Dry Ports in China and
PPP Approach

Hongbin Jiang, PhD, FICE
Principal Procurement Policy Specialist, AIIB
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1. An Overview of Dry Ports in China

**The role of dry port in China**

- An important component of comprehensive transport system in China;
- Facilitate development of international trade and international logistics;
- Plays an important role in improving investment environment in the west, central China and northeast China, promoting trade contacts between China and Asian-Pacific region.

*Source: World Bank, based on data from the China Waterborne Transport Research Institute (WTI).*
1. An Overview of Dry Ports in China

Development Models of Dry Ports

- **Seaport-based dry ports:**
  Sited at the coast with a major function of pre-customs clearance, and the initial purposes are to capture more cargo flowing along the inland supply chain and to relieve capacity constraints at the seaport, examples:
  - Connected with Ningbo Port: Jinhua, Yiwu, Shaoxing, Yuyao and Quzhou.
  - Connected with Tianjin Port: Urumchi, Shijiazhuang, Zhengzhou, etc.

- **City-Based Dry Ports:**
  Primarily for provision of logistics services and built to develop local economy on land areas:
  - Xi’an Dry Port: Cooperate with Qingdao, Tianjin, Lianyungang Ports.
  - Nanchang Dry Port: Cooperate with Xiamen, Shenzhen, Ningbo Ports.

- **Border Dry Ports:**
  Located in the border area/city, with the major function being as a transshipment center or custom clearance service:
  - Kunming Dry Port;
  - Manchuria international freight yard

--- Implication to PPP approach

**Seaport-based dry ports**

a) Modal shift (road/rail/inland waterway transport connection),
b) Cargo loading and discharging, and handling and storage of containers with/without break bulk cargo services.
c) Pre-customs inspection and clearance.
d) Targeting of distributors operating on a just-in-time basis.

**City-Based Dry Ports**

a) Located in Mid- and West China at strategic transport junctions, with long distances from seaports
b) Large facilities with diverse functions, and require sufficient land for future expansion
c) Mainly serve the export market, located in metropolitan areas, and targeted both manufacturers and distributors with medium order lead times

**Border Dry Ports**

a) the major function being as a transshipment centre or custom clearance service.
b) act as trans-modal centres for linking inland freight distribution systems in different hinterlands.
c) tend to be small and they mainly serve trade by road and rail.
1. An Overview of Dry Ports in China

Profile of China’s dry ports:

- Most of the dry ports are with a diversified ownership, particularly with the local companies;
- Most of the dry ports provide multiple services, including clearance, storage, freight forwarding, good collection, trans-shipment, etc.;
- Dry ports are working with the connected seaports.

---- Implication to PPP approach
1. An Overview of Dry Ports in China

Management of the dry port in China

Management system for the dry ports in China is composed of the central government - local and the main market operators from top to bottom and mainly participated in by the local government.

--- Implication to PPP approach
1. An Overview of Dry Ports in China

The Key Stakeholders:

- Investors: port, local enterprise, railways company, local government, and others.
- Most dry ports are invested by port companies and local enterprise, and in some cities far away from seaports, the railway company also participates in the construction, such as the dry ports in Chengdu, Harbin and Urumchi;
- Some are directly invested by the local government, such as the dry ports in Xi'an and Luoyang.

--- Implication to PPP approach
1. An Overview of Dry Ports in China

Basic Functions of Inland Dry Ports

- The dry port infrastructure include railway container center station, container handling zone, bonded center, customs supervision, inspection and quarantine area, road transport station, logistics, trade and other production and living facilities.
- The inland dry port in China is mostly based on railway container center stations.

Source: China Waterborne Transport Research Institute (WTRI).
2. Financing Inland Dry Ports and The PPP Approach

The Financing Modalities for dry ports / ports

- Corporate / Private
- State owned
- Local Government
- Central Government

- Fiscal Budgeted Investment (Appropriation, grant, subsidies)
- Increased investment during transition of economy
- Accelerated investment toward saturation
- Consolidated investment with optimization of built assets

- Fiscal budgeted investment
- Increased investment during transition of economy
- Accelerated investment toward saturation
- Consolidated investment with optimization of built assets

Note: This illustrates the major financing mechanisms used during the different development stages of an economy, and it does not necessarily mean the financing vehicle (e.g. development financing) prevailing at the earlier stage will be abandoned as the development progresses.
2. Financing Inland Dry Ports and The PPP Approach

Funding sources for investments in dry ports infrastructure

**Financing Resources**
- Government Fiscal Fund
- Equity / PE
- Foreign Direct Investment
- Stock Market
- Policy Bank
- Commercial Bank
- Institutional Fund
- Bond Market

**Financing Mechanism**
- Appropriation / Grant / Subsidies
- Shareholding
- International Joint Venture
- Initial Public Offering
- Policy Lending
- Commercial Lending
- Institutional Lending
- Bond Issuance

**Major Investors**
- State Government
- Local Authority
- State Owned Enterprise
- Private Owned Enterprise
- Foreign Investor

**Facilities**
- Facilities with public interests
- Facilities with commercial operation

*Note: Facilities with commercial operation: such as towing, cargo handling, storage, and other equipment.*
2. Financing Inland Dry Ports and The PPP Approach

Potential Models of International Investment in Dry Port through PPP
3. PPP Approach in Developing Dry Port Projects

Key Questions when designing a PPP for a dry port development

1. How do we maximise the commercial, economic, social and environmental potential of the dry port? This is key to ensuring that government deliver their development objectives through proper design and implementation of the dry port.

2. How do we optimise financial outcomes for the public sector? Evidence shows that poor structuring, planning or procurement of the project may lead to unnecessary costs to the state, both upfront, and in future operations.

3. How do we leverage the private sector to finance the dry port? Public resources remain heavily constrained, and governments are unwilling to take on significant new sovereign debt. But many private investors remain unconvinced that they will get a healthy return on their investment from PPP project investment,

4. How do we achieve the bankability of the PPP project? Careful financial planning and transaction structuring is necessary to achieve the bankability of the investment, and to persuade the private investors to choose and to allocate their resources to the dry port.
3. PPP Approach in Developing Dry Port Projects

Key Steps when designing a PPP for a dry port development

1. Project planning and identification: strategic planning for dry port and the minimum requirements for project identification, leading to pre-feasibility studies as an output.

2. Project structuring: It considers the various models available for the development of dry port, and involvement of the private sector; project structuring also include the formulation of specifications for the facilities, infrastructure standards, and environmental and social considerations.

3. Project financing: It considers different sources and costs of capital, and the financial products can be used for the PPP. The challenges of private sector financing a dry port.

4. Project procurement and contracting: how to prepare and carry out the procurement for the dry port PPP project? It discusses contracting models and procurement issues.

5. Project implementation: principally around managing responsibilities.
3.1 Project Planning and Identification

Formulating a robust program considering the overall policy, market environment and connectivity with inland transportation system

- Elements of a robust programme for a dry port development;
  - The role of dry port with its preferential policy within the context of wider national economic strategy
  - The comparative advantages
  - What markets and which seaport to be connected and can competitively be served
  - Proximity to supply or demand markets to enable trade in a cost-effective manner, from the perspective of transport economics and logistics
- The supply and demand for serviced industrial development (current and future)
- Key constraints to business and investment, and plans to address them
- What roles government can usefully play in this context and what will be left to the private sector
- Institutional alignment and capability to deliver;
- Defining the role of the public sector and creating a conducive enabling environment for private sector participation.
3.1 Project Planning and Identification

Adopting a macroeconomic understanding of overall demand for logistic and transportation system

• A demand-led approach is vital for the design and execution of a programme for a dry port. This is especially the case where there is limited capacity for the state to absorb further upfront financing costs and associated financial risk.

• As such, a robust planning and programming should set out how the development plans are to be matched to credible forecasts of demand for serviced logistic and transportation needs.

• The programme should combine macroeconomic forecasting with empirical evidence of demand (gained from early investor soundings), in order to mitigate the risk of over-supply.
3.1 Project Planning and Identification

Setting minimum standards for individual park plans at the project identification stage

- Growth and imports/export trends of the related sectors
- Costs and availability of required factors influencing the establishment of the logistic and transportation system with the port, including labour and skills
- Associated infrastructure and services requirements
- Associated government policy reform or preferential needs
- Financing resources available
- Technology support requirements, in particular data connectivity
- Regional market access needs
- Investor soundings

Key Output:
- Dry Port Development Plan and Program (Public)
- PPP Project Pre-feasibility Study (Public + Private)
3. PPP Approach in Developing Dry Port Projects

The process of developing a PPP project:

- **Project Structuring**
  - Informal market testing through structured questionnaires and follow up interviews of potential private partners
  - Production of the Full Business Case (FBC) presenting the rationale for the proposed deal
  - Assembly of the delivery team, including Government officials and specialist external advisors

- **Project Transacting**
  - Development of draft terms of engagement with private sector
  - Market engagement, including an announcement to the public of the procurement timescale
  - Formal procurement, including tendering, qualification, selection, award, negotiations, closing, signing
3.2 Project Structuring

Selection of the overall development model

- In general, PPPs are to be preferred over publicly-driven dry port development and operation, wherever possible.
- The private participation drives greater market orientation, technical knowledge and expertise, access to private capital, customer service levels, efficiency and innovation.
- The private sector participation in the project has also specifically brought efficiencies in overall financing, construction, and operations.
- In some cases, where the prevailing business environment is conducive and market attractiveness is high, the project development can occur without significant support from the local government beyond regulatory approvals.
3.2 Project Structuring

Optimizing the involvement of the private sector

- Government levers can be thought of in two categories: enabling environment levers and deal levers;
- The poorer the enabling environment, the greater the extent to which government must improve the risk-adjusted returns to the private sector through subsidy to the
- Improving the enabling environment for infrastructure is a more cost-effective than the deployment of subsidies or discounted land price in a long-term operation.
3.2 Project Structuring

How to structure a bankable PPP project for a dry port?

- **Partnership Type**
  - Preparation of the PPP model
  - Analysis of applicable (feasible) PPP type

- **Proposed Project Structure**
  - Analyze the extent of Government finance and various sources of commercial finance

- **Payment Mechanism**
  - Project amenability to drive private sector interest
  - Revenue Assessment

- **Risk Analysis**
  - Risk assessment and allocation
  - Add-on cost of retained risk in PPP model

- **Contractor’s incentive**
  - Incentive driven PPP structure
  - Equitable distribution of efficiency gains

- **Financial & Contractual Flexibility**
  - Incentive driven PPP structure
  - Equitable distribution of efficiency gains

- **Construct Risk Adjusted PPP Model**
  - Review long term contractual obligations
  - Scope to consider ‘valve’ to relieve financial pressure
3.2 Project Structuring

Typical Structure of Dry Port PPP
3.2 Project Structuring

Illustration of PPP structure of a dry port project in China
3.2 Project Structuring

Designing the Specifications for a Dry Port

• Service specialization on a demand basis;
• Enhancing the operating environment;
• Infrastructure and facilities specifications;
• Environmental and social considerations.
3.3 Project Financing

Consideration of total development cost of a dry port

• The total development costs of dry ports appears to vary significantly from one to another, key factors to be considered:
  • Extent of development (ranging from land preparation only, through to complete build-out of facilities)
  • Complexity and intensity of intended use (ranging from basic logistic and custom use through to holistic commercial developments incorporating logistic center and public space)
  • Complexity of off-site connecting infrastructure and on-site topography, particularly the connection to transportation network;
  • Procurement capability of the procuring authority
  • Financing cost
• Financing during and after development:
  • Capturing value appreciation from developed land
  • Diversifying income and risk through integrated development
  • Driving revenue from logistic management
3.3 Project Financing

Revisit the funding flow for a dry port PPP with its financing levers:
3.3 Project Financing

Key considerations for a dry port PPP financing:

- Governments should benchmark planned costs for dry port developments against comparable development costs from the region. This benchmarking should be done against the projects which are similar in scope, complexity and deal structure.

- Project appraisal processes shall consider the impact on the non-financial input costs of the project. For example, if a source of finance is available at competitive rates, but comes with pre-specified developers, this is likely to push up overall cost. Maintaining competition between developers is likely to deliver better value for money.

- The barriers to private sector participation in the dry port PPP projects are high, mainly because of their comparatively high costs of finance. Governments should therefore use pre-development of land, guarantees, joint venture arrangements, flexible zoning rules, and so on to enable private park developers to have a credible chance to participate in the PPP development.

- The bankability and the attractiveness for the PPP design is crucial for the success of procurement and bidding process.
3.4 Project Procurement and Contracting

Procurement Procedure for a PPP project

1. **Request for Expressions of Interest (RFI)**
   - Issued to the public specifying key contractual terms and the terms of engagement.
   - Invites parties to submit expressions of interest (EoIs) or pre-qualification questionnaires (PQQs).

2. **Pre-Qualification of Interested Parties**
   - EoIs or PQQs scored and compared against the following weighted categories:
     - Financial stability
     - Relevant experience
     - Technical capacity

3. **Request for Proposals (RFP)**
   - RFP sent to shortlisted parties, providing guidelines for proposals.
   - Key elements include:
     - Invitation to Submit Proposal
     - Objectives, Tasks to be Performed & Development Process
     - Project Property and Site Summary
     - Required Proposal Elements
     - Selection Criteria and Procedures
     - Exclusive Negotiation Agreement
     - Negotiation Process & Timeline
     - Submission Procedures

4. **Select Winning Bidder & Notify it of Award**
   - Based on factors including:
     - Price
     - Skills & Experience
     - Alignment with govt.'s objectives
     - Approach to service delivery
     - Technical criteria (capacity, human resources, business/operating plan)
     - Financial criteria (sufficient resources to post a performance bond and invest in start-up, financial plan, proposed fee structure)

5. **Negotiate Contract with Winning Bidder**
   - Contract negotiation between Winning Bidder & State, including Conditions Precedent and Warranties, Statements & Representations.
   - MoU signed between Winning Bidder and State.

6. **Closing and Signature**
   - Developer Financial Closing with its Lenders, Backers, Insurers.
   - Un-encumbered land title transfer (e.g. long-term lease, concession, etc.).
   - Developer Agreement Signature with State.
3.4 Project Procurement and Contracting

Minimum consideration on contractual provisions:

- Financial risks, including interest rate risk; exchange rate risk; creditworthiness guarantees; performance securities (EPC contractors typically give a 10-20% performance guarantee to the financers);
- Standby funding arrangements; minimum developer debt-to-equity ratio warranties; etc.;
- Construction/completion delays;
- Cost overruns, including change control procedures and an extensive bill of quantities;
- Utility charge mark-ups in general and specifically, increases to public utility charge over the course of the contract;
- Lack of coordination with/between adjacent/dependent projects/facilities;
- Environmental risk;
- Legal and political change risk (e.g., through a legal clause, arbitration clauses, political risk insurance requirements, etc.);
- Incremental, scalable and event-based liquidated damages; termination by Government with buy-out of outstanding project debt (or equity in an SPV); and government step-in-clauses with developer termination transition assistance;
- Insurances (including for business interruption) as well as force majeure;
- Use of accounting standard.
3.5 Project Implementation

Managing port under development and in operation

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Primary responsibilities</th>
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<tbody>
<tr>
<td>Ordinary Government Agencies</td>
<td>• Assemble land&lt;br&gt;• Establish land use and custom related guidelines&lt;br&gt;• Develop offsite infrastructure&lt;br&gt;• Training/workforce development and social services</td>
</tr>
<tr>
<td>Dry Port Regulator</td>
<td>• Conduct planning and prefeasibility studies,&lt;br&gt;• Facilitate government services:&lt;br&gt;• Monitor compliance:</td>
</tr>
<tr>
<td>Developer</td>
<td>• Onsite final Development master-planning&lt;br&gt;• Provision of onsite infrastructure and suprastructure</td>
</tr>
<tr>
<td>Operator</td>
<td>• Facility leasing:&lt;br&gt;• Utilities provision:&lt;br&gt;• Provision of other value-added services:&lt;br&gt;• Marketing as needed</td>
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4. Case Studies

Xi'an International Inland Port
4. Case Studies

Xi'an International Inland Port – a city-based dry port

- Established in June 2009, Xi'an International Inland Port Investment & Development Group (ITL Group) is a large solely state-owned enterprise invested by Xi'an International Trade & Logistics Park. The Group owns more than 45 controlled and joint-stock subsidiary companies with its assets reaching 35 billion yuan.

- Xi'an Inland Port has unique location at the heart of the China, with a tri-modal transport network of highway, railway and airway.

- The dry port is part of a logistics park with an area of about 6 km². It consists of five components, including:
  - a new-build CFS, which is one of the railway container centers
  - a B-type bonded logistics centre,
  - an international logistics zone,
  - a domestic logistics zone and
  - a logistics cluster area.
4. Case Studies

Xi'an International Inland Port

- The dry port acts as a comprehensive service platform, which includes customs clearance, goods distribution, warehousing and distribution, international and domestic freight forwarding, intermodal transfer, value added activities and bonded warehousing.
- This dry port can be classified as a pure inland loading centre since it is located remotely from the seaports and targets supporting manufacturing industry by providing a wide range of logistics services. These services involve a significant initial investment of 60 million Yuan.
- The dry port is jointly supported by the Municipal Government and four state-owned companies. Following the landlord model, the municipal government has directly invested in land, infrastructure, basic facilities and superstructure. This direct government participation has helped the dry port enjoy a land price of around one-third as much as that charged for commercial use.
- This dry port works with Shanghai Port Authority, Lianyungang Port Authority and Qingdao Port authorities. From the point of view of the seaports, it is hoped that the effective operation of the dry port will shorten transport distances by consolidating consignments to/from western China.
4. Case Studies

**Xi'an International Inland Port – PPP arrangement**

- First, the government allows diverse PPP models for attracting private investments, ranging from supply and management, to turnkey, leasing and concessions. The private or foreign investors can directly participate in the construction and operation of the facilities. For the dry port, these flexible partnerships can mitigate financial constraints; for the partners, they can improve integration into their supply chain by investing in facilities according to need.

- Second, concession policy is also an effective means of attracting more investment. To attract investors to B-type bonded zones in the dry port, participants can be exempted from rental fees in the first year.

- Third, a lot of concession policies are also jointly provided by ‘Entry-Exit Inspection’ and Quarantine Bureau. These policies are also aimed at developing the ‘no border delay service’.

As a result, Singapore CWT Logistics Company and Xian Shi Gao Logistics Company signed contracts for the investment of US$38 million and US$100 million, respectively. They participated in the construction of a ‘container operating zone’ and a ‘comprehensive bonded zone’.
4. Case Studies

Kunming Dry Port – a border-based dry port

- Kunming Nanya International Land Port Development Co., Ltd. was established in 2011 with a registered capital of 124 million yuan. It is a SOE jointly funded by Kunming State-owned Assets Management and Operation Co., Ltd., Anning Development Investment Group Co., Ltd., and China Development Fund Co., Ltd.. As of September 30, 2020, the company’s total assets reached 1.822 billion yuan.

- Multi-functional comprehensive logistics park with tens of millions of logistics processing capacity: Kunming South Asia International Land Port Logistics Park is an important node for logistics distribution on the west and middle lines of the Trans-Asian Railway. The main hub node in the international logistics supply chain in China, Western Europe, Africa, etc. The planned area of the park is about 13 square kilometers, the planned construction land area is 12,891 mu, and the total investment is about 7.229 billion yuan.

- It forms a comprehensive logistics park integrating multi-functional areas. It is planned to meet the annual freight throughput of 24 million tons and accommodate thousands of companies. Logistics enterprises have settled in. At present, the cargo throughput of the park has reached 8 million tons per year.
4. Case Studies

Kunming Dry Port – a border-based dry port

• The core component of the park has been built - the road-rail intermodal port: The road-rail intermodal port is the first phase project of Kunming Nanya International Land Port Logistics Park. The total land area of the project is about 290,000 square meters, covering an area of 450 acres, with a total construction area of about 80,000 square meters and a total investment of about 1.085 billion yuan.

• It is based on basic logistics service functions such as road-rail combined transportation, modern warehousing, and transportation organization.

• It focuses on the development of functions such as consolidation and transshipment services, comprehensive warehousing and distribution services, less-than-truckload express services, logistics information services, comprehensive supporting services, and supply chain financial services.
4. Case Studies

Kunming Dry Port – a border-based dry port

- Numerous efforts have been made by the local government to attract more private and foreign investment in order to boost local trade and logistics development.
- To increase the impact, a series of incentives for example tax exemptions, rent reductions and so on have also been provided inside the zone.
- These preferential polices indirectly affected the dry port in a positive way by allowing diversification of financial channels and improving transport demand.
4. Case Studies

A comparison of Xi’an and Kunming Dry Ports

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<th>Xi’an dry port</th>
<th>Kunming dry port</th>
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<tr>
<td>Cooperation model</td>
<td>Landlord, PPP</td>
<td>Landlord, private operator</td>
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<td>and major operator</td>
<td><strong>Policy expectation</strong></td>
<td><strong>Concession policy</strong></td>
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<tr>
<td>from dry port</td>
<td>Land, direct investment Concession policy, subsidy (land, finance, tax)</td>
<td>Competition policy</td>
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<tr>
<td>Function of dry port</td>
<td>Growth pole of local economy (current) Attracting private and foreign investment</td>
<td>Growth pole of local economy (future) Attracting private and foreign investment</td>
</tr>
<tr>
<td>Major issues</td>
<td>Land, competition policy</td>
<td>Lack of market regulation Insufficient systematic planning</td>
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<tr>
<td>Major stakeholder</td>
<td>Many Provincial and Local Government Seaport, Custom, Logistics Companies</td>
<td>Limited Government Shippers</td>
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<tr>
<td>Competitor</td>
<td>Inland logistics hubs (for example Chengdu dry port)</td>
<td>Diversify inland logistics nodes</td>
</tr>
<tr>
<td>Political culture</td>
<td>Strong</td>
<td>Not much</td>
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<tr>
<td>Major policy approaches</td>
<td>Land policies Concession policies</td>
<td>Provincial and Municipal plan Concession policies</td>
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A bank loan of EUR132.5 million to support the expansion of ZIH, a front-runner operator of China Rail (CR) Express, an emerging and prospering international freight mode connecting China and European/Central Asian countries.

**Integration:** Promoting Alternative Low-Carbon Mode for International Trade

- The Project’s objective is to facilitate cross-border trade by enhancing freight service efficiency of the containerized CR Express trains connecting China to Europe and Central Asia.
- Zhengzhou is the sole CR Express Consolidation Hub, critical for the China-Europe rail route through the Trans-Siberian railway.
- The project includes a Multimodal Cold Storage Facility, Parallel Vehicle Imports Facility, Type-B Bonded Logistics Center, and Multimodal Logistics Information Platform Upgrade.
- The CR Express presents a mode for cross-border freight between air and maritime, with a good balance of cost, time, and reliability for delivery;
- It played a stabilizing role in international supply chains during the pandemic, ensuring the transcontinental delivery of critical supplies when the air & maritime freight were heavily influenced.
AIIB Project Showcase: 
China - Zhengzhou International Logistics Hub (2/2)

**Digitalization: Upgrading ZIH’s Multimodal Logistics Information Platform**

- Through upgrading and integrating the existing systems, AIIB’s Project supports the overall ZIH operational efficiency improvement;
- Digitalization enables real-time full-transparency from suppliers to customers, small lot sizes, multiple product variants, high container occupancies and autonomous management. These will indirectly promote decarbonization along the supply chain.

**Identify Opportunities for Climate Mitigation Design**

- Overall, 41% of AIIB’s financing is considered as climate mitigation finance.
- Adopt energy efficient design in the cold storage facilities (one of the project components) that will significantly reduce the use of high Global Warming Potential (GWP) refrigerant;
- Apply green building guidelines in project civil works, integrating a range of measures to increase flood retention capacity to better manage the storm water.
Financing i4t – AIIB's Thematic Priorities

**GREEN INFRASTRUCTURE**

Promoting green infrastructure and supporting members to meet their local and national environmental and development goals, especially their commitments under the Paris Agreement and the United Nations' Sustainable Development Goals.

**CONNECTIVITY & REGIONAL COOPERATION**

Facilitating better transport, digital, energy and water connectivity within Asia, as well as between Asia and the rest of the world. AIIB also supports projects that facilitate trade, cross-border investment, tourism, financial and digital integration across Asian economies and beyond.

**TECHNOLOGY-ENABLED INFRASTRUCTURE**

Based on the enhanced recognition of the important role technology plays, AIIB will support projects where the application of technology delivers better value, quality, productivity, efficiency, resilience, sustainability, inclusion, transparency and better governance along the project cycle.

**PRIVATE CAPITAL MOBILIZATION**

AIIB supports projects that directly or indirectly mobilize private financing into sectors within AIIB's mandate. This includes developing infrastructure as an asset class in Asia.

### Private Sector Projects

- 50% of actual financing approvals by **2030**

### Climate Financing

- 50% of actual financing approvals by **2025**

### Cross-Border Connectivity

- 25% - 30% of actual financing approvals by **2030**
Sovereign-backed loans will have an average maturity of up to 20 years and a final maturity limit of up to 35 years.

AIIB will continue to co-finance projects with other lenders in addition to expanding its standalone portfolio.

Appraisal of sovereign loans will consider a full assessment of the project’s benefits, risks and borrower implementation capacity.

The Bank is taking a progressive approach to building its book of non-sovereign-backed financing.

Borrowers range from sub-sovereign public entities to private enterprises.

The terms and conditions will be set on a commercial basis and reflect the expected risk to the bank and market conditions.

Loan amounts can be up to 35% of the project’s value or the long-term capitalization of an obligor.

The Bank will only consider making equity investments under terms it considers fair, where clear potential exit strategies are present, and where an acceptable internal rate of return is projected.

Limit on Equity investments up to 10% of available capital.

The Bank expects to play the role of a minority investor and shall not seek a controlling interest in the target entity or enterprise.

Partial Debt Guarantees are available to clients. The product is currently introduced for sovereign and non-sovereign operations.

It incorporates partial debt guarantees and unfunded risk participation.

Projects involving guarantees will be appraised, processed, and monitored as if they were loans.

For capital headroom and exposure management purposes, guarantees will be also treated in the same way as loans.
Q&A
Dr. Hongbin Jiang’s responsibility in AIIB is to develop, update and oversee the Bank’s operational procurement policies, associated directives and administrative guidance, for both sovereign and non-sovereign backed financing projects of the AIIB.

Prior to AIIB, Hongbin was the Partner of Capital Project & Infrastructure at PricewaterhouseCoopers (PwC) China, leading PwC China’s infrastructure financial advisory team. Before that, he served as a Senior Procurement Officer with the Asian Development Bank. Hongbin had worked on a large number of infrastructure projects financed by World Bank and ADB, and he also had closed many infrastructure deals with project finance.

He brings knowledge gained in studying at Tsinghua University, China, and National University of Singapore, with his Master of Science in Project Management and Finance and PhD in Construction Management and Economics.
Thank you.