



---

**Replenishment of the Special Fund Window  
Under the COVID-19 Crisis Recovery Facility  
May 20, 2021**

**A. Background**

1. The roll-out of coronavirus disease 2019 (COVID-19) vaccines is currently among the highest policy priorities for many members of the Asian Infrastructure Investment Bank (AIIB or the Bank). While non-pharmaceutical measures have helped to reduce the spread of COVID-19 and associated mortality to varying degrees, they have also significantly constrained economic activity. Effective vaccination programs are critical not only for protection against illness, saving lives, and reducing the opportunity for virus transmission and strain evolution. They are also critical for restoring people’s ability to travel, work and socialize safely, which is key to exit from the economic crisis triggered by the pandemic.

2. Lower-income countries continue to require support in surmounting the disproportionate impact and vulnerabilities posed by the pandemic and its ensuing economic crisis. This includes the need for support in purchasing and equitably distributing vaccines in a safe, efficacious and affordable manner, which is a complex proposition, especially considering the newness of COVID-19 vaccines and the inherent associated risks. Following the initial response to the pandemic and in line with the G20’s call to spare no effort to protect lives, many multilateral development banks (MDB) and the international donor community/partners are now undertaking concerted efforts to help lower-income countries address the systematic development and distribution of COVID-19 vaccines.

**B. Role of AIIB**

3. Vaccine financing is eligible for AIIB financing under the Bank’s COVID-19 Crisis Recovery Facility (the Facility), as part of the financing of immediate health sector needs.<sup>1</sup> Cognizant of the significant challenges associated with vaccine financing, AIIB aims to play a complementary role to other MDBs. As part of the coordinated action by the MDBs, AIIB will work closely with peer MDBs and other senior partners with health expertise to ensure that

---

<sup>1</sup> Paper on the Decisions to Support the AIIB COVID-19 Crisis Recovery Facility; April 16, 2020; <https://www.aiib.org/en/common/download/Paper-on-the-Decisions-to-Support-the-AIIB-COVID-19-Crisis-Recovery-Facility.pdf>.

the international standards of quality, safety and equity globally are adhered to, and that governance and procurement risks are mitigated.<sup>2</sup>

4. In May 2020, AIIB had established a Special Fund Window (SFW) under the Facility to support the Bank's low-income members.<sup>3</sup> The initial USD30 million of SFW resources, which was carved out from AIIB's Project Preparation Special Fund (PPSF), has been fully utilized.

5. Given the importance and urgency of vaccine financing to help contain the pandemic and enable sustainable economic recovery, as well as positive client feedback on the SFW, the Board of Directors of the AIIB has approved the replenishment of the SFW under the Facility to reduce the burden of eligible AIIB members in vaccine financing.

### C. Key Features of the SFW Replenishment

6. **Size.** The SFW will be replenished with up to USD25 million, funded by an additional carve-out from the PPSF.

7. **Project Eligibility.** Only sovereign-backed vaccine financing projects under the Facility, subject to the country eligibility (see paragraph 9.1 below), would qualify for application of the replenished SFW.

8. **Allocation Cap.** The use of the replenished SFW will be considered on a demand basis, with preference given to demand from regional members. The total amount of the replenished SFW resources available to any single eligible member will be capped at USD5 million to ensure that available funds can benefit multiple eligible members.

9. **Other Key Features of the SFW.** Except for the project eligibility and allocation cap (see above paragraphs 7 and 8 respectively), the key features, operational considerations and rules and regulations<sup>4</sup> of the SFW will remain unchanged from its establishment in May 2020.<sup>2</sup> In particular:

9.1. *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.

---

<sup>2</sup> Key Principles for AIIB's Support for Vaccine Financing; May 20, 2021; [https://www.aiib.org/en/policies-strategies/COVID-19-Crisis-Recovery-Facility/download/Vaccine-financing-principles\\_FINAL-for-AIIB-public-website.pdf](https://www.aiib.org/en/policies-strategies/COVID-19-Crisis-Recovery-Facility/download/Vaccine-financing-principles_FINAL-for-AIIB-public-website.pdf).

<sup>3</sup> Special Fund Window Under the COVID-19 Crisis Recovery Facility; May 7, 2020; [https://www.aiib.org/en/policies-strategies/COVID-19-Crisis-Recovery-Facility/download/COVID19-SFW-Paper\\_pub-2020-05-14.pdf](https://www.aiib.org/en/policies-strategies/COVID-19-Crisis-Recovery-Facility/download/COVID19-SFW-Paper_pub-2020-05-14.pdf).

<sup>4</sup> Rules and Regulation of the AIIB Special Fund Window Under COVID-19 Crisis Recovery Facility; [https://www.aiib.org/en/policies-strategies/COVID-19-Crisis-Recovery-Facility/download/COVID19-SFW-RR\\_pub-2020-05-14.pdf](https://www.aiib.org/en/policies-strategies/COVID-19-Crisis-Recovery-Facility/download/COVID19-SFW-RR_pub-2020-05-14.pdf).

9.2. *Mechanism.* The SFW will be used to buy down the interest rate of an eligible sovereign-backed vaccine financing project under the Facility in USD or EUR, upon request by the client. The interest rate buy-down 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. If the pre-buy-down interest rate is below one percent during the applicable period, the buy-down for that period will be used only to bring the interest rate down to zero. The applicable interest rate buy-down rate for EUR will be provided when such request arises.

9.3. *Duration for application.* Application for the SFW will be considered only during the duration of the Facility. If AIIB's Board of Directors chooses to change the duration of the Facility in response to the ongoing crisis, the duration for application of the SFW will be automatically adjusted accordingly.