

# Asian Infrastructure Investment Bank

## [UPSC Notes]

### What is the Asian Infrastructure Investment Bank?

The Asian Infrastructure Investment Bank (AIIB) is a multilateral development bank that aims to improve social and economic outcomes in Asia. It is headquartered in Beijing, China. AIIB started operations in 2016 under the terms of the AIIB Articles of Agreement with 57 founding members. At present, there are 105 members of AIIB. The Asian Infrastructure Investment Bank invests in sustainable infrastructure and developmental projects. The official language of the AIIB is English.

Fourteen of the G-20 nations are AIIB members, including Italy, Germany, France, and the United Kingdom. The bank currently has 105 members, including 14 prospective members worldwide. The bank's governance structure is composed of the Board of Governors as the top-level and highest decision-making body.

### AIIB Members

AIIB started its operations with 57 founding members by signing the Articles of Agreement in 2015 and ratifying them in 2015 or 2016. The total number of countries approved for membership in AIIB is 105, with Regional Members at 46, Non-Regional Members at 45, and Prospective Members at 14. Membership in the AIIB is open to all members of the World Bank and the Asian Development Bank and is divided into regional and non-regional members. AIIB also allows for non-sovereign entities to apply for AIIB membership, assuming their home country is a member.

Members of AIIB are:

- Afghanistan
- Algeria
- Argentina
- Australia
- Austria
- Azerbaijan
- Bahrain
- Bangladesh
- Belarus
- Belgium
- Benin
- Brazil
- Brunei
- Cambodia
- Canada
- Chile
- China

- Cook Islands
- Côte d'Ivoire
- Croatia
- Cyprus
- Denmark
- Ecuador
- Egypt
- Ethiopia
- Fiji
- Finland
- France
- Georgia
- Germany
- Ghana
- Greece
- Guinea
- Hong Kong
- Hungary
- Iceland
- India
- Indonesia
- Iran
- Ireland
- Israel
- Italy
- Jordan
- Kazakhstan
- South Korea
- Kyrgyzstan
- Laos
- Liberia
- Luxembourg
- Madagascar
- Malaysia
- Maldives
- Malta
- Mongolia
- Morocco
- Myanmar
- Nepal
- Netherlands
- New Zealand
- Norway
- Oman
- Pakistan
- Peru
- Philippines
- Poland
- Portugal
- Qatar
- Romania
- Russia



- Rwanda
- Samoa
- Saudi Arabia
- Serbia
- Singapore
- Spain
- Sri Lanka
- Sudan
- Sweden
- Switzerland
- Tajikistan
- Thailand
- Timor-Leste
- Tonga
- Tunisia
- Turkey
- United Arab Emirates
- United Kingdom
- Uruguay
- Uzbekistan
- Vanuatu
- Vietnam

The Prospective Members of AIIB are:

- Armenia
- Bolivia
- Djibouti
- Iraq
- Kenya
- Kuwait
- Lebanon
- Libya
- Nigeria
- Papua New Guinea
- Senegal
- South Africa
- Togo
- Venezuela

The Czech Republic, Nigeria, Iraq, Colombia, and Ukraine were considering joining the AIIB as members. Mexico, Japan, and the United States have no immediate intention to participate. China rejected Taiwan's request to become a Prospective Founding Member.

## Organs of AIIB

The various organs of the AIIB include the Board of Governors, Board of Directors, Senior Management, and the International Advisory Panel.

## Board of Governors

The Board of Governors consists of one Governor and one Alternate Governor appointed by each member country. All the powers of the AIIB are vested in the Board of Governors. Governors and Alternate Governors serve at the pleasure of the appointing member.

## Board of Directors

The Board of Directors comprises twelve members who shall not be members of the Board of Governors. Of these 12 Board of Directors, nine are elected by the Governors representing regional members, and three are elected by the Governors representing non-regional members. The Board of Directors is a non-resident Board to reduce operating costs.

The functions of the Board of Directors include approving the Bank's strategy, annual plan, and budget; establishing policies; taking decisions concerning Bank operations; supervising the management and operation of the Bank; and establishing an oversight mechanism.

## Senior Management

The AIIB Senior Management consists of the President, five Vice Presidents, and other senior officers. The President heads the AIIB staff, who AIIB shareholders elect for a five-year term and is eligible for re-election once. The senior management is responsible for policy and strategy, investment operations, administration, the corporate secretariat, and the General Counsel, Chief Risk Officer, Chief Financial Officer and Chief Economist.

Jin Liqun is the current President of AIIB. Jin is the inaugural President and Chair of the Board of Directors. On July 28, 2020, he was elected to serve a second term of five years, beginning on Jan. 16, 2021.

## International Advisory Panel (IAP)

AIIB has an International Advisory Panel (IAP) that supports the President and Senior Management on the Bank's strategies, policies and general operational issues. The panel meets at least twice a year (physically or virtually), including one meeting held alongside the Bank's Annual Meeting of the Board of Governors and a second time at the Bank's Headquarters in Beijing. The President selects and appoints IAP members to an initial two-year term renewable upon completion.

## Goals of AIIB

The main aim of the AIIB is to have prosperity and economic development for Asia. As a multilateral development bank, AIIB is focused on developing Asia. The investments in infrastructure and other productive sectors seek to foster sustainable economic development, create wealth and improve infrastructure connectivity. The other goals of AIIB include:

- To promote regional cooperation and partnership
- To encourage private investment in projects, enterprises and activities
- To utilize the resources at its disposal for financing
- To foster sustainable economic development, create wealth and improve infrastructure connectivity in Asia
- To promote investment in the public and private capital for development purposes

## Accomplishments of AIIB

The AIIB lists its five major accomplishments as:

- **Rapid Growth in Worldwide Membership:** There are currently 105 members of AIIB, representing approximately 79 percent of the global population and 65 percent of global GDP.
- **Highest Credit Rating Assigned by Major Rating Institutions:** AIIB has received AAA ratings with a stable outlook from the top credit rating agencies- Standard & Poor's, Moody's, and Fitch.
- **Permanent Observer Status in the United Nations:** AIIB was granted Permanent Observer status in the deliberations of both the United Nations General Assembly and the Economic and Social Council.
- **Governance Model Enhancing Efficiency and Accountability:** AIIBs Accountability Framework is an innovative governance model that positions AIIB to embed a culture of accountability throughout the organization. This governance model includes an Oversight Mechanism in line with principles of transparency, openness, independence and accountability.
- **Policies and Strategies Developed:** Strategies for all major infrastructure sectors and for investing in equity, mobilizing private capital and financing operations in nonregional members have all been approved and implemented.

## Financial Resources of AIIB

The AIIB's initial total capital is USD 100 billion and is divided into 1 million shares of 100,000 dollars each. Twenty percent are paid-in shares (and thus have to be transferred to the bank), and 80% are callable shares. The largest contributor to AIIB is China and the second-highest shareholder is India.

- **Paid-Up Share Capital:** Paid-up capital is the amount of money a company has received from shareholders in exchange for shares of stock.
- **Called-Up Share Capital:** The amount of share capital shareholders owe, but have not paid, is referred to as called-up capital. Share capital consists of all funds raised by a company in exchange for shares of either common or preferred shares of stock.

A co-financing framework agreement has been signed by AIIB with World Bank, and three nonbinding MoU have been signed with Asian Development Bank, European Bank for Reconstruction and Development, and European Investment Bank.

## Voting Rights of AIIB

China is the largest shareholder with 26.61 % voting shares in the bank, followed by India (7.6%), Russia (6.01%), and Germany (4.2 %). The regional members hold 75% of the total voting power in the Bank. The AIIB has a governance structure similar to other MDBs (multilateral development banks), with two key differences: it does not have a resident board of executive directors, and the AIIB gives more decision-making authority to regional countries and the largest shareholder, China.

## AIIB and India

India is the largest beneficiary of AIIB financing for infrastructure projects and is the second-largest shareholder (7.6%) in the bank only to China. The AIIB has approved more loans for

India than any other bank member and has funded 28 projects in India, amounting to USD6.7 billion. India, in October 2021, India applied for loans from the AIIB and Asian Development Bank (ADB) under the ADB's Asia Pacific Vaccine Access Facility (APVAX) initiative. AIIB has approved five projects in India, with the total loan sanctioning around USD 1.074 billion. The five approved projects are:

- Andhra Pradesh 24x7 – Power For All project
- Gujarat Rural Roads (MMGSY) Project
- Bangalore Metro Rail Project
- Transmission System Strengthening Project
- India Infrastructure Fund

The projects in India span a range of sectors such as energy, water, transport, etc. The bank has also approved \$500 million for a COVID-19 Emergency Response Fund and Health Systems Preparedness Project. AIIB also approved a USD356.67 million loan to the Indian government to support the expansion of the Chennai metro rail system.

Though India is the largest beneficiary of AIIB financing, it has its own reservations. India has serious concerns over Chinese foreign policy in its region, the OBOR initiative, Indian membership in the Nuclear Suppliers Group, and the concerns over the China-Pakistan Economic Corridor.