

CHINA-BASED MULTILATERAL DEVELOPMENT BANKS AND THEIR ROLE IN GLOBAL DEVELOPMENT FINANCE

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China has supported the creation of two new multilateral development banks (MDBs), the New Development Bank (NDB, Shanghai) and the Asian Infrastructure Investment Bank (AIIB, Beijing), established in 2015 and 2016 respectively. While often viewed in the West as Chinese geopolitical tools, an analysis of their financial statements and governance reveals otherwise. Both banks are credible multilateral institutions focused on infrastructure financing for member countries. Although China is the largest shareholder in the AIIB and a founding member of NDB, it does not hold unilateral veto power, mirroring the roles of the United States in the World Bank and Japan in the Asian Development Bank.

The AIIB is now the world's second "most multilateral" development bank, boasting 100 full members and 10 prospective members as of May 2025, behind only the World Bank. Both AIIB (AAA rated) and NDB (AA+ rated) are amongst the highest rated MDBs globally, indicating strong financial health. While the AIIB follows the World Bank's governance model with China as lead shareholder, the NDB represents equal partnership among the five BRICS countries and is more politically exposed, notably due to Russia's role and ambitions to reduce reliance on the US dollar.

(Click on the link to read the above in [Chinese](#), [French](#) and [Spanish](#))

Chinese:

中国主导的多边开发银行及其在全球发展融资中的作用

中国支持成立了两家新的多边开发银行（MDB）：新开发银行（NDB，位于上海）和亚洲基础设施投资银行（AIIB，位于北京）。这两家银行分别于2015年和2016年设立。虽然这两家银行常被西方视为中国的地缘政治工具，但对他们财务报表和治理的分析显示，事实并非如此。两家银行都是专注于为成员国提供基础设施融资有信誉的多边机构。尽管中国是亚投行的最大股东，也是新开发银行的创始成员，但中国并不拥有单边否决权，其作用与美国在世界银行和日本在亚洲开发银行扮演的角色类似。

截至2025年5月，亚投行已拥有100个正式成员和10个准成员，成为仅次于世界银行的全球第二大“最具多边性质”的开发银行。亚投行（AAA评级）和新开发银行（AA+评级）均为全球评级最高的多边开发银行之一，显示出强劲的财务实力。亚投行采用与世界银行类似的治理模式，由中国担任主要股东；而新开发银行则代表五个金砖国家之间的平等伙伴关系，其政治风险更高，尤其由于俄罗斯所起的作用及其减少对美元依赖的意图。

French:

LES BANQUES MULTILATÉRALES DE DÉVELOPPEMENT BASÉES EN CHINE ET LEUR RÔLE DANS LE FINANCEMENT DU DÉVELOPPEMENT MONDIAL

La Chine a soutenu la création de deux nouvelles banques multilatérales de développement (BMD) : la Nouvelle Banque de Développement (NDB, Shanghai) et la Banque Asiatique d'Investissement pour les Infrastructures (BAII, Pékin), établies respectivement en 2015 et 2016. Bien qu'elles soient souvent perçues en Occident comme des instruments géopolitiques au service de la Chine, une analyse de leurs bilans financiers et de leur gouvernance montre le contraire. Les deux banques sont des institutions multilatérales crédibles, axées sur le financement des infrastructures pour les pays membres. Bien que la Chine soit le principal actionnaire de l'AIIB et un membre fondateur de la NDB, elle ne dispose pas d'un droit de veto unilatéral, reflétant les rôles similaires joués par les États-Unis à la Banque mondiale et le Japon à la Banque asiatique de développement.

La BAII est désormais la deuxième banque de développement « la plus multilatérale » au monde, avec 100 membres à part entière et 10 membres potentiels en mai 2025, n'étant devancée que par la Banque mondiale. La BAII (notée AAA) et la NDB (notée AA+) font partie des BMD les mieux notées au niveau mondial, ce qui témoigne de leur solide santé financière. Alors que la BAII suit le modèle de gouvernance de la Banque mondiale avec la Chine comme principal actionnaire, la NDB incarne un partenariat égalitaire entre les cinq

pays des BRICS et se montre plus exposée politiquement, notamment en raison du rôle de la Russie et de ses ambitions de réduire la dépendance envers le dollar américain.

Spanish:

BANCOS MULTILATERALES DE DESARROLLO CON SEDE EN CHINA Y SU PAPEL EN LA FINANCIACIÓN DEL DESARROLLO GLOBAL

China ha respaldado la creación de dos nuevos bancos multilaterales de desarrollo (BMD): el Nuevo Banco de Desarrollo (NDB), con sede en Shanghái, y el Banco Asiático de Inversión en Infraestructuras (AIIB), con sede en Pekín, establecidos en 2015 y 2016 respectivamente. Aunque a menudo se perciben en Occidente como instrumentos geopolíticos al servicio de China, un análisis detallado de sus estados financieros y estructuras de gobernanza indica lo contrario. Ambos bancos son instituciones multilaterales creíbles, centradas en la financiación de infraestructuras para sus países miembros. Si bien China es el mayor accionista del AIIB y miembro fundador del NDB, no posee poder de veto unilateral, al igual que Estados Unidos en el Banco Mundial o Japón en el Banco Asiático de Desarrollo, lo que refuerza su carácter multilateral.

El AIIB es actualmente el segundo banco de desarrollo más multilateral del mundo, con 100 miembros plenos y 10 miembros prospectivos hasta mayo de 2025, solo por detrás del Banco Mundial. Tanto el AIIB (calificación AAA) como el NDB (calificación AA+) figuran entre los BMD con mejor calificación crediticia a nivel global, lo que refleja una sólida salud financiera. Mientras que el AIIB adopta un modelo de gobernanza similar al del Banco Mundial, con China como accionista principal, el NDB representa una asociación en pie de igualdad entre los cinco países BRICS y presenta una mayor exposición política, especialmente por la implicación de Rusia y sus esfuerzos por reducir la dependencia del dólar estadounidense.

Executive Summary

1. While the establishment of Asian Infrastructure Investment Bank (AIIB) and New Development Bank (NDB) has faced scepticism, particularly in the United States, China's motivations are multifaceted, including closing the infrastructure financing gaps in emerging markets and advancing its global influence.
2. China and other large developing countries continue to lack clout, influence and voice within traditional multilateral institutions such as the International Monetary Fund, World Bank and Asian Development Bank (ADB), where their role in governance is disproportionately low compared to their roles in the global economy.
3. These considerations have prompted China and its partners to create their own multilateral institutions, with China taking a lead role.
4. The AIIB has positioned itself as a global multilateral development bank (MDB) offering lending and investment operations in its many developing-country-members worldwide. In contrast, the NDB's membership is much smaller and its operational footprint also focuses on its developing member countries.
5. The AIIB conducts nearly all its lending in US dollars and has 100 full members. Its operations are similar to that of other MDBs and it frequently co-finance projects with the World Bank and ADB.
6. The NDB, in contrast, has a much smaller membership base of eight countries. It largely finances projects independently and is experimenting with innovations in operational procedures that set it apart from traditional MDBs.
7. The AIIB and NDB remain small compared to their peers. Although their assets grew rapidly from 2018 to 2024 by 192% and 203% respectively, albeit from a low base, far outpacing the ADB's 64% and the International Bank for Reconstruction and Development's 35%, they remain secondary players in the MDB ecosystem.

8. However, these two banks are not interchangeable, differing notably in membership models. Russia's significant role in the NDB and the NDB's push to diversify from the US dollar could potentially increase tensions with Western nations.

CHINA-BASED MULTILATERAL DEVELOPMENT BANKS AND THEIR ROLE IN GLOBAL DEVELOPMENT FINANCE

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Why Did China Set Up Two New Multilateral Development Banks?

1. China's decision to lead the establishment of the Asian Infrastructure Investment Bank (AIIB) and New Development Bank (NDB) in Beijing and Shanghai respectively was driven by three key objectives: closing Asia's and BRICS countries' infrastructure financing gap, increasing its influence in global financial governance and creating alternative financing mechanisms that aligned with its economic and geopolitical interests.
2. Recognising a significant infrastructure financing gap in developing economies, particularly in Asia¹ and among BRICS countries, China sought to position itself as a leader in sustainable infrastructure financing. Traditional multilateral lenders like the World Bank and Asian Development Bank (ADB), while amongst the largest MDBs, were often seen as slow-moving, bureaucratic and dominated by Western and Japanese influence. By leading the creation of MDBs as a major (or equal) shareholder, China seeks to expand infrastructure funding sources and demonstrate its commitment to South-South cooperation and development.
3. Beyond economic considerations, these institutions also served a strategic geopolitical purpose, allowing China to build new multilateral frameworks that are more aligned with its priorities and increase its influence over global economic

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¹ China specifically stated there was a US\$8trn gap in the Asian infrastructure market in 2015. <https://www.stimson.org/2015/china-aiib-challenges/>, accessed 28 May 2025.

governance—an influence not reflected in its voting power in institutions like the International Monetary Fund (IMF), ADB and World Bank despite repeated efforts to raise its shareholding. Several major developing countries, such as Brazil, India, Indonesia and South Africa share concerns about the governance of traditional multilateral financial institutions. AIIB and NDB were created as alternatives to Western-dominated institutions, emphasising non-interference and local ownership of lending policies. However, China supported designing these institutions to complement, not rival, existing MDBs, with AIIB frequently co-financing projects alongside the World Bank and ADB, while NDB collaborates less frequently.

4. The AIIB has also partnered with the IMF to strengthen its macroeconomic due diligence processes, relying on IMF Article IV Reports as key inputs into its deliberations instead of conducting independent assessments.
5. China has long used the Belt and Road Initiative to project soft power and strengthen economic ties with emerging markets. However, the lack of a clear BRI definition has led to a vast array of projects—from large-scale railway investments to small commercial ventures—being brought under the umbrella of the initiative, even when they had little in common in terms of financial structure or oversight. Some BRI projects were state-led, others were private investments, while many others were structured through Chinese policy banks like China Development Bank (CDB) and the Export-Import Bank of China (EximBank), which operated under different lending terms. They often mandated the use of Chinese companies (and sometimes workers) and were frequently perceived as a way for China to export its overcapacity. The fragmented approach contributed to poor project selection, debt sustainability concerns and geopolitical backlash, as some host countries incurred excessive debt without clear long-term economic benefits—giving rise to the term “debt trap diplomacy”.²

² <https://rsis.edu.sg/rsis-publication/cms/bris-debt-trap-diplomacy-reality-or-myth/>, accessed 17 March 2025.

6. AIIB and NDB, however, were positioned as neutral, multilateral institutions with governance structures³ modelled after traditional MDBs. By emphasising transparency, shared governance and cooperation with institutions like the World Bank, these banks allow China to expand its economic influence in a way that was much less politically contentious than BRI. While some of their funded infrastructure projects overlap with those of the BRI, the AIIB follows international procurement standards, allowing firms from various countries to bid competitively. Chinese firms may have won a significant share of contracts, but this reflects global competitiveness in infrastructure rather than an explicit institutional preference. The NDB is largely not involved in financing BRI projects, at least in part due to India's opposition to BRI and India's equal role in decision making at the NDB. While NDB's lending may support projects involving Chinese firms, its governance framework is designed to ensure broader participation among BRICS economies. As a result, while AIIB and NDB may contribute to international infrastructure development in ways that align with China's economic strengths, they do so within a multilateral framework that avoids the issues associated with BRI.

Can AIIB and NDB Be Regarded as True MDBs?

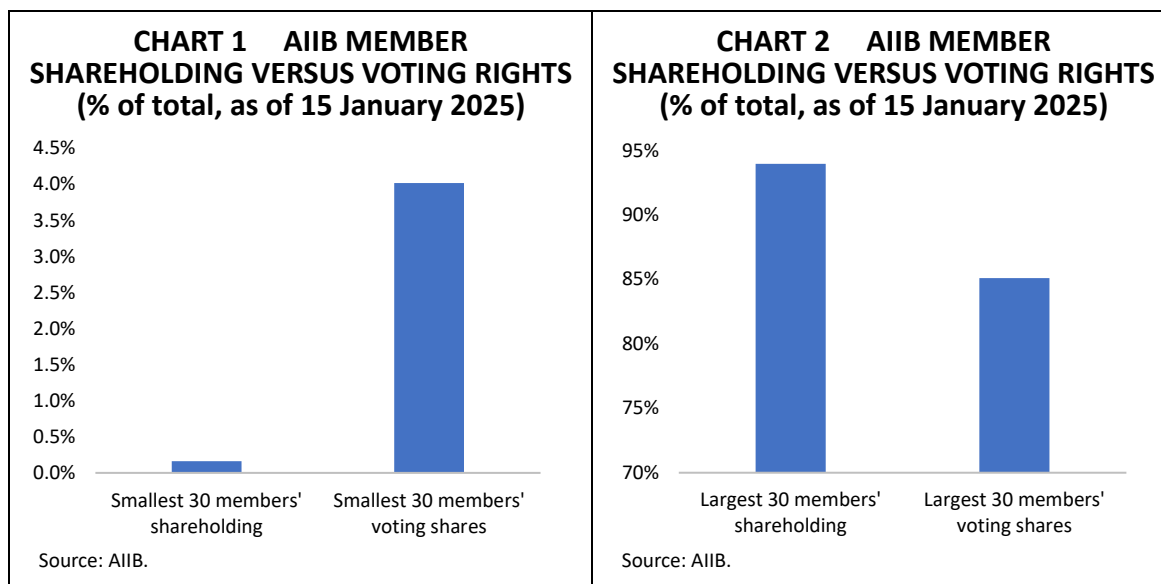
7. China plays a dominant role in both AIIB and NDB but in different ways. It is the dominant shareholder of the AIIB headquartered in and initiated by Beijing. In the NDB, a BRICS initiative and headquartered in Shanghai, China holds an equal stake as the other four founding member countries of the bank (Russia, India, Brazil and South Africa).
8. Doubts remain as to whether these banks function as true MDBs or are merely extensions of Chinese foreign policy—highlighted by the absence of the United States and Japan.⁴ MDBs are generally characterised by a governance structure that incorporates diverse shareholder representation, decision-making processes that

³ They are, however, not identical institutions. AIIB has a large membership and operates more as a global multilateral-development bank, while NDB's membership is, in principle, open to all members of the United Nations. In practice it operates with five founding members and three other developing country members.

⁴ <https://knowledge.wharton.upenn.edu/article/chinas-aiib-recasts-regional-development-finance-and-us-global-influence/>, accessed 17 April 2025.

balance member interests and financial sustainability mechanisms that reduce the influence of any single country. To assess if the AIIB and NDB meet this standard, examining their ownership structures, voting mechanisms, governance frameworks and operational independence would be necessary.

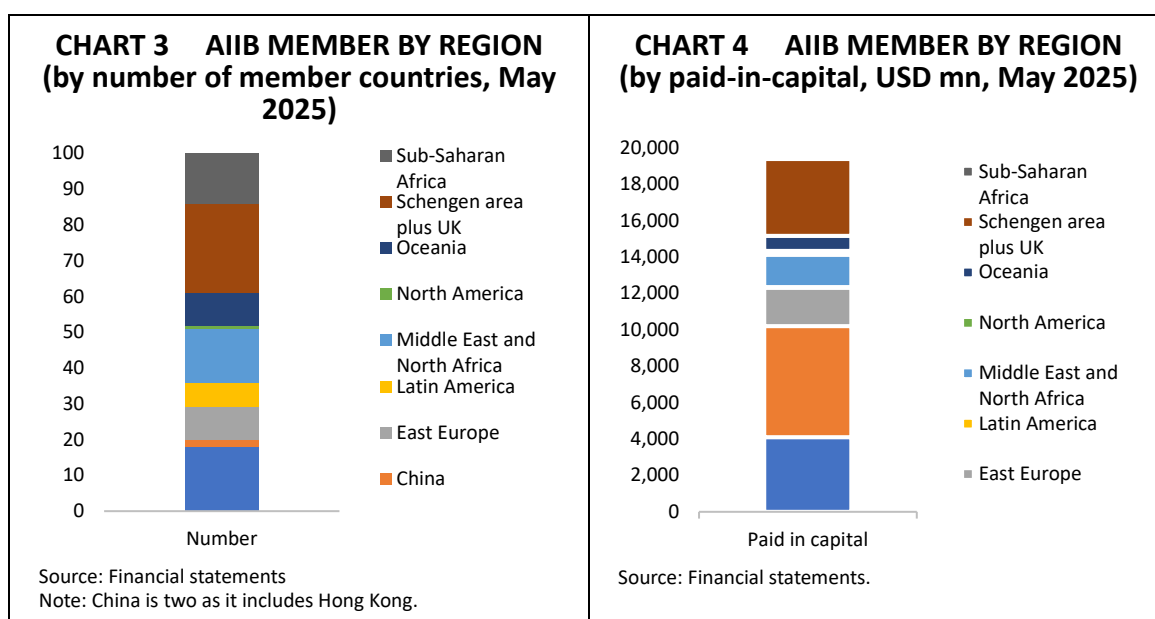
9. The starting point for assessing is the structure around shareholding and decision-making power. As of 2024, China held 30.7%⁵ of AIIB's equity and 26.5% share of voting rights. While lacking formal veto power over standard decisions (that require a >50% voting threshold), China effectively wields de facto veto over major decisions requiring a 75% approval threshold, a role that is similar to that of the United States in the World Bank.⁶
10. Interestingly, China appears to have intentionally diluted voting rights relative to size of shareholding. Larger shareholders (including China itself) hold significantly fewer voting shares (26.5%) relative to their shareholding whereas smaller nations with micro-stakes in the bank hold disproportionately larger voting power (see Charts 1 and 2).



⁵ Hong Kong's 0.8% could be arguably added to China's shareholding.

⁶ The United States holds 15.85% of voting power in the World Bank giving it a de facto veto over major decisions, such as amendments to the Bank's Articles of Agreement or changes in capital structure, which require an 85% supermajority vote.

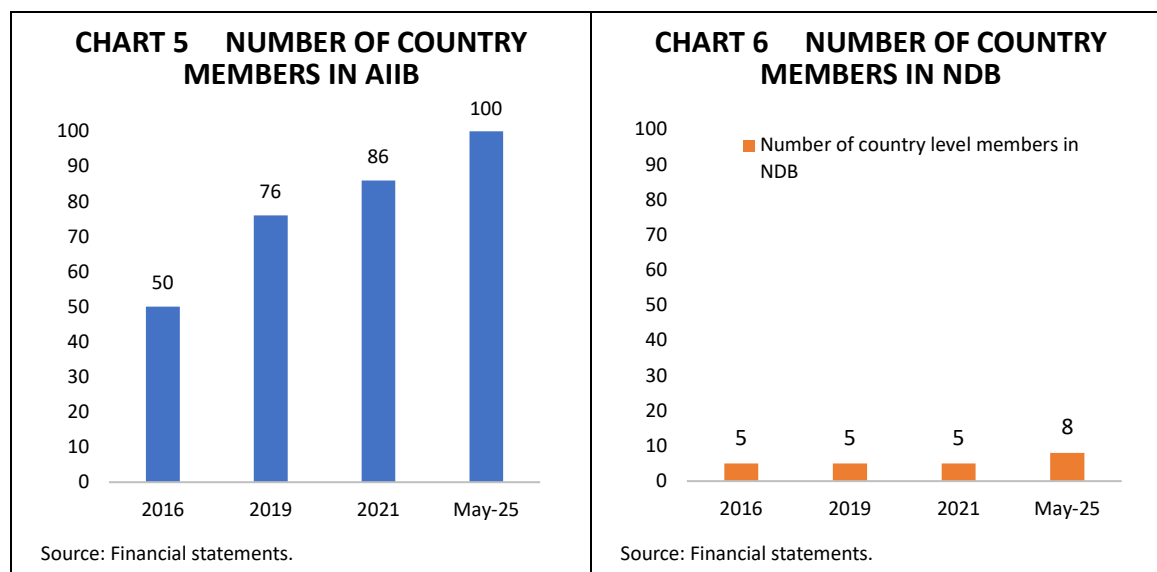
11. AIIB currently has 100 full member countries and 10 prospective members, making it the second largest MDB in the world in terms of membership, after the World Bank (see Charts 3 and 4). Notably, the United States and Japan remain as non-members—not due to exclusion, but by choice, as the AIIB was designed to be inclusive and has extended invitations to all interested countries. China even committed to forgoing veto power over AIIB⁷ to encourage participation. Jin Liqun, the bank’s first president, also noted that China’s voting share would be reduced over time as more members join the bank (which has been happening). Despite these efforts, both the United States and Japan opted not to join. The scale of international uptake exceeded even China’s expectations though. According to discussions with government officials in 2015, China was reportedly most surprised by the unexpectedly high level of international equity participation in the AIIB, particularly when the British broke ranks with the United States and joined the bank.



12. In contrast, NDB was established with an equal shareholding structure among its five founding members—Brazil, Russia, India, China and South Africa—with each holding a 20% stake. This equal distribution ensures that no single country, including China, has a majority stake or unilateral control over the bank’s decisions. NDB has also begun to expand its membership beyond the five founding members, with the recent addition of Egypt, Bangladesh and UAE making it a total of eight

⁷ China Forgoes Veto Power at New Bank to Win Key European Nations’ Support, accessed 25 March 2025.

members (with Uruguay recently becoming a Prospective Member). Nonetheless its membership is a fraction that of the AIIB (see Charts 5 and 6).



AIIB and NDB Feature Robust Governance Structures

13. A key indicator of the AIIB and NDB as true MDBs is the strength of their governance frameworks. Despite scepticism about China’s influence, both institutions have adopted best-in-class governance structures that align with international MDB standards. Their frameworks include independent boards, weighted voting mechanisms and transparency requirements that largely mimic those of the World Bank and ADB, ensuring that no single country can unilaterally dictate decisions.

14. At the AIIB, governance balances shareholder interests through a Board of Governors—composed of finance ministers from member countries—which oversees strategic direction and a non-resident Board of Directors responsible for general operations. The bank has also adopted modern risk management and compliance policies, including an independent Compliance, Effectiveness and Integrity Unit to assess the quality and results of investment operations.

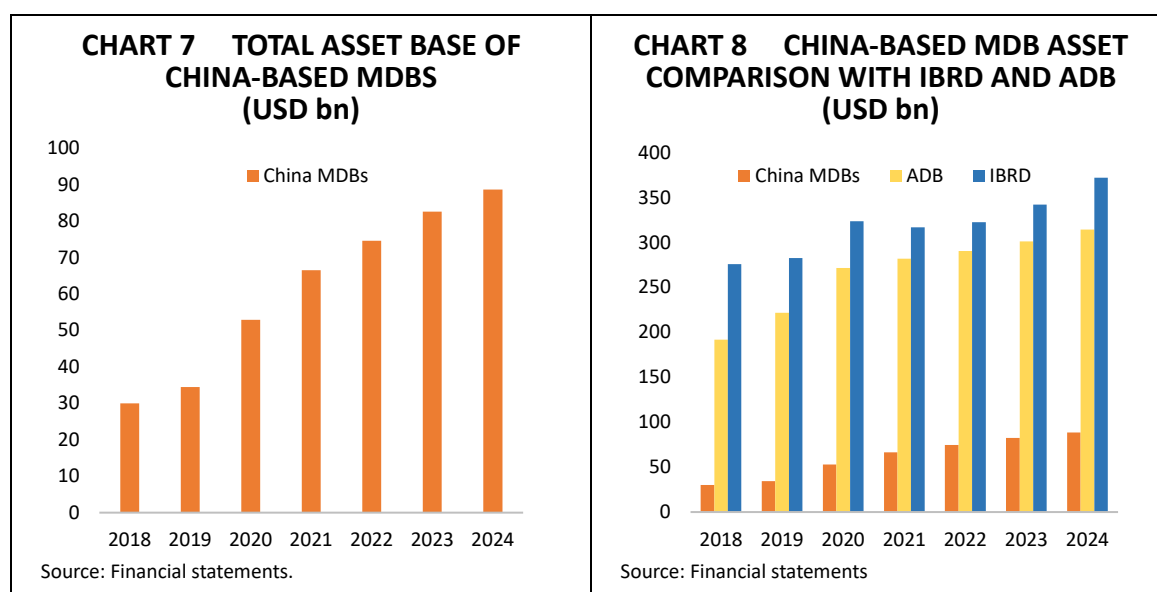
15. As noted previously, the NDB was deliberately structured to prevent any single country from dominating decision-making. With the addition of new members, founding members each now holds 19% of voting power, down from 20%. This

governance model ensures that project selection and financing decisions are driven by collective member interests rather than the priorities of any single country. The bank's Board of Governors, made up of finance ministers from member countries, provides strategic direction. Its non-resident Board of Directors, consisting mainly of senior finance ministry officials, provides oversight of day-to-day operations. NDB has also adopted modern risk management and compliance policies, with Board committees responsible for overseeing key aspects of the institution.

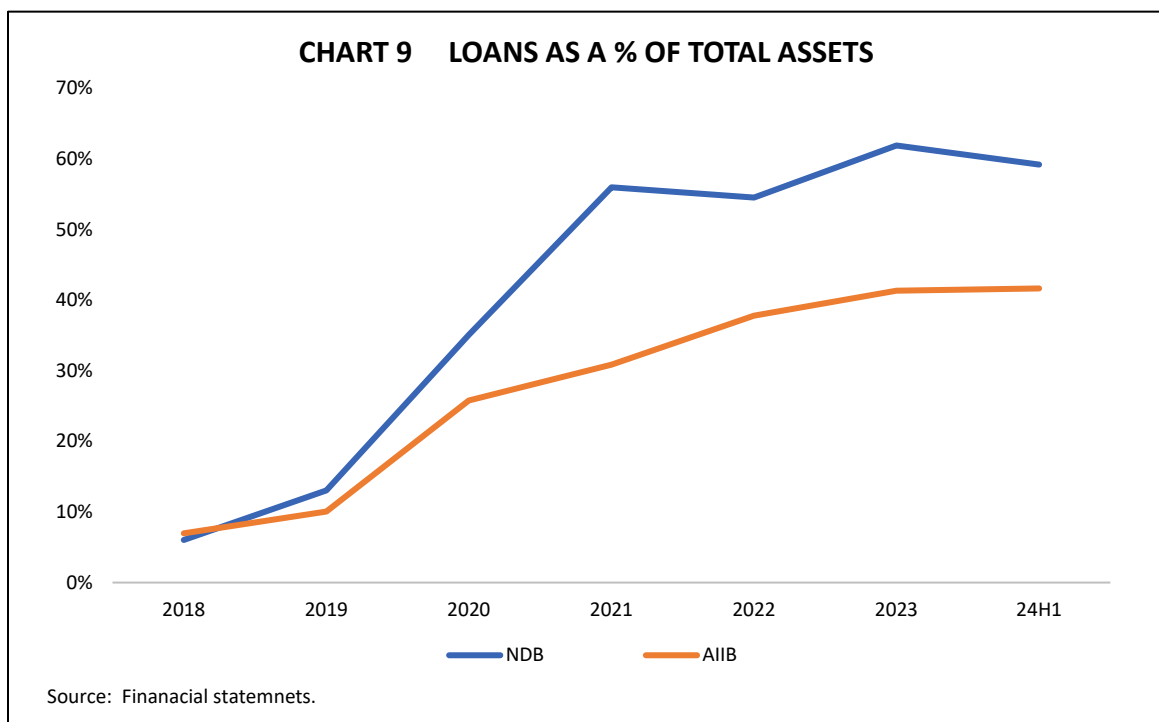
16. While concerns over Chinese influence persist, the governance structures of AIIB and NDB are fundamentally designed to ensure institutional independence and transparency. Their operational models and decision-making processes align closely with international MDB norms and contrasting with BRI lending practices. This raises the question of whether they may come to represent meaningful alternatives to established MDBs like the ADB and World Bank.

China-Led MDBs Remain Minor Players

17. Both the AIIB and NDB have expanded their membership and balance sheets in recent years (see Chart 7), yet they remain small compared to long-established MDBs such as the ADB and World Bank (see Chart 8). However, this is unsurprising given that the NDB and AIIB are less than a decade old while their counterparts have operated for 60+ years and therefore, have built much larger asset bases.



18. Nevertheless, the growth trajectory of the NDB and AIIB is notable. From 2018 to 2023, ADB and the International Bank for Reconstruction and Development (IBRD) under the World Bank saw growth of 57% and 24% respectively, far below that of AIIB and NDB which grew 176%, albeit from a much smaller base. If this pace continues and membership expands, their role in global development finance will correspondingly grow. For now, they remain as secondary players—important, but not yet critical to the MDB ecosystem.
19. However, asset growth only tells one part of the story. The efficiency of both banks' balance sheets has improved substantially, with loan deployment rising sharply as a percentage of total assets (see Chart 9). Notably, a gap has emerged between the two, likely due to NDB's smaller membership, which allows for more streamlined loan decisions relative to the AIIB.



What Role Are China-Based MDBs Playing?

20. Since their establishment, AIIB and NDB have rapidly expanded their project portfolios, financing infrastructure and development initiatives across multiple regions. They are now playing a meaningful role in funding transport, energy and

sustainability projects often working alongside existing multilateral lenders like the World Bank and ADB.

21. AIIB has positioned itself as a major lender in transportation, renewable energy and sustainable urban development. This aligns with what is stated in its Corporate Strategy⁸ for 2021-2030 which defines its mission as “*Financing Infrastructure for Tomorrow*” which combines the Bank’s firm commitment to sustainability with a clear operational focus on (1) Green Infrastructure, (2) Connectivity and Regional Cooperation, (3) Technology-enabled Infrastructure and (4) Private Capital Mobilization. It sets targets on climate financing for 2025 and cross-border connectivity and private sector financing for 2030. Several recent projects show its corporate strategy in action:
 - a. Bataan–Cavite Interlink Bridge, Philippines (2024). One of AIIB’s largest commitments, this US\$1.14bn loan supports the construction of a bridge linking Bataan and Cavite provinces. The project aims to reduce travel time across Manila Bay, boost regional trade and stimulate economic development in the surrounding areas.
 - b. SAEL Solar Power Project, India (2024). In line with global sustainability goals, AIIB is financing large-scale solar power projects to boost India’s renewable energy capacity and reduce reliance on fossil fuels. This project underscores AIIB’s role in climate finance, an area where it has increasingly sought to differentiate itself from other MDBs.
 - c. Balakot Hydropower Development Project, Pakistan (2021). AIIB is a major financier of hydropower and renewable energy projects in South Asia, with a strong emphasis on hydroelectric capacity expansion in Pakistan. The Balakot project is designed to improve Pakistan’s energy security while reducing dependence on imported fuels.
22. Beyond these infrastructure projects, AIIB is increasingly leveraging co-financing agreements with other institutions to pool financial and technical resources while reducing project risks.

⁸ chrome-extension://efaidnbmnnnibpcajpgclefindmkaj/https://www.aiib.org/en/policies-strategies/strategies/.content/index/_download/AIIB-Corporate-Strategy.pdf, accessed 28 May 2025.

23. One notable collaboration is AIIB's partnership with the Islamic Development Bank, where it pledged approximately US\$1.5bn for electrification projects in Africa.⁹ While the ADB almost entirely lends within Asia, AIIB can finance projects for non-regional members if these projects offer "significant benefits"¹⁰ to Asia, reflecting its broader global ambitions.
24. AIIB also co-finances road development in Pakistan and urban transit expansion in India with the World Bank and ADB, reinforcing its role as a complementary lender rather than a direct competitor to traditional MDBs.
25. NDB projects focus mainly on transport, clean energy and urban development, with an increasing emphasis on lending in local currencies (particularly RMB) to mitigate forex risk:
- a. Madhya Pradesh State Highways Improvement Project, India (2024): A US\$490mn loan was approved for upgrading highways in Madhya Pradesh.
 - b. Middle Reaches of the Yangtze River Smart Logistics Hub, China (2024): In Wuhan, this is part of China's broader effort to modernise logistics infrastructure and enhance regional supply chain efficiency.
 - c. Dhaka Waste-to-Energy Power Plant Project (2023): This project in Bangladesh aims to alleviate environmental pollution from increasing waste and limited landfill space while increasing electricity generation from renewable energy.
 - d. Brasilia Capital of Solar Lighting Project, Brazil (2024): One of NDB's notable sustainability projects, this initiative finances solar-powered street lighting in Brasilia, promoting renewable energy adoption and improving public infrastructure.

⁹ <https://www.reuters.com/business/energy/aiib-isdb-pledge-around-6-billion-africa-electrification-push-2025-01-28/>, accessed 3 March 2025.

¹⁰ Projects that are aligned with one or more of the following three principles may be considered by AIIB: 1) investments that support trade and connectivity with Asia, including ports, transport links, power generation and transmission, and gas pipelines. The majority of non-regional financing is expected to fall under this principle; 2) investments in global public goods, specifically renewable energy generation projects. Investments under this principle should be contained in the country's National Determined Contributions as defined in the Paris Agreement (entered into force 5 October 2016); and 3) investments in non-regional members which the Board of Directors considers as geographically proximate to and closely economically integrated with Asia (Egypt for example). Non-regional financing is currently capped at 15% of total bank approved financing.

26. After admitting new members, NDB has quickly begun to finance projects in those countries. It has also issued renminbi-denominated bonds, aiming to increase local currency financing and reduce borrower exposure to US dollar volatility. This may create geopolitical tensions with some countries as falling RMB borrowing rates could see China, like Japan before it, offer low-cost local currency financing, potentially increasing its influence over borrowing nations while shifting lending away from the US dollar.

NDB Is More Politically Entangled than the AIIB

27. While AIIB and NDB share the distinction of being the only two China-based MDBs, they differ structurally and politically. AIIB was designed with broad-based global participation from the outset, positioning itself as a US\$-centric lender similar to the practice of World Bank and ADB with (optically) minimal overt political baggage. In contrast, NDB has taken a much more measured and gradual approach to membership expansion and has just three additional members beyond its five founding members.
28. The difference also extends to the currency of operations. NDB has been vocal about using alternatives to the US dollar and expressed intentions to expand the use of local currencies in its financing operations. For instance, in August 2024, the president of NDB emphasised the bank's objective of increasing local currency financing to provide 30% of its total financing in the local currencies of borrowing members.¹¹ However, despite rhetoric about BRICS currency diversification, NDB's only meaningful alternative is likely the RMB. RMB usage in global trade and cross-border payments has surged, with 53% of China's cross-border transactions conducted in RMB as of July 2024.¹² It is the only BRICS currency with sufficient depth and liquidity to be substantively useful for NDB's lending. An ever-widening yield spread also makes it one of the lowest-cost major funding currencies. This initiative seems to be part of a broader strategy among BRICS nations to develop alternative payment methods and reduce reliance on the US dollar.

¹¹ <https://english.news.cn/20240831/731999490f174063a64f454f2c497b32/c.htmlb>, accessed 26 March 2025.

¹² <https://www.ft.com/content/ae08b6ed-d323-4a95-a687-0172a98857f4>, accessed 26 March 2025.

Conclusion

29. The establishment of the AIIB and NDB marks a significant shift in global development finance. Initially viewed by Western countries as Chinese foreign policy tools, both banks have successfully positioned themselves as credible multilateral lenders, adopting international best practices in governance and financial management. The AIIB's inclusive membership model and frequent co-financing with traditional MDBs like the World Bank and ADB position it as a complementary institution rather than a direct competitor. Meanwhile, the NDB has focused more on regional priorities and local currency lending, which, along with its aim to reduce US dollar reliance, may result in friction with certain Western governments.
30. Looking ahead, the influence of these banks is likely to widen, particularly if China's low-yield RMB financing becomes an attractive alternative funding source for developing nations—a trend more evident with the NDB than with the AIIB, akin to Japan's historical role in development finance. However, questions remain about whether these institutions will maintain their current course as independent multilateral entities or if geopolitical dynamics will increasingly shape their strategic priorities.

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