

Asian Infrastructure Investment Bank (AIIB) - UPSC Notes

The Asian Infrastructure Investment Bank (AIIB) is a multilateral development bank with headquarters in Beijing, China. It is an important topic for the UPSC exam because it has relevance for both the economy and the international relations segments of the [UPSC syllabus](#).

Asian Infrastructure Investment Bank (AIIB)

AIIB started operations in 2016 by the terms of the AIIB Articles of Agreement (which entered into force in December 2015).



**ASIAN
INFRASTRUCTURE
INVESTMENT BANK
(AIIB)**

AIIB IS A MULTILATERAL DEVELOPMENT BANK
HQ: BEIJING, CHINA
STARTED OPERATIONS IN 2006

Is India a member? Yes
India is the second-largest shareholder (7.6%) in the bank, second only to China.



- It is a development bank with a mission to improve the economic and social outcomes in Asia.
- Starting with 57 founding members, the bank now has 103 approved members.
- It focuses on investment in sustainable infrastructure and developmental projects.
- Membership to the bank is open to all members of the [Asian Development Bank](#) or the World Bank.
- The bank also allows non-sovereign entities to apply for membership provided their home countries are members.
- The Board of Governors of the bank consists of a governor and an alternate governor of each member country. The Board is the highest decision-making body of the AIIB.
- The majority of the bank's operations are in the Asian continent.
- The member countries from Asia and Oceania are called regional members.

AIIB Objectives

The objectives of the AIIB are listed below:

1. Promoting sustainable economic development, creating wealth and augmenting infrastructure connectivity in Asia by investing in infrastructure & other productive sectors.
2. Fostering regional partnership & cooperation to address developmental challenges by working in tandem with other bilateral and multilateral developmental institutions.
3. Enhancing investment in private & public capital for development purposes.
4. Using the resources at its disposal for funding development in the region, including projects that will contribute to the balanced economic growth of the region.
5. Promoting private investment in enterprises, activities and projects contributing to economic development in the region wherever private capital is not available.

AIIB and India

India is the second-largest shareholder (7.6%) in the bank only to China.

- India is the largest beneficiary of AIIB financing for infrastructure projects.
- The projects in India span a range of sectors such as energy, water, transport, etc. including the Bangalore Metro Rail.
- The bank has also given approval for \$500 million for a COVID-19 Emergency Response Fund and Health Systems Preparedness Project.

Concerns associated with AIIB

Some of the world's leading economies like the USA and Japan are not members of the bank. The US is opposed to the bank because it considers the AIIB an unwelcome invasion of the multilateral financial system. There is also a perception that the bank is a tool for the expansionist agenda of the Chinese government. There is also a perception, reiterated by the non-resident board of AIIB, that the Chinese government can tightly control the bank's operations.

UPSC Questions related to AIIB

Is India a member of AIIB?

Yes, India is a member of the AIIB.

Who is the largest shareholder of AIIB?

China is the largest shareholder of AIIB. It is followed by India, Russia and Germany in second, third and fourth places respectively.

Who is the president of AIIB?

Jin Liqun is the President of AIIB.

Does AIIB have members outside Asia?

Yes. Membership is open to all members of the World Bank or the Asian Development Bank. Members outside Asia and Oceania are called non-regional members.

