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# ASIAN INFRASTRUCTURE INVESTMENT BANK

## A New Standard of MDBs



# Thesis

The AIIB is not a vehicle to spread Chinese propaganda, but is rather an innovative way to promote economic growth and stability through investments in regional infrastructure and as a result, represents a new era of MDBs



# Purpose of the AIIB

- Stems from ineptitude of the overly bureaucratic MDBs and Brenton Woods institutions that have failed to account for every region they encompass
  - fixed the problems that plague many MDBs, such as the “often slow and overly bureaucratic ways of the traditional lenders and their slow pace of representational and operational reform,” and the lack of an “adequate voice to emerging and developing countries.”
- “(i) foster sustainable economic development, create wealth and improve infrastructure connectivity in Asia by investing in infrastructure and other productive sectors; and (ii) promote regional cooperation and partnership in addressing development challenges by working in close collaboration with other multilateral and bilateral development institutions”



## Board Structure

- Power and influence doesn't explicitly revolve around China
- No bylaws that prevent other regional countries from taking over
- Limits non-regional members



## Board Arrangement

- Dual board arrangement and delegated authorities from a larger Board of Governors (fifty-seven governors) to a smaller Board of Directors (twelve directors)
- Lack of resident board



# Capital Structure

- Main innovation is in their capital structure
  - Paid-in capital vs callable capital
  - AIIB requires 20% paid-in capital vs other MDBs' 5%

MDBs	ADB	World Bank	AIIB
Capital Base	\$160 billion	\$223 billion	\$100 billion



# Types of Projects

- Large-scale infrastructure
- Other MDBs are risk-averse, hurting developing nations



## Counter Arguments

- Will be used to funnel money in China and her allies
- Lack of resident board leads to corruption
- The AIIB will commit environmental violations just like China





# Refutes

- Will be used to funnel money in China and her allies
  - 25% of the aid has gone to democratic India
  - Multiple projects in NATO ally Turkey and NATO partner Georgia
  - Two projects in Indonesia, who is in a maritime territorial dispute with China
  - Only one proposed project in Chinese client state, Sri Lanka
- Lack of resident board leads to corruption
  - Dual board arrangement helps prevent that with its decentralized approach
  - Waste of time and money
    - Cost 70 million annually
    - Slows down decision making
- The AIIB will commit environmental violations just like China
  - Published several operational policies, including an Environmental and Social Framework and policies on procurement and preventing corrupt practices
  - Affirmed that operations would be grounded in the latest international agreements in the 2015 Paris Agreement on Climate Change and the United Nations 2030 Agenda for Sustainable Development