February 18, 2013

Approval by Mail: Addendum to Proposal Related to the Use of Local Currency Loans Under the SCF Trust Fund

Dear SCF Trust Fund Committee Members:

We are writing as a follow-up to the decision providing for the use of local currency loans, on an interim basis, under the SCF Trust Fund that was approved by mail on February 13, 2013.

Subsequent to the preparation of the Trustee's proposal and the decision on the use of local currency in the interim period until the next meeting of the Trust Fund Committee, the Inter-American Development Bank submitted a proposal for a private sector project under the FIP investment plan for Mexico entitled, *Support for Forest Related Micro, Small, and Medium-sized Enterprises (MSMEs) in Ejidos*. IDB is requesting the FIP Sub-Committee to approve an allocation of USD 2,884,997 million in funding for the project (USD 1,084,997 in grant funding and USD 1,800,000 in credits) for the project, and is also requesting that the SCF Trust Fund Committee authorize the use of local currency in issuing the USD 1,800,000 credit.

The Trustee has confirmed that authorizing these additional funds to be issued in local currency will not require a set aside of a foreign exchange reserve in the FIP for loss provisioning due to local currency exchange rates.

In this regard, the SCF Trust Fund Committee is invited to approve the following the decision:

> **The SCF Trust Fund Committee, further to its decision of February 13, 2013, agreeing that up to USD 24.0 million in SCF resources may be utilized to provide local currency lending to two SREP projects, agrees that an additional amount of up to USD 1.80 million in SCF resources may be utilized to provide local currency lending for the FIP project, Mexico: *Support for Forest Related Micro, Small, and Medium-sized Enterprises (MSMEs) in Ejidos*.**

If we do not receive an objection to this proposed decision by close of business on **March 4, 2013**, the decision will be approved.

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