DOCUMENT OF INTERNATIONAL MONETARY FUND
AND NOT FOR PUBLIC USE

FOR AGENDA

EBS/88/259

CONFIDENTIAL

December 19, 1988

To: Members of the Executive Board

From: The Acting Secretary

Subject: Enhanced Structural Adjustment Facility (ESAF) - Proposed Borrowing Agreement with Kreditanstalt für Wiederaufbau (KfW) of Germany

Attached for consideration by the Executive Directors is a paper on a proposed borrowing agreement with Kreditanstalt für Wiederaufbau (KfW) of Germany for the subsidy account, which is proposed to be brought to the agenda for discussion on Wednesday, January 11, 1989. Draft decisions appear on pages 5 and 6.

Mr. Leddy (ext. 8332) or Mr. Munzberg (ext. 6675) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

Att: (1)

CONFIDENTIAL

INTERNATIONAL MONETARY FUND

Enhanced Structural Adjustment Facility (ESAF): Proposed Borrowing Agreement with Kreditanstalt für Wiederaufbau (KfW) of Germany

Prepared by the Treasurer's and Legal Departments

(In consultation with the Exchange and Trade Relations Department)

Approved by Gerhard Laske and François P. Gianviti

December 16, 1988

The staff has concluded discussions with representatives of Kreditanstalt für Wiederaufbau (KfW), which was designated by the German authorities as the German lender to the Loan Account of the ESAF Trust, on the terms of a proposed borrowing agreement for SDR 700 million. This paper presents the proposed agreement for the approval of the Executive Board. In addition, the Federal Republic of Germany, which will be extending a guarantee for the loan, has requested certain assurances regarding consultations with creditors in the event it were intended to propose borrowing of more than SDR 6 billion for the Loan Account of the ESAF Trust. The paper also presents a proposed decision that would authorize the Managing Director to provide such assurance.

1. Proposed borrowing agreement

The terms of borrowing for the Loan Account of the ESAF Trust have been described generally in EBS/88/62. 1/ KfW is among those lenders that will be making arrangements in the financial markets in connection with their lending to the Trust, and the features of the proposed agreement with KfW generally follow those outlined in Section II(2) of EBS/88/62. The following particular elements of the proposed agreement with KfW are brought to the attention of the Executive Board.

a. Minimum calls and number of drawings. As explained in EBS/88/62, lenders contemplating financial market operations in connection with their lending to the Trust have requested that individual drawings normally not be less than certain minimum amounts and that the number of drawings be limited. The proposed agreement specifies that the Trustee will seek normally to make drawings in amounts not less than SDR 30 million and will endeavor not to make more than eight drawings in any calendar year. Although the number of drawings specified is smaller than in the other relevant agreements (which refer to not more than twelve drawings per year), it is not

1/ See "Enhanced Structural Adjustment Facility (ESAF): Proposed Borrowing Agreement with the Caisse Centrale de Coopération Economique (CCCE) of France" (EBS/88/62, 3/22/88).

presently expected that the Trust would need to make more than eight calls a year under any of the borrowing agreements or that this limitation would give rise to operational difficulties. The minimum figure for amounts of drawings is somewhat higher than under the other relevant agreements, but it should be possible to accommodate this minimum with appropriate scheduling of the timing of Trust disbursements and drawings.

b. Provisions relating to renewal of drawings. The proposed agreement is based on short-term, six-month renewable drawings, with final maturities over 5 1/2 - 10 years, as provided in Alternative B of the prototype borrowing agreement and in the agreement with the Bank of Spain. 1/ KfW will fund its lending to the Trust through short-term borrowings in the money markets of the five currencies that constitute the SDR basket, and these borrowings will themselves have to be renewed by KfW at the end of each six-month maturity period. KfW representatives expressed concern that, although such a situation may be unlikely, KfW might on occasion be unable to obtain a currency or currencies needed to meet its commitment to renew drawings, either as a result of the imposition of governmental restrictions on capital transactions in the markets in which it will borrow or because access to a market is denied to KfW for other reasons beyond its control. Executive Directors will recall that, under the provisions for renewable drawings as originally contemplated in developing the Trust's financial arrangements, it was envisaged that a lender might not be able to agree to a requested renewal; however, the lender would be committed to provide a new loan within six months' time. Therefore, any nonrenewal of a drawing would be temporary and, following a period of six months (or a shorter period agreed between the Trustee and the lender), the position would have to be restored to the status quo ante. 2/

While these provisions dealt substantially with KfW's concerns regarding the unavailability of a currency or currencies at the time of a requested renewal, the further concern was expressed by KfW that a situation of unavailability might extend over a protracted period, i.e., beyond six months, thus making it impossible for KfW to provide a renewed drawing at that time. Although such a development is regarded as highly unlikely, it was nonetheless regarded by KfW representatives as a contingency that needed to be addressed.

Accordingly, a memorandum of understanding on this subject is appended to (and is part of) the proposed borrowing agreement. The memorandum is for purposes of clarification and does not alter the

---

1/ See "Enhancement of the Structural Adjustment Facility - Operational Arrangements" (EBS/87/245, 11/25/87) and "Enhanced Structural Adjustment Facility (ESAF)--Proposed Borrowing Agreement with the Bank of Spain" (EBS/88/101, 5/25/88).

2/ See "Enhanced Structural Adjustment Facility (ESAF)--Proposed Financial Arrangements" (EBS/87/228, 10/29/87), pp. 14-15.

obligations of either party under the agreement. It (i) outlines the working of the renewal provisions in the context of lenders' commitments to provide financing on a basis that matches the 5 1/2 to 10-year maturity of Trust loans; (ii) defines the circumstances under which KfW might be considered to become unable to provide a requested renewal; and (iii) refers to courses of action that could be considered in the unlikely event that the nonavailability of a currency or currencies to KfW extended for a protracted period of time.

Such a development would represent a problem that would have to be resolved by mutual agreement between KfW and the Trustee, under the general provision for such contingencies included in this and the Trust's other borrowing agreements. The memorandum notes that solutions to be considered would have to be determined in light of circumstances at the time and would have to take into account, inter alia, the need to protect the integrity of the Reserve for all lenders. It explains that such solutions could include the Fund's good offices to secure waivers of relevant governmental restrictions or to obtain advances to KfW from the countries whose currencies are involved; temporary investment with KfW of resources available to the Trust and/or the Fund; or, eventually, prolongation of a nonrenewal period. The memorandum notes that certain of these possibilities would have to be approved by the Executive Board and would require the consent of other creditors. It also notes that KfW is exploring possible alternative sources of funding in the event of a situation of unavailability.

c. Interest rates

(i) Basic provisions. As noted, KfW intends to fund its loan to the Trust through short-term borrowings in the money markets of the five currencies comprising the SDR basket. KfW will not have the benefit of direct governmental funding or governmental absorption of any part of the cost of funding. As a consequence, the interest rate on the KfW loan will reflect the interest rates prevailing in the markets in which KfW borrows. It has not been possible in this borrowing agreement, therefore, to apply the six-month combined domestic SDR rate as defined in the prototype borrowing agreement and as incorporated in the other borrowing agreements for the Trust that are based on short-term interest rates.

Although the KfW itself typically establishes the interest rates on its lending based on its actual funding costs and other relevant factors, it has been agreed in this instance to apply a six-month combined SDR rate determined on the basis of publicly available quotations for interest rates in each of the markets in which KfW will be borrowing, as published by Reuters at specified times of the day. The definitions of the interest rates to be used, which are contained in an Annex to the agreement, provide for use of six-month Euro-market rates for U.S. dollars and Japanese yen and, for the other currencies, interbank rates in Frankfurt, Paris, and London. In addition, KfW indicated that in the absence of any direct contribution by the Federal

Government to the cost of KfW's funding of its loan to the Trust, an additional administrative fee amounting to 0.18 percent would have to be added to the combined SDR interest rate determined as outlined above. The KfW explained that the administrative fee is needed (a) to cover KfW's operational costs; (b) in light of risks that KfW may not be able to finance or refinance its loan at the publicly-quoted rates specified in the draft agreement; and (c) in order to balance the considerable reduction in its debt/equity ratio that will result from the loan.

In total, on the basis of historical interest rate relationships, the staff estimates that the KfW loan (including the administrative fee) may be about 60 basis points more costly than loans extended on the basis of the six-month combined domestic SDR rate used in other borrowing agreements. As Executive Directors are aware, the German Government will be providing grant contributions to the Trust's Subsidy Account in the amount of SDR 130 million. On the basis of the estimate noted above, the added cost to the Trust of the KfW loan would be equivalent to about SDR 32 million over the life of the loan. If a portion of Germany's subsidy contribution is attributed to coverage of this added cost, the loan from KfW would be comparable, on the basis of effective cost to the ESAF Trust, to lending provided by other contributors to the Trust; and approximately SDR 98 million of the grant contribution by Germany would effectively be available for subsidization of ESAF loans.

(ii) Abbreviated interest periods. Interest periods will normally be six months, matching the periods for renewals of drawings. Provision is made for use of shorter interest periods in two circumstances. First, in the event KfW is unable to agree to a renewal of a drawing because a currency is not available to it, the period of non-renewal need not last six months. That is, if the currency became available in a shorter time, a renewal could be agreed at that time. In that case, that particular renewal would be for a period of less than six months, in order to restore the original six-monthly maturity cycle. Interest would be paid only for the period corresponding to that renewal.

Second, at the time of the periodic revisions of the SDR basket (expected to occur at the beginning of 1991, 1996, and 2001), the KfW will restructure its funding on the date of each revision, in order to maintain a match between the SDR denomination of its liabilities and of its corresponding claims on the Trust. In effect, for each drawing, KfW will enter into two separate borrowing operations with respect to maturity periods that span the date of a basket revision: the first covering the period from the beginning of the maturity period to the time of the revision; and the second from the time of the revision to the end of the maturity period. The Trust would make interest payments to KfW at the end of each of the subperiods surrounding a basket revision.

In both of the circumstances described above, it is intended that the interest rate payable by the Trust reflect the shortened maturity periods, which would normally result in rates somewhat lower than the six-month rate. However, interest rate quotations are published by Reuters only for one, two, three and six months. The Annex therefore provides that if a relevant interest period does not correspond to the Reuters quotation, the interest rate to be used will be that for the next higher period quoted by Reuters or such lower rate as KfW may be able to obtain on a best efforts basis. It is not anticipated that the provisions for splitting interest periods on the occasion of basket revisions will entail costs to the Trust.

2. Consultation with creditors

As noted, the Federal Republic of Germany will extend a guarantee for KfW's loan to the Trust. In the course of discussions on the KfW loan, the authorities noted the security provisions that had been established for lending to the Trust and that these matters had been considered in the context of an ESAF initiative with a view to providing an additional SDR 6 billion of highly concessional resources to the poorest member countries. In this light, and as a condition for extension of the loan by KfW, they requested assurances that any proposal by the Managing Director to borrow more than SDR 6 billion for the Loan Account of the ESAF Trust be preceded by consultations with creditors to the Trust regarding the justification for additional borrowing and the adequacy of the Trust's Reserve in relation to such borrowing. It is proposed that the Managing Director be authorized to give such an assurance, which would, of course, represent an assurance to all creditors to the Loan Account of the Trust. A decision providing such authorization is presented below.

Proposed Decisions

The loan offered by KfW represents a most welcome contribution to the Enhanced Structural Adjustment Facility. The staff considers that the proposed borrowing agreement with KfW is consistent with the provisions of the ESAF Trust Instrument. Accordingly, the following decisions, which can be taken by a majority of the votes cast, are proposed for adoption by the Executive Board:

Decision No. 1

Pursuant to Section III, paragraph 2 of the Instrument to Establish the Enhanced Structural Adjustment Facility Trust, the International Monetary Fund, in its capacity as Trustee of that Trust, approves the agreement for borrowing from Kreditanstalt für Wiederaufbau in terms of the draft set out in the attachment to EBS/88/259 and authorizes the Managing Director to take such action as is necessary to conclude and implement the agreement.

Decision No. 2

The Managing Director is authorized to confirm that he does not intend to propose to the Executive Board borrowing of more than SDR 6 billion for the Loan Account of the Enhanced Structural Adjustment Facility Trust except after consultation with all creditors regarding the justification for such additional borrowing and the adequacy of the Trust's Reserve in relation thereto.

Attachment

Enhanced Structural Adjustment Facility: Proposed Borrowing Agreement with the Kreditanstalt für Wiederaufbau ("KfW")

I have been authorized to propose on behalf of the International Monetary Fund (the "Fund") as Trustee (the "Trustee") of the Enhanced Structural Adjustment Facility Trust (the "Trust") that Kreditanstalt für Wiederaufbau ("KfW") agree to lend to the Fund as Trustee for the purposes of providing resources to the Loan Account of that Trust, in accordance with the Instrument establishing the Trust (the "Instrument") adopted by the Executive Board of the Fund by Decision No. 8759-(87/176) ESAF, adopted December 18, 1987. The amount of the loan is to be the equivalent of SDR 700 million and the terms and conditions of this loan shall be as follows:

1. (a) The Trustee may make drawings under this agreement at any time during the period from the effective date of this agreement through June 30, 1992, upon giving KfW at least ten business days' notice by tested telex, provided that total drawings may not exceed SDR 467 million until January 1, 1990.

(b) Unless otherwise agreed between the Trustee and KfW, the Trustee shall seek normally to make drawings in amounts not less than SDR 30 million and shall endeavor not to make more than eight drawings during any calendar year.

(c) Under exceptional circumstances, a drawing may be cancelled by the Trustee or KfW by tested telex at least five business days (Frankfurt a.M.) before the date of the drawing, such notice to be received not later than 12:00 noon (Frankfurt a.M.) in case of cancellation by the Trustee or 9:00 a.m. (Washington, D.C.) in case of cancellation by KfW.

(d) If any interest due to KfW is not paid within a period of ten days after the due date, the Trustee shall not make further drawings under this agreement, pending consultations with KfW on the matter. However, the Trustee may resume drawings under this agreement once arrears to KfW have been paid.

2. The amount of each drawing shall be denominated in SDRs. Unless otherwise agreed between the Trustee and KfW, the amount shall be paid by KfW, on the value date specified in the Trustee's notice, by transfer of the equivalent amount of U.S. dollars, Deutsche mark, French francs, Japanese yen and pounds sterling in proportion to the amounts of each currency unit in the SDR, to the accounts of the Trust as specified in the Trustee's notice.

3. (a) Drawings shall be for maturity periods of six months. The Trustee may request that all or part of each drawing be similarly renewed on giving notice as provided in paragraph 1(a), subject to the provisions of paragraph 3(c). KfW shall consider sympathetically and is expected to agree to such requests.

(b) In the event that KfW is unable to agree to a requested renewal, it shall inform the Trustee accordingly at least three business days that are also business days in Washington, D.C. and Basle before the date of that renewal, such notice to be received not later than 12:00 noon (Washington, D.C.). The Trustee shall repay the relevant drawing on the date of due renewal. In any event KfW shall provide a renewed drawing of an equal amount six months after the date of due repayment or at such earlier time as may be agreed between KfW and the Trustee. In the event that KfW provides a renewed drawing at such earlier time, that drawing shall mature six months after the date of due repayment.

(c) One tenth of the amount of each drawing shall become finally due and payable and no longer subject to renewal under paragraph 3(a) five and one-half years following the date of the drawing, and a further one tenth of each original drawing will similarly become due and payable at the end of each succeeding period of six months through the tenth year following the date of the drawing. Repayments by the Trustee shall be made on the relevant maturity date.

4. (a) The amount outstanding in respect of each drawing, including any amount that may not have been paid on its due date, shall bear interest at an annual rate determined two business days before each drawing according to the definition in the Annex to this agreement, from the product of:

(i) U.S. Dollar-LIBOR, Deutsche mark-FIBOR, French franc-PIBOR, Japanese yen-LIBOR, as well as pound sterling-LIBOR, as defined in the Annex to this agreement, and

(ii) the percentage weight of that currency in the valuation of the SDR on that business day, calculated by using the same amounts and exchange rates for currencies as are employed by the Fund for calculating the value of the SDR in terms of the U.S. dollar on that day.

The applicable interest rate shall be the sum of the products so calculated, plus 0.18 percentage points, rounded to two decimal places.

(b) Subject to paragraph 4(c) interest in respect of each drawing shall be paid six calendar months after the drawdown date for each drawing or each respective renewed drawing. In the event a renewed drawing is for a period of less than six months, interest shall be paid at the end of that shorter period.

(c) If the Fund changes the method of valuing the SDR, interest in respect of each drawing shall be paid

(i) on the second business day after the effective date of the change, the interest payable to be calculated on the balance outstanding from the drawdown date for each drawing or each respective renewed drawing till that interest payment date, and

(ii) six calendar months after the drawdown date for each drawing or each respective renewed drawing, the interest payable to be calculated on the balance outstanding from the second business day after the effective date of the change till that interest payment date.

5. Interest shall be computed on the basis of actual days divided by 360 days.

6. Unless otherwise agreed between KfW and the Trustee, payments by the Trustee shall be made by crediting the equivalent amount of U.S. dollars, Deutsche mark, French francs, Japanese yen, and pounds sterling, in proportion to the amounts of each currency unit in the SDR, to the accounts of KfW as specified by KfW in advance of such payments.

7. (a) KfW shall have the right to transfer at any time all or part of any claim to any member of the Fund, to the central bank or other fiscal agency designated by any member for purposes of Article V, Section 1, or to any official entity that has been prescribed as a holder of SDRs pursuant to Article XVII, Section 3 of the Fund's Articles of Agreement.

(b) The transferee shall, as a condition of the transfer, notify the Trustee prior to the transfer that it accepts the obligations of KfW relating to the transferred claim with respect to drawings and renewal of drawings under paragraphs 3(a) and 3(b), and shall acquire all the rights of KfW under this agreement with respect to repayment of and interest on the transferred claim.

8. In the event that KfW will be indemnified by any guarantor, KfW reserves the right to convey to the guarantor its rights with respect to payments of principal and interest to the extent that the guarantor has indemnified KfW. Unless otherwise requested by KfW, payments shall continue to be made to KfW.

9. If the Fund changes the method of valuing the SDR, all transfers, exchanges and payments of principal and interest made three or more business days after the effective date of the change shall be made on the basis of the new method of valuation.

10. (a) If any payment due under this agreement matures on a date that is not a business day, the maturity date shall be on the following business day.

(b) Except as otherwise provided for in this agreement, "business day" means a day on which commercial banks are open for domestic and foreign exchange business in Frankfurt a.M., New York, Paris, London, and Tokyo.

11. Any question arising hereunder shall be settled by mutual agreement between KfW and the Trustee.

If the foregoing proposal is acceptable to KfW, this communication and your duly authenticated reply accepting this proposal shall constitute an agreement between KfW and the Trustee. This agreement shall enter into effect on the date the Trustee acknowledges receipt of KfW's communication that the Federal Republic of Germany has extended a guarantee in respect of the Trustee's payment obligations under this agreement.

Definitions

1. (a) U.S. dollar-Libor:

means the rate for deposits in U.S. dollars which appears on Reuters Screen LIBO. This rate will be determined on the basis of the rates at which deposits in U.S. dollars are offered by major banks at approximately 11:00 a.m., London time, to prime banks in the London interbank market for a period of six months or approximately.

(b) Deutsche mark-Fibor:

means the rate for deposits in Deutsche mark which appears on Reuters Screen FIBO. This rate will be determined on the basis of the rates at which deposits in Deutsche mark are offered by major German banks at approximately 12:00 noon, Frankfurt time, to prime banks in the Frankfurt interbank market for a period of six months or approximately.

(c) French francs-Pibor:

means the rate for deposits in French francs which appears on Reuters Screen PIBO. This rate will be determined on the basis of the rates at which deposits in French francs are offered by the major French banks at approximately 11:00 a.m., Paris time, to prime banks in the Paris/London interbank market for a period of six months or approximately.

(d) Japanese yen-Libor:

means the rate for deposits in yen which appears on Reuters Screen JNBO. This rate will be determined on the basis of the rates at which deposits in yen are offered by major banks at approximately 11:00 a.m., London time, to prime banks in the London interbank market for a period of six months or approximately.

(e) Pound sterling-Libor:

means the rate for deposits in sterling which appears on Reuters Screen LIBP. This rate will be determined on the basis of the rates at which deposits in sterling are offered by major banks at approximately 11:00 a.m., London time, to prime banks in the London interbank market for a period of six months or approximately.

2. If the Fund changes the method of valuing the SDR or a renewed drawing is provided for a period of less than six months, the above-mentioned rates for six months or approximately shall be replaced by the rates published on Reuters corresponding to the relevant period as defined in paragraph 4(c) of the agreement or established pursuant to paragraph 3(b) of the agreement, as the case may be. If the relevant periods do not correspond to the Reuters quotations, the interest rate

for the next higher period quoted by Reuters, or such lower rate as KfW may be able to obtain using its best efforts, shall be made applicable.

3. If on any of the above-mentioned Reuters Screen pages more than one rate is quoted, the arithmetic mean of the rates shall be rounded up to the nearest multiple of 1/10,000 percent.

4. If it is determined that an interest rate has been established under paragraph 4 of the agreement on the basis of rates incorrectly reported on Reuters Screen pages, an appropriate adjustment shall be made.

Memorandum of Understanding

The purpose of this memorandum is to clarify the meaning of certain provisions of the borrowing agreement dated (   ) between the Kreditanstalt für Wiederaufbau ("KfW") and the Fund as Trustee (the "Trustee") of the Enhanced Structural Adjustment Facility Trust (the "Trust"), which stem from the basic fact, that KfW will have to raise its funds in the money markets to which it may not always have free access.

1. Lending by the Trust is for maturity periods of 5 1/2 to 10 years. Any loan to the Trust must be extended for these same maturity periods. Even when a loan is financed from short-term renewable drawings, the cumulative maturities of the successive drawings are 5 1/2 to 10 years. Thus, as reflected in the text of paragraphs 3(a) and 3(b) of the agreement, the renewal of a drawing at the request of the Trustee is the normal course of action to which KfW is committed. The only exception is the lender's inability to renew, as provided in paragraph 3(b). This exception may be invoked by the lender only after every effort has been made on his part to renew the drawing. Moreover, any nonrenewal is of a temporary nature: the drawing must be restored six months after the nonrenewal or at such earlier date as may be agreed. Any nonrenewal is related to a specific drawing and to the special circumstances faced by the lender at the time of the requested renewal of that drawing. There can be no systematic nonrenewal of all outstanding drawings. As for the periodic review of the valuation of the SDR, it is inherent in a SDR-denominated borrowing agreement and thus cannot justify a nonrenewal.

2. (a) Paragraph 3(b) of the borrowing agreement contemplates the case where KfW is "unable" to agree to a requested renewal. The meaning of "inability" has to be understood in the context of this agreement. KfW is obligated to provide the equivalent of the relevant SDR amount upon each renewal. As it will fund its disbursements to the Trust in the financial markets for the currencies constituting the SDR basket in the respective amounts reflecting the composition of the SDR basket, it may face a situation in which one or more of these currencies in unavailable to it. In the context of the borrowing agreement, inability to agree to a renewal is understood as being caused by the unavailability to KfW of one or more of the currencies constituting the SDR basket, at the time of renewal.

(b) Unavailability to KfW of one or more currencies constituting the SDR basket would constitute an "exceptional circumstance" within the meaning of paragraph 1(c), under which KfW may cancel a drawing by the Trustee at least five business days before the date of the drawing.

3. A currency would be considered unavailable to KfW if KfW is unable to obtain that currency in the corresponding financial market because of a governmental decision, or because access to that financial market is denied to KfW for other reasons beyond the control of KfW.

4. The obligation of KfW to restore a drawing six months after the date of repayment in the event of nonrenewal is not affected by the unavailability of one of the currencies constituting the SDR basket at that time. It is not expected that a situation of unavailability would persist for an extended period. Should such unavailability, however, extend beyond a period of six months following a nonrenewal, KfW and the Trustee would have to discuss that situation and seek to find a solution by mutual agreement in accordance with paragraph 11 of the borrowing agreement under which any question arising under the agreement shall be settled by mutual agreement between KfW and the Trustee. The Trustee, in considering solutions to KfW's funding constraints, would also take into account the Trust's constraints deriving from its lending and the need to preserve the integrity of its reserve for all lenders to the Loan Account of the Trust on an equal basis in accordance with the provisions of the Instrument establishing the ESAF Trust. Solutions that could be considered would need to be determined in light of circumstances at the time, and could include the following: good offices provided by the Trustee to obtain a waiver of regulations that caused an unavailability or to obtain advances to KfW of necessary funds from official institutions of the countries whose currencies are unavailable; temporary investment of the requisite amount with KfW of resources of the Trust and/or the Fund, taking into account considerations of liquidity, yield of the investment and the adequacy of investible resources held by the Trust or the Fund; or, eventually, prolongation of the nonrenewal period. It is understood that prolongation and some forms of investment would require decisions by the Executive Board and consent of other creditors. It is also understood that, for its part, KfW is exploring possibilities for obtaining needed funding from other sources in the event of a situation of unavailability.