



ASIAN INFRASTRUCTURE
INVESTMENT BANK

CEIU Independent Midterm Assessment of AIIB's Corporate Strategy

SEPTEMBER 2024





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Contents

Abbreviations	1
Introduction	7
The Theory of Change Behind the Corporate Strategy	11
Relevance of the CS and Its Implied TOC	17
Relevance	17
A Brief Comparative Perspective	18
Operationalizing the Strategy	20
Result Orientation of the Corporate Strategy	23
Implementation of the Strategy	29
Growth	29
Implementation of the Strategy: Strategic Alignment with Priorities and Progress in Achieving Alignment	33
Implementation of the Strategy: Building Internal Capacities	38
Implementation of the Strategy: Preliminary Assessment of Project Standards	39
Crises and Strategic Adaptation Response	45
Early Indications on Development Effectiveness	49
Forward Considerations	53
Forward Perspective on the Strategy	53
Forward Perspectives on Result Measurement and the Corporate Scorecard	59
Conclusions and Recommendations	65
Conclusions	65
Recommendations	67

Abbreviations

AIB	—	Asian Infrastructure Investment Bank
AOA	—	Articles of Agreement
CAGR	—	Compound Annual Growth Rate
CBC	—	Cross-border Connectivity
CEIU	—	Complaints-resolution, Evaluation, and Integrity Unit
CPBL	—	Climate Policy-based Lending
CRC	—	Connectivity and Regional Cooperation
CRF	—	Crisis Recovery Facility
CS	—	Corporate Strategy
CSMR	—	Corporate Strategy Midterm Review
ECLAC	—	Economic Commission for Latin America and the Caribbean
ESA	—	Environmental and Social Assessment
ESS	—	Environmental and Social Standards
FI	—	Financial Intermediary
IDD	—	Infrastructure-driven Development
MDB	—	Multilateral Development Bank
NDB	—	New Development Bank
NSBF	—	Nonsovereign Based Financing
PBCF	—	Policy-Based Co-financing
PBL	—	Policy-Based Lending
PCM	—	Private Capital Mobilization
PPQ	—	Project Prioritization and Quality Frameworks
RBF	—	Results-Based Financing
SBF	—	Sovereign-Based Financing
SROI	—	Social Return on Investment
TOC	—	Theory of Change

Executive Summary

The Corporate Strategy (CS) included the requirement that the Strategy be reviewed in 2025. In line with this requirement, Asian Infrastructure Investment Bank's (AIIB) Management is undertaking a Midterm Review of the CS (CSMR). In close coordination with Management, CEIU is participating in the Midterm Review process by preparing an independent assessment of the CS for the Board of Directors and Management.

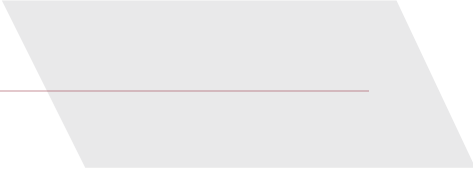
This independent assessment comprises the following elements: (i) Assessment of the relevance of the Corporate Strategy; (ii) Assessment of the appropriateness of the Corporate Scorecard; (iii) Assessment of the effectiveness of the implementation of the CS; (iv) Forward considerations and Conclusions.

RELEVANCE OF THE CS

The CS is relevant to the achievement of AIIB's mandate as defined in the Articles of Agreement (AOA). The four thematic priorities provide strategic underpinning to the infrastructure mandate. They help identify the features AIIB-supported projects need to have to “contribute most effectively to the harmonious economic growth of the region as a whole”.¹ The thematic priority areas are also areas with potentially high supranational externalities (global or regional public goods such as climate change and cross-border connectivity), which is aligned with the nature and mandate of a supranational like AIIB.

The CS is based on sound theoretical and empirical foundations. It reflects infrastructure-driven development (IDD) theory and emphasizes development projects as its main instrument. **There**

¹ AIIB Articles of Agreement (AOA), Article 2 (ii), page 2.



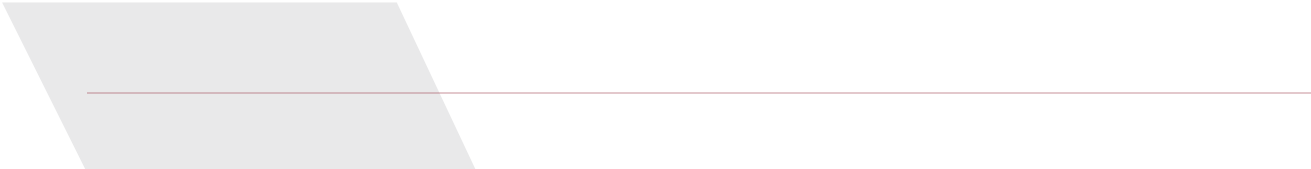
seems to be also a strong empirical support for the premises on which the CS is built: (i) the benefits of infrastructure for development, including connectivity and regional cooperation, (ii) existing infrastructure gaps and (iii) the Strategy's diagnostics of constraints.

RESULT ORIENTATION AND ADEQUACY OF THE CORPORATE SCORECARD

The Corporate Scorecard is reflective of the growth orientation of the CS; and largely consistent with the aggregate result chain of the Bank, but with weak links to the outcome level. It is a truncated version of AIIB's aggregate impact chain: its top-level indicators are at the output level. The Scorecard has no quantitative indicators measuring AIIB's direct contribution to outcomes related to the four strategic priorities and it does not contain a measure of the aggregate social value of "measurable direct benefits" generated by AIIB projects.

The strategic alignment indicators provide some line of sight to outcomes. They are thus a key link in AIIB's result chain. But the themes are themselves broad and do not map clearly into outcomes. They require separate methodologies/guidelines for mapping projects into the thematic priority areas. The theme of Private Capital Mobilization (PCM) differs from the rest, as the CS itself indicates, and is better conceptualized as an indicator of additionality.

Not all four strategic priorities are reflected in the Scorecard. There is no indicator related to the theme of technology-enabled infrastructure. The Scorecard contains only ex-ante indicators with no measure of ex-post results. It does not contain indicators reflecting "special regard to the needs of less developed members in the Region" (AOA, article 2). Such indicators (which can be



broadened to include small states, landlocked countries and fragile members) can serve as a counterweight to incentives to focus exclusively on large projects in larger economies.

IMPLEMENTATION

The implementation of the CS was affected by the exceptional event of the COVID-19 pandemic. AIIB delivered one of the largest crisis recovery packages among the MDBs through the Crisis Recovery Facility (CRF). AIIB leadership demonstrated an exceptional ability to transform a challenge into an opportunity and put the institution on a higher growth path and expand its business scope.

AIIB grew rapidly over the period. Growth was achieved through diversification away from core infrastructure into policy-based lending, social infrastructure and financial intermediaries. Growth in core infrastructure has been rather modest.

Progress in achieving Strategic Alignment is uneven. Climate financing target was already exceeded (as share of regular approvals). Progress on the other targets is not as pronounced. Targets on Cross-border Connectivity (CBC) and Private Sector Projects seem more challenging to achieve and sustain.

Preliminary project development results reviewed by CEIU show that 90 percent of the completed projects were rated moderately satisfactory and above. The completed CRF projects were all rated satisfactory and above. This development success rate need not create expectations regarding future performance. The project sample consists largely of infrastructure and Policy-based Lending (PBL) operations, which, in the experience of Multilateral Development Banks (MDBs), tend to receive high development effectiveness ratings.

FORWARD CONSIDERATIONS

- Ensure the pursuit of growth through diversification is consistent with the CS and built around core infrastructure.
- Further strengthen focus on Connectivity and Regional Cooperation (CRC), which is a core mandate of the Bank and lagging.
- Maintain emphasis on Private Sector Projects, enhance PCM by strengthening ‘AIB Leads’ type of capabilities and activities and carefully examine the implications of the CPBF instrument on the Private Sector finance targets given the smaller size of Nonsovereign Based Financing (NSBF) projects.
- Pay attention to additionality and environmental and social (E&S) standards in Financial Intermediary (FI) investments as the NSBF business grows. Enhance use of client systems in AIB projects.
- Consider adding (i) outcome indicators and/or an indicator reflecting the total social value of AIB-supported projects to enhance alignment with aggregate impact chain; (ii) indicator reflecting “special regard to the need of less developed members.”
- Ensure that when introducing Project Completion Indicators of success, they are based on a methodology that is aligned with international standards.

Introduction

1. Per the Asian Infrastructure Investment Bank’s (AIIB) Articles of Agreement (AOA), the purpose of the Bank is to: “(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 cooperation with other multilateral and bilateral development institutions.”

2. AIIB’s Corporate Strategy (CS) was approved in September 2020 to further its mandate. It is based on three principles, four thematic priorities and five pillars.

The three principles stated in the CS are:

1. Financial sustainability and sound banking.
2. Strong multilateral governance and oversight.
3. High project standards and a commitment to sustainability.

The four thematic priorities of the CS are:

1. Green infrastructure.
2. Connectivity and Regional Cooperation (CRC).
3. Technology-enabled infrastructure.
4. Private Capital Mobilization (PCM).

The five pillars of the strategy consist of:

1. Establishing market position.
2. Achieving impact at scale.
3. Adding value along the project cycle.
4. Serving a broad range of members.
5. Building the corporate culture.

The CS also affirmed AIIB’s intention to preserve its core values of being “lean”, “clean” and “green”.

3. The CS included the requirement that the CS will be reviewed in 2025. In line with this requirement, AIB Management is undertaking a Midterm Review of the CS (CSMR). The purpose of the CSMR is to assess progress in implementing the CS, and accordingly confirm or refine AIB's implementation of the CS for the remaining period (i.e., through 2030). The Board of Directors will shape the review through several engagements, culminating in any decision to amend the CS in Q1 2025.

4. In close coordination with Management, CEIU is participating in the Midterm Review process by preparing an independent assessment of the CS for the Board of Directors and Management. While the CEIU review is aligned with the CSMR, its scope and focus are narrower, reflecting CEIU's mandate, role and comparative advantage. The CEIU review follows the same phased approach with the Board as the CSMR. In a first engagement CEIU provided an *ex-post* midterm assessment of the CS. The *ex-post* assessment addresses whether AIB is doing things right in terms of responding to and achieving (or making progress towards achieving) the commitments and goals set out in CS. A second engagement with Management and the Board adds a forward-looking perspective.

5. This assessment report combines both components: the *ex-post* assessment and the forward perspective. It comprises the following elements:

- i. **Assessment of the relevance of the CS.** A Theory of Change (TOC) approach is used to derive the implied theory of change behind AIB's CS.
- ii. **Assessment of the appropriateness of the Corporate Scorecard.** The review provides a focused assessment of the results orientation of the CS and in particular, the appropriateness of the Corporate Scorecard.

iii. Assessment of the effectiveness of the implementation of the CS. Effectiveness of implementation is reviewed against targets and commitments made in the CS.

iv. Forward considerations and Conclusions.

6. The review integrates findings and information gathered through literature review, quantitative data analysis, document review, interviews and discussions with AIB staff and Board members.

The Theory of Change behind the Corporate Strategy

7. According to the CS, AIIB aims at fostering sustainable economic development and creating wealth through investments in infrastructure and other productive sectors.

8. The CS states as AIIB's mission the Financing of Infrastructure for Tomorrow. Infrastructure for Tomorrow is defined in the Strategy as sustainable (economically, environmentally and socially) infrastructure that unlocks new capital, new technologies and new ways to address climate change and connect Asia and the world. Specifically, AIIB focuses on supporting infrastructure projects in the areas of CRC, green infrastructure and technology-enabled infrastructure, including by mobilizing private capital in these areas.

9. CRC is a core mandate and a key priority for AIIB. In this thematic area, AIIB aims to support projects that facilitate better domestic and cross-border infrastructure connectivity within Asia and between Asia and the rest of the world and that complement cross-border connectivity by generating direct measurable benefits in enhancing regional trade, investment, digital and financial integration across Asian economies and beyond.² AIIB aims to reach by 2030 a 25- to 30-percent share for cross-border connectivity projects in its actual financing approvals. It also aims to support projects on the demand side of cross-border infrastructure and regional cooperation in trade support, trade finance, regional FDI and regional digital and financial integration, thus reinforcing a virtuous cycle between growth and infrastructure.

² These direct measurable benefits might be appropriately valued and aggregated to illustrate corporate level results or form the basis for results-oriented corporate scorecard indicators.

10. In green infrastructure, AIIB aims to support projects that deliver local environmental improvements and promote climate action.³ Reflecting its commitment to support the Paris Agreement, AIIB aims to reach or surpass by 2025 a 50-percent share of climate finance in its financing approvals.

11. In the thematic area of technology-enabled infrastructure, AIIB aims to 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. Although the CS puts the stress on applications, this thematic priority includes the digital infrastructure sector as such (see [Digital Infrastructure Strategy](#)). Technology plays a multifaceted role in the CS: as a sector in which to invest, as applications to other sectors including hard and soft infrastructure, as a possible solution to constraints to infrastructure development and as a risk factor in investment decisions. AIIB seeks to develop technology as a core comparative advantage offered to clients. There is no specific target for technology-enabled infrastructure in the CS.

12. The CS aims at impact at scale in these areas and posits that this would require PCM. AIIB thus will seek to support projects that directly or indirectly mobilize private financing into sectors within its mandate. AIIB will enhance its PCM efforts by leveraging its own finance and by promoting infrastructure as an asset class. PCM is a key thematic priority for AIIB together with green infrastructure, CRC and technology-enabled infrastructure. The target indicator that most closely, albeit not entirely, reflects the PCM thematic priority is private sector project approvals. Private sector financing operations are expected to expand significantly with the aim of reaching by 2030 a 50 percent share in the Bank's financial approvals.

³ These intended benefits can also form the basis for result-oriented corporate score-card indicators for this strategic priority.

13. The CS seeks to achieve strategic alignment by requiring that all AIIB investments across infrastructure and other productive sectors add value through one or more of the four cross-cutting themes of Infrastructure for Tomorrow (referred to as thematic priorities). Branching out from infrastructure will still have to align with these thematic priorities. Thus, the CS allows for growth through diversification, but requires this diversification to be a related diversification through alignment of projects with the four thematic priorities.

14. For maximum impact, AIIB needs to be able to help alleviate some of the binding constraints to infrastructure development. Among such constraints, the CS lists poor project design, undervalued or underpriced infrastructure services, high public debt, low financial returns, lack of an institutional investor base, high perceived risks and complex regulations. Additional risks identified in the CS include disruption related to the pandemic, geopolitical tensions and fragmentation and technological change. Transforming infrastructure needs into bankable projects involves addressing the constraints that may be binding in particular circumstances.

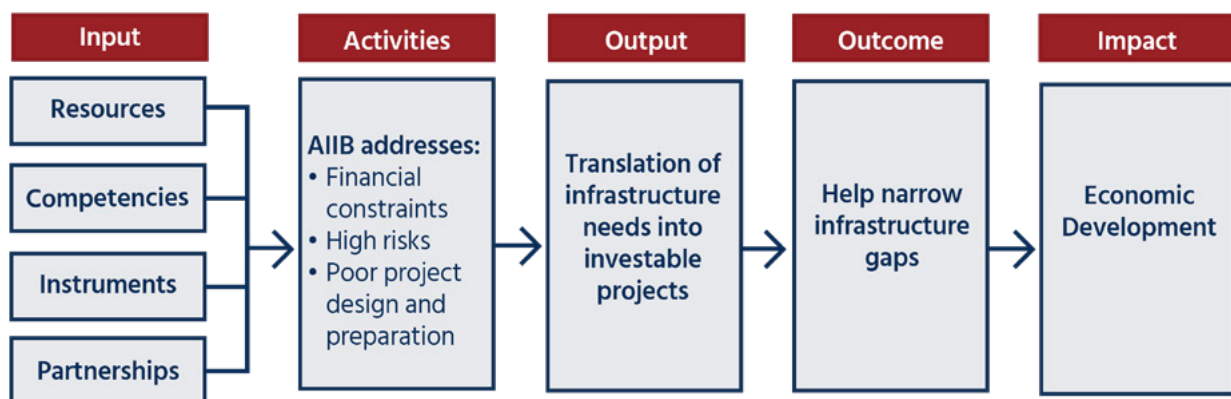
15. The very broad range of constraints for transforming infrastructure needs into bankable projects requires an equally broad range of instruments and capacities: policy, regulatory, knowledge and financial. While AIIB has a rich toolkit and the ability to finance governments, subnational and private sector including financial intermediaries (FI), it needs to partner with other players such as governments, investors and multilateral development banks (MDBs) to achieve impact. The CS prescribes not only what AIIB will do, but also what it will not do: AIIB focuses mostly on the projects while generally allowing its development partners to take the lead on policy, regulatory and other issues that affect the outcome of projects but are outside the project cycle. Regarding upstream work, AIIB seeks partnerships to provide a full range of services in project preparation and implementation.

16. The CS identifies high project standards as the linchpin in the result chain. All supported projects must be sustainable—environmentally, financially and socially. High project standards are identified in the CS as key to unlocking constraints to infrastructure development, managing risks and mobilizing private capital. In this context, instruments such as environmental and social standards (ESS), the Grievance Redress and Project-affected People’s Mechanisms and the Procurement Policy constitute important elements of AIIB’s toolkit.

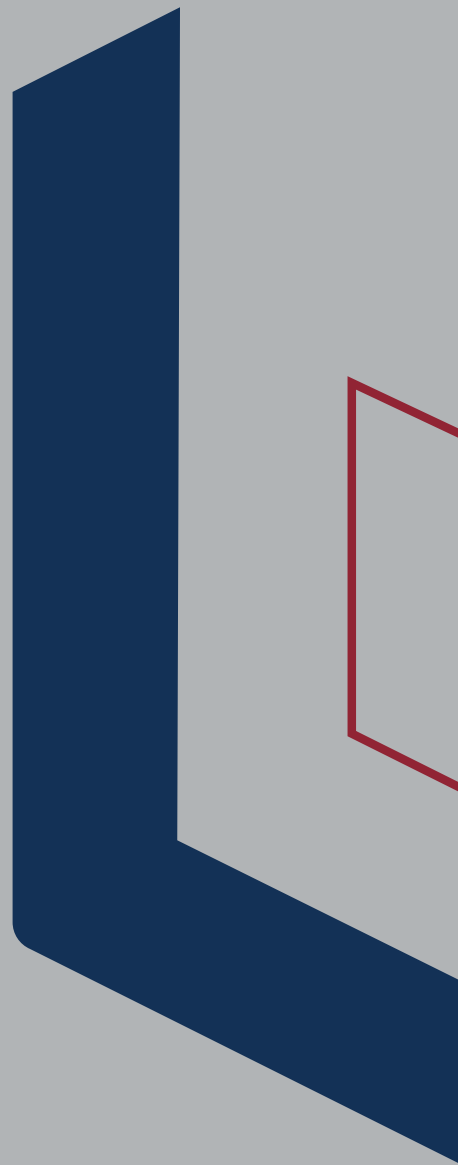
17. Finally, the 2030 CS is a growth strategy following the start-up phase of the previous period. AIIB is projected to increase its financing to an investment volume of USD14 billion by 2030. Accordingly, the 2030 CS is (i) a growth strategy; (ii) focused on infrastructure with a core mandate on connecting Asia and the world; and (iii) project focused.

18. The implied TOC of the CS can thus be summed up as follows (see Figure 1): AIIB fosters economic development (i) by helping narrow infrastructure gaps; (ii) by helping translate infrastructure needs into investable projects; and (iii) by using its resources, competencies, instruments and partnerships to address financial constraints, high risks, poor project design and preparation.

Figure 1: Schematic Representation of the CS Implied Theory of Change



Source: CEIU



Relevance of the CS and its implied TOC

RELEVANCE

19. Before we proceed to evaluating implementation according to the goals and metrics set out by the CS itself, it is important to briefly assess the relevance of the CS. Relevance is about whether or not the CS is doing the right thing. It is an assessment of the extent to which the CS responds to the needs and priorities of key stakeholders, is sensitive and responsive to context and is realistic and feasible.

20. The CS is relevant to the achievement of AIIB's mandate as defined in the AOA. It aims to foster sustainable economic development by prioritizing financing of infrastructure projects in partnership with other development institutions. The four thematic priorities provide strategic underpinning to the infrastructure mandate. They help identify the features AIIB-supported projects need to have to “contribute most effectively to the harmonious economic growth of the region as a whole.”⁴ The thematic priority areas are also areas with potentially high supranational externalities (global or regional public goods such as climate change and cross-border connectivity), which is aligned with the nature and mandate of a supranational like AIIB.

21. The CS is based on sound theoretical and empirical foundations. It reflects infrastructure-driven development (IDD) theory⁵ and emphasizes development projects as its main instrument. The implicit development theory behind the CS harkens back to the development paradigm at the heyday of development

4 AIIB Articles of Agreement, Article 2 (ii), page 2.

5 Bhattacharya, Amar, Jeremy Oppenheim and Nicholas Stern (2015), “Driving Sustainable Development through Better Infrastructure”, Working paper 91, Brookings, Washington, DC; Aschauer, David Alan (1990). “Why is infrastructure important?” Federal Reserve Bank of Boston, New England Economic Review, pp. 21-48.

theory and practice in the decades post-World War II. The MDBs established in this period have all started with a strong focus on infrastructure and project finance. The World Bank, for example, started as an infrastructure bank and for decades infrastructure accounted for most of its financing.⁶ The MDBs have since, albeit to a different extent, shifted away from infrastructure and project finance.⁷

22. There also seems to be also a strong empirical support for the premises on which the CS is built: (i) the benefits of infrastructure for development, including connectivity and regional cooperation, (ii) existing infrastructure gaps and (iii) the Strategy's diagnostics of constraints.⁸

23. The diagnostic of macroeconomic trends and risks in the CS seems also relevant, particularly regarding rising geopolitical tensions and radical technological change, which continue to shape AIIB's environment.

A BRIEF COMPARATIVE PERSPECTIVE

24. AIIB's CS shares similarities with the strategies of peer MDBs.⁹ All MDBs maintain a focus on infrastructure. They have now made climate change a major priority. Regional connectivity and integration is a core mandate/or operational priority

6 The World Bank Archives, Explore History at <https://www.worldbank.org/en/archive/history>. See also P. Fleiss (2021), "Multilateral development banks in Latin America: recent trends, the response to the pandemic, and the forthcoming role", Studies and Perspectives series - ECLAC Office in Washington, D.C., No. 21 (LC/TS.2021/62-LC/WAS/TS.2021/2), Santiago, Economic Commission for Latin America and the Caribbean (ECLAC).

7 Marx, Axel et al. (2019), "Mapping of the Trade and Development Global Regimes and Institutions", GLOBE, EU.

8 See ADB (2017), "Meeting Asia's Infrastructure Needs", ADB, Manila, Philippines; Bizimana, Olivier, Laura Jaramillo, Saji Thomas, and Jaie You (2022), "Scaling Up Quality Infrastructure Investment in South Asia", chapter in Salgado, Ranil and Rahul Anand, eds., "South Asia's Path to Resilient Growth", IMF, Washington, DC; McKinsey Global Institute (2017), "Bridging Infrastructure Gaps. Has the World Made Progress?". McKinsey & Company; Global Infrastructure Hub and Oxford Economics, Global Infrastructure Outlook available at outlook.gihub.org.

9 See Marx, Axel, et al, op. cit; ADB Independent Evaluation Office (2024), "Midterm Evaluation of Strategy 2030: Achieving a Prosperous, Inclusive, Resilient and Sustainable Asia and the Pacific", Manila, Philippines.

for ADB, IDB and EBRD. All strategies of peer MDBs have a focus on private sector development and PCM. Similarities combined with regional overlaps provide opportunities for cooperation but also a field of competition.

25. While MDBs have similar missions and common members, they also tend to differentiate with areas of competitive advantage. In addition to its regional specialization, EBRD stresses the private sector; the World Bank positions itself as a major convener of development partners and knowledge provider; ADB seeks to differentiate itself as a provider of integrated solutions.¹⁰

26. The CS also addresses how AIIB will differentiate itself in the market. It seeks to develop AIIB's critical competencies and competitive advantages in core areas. AIIB is focused on infrastructure and aims at developing comparative advantage in CRC, green and technology enabled infrastructure, with an equal emphasis on public and private sector financing. Other differentiating features derive from the basic structure of the Bank as outlined in the Articles of Agreement:

- i. No strong distinction between donor and borrowing members.
- ii. Leading role of developing countries in shareholding and voting structure.
- iii. Global sphere of operations with non-regional operations with a benefit for Asia and correspondingly the second largest membership base after the World Bank.
- iv. No resident board.
- v. No concessional window akin to IDA or ADF. These features influence the culture of AIIB, the CS itself and the instruments for its implementation.

¹⁰ See ADB Independent Evaluation Office, op. cit.

27. AIIB has the most focused strategy among peer MDBs.

Other MDBs have broader and more complex strategies with many moving parts. This reflects the reality of mission creep and is perhaps a consequence of having higher level and broader goals. Broad goals connect with many sectors and issues at lower implementation levels and may contribute to more complex strategies. More focused priorities can help reduce mission creep and enable MDBs to differentiate themselves in the marketplace. The downside of a narrow strategy is that an MDB can be caught off-guard if a new issue or crisis arises. While it is noted that AIIB has a narrower strategy, the strategy also allows flexibility given the use of the term “ordinarily” with regards to Thematic Priorities alignment. This enabled a creative adaptive response to new issues such as COVID-19.

OPERATIONALIZING THE STRATEGY

28. Strategies matter to the extent they are implemented.

A corporate strategy should be aligned with structure, corporate result frameworks, budget and planning, programming as well as monitoring and reporting processes. Disconnects between any of these areas can weaken the impact and value of the strategy.

29. AIIB's 2030 CS is being implemented through sector and thematic strategies.¹¹

Most of them precede the CS; some have been subsequently updated to reflect in turn the CS. An important implementation tool is the Annual Business Plan and Budget process which is a yearly one with quarterly business plan and updates. Periodic reporting on sector implementation strategies contains updates on sector result frameworks.

¹¹ AIIB currently implements: The Corporate Strategy (Sep 2020); Five core sector strategies: Energy (June 2017, updated in 2022), Transport (Sep 2018), Sustainable Cities (Dec 2018), Water (May 2020) and Digital Infrastructure (June 2020); Three thematic strategies: Financing Operations in Non-Regional Members (2018), Mobilizing Private Capital for Infrastructure (Feb 2018) and Investing in Equity (Apr 2019), see AIIB, 2023 Sector Strategy Implementation Update, March 2024.

30. Strategy and structure impose demands on each other although the relationship is loose and flexible. In the case of AIB, there has not been a direct link between structural change and strategy. AIB implemented a significant reorganization in 2024, mid-course in the implementation of the CS.

Result Orientation of the Corporate Strategy

31. The AOA outline the broad contours of AIIB impact. They require the Bank to:

- i. Finance projects that are expected to “contribute most effectively to the harmonious economic growth of the region as a whole and having special regard to the needs of less developed members in the region.”
- ii. Be additional in its financing and supplement “private investment when private capital is not available on reasonable terms and conditions.”
- iii. Be financially sustainable by following “sound banking principles.”¹²

Translated into the language of social impact, the Bank is expected to maximize the social benefits of its projects subject to financial sustainability of its operations.¹³ AIIB’s aggregate impact can thus be conceptualized as the combination of three elements:

- i. Expected total social value created by AIIB supported projects.

¹² See AIIB Articles of Agreement, Article 2 and Article 13 (i).

¹³ In line with the literature on social impact assessment (see Alomoto, William, Angel Nineroal and Laia Pié, Social Impact Assessment: A Systematic Review of Literature, Social Indicators Research (2022) 161:225-250), this can be expressed more rigorously in the following manner: AIIB Impact= Max (\sum Project Net Social Benefits \times AIIB additionality), subject to financial sustainability. In the above, \sum Project Net Social Benefits equals (\sum (Total Social Benefits-Total Social Costs), where Total Social Benefits and Costs are calculated as Present value of the total benefits and total costs respectively according to the principles of standard project cost benefit or economic analysis. Total Social Costs can be proxied by Total Project Costs and Total Social Benefits expressed as Total Project Costs \times Social Return on Investment (SROI). AIIB additionality reflects the contribution of the Bank to projects’ Net Social Benefits and is approximated by the share of AIIB financing (own and mobilized private capital) in total activity financing (i.e., total project costs).

Table 1: AIIB Aggregate Impact Chain and Corporate Scorecard

Level	AIIB Strategy Aggregate Impact Chain	AIIB Corporate Scorecard	A Typical MDB Scorecard
Impacts	Improvement of Asia’s social and economic outcomes in a subset of relevant SDGs	N.A.	Development Context: poverty, SDG indicators, access to electricity, water and other services. Climate change indicators; Connectivity Indicators, etc.
Outcomes	<p>“Measurable direct benefits” at scale of AIIB projects to green, technology-enabled and connectivity infrastructure</p> <p>Expected total (net) social value created by AIIB supported projects</p>	N.A.	MDB contributions to development results: roads built, international trade supported, emissions avoided, etc.
Outputs	<p>Financing of projects in green, technology-enabled and connectivity infrastructure, and PCM</p> <p>AIIB contribution to outcomes as proxied by AIIB’s share of own financing and mobilized capital in total project costs</p>	<p>Total capital mobilized, annual financial approvals, private capital mobilization, financing for climate, cross-border connectivity and private sector projects.</p> <p><u>No development effectiveness of projects indicators</u></p>	<p>Operational Performance: MDB investment and capital mobilized; strategic alignment; <u>standardized independent development effectiveness of projects indicators</u>, etc.</p>
Inputs and Activities	<p>High project standards, client-oriented corporate culture, corporate efficiency and financial strength</p> <p>Sound banking principles/ financial sustainability</p>	<p>Implementation readiness, annual disbursement, projects without issues, RAROC, budget sustainability, workforce diversity, corporate efficiency, admin budget and headcount</p>	<p>Organizational Performance: implementation readiness, financial sustainability, administrative efficiency, etc.</p>

Source: CEIU

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- ii. AIIB contribution/additionality as can be proxied at the aggregate level by AIIB's share of own financing and mobilized capital in total project costs.
 - iii. AIIB sound banking principles and financial sustainability.

Taken together, these three components provide an aggregate picture of AIIB impact.

32. The CS implements the mandate of the Bank as defined in its AOA. Through the requirement for every project to map into at least one of the four thematic priorities, it identifies project attributes that tend to “contribute most effectively to the harmonious economic growth of the region as a whole”. The CS conceptualizes AIIB aggregate impact as a “combination of three essential elements”: (i) total resources mobilized by AIIB; (2) alignments of the objectives of investments with the CS; and (3) portfolio performance.

33. The Corporate Scorecard is an explicit articulation of the conceptualization of aggregate impact. It translates the aggregate impact chain into specific indicators and attaches baseline and target values to these indicators within a set timeframe. Table 1 presents the AIIB Scorecard against the elements of aggregate impact together with a stylized typical MDB scorecard as a comparison.

34. Several observations suggest themselves by looking at Table 1:

- i. The AIIB Scorecard is a truncated version of the aggregate impact chain. Its top-level indicators are at the output level. The Scorecard has no quantitative indicators measuring AIIB direct contribution to outcomes related to the four strategic priorities. The CS highlights the alignment of AIIB activities with 10 Sustainable Development Goals (SDGs), but the Scorecard does not include indicators related to social and economic outcomes in Asia. It does not contain measure of the aggregate social value of “measurable direct benefits” generated by AIIB projects either.

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- ii. The strategic alignment indicators provide some line of sight to outcomes. But the themes are themselves broad and do not map clearly into outcomes. They require separate methodologies/guidelines for mapping projects into the thematic priority areas. The theme of PCM differs from the rest, as the CS itself indicates, and is better conceptualized as an indicator of additionality.
 - iii. One of the four strategic priorities—technology-enabled infrastructure—is not reflected in the AIIB Scorecard.
 - iv. The Scorecard contains only *ex-ante* indicators with no measure of *ex-post* results.¹⁴
 - v. The Scorecard does not contain indicators reflecting “special regard to the needs of less developed members in the Region” AOA, article 2). Such indicators (which can be broadened to include small state, landlocked countries and fragile members) can serve as a counterweight to incentives to focus exclusively on large projects in larger economies.

35. What accounts for the absence of outcome level indicators in the Scorecard? While AIIB aims at improving economic and social outcomes in Asia by financing projects that generate “direct measurable benefits” to connectivity, green and technology-enabled infrastructure, it considers it unfeasible to measure its contributions to higher level development outcomes given (i) its “small share in overall investments” and (ii) the interplay of “myriad other factors”¹⁵ in producing these higher-level development outcomes. The argument is more applicable to impacts than to development outcomes generated by AIIB projects. AIIB’s total capital mobilized represents a significant share of the total project cost of AIIB-supported projects. And it measures the contribution to the benefits generated by AIIB-supported projects. Thus, the scorecard measures AIIB con-

¹⁴ A Project Completion Indicator to reflect development effectiveness is in the works. If implemented according to international standards, it will provide an ex-post aggregate measure of development effectiveness that is holistic in the sense that it integrates all three levels of impact: effectiveness, additionality, and financial sustainability. It can also be seen as an outcome level indicator.

¹⁵ See [AIIB Corporate Strategy](#).

tribution to development outcomes (in the indicator of total capital mobilization) but does not measure what it is contributing to (in the form of aggregate quantitative indicators or indicators of total social value).

36. AIIB has developed systems for impact measurement at the project and sector levels. At the project level, each project has its own result framework that typically captures various dimensions of impact in the form of quantitative outcome indicators and expected economic rate of return. At the sector level, AIIB has used quantitative output or outcome indicators in the portfolio-level results monitoring framework developed for sector strategies. It reports on these outcome indicators in its sector strategies implementation updates. Some of these outcome indicators extend beyond strategic alignment and measure contributions to outcomes in the four thematic priorities of the CS. AIIB has therefore taken a different approach to the scorecards of its sector strategies than to the Corporate Scorecard.

37. The Corporate Scorecard aims at capturing AIIB impact at the corporate level. Development impact information that is currently generated (or is in the process of being developed) at the project and sector levels allows for aggregation of results typically in three forms:

- i. Expected total social return on investment (aggregation of projects' economic rates of return).
- ii. Expected quantitative outcome indicators (aggregation of project results); and
- iii. *Ex-post* development effectiveness ratings (aggregation of project development success ratings) or Project Completion Indicator

At present, the Corporate Scorecard does not build sufficiently on impact measurement at the lower levels to present a picture of aggregate impact at the corporate level.

Implementation of the Strategy

38. CEIU examines the implementation of the CS over the 2020-2023 period. Progress is assessed against the goals and intentions of the CS. This assessment starts with the achievements against the indicators and targets of the corporate scorecard. Table 2 presents implementation results as reflected in AIIB's corporate scorecard indicators. The global pandemic affected the implementation of the CS. AIIB responded through its COVID-19 Crisis Recovery Facility (CRF). Some of the results in Table 2 are therefore presented with and without CRF.

39. The data in Table 2 is the basis for the assessment of the implementation of the CS as presented in the following sub-chapters. It is supplemented by additional data and analysis for a more in depth look at the various dimensions of strategy implementation.

GROWTH

40. The 2030 CS is AIIB's growth strategy—the target is to achieve annual financial approvals of USD14 billion by 2030. The Bank seems to be on track to reach this target: its financial approvals show an upward trend and reached USD11.7 billion in 2023.

41. The COVID-19 crisis response was a major source of growth. The compound annual growth rate (CAGR) of annual financial approvals was 31 percent over 2016-2023 compared with 19 percent of regular approvals. The difference measures the contribution of the CRF to AIIB growth.

42. To achieve its target of USD14 billion in regular approvals, AIIB needs to grow at a CAGR of 14 percent from the 2023 level of regular approvals. The CAGR in regular approvals was six percent over 2019-2023. There needs to be an acceleration

Table 2: AIB's Corporate Scorecard

Corporate Scorecard	2020	2021	2022	2023	Target* or 2030 projection
Total capital mobilized (USD bn)	11.5	11.3	9.2	14.5	
Annual Financial Approvals (USD bn)	10.0	9.9	6.8	11.7	14
Capital Mobilization (USD bn)	1.5	1.4	2.4	2.8	
Private Sector Projects (%) of Annual Financial Approvals**	13	18	27	20	
Private Sector Projects (%) of Annual Financial Approvals (excluding CRF and special ops)	28	26	39	41	50
Climate Financing Projects (%) of Annual Regular Approvals**	12	29	35	29	
Climate Financing Projects (%) of Annual Regular Approvals (excluding CRF and special ops)	41	48	56	60	50 by 2025
Cross-Border Connectivity Projects (%) of Annual Financial Approvals**	8	12	8	11	
Cross-Border Connectivity Projects (%) of Annual Financial Approvals (excluding CRF and special ops)	26	20	13	23	25-30
Implementation Readiness (months)	SBF-11 NSF-9	SBF-13.4 NSF-9.5	SBF-14.3 NSF-9	SBF-14.7 NSF-8.3	SBF-12 NSF-9
Annual Disbursement for Sovereign (%)	16	13.9	18	16.4	15-20
Share of Projects without Issues (%)	91	92	94.2	93.4	80
RAROC (%)	SBF-2.4 NSF-8.1	SBF-2.2 NSF-7.4	SBF-2.1 NSF-7.4	SBF-3.9 NSF-5.4	SBF-3 NSF-7
Budget Sustainability Indicator	1.50	0.97	0.99	0.90	0.76
Workforce Diversity Gender (%)	38	39	41	42	
Corporate Efficiency Indicator (%)	1.7	1.16	0.94	0.91	0.86

Notes: * All targets and projections are for 2030, except Climate Financing, which is for 2025.

** CRF projects have not been exhaustively mapped to thematic priorities. There may be some CRF projects that are aligned with some thematic priorities but are not reflected in the numerator. Strategic alignment as percentage of total annual financial approvals thus may be somewhat underestimated.

Source: AIB

of growth to achieve the annual financial approvals target, even considering the possible trade-off between crisis response and growth in regular approvals.

43. The volatility of AIIB's growth over the 2019-2023 period is the highest among the MDBs.¹⁶ Strategic adaptive measures have been undertaken to smooth growth: through diversification of clients and portfolio and adopting a more strategic, long-term approach to client relationships. Proper tracking indicators have been introduced in the Scorecard.

44. AIIB's growth has been achieved through diversification away from core infrastructure.¹⁷ From accounting for 100 percent of approvals in 2016, the share of core infrastructure has come down to 30 percent in 2023. The trend started from the very beginning of operations and has been accelerated by the COVID-19 crisis response (see Figure 2).

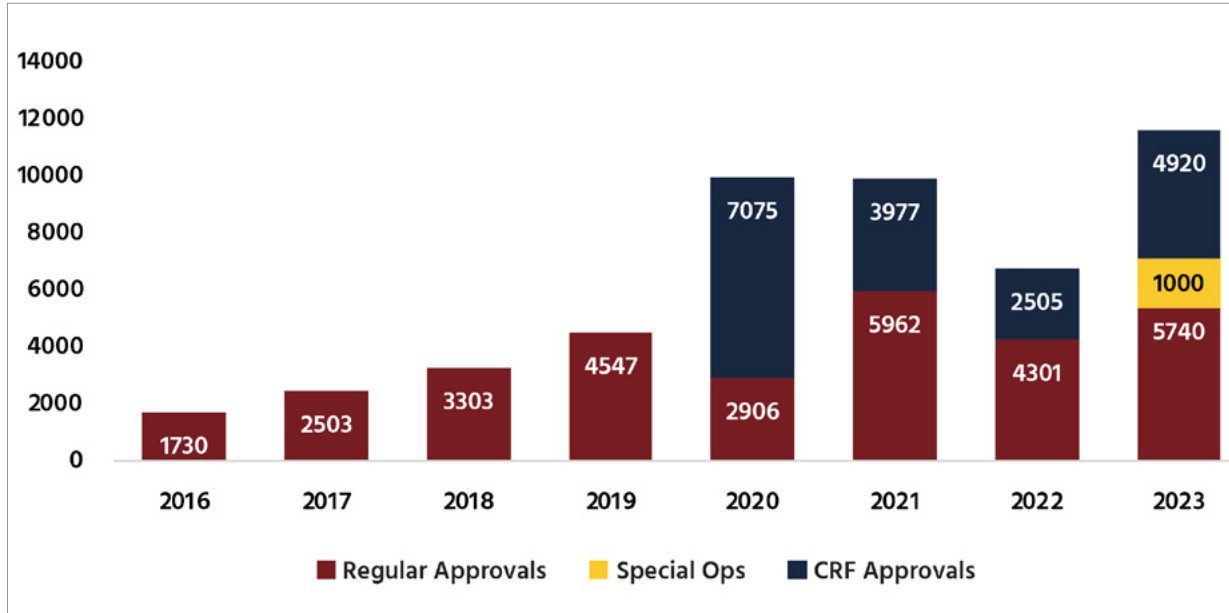
45. Core infrastructure shows almost no growth in the last four years. CEIU does not yet see in the approvals or in the pipeline the expected pent-up demand for infrastructure projects following the pandemic. Part of the gap in investment volume caused by the decline in CRF financing from its peak level in 2020 is being filled by growth of approvals in FIs, i.e., multisector projects: from USD150 million in 2020 to USD1.2 billion in 2023.

46. Core infrastructure needs to remain a substantial part of the business for AIIB to be fit for purpose. For example, in ADB core infrastructure historically accounted for about 50 percent of approvals. The share of core infrastructure in ADB approvals also declined significantly in 2020 at the outset of the pandemic but has been inching upward since then. In 2023 it reached almost 40 percent.

¹⁶ Own calculations based on annual approvals data from the Annual Reports of the respective MDBs over the CS period.

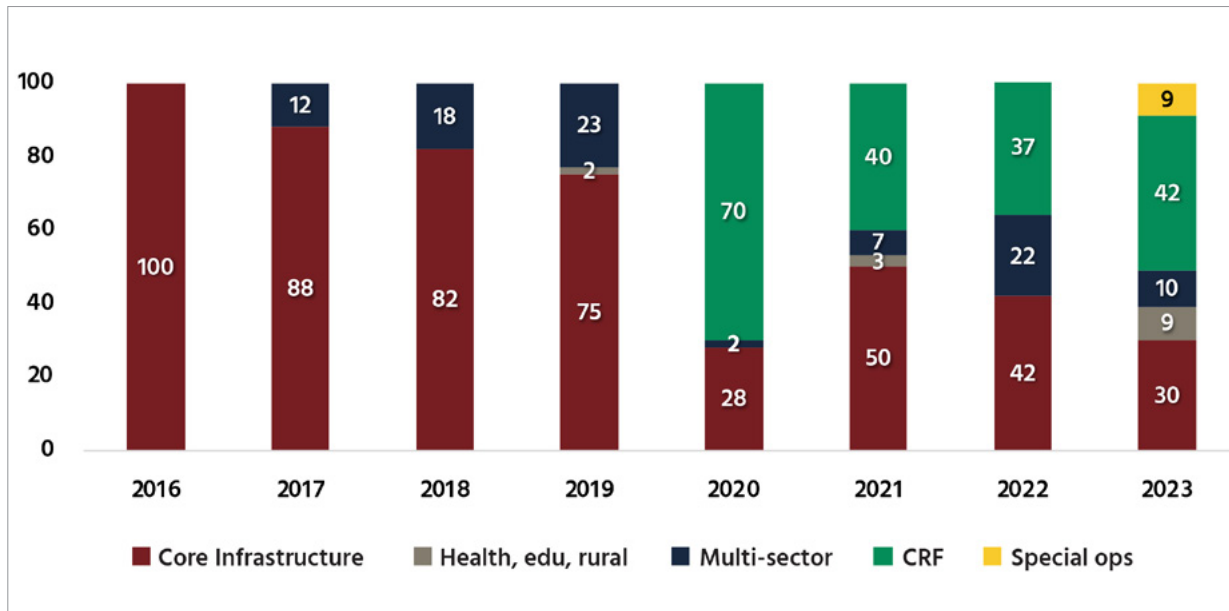
¹⁷ Core infrastructure includes subsectors for which sector strategies have been developed: digital, energy, transport, water and urban.

Figure 2: AIIB Approvals, Regular, CRF and Special Ops (USD m)



Source: AIIB

Figure 3: Share of Investments by Sector (%)



Source: AIIB

47. To sum up, AIIB achieved high growth in investment volume and seems to be on track to meet its objective of USD14 billion in approvals by 2030. However, growth has been volatile and has taken place largely through diversification away from core infrastructure and project finance, in large part driven by the need to respond to the global pandemic.

**IMPLEMENTATION OF THE STRATEGY:
STRATEGIC ALIGNMENT WITH PRIORITIES
AND PROGRESS IN ACHIEVING ALIGNMENT**

48. Strategic alignment is a critical link in AIIB's chain of impact. The CS stipulates that all projects are to be aligned with at least one of the four strategic thematic priorities. This has been largely applied for regular projects. While the CRF operations were consistent with CRF policies, alignment with the thematic priorities was not sought for them in a consistent manner. Eight out of 68 CRF projects were mapped into a thematic area. For the rest, mapping was not done.

49. The degree of accuracy of the strategic alignment indicators depends on the criteria for categorization and their implementation. In operationalizing the CS, AIIB has developed sophisticated methodologies for interpreting the four thematic priorities. They are aligned to the extent possible to joint standards by the MDBs.

50. There is a tendency of projects to map into more thematic priorities over time. In recent years, each regular approval project tends to map into 2.1 strategic themes on average. This suggests a growing degree of complementarity among the themes in AIIB's projects, which was the intention of the CS. The strategic alignment targets themselves imply a certain degree of complementarity, but smaller than the actual.

51. The progress with the strategic alignment targets is uneven across thematic areas.

Table 3: Mapping of AIB Projects into the Four Thematic Priorities and Degree of Complementarity

	2016	2017	2018	2019	2020	2021	2022	2023
Green infrastructure (%)	44	73	75	86	83	91	90	89
Connectivity (%)	44	13	0	14	28	24	29	32
Technology-enabled (%)	0	0	0	11	28	39	48	35
Private Capital Mobilization (%)	22	33	50	54	44	48	45	57
Number of projects	9	15	12	28	45	51	42	50
Degree of complementarity in categories/all projects	1.1	1.2	1.3	1.6	0.7	1.3	1.6	1.6
Degree of complementarity in categories/regular projects only	1.1	1.2	1.25	1.6	1.8	2.1	2.1	2.1

Source: AIB

Table 4: Strategic Alignment vs 2030* Target Annual Approvals

Strategic Priority	2016	2017	2018	2019	2020	2021	2022	2023	Target
PSP \$ M	20	912	710	1556	811	1524	1686	2361	7000
PSP % of 2030 target	0.3	13	10	22	12	22	24	34	100
CBC \$ m	993	114	0	540	750	1206	546	1318	3500
CBC % of 2030 target	28	3	0	15	21	34	16	38	100
CF \$ m	363	1233	951	1754	1203	2835	2391	3434	4750*
CF % of 2025 target	8	26	20	37	25	60	50	72	100

Note: * For Climate Finance we use 50% of the mid-point of the 2024 BPB projection range for 2025 annual approvals.
Source: AIB

52. Most progress is observed with climate financing where the target has been exceeded in 2022 and 2023 in terms of regular approvals. In 2023, climate financing was 72 percent of the implied 2025 annual approvals target (see Table 3). This is the only target with an advanced deadline to 2025. The achievement speaks not only to the leadership's commitment to the climate change agenda, but perhaps also to the motivating effect of advancing the target on the achievement itself.

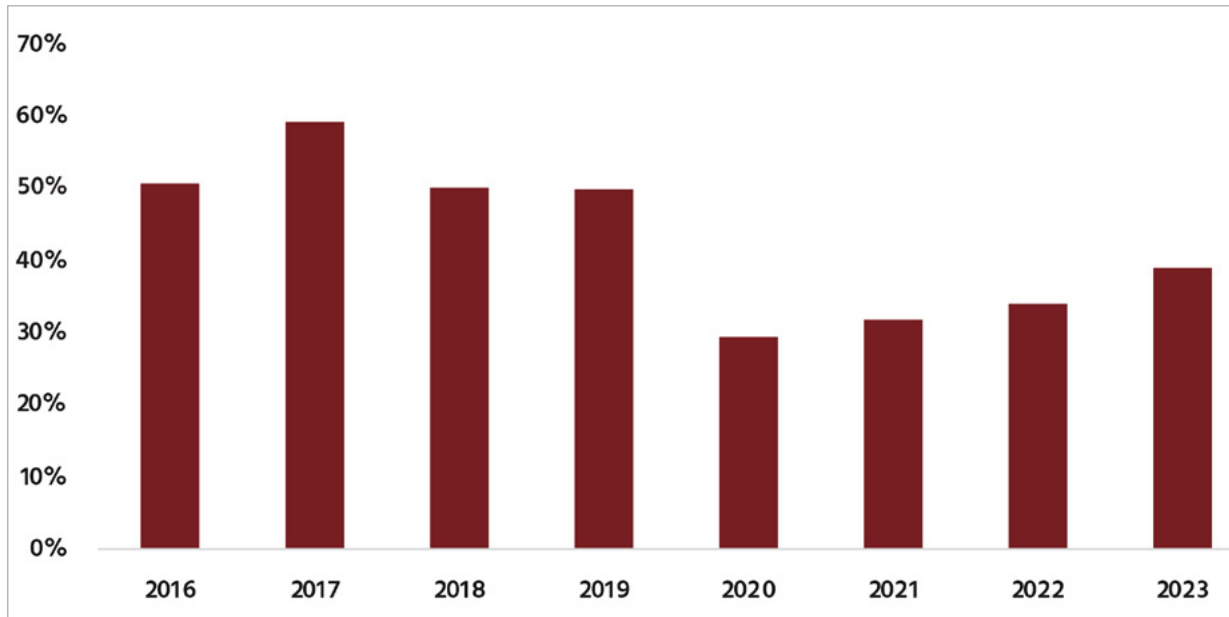
53. Progress on other strategic priorities is less pronounced. Cross-border connectivity (CBC), which is a core mandate, does not show a clear trend. In 2023, CBC financing was 38 percent of its 2030 annual approvals target. The CBC theme remains underrepresented in AIIB's pipeline.

54. Regarding private sector projects, CEIU finds a positive trend (see Table 4). Private sector projects exceeded 40 percent of regular approvals in 2023 (20 percent of total approvals). The share of Nonsovereign Based Financing (NSBF) in the number of projects is at 50 percent in the last two years, but the share in total approvals volume is lower (see Figure 4). The smaller size of NSBF projects can be a disincentive for achieving the private sector projects target in a growth-oriented environment.

55. Investments in FIs have become an important instrument for the private sector project target. These investments can be of large size, relatively easy to develop and process, and thus can be favored under growth incentives. At the same time, they can be of varied Bank additionality, while their E&S risks can be underestimated.

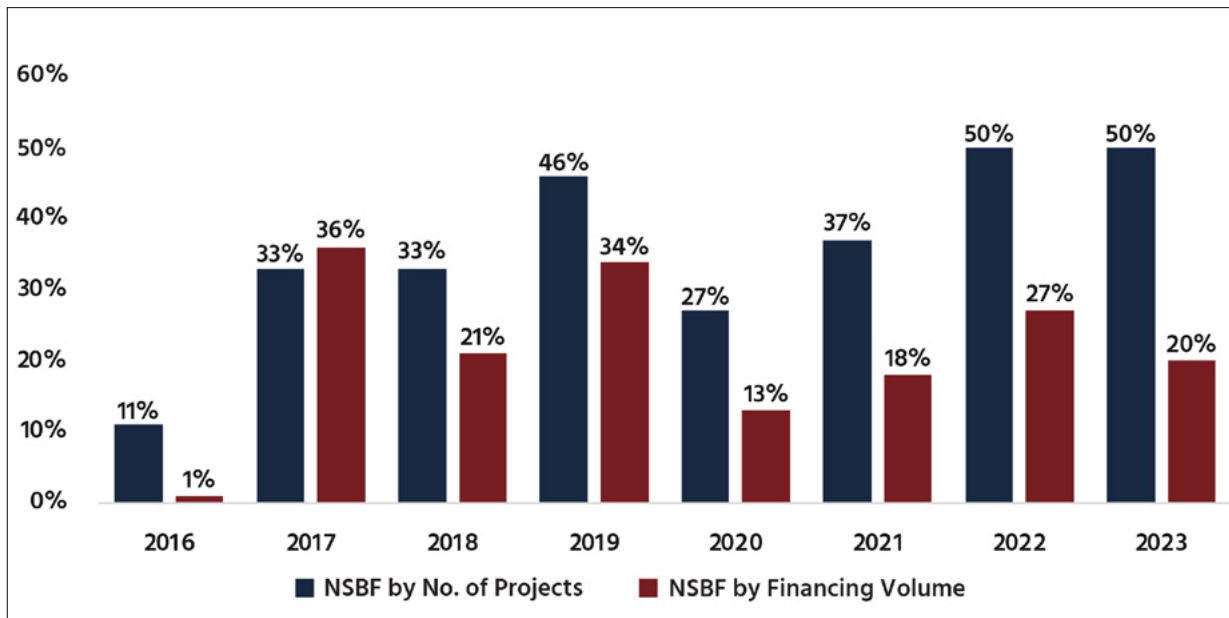
56. CEIU sees growth in PCM, but the level remains relatively low. AIIB states that it values its own financing and mobilized capital equally, but this value is not yet reflected in its financing. For every dollar of own financing, AIIB mobilizes around 13-24 cents with a peak of 35 cents in 2022. Other MDBs tend to have higher ratios. Estimates on MDBs' mobilization ratios vary. The Triple Agenda

Figure 4: Share of Core Infrastructure in ADB Approvals, 2016-2023



Source: ADB annual reports, various years.

Figure 5: Share of NSBF by No. of Projects and Annual Financing Approvals (2016-2023)



Source: AIIB

estimates that MDBs mobilize around USD0.6 in private capital for each dollar they lend on their own account¹⁸ and suggest the need and ambition for a mobilization ratio of 1.5-2:1. The Convergence's database indicates that every dollar of concessional capital has mobilized on average USD4.1 in commercially priced capital, of which just under half (USD1.8) on average has been sourced from private sector investors.¹⁹

57. PCM is a function of the role AIIB plays in transactions and the type of instruments used (for example A/B loan structure, guarantees lead to direct PCM). The implementation of the [Strategy on Mobilizing Private Capital for Infrastructure](#) seems to be lagging: AIIB continues to be predominantly in the “AIIB Partners” stage of the sequential implementation of the PCM strategy. AIIB's additionality is mostly financial corresponding to the “AIIB Partners” type of activities. To increase its PCM, AIIB needs to increase its Activity 2 investments, i.e., “AIIB Leads.” The use of guaranteed instruments and A/B loan structures has been limited.

58. Technology-enabled infrastructure is not elevated into a separate target indicator but has reached a significant share in the number of projects. Technology-enabled infrastructure projects constitute about 30 percent of all projects in the last three years. Being mostly NSBFs, they also tend to be of a smaller size and may face the same headwinds in terms of incentives as the NSBF projects in general.

18 Independent Expert Group (2023), “The Triple Agenda”, page 12, see: [Strengthening-MDBs-The-Triple-Agenda_G20-IEG-Report-Volume.pdf](#).

19 Global Investors for Development Alliance (2024), “Scaling Private Capital Mobilization: Call to action to heads of state, policymakers and multilateral development bank officials”, see: [CTA_Scaling-Private-Capital-Mobilization_final.pdf](#).

IMPLEMENTATION OF THE STRATEGY: BUILDING INTERNAL CAPACITIES

59. Sector and thematic knowledge and expertise were developed during the implementation of AIIB strategies as well as through studies, participation in forums and partnerships.

Organizational changes are supporting the process: a new Vice Presidency was created to consolidate sector expertise and knowledge. A new Social Infrastructure Department was created during the pandemic to help AIIB strengthen its technical capacity to deliver high quality social infrastructure projects. Thematic areas have also seen the accumulation of expertise and capacities: particularly in green infrastructure, but less pronounced in the CRC area.

60. The CS intends to develop technology-enabled infrastructure into a differentiating factor for AIIB.

It appears that AIIB is beginning to deliver on its ambition to position itself as a market leader with comparative advantage in technology-enabled infrastructure. It has established the InfraTech Portal—a free, digital platform that shares information on infrastructure technologies and facilitates connections in the InfraTech community to enable increased application and development of infrastructure technologies.

61. AIIB expanded its range of instruments and products:

- i. Project preparation and implementation services.
- ii. Concessional finance.
- iii. Policy-Based Co-financing (PBCF) in crisis situations.
- iv. Results-Based Financing (RBF).
- v. Climate Policy-based Lending (CPBL) instrument.

The introduction of policy instruments is a particularly notable innovation that marks a shift away from project finance for AIIB. Through innovation in response to client demands and ability to turn crisis into an opportunity to build long-term strategic capabilities, AIIB has

expanded its toolkit beyond that of a project financier. The expansion of scope may facilitate growth, but it may also further dilute the focus of the institution by enabling diversification away from core infrastructure. The Bank has used co-financing with other MDBs and relied on partnerships to enter and build capacities in new areas of business.

62. AIIB has been a leader in collaboration within the MDBs and in putting the “MDBs working together as a system” concept into practice.²⁰ Of note are (i) AIIB’s reliance on the policies and standards (procurement, E&S, Project-affected People’s Mechanism) of other MDBs in co-financing projects and (ii) its unique guarantee facility for World Bank projects to scale up MDBs’ financial capacity.

63. AIIB innovated in governance with its unique delegated authority framework and process for project approvals. A CEIU review found the delegated authority framework and project approval process to be effective: there was no systematic differences in the quality at entry and the project preparation and quality assurance process between Board-approved and President-approved projects. Delegated approvals have reduced processing timeline uncertainty; addressed “Board slot” bottleneck; and enabled Board attention to strategy and oversight functions.

64. Important strategic capacities are also being built in the form of enhanced global/local presence. In 2023 AIIB established its first office outside the headquarters, the Interim Operational Hub in Abu Dhabi, United Arab Emirates. The Bank will look to gradually expand its global presence through additional multifunctional hub offices.

²⁰ “Viewpoint Note: MDBs Working as a System for Impact and Scale”, Document endorsed by the Heads of the following Multilateral Development Banks: Washington, D.C., April 20, 2024.

IMPLEMENTATION OF THE STRATEGY: PRELIMINARY ASSESSMENT OF PROJECT STANDARDS

65. The CS stresses the critical role of high project standards in AIB's result chain. As part of its study of the delegated authority process, CEIU assessed "Quality at entry" of a sample of projects. "Quality at entry" is the extent to which financing projects were identified and prepared at the time of approval (prior to beginning implementation) so that they were most likely to achieve their intended outcomes. In doing so, CEIU examined two aspects of projects: (i) the extent to which they were aligned with Board-approved policies and strategies and (ii) their conformity with standards of selected project preparation elements of the Project Prioritization and Quality Frameworks (PPQ).

66. The study found that projects generally conformed to the standards of the elements of the PPQ frameworks. Project objectives were generally clear; there was a logical consistency between objectives and components financed; projects complied with the E&S, procurement and financial management policies of AIB or partner MDBs; risks to the achievement of project objectives and reputational risks and corresponding mitigants were adequately identified; and Sovereign-Based Financing (SBF) project documents generally had some discussion of country debt sustainability.

67. An *ex-ante* indicator of project quality is implementation readiness. This indicator shows a slightly deteriorating trend and there are plans and measures to reverse it. At the same time, the share of projects without issues shows a high level and an improving trend. As of end-December 2023, just one of the 36 projects approved by the President (2.7 percent) had two or more red flags, compared to 7 percent of the active portfolio of Board-approved projects with two or more red flags.

68. The CS emphasizes the importance of high ESS. The extent to which AIB follows best practices in this area is subject of intense external scrutiny. AIB followed a dual approach: it partnered with established MDBs such as the World Bank Group and ADB in the

implementation of complex infrastructure projects in which the leading MDB's standards apply; and it also engaged in standalone infrastructure projects with significant degree of environmental and social complexity as indicated by project categorization. AIIB standalone projects have a comparable degree of environmental and social complexity to co-financing projects (Table 5). This indicates that AIIB does not use partnerships as the preferred approach to engage in projects with higher environmental and social risks while using standalone to engage in less risky projects. Some observers argued that the extent to which AIIB relied on partnerships carries the risk of reducing AIIB's potential for innovation concerning new development practices within the multilateral development finance system.²¹ The data suggests that AIIB standalone projects are of sufficient complexity to stimulate innovation and learning in response to environmental and social challenges.

Table 5: AIIB Projects by Environmental Category and Standalone/Co-Financing (No. of Projects)

Env Cat	2019		2020		2021		2022		2023	
	AIIB	Co-Fi	AIIB	Co-Fi	AIIB	Co-Fi	AIIB	Co-Fi	AIIB	Co-Fi
A	3	4	2	4	6	6	4	4	5	1
B	7	5	7	9	7	11	4	5	6	7
C			1	10		7	1	6		10
FI	8		9	2	13	1	16		15	
N.A.	1			1			1	1	4	2
Total	19	9	19	26	26	25	26	16	30	20

Source: AIIB

²¹ Zhu J. (2019), "Borrowing Country-Oriented or Donor Country-Oriented? Comparing the BRICS New Development Bank and the Asian Infrastructure Investment Bank", International Organisations Research Journal, vol. 14, no 2, pp. 128-146 (in Russian and English). DOI: 10.17323/1996-7845-2019-02-06.

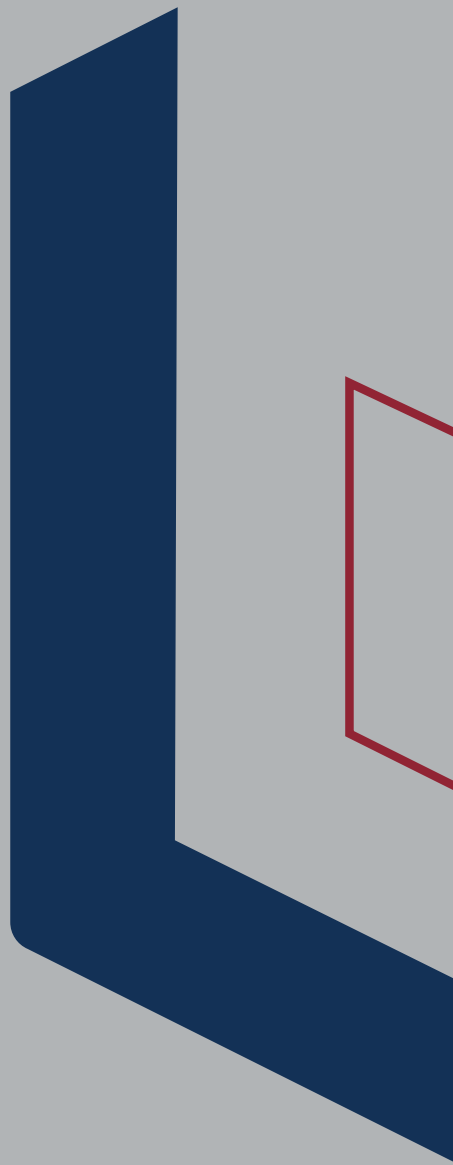
69. FI projects are becoming an important instrument for achieving strategic goals. They tend to pose specific challenges for the implementation of AIIB's E&S standards.²²

70. An academic paper comparing World Bank and AIIB application of E&S standards finds a predisposition by AIIB to provide more significant investments in “greater risk” projects. It concludes that compared to other MDBs, AIIB has simplified the Environmental and Social Assessment (ESA) instruments and risk analysis, reducing the complexity of the socio-environmental analysis instruments. The study finds that AIIB uses different ESA instruments and exhibits somewhat more integration with the borrower's policies, plans and programs.²³

71. Of all 252 AIIB projects approved by end 2023, six projects, all of which are co-financed, received PPM-related complaints.

²² Inter-American Development Bank, Office of Evaluation and Oversight (2016), “Evaluation of IDB Group's Work Through Financial Intermediaries”, Background Paper on Environmental and Social Safeguards, Washington, DC.

²³ Apolinário Júnior, L. & Jukemura, F. (2022), “A comparative analysis of the environmental and social policies of the AIIB and World Bank”, *Global Policy*, 13, 694-709.



Crises and Strategic Adaptation Response

72. COVID-19 presented a particular challenge to AIIB. It put the relevance and growth momentum of the young institution to a severe test with potential long-term consequences. The shift in client demand from core infrastructure to social infrastructure and the demand for quick disbursement ran against the Bank's narrow sector focus and its project finance instruments and orientation. The CS already envisaged diversification into social infrastructure, but the COVID-19 crisis accelerated the process.

73. AIIB's response was timely, at scale and innovative in the establishment of new instruments and facilities and repurposing some of the existing ones. In the four years of CRF operations a total financing of USD18.5 billion was provided under the facility versus USD12.1 billion in total AIIB financing in the previous four years. AIIB provided one of the largest crisis response packages among the MDBs.

74. The CRF enabled AIIB Members to benefit from AIIB co-financing of World Bank and ADB instruments, which are not part of AIIB's regular financing instruments. It allowed AIIB to respond rapidly and substantially to Members' urgent needs during a crisis, as part of a coordinated international response. The CRF strengthened AIIB staff's capacity to serve a more diverse range of client financing requests.²⁴

75. The COVID-19 crisis also prompted institutional change that involved expanding the operational capacity and scope of the institution. New policy instruments were introduced, AIIB's ability

²⁴ Giuseppe Zaccaria (2024) [Using COVID-19 as opportunity: the role of the AIIB's leadership in its strategic adaptation to the pandemic](#), *The Pacific Review*, 37:2, 419-444, DOI: 10.1080/09512748.2023.2178486

to work with non-regional members during crisis was enhanced, and a Social Infrastructure Department was established in 2021. The crisis response was institutionalized, in a sense regularized, through a crisis response policy that provides for automatic co-financing PBL in specific crisis circumstances. It appears that the CRF represents the first step toward a wider policy focus for the institution. This marks a significant shift in the business model given the original commitment to project finance.

76. AIIB not only survived the crisis but came out of it with an expanded operational capacity, relevance and presence in Asia-Pacific and beyond.

77. The crisis was a test also of AIIB's governance structure which proved to be well suited to enabling an effective response to crisis.

78. The CS recognizes possible trade-offs between the imperative to respond to critical client needs (such as during the COVID-19 crisis) and AIIBs' operational alignment. Where such trade-offs exist, it makes a strategic choice in favor of adaptiveness and responsiveness rather than rigid adherence to thematic priorities. It states that while "AIIB's portfolio will ordinarily be totally aligned with its four thematic priorities," under "the current high degree of uncertainty, the Bank's targets on climate finance, cross-border connectivity as well as private sector financing, must be perceived as indicative reference points, serving as ambitious goalposts without restricting the Bank from making approvals to respond to crucial client demand, maintaining its high project standards and sound banking principles, even if this may mean falling short of the targets."

79. Apart from the COVID-19 crisis, the Bank appears to have managed well other challenges, more of a geopolitical nature, such as conflicts between Members. AIIB is striving to build and maintain a reputation as an MDB with high standards of multilateral governance that acts apolitically, and upholds high project quality,

which is the main source of value addition for the Bank's clients and its development impact. Such a reputation is a critical asset and will be more and more valuable in a complex environment where geopolitical tensions are increasing.

Early Indications on Development Effectiveness

80. A preliminary review of 28 completed projects that were self-assessed²⁵ by AIIB and/or co-financiers provides some early indication of development effectiveness. The sample includes 13 CRF projects and some of AIIB's firsts:

- First standalone project (Bangladesh: Distribution System Upgrade and Expansion)
- First co-financing in a FI (Indonesia: Regional Infrastructure Development Fund)
- First co-financing project in India (India: Andhra Pradesh 24x7 – Power for All)
- First NSBF (Oman: Oman Broadband Infrastructure)
- First investment in a high-income member and in a port (Oman: Duqm port Commercial Terminal and Operational Zone Development)
- First loan to a FI (Türkiye: TSKB Sustainable Energy and Infrastructure On-lending Facility)

It also includes some landmark and transformational projects such as the Trans Anatolian Natural Gas Pipeline Project in Azerbaijan) and the Myingyan 225 MW Combined Cycle Gas Turbine Power Plant Project in Myanmar. The sample, although not statistically representative, reflects some of the key features of the current portfolio.

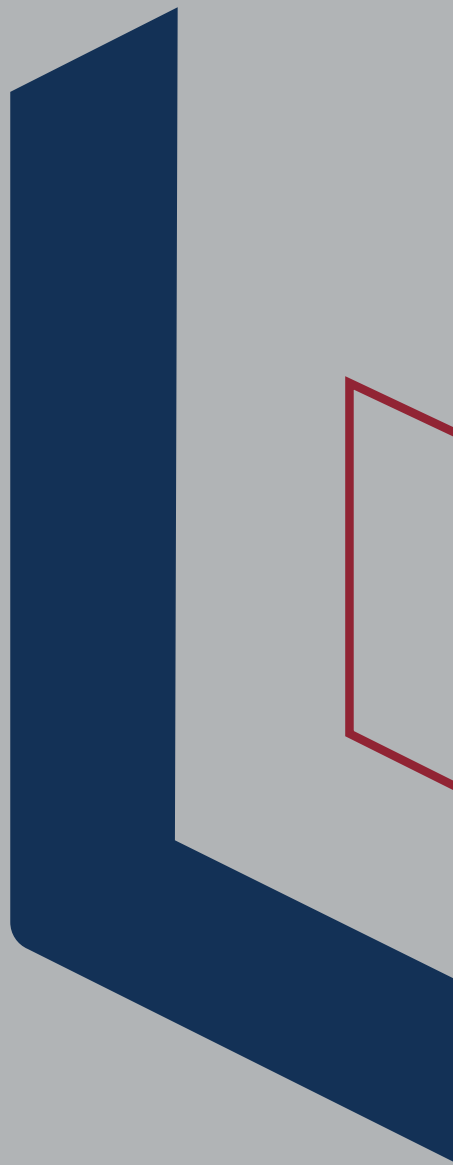
²⁵ Some projects have multiple self-assessments by AIIB and by co-financiers such as the World Bank, ADB, and EBRD. In addition, nine projects also have independent validations of the self-evaluations by the independent evaluation departments of the respective MDBs.

81. CEIU reviewed and did a rapid desk validation of the project self-assessments. More than 90 percent of the reviewed projects were rated moderately satisfactory and above.²⁶ The CRF projects were all rated satisfactory and above. They were timely, highly relevant for clients and achieved their objectives related to mitigating the development, social and health impacts from the pandemic.

82. Of the 15 non-CRF projects, two were rated moderately unsatisfactory. The two projects shared reasons for under-performance: delays in implementation due to differences between the procurement rules of the World Bank (as leading MDB whose procurement rules applied) and those at subnational level (an important lesson for subnational finance in general) and competition from alternative cheaper public finance made abundant during COVID-19, which crowded out financing on commercial basis.

83. AIIB additionality was mostly financial in nature, especially in its role as a co-financier. This was valued highly by the lead financiers and the clients. In standalone projects, AIIB's role with respect to its ESS was valued by clients. AIIB's first NSBF was an Activity 2 investment, in which AIIB led and used for the first time an A/B loan structure to mobilize private capital.

²⁶ This development success rate need not create expectations regarding future performance. The project sample consists largely of infrastructure and PBL operations, which, in the experience of MDBs, tend to receive high development effectiveness rating.



Forward Considerations

FORWARD PERSPECTIVE ON THE STRATEGY

Relevance of the infrastructure mandate

84. The CS is based on several key assumptions: vast infrastructure needs in Asia and beyond and significant ability to translate those needs into bankable projects within the current evolving policy environment. It is predicated on the existence of a large potential market for financing the Infrastructure for Tomorrow. In implementing the CS so far, AIIB gradually shifted away from core infrastructure and project finance. Does this experience suggest the need for a revision of the key assumptions behind the strategy?

85. A quick review of the infrastructure landscape shows that the underlying assumptions of the CS are as relevant as ever. Numerous studies confirm the vast infrastructure needs in the region and globally. The size of the infrastructure market in Asia and beyond is comparably large. Only the infrastructure pipeline of India is close to USD2 trillion. The share of MDBs in the overall infrastructure market remains modest, suggesting the potential for a stronger role.²⁷

86. Geopolitical tensions make infrastructure connectivity both more complicated and more relevant as countries seek alternatives, strategic redundancies and resilience. In this context, CEIU sees a proliferation of global infrastructure initiatives and regional platforms that set for themselves ambitious investment goals focusing on infrastructure and connectivity. Convergence in the approaches followed by the various global initiatives leads to closer alignment with AIIB's business model: less emphasis on policy or political conditionality together with a greater focus on projects that seek to follow high standards and safeguards. Market

²⁷ Global Infrastructure Hub (2022), "Infrastructure Monitor 2022, Global Infrastructure Hub"; Avellan, Leopoldo, Arturo Galindo, Giulia Lotti, Juan Pablo Rodriguez (2022), "Bridging the Gap: Mobilization of Multilateral Development Banks in Infrastructure," IDB Working Paper 1299, IDB, Washington, DC.

experience furnishes evidence²⁸ that large complex infrastructure can be implemented (i) relatively fast (within the political cycle) and efficiently, (ii) within given policy environment (i.e., without comprehensive policy reforms as pre-condition for project design and implementation) and while (iii) following reasonable ESS and safeguards and (iv) being financed at above concessional terms (i.e., at terms where AIIB can be competitive).

87. These developments suggest that the strategic choices made by AIIB remain highly relevant and feasible, although more complicated to implement. AIIB, given its large and global membership base, is in a unique position to support a race to the top among global infrastructure initiatives.

88. This is not to imply that the infrastructure mandate is easy to execute. On the contrary, infrastructure projects, particularly CBC type A projects, are complex, risky and resource intensive. But these features also correlate with development impact and additionality. The experience of the MDBs indicates that the development effectiveness of infrastructure projects tends to be at par with that of non-infrastructure projects.²⁹

Expanding the toolkit for greater focus on implementing the mandate

89. AIIB needs to have the full spectrum of instruments to pursue its mission: The Bank needs a full-blown, non-hyphenated PBL instrument; it needs to continue working to develop and improve instruments of concessionary finance including blended finance; and continue to innovate and build capacities in project preparation and other upstream activities. Diversification away from core infrastruc-

28 See Brad Parks, Competing with Belt and Road 2.0, Testimony before the U.S. House Select Committee on the Strategic Competition Between the United States and the Chinese Communist Party May 16, 2024, accessible at <https://selectcommitteeontheccp.house.gov/media/press-releases/media-package-select-committee-ccp-holds-hearing-all-roads-lead-beijing-ccps>.

29 IEG, the World Bank Group (2023), “Results and Performance of the World Bank Group 2023: An Independent Evaluation”; ADB Evaluation Office (2015), “Thematic Evaluation Study: ADB Support for Regional Cooperation and Integration”, Manila, Philippines.

ture has been associated with an expansion of the product space. However, there is no inherent contradiction between the expansion of the toolkit and the pursuit of the infrastructure mandate. On the contrary, expanding the toolkit should enable AIIB to better pursue its mission and can be fully consistent with the Bank maintaining its focus on infrastructure.

90. AIIB will need to maintain a balance in the use of its instruments in which project finance remains an important if not an instrument of choice for the Bank. This is in line with the basic documents of the Bank and its CS and reflects an underlying assumption that project finance is an effective instrument that is particularly well suited for infrastructure development.

Indirect financing and use of client systems

91. There has been a shift toward indirect financing through instruments such as budget support, corporate finance and FIs. These instruments are likely to remain important in the implementation of the CS going forward. They help to achieve scale and are consistent with the Bank's lean business model. These indirect approaches are often associated with reduced leverage over project design and implementation, including with procurement and E&S standards and greater de facto reliance on client systems. This argues for a differentiated, risk-based approach to standards and, particularly for indirect financing, the use of client systems.

92. The use of country systems³⁰ was a major focus of the Paris Aid Declaration and the Accra Agenda. Some progress has been made, but challenges remain in this regard.³¹ The values of borrower autonomy and client ownership are directly related to the use of country systems and the concept remains relevant and important particularly for new MDBs such as AIIB that differentiate

³⁰ We use the term "client systems" as a broad term that includes the concepts of country systems and borrower systems.

³¹ See Ninio, Alberto, Juan D. Quintero and Paula J. Posas (2011), "Use of Country Systems for Environmental Safeguards", Analytical Background Paper for the World Bank 2010 Environment Strategy, The World Bank Group, Washington, DC.

themselves on being efficient. Reliance on client systems can be viewed as a natural progression of the concept of MDBs working as a system—from harmonization and mutual recognition of standards to recognition and use of client systems. Both concepts, MDBs working as a system and the use of client systems, need to be viewed as important aspects of the efficiency differentiator that AIIB is seeking to achieve in its Strategy.

93. To advance the use of client systems, AIIB needs a system for recognizing the systems of potential partners (governments, sub-nationals, FIs and large corporates). This may be supported by facilities for capacity building in this area. Co-financing opportunities may be pursued with a view of learning from other MDBs about the reliance on and use of client systems.

The core mandate

94. CBC is a core mandate of the Bank, but implementation is lagging vis a vis the target. This suggests the need for a greater emphasis on this theme. AIIB experience suggests that Management focus and messaging on priorities is producing results as in the case of climate finance, where the advancement of the target to 2025 and the adoption of the [Climate Action Plan](#) signaled commitment to the theme. CBC as core mandate but lagging in implementation may benefit from greater emphasis given that CBC projects:

- i. Are technically and politically more complex and may involve complex and intense coordination between countries.
- ii. Require partnerships not only with MDBs, but perhaps more importantly, with regional and global initiatives focused on connectivity.
- iii. Need to be backed by adequate staff incentives. Incentives are best reinforced by a structure that aligns dedicated resources with accountability for achieving target outcomes.

Structure and Strategy

95. The organizational structure does not appear to be a constraint on the effective implementation of the CS. At the

same time opportunities exist for closer alignment with the thematic priorities to achieve specific, particularly lagging, targets. Structure can amplify incentive by concentrating accountability and resources on corporate targets and priorities. Alignment between structure and strategy can take the form for example of a department that concentrates within its boundaries activities on a strategic priority and has the sole responsibility for achieving the corporate target in the strategic priority areas as well as the necessary resources for it. In the case of AIIB, a complicating factor for such alignment is that the thematic priorities are cross cutting and overlapping in the sense that projects tend to map into several thematic priorities. This makes departmentalization along thematic priorities more challenging, but less so for more specific themes such as CBC. Partial structural adjustments remain an available tool for more effective strategy implementation by concentrating accountability and resources on lagging priorities if necessary.

Climate Finance as Crisis Response

96. Climate finance is emerging as a major priority for AIIB. AIIB's regular toolkit was augmented with a powerful new instrument, the CPBF. In keeping with its infrastructure mandate, AIIB intends to maintain a line of sight to infrastructure by supporting climate related policies for green infrastructure. This implies a greater relative focus on adaptation vis-à-vis mitigation. In addition to green infrastructure, the CPBF can also be a powerful strategic instrument in supporting the other thematic priorities: technology-enabled infrastructure, infrastructure related to environmental cross-border externalities (environmental connectivity) and PCM for infrastructure. Given the potential demand and strong internal incentives for the use of the instrument, as well as perhaps due to prudential consideration, a ceiling was imposed on the deployment of the instrument over the near term.

97. Climate change is increasingly viewed as an emergency. Although it is a global challenge, different countries are being affected differently. Many countries and jurisdictions have declared climate emergency. Climate change can in certain circumstances be

viewed as an eligible crisis under the provisions of [AIB's approach to Emergency Response](#). This may provide added flexibility in the use of the CPBF, including eligibility principles for non-regional members, streamlined processing, etc. An argument can be made for not applying the ceiling on investment in non-regional members as a share of total approved bank financing in the case of climate change financing with large and predominant global public good content.

Other productive sectors

98. AIB's mandate is to invest in infrastructure and other productive sectors. AIB diversified away from core infrastructure but not into other productive sectors. The CS refers to other productive sectors mainly through the demand side for infrastructure services. AIB needs to deepen understanding, develop strategic approaches and build capacities over time in this vast and heterogeneous business area.

Risks, Diversification and Differentiation

99. The Bank broadened its business scope since the inception of the CS. In a relatively short period of time, AIB expanded its range of instruments, sectors and geography of operations. Diversification has been an effective growth strategy and its risks implications have been managed well so far. This will continue to be important going forward. Unrelated diversification can exacerbate risks due to unfamiliarity with new business areas and instruments. Thus, in an increasingly risky global environment, the pattern and pace of diversification need to be managed continuously with respect to narrowing any competency-complexity gaps that expansion into new areas and introduction of new products may generate.

100. Rapid and unrelated diversification also has implications for business differentiation, which relates to corporate identity. A diversification growth strategy puts the emphasis on breadth, while differentiation requires depth and focus, based on strategic choices

and commitments to certain niches. There are thus clear tradeoffs between the two. Rapid and unrelated diversification can slow down differentiation. Differentiation and the sense of identity that it provides has an important impact on culture. This balance between depth and breadth, between differentiation and diversification is perhaps one of the most difficult and critical challenges for AIIB during its growth phase.

FORWARD PERSPECTIVES ON RESULT MEASUREMENT AND THE CORPORATE SCORECARD

Relevance of the thematic priorities and associated targets

101. Within the broad relevance of the infrastructure mandate, the priority themes of the CS provide strategic directions for maximizing development impact. Climate change and connectivity are two areas with potentially high supranational externalities. They are thus consistent with (i) the basic document of AIIB according to which the Bank should pursue impact by financing “those projects and programs which will contribute most effectively to the harmonious economic growth of the region as a whole” and (ii) the nature of AIIB as a supranational organization. Technology-enabled infrastructure and PCM are relevant for making projects bankable and achieving impact at scale. Given the relevance of the thematic priorities, the associated targets also remain relevant and, considering implementation experience so far, sufficiently ambitious.

Definitions

102. Targets and project alignment to thematic priorities are largely based on reasonably rigorous and internationally agreed definitions. Yet, experience suggests opportunities to adapt the definitions to reflect the evolving environment, enhance the accuracy of measurement and ensure that the targets and indicators provide the right incentives.

103. It is essential to rigorously define the concept of infrastructure in a way that is aligned with the spirit of the founding document and with internationally agreed practices since the definitions of the four thematic areas are based on it. Opportunities for adjustments and fine tuning exist with respect to the four thematic areas as well.

104. The definition and eligibility criteria for green infrastructure projects may need to be tightened while that of CRC broadened further. With respect to green infrastructure, the category of “other environment” appears to be quite broad and loosely defined and may benefit from more structure. The CBC definition has been further clarified through the 2024 Business Plan and Budget process, to provide needed flexibility for achieving the core mandate. Consideration may be given to including projects which generates direct additional outcome in enhancing cross-border environmental externalities/services to qualify as CBC.³²

105. Regarding technology-enabled infrastructure, there seems to be a need for more structure to help reduce ambiguity in interpreting this thematic priority. Finally, PCM may need to better reflect the mobilizing (catalyzing or enabling) potential of policy reform and upstream engagements in general.

106. Each of the thematic priorities is only a partial look at project costs and benefits. Even projects that are unsuccessful overall may have measurable direct benefits along the lines of the four thematic priorities. To avoid bias in decision making, it needs to be made clear that projects’ eligibility to any thematic areas is subject to the requirements that projects provide positive net social benefits overall, are economically and financially sound and satisfy E&S standards.

³² A project qualifies as CBC if it: (a) crosses a physical border; (b) is an integral part of a regional or international network or corridor involving two or more countries; (c) is a node infrastructure that facilitates the flow of international traffic (e.g., airport, port, datacenter); and/or (d) generates direct additional outcomes in enhancing cross-border trade, investment, and financial integration that benefit at least one AIB Member. This includes activities that support cross-border trade in the infrastructure value chain, where commercial options are under-developed; and financing structures that are novel and lead to a level of cross-border financial integration which did not exist before.

Private Capital Mobilization and the 50-50 target

107. There is some degree of disconnect between the thematic priority and the target. The thematic priority is PCM, and the target is about Private Sector Projects. Private sector projects do not necessarily lead to PCM. Private sector projects in which AIIB leads and uses certain instruments such as A/B loan structure or guarantees lead to direct PCM.

108. The 50-50 target is an ambitious target. It is conceptually simpler than PCM and thus provides clear incentives. The 50-50 approach became somewhat of a differentiating feature of AIIB's business model and carries some identity benefits. To align it better with the PCM theme, the 50-50 target can integrate PCM and be supported by tracking indicators in the Budget Planning instrument on "AIIB leads" transactions in line with the intention of the PCM for Infrastructure Strategy.

Aligning Corporate Scorecard with Impact Chain

109. Possible enhancements to the Corporate Scorecard include adding:

- i. Outcome indicator/s or indicator of total social value generated by AIIB-supported projects.
- ii. Adding indicator/s reflecting "special regard to the needs of less developed members" such as number of projects in low-income members, small states and land-landlocked countries.
- iii. Project completion indicator that is based on international standards.

Conclusions and Recommendations

CONCLUSIONS

- 1. The implementation of the CS was affected by the exceptional event of the pandemic.** AIB delivered one of the largest crisis recovery packages among the MDBs through the CRF. AIB leadership demonstrated an exceptional ability to transform challenge into an opportunity and put the institution on a higher growth path and expand its business scope.
- 2. AIB grew rapidly over the period.** Growth was achieved through diversification away from core infrastructure into policy-based lending, social infrastructure and FIs. Growth in core infrastructure has been rather modest.
- 3. Progress in achieving Strategic Alignment is uneven.** Climate financing target was already exceeded (as share of regular approvals). Progress on the other targets is not as pronounced. Implementation in CBC and Private Sector Projects seems to be lagging.
- 4. The core of the CS remains relevant but will require fine-tuning to reflect the ongoing internal and external adjustments in decisions and international development context.**
- 5. The Corporate Scorecard needs enhancements to more adequately reflect the CS and its implementation,** especially concerning development effectiveness and indicators at the outcome level of the Scorecard.

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6. **Preliminary project development results reviewed by CEIU show that 90 percent of the completed projects were rated moderately satisfactory and above.** The completed CRF projects were all rated satisfactory and above. AIB additionality was mostly financial in nature given its role as a co-financier.
 7. **The challenge going forward is for AIB to maintain growth momentum by using its newly acquired capabilities to promote its core mandate and enhance its development impact.**

RECOMMENDATIONS

1. Ensure the pursuit of growth through diversification is consistent with the CS and built around core infrastructure.
2. Further strengthen the focus on CRC, a core mandate of the Bank that is lagging.
3. Maintain emphasis on Private Sector Projects, enhance PCM by strengthening “AIB Leads” type of capabilities and activities and carefully examine the implications of the CPBF instrument on the Private Sector finance targets given the smaller size of NSBF projects. Build capacities and expand activities in other productive sectors.
4. Pay attention to additionality and E&S standards in FI investments as NSBF business grows. Enhance use of client systems in AIB projects.
5. Consider adding to the Corporate Scorecard (i) outcome indicators and/or an indicator reflecting the total social value of AIB-supported projects to enhance alignment with aggregate impact chain; (ii) indicator reflecting “special regard to the need of less developed members.”
6. Ensure that when introducing Project Completion Indicators of success, they are based on a methodology that is aligned with international standards.



As the Asian Infrastructure Investment Bank (AIIB) approaches 2025, its leadership undertakes a Midterm Review of its Corporate Strategy. This CEIU independent assessment evaluates the relevance, effectiveness and alignment of the Bank's Corporate Strategy with its core mandate of fostering sustainable infrastructure, regional connectivity and development. The CEIU independent assessment highlights AIIB's successes, such as its rapid COVID-19 pandemic response, alongside challenges like growth in core infrastructure and the need for a stronger result orientation of the Corporate Scorecard. It calls for greater private sector involvement and clearer indicators to measure the Bank's impact on less-developed Members. This independent assessment provides forward-looking recommendations to sharpen AIIB's strategic focus and ensure its continued relevance in shaping tomorrow's infrastructure.