

**2019 Business Plan and Budget
Summary
December 2018**

1. The development of the Asian Infrastructure Investment Bank (AIIB) is proceeding well, in accordance with its business plans. Since the Bank began operations, it has laid its foundations, undertaken high-quality investments and maintained financial sustainability. The Bank will complete its start-up phase by end-2020.
2. The creation of AIIB and its ambitious long-term vision have led to high expectations. Meeting these expectations will require the Bank to build deep expertise, lead innovative and technically complex projects and provide a wider range of financial instruments over time. Maintaining open and effective communications—with its clients, members and staff—remains important for managing expectations.
3. Based on the progress achieved thus far, AIIB has refined its approaches and projections. The Bank will focus on expanding capacity to provide quality service and value addition to its clients. This requires building up its team of high-caliber staff and fostering a shared corporate culture.
4. The 2019 Business Plan builds on and deepens AIIB's four institutional priorities defined in previous business plans. The AIIB Board of Directors approved the annual plan substantially in the form set out in the milestones and Key Business Indicators (KBIs) as outlined in Table below. The newly introduced KBIs will help the Bank gradually transition from activity-based milestones, appropriate for the start-up phase, to a set of institutional performance measures. They are not targets, but rather current projections of outcomes and the state of the institution.
5. **Priority 1—Pursuing Strategic Directions:** In 2019, AIIB will initiate two additional sector strategies for water and Information and Communications Technology (ICT); launch the development of AIIB's first Corporate Strategy; deepen technical strength and business lines for implementation; and institute the tools, such as the Corporate Results Framework, to ensure quality- and results-oriented operations.
6. **Priority 2—Serving Clients and Scaling-Up Operations:** AIIB will expand country program consultations that began in 2018. It will add new financial products, including guarantees and pilot local currency financing, beginning in a few selected countries.
7. It will strengthen project implementation and monitoring through its Project Prioritization and Quality (PPQ) framework, and embed accountability and prompt support to clients. The Rules and Regulations of the Special Fund will be revised to better support the

capacity of project preparation and implementation in less-developed countries. The review of the Environmental and Social Policy (ESP) will be launched by late 2019.

8. AIIB plans to invest approximately USD3.5-4.5 billion in 15 to 20 projects in 2019, of which 80 percent will be aligned with the Bank’s thematic priorities. A greater ratio of projects than previously will be stand-alone. More than 80 percent of projects under implementation will not be classified as problem projects.
9. **Priority 3–Bolstering Financial Sustainability:** AIIB will develop capacity in several financial and nonfinancial risk management areas and launch Phase III of its Risk Management Framework. To measure financial sustainability, in 2019 the Bank will begin to track its risk-adjusted return on capital, as well as the sustainability of its budget. Market conditions permitting, the Bank will launch its debut bond in 2019.
10. **Priority 4–Building the Institution:** In 2019, AIIB will strengthen internal governance, build high caliber staff and strong corporate culture, and ramp up needed IT infrastructure and systems. To strengthen internal governance, the Accountability Framework will be implemented, the CEIU’s roles and responsibilities will be formalized and the Internal Control Framework will be completed with a view to achieving Internal Control for Financial Reporting certification in 2019. High caliber and integrity remain the guiding principles for recruiting and engaging professional staff in 2019 and beyond. A strategic staffing plan and comprehensive Training and Development Roadmap will be developed and implemented. The attributes of AIIB’s corporate culture will be incorporated into the Bank’s frameworks and programs.
11. An administrative budget of USD149.9 million has been approved to support the realization of AIIB’s institutional priorities and work programs as outlined in the 2019 Business Plan.

Table: Milestones¹ for 2019 Business Plan and Key Business Indicators

<p>Institutional Priority 1: Pursuing Strategic Directions</p> <p>1. Work toward completing core strategies</p> <p>1.1 Launching development of water and ICT sector strategies</p> <p>1.2 Launching development of AIIB’s Corporate Strategy</p> <p>2. Further develop the Corporate Results Framework to support quality- and results-oriented operations</p> <p>2.1 Developing guidance for project-level results framework, and applying it as relevant to proposed projects</p> <p>2.2 Refining KBIs</p> <p>3. Deepen core sectoral business lines to support strategy implementation</p> <p>3.1 Exploring effective approaches, including partnerships, to build business lines starting from renewable energy and energy efficiency</p> <p>3.2 Launching inaugural annual publication</p>

¹ The order of priorities and milestones do not suggest rank of importance.

Institutional Priority 2: Serving Clients and Scaling Up Operations

4. Strengthen client communication and engagement

- 4.1 Expanding country programming consultations to a few selected countries

5. Expand operational capacity

- 5.1 Introducing new financial products (pilot local currency financing and guarantees)
- 5.2 Revising the Rules and Regulations of the Project Preparation Special Fund
- 5.3 Launching review of the Environmental and Social Policy

6. Enhance project quality while growing the investment portfolio

- 6.1 Implementing the Project Prioritization and Quality (PPQ) Framework for sovereign stand-alone projects, and finalizing PPQ Framework for nonsovereign investments
- 6.2 Detailing procedures and guidelines for project implementation and monitoring
- 6.3 Launching development of operation management system

KBIs

Investment operations (USD billion / # of projects): 3.5-4.5 / 15-20

Stand-alone operations (% of annual investment): 40-50

Nonsovereign operations (% of annual investment): 20-25

Portfolio alignment to thematic priorities (% of annual investment): 80

Portfolio quality (% of projects with less than three risk flags): 80

Institutional Priority 3: Bolstering Financial Sustainability

7. Strengthen risk management capacity

- 7.1 Rolling out the Administrative Guidance for restructuring and work-out assets, model risk, operational risk and compliance risk

8. Establish presence in the global capital market

- 8.1 Issuing the debut bond

Institutional Priority 4: Building the Institution

9. Strengthen internal governance

- 9.1 Implementing the Accountability Framework to strengthen AIIB's governance and enable the Board to hold the management accountable
- 9.2 Finalizing the Complaints-resolution, Evaluation and Integrity Unit (CEIU) evaluation and learning framework and operationalizing the Project-affected People's Mechanism
- 9.3 Fully closing the financial reporting gaps and preparing for Committee of Sponsoring Organizations of the Treadway Commission (COSO)

10. Build high caliber staff and shared corporate culture

- 10.1 Developing a Strategic Staffing Plan and Training and Development Roadmap
- 10.2 Carrying out programs and actions to foster corporate culture

11. Enhance supporting infrastructure

- 11.1 Commencing the third phase (Full Optimization) of the Bank's IT Strategy

KBIs

Staff headcount (# of staff): 280-310

Workforce diversity—Gender (% of women professional staff): 35