

AIIB and the Multinational Development Financing System : Complementary or Competitive?

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2-8 Oct.2013, Chinese government proposed AIIB initiative, 12 Oct, 2015. 53 of 57 founding members signed the AIIB charter. The initiative of AIIB is to meet the development finance demand of Asian countries. Most of the developing countries are facing financial and technical bottleneck for their growing infrastructure demand. The lending capacity of the traditional MDBs is significant deficiency to the demand of infrastructure construction in development countries(including Asia). AIIB will mainly engaged in regional economic development and infrastructure connectivity through investment in infrastructure of Asia.

The initiative of AIIB raised the question of the the relationship between AIIB and existing MDBs: Are they complementary or competitive? Will AIIB bring more conflicts or cooperation in international development financing system ?

Firstly, AIIB will complement the traditional MDBs

As to the objective and function, the objectives and function of the MDBs are mainly: promote world economic growth and poverty reduction (core mission of the MDBs) (ADB); promote regional economic growth and integration(ADB, AfDB, CAF); promote the development of medium-sized and small enterprises(EIB, IDB); promote sustainable development (EIB, IDB, CAF). But the objective of AIIB focuses on boosting Asian economic development, wealth creation and infrastructure connectivity through investment in infrastructure of Asia.

As to the effectiveness of the development financing, on one hand, for operating efficiency, not all MDBs can be operated efficiently. Some of the development project financing of the existing MDBs can not meet the actual situation of recipient countries.

The design and implementation of loan projects needs to be improved. China and other developing countries have accumulated rich experience and capacity in infrastructure construction, which make AIIB have a better understanding of the real situation in borrowing countries, which will facilitate the project design and implementation. For the principles and standards, the MDBs dominated by western developed countries emphasize the "process" of development aid with political conditions attached, which may ignore the complicated history and reality of the environment in developing countries and is often unable to achieve the desired development results in these regions. AIIB based on South-South cooperation will respect the borrowing country's choice of development path and try to establish development financing standards which are more suitable for developing countries.

Secondly, AIIB will compete with the traditional MDBs to some extent

AIIB will promote the democratization and diversification of international development financing system, raise the status of the emerging economies, developing countries and borrowing countries, based on south-south cooperation, promote the development benchmark more suitable to developing countries. And AIIB will constitute competitive pressure to the traditional MDBs on priority areas of the business, lending capacity, lending conditionality, and so on .

Thirdly, AIIB and the traditional MDBs could cooperate and build a more effective, more efficient, more inclusive international development financing system.

On one hand, AIIB could learn many things from the traditional MDBs (best practice standards , guiding principles, governance procedures, performance assessment standards); On the other hand, there exist many space for AIIB and traditional MDBs to cooperate: joint financing, alignment and harmonization and peer review of the projects....