Amendment to the 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. Kan:

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 Strategic Climate Fund (MTO No. 069012) and the trust fund for the Clean Technology Fund (MTO No. 069011) (the “CTF Trust Fund”), dated February 24, 2010 (the “Contribution Agreement”).

2. Pursuant to recent discussions between the Trustee and the Contributor regarding risk sharing relating to financial products used in the Clean Technology Fund’s programs and projects, the Trustee proposes to amend the Contribution Agreement as follows:

(a) Appendix A to Annex 2 to the Contribution Agreement (Principles regarding Contributions to the Clean Technology Fund) shall be deleted in its entirety and replaced with the texts attached to this Amendment as Annex 1.

3. All other terms of the Contribution Agreement shall remain the same.

4. The Trustee shall disclose this Amendment in accordance with the World Bank’s Policy on Access to Information. By entering into this Amendment, the Contributor consents to such disclosure.
5. Please confirm your agreement to the foregoing, on behalf of the Contributor, by signing, dating, and returning to us one of the enclosed originals of this Amendment. Upon receipt by the Trustee of a copy of all the respective amendments to the contribution agreements or arrangements countersigned by each contributor contributing to the CTF Trust Fund, this Amendment shall become effective as of the date that the last contributor countersigns its respective amendment.

Sincerely,

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

CONFIRMED AND AGREED:

GOVERNMENT OF JAPAN

By: Masahiro Kan
Executive Director for Japan
The World Bank

Date: 11/19/2014
Annex 1

Appendix A to ANNEX 2

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; provided that, for programs and projects for which the CTF Trust Fund Committee approved allocation of CTF resources after November 1, 2013, loan contributions may not be used to finance equity, subordinated debt / mezzanine instruments with convertible features, convertible grants and contingent recovery grants, contingent recovery loans, first loss guarantees (both single project and portfolio), and any other financial products proposed under programs or projects as agreed in writing by the contributors and the Trustee (collectively, “Higher Risk Profile Financial Products”).

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 losses on outgoing CTF financial products\(^1\), as described in section 2 below.

1.8. Losses on outgoing CTF financial products 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 Higher Risk Profile Financial Products) 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 risk on losses on all outgoing financial products under the CTF, including Higher Risk Profile Financial Products, that remain outstanding, 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, such donors will not share in CTF reflows, losses, CTF net income or any unused balance of funding to the extent of such grant funding.

2. Agreement on the CTF Net Income and Losses on Outgoing CTF Financial Products

2.1. Losses on outgoing CTF financial products 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 and Higher Risk Profile Financial Products). Such losses will be covered, to the extent available, by (i) net investment income on the

\(^1\) Losses on outgoing CTF financial products would include defaults and losses on outgoing loans, guarantees and other financial products from the CTF, excluding defaults and losses from Higher Risk Profile Financial Products.
CTF, (ii) interest received on outgoing CTF loans in excess of 0.75 per cent, excluding those received from Higher Risk Profile Financial Products, and (iii) guarantee fees in excess of 0.75 percent, excluding those received from Higher Risk Profile Financial Products (collectively “CTF net income”).

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

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 losses on outgoing CTF financial products, excluding the Higher Risk Profile Financial Products, up to such calculation date (i.e., the difference between the scheduled reflo ws due to the CTF on all CTF outgoing financial products, excluding scheduled reflo ws from Higher Risk Profile Financial Products, up to that date and the actual payments on those products 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 loss amount attributed to their contribution, the Trustee will periodically review accumulated loss amounts. If the Trustee determines at any time that loan contributor’s pro-rata share of the loss 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 loss 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.

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2 If financial products other than loans, guarantees and Higher Risk Profile Financial Products, which generate reflo ws, are provided from the CTF, any reflo ws received in excess of 0.75 percent, after deducting the original principal amount, will be included in the CTF net income.