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**Special Fund Window  
Under the COVID 19 Crisis Recovery Facility  
May 7, 2020**

**A. Introduction**

1. As the COVID-19 pandemic has become more globally widespread and severe, lower-income countries have also become particularly vulnerable to its impact. Unlike advanced and some upper-middle-income countries, lower-income countries will not be able to mount strong fiscal responses on their own. Neither will they be able to raise needed funds in financial markets at an affordable rate. As a result, demand for official development finance with concessional terms is likely to escalate quickly and sharply. International institutions are mobilizing rapidly to provide protection against this crisis, helping these countries safeguard critical programs including health, social safety nets, basic infrastructure and other critical development needs.

2. The Asian Infrastructure Investment Bank (AIIB or the Bank) has launched the COVID-19 Crisis Recovery Facility (Facility) to support its members in dealing with urgent economic, financial and public health pressures. The need for AIIB's lower-income members to access Facility financing with affordable terms has become more prominent. To address these challenges, the Board of Directors of the AIIB has approved the creation of a new Special Fund Window (SFW) to reduce the financial burden of eligible AIIB members under the Facility.

**B. Key Features of the COVID-19 Special Fund Window**

3. **Size.** The SFW will be funded through an initial USD30 million carve-out from the PPSF. If the initial amount is not sufficient to meet the demand during the duration of the Facility, Management may seek approval from the Board of Directors for an additional carve-out after first consulting the contributors to the PPSF.

**4. Eligibility**

4.1. **Country eligibility.** AIIB members that are International Development Association (IDA)-only countries would be eligible to access the SFW. IDA status is updated by the World Bank from time to time. The country's status at the point of AIIB's final loan approval will apply.

4.2. **Project eligibility.** Any sovereign-backed financing under the Facility, excluding any co-financed policy-based lending with the World Bank or the Asian Development Bank would be eligible for application of the SFW.

5. **Mechanism.** The SFW will be used to buy down the interest rate of any eligible sovereign-backed financing in USD or EUR under the Facility, upon request by the client. The buy-down rate will be set at 100 basis points (bps) for USD-denominated loans. That is, AIIB will charge the beneficiary 100 bps less than the interest rate applicable to sovereign-backed financing in USD. The 100 bps will be paid directly by the SFW to AIIB such that there is no risk that AIIB's ordinary resources will be used for the buydown. If the pre-buy-down interest rate was below 1% during the applicable period, the buy-down for that period will be used only to bring the interest rate down to zero. The applicable buy-down rate for EUR will be provided when such request arises.

6. **Allocation.** The use of the SFW will be considered on a first come, first served basis. The total amount of SFW resources available to any single member will be capped at USD10 million to ensure the funds can benefit multiple eligible members.

7. **Duration for application.** The application for the SFW will be considered only during the duration of the Facility. If the Board chooses to change the duration of the Facility in response to the ongoing crisis, the application for the SFW will be adjusted accordingly. The SFW will be reviewed at the interim review of the Facility or at the exhaustion of all SFW resources, whichever comes first.

#### C. **Implementation Arrangement.**

8. The SFW will be governed by its own [rules and regulations](#).

9. Preparation, approval and implementation of the SFW will be integrated in the processing of the corresponding financing under the Facility. Regular updates to the Board regarding usage of funds under the SFW will be provided together with the Facility financing.

10. Some of AIIB's lower-income members are at risk of debt distress. They will inevitably seek the most concessional sources. Even though the SFW will reduce interest payments, it may be unsuitable for countries in high risk of debt distress as the level of concessionality will be insufficient to meet their required grant needs. In such circumstance, AIIB will seek cofinancing opportunities with other development partners to provide financing consistent with the country's debt sustainability framework as confirmed by the International Monetary Fund.