

AIIB Transport Sector Strategy & GMS Connectivity

Sustainable and Integrated Transport for Trade and Economic Growth in Asia

3 key characteristics for transport sector

Large demand that is still dominated by road transport

Total demand around \$500-900 billion per year

Three-quarters are for the road subsector

Long planning, preparation and construction cycles

Airports and rail take more than 60 months from planning to tender close

Environmental, social, and land impact to be addressed

Sensitive to demand and/or technology changes

Intermodal and international competition

Infrastructure is location or use specific

With implications for AIIB investment choices

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AIIB needs to focus its resources to have impact

- **Prioritise “middle-range” projects with large economic impact and some financial returns**
 - Make projects bankable with AIIB’s presence
 - Crowd in private capital
- **Prioritise strategic connections**
 - Trunk linkages
 - Cross border connectivity
 - Integration
 - Upgrading
- **Leave space to address clients’ needs**

AIIB's Approaches

Ensuring Economic and Financial Sustainability

- Rigorous cost-benefit and demand sensitivity analysis
- Build in maintenance cost

Mobilizing Private Capital

- Providing more support for PPPs, viability gap financing
- Playing the role of anchor financier

Promoting environmental and social sustainability

- Encourage “avoid, shift and switch” projects and project design to reduce carbon
- Maintain high ES standards, including enhancing safety and gender access

Developing strategic partnerships

- Work with regional initiatives to identify projects early
- Build up financing partners, including private sector

Embracing innovative and proven technology

- Spread green technology to Asia
- Improve infrastructure productivity (including use of ICT)

Outputs and outcomes to be monitored

- See Table 1

Linking it to GMS

- Transport projects are AIIB priority
 - Private sector or PPP projects welcomed
 - Projects in Thailand – key GMS country – can have large regional impact

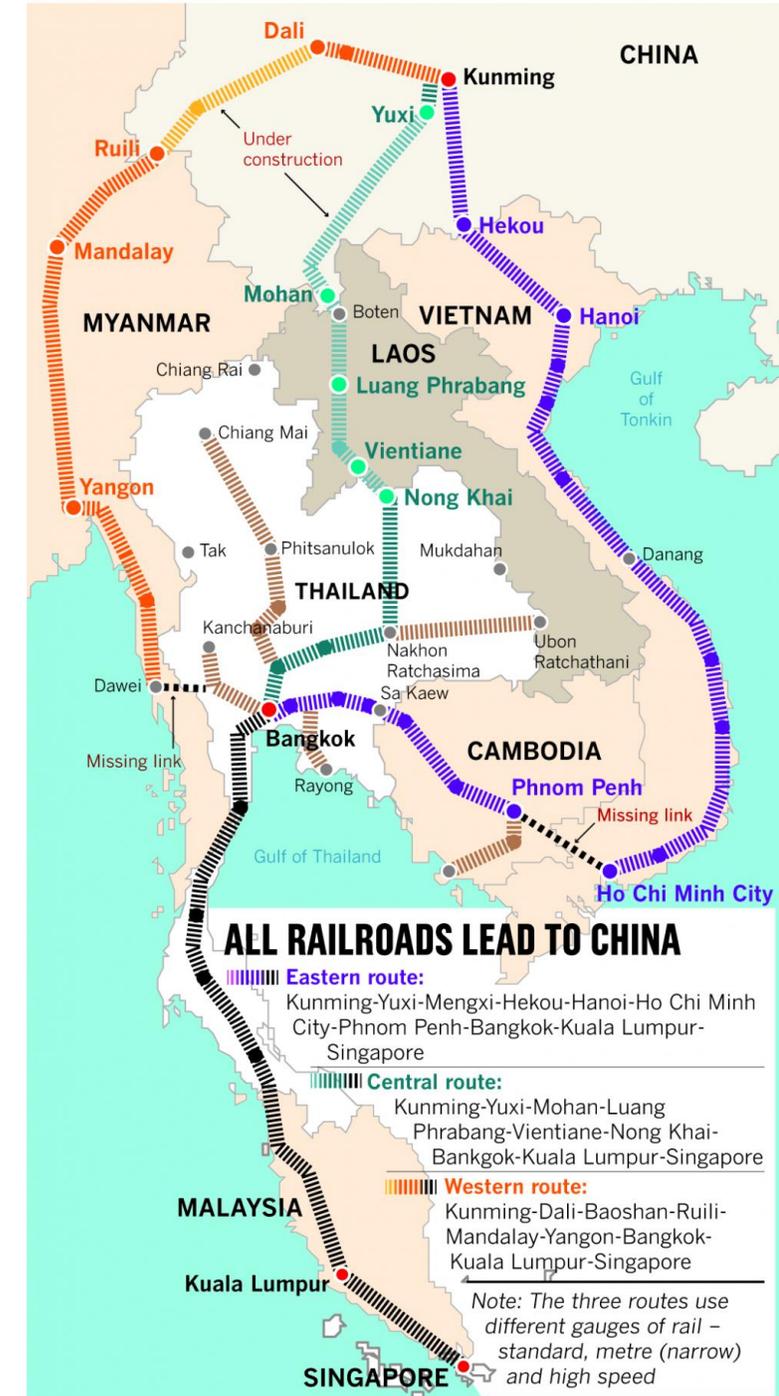
- Rail or roads - which is the best investment for connectivity?

- Rail or sea for international trade?



Thailand and Vietnam

- Thailand is a key intersection country - “All railroads lead to China” but they all pass through Thailand
 - Bangkok, Yangon-Mandalay, Kunming
 - Bangkok, Phnom Penh, HCM, Hanoi, Kunming
 - KL, Bangkok
 - Bangkok, VT, Kunming
- How does Thailand Eastern Corridor fit into regional plan – would it be designed for cross border benefit?
- How to create improved sea access for Lao to Vietnam?
- For rail – how to reinvest to standardize gauge (from French to Standard), invest in ageing rolling stocks?
- Facilitating more exports to China



AIIB Looking Forward to Discuss and Support

- **Few GMS projects in AIIB's pipeline, unlike for South Asia and Indonesia**
- **Cross border projects (or domestic projects with cross border benefits) will be welcomed**
- **ADB has invested significant work in GMS. AIIB to with other ADB and MDBs, or domestic financing institutions to support worthwhile projects**
- **Looking forward to discuss more GMS projects with member countries**

In developing countries, lack of infrastructure is a far more serious barrier to trade than tariffs - Joseph Stiglitz

Thank you.

Let's Create Tomorrow.

