90
10.5. Our People and Our Culture.....	93
10.6. Knowledge Products	95
10.7. Partnerships.....	95
11. Priorities in a Post-COVID-19 World	97
11.1. Green Infrastructure	97
11.2. Private Capital Mobilization	97
11.3. Connectivity and Regional Cooperation	98
11.4. Technology-Enabled Infrastructure	98
11.5. Expanding into Social Infrastructure: Investing in Health Infrastructure Is Investing in Tomorrow	98



1. Who We Are and What We Do

Extraordinary times call for extraordinary measures, and 2020 was an extraordinary year. Our founding members built adaptability into our Charter to enable the Asian Infrastructure Investment Bank (AIIB or the Bank) to be responsive to the region's changing demands. And 2020 put this attribute to the test. This is our story: how being born resilient and agile empowered us to help our clients at a time of great need.

We are a multilateral development bank (MDB) based in Asia, with an international membership. Our members represent about 79 percent of the global population and 65 percent of global gross domestic product (GDP). We are self-governing, rules- and treaty-based, AAA-rated, with preferred creditor status.

Learn more: [What We Do / How We Do It / Why We Do It pages](#)

1.1. Our Mandate

AIIB's VISION is a prosperous Asia based on sustainable economic development and regional cooperation.

AIIB's MISSION is financing Infrastructure for Tomorrow. By investing in sustainable infrastructure, we unlock new capital, new technologies and new ways in which to address climate change and to connect Asia, and the world. We will achieve this working partners. By being agile and adaptable, we will meet client needs and operate to the highest standards.

2020 AT A GLANCE



USD9.98B

In 2020, we approved USD**9.98** billion and disbursed USD**6.23** billion for a total of **45** projects distributed across **8** sectors.

PROJECTS BY THEMATIC PRIORITY



In Sept. 2020, we approved our Corporate Strategy and identified technology-enabled infrastructure as a thematic priority. From 2021, we will track project alignment to four thematic priorities.

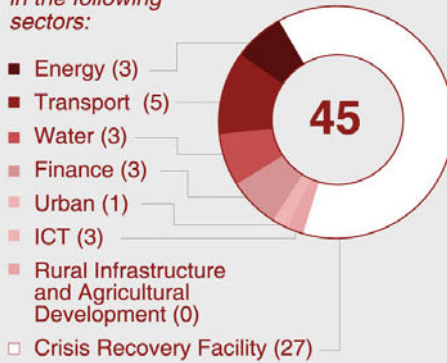
CRISIS RECOVERY FACILITY



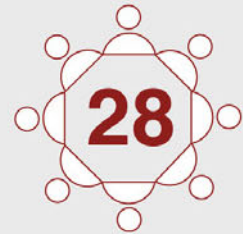
We created the COVID-19 Crisis Recovery Facility as an agile way to respond to our Members' needs.

PROJECTS BY SECTOR

We financed projects in the following sectors:



INVESTING IN OUR MEMBERS



By the end of 2020, we have invested in 28 of our members. Our total number of members (83) and prospective members (20) reaches 103.

STAFF



As of end-2020, we have 316 total professional staff representing 54 nationalities. 121 of our professional staff are females, making up 38% of the team.

PROJECT PREPARATION SPECIAL FUND



We approved four new grants totaling USD14.13 million under the Project Preparation Special Fund (PPSF). Since 2016, we have approved 13 PPSF grants for a total of USD25.44 million.

1.2. 2020 at a Glance (as of end-2020)

1.2.1. Approved Projects

YEAR	ANNUAL APPROVALS	SOVEREIGN	NONSOVEREIGN	NEW BORROWING MEMBERS
TOTAL (as of Dec. 31, 2020)	108	73	35	28
2020	45	33	12	7
2019	28	15	13	8
2018	12	8	4	1
2017	15	10	5	5
2016	8	7	1	7

Note: "Borrowing members" are members with approved loans from AIIB.

1.2.2. Projects by Thematic Priority

YEAR	SUSTAINABLE	CROSS-BORDER	PRIVATE CAPITAL
TOTAL (as of Dec. 31, 2020)	56	11	34
2020	15	4	8
2019	22	2	13
2018	8	0	6
2017	9	1	5
2016	2	4	2

Note: In September 2020, AIIB approved its Corporate Strategy and identified technology-enabled infrastructure as an additional thematic priority. From 2021, the Bank will track project alignment to four thematic priorities.

1.2.3. Projects by Sector

YEAR	ENERGY	TRANSPORT	WATER	FINANCE	URBAN	ICT	RURAL INFRA-STRUCTURE AND AGRICULTURAL DEVELOPMENT	OTHERS
TOTAL (as of Dec. 31, 2020)	22	18	11	18	5	5	1	28
2020	3	5	3	3	1	3	0	27*
2019	7	4	3	9	2	1	1	1**
2018	2	3	3	3	1	0	0	0
2017	6	3	2	3	0	1	0	0
2016	4	3	0	0	1	0	0	0

ICT = information and communication technology.

* Projects under the COVID-19 Crisis Recovery Facility: public health (8), alleviation of liquidity constraints (7) and economic resilience (12).

** Sri Lanka: Reduction of Landslide Vulnerability by Mitigation Measures.

1.2.4. US Dollar Investments

YEAR	ANNUAL APPROVALS*	DISBURSED**
TOTAL (as of Dec. 31, 2020)	USD22.02 billion	USD9.13 billion
2020	USD9.98 billion	USD6.23 billion
2019	USD4.54 billion	USD1.48 billion
2018	USD3.31 billion	USD0.62 billion
2017	USD2.50 billion	USD0.79 billion
2016	USD1.69 billion	USD0.01 billion

* Maximum amount approved.

** Amount of cash disbursement and capitalized charges.

1.2.5. Members

YEAR	TOTAL APPROVED*	REGIONAL	NONREGIONAL
End-2020	103	50	53
End-2019	102	50	52
End-2018	93	50	43
End-2017	84	48	36
End-2016	57	37	20

* Aggregated, including members and approved members. As of end-2020, AIIB approved membership totaled 83 with 20 more that have either signed the AIIB Articles of Agreement, pending ratification, or whose membership applications have been approved by the Board of Governors, pending their ratification of the AIIB Articles of Agreement and/or required payment for their subscribed capital stock of the Bank (commonly known as prospective members).

1.2.6. Staff

YEAR	TOTAL PROFESSIONAL STAFF	FEMALE PROFESSIONAL STAFF	NATIONALITIES REPRESENTED
End-2020	316	121 (38% of total)	54
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

Note: Figures are aggregated.

1.2.7. Special Fund

YEAR	COMMITMENT CONTRIBUTIONS	PREPARATION GRANTS APPROVED
End-2020	USD128 million	USD25.44 million
End-2019	USD128 million	USD11.31 million
End-2018	USD128 million	USD7.18 million
End-2017	USD108 million	USD1.70 million
End-2016	USD58 million	--

Note: Special Fund refers to grants provided by AIIB through its Project Preparation Fund to support the preparation of projects to be financed by AIIB. See Section 8.2 for more information.

1.2.8. Private Capital Mobilized

YEAR	COMMITMENT CONTRIBUTIONS	TOTAL
2020	USD1,450.1 million	USD3,344.46 million
2019	USD1,178.4 million	USD1,894.36 million
2018	USD150 million	USD715.96 million
2017	USD561 million	USD565.96 million
2016	USD4.96 million	USD4.96 million

Note: Private capital mobilized includes direct and indirect involvement of AIIB that led to the commitment of private entities' financing.

1.2.9. International Open Competitive Tendering Procurement

YEAR	ANNUAL CONTRACT AWARD	TOTAL
2020	USD1,336.8 million	USD3,797.7 million
2019	USD1,410.4 million*	USD2,460.9 million*
2018	USD165.5 million	USD1,050.5 million
2017	USD396 million	USD885 million

Note: International open competitive tendering procurement is used for sovereign-backed stand-alone and cofinanced investments.

* Updated to account for newly available information.



2. From Our President

The year 2020 will go down in history as an exceptional period, fraught with suffering that will be etched into humanity's consciousness for decades to come. Without warning, the novel coronavirus (COVID-19) pandemic spread across human society. No country could have escaped its ferocity. The virus's severe infectiousness, deadly virulence and insidious ability to mutate render it extremely difficult to defeat. The international community has risen to the challenge, demonstrating its agility, courage, determination, resilience and solidarity under these extreme circumstances. And the Asian Infrastructure Investment Bank (AIIB), along with its comparator institutions, has been an energetic combatant in the war against the coronavirus.

The COVID-19 pandemic has drawn attention to the critical need for international cooperation when dealing with crises of this magnitude. Global challenges call for global efforts. A multilateral development bank (MDB) has the advantage of being able to coordinate all its Members to mobilize concerted efforts to withstand such a shock as the COVID-19 pandemic. We have consistently espoused and supported global cooperation to solve the world's biggest problems. Close collaboration has augmented our impact. The speed at which capital and equipment were mobilized globally in 2020 showcased the efficacy of multilateralism when it is brought into full play.

The outbreak of the pandemic posed a tough question to AIIB. As an MDB, clearly, not to respond is not an option. But as an infrastructure investment bank, we needed to determine the best way for us to respond.

Our founders foresaw the unexpected. AIIB's Articles of Agreement provide for it. Our Board of Directors and Management team quickly reached consensus on the right approach to participating in the global war against the COVID-19 pandemic.

AIIB's Articles of Agreement are a forward-looking document, which governs the way the Management runs the Bank and navigates exceptional circumstances under the Board's guidance and supervision. AIIB's purpose is, in part, to "address development challenges by working in close collaboration with other multilateral and bilateral development institutions."

While infrastructure financing is AIIB's mainstream business, it has a mandate sufficiently broad to cover other productive sectors.

In 2020, there was no bigger challenge to development than the economic and health crisis caused by the COVID-19 pandemic. When the coronavirus brought global production to a screeching halt, nothing was more important than crushing the virus as a short-term measure and strengthening the health care sector as a long-term strategy. A health care system is an integral component of a nation's productivity. Only a healthy nation is productive.

From that moment on, AIIB's Board, Management and all the Members have worked in full alignment to tackle the coronavirus during these unprecedented times. We launched the COVID-19 Crisis Recovery Facility, an innovative financing modality, reinforcing further our partnership with other MDBs. Most importantly, it demonstrated how critical it is for MDBs to inject countercyclical financing to reduce liquidity constraints and bolster up economic resilience around the world.

COVID-19 lifted the veil on the cracks in the global economic and public health system. Every productive sector and every healthcare system in every region were hit without exception, albeit to varying degrees of severity. A few came through relatively unscathed, but others buckled under the pressure. The global health sector was strained to the breaking point, fully exposed as the weakest link. Woeful underfunding over the decades has taken its toll on neglected health care systems in many countries, developed and developing alike. Lockdowns were enforced worldwide to help relieve the overworked healthcare workers and ease excessive pressure on health care infrastructure.

It is a lesson we will not soon forget and one we have taken to heart at AIIB. Fully appreciating the importance of the health sector for economic growth, our Board of Directors provided full support to the Senior Management in formulating our Corporate Strategy, which focuses on core infrastructure financing and which, as AIIB matures, will gradually expand the Bank's capacity, role and value-add in social infrastructure and other productive sectors.

In 2020, the Management was forced to split its attention between navigating the rough and tumble of the turbulence of the pandemic while preparing the roadmap for the Bank's operations a decade into the future. To develop the Corporate Strategy, we in AIIB gathered diverse opinions and considered development objectives from around the world. As an MDB with a global membership but an Asian focus, and as an MDB that is implementing new development frameworks and financing modalities, AIIB adopted its Corporate Strategy to identify common ground on the kind of Asia we all want to see. Our thoughts galvanized around the idea of investing in infrastructure with sustainability at its core, the idea that AIIB should not follow the beaten track of infrastructure investment of the past but rather blaze trails in building Infrastructure for Tomorrow. Our strategy aims at reversing environmental degradation, financing climate change mitigation and adaptation, meeting the need of changing demographics and harnessing the transformative power of technology.

We have striven to build our Bank with signatory features: strong governance, environmental stewardship, connectivity, inclusivity and economic productivity. As we head towards 2030,

we should steer our institution unswervingly in the direction in which our Corporate Strategy guides us. It is my firm conviction that our approach will enable us to contribute significantly to the sustainable economic growth and social development of our Members in Asia and beyond.

I am grateful to the Board of Governors for the support they have lent to me for my second term as President and Chair of the Board of Directors. I regard this as a great credit to the Senior Management team and the staff as a whole. I am deeply committed to our great institution. I am confident and optimistic about our potential because I have unqualified faith in the ability of our team to translate our ambitious goals into tangible results that can materially improve the wellbeing of the people of our members. This implies an immense amount of work ahead of us.

In 2021, I will focus on developing AIB's corporate culture as the immediate task to accomplish, while embarking on implementing our Corporate Strategy in all its dimensions. A key tenet of our strategic approach is to embed our client-first principle into the Bank's institutional consciousness. Thinking openly about how we can improve our processes, products and communications for the sake of our clients and Members must become core to the hallmark AIB way.

Our clients in the public and private sectors are the key partners for our development endeavors. We do not regard our close bond with them as a mere lender-borrower relationship that lasts no longer than a project's life cycle. Our association with other partners is cemented by a kinship of development genes. Without their partnership and trust, we could not serve the purpose set for AIB by our founding Members. I will work closely with the Board of Directors, the Management team and staff to implement the basic principles of learning, inclusivity and creativity in our daily work. These elements will support our efforts to be known as a development partner that is reliable, responsive and agile. We are striving to help clients meet their objectives. And we will stay true to AIB's mission to invest in Infrastructure for Tomorrow, upholding our core values of Lean, Clean and Green. I believe that fostering a corporate culture reflecting our common aspirations for a workplace is one of my most important jobs as President.

I will remember 2020 as the most challenging of years. Many of our staff were separated from their families for extended periods. Some were bereaved of their beloved ones but could not go back for the funeral. And others could not stay by their parents' sick bed and give them help and comfort. However, all of our staff continued to work under extremely difficult circumstances to help our Members grappling with the pandemic. I am deeply touched by their personal sacrifice and commitment. I cannot overstate my gratitude to our dedicated staff. They are the pride of our institution.

The tragic loss of lives and disruptions to livelihoods and businesses in 2020 alert us to the vulnerability of our Members, regardless of their respective stages of development. That is exactly why we are here as an MDB. AIB is committed to helping our Members and clients build, strengthen or upgrade their healthcare systems. We will expedite cross border investments so neighbors work together rather than shut each other out. We will inject

liquidity into the system to support infrastructure and help productive sectors tackle traumatic economic shocks. We will do this by unlocking new capital, new technologies and new ways of mitigating climate change and connecting Asia and the rest of the world.

This is our commitment for the new decade, and we look forward to engaging more development partners on our journey.

Jin Liqun

President and Chair of the Board of Directors



AIIB BOARD OF DIRECTORS

as of Dec. 31, 2020

DIRECTORS

(FIRST ROW FROM THE TOP, L TO R)

Jin Lijun (President and Chair of the Board of Directors), Abdulaziz M. Alrasheed (Saudi Arabia), M. Aslam Chaudhary (Pakistan), Md. Shahrir Kader Siddiky (Bangladesh), Andrey Kruglov (Russia), Wencai Zhang (China)

DIRECTORS

(SECOND ROW FROM THE TOP, L TO R)

Katharine Rechico (Canada), Khuong Thanh Ha (Viet Nam), Jacek Dominik (Poland), Philippe O'Quin (France), Suminto (Indonesia), Il Young Park (Republic of Korea), Sameer Kumar Khare (India, served until Oct. 20, 2020)

ALTERNATE DIRECTORS

(THIRD ROW FROM THE TOP, L TO R)

Adel Al Hosani (United Arab Emirates), Khaled Mohammed Al-Suwaidi (Qatar), Necmettin Ozdin (Turkey), Nikoloz Gogua (Georgia), Sukmeena Bhasavanich (Thailand), Mark Dennis Joven (Philippines)

(FOURTH ROW FROM THE TOP, L TO R)

Nurlan Shokbarbayev (Kazakhstan), Kourosh Taherfar (Iran), Bin Han (China), Ahmed Kouhouk (Egypt), Abebe Tadesse (Ethiopia), Abebe Tadesse (Ethiopia), Rachel Thompson (Australia), Maja Sverdrup (Denmark)

(FIFTH ROW FROM THE TOP, L TO R)

Rubin Tasker (United Kingdom), Sami Masri (Luxembourg), Camilla Von Muller (Germany), Baldeo Purushartha (India), D M S De Silva (Sri Lanka), Pen Thirong (Cambodia) and Yehonatan Reznick (Israel)

CORPORATE SECRETARY

(FIFTH ROW FROM THE TOP, RIGHTMOST)

Sir Danny Alexander (Vice President and Corporate Secretary)

3. From Our Board of Directors

2020 was a year like no other. A global crisis of such magnitude tested the governance, management and operations of every organization. For one still shy of its fifth anniversary, AIIB faced this unprecedented challenge at an early stage in its development.

Thanks to the foresight of AIIB's Chief Negotiators, our Bank was designed to be adaptive and swiftly respond to our members' changing needs. Although our Chief Negotiators may never have expected AIIB to leverage its agile design so soon, their approach allowed the Board of Directors and Management to quickly adjust lending to meet the immediate needs of AIIB members during these unprecedented times.

It was a challenge AIIB's corporate culture and governance framework were designed for. The Bank's nonresident Board of Directors was well positioned since it had been meeting virtually since 2016. Already comfortable with remote governance, we seamlessly transitioned to what became the global new normal.

To ensure we were aligned and had a unified perspective on AIIB's response to COVID-19, the Board of Directors and Management met and deliberated more frequently. Open communication and deliberation enabled us to decide on an approach that allowed AIIB to expand into new markets and employ new financing modalities to meet clients' needs.

We supported the decision to launch the Crisis Recovery Facility to fund the public and private sectors and help them navigate the economic and health impacts of COVID-19. The Board timely considered and approved the facility's projects. The move represented a

temporary shift in investment strategy from our core work because it was imperative for the Bank to lend in a countercyclical environment. Once the financial and health impacts of COVID-19 are behind us, we expect AIIB to return to its mission of investing in Infrastructure for Tomorrow and to unlock new capital, new technologies and new ways to mitigate climate change and to connect Asia and the world.

The Corporate Strategy's mission and strategic direction is the result of deep Board of Directors engagement and consultations beginning in 2019 and unanimous approval of the strategy in September 2020. Ambitious yet concise, the strategy reflects the will of diverse shareholders from all over the world to come together to shape the future we want to inhabit. AIIB's vision is a prosperous Asia based on sustainable economic development, regional cooperation and partnerships. We take pride in the process of deliberation, debate and reconciliation that came with this important, strategic decision.

Under the Corporate Strategy, we committed to targets on climate finance, cross-border connectivity and private sector financing because we are committed to an economically resilient future. We aim to reach or surpass by 2025 a 50-percent share of climate finance in our financing approvals, and reach by 2030 a 50-percent share of private sector financing in our actual approved financing and a 25- to 30-percent share for cross-border connectivity projects in our financing approvals.

With sustainability at its core, AIIB's investments across infrastructure and other productive sectors seek to add value through the crosscutting themes of green infrastructure, connectivity and private capital mobilization. The introduction of technology-enabled infrastructure as a thematic priority area for AIIB is a testament to the times. If Asia is to succeed in the fourth industrial revolution, its infrastructure must be built smarter and its people must be connected to the digital economy.

If Asia is to be prosperous, it must mobilize private and public capital to finance Infrastructure for Tomorrow. Asia must invest in green infrastructure that helps members adapt to and mitigate the impact of climate change and protects or improves the local environment. Asia must build better connections within the region and with the rest of the world. Asia's infrastructure should make use of the best available water, transport, energy and urban technologies and information and communication technology innovation to deliver better quality, higher efficiency and greater sustainability. This is the Infrastructure for Tomorrow we envision under our Corporate Strategy. It is the Bank's overarching long-term strategy, supported by strategies in our core investment areas. In 2020, we approved water and digital infrastructure strategies to complement strategies for energy, transport, sustainable cities, equity and private capital mobilization.

Now into AIIB's sixth year, we look back at what has been achieved in a short time. Even though 2020 was an extraordinary year in so many ways, it did not hamper AIIB's development or ability to serve its members. The additionality of AIIB and its role in the international development community are maturing. The partnerships created speak to the high caliber of AIIB's work.

We should take a moment to acknowledge how much the Bank has achieved. Its governance framework and major policies and strategies are in place and functioning well. The relationship between the Board of Directors and Management is strong and collaborative. A talented and diverse staff is coalescing around a new mission and strategy that will take AIIB forward into the next 10 years. Innovations are being explored and funds are flowing to build sustainable infrastructure that will impact billions of people in Asia and beyond.

With this milestone now behind us, we look to the future: to a vision of a prosperous Asia built on sustainable economic development.

AIIB Board of Directors



4. 2020 Timeline

Jan. 7

We begin the year by encouraging each other to spark and share ideas. On our inaugural Inspire Day, we discuss ways to improve our work and workplace.

Feb. 21

Ghana becomes a full member upon fulfilling the terms and conditions set out in the Board of Governors Resolution No. 70.

Feb. 24

We begin work on what would later be known as the COVID-19 Crisis Recovery Facility in response to the pandemic that suddenly changed our world. We donate USD1 million to help China control COVID-19, comprising donations from AIIB staff and matching funds from the Bank.

Feb. 26

Cote d'Ivoire becomes a full member upon fulfilling the terms and conditions set out in the Board of Governors Resolution No. 76.

March 16

The pandemic weighs upon the world and we respond promptly to serve our clients. As Beijing begins returning to normal, our headquarters reopens to staff who had been working remotely.

April 3

We stand by our members and clients. In response to urgent economic, financial and public health pressures, we launch the COVID-19 Crisis Recovery Facility, starting with USD5 billion in funds, eventually reaching USD13 billion because of high client demand.

April 16

Rwanda becomes a full member upon fulfilling the terms and conditions set out in the Board of Governors Resolution No. 82.

April 28

Uruguay becomes a full member upon fulfilling the terms and conditions set out in the Board of Governors Resolution No. 79.

<p>May 7</p> <p>Committed to helping our members ensure that water and sanitation are available for all and that they are managed sustainably, we approve our Water Sector Strategy.</p>
<p>May 7</p> <p>We establish the Special Fund Window under the COVID-19 Crisis Recovery Facility to provide interest rate buy-down for sovereign-backed financing for our members that are eligible only for International Development Association support.</p>
<p>May 25</p> <p>Benin becomes a full member upon fulfilling the terms and conditions set out in the Board of Governors Resolution No. 80.</p>
<p>June 1</p> <p>We move into our permanent home at the Beijing Olympic Park, Beijing. Our headquarters receives the highest green building evaluation rating in China and the highest honor for green buildings worldwide (LEED Platinum).</p>
<p>June 1</p> <p>Cook Islands becomes a full member upon fulfilling the terms and conditions set out in the Board of Governors Resolution No. 51.</p>
<p>June 11</p> <p>We price our RMB3-billion inaugural panda bond, which carries the “Combating COVID-19” label.</p>
<p>June 17</p> <p>We are awarded EDGE accreditation, the leading global assessment and certification for gender equality. EDGE is committed to giving equal opportunities to everyone in the workplace.</p>
<p>June 22</p> <p>Aiming to develop digital infrastructure to bridge the digital divide, we approve the Digital Infrastructure Sector Strategy.</p>
<p>June</p> <p>We hold regular elections for the Board of Directors virtually in June 2020, one month before the incumbent Directors’ term expires. Nine regional and three nonregional directors are elected, to serve a regular two-year term, from July 1, 2020 to June 30, 2022.</p>
<p>July 28</p> <p>We hold our fifth Annual Meeting in Beijing, our first virtual annual meeting.</p>
<p>July 28</p> <p>As our Board of Governors approves Liberia’s membership application, our total approved membership reaches 103 (including both members and prospective members)*.</p>
<p>July 28</p> <p>Our President, Jin Liqun, is reelected to a second five-year term beginning Jan. 16, 2021.</p>
<p>Aug. 13</p> <p>We make our first investment in the Pacific with USD50 million in assistance to help Fiji cope with the impact of COVID-19. The project will support government efforts to assist small and medium-sized enterprises and their employees and women microentrepreneurs.</p>

Sep. 9

Together with Amundi, we launch the AIIB-Amundi [Climate Change Investment Framework](#), the first investment benchmark tool that allows investors to measure issuer performance against the objectives of the Paris Agreement.

Sep. 24

Our [Corporate Strategy](#) is approved. With [Financing Infrastructure for Tomorrow](#) as our mission, we set targets for 2025 and 2030.

Sep. 24

We approve our first satellite-based infrastructure project with a USD150-million loan to provide broadband internet to more than 149,400 unserved areas in [Indonesia](#) (including schools, hospitals and local government locations).

Oct. 8

We join Global Careers for Women 2020 to proactively close the workplace gender gap through online recruitment.

Oct. 16

We approve our 100th project, to improve access to safely managed water supply and sanitation in selected areas of rural [Bangladesh](#) and to strengthen institutional capacity for water and sanitation.

Nov. 2

Founding Signatory Brazil fulfills all requirements for full membership.

Nov. 25

We make our first investment in Latin America, a USD50-million loan to [Ecuador's](#) largest public bank to ease liquidity constraints facing micro, small and medium-sized enterprises caused by the economic crisis induced by COVID-19.

Nov. 25

We approve USD100 million investment in the [ADM Capital Elkhorn Emerging Asia Renewable Energy Fund](#). It is a first-of-its-kind private debt fund dedicated to providing credit solutions to small and medium-sized enterprises and projects in the renewable energy and energy-efficiency sector in emerging Asia.

Dec. 3

We hold our annual legal conference virtually on Funding International Development Organizations: Innovations of Law and Practice. It focuses on how the law and practice governing funding of mobilization are of central importance to the sustainability of international development organizations, which depend on a multitude of funding sources and instruments.

Dec. 7

We adopt the latest greenhouse gas (GHG) accounting methodologies used by the joint international financial institution working group, furthering our technical support to teams quantifying GHG emissions in AIIB energy projects.

Dec. 11

We hold the 2020 AIIB Law Lecture, The Judicial Role of the International Court of Justice in the Development of International Law.

Dec. 31

Throughout 2020, we stand by our clients during the pandemic through our COVID-19 Crisis Recovery Facility (CRF), funds from which are allocated to 71 percent of our investments approved in 2020 (USD7.07 billion out of USD9.98 billion total investments in 2020) or 27 CRF projects in 19 members (out of a total of 45 projects approved in 2020).

Dec. 31

In less than five years, we cross the USD22-billion investment mark, approve 108 projects. The total number of AIB members (83) and prospective members (20) reaches 103. By the end of 2020, we have invested in 28 of our members.

*Prospective members are those that either have signed the AIB Articles of Agreement (AoA)(Signatories listed in Schedule A to the AoA), pending ratification, or whose membership applications have been approved by the Board of Governors, pending their ratification of the AoA and/or required payment for their subscribed capital stock of the Bank. Once the aforementioned requirements are fulfilled, a prospective member becomes a member of the Bank.



5. The First Five Years: From Start-Up to Growth

Five years since our founding, we are investing in Infrastructure for Tomorrow, responding to the needs of our members and contributing to the fulfillment of the Paris Agreement and the attainment of the Sustainable Development Goals.

5.1. Building on Our Foundations

AIIB IN 2020



5.2. Our Governance in 2020

5.2.1. Board of Governors

All our powers are vested in the [Board of Governors](#), 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 Board of Governors elects a Governor as Chair, who holds office until the election of the next Chair.



The Board of Governors has the power to, among others, admit new members and determine the conditions of their admission, suspend members, increase or decrease our authorized capital stock, elect Directors and elect or suspend the President or remove the President from office. Key items included in the Board of Governors program of work for 2020 included the election of the Board of Directors, the election of the President, the acceptance of the invitation from the United Arab Emirates to host the 2021 Annual Meeting, as well as the election of officers of the Board of Governors, with the Governor for the United Arab Emirates as Chair and the Governors for Brunei Darussalam and the Swiss Confederation as Vice Chairs. The Board of Governors reviewed the Bank's capital stock, resolving that it would remain unchanged subject to the next review, currently scheduled for 2025.

Fifth Annual Meeting

The annual meeting has been our annual flagship event since AIIB began operations in 2016. The fifth Annual Meeting of the Board of Governors took place on July 28-29, 2020 virtually. Its theme was Connecting for Tomorrow. With technology, we used the Annual Meeting as a platform to engage with a wide range of stakeholders even under the exceptional circumstances of the COVID-19 pandemic. The Board of Governors completed its official business, including guiding AIIB's strategic direction and electing the President. The Board of Governors approved the date and venue of the next annual meeting, as well as the next Chair and two Vice Chairs.

Election of the President

The 2020 election and future elections will be governed by the [Rules for the Election of the President](#), adopted by the Board of Governors in December 2019. For details, see [Process for Election of the President](#).

On July 28, 2020, Jin Liqun was [elected, by acclamation, to a second term](#) as President of AIIB by the [Board of Governors](#). The election result was announced by the Chair of AIIB's Board of Governors during the Bank's fifth [Annual Meeting](#). President Jin's second five-year term began on Jan. 16, 2021. The election was successfully conducted following the Rules for the Election of the President of AIIB, which were designed to ensure an open, transparent and merit-based selection process.

Delegation of Oversight Functions

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

Learn More: AIB Board of Governors [Resolutions](#) | AIB [Membership](#)

5.2.2. Board of Directors

The 12-member [Board of Directors](#), 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 Board of Directors is nonresident in line with our lean culture, exercising all powers delegated to it by the Board of Governors. The Board of Directors meets regularly and frequently, as often as business requires—in physical meetings and through videoconferences—and maintains regular communication with Management between meetings. Under the direction of the Board of Directors and as its Chair, the President conducts the Bank’s business and is held accountable for efficient day-to-day operations.

Prevented by COVID-19 from holding in-person meetings, the Board of Directors held more frequent virtual meetings, ensuring that it could continue to guide AIB in deliberations over risks, strategies and visions. AIB was thus able to rapidly bring projects forward—particularly those under the COVID-19 Crisis Recovery Facility—for Board approval. The Board of Directors held 19 meetings in 2020, all electronic, compared with 2019, when it held nine meetings, of which four were physical and five electronic.

As part of its agile response to COVID-19, the Board of Directors had many virtual engagements with members.

We held virtual regular elections for the Board of Directors in June 2020, one month before the expiration date of the term of the incumbent Directors. Nine regional and three nonregional Directors were elected to serve a regular two-year term, from July 1, 2020 to June 30, 2022.

Accountability Framework

In April 2018, the Board of Directors approved the [Accountability Framework](#). The document clarifies the division of responsibility between the Board of Directors and Management, including for AIB’s strategy and approval of investment operations. The framework provides additional tools for the Board of Directors to hold the President and Management accountable.

Following a transparent process, the President may approve projects that fulfill predefined requirements and shall submit to the Board of Directors the summaries of projects based on predetermined criteria. First, beginning in 2020, 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 the Vice Presidents for Investment Operations, who serve as Co-Chairs. Second, the projects must have been determined for approval within the President's authority. Third, any Director can call any of these projects before the Board of Directors if deemed necessary. In 2020, the President approved three projects: (1) [Bangladesh: Dhaka and West Zone Transmission Grid Expansion Project](#), (2) [Bangladesh: Rural Water, Sanitation and Hygiene for Human Capital Development Project](#) and (3) India: [Ayana Anantapuram NTPC Solar Project](#).

Oversight Mechanism

The Complaints-resolution, Evaluation and Integrity Unit (CEIU) was established in 2016 as an independent body within AIB and is part of its [Oversight Mechanism](#), created by the Board of Directors under Article 26(iv) of AIB's [Articles of Agreement](#). The provision empowers the Board of Directors to regularly supervise the management and operation of the Bank and establish an oversight mechanism for that purpose, in line with principles of transparency, openness, independence and accountability. CEIU is led by the Managing Director, who [reports](#) directly to the Board of Directors.

The primary responsibilities of CEIU are to (1) selectively assess the quality and results (for completed projects) of the Bank's ongoing and completed investment portfolio, (2) serve as the focal point for external requests or complaints regarding compliance with AIB's Environmental and Social Policy under the Project-affected People's Mechanism (PPM) Policy and (3) investigate project-related fraud and corruption cases under the Policy on Prohibited Practices.

Board Committees

To ensure that we perform our mandate based on sound strategies and practices, [three committees under the Board of Directors](#) give us guidance: (1) The Audit and Risk Committee reviews the financial statements, reporting practices, the Bank's financial and risk policies, the effectiveness of internal controls and the internal audit plan as well as reports from the external auditors. (2) The Budget and Human Resources Committee assesses the proposed annual budget and implementation of our compensation and benefits policies and considers any other aspects of the budget and human resources as the Board of Directors may request. (3) The Policy and Strategy Committee reviews the financial and operational policies (such as environmental, social and procurement policies) and advises on strategy development.

In 2020, new members were appointed to each of the Board committees as part of their succession plans. [Ai Phing Cheng and Elisabeth Stheeman](#) were appointed external members of the Audit and Risk Committee. We reviewed the terms of reference of the Board committees to ensure consistency with the Bank's policies and alignment with the latest committee practices.

5.2.3. Senior Management

Staff are headed by the President, who is elected by AIB shareholders for a five-year term and is eligible for reelection once. The President is supported by AIB's [Senior Management](#), which includes the Vice Presidents (for policy and strategy, investment operations, administration and the corporate secretariat), the General Counsel, the Chief Risk Officer and the Chief Financial Officer.

In 2020, we saw the appointment of new personnel for key positions, including our first Chief Economist, [Erik Berglöf](#).

Senior Management completed their management training programs, an 18-month journey that started in 2019.

5.2.4. Sanctions Panel

Functioning independently within the Bank, the Sanctions Panel reviews appeals of [sanctions imposed](#) by the Sanctions Officer pursuant to the [Policy on Prohibited Practices](#). Decisions of the panel are final and cannot be appealed.

The remaining elements of the Policy on Prohibited Practices were put in place in 2020 by mobilizing the Sanctions Panel and inducting its newly appointed members. The importance of having a sanctions process was highlighted when the Complaints-resolution, Evaluation and Integrity Unit completed its first investigation. This led to the Bank's Sanctions Officer imposing sanctions on counterparties under a public-private partnership for the first time. No appeal was filed with the Sanctions Panel.



6. Laying the Groundwork for Infrastructure for Tomorrow (i4t)

Many of us have a built-in desire for a better quality of life. This means accessible physical, digital and other social infrastructure. AIIB, its members and clients work together to finance infrastructure development, turning aspirations into reality. A major accomplishment of 2020 was aligning AIIB's shareholders and team around a new vision, mission and strategic direction that will enable the Bank to live up to these aspirations.

6.1. Developing Our Corporate Strategy

“What kind of multilateral development bank will AIIB become?” has been asked since the Bank was just a concept in 2013. From the rich menu of development finance approaches the multilateral development bank family was offering, which one would AIIB follow? Would AIIB adopt a model distinctly different from that of its peers?

In 2018, we began developing the Corporate Strategy, aiming to finalize it in 2020 so that we could begin implementing it in 2021, the fifth anniversary of AIIB and the completion of our start-up phase.

We reached out to a broad set of external and internal stakeholders to exchange ideas on possible future directions for the institution. Shareholders reaffirmed their preference for AIIB to continue embracing the strong foundations that have contributed to its success. Formal Corporate Strategy discussions started in mid-2019 and AIIB staff established 10 focus groups on topics relevant for the Bank's future. Discussions resulted in valuable recommendations.

The 2019 Board of Governors meeting was a critical point. Through a dedicated session on the Corporate Strategy, AIIB Governors shared their vision for future strategic directions, underlining the relevance of the Bank's thematic priorities and highlighting the growing

importance of technology to meet client needs. The event provided an opportunity to receive feedback from the Bank's International Advisory Panel.

The Board of Directors met in September and December 2019 to further discuss the Corporate Strategy. The discussions not only provided guidance but also encouraged dialogue on how ambitious our strategic directions should be. Thus, the draft Corporate Strategy highlighted the importance of remaining flexible to respond to immediate client needs and to adapt the strategy to extraordinary situations that might occur during the 10-year strategy period.

The Corporate Strategy took its final form after feedback from the Board of Governors during the 2020 Annual Meeting and from the International Advisory Panel. The document was approved by the Board of Directors in September 2020 with strong support.

2021 will be the first year that our operations will be guided by the [Corporate Strategy](#). It will be reviewed in 2025 to see if we should continue financing Infrastructure for Tomorrow.

Commitment to Sustainability

Building on accomplishments and lessons learned from our first five years of operations, we have developed the [Corporate Strategy](#) to set out the vision, mission and strategic directions of AIIB for its growth phase through 2030. Under the Corporate Strategy, we commit to sustainability by requiring all our investments to be the following:

- **Financially and economically sustainable.** Economic and financial analyses should ensure that financial returns and economic impact generate positive economic returns and not exacerbate a member's debt situation.
- **Socially sustainable and inclusive.** Projects should have no negative impacts, direct or indirect, especially on displaced people, vulnerable groups and community health and safety. Social sustainability promotes inclusive access to project benefits for all citizens irrespective of age, gender, location, ethnicity and other socioeconomic characteristics, particularly for those who are often marginalized, vulnerable or excluded from access to such services.
- **Environmentally sustainable.** Projects should have no negative impacts, direct or indirect, on the physical and biological environment such as water and air quality, biodiversity, local pollution, climate change and land and water use. Environmental and social sustainability is assured through our Environmental and Social Framework, which reflects good international practices.

This is the foundation of [Infrastructure for Tomorrow](#).

6.2. Financing Infrastructure for Tomorrow (i4t)

It has never been more urgent to imagine, plan and build Infrastructure for Tomorrow. Five megatrends are colliding to fundamentally reshape our world. First, increasing urbanization will expand the need for urban infrastructure. Second, demographic shifts will have significant implications for public service and social infrastructure and for more inclusive and accessible infrastructure services. Third, climate change and sustainability considerations will need to underpin investments across multiple sectors. Fourth, digital infrastructure and technological innovation are becoming more central to the economy and influencing user expectations and behavior, which will impact infrastructure demand. Fifth, regional trade and value chains will be increasingly more relevant.



ACWA Power 2020

We are already witnessing the influences of these five megatrends on infrastructure development in Asia, even though their full effects are still far from playing out in full. Asian economies must find ways to meet their growing and changing infrastructure needs under challenging conditions. Investing in forward-looking infrastructure at scale is the key bridge between today and a more sustainable and prosperous tomorrow. As articulated in our Corporate Strategy, Financing Infrastructure for Tomorrow is AIIB's mission. We will prioritize investing in infrastructure and other productive sectors that add value through one of the four crosscutting themes of Infrastructure for Tomorrow: green infrastructure, connectivity and regional cooperation, technology-enabled infrastructure and private capital mobilization.

Learn more: [What is i4t](#)

6.3. Our Thematic Priorities

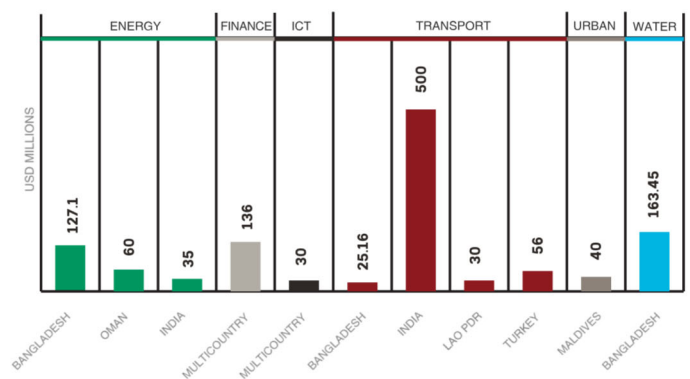
6.3.1. Green Infrastructure

Climate change is one of the most pressing global challenges of this century. To steeply reduce global emissions and to adapt to climate change, infrastructure needs to be green. As a major contributor to global greenhouse gas emissions, Asia must take a sustainable development pathway to achieve the Paris Agreement objectives.

Environmental improvement is key for the future of Asia as it is expected to be hit hard by climate change and environmental degradation if trends continue. The situation calls for substantial investments in green infrastructure. The increasing commitment of AIIB's

Climate Finance Projects
By Member and Sector

Total USD 1.20 billion
13 Projects



members to adapt to and mitigate the impact of climate change and solve local environmental problems has reinforced the Bank’s need to focus on green infrastructure.

Consistent with our mandate, we will continue to prioritize green infrastructure and help our members meet their environmental and related development goals by financing projects that improve the local environment and investments dedicated to climate action.

In 2020, we invested, directly or indirectly, in projects that promote energy access and security. We increased the availability of renewable power generation capacity, which helped reduce the carbon intensity of energy supply and dependence on fossil fuels to generate electricity. Finally, we helped AIIB members move to a more balanced and environmentally sustainable energy mix. Some of the projects follow:

- A transmission grid in [Bangladesh](#), which will improve the reliability and efficiency of power transmission in Dhaka and the Western Zone and strengthen the institutional capacity of the Power Grid Company of Bangladesh. To mitigate climate change-related issues such as flooding and overheating of transmission lines, the project will feature indoor gas-insulated substations and high-efficiency, high-temperature and low-sag conductors.
- The first and largest utility-scale solar project in [Oman](#), with a total capacity of 500 megawatts (MW), to help diversify Oman’s energy mix and meet increasing demand for power brought about by sustained economic and population growth and the expansion of heavy industry.
A solar project in [India](#) being developed by a special-purpose vehicle. The project will add 250 MW of solar capacity—equivalent to about 519,776 tons of annual CO₂ emission savings in its first year of operations in 2022—and help India meet its overall renewable energy capacity target.

Learn more:

[OMAN: Project Harnesses the Power of the Sun and Investors](#)

[INDIA: L&T Sustainable Infrastructure](#)

AIIB’s support helps bridge the financing gap for projects with significant needs that cannot be met entirely by domestic banks or partner financing agencies, including multilateral development banks. Our participation strengthens project compliance with international standards for environmental and social safeguards.

Our support contributes to the greening of transport by promoting low-carbon transport models and incorporating climate-resilient design into our transport projects. Some green transport projects we approved in 2020 were:

- Izmir Metro Phase 4: Fahrettin Altay–Narlidere Kaymakamlık Line in [Turkey](#)
- Delhi–Meerut Regional Rapid Transit System Project in [India](#)
- Sylhet–Tamabil Road in [Bangladesh](#)



We are financing solutions to develop sustainable cities and improve livability. As more cities become engines of economic growth and hubs of trade, city residents must contend with inadequate access to water and sanitation, unreliable power supply, traffic congestion, air

and water pollution and a lack of decent shelter, especially for low-income groups. We recognize that sustainable development of cities requires balanced integration of many economic, financial, environmental and social considerations. Thus, we are investing in projects that protect and increase environmental sustainability (pollution reduction, climate mitigation, conservation and sustainable management of natural resources and biodiversity).

Our projects in this area include the following:

- Helping the Government of [Maldives](#) develop a sustainable regional solid waste treatment system in Greater Malé. The project will ensure the safe disposal or recycling of waste, thereby reducing greenhouse gas emissions more than do landfills and generating electricity by turning waste to energy.
- Working with the World Bank on two water and sanitation projects in Bangladesh ([Dhaka Sanitation Improvement](#) and [Rural Water, Sanitation and Hygiene for Human Capital Development Project](#))
- Helping the Government of [Uzbekistan](#) provide the Bukhara Region with access to safely managed water and sanitation by constructing and rehabilitating intakes, main water lines, water treatment facilities, pumping stations and distribution networks

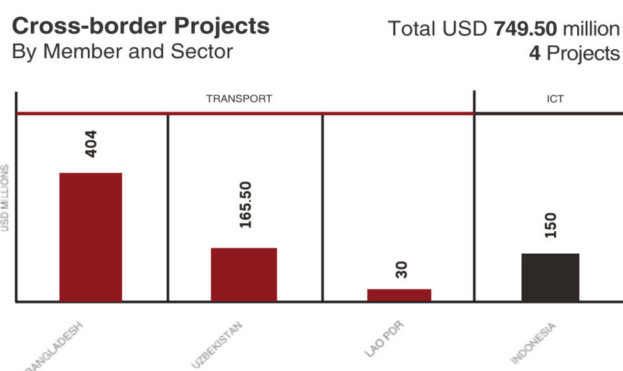
Learn more:
[MALDIVES: From Waste to Energy](#)

We are committed to supporting our members' efforts to ensure the availability and sustainable management of water and sanitation for all, in line with the Sustainable Development Goals. 2020 saw the approval of our [Water Strategy](#), which classifies investments as (1) improving access to water services, (2) increasing the availability and quality of water through improved resource management and (3) improving resilience to the impact of water-related disasters. These investments will be guided by AIB's mandate and thematic priorities and the following principles: (1) promoting sustainable infrastructure, (2) integrating resource management, (3) mobilizing private capital and efficiencies and (iv) adopting innovative technology.

Finally, we are investing in financial intermediaries that will, in turn, invest in subprojects that meet AIB's eligibility criteria and investment guidelines for green investments. Our participation in the [ADM Capital \[Elkhorn\] Emerging Asia Renewable Energy Fund](#) as an anchor investor will help mobilize private institutional capital that will provide small and medium-sized enterprises in emerging Asia with access to financing so they can continue to pursue renewable energy and energy-efficiency solutions.

6.3.2. [Improving Infrastructure Connectivity in Asia and Regional Cooperation](#)

Improving infrastructure connectivity in Asia and promoting regional cooperation are key components of our mandate. Being connected is



critical to economic development.¹ Infrastructure for Tomorrow must close the gap between economies that are integrated globally and those that are not. With infrastructure unevenly developed across Asia, strengthening connectivity within and between Asian economies through targeted investments in transport, water, energy and digital networks would significantly strengthen competition, productivity and growth by increasing the flow of people, goods, services, capital and information. Promoting regional cooperation complements infrastructure connectivity by providing supplementary noneconomic benefits, including, but not limited to, greater information exchange, better policy alignment and stronger multilateral governance.

AIB has highlighted connectivity and regional cooperation as one of four thematic priorities that will shape our investments in Infrastructure for Tomorrow under our Corporate Strategy. We will prioritize projects that expedite domestic and cross-border infrastructure connectivity within Asia and between Asia and the rest of the world. We will support projects that complement cross-border infrastructure connectivity by generating direct measurable benefits in boosting regional trade, investment, digital and financial integration across economies. This thematic priority is applicable to all sectors, including transport, water, energy, urban and digital infrastructure.

The Board of Directors approved AIB assuming the role of Administrator of the Multilateral Cooperation Center for Development Finance (MCDF) Finance Facility, establishing and hosting the MCDF Secretariat and acting as an Implementing Partner of the MCDF Finance Facility once AIB meets the criteria set out in the Governing Instrument of the MCDF Finance Facility. AIB's involvement is expected to augment the Bank's capacity to help prepare regional connectivity investment projects.

Examples of connectivity projects we financed in 2020 include the following:

- Improving cross-border connectivity between Bangladesh and India via a safe and efficient [road link between Sylhet and Tamabil](#)
- Enhancing road efficiency, safety and climate resilience of major international [cross-border roads in Bukhara](#) and road networks in Karakalpakstan and Khorezm in Uzbekistan
- Promoting socioeconomic development within [Lao PDR](#) and better connectivity with Thailand, Viet Nam and China through better road conditions, safety and climate resilience of a vital transport route.

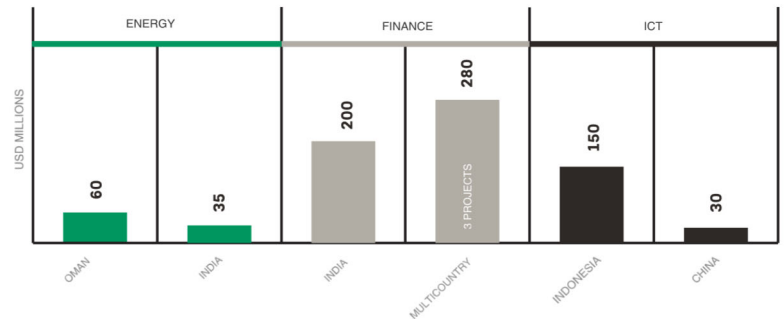
¹ [World Bank, 2020. World Development Report 2020: Trading for Development in the Age of Global Value Chains.](#)

6.3.3. Private Capital Mobilization

Private capital mobilization is essential to realizing our mandate, particularly meeting the vast infrastructure financing needs that far exceed the fiscal capacity of governments and balance sheets of multilateral development banks. Notwithstanding the extensive private financing that could potentially be attracted, current participation of private capital in Asian infrastructure is low. Private financing is still predominantly provided by banks, and the large Asian institutional investor pool remains untapped. AIIB's catalytic role is important to increase private and other investors' appetite for investing in emerging market infrastructure and in productive sectors associated with and complementary to core infrastructure. Our catalytic role is even more important during times of increased financial distress and economic downturns, when private capital withdraws from developing economies.

Private Capital Mobilization Projects
By Member and Sector

Total USD **755.00** million
8 Projects



This thematic priority is about AIIB seeking to maximize private capital mobilization (directly and indirectly) in sectors within our mandate through project transactions. We have been originating private sector transactions and expanding our financing instruments to mobilize private capital for projects. We do this through financial intermediaries and in investments that help develop capital markets and/or promote infrastructure as an asset class.

In 2020, we made the following project investments:

- A loan to support electricity generation from solar energy resources in [India](#) to finance a 250-megawatt (MW) solar project being developed in the Ananthapuramu Ultra Mega Solar Park in Anantapur district, Andhra Pradesh, through a special-purpose vehicle awarded through a competitive bid. The project will result in clean energy generation of 592 gigawatt hours annually and achieve 519,776 tons of annual CO₂ emission savings in its first year of operations (FY2022). We mobilized private capital from sponsors and investors and through cofinancing from the State Bank of India, a significant lender in the infrastructure financing space.
- A loan to support a build, own and operate model to develop the Oman Ibri II 500 MW Solar PV Independent Power Plant Project in [Oman](#). The project seeks to increase the availability of renewable power generation capacity and improve the balance between supply and demand during the peak hours of Oman's Main Interconnected System grid, which serves Muscat and northern Oman. The solar power plant will reduce Oman's dependence on gas and other fossil fuels for electricity generation and allow the country to shift to a more balanced and environmentally sustainable energy mix. The project is the largest solar farm to date

in Oman and is cofinanced with several international and regional lenders, with AIIB leading direct private capital mobilization.

We work with financial intermediaries such as banks, funds and investment platforms to provide crucial access to finance for infrastructure projects if the arrangement is more efficient. This structure is helpful for establishing and deepening long-term partnerships with credible infrastructure investors and financial institutions. AIIB conducts equity investments, including indirect equity through externally managed funds. Equity investments are an important tool to help AIIB realize our mandate to foster sustainable infrastructure and achieve development outcomes in our members, mainly by mobilizing private capital but also in other ways.

In 2020, we made the following investments through financial intermediaries:

- A line of credit to the Housing Development Finance Corporation Limited (HDFC) to finance the acquisition and construction of affordable housing units in [India](#). The loan will be used for on-lending to individuals and private developers to develop, construct or acquire low-cost, affordable housing subprojects in urban and semi-urban areas. As an anchor investor, AIIB can potentially mobilize up to USD300 million in private capital from other financial institutions.
- An equity investment in the [Keppel Asia Infrastructure Fund](#) and a co-investment sleeve that invests in a broad range of infrastructure sectors, with a focus on emerging markets in Asia, including renewable energy, energy efficiency, telecommunications, transport and social infrastructure. We will be able to diversify the geographic and sector coverage of our equity portfolio across our members while positively influencing the fund manager's investment policies and environmental and social management system. The AIIB brand as a multilateral financial institution focused on sustainable infrastructure investment in Asia can potentially crowd other institutional investors into the fund. Capital can be mobilized through the fund's equity investments, which generate debt-financing opportunities for infrastructure investors.



Learn more about our other investments through financial intermediaries:

- [ADM Capital \[Elkhorn\] Emerging Asia Renewable Energy Fund](#)
- [Lightsmith Climate Resilience Partners From Water to Air](#)

Creating capital markets and mobilizing institutional investors to finance infrastructure will substantially reduce the funding gap and complement other efforts to promote financing of individual projects. Investors will have opportunities when fiscally constrained governments consider asset recycling or privatization, and private companies may choose to exit some projects and shift to new investments promising better asset performance. Such asset-recycling opportunities could become more prominent as companies may wish to take advantage of low interest rates.

Our Corporate Strategy specifies that AIIB will meet client needs for recycling public and private infrastructure assets through the following:

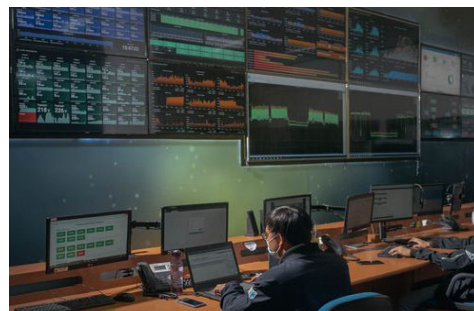
- Supporting the development of infrastructure-related capital markets and associated products
- Building capacity and joining reputable public and private partners in innovating in local currency capital markets
- Increasing our capacity, network and activities in syndication, structured finance and other means to monetize infrastructure assets and funds

Learn more about our capital market creation investments:

- [Asia Climate Bond Portfolio \(with Amundi\)](#)
- [AIIB-Amundi Climate Change Investment Framework](#)
- [Infrastructure Private Capital Mobilization Platform \(with Clifford Capital\)](#)

6.3.4. Empowering Our Clients through Digital Infrastructure and Broader Technology-Enabled Infrastructure

Technology-enabled infrastructure is the latest addition to our thematic priorities as defined in our Corporate Strategy. Established in the digital era, AIIB can play a major role in helping clients transform their infrastructure sectors through innovative technological applications. “Digital everything” will touch all aspects of human activity, from autonomous transport, health care and finance to social activities. The COVID-19 pandemic has no doubt accelerated the shift to digital technology, but it has also exposed major digital divides between and within countries. Many countries have large urban-rural variations in digitization opportunities and users may face patchy or disrupted services. Many governments recognize that digital access is both an economic and a social imperative. Thanks to digitization and new building and engineering techniques, the potential to improve infrastructure efficiency and productivity is vast.² Thus, as part of Infrastructure for Tomorrow, we support projects where applying the best available technologies delivers better value, quality, productivity, efficiency, resilience, sustainability, inclusion, transparency or better governance along the full project life cycle.



When discussing technology for the future, we need to embrace both technology-enabled and digital infrastructure, which complement each other but refer to different things. Technology-enabled infrastructure, a thematic priority of our Corporate Strategy, recognizes the importance of enabling Infrastructure for Tomorrow with prudent technology applications. Digital infrastructure supports the digital economy and consists of hard (connectivity and data infrastructure) and soft (digital platforms and terminals) components.

² [World Economic Forum, 2019. Transforming Infrastructure: Frameworks for Bringing the Fourth Industrial Revolution to Infrastructure.](#)

Technology-enabled infrastructure uses technology to enable Infrastructure for Tomorrow. Technology-enabled infrastructure includes all technologies, not just digital (for example, artificial intelligence, big data, 5G, Internet of Things, virtual reality and augmented reality), but also other engineering, scientific, business and innovative technologies (for example, battery storage, modular construction, new building materials, drones, robotics, 3D printing).

AIIB is investing in the development of technology-enabled infrastructure and financing the application of technology. We do this by leveraging public-private partnerships, working with private capital and encouraging innovation through co-investment vehicles.

As an example, AIIB is investing in an entity that will, in turn, invest in companies that develop technology-enabled infrastructure. [Lightsmith Climate Resilience Partners](#) is a specialist growth private equity fund focusing on global climate resilience technology solutions. The fund makes growth equity investments in technology companies that build resilience to the physical damage and disruption, risk and volatility and resource scarcity resulting from climate change. The fund has the first dedicated private equity investment strategy focused on climate resilience and adaptation technology solutions.

Learn more:
[From Water to Air](#)

In 2020, we adopted the [Digital Infrastructure Sector Strategy](#), which defines our investment objectives in hard and soft digital infrastructure and the investment principles that will guide how we prioritize investments. The strategy covers the infrastructure needed to enable the digital economy (mobile towers, fiber networks, data centers, among others) or the use of digital technology to make infrastructure smart (smart energy management or the use of machine learning and artificial intelligence to enable traffic management).

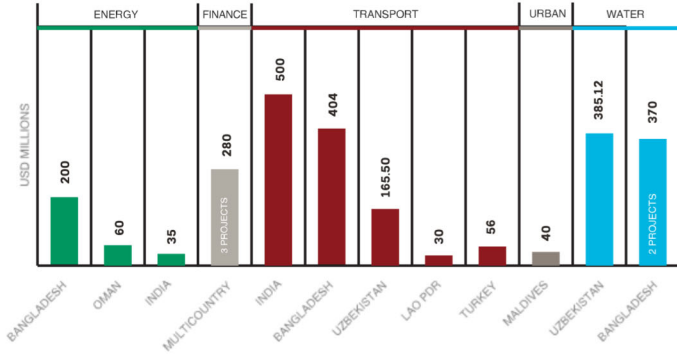
AIIB has worked and is working with our members on the following digital infrastructure projects:

- The construction and operation of the first phase of a nationwide fiber broadband network in [Oman](#)
- The installation of about 2,000 kilometers of metro and regional fiber-optic backbone networks to provide wider coverage within major cities and across suburban and rural areas in [Cambodia](#)
- The construction of a multifunctional satellite that will provide much-needed broadband internet service to more than 45 million people in 149,400 unserved public service points. These areas include schools, hospitals and local government locations in some of the least developed regions of [Indonesia](#)

Learn more:
[INDONESIA: Tapping the Private Sector for Satellite Connectivity](#)

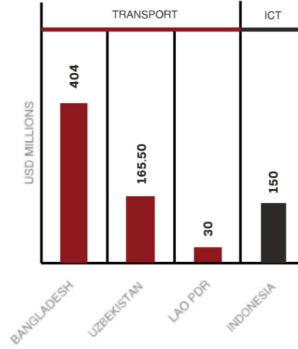
6.3.5. Project Data (excluding the COVID-19 Crisis Recovery Facility)

Sustainable Infrastructure Projects
By Member and Sector



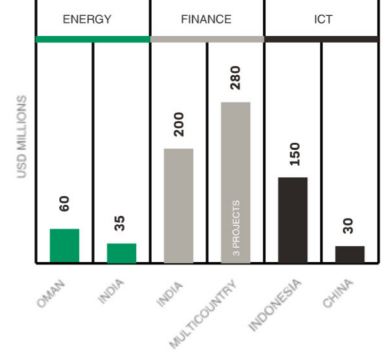
Total USD **2.53** billion
15 Projects

Cross-border Projects
By Member and Sector



Total USD **749.50** million
4 Projects

Private Capital Mobilization Projects
By Member and Sector



Total USD **755.00** million
8 Projects

a. **Approved Projects by Thematic Priority, Year 2020**

YEAR	SUSTAINABLE	CROSS-BORDER	PRIVATE CAPITAL
2020	15	4	8

b. **Approved Projects by Financing Type, Year 2020**

SOVEREIGN	NONSOVEREIGN
9	9

c. **Distribution of Approved Projects by Sector, Year 2020**

YEAR	ENERGY	TRANSPORT	WATER	FINANCE	URBAN	ICT
2020	3 (16.7%)	5 (27.8%)	3 (16.7%)	3 (16.7%)	1 (5.5%)	3 (16.7%)



7. Responding to COVID-19

COVID-19 suddenly changed our world in 2020. In the last year of our five-year start-up period, we entered a phase of accelerated evolution out of necessity. We adapted and became more resilient, adjusting operations and working methods. We became more responsive, assisting our members and clients in times of immediate need. We maximized the use of technology. More importantly, we partnered even more with the global community.

7.1. Creating Our COVID-19 Crisis Recovery Facility

To help our members deal with the economic, financial and public health pressures arising from COVID-19, we created the [COVID-19 Crisis Recovery Facility \(Facility\)](#). It started operating in April 2020 and will continue to do so until Oct. 16, 2021. By then, it will have offered up to USD13 billion in financing to public and private sector entities in any AIIB member facing, or at risk of facing, serious adverse impacts as a result of COVID-19.

As of Dec. 31, 2020, we had approved a total of 27 Facility projects amounting to USD7.07 billion to help 19 members navigate the challenges of these highly uncertain times.

Since the launch of the Facility, demand has been increasing from AIIB members for CRF financing, resulting in an increasing share of Facility projects in AIIB's rolling investment program. When considering Facility financings, Management looks at our members' requests, the merits of the financing proposal, our credit and member exposure, cofinancing opportunities and our capacity. The objective is to achieve balance between members, considering the indicative size of Facility financing requests, members' needs, and quality of financing requests and other available financing resources. Consideration has been given to the overall size of the Facility and to complementarity, including member limits of other multilateral development banks.

Our operations will always be consistent with our primary purpose as set out in Article 1.1 of our Articles of Agreement: "(i) foster sustainable economic development, create wealth and improve infrastructure connectivity in Asia by investing in infrastructure and other

productive sectors; and (ii) promote regional cooperation and partnership in addressing development challenges by working in close collaboration with other multilateral and bilateral development institutions.”

While significant uncertainties remain over the depth and length of the COVID-19 crisis, opportunities exist for a more sustainable economic recovery. Infrastructure spending is a promising pathway for creating jobs and supporting long-term growth through the maintenance and construction of greener and more inclusive infrastructure. While the COVID-19 crisis presents challenges and constraints and requires more vigilance in certain areas (for example, in maintaining high project standards), it also presents opportunities to pursue certain objectives that we have enshrined in our Corporate Strategy (for example, supporting private sector, spending on green and technology-enabled infrastructure as part of members’ economic recovery strategies, extending financing to more members).

Learn more
about our
[COVID-19 Crisis
Recovery Facility](#)

Special Fund Window

As the COVID-19 pandemic has become more globally widespread and severe, lower-income countries have become particularly vulnerable. AIIB established the Special Fund Window under the COVID-19 Crisis Recovery Facility to provide interest rate buy-down for eligible sovereign-backed financing for lower-income members.

By December 2020, the Special Fund Window had supported four projects, in Bangladesh, Cambodia, Kyrgyz Republic and Maldives, totaling USD217.3 million.

Serving Client Needs

COVID-19 caused a global health and humanitarian crisis and widespread economic disruption. In addition to the direct impact on health and healthcare services, the loss of inbound tourism and trade and supply chain and financial market disruptions exacted a significant economic toll. Developing economies especially require support from the international financial community, especially if they have weak healthcare infrastructure and systems, weak macroeconomic and financial sector fundamentals and high dependence on tourism, oil exports and/or remittances.

As the crisis evolved, the needs and demands of AIIB’s members and clients rapidly changed. AIIB responded quickly and was proactively adaptive in the emergency. We temporarily scaled back in areas where demand had reduced and scaled up in areas—within AIIB’s mandate—where members and clients needed more support. We mobilized support beyond our usual ability and financing modalities. Since the COVID-19 Crisis Recovery Facility (CRF) is intended to be flexible and adaptive to emerging demands, processing of financings was streamlined. While our operational focus remained the same, we had to be agile and flexible. The Facility enabled us to provide emergency financing beyond our usual operations to meet client needs.

We designed the Facility to support the needs of our members in the following areas:

- 1. Public health** financings to help our members respond to the immediate threats posed by COVID-19. Our support helped members purchase medical equipment,

strengthen their capacity for virus detection, testing and monitoring and improve their communications strategy to contain the spread of the virus. Some projects helped prepare national health systems for pandemics in the longer term.

- 2. Intermediary financings intermediary financings to alleviate liquidity constraints** and provide working capital support for a range of companies in infrastructure and other productive sectors that are affected by the pandemic and essential to sustain the economy. Beneficiaries range from large corporates to micro-, small and medium-sized enterprises and, in some cases, women-led businesses. Each project caters to the liquidity needs of a specific economy and client, either directly or through financial intermediaries.
- 3. Financings to strengthen economic resilience and to support policy** that allowed us to go far beyond our core operations to provide fast-disbursed budgetary support. We provided supplemental funding to governments to support their social and economic response and recovery measures, including social protection and economic assistance for low-income households, fiscal policies, protection of jobs and key industries (exports, services, micro, small and medium-sized enterprises) and sector reforms (including in infrastructure and private sector development).

7.2. Strengthening Partnerships, Building Relationships and Developing Capacity

By being proactive and responsive during the crisis, we continue to strengthen our investment operations and institutional capacity by building and maintaining client relationships. We will deepen and broaden our financing capabilities and learning from peer experiences, particularly given the intensified coordination and collaboration efforts among the international financial institutions and multilateral development banks.

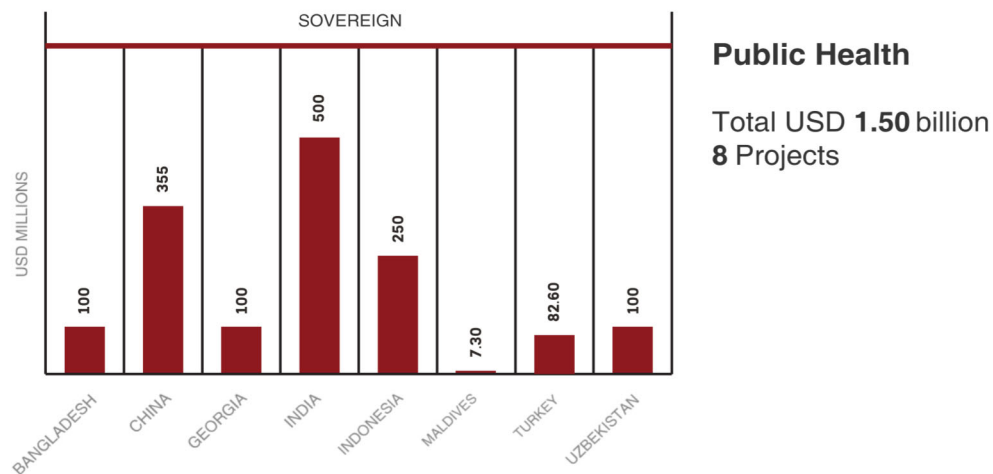
Through the COVID-19 Crisis Recovery Facility (Facility), we are a collaborative partner in the multilateral development bank community and play a countercyclical role in responding to a global crisis. We work closely with peer multilateral development banks and relevant agencies, including the United Nations, at all levels of the COVID-19 response.

We broadened our client outreach and built relationships. Through the Facility, we can serve a broader range of members and establish new working relationships, such as with first-time borrowers, AIIB members that are eligible for International Development Association support, nonregional members and new private sector contacts (financial institutions and companies).

The Facility enables us to develop new expertise and build internal knowledge, tools and procedures to better serve public and private clients. Our engagement in the health sector allows us to learn and acquire skills that will be helpful as we broaden our investment in health infrastructure in line with our Corporate Strategy.

7.3. CRF Projects

7.3.1. Public Health



As of Dec. 31, 2020, we had approved eight [public health projects](#) under the COVID-19 Crisis Recovery Facility in eight members—Bangladesh, China, Georgia, India, Indonesia, Maldives, Turkey and Uzbekistan—for a total approved financing (loans and investments) of USD1.50 billion.

Projects under this category supported emergency public health responses, including developing the capacity of the health system, providing essential medical equipment and supplies to combat COVID-19 and assisting the long-term sustainable development of the health sector.

- Our first emergency assistance loan was USD355 million for [China](#) to help Beijing and Chongqing upgrade their public health infrastructure, system and emergency response during the early days of the pandemic. Activities included upgrading each municipality’s Center for Disease Control and Prevention, reinforcing the treatment capacity of their medical institutions to deal with epidemic emergencies and providing emergency equipment and supplies to frontline public health workers to help contain the outbreak of COVID-19.
- In [Indonesia](#) and in partnership with the World Bank, we provided USD250 million to help ensure that designated COVID-19 referral hospitals were fully equipped to manage and treat the increase in severe respiratory illness and critical-care patients. The funds helped strengthen the laboratory network and surveillance system to augment testing and contact tracing.
- In [India](#) and in partnership with the World Bank, we provided USD500 million to help the government deliver a combination of emergency response and health system capacity building, which included scaling up interventions to limit human-to-human transmission.

Learn more:
[CHINA: Beijing and Chongqing: Race Against COVID-19 in China's Megacities](#)

- In [Georgia](#) and in partnership with the World Bank, we provided USD100 million to help implement the national emergency COVID-19 response by providing essential medical equipment and supplies, among other measures.
- In [Maldives](#) and in partnership with the World Bank, we provided USD7.3 million to help procure essential protective equipment and other essential items to protect healthcare workers and patients. The funds helped implement campaigns for risk communication, community engagement and behavior change, including social distancing measures and associated mitigation strategies.
- In [Uzbekistan](#) and in partnership with the Asian Development Bank, we provided USD100 million to help upgrade national laboratories, develop surveillance systems and build case management capacity.
- In [Bangladesh](#) and in partnership with the World Bank, we provided USD100 million to help the government ramp up its testing, tracing and treatment capacity and improve the longer-term pandemic preparedness of Bangladesh.
- In [Turkey](#) and in partnership with the European Bank for Reconstruction and Development, we provided USD82.6 million to help supply hospitals with critical hospital equipment.

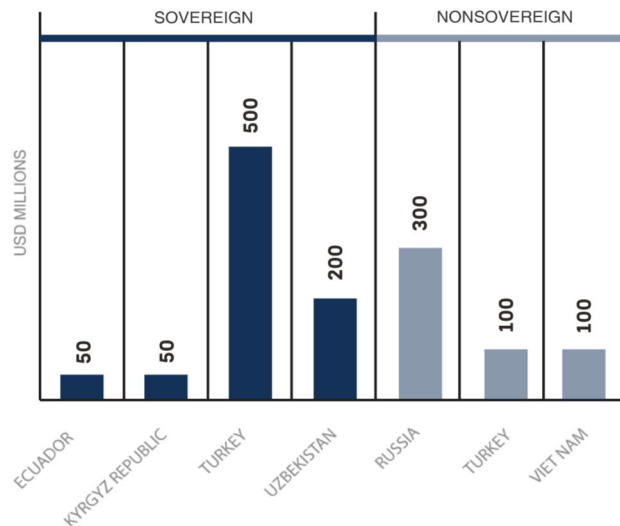
Learn more:
[GEORGIA: Health-care Infrastructure and Social Protection Measures for COVID-19 Response](#)



7.3.2. [Intermediary Financings to Alleviate Liquidity Constraints](#)

Liquidity/Financial Intermediary Financings

Total USD **1.30** billion
 7 Projects



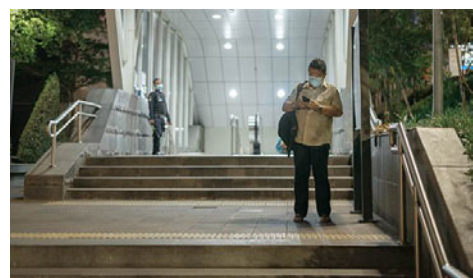
As of Dec. 31, 2020, we had approved seven intermediary financings to alleviate liquidity constraints under the COVID-19 Crisis Recovery Facility in six members—two in Turkey and one each in Ecuador, Kyrgyz Republic, Russia, Uzbekistan and Viet Nam—for a total approved financing (loans and investments) of USD1.30 billion.

Projects under this category supported key infrastructure companies and micro, small and medium-sized enterprises (MSMEs), which are essential to the economy and are struggling to survive. COVID-19 has made it increasingly difficult for these firms to meet their operational needs and expenses (such as payroll, supplies, rent and utilities) and to procure the goods and services needed to maintain their productive capacity, retain jobs or provide key infrastructure services. MSMEs are crucial in providing jobs and livelihoods. In many AIB members, MSMEs create the most jobs and many companies use the general liquidity financing for payroll.

AIB worked with local banks and financing institutions by extending credit lines and loans to enable them to on-lend the proceeds to their clients, including MSMEs. Many of these firms serve the infrastructure sector or are involved in the export industry. By supporting MSMEs, we supported infrastructure companies so they could continue to provide critical infrastructure services. We supported key industrial segments that have been hit by COVID-19. In some members, the segments we supported were tourism and services, in others agriculture, manufacturing or exports.

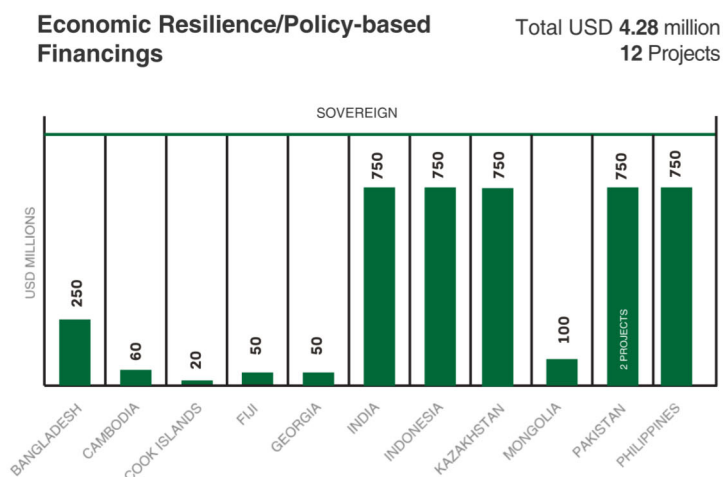
- In [Turkey](#), we extended credit lines for a total of USD500 million to two of Turkey's development banks and existing AIB clients: Türkiye Sınai Kalkınma Bankası and Türkiye Kalkınma ve Yatırım Bankası. The support allowed them to on-lend the proceeds to infrastructure-related companies, mid-capitalization firms and small and medium-sized enterprises (SMEs) serving the transport, energy, water, sustainable cities (including health care), information and communication technology and other productive sectors.
- In [Viet Nam](#) and in partnership with the International Finance Corporation, we provided a USD100-million loan to the Vietnam Prosperity Joint Stock Commercial Bank to expand its working capital and continue its trade-related lending program to private sector enterprises, including SMEs impacted by COVID-19.
- In the [Kyrgyz Republic](#) and in partnership with the World Bank, our USD50-million support was in the form of reimbursable financial assistance to MSMEs. It enabled small businesses to continue paying their rent, utilities, payroll and suppliers and to operate during the pandemic.
- In Russia, we provided a USD300-million loan to Russian Railways (RDZ) to bolster its efforts to preserve jobs and working conditions and ensure continuous operations. RDZ owns and operates Russia's integrated national passenger and freight railway network and is the largest commercial employer in Russia.
- In [Turkey](#), we worked with Akbank to provide a USD100-million loan to support its clients' working capital shortages and relieve liquidity pressures caused by the pandemic.
- In [Uzbekistan](#), we extended a USD200-million credit line to the National Bank of Uzbekistan to support SMEs operating in infrastructure and other productive sectors.

Learn more:
[VIET NAM: VPBank's Journey with Small and Medium-Sized Enterprises during COVID-19](#)



- In [Ecuador](#) and in partnership with the World Bank, we provided a USD50-million loan to the country's largest public bank, Corporación Financiera Nacional B.P. (CFN), to loosen liquidity constraints facing MSMEs. The loan is AIIB's first financing in Latin America.

7.3.3. [Economic Resilience](#)



As of Dec. 31, 2020, we had approved 12 [economic resilience](#) projects under the COVID-19 Crisis Recovery Facility in 11 members—two in Pakistan and one each in Bangladesh, Cambodia, Cook Islands, Fiji, Georgia, India, Indonesia, Kazakhstan, Mongolia and the Philippines—for a total approved financing (loans and investments) of USD4.28 billion.

Many economies are expected to divert their attention and resources from longer-term investments (including infrastructure) to short-term crisis management. While many advanced economies have taken bold fiscal and monetary policy actions, developing economies generally do not have the fiscal or market space for a similar scale of response. In addition to having lower debt sustainability thresholds than developed economies, several developing economies face a combination of high debt and currency or balance of payment pressures, which further limit their fiscal and monetary policy responses. Without adequate policy responses and additional financing, developing economies—particularly those with lower debt capacities—will likely suffer from disproportionately greater social and economic damage caused by the pandemic. An international response is urgently needed to prevent the public health and/or income shocks from amplifying into a long-lasting, systemic shock in developing economies.

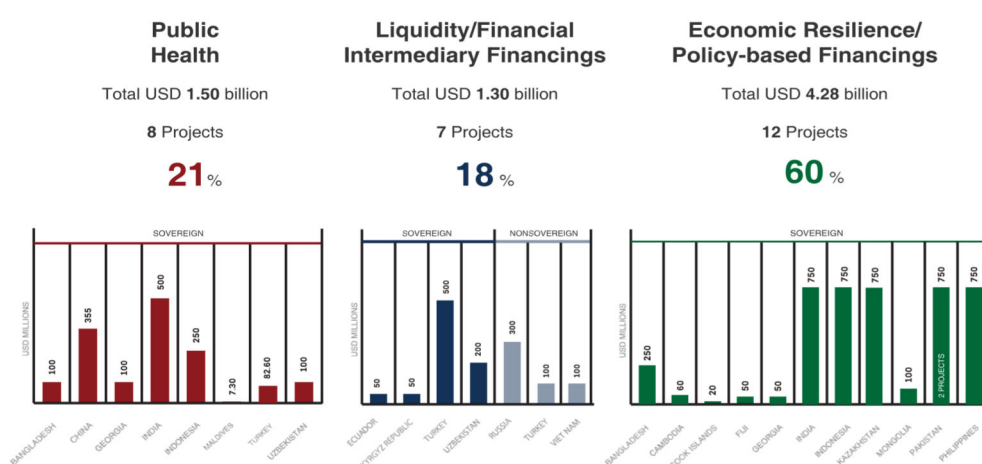
The AIIB assistance to the 11 members went to programs that promote social protection and economic resilience to prevent long-term damage to productive capacity (including human capital), and to help our members pursue economic recovery and provide social safety nets for vulnerable groups. AIIB took a flexible approach to support policy-based lending by peer institutions during the crisis, but as an exceptional measure and not the model it will follow in the longer term.

- In **Indonesia and in partnership with ADB**, we provided USD750 million to bolster economic aid for businesses (including small and medium-sized enterprises [SMEs]), support poor and vulnerable households and strengthen healthcare systems.
- In **Bangladesh and in partnership with ADB**, we provided USD250 million to support the government's fiscal countercyclical expenditure programs to strengthen healthcare services, provide direct support for the poor and vulnerable groups and help businesses protect jobs.
- In the **Philippines and in partnership with ADB**, we provided USD750 million to help increase testing capacity. The assistance extended to social protection and livelihood support to vulnerable households in the form of conditional cash transfers and emergency subsidy support, wage subsidies for micro, small and medium-sized enterprises and economic stimulus to highly affected and vulnerable sectors, including agriculture.
- In **India and in partnership with ADB**, we provided USD750 million to help the government implement COVID-19 response and health system measures, provide social assistance to vulnerable groups (to help compensate for economic losses) and provide stronger social safety measures for affected workers in organized and informal sectors.
- In **Mongolia and in partnership with ADB**, we provided USD100 million to help the government implement its Countercyclical Development Expenditure Program, which consists of three packages: (1) support to public health protection, (2) social protection to support citizens and businesses and (3) support to vulnerable businesses and fiscal stimulus measures.
- In **Kazakhstan and in partnership with ADB**, we provided USD750 million to cover the government's immediate COVID-19 health policy response, social protection and employment recovery measures and economic stimulus measures. The program includes cash payments to the unemployed, measures to mitigate the impact of higher food prices such as lowering of the value-added tax rate, a food distribution program, price caps on essential food items to support vulnerable groups, tax incentives and increases in all social payments.
- In **Georgia and in partnership with the World Bank**, we provided USD50 million to help the government cover an unanticipated financing gap that arose because of the impact of COVID-19 and to sustain the momentum of the Economic Management and Competitiveness Program reform effort.
- Our first sovereign-backed financing to **Cambodia** supported the government's recovery efforts following the adverse impact of the pandemic on the rural population. About 480,000 people in five provinces will benefit from the USD60-million loan, primarily aimed at assisting women, children and jobless returning migrants in rural areas. Programs include infrastructure work to sustain rural livelihood and trade flows, cash-for-work programs and water sanitation and hygiene preparedness programs.



- Tourism-dependent economies such as the **Cook Islands** and **Fiji** were among those particularly hard hit by the pandemic because of global travel restrictions. We provided USD20 million financing to the Cook Islands—our first project with them—to provide social and economic assistance to mitigate economic disruption and support economic resilience. We provided USD50 million to Fiji to support the government’s efforts to assist the formal sector, including SMEs and their employees, and informal workers, including women microentrepreneurs, such as hawkers. We partnered with ADB for both projects.
- We implemented two COVID-19 Crisis Recovery Facility projects in Pakistan. The **first** is a USD500-million under the COVID-19 Active Response and Expenditure Support (CARES) program in partnership with ADB to provide general budgetary support to fill gaps in the government’s development financing in support of health, social safety net and economic stimulus measures. The **second** is a USD250-million assistance under the Resilient Institutions for Sustainable Economy (RISE) Program in partnership with the World Bank. The program will deliver (1) social protection for the poor and vulnerable, (2) an expanded health sector response to the pandemic and (3) a pro-poor fiscal stimulus package to ensure recovery in growth and employment as part of an integrated government package to mitigate the significant negative health, social and economic impacts of the COVID-19 pandemic.

7.4. COVID-19 Crisis Recovery Facility Project Data



a. COVID-19 Crisis Recovery Facility Approved Projects by Sector, Year 2020

YEAR	PUBLIC HEALTH	FINANCE/LIQUIDITY	ECONOMIC RESILIENCE
2020	8 (29.63%)	7 (25.93%)	12 (44.44%)

b. COVID-19 Crisis Recovery Facility Approved Projects by Financing Type, Year 2020

SOVEREIGN	NONSOVEREIGN
24	3

7.5. **AIIB Institutional Responses to COVID-19**

How We Responded to COVID-19

The COVID-19 pandemic presented two broad challenges to AIIB's administrative management: (1) protecting the health and safety of Bank staff and their families and (2) increasing travel restrictions that constrained our ability to develop and prepare projects and limited our business development, site visits and in-person and larger-scale stakeholder engagement. Site visits to ongoing projects were put on hold as we halted business travel. Some ongoing projects were delayed because of diverted client counterpart funding to short-term crisis management and lower client capacities because focus shifted to longer-term investments. Some projects were reduced in scope, postponed indefinitely and/or cancelled because of some economies' weaker capacities to resume infrastructure development.

We provided multipronged support measures to ensure AIIB staff's health and safety and to alleviate the difficulties of travel restrictions. We also maximized the use of digital and virtual technologies to support our investments (particularly for project preparation and implementation amid travel restrictions), and we increased internal efficiency, which improved our responsiveness to clients.

Donations

As early as February 2020, under our first donation program, we imported personal protective equipment and coordinated its distribution to Beijing and Wuhan. AIIB staff pooled personal donations, which were matched by the Bank.



Business Continuity Plan

We set in motion our updated business continuity plan, which was developed under the Bank's established business continuity framework, enabling us to handle our critical processes without disruption. Despite a significant portion of staff working remotely for an extended period, we continued our business operations and met all significant deadlines.

Temporary Finance Site

In March, we opened a temporary site in Hong Kong, China, where some Finance staff gathered to ensure that they had a secure and stable environment from which to run transactions. Controls and processes were quickly adjusted to deal with the remote working environment, including disbursing loans based on electronic requests, paying salaries to offshore bank accounts, among others.

Digitization

We maximized the use of virtual technologies to support our investment and internal operations. We further strengthened our information technology infrastructure and systems, including for cybersecurity. The COVID-19 crisis presented us with an opportunity to demonstrate our capabilities as a 21st-century organization that utilizes technology to

support investment and internal operations efficiently and effectively, and to accelerate the adoption of methods that support a virtual workplace, client interaction and operations.

Staff Support

Remote work arrangements were in place until staff and their families could safely return to headquarters in Beijing. The Facilities and Administration Services Department, the Human Resources Department and the Office of the Vice President, Corporate Secretary jointly expedited the return to headquarters and onboarding travel of more than 400 AIB personnel and their dependents from about 100 countries, including about 200 special transit arrangements via Hong Kong, China and about 100 new onboarded staff and their families. Returning staff received assistance to cover the costs of pre-travel COVID-19 tests and the hotel stay during quarantine. While working remotely, staff received one-time financial compensation to help offset the extra costs of their extended stay outside Beijing. Leave arrangements were made more flexible to enable staff to take care of family.



Recruitment

We explored virtual means of maintaining exposure in the job market and attracting talent worldwide, such as online career fairs. In partnership with the Government of Turkey and LinkedIn, we hosted an online career event, which attracted 446 registrations and 344 attendees. We joined Global Careers for Women 2020 to proactively close the workplace gender gap through online recruitment. We attended the 2020 virtual IFI Career Fair and expanded our advertising and marketing reach through targeted webinars.

Recruitment of qualified staff continued, with all job interviews conducted by video and panel interviews taking place in different countries.



8. Our Investments

We invest in projects that deliver environmental improvements and contribute to climate action. We invest in projects that look at how technology improves governance, value, quality, productivity, efficiency, resilience, sustainability or inclusion. We invest in connectivity projects that strengthen trade, investment and digital or financial integration. We invest in projects where we can catalyze the mobilization of private capital.

8.1. Our Investments Data

2020 crippled the global economy. Yet, instead of retreating, we moved forward, investing more than ever before in our five-year history.

In 2020 we invested USD9.98 billion in our clients and members, more than twice what we invested in 2019 and almost six times more than during our first year of operations, because our financial support was critical to helping them navigate the pandemic's impacts. We approved 45 projects in 2020, more than one-and-a-half times the number we approved in 2019 and more than five times what we approved in our first year of operations.

8.1.1. US Dollar Investments

YEAR	ANNUAL APPROVALS	DISBURSED
TOTAL (as of Dec. 31, 2020)	USD22.02 billion	USD9.13 billion
2020	USD9.98 billion	USD6.23 billion
2019	USD4.54 billion	USD1.48 billion
2018	USD3.31 billion	USD0.62 billion
2017	USD2.50 billion	USD0.79 billion
2016	USD1.69 billion	USD0.01 billion

Notes: "Annual approvals" reflect the maximum amount approved. "Disbursed" refers to the amount of cash disbursement and capitalized charges.

8.1.2. Approved Projects

YEAR	ANNUAL APPROVALS	SOVEREIGN	NONSOVEREIGN	NEW BORROWING MEMBERS
TOTAL (as of Dec. 31, 2020)	108	73	35	28
2020	45	33	12	7
2019	28	15	13	8
2018	12	8	4	1
2017	15	10	5	5
2016	8	7	1	7

Note: "Borrowing members" are members with approved loans from AIIB.

8.2. Project Preparation Special Fund

Established in June 2016, the [Project Preparation Special Fund \(PPSF\)](#) is a multidonor facility with the primary purpose of supporting, through technical assistance grants, eligible AIIB members—especially low-income members—prepare bankable infrastructure projects that AIIB may finance. The grants allow clients to hire experts and consultants for project preparation activities critical to improve project quality and ensure bankability in terms of economic, environmental and social sustainability and implementation readiness.

At end-2020, total committed contributions to PPSF stood at USD128 million, all of which have been paid to AIIB (see Sec 8.2.1).

8.2.1. Status of Commitments and Payments to the Project Preparation Special Fund (as of end-2020)

CONTRIBUTOR	COMMITTED CONTRIBUTIONS (USD)	PAID CONTRIBUTIONS (USD)
China	50,000,000	50,000,000
United Kingdom	50,000,000	50,000,000
Rep. of Korea	18,000,000	18,000,000
Hong Kong, China	10,000,000	10,000,000
TOTAL	128,000,000	128,000,000

Four new grants totaling USD14.13 million were approved in 2020, taking the total number of approved grants to 13 for USD25.44 million. A total of USD2.5 million was disbursed during 2020, with a cumulative disbursement of USD4.37 million since the inception of PPSF. Compared with 2019, disbursements gradually picked up in 2020 despite COVID-19-related challenges. However, the overall implementation progress on ongoing PPSF grants has slowed down because of COVID-19-related challenges (e.g., travel restrictions and lockdowns). PPSF has provided project preparation support to a total of seven members—Bangladesh, Lao People's Democratic Republic, Nepal, Pakistan, Sri Lanka, Tajikistan and Uzbekistan—all of which are eligible for support from the International

Development Association. Out of the 13 PPSF grants approved thus far, transport projects had four and projects in the energy, urban and water sectors had three each.

A total of three PPSF-supported projects have received AIIB financing. Two were approved by AIIB in 2019 and one in 2020. Table 8.2.2 shows that the three PPSF grants, totaling to USD2.8 million, helped leverage a total of USD556.3 million of AIIB financing.

8.2.2. Approved Project Preparation Special Fund–Supported Projects

PROJECT NAME	MEMBER	PPSF GRANT AMOUNT (USD)	AIIB FINANCING	
			AMOUNT (USD)	APPROVAL YEAR
National Road 13 Improvement and Maintenance Project	Lao PDR	995,000	40,000,000	2019
Power Distribution System Upgrade and Expansion Project	Nepal	1,000,000	112,300,000	2019
Sylhet to Tamabil Road Upgradation Project	Bangladesh	813,000	404,000,000	2020
TOTAL		2,808,000	556,300,000	

Lao PDR = Lao People’s Democratic Republic, PPSF = Project Preparation Special Fund.

On May 7, 2020, the Board of Directors approved the creation of the Special Fund Window under AIIB’s COVID-19 Crisis Recover Facility and the reallocation of a total of USD30 million from PPSF to the Special Fund Window. At end-2020, a total of USD29.74 million had been approved for interest rate buy-down of four AIIB projects totaling USD217.3 million (see Section 8.2.3).

8.2.3. Projects Supported by the Special Fund Window

MEMBER	PROJECT NAME	AIIB FINANCING AMOUNT (USD MILLION)	BUY-DOWN AMOUNT (USD MILLION)
Maldives	COVID-19 Emergency Response and Health Systems Preparedness Project	7.3	0.87
Kyrgyz Republic	Emergency Support for Private and Financial Sector Project	50.0	8.87
Bangladesh	Bangladesh COVID-19 Emergency Response and Pandemic Preparedness Project	100.0	10.00
Cambodia	National Restoration of Rural Productive Capacity Project	60.0	10.00
TOTAL		217.3	29.74

8.3. Our Clients

GREEN INFRASTRUCTURE

8.3.1. Oman: Project Harnesses the Power of the Sun and Investors



Workers installing one of 1.4 million solar panels that make up the Ibri II 500-megawatt solar photovoltaic independent solar power plant, the largest utility-scale solar park in Oman. Photo © AIIB 2021

Roughly 300 kilometers west of Muscat just off the Buraimi–Ibri Highway, the largest utility-scale solar park in Oman is nearing completion. Extending over 13 million square meters and containing about 1.4 million solar panels, the solar park will provide renewable energy for about 33,000 homes once completed and avoid the emission of approximately 800,000 tons of CO₂-equivalent per year, contributing to achieving Oman’s nationally determined contribution under the Paris Agreement.



The Ibri II 500-megawatt photovoltaic independent solar power plant in Oman. Once finished, the plant will cover 13 square kilometers. Photo © AIIB 2021



Workers installing one of 1.4 million solar panels that make up the Ibri II 500-megawatt solar photovoltaic independent solar power plant, the largest utility-scale solar park in Oman. Photo © AIIB 2021

A flat, almost desolate landscape, the project site is an integral part of Oman’s commitment to renewable energy. It is there—alongside ancient trade routes and camel herders—that the Ibri II 500-megawatt (MW) solar photovoltaic (PV) independent power plant will begin commercial operations in July 2021. Once fully constructed and operational, it will generate

1,598GWh of electricity in addition to its role in offsetting greenhouse gas emissions annually.

Built, owned and operated by a consortium led by ACWA Power, the USD400-million project is in line with the government's National Energy Strategy 2040, which aims to generate 10 percent of the country's energy from renewable sources by 2025 and 30 percent by 2030. For Oman, a country traditionally dependent on oil and gas, lbri II represents significant diversification of its economy and its electricity generation.

The project is in line with the commitment of ACWA Power to the social and economic development of the communities it serves. lbri II has already boosted the local economy, creating jobs and stimulating demand for local goods, despite the challenges posed by COVID-19 during the run-up to the project's commercial launch.

AiIB's Board of Directors approved financing of up to USD60 million for the [lbri II 500 MW Solar PV Independent Power Plant Project](#), which is approximately 15 percent of the total project cost. AiIB's involvement encouraged others, leading to wider support from regional investors and institutions.

"Our collaboration with AiIB on lbri II, the largest utility-scale independent solar power plant in Oman, was the Bank's first renewables financing deal in the Gulf Cooperation Council region and is testament to AiIB's confidence in ACWA Power's mission to safely, reliably and responsibly deliver power and desalinated water at low cost," said Rajit Nanda, chief portfolio management officer and acting chief information officer of ACWA Power. "Not only is this project representative of our strong strategic partnership with AiIB, it also reaffirms our shared commitment to the green development of countries in which we operate."

"AiIB had been the leading voice on the project, ensuring that the project itself was prepared for and committed to upholding the highest environmental and social standards," said Seung Myun Lee, Senior Operations Management Officer at AiIB and Project Team Leader of the lbri II project.

AiIB's participation in the project is aligned with AiIB's mission of financing Infrastructure for Tomorrow, which commits the Bank to invest in sustainable development projects. Green infrastructure projects such as lbri II support Oman's climate goals under the Paris Agreement. Meanwhile, AiIB—as the only multilateral development bank in the lenders' group—acted as a catalyst for private sector investment.

It is this shared commitment that both parties hope will flourish into a strong relationship, with AiIB already working with ACWA Power on other projects. It is a relationship that reflects the mutual commitment of both to helping countries achieve their sustainability goals.

8.3.2. Maldives: From Waste to Energy



AIIB 2021 AIIB has partnered with the Government of Maldives and ADB to provide finance and expertise for the construction and operation of a modern waste-to-energy plant. Once up and running, it will help manage the threat of climate change by taking advantage of available technologies to help generate renewable energy

With toxic smoke polluting its blue skies and plastic debris clogging its white sand beaches, an out-of-control problem with garbage has replaced rising sea levels as the most immediate threat to the economy of the Maldives. Thanks to help from the Asian Infrastructure Investment Bank (AIIB), however, a permanent and sustainable solution to the problem should soon be in place.



AIIB has partnered with the Government of Maldives and the Asian Development Bank (ADB) to provide finance and expertise for the construction and operation of a modern waste-to-energy plant. Once up and running, it will be the final component in a comprehensive, end-to-end system for processing and safely disposing of the bulk of the archipelago state's refuse.

Ahmed Murthaza, director general of the Maldives Ministry of Environment, minces no words when asked about the urgency of the issue. "We are facing an environmental disaster," he says. "We promote our country as the best tropical holiday destination in the world. Without a solution, I cannot see us continuing to do so."

The Maldives' problem with garbage is a result of three decades of waste management neglect. Since the beginning of the 1990s, domestic refuse from the capital Malé and surrounding islands has been shipped six kilometers west for dumping at a site called Thilafushi. This was originally a submerged reef. Today, it is a 10-hectare mountain of garbage known as "Rubbish Island".

Open vessels are used for transport, so no small amount of the shipped waste ends up in the water. Toxic leachate from Thilafushi's millions of rotting tons seeps into the surrounding sea. Since dumping space ran out a decade ago, garbage arriving at the island has been openly burned, with untreated smoke darkening the air for miles around. This is on top of the Maldives' outer islands, which simply burn their waste without shipping it out, or just dump it into the sea.

The problem has now become so bad that it's not just the country's many luxury hotels that are protesting. Fishermen, who make up the second biggest sector in the economy after tourism, are complaining too. They openly worry about plastic choking their equipment, as well as poisoning the marine food chains that support their catch.

With ADB as the lead cofinancier, AIIB is lending USD40 million toward the USD151 million cost of an integrated waste incineration plant. The facility will be designed, built and operated under the Banks' supervision for 15 years. Operating to European standards, it will burn 500 tons of garbage every day, treat its own flue gas, monitor emissions, process residues and safely bury those that are not marketable.

ADB and AIIB have very similar missions and methodologies, so the partnership has been a natural one. "This is our first cooperation with ADB and communication has been excellent. We have been in close contact since the beginning," says AIIB Principal Investment Operations Specialist Toshiaki Keicho, who is leading AIIB's team. Keicho has decades of experience in urban planning and waste management. His crew includes experts in finance, procurement, environmental engineering and social development.

The project itself also fits neatly into AIIB's strategy of fostering modern and sustainable infrastructure. Undertakings like this often come with auxiliary benefits and this is no exception. By producing an excess 8MW of electricity, for example, the plant will reduce the amount of polluting diesel now burnt in the Maldives for generation. It will sell not only power,

but also derive income from scrap metals, incineration bottom ash and tipping fees for resort waste delivered at Thilafushi.

Naturally, the waste-to-energy plant will be planned with an eye on climate change and the rising sea levels that threaten the Maldives over the long term. Adaptive measures will include strengthened seawalls, elevated structures and machinery, and drainage systems adequate to future rainfall. The project is consistent with the Bank's mission to build Infrastructure for Tomorrow. One of the hallmarks of such infrastructure is projects that are resilient, adaptive, sustainable and address the challenges of climate change.

Keicho acknowledges a lack of relevant expertise in the Maldives has been a challenge. But the project's method of implementation should remedy this. "The beauty of a design, build and operate contract is that it strengthens not only local competencies, but institutional capacities too," he says. "Fifteen years is certainly long enough to train up local managers and staff to a level at which the running of the plant can be handed over to them."

As of May 2021, bids tendered by six international contractors had been narrowed to a shortlist of three. COVID-19 has not been a significant obstacle to early planning and procurement, which to a large extent can be performed remotely. With the epidemic's end in sight, the hope is that construction should start at the end of the year, for completion and the start of operations in 2025.

Global warming is the biggest long-term danger to the Maldives. With this project, AIIB is doing its part to help manage the threat of climate change by taking advantage of available technologies to help generate renewable energy. This way, AIIB is also helping ensure the long-term sustainability of the tourism industry on which the country's economy depends.

8.3.3. India: L&T Sustainable Infrastructure



Harnessing energy from nature will require massive capital investments. This is why AIB is mobilizing capital through a USD100 million fund for the financing arm of L&T to back socially and financially sound investments in renewable energy infrastructure.



The Asia Infrastructure Investment Bank provided financing to L&T Infrastructure Finance Company Limited (LTIF), a subsidiary of L&T Finance Holdings Ltd. As an infrastructure financier, LTIF is the largest lender to greenfield renewable energy projects in India. It is now onlending or using the proceeds of AIB financing to finance new solar and wind energy infrastructure projects in India, including a Vivid Solaire Energy wind power project (the Engie project) in the state of Tamil Nadu, India. The project is expected to contribute to greenhouse gas avoidance of around 990,000 tonne CO₂ eq. per annum. These renewable energy projects will result in increased renewable energy capacity in India and help support the country's commitment to reducing its carbon intensity by 30%-35% of 2005 levels under the Paris Agreement.

CONNECTIVITY AND REGIONAL COOPERATION

8.3.4. Indonesia: Tapping the Private Sector for Satellite Connectivity



To provide connectivity to about 45 million people in some of the remotest parts of Indonesia, the Asian Infrastructure Investment Bank (AIIB) is collaborating with Jakarta-based PT Satelit Nusantara Tiga (PSNT) to develop, launch and operate a telecommunications satellite.



“
For millions of people, this is a very important project. It will bring digital inclusion to students in nearly 94,000 schools through online education, improve connectivity for around 3,700 health centers and link 3,900 local governments with their headquarters in Jakarta. ”

Adi Rahman Adiwoso
CEO, PT Satelit Nusantara Tiga (PSNT)





Satellite dishes at PT Satelit Nusantara Tiga, Cikarang, West Java. Photo © AIB 2021

A gateway supervisor at work at the PT Satelit Nusantara Tiga office, Cikarang, West Java. Photo © AIB 2021

AIIB's Board of Directors approved USD150 million for the [Indonesia Multifunctional Satellite PPP Project](#), the Bank's first financing of a satellite-based infrastructure development program, which will allow communication across the archipelago. The project is aligned with AIIB's mission of financing Infrastructure for Tomorrow as people in some of the least-accessible schools, hospitals and local government locations in Indonesia will soon find themselves connected to the rest of the world. The links will bring them knowledge, trade opportunities, improved health care and government services, transforming lives.

The project is being carried out under an innovative public-private partnership (PPP) that brings together the government and the private sector with help from AIIB. Given the scale and total cost of the project (USD540 million), the government guarantees and support provided through a PPP were critical to the project going ahead.

Established in 1991 to operate and manage satellites, PSNT aims to have its newest vehicle in orbit and operational in 2023, said Adi Rahman Adiwoso, PSNT chief executive officer.

“For millions of people, this is a very important project,” he said. “It will bring digital inclusion to students in nearly 94,000 schools through online education, improve connectivity for around 3,700 health centers and link 3,900 local governments with their headquarters in Jakarta.”

The program was initiated by the Ministry of Communication and Information Technology as geography has proven to be a challenge to internet penetration. Satellite-based connectivity is the only feasible access technology for the most far-flung places.

The satellite is being built by the Thales Group of France and will have a capacity of 150 gigabits per second with Ka-band frequency. PSNT will oversee the construction of the satellite and its launch rocket, securing the satellite’s orbit, acquiring the gateway location and the earth station location, obtaining insurance and operating and maintaining the satellite, gateway and earth stations.

Ravi Talwar, PSNT executive vice president and director of finance, said the project would not have been possible without AIIB’s help.

“AIIB has been absolutely crucial in the transaction,” he said. “Other private financial institutions have provided loans, but AIIB has consistently supported strategic investment in its members and, in this case, it would not have been possible to start without that support.”

The PPP approach was similarly critical to the project’s success, Talwar said, with the national government providing guarantees as the sole customer of the end product while assisting in licensing, land procurement, construction and tax incentives.

The collaboration was PSNT’s first with AIIB, but it progressed smoothly, and the company hopes to be able to work on more projects with the Bank.

Asim Rana, AIIB Principal Investment Officer, agrees that the project presented a number of “unique challenges” but emphasized its importance because “infrastructure is the strongest enabler of poverty alleviation.”

The project is AIIB’s first in a highly niche financing market. The process was “a steep learning curve,” said Rana, but the experience puts AIIB in a strong position to carry out further satellite telecommunications projects, which is important for beneficiaries as it would be far more complicated and expensive for a project of this scale to rely entirely on private sector funding.

“Since this is a government-use project, from a risk perspective the optimal way to finance it is via a PPP,” said AIIB Senior Investment Officer Chris Box.

Financing the project purely through private sector commercial banks would have been extremely challenging, given the length of financing required to make the project viable for private sector investors. Hence, the best solution was providing finance via a mix of AIIB,

Export Credit Agency–guaranteed commercial banks and uncovered commercial banks. The size of AIIB financing was critical to ensure that funding was sufficient for the entire project.

Potential end users of the technology said they were excited about the possibilities.

Diana, a rural teacher, said greater interconnectivity would be a huge help in her day-to-day duties. “I really need to be better connected, especially when it comes to school meetings and keeping in touch,” she said.

Her young son, Deo, was equally keen to be better connected. “I really don’t like when the internet goes slow during Zoom classes,” he said. “I find that frustrating and upsetting, so it would be good if this new service could eliminate that problem.”

People in a wide range of jobs agreed that better communication links would offer them new opportunities.

Musician Prima Antharida said that slow internet speeds played havoc with live streaming of performances, while Asman, a driver for an internet-based ride-hailing service, said a faster connection could lead to more work.

For AIIB, private companies and national governments, the project can serve as a template for similar programs with equally beneficial impacts on underdeveloped regions and populations.

8.3.5. Oman: Connecting Commerce and Future-Proofing the Economy



AiIB is working with OPAZ to achieve the potential economic benefits from Duqm port development through improved transport efficiency, strengthened logistics, and reduced supply chain delivery time and costs for a broad spectrum of industries in the new Duqm Special Economic Zone in Oman.

The Arabian Sea gently laps at the Omani shoreline, heading east toward India and west toward the Horn of Africa. The Strait of Hormuz, an important geopolitical convergence point, is further out at sea. Meanwhile, the vast expanse of the Indian Ocean lies beyond. At the heart of it all lies the Port of Duqm.

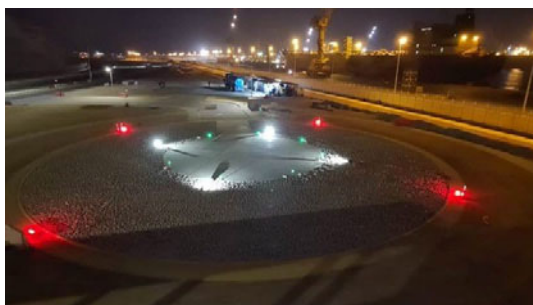


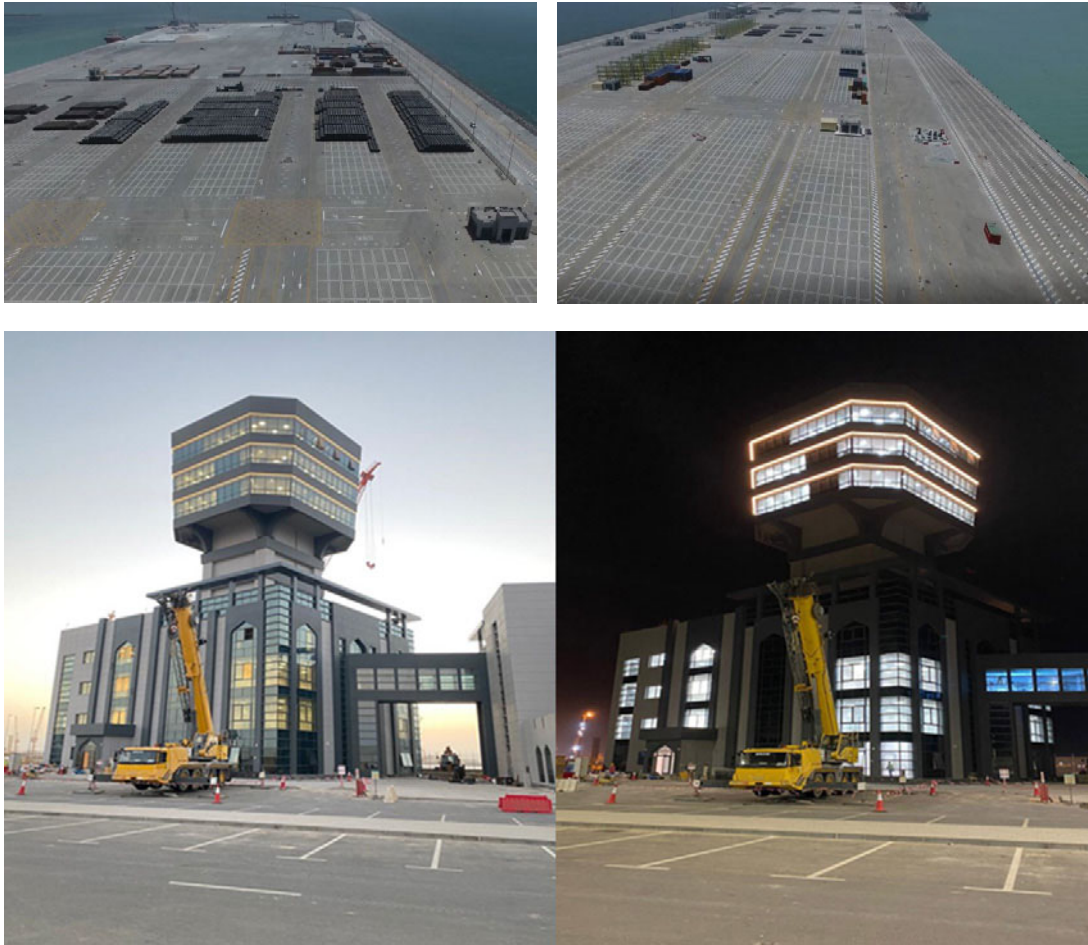
ASIAN INFRASTRUCTURE
INVESTMENT BANK



Duqm is considered a main economic business district, which is expected to contribute to Oman's economy. There are major projects already under construction or finished in the new Duqm Special Economic Zone, and one of these is the Port of Duqm. ”

Saleh Al Hashmi,
General Manager, Public Authority for Special
Economic Zones and Free Zones (OPAZ)





OPAZ 2020

The port is an integral part of an ambitious project that seeks to diversify Oman’s economy and reduce its dependence on oil and gas. Stretching over an area of 2,000 square kilometers, it encompasses everything from a dry dock and oil refinery to an industrial zone and logistics center. For the Omani government, it represents a safe and business-friendly haven for industrial and economic investment, complete with tourist developments and a newly created city.

“This is a very strategic location and we have utilized it to benefit the economy,” says Saleh Al Hashmi, General Manager of the Public Authority for Special Economic Zones and Free Zones (OPAZ), the entity charged with overseeing the development of a new economic hub on the shores of the Arabian Sea. “There are major projects already under construction or finished,” he said, referring to the new Duqm Special Economic Zone, one of which is the Port of Duqm. “We are targeting all types of industries. You can say this is considered a main economic business district, which is expected to contribute to Oman’s economy.”

A critical component of the Duqm port is the commercial terminal and operational zone development financed by the Asian Infrastructure Investment Bank (AIIB). Viewed as a primary generator of economic activity, the commercial terminal is central to the strategy of positioning the port as a transportation and logistics hub. All these plans are coming to fruition with the assistance and expertise of AIIB.

AIIB is working with OPAZ [previously, the Special Economic Zone Authority of Duqm (SEZAD)] to achieve the potential economic benefits from Duqm port development through improved transport efficiency, strengthened logistics, facilitated mineral exports, and reduced supply chain delivery time and costs for the wide spectrum of industries in the new Duqm Special Economic Zone and its broader hinterland. AIIB approved a USD265-million sovereign-backed loan to enable the client to start developing the greenfield projects. The loan's 35-year tenure also provided stable long-term financing that was otherwise unavailable in the market.

Another reason why AIIB financed the project was to help Oman diversify its economy. Although Oman is a high-income country, it is dependent on oil and gas. Thus, from an economic structural perspective, Oman is quite vulnerable. This is based on careful observation of the history of the country's sovereign credit rating. Although Oman is a high-income country, by definition, it is facing what is called "second-generation development challenges." This means that development has reached a certain level and there are challenges for Oman to progress further from a development perspective. The port will promote Oman's economic viability by opening up opportunities for trade and services.

Given its location in the corner of the Arabian Peninsula, it makes sense for Oman to develop an economic zone rather than a free trade zone. There is enormous potential for Oman to strengthen its logistics services and transform the country into a global strategic logistics hub. The Duqm port project can help speed up this development.

The loan was AIIB's first project in the Arabian Peninsula and only the second stand-alone financing deal approved by the Bank during the first year of its operations.

The impact of the port on the local economy and its community is expected to be substantial. The population of Al Wusta Governorate, of which Duqm is a part, is predicted to reach 250,000 by 2040. To put that in perspective, the region had a population of just over 42,000 in 2010. The workforce alone in Duqm—once a small port town of around 5,000 people—is predicted to reach 188,000 within the same timeframe. Of those employees, a substantial number will be Omanis.

In addition to the benefits to the people of Oman, the Duqm port will also promote connectivity and regional cooperation by facilitating the movement of people and goods, leading to economic development. This project reflects AIIB's focus on its thematic priorities, specifically connectivity and regional cooperation, and its commitment to finance the Infrastructure for Tomorrow.

PRIVATE CAPITAL MOBILIZATION

8.3.6. AIIB-Amundi Climate Change Investment Framework



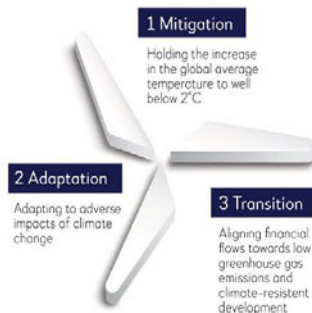
The Asian Infrastructure Investment Bank (AIIB) is the first multilateral development bank created after the 2015 Paris Agreement, the only internationally agreed legal framework that binds countries to control emissions, thus giving the world the strategic direction to reach our climate goals.

THE CLIMATE CHANGE INVESTMENT FRAMEWORK STRATEGY

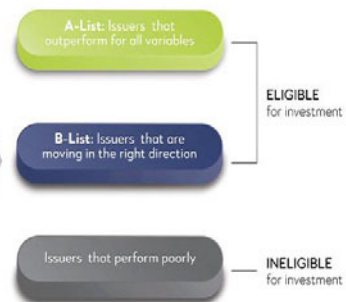
The framework translates the 3 main objectives of the Paris Agreement into quantifiable investment metrics to identify A and B list Climate Champions.

An investment strategy targeting A and B List issuers is more resilient to climate change risk and more exposed to opportunities not yet priced in by the market.

Analyzing an issuer's alignment with the three objectives of the Paris Agreement



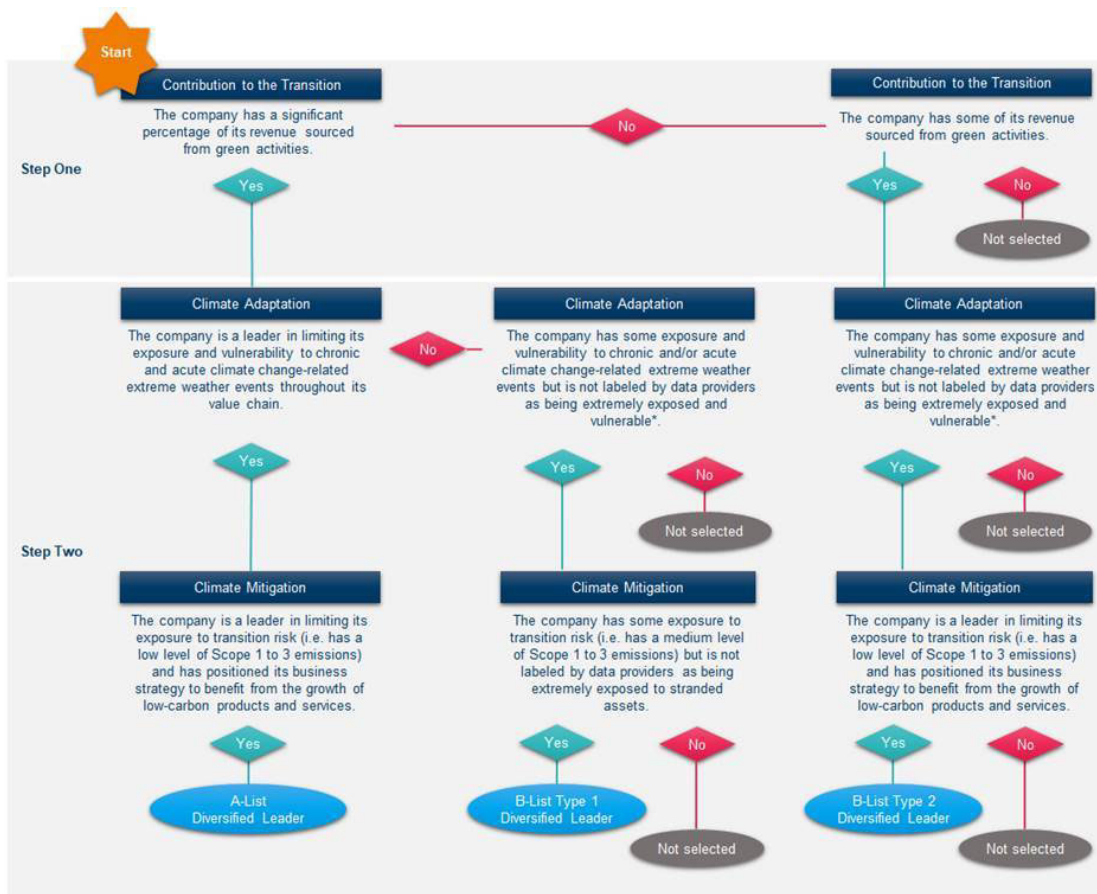
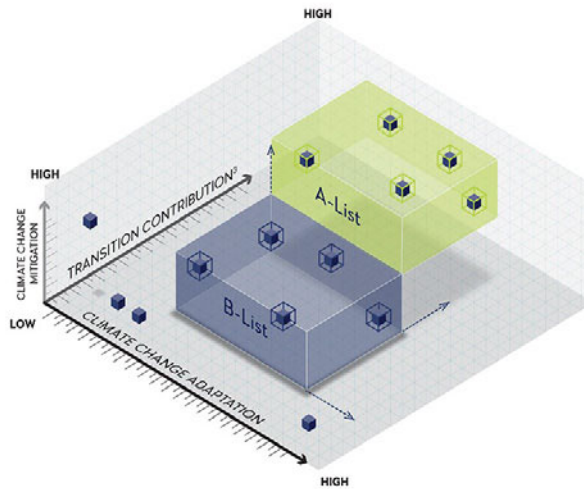
Defines three types of issuers



ENCOURAGING IMPACT THROUGH TARGETED ENGAGEMENT B-LIST ISSUERS

As the framework provides measurable benchmarks for each issuer at the mitigation, adaptation and transition dimensions, engagement for B-list issuers can be matched to areas where they require the most help. Over time, it is hypothesized that targeted and effective engagement will move B-List issuers into the A-list.

-  **A-List Issuer:** Issuers that perform well in all 3 variables
-  **B-List Issuer:** Issuers that are on the fringes of the A-List
-  Engagement
-  Eligible issuer



* Note: Excluding only the most exposed and vulnerable issuers is essential in this framework as this ensures that that issuers located in high risk regions are not systematically excluded.

Yet, while climate finance is in AIIB's DNA and institutional investors are increasingly integrating climate change into their investment process, issuers lack a holistic approach to mobilization when considering the three 2015 Paris Agreement objectives.

Approaches in equity capital markets focus on thematic funds, which do not cover all sectors, or on low-carbon indexes, which are more focused on mitigation. Green bonds have been the main climate finance solution for debt capital markets. However, the instruments do not consider exposure to climate risk and opportunities from the viewpoint of an issuer's entire balance sheet.

In September 2020, AIIB and asset manager Amundi launched the AIIB-Amundi Climate Change Investment Framework (CCIF). The framework offers a potential solution by translating the three key objectives of the Paris accord into fundamental metrics essential for investors to select climate champions. The assumption is that these eventual policy actions will incentivize climate winners and disincentivize climate losers. If the solution catches on, financial markets will be doing their part to support our climate goals.

"This project emphasizes the commitment of AIIB and Amundi to climate-focused investing and reflects an emphasis on long-term value making that takes into account the sustainability of future generations. The benefits may not be immediately apparent, but we believe that it is important to make a conscious decision to support sustainable development and influence a shift in the market. Only collective action can help us reach our Paris Agreement commitments," said AIIB Principal Investment Officer Stefen Shin.

Endorsed by the Climate Bonds Initiative, the CCIF translates the three key objectives of the Paris Agreement into fundamental metrics, equipping investors with a tool to assess an issuer's level of alignment with climate change mitigation, adaptation and low-carbon transition objectives.

Investors can expect portfolios aligned with the CCIF to have potential financial impact by benefiting from any future repricing of climate change risks and opportunities in the capital market. The framework allows investors to measure issuer performance against the three objectives of the Paris Agreement and to systematically include in their investment portfolio A-list issuers (those already performing well on all three objectives) and B-list issuers (those moving in the right direction but not yet A-list issuers). An investment strategy targeting A- and B-list issuers is more resilient to climate change risk and more exposed to opportunities not yet priced in by the market.

The CCIF delivers an extrafinancial impact as it is designed to encourage the integration of climate change risks and opportunities into business practices by targeting the engagement of B-list issuers to help them transition to A-list credentials.

- **A-list issuers (climate champions).** Issuers fully aligned with and rating highly on the CCIF's three variables
- **B-list issuers (future climate champions with effective engagement).** Issuers moving in the right direction toward the three variables and showing significant effort to improve (currently mitigating physical and transition risk and transitioning to a low-carbon and climate-resilient business model)
- **Ineligible issuers.** Issuers not aligned with or rating poorly on the CCIF's three variables

The CCIF provides investors with a practical tool to select and, therefore, differentiate the pricing of climate champions. Differentiation will result in a positive incentive system, motivating issuers to accelerate the achievement of the three Paris Agreement objectives.

Climate change is one of the biggest long-term threats to investments. Fittingly, AIIB has set its mission as financing Infrastructure for Tomorrow—sustainable infrastructure that faces financial, social and ecological impacts such as climate change. Encouraging climate champions to report key achievements according to the CCIF's variables will contribute to a positive cycle of good action, good disclosure, better data and better investor recognition, possibly creating a positive cascade effect in capital markets and incentivizing companies to go green.

TECHNOLOGY-ENABLED INFRASTRUCTURE

8.3.7. Water from Air: Climate Resilience with Lightsmith



A project in Timor-Leste using solar technology to harvest moisture from the air and convert it to drinking water, funded by Lightsmith, a financing partner of AIIB. Photo © SOURCE Global, PBC 2021

|| *With extreme weather spotlighting the arrival of climate change, a unique new growth capital partnership is overtaking its peers to expedite adaptation to solve the problem.*



*Solar panels, part of the water-from-air harvesting technology, a project in Timor-Leste funded by Lightsmith, a financing partner of AIIB
Photo © SOURCE Global, PBC 2021*



Lightsmith Climate Resilience Partners, as its name implies, sees opportunity in scaling up new technologies for businesses and communities to better withstand adverse weather and bounce back from climate-related disasters. The consultancy Climate Policy International has identified it as the first fund to do so.

Lightsmith was launched in December 2019 by Jay Koh and Sanjay Wagle, two Harvard graduates with decades of experience in private equity and sustainable development.

Traditionally, developing technologies for adaptation to possibly irreversible changes in the climate has been seen as the preserve of governments and philanthropic foundations. Why is Lightsmith going against this consensus? According to Koh, market demand for such innovation is not only clear and present but also substantial and fast-growing.

“Companies may not label it as such, but climate change adaptation is what they’re paying for,” Koh said. “It’s one of the biggest macro trends in the global economy today.”

Koh points to utilities in California, the United States. In 2019, after Pacific Gas & Electric’s (PG&E) equipment sparked a series of wildfires, victims sued the company to bankruptcy. The other major California utility, Southern California Edison, is now budgeting USD1.2 billion annually on wildfire risk mitigation; a huge sum that Lightsmith has its eye on. The fund’s next investment, Koh says, should be in a yet-to-be-disclosed Indian provider of digital mapping software. The analytics it provides should help not only utilities such as PG&E reduce their risks but farmers and insurers, too.

Investment figures confirm that Lightsmith has few predecessors in trying to take advantage of the sea change it said is underway. In 2018, for example, climate finance amounted to more than USD600 billion globally. But with nearly all of that spent on mitigation (renewable

energy, energy efficiency, among others), only five percent was invested in adaptation. And of that small portion, only about one percent came from the private sector.

New investment strategies generally have a tough time attracting money, and this is where the Asian Infrastructure Investment Bank (AIIB) has shown its worth. “Our partnership with Lightsmith fits very neatly with the thematic priorities of our corporate strategy,” says AIIB Senior Investment Officer Thomas Walenta. “These include not only investing in green, technology-enabled infrastructure, but also mobilizing private capital. We think the halo and branding of our institution will attract other investors into the fund alongside us.”

With the Bank as its strategic partner, the Lightsmith fund is able to scale up and deepen its focus on applications of these technologies for infrastructure. With AIIB as an anchor investor, the fund has reached USD125 million in signed commitments.

The blended finance structure Lightsmith has adopted, which includes a risk-absorbing “junior” layer of capital, should also help bring in other investors.

Lightsmith’s first investment was a USD16-million stake in the Malaysia subsidiary of a water harvesting technology company, SOURCE Global. The company makes solar-powered “hydropanels” that pull moisture from the air to produce renewable drinking water for households, businesses and entire communities. Each panel measures one by two meters and they don’t need to connect to any existing infrastructure, electrical, water or otherwise. The panels can function well in a dry climate, including the Sonoran Desert, where SOURCE Global is headquartered.

Using only sunlight and air, SOURCE Global’s products can serve as a reliable, resilient and affordable supply of clean drinking water to businesses and communities. To date, the company has worked with governments, nongovernment organizations and private corporations to install thousands of panels in some 50 countries around the world. One project, in the Timor-Leste island of Atauro, illustrates what a big difference they can make.

Atauro’s small population live in fishing villages scattered along the coast. These rely on rainwater stored in tanks and flowing down from the island’s interior to be caught in reservoirs. The water, however, is high in kidney stone-causing minerals and prone to contamination. Worse, the water runs out during Timor-Leste’s long dry season.

With lengthening dry seasons, due in part to climate change, Atauro’s reservoirs and storage tanks have been drying up earlier. This forces villagers, most often women, to walk long distances to remaining sources. Villagers also ship in polluting, single-use plastic bottles of water.

When all sources have dried up, Atauro’s communities are forced to relocate to the capital, Dili, 25 kilometers to the south, until the dry season ends. With its custodians away, the island’s rich marine life is then illegally plundered by people coming in from outside.

SOURCE Global installed 80 of its hydropanels in two villages in Atauro in 2018. Since then, more than half a million plastic water bottles have been saved. The villagers have been able

to remain in their communities for the entire year—to work, educate their children and protect the marine wildlife on which their livelihood depends. Most of all, they now have a reliable supply of clean drinking water that will be impervious to lengthening dry seasons.

“We were excited to have AIIB as our partner for an investment that showed beyond doubt that they are contributing much more than just capital,” said Wagle about SOURCE Global. Looking forward, two further synergies are also clear.

First, when Lightsmith’s invested enterprises expand, AIIB will be well-positioned to finance them directly. These companies, with technologies that can enable sustainable and resilient infrastructure, are exactly the kinds of companies that the Bank was set up to support.

Second, because the innovations of Lightsmith’s invested companies are beginning to scale up for global mass adoption, there will be clear benefits to incorporating these innovations into the many large infrastructure projects AIIB is financing around the world.

In other words, with AIIB by its side, it will not be long before technologies fostered by Lightsmith further climate change adaptation, reinforcing a much-neglected front in the efforts to address the biggest issue facing humanity.

COVID-19 CRISIS RESPONSE FACILITY

8.3.8. Beijing and Chongqing: Race against COVID-19 in China's Megacities

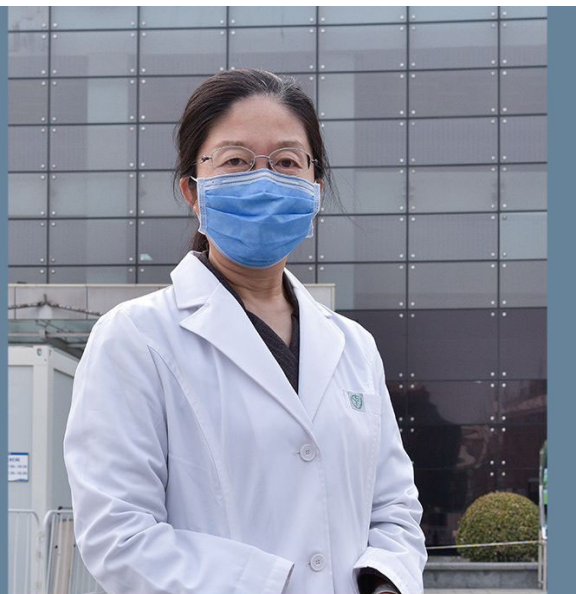


Every year, about 700 million Chinese return to their hometowns to celebrate the Chinese New Year. With about 75 million people on the road every day during New Year's week, the event is known as the Great New Year Migration. In 2020, however, COVID-19 broke out before the celebration began.



“
Market research, supply and logistics were all challenging. But in this war against the virus, we completed the project on time, provided equipment for clinical treatment of patients and worked more efficiently.”

Chun Zhang,
Head of the Medical Equipment Engineering
Department, Beijing Ditan Hospital





*Nurses at work at Beijing Ditan Hospital
Photo © AIIB 2021*

Staff member working at the laboratory of the Institute for Infectious and Endemic Disease Control, Beijing Municipal Center for Disease Control and Prevention. Photo © AIIB 2021

As travelers flooded the roads, samples began flooding the Institute for Infectious and Endemic Disease Control of the Beijing Municipal Center for Disease Control and Prevention (CDC).

“The samples came suddenly—dozens became hundreds, then thousands. The lab was overwhelmed,” said Daitao Zhang, director of the institute, whose five-member testing team was responsible for gene sequencing the new coronavirus and reviewing positive samples in Beijing. “We were short-handed and left with outdated equipment to test all these samples. We were in uncharted waters.”

Jingyuan Liu has 28 years of experience working in the intensive care unit (ICU) and is now director of the Critical Care Medicine Department of Beijing Ditan Hospital. He was at the forefront with his ICU team when COVID-19 spread, just like he was during the 2003 severe acute respiratory syndrome (SARS) outbreak. Medical frontliners raced against the clock, facing huge risks of exposure. More advanced equipment for better treatment was urgently needed, but funding to upgrade equipment and facilities was difficult to secure quickly.

“Market research, supply and logistics were all challenging,” said Chun Zhang, head of the hospital’s Medical Equipment Engineering Department.

Xiuying Liu conducts public health training at the Beijing CDC. She highlighted human competency as a crucial factor in tackling the pandemic.

“The success of technologies and methods depends on people,” she said. “We have to improve medical professionals’ thinking and practice and train community staff and nonmedical personnel to assist with public health crisis prevention and control. Training for medical treatment and prevention fell short of requirements and nothing was available for crisis simulation.”

China needed immediate assistance, so AIIB acted quickly to help. On April 7, 2020, the Board of Directors approved the [Emergency Assistance to China Public Health Infrastructure Project](#), the Bank’s first emergency loan from its [COVID-19 Crisis Recovery Facility](#). The USD355-million assistance would support China in responding to COVID-19, strengthening the capacity of Beijing and Chongqing to handle the public health emergency and strengthening public health infrastructure and system sustainability. The project assisted the Beijing CDC and 22 municipal hospitals and 33 districts in Chongqing.

“This was AIIB’s first emergency financing for public health infrastructure. It was an opportunity for us to demonstrate our capacity to respond to the emergency needs of a member, even for such a new challenge as the pandemic,” said AIIB Investment Officer Anzheng Wei.

Megacities like Beijing, with about 22 million people, are vulnerable during pandemics because of their population and human mobility. Chongqing is the only megacity in southwest China with water, land and air transport resources. It has 34 million people, 10 million of whom live in rural areas. AIIB’s assistance aims to help Beijing and Chongqing support quick and effective containment of the virus and lead the way for other megacities to mitigate the effects of COVID-19.

“It only took six months to complete all mandatory procedures since the project was initiated in mid-February, setting a record for AIIB’s sovereign-backed financing projects,” said Yichen Pan of the Project Office of the Beijing Municipal Financial Bureau. “This helped hospitals and CDCs promptly get what they needed to ensure public health and safety.”

He said he was pleased to see how the project was executed quickly and flexibly. It was put to the test on June 11, 2020 when—two months after project implementation—Beijing registered 368 COVID-19 cases in the Xinfadi wholesale market in Fengtai District. Known as Beijing’s “vegetable basket,” Xinfadi is the largest market for wholesale vegetables, fruits and meat. Large numbers of people go in and out of the market, making virus prevention and control challenging. With AIIB’s financing assistance, all units involved in the project became better prepared.

“All labs in the city are well supplied with testing kits, and the new sequencers are faster by 12 hours. That was really helpful,” said Daitao Zhang, sounding more relaxed, standing next

to the newly purchased emergency response vehicles. They have disinfection, sterilization, inspection and testing equipment for on-the-spot handling of health emergencies.

“This is a wonderful system. It took us only 16 hours to trace the source of the Xinfadi outbreak. Using our simulation system, we forecast on the seventh day that the cases would be cleared on July 10, but no one believed us,” said Gang Li from the Statistics and Information Department of the Beijing CDC while presenting the new information data center to a delegation from the Guizhou CDC. Once a utility room, it has been transformed into China’s most advanced data support center for epidemic decision-making. All cases in Beijing are traced and tracked here, and the system has been replicated in more than 10 provincial and municipal CDCs.

“This will be the first training base in Beijing,” said Xiuying Liu. “There will be a great need for training, so the base and training will be open to those who need them.”

“In this war against the virus, we completed the project on time, provided equipment for clinical treatment of patients and worked more efficiently,” said Chun Zhang. Her colleague Jingyuan Liu and the ICU team achieved a 99.6-percent treatment success rate and zero infection among medical staff.

Today, epidemic prevention and control are the new normal in China, which, together with economic and social development, will continue to put the public health infrastructure systems of the two cities to the test. The stories of Beijing and Chongqing will continue to inspire.

8.3.9. Viet Nam: VPBank's Journey with Small and Medium-Sized Enterprises during COVID-19



VPBank archives

Vietnam Prosperity Joint Stock Commercial Bank's (VPBank) small and medium-sized enterprise (SME) loan portfolio was increasing. When the pandemic spread, VPBank needed to strengthen its own liquidity to help small businesses stay afloat. The Asian Infrastructure Investment Bank (AIIB) acted quickly, having established the financing facility to do so right after COVID-19 started spreading.



Vietnam Prosperity Joint Stock Commercial Bank (VPBank) teller attends to a client at a branch serving small and medium-sized enterprises, in Hanoi, Viet Nam. Photo: VPBank archives



Focus group discussion with customers from small and medium-sized enterprises at the Vietnam Prosperity Joint Stock Commercial Bank (VPBank) head office in Hanoi, Viet Nam. Photo: VPBank archives

Viet Nam is the world's second-largest coffee producer, exporting about 90 percent of its coffee to more than 90 countries, accounting for about 20 percent of global supply. Coffee exports translate to more than USD2.5 billion in annual revenue, accounting for about 10 percent of agricultural exports.

Most of the coffee is produced by private SMEs. Like many businesses relying on global supply chains, coffee producers were severely impacted by COVID-19. SMEs in different fields had to suspend operations. Others were dissolved, went bankrupt or scaled down because of poor cash flow. About 70 percent of workers suffered income reduction and nearly 40 percent experienced reduced working hours or worked on alternate schedules. Many jobs were lost.

It was apparent that, to overcome the impact of COVID-19, businesses needed immediate liquidity support to maintain production and pay salaries.

Thus began AIIB's partnership with VPBank. A USD100-million loan from AIIB's [COVID-19 Crisis Recovery Facility](#) was quickly arranged to bolster VPBank's working capital and further develop trade-related programs lending to local enterprises. The [Vietnam: VP Bank COVID-19 Response Facility](#) project became AIIB's first investment in Viet Nam, an AIIB founding member, as well as the first lending to a financial institution in South East Asia.

"AIIB worked with VP Bank to understand the support that SMEs needed to help their businesses survive at a time of crisis. The most efficient way for us, as banks, was to provide them with access to finance so that they can continue serving their customers, as well as support their employees, their families and their communities," said AIIB Principal Investment Officer Pramod Vijayasankar.

Initial discussions between AIIB and VPBank commenced in April 2020. The project was approved in mid-July 2020. By mid-November 2020, VPBank had received the first loan disbursement.

"AIIB has deep understanding of the client's needs during this global crisis," said Vo Hang Phuong, director of financial institutions and transaction banking at VPBank. "COVID-19 brings great difficulties and challenges to businesses and the development of Viet Nam's economy. This loan demonstrated AIIB's prompt assistance to entities facing difficulties. VPBank is pleased to be the first Vietnamese organization to cooperate with AIIB."

With AIIB's timely and rapid disbursement of the VPBank COVID-19 liquidity loan, VPBank was able to help its corporate clients maintain business operations and supplement their working capital. VPBank can widen its program for supply chain financing for coffee exporters, which, in turn, could help save coffee farmers' livelihoods and help coffee-producing SMEs keep running until global demand picks up anew.

"We are gradually implementing customer support programs, especially the supply chain financing program," said Phuong. "We will accompany our clients through this difficult time."

The project, however, was not free from challenges, said Phuong. To promptly respond to the liquidity needs of VPBank's clients, the project needed to be agile, with professional and often comprehensive due diligence requirements, following international standards. VPBank exerted great effort to meet committed timelines and satisfy AIB's legal, compliance and commercial requirements. AIB and VPBank improvised, using technology to quickly implement the project.

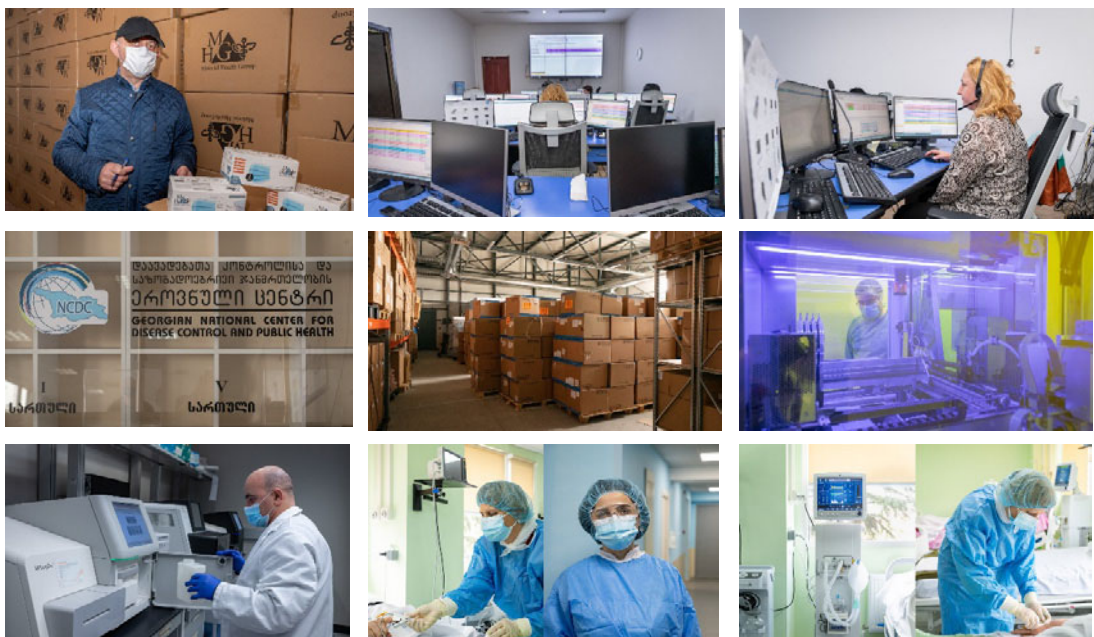
"Onsite due diligence was not possible for the project team," said Phuong. "Due diligence was conducted virtually through videoconferences and phone calls between AIB and VPBank departments. We hope to explore more opportunities for cooperation with AIB, an important partner of VPBank," Phuong continued. "I hope we will have opportunities to cooperate more and contribute to the recovery and development of the economy."

8.3.10. Georgia: Healthcare Infrastructure and Social Protection Measures for COVID-19 Response



Nurses walking the COVID-19 ward at the Nikoloz Kipshidze Central University Clinic, in Tbilisi, Georgia, March 24, 2021. Under the Georgia Emergency COVID-19 Response Project, the Asian Infrastructure Investment Bank (AIIB) provided funds to Georgia that helped equip the clinic with modern beds, ventilators, personal protective equipment and a Roche Cobas machine and provide on-the-job training. Photo © AIIB 2021

It is the first day of a five-day training program and six laboratory technicians from the Nikoloz Kipshidze Central University Clinic in Tbilisi are gathered around a new Cobas polymerase chain reaction (PCR) testing machine. A component of Georgia's Emergency COVID-19 Response Project, the EUR500,000 fully integrated laboratory automation system that allows PCR technology is capable of analyzing nearly 1,500 blood samples a day and is the country's latest weapon in the battle against COVID-19.





On-the-job training at the Nikoloz Kipshidze Central University Clinic, in Tbilisi, Georgia, March 24, 2021. Lab employees are being trained to use the new Roche Cobas machine, procured by the Georgia Emergency COVID-19 Response Project with funds provided by the Asian Infrastructure Investment Bank (AIIB). The machine is an important tool in COVID-19 testing as it is fully automated, minimizing human error, and can process up to 1,500 tests an hour. Photo © AIIB 2021

When the novel coronavirus was first detected in Georgia on Feb. 25, 2020, the government responded immediately by shutting down schools and public venues. Three weeks later, Georgia declared a state of emergency and imposed further restrictions on movement. By April 18, Georgia had confirmed 388 cases and only four deaths—among the lowest numbers in the world.

Had the government not quickly imposed stringent measures, the healthcare system would have been overwhelmed. Healthcare reform has been a knotty process since Georgia became independent in 1991. A policy to privatize the antiquated system began earnestly in 2007 but left many uninsured. Today, the government is improving access through a universal health coverage program launched in 2013. However, state health spending remains low, amounting to only three percent of gross domestic product in 2017. Georgia was hardly prepared to deal with COVID-19 when it arrived.

“Before the pandemic, we had a basic stock of PPE (personal protective equipment), but it wasn’t enough. The whole country needed it,” explained Amiran Gogitidze, head of the Medical Care and Call Management Department, the state dispatcher of ambulances and emergency care throughout the country.

Georgia is a founding member of the Asian Infrastructure Investment Bank (AIIB) and has been a client since 2017. Throughout 2020, AIIB responded swiftly to the needs of its members and clients, including Georgia. In May 2020, AIIB, in partnership with the government and the International Bank for Reconstruction and Development (IBRD)

launched the Georgia Emergency COVID-19 Response Project to help the country better prevent, detect and respond to the threat posed by COVID-19.

The loan (EUR91.34 million or about USD100 million from AIIB plus EUR73.10 million or about USD80 million from IBRD) has been providing Georgia with essential medical supplies and costly equipment the state budget cannot afford, not only to fight the pandemic but also to improve access and healthcare quality in general. The project's emergency healthcare assistance and social protection measures are closely interlinked and aim to protect the most vulnerable people affected by COVID-19.

According to AIIB Investment Operations Specialist Mehek Marwaha, "The project featured a unique combination of assistance for emergency healthcare strengthening as well as social protection measures, which were a necessary complement to containing the outbreak of the pandemic and proved vital in preventing poor households and vulnerable individuals from falling deeper into the poverty trap."

"Through this project, the government has been able to decrease the threshold of criteria for socially vulnerable people, providing cash benefits to our citizens," explained Nino Kvernadze, Georgia Emergency COVID-19 Response Project manager.

AIIB and World Bank loans have provided USD66.5 million for half a million people the pandemic has left unemployed and USD17.5 million of social assistance for more than two million poor and vulnerable people, who are particularly impacted by the pandemic. They face further unemployment and poverty because of the economic downturn resulting from restrictions imposed to control the outbreak. Poor and vulnerable households received temporary income support in the form of cash transfers, while workers who lost their jobs or income because of the pandemic received unemployment assistance. These mitigating measures helped beneficiaries comply with social distancing and COVID-19 containment measures and lockdown orders.

"Over ninety percent of 2020's social assistance and unemployment benefits were reimbursed by this project," Kvernadze added.

Gogitidze called the project a game changer. In addition to PPE, his department is ready with emergency ventilators, oxygen generation systems and a new two-way radio system. Until now, the state's first responders—a fleet of 300 ambulances—had been dispatched entirely by mobile phone. At the peak of the second wave in the autumn of 2020, the emergency department was receiving 3,000 calls a day. Efficient communication and transport infrastructure are requisites of tomorrow's healthcare system, and it is AIIB's mission to continue financing Infrastructure for Tomorrow.

The project boosted Georgia's scope of testing, crucial to preventing the spread of COVID-19. When the first cases were identified, testing was done only at the Richard Lugar Center for Public Health Research in Tbilisi, a state-of-the-art diagnostic laboratory and home of the National Center for Disease Control and Public Health (NCDC).

Through AIB's initial support, the NCDC was able to procure PCR and rapid test kits, laboratory reagents, molecular testing equipment and the necessary resources to increase its testing capacity, from several hundreds to 12,000 tests a day in 37 labs across the country.

"We are well-prepared for diagnosis with huge capacity in the regions," said Dr. Maia Alkhazashvili, head of the Lugar Center. "We were able to achieve results in 24 hours," she added with a smile.

The Lugar Center received a Cobas PCR machine, which has nearly doubled the lab's capacity to about 2,000-2,500 COVID tests a day. As the pandemic passes, the machine will be used for blood tests to diagnose other conditions, such as hepatitis and HIV.

Dr. Alkhazashvili and her team recently discovered the first United Kingdom strain in Georgia and are testing for mutations.

The project has contributed significantly to the operation of the Batumi Clinical Hospital and the newly established 220-bed Rukhi Republican Hospital. Irakli Gvazava, its director, believes the state-of-the-art full-service hospital can play an important role in the community. "Of the 3,500 patients that have been treated for COVID-19 there, 10 percent have been from Abkhazia," he said.

Decentralizing health care, particularly during the pandemic, has been a goal of the health ministry. Tbilisi, however, where more than a third of the population of 3.7 million reside, has felt the brunt of the crisis that has so far claimed 3,751 lives.

In January 2021, the government established a new COVID-19 unit at the Kipshidze Central University Clinic, where Gvazava is also the director. "This is the flagship of COVID-19 treatment centers," he affirmed.

The project has helped equip much of the 700-bed intensive care unit, while a wing in the 50-year-old hospital is being renovated into a modern laboratory, where the Cobas machine is installed.

"We have created a multi-profile clinic," said Gvazava. "We will continue to use everything the project has provided even after COVID-19. This has been a big boost to our health system."

8.4. Sustainable Development Goals and Climate Finance

2020 was a critical year: the COVID-19 pandemic threatened to reverse progress on sustainable development, which the global community had worked on together for years. In such times, sustainable infrastructure investment can catalyze long-term growth and social development. In 2020, even as AIIB continued to finance Infrastructure for Tomorrow, it joined peer multilateral development banks (MDBs) and other development partners to respond to the short-term urgent financing needs of clients to mitigate the pandemic's immediate effects.

Through its COVID-19 Crisis Recovery Facility, AIIB swiftly responded to members' health sector financing needs (Sustainable Development Goal [SDG] 3),³ and helped members increase their economic resilience (SDG 8)⁴ and loosen liquidity constraints. Global partnerships were more important than ever; AIIB worked closely with peer MDBs to coordinate the efficient and effective use of public resources in alleviating the financial constraints induced by the crisis, as highlighted in the Joint Report on Financing the Sustainable Development Goals, published by 12 MDBs, including AIIB (SDG 17).⁵

At the same time, our infrastructure financing continued to be strongly aligned with four infrastructure-related SDGs:

- [Bukhara Region Water Supply and Sewerage Project](#) in Uzbekistan improved living conditions in the Bukhara region by providing access to reliable and affordable water and sanitation services (SDG 6).⁶
- [Ayana Anantapuramu NPTC Solar Project](#) in India increased energy access and promoted renewable energy in the state of Andhra Pradesh (SDG 7).⁷
- [Fiber Optic Communication Network Project](#) in Cambodia constructed nearly 2,000 kilometers of fiber optic network to increase access to telecom services in urban and rural areas (SDG 9).⁸
- [Greater Malé Waste-to-Energy Project](#) in Maldives established an integrated solid waste management system in Greater Malé (SDG 11).⁹

AIIB continued to deploy innovative financing instruments to mobilize private capital for a broad range of sustainable infrastructure:

- [Keppel Asia Infrastructure Fund](#) will invest in power, renewable energy and energy efficiency, telecommunications, transportation and logistics and social infrastructure projects in Asia-Pacific.
- [ADM Capital Elkhorn Emerging Asia Renewable Energy Fund](#) is a first-of-its-kind private credit fund financing, targeting small and medium-sized enterprises and

³ SDG 3: Good health and well-being

⁴ SDG 8: Decent work and economic growth

⁵ SDG 17: Partnerships for the goals

⁶ SDG 6: Clean water and sanitation for all

⁷ SDG 7: Affordable, reliable, sustainable and modern energy for all

⁸ SDG 9: Industry, innovation and infrastructure

⁹ SDG 11: Sustainable cities and communities

projects operating in the renewable energy and energy-efficiency sectors across emerging economies in Asia.

- [Lightsmith Climate Resilience Partners](#) is a private equity fund investing in growth-stage technology companies that develop climate adaptation solutions, with the potential to generate significant benefits to AIIB members.

In its Corporate Strategy, AIIB sets its first climate finance target of reaching or surpassing by 2025 a 50-percent share in actual financing approvals. On par with peer MDBs, this ambitious target represents a milestone in the Bank's commitment to climate actions to help its members achieve their domestic and international climate commitments, notably the nationally determined contributions under the Paris Agreement, by providing financial support for climate change mitigation and adaptation.

In 2020, AIIB approved USD10 billion financing to 45 projects in total, of which USD2.9 billion was for infrastructure projects not under the COVID-19 Crisis Recovery Facility (CRF). Despite of a challenging year for infrastructure financing because of COVID-19, AIIB's climate finance in 2020 totaled USD1.2 billion or 41 percent of total infrastructure financing approved, excluding projects financed through the CRF.¹⁰ Of 18 infrastructure projects approved in 2020, 13 had a climate finance component, of which seven had mitigation finance, four adaptation finance and two dual benefits. Compared with 2019 when our climate finance reached 39 percent, the Bank has managed to maintain a slightly increased climate finance share. AIIB's climate finance projects can be mapped against SDG 13 (climate action).

AIIB's 13 climate finance projects in 2020 were distributed across transport (four), energy (three), water (two), finance (two), urban (one) and information and communication technology (one), serving sovereign (seven) and nonsovereign (six) clients. AIIB's innovative financing instruments have mobilized private climate finance, such as the Lightsmith Climate Resilience Partners fund.

In tracking its climate finance, AIIB adheres to Common Principles for Climate Change Mitigation and Climate Change Adaptation Finance Tracking, jointly adopted by MDBs and the International Development Finance Club. In 2020, AIIB joined peer MDBs in collectively reporting climate finance figures (download the report [here](#)).

The Bank aims to achieve its 2025 climate finance target by scaling up efforts to develop and finance low-carbon, climate-resilient projects, in partnership with clients and cofinanciers from the public and private sector. AIIB will continue to be active in joint MDB working groups and in international fora on combatting climate change.

¹⁰ The climate finance share would be 12 percent if Facility projects were included.



9. Managing Risk

9.1. How We Manage Risk

Our three lines of defense and well-established risk management framework enabled us to respond in a coordinated and effective way to health and economic risks in 2020. We quickly internalized the impact of the COVID-19 outbreak to Bank operations and executed a strong and proactive risk-based response. Even in this uncertainty, we expanded our financial and credit products to meet client demand and improve risk diversification.

9.1.1. A Coordinated, Cross-Functional, Bank-Wide Response to Risk

In the early days of 2020, the COVID-19 outbreak quickly undermined the previously positive economic outlook of AIIB members. The risk landscape steered away from a long and benevolent credit cycle of accelerated and sustainable economic growth in Asia following the end of the 2008-2009 global financial crisis.

Assessments of the seriousness and depth of the health and economic crises and the path-dependent recovery were wide-ranging. The shape and timing of recovery—V-, U- and L-shaped scenarios that could last from a couple of months to years—were not known and there was no clear market consensus about them.

In response to the uncertainty, our Management engaged a coordinated cross-functional task force from investment operations, finance, risk management and strategic departments to assess the pandemic's risks and impacts. We conducted ad hoc and more frequent stress tests that included bottom-up and top-down analyses across the full range of possible scenarios. We provided the Board of Directors with a robust assessment of the impact on AIIB treasury and investment portfolios, including credit risk quality, operational risks and impairment provisions.

Our strong capital base, which even under the most extreme scenarios of the stress test analysis still showed strong capital adequacy and healthy capital ratios, enabled the Bank to continue to support its members and to provide additional resources under the CRF.

Management continued to take precautions and a prudent risk management approach, since the assessment showed that the Bank was not fully insulated from credit and operational risks, particularly given its exposure as a provider of countercyclical long-term finance.

9.1.2. Three Lines of Defense and a Well-Established Risk Management Framework

AIIB has been following best risk governance practices since 2016. Our [Risk Management Framework](#) (RMF) has supported diversified and overall healthy portfolio growth since operations started five years ago.

The RMF follows the “three lines of defense” model and is anchored on the [Risk Appetite Statement](#), which has been approved by the Board of Directors. The statement promotes active involvement by the Board of Directors and its Audit and Risk Committee in strategic risk consideration. The RMF has resulted in positive feedback from the three main rating agencies, which have noted our commitment and capability to diligently implement the RMF. For the third consecutive year since 2017, Fitch, Moody’s and S&P have reaffirmed our AAA rating.

The Risk Appetite Statement defines our level of appetite for core and noncore risks, but also confirms that there is no appetite for risks (such as reputational or compliance-related risks) that could threaten the institution or jeopardize delivering the Bank’s mandate. The statement describes and sets thresholds for key risk indicators in several tiers, which are reported to Management and the Board of Directors. Any breaches or deviations require an action plan to steer either or both investment and treasury operations. The statement is supported by the risk culture and strengthened by training and increasing awareness of the risk environment.

Management continued to implement risk identification, mitigation and management measures while identifying opportunities to improve risk management practices, particularly those related to climate change mitigation.

AIIB managed to generate strong growth with a portfolio of more diversified products and geographies:

- Investment portfolio growth leaped 262 percent for outstanding loan investments and 75 percent for loan commitments compared with end-2019.
- The number of currencies increased from one to five for loans in the investment portfolio and from one to nine for borrowings in domestic and international capital markets.
- Financial and credit products offered by AIIB expanded to meet client demand and improve risk diversification.

9.1.3. Risk Management Strategies

Portfolio Diversification and Capital Adequacy

We have moved toward increased diversification of products and geographies. Given our mandate to finance long-term and large infrastructure investments and multiple projects with the same sovereign borrower, however, we remain relatively concentrated.

We started implementing further portfolio strategies to manage concentration risk by measuring the impact of our largest borrowers and our pipeline on our overall portfolio credit quality, our net income through expected credit losses ([International Financial Reporting Standards \[IFRS\] 9](#)) and efficient use of our capital.

The concentration risk metrics are linked to portfolio risk concentration limits that are part of the key risk indicators as per the Risk Appetite Statement. These concentration limits target the top-three and top-five concentrations on a portfolio basis rather than single name and member limits, giving us more flexibility to maneuver and operate where there is demand for our involvement.

Stress testing capital adequacy is used to monitor limits and manage capital adequacy and efficient use of capital. The capital adequacy and economic capital framework captures key portfolio risk attributes, including exposure size, correlation, concentration and credit quality.

The stress testing on capital adequacy analyzed in 2020 included scenarios with one-in-25-year shock events, such as a pandemic, trade war or cyber disruption. Even in the extreme scenarios (low likelihood, high impact), AIIB would still maintain extraordinarily strong capital adequacy ratios and withstand the crisis stress, although profitability ratios would be impacted.

Credit Risk

During 2020, we performed various cross-functional assessments of project risk in collaboration with departments involved in relevant areas such as risk management, strategy, finance, investment operations and economics. Collaboration reinforced a comprehensive approach to risk management and increased risk awareness and culture within AIIB.

For example, our bottom-up assessment included analyzing sovereign and nonsovereign portfolios every quarter, with the participation of project team leaders and credit risk teams, to evaluate the impact on each individual exposure with respect to underlying risks such as oil price, foreign exchange and interest rate movements, equity market drop, gross domestic product growth slowdown and unemployment surge.

The assessment was complemented by top-down analysis of the impact of the current macroeconomic scenario on impairment provisions, credit risk quality and other indicators of the investment portfolio, including capital adequacy and other key risk indicators. These assessments accompanied regular portfolio supervision meetings.

As the Bank has a relatively new portfolio and strong capital base, the above-referenced analysis indicated that expected credit losses under IFRS 9 would result in an increase in impairment provisions by AIIB in 2020 but did not suggest that a significant part of our clients would face serious credit problems.

In anticipation of credit deterioration that might require workouts and restructurings, we built capacity before the credit events materialized. We designed an early-warning system and set out criteria to identify problem credits and responsibilities for their management.

Despite the challenging economic landscape and the growth in operations, AIIB had no nonperforming loans as of end-2020, largely because of the prudent risk management approach, close oversight, frequent monitoring and in-depth due diligence and origination process, resulting in strong counterparty selection.

Operational Risk

In 2020, there were no significant operational risk losses. Our experience during this period helped us improve our processes and procedures to reduce exposure to operational risk events, albeit by incurring higher costs. We activated business continuity plans and remote work-from-home arrangements to maintain operations and controls, including strategies to mitigate cybersecurity risk. Heightened risks required innovative solutions: we used technology to carry out supervision missions (drones to monitor construction schedules) and partnered with local banks and entities to carry out on-site due diligence and supervision.

For critical procurement packages, risk assessment is an integral part of procurement evaluation for supplier selection and contract negotiation. Our procurement unit worked with requesting departments to engage qualified suppliers and subscription providers to build the risk management framework and systems for the Bank. Procurement contracts were negotiated to minimize and mitigate associated risks (legal, financial, commercial, reputational and operational).

In view of the increasing risk impacts caused by third-party suppliers to the Bank's operations, we developed compliance requirements for suppliers, including security, quality assurance and a business continuity plan in bidding documents and imposed an evaluation score for input from bidders, and documented the supplier's commitment in the contract. To mitigate various operational risks, we established a corporate insurance program that covers the most critical operational and staff liability insurance, as well as insurance for the Bank's property, as needed.

Learn more:

See **Section 7.7.7** on **AIIB Institutional Responses to COVID-19** and **Section 10.4** on how we **Invested in Technology** to Manage Risk and Ensure Continuity of Daily Operations

Climate Change Risk

The Corporate Strategy reiterates our commitment to our clean and green values. In addition to immediate concerns associated with the COVID-19 pandemic, we are experiencing an era of technological disruption and change. Their impact is ever more difficult to assess in core infrastructure sectors (such as energy and transport) because of their extremely long-term investment horizon. To respond and anticipate these challenges, we are developing financial and risk products that tackle the interlinkages of climate, technology and risk and designing risk management tools and processes, such as the following:

- adding climate change risk to our credit risk tools and internal rating scorecards,
- assessing third-party suppliers' risk awareness and resilience to climate change and
- leveraging technology to proactively drive the climate risk management strategy.

S&P Global Ratings Report on AIIB on Environmental, Social and Governance, Dec. 17, 2020

*“AIIB was set up in 2016 to fill an important infrastructure-financing gap in Asia and to help countries meet their development goals. Although the institution has a short track record, 50% of all projects approved up to 2019 supported green infrastructure. Many of its projects also contribute to the objectives of the U.N.'s 2030 sustainable development goals (SDGs), which include clean water and sanitation, affordable and clean energy, and sustainable cities. On the other hand, AIIB also finances gas and fossil fuel projects. While these are exposed to higher environmental and social risks, they are energy transition projects. AIIB does not have a stand-alone climate change strategy unlike other multilaterals, but **it has included a climate change financing target within its corporate strategy and includes climate change as a thematic priority in its sector strategies.***

*“AIIB is seeking to reduce its exposure to environmental and social risks, and all of its projects adhere to the social and environmental standards of its environmental and social framework. **The bank is developing a sustainable development bond framework that applies to all its bond issues.***

“The core part of its long-term private-sector strategy focuses on its infrastructure mandate; to expand the bank's role, this would also involve lending to financial intermediaries and investing in equity platforms. The bank's risk appetite statement applies strict limits on equities, although these investments may add material indirect exposure to environmental and social risks. Nonetheless, nearly 54% of its projects are cofinanced with other MLIs, such as the World Bank Group and the European Investment Bank. Lending by these institutions incorporates stringent environmental and social standards, as well as oversight mechanisms.

(emphasis supplied)

9.2. Embedding Our Clean Core Value

We ramped up our integrity efforts in 2020 to ensure the impact and effectiveness of the COVID-19 Crisis Recovery Facility (CRF) financing response and sovereign and nonsovereign financing operations. Our sanctions list was updated quarterly to ensure that AIIB conducted business only with trusted parties. The Office of the General Counsel provided policy support and effective continuous advice on structuring, negotiating, documenting and monitoring an unprecedented number of crisis response investment operations. Support included helping structure the CRF and updating AIIB's General Conditions on loans in multiple currencies in March and on the London inter-bank offered rate transition in December.

Our Internal Audit Office (IAO) provided professional and objective assurance and advisory services that added value to and improved our operations, adhering to the 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. As part of its annual work plan, IAO audited investment operations to assess their adequacy for managing risks, governance and internal controls. IAO then identified areas for improvement to AIIB's processes relevant to the CRF and to sovereign- and nonsovereign-backed financings.

In addition to serving as the focal point for external requests or complaints regarding compliance with our Environmental and Social Policy under the Project-affected People's Mechanism Policy, and investigating project-related fraud and corruption cases under the said policy, our Complaints-resolution, Evaluation and Integrity Unit (CEIU) reviewed all CRF loan agreements to ensure the adequacy of provisions on the [Policy on Prohibited Practices](#).

We expanded our virtual outreach by placing in our website information about our specific functions. In particular, the CEIU expanded its virtual outreach by developing a [subsite](#) with detailed information on the integrity function, including on how to report allegations of suspected prohibited practices under the [Policy on Prohibited Practices](#).



10. Strengthening the Bank for Growth

As we transition from the start-up to the growth phase, we continue developing our capabilities and strengthening the foundations built during the Bank's first five years of operations. We will bolster our culture, expand our capacity and increase the rigor with which we manage the Bank's funds.

10.1. Our Corporate Financing

In 2020, we added a second pillar to our capital market funding, complementing AIIB's public transactions, in the form of global benchmarks and smaller public offerings with reverse inquiry issues in multiple currencies. As part of our plan to establish the AIIB name as a prime and frequent issuer in international markets, we issued two global US dollar benchmarks instead of one in 2019 and expanded our market access to several currencies and jurisdictions. We continued our vigorous investor marketing campaign, which went almost entirely virtual beginning in the second quarter of 2020.

All debt issued by AIIB has Use of Proceeds language highlighting our sustainable mission and referring to our environmental and social criteria. To provide investors with a single source of information, we released the Sustainable Development Bond Framework, which emphasizes applying Environmental and Social Policy principles and requirements to every project we finance. All AIIB bonds are issued in the context of the framework.

2020 was an extremely busy year for funding operations. Like many peer organizations, we responded to the call for help to tackle the effect of the pandemic by significantly increasing our financings. Hence, the capital market funding target, which was initially planned to grow to USD6 billion in 2020, was increased to USD9 billion later in the year and successfully executed.

The United States Securities and Exchange Commission-registered Global Program was accessed twice in the year, with benchmark issues in three- and five-year maturities. Highly

favorable investor reception allowed us to price USD3 billion in both cases, further contributing to the liquidity of AIIB benchmarks.

In June 2020, we issued our first renminbi-denominated Sustainable Development Bond in the China Interbank Bond Market. AIIB was the first internationally rated AAA issuer to have entered this market since the release in 2018 of the panda bond guidelines governing international issuers. This transaction benefited from extremely strong demand, attracting two-thirds of the orders from overseas investors, underscoring the internationalization of China's capital markets. The bond carried the "Combating COVID-19" label approved by the National Association of Financial Market Institutional Investors.

We launched our debut bond in the pound sterling market. The GBP800 million five-year Sustainable Development Bond was 1.5 times oversubscribed and contributed to opening more funding channels for AIIB. The issuance met with strong demand, with interest from a broad range of investors, including bank treasuries, official institutions and real money accounts.

We remain committed to establish a presence in major markets as a frequent issuer in line with our mandate as a multilateral financial institution, achieving competitive funding levels that can benefit our borrowing clients.

Our Sustainable Development Bonds will be used to fund the Bank's investment operations, which are guided by our policies and strategies, including the Corporate Strategy and other strategies covering energy, transport, sustainable cities, water and digital infrastructure, among others.

Our Sustainable Development Bond Framework summarizes and presents the policies and strategies, processes and mechanisms that govern AIIB's sustainable financing activities. The framework supports our members' efforts to meet their commitments under the Paris Agreement on climate change and to achieve their targets under the Sustainable Development Goals.

A key component of this framework is our application of Environmental and Social Policy principles and requirements to every project AIIB has financed since our inception.

From 2020 onward, every AIIB financing will ordinarily be aligned with one or more thematic priorities—green infrastructure, connectivity and regional cooperation, technology-enabled infrastructure and private capital mobilization—while building upon our sustainability requirements.

Formats of the Sustainable Development Bonds are intended to include but not be limited to benchmark public bonds and private placements.

Corporate Scorecard

Our Corporate Strategy is complemented by a Corporate Scorecard that (1) monitors progress and holds Management accountable for delivering strategic objectives, (2) provides information on AIB's overall performance and (3) facilitates dialogue between Management and the Board of Directors on areas requiring attention. The Corporate Scorecard builds on previous key business indicators of AIB's Business Plan and Budget process and will be publicly reported annually to complement other forms of monitoring and reporting to the Board of Directors. The first set of indicators in the Corporate Scorecard is related to impact as defined by (1) financing volume, (2) alignment with thematic priorities and (3) portfolio performance

The Corporate Scorecard indicators have been mapped to key pillars and principles to monitor progress toward the scorecard objectives. Several additional indicators have been introduced to monitor progress in areas not covered by the Corporate Scorecard indicators. Together, the scorecard indicators and additional indicators will be referred to as annual business indicators in our annual Business Plan and Budget. The annual business indicators will support our gradual shift from being action- and activity-oriented (which was appropriate in AIB's early years) to becoming objective- and results-oriented (in line with the Corporate Strategy) as AIB matures.

Business Plan and Budget

Our annual Business Plan and Budget (BPB) is a key tool for implementing the Corporate Strategy. The BPB eases the alignment of our activities and resources with the agreed strategic directions and the monitoring of our progress.

Shifting priorities and disruptions caused by the COVID-19 pandemic meant that progress toward achieving the Bank's Key Actions for 2020 was initially delayed. The Bank adapted to changed circumstances, delivered most of its business functions by the third quarter and shortened most of the delays in its regular work plan by the fourth quarter.

Overall, the 2020 BPB remained broadly on track and broadly achieved its objectives, considering the disruptions in the operating environment, which required us to adapt quickly, undertake operations beyond our regular business and adjust our regular operations to be responsive to client demand while maintaining financial sustainability.

To align better with the Corporate Strategy, from 2021 onward our annual BPB will be structured based on the five pillars of the strategy: (1) establishing market position, (2) achieving impact at scale, (3) adding value along the project cycle, (4) serving a broad range of members and (5) building the corporate culture. The BPB will align with the Bank's three core principles: financial sustainability and sound banking, strong multilateral governance and oversight and high project standards.

Learn more:
[Strategies](#)

10.2. Environmental and Social Framework Review

Environmental and social sustainability is a fundamental aspect of our support for infrastructure development and greater interconnectivity in Asia. Our [Environmental and Social Framework](#) (ESF) helps AIIB's clients achieve environmentally and socially sustainable development outcomes by integrating good international practice of environmental and social planning and management of risks and impacts into decision-making on and preparation and implementation of Bank-supported projects.

In 2020, we began a review of the ESF based on experience in applying the Environmental and Social Policy, including the Environmental and Social Exclusion List (ESEL) and Environmental and Social Standards (ESS), to projects we supported during our initial period of operation. The review follows the commitment we made in 2016 to review the ESF after our first three years of operation. We intend to update the ESF to reflect our operational experience, deal with developments and improve and clarify coverage of the ESEL and ESS.

10.3. Civil Society Engagement

We continued our engagement with civil society organizations (CSOs). A management dialogue with CSOs was held virtually in October 2020, covering topics on AIIB's Corporate Strategy, the review of the Environmental and Social Framework, climate change, AIIB investments and the response to COVID-19. We sought to overcome the restraints of the COVID-19 pandemic and sustained our discussions with CSOs on policy and project issues. We used digital communications more often to hear the voices of CSOs and consider their input to our policies, strategies and projects.

10.4. Investing in Technology

We are investing in technology that will allow us to be lean, clean and green. In 2020, the pandemic made it even more imperative for AIIB and other organizations worldwide to use digital tools.

In building our flexible and future-proof information technology (IT) infrastructure and architecture, we are guided by three principles: (1) IT aligned with business, (2) cloud first and mobile first and (3) agile implementation. These strategies have proven effective and efficient, particularly during the COVID-19 crisis, and have allowed us to manage our investments and risk, align our new initiatives with our short- and long-term business priorities, ensure continuity of daily operations and improve the way we hire talent.

In 2020, we accelerated the digitalization of core business processes (especially investment operations, project procurement, financial market investment and loan administration), helping streamline our end-to-end investment capabilities. By building Bank-wide shared IT foundations, we ensured that application systems can talk with each other, share common data assets and resist cybersecurity threats. Our Information Technology Department is taking the lead in providing reliable, innovative and efficient AIIB-wide IT solutions, including

investing in data encryption tools. As a result, roughly 50 percent of our core business processes are now online.

Managing Our Investments

As our core business becomes more complex, we have adopted suitable IT solutions to manage our investments and support our investment portfolio and operations. By 2020, we had moved many of our investment management business operations online. Our Investment Operations dashboard provides an overview of our portfolio and pipeline projects. Accurate data and reporting help the Board of Directors and Management team get a better view of business insights and contribute to data-driven decision-making and strategic planning.

By end-2020, our Treasury Department was conducting its core business functions digitally and has been able to achieve automatic information flows across different departments through an integrated downstream finance and risk system. We have strengthened the digital capability of Treasury's support functions by introducing the SWIFT payment system, with initiatives for increased security and compliance control. Several digital tools, such as the Loan Management System for nonsovereign loans and Investment Monitoring Tools, went live in 2020, and work on a solution for sovereign loans commenced. The Office of the Controller initiated the Robotic Process Automation system, which automated three processes, reducing workload and lowering operational risks.

Investment management and servicing continues to be the focus of our future IT road map. We aim to bring end-to-end investment management and servicing functions to several centralized platforms to replace the current interim and manual solutions.

Managing Risk

We have developed a platform to obtain a consolidated view of risk indicators from different systems or tools so that we can comprehensively manage risks and efficiently allocate and utilize capital. The Risk IT Platform enables us to analyze raw data and measure, monitor, calculate and automatically report risk and ensure our capital adequacy according to the Financial and Risk Management Framework. We are developing similar tools to measure nonfinancial risks, including operational risk and compliance risk.

We focused on IT risk management. We initiated a series of projects under the Cyber Resilience Program to maintain our ability to deliver intended outcomes despite adverse cyber events. We implemented IT outsourcing and cloud risk management frameworks to manage the risks associated with the involvement of third parties and cloud vendors.

Supporting Our New Initiatives

We continued with a program to use innovative technologies to help business operations, with various new technologies being evaluated for fitness for business use. Following the successful rollout of Robotic Process Automation, we organized the Innovation Lab guided by the Innovation Management Framework, which defines the methodology for innovation initiatives and experiments within AIIB.

Ensuring Continuity of Daily Operations

The COVID-19 pandemic accelerated the need for a more digital way of working and operating. We provided flexible and secure remote support to staff working outside headquarters. Digital signature functionality was rolled out for contracts, recruiting and onboarding document signing. We launched the Digital Archives to centralize the filing of records online, ease data retrieval and reduce paper filing for environmental sustainability. We developed solutions for offshore payroll payment processing and paperless claim processing so that our staff could receive their benefits on time and seamlessly, no matter where they were.

The advancement and scalability of artificial intelligence technologies offered us an opportunity to face audit challenges. These included the need to remotely systematize a high volume of structured and unstructured data, the need for better linkages between reports across systems and time, such as repeated procedures resulting in repeated risks, the growing number of controls and other silo-related challenges.

To meet these challenges, the Internal Audit Office (IAO) explored the use of iBots to assess accurate and timely public disclosure. IAO deployed automated process mining to gain insights on automated processes, locate bottlenecks and mitigate the absence of project audit visits because of pandemic restrictions.

IAO tapped the vast quantity of geospatial data that is openly available through public, private and voluntary initiatives and developed a proof of concept, where we were able to track and correlate the physical progress of our project monitoring reports submitted by implementing entities. The availability of these technologies in audit will significantly reduce travel time and costly travel expense and increase probity and transparency in our projects.

Thanks to the timely development of two e-procurement systems (one for firms and another for individual consultants), our corporate procurement team was able to support AIIB's operations without any interruption during the work-from-home period. We took measures to ensure compliance with our Know Your Counterparty and anti-money-laundering and financing of terrorism policies.

Improving How We Hire Talent

The pandemic was an opportunity to advance digitization in our recruitment methods. We partnered with LinkedIn to host a virtual recruitment roadshow with a pilot project focused on Turkish professionals. To increase efficiency and reduce bias in the selection process, we are working on intelligent automated screening tools to assist in screening applications for selected entry- and early career-level positions. We are also integrating pre-employment screening into the online recruitment platform.

10.5. Our People and Our Culture

Recruitment

By the end of 2020, the total number of AIIB staff members had increased to 326, a net increase of 36 compared with 290 by the end of 2019. Our 316 professional staff come from 54 economies worldwide and women make up 38 percent of professional staff. Almost half of the professional staff (49 percent) perform operational functions. In response to the COVID-19 outbreak, we adjusted our recruitment targets for 2020 to accord priority to positions in operational functions that directly aligned with the key work programs and activities of the year. More flexible arrangements on extension of staff appointment and confirmation of probationary service were implemented. Our Young Professionals and internship programs were put on hold because of COVID-19.



Integrity

The first “Ethics 101” training for Bank personnel was held through 14 interactive Zoom sessions from September to December 2020. A pre- and post-survey was conducted to gauge personnel’s level of knowledge on ethics-related policies and resources and training effectiveness. We saw an increase from 79 percent to 93 percent of Bank personnel who have a good understanding of AIIB’s Code of Conduct. Respondents rated the training 4.13 out of 5 and conveyed the need for future trainings to fully resolve respectful workplace issues. Respectful workplace training will be introduced in 2021, as well as an e-learning module as an induction for newcomers and a refresher for existing personnel.

At the United Kingdom Safeguarding Summit, we contributed to updating international financial institutions’ joint commitment to tackle sexual exploitation and abuse and sexual harassment. Integrity harmonization efforts with other multilateral development banks continued through the unilateral adoption of sanctions imposed by international organizations, which is part of the Agreement for the Mutual Enforcement of Debarment Decisions.

Integrity Matters e-bulletins were sent to AIIB staff throughout the year to raise awareness of integrity issues relevant to COVID-19 Crisis Recovery Facility projects, with suggestions on ways to promote integrity in the projects. Awareness by Bank staff of the Prohibited Practices Policy (PPP) was raised as part of our induction session for new staff and the Operational Training Program. We held a practitioners’ dialogue session with the World Bank’s Integrity Vice President to raise awareness on the risk of fraud and corruption in projects. We launched a revised and more focused PPP eLearning course for staff, which included a section on the risk of procurement in emergency situations such as COVID-19.

To mark International Anticorruption Day 2020, we held various integrity awareness activities in the Bank, including a widely attended virtual keynote speech on COVID-19 counter fraud response by the executive director of the United Kingdom’s Cabinet Office fraud function.

Corporate Culture

AiIB was one of the first organizations to face what was at the time a new and unknown virus shutting down the country. Following the Chinese New Year break, Senior Management decided to transition to fully remote work. For an organization still in its start-up phase, the change represented a test of our culture, processes and relationships. For many, the shift represented a different way of working, one that required greater trust and flexibility from all staff.



Staff demonstrated resilience, commitment and adaptability over the ensuing weeks and established a strong sense of teamwork. We are internalizing several lessons from the sudden switch to remote work as part of an effort to define an “AiIB way” of working, which seeks to balance agility, empowerment, teamwork, learning and inclusivity.

One of 2020’s primary accomplishments is the approval of the Corporate Strategy. The exercise of examining our past and present to inform our future presented an ideal opportunity to think extensively about the role culture should play in shaping AiIB’s impacts. Knowing that the right corporate culture could be the linchpin that enables us to achieve our 2030 goals or impede our success, culture was identified as one of five key pillars of the Corporate Strategy.

Under the Corporate Strategy, a key element of our corporate culture is a renewed focus on our clients. Clients should feel that AiIB is agile and responsive to their financing requirements, with an approach that is innovative, efficient and responsible, crowds in other financiers and is motivated by an urgent desire to achieve project outcomes.

Our success is predicated on our ability to attract and retain the best people from around the world. Creating a workplace that is high-performing, open, inclusive and international is a top priority. We will build an environment where staff are supported and empowered to achieve their potential, encouraged to share ideas and are appropriately trained—a place where innovation is encouraged and Management lives up to the Bank’s leadership principles.

In the midst of many other challenges we faced during the pandemic, the Culture Steering Committee, which is made up of leaders from across AiIB, recommitted itself to shape the direction of our corporate culture, guided by the Corporate Strategy. As a sounding board and culture-building champion, the committee began developing an action plan.

In 2020, we prioritized three additional areas of culture building by embedding principles and policies to support (1) diversity and inclusion, (2) efficiency and (3) the digitization of AiIB’s operations.

AiIB began working on these priorities in 2020 and was awarded [EDGE Certification](#) for ensuring equal access to career opportunities for all staff. Under the lean core value, we established two working groups to explore separate but related areas. One is dedicated to

improving processes and reducing bureaucracy and takes both a bottom-up and top-down approach to tap staff's ideas and suggestions. The other working group is examining how technology and digital tools can enable staff to work smarter and faster. By looking at the experiences of other financial organizations, the working group will identify the best approach to transform our corporate and investment operations by leveraging more new streams of digital technology.

Mission to Green

In 2016, we planned to relocate to permanent headquarters in Beijing. On June 1, 2020, we finally moved in. By the time most staff returned to Beijing, they reported to our new headquarters. The change was massive but our Mission to Green Project ensured that internal communications were sufficient and that staff fully understood the new office environment, which mitigated operational risks and interruptions. Our new headquarters provided us with an opportunity to implement our institutional carbon emission management plan, which is in its early stage. We have set up systems to collect data and analyze building facilities and energy consumption.

10.6. Knowledge Products

In addition to our Annual Report, we published the 2020 Asian Infrastructure Finance Report to support business development, stimulate discussion on project finance issues, share insights from and build awareness of AIIB's investment operations and connect with infrastructure sector experts and practitioners focused on Asia. We published the third volume of the AIIB Yearbook of International Law. The theme of the 2020 edition is Funding International Development Organizations: Innovations of Law and Practice. It was launched during the annual legal conference.

We published working papers and thought pieces primarily on the economic impact of COVID-19 and on climate change.

Learn more:

[Investing Better, Investing More: Asian Infrastructure Finance Report 2020](#), on our website.

[AIIB Yearbook of International Law 2020](#).

[COVID-19 Economic and Infrastructure Highlights](#), on our website.

[Working Papers 2020](#), on our website.

10.7. Partnerships

2020 was a year when the world came together to fight a common threat. The year highlighted the need for global cooperation and partnership, and AIIB did its part.

New Partnerships Unit

The significance of partnerships in AIIB's business model underlies the need to establish a new, dedicated unit for partnerships and regional cooperation under the Strategy and Policy Department. The unit's mandate is to strengthen AIIB's engagement with international fora and other development actors.

Multilateral Development Banks' Joint COVID-19 Response

As part of the international response to the pandemic, we actively participated in the strengthened coordination efforts at all institutional levels. We participated in numerous discussions with the other multilateral development banks (MDBs), United Nations (UN) agencies and other stakeholders to ensure alignment of regional and country operational responses.

Joint Report on the Sustainable Development Goals

AIB joined a group of 11 MDBs and the International Monetary Fund in launching the first-ever joint report on financing the Sustainable Development Goals (SDGs). The report was released at the end of 2020, when the COVID-19 pandemic threatened to reverse SDG progress. MDBs collectively mobilized a global response package of USD230 billion in 2020-2021, of which USD75 billion was directed to the world's poorest economies in 2020.

Multilateral Cooperation Center for Development Finance

AIB is the Administrator of the Multilateral Cooperation Center for Development Finance (MCDF) Finance Facility established on May 15, 2020 and the host of the MCDF Secretariat. MCDF is a multilateral initiative to increase high-quality infrastructure and connectivity investments in developing economies in compliance with the international financial institution standards applied by accredited implementing partners through information sharing, capacity building and project preparation. It intends to support the implementation of the G20 Quality Infrastructure Principles, the UN Agenda 2030, the Sustainable Development Goals and the Paris Agreement. AIB is aligned with international goals and frameworks and shares the commitment to improving quality and standards in infrastructure projects.

Building Partnerships

AIB is being accredited to become an implementing partner with the Global Infrastructure Facility and an observer organization with the UN Framework Convention on Climate Change.



11. Priorities in a Post-COVID-19 World

Looking to the future, we map out our plans to finance Infrastructure for Tomorrow, with sustainability at the core of our commitment to an economically resilient future.

11.1. Green Infrastructure

AIIB will prioritize green infrastructure and support our members in meeting their environmental and development goals by financing projects that improve the local environment and investments in climate action. Climate mitigation and adaptation finance will be tracked in accordance with the joint Multilateral Development Bank Common Principles for Climate Change Mitigation and Adaptation Finance Tracking.¹¹



By 2025, AIIB will aim to reach or surpass a 50-percent share of climate finance in its financing approvals.

11.2. Private Capital Mobilization

AIIB plans to catalyze private and other investors' appetite for investing in emerging market infrastructure.



By 2030, AIIB aims to reach a 50-percent share of private sector financing in its actual approved financing.

¹¹ See [International Development Finance Club. No date. Common Principles for Climate Mitigation Finance Tracking](#); and [International Development Finance Club. 2015. Common Principles for Climate Change Adaptation Finance Tracking](#).

11.3. Connectivity and Regional Cooperation

AIIB will continue to prioritize projects that complement cross-border infrastructure connectivity by generating direct, measurable benefits in regional trade, investment and digital and financial integration across Asia and beyond.



By 2030, AIIB aims to reach a 25-30-percent share of cross-border connectivity projects in its financing approvals.

11.4. Technology-Enabled Infrastructure

Established in the digital era, AIIB plans to play a major role in helping clients transform their infrastructure sectors, including health and education, by digital means and through technological applications.



AIIB will support projects where the application of technology delivers better value, quality, productivity, efficiency, resilience, sustainability, inclusion, transparency or better governance along the full project life cycle.

11.5. Expanding into Social Infrastructure: Investing in Health Infrastructure Is Investing in Tomorrow

As AIIB moves into its next chapter, we will—even as we remain focused on core infrastructure—gradually expand our capacity, role and value-add in social infrastructure.



The COVID-19 pandemic has brought the world to its knees and shone a light on critical gaps in health infrastructure.

Investing in health infrastructure not only saves lives but is also crucial to the wider economy. Ill-health impairs productivity, negatively impacts gross domestic product and adversely affects human capital development—and that is under ordinary circumstances. During an extraordinary event such as a pandemic, the first line of defense is the health system—to detect, prevent, test and treat disease—and policies to guide the best course of action. An inadequate health system results in major loss of life because of not only the pandemic but also other unmet health needs that cannot be met by an overwhelmed health system. An inadequate health system results in curtailed movement, impacting travel and trade and sending ripples through the economy.

All health services depend on basic infrastructure. Every public health program—such as immunization, infectious disease monitoring, cancer and asthma prevention, diabetes management, drinking water quality, injury prevention—requires a mix of hard (physical infrastructure) and soft (people and policies) infrastructure as well as connective tissue (systems) to make it function.

Global public health infrastructure has remarkable and long-standing gaps. Many fragile health systems that were stretched before the pandemic are crippled under the strain.

In response to this humanitarian and economic disaster, however, incredible achievements have presented opportunities. Sharing of data and information has been extraordinary, from early access to the virus' genetic code, to efficacy data gathered from multiple clinical trials, to an approved vaccine in eight months. Industry and government are collaborating in an unprecedented way, ministries of health and finance are deeply engaged and there is a common realization that global governance for health technology has become essential. The pandemic has impacted world views and attitudes, creating an understanding that health infrastructure is critical.

There are unique opportunities to better rebuild health infrastructure: developing multi-use supply chains that utilize blockchain technology for more efficient vaccine distribution and management, building up regional manufacturing hubs for local production of health products, utilizing artificial intelligence to train and expand the health workforce, establishing standards for interoperable digital health applications and expanding, upgrading and digitizing health registries and databanks to provide more robust analysis, among others.

Major gaps in public health infrastructure investment are undermining health and placing global security and economic development at risk. COVID-19 will not be the planet's last pandemic, and we would do well to build health infrastructure that is prepared for tomorrow.

Focus on the Long Term

While our proactive and adaptive responses require increased flexibility during these special circumstances, they do not represent a change in AIIB's strategic direction. AIIB will keep a long-term focus on investments in infrastructure and other productive sectors and remain within the Bank's broad mandate of focusing on financial sustainability.

Infrastructure has social and economic dimensions and encompasses physical and organizational structures and facilities and basic systems and services. Infrastructure, therefore, extends to the facilities, systems and services that support health systems, including hospital buildings and other physical assets such as ambulances and emergency healthcare equipment. Infrastructure may include the training and protection of healthcare professionals and managerial and process improvements, among others. AIIB investments in these areas are consistent with investment in productive sectors. To support this approach, the Bank created the Social Infrastructure Department in 2020 to signal our increased involvement in this area.

2020 AIIB ANNUAL REPORT



This is our story: how being born
resilient and agile empowered us to
help our clients at a time of great need.



ASIAN INFRASTRUCTURE
INVESTMENT BANK