

Asian Infrastructure Investment Bank

Jan 2018



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Setting up AIIB to address Asia's needs

Context

- Huge unmet infrastructure needs in Asia
- Low global growth, historically low interest rates with ample capital searching for yield
- Slow pace of governance reform in major MDBs

Broad consensus on urgency and need of sustainable infrastructure

- Paris Agreement to address climate change
- Spurs growth by supporting trade and productivity
- Generates employment and provides services to the poor
- Accelerates and locks in transition toward sustainable energy, transport, and cities

MDBs are uniquely placed to accelerate sustainable infrastructure investments

- High standard of environmental and social requirements
- Closely working with country governments
- Longer tenor suitable for infrastructure financing
- Intermediate, leverage, and mobilize financing



Mandate of AIIB

- Who is AIIB?
 - 2-year old multilateral financial institution – began operations in January 2016
 - USD100 billion subscribed capital, 20% paid-in capital
 - 80 member countries from Asia and beyond
 - Presently has ~130 staff (and still growing!) from around the world
 - Principles – lean, clean and green
- What does AIIB do?
 - Invest in infrastructure and other productive sectors to foster sustainable economic development, create wealth and improve infrastructure connectivity in Asia
 - Promote regional cooperation and partnership in addressing development challenges by working in close collaboration with other multilateral and bilateral development institutions



AiIB complements existing MDBs in several critical areas

- Adds financial capacity to MDB system
- High standards in environmental and social requirements as well as procurement
- Strengthens the voice for emerging economies and borrowers
- Innovates with a lean business model supported by financial strength and clear focus



AIIB's key differentiation

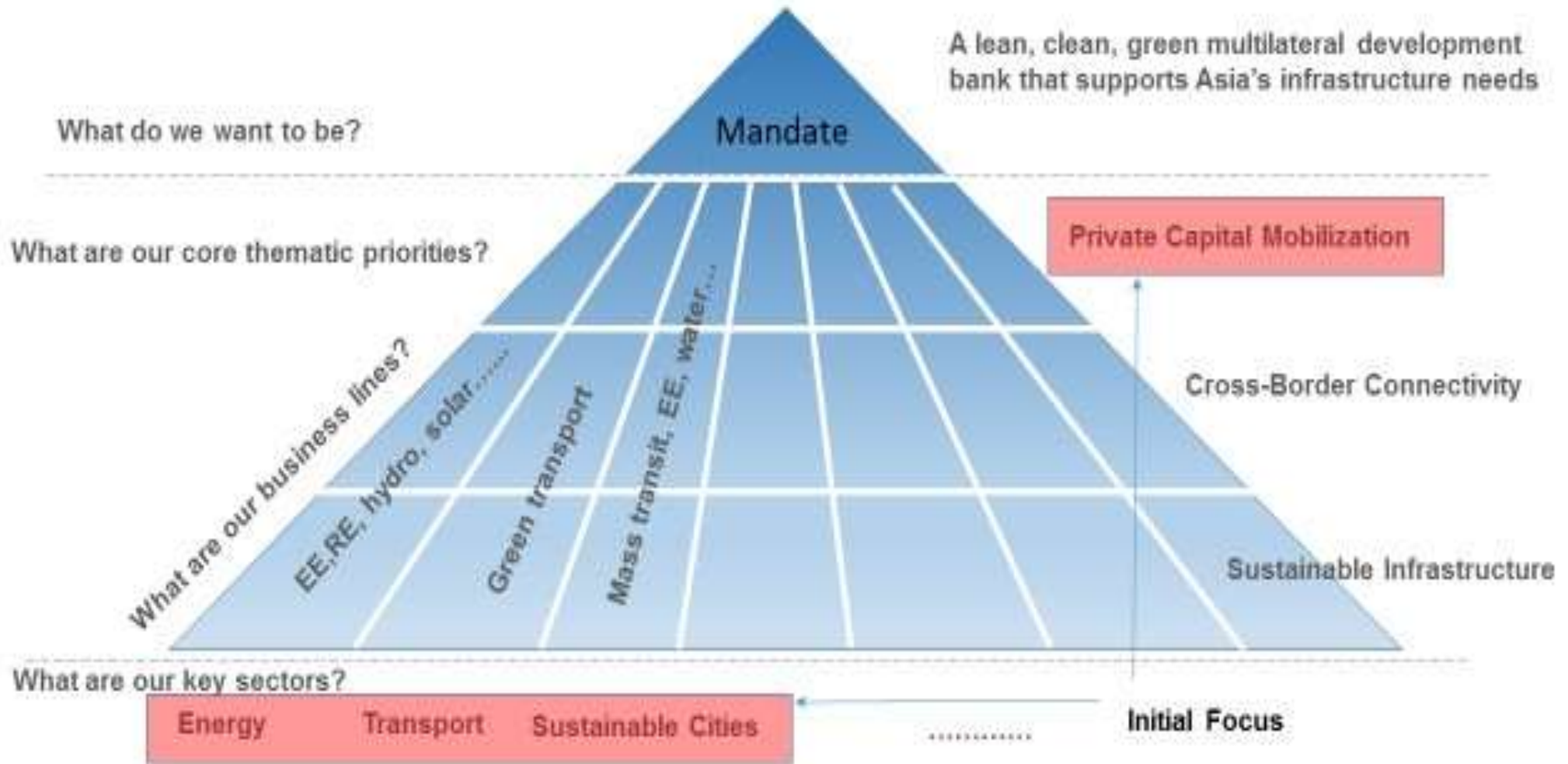
- One single balance sheet for sovereign-backed and private sector loans
 - Greater flexibility
 - Open to financing sub-national entities, SOEs, private sector companies, or hybrid structures
- Investment in countries across all income levels, with attention to lower income countries
 - Based on project's inherent benefits
- No budgetary, or policy reform lending
 - Focused on project financing
 - Projects must have infrastructure or productive assets
- No concessionary finance
 - Financing done on commercial terms
 - But with a Special Fund (with country contributions) to support project preparation in low income countries

Thematic priorities

AIIB as the *Lean, Clean and Green* infrastructure investment bank for the 21st Century, focused on three priority themes

- Sustainable infrastructure (sustainable energy, transport and cities)
- Cross-country connectivity
- Mobilization of private capital for infrastructure

A brief strategy map



Mobilize Private Capital

- Long term aim
 - a “go-to” institution for providing infrastructure financing solutions in and to client countries
- Three key activities
 - AIB Partners – pursuing and executing transactions based on third party referrals, as well as a few readily investable non-sovereign projects
 - AIB Leads – involves originating, structuring and executing stand-alone deals.
 - AIB Creates Markets - Implementation entails opening up new markets and creating deal flow
- Team capability and partnership
 - require an experienced, qualified team of officers with good track records, consistently and regularly implementing a client coverage plan
 - establish and foster partnerships with financiers like other MDBs, commercial banks, institutional investors and advisors, including lawyers and technical consultants



A brief on project process

AIB's project process is guided by its strategic goals and thematic priorities: sustainable infrastructure, cross country connectivity and private capital mobilization. AIB screens project ideas and proposals from clients, partners and other stakeholders and seeks to achieve an appropriate balance among borrowers, sectors, sovereign and non-sovereign projects. Projects that meet the preliminary screening criteria are included in the rolling investment program.



Forms of AIIB Financing Available

- Sovereign-backed financing (requires sovereign guarantee)
 - Loan
- Non Sovereign-backed financing (Private, SOEs, Sub Sovereign, Municipalities)
 - Loan
 - Equity
 - Others : bonds, credit enhancement (e.g. guarantees), funds, etc.



Key Features of Investments

Key features of operations

- Financing can be single product or combination
- Investment in infrastructure or productive sectors
- A cap of total investment to crowd in co-financiers
- No controlling stakes, unless under exceptional circumstances
- Usually no tied projects (procurement must be open)
- Strong environment and social safeguards

Key Features of Investments (Practical Considerations)

Practical considerations

- At this juncture, funding mainly in USD and based on floating rates (Libor + spreads). More currency capability and derivative instruments are being developed
- Credit enhancement instruments (e.g. guarantees) are allowed for, but not fully developed as a product yet
- Long or short tenors have to be considered against fundamentals of projects and market conditions
- Bankability
 - Sovereign-backed projects should meet the key conditions set in “AIIB General Conditions Sovereign Backed Loans”
 - Non-sovereign projects need to be financially viable



Approved projects to date

Approved in 2016

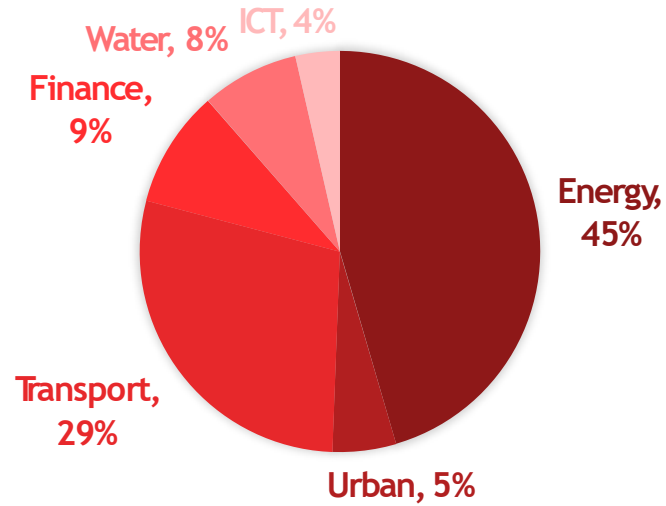
| No. | Country | Project Name | Board Approval Date |
|-----|-------------------|-------------------------------------------------|---------------------|
| 1 | Pakistan | National Motorway M-4 (Shokot-Khanewal Section) | 24-Jun-16 |
| 2 | Bangladesh | Distribution System Upgrade & Expansion | 24-Jun-16 |
| 3 | Tajikistan | Dushanbe-Uzbekistan Border Improvement | 24-Jun-16 |
| 4 | Indonesia | National Slum Upgrading | 24-Jun-16 |
| 5 | Myanmar | Myingyan Combined Cycle Gas Turbine Power Plant | 27-Sep-16 |
| 6 | Pakistan | Tarbela 5 Hydropower Extension | 27-Sep-16 |
| 7 | *Oman | Railway System Preparation | 8-Dec-16 |
| 8 | Oman | Duqm Port Development | 8-Dec-16 |
| 9 | Azerbaijan | Trans-Anatolian Natural Gas pipeline (TANAP) | 21-Dec-16 |

Approved in 2017

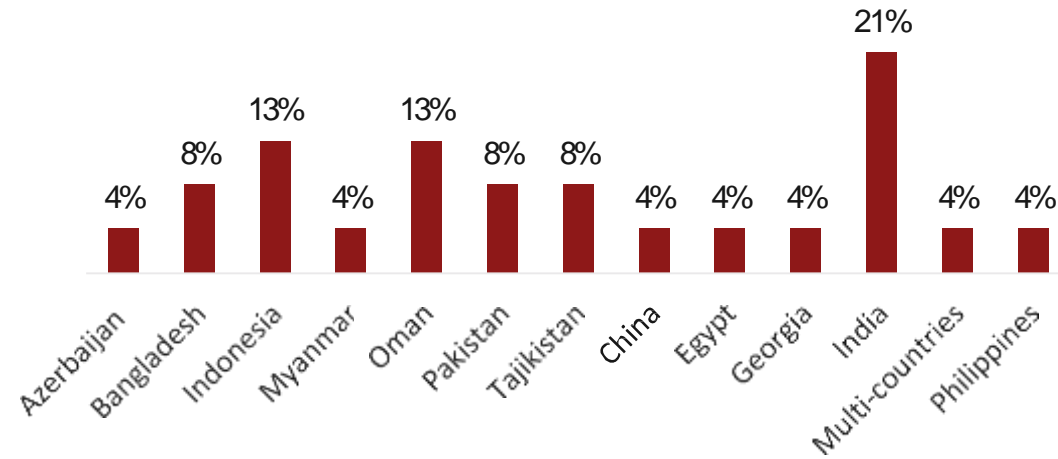
| No. | Country | Project Name | Board Approval Date |
|-----|--------------------|---------------------------------------------------------------|---------------------|
| 1 | Indonesia | Regional Infrastructure Development Fund (RIDF) | 22-Mar-17 |
| 2 | Indonesia | Dam Operations Rehabilitation and Safety Improvement | 22-Mar-17 |
| 3 | Bangladesh | Natural Gas Infrastructure and Efficiency Improvement Project | 22-Mar-17 |
| 4 | India | 24x7 – Power For All in Andhra Pradesh | 2-May-17 |
| 5 | Tajikistan | Nurek Hydropower Rehabilitation and Project Phase 1 | 15-Jun-17 |
| 6 | Georgia | Batumi-Bypass Road Development | 15-Jun-17 |
| 7 | India | Gujarat Rural Road Development – Phase 1 (MMGSY) | 4-Jul-17 |
| 8 | India | Transmission System Strengthening (Tamil Nadu) | 27-Sep-17 |
| 9 | Philippines | Manila Flood Prevention | 27-Sep-17 |
| 10 | India | Bangalore Metro Rail Project –Line R6 | 08-Dec-17 |
| 11 | Asia | IFC Emerging Fund | 27-Sep-17 |
| 12 | India | India Infrastructure Fund | 15-Jun-17 |
| 13 | Egypt | Round II Solar Feed-in Tariff Program | 4-Sep-17 |
| 14 | Oman | Oman Broadband Infrastructure | 08-Dec-17 |
| 15 | China | Beijing Air Quality Improvement and Coal Replacement | 08-Dec-17 |

Approved projects to date - composition

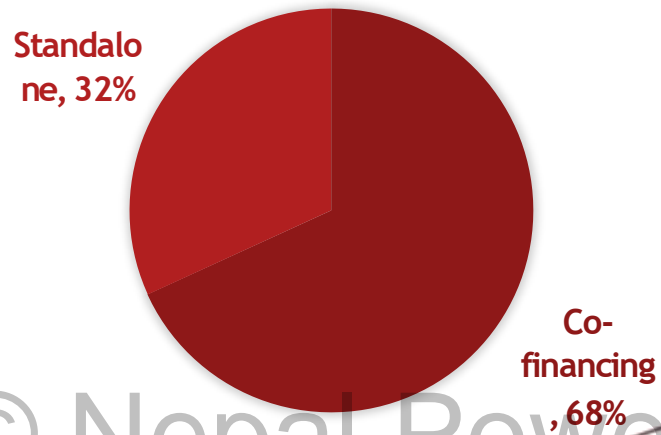
Sector division



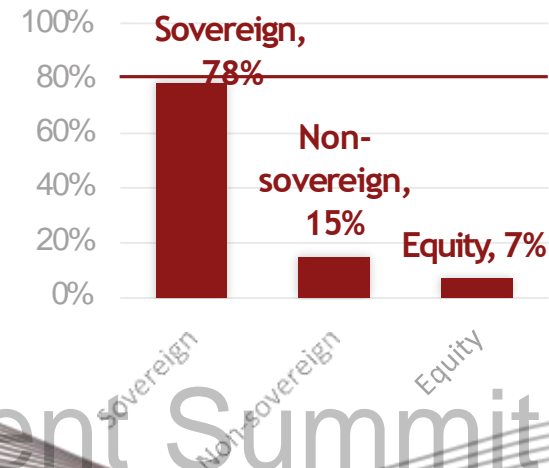
Country division



Loan method (Co-Finance/Standalone)



Loan type (Sovereign/Non-Sovereign/Equity)



To sum up for AIIB

- AIIB is set up to complement existing institutions and address Asia's development needs by focusing on infrastructure project financing
- Significant progress in first two years since inception in Jan, 2016
- Started with 57 member countries (regional and non-regional), expanded to 84
- Just crossed US\$4.2 billion in loan and equity investments in 4Q17
- Triple A ratings



THANK YOU.
LET'S CREATE TOMORROW.

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