



**ASIAN INFRASTRUCTURE  
INVESTMENT BANK**



# FINAL REVIEW OF THE COVID-19 CRISIS RECOVERY FACILITY

This document is prepared for the Board meeting on April 17, 2024.



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# Executive Summary

1. **Overall.** The COVID-19 pandemic was a global health crisis, causing significant loss of life, disruption, and economic damage, particularly for developing countries. The Asian Infrastructure Investment Bank's (AIIB or the Bank) COVID-19 Crisis Recovery Facility (Facility) was rapidly approved by the Board to support Members through this global crisis. It benefited both clients and the Bank. The Facility achieved its objectives of helping sovereign and non-sovereign borrowers with their pandemic response and recovery, and enabled AIIB to mobilize resources and deploy financing swiftly as an established and recognized part of the multilateral system. Overall, it was successful and effective in meeting its objectives.
2. **Supported clients.** To be relevant to its clients at a time of crisis, the Facility was rapidly set up in a flexible way, facilitating our swift response to rapidly evolving demand from clients and peer MDBs:
  - a. The Bank used the maximum flexibility under its instruments and policies to be responsive to client needs, and twice extended the duration of the Facility, to respond to the demand for vaccine financing and to the compound effects of multiple crises.
  - b. Cofinancing of Policy-Based Financing with the WB and ADB proved to be a valuable tool, which enabled AIIB to build on its partnership with and capacity of its lead cofinanciers to get the funds quickly to where they were needed the most. PBF cofinancing was welcomed by both clients and lead cofinancing MDBs.
3. **Benefitted AIIB.** AIIB and its staff gained significant knowledge and experience with crisis response, new products, and new clients. This enables deeper and more meaningful client engagement in the future.
4. **Enhanced ordinary operations.** The Facility demonstrated the complementarity between PBF and regular financing, as well as between SBF and NSBF. The challenges experienced in the private sector can be integrated into PBF reforms, opening up more opportunities for private sector development. AIIB also applied lessons from the Facility to introduce new modalities, including the Special Fund Window (SFW), Results-Based Financing (RBF), Approach to Emergency Response and others.
5. **Going forward.** AIIB will further enhance its toolkit to respond to both regular and emergency needs, doing so in a way that allows the Bank to be responsive and flexible to the varying needs and unique circumstances faced by clients, while remaining focused on its core business of financing Infrastructure for Tomorrow.



# A. History of the Facility

## 2020

Waves of outbreaks devastated lives and damaged economies on a large scale. Global response is decisive yet divided.

*Evolution of the Crisis*

*AIB responses*

On April 16, 2020, AIB joined the coordinated international response to counter the COVID-19 crisis and launched the Facility with an indicative financing envelope of USD5-10 billion over 18 months. Due to high client demand, the Facility was subsequently expanded and extended to USD13 billion until April 2022.

On May 7, 2020, the Board approved the carve out of USD30 million from AIB's Project Preparation Special Fund (PPSF) to a Special Fund Window (SFW) under the Facility.

An interim review was conducted to report on the first six months of operations of the Facility.

In 2020, USD7.1 billion has been approved for 27 projects in 19 Members.

## 2021

The global economy rebounded as vaccinations accelerated and economies reopened, yet the recovery was uneven, due to unequal vaccine distribution and varying fiscal responses.

On May 20, 2021, the Board approved another carve out of up to USD25 million from the PPSF to a SFW for vaccine financing under the Facility.

By the end of 2021, USD11.1 billion was approved for 45 projects in 25 Members.

## 2022

Compounding crises – geopolitical tensions, persistent inflation, tightened monetary and fiscal conditions - decelerating post-pandemic recovery.

The Facility was extended until end-2023 with an indicative financial envelope up to USD20 billion. The scope was narrowed to cover cofinancing of vaccines, cofinancing of PBFs and financing of essential COVID-19 emergency healthcare or urgent expenditure needs, while liquidity support to infrastructure-related companies was mainstreamed into regular financing, reflecting AIB's learning that client demand in a crisis could be met by different instruments offered by AIB.

As of 2022, USD13.6 billion was approved for 56 projects in 26 Members.

## 2023

The global recovery remains slow and uneven. Economic activity still falls short of its pre-pandemic path, especially in emerging markets and developing economies.

The second interim review was conducted as part of the approval of the extension of the Facility.

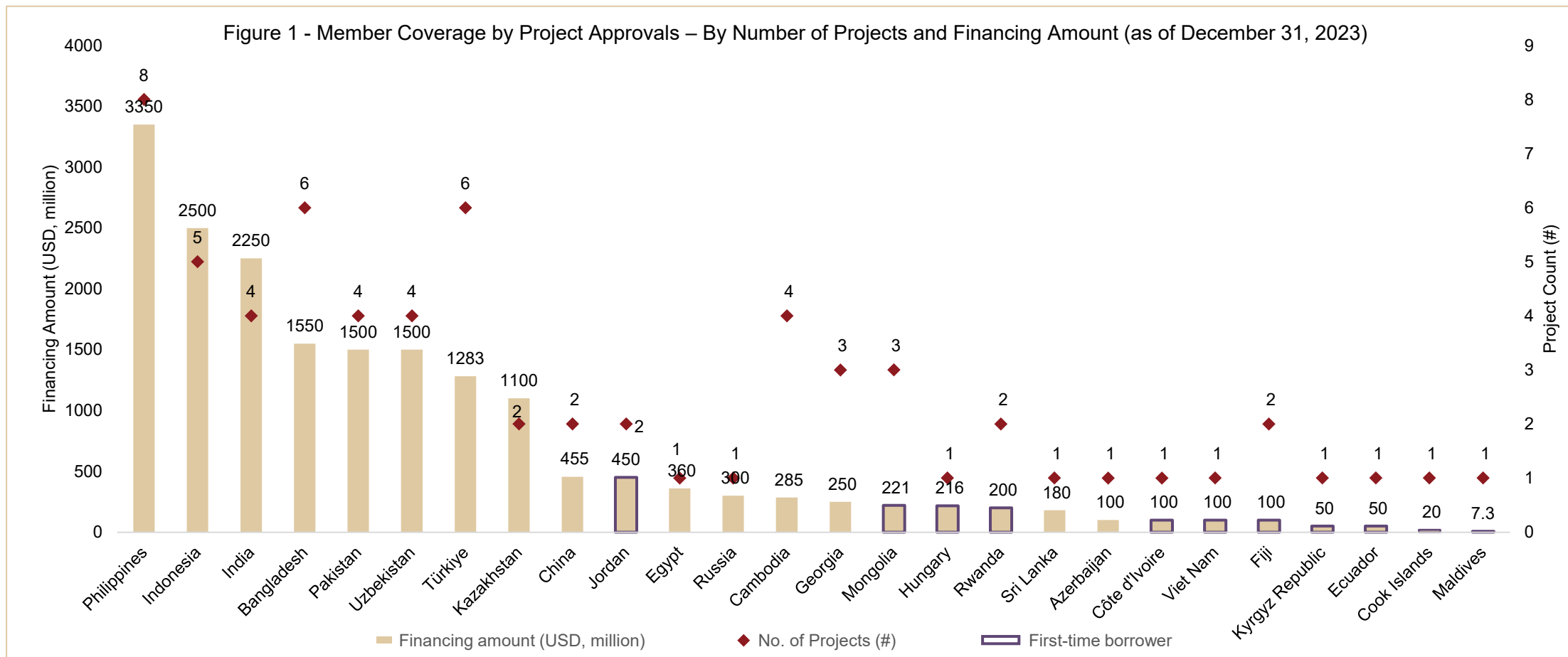
The Facility terminated by end-2023. Management submitted a final review to the Board in March 2024.

In total, USD18.5 billion was approved for 68 projects in 26 Members. The Facility terminated with a utilization rate of 92%.



# B1. Utilization Overview – As of December 31, 2023 (1/4)

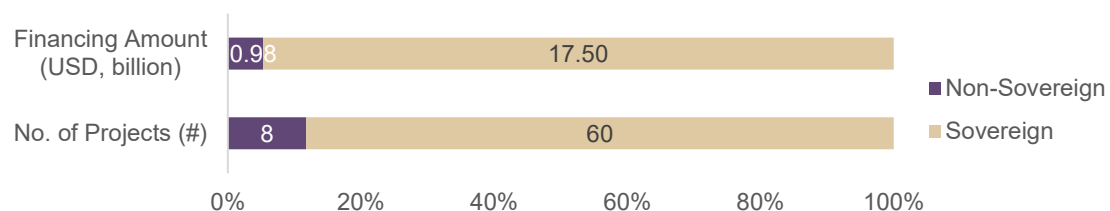
- Facility approval**<sup>1</sup>. USD18.48 billion<sup>2</sup> (92%) from the Facility has been approved for 68 projects in 26 Members.
- Member coverage**. The Facility served a broad range of Members, of which 11 borrowed from AIIB for the first time. 14 borrowers are low- and lower-middle-income, and made up 65% (USD12.10 billion) of Facility financings. 21 Regional Members and 5 Non-Regional Members accessed Facility financing, although the Facility primarily benefitted Regional Members which accounted for 95% of Facility financing (USD17.55 billion).



# B1. Utilization Overview – As of December 31, 2023 (2/4)

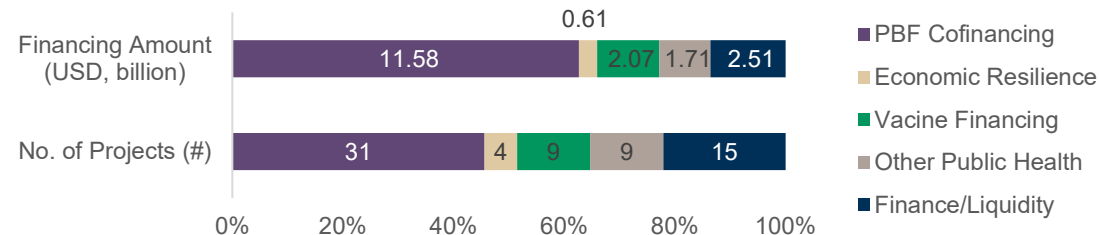
**3. Financing types.** An overwhelming 95% (USD17.50 billion) of Facility financing went to sovereign borrowers, reflecting the important leadership role that governments play in crisis response and weathering the impacts of compound crises on the population and the economy.

Figure 2 - Facility Portfolio by Financing Types



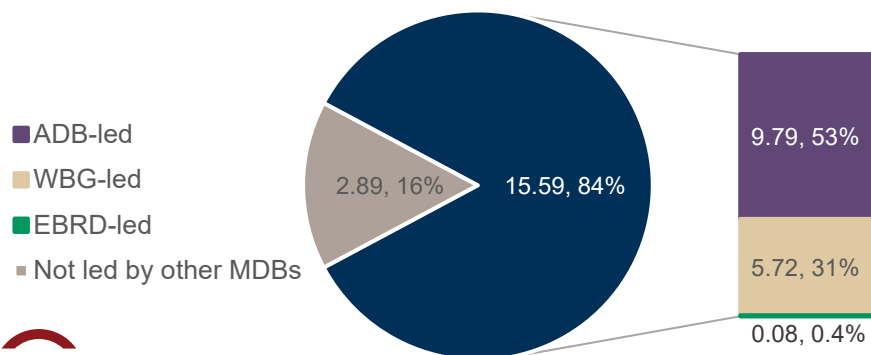
**4. Scope.** PBF cofinancing had the largest share, 63% of total approvals (USD11.58 billion), followed by Public Health (including vaccine financing and other public health) 20% (USD3.78 billion)<sup>1</sup>, Financial Intermediary/Liquidity Support 14% (USD2.51 billion), and Economic Resilience 3% (USD0.61 billion).

Figure 3 - Scope of the Facility Portfolio



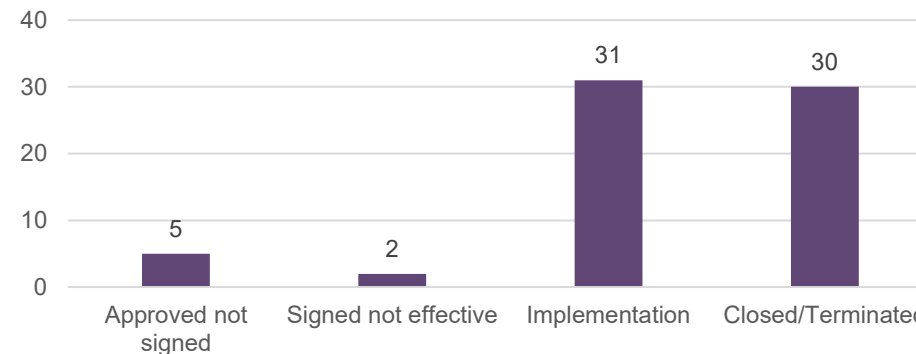
**5. Cofinancing.** 84% of Facility financing (USD15.59 billion) was cofinancing led by other MDBs, including 53% (USD9.79 billion) with ADB, 31% (USD5.72 billion) with World Bank Group (IBRD and IFC) and 0.4% with EBRD (USD82.60 million).

Figure 4 - Facility Portfolio by Cofinanciers (Financing amount)



**6. Project stage.** 30 projects have been closed, including one which has been terminated. 31 projects are in the implementation and monitoring stage. Two have been signed but not yet effective and five projects have been approved but not yet signed; however, these seven projects were only approved in November and December 2023.

Figure 5 - Project stage (# projects)



# B1. Utilization Overview – As of December 31, 2023 (3/4)

7. **Instruments.** Over half of the Facility financing is cofinancing PBF (63%), followed by investment project financing at 32%, and PforR at 5%. Cofinancing PBF composed of USD8.57 billion (74%) with ADB (USD4.57 billion under ADB’s Countercyclical Support Facility, mostly through COVID-19 Pandemic Response Option (CPRO), and USD4.0 billion under Policy-Based Lending) and USD3.01 billion (26%) under World Bank’s Policy-Based Financing.
8. **Financing operations in non-regional Members.** Total financing (regular and Facility) in non-regional Members as a share of the Bank’s total financing approved between Dec. 31, 2020 and Dec. 31, 2023<sup>1</sup> was 7.6%, far below the 15% ceiling set out in the Bank’s Strategy on Financing Operations in Non-Regional Members.
9. **Facility trend.** Over time, the focus of Facility financing shifted in response to evolving Member needs during the pandemic. Initially, the emphasis was on emergency health response, including the deployment of vaccines and personal protective equipment. However, in later years, the focus shifted toward a more comprehensive recovery from the compounding crises. Health-related financing and liquidity support were integrated into regular financing as the Facility was extended with narrowed scope, reflecting the Bank’s growing capacity to provide support in line with its core capabilities. From this point onwards, PBF was the predominant tool under the Facility.
10. **Parallel deployment of regular and Facility financing.** Facility financings did not crowd out regular financing, but the demand for regular financing shifted based on the stage of the crisis and recovery. At the peak of the pandemic in 2020, demand for regular financing was low and Facility financings accounted for 71% of AIIB’s investments by financing volume. In 2021-2023, as clients started to gradually recover from the initial shock, their capability to pick up regular project preparation resumed and regular financing rebounded, which naturally meant that Facility financing took a smaller share (around 40%).

Figure 6 - Facility Financing by Scope and Year (USD billion)

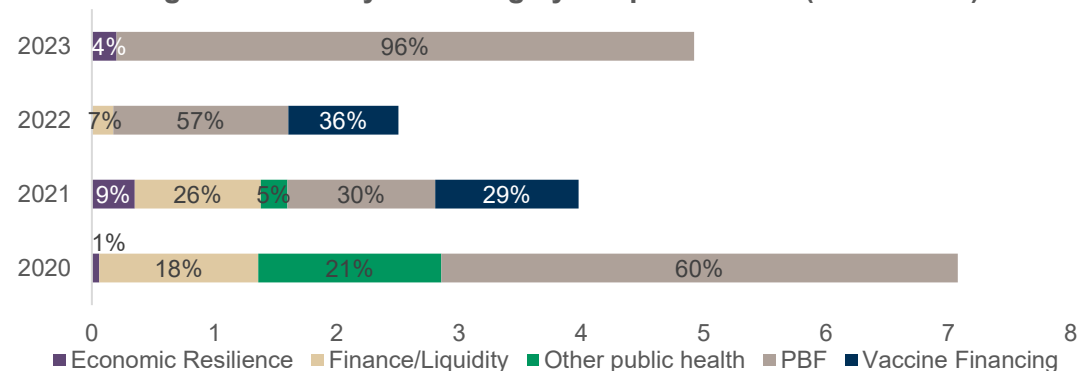
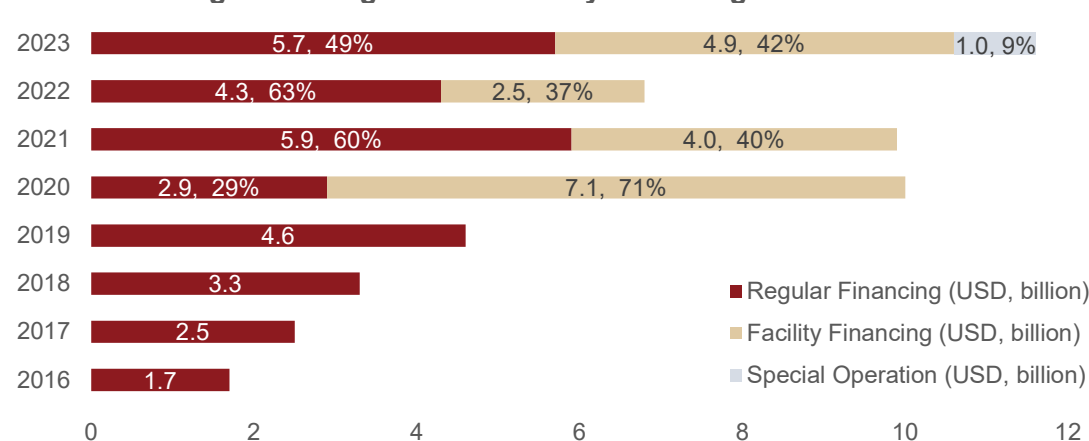


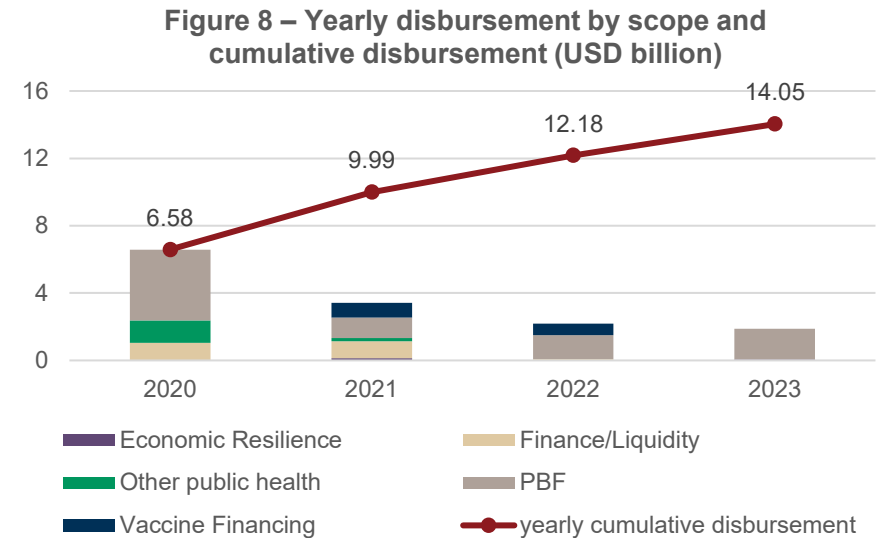
Figure 7 - Regular and Facility Financing



<sup>1</sup> The ceiling on investment in non-regional Members is measured by the share of total approved Bank financing on a three-year rolling basis, as sets out in the Strategy on Financing Operations in Non-Regional Members. Throughout the entire Facility period, a total of 5% (USD0.93 billion) was approved for non-regional Members.

## B1. Utilization Overview – As of December 31, 2023 (4/4)

- 11. Retroactive financing.** Larger retroactive financing was allowed for qualified Facility projects with appropriate designs and management of fiduciary risk, generally ranging from up to 30% to 65%, and up to 90% in one case (vaccine financing).
- 12. Project preparation.** In times of crises, timeliness is crucial for any financing support to be effective. Streamlined internal processes, cross-MDB coordination and simplified project documentation were instrumental in supporting AIIB's rapid response to clients in the crisis. Project preparation for 81% of PBF cofinancing (25 out of 31 projects) and 89% of public health projects (16 out of 18 projects) were completed within 6 months. More time was spent to prepare PBFs in 2023 than in previous years as client needs shifted from emergency response to recovery. Early in the pandemic, projects were processed rapidly driven by the urgent need to save lives. In 2023, there was a greater emphasis on recovery and implementing broader reforms through a programmatic approach, which naturally took longer to program.
- 13. Disbursement performance.** By Dec. 31, 2023, 88% (60 projects) of approved projects had either started disbursement or were fully disbursed. In terms of financing volume, 90% of the signed amount<sup>1</sup>, excluding any cancelled funds, was disbursed. 77% of PBF cofinancings (24 projects) were fully disbursed by end-2023, and all were within 7 months of approval. Liquidity financing took the longest average time to disburse as it was influenced by factors such as customer mapping, similar to regular financing projects of the same type. Those projects that took longer to prepare and disburse needed more time due to: (i) internal domestic approval procedures (up to Parliament ratification in some cases) for SBF operations; (ii) negotiations of financial documentation, which is customized for each NSBF operation; and (iii) project implementation readiness issues. Still, Facility financings were disbursed much quicker than regular financings.
- 14. Cancellations.** Six projects saw full or partial cancellations, totaling USD579 million. Three ADB-led vaccine projects had a portion or the entire approved amount cancelled as the pandemic evolved and previous expenditures on vaccines were ineligible for reimbursement, in accordance with ADB's retroactive financing regulations. One project was cancelled due to a lack of eligible sub-borrowers as the COVID-19 crisis unfolded. Another partial cancellation was a result of changes to the government's needs and priorities, and a final project had small (<1% of loan amount) adjustments based on currency and actual expenditure adjustments.





## B2. Financial Impact

- 1. Long-Term Financial Sustainability.** The Facility has overall enhanced the Bank's long term financial sustainability. It has facilitated the growth of the Bank's balance sheet and the diversification of its assets. Based on the current Facility portfolio, repayment of Facility financings is expected to peak between 2026 and 2031. The Facility financing, as part of the overall Investment Operations portfolio, is closely monitored in accordance with our Financial and Risk Management Policy.
- 2. Short-term Liquidity Management.** The Facility has been deployed through a few high-amount cash outlays, which have not posed any challenges for Treasury due to the Bank's strong liquidity position.
- 3. Concentration.** The Facility brought greater diversification to the overall portfolio. Top 1 and Top 3 Members accounted for 14.5% and 38.2% of Facility financings, much lower than the 27.5% and 49.5%, respectively, of the regular portfolio.
- 4. Total outstanding balance.** As of Dec 31, 2023, Facility financings made up slightly less than two-thirds of the total outstanding loan balance (Figure 9). The average maturity of Facility financings is shorter relative to regular financings, and on average, the spread has been consistently lower.
- 5. Net income from Facility financings.** Income generated from the Facility increased significantly over the past four years, given the continuous increase in Facility financing since its roll-out in 2020. Despite a lower spread, the absolute income brought by the Facility has exceeded those of regular projects, contributing positively to AIIB's net income, particularly in 2023 (Figure 10).

Figure 9: Outstanding Balance (USD million)

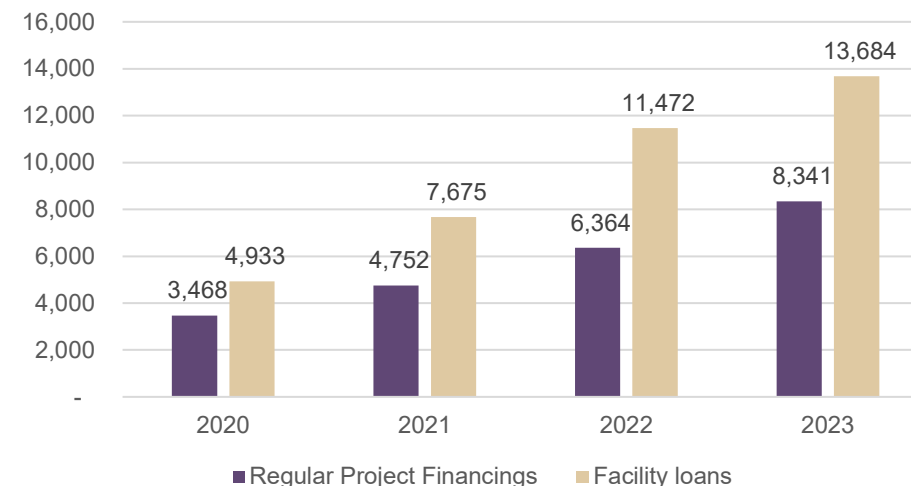
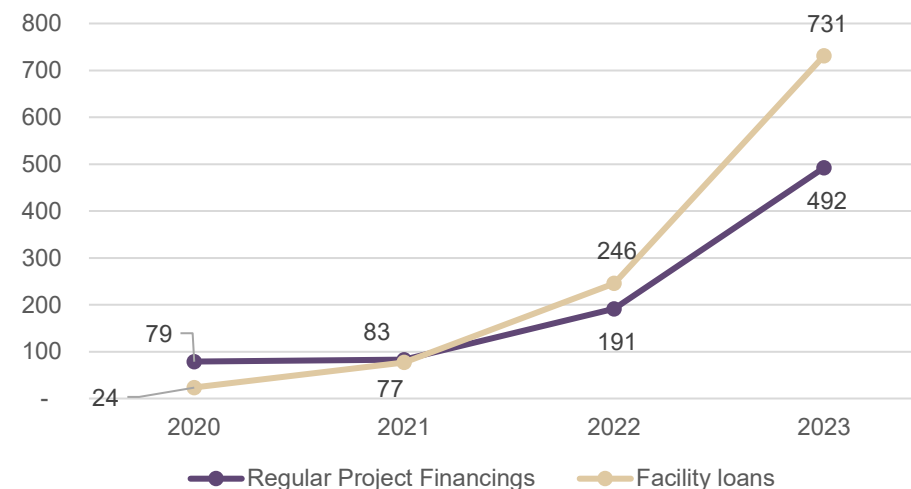


Figure 10: Interest Income (USD million)

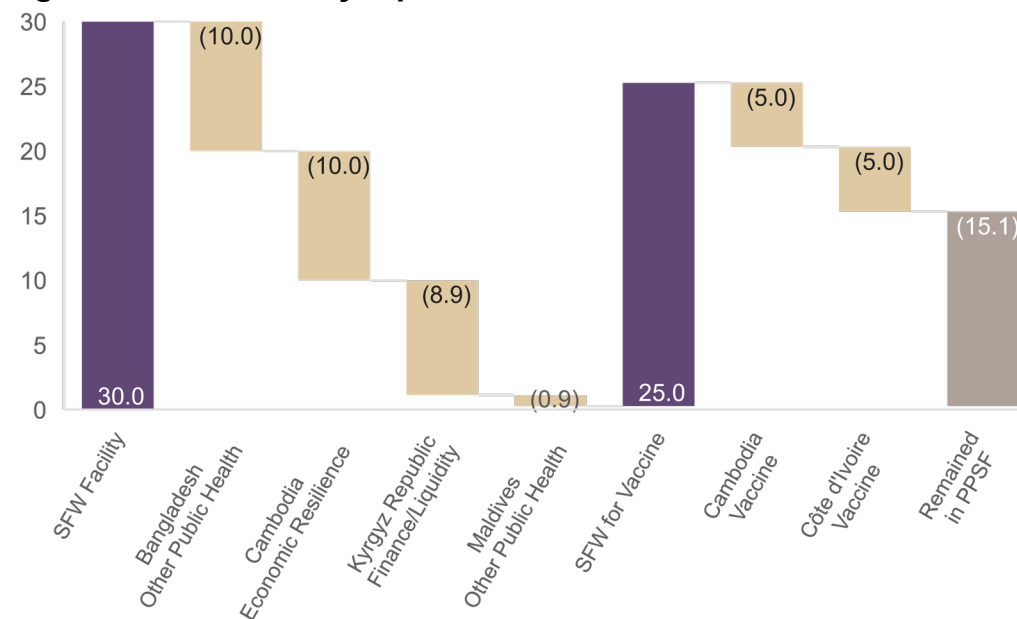


## B3. Special Fund Window (SFW)

### 1. SFW development and utilization.

- On May 7, 2020, AIIB established the SFW under the COVID-19 Crisis Recovery Facility to reduce the financial burden of AIIB's lower-income Members to accessing financing under the Facility. The resources of the SFW would be used on a grant basis to buy down up to 100 basis points interest due for eligible projects under the Facility.
- The initial resources for the SFW were funded by a USD30 million carve-out from the Project Preparation Special Fund (PPSF). All resources were allocated to support four Facility projects in Bangladesh, Cambodia, Kyrgyz Republic, and the Maldives, enabling USD217.3 million of Facility financing to be undertaken.
- Recognizing the significant challenges associated with vaccine financing faced by the Bank's lower-income Members, on May 20, 2021, the Board approved another carve out of up to USD25 million from the PPSF to SFW for vaccine financing under the Facility. As of December 31, 2023, two projects (one in Cambodia and another in Côte d'Ivoire) utilized USD9.95 million SFW for vaccine financing. The remaining balance of USD15.05 million from the additional carve-out remained in the PPSF.

Figure 11: SFW Facility replenishment and utilization



### 2. Relevance of SFW.

- The SFW was instrumental to enable eligible debt-constrained AIIB Members to access AIIB financing by increasing the concessional element of their loan terms as required by the International Monetary Fund (IMF) and relevant WB policies. This relatively simple mechanism and its integration with the investment process ensured the swift utilization of the SFW.
- Following the successful rollout of SFW, the demand for its resources steadily increased, driven by the challenging external environment faced by less developed Members as well as AIIB's efforts to implement the Corporate Strategy to broaden its client base across the income spectrum. The SFW was later made permanent ([section D1](#)).

## C. Benefits of the Facility to Clients (1/3)

Clients provided positive feedback to the features of the Facility in various settings, including during the Board of Governors' Roundtable in the AIIB Annual Meetings. This report includes additional client feedback, primarily collected through Project Completion Notes (PCNs) and some direct feedback provided to AIIB project teams. As of early March 2024, 11 Facility projects (16% of the total) have submitted their PCNs<sup>1</sup>. Other project teams have also received client feedback but are yet to finalize their PCNs. Not all closed projects have submitted their PCNs, as Management chose to waive the six-month PCN requirement<sup>2</sup> for the cofinanced PBF projects, allowing project teams to wait until the lead co-financier finalizes their PCN equivalent before preparing their own PCN. However, all Facility projects will still need to prepare a PCN.

### 1. Quick and flexible response to Client needs in crisis.

**a. Delivered the needed support to clients in preparing emergency health response, maintaining economic resilience, and overcoming liquidity constraints.** In the health area, the Facility financed the purchase of personal protective equipment, vaccines, vaccine manufacturing facilities, various medical devices as well as digital applications to manage and monitor the virus. To mitigate the economic impact on Member economies, it provided countercyclical crisis financing to support economic resilience, injecting much-needed financing for Member governments aimed at improving social inclusion, financial accountability, climate preparedness and overall resilience in the longer term. To overcome liquidity constraints, AIIB also provided liquidity financing to Clients – including SMEs and infrastructure-related companies- for the first time. FIs used the Facility to restructure loans for COVID-affected clients, averting repayment failures and business closures.

*The assistance and support provided by the team was especially important during the pandemic, because we were limited in time, while the mobilization of resources was critical for the country. Accordingly, in this regard, the Bank's team was quite flexible, with timely and comprehensive responses during the project preparation and implementation. [...] the Bank with WB was one of the first to allocate appropriate resources for the country to fight against the pandemic, which is highly appreciated.*

--- client feedback from Georgia: Economic Management and Competitiveness Program

<sup>1</sup> Unlike other statistics that reflect status as of end of 2023, this part of the review applied the cutoff date of 2024 January to include additional 4 PCNs. The 11 projects consist of three finance/liquidity projects, one health project, and seven PBFs. All projects, except for one terminated project have been fully disbursed and have achieved their intended objectives. Seven out of 11 projects (64%) achieved all their targets in the results monitoring framework. Three projects missed one or two indicators slightly and overall achieved more than 75% of the results. One project was terminated due to a lack of eligible sub-borrowers.

<sup>2</sup> Per the Administrative Guidance on SBF and NSBF, the PCN shall be prepared no later than 6 months after the Closing Date for SBFs, and for NSBFs, as applicable: (a) repayment in full of the Loan; (b) repayment or other disposition in full of the bond or other debt financing; (c) expiration of the Guarantee; and (d) divestment in full of the equity Financing.



## C. Benefits of the Facility to Clients (2/3)

### 1. Quick and flexible response to Client needs in crisis.

**b. Flexibility as an asset to clients.** The Facility was specifically designed to provide flexibility in how AIIB supports its clients, which contributed to project success:

- **Instruments:** Various instruments were deployed, such as cofinancing PBF and RBF, the latter was approved as part of AIIB regular financing in 2023.
- **Retroactive financing:** Expanded retroactive financing allowed for more eligible expenditures to be reimbursed and created additional fiscal space for Members.
- **Tenor:** AIIB's flexibility in terms of tenor allows clients to choose a repayment schedule that aligns with their specific needs.
- **Coverage:** To support the entirety of its Membership, the Board approved a derogation from the Strategy on Financing Operations in Nonregional Members.

**c. Streamlined process to facilitate speedier approvals and faster disbursement.** This includes initiatives such as much lighter documentation on co-financed projects, fast-tracked project processing, the increased frequency of virtual Board of Director meetings to every two weeks, and the delegation of decision-making authority enabled AIIB to respond swiftly and effectively to client needs.

*Although this was the first time AIIB established a specific set of circumstances to support clients during a crisis, such timely assistance has been widely recognized. Most client feedback was very positive, confirmed the positive correlation between effectiveness and project success, and expressed a willingness for more engagement.*

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*The AIIB demonstrated its relevance and flexibility as it extended financing in budget support modality despite project financing being its core instrument...We commend the AIIB in its collaborative efforts with the World Bank and the Asian Development Bank in delivering impactful official development assistance effectively and efficiently with the least requirements needed on the borrower's end. We look forward to the same level of partnership with the AIIB as it considers to establish a climate financing facility for its Members.*

--- client feedback from the Philippines Department of Finance

*The Project Team has demonstrated flexibility and efficiency, which greatly benefited the project. They were adaptable when unexpected challenges arose.*

--- client feedback from Pakistan: COVID-19 Active Response and Expenditure Support Program

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## C. Benefits of the Facility to Clients (3/3)

### 2. Diversity for Clients' financing portfolio:

- a. Joining forces with other MDBs, AIIB offered clients additional borrowing options, allowing them to diversify their sources of funding. Additionally, AIIB accommodated clients' requests for currencies other than USD, such as EUR, GEL, and JPY, further enhancing the diversification of their borrowing portfolio.
- b. For private sector clients, the Facility enhanced partnering FIs' liquidity, preventing portfolio contraction or default amid maturing debts.

**3. Additional financial support.** AIIB introduced a SFW and replenished it to help five Members buy down the borrowing interest rate on six Facility financings (Section B3).

### 4. Value addition.

- a. The efficient use of new technologies and digital communications facilitated the preparation, approval and implementation of Facility projects with clients, particularly when many economies faced lockdowns.
- b. AIIB's unique position, encompassing both the SBF and NSBF, allowed for valuable lessons learned from the private sector to be tabled for government dialogues and incorporated into PBF initiatives in some instances, supporting effective reforms.

**5. Suggestions for improvement.** There are also areas for improvement raised in PCNs, such as a request for a differential pricing scheme or lower pricing, raising awareness of the early repayment option, efforts to further reduce reporting, and the availability of Technical Assistance (TA) grants, especially since AIIB does not have local offices. All suggestions are given careful consideration and are highly valued. It is worth noting that some of the client feedback has already been addressed by the Bank. For example, in response to suggestions to adopt business models like PforR, AIIB introduced Results-Based Financing in 2023. Other lessons are documented in Section E: Lessons Learned.

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*I believe the team delivered an overarching direction and supported its implementation, including carrying the message on the project to high levels, correspondingly supporting our activities in the process.*

--- client feedback from Georgia: Economic Management and Competitiveness Program

*AIIB's financing has played a pivotal role in enabling the project's implementation and ensuring its sustainability. [...] AIIB's commitment to promoting sustainable development aligns perfectly with our national goals, making their financing even more valuable.*

--- client feedback from China: Emergency Assistance to China Public Health Infrastructure

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## D. Benefits of the Facility to AIIB (1/2)

1. **Broader client outreach and relationship building.** The Facility has provided AIIB with a platform and various instruments to expand its clientele and venture into new markets/sectors. Through the Facility, AIIB has expanded its relationships with 11 Members and additional non-sovereign clients who borrowed from AIIB for the first time.
2. **Paving the way for future business.** Facility projects helped AIIB stay relevant and engaged with clients, fostering long-term relationships and business continuity. Both this continuous engagement and AIIB's new outreach allowed the Bank to build trust, foster mutual understanding, and position itself as a partner of choice when future opportunities arise. The Bank has already had follow-on projects with entities such as VPBank, Türkiye Exim Bank, and sponsored by various line ministries in Members including Cambodia, Côte d'Ivoire, Rwanda, Mongolia, and Uzbekistan.
3. **A positive complementarity and synergy with regular financing.** Through the Facility's policy-based cofinancings, AIIB has actively supported Member governments in implementing institutional reforms that have long-term implications for local economic development. For instance, certain policy actions have contributed to enhancing institutional capacity and creating a conducive policy environment in areas such as public investment management, public financial management, public procurement, and climate change. These efforts complement AIIB's ongoing business development in the infrastructure sector and are relevant to its regular operations. Additionally, some operations have included climate policy triggers, opening up discussions for a Climate PBL with the client.

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*We would wholeheartedly consider working with the AIIB again in infrastructure development. Their professionalism, expertise, and commitment to partnership have been exceptional. They have consistently demonstrated a genuine understanding of our country's needs and priorities, making them a highly valued partner.*

--- client feedback from Bangladesh: COVID-19 Active Response and Expenditure Support Program

*We would like to cooperate with AIIB in an all-around way, appreciating AIIB could provide more and more high-quality, low-cost, sustainable infrastructure investment.*

--- client feedback from China: Emergency Assistance to China Public Health Infrastructure

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## D. Benefits of the Facility to AIIB (2/2)

4. **Capacity building within AIIB.** AIIB staff have benefitted from participation, collaboration and learning under the Facility. Staff gained experience implementing new types of projects including: emergency medical supply and vaccine procurement, liquidity support/working capital provision, PBF and RBF. These experiences facilitated the introduction of RBF, AIIB's Approach to Emergency Response, and social infrastructure financing as well as the mainstreaming of liquidity financing into the Bank's regular financing operations. AIIB has been steadily building its expertise in climate financing, including the technical capacity to steer policy dialogues and shape policy actions in core infrastructure sectors.
5. **AIIB as a collaborative partner in the MDB community played a countercyclical role in responding to a global crisis.** With the establishment and extensions of the Facility, AIIB contributed actively in coordinated global crisis response efforts by providing much-needed countercyclical financing to Members deployed in collaboration with peer MDBs and had a multiplier effect on their programs in terms of financing, beneficiaries' coverage, and reforms' implementation. It also strengthened AIIB's cooperation with other institutions and supported greater coordination of thinking and financing across the international system in respect of pandemic preparedness and response.
6. **The Pandemic Fund.** Following the establishment of the Facility and the creation of the Social Infrastructure Department, AIIB is building up the institutional knowledge, experience, and client base to play a meaningful role in strengthening health systems at the country, regional and global level, in response to clients' needs. As such, AIIB was selected as one of 13 initial pre-selected Implementing Entities to the Pandemic Fund. In November 2022, the AIIB Board approved AIIB's participation as an Implementing Entity to the Pandemic Fund. AIIB's role as an Implementing Entity presents an important opportunity to mobilize additional resources and capacity help meet client needs for health infrastructure.

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*I would like to acknowledge our partnership and collaboration and emphasize the value it has brought to the success of the Project. [...] The open and effective communication, mutual trust, and respect that we have fostered have not only enhanced the Project outcomes for the people of Maldives but have also laid the foundation for potential future collaborations.*

--- WB feedback from Maldives: COVID-19 Emergency Response and Health System Preparedness Project

*The performance of cofinanciers was satisfactory. [...] They also processed the program expeditiously and made the funds available in a timely manner. They conducted monitoring activities both separately and jointly with ADB.*

--- ADB feedback from Bangladesh: COVID-19 Active Response and Expenditure Support Program

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## D1. New Initiatives Informed by the Facility

Through the Facility, the Bank has ventured into various types of financings for the first time and has consistently embraced a learning and adaptive approach. AIIB has proactively taken measures to address the lessons learned right from the inception of the Facility, and is committed to doing so. Some notable steps taken include:

- 1. Establishment of the Social Infrastructure Department (SID).** Experience gained from Facility financing paved the pathway for AIIB to establish its SID under Investment Operations in October 2020. Regular health-related financings were integrated into AIIB's Social Infrastructure operations and the **Health Sector Strategy** is being prepared. Among other things, the Strategy considers issues such as strengthening pandemic preparedness, which will help position AIIB to provide comprehensive protection to its Members in times of need.
- 2. Special Fund Window for Less Developed Members (SFW-LDM).** In light of the clear additional value of the Special Fund Window to serve the needs of less developed Members in the region, the Board approved the renaming of the SFW-Facility and turning it into a regular instrument, as the Special Fund Window for Less Developed Members on March 23, 2022. With this approval, the SFW-LDM serves a broadened scope with new contributions, once new contributions are received. It will provide interest rate buy-down to eligible SBF aligned with AIIB's Corporate Strategy in eligible Members according to its approved Rules and Regulations. As of Dec. 31, 2023, the SFW-LDM received USD10 million contribution commitment from the Kingdom of Saudi Arabia.
- 3. AIIB's Approach to Emergency Response.** The need to prepare for future crises was an important lesson learned from the second interim review. Many AIIB clients have been and will continue to be affected by compounding crises, which calls for AIIB's crisis support for future emergency situations. In June 2023, the Board approved AIIB's Approach to Emergency Response, which extends policy-based cofinancing (PBCF) as part of the Bank's broader approach to help Members respond to and recover from future eligible crises.
- 4. Results-based financing (RBF).** In Q1 2023, with the approval of the Operational Policy on Financing (OPF) Update, the Bank began offering RBF among its SBF products. This enables AIIB to provide standalone RBF support to investment programs with many small expenditures and activities with lower environmental and social (E&S) risks such as climate mitigation and adaptation, energy efficiency improvement, power distribution to end users, water supply and sanitation programs, retrofitting and upgrading of rural roads, etc.
- 5. Climate-PBF:** After gaining experience of the benefits of PBF in creating favorable conditions for increasing infrastructure investment, Management proposed to establish climate-focused PBF, which is now under discussion with the Board. Through early engagement with the client during project preparation, AIIB will be able to use Climate PBF to support Members to accelerate their transition to a low carbon and climate resilient future. It will be a valuable and necessary addition to AIIB's regular financing toolkit, which will enable AIIB to meet its Members' needs and work with international partners towards shared climate objectives, while supporting the implementation of its Climate Action Plan.

## E. Enduring Lessons Shaping Operations

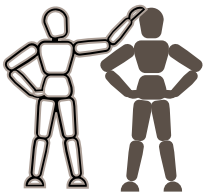
The Bank has been progressively learning, improving its capacity and deepening its collaboration with Members and international partners. Below are some positive findings/lessons that highlight good practices which should be continued or kept in mind for AIIB's future operations.

1. **Efficiency and flexibility of Facility design.** Built-in flexibilities pertaining to financing modalities, scope of coverage and expedited processes were key features of the Facility that allowed the Bank to respond swiftly and effectively to calls for support from both Clients and peer MDBs.
2. **Factors Contributing to Effective Operation of the Facility.** (i) The Banks' Members and clients were supportive of the Facility. Governments demonstrated strong ownership and commitment. (ii) The Board. Policy derogations and adjustments approved by the Board enabled the Bank to act swiftly and flexibly. (iii) The Bank's staff went above and beyond their usual duties to deliver Facility financings while maintaining the Bank's regular operations. (iv) Partners. The Bank maintained close collaboration with peer MDBs in co-financing projects. The strong capacity and local presence of lead-cofinanciers complemented the Bank's early exposure to these new instruments and markets. (v) Quality and standards were not compromised under Facility financing. AIIB has incorporated emergency provisions into its operational policies, allowing for swift response to crisis situations while maintaining its high standards. The COVID-19 pandemic provided the first opportunity for AIIB to effectively utilize these provisions. By learning from this experience, AIIB can enhance its preparedness for future crises.
3. **Impact on clients and AIIB core business.** Emergencies or crises impact AIIB's clients directly by inflicting damage on infrastructure and other productive sectors, or indirectly when clients prioritize emergency support and channel resources away from regular infrastructure investment, resulting in delays or cancellations of ongoing or planned infrastructure investments. This also affects AIIB's investment portfolio. The various AIIB instruments to support clients' crisis response can facilitate the pent-up infrastructure investment.
4. **Complementarity across instruments.** There is complementarity between PBF and regular financing, as well as between SBF and NSBF. The challenges experienced in the private sector can be tabled for government dialogues and PBF reforms, opening up more opportunities for private sector development. AIIB is uniquely positioned as it has both SBF and NSBF modalities.
5. **PBF cofinancings and AIIB resource optimization.** Using existing AIIB staff and partnering with peer MDBs on PBF cofinancings proved to be an effective model for contributing to international coordinated crisis response efforts while well retaining the Bank's capacity to undertake regular financings in parallel.
6. **Broad Member coverage.** It is important for new tools and client responses to be available to the full Membership. In this vein, Management proposes that the Climate PBF be extended to any Member to support the design and implementation of policy and institutional reforms that promote investments in the climate transition.
7. **Loan tenor for crisis financings.** Loan maturities need to appropriately reflect the nature and speed of emergency response. Facility financings – particularly for SBFs – had overall shorter loan tenor compared to the Bank's regular financings.
8. **Government readiness.** Facility financings by nature, would be expected to be drawn down by the borrowers quickly. However, in practice, there have been substantial delays processing drawdowns in some projects. The readiness of governments to enable a quick drawdown can be examined in greater detail.

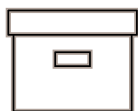


## F. Going forward

### Peer MDBs' review



Peer MDBs' reviews of their COVID-19 responses made a number of recommendations, including: 1) strengthening countercyclical support facilities and the toolkit for future crisis response, particularly with fast disbursing instruments, 2) building partnerships with other international organizations allows for coordinated and quicker support, 3) developing a Health Sector strategy/framework is important for guiding future actions, and 4) providing flexible loan options that meets the diverse needs of their Members.



**Taking lessons from how other MDBs have continued to refine their emergency response, AIIB is committed to having an enhanced toolkit to ensure AIIB can offer a timely response to clients as we help them prepare and respond to crises.**

### Available tools

A range of flexible financing options:

- **Regular financing instruments**, utilizing 1) liquidity support to infrastructure sponsors, 2) additional financing to approved projects, 3) repurposing undisbursed loan balances from existing loans, and 4) including Contingent Emergency Response Component (CERC), a component in the Project designed to accommodate as yet unidentified activities that may be required to address a future emergency in the early weeks and months of a crisis.
- **Policy-based cofinancing during eligible crises.** AIIB is prepared to provide swift broad-based economic support to Members during eligible crises with PBCF.

### For Future Crises

**Further strengthening crisis response toolkit.** AIIB is conducting a benchmarking exercise on other MDB's crisis tools. Based on the findings, Management will advocate for the utilization of certain tools that align with its existing policies. However, for tools that necessitate specific policy amendments, Management will seek approval from the Board.

**AIIB to help Members prepare for future climate crises:** AIIB's Approach to Emergency Response includes the principle of building Members' resilience to future climate crisis. Management recommends that AIIB offers Climate PBF as part of its suite of regular financing instruments, also as a mitigant for future climate crises to lessen the severity and to help Members implement their national climate objectives while advancing AIIB's unique infrastructure mandate.