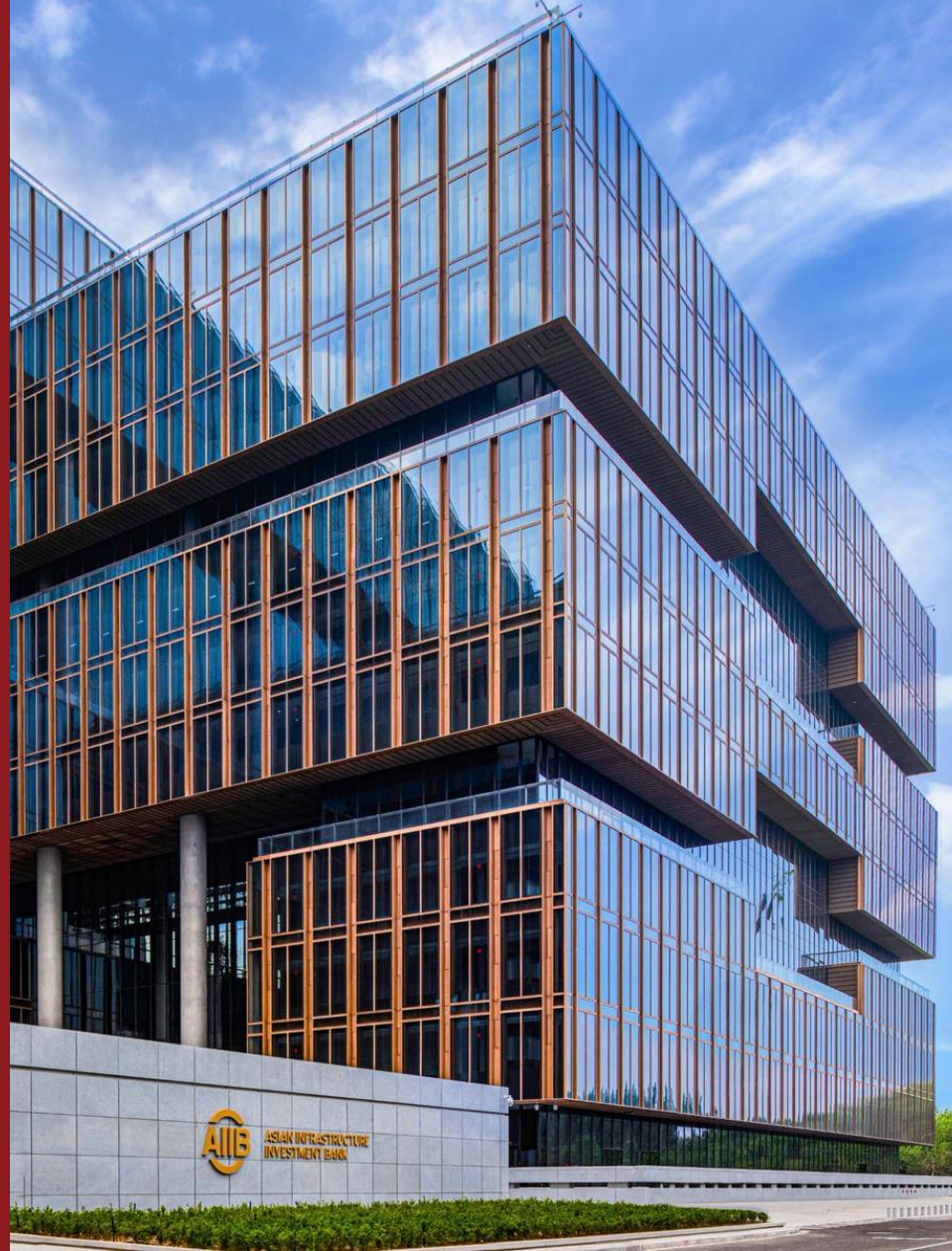




ASIAN INFRASTRUCTURE  
INVESTMENT BANK

# AIIB in the CAREC Region

Nahom Ghebrihiwet  
November 2024



# About AIIB

## Asian Infrastructure Investment Bank

### Who we are

**Multilateral Development Bank** (MDB) established by international treaty and headquartered in Beijing, founded to bring countries together to address **Asia's infrastructure funding gap**. Our core principles are financial sustainability and sound banking, strong multilateral governance and oversight, and high project standards.

### Our Vision and Mission

Our **Vision** is a prosperous Asia based on sustainable economic development and regional cooperation.

Our **Mission** is Financing Infrastructure for Tomorrow. By investing in sustainable infrastructure, AIIB unlocks 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 in partnership. By being agile and adaptable, the Bank will meet client needs and operate to the highest standards.

### Credit strength

Strong support from a diversified global shareholder base. **USD100 billion capital stock** with 20% assigned to paid-in capital. Conservative risk management and financial policies. Experienced management team.

**AAA/Aaa/AAA credit rating** with a stable outlook.

AIIB's foundation is built on the lessons and experience of other MDBs and the private sector. Its core values are:

**Lean**, with a small efficient management team and highly skilled staff.

**Clean**, an ethical organization with zero tolerance for corruption.

**Green**, an institution built on respect for the environment.



# Financing i4t – Thematic Priorities

A firm commitment to sustainability in all of its dimensions – economic, financial and E&S



## Green Infrastructure

Promoting green infrastructure and supporting members to meet their local and national environmental and development goals, especially their commitments under the Paris Agreement and the United Nations' Sustainable Development Goals.



## Connectivity and Regional Cooperation

Facilitating better transport, digital, energy and water connectivity within Asia and between Asia and the rest of the world. It will also support projects that facilitate trade, cross-border investment, tourism, financial and digital integration across Asian economies and beyond.



## Technology-enabled Infrastructure

Based on the enhanced recognition of the important role technology plays, AIIB will support projects where the application of technology delivers better value, quality, productivity, efficiency, resilience, sustainability, inclusion, transparency and better governance along the project cycle.



## Private Capital Mobilization

To support projects that directly or indirectly mobilize private financing into sectors within AIIB's mandate. Includes developing infrastructure as an asset class in Asia.

### Private sector projects

Target by 2030  
(50% of actual financing approvals)

### Climate financing

Target by 2025  
(50% of actual financing approvals)

### Cross-border connectivity

Target by 2030  
(25% to 30% of actual financing approvals)

# Investment Products

Range of instruments offered across the full capital stack



## Sovereign-backed financing

- Sovereign-backed loans will have an *average* maturity of **20 years** and a *final* maturity limit of **up to 35 years**.
- AIIB will continue to **co-finance** projects with other lenders in addition to expanding its **standalone portfolio**.
- Appraisal of sovereign loans will take into account a full assessment of the **project's benefits, risks** and **borrower implementation capacity**.



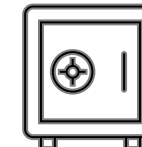
## Non-sovereign-backed financings

- The Bank is taking a **progressive approach** to building its book of non-sovereign-backed financing.
- AIIB's approach is based on **sound banking** practice.
- Borrowers range from **sub-sovereign public entities** to **private enterprises**.
- The terms and conditions will be set on a **commercial basis** and reflect the **expected risk** to the bank and **market conditions**.
- Loan amounts can be **up to 35%** of the project's value or the long-term capitalization of an obligor.



## Equity Investments

- The Bank will only consider making **equity investments** under terms it considers fair, where clear potential **exit strategies** are present, and where an **acceptable internal rate of return** is projected.
- Limit on Equity investments **up to 10% of available capital**.
- The Bank expects to play the role of a **minority investor** and **shall not seek a controlling interest** in the target entity or enterprise.



## Guarantees

- **Partial Debt Guarantees** are available to clients. The product is currently introduced for sovereign and non-sovereign operations.
- It incorporates **partial debt guarantees** and **unfunded risk participation**.
- Projects involving guarantees will be appraised, processed, and monitored the same way as loans.
- For capital headroom and exposure management purposes, guarantees will be treated as if they were on the balance sheet (i.e. treated the same way as loans).

# AIIB CLIMATE-FOCUSED POLICY-BASED FINANCING



## Key Features of AIIB's Climate-Focused Policy-Based Financing (CPBF) Instrument

- 1** To contribute to coordinated international climate efforts, Asian Infrastructure Investment Bank (AIIB or the Bank) introduced CPBF instrument as part of its suite of Sovereign-Based Financing (SBF) instruments to support Member's climate related policy and institutional reform programs.
- 2** The objective of AIIB's CPBF is to support a Member-led policy and institutional reform program aimed at scaling up climate finance and accelerating the Member's transition towards a low carbon and climate resilient future.
- 3** In supporting CPBF operations, AIIB will prioritize climate policy-based programs with a strong focus on climate adaptation and creating a conducive environment for attracting and mobilizing private capital. It will also have tangible links to climate-related infrastructure investments.
- 4** AIIB will also place emphasis on upstream dialogue with Members and partners and on adding value to the reform content through its infrastructure and climate finance expertise.

## ELIGIBILITY REQUIREMENTS

The Bank may extend a CPBF to support a climate policy-based program that meets the following eligibility requirements:

### **1. The Member has a Climate Transition Plan to a Low Carbon and Climate Resilient Future**

The Climate-focused Policy-Based Financing is supportive of, and consistent with, the Member's policies and institutional reform actions aimed at implementing the Member's internationally recognized climate transition plan under the United Nations Framework Convention on Climate Change (UNFCCC), that is either already adopted or in the process of being adopted. Examples of internationally recognized climate action plans covered by UNFCCC: Nationally Determined Contributions (NDC), Long-term Strategy, National Adaptation Plan, and/or National Biodiversity Strategy and Action Plans.

### **2. The Member has an Adequate Macroeconomic Policy Framework**

# Local Currency Financing

Diversified access to local currency through different instruments to meet the client's needs

## Objectives of Local Currency

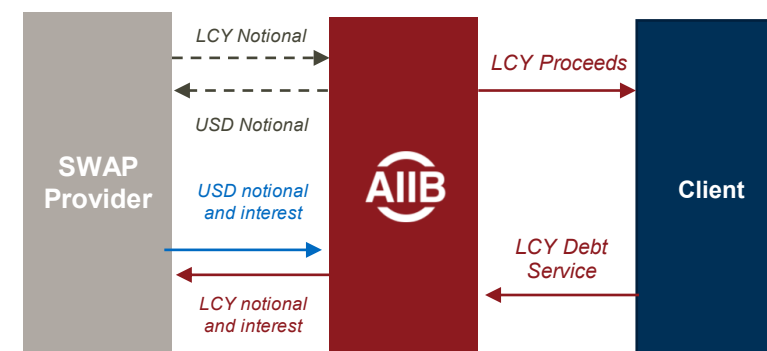
- **Infrastructure projects** are long-tenor, high-volume, and may have unpredictable cash-flows.
- By matching the currency denomination of assets and liabilities, AIIB's clients can **focus on project implementation** rather than be concerned about exchange rate movements.
- A borrower's ability to borrow in foreign currency may be restricted due to **regulatory** demands or **high credit charges** required by commercial banks offering foreign currency hedges.
- AIIB aims to **provide** local currency financing that may reduce the risk of losses from such currency mismatches and, in turn, **decrease the credit risk profile and cost of projects**.
- AIIB clients with revenues in local currency **have the opportunity to borrow in LCY** to minimize currency risk.
- AIIB may provide a **longer LCY tenor** than normally available in the local market.

## Instruments

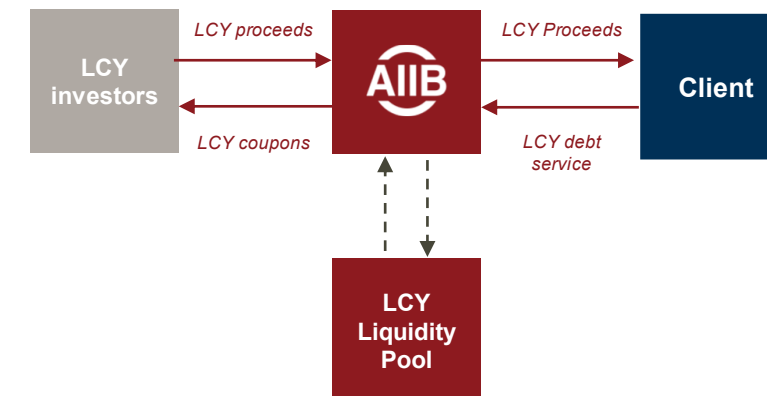


- AIIB's decision to source local currency funding through **CCS or bond(s) (offshore or onshore)** depends on market conditions, regulations, instrument availability and cost considerations.
- AIIB has a proven ability to fund in international capital markets in a range of currencies, having issued **global bonds in USD**, bonds in **CNY** in international and domestic markets, and bonds in **GBP, MXN, RUB, HKD, THB and TRY**.
- **Non-sovereign borrowers** can borrow in over 21 hard and local currencies.
- **Sovereign-backed borrowers** can borrow in currencies of **G10 countries or currencies of the SDR basket**, including **GBP, CAD, CNY, EUR, JPY, SEK, CHF**, in addition to **USD**.

## Cross Currency Swap



## Bonds



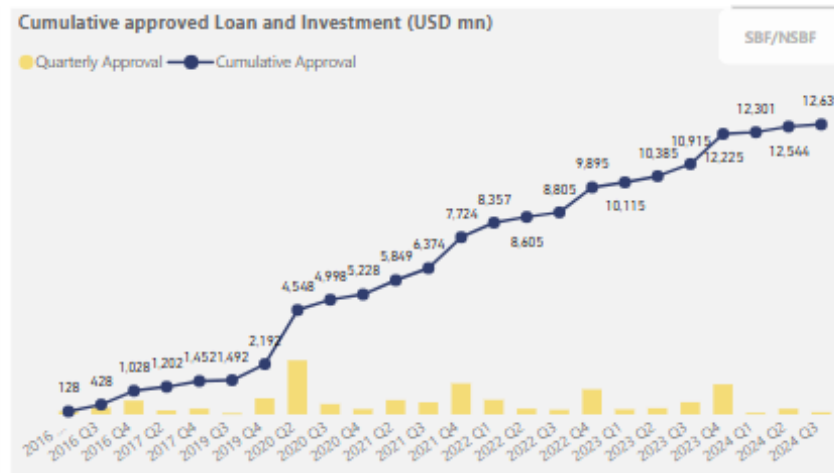
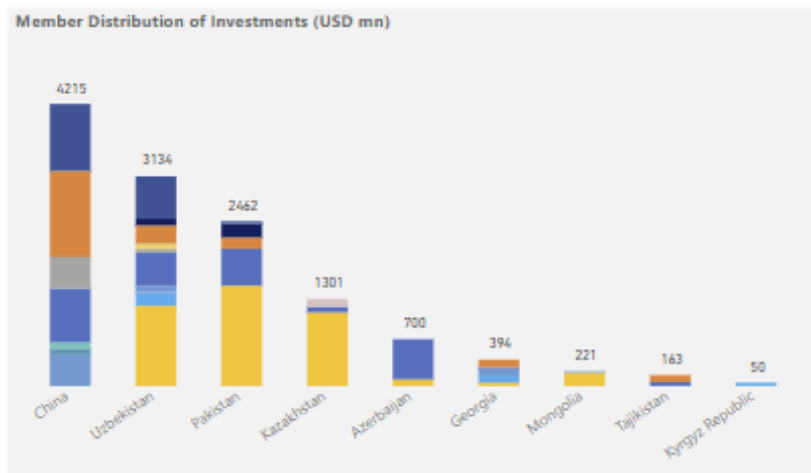
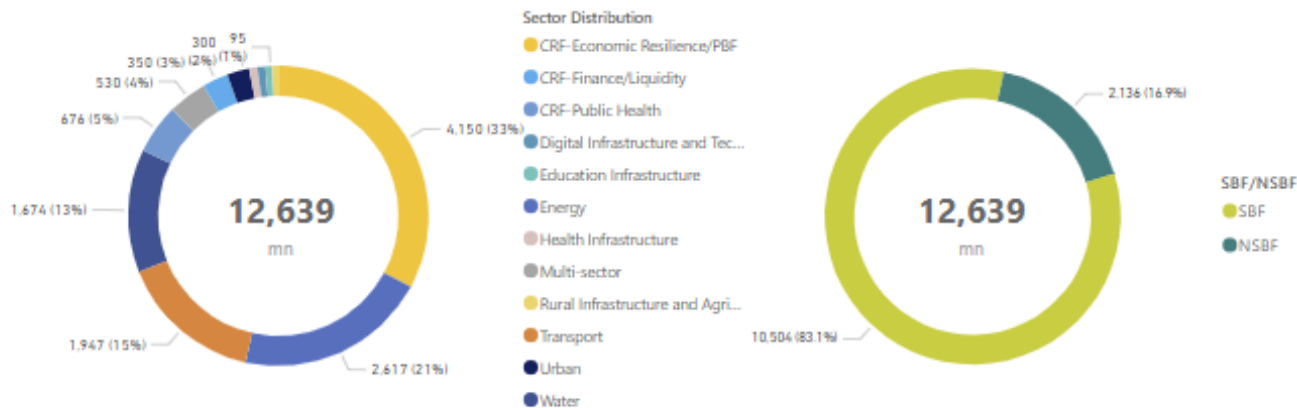
# Investment Operations in the CAREC region

Total Investment Operations Approved – USD12.64 Billion (as of Nov 12, 2024)

Number of Projects  
**64**

Financing Amount  
**USD 12,639 mn**

Number of Members  
**9**



# Investment Operations in the CAREC region

## AIIB Project List

YEAR	MEMBER	SECTOR	TYPE	INSTRUMENT	PROJECT NAME	AMOUNT (Mil.)
2021	Azerbaijan	CRF-Economic Resilience/PBF	Sovereign	Loan	Azerbaijan: Republic of Azerbaijan COVID-19 Active Response and Expenditure Support (CARES) Program	USD100
2016	Azerbaijan	Energy	Sovereign	Loan	Azerbaijan: Trans Anatolian Natural Gas Pipeline Project (TANAP)	USD600
2024	China	Education Infrastructure	Nonsovereign	Loan	China: Yantai Higher Vocational School Project	USD95
2024	China	Multi-sector	Nonsovereign	Loan	China: JC Leasing Green and Blue Loan	USD100
2023	China	Multi-sector	Nonsovereign	Fund	China: GL Capital China Opportunities Fund IV	USD25
2023	China	Transport	Sovereign	Loan	China: Yunnan Kunming Changshui Airport Expansion and Green Development Project	USD500
2023	China	Energy	Nonsovereign	Loan	China: Chongho Bridge Green Facility	USD50
2022	China	Multi-sector	Nonsovereign	Fund	China: NIO Capital Eve ONE Fund II	USD50
2022	China	Transport	Nonsovereign	Loan	China: Lionbridge Leasing EV Transport Green Transition Facility	USD60
2022	China	Multi-sector	Nonsovereign	Bond	China: Haier Social Infrastructure Leasing	USD100
2022	China	Transport	Nonsovereign	Fund	China: GLP China Logistics Fund III	USD125
2022	China	Transport	Sovereign	Loan	China: Zhengzhou International Logistics Hub (Previously: Zhengzhou International Hub Expansion)	USD150
2022	China	Multi-sector	Nonsovereign	Loan	China: China EXIM Bank Green On-lending Facility	USD200
2021	China	Water	Sovereign	Loan	China: Henan Flood Emergency Rehabilitation and Recovery Project	USD1,000
2021	China	Transport	Sovereign	Loan	China: Liaoning Green Smart Public Transport Demonstration Project	USD150
2021	China	Digital Infrastructure and Technology	Nonsovereign	Fund	China: Sinovation Disrupt Fund	USD75
2021	China	CRF-Public Health	Nonsovereign	Loan	China: FOSUN COVID-19 Response Project	USD100
2021	China	Transport	Sovereign	Loan	China: Guangxi Chongzuo Border Connectivity Improvement Project	USD300
2020	China	Digital Infrastructure and Technology	Nonsovereign	Fund	China: Legend Capital Healthcare Technology Fund	USD30
2020	China	CRF-Public Health	Sovereign	Loan	China: Emergency Assistance to China Public Health Infrastructure Project	USD355
2019	China	Energy	Sovereign	Loan	China: Beijing-Tianjin-Hebei Low Carbon Energy Transition and Air Quality Improvement Project	USD500
2017	China	Energy	Nonsovereign	Loan	China: Beijing Air Quality Improvement and Coal Replacement	USD250
2023	Georgia	Energy	Nonsovereign	Bond	Georgia: Georgia Capital Sustainability Linked Financing Facility	USD30
2021	Georgia	CRF-Finance/Liquidity	Nonsovereign	Loan	Georgia: TBC Bank COVID-19 Credit Line Project	USD100
2020	Georgia	CRF-Economic Resilience/PBF	Sovereign	Loan	Georgia: Economic Management and Competitiveness Program: COVID-19 Crisis Mitigation	USD50
2020	Georgia	CRF-Public Health	Sovereign	Loan	Georgia: Emergency COVID-19 Response Project	USD100
2017	Georgia	Transport	Sovereign	Loan	Georgia: Batumi Bypass Road	USD114
2024	Kazakhstan	Health Infrastructure	Nonsovereign	Loan	Kazakhstan: Kokshetau PPP Hospital Project	USD113.90
2023	Kazakhstan	CRF-Economic Resilience/PBF	Sovereign	Loan	Kazakhstan: Fiscal Governance and Financial Sector Reforms Program	USD350
2023	Kazakhstan	Energy	Nonsovereign	Loan	Kazakhstan: Shokpar 100MW Wind Power Project	USD40
2020	Kazakhstan	CRF-Economic Resilience/PBF	Sovereign	Loan	Kazakhstan: COVID-19 Active Response and Expenditure Support (CARES) Program	USD750
2019	Kazakhstan	Energy	Nonsovereign	Loan	Kazakhstan: Zhanatas 100 MW Wind Power Plant	USD46.7
2020	Kyrgyzstan	CRF-Finance/Liquidity	Sovereign	Loan	Kyrgyzstan: Kyrgyz Emergency Support for Private and Financial Sector Project	USD50
2022	Mongolia	CRF-Economic Resilience/PBF	Sovereign	Loan	Mongolia: Weathering Exogenous Shocks Program	USD100
2021	Mongolia	CRF-Public Health	Sovereign	Loan	Mongolia: Support for COVID-19 Vaccine Delivery in Mongolia under the Asia Pacific Vaccine Access Facility	USD21
2020	Mongolia	CRF-Economic Resilience/PBF	Sovereign	Loan	Mongolia: COVID-19 Rapid Response Program	USD100
2023	Pakistan	CRF-Economic Resilience/PBF	Sovereign	Loan	Pakistan: Second Resilient Institutions for Sustainable Economy (RISE-II) Development Policy Financing	USD250
2022	Pakistan	CRF-Economic Resilience/PBF	Sovereign	Loan	Pakistan: Building Resilience with Countercyclical Expenditures (BRACE) Program	USD500
2021	Pakistan	Urban	Sovereign	Loan	Pakistan: Khyber Pakhtunkhwa Cities Improvement Project	USD200
2021	Pakistan	Energy	Sovereign	Loan	Pakistan: Balakot Hydropower Development Project	USD250
2020	Pakistan	CRF-Economic Resilience/PBF	Sovereign	Loan	Pakistan: Resilient Institutions for Sustainable Economy (RISE) Program	USD250
2020	Pakistan	CRF-Economic Resilience/PBF	Sovereign	Loan	Pakistan: COVID-19 Active Response and Expenditure Support (CARES) Program	USD500
2019	Pakistan	Transport	Sovereign	Loan	Pakistan: Karachi Bus Rapid Transit Red Line Project	USD71.81
2019	Pakistan	Water	Sovereign	Loan	Pakistan: Karachi Water and Sewerage Services Improvement	USD40
2016	Pakistan	Transport	Sovereign	Loan	Pakistan: National Motorway M-4 (Shorkot-Khanewal Section)	USD100
2016	Pakistan	Energy	Sovereign	Loan	Pakistan: Tarbela 5 Hydropower Extension	USD300
2024	Tajikistan	Transport	Sovereign	Loan	Tajikistan: Obigarm-Nurobod Road Project – Long Bridge and Approaches	USD75.5
2017	Tajikistan	Energy	Sovereign	Loan	Tajikistan: Nurek Hydropower Rehabilitation, Phase I	USD60
2016	Tajikistan	Transport	Sovereign	Loan	Tajikistan: Dushanbe-Uzbekistan Border Road Improvement	USD27.5
2024	Uzbekistan	Multi-sector	Nonsovereign	Loan	Uzbekistan: Asakabank Energy Efficiency and Renewables Facility	USD30
2023	Uzbekistan	Economic Resilience / PBF	Sovereign	Loan	Uzbekistan: First Inclusive and Resilient Market Economy Development Policy Operation	USD670
2023	Uzbekistan	Energy	Nonsovereign	Loan	Uzbekistan: Surkhandarya 1,560MW CCGT Power Plant	EUR225
2023	Uzbekistan	Multi-sector	Nonsovereign	Bond	Uzbekistan: UzPSB Energy and Water Efficiency, and Renewables Bond Investment	USD25
2023	Uzbekistan	Energy	Nonsovereign	Loan	Uzbekistan: Masdar 897MW Solar PV Portfolio (Samarkand, Jizzakh and Sherabad solar PV plants)	USD145
2022	Uzbekistan	CRF-Economic Resilience/PBF	Sovereign	Loan	Uzbekistan: Advancing Uzbekistan Economic and Social Transformation Development Policy Operation	USD530
2022	Uzbekistan	Water	Sovereign	Loan	Uzbekistan: Bukhara Region Water Supply and Sewerage Phase II (BRWSSP II)	USD248.4
2022	Uzbekistan	Transport	Sovereign	Loan	Uzbekistan: Bukhara-Miskin-Urgench-Khiva Railway Electrification Project	USD108
2021	Uzbekistan	Energy	Nonsovereign	Loan	Uzbekistan: Sirdarya 1,500MW CCGT Power Project	USD100
2021	Uzbekistan	Urban	Sovereign	Loan	Uzbekistan: Medium-size Cities Integrated Urban Development Project	USD100
2020	Uzbekistan	CRF-Public Health	Sovereign	Loan	Uzbekistan: Healthcare Emergency Response Project	USD100
2020	Uzbekistan	Transport	Sovereign	Loan	Uzbekistan: Bukhara Road Network Improvement Project (Phase 1)	USD165.5
2020	Uzbekistan	Water	Sovereign	Loan	Uzbekistan: Bukhara Region Water Supply and Sewerage (BRWSSP)	USD385.1
2019	Uzbekistan	Rural Infrastructure and Agriculture Development	Sovereign	Loan	Uzbekistan: Rural Infrastructure Development Project (Previously: Prosperous Villages Project)	USD82



# Articles of Agreement

## Fiscal sustainability

- §1. Purpose 1. The purpose of the Bank shall be to: (i) foster **sustainable** economic development [...]
- §9. Use of Resources. The resources of the Bank shall be used in accordance with **sound banking principles**.
- § 13. 6. In providing financing, the Bank shall pay due regard to the prospects that the **recipient will be able to meet their obligations** under the financing contract.
  
- **Operational Policy on Financing**
  - III.3.3(b) Economic Assessment. The Bank undertakes an economic assessment of the Project's rationale, using approaches and **methodologies appropriate for [...] country conditions**.
  - Annex 1 §3.3.(a) Conditions of Financing. The Bank requires that [...] the Project's impact on the Member's **fiscal sustainability** is acceptable
  - In its determination [of the] Project's **impact on the member's fiscal sustainability**, the Bank gives particular attention to [IMF's] **debt sustainability analyses**
  
- **Directive on Sovereign Risk Rating**
  - §3.1.2.(b) SPB monitors the compliance of AIIB's lending with the **IMF's Debt Limits Policy** and the **WB's Non-Concessional Borrowing Policy** on borrowing [...]
  
- **AIIB's Policy-Based Cofinancing in Eligible Crises / AIIB's Climate-Focused PBF**
  - All crisis-related PBCF will be subject to [...] an **IMF assessment confirming** the adequacy of the Borrower's macroeconomic-framework, **debt sustainability** and fiscal arrangements.
  - To be eligible for CPBF [...] Member must have **adequate macro-economic policy framework**

## AIIB members' borrowing limits

(under IDA's Sustainable Development Finance Policy and IMF's Public Debt Limits Policy)

Country	IMF program ends	Risk of debt stress	Borrowing limits			Notes
			non-concessional	concessional	until	
Benin	7-Jan-26	Moderate	CFAF 620bn		Dec 2023	in PV terms
Cote d'Ivoire	23-Sep-26	Moderate	USD 4.7bn		Dec 2023	in PV terms
Ethiopia	none	High	not allowed	no limit	Jun 2023	debt limits for FY24, if any, not yet disclosed by IDA
Fiji	none	Moderate	no limit	no limit	Jun 2023	debt limits for FY24, if any, not yet disclosed by IDA
Georgia	14-Jun-25	Low*	no limit	no limit	Dec 2023	zero limit on gov. guarantees
Ghana	16-May-26	In debt distress	USD 66.2m		Dec 2023	in PV terms
Guinea	none	Moderate	USD 1bn	no limit	Jun 2023	debt limits for FY24, if any, not yet disclosed by IDA
Jordan	24-Mar-24	Moderate	JD 32.6bn		Dec 2023	total stock of gross public debt
Kyrgyz Republic	none	Moderate	no limit	no limit	Jun 2023	debt limits for FY24, if any, not yet disclosed by IDA
Laos	none	In debt distress	USD 605m	no limit	Jun 2023	debt limits for FY24, if any, not yet disclosed by IDA
Liberia	10-Dec-23	Moderate	USD 92.2m		Jun 2023	in PV terms
Madagascar	28-Jul-24	Moderate	USD 800m		Dec 2023	in PV terms
Maldives	none	High	not allowed	no limit	Jun 2023	debt limits for FY24, if any, not yet disclosed by IDA
Pakistan	11-Apr-24	High	no limit	no limit	Dec 2023	limit on gov. guarantees: PKR 4bn
Rwanda	11-Dec-25	Moderate	USD 1.1bn		Dec 2023	in PV terms
Samoa	none	High	not allowed	no limit	Jun 2023	debt limits for FY24, if any, not yet disclosed by IDA
Tajikistan	none	High	not allowed	no limit	Jun 2023	debt limits for FY24, if any, not yet disclosed by IDA
Timor-Leste	none	Moderate	no limit	no limit	Jun 2023	debt limits for FY24, if any, not yet disclosed by IDA
Tonga	none	High	not allowed	no limit	Jun 2023	debt limits for FY24, if any, not yet disclosed by IDA
Vanuatu	none	Moderate	not allowed	no limit	Jun 2023	debt limits for FY24, if any, not yet disclosed by IDA

*PV = in present value terms (regardless of concessionality); \* AIIB staff assessment (based on IMF methodology)*

*Debt risk assessment pertains to external debt (IDA/PRGT countries, except market access countries) and to all public debt (other countries)*

*Unless otherwise indicated, borrowing limits apply to new external debt (incl. guarantees) from the beginning of the fiscal (IDA) or calendar (other countries) year, and often exclude refinancing*

*Some borrowing space may have been earmarked or already used*

# What to do about debt limits?

- Blend
  - While non-concessional, AIIB regular pricing may already have some grant elements
    - depending on the global interest rate environment
- Special Fund Window for Less Developed Members (SFW) to subsidize AIIB loans
- Have a good project with large economic benefits
  - Waivers are possible ex-ante and ex-post.
  - Can be given for critical projects with strong development impact and high financial and social rates of when concessional financing is not available.
  - Engage early with World Bank/IMF
- Use creative financing structures (NSBF)

# What is needed going forward?

- Multi-year regional pipelines (MYRP)
  - AIIB has MYRP aligned with its strategic direction
  - Important to include ideas/projects of countries to align pipeline with plans of member countries
  
- Coordinate with DFIs
  - Institutionalize discussions between MOFs and DFIs on foreign borrowing plans before fiscal year. Involve relevant ministries to align DFIs with government priorities
  - Enables DFIs to plan project cycles more effectively, in line with anticipated approval timelines