Asian Infrastructure Investment Bank

China-based AIIB ramps up global development lending

Head of Beijing's alternative to World Bank says it will maintain suspension of operations in Russia

Jin Liqun, president of the Asian Infrastructure Investment Bank © Anthony Kwan/Bloomberg

James Kynge in London YESTERDAY

The Asian Infrastructure Investment Bank, the multilateral financial institution set up by China as an alternative to the World Bank, is sharply increasing its global lending despite the continuing suspension of its operations in Russia.

AIIB president Jin Liqun said in an interview the bank planned to "navigate the rough and tumble of geopolitical situations" to boost financing to "more than $10bn" in each of the three years to the end of 2025 from a total of $36bn since its founding in 2016.

Jin said lending to Russia, the AIIB's third-largest shareholder, would remain frozen along with that to Belarus, which supported Moscow's war in Ukraine.

The bank was expanding operations beyond its main focus in Asia, Jin said, establishing its first operational "hub" outside the region in Abu Dhabi in the United Arab Emirates.

"From next year we are going to be gearing up for the mainstream businesses and Abu Dhabi is going to play a very important role," Jin said. "We can reach out to sub-Saharan Africa, Latin America, eastern European countries and Central Asia."

The AIIB was created as a Chinese-led alternative to the World Bank and other western-led multilateral organisations that have long dominated development lending. It has 105 members, including important shareholders such as India, the UK, France, Australia and South Korea. The US and Japan are not members.

Beijing has refused to condemn Moscow over its invasion of Ukraine, but the AIIB's decision in March to freeze lending demonstrated the pressure on global financial institutions to cut ties with Russian projects and individuals over the war.

Jin said of the suspension of operations in Russia that the AIIB had to make sure that "whatever we do will not adversely affect the perception of this institution and will not adversely affect our access to the international capital market".

"We will watch the situation very closely. Based on the rationale for this decision, we don't see any signal or sign that could change our assessment of this situation."

The AIIB strategy was to redouble efforts to support infrastructure projects aimed at mitigating climate change and also to align itself more clearly with the private sector, Jin said.

By 2025, "upwards of 50 per cent" of its lending would go toward climate change mitigation, up from 48 per cent at the end of last year. By 2030, some 50 per cent of the loan book would be to the private sector, up from around 25 per cent now.

In order to benefit from AIIB lending to mitigate climate change, governments in low-income countries should have "credible macroeconomic policies and a firm commitment to net zero", Jin said.

"For the next five to 10 years time, I would say this is a very clear road map for this institution."

Asian operations would continue to account for the lion's share of the bank's lending, but lending to projects in Africa, Latin America and elsewhere would increase over time, Jin said. Such non-regional lending is capped at 15 per cent of the total.

The quality of the AIIB's loan book, which shows a non-performing loan ratio of close to zero, stands in contrast to the mounting debt distress of China's state-led Belt and Road Initiative, which the AIIB does not lend through.

BRI loans are turning bad in record numbers. According to Rhodium Group, a New York-based research firm, the total value of loans from Chinese institutions that had to be renegotiated in 2020 and 2021 surged to $52bn, more than three times the $16bn of the previous two years.