

**Concessional Financing Facility
First Steering Committee Meeting
MINUTES
July 28, 2016 (Beirut, Lebanon)**

Key Decisions

- Jordan and the US were appointed co-Chairs of the Concessional Financing Facility (CFF) for the next year, until July 2017.
- The Operations Manual (OM) of the CFF was ratified.
- The Administrative Budget estimates of the CFF Coordination Unit (US\$380,000) and Trustee (US\$395,000) for the 2017 fiscal year were approved, authorizing the Trustee to transfer these amounts to their respective accounts at the World Bank.
- A total funding allocation of US\$53,044,050 for Concessionality Amounts and ISA costs for two Underlying Operations were approved. US\$51,013,550 to provide concessionality (US\$51 million) and the ISA costs (US\$13,500) was approved for Jordan for the Economic Opportunities for Jordanians and Syrian Refugees with the World Bank as ISA. US\$2,030,500 to provide concessionality (US\$1.948 million) and ISA costs (US\$82,500) was approved for Jordan for the Ain Ghazal with the EBRD as ISA.
- Following the two allocations for Jordan during the first Steering Committee meeting, the Supporting Countries emphasized that they would look with special interest at funding requests from Lebanon. Lebanon was encouraged to submit funding requests to the Coordination Unit as soon as they were ready for consideration.
- To better inform the future approval process, it was agreed that the Coordination Unit would work with the Governments of Lebanon and Jordan and the Trustee to prepare a pipeline of projects with anticipated funding requests, and the approximate available financing to share with the Steering Committee in September.
- The Steering Committee indicated that it intends to meet in January or February 2017 in Amman, Jordan, subject to further discussion in the coming months. Consistent with the OM, materials for the meeting, including any requests for funding for decision at the meeting will be circulated 14 days prior. In addition, funding requests may be circulated on an ongoing basis for no-objection decision throughout the year.
- The meeting discussed the proposal of scaling up the Concessional Financing Facility to a global level, while preserving the availability of funds already pledged for Lebanon and Jordan, and maintaining the initial target for Lebanon and Jordan of US\$1 billion over 5 years. A revised value proposition note reflecting the discussion will be circulated in August with accompanying proposed amendments to the Operations Manual.
- The Netherlands announced an additional pledge of EUR 15 million for the Lebanon window.

Summary of Meeting

1) Opening Remarks

The inaugural meeting of the Concessional Financing Facility Steering Committee took place in Beirut, Lebanon on July 28, 2016. The meeting commenced with welcoming remarks by the hosting country represented by H.E. Ali Hasan El Khalil, Minister of Finance, Lebanon. In his introductory remarks, Franck Bousquet representing the Coordination Unit, provided an update of the status of the CFF. He introduced the Co-chairs of the CFF, Dr. Saleh Kharabsheh, Secretary General, Ministry of Planning and International Cooperation of Jordan, and Mr. Eric Meyer, U.S. Deputy Assistant Secretary of Treasury, whose appointment was later confirmed by the meeting. The speakers and Supporting Countries congratulated all participants on the formal establishment and operation of the CFF in a very short timeframe and reinforced the importance of the CFF in providing concessional financing to the Benefitting Countries to alleviate the fiscal pressures caused by the impact of the influx of refugees.

2) Presentation of Pipeline of Underlying Operations that could potentially benefit from Concessional Financing, and Overview of In-Country Coordination by Jordan and Lebanon

Jordan: Dr. Saleh Kharabsheh presented a pipeline of projects that could potentially benefit from concessional financing. Seven projects were presented as the next projects to be put forward with the support of the World Bank Group (WBG), the Islamic Development Bank (IDB) and the European Bank for Reconstruction and Development (EBRD). The next project which may be presented to the Steering Committee is a US\$250 million Energy and Water DPL with the World Bank in 2016. Three projects were presented for 2017 including an Emergency Program with the IDB of US\$150 million, a Program for Results for Education with the World Bank of US\$200 million and a West Irbid Wastewater Network project of US\$41.84 million with the EBRD. Two projects were listed for 2018 and one in 2019. The full list is included in the presentation and provides a brief description of how these projects link with the Syrian refugees and host communities. Dr. Kharabsheh also outlined that the Ministry of Planning and International Cooperation would consult on Underlying Operations for potential concessional financing using its in-country coordination mechanisms. The Syria Crisis Response Platform, sectoral Task Forces, informal coordination meetings including donor breakfast meetings, and donor technical coordination meetings were presented as the coordination structures in country.

Lebanon: Mr. Alain Bifani, Director General in the Ministry of Finance of Lebanon, presented the Priority Investment Program to Address the Impact of the Syrian Refugee Crisis of 14 projects and identified four projects that are ready to be put forward for CFF support in the coming months (aiming at October 2016) after appraisal. These projects included a Rural Roads and Employment project Phase 1 of US\$300 million with the World Bank and JICA, of which concessionality would be sought on the World Bank supported portion of US\$200 million; two projects with the IDB – namely- the Tripoli Port Improvement of US\$55 million, and Rehabilitation of the Railway Link between Tripoli Port and the Syrian Border Project totaling US\$90 million. Lebanon is in the final process of becoming a member of EBRD and EBRD is expected to be eligible as an ISA for Lebanon soon. Mr. Bifani also presented Lebanon's national project approval process as well as Lebanon's continuous and extensive coordination with donors in the country.

Supporting Countries welcomed the pipeline of projects from both countries and looked forward to projects being submitted for CFF support by Lebanon.

3) Trustee Presentation

The Trustee presented the status of the executed Contribution Agreements and receipt of the first contribution instalment payments. Total grant pledges to date amount to US\$140 million, in addition to pledges from the UK and Japan to provide concessional loans that may be used by IBRD to generate additional grants. As of July 28, 2016, Contribution Agreements (CAs) have been signed between the Trustee and Japan, Norway, the UK, the US and Germany for total commitments of US\$146.9 million (including US\$40.3 million generated from a concessional loan to the WB from the UK). Contribution payments have been received from Japan (US\$10 million); UK (US\$40.3 million); and Norway (US\$8.2 million), for a total of US\$58.5 million. The Netherlands also announced that in addition to its pledge of EUR 10 million, it will provide a second contribution of EUR 15 million for the CFF Lebanon window.

The Trustee also reported that the execution of the Financial Procedures Agreements (FPAs) is well underway between the Trustee and the ISAs, and these are expected to be signed very soon.

The Trustee reported that upon approval of the total funding requests presented to the Steering Committee at the meeting, funding available for new approvals total US\$4.63 million, until such time as additional contribution instalment payments were made. To better inform the approval process, it was agreed that the Coordination Unit would work with the Governments of Lebanon and Jordan and the Trustee to prepare a pipeline of projects which includes anticipated funding requests, and the approximate available financing to share with the Steering Committee.

4) Ratification of the Operations Manual

The Operations Manual that was approved by the CFF Working Group on a no objection basis on July 24, 2016, was ratified by the Steering Committee.

5) Trustee and CU Budgets

The Trustee and CU estimated budgets totaling US\$775,000 were presented for approval for FY17 (July 2016-June 2017). Tables 1 and 2 below present the breakdown. The Trustee and CU will reassess estimated expenses based on actual level of activity in CFF at mid-year and will report to the Steering Committee if it is determined that adjustments to these estimates are needed.

During the Opening Remarks, Mr. Bousquet noted that the extensive staff, travel, meeting and other costs incurred by the World Bank during the preparation and design phase during FY 16 had been covered by the World Bank and were not included in the estimates for FY17. This in-kind contribution of the World Bank was estimated at well over US\$500,000.

Table 1: FY17 Trustee estimated costs and expenses (USD)

| Trustee Services | USD |
|--|----------------|
| Financial and Trustee Management | 130,000 |
| Accounting | 100,000 |
| Legal Services | 115,000 |
| Investment Management* | 50,000 |
| TOTAL | 395,000 |
| Note: Estimates include all overhead costs and will be adjusted based on actual costs incurred | |
| *fixed fee of 3.5bps on the average annual balance in the trust fund | |

Table 2: FY17 Coordination Unit estimated costs and expenses (USD)

| Coordination Unit Services | USD |
|--|----------------|
| Program Management (Coordination Unit) | 220,000 |
| <i>Legal Services</i> | <i>83,000</i> |
| <i>Treasury Services</i> | <i>68,000</i> |
| <i>Coordination and Administration</i> | <i>89,000</i> |
| Travel | 120,000 |
| Contractual Services and Meetings | 20,000 |
| TOTAL | 380,000 |
| Note: estimates include all overhead costs and will be adjusted based on actual costs incurred. | |

6) Funding Request Approvals

Jordan submitted two requests for funding amounting to of US\$53,044,050 for Concessionality Amounts and ISA costs for two Underlying Operations: Economic Opportunities for Jordanians and Syrian Refugees with the World Bank as ISA and Ain Ghazal Wastewater Treatment Plant with the EBRD as ISA.

The Program for Results (PforR) seeks to provide economic opportunities for Jordanians and Syrians by:

- Reforming Jordan’s labor market regulations to grant access to Syrian workers to the formal labor market and allowing them to legally contribute to Jordan’s economic activity.
- Improving Jordan’s investment climate through improving predictability of regulations, reducing red tape, supporting small businesses and improving trade facilitation.
- Attracting and retaining investments, both domestic and foreign, especially in manufacturing, in 18 designated development zones and industrial areas that will benefit from preferential access to the EU. The foreign investments would most likely come from: (i) the Syrian business diaspora; (ii) regional investors; and (iii) investors targeting the EU market. Moreover, 15 percent of new jobs created by new industrial investments or through expanding existing industries will be filled by Syrian refugees in first two years to be increased to 25 percent starting year three.

The Ain Ghazal Wastewater Conveyer Project is part of the wider engagement with the Water Authority of Jordan aimed at upgrading Jordan’s wastewater system to cope with the increasing wastewater flows and overstretched municipal infrastructure caused by the Syrian refugee influx. A new pipeline has to be constructed to accommodate the increasing pre-treated flows of wastewater from Ain Ghazal wastewater treatment plant (AG WWTP) to As-Samra wastewater treatment plant (As-Samra WWTP).

The total funding request of US\$53,044,050 for Concessionality Amounts and ISA costs for two Underlying Operations was approved. US\$51,013,550 to provide concessionality (US\$51 million) and the ISA costs (US\$13,500) was approved for Jordan for the Economic Opportunities for Jordanians and Syrian Refugees with the World Bank as ISA. US\$2,030,500 to provide concessionality (US\$1.948 million) and ISA costs (US\$82,500) was approved for Jordan for the Ain Ghazal with the EBRD as ISA.

Following the two allocations for Jordan during the first Steering Committee meeting, the Supporting Countries emphasized that they would look with special interest at funding requests from Lebanon. Lebanon was encouraged to submit funding requests to the Coordination Unit as soon as they were ready for consideration.

A number of countries stressed the importance of CFF reporting on the results of the Underlying Operations. The Coordination Unit informed the meeting that results would be tracked at three levels: how the CFF is providing concessionality and coordination; how the Underlying Operations are addressing the impact of the influx of refugees; as well as the full project results.

7) Global Expansion of the CFF

The meeting discussed the expansion of the Concessional Financing Facility (CFF) to a global level. This session was joined by a number of staff from US Treasury who participated by VC from Washington, DC.

The scaling up of the CFF to a global level received broad support during the meeting, with agreement that funds already pledged for Lebanon and Jordan would remain designated for these two countries for which US\$1 billion pledge remains the objective. Nevertheless, several countries raised some concerns as well as a number of recommendations which are presented below. These concerns and recommendations will be addressed in the revised value proposition note.

Jordan and Lebanon indicated their support for expanding the CFF to a global level, noting that the situation would not be as dire had they been able to benefit from such a facility at an earlier stage. They expressed willingness to share their lessons from the CFF as Benefitting Countries, while emphasizing that the international community must not be distracted from the work that needs to be done in MENA.

It was agreed to remove Annex 1 of the draft value proposition note related to MIC countries with the number of refugees and percentage of population which many participants found confusing. While the table will be removed, the meeting suggested keeping the minimum metric. One Supporting Country highlighted two factors to be considered when deciding eligibility, namely the seriousness of the impact of the refugee inflows, as well as the impact on debt sustainability – this received support from a number of other Supporting Countries. Two Supporting Countries stressed the aspect of incentivizing countries to make changes to policy.

Some participants emphasized the importance of remaining focused on Jordan and Lebanon and therefore expressed concern about the increased draw on donor grant resources and questioned the timing of seeking pledges at this stage. One Supporting Country suggested specific amendments to the Proposition to provide reassurances on this point. Most donors also asked that over funding from IBRD net income become a major source of income over the medium term, and in particular requested stronger language on WG's commitment to make use of its own resources in the medium term. Another Supporting Country suggested a range target of pledges in lieu of a fixed amount. One donor felt that more time was needed to design the global facility and advised to wait for further lessons on the CFF.

The UN reiterated the very strong partnership with the WBG under the CFF and welcomed the expansion as part of the scaling up of the international community's response to peace and development challenges, and readiness for crises. It also stressed the importance of linking the global response on how to deal with crises including prevention. The UN has been mapping financing instruments and noted that if upscaling was decided upon, it would be important to look at the overall financing instruments. Additionally, the UN emphasized the importance of adding a chapeau text for the September 19 document to the broader international context.

It was stressed that: (i) the proposed global CFF would be a response to refugee crises in MICs (which represent 30% of the cases worldwide) and would complement the significant proposed scale up of IDA's risk mitigation and crisis response capacity for LICs under the ongoing IDA18 replenishment negotiations, notably for protracted refugee displacements; (ii) it is critical to proactively prepare for crises that may emerge across

the globe, including having a flexible financing response in place that can provide much-needed development support. Funding is earmarked for Jordan/Lebanon (under a specific window of the Facility) with an objective which remains unchanged for Jordan and Lebanon, i.e. raising US\$1 Billion over the next five years for those two countries, which will also be monitored by the Coordination Unit. In case a crisis occurs in another country in the future years, it would be important to have a facility ready to respond. This facility would then allow for the immediate creation of an additional country window and funding; (iii) Governance adjustments can be handled easily as they were already built into the design of the CFF; (iii) Metrics (such as the reference to 25,000 refugees) were chosen as consistent with the draft IDA Paper on refugees.

The US Chair indicated that it is looking to identify funding to provide robust support for the global facility.

Written comments and specific text suggestions were requested by the Co-Chair.

Next steps: the draft note sent on July 16, 2016. The Bank will send a revised note for comments within a week to finalize the value proposition note (this was circulated on August 8, 2016). Subsequently, the proposed final value proposition note and draft amendments to the Operations Manual will be sent to the supporting countries for a virtual 2 week no-objection.