Mr. Toru Shikibu
Executive Director for Japan
The World Bank
1818 H Street, N.W.
Washington, DC 20433
U.S.A.

Contribution Agreement between the Government of Japan and the International Bank for Reconstruction and Development concerning the trust fund for the Strategic Climate Fund (MTO No. 069012) and the trust fund for the Clean Technology Fund (MTO No. 069011)

Dear Mr. Shikibu:

1. We are pleased to acknowledge on behalf of the International Bank for Reconstruction and Development (the “IBRD”) as trustee (the “Trustee”) of the trust fund for the Strategic Climate Fund (“SCF”) (MTO No. 069012) (the “SCF Trust Fund”) the intention of the Government of Japan, acting through the Ministry of Finance (the “Contributor”) to make available (a) in Japanese Yen the sum equivalent to eight hundred and fifty million United States dollars (US$ 850,000,000) as a grant contribution to the SCF Trust Fund (the “Grant Contribution”), and (b) in Japanese Yen the sum equivalent to three hundred and fifty million United States dollars (US$ 350,000,000) as a grant contribution to the Clean Technology Fund (“CTF”) (MTO No. 069011) (the “CTF Trust Fund”) to be transferred through the SCF Trust Fund (the “Other Contribution”). Other contributors are also expected to contribute to the SCF Trust Fund on the terms and conditions specified in Annex 1 to this contribution agreement (this “Agreement”).

2. For the purposes of paragraphs 1, 5, 6 and 8 of this Agreement, the exchange rate of Japanese Yen to the United States Dollar shall be fixed as either of the following exchange rates whichever is smaller (i.e., more Japanese-Yen-appreciated):

   (a) one hundred and three Japanese Yen (JPY 103) to the United States dollar; or
   (b) closing exchange rate (simple arithmetic average of bid and offer) on the date this Agreement becomes effective, as released by the Bank of Japan.
3. Within five (5) business days of the date of this Agreement, the Contributor shall notify the Trustee of the amount of Japanese Yen to be used for the purposes of paragraphs 1, 5, 6 and 8, all of which shall be calculated based on the exchange rate indicated in paragraph 2 above, in the form attached to this Agreement as Annex 3.

4. Subject to paragraph 7 below, the Grant Contribution shall be administered by the Trustee on behalf of the Contributor in accordance with the terms of this Agreement and the “Standard Provisions Applicable to the Strategic Climate Fund” (the “SCF Standard Provisions”) attached hereto as Annex 1. The SCF Standard Provisions constitute an integral part of this Agreement. Defined terms used in this Agreement and not defined herein shall have the meanings given to them in the SCF Standard Provisions.

5. Pursuant to paragraph 3.2 of the SCF Standard Provisions, the Contributor designates that the Grant Contribution (excluding the Other Contribution) shall be allocated as follows:

(a) Japanese Yen equivalent of fifty million United States dollars (US$ 50,000,000) to the Pilot Program for Climate Resilience; and
(b) Japanese Yen equivalent of eight hundred million United States dollars (US$ 800,000,000) to the Provisional Sub-Account.

6. The amount allocated to the Provisional Sub-Account in paragraph 5 above represents the Contributor’s intention to provisionally allocate the amount as follows, provided that the Contributor may, at any time, upon written notice to the Trustee, change this provisional allocation;

(a) Japanese Yen equivalent of six hundred and fifty million United States dollars (US$ 650,000,000) to the Clean Technology Fund;
(b) Japanese Yen equivalent of fifty million United States dollars (US$ 50,000,000) to the Pilot Program for Climate Resilience;
(c) Japanese Yen equivalent of sixty million United States dollars (US$ 60,000,000) to the Forest Investment Program; and
(d) Japanese Yen equivalent of forty million United States dollars (US$ 40,000,000) to the Scaling up Renewable Energy in Low Income Countries.

7. Pursuant to paragraph 3.4 of the SCF Standard Conditions and paragraph 1 above, the Trustee shall, upon receipt of a promissory note to the SCF Trust Fund, which specifies the amount to be transferred to the CTF Trust Fund, transfer to the CTF Trust Fund the amount allocated to the CTF. The amount transferred to the CTF Trust Fund shall be administered by the IBRD as trustee of the CTF Trust Fund (the “CTF Trustee”) as a Grant Contribution to the CTF, in accordance with the “Standard Provisions Applicable to the Clean Technology Fund” (the “CTF Standard Provisions”) attached hereto as Annex 2. The CTF Standard Provisions constitute an integral part of this Agreement.
8. By June 30th, 2010, the Contributor shall deposit into an account in the name of the IBRD at the Bank of Japan, in a form acceptable to the Trustee, non-interest-bearing demand promissory notes or similar obligations of the Contributor, in the amount of Japanese Yen equivalent of four hundred million United States Dollars (US$ 400,000,000) representing the first installment of its Contribution. The amount shall be allocated or transferred as follows:

(a) Japanese Yen equivalent of three hundred and fifty million United States Dollars (US$ 350,000,000) transferred to the CTF Trust Fund;
(b) Japanese Yen equivalent of fifty million United States Dollars (US$ 50,000,000) allocated to the Pilot Program for Climate Resilience.

9. The Contributor shall separately agree with the Trustee by March 31, 2011, payment amount(s) and schedule of successive deposit(s) of the remaining balance of its contribution; provided that the Contributor may, at any time prior to deposit of promissory notes or similar obligations and upon three (3) months’ prior written notice, reschedule or cancel any portion of the scheduled deposit.

10. The Trustee may, upon submission of an encashment request, quarterly or such other frequency agreed between the Trustee and the Contributor, encash the notes based on the liquidity needs for each concerned program and fund, as determined by the Trustee in its sole discretion (after having regard to the approximate proportion of cash made available by each of the Contributors relative to the total amount of the contribution committed by that Contributor).

11. When making a deposit of cash, the Contributor shall instruct its corresponding bank to include in its payment details information (remittance advice) field of its SWIFT payment message, information indicating: (i) the amount paid, (ii) that the payment is made by the Contributor for MTO No. 069012 (Strategic Climate Fund) in case of encashment for the SCF Trust Fund, and for MTO No. 069011 (Clean Technology Fund) in case of encashment for the CTF Trust Fund, and (iii) the date of the deposit.

12. If any payment is made in a currency other than United States dollars, promptly following receipt of the Contribution funds in cash and the Trustee’s determination that the funds have been credited to the SCF Trust Fund, the Trustee shall convert such funds into United States dollars.

13. Pursuant to paragraph 27 of the CTF Governance Framework, decisions by the CTF Trust Fund Committee will be made by consensus of the decision making Members. For the purposes of the CTF, consensus does not necessarily imply unanimity. A dissenting decision maker, who does not wish to block a decision, may state an objection by attaching a statement or note to the decision. The Contributor makes the Other Contribution with the intention that the Other Contribution will not be used for projects, programs or activities, which were objected by the Contributor at the CTF Trust Fund.
Committee. The Contributor also acknowledges the nature of the CTF Trust Fund as a multi-donor trust fund, whereby the Contributor's Other Contribution will be commingled with the contributions of other contributors to the CTF Trust Fund, subject to the Principles regarding Contributions to the CTF attached hereto as Appendix A to Annex 2. Therefore, for the purpose of achieving the Contributor's intention, the Contributor may request (i) the Administrative Unit to provide the Contributor, semi-annually unless otherwise agreed between the Contributor and the Trustee, with a report in a format separately agreed between the Administrative Unit and the Contributor, listing the names and amounts of allocations made by the CTF Trust Fund Committee, and (ii) the Trustee to demonstrate semi-annually unless otherwise agreed between the Contributor and the Trustee that funds equal to or exceeding the amount of the Contributor's paid-in Other Contribution are allocated to the projects, programs or activities, which were not objected by the Contributor.

If an exceptional circumstance arises where the Trustee deems it likely to become unable to make such demonstration, the Trustee will consult with the Administrative Unit and the Contributor to seek an appropriate course of action.

14. The offices responsible for coordination of all matters related to the implementation of this Agreement are:

For the Trustee:

Susan McAdams  
Director  
Multilateral Trusteeship and Innovative Financing  
The World Bank  
1818 H Street, NW  
Washington, DC 20433  
U.S.A.  
Tel: +1 202 458 0019  
Fax: +1 202 614 0249

For the Contributor:

Office of the Executive Director for Japan  
The World Bank  
1818 H Street, NW  
Washington, DC 20433  
U.S.A.  
Tel: +1 202 458 0100  
Fax: +1 202 522 7459
15. This Agreement may be amended only by written agreement between the Trustee and the Contributor; provided, however, that (i) Annex 1 (SCF Standard Provisions) to this Agreement may only be amended with the agreement of all Contributors contributing to the SCF Trust Fund, and (ii) Annex 2 (CTF Standard Provisions) to this Agreement may only be amended with the agreement of all Contributors contributing to the CTF Trust Fund.

16. Please confirm your agreement with the foregoing, on behalf of the Contributor, by signing, dating, and returning to us the enclosed copy of this Agreement. Upon receipt by the Trustee of the copy of this Agreement countersigned by you, this Agreement will become effective as of the date of the countersignature.

Sincerely,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
as Trustee of the Strategic Climate Fund and Trustee of the Clean Technology Fund

Axel van Troopenburg
Vice President
Concessional Finance and Global Partnerships

AGREED:

GOVERNMENT OF JAPAN

By: [Signature]
Name: Toru Shikibu
Title: Executive Director for Japan

Date: March 26, 2010
ANNEX 1

Standard Provisions Applicable to the Strategic Climate Fund

The following provisions (the "SCF Standard Provisions") shall be applicable to and form an integral part of all Contribution Agreements entered into between the Trustee, not personally or in its individual capacity but solely in its capacity as trustee of the trust fund for the SCF (the "Trust Fund"), and the Contributors.

1. Definitions

1.1. Capitalized terms hereinafter appearing in the SCF Standard Provisions, but not otherwise defined, shall have the same meaning as that ascribed to them in the CTF Governance Framework Document, and the terms set forth below shall have the following meanings:

"Administrative Costs" means administrative and other costs incurred by any of the Trustee, the Administrative Unit and the MDBs, in connection with the performance of their administrative services and other activities in support of the SCF, but excluding any costs which are separately covered by any project/program fees provided by the SCF.

"Administrative Unit" means the administrative unit established to support the work of the CIF and to support the SCF Trust Fund Committee and other bodies of the CIF, in accordance with the terms of the SCF Governance Framework Document.

"Capital Contribution" means a capital contribution provided to the Trust Fund by any Contributor, which may include any contribution provided as Other Contribution.

"CIF" means the Climate Investment Funds established by the World Bank, in consultation with the MDBs, developed and developing countries, and other development partners, which include the SCF and the CTF.

"Contribution" means any Grant Contribution and Capital Contribution, administered by the Trustee pursuant to the provisions of the Contribution Agreement.

"Contribution Agreement" means any contribution agreement entered into between the Trustee and any Contributor in respect of the Contributor’s Contribution to the Trust Fund.
"Contributor" means any country (including any ministry and agency thereof), or, if agreed by the Trust Fund Committee and the Trustee, such other entity, that provides a Contribution to the Trust Fund.

"Contributor's Share" or "Share" means the amount of beneficiary interests in the Trust Fund resources owned by any Contributors providing Grant or Capital Contributions and calculated pursuant to paragraphs 13.1 and 13.2 below.

"CTF" means the Clean Technology Fund established under the framework of CIF.

"Final Transfer Date" means the earlier of (i) the six (6) month after the last date on which any Reflow is scheduled to be returned to the Trust Fund or any Other CIF Fund, as notified by MDBs consistent with the terms of the pertinent SCF funding approved by the relevant SCF Sub-Committee or, as the case may be, the terms of the relevant Other CIF Fund, and (ii) six (6) months after the date of notice provided by the Trustee under paragraph 12.2 below to terminate its role as trustee of the Trust Fund.

"Financial Procedures Agreements" means any financial procedures agreement entered into between the Trustee and any MDB.

"Grant Contribution" means a grant contribution provided to the Trust Fund by any Contributor, which may include any contribution provided as Other Contribution.

"IBRD" means the International Bank for Reconstruction and Development.

"Investment Income" means the aggregate amount of (i) any investment income earned from the investment of Trust Fund funds pursuant to paragraph 5.3 below, and (ii) any investment income earned on Trust Fund funds transferred to MDBs, to the extent that such income has been returned to the Trustee by the MDBs.

"Investment Income Sub-Account" means a Sub-Account established under paragraph 2.2 below for Investment Income.

"MDBs" means the multilateral development banks named in the SCF Governance Framework.

"Other CIF Trust Fund" means any trust fund administered under the framework of the CIF, other than the SCF.

"Other Contribution" means any portion of the Contribution provided for transfer through the Trust Fund to any Other CIF Trust Fund or any other trust fund pursuant to paragraphs 3.2, 3.4, and 3.5 below.

"Program Sub-Account" means the Sub-Account established under paragraph 2.2 below for any Program.
“Provisional Sub-Account” means a Sub-Account established under paragraph 2.2 below for Contributions that are not allocated or provisionally allocated by the Contributor to any SCF Program or any other trust fund.

“Reflow” means any payments of principal, interest, fees or any other reflow of funds, from SCF loans or other financial products other than grants, which are due to be returned to the Trust Fund, pursuant to the Financial Procedures Agreement consistent with the terms of the pertinent funding approved by the SCF Trust Fund Committee. For the avoidance of doubt, the Reflow does not include any return of funds from SCF grants or Administrative Costs, including cancelled or unused funds, or any investment income earned on SCF resources held by any MDB.

“Return of Other Funds” means any funds, other than Reflows, due to be returned to the Trust Fund, pursuant to the Financial Procedures Agreement consistent with the terms of the pertinent funding approved by the SCF Trust Fund Committee.

“SCF” means the Strategic Climate Fund established in accordance with, and for the purposes set forth in, the SCF Governance Framework Document, under the framework of the CIF.

“SCF Governance Framework Document” means the Governance Framework for the SCF, adopted by the SCF Trust Fund Committee at the joint meeting of the Trust Fund Committees for the SCF and the CTF on November 18, 2008, as may be amended from time to time in accordance with its terms.

“SCF Program” means any program of the SCF established by the SCF Trust Fund Committee pursuant to the terms of the SCF Governance Framework.

“SCF Sub-Committee” means any sub-committee of the SCF, established for any SCF Program in accordance with the terms of the SCF Governance Framework Document.

“SCF Trust Fund Committee” means the trust fund committee of the SCF, established in accordance with the terms of the SCF Governance Framework Document.

“Sub-Account” means a sub-account established under the Trust Fund for the purpose of receipts of Contributions, and commitments, transfers and use of Trust Fund funds.

2. **Establishment of the Trust Fund**

2.1. The Trust Fund is established to support the purpose and objectives of the SCF. The governance and operational framework applied to the SCF is set out in the SCF Governance Framework Document.
2.2. The Trust Fund shall have the following Sub-Accounts: (i) a Program Sub-Account for each Program; (ii) the Provisional Sub-Account; and (iii) the Investment Income Sub-Account.

3. Contributions

3.1. The Trustee may accept Contributions from Contributors in accordance with the provisions of the SCF Standard Provisions and the Contribution Agreement. Contributors may make Contributions in the form of (i) a Grant Contribution or (ii) a Capital Contribution, in the manner set out in paragraphs 3.2 through 3.8. The Grant Contribution may be used for any purposes under the Contribution Agreement. The Capital Contribution may be used for any purposes, except that no more than ten percent (10%) of the Contribution shall be used for financing grants.

3.2. When the Contributor makes any Contribution to the Trust Fund, it shall designate, in writing, one or more of the SCF Programs or any Other CIF Trust Funds, to which its Contribution shall be allocated, by specifying the type of the Contribution (i.e., Capital or Grant Contribution) and the amount of funds to be allocated to each of programs and/or trust funds designated. Further, with agreement of the Trustee in consultation with the Administrative Unit, the Contributor may request the Trustee to have a portion of its Contribution to be transferred to trust funds other than Other CIF Trust Funds, which support the objectives of the CIF.

3.3. When the Contributor designates allocations of its Contribution funds, in whole or in part, to any Program pursuant to paragraph 3.2. above, the Trustee shall credit the amount of the Contribution funds designated by the Contributor to the pertinent Program Sub-Account.

3.4. If any Contributor requests its Contribution to be allocated to any Other CIF Trust Fund, in whole or in part pursuant to paragraph 3.2 above, the Contributor shall enter into an arrangement with the trustee of such Other CIF Trust Fund for receipt and administration of the Contributor’s Contribution funds in that trust fund. Upon effectiveness of such arrangement and receipt of the funds in the form of cash or promissory notes or similar obligations made payable to the Other CIF Trust Fund, the Trustee shall transfer to the Other CIF Trust Fund the amount of the Contribution funds designated by the Contributor. Upon transfer to the Other CIF Trust Fund, the funds transferred shall be administered, on behalf of the Contributor, in accordance with the provisions governing the Other CIF Trust Fund. If any amount shall be returned to the Contributor from the Other CIF Trust Fund in respect of the Other Contribution funds, unless otherwise agreed between the Trustee and the Contributor, such amount shall be returned to the Trust Fund. The Trustee shall hold the amount returned in the Provisional Sub-Account until such time that the Contributor designates allocation of the funds in one or more of the Program or other trust funds pursuant to paragraph 3.2 above.
3.5. If any Contributor requests a portion of its Contribution to be transferred to a trust fund other than Other CIF Trust Funds pursuant to paragraph 3.2. above, the Trustee shall, upon receipt of the Contribution funds in the form of cash (or if agreed with the Trustee, promissory notes or similar obligations made payable to that trust fund), transfer the designated amount to such trust fund; provided that the Contributor shall have made necessary arrangements with the trustee of that trust fund for receipt and administration of the Contribution funds in that trust fund. The administrator of the trust fund, to which the Contribution funds were transferred, shall be directly accountable to the Contributor for the amount of the funds transferred (including any reporting on the activities carried out therewith). The Trustee shall promptly notify the Contributor once the funds are transferred. Upon transfer of the funds, the Trustee will have no responsibility for the use of the funds and activities (including any reporting thereon).

3.6. The Contributor may provisionally allocate any portion of the Contribution to any SCF Programs or Other CIF Trust Funds. If the Contributor makes a provisional allocation or does not specify allocations of funds, such unallocated or provisionally allocated amount shall be credited and held in the Provisional Sub-Account. The Contributor may, at any time, designate its pro rata share in the Provisional Sub-Account, calculated pursuant to paragraphs 13.1 and 13.2 below, to be allocated to one or more of the programs or trust funds pursuant to paragraph 3.2 above.

3.7. Contributions to the Trust Fund may be made by means of payment in cash, or with the agreement of the Trustee, by the delivery to the Trustee of promissory notes payable on demand or similar obligations in a form acceptable to the Trustee. Contributions may be paid in one lump sum or in installments on the terms agreed with the Trustee.

3.8. The terms of payments agreed between the Trustee and the Contributor under paragraph 3.7 shall be specified in the Contribution Agreement; provided, however, that with the agreement of the Trustee, the Contributor may make, and the Trustee may accept, payments in cash or encashments of promissory notes or similar obligations, in a currency other than the currency of the Contribution indicated in the Contribution Agreement.

4. **Administration of the Contributions**

4.1. The Trustee shall be responsible only for performing those functions specifically set forth in the Contribution Agreement and shall not be subject to any other duties or responsibilities to the Contributors, including, without limitation, any duties or obligations that might otherwise apply to a fiduciary or trustee under general principles of trust or fiduciary law. Nothing in this Agreement shall be considered a waiver of any privileges or immunities of the IBRD under its Articles of Agreement or any applicable law, all of which are expressly reserved.
5. **Commingling, Exchange and Investment of the Contributions**

5.1. The Contribution funds in the Trust Fund shall be accounted for as a single trust fund and shall be kept separate and apart from the funds of the IBRD. The Contribution funds may be commingled with other trust fund assets maintained by the IBRD.

5.2. The Contribution funds may be freely exchanged by the Trustee into other currencies as may facilitate their disbursement.

5.3. The Trustee shall invest the Trust Fund funds, including the Contribution funds in the Trust Fund, pending their disbursement in accordance with the IBRD’s policies and procedures for the investment of trust funds administered by the IBRD. The Trustee shall credit all income from such investment to the Investment Income Sub-Account to be used for the purposes provided in the Standard Provisions.

6. **Use of Trust Fund Resources**

6.1. Subject to paragraphs 3.1 and 6.2. and to the availability of applicable resources held in the Trust Fund as determined by the Trustee, the Trustee may commit, transfer and/or use the Trust Fund resources for any purpose approved and in the amount allocated by the SCF Trust Fund Committee (in the case of funding for any Administrative Costs) or by any SCF Sub-Committee (in the case of funding for programs and projects, including associated fees, if any), in accordance with the terms of the SCF Governance Framework and the Contribution Agreement.

6.2. Commitments and transfers of Trust Fund funds by the Trustee for the Administrative Costs shall be applied first, against the Investment Income Sub-Account, and second, against all other Sub-Accounts on a pro rata basis calculated based on the cash balance of funds in each Sub-Account. Commitments and transfers of Trust Fund funds by the Trustee for programs and projects shall be made from the Program Account established for the Program concerned.

7. **Administrative Costs**

7.1. Trust Fund resources may be used to cover the Administrative Costs incurred by each of the Trustee, the Administrative Unit and the MDBs. Upon approval of the proposal by the SCF Trust Fund Committee for compensation for the Administrative Costs pursuant to the terms of the Governance Framework, the Trustee may transfer to each such party the respective amount of compensation approved for that party; provided that such amount of compensation transferred shall be subject to an end of year adjustment based on actual costs incurred.

7.2. In the event that the SCF Trust Fund Committee shall have decided to cease making allocations of funding prior to the Final Transfer Date and approved proposals for compensation for the Administrative Costs until the Final Transfer Date pursuant to the
terms of the SCF Governance Framework Document, the Trustee may, upon approval of the proposal by the SCF Trust Fund Committee, transfer to each of the MDBs, the Administrative Unit and the Trustee the respective amount of compensation approved for that party; provided that if any funds transferred are unused by any such party after the completion of its services in support of the SCF, such party shall return the unused funds to the Trust Fund.

8. Procedures to Govern Transfer of Resources to the MDBs

8.1. The Trustee shall, subject to paragraphs 6.1 and 6.2 above and to the availability of applicable resources held in the relevant Sub-Account as determined by the Trustee, commit and transfer Trust Fund funds from the relevant Sub-Account to the MDBs in accordance with the Financial Procedures Agreements entered into between the Trustee and the MDBs.

8.2. The Financial Procedures Agreements shall provide that each MDB shall be responsible for:

i) the use of Trust Fund funds transferred to it and activities carried out therewith in accordance with x) its policies and procedures (including in respect of procurement of goods and services and reporting arrangements), and y) the applicable decisions of the SCF Trust Fund Committee and any relevant SCF Sub-Committee, including the purpose for which the allocations of the funds have been approved; and

ii) reporting to the SCF Trust Fund Committee on its activities in accordance with the terms of the SCF Governance Framework Document.

In addition, recognizing the obligations of MDB member countries under various United Nations Security Council Resolutions to take measures to prevent financing of terrorists, the Trustee will include in each Financial Procedures Agreement that the MDB will use reasonable efforts, in accordance with the MDB's policies and procedures, to ensure that the funds provided to the MDB by the Trustee are used for their intended purposes and are not diverted to terrorists or their agents.

8.3. The Trustee shall require, and accept from, the MDBs that have received Trust Fund funds from the Trustee, an audited financial report and/or periodic unaudited financial reports, as agreed between the Trustee and the SCF Trust Fund Committee. The Trustee shall furnish the SCF Trust Fund Committee and each Contributor with (i) copies of all audited financial reports, and (ii) upon request, any other relevant financial information, received from the MDBs under the Financial Procedures Agreements.

8.4. Upon the transfer of funds, the Trustee shall have no responsibility for the use of Trust Fund funds transferred and activities carried out therewith, including collection of Reflows or Returns of Other Funds due to any MDB from the beneficiaries of SCF funding or such other entities. Each MDB will be responsible for reporting to the SCF
Trust Fund Committee on its activities carried out with Trust Fund funds pursuant to the SCF Governance Framework Document and the Financial Procedures Agreement.

9. **Reflow and Return of Funds by the MDBs**

9.1. The Trustee shall receive, by way of transfers of funds from the MDBs pursuant to the Financial Procedures Agreements, any Reflows or Return of Other Funds, which are received or held by the MDBs and due to be returned to the Trust Fund under the terms of the pertinent funding approved by the SCF Trust Fund Committee or, as the case may be, the SCF Sub-Committee pursuant to paragraph 6.1. above. Any Reflow or Return of Other Funds received by the Trustee shall be credited to the relevant Sub-Account, from which the original funding was provided, except that any investment income returned shall be credited to the Investment Income Sub-Account.

10. **Employment of Consultants and Procurement of Goods**

10.1. Procurement of goods and services by the Trustee or the Administrative Unit for activities financed by Trust Fund resources shall be made in accordance with the policies and procedures of the IBRD. Procurement of goods and services for activities financed by Trust Fund resources transferred to the MDBs shall be made in accordance with the policies and procedures of the respective MDB as set out in paragraph 8.2 above.

11. **Accounting and Financial Reporting**

11.1. The Trustee shall maintain separate records and ledger accounts in respect of the Contributions deposited in the Trust Fund and disbursements made therefrom.

11.2. The Trustee shall report to the SCF Trust Fund Committee annually unless otherwise agreed between the Trustee and the SCF Trust Fund Committee, on the status of allocation of funding recorded by the Trustee, commitments, transfers and use of funds from the Trust Fund and receipts of funds in the Trust Fund, broken down by each Sub-Account. Upon request by a Contributor, the Trustee will quarterly furnish such financial information to the Contributor.

11.3. The Trustee shall cause a financial statement prepared by the Trustee with respect to the Trust Fund to be audited by the IBRD’s external auditors annually unless otherwise agreed between the Trustee and the Trust Fund Committee; provided that the cost of any such audit, including the internal costs of the Trustee with respect such audit, shall be included in the Trustee’s Administrative Costs. The Trustee shall furnish the SCF Trust Fund Committee, each SCF Sub-Committee and each Contributor contributing to the Trust Fund, with copies of such audited financial statement and auditors’ report as soon as practicable.
12. **Termination**

12.1. In the event that the SCF Trust Fund Committee shall cease making allocations from the outstanding balance of the Trust Fund pursuant to the terms of the SCF Governance Framework Document, the Trustee shall continue to administer the Trust Fund after the date of cessation of allocation by the Trust Fund Committee until the Final Transfer Date in accordance with the terms of the Contribution Agreement.

12.2. The Trustee may terminate its role as trustee of the Trust Fund at any time after giving the SCF Trust Fund Committee six (6) months notice in writing. Following termination, the Trustee shall carry on no business for the Trust Fund except for the purpose of winding up its affairs. The Trustee shall, in consultation with the SCF Trust Fund Committee to the extent possible, take all necessary action for winding up its affairs in an expeditious manner, and for meeting the commitments already made by the Trustee and the transfer or return of the Contributors' Shares in any remaining funds, assets and receipts in the Trust Fund pursuant to paragraphs 13.4, 13.5 and 13.6 below.

13. **Contributor's Share**

13.1. Contributors shall have beneficiary interests in the Trust Fund resources in the amount equals to the Contributor's Share. The Contributor's Share shall consist of: (a) the pro-rata share of the outstanding unallocated balance of each Sub-Account, including any Reflow and Return of Other Funds received, as of the date of calculation, and (b) the pro-rata share of any Reflow and/or Return of Other Funds received by the Trustee in each Sub-Account after the date of calculation, to the extent that such funds are received from the financing allocated prior to the date of calculation; provided, however, to the extent Contributors provide funds to the Trust Fund that are used to fund grants rather than loans or other financial products, such Contributors will not share in Reflows, Return of Other Funds, defaults, SCF net income or any unused balance of funding to the extent of such grant funding.

13.2. For the purpose of paragraph 13.1 above, the pro-rata share shall be calculated based on the following: In the case of Sub-Accounts other than the Investment Income Sub-Account, the pro-rata share shall be calculated based on the amount of the Contributor's Contribution paid to the relevant Sub-Account, relative to the aggregate amount of Contributions by all Contributors received in that Sub-Account (but excluding the amount of any Contributions withdrawn pursuant to paragraph 13.3 below), as of the date of calculation of the Contributor's Share. In the case of the Investment Income Sub-Account, the pro-rata share shall be calculated based on the amount of the Contributor's Contribution paid to the Trust Fund as a whole (but excluding the amounts of any Other Contribution following transfer and the Contribution withdrawn pursuant to paragraph 13.3 below), relative to the aggregate amount of Contributions by all Contributors received in the Trust Fund as a whole (but excluding the amount of any Other Contributions following transfer and the Contributions withdrawn pursuant to paragraph 13.3 below), as of the date of calculation.
13.3. Upon three (3) months' prior written notice, any Contributor may withdraw, prior to the Final Transfer Date, all or part of the Contributor's Share in the Trust Fund. Following withdrawal by the Contributor, the Trustee shall return to the Contributor the amount of the Contributor's Share withdrawn, but only as and when such resources are made available to the Trustee.

13.4. Following the Final Transfer Date, the Trustee shall transfer or return Contributors' Shares as and when such resources are made available to the Trustee. In respect of the Contributors providing Grant Contributions, the Trustee, on behalf of each such Contributor, will endeavor to transfer the Contributor's Share to another trust fund, which has a similar objective as the Trust Fund, as determined by the Trust Fund Committee, unless a different arrangement is decided between a Contributor and the Trustee. In respect of the Contributors providing the Capital Contributions, the Trustee shall return to the Contributors their Shares.

13.5. If the SCF Trust Fund Committee is unable to determine another trust fund under paragraph 13.4 within six (6) months of the Final Transfer Date, or if a transfer of funds to another trust fund determined by the SCF Trust Fund Committee is not reasonably practicable, the Trustee shall return the Contributors their Shares.

13.6. If the Trustee receives any Reflow or Return of Other Funds from any MDB after the Final Transfer Date, the Trustee shall transfer such funds to another trust fund referred to in paragraph 13.4 above or return the Contributors their Shares in such funds, as applicable.

14. Disclosure

14.1. The Contributor consents that the Trustee may disclose the Contribution Agreement, annual reports of the SCF and any other information on the Trust Fund in accordance with the IBRD's policy on disclosure of information.
ANNEX 2

Standard Provisions Applicable to the Clean Technology Fund

The following provisions (the “CTF Standard Provisions”) shall be applicable to and form an integral part of all Contribution Agreements entered into between the Trustee, not personally or in its individual capacity but solely in its capacity as trustee of the trust fund for the CTF (the “Trust Fund”) and Contributors.

1. Definitions

1.2. Capitalized terms hereinafter appearing in the CTF Standard Provisions, but not otherwise defined, shall have the same meaning as that ascribed to them in the CTF Governance Framework Document, and the terms set forth below shall have the following meanings:

“Administrative Costs” means administrative and other costs incurred by any of the Trustee, the Administrative Unit and the MDBs, in connection with the performance of their administrative services and other activities in support of the CTF, but excluding any costs which are separately covered by any project/program fees provided by the CTF.

“Administrative Unit” means the administrative unit established to support the work of the CIF and to support the CTF Trust Fund Committee and other bodies of the CIF, in accordance with the terms of the CTF Governance Framework Document.

“Capital Contribution” means a capital contribution provided to the Trust Fund by any Contributor.

“CIF” means the Climate Investment Funds established by the World Bank, in consultation with the MDBs, developed and developing countries, and other development partners, which include the SCF and the CTF.

“Contribution” means any Grant Contribution, Capital Contribution and Loan Contribution, administered by the Trustee pursuant to the provisions of the Contribution Agreement.

“Contribution Agreement” means any contribution agreement (including a Loan Agreement in case of the Loan) entered into between the Trustee and any Contributor in respect of the Contributor’s Contribution to the Trust Fund.
“Contributor” means any country (including any ministry and agency thereof), or, if agreed by the Trust Fund Committee and the Trustee, such other entity, that provides a Contribution to the Trust Fund.

“Contributor’s Share” or “Share” means the amount of the beneficiary interest in the Trust Fund resources owned by any Contributors providing Grant or Capital Contributions and calculated pursuant to paragraphs 13.1 and 13.2 below.

“CTF” means the Clean Technology Fund established in accordance with, and for the purposes set forth in, the CTF Governance Framework Document, under the framework of the CIF.

“CTF Governance Framework Document” means the Governance Framework for the CTF, adopted by the CTF Trust Fund Committee at the joint meeting of the Trust Fund Committees for the SCF and the CTF on November 18, 2008, as may be amended from time to time in accordance with its terms.

“CTF Trust Fund Committee” means the trust fund committee of the CTF, established in accordance with the terms of the CTF Governance Framework Document.

“Final Transfer Date” means the earlier of (a) the six (6) month after the last date on which any Reflow is scheduled to be returned to the Trust Fund, as notified by MDBs consistent with the terms of the pertinent CTF funding approved by the CTF Trust Fund Committee, and (b) six (6) months after the date of notice provided by the Trustee under paragraph 12.2 below to terminate its role as trustee of the Trust Fund.

“Financial Procedures Agreements” means any financial procedures agreement entered into between the Trustee and any MDB.

“Grant Contribution” means a grant contribution provided to the Trust Fund by any Contributor.

“IBRD” means the International Bank for Reconstruction and Development.

“Investment Income” means the aggregate amount of (i) any investment income earned from the investment of Trust Fund funds pursuant to paragraph 5.3 below and (ii) any investment income earned on Trust Fund funds transferred to MDBs, to the extent that such income has been returned to the Trustee by the MDBs.

“Loan” means a loan provided to the Trust Fund by any Contributor pursuant to the terms of the Loan Agreement.

“Loan Agreement” means a loan agreement entered into between the Trustee and any Contributor providing a Loan.
"MDBs" means the multilateral development banks named in the Governance Framework.

"Principles regarding Contributions to the CTF" means the Principles regarding Contributions to the Clean Technology Fund attached as Appendix A to the CTF Standard Provisions.

"Reflow" means any payments of principal, interest, fees or any other reflow of funds from CTF loans or other financial products other than grants, which are due to be returned to the Trust Fund, pursuant to the Financial Procedures Agreement consistent with the terms of the pertinent CTF funding approved by the CTF Trust Fund Committee. For the avoidance of doubt, the Reflow does not include any return of funds from CTF grants or Administrative Costs, including cancelled or unused funds, or any investment income earned on CTF resources held by any MDB.

"Return of Other Funds" means any funds, other than Reflows, due to be returned to the Trust Fund, pursuant to the Financial Procedures Agreement consistent with the terms of the pertinent CTF funding approved by the CTF Trust Fund Committee.

"SCF" means the Strategic Climate Fund established under the framework of CIF.

2. Establishment of the Trust Fund

2.1. The Trust Fund is established to support the purpose and objectives of the CTF. The governance and operational framework applied to the CTF is set out in the CTF Governance Framework Document.

3. Contributions

3.1. The Trustee may accept Contributions from Contributors in accordance with the provisions of the CTF Standard Provisions and the Contribution Agreement. Contributors may make Contributions in the form of (i) a Grant Contribution, (ii) a Capital Contribution, or (iii) with the consent of all Contributors to the Trust Fund and the Trustee, a Loan. The Contributions shall be subject to the terms set out in the Principles regarding Contributions to the CTF.

3.2. Grant or Capital Contributions to the Trust Fund may be made by means of payment in cash, or with the agreement of the Trustee, by the delivery to the Trustee of promissory notes payable on demand or similar obligations in a form acceptable to the Trustee. Grant or Capital Contributions may be paid in one lump sum or in installments on the terms agreed with the Trustee.
3.3. The terms of payments agreed between the Trustee and the Contributor under paragraph 3.2 shall be specified in the Contribution Agreement; provided, however, that, with the agreement of the Trustee, the Contributor may make, and the Trustee may accept, payments in cash or encashments of promissory notes or similar obligations, in a currency other than the currency of the Grant or Capital Contribution indicated in the Contribution Agreement.

3.4. If any Contributor provides a Loan to the Trust Fund, the Trustee shall administer the Loan in accordance with the CTF Standard Provisions and the Loan Agreement entered into between the Contributor and the Trustee; provided that the Loan Agreement shall include the principal terms of the Loan agreed in writing by all Contributors to the Trust Fund, including the Principles regarding Contributions to the CTF. Principal, interest and any other payments to be made on the Loan shall be made solely from the applicable resources made available in the CTF Trust Fund for such payments. Neither IBRD itself nor any of the other Contributors will have any personal liability with respect to the Loan.

4. Administration of the Contributions

4.1. The Trustee shall be responsible only for performing those functions specifically set forth in the Contribution Agreement and shall not be subject to any other duties or responsibilities to the Contributors, including, without limitation, any duties or obligations that might otherwise apply to a fiduciary or trustee under general principles of trust or fiduciary law. Nothing in this Agreement shall be considered a waiver of any privileges or immunities of the IBRD under its Articles of Agreement or any applicable law, all of which are expressly reserved.

5. Commingling, Exchange and Investment of the Contributions

5.1. The Contribution funds in the Trust Fund shall be accounted for as a single trust fund and shall be kept separate and apart from the funds of the IBRD. The Contribution funds may be commingled with other trust fund assets maintained by the IBRD.

5.2. The Contribution funds may be freely exchanged by the Trustee into other currencies as may facilitate their disbursement.

5.3. The Trustee shall invest the Trust Fund funds, including the Contribution funds in the Trust Fund, pending their disbursement in accordance with the IBRD's policies and procedures for the investment of trust funds administered by the IBRD. The Trustee shall credit all income from such investment to the Trust Fund to be used for the purposes provided in the Standard Provisions.
6. **Use of Trust Fund Resources**

6.1. Subject to paragraphs 6.3, 6.4, and 6.5 below and to the availability of applicable resources held in the Trust Fund as determined by the Trustee, the Trustee may commit, transfer and/or use the Trust Fund resources for any purpose approved and in the amount allocated by the Trust Fund Committee in accordance with the terms of the Governance Framework and the Contribution Agreement.

6.2. In case any Loan is provided to the Trust Fund, subject to paragraphs 6.3 and 6.5 below, the Trustee may make, from the Trust Fund resources, principal, interest and any other payments on the Loan in accordance with the terms of the Loan Agreement entered into pursuant to paragraph 3.4 above.

6.3. Commitments, transfers and use of the Trust Fund funds under paragraphs 6.1 and 6.2 above shall be subject to the terms set out in the Principles regarding Contributions to the CTF.

6.4. Commitments and transfers of Trust Fund funds for the Administrative Costs shall be applied first, against the Investment Income, and second, against all other resources of the Trust Fund.

6.5. Should there be insufficient resources available in the Trust Fund, at any given time, to make commitments and transfers of funds for all amounts allocated by the CTF Trust Fund Committee and payments under the Loans pursuant to paragraphs 6.1, 6.2 and 6.3 above, the Trustee shall allocate the Trust Fund resources in the following order: first, commitments and transfers of funds for the Administrative Costs to the extent the Investment Income is available to cover such amount, second, payments on the Loans, third, commitments and transfers of funds for the Administrative Costs that are not covered by the Investment Income, and fourth, commitments and transfers for any other purposes.

7. **Administrative Costs**

7.1. Trust Fund resources may be used to cover the Administrative Costs incurred by each of the Trustee, the Administrative Unit and the MDBs. Upon approval of any proposal by the CTF Trust Fund Committee for compensation for the Administrative Costs pursuant to the terms of the Governance Framework, the Trustee may transfer to each party the respective amount of compensation approved for that party; provided that such amount of compensation transferred shall be subject to an end of year adjustment based on actual costs incurred.

7.2. In the event that the CTF Trust Fund Committee shall have decided to cease making allocations of funding prior to the Final Transfer Date and approved proposals for compensation for the Administrative Costs until the Final Transfer Date pursuant to the terms of the CTF Governance Framework Document, the Trustee may, upon approval of
the proposal by the CTF Trust Fund Committee, transfer to each of the MDBs, the Administrative Unit and the Trustee, the respective amount of compensation approved for that party; provided that if any funds transferred are unused by any such party after the completion of its services in support of the CTF, such party shall return the unused funds to the Trust Fund.

8. Procedures to Govern Transfer of Resources to the MDBs

8.1. The Trustee shall, subject to paragraphs 6.1 and 6.2 above and to the availability of applicable resources held in the Trust Fund as determined by the Trustee, commit and transfer Trust Fund funds to the MDBs in accordance with the Financial Procedures Agreements entered into between the Trustee and the MDBs.

8.2. The Financial Procedures Agreements shall provide that each MDB shall be responsible for:

i) the use of the Trust Fund funds transferred to it and activities carried out therewith in accordance with: x) its policies and procedures (including in respect of procurement of goods and services and reporting arrangements), and y) the applicable decisions of the CTF Trust Fund Committee, including the purpose for which the allocations of the funds have been approved, and

ii) reporting to the CTF Trust Fund Committee on its activities in accordance with the terms of the CTF Governance Framework Document.

In addition, recognizing the obligations of MDB member countries under various United Nations Security Council Resolutions to take measures to prevent financing of terrorists, the Trustee will include in each Financial Procedures Agreement that the MDB will use reasonable efforts, in accordance with the MDB's policies and procedures, to ensure that the funds provided to the MDB by the Trustee are used for their intended purposes and are not diverted to terrorists or their agents.

8.3. The Trustee shall require, and accept from, the MDBs that have received Trust Fund funds from the Trustee, an audited financial report and/or periodic unaudited financial reports, as agreed between the Trustee and the CTF Trust Fund Committee. The Trustee shall furnish the CTF Trust Fund Committee and each Contributor with i) copies of all audited financial reports, and ii) upon request, any other relevant financial information, received from the MDBs under the Financial Procedures Agreements.

8.4. Upon the transfer of funds, the Trustee shall have no responsibility for the use of Trust Fund funds transferred and activities carried out therewith, including collection of Reflows or Return of Other Funds due to any MDB from the beneficiaries of CTF funding or such other entities. Each MDB will be responsible for reporting to the CTF Trust Fund Committee on its activities carried out with Trust Fund funds pursuant to the CTF Governance Framework Document and the Financial Procedures Agreement.
9. Reflow and Return of Funds by the MDBs

9.1. The Trustee shall receive, by way of transfers of funds from the MDBs pursuant to the Financial Procedures Agreements, any Reflows or Return of Other Funds, which are received or held by the MDBs and due to be returned to the Trust Fund under the terms of the pertinent CTF funding approved by the CTF Trust Fund Committee. Any Reflow or Return of Other Funds received by the Trustee shall be credited to the Trust Fund.

10. Employment of Consultants and Procurement of Goods

10.1. Procurement of goods and services by the Trustee or the Administrative Unit for activities financed by Trust Fund resources shall be made in accordance with the policies and procedures of the IBRD. Procurement of goods and services for activities financed by Trust Fund resources transferred to the MDBs shall be made in accordance with the policies and procedures of the respective MDB as set out in paragraph 8.2 above.

11. Accounting and Financial Reporting

11.1. The Trustee shall maintain separate records and ledger accounts in respect of the Contributions deposited in the Trust Fund and disbursements made therefrom.

11.2. The Trustee shall report to the CTF Trust Fund Committee annually unless otherwise agreed between the Trustee and the CTF Trust Fund Committee, on the status of allocation of funding recorded by the Trustee, commitments, transfers and use of funds from the Trust Fund and receipts of funds in the Trust Fund. Upon request by a Contributor, the Trustee will quarterly furnish such financial information to the Contributor.

11.3. The Trustee shall cause a financial statement prepared by the Trustee with respect to the Trust Fund to be audited by the IBRD’s external auditors annually unless otherwise agreed between the Trustee and the CTF Trust Fund Committee; provided that the cost of any such audit, including the internal costs of the Trustee with respect such audit, shall be included in the Trustee’s Administrative Costs. The Trustee shall furnish the CTF Trust Fund Committee and each Contributor with copies of such audited financial statement and auditor’s report as soon as practicable.

12. Termination

12.1. In the event that the CTF Trust Fund Committee shall cease making allocations from the outstanding balance of the Trust Fund pursuant to the terms of the CTF Governance Framework Document, the Trustee shall continue to administer the Trust Fund after the date of cessation of allocation by the Trust Fund Committee until the Final Transfer Date in accordance with the provisions of the Contribution Agreement.
12.2. The Trustee may terminate its role as trustee of the Trust Fund at any time after giving the CTF Trust Fund Committee six (6) months notice in writing. Following termination, the Trustee shall carry on no business for the Trust Fund except for the purpose of winding up its affairs. The Trustee shall, in consultation with the CTF Trust Fund Committee to the extent possible, take all necessary action for winding up its affairs in an expeditious manner, and for meeting the commitments already made by the Trustee, including any outstanding liability under any Loan, and the transfer or return of the Contributors’ Shares in any remaining funds, assets and receipts in the Trust Fund pursuant to paragraphs 13.4, 13.5 and 13.6 below.

13. **Contributor’s Share**

13.1. Contributors providing the Grant and Capital Contributions shall have beneficiary interests in the Trust Fund resources in the amount equal to the Contributor’s Share. The Contributor’s Share shall consist of: (a) the pro-rata share of the outstanding unallocated balance of the Trust Fund, including any Reflow and Return of Other Funds received, as of the date of calculation, and (b) the pro-rata share of any Reflow and/or Return of Other Funds received in the Trust Fund after the date of calculation, to the extent that such funds are received from the financing allocated prior to the date of calculation; provided, however, to the extent Contributors provide funds to the Trust Fund that are used to fund grants rather than loans or other financial products, such Contributors will not share in Reflows, Return of Other Funds, defaults, CTF net income or any unused balance of funding to the extent of such grant funding, in accordance with the terms of Principles regarding Contributions to the CTF. For the avoidance of doubt, the outstanding unallocated balance of the Trust Fund shall exclude the amounts due to the Contributors under any Loan.

13.2. For the purpose of paragraph 13.1 above, the pro-rata share shall be calculated based on the aggregate amount of the Contributor’s Grant and/or Capital Contribution to paid to the Trust Fund, relative to the aggregate amount of all Grant and Capital Contributions received in the Trust Fund (but excluding the amount of the Contributions withdrawn pursuant to paragraph 13.3 below), as of the date of calculation.

13.3. Upon three (3) months’ prior written notice, any Contributor providing the Grant or Capital Contribution may withdraw, prior to the Final Transfer Date, all or part of the Contributor’s Share in the Trust Fund. Following the withdrawal by the Contributor, the Trustee shall return to the Contributor the amount of the Contributor’s Share withdrawn, but only as and when such resources are made available to the Trustee. Notwithstanding the foregoing, the Contributor providing the Grant or Capital Contribution may not withdraw any part of the Contributor’s Share, unless the Trustee is satisfied that there will remain sufficient assets to manage all outstanding obligations under any Loan.

13.4. Following the Final Transfer Date, the Trustee shall transfer or return Contributors’ Shares as and when such resources are made available to the Trustee. In respect of the Contributors providing Grant Contributions, the Trustee, on behalf of each
such Contributor, will endeavor to transfer the Contributor's Share to another trust fund, which has a similar objective as the Trust Fund, as determined by the Trust Fund Committee, unless a different arrangement is decided between a Contributor and the Trustee. In respect of the Contributors providing the Capital Contributions, the Trustee shall return to the Contributors their Shares.

13.5. If the Trust Fund Committee is unable to determine another trust fund under paragraph 13.4 within six (6) months of the Final Transfer Date, or if a transfer of funds to another trust fund determined by the Trust Fund Committee is not reasonably practicable, the Trustee shall return the Contributors their Shares.

13.6. If the Trustee receives any Reflows or Return of Other Funds from any MDB after the Final Transfer Date, the Trustee shall transfer such funds to another trust fund referred to in paragraph 13.4 above or return the Contributors their Shares in such funds, as applicable.

14. Disclosure

14.1. The Contributor consents that the Trustee may disclose the Contribution Agreement, annual reports of the CTF and any other information on the Trust Fund in accordance with the IBRD’s policy on disclosure of information.
Principles regarding Contributions to the Clean Technology Fund

1. General Principles

1.1. Contributors can provide funding to the Trust Fund as grants, capital contribution and concessional loans with IDA-like terms.

1.2. There will be no cross subsidies among the contributors.

1.3. Outgoing financing from the CTF can be no more concessional than incoming financing.

   (a) Grant contributions may be used to finance grants, concessional loans and other financial products, such as guarantees.
   (b) Capital contributions may be used to finance concessional loans and other financial products, such as guarantees;
   (c) Loan contributions may be used to finance loans and other financial products, such as guarantees, on terms no more concessional than the terms of the contributions.

1.4. The CTF cannot blend financing from grant and capital contributions with financing from loan contributions unless it is on terms no more concessional than the terms of the loan contributions or supports separate parts of a project (for example, grants for technical assistance and concessional loans for investment financing).

1.5. The CTF Trust Fund Committee is responsible for determining the terms of outgoing financing (bearing in mind principle 1.3 above and other financial management issues as determined by the Trustee), including financing and terms for the private sector.

1.6. All sources of funds will be co-mingled for administrative and investment purposes. Sources of funds comprise:

   (a) Funding from contributors, as described in principle 1.1 above,
   (b) Investment income earned on the undisbursed balance of the CTF,
   (c) Investment income returned from MDBs,
   (d) Interest (service charge) payments on outgoing loans and guarantee fees,
   (e) Principal repayments on outgoing loans, and
   (f) Reflows from MDBs related to unused guarantee funds, grant and loan funds and administrative budget.
The Trustee will keep records and report on the amount received for each source of funds on an aggregate basis.

1.7. Loan contributors will provide loans to the CTF at 0.75% interest, 20 years maturity and 10 years grace on principal repayments. The CTF will make interest and principal payments to loan contributors in accordance with the terms of the loan agreement. Such loan agreements will provide for a reduction in the principal payments in case of defaults on outgoing CTF loans\(^1\), as described in section 2 below.

1.8. Losses on defaults on outgoing loans from the CTF will be shared by all contributors on the same basis, in proportion to their overall contributions to the CTF (excluding the portion, if any, used for outgoing grants) and covered from the CTF net income as described in section 2 below.

1.9. Following repayment of the loan contributors loans, the remaining contributors will then bear the default risk on all outstanding CTF loans (and guarantees and other financial products which may result in defaults) and upon termination of the Trust Fund will share on a pro-rata basis the outstanding unallocated balance, including any reflow of funds received; provided, however, to the extent contributors provide funds to the CTF that are used to fund grants rather than CTF loans, such donors will not share in CTF reflows, defaults, CTF net income or any unused balance of funding to the extent of such grant funding.

2. Agreement on Defaults on Outgoing Loans from the Clean Technology Fund

2.1. Defaults on outgoing loans from the CTF will be shared by all contributors on a pro-rata basis proportional to their overall contributions to the CTF (excluding the portion, if any, used for grants). Such defaults will be covered, to the extent available, by (i) net investment income on the CTF, (ii) interest received on outgoing CTF loans in excess of 0.75 per cent, and (iii) guarantee fees in excess of 0.75 percent (collectively “CTF net income”)\(^2\). Based on the models prepared by the Trustee, it is projected that the CTF net income would be adequate to cover defaults on CTF loans up to 5 percent, which is the projected loan loss rate used for IDA credits based on historical performance.

2.2. The CTF will make interest and principal payments to loan contributors in accordance with the terms of the loan agreements.

\(^1\) Defaults on outgoing CTF loans would include losses resulting from guarantees and other financial products.

\(^2\) In case any other financial products than loans and guarantees, which generate reflows, are provided from the CTF, any reflows received in excess of 0.75 percent, after deducting the original principal amount, will be included in the CTF net income.
2.3. Twenty five months prior to the maturity date of the loans, the Trustee will calculate (i) each loan contributor's pro rata share of the cumulative amount of default interest/principal payments on outgoing loans up to such calculation date (i.e., the difference between the scheduled interest and principal payments due to the CTF on all CTF loans up to that date and the actual payments received by the CTF up to that date) and (ii) each loan contributor's pro rata share of cumulative CTF net income up to such calculation date. In the event (i) exceeds (ii), the Trustee will adjust either the last or the last two years repayments by deducting the difference between (i) and (ii).

2.4. To ensure that the last two years of principal repayments to loan contributors will fully cover the cumulative default amount attributed to their contribution, the Trustee will periodically review accumulated default amounts. If the Trustee determines at any time that loan contributor's pro-rata share of the default amount is likely to exceed loan contributor's pro rata share of CTF net income at the point that is two years prior to the maturity date of the loan contributors loans, it shall convene a meeting of the Trust Fund Committee to review the situation and to agree on steps to be taken. The Trustee will propose to the Trust Fund Committee all possible actions that may be taken so that there will be sufficient funds available to repay the loan contributors loans in accordance with their terms.

2.5. In the event that the loan contributor's pro rata share of cumulative CTF net income as of the calculation date exceeds their pro rata share of the cumulative default amount as of such date, loan contributors will not receive the excess amount of CTF net income. Instead, loan contributors will have received 100% of the scheduled interest and principal payments on their loans to the CTF.
ANNEX 3

Sample Notification Letter from the Contributor to the Trustee

[Date]

Ms. Susan McAdams
Director
Multilateral Trusteeship and Innovative Financing
The World Bank
1818 H Street, NW
Washington, DC 20433

Re: Notification of the amount of Japanese Yen for the Contribution to the trust fund for the Clean Technology Fund (MTO No. 069011) and the trust fund for the Strategic Climate Fund (MTO No. 069012)

Dear Ms. McAdams,

1. Reference is made to the Contribution Agreement between the Government of Japan acting through the Ministry of Finance (the “Contributor”) and the International Bank for Reconstruction and Development, as trustee (the “Trustee”) of the trust fund for the Clean Technology Fund (“CTF Trust Fund”) (MTO No. 069011) and the trust fund for the Strategic Climate Fund (“SCF Trust Fund”) (MTO No. 069012) dated February 24, 2010, and became effective on ________ (the “Agreement”).

2. Pursuant to paragraph 3 of the Agreement, we hereby notify that the exchange rate used for the purpose of calculating the amount of Japanese Yen is ________. Accordingly, the amount indicated as a reference in the United States dollars in paragraphs 1, 5, 6 and 8 shall be replaced with respective amount of Japanese Yen as follows:

   (a) A grant contribution to the SCF Trust Fund, indicated in paragraph 1 (a), is in the sum of ________________.

   (b) A grant contribution to the CTF Trust Fund, indicated in paragraph 1(b) is in the sum of ________________.

   (c) A grant contribution to the Pilot Program for Climate Resilience, indicated in paragraph 5 (a), is in the sum of ________________.

   (d) A grant contribution to the Provisional Sub-Account, indicated in paragraph 5 (b), is in the sum of ________________.

   (e) Provisional allocation to the Clean Technology Fund within the Provisional Sub-Account, indicated in paragraph 6 (a), is in the sum of ________________.

   (f) Provisional allocation to the Pilot Program for Climate Resilience within the Provisional Sub-Account, indicated in paragraph 6 (b), is in the sum of ________________.
(g) Provisional allocation to the Forest Investment Program within the Provisional Sub-Account, indicated in paragraph 6 (c), is in the sum of

(h) Provisional allocation to the Scaling-up Renewable Energy in Low Income Countries within the Provisional Sub-Account, indicated in paragraph 6 (d) is in the sum of

(i) The total amount of the first installment of the promissory note, indicated in paragraph 8, is in the sum of

(j) The amount allocated and to be transferred to the CTF trust Fund from the first installment of the promissory note, indicated in paragraph 8 (a), is in the sum of

(k) The amount allocated and to be transferred to the Pilot Program for Climate Resilience from the first installment of the promissory note, indicated in paragraph 8 (b), is in the sum of

3. Please confirm the receipt of this notification to the contact information below at your earliest convenience.

[contact information]

Sincerely,

[Name]
[Title]
March 2, 2010

Mr. Toru Shikibu
Executive Director for Japan
The World Bank
1818 H Street, N.W.
Washington, DC 20433
U.S.A

Dear Mr. Shikibu:

Please find enclosed two original copies of the Contribution Agreement between the Government of Japan, acting through the Minister of Finance, and the International Bank for Reconstruction and Development concerning the trust fund for the Strategic Climate Fund and the trust fund for the Clean Technology Fund.

Once they have been countersigned, kindly retain one original agreement for your files and return the remaining original to us via courier for our records.

Sincerely,

Susan McAdams
Director
Multilateral Trusteeship and Innovative Financing

Enclosures