



## AIIB PROJECT PREPARATION SPECIAL FUND TOOLKIT

### INTRODUCTION

Infrastructure projects are typically complex undertakings. They require long-term public and private resources, usually entail complex engineering design and have economic, environmental and social implications. Several members of the Asian Infrastructure Investment Bank (AIIB) do not have the capacity or resources to develop complex infrastructure projects. In many cases, clients have completed prefeasibility studies or prepared a preliminary project concept. However, due to lack of resources, these projects would not move forward as they are not considered “bankable” by the financiers.

### ABOUT THE PROJECT PREPARATION SPECIAL FUND

Established in June 2016, the Project Preparation Special Fund (Special Fund) is a multidonor facility with the primary purpose of supporting eligible AIIB members—especially low-income members—prepare bankable infrastructure projects AIIB may finance under normal operations as well as under the [COVID-19 Crisis Recovery Facility](#).

The Special Fund provides **technical assistance grants** for preparing bankable infrastructure projects. Through these grants, clients can hire experts and consultants to carry out the required preparation work.

Project preparation activities supported by these grants are critical to improve project quality, ensure bankability in terms of economic, environmental and social sustainability and implementation readiness.

#### COVID-19 Crisis Recovery Facility

AIIB created the COVID-19 Crisis Recovery Facility (Facility) to support AIIB’s members and clients in alleviating and mitigating economic, financial and public health pressures arising from COVID-19.

Until October 2021, the Facility will offer USD5-10 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.

Financings under the Facility will apply AIIB’s regular financing terms and risk criteria and financing approvals will be based on AIIB’s current procedures. Details on the Facility can be found [here](#).

## **CONTRIBUTORS**

As of end-April 2020, total committed contributions to the Special Fund amounted to USD128 million. These contributions came from China (USD50 million), the United Kingdom (USD50 million), Korea (USD18 million) and Hong Kong, China (USD10 million).

## **ACTIVITIES COVERED BY THE SPECIAL FUND**

Special Fund grants may cover the following activities:

1. Carrying out or updating feasibility studies.
2. Preparing or updating environmental, social, financial, legal, social or technical assessments.
3. Preparing or updating environmental and social management plans or frameworks.
4. Preparing detailed engineering designs.
5. Consulting with project-affected people.
6. Obtaining advisory services during the procurement process for project preparation and implementation.
7. Purchasing small equipment, such as computers and other information technology products such as software, but only if required to conduct the project preparation activities.
8. Assessing client and stakeholder capacity and conducting training for capacity building.
9. Obtaining technical assistance (including training and capacity building) to establish a fully operational unit or entity for project implementation.
10. Preparing critical documents and systems such as a draft operational manual, a project delivery strategy, procurement plan or a project implementation plan.
11. Preparing monitoring and evaluation systems.

## **ACTIVITIES NOT COVERED BY THE SPECIAL FUND**

Project preparation activities that cannot be supported by Special Fund grants include:

1. Paying or supplementing the salaries of government employees.
2. Purchasing or renting vehicles.
3. Renting office space or equipment.
4. Conducting upstream work (such as sector work and master plan).
5. Conducting project prefeasibility studies.

## **AIIB MEMBER ELIGIBILITY**

Special Fund grants can be provided to or for the benefit of AIIB members which are:

1. Eligible to receive financing from the International Development Association (IDA).
2. Not eligible to receive IDA financing but have substantial development needs and capacity constraints.

It should be noted that preference is given to AIIB members eligible to receive IDA financing.

## PROJECT ELIGIBILITY

Special Fund grants can be considered when the project is being considered for AIIB financing. This means that the project:

1. Has passed AIIB's Project Screening Committee.
2. Has been included in AIIB's Rolling Investment Pipeline.

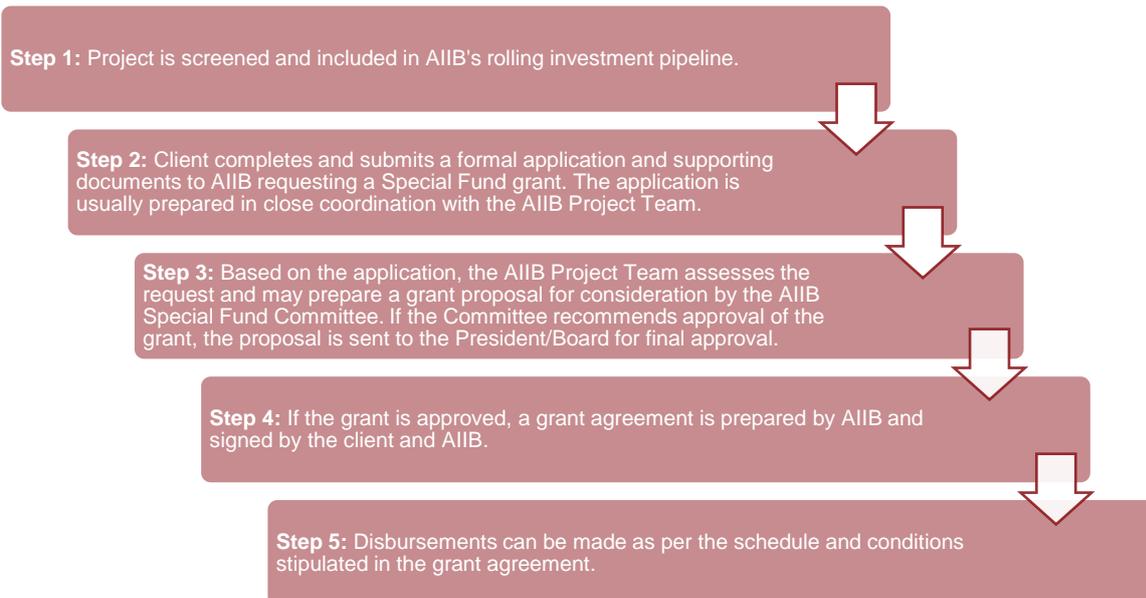
## APPLICATION PROCESS

Once a project passes AIIB's Project Screening Committee and is included in AIIB's Rolling Investment Pipeline, the client, in consultation with the AIIB project team, can submit to AIIB a completed [Application Form](#) and request for a Special Fund grant. The application should be supported by information on preparation gaps, funding requirements and justification for the use of the Special Fund grant, among others.

The AIIB project team will assess the request and—based on the team's assessment—may prepare a proposal recommending approval of the grant. AIIB's Special Fund Committee will then review the proposal and make a recommendation to the President for approval (if the aggregate amount of all Special Fund grants for a given project do not exceed USD5 million) or onward submission to the Board of Directors for approval (if the aggregate amount of all grants for a given project exceed USD5 million). After approval, AIIB and the client sign a grant agreement, after which disbursements can be made as per the schedule and conditions stipulated in the grant agreement.

If the information provided by client is complete and meets all requirements and there is a sound justification for a Special Fund grant, clients should be able to receive approval information within three to four weeks from AIIB's receipt of the Special Fund grant application.

## SUMMARY OF THE APPLICATION PROCESS



## EXAMPLES OF AIIB PROJECTS THAT HAVE RECEIVED SPECIAL FUND ASSISTANCE

### Lao People's Democratic Republic:

#### National Road 13 Improvement and Maintenance Project

The project will improve road conditions, road safety and climate resilience of critical sections of National Road 13 in Lao PDR through the innovative output- and performance-based road contracting (OPBRC) model. The road design will also be strengthened to meet ASEAN standards. The Special Fund project preparation grant will be used to conduct preparatory activities to enhance implementation readiness and the quality of the proposed investment. Specifically, the grant will support consultancy services for the preparation of a resettlement action plan, the implementation and conceptual design of the OPBRC for the southern section of National Road 13 and project management.

### Nepal: Urban Infrastructure Investment Project

The project will improve provision and quality of key infrastructure and basic services in the participating municipalities of Nepal's Terai region, which is a key element of the National Urban Development Strategy. The purpose of this grant is to conduct preparatory activities to help prioritize investment projects within target municipalities, finalize important design features and ensure readiness of the project for implementation. The project preparation grant will specifically support consultancy services to support design of the project, preparation of the detailed designs of the infrastructure to be financed under the project, fiduciary, environmental and social assessments and procurement advisory.

## KEY LINKS

1. [Introduction to the AIIB Project Preparation Special Fund.](#)
2. [Approved Grants Under Project Preparation Special Fund.](#)
3. [Rules and Regulations of the AIIB Project Preparation Special Fund.](#)
4. [Application Form.](#)

## FREQUENTLY ASKED QUESTIONS

### 1. Can the Special Fund provide project preparation grants for projects in middle-income countries?

Yes...for AIIB members which are not recipient of IDA financing but have substantial development needs and capacity constraints that impede their ability to prepare and deliver effectively a project proposed for AIIB financing. The cumulative amount of grants extended to all projects extended to members which are not recipients of IDA financing should not exceed, at any time, 30 percent of the SF resources.

### 2. Can Special Fund grants be provided to non-public entities?

In the absence of an objection from the AIIB member concerned where the entity or enterprise is located, the Special Fund Grant may be extended to (a) a subsovereign entity of the member; (b) a state-owned enterprise and (c) in special circumstances, a private entity.

### 3. Does the Special Fund support the preparation of private sector projects?

Yes, as long as such support does not create unfair competitive advantages for grant recipients.

**4. Can clients request for a Special Fund grant for projects that are or will be financed by another financing partner?**

No. The Special Fund grant is linked to the ensuing project to be financed by AIIB.

**5. Can Special Fund grants support upstream activities such as project identification and prefeasibility analysis?**

No. The Special Fund grant cannot support prefeasibility studies and upstream preparatory activities such as sector work, and project planning work, among others. Refer to the section on “Activities Not Covered by the Special Fund.”

**6. Can AIIB members use Special Fund grants to buy vehicles for project monitoring?**

No.

**7. How long does it take to approve the Special Fund grant?**

On average, once AIIB receives the Special Fund application from the client, approval can be granted within three to four weeks, subject to a sound justification and provision of all the required supporting information and documents.

**8. What is the maximum size of the Special Fund grant that can be granted?**

The amount of the Special Fund grant is determined by the preparation needs of the underlying project. Some projects may be more advanced in their preparation and require less funding to meet AIIB quality standards whereas other projects may need detailed studies and documentation. AIIB project teams work closely with clients to assess project preparation gaps and required Special Fund financing to cover such gaps before a project can be financed by AIIB. On average, Special Fund grants approved so far have ranged between USD1-2 million. The President can approve up to USD5 million in grants per project and proposed grants that exceed USD5 million in the aggregate per project are approved by the Board of Directors.

**9. Can a low-income country under a certain International Monetary Fund program that limits the country from borrowing from AIIB on ordinary terms use a Special Fund grant for blending or interest rate buy-down?**

No. SF can only be used for preparing project for AIIB financing and not for blended finance. A separate [Special Fund Window](#) was established under AIIB’s COVID-19 Crisis Response Facility for interest rate buy-down for IDA-only countries.

**10. Can AIIB nonregional members access Special Fund grants for project preparation?**

Yes, as long as the country and project eligibility criteria are met. Additionally, investments in AIIB nonregional members are guided by AIIB’s [“Strategy for Financing Operations in Non-Regional Members.”](#)

**11. Is there a period during which recipients have to fully utilize the Special Fund grant?**

Special Fund grants can be used for preparatory activities during the preparation and early implementation periods of the project. All preparatory activities supported by the Special Fund grant for a project to be financed by a sovereign-backed loan must be completed within two years following effectiveness of the financing agreements for the project, unless there are duly justified special circumstances.

**12. Can AIIB members seeking support through AIIB’s COVID-19 Crisis Recovery Facility apply for a Special Fund grant for project preparation?**

Yes, projects under the COVID-19 Crisis Recovery Facility are eligible for Special Fund support for project preparation, provided other criteria (such as country eligibility and project eligibility) are met.

**13. Can AIIB members seeking support of the Special Fund Window under AIIB’s COVID-19 Crisis Recovery Facility apply for a Special Fund grant for project preparation?**

Yes.

**14. We are an IDA recipient and we don’t have capacity to implement the preparatory activities under Special Fund grant. Can AIIB execute the grant and prepare the project for us?**

In ordinary circumstances, the client is responsible for executing Special Fund activities. However, in exceptional cases where client capacity is considerably constrained including under emergency situations such as the current COVID19 crisis, AIIB can consider executing certain Special Fund activities. However, AIIB execution is the request of the client (limited to the hiring of initial consultants to support the client in start-up activities supported by the Special Fund grant) and excludes preparatory activities required to be carried out by the client under AIIB policies (e.g., detailed engineering design and procurement).

**15. How are disbursements made on approved grants under Special Fund?**

Disbursements on approved SF grant follow same procedures as for regular AIIB loans, as spelled out in the Disbursement Letter which is sent to the grant recipient after signing of the grant agreement. The Disbursement Letter provides guidance on: (i) disbursement arrangements (such as disbursement method, disbursement deadline, disbursement conditions); (ii) procedures for withdrawal of grant proceeds; and (iii) supporting documents for withdrawal of grant proceeds and other necessary disbursement instructions.

## **ABOUT AIIB**

The [Asian Infrastructure Investment Bank](#) (AIIB) is a multilateral development bank with a mission to improve social and economic outcomes in Asia. Headquartered in Beijing, we began operations in January 2016 and have now grown to 102 approved members worldwide. By investing in sustainable infrastructure and other productive sectors in Asia and beyond, we will better connect people, services and markets that over time will impact the lives of billions and build a better future.

## **CONTACT US**

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