

**ASIAN INFRASTRUCTURE INVESTMENT
BANK'S ROLE IN REGIONAL
INFRASTRUCTURE FINANCING**

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Executive Summary

1. China's Asian Infrastructure Investment Bank (AIIB) is one of the world's newest multilateral development banks (MDBs). It is also the world's first MDB dedicated to infrastructure development and the first multilateral development institution established by China.
2. Its membership had expanded from 57 founding members in 2015 to 105 approved countries across every continent by March 2022. Approved AIIB members represent 65% of the global gross domestic product and nearly 80% of the global population.
3. Established MDBs do not have sufficient capital to accommodate the huge infrastructure investment need in Asia, creating the opportunity for China to seize the initiative through the promotion of the AIIB.
4. The AIIB and the New Development Bank (NDB) were established because of the same geostrategic and geoeconomic dissatisfaction on the part of China and other BRICS countries with the slow reform process of an international financial governance system dominated by the West.
5. The AIIB image so far has been positive among the international community. It has also enhanced its worldwide credibility by successfully securing short- and long-term triple-A issuers ratings from the three most important international credit rating agencies in 2017.
6. The bank is rapidly increasing its lending in Asia and beyond despite facing challenges to its operations posed by the uncertain geostrategic environment, COVID-19 pandemic and strict Zero-COVID policy implemented by China.
7. Annual approved projects rose to 50 in 2021 from 28 before the pandemic in 2019, indicating continued growth amid the COVID-19 pandemic. The bank had approved 191 projects worth over US\$36.44 billion in 33 member countries by October 2022,

indicating China's new approach to international financing and infrastructure development abroad.

8. The AIIB has announced the opening of a regional office in Abu Dhabi, United Arab Emirates to move the bank closer to both its clients and the front lines of its business. Opening regional offices could also help the bank to effectively supervise its growing investment portfolio, and strengthen its project monitoring and local implementation services.
9. Many AIIB-approved infrastructure projects were co-financed with other MDBs, such as the World Bank (WB) and the Asian Development Bank (ADB). The AIIB has much to gain from these banks' rich experience in infrastructure financing, whilst also lowering the risks of loan commitment by sharing the financial burden with other partners.
10. Compared to its MDB peers, the WB and ADB in particular, AIIB's investment projects and overall approved lending portfolio are still small.