


Asian Infrastructure Investment Bank (AIIB)

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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 2016**

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

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- 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. Know in detail about the [World bank](#) on the given link.
 - AIIB membership is divided into regional and non-regional members, where regional members are those located within the areas classified as Asia and Oceania by the [United Nations](#).
- 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.

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.

Governance of Asian Infrastructure Investment Bank

- Each member country is bound to appoint one Governor and one Alternate Governor. These appointed Governors have all the major powers of the Asian Infrastructure Investment Bank
- These Governors and Alternate Governors can further hand over the powers and responsibilities to the Board of Directors
- The first meeting of all the Board of Governors, AIIB was held in Beijing, China in 2016, followed by the second meeting in Jeju, Korea in 2017. The third meeting of the Board of Governors was held in Mumbai, India in 2018
- Luxembourg will be the first country outside Asia where the AIIB's annual Board of Governors meeting was held in 2019.
 - The theme of the 2019 Annual Meeting was "Cooperation and Connectivity" in recognition of the economic and social benefits to be realized through better connectivity within and between countries and regions, including Europe and Asia.

Finances of AIIB

- The initial total capital of AIIB is 100 billion dollars of which:
 - 20% is paid-in share capital which means that it is already paid by the investors in exchange of shares
 - The remaining 80% is called-up share capital
- The largest contributor to AIIB is China and the second-highest shareholder is India
- A co-financing framework agreement has been signed by AIIB with World Bank and three nonbinding MoU's have been signed with Asian Development Bank, European Bank for Reconstruction and Development and European Investment Bank

Related Links

New Development Bank – NDB	International Monetary Fund
International Development Association (IDA)	International Organizations and Their Headquarters
BREXIT – Causes, Global Impact and Impact on India	European Bank for Reconstruction and Development (EBRD)

Composition of AIIB

Given below is the composition of the Asian Infrastructure Investment Bank:

1. Board of Directors
 - There are twelve members in the Board of Directors, of these nine are elected by the Governors representing regional members and the other three are elected by the Governors representing non-regional members. These twelve members shall not be one among the Board of Governors
 - These Directors must have high knowledge of finances and economy
 - The main function of the Board of Directors is to execute all the powers resided in them by the Governors
 - They are also responsible for the general bank operations, planning the annual strategy and budget
2. Senior Management
 - A President is elected by the AIIB shareholders for a term of five years. This President is responsible for heading the AIIB staff
 - A Vice President is also appointed for supporting the President and carrying out important decisions related to the Bank
3. International Advisory Panel
 - The President and the Senior Management is also supported by an International Advisory Panel (IAP) which has been established by AIIB. Each member of IAP is appointed by the President for a term of two years
 - This Panel is present for the annual AIIB meeting and also meets annually at the headquarters of AIIB in Beijing

Overall, all members of AIIB are divided into two: regional and non-regional members and is open for all members of the World Bank and the Asian Development Bank.

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 a 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.