

GLOBAL CONCESSIONAL FINANCING FACILITY Virtual Steering Committee Meeting

January 10, 2019, by Video Conference

Key Decision:

Acknowledging the request from the Government of Canada and the consent of the Trustee to add Colombia as a benefitting country of the GCFF;

Taking into account the assessment of the Venezuelan crisis by UNHCR and the additional information provided by the IMF and the World Bank, in its capacity as Implementation Support Agency;

The Supporting Countries approved the addition of Colombia as a benefitting country of the GCFF in accordance with paragraph 9 of the GCFF Operations Manual.

Summary of Meeting:

The virtual meeting of the Global Concessional Financing Facility (GCFF) Steering Committee took place on January 10, 2019 in order to discuss: (i) the addition of Colombia as a benefitting country, upon request by the Government of Canada to the Coordination Unit in accordance with paragraph 9 of the GCFF Operations Manual (OM), and (ii) the opportunity to create a new corresponding Trust Fund window in accordance with paragraph 15 of the OM. The meeting commenced with welcoming remarks by Mr. Gavin Buchan, Minister Counsellor and Executive Director, Middle East Development Programming, Embassy of Canada, and Chair of the meeting, and by Mr. Franck Bousquet, Senior Director for Fragility, Conflict and Violence, World Bank, and Head of the GCFF Coordination Unit.

To inform the decision by Supporting Countries on the items for decision, Mr. Buchan invited the following non-decision-making members of the Steering Committee to provide their contribution to the discussion: UNHCR (Mr. Ewen Macleod); World Bank, as Implementation Support Agency (Mr. Ulrich Zachau, Country Director for Colombia); IMF (Mr. Emilio Corugedo, Lead Economist, Senior Desk Officer for Colombia); as well as the Trustee for the GCFF (Mr. Darius Stangu).

Mr. Ewen Macleod, UNHCR, summarized the Venezuelan crisis, with over 2.6 million people leaving the country to the region since 2014, on a scale comparable to the Syrian refugee crisis. With a total of approximately 1.14 million Venezuelans having already arrived, Colombia has been the country in the Americas most directly impacted by the political and socio-economic situation in Venezuela. An average of 4,000 Venezuelans a day have arrived in Colombia throughout 2018 (not counting circular migration estimated at 30,000 a day), with currently about 40% remaining in Colombia and the remaining 60% continuing to other countries. Over 442,000 Venezuelans who entered Colombia irregularly have been registered by the Government with UNHCR and IOM Support between April and June 2018. Those registered are eligible for the Special Stay Permit (PEP) valid for 2 years; almost 150,000 registered Venezuelans have obtained it since early August 2018, over 11,000 of them with direct support from UNHCR. Counting those who benefited from earlier rounds of the PEP, once all those registered are able

to obtain it, Colombia will have some 620,000 Venezuelans with an alternative legal status that provides them access to basic services and the labor market. Mr. Macleod highlighted that changing demography and profile of the 2018 arrivals particularly family groups arriving in large numbers in an increasingly destitute condition, typical characteristics of a refugee emergency rather than economic migration. Against this background, UNHCR estimates that an important proportion of 935,000 Venezuelans currently present in Colombia may be eligible for refugee status or equivalent protection under applicable international, regional, and national standards, including the 1951 Convention relating to the Status of Refugees, its 1967 Protocol, and the 1984 Cartagena Declaration. Mr. Macleod also noted that Colombia has ratified the 1951 Convention in 1961 and acceded to its 1967 Protocol in 1980 and the definition of “refugee” under the Cartagena Declaration has been incorporated into Colombian law.

Mr. Ulrich Zachau, World Bank, confirmed the importance of the GCFE for the Government of Colombia in facing the crisis. He noted that Colombia’s expression of interest in joining the GCFE is an important endorsement of the facility itself as a proven mechanism to channel and maximize development assistance for middle income countries facing the challenges of attending to significant economic migration, displaced populations and refugee populations. Should Colombia be included as a new benefitting country, the GCFE will provide the Government with a clear mechanism and framework for coordinated development assistance in response to the migration crisis. Mr. Zachau praised Colombia’s progressive and open policy towards migrants from Venezuela over the course of the crisis, despite the significant fiscal constraints, with an estimated fiscal cost of the Venezuelan migration between 0.26 and 0.41 percent of GDP annually. Finally, Mr. Zachau outlined the proposed package of operations that the WB is supporting in Colombia to address the crisis, including a quick-disbursing development policy operation on fiscal policy reform with two significant policy measures in response to the crisis, namely the issuance of regulations that streamline and fast-track the process to regularize the legal status of irregular Venezuelan migrants into the national economy and the medium-term policy aimed at strengthening institutional capacities to effectively integrate and provide Venezuelans access to key services.

Mr. Emilio Fernandez-Corugedo, IMF, gave a brief presentation of the Colombian macro-fiscal framework and its financing needs. Thanks to its strong macroeconomic policies, including adherence to a fiscal rule, Colombia has successfully adjusted to the large negative terms of trade shock of 2014-2015. While public debt is projected to have risen to around 50 percent of GDP in 2018, public finances are sound. The government is committed to meeting declining headline deficit targets implied by the fiscal rule in coming years which should put public debt, currently assessed to be one notch above investment grade, on a firmly declining path. The Venezuelan migration crisis places significant fiscal costs (through education and health expenditures, which are likely to further increase given the migration trends previously mentioned) that would require corresponding cuts to much-needed infrastructure projects and poverty-reducing social programs to meet the government’s commitment to fiscal rule. In this spirit, the IMF welcomed the opportunity for Colombia to access concessional financing.

Mr. Darius Stangu, Trustee, provided guidance and options on the second decision item, namely the creation of a new Trust Fund window to channel financing to Colombia. Mr. Stangu clarified that the creation of a new window is not a pre-condition for accepting contributions in support of Colombia and that funds may be channeled through the Global Window. The Global Window, just like the other Trust Fund windows, allows Supporting Countries to track their contributions. It does not, however, allow earmarking to a specific country/region. The Trustee welcomed a discussion on this topic.

During the ensuing discussion, questions of the eligibility criteria and on the level of coordination with the Inter-American Development Bank (IaDB) in Colombia were asked. The World Bank referred to the strong coordination with IaDB colleagues in Headquarters and in-country. It was noted that the Bank has advised the IaDB on the potential for the regional Bank to participate in the GCFF but has not received an indication on its interest in the same. Further, it was noted that the objective of the GCFF is not only to provide concessional support to benefitting countries, but also to improve coordination for development projects among MDBs and UN agencies.¹ Canada, Norway, and the Netherlands announced that they are already considering contributions in support of Colombia.

The discussion was also the opportunity for Sweden to ask for clarification on the financial implications of using the global window and how that would affect support to Jordan and Lebanon. Participants questioned whether the creation of a new window would imply that other countries in the region would have access to the Facility without undergoing the eligibility process. The Chair clarified that the addition of any new benefitting country would need to take place with the consensus of Supporting Countries and consent of the Trustee in accordance with paragraph 9 of the OM. The United Kingdom (UK) underlined the importance of Monitoring & Evaluation, in particular with regard to the environment and gender issues. The UK noted that it is important that the WB ensures that these issues are addressed.

The discussion concluded with all Supporting Countries unanimously voicing support to the addition of Colombia as a new benefitting country of the GCFF. Supporting Countries also agreed that contributions may for now be channeled through the Global Window, without the need to create a new Trust Fund window for the region or the country at this stage.

Mr. Buchan read the decision text (see page 1 of these minutes). No objections were made to the decision being adopted. The Chair also noted that the GCFF may receive a funding request from Colombia in the upcoming weeks. This will require additional financial support from Supporting Countries to the Global Window.

The last agenda item was the opportunity for the World Bank representative for Jordan and Lebanon, Ms. Claire Kfoury, to provide a brief status update of the pipeline of projects for Lebanon and Jordan. Among the points made to the Steering Committee: (i) Parliament ratification of two (out of four) GCFF-supported projects in Lebanon in October 2018; (ii) the ongoing preparation for the London conference in support of Jordan; (iii) the upcoming DPL in Jordan (second in the series) would not request GCFF funding; (iv) future projects, including one on jobs, technology and youth for Jordan. would be circulated to the GCFF in the months to come.

The Chair thanked the participants and closed the meeting.

¹ The process for adding new ISAs is set forth in paragraph 12 of the OM which provides that a Supporting Country or Benefitting Country may propose an additional MDB as an ISA for the GCFF. Upon such request, the Supporting Countries determine whether they are prepared on a consensus basis to approve such entity, subject to consent of the Trustee, as a Designated MDB without an accreditation process. If not, the Supporting Countries agree on an accreditation process satisfactory to the Trustee for verification of minimum standards, as a condition of the Trustee's entry into a Financial Procedures Agreement with such MDB.