

Global Concessional Financing Facility Second Steering Committee Meeting

April 20, 2017, Washington DC

Key Decisions

- The estimated Administrative Budget of the GCFF Coordination Unit (US\$390,000) and Trustee (US\$343,000) for the 2018 fiscal year were approved, authorizing the Trustee to transfer these amounts to their respective accounts at the World Bank.
- The Operations Manual (OM) of the GCFF was amended to: (i) allow “CFF” and “GCFF” to be used inter-changeably; (ii) increase the number of UN entities on Steering Committee as non-decision-making observers from two to four; (iii) formalize the “one representative per country” principle; and (iv) delete the reference to the European Commission as observer in paragraph 44.
- A total funding allocation of US\$67,725,000 for Concessionality Amounts and ISA costs for the following five Underlying Operations were approved.
 - US\$21,035,000 to provide concessionality (US\$21 million) and the ISA costs (US\$35,000) for Jordan Emergency Health Project with the Islamic Development Bank as ISA.
 - US\$13,935,000 to provide concessionality (US\$13.9 million) and the ISA costs (US\$35,000) for Jordan Emergency Health Project with the World Bank as ISA.
 - US\$24,235,000 to provide concessionality (US\$24.2 million) and the ISA costs (US\$35,000) for Lebanon Health Resilience Project with the World Bank as ISA.
 - US\$5,935,000 to provide concessionality (US\$5.9 million) and the ISA costs (US\$35,000) for Lebanon Health Resilience Project with the Islamic Development Bank as ISA.
 - US\$2,585,000 to provide concessionality (US\$2.5 million) and ISA costs (US\$85,000) was approved for Jordan for the West Irbid Wastewater Project with the EBRD as ISA.
 - The meeting took note that Canada abstained on the West Irbid Wastewater Project decision in order not to block the decision. While noting the importance of the project, Canada raised the concern that gender and environmental and social assessments had not been completed. They requested, and the Steering Committee agreed, that the Coordination Unit circulate to the Steering Committee information on the safeguards due diligence and gender analysis when these have been completed.
- On monitoring the impact of GCFF supported projects on refugees and host communities, the Coordination Unit was asked to work with ISAs to consider developing a metric and aggregate results of the Underlying Operations within the scope of their applicable policies and procedures.
- The Coordination Unit was asked to prepare a paper in the coming year sharing analysis of concessionality options for further discussion to see if there are grounds to adjust the formula for calculation of the concessionality amount. Steering Committee members were invited to propose alternatives that maintained the “not better than IDA” principle.
- A Working Group comprised of participating ISAs was proposed to be set up to further develop the concept of leveraging Private Sector Investment through the GCFF. The Coordination Unit will follow up with each ISA to discuss the way forward and will report back to the SC.

- The EIB announced that it agreed to formally join the GCFF.
- Sweden announced an additional pledge of US\$10 million to the Global window. The UK also announced that it may have an additional pledge after a Parliamentary session on the same day of the Steering Committee meeting. Japan also announced that it would try to advance the payment of part of its undisbursed pledge.
- The Steering Committee indicated that it intends to meet later in 2017 in Amman, Jordan, subject to further discussion in the coming months, notably to align with the timing of the next funding requests. In addition, funding requests and other decisions may be circulated on an ongoing basis for no-objection decision throughout the year.
- In July 2017, Jordan will pass the co-Chairmanship of the GCFF to Lebanon. For the Supporting Country co-Chair, nominations from interested Supporting Countries have been solicited to be shared with the US Co-Chair through May 2017, to be followed by a consensus decision of the Steering Committee.

Summary of Meeting

1) Opening Remarks

The second meeting of the Concessional Financing Facility Steering Committee took place in Washington, D.C., on April 20, 2017. The meeting commenced with welcoming remarks by H.E. Fakhoury, Minister of Planning and International Cooperation of Jordan, and Mr. Eric Meyer, U.S. Deputy Assistant Secretary of Treasury, as Co-Chairs of the GCF. In his introductory remarks, Franck Bousquet, representing the Coordination Unit, provided an update of the status of the CFF. He indicated that if the funding requests before the Steering Committee were approved, the total amount of GCF funding provided in under one year would reach US\$200 million for concessional loans totaling around US\$1 billion. The speakers and ensuing commenters noted the successful first nine months of operationalization of the GCF, which has already provided US\$124 million of concessional, leveraging almost US\$700 million in concessional financing for projects for Jordan and Lebanon to alleviate the fiscal and financial pressures caused by the impact of the influx of refugees. In addition, each task manager of the current GCF-supported projects provided an update on the status of their projects. During the introductory session, the EIB announced that it had agreed to formally join the GCF. Sweden announced an additional pledge of US\$10 million to the Global window. The UK also informed the Committee that it may have an additional pledge to announce at a high-level public event on the GCF the following day. Mr. Bousquet recognized Japan for its early payment of US\$25 million, which had recently been received, and Japan also announced that it would try to advance the payment of part of its remaining undisbursed pledge.¹

2) Trustee Presentation

The Trustee presented the financial status of the GCF Trust Fund. Total pledges to date amount to US\$362 million. Since the first Steering Committee meeting on July 28, 2016, additional Contribution Agreements (CAs) have been signed between the Trustee and Canada, Denmark, the EC, the Netherlands, and Sweden. Furthermore, Canada, Japan and Norway advanced their scheduled payments in order to provide additional available funding earlier.

The Trustee reported that upon approval of the total funding requests presented to the Steering Committee at the meeting, funding available for new approvals would total around US\$38 million, subject to increase based on any subsequent additional contribution installment payments.

3) Trustee and CU Budgets

The Trustee and CU presented for approval estimated FY18 (July 2017-June 2018) budgets totaling US\$733,000, marking a decrease of US\$42,000 from FY17. In FY18, the Trustee budget is estimated to be lower than in FY17, while the CU budget is virtually the same. There are savings in the Trustee budget due to less than anticipated amounts held in trust for the Trustee to manage. This is because the funding is being received, approved, allocated and transferred quickly to the ISAs. In FY17, the actual CU budget is estimated to be slightly lower than planned in part due to the fact that the Steering Committee was held in Washington rather than Amman. At the end of FY17, the Trustee and CU will carry out a reconciliation process based on actual levels of expenditures.

¹A high-level GCF panel discussion was held the day after the Steering Committee meeting on the margins of the IMF-WBG Spring Meetings, at which Sweden publicly announced its additional US\$10 million pledge to the Facility and the UK announced it would commit an additional 60 million British pounds to MDBs over the next three years, part of which will channel through the GCF.

4) Amendments to the Operations Manual

The Steering Committee approved certain amendments to the GCFF Operations Manual (OM), as set forth below (also distributed to the Steering Committee as part of the full amended OM together with these minutes and posted on the GCFF website), in order to:

- 1) Allow “CFF” and “GCFF” to be used inter-changeably: This amendment allows the terms “Concessional Financing Facility” and “Global Concessional Financing Facility” to be used interchangeably in communications on the Facility.
- 2) Increase the number of UN entities on the Steering Committee from 2 to 4: This amendment authorizes two additional, global-level UN agencies to sit on the GCFF Steering Committee as observers: (i) UNHCR; and (ii) UNDP or another, development-focused global agency designated by the Office of the UN Secretary-General. The European Commission also observed that, as a GCFF supporting country, its status as a non-decision-making observer in paragraph 44 had become moot, and the related language should be deleted. As a result of the Steering Committee’s decision, paragraph 44 of the OM was further revised to read as follows (emphasis added, as marked):

*44. Non-Decision-Making Observers. Observers of the Steering Committee do not participate in decision-making, but may participate in Steering Committee discussions. The Trustee and the Coordination Unit are Observers that are expected to participate in all Steering Committee meetings. All Designated MDBs that are ISAs, the International Monetary Fund, the UN Resident Coordinator for each Benefitting Country (for purposes of coordinating country-level UN activities), **the UNHCR (for purposes of providing refugee-related expertise and coordinating with ongoing UN humanitarian efforts at the global level), and one UN entity as designated by the Executive Office of the UN Secretary-General (for purposes of coordinating with ongoing UN development efforts at the global level),** ~~and the European Commission (for purposes of coordinating related EU-funded activities)~~ may attend Steering Committee meetings as Observers on an as-interested or as-relevant basis. Designated UN Entities that are ISAs may attend Steering Committee meetings as Observers when Funding Requests they are respectively supporting are under consideration. A designated representative of each Observer is notified at all times to the Coordination Unit. The Co-Chairs of the Steering Committee may, in their discretion and taking into account Members’ views where feasible, invite other participants, including prospective Supporting Countries, to Steering Committee meetings as deemed appropriate, who may participate in a non-decision making capacity to the extent indicated by the Co-Chairs.*

- 3) Formalize the “one representative per country” principle: This amendment codifies the principle that a Supporting Country may designate only one designated representative for the Steering Committee regardless of the number of its national or other entities contributing to the CFF.

5) Funding Request Approvals

A) Jordan

Jordan submitted three funding requests amounting to US\$37,555,000 for Concessional Amounts and ISA costs for: (i) Emergency Health Project with the Islamic Development Bank as ISA; (ii) Emergency Health Project with the World Bank as ISA; and (iii) West Irbid Wastewater Project with the EBRD as ISA.

The Emergency Health Project parallel co-financed by the IsDB and the World Bank aim to maintain the delivery of primary and secondary health services to poor uninsured Jordanians and Syrian refugees. It is estimated to cover 2.4 million people. The project's total cost is US\$150 million. The Islamic Development Bank total loan amount is US\$100 million, and the World Bank total loan amount is US\$50 million, both covering the concessional and non concessional portions.

The West Irbid Wastewater project is aimed at strengthening Jordan's resilience to the Syrian refugee crisis by addressing urgently needed infrastructure rehabilitation. The Project is classified as part of the EBRD's July 2016 Municipal Services Refugee Response Framework to support Jordan as it hosts Syrian refugees, whose presence has placed immense strain on already overstretched wastewater services, especially in northern governorates. The total project cost is about EUR 44 million, including a Madad grant of EUR 19 million. The EBRD total loan amount including concessional and non-concessional portions is about EUR 25 million.

All three of Jordan's funding requests were approved: (i) US\$21,035,000 to provide concessionality (US\$21 million) and the ISA costs (US\$35,000) for Jordan's Emergency Health Project with the Islamic Development Bank as ISA; (ii) US\$13,935,000 to provide concessionality (US\$13.9 million) and the ISA costs (US\$35,000) for Jordan's Emergency Health Project with the World Bank as ISA; and (iii) US\$2,585,000 to provide concessionality (US\$2.5 million) and ISA costs (US\$85,000) for Jordan's West Irbid Wastewater project with the EBRD as ISA. The GCF portfolio now includes three ISAs: World Bank, Islamic Development Bank and EBRD.

The meeting took note that Canada abstained on the West Irbid Wastewater Project decision in order not to block the decision. While noting the importance of the project, Canada raised the concern that gender and environmental and social assessments had not yet been completed. They requested, and the Steering Committee agreed, that the Coordination Unit circulate to the Steering Committee information on the safeguards due diligence and gender analysis when these have been completed. More broadly, members stressed the need for better coordination on the ground and asked that special attention be put on financial sustainability.

B) Lebanon

The Deputy Prime Minister and Minister of Health of Lebanon presented two funding requests amounting to US\$30,170,000 for Concessional Amounts and ISA costs for a Health Resilience Project with the World Bank as ISA and a parallel financed Health Resilience Project with the IDB as ISA. The projects aim to improve access to quality healthcare services for Lebanese and Syrian refugees.

Both of Lebanon's funding requests were approved: (i) US\$24,235,000 to provide concessionality (US\$24.2 million) and the ISA costs (US\$35,000) for Lebanon's Health Resilience Project with the World Bank as ISA; and (ii) US\$5,935,000 to provide concessionality (US\$5.9 million) and the ISA costs (US\$35,000) for Lebanon's Health Resilience Project with the Islamic Development Bank as ISA. The World Bank total loan amount is US\$120 million. The IDB project total loan amount is US\$30 million.

The meeting took note that the IDB will apply World Bank procurement and environmental and social safeguards policies for the project. Several Supporting Countries thanked the IDB for its flexibility.

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

Jordan: Ms. Zeina Toukan, Director of International Cooperation at the Jordan Ministry of Planning and International Cooperation, presented a pipeline of projects that could potentially benefit from concessional

financing. Four projects were presented as the next projects to be put forward with the support of the World Bank Group and the IDB. The next project that Jordan may present to the Steering Committee is a US\$200 million education operation with the World Bank. The other projects that may be put forward include: a social contract development policy loan for US\$250 million in 2017/18; another WB/IDB supported Emergency loan in 2018/19; and a US\$200 million Lagging Regions Program in 2018/19. The presentation provided a description of how these projects would provide direct benefits to Syrian refugees and host communities.

Lebanon: Mr. Alain Bifani, Director General in the Lebanon Ministry of Finance, informed the meeting that, as presented at the April 2017 Brussels Conference on Syria, the new Government's vision centers on a large infrastructure and jobs program that it hopes to support through a combination of concessional financing, private investment, and innovative finance. Three projects were presented as potential candidates for GCFE support, subject to Government decisions on priorities and sequencing: (i) Greater Beirut Urban Transport Project (US\$250 million with WB as ISA); (ii) Industrial Upgrading Program (US\$120 million); and (iii) Lebanon National Jobs Program (US\$200 million). Mr Bifani also presented the Tripoli Special Economic Zones project.

7) Discussion on Topics raised by Steering Committee Members

Since the GCFE became operational last July, Steering Committee members have raised and requested discussion of certain issues. Among them, three principal topics included how to monitor the specific impact of GCFE-supported projects on refugees and host communities; the approach to calculating concessionality under the Facility; and project-related thematic issues, such as gender and striking the right balance between projects geared toward social sector issues versus investment-focused projects in such sectors as infrastructure, job-creation, and economic development.

Monitoring Impact: Franck Bousquet from the Coordination Unit explained that a number of Supporting Countries had raised the importance of monitoring the direct impact of GCFE-supported projects on refugees and host communities, and that a background note had been prepared by the Coordination Unit to frame a discussion among the Steering Committee on this topic. During the discussion, Supporting Countries reiterated their desire for better, more consistent monitoring of the impact of GCFE-supported projects on refugees and host communities, as well as for aggregate results of this impact across projects. Members suggested looking at other good practice examples, while cautioning not to add a costly, bureaucratic layer based on the principle that each ISA's policies and procedures apply. The Coordination Unit was encouraged to continue to work on this issue.

Calculating Concessionality: As described in a background note prepared by the Coordination Unit, GCFE partners agreed to calculate the concessionality that would be applied to GCFE-supported loans based on the principle that Benefiting Countries should not receive lower lending rates than the world's poorest nations - that is, those eligible for IDA support. As the Facility has operationalized, this approach has resulted in some ISA loans receiving a proportionally higher Concessionality Amount than others primarily because ISA loans that have lower interest rates before the application of GCFE concessionality and/or have shorter maturities receive a lower percentage of concessionality under the GCFE concessionality formula. Potential alternative approaches explored by the Coordination Unit all resulted in the overall interest rates of GCFE-supported loans going below IDA levels, something that a number of Supporting Countries stressed they could not support. The Coordination Unit was asked to prepare a paper in the coming year sharing its analysis of alternative options for calculating concessionality in order to feed into further Steering Committee discussion on the matter and help determine if there are grounds to adjust the existing formula.

Thematic aspects: Canada raised its view that GCFE-supported operations should include a gender dimension, while the United Kingdom expressed a desire to discuss the balance between funding social sector

versus economic development-related projects under the Facility. On gender, Canada suggested that the gender tag should be included in the funding request. While agreeing with the principle of the importance of gender, some Steering Committee members also pointed to the fact that applicable ISA policies and procedures apply. Some ISAs raised that gender analysis is part of their normal process. As awareness has been raised on this topic, all parties may now take this into account in the design of the projects. On the balance between livelihoods and social sectors, the UK expressed its preference for GCFF- supported projects to focus on economic opportunities, jobs and infrastructure. Other Members indicated that social sector projects were also important, including for the humanitarian-development nexus. It was noted that the GCFF was designed to reflect the needs of the Governments, based on country priorities, in addressing the impact of the influx of refugees, including the pressures on service delivery. The Jordan Minister of Planning and International Cooperation expressed Jordan's dire fiscal situation and urgent needs, and appealed to the members of the international community represented in the room to look at this issue in a holistic way, without adding to existing ISA regulations and without causing delay. The U.S. Chair suggested that the GCFF pipeline can provide indications as to whether a project merits consideration for GCFF financing.

8) Leveraging Private Sector Investment for the GCFF

This session solicited views from Steering Committee members on whether the idea of leveraging the GCFF to crowd-in private investment is worth pursuing more concretely, given the growing recognition among international partners that the private sector has a critical role to play in achieving development objectives, including within the context of refugee crises and host communities. As a member of the World Bank Group, but not currently part of the GCFF, the IFC made a presentation indicating potential ways in which the GCFF could complement its operations. The EBRD raised that (i) the value proposition of using the GCFF for private sector projects needs to be strengthened to justify GCFF transaction costs; (ii) private sector support needs to minimize market distortions, particularly in sectors such as microfinance, private healthcare, and private education; (iii) GCFF support of the private sector side of PPPs needs to avoid further complicating the process of structuring these complex projects; and (iv) the GCFF can, under its current rules, already support the public sector contribution to a PPP.

Reactions on the part of Members was mixed, including both strong advocacy and caution, with some urging that, if it moves forward, the idea to use the Facility to catalyze private investment should first be tested through a pilot and should only be used when there is clear justification to provide GCFF support. The Co-Chairs proposed the creation of a technical working group comprised of participating ISAs that would explore in greater depth, over the next 3-4 months, specific ways in which the Facility could leverage private sector capacity to benefit refugees and host communities, highlighting, in particular, how such efforts would bridge a market gap unfilled by existing facilities. The Coordination Unit will follow up with each ISA to discuss the way forward and report back to the SC.

9) Closing

The next Steering Committee will take place later in 2017 in Amman, Jordan, subject to further discussion in the coming months, notably to align with the timing of the next funding requests.

The US Chair raised the rotating Co-Chairmanship of the GCFF. In July 2017, Jordan will pass the co-Chairmanship of the GCFF to Lebanon. For the Supporting Country co-Chair, the US requested that interested Supporting Countries and nominations be provided through May 2017, to be followed by a consensus decision of the Steering Committee.

Addendum: High-level GCFF Event, April 21, 2017 - On Friday, April 21, the day following the Steering Committee meeting, a high-level, public panel discussion focused on the GCFF took place on the margins of the International Monetary Fund-World Bank Group Spring Meetings. The session provided an update on the progress of the Facility one year after its launch at the 2016 Spring Meetings, and sought to draw lessons from, and continue building support and momentum for, the GCFF as it heads into its second year. World Bank CEO Kristalina Georgieva chaired the event, with other panelists including high-level officials representing a number of GCFF Steering Committee members, including Ghassan Hasbani, Deputy Prime Minister and Minister of Public Health of Lebanon; Isabella Lövin, Deputy Prime Minister and Minister for Development Cooperation and Climate of Sweden; Imad Fakhoury, Minister of Planning and International Cooperation of Jordan; Marie-Claude Bibeau, Minister of International Development and La Francophonie of Canada; Lilianne Ploumen, Minister for Foreign Trade and Development Cooperation of the Netherlands; Ulla Tørnæs, Minister of Development Cooperation of Denmark; Mark Lowcock, Permanent Secretary of the Department for International Development of the United Kingdom; and Filippo Grandi, the UN High Commissioner for Refugees. Noted businessman and philanthropist, George Soros, who has been active on the refugee issue, attended the event as an audience member, along with his wife, Tamiko Bolton. CEO Georgieva noted the audience of the Steering Committee's approval of funding for three new operations the previous day, and noted that this took the amount of concessional financing unlocked by the GCFF to over US\$1 billion. Swedish Deputy Prime Minister Lövin also announced her country's new US\$10 million pledge to the Facility, while Mr. Lowcock announced that the United Kingdom would commit an additional 60 million British pounds to MDBs over the next three years, part of which will channel through the GCFF.

Photos of the GCFF Steering Committee Meeting and High Level Panel on the GCFF



Second GCFF Steering Committee Meeting, Washington, DC, April 20, 2017



High Level Panel on GCF, Washington DC, April 21, 2017