

Exceptional Grant Operations in the Global Concessional Financing Facility (GCFF)

Technical Note

FINAL VERSION – August 12, 2022

This Technical Note has been prepared pursuant to the request by the Steering Committee for further clarity on the criteria guiding GCFF support for Exceptional Grant Operations. As such it:

- (i) Provides additional criteria for the preparation, review and approval of funding requests for exceptional grant operations, complementing and consistent with existing provisions in the GCFF Operations Manual (OM);*
- (ii) Will be submitted to the GCFF Steering Committee for approval at its meeting on July 6, 2022.*

Purpose: Consistent with the relevant provisions of the GCFF Operations Manual and keeping in mind that the primary purpose of the GCFF is to provide concessionality support to underlying operations financed through ISA loans, this Technical Note proposes additional criteria on Exceptional Grant Operations in order to inform the preparation of future funding requests by Benefiting Countries (BCs) and Implementation Support Agencies (ISAs) and associated funding decisions by the GCFF Steering Committee. These additional criteria complement the existing provisions in the OM and could be reviewed at a future date by the Steering Committee.

Background: In addition to provision of concessionality support and financing for private sector operations, the GCFF Operations Manual (OM) also foresees funding of grant operations (defined as an operation that does not involve a loan to a BC) on an exceptional basis. GCFF support to grant operations are governed under paragraph 20 of the OM:¹

***Exceptional Grant Operations.** On an exceptional basis, with an understanding that the purpose of the CFF is to provide concessionality to financing from ISAs, a Benefitting Country, with the support of a designated ISA, may request funding to be directed to such ISA, under the ISA's applicable policies and procedures, in connection with an operation that does not involve a loan to the Benefitting Country (a Grant Operation). Such a Funding Request would specify any justifications for providing grant funding instead of concessionality funding, including in light of other potential funding sources and in answer to why the request was not or could not be structured as a loan operation. Exceptional Grant Operation Funding Requests are evaluated for decision by consensus or no objection on a case-by-case basis by the Supporting Countries, including whether the justification merits the exceptional request and is consistent with the Objective and the Scope of the CFF. Such Funding Requests would specify the designated ISA, as well as the degree to which implementation would be by the Benefitting Country and/or the ISA.*

To date, no funding requests associated with Grant Operations have been submitted to the GCFF Steering Committee. In light of interest among some BCs and ISAs in receiving funding from the GCFF for Grant Operations, Steering Committee members agreed that development of additional parameters guiding the allocation of GCFF funding would be useful to inform the preparation and decision on accompanying funding requests. Accordingly, the Steering Committee requested the Coordination Unit to prepare a Technical Note for formal approval and inclusion as an addendum to the Operations Manual.

Additional criteria proposed

¹ The current provision for grant operations dates from the original version of the GCFF Operations Manual approved on July 28, 2016. The text of this provision has not been altered in subsequent amendments of the Operations Manual.

Grant operations supported by the GCFE must be consistent with the overall objectives and scope of the GCFE as set out in the relevant provisions of the GCFE Operations Manual. In addition to, and consistent with, Paragraph 20 of the Operations Manual and all provisions related to the preparation of funding requests, results, allocations, amendments and reporting, Grant Operations supported by the GCFE will be expected to reflect the following specific parameters:

- GCFE-funded Grant Operations are expected to focus primarily on activities that directly benefit refugees and host communities, in line with the GCFE Results Framework, and to complement national policies and programs which are the focus of ongoing or planned GCFE concessionality support for the Benefiting Country. Grant Operations will be financed on an exceptional basis, and as such cannot substitute for regular project financing and must demonstrate clear additionality with respect to other grant mechanisms managed by ISAs and other international partners.
- The scope of GCFE-funded Grant Operations will be limited to the provision of technical assistance, advisory services and capacity development assistance that are not covered by existing programs or instruments implemented by ISAs and other international partners, or which cannot otherwise be integrated into a loan-financed ISA operation expected to receive GCFE concessionality support.² Grant Operations financed by the GCFE could also include activities to pilot new approaches or programs on a small-scale basis.³ In neither case will Grant Operations substitute for ISA project preparation processes and resources.
- Funding requests for Grant Operations should be discussed beforehand with in-country GCFE Steering Committee members to ensure both complementarity and strategic value in relation to the broader pipeline of GCFE supported operations in the country. ISAs will be expected to demonstrate why the activities proposed for GCFE-financed Grant Operations cannot be financed through other mechanisms.
- Financing amounts for Grant Operations requested from the GCFE should not exceed US\$ 5 million.
- The first two Grant Operations financed through the GCFE will be reviewed by the Steering Committee to ascertain the value-added of the Grant Operations modality, and whether further adjustments to the above criteria are warranted.

² Grant Operations could focus, for instance, on provision of 'just in time' expert advice for the development of development-oriented refugee policies in the early stages of a crisis, or provision of technical assistance, training, equipment and systems design support to facilitate the implementation of refugee policies and programs or address associated challenges or constraints.

³ Small-scale pilot operations could be used, for instance, to develop and test new activities over a short time period to support refugees and host communities with the intention of developing, testing and fine-tuning approaches that could subsequently be scaled up through larger scale loan-financed operations. Such operations could also be used to demonstrate the value of specific approaches and build an evidentiary base to inform policy dialogue on development solutions to protracted displacement.