

**PROPOSED DECISION ON AGENDA ITEM 10: USE OF LOCAL CURRENCY FOR PRIVATE SECTOR PROJECTS UNDER THE CTF TRUST FUND: PROPOSED TOOLS AND INSTRUMENTS TO SUPPORT LOCAL CURRENCY OPERATIONS**

1. The CTF Trust Fund Committee, having reviewed the document (CTF/TFC/12/9), *Use of Local Currency for Private Sector Projects under the CTF Trust Fund: Proposed Tools and Instruments to Support Local Currency Operations* agrees in principle that the CIF MDBs may employ Tools 1 to 4 proposed in the document as a way to facilitate local currency operations for private sector projects under the CTF. These include hedging tools (tools 1 and 2) and guarantee tools for domestic clients (tools 3 and 4). The Committee agrees that this decision should be confirmed through an approval by mail as early as possible.
  
2. In this regard, the Committee agrees:
  - a) that the CTF Trust Fund will bear the costs associated with the use of Tools 1 and 2, as proposed in the document provided that, when an MDB expects to employ any such tool in a particular program or project, the use of the tool and the costs should be specified in the program or project proposal submitted for approval of CTF funding. If the cost of the tool cannot be specified at the time that CTF funding for the proposal is approved, the proposal should include an estimate of the cost. For Tools 1 and 2, this cost will be within a 1% per annum cap. When an estimate of the cost is specified at the time of the Committee's approval of CTF funding, the MDB will inform the Committee as soon as the actual cost is known. If immediately prior to the execution of the hedge the expected hedge costs exceeds the estimate provided to the Committee, the MDBs should inform the CIF Administrative Unit and the Trustee of the revised hedging cost before executing the hedge. Approval from the CTF Trust Fund committee will be provided on a no objection basis with 48 hours of receipt of the information from the MDB as long as the revised hedging costs is still within the 1% per annum cap;
  - b) to reconsider the 1% per annum cap for Tools 1 and 2 at its next Committee meeting in June 2014 with a fuller assessment of how an increase of the cap to 2% may increase the scope for utilization of these tools in CTF countries;
  - c) that the MDB will confirm, at the time of the proposal, that there will not be any residual losses from foreign exchange rate fluctuation and in the event of any such losses will not be borne by the CTF Trust Fund; and
  - d) to consider Tools 5 and 6 at its next meeting, given that the ERM framework will be in place.

3. The Committee requests the MDBs to report annually, in the CTF semi-annual operational report, on the use of the tools and their costs; and
4. The Committee further requests the CIF Administrative Unit and the MDB Committee to prepare an assessment of the use of the tools, their cost and effectiveness in facilitating the engagement of the private sector in CIF-funded activities for review by the Committee in October/November 2015.