

## COVID-19 Crisis Recovery Facility Toolkit

### Introduction

This toolkit is to act as a guide to respond to questions from public and private sector clients about the COVID-19 Crisis Recovery Facility (Facility).

This toolkit contains two parts. **Part I** provides key messages and questions and answers to help guide conversations with clients. **Part II A** provides an information table for public and **Part II B** private sector clients that contains guidance on information required to start an application for funding from the Facility. The tables mirror AIIB's streamlined project document templates and can be easily completed by a client.

### Part I: Introduction to and Frequently Asked Questions about the COVID-19 Crisis Recovery Facility

#### About the COVID-19 Crisis Recovery Facility:

1. *Context.* With a focused mandate to improve social and economic outcomes in Asia, AIIB will work with other multilateral development banks, private partners and other financiers to respond to the economic, financial and public health challenges triggered by COVID-19.
2. *Objective.* AIIB has created a Recovery Facility to support AIIB's members and clients in alleviating and mitigating economic, financial and public health pressures arising from COVID-19.
3. *Availability, size and coverage.* Over the next 24 months (April 2020 to 16 April 2022), the Recovery Facility will offer up to USD13 billion of financing to both public and private sector entities in any AIIB member facing (or at risk of facing) serious adverse impacts as a result of COVID-19.
4. *Scope.* Given the rapidly evolving circumstances, the Facility is designed to be flexible and adaptive to emerging client demand. This includes:
  - a. **Financing of immediate health sector needs.** This financing can support needed emergency public health responses, including the development of health system capacity and the provision of essential medical equipment and supplies to tackle COVID-19, as well as long-term sustainable development of the health sector of the member.
  - b. **Economic resilience.** To mitigate the economic impact on AIIB members' economies, the Bank can provide financing to supplement government productive expenditures to support the social and economic response and recovery. This includes not just investments in infrastructure but also social and economic protection to prevent long-term damage to the productive capacity of the economy. It could also protect and restore productive capital, including human capital.
  - c. **Financings to address liquidity constraints for clients in infrastructure and other productive sectors.** With such support, clients can overcome liquidity constraints and maintain critical long-term investments that may have to be curtailed, delayed or suspended in the absence of AIIB financing.

5. *Instruments and modalities.* Financing under the Facility could be made using any of the existing AIIB instruments, but may also require deployment of instruments not yet used by AIIB, as follows:
- a. **Sovereign-backed or nonsovereign-backed financing for regular investment projects.**
    - i. This includes traditional financings.
    - ii. It also may include lines of credit to financial intermediaries under sovereign-backed or nonsovereign-backed financings which would build on the experience of AIIB's financial intermediary operations, but in the current crisis would focus on the provision of working capital and liquidity support to the borrowing banks' clients.
  - b. **Additional sovereign-backed or nonsovereign-backed financing to add to ongoing operations, building on existing client relationships and project structures.**
    - i. AIIB can facilitate faster disbursement of funds and scale-up activities that respond to the COVID-19 challenges through expanded retroactive financing, increased share of AIIB financing for an existing project and project scope expansion.
    - ii. Additional financing could also be provided for projects financed by other development partners, making use of client relationships and project structures supported by trusted peer institutions.
  - c. **The World Bank's Program-for-Results (PforR) and the Asian Development Bank's Results-based lending (RBL) instruments are particularly suitable for financing government programs that consist of a large number of smaller expenditures, typical in the social sectors and local access to infrastructure services.**
    - i. AIIB can cofinance such operations under sovereign-backed financings in accordance with the policy framework of the respective peer institution, in lieu of AIIB's ESP and Procurement Policy.
  - d. **Policy-based Financing**
    - i. AIIB has no such financing instrument and does not intend to develop a policy allowing for such instrument to its financial products. However, due to the urgent needs of some clients, AIIB could exceptionally consider providing policy-based financing on a selective basis when AIIB is invited by the borrower to cofinance such lending with the WB and ADB and in coordination with the IMF.
    - ii. Such operations would require the application of the cofinancing MDB's policy on such type of financing in lieu of the AIIB's Operational Policy on Financing (OPF) as well as the ESP and Procurement Policy. Policy-based financings would be subject to Board approval. They would be made under special terms and prices to be approved by the Board if the lead cofinancier applies such special terms.
6. *Terms and procedures.* Financings under the Facility will apply AIIB's regular financing terms and risk criteria. Approvals will be based on AIIB's current procedures, but processing and approvals of projects under the Facility will be fast-tracked using simplified project processing (single IC review) and documentation templates. AIIB Management has also sought derogations from certain policies in a few specific instances to allow it to more effectively meet client demands.

### **1. Who will be able to access this financing?**

The Facility will be accessible to both public and private sector entities in regional and nonregional AIIB members.

### **2. How much financing will be dedicated to the Facility?**

The Facility will offer up to USD13 billion of financing.

### **3. What types of projects will you finance?**

- The Facility aims to help AIIB members and clients in alleviating and mitigating economic, financial and public health pressures arising from COVID-19.
- The Facility will support emergency public health needs and investments in infrastructure and other productive sectors severely impacted by the pandemic. It can also provide financing needed to help stabilize clients' economies to preserve the productive capacity in other productive sectors, including manufacturing, that have been hard hit by COVID-19.

### **4. When will AIIB start accepting proposals?**

We are accepting proposals now and will continue to do so over the next 24 months until 16 April 2022.

### **5. When will AIIB start the approval proposals?**

We have already begun to review proposals from both the public and private sectors.

### **6. What is the approval process?**

AIIB Management is using flexibility within the existing Board-approved policies to streamline the internal review of financings under the Facility. Accelerated processes will also be adopted to effectively shorten the requirement for internal circulating an agenda for a meeting and for circulating a paper to seven calendar days.

### **7. What is the maximum amount of funding a project can receive?**

AIIB will make the same assessment of risks as it normally would when considering the size of a project, considering the scope of project, credit risk and other factors, as appropriate. There are a few differences in what the AIIB can provide under the Facility:

- AIIB is able to finance a higher share of the total project cost than usual.
- In respect of sovereign-backed financings, the Bank may finance expenditures incurred and paid before the date of the loan agreement retroactively. For most of our financings, retroactive financing is not more than 20 percent of the total loan amount. However, under the Facility this may be increased to a higher percent of the loan amount.

The actual amount in both situations will be determined on a case-by-case basis by AIIB.

### **8. How does AIIB support existing clients for already approved financings?**

Project Team Leaders would reach out to their existing clients and project sponsors to see if additional financing is needed. There are a few ways in which AIIB can provide more financing

for already approved financings. Assessment of the appropriateness of each of these would be made by AIIB:

- AIIB can provide additional financing to increase AIIB's financing share of the total project cost.
  - For example, consider an existing project with total project cost of USD100 million, where AIIB's financing share is 35 percent, or USD35 million. AIIB could provide additional financing of USD20million, and AIIB's share would increase to 55 percent, while the counterpart funding requirement would simultaneously be reduced by USD20 million. Furthermore, clients can use the additional loan proceeds to cover expenditures already incurred.
- The amount of retroactive financing (described above) can be increased to a higher percentage for existing projects.
- Faster disbursement—if the client uses the additional financing to cover expenditures already incurred, the disbursements (i.e. reimbursements in this case) can be processed quickly.

### **9. Will you consider cofinancing projects?**

Cofinancing with experienced MDBs and reliance on their respective policies will be the preferred approach for financings under the Facility. Policy-based and result-based financings will be provided only when they are cofinanced with the World Bank or ADB.

### **10. What would the financing terms for these loans be?**

AIIB's regular financing terms would apply for financings under the Facility, and can be accessed on the [AIIB website](#).

### **11. What types of instruments/modalities would the Facility use?**

The Facility can deploy conventional and innovative financing instruments and modalities to support clients in need. See above on instruments and modalities for examples.

### **12. Will this financing be accessible to SMEs?**

AIIB will not directly fund SMEs under this Facility due to the high transaction costs. AIIB will assist SMEs through financial intermediary investments.

### **13. Are there any sector restrictions?**

Projects under the Facility must be consistent with AIIB's purpose as set out in Article 1.1 of its Articles of Agreement.

### **14. Does a project financed under the Facility have to be completed with the 18-month period?**

Not necessarily. The 24-month period is the duration for AIIB to consider financings under the Facility. Financings approved within the time period will be implemented according to the implementation schedule as agreed upon in the respective project document.

### **15. What are the environmental and social assessment requirements for financing?**

The CRF financing will not compromise AIIB's requirement for environmental and social compliance. ES assessment and due diligence activities will be phased depending on the needs and risks of the project and required processes, in accordance with the ESP, which

allows for a phased approach in Situations of Urgent Need of Assistance. The ES documentation will be determined on a case-by-case basis and streamlined.

**16. What procurement policies must a client follow if financing from the Facility is received?**

On procurement, there may be greater reliance on sole-sourcing, shopping and hands-on implementation support (especially in low-capacity environments), and simplified processes as permitted under the PP. AIIB recognizes that there may be a large share of retroactive financing under some Sovereign-backed Financings for emergency projects due to the urgency of deployment. However, AIIB will not compromise its procurement principles and requirements.

**17. What are the terms for nonsovereign-backed financing?**

Market-based nonsovereign-backed (NSBF) terms would naturally reflect higher risks and have higher risk premia during a crisis period. The tenor for NSBF financings could be limited to reflect the crisis nature of the financings. Standard risk criteria would remain in place, including risk-adjusted return on capital (RAROC) hurdle rates and applicable risk fees (such as commitment fees and breakage costs).

**18: Is there special support to low-income members**

AIIB has set up a Special Fund Window (SFW) to reduce the interest payable by AIIB members with IDA-only status. The buy-down rate will be set at 100 basis points (bps) for USD 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 to AIIB by the SFW. If the interest rate is below 1%, the buy-down 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.

The initial size of the SFW was USD30 million to buy down the interest rate of any eligible sovereign-backed financing in USD or EUR under the Facility, up to a cap of USD10 million per single eligible member, upon request by the client. As the initial USD30 million of SFW resources had been fully utilized, on May 20, 2020, the AIIB Board of Directors approved replenishment of the SFW by up to USD25 million to support only sovereign-backed vaccine financing in AIIB members with IDA-only members, up to a cap of USD5 million per single eligible member. The use of the SFW will be approved on a first come, first served basis during the duration of the Facility.

**19. Can AIIB provide any special support to help its members develop project?**

AIIB can provide grants from its Project Preparation Special Fund to or for the benefit of its members to help these members prepare projects. Eligible members are either those eligible to receive financing from the International Development Association (IDA) or those not eligible to receive IDA financing but Middle-Income Member Countries having substantial development needs and capacity constraints (for example, in emergency or crisis situations like COVID-19 pandemic). Please refer to the Project Preparation Special Fund toolkit for more information.

**20: What information or documentation does a client need to prepare to apply for Facility financing?**

The information tables in Part II A and B of this tool kit can help an interested client, public and private, to prepare the necessary information. Prospective private clients can refer to the

questions posed in Part II B of the toolkit for the minimum information required in the information memorandum. AIIB will revert to suitable proposals for further discussion if needed.

**21: How should a client apply for financing from the Facility?**

For sovereign-backed financing, the interested client should seek government approval of the request and send the approval along with answers to the questioned posed in Part II A of the toolkit.

For nonsovereign-backed financing, an authorized person from an interested entity can send a request along with an information memorandum elaborating the proposed financing.

**22: Where can clients get more information about the Facility?**

For additional information about the Facility or to initiate a discussion with an AIIB staff member, clients should email [crf@aiib.org](mailto:crf@aiib.org) with the subject line “Facility [Country: Project Name]” and copy existing AIIB contacts, if any.

## Part II A: Required Information for Application for SBF Financing from the COVID-19 Crisis Response Facility

The below table was created to guide the development of an application for SBF financing from the COVID-19 Crisis Recovery Facility.

For each application, clients should be encouraged to submit the below information and attach to the email any necessary additional documentation. The below chart could be copied into an email.

	Requirement	Additional Information
1.	<b>Description of the impact of the COVID-19 pandemic on the country and on the sector proposed to be supported by the Facility</b>	(Please elaborate the impacts of the pandemic on your country's macroeconomics and the sector proposed to be supported by the Facility.)
2.	<b>Actions taken in response to pandemic impacts</b>	(Please elaborate on government's actions in response to the pandemic and any organizational arrangements in place for sourcing financial support from multilateral organizations.)
3.	<b>Efforts to mitigate impact</b>	(Please elaborate on any fiscal or financial measures and/or control order in place to mitigate impacts.)
4.	<b>Support from multilateral organizations</b>	(Please elaborate on any support you have received or is being requested from other multilateral organizations (i.e. World Bank, Asian Development Bank, etc.). Please elaborate on size, type and duration of any approved or requested financing support.)
5.	<b>Objective of the proposed project/financing and project scope and components</b>	(Please elaborate on the objective of the proposed project/financing and the expected results. Also, please provide a brief description of the proposed project.)
6.	<b>Size, Type of financing and Implementation arrangement</b>	(Please elaborate on the amount and type of financing required. Also, please elaborate on the proposed implementation plan.)
7.	<b>Expected beneficiaries</b>	(Please elaborate on the beneficiaries of the project – i.e. number of individuals who will benefit, number of women and children, etc.)
8.	<b>Financial management</b>	(Please elaborate on the proposed approach to fund flow and implementation management and monitoring.)
9.	<b>Proposed Procurement method(s)</b>	(Please elaborate on proposed approach to procurement for the proposed project.)

	<b>Requirement</b>	<b>Additional Information</b>
<b>10.</b>	<b>Environmental and Social Assessment</b>	(Please elaborate on the results of any environmental and social assessments or on the plan for environmental and social assessments.)
<b>11.</b>	<b>Request for Retroactive Financing</b>	(If necessary, please elaborate on the size and duration of any required retroactive financing.)
<b>12.</b>	<b>Contacts</b>	(Please provide the names, titles, telephone numbers and email addresses for all individuals who are authorized to discuss the proposed project/financing.)



## Part II B: Required Information for Application for NSBF Financing from the COVID-19 Crisis Response Facility

The below table was created to guide the information submission of nonsovereign-backed financing application from the COVID-19 Crisis Recovery Facility. Applicants are welcomed to submit answers to these questions through an information memorandum that might contain other supplementary information.

*For each application, clients should be encouraged to submit the below information and attach to the email any necessary additional documentation. The below chart could be copied into an email.*

	<b>Requirement</b>	<b>Additional information</b>
1	<b>Brief description of the Entity proposed to receive AIIB's financing</b>	(Please elaborate on the core business, core countries/regions of operation and any other relevant information of the Entity (and its group companies)).
2	<b>Financial highlights of the Entity</b>	(Please provide the latest financial statements of the Entity (and its group companies) and provide a brief assessment of the financial impact of COVID-19 on the Entity (and its group companies)).
3	<b>Proposed purpose of financing</b>	(Please state the proposed purpose of the financing and use of proceeds and explain the repayment stream for such financing.)
4	<b>Proposed terms of financing</b>	(Please state the proposed terms of financing and project the expected drawdown date(s).)
5	<b>Support from other financial institutions (including multilateral/bilateral organizations, commercial banks and other institutions)</b>	(Please elaborate on any financing that has been approved/is being reviewed by other financial institutions for the same purpose of financing (as elaborated in #3). Please provide the relevant terms.)
6	<b>Environmental and Social Assessment</b>	(Please elaborate on the results of any environmental and social assessments or on the plan for environmental and social assessments.)
7	<b>Contacts</b>	(Please provide the names, titles, telephone numbers and email addresses for all individuals who are authorized to discuss the proposed project/financing.)