

**AIIB approves \$500m loan for Pakistan's Covid-19 response**

ISLAMABAD: The Asian Infrastructure Investment Bank (AIIB) has approved a \$500 million loan to help Pakistan effectively manage the Covid-19 outbreak and reduce its immediate social and economic impacts.

In statement, the board of directors of the Beijing-based lending agency said the loan under Covid-10 Active Response and Expenditure Support (CARES) programme was a quick disbursing window with a total allocation of \$5-10 billion created by the AIIB to co-finance immediate needs of the member countries with the support of multilateral lending agencies like the World Bank and the Asian Development Bank.

The loan is “to support the Government of Pakistan’s efforts to effectively manage the Covid-19 outbreak and reduce its immediate social and economic impacts”, the AIIB said. It noted that Pakistan’s ongoing economic recovery and ability to sustain high and inclusive growth have been significantly impacted by the Covid-19 pandemic.

According to estimates by the International Monetary Fund (IMF), the country’s remittances will decline by around \$5bn for FY2020 and FY2021 and export growth is likely to come to a halt due to a fall in external demand. Total revenue is expected to decline by more than \$6 billion in FY2020, which will contribute to increasing Pakistan’s primary fiscal deficit by about two percentage points. These impacts have already led to significant job losses, both in formal and informal sectors, the AIIB said.

*Will help fill government’s financing gaps in implementing health and social safety net*

The AIIB’s financing for CARES, funded under its Covid-19 Crisis Recovery Facility (CRF) and co-financed with the Asian Development Bank, is designed to promote social protection and economic resilience to prevent long-term damage to the productive capacity, including human capital, of Pakistan’s economy.

This policy-based loan is provided through general budgetary support to fill the government’s financing gaps in implementing health, social safety net and economic stimulus measures. The funds will support expenditures allocated by the government for protecting the poor and vulnerable, including women, augmenting the health sector capacity and supplies, and protecting productive sectors and small businesses from economic downturn.

“By supporting industries and vulnerable groups that have been hard hit by Covid-19, this financing will help mitigate the economic shock and social impacts the country is currently facing,” said AIIB vice president, investment operations, Konstantin Limitovskiy. “Preventing long-term damage to the productive capacity of the economy is essential. AIIB’s joint efforts with the international community are targeting this need,” he said.