

**AIIB Directive on
the Rules and Regulations of the
Special Fund Window under the COVID-19 Crisis Recovery Facility
July 12, 2021**

1. OVERRIDING OBJECTIVE

- 1.1. The overriding objective of this Directive is to facilitate the implementation of the [Rules and Regulations of the Special Fund Window](#) (SFW) (SFW Rules and Regulations) under the COVID-19 Crisis Recovery Facility (the Facility) of the Asian Infrastructure Investment Bank (AIIB) by setting forth the responsibilities for the extension of SFW resources and elaborating on certain provisions of the SFW Rules and Regulations.
- 1.2. The implementation and interpretation of this Directive shall seek to give effect to this overriding objective.

2. DEFINITIONS

- 2.1. As used in this Directive, the capitalized terms shall have the meanings set forth in the [Operational Policy on Financing](#) (OPF), the SFW Rules and Regulations or this Directive, as applicable.

3. RESPONSIBILITIES

- 3.1. The Vice President for Policy and Strategy (VPPS) is responsible for overseeing the implementation of the SFW Rules and Regulations and this Directive, as well as issuing related Administrative Guidances, if needed, and ensuring their efficient and effective implementation.
- 3.2. The Vice Presidents for Investment Operations (VPIOs) are responsible for identifying and recommending potential loans under the Facility (Facility Loan) that are eligible for interest rate buy-down from the SFW (SFW Support), and processing of client applications for SFW Support.
- 3.3. The Special Funds Committee (SF Com), which is chaired by the VPPS, and supported by a secretariat (SF Secretariat) under the responsibility of the Director General, Strategy, Policy and Budget Department (SPB), is responsible for reviewing and recommending approval of SFW Support to the President, or through the President to the Board of Directors, in accordance with the approval authority applicable to the corresponding Facility Loan.
- 3.4. The Legal Department (LEG) is responsible for providing legal advice on all aspects of the SFW, including Contributions to the SFW, and for the preparation of all agreements, as required.

- 3.5.** The Office of the Controller (CTL) is responsible for (a) making all AIB disbursements and collections under the SFW, (b) determining the accounting impact of SFW Support and (c) conducting financial reporting of the SFW.
- 3.6.** The Office of the Treasurer (TRE) is responsible for (a) investing SFW resources which are not immediately required for use, (b) calculating the buy-down rate and allocation amount of SFW Support for each relevant Facility Loan; (c) sending requests for payment of Contribution installments to SF Contributors, as provided in the relevant Contribution Agreements, and (d) receiving and maintaining records of such payments.

4. PROCESS FOR EXTENSION OF SFW SUPPORT

- 4.1. Equal and Equitable Treatment Among Eligible Facility Loans.** In extending SFW Support, best efforts shall be made to ensure equal and equitable treatment among eligible Facility Loans, in accordance with the first-come-first-served principle and within the single member cap¹, where the buy-down rate can be set up to 100 basis points (bps) for USD-denominated Facility Loans. The SF Com will actively monitor the progress of each SFW Support recommended in accordance with Section 3.3. above. If the signing of the Facility Loan agreement is substantially delayed or exceptional circumstances arise that would lead to unequal or inequitable treatment of members, the SP Com may, subject to the legal framework applicable for the review and approval of the Facility Loan, modify its previous recommendation to the President, or through the President to the Board, and seek approval for the modified SFW Support.
- 4.2. Identification.** SFW Support may be extended for any eligible Facility Loan². Once an eligible Facility Loan has been identified for SFW Support, the assigned Project Team Leader (PTL) from the concerned VPIO will bring the financing proposal and the recommendation for SFW Support to the Screening Committee (SC), where the VPPS will confirm the availability of SFW resources and the eligibility of the client and the project to receive SFW Support. If client interest for SFW Support is confirmed after the Facility Loan passes the SC, the PTL shall notify the SF Secretariat and receive confirmation on the availability of SFW resources and the eligibilities.
- 4.3. Submission.** Once the Facility Loan is ready for submission to the Investment Committee (IC), the PTL will consult the VPPS, TRE, and CTL on SFW Support, and reflect the following in the Project Document (PD): (a) applicable buy-down rate, (b) estimated buy-down amount and (c) the amount of Facility Loan to be applied with the SFW Support. If the estimated SFW Support is beyond the single member cap based on the anticipated loan terms and disbursement plan, the Bank, in consultation with

¹ Between May 7, 2020 and May 19, 2021, the single member cap was set at USD10 million for all sovereign-backed financings (excluding policy-based lending). May 20, 2021 onwards, the single member cap has been revised and set at USD5 million for sovereign-backed vaccine financings. The revised USD5 million single member cap is applicable regardless of whether the eligible member has utilized the previous USD10 million single member cap.

² Between May 7, 2020 and May 2021, any sovereign-backed financing (excluding policy-based lending) under the Facility was eligible for application of the SFW. May 20, 2021 onwards, only sovereign-backed vaccine financing under the Facility is eligible for application of the SFW.

the client, may adjust the buy down rate so that it is below 100 bps to cover the full maturity of the Facility Loan within the single member cap. The PTL will consult TRE, who is responsible for calculating the buy-down rate and allocation amount of SFW Support, to determine the adjusted buy-down rate. The PD should then be submitted to the IC and the SF Com for their consideration of the Facility Loan and SFW Support.

4.4. Assessment. The SF Com is responsible for assessing applications for SFW Support. Whenever practical, the SF Com will meet alongside the IC in their meeting on the Facility Loan to consider the application for SFW Support for the loan.

4.5. Negotiation. Following the IC's review of the Facility Loan and SF Com's recommendation of the SFW Support, PTL should confirm with the client the applicable buy-down rate and the amount. If any adjustment is needed to either the buy-down rate or the buy-down amount during the negotiations, the PTL may request the TRE to perform additional calculations.

4.6. Approval. After all terms of the Facility Loan have been negotiated, the PTL should include the information on SFW Support in the Loan Negotiation Completion Note. The PTL should reflect the final buy-down rate, buy-down amount, and final amount of the Facility Loan to be applied with the SFW Support in the Memorandum to the President or to the Board, depending on the Facility Loan's decision authority.

4.7. Transfer of SFW Support. May 20, 2021 onwards, the buy-down amount shall be transferred from the Project Preparation Special Fund (PPSF) to the SFW at the point of approval by the Facility Loan's decision authority. The cumulative buy-down amount transferred from the PPSF to the SFW from May 20, 2021 onwards shall be capped at USD25 million. When the Facility Loan is approved, the Director General of SPB shall send a memo to the CTL and TRE requesting the transfer of the buy-down amount from the PPSF to the SFW. The buy-down amount will subsequently be transferred from the SFW to AIIB's ordinary resources at the point of loan effectiveness. When the Facility Loan becomes effective, the PTL shall send a memo to the CTL and TRE requesting the transfer of the buy-down amount from the SFW to AIIB's ordinary resources. The buy-down amount shall be calculated by the TRE as a lump sum at nominal value. In an event of loan cancellation, TRE in consultation with CTL is responsible for calculating the refund amount to be disposed according to Section 5.2 and Section 5.3 of the SFW Rules and Regulations.

5. INFORMATION DISCLOSURE BY AIIB

5.1. AIIB's [Policy on Public Information](#) and Operational Policy for Financing as well as their related Directives and Administrative Guidances govern the disclosure of information relating to the SFW.

6. AUTHORITY

6.1. The President shall make all final decisions regarding the application of this Directive.