

CTF - IFC THAILAND SUSTAINABLE ENERGY FINANCE PROGRAM

Comments/Questions from CTF TFC

		Comments/Questions	Responses
Germany	12.	We would appreciate further clarification wether it is intended to allow for providing the CTF loans in local currency and where the currency risk would be placed in this case.	<p>It is our understanding that CTF is currently only available to provide funding in either US dollars or Euros. As such, any funded investment project using CTF funding would be agreed to in US dollars or Euros with the partner FI. The partner FI could on-lend to eligible sub projects in dollars/Euros and thus the currency risk would be borne by the sub-project, or the FI can swap funds into local currency and on-lend with any associated swap costs borne by the sub-project.</p> <p>In the case of an unfunded investment agreement, such as a risk sharing facility, the agreement terms between the IFC and CTF with the partner FI will be in terms of local-currency guarantees up to an equivalent amount of US dollar or Euro funding. Therefore, the FI will be able to on-lend in local currency without the swap costs or the forex risk being borne by the sub-project. The limiting factor will be the dollar-equivalent amount if and when there is any guarantee called.</p>
UK	13.	We would like to see the IFC's modelling of CTF risk exposure. (While it may not be possible to do this entirely accurately due to the lack of information related to specific projects, this could use assumptions based on other project experience in Thailand and on the IFC's knowledge of the financial sector in that country)	<p>Since 1998, IFC has used donor funds in 7 risk sharing and guarantee programs for climate change worldwide. The amount of donor financing deployed in these is more than US\$ 40 million and to date there has only been one call of a guarantee in the amount of US\$160,000 - a loss rate of less than 0.5%. IFC's experience with previous financial sector projects through FIs in Thailand does not inform us that the expected risk will be significantly different from what we have experienced globally. IFC</p>

			<p>would not use CTF funds to support projects where there are upfront expected losses in a specific transaction.</p> <p>As part of each project's due diligence IFC undertakes extensive modeling exercises with inputs based on the FI's current portfolio composition. The models are used to assess the future performance of the portfolio and assess its risk.</p>
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