The Asian Infrastructure Investment Bank (AIIB) is a multilateral development bank with a mission to improve social and economic outcomes in Asia. It is established by the AIIB Articles of Agreement (entered into force Dec. 25, 2015) which is a multilateral treaty. The Parties (57 founding members) to agreement comprise the Membership of the Bank.

It is headquartered in Beijing and began its operations in January 2016. The members to Bank have now grown to 97 approved members worldwide. There are 27 prospective members including Armenia, Lebanon, Brazil, South Africa, Greece, etc.

Fourteen of the G-20 nations are AIIB members including France, Germany, Italy and the United Kingdom.

By investing in sustainable infrastructure and other productive sectors in Asia and beyond, it will better connect people, services and markets that over time will impact the lives of billions and build a better future.

Goals

- To foster sustainable economic development, create wealth and improve infrastructure connectivity in Asia by investing in infrastructure and other productive sectors.
- To promote regional cooperation and partnership in addressing development challenges by working in close collaboration with other multilateral and bilateral development institutions.
- To promote investment in the public and private capital for development purposes, in particular for development of infrastructure and other productive sectors.
- To utilize the resources at its disposal for financing such development in the region, including those projects and programs which will contribute most effectively to the harmonious economic growth of the region;
To encourage private investment in projects, enterprises and activities contributing to economic development in the region when private capital is not available on reasonable terms and conditions.

Governance

Board of Governors

- The Board of Governors consists of one Governor and one Alternate Governor appointed by each member country. Governors and Alternate Governors serve at the pleasure of the appointing member. All the powers of the AIIB are vested in the Board of Governors.
- The Board of Governors may delegate to the Board of Directors any or all its powers, except the power to:
  - admit new members and determine the conditions of their admission;
  - increase or decrease the authorized capital stock of the Bank;
  - elect the Directors of the Bank and determine the expenses to be paid for Directors and Alternate Directors and remuneration;
  - elect the President, suspend or remove him from office, and determine his remuneration and other conditions of service;
  - approve, after reviewing the auditors’ report, the general balance sheet and the statement of profit and loss of the Bank;
  - amend the ‘AIIB Articles of Agreement’;

Annual Meeting

- The first AIIB Board of Governors meeting was held in Beijing, China in 2016.
- The second was held in Jeju, Korea in 2017 and the third was held in Mumbai, India in 2018.
- On July 12-13, 2019 Luxembourg will host AIIB’s first Annual Meeting to be held outside Asia.
  The theme of the 2019 Annual Meeting is “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.

Board of Directors

- The Board of Directors are composed of twelve members who shall not be members of the Board of Governors, and of whom:
  - nine are elected by the Governors representing regional members; and
  - three are elected by the Governors representing non-regional members.
- Directors of the Board are persons of high competence in economic and financial matters.
• Directors represent members whose Governors have elected them as well as members whose Governors assign their votes to them.
• Board of Directors is a non-resident Board to reduce operating cost.
• It is responsible for the direction of the Bank’s general operations, exercising all powers delegated to it by the Board of Governors. This includes:
  o approving the Bank’s strategy, annual plan and budget;
  o establishing policies;
  o taking decisions concerning Bank operations;
  o and supervising management and operation of the Bank and establishing an oversight mechanism.

Senior Management

• AllIB staff is headed by the President who is elected by AllIB shareholders for a five-year term and eligible for re-election once.
• The President is supported by Senior Management which includes five Vice Presidents responsible for:
  o policy and strategy
  o investment operations, finance
  o administration and the corporate secretariat and the General Counsel
  o Chief Risk Officer and Chief Programmer Officer

International Advisory Panel (IAP)

• The Bank has established an IAP to support the President and Senior Management on the Bank’s strategies and policies as well as on general operational issues.
• The President selects and appoints members of the IAP to an initial two-year term, which can be renewed upon completion.
• The Panel meets at least twice a year, once in tandem with the Bank’s Annual Meeting, and second time at the Bank’s Headquarters in Beijing.
• Panelists receive a small honorarium and do not receive a salary. The Bank pays the reasonable costs associated with Panel meetings.

Membership

• Membership in the AllIB is open to all members of the World Bank or the Asian Development Bank and is divided into regional and non-regional members.
  Regional members are those located within areas classified as Asia and Oceania by the United Nations.
Unlike other MDBs (multilateral development bank), the AIIB allows for non-sovereign entities to apply for AIIB membership, assuming their home country is a member.

Thus, sovereign wealth funds (such as the China Investment Corporation) or state-owned enterprises of member countries could potentially join the Bank.

**Financial Resources of AIIB**

- The AIIB's initial total capital is USD 100 billion divided into **1 million shares of 100,000 dollars each**, with 20% paid-in and 80% callable.
  - **Paid-Up Share Capital**: It is the amount of money that has already been paid by investors in exchange for shares of stock.
  - **Called-Up Share Capital**: Some companies may issue shares to investors with the understanding they will be paid at a later date.
    
    This allows for **more flexible investment terms** and may entice investors to contribute more share capital than if they had to provide funds up front.

- **China** is the largest contributor to the Bank, contributing **USD 50 billion**, half of the initial subscribed capital.
- **India** is the second-largest shareholder, contributing **USD 8.4 billion**.

**Voting Rights**

- **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 bank), with two key differences:
  - it does **not have a resident board of executive directors** that represents member countries' interests on a day-to-day basis; and
  - the AIIB gives **more decision making authority to regional countries** and the largest shareholder, China.

**AIIB Lending**

- **The recipients of AIIB financing** may include member countries (or agencies and entities or enterprises in member territories), as well as international or regional agencies concerned with the economic development of the Asia-Pacific region.
The AIIB has signed a co-financing framework agreement with the World Bank and three nonbinding Memoranda of Understanding (MOU) with:
- the Asian Development Bank (ADB),
- European Bank for Reconstruction and Development (EBRD),
- and the European Investment Bank (EIB).

The bulk of AIIB’s operations are in South Asia.
The Bank can lend outside Asia provided that it supports connectivity with Asia or it is for a global public good and that the loan significantly benefits Asia.

The ceiling for non-regional loans is 25%.
The key sectors for the Bank are Energy, Transport, Water and Urban development.
About two-thirds of the loans approved by the bank have been co-financed with other multilateral lending institutions, including the World Bank and the ADB.
The triple-A ratings from Standard & Poor’s, Moody’s and Fitch, reflect the Bank’s commitment to the highest standards of governance, enhanced transparency and accountability.

Approved investment operations of AIIB reached USD 7.94 billion in April, 2019.

China’s Motivation for Creating the AIIB

The creation of the AIIB is part of a broader reorientation of Chinese foreign and international economic policy that has taken place since Xi Jinping became Chinese Communist Party General Secretary in 2012 and the President in 2013.

“One Belt, One Road” (OBOR) Initiative
- It identified 65 countries that will be participating in the initiative, which aims to use trade promotion, infrastructure development, and regional connectivity, to boost economic linkages between China and dozens of countries along a land route (the Silk Road Economic Belt) and a sea route (the 21st Century Maritime Silk Road).
- To realize this vision, China is investing in a range of institutions and initiatives, including the AIIB, and other funding mechanisms such as the Silk Road Fund (established in 2014) and the New Development Bank (also known as the BRICS Bank established in 2014), a collective arrangement with Brazil, Russia, India, and South Africa.

China also seeks to influence the emerging structure of regional trade and investment relations.
- By helping to finance OBOR, AIIB may influence these relationships. It may also reinforce a regional infrastructure that has China as its hub.
- As a result, regional economies may be more inclined to augment trade and investment relations with China rather than with other economies, such as Japan, South Korea, Taiwan, and the United States.
AIIB and India

China Factor

- There are various issues between India and China:
  - Indian membership in the Nuclear Suppliers Group (China maintains that it will not support India's entry until there is a universal formula to accept applications from all countries that haven't signed the Non-Proliferation Treaty - indirectly pursuing case for Pakistan),
  - territorial disputes in the Himalayas,
  - concerns over the China-Pakistan Economic Corridor's traversal of disputed territory in Kashmir.
- India has serious concerns over Chinese foreign policy in its region generally and the OBOR initiative specifically, regarding Beijing's attempts to seek influence in its immediate neighborhood with great interest.
- Despite aforesaid issues between India and China, the AIIB plays a crucial role implicitly in consensus building process:
  - The AIIB has acquired the status of a plurilateral lending initiative, so there is no problem for either India, or China, in overlooking bilateral differences and working together at the AIIB.
  - India can open up investment opportunities in the region through AIIB.
  - By hosting the AIIB's third annual meeting (2018, Mumbai) under the theme of “Mobilising Finance for Infrastructure: Innovation and Collaboration”, India has reiterated its openness to infrastructure collaboration.

Economic Contribution of AIIB

- India is the largest beneficiary of AIIB financing for infrastructure projects. The AIIB has approved five projects in India. These are —
  - Bangalore Metro Rail Project (USD 335 million),
  - Transmission System Strengthening Project,
  - Gujarat Rural Roads (MMGSY) Project (providing USD329 million through a 13-year loan to provide all-weather connectivity to 4,000 villages in the 33 districts of Gujarat state),
  - India Infrastructure Fund
  - and Andhra Pradesh 24×7 – Power For All project.
The total loan sanctioned by AIIB to five Indian projects is USD 1.074 billion. This accounts to almost 28% of the total money the bank has lent to 24 infrastructure projects worldwide. The AIIB has approved for lending USD 200 million to National Investment and Infrastructure Fund (NIIF). NIIF is an Indian-government backed entity established to provide long-term capital to the country’s infrastructure sector. Its portfolio includes investments in ports and logistics, real estate and renewables.

In Feb, 2019 the AIIB and the Government of India signed a USD 455 million loan to finance the Andhra Pradesh Rural Roads Project, which will connect some 3,300 habitations with a population of more than 250, and benefit around two Million people.

The AIIB Concerns

- The United States has opposed the AIIB and considers AIIB as an unwanted intrusion in the multilateral financial system. Emergence of AIIB, largely funded by China, poses a threat to the monopoly of the United States on the world’s financial system for over half a century.

- The world's leading industrialized economies, Japan and the U.S. are not members of the AIIB because of following expressed concerns:
  - There is no certainty that the bank will maintain its rigorous loan-screening practices or keep its funding operations separate from China's political ambitions.
  - Joining the AIIB would require making a huge financial contribution to the entity.

- Asia's infrastructure investment needs are so vast that no single institutional lender can meet that demand on its own.

- The U.S. government is seemingly intent on pursuing inward-looking policies through protectionism and trade war.

- The bank is concerned with predicted downward trend in project finance because of slow global economy and trade war. Slowing economies can lead to governments failing to meet contractual obligations towards AIIB and trade frictions may erode the potential of infrastructure projects.

- AIIB's non resident board, inhibits transparency and accountability. It reinforces the perception that the AIIB will be much more centrally controlled by the Chinese government.

Conclusion
• It is well proved throughout the history of economic growth & development that the creation and development of robust financial institutions will make market forces more competitive leading towards comprehensive growth and development of society.

• The AIIB can create own space by contributing to sustained economic growth leading towards improved living standard of millions of poor people across Asia and other regions.

• The AIIB is still in its evolutionary phase that must be **nurtured with democratice principles avoiding single-country dominance** (Chinese dominance) like that of USA in IMF and World Bank.

• India as an emerging economy, can play a vital role in **shaping the foundation of AIIB for the cause of poor people** spread across developing countries.