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THE AIIB – RAPID RESPONSE AND FLEXIBILITY: CONTAINING COVID-19

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As the world grapples with the COVID-19 pandemic, one looks for new signs of hope, new options for managing the exposed vulnerabilities. *Euromoney* wrote recently that COVID-19 is giving the new Asian Infrastructure Investment Bank (AIIB) an opportunity to prove its value to the world. From his office in Beijing, the AIIB president, Jin Liqun, has stated that 'this is a litmus test of our ability to deal with a crisis and emergency'. But what does this mean?

Given that the AIIB was only launched in early 2016, and despite its progress to date, the scale of the AIIB's lending and operations are still small compared to the more established World Bank Group, International Monetary Fund, or Asian Development Bank (ADB). At this point, size does limit the scale of what the AIIB can do in helping to contain COVID-19. Nonetheless, the AIIB has not stood still. Rather, the Bank has stepped up rapidly, and in flexible ways, to offer help.

After six weeks of remote work, which started during Chinese Lunar New Year, the AIIB reopened its headquarters on 16 March 2020. Senior management welcomed the staff back to the office, while following the guidance of local authorities and infection experts. The AIIB team felt the impact of COVID-19 directly, early, and up close and personal. The staff include people from 50 nations, and they have all made China their home. The Bank was proud to report that even while working remotely the staff did not stop building the pipeline of new investments and working with clients on project implementation. The finance, human resources and other departments leveraged many tools to make the most of their virtual work, and to minimize the impact on their operations. The AIIB's non-resident Board of Directors (BoD), which has always met virtually (rather than in person) via WeChat, Zoom or Microsoft Teams, is particularly well-suited to a situation where COVID-19 has put many countries and international travel in lockdown.

But as the staff returned to the office, the AIIB started receiving many demands from its members, which are facing urgent economic, financial and public health pressures due to COVID-19. The Extraordinary G20 Leaders' Summit (26 March 2020) also called for a

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During the COVID-19 pandemic the AIIB has not stood still. Rather, the Bank has stepped up rapidly, and in flexible ways, to offer help. After six weeks of remote work, the AIIB reopened its headquarters on 16 March 2020. Source: AIIB

coordinated international response to the worsening global fallout. The AIIB also noted the World Health Organization's (WHO) emphasis that 'public health infrastructures contribute *directly* to final global public goods for health provision (e.g. sewers), and *indirectly* (e.g. education)'.

The AIIB recognized that its members with fragile infrastructure have less capacity to handle health crises, and that further investment from multilateral partners, such as the AIIB, can help strengthen the public health infrastructure of its members, and have a lasting (sustainable) global health impact. To better support members which are impacted by COVID-19, and their recovery, the Bank decided to scale up its support on COVID-19-related public health infrastructure, particularly infrastructure investment in public health, healthcare, and information and communications technology. AIIB president (and Chair of the Board of Directors) Jin Liqun declared 'There has never been a greater need for a multilateral and truly global coordinated effort … We have a responsibility to our members who face tremendous pressure … It is our duty to be flexible and responsive in a time of crisis so that our members can continue investing in sanitation, healthcare and technology-enabled infrastructure … We will work … to adjust to this new reality, providing scaled up and targeted investment in critical sustainable infrastructure to protect the people we serve and the generations that follow'. So what has the AIIB done so far?

> **"COVID-19 is a litmus test of the AIIB's ability to deal with a crisis and demonstrate its value to the post-pandemic world."**

In early April 2020, AIIB senior management proposed to create a US$5 billion 'COVID-19 Crisis Recovery Facility', and by mid-April it was doubled to US$10 billion. The facility provides 'immediate assistance' to AIIB members in three areas:

- alleviation of healthcare pressures in the form of health insurance and pandemic preparedness
- liquidity support through on-lending facilities and credit lines
- immediate fiscal and budgetary support, in partnership with other multilateral development banks, so that governments can focus on addressing the human and financial impacts of COVID-19.

So far, the AIIB has pledged RMB 2.485 billion (approximately US$355 million) for an emergency Public Health Infrastructure Project for China, to upgrade public health infrastructure in Beijing and Chongqing, and for the purchase of emergency equipment and supplies in the two cities; and a loan of US$500 million, for a co-financed project with the World Bank, to support the Indian government's purchase of equipment and its health systems emergency preparedness in response to the COVID-19 threat, and to help manage future outbreaks.

On 8 May 2020, *The Jakarta Post* reported that AIIB is poised to allocate a total of US$1 billion in loans to help Indonesia in its COVID-19 response. The first disbursement to Indonesia will be US$250 million, for the co-financed project with the World Bank and Islamic Development Bank, to provide a total of US$750 million in loans, to strengthen hospital readiness and testing capacity, related to immediate-term response and medium-term preparedness for possible new waves of COVID-19. The AIIB intends to offer another US$750 million loan to Indonesia to fund its economic relief and social safety net programs, co-financed with the ADB, which will provide US$1.5 billion to Indonesia.

The AIIB is also reviewing proposals for COVID-19 emergency response projects from several other members; some include collaborations with other multilateral development banks (MDBs). Turkey has submitted a project request for a US$500 million credit line for two of its national development banks (Türkiye Sınai Kalkınma Bankası, or TSKB, and Türkiye Kalkınma ve Yatırım Bankası, or TKYB), to help alleviate working capital shortages and liquidity constraints that have been caused by the pandemic. The Philippines has submitted a proposal to the AIIB, for a project to be co-financed with the Asian Development Bank, requesting a US$750 million loan to support the Philippines government's COVID-19 Active Response and Expenditure Support (CARES) Program.

AIIB president Jin Liqun has recently said that 'this is the time for us to demonstrate our adaptability, resilience, responsiveness and readiness'. Yet COVID-19 presents complex challenges, not only for disease and infection control experts but also for MDBs. The AIIB is figuring out how best to provide emergency lending to its impacted members while also keeping enough finance in its budget to maintain its regular pipeline of project lending. *If* the AIIB can strike the appropriate balance between providing such flexible and rapid emergency lending to help contain COVID-19 *and* grow its 'regular' support for sustainable infrastructure investment as the Bank enters its next 10-year growth phase, and *if* it can lend US$15 billion per year by the end of this decade, and it succeeds in crowding in more private investment in infrastructure projects in Asia and around the world, then the AIIB will have demonstrated its value to the post-COVID world.

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