

Draft Decision on Agenda Item 18 Interim Proposal Related to the Use of Local Currency

1. The CTF Trust Fund Committee welcomes document CTF/TFC.10/6, *Interim Proposal Related to the Use of Local Currency Loans for Private Sector Projects under the CTF Trust Fund*, and reiterates the Committee's support for local currency lending in CTF private sector programs/projects.
2. The CTF Trust Fund Committee encourages the MDBs to continue with the preparation of local currency programs/projects, pending the Committee's approval on the approach for using local currency lending under the CTF Trust Fund.
3. To enable the Committee to make an informed decision, the CTF Trust Fund Committee requests the MDBs to explore options for deploying CTF Trust Fund resources for local currency lending in private sector programs/projects in a cost effective manner.
4. In this regard, the CTF Trust Fund Committee requests the CIF Administrative Unit, working with the MDBs and the Trustee, to prepare a paper for review and approval by the CTF Trust Fund Committee on the approach for using local currency in private sector projects. The paper should include the following:
 - a) detailed information provided by the MDBs by May 24, 2013, on: (i) the menu of tools and instruments that can be deployed by each MDB for mitigating risks of local currency lending and the countries in which these tools and instruments are expected to be deployed in the next 24 months, pursuant to the MDB's policies and procedures; and (ii) the expected costs, fees and expenses associated with the implementation of such tools and instruments to be borne by the CTF Trust Fund (for example, based on a USD 10 million loan with tenors of 5, 7 and 10 years);
 - b) information prepared by the Trustee, two weeks after receipt of the information from the MDBs, on: (i) how the costs, fees and expenses described in paragraph (d)(1)(ii) above as well as any residual losses/gains that may be incurred from the tools and instruments proposed by the MDBs would be borne among the CTF Contributors pursuant to the CTF Standard Provisions and Principles regarding Contributions to the Clean Technology Fund; and (ii) whether any amendments to such documents and any other legal documents, including the Financial Procedures Agreements, would be required, and if so, the proposed amendments required for the documents; and
 - c) the proposed processes for the approval by the CTF Trust Fund Committee for the CTF Trust Fund to bear the costs, fees and expenses.
5. The CTF Trust Fund Committee agrees that there will be a four week period for review and approval of the decision on a no-objection basis. The CTF Trust Fund Committee requests the CIF Administrative Unit to arrange video conferences or calls, if requested by any Committee member, to facilitate clarifications of questions and ultimately agreement by the CTF Trust Fund Committee within such four week period.
6. The CTF Trust Fund Committee acknowledges that the agreed approach for using local currency in CTF private sector programs/projects will inform the ongoing work under Enterprise Risk Management program.