



A horse-drawn cart passes AIIB headquarters, under construction last year in Beijing.

IN MARCH 2015, THE BRITISH COALITION GOVERNMENT, of which I was part, announced that it would join the Asian Infrastructure Investment Bank, then being established to aid economic growth and quality of life through modernizations that directly impact society. Billions of people stood to benefit from AIIB's plan to invest in sustainable projects, facilitated and directed by a global network of member states. In February 2016, I was the first Vice President to join AIIB as part of President Jin Liqun's senior team charged with turning the vision of the Bank into a reality.

At the time, the decision was controversial in some quarters. The US and Japan decided not to join, and there was some criticism from our American friends. In particular, some of the critics were worried that this new bank would embrace lower standards and therefore would seek to undercut or undermine existing international institutions.

Coming from our closest allies, this criticism was uncomfortable. But now that AIIB has taken its place among the family of international institutions, operating to the highest international standards and with robust good governance, those concerns are slowly retreating. Indeed, the criticism of undermining the rules-based international framework is more fairly leveled today at those who seek to replace multilat-

BANKING ON A BETTER WORLD

eralism with bilateral deal-making. By contrast, the creation of AIIB has proven to be a good example of how the creation of new institutions, done properly and with a clear purpose, can provide an evolution of global governance, not a challenge to it.

It took a little over two years from the original idea being put forward by President Xi Jinping in the autumn of 2013 to the coming into force of the treaty that was negotiated and agreed by the 57 countries that eventually founded the Bank. This was an excellent open and consultative process – with some great lessons for the future.

The governance structure conforms to international best practice – ensuring the institution is open, non-political, professionally run with high standards of integrity, and with all members having

New challenges need new institutional approaches, says **SIR DANNY ALEXANDER**, Vice President of the Asian Infrastructure Investment Bank.

the opportunity to contribute to the development of the Bank. Membership has grown significantly. From 57 founding countries in 2016, we now have 87 approved members today, making AIIB the second largest multilateral development bank. The new members, including Canada and countries from Latin America and East Africa, have made the Bank a genuinely global institution.

A little over two years after its operations started, AIIB is a financially strong and well-managed institution that is taking a modern approach to risk management frameworks, as reflected by the triple-A credit ratings we maintain from the three main international rating agencies. We are growing quickly and are constantly on the hunt for highly experienced people who demonstrate strong integrity in everything they do and can help us to live by our core values of lean, clean and green as we build our capacity. Those who have joined AIIB over the last three years are privileged to be a part of this journey, and we are looking forward to welcoming many more people to our team over the next 12 months.

The Bank has now invested in projects in 13 countries, with India the largest borrower so far. As of December 1 2018, our Board of Directors has approved up to \$6.4 billion for 32 projects. From power projects in Bangladesh to countering air pollution in Beijing, from solar power in Egypt to the Bangalore metro, AIIB is financing projects that are raising living standards and promoting environmental sustainability across Asia and beyond. Of course, the scale of operations and the Bank's capacity to innovate will continue to grow from year to year.

AIIB is a separate entity and different from the well-known Belt and Road Initiative (BRI), although there are many projects that link the two. We follow the policies, strategies and standards agreed by all our members and invest in projects on their own merits if they align with our thematic priorities: sustainable infrastructure, cross-border connectivity and private capital mobilization. There is strong common ground between AIIB's remit to invest in infrastructure and the objective of the BRI that promotes connectivity, as well as an opportunity to share our experience and processes with others who are involved.

We have clear conditions that each project must follow – especially financial and economic soundness, strong environmental and social safeguards, open procurement and of course strict anti-corruption rules. High standards for implementation help our members to have confidence in AIIB projects. Publicly understood standards also help to protect



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the reputation and brand of the Bank, by reducing the risk of bad projects or white elephants and diminishing the likelihood of unexpected environmental or social problems. They also make it easy for us to work with other international organizations that operate to similarly high standards. We're co-financing many projects with the World Bank, the Asian Development Bank and other international financial institutions. Far from being in competition, cooperation is the watchword.

Multilateral, rules-based infrastructure cannot remain ossified, but must continue to evolve to reflect changes in the world. New and anticipated challenges, including climate change and rapid urbanization, need new approaches. Those who are worried about how such challenges could undermine systemic integrity should take comfort from the experience of AIIB. In this case, a new institution, under Asian leadership, is setting and maintaining high standards while also driving innovation and collaboration.

Looking back to the discussions we had in the UK in 2015, that is exactly what we hoped for. Of course, while we are on the right road, there is a great deal more work to be done to develop AIIB as an institution that meets the needs and expectations of all its members. I was honored to have recently been re-appointed by our Board for a second term – and look forward to contributing to that goal. ♦

SIR DANNY ALEXANDER is a former UK Chief Secretary to the Treasury under Prime Minister David Cameron. He is currently Vice President and Corporate Secretary for AIIB.

