

**International Bank for
Reconstruction and Development**

**Charter Establishing
The Forest Carbon Partnership
Facility**

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International Bank for Reconstruction and Development

Charter of the Forest Carbon Partnership Facility

WHEREAS:

- (A) The International Bank for Reconstruction and Development has been requested to assist developing countries in their efforts to reduce emissions from deforestation and/or forest degradation (“**REDD**”) by building their capacity and developing a methodological and policy framework that provides incentives for the implementation of REDD programs; and
- (B) In furtherance of that objective, the Bank desires to establish the Forest Carbon Partnership Facility to build partnerships among developed and developing countries, public and private sector entities, international organizations, non-governmental organizations, forest-dependent indigenous peoples and forest dwellers to prepare for possible future systems of positive incentives for REDD, including innovative approaches to sustainable use of forest resources and biodiversity conservation.
- (C) The International Bank for Reconstruction and Development is prepared to establish and administer the Forest Carbon Partnership Facility on the terms and conditions set out below:

CHAPTER I

DEFINITIONS

Article 1 Definitions

Section 1.1 Definitions

Unless the context otherwise requires, the following terms shall be defined as:

1. “**Additional Benefits**” means quantifiable and verifiable enhancement of conservation of biodiversity and/or improvement of local livelihoods realized as a result of implementation of the REDD activities;
2. “**Additional Contribution**” means the Contributions described in Section 7.1 (c) and Section 8.1(c);
3. “**Annual Budget of the Carbon Fund**” means the budget for the Carbon Fund described in Section 19.1(a)(ii) and the portion of the Shared Costs described in Section 19.1(b);
4. “**Annual Budget of the Readiness Fund**” means the budget for the Readiness Fund described in Section 19.1(a)(i) and the portion of the Shared Costs described in Section 19.1(b);
5. “**Annual Meeting**” means a meeting of Participants Assembly held pursuant to Section 10.1;
6. “**Board of Executive Directors**” means the Board of Executive Directors of the World Bank;
7. “**Borrowing Member Countries**” means the countries eligible to borrow from the Bank or from the IDA;
8. “**Business Day**” means a day on which the World Bank and banks in New York City are open for business in the United States of America;
9. “**Carbon Fund**” means one of the two trust funds established under the Facility to receive funding from the Carbon Fund Participants to achieve the objectives as described in Section 2.1;
10. “**Carbon Fund Participant**” means an Eligible Prospective Carbon Fund Participant that has signed a Carbon Fund Participation Agreement to participate in the Carbon Fund and has been accepted by the Trustee of the Carbon Fund;

11. **“Carbon Fund Participation Agreement”** means an agreement between a Carbon Fund Participant and the Trustee of the Carbon Fund with respect to the Participant’s Contribution to the Carbon Fund;
12. **“Carbon Fund Participants Committee”** means the committee described in Section 12.1;
13. **“Charter”** means the Charter Establishing the Forest Carbon Partnership Facility, as amended from time to time;
14. **“Closing Date of the Carbon Fund”** means the last date on which the Trustee enters into Carbon Fund Participation Agreements for the Carbon Fund;
15. **“Constituency”** means respective groups of REDD Country Participants, Donor Participants and Carbon Fund Participants;
16. **“Constituency Meeting”** means the meetings described in Section 10.2 (b);
17. **“Contribution”** means the contribution to the Readiness Fund from a Donor Participant or contribution to the Carbon Fund from a Carbon Fund Participant, as the case may be;
18. **“Criteria for Budget Allocation for Preparing and Implementing the Readiness Plan”** means a set of criteria for allocating grants to each REDD Country Participant for developing and implementing a Readiness Plan, as proposed by the Facility Management Team and approved by the Steering Committee, which may be modified by the Participants Committee;
19. **“Criteria for Selection of the REDD Country Participants”** means the set of criteria set forth in the Annex to this Charter;
20. **“Demand for Payment”** means a demand for payment issued by the Trustee of the Readiness Fund to Donor Participants or the Trustee of the Carbon Fund to Carbon Fund Participants requesting payment of part or all of the Contribution;
21. **“Donor Participant”** means an Eligible Donor that has signed a Donor Participation Agreement to participate in the Readiness Fund; and;
22. **“Donor Participation Agreement”** means an agreement between a Donor Participant and the Trustee of the Readiness Fund with respect to the Donor Participant’s Contribution to, and participation in, the Readiness Fund;
23. **“Eligible Prospective Carbon Fund Participant”** means a public or private entity whose participation in the Carbon Fund has been approved by the World Bank;

24. “**Eligible Donor**” means a public or private entity whose participation in the Readiness Fund has been approved by the World Bank;
25. “**Eligible REDD Country**” mean a Borrowing Member Country that is located in a Subtropical Area or Tropical Area;
26. “**Emissions**” means emissions of carbon dioxide or carbon dioxide equivalents;
27. “**Emission Reductions**” or “**ERs**” means real and verifiable emission reductions generated from Emission Reductions Programs, which include all rights, titles and interests associated with ERs;
28. “**Emission Reductions Program**” means a set of activities by a REDD Country Participant which builds on the activities undertaken pursuant to its Readiness Plan with a view to reducing Emissions from deforestation and/or forest degradation;
29. “**Emission Reductions Payment Agreement**” or “**ERPA**” means an agreement governing the acquisition and transfer of Emission Reductions entered into between the Trustee of the Carbon Fund and a REDD Country Participant or an entity approved by a REDD Country Participant;
30. “**Ex Ante Assessment**” means the assessment by an Independent Third Party of an Emission Reductions Program, including its Reference Scenario, before the implementation of the Emission Reductions Program;
31. “**Facility**” means the Forest Carbon Partnership Facility established pursuant to Article 2;
32. “**Facility Management Team**” means a team established by the Bank to manage the Facility as described in Section 14.1;
33. “**Fiscal Year**” means the fiscal year of the Bank, which starts on July 1 and ends on June 30;
34. “**Forest-Dependent Indigenous Peoples and Forest Dwellers**” means Indigenous Peoples and local communities living in forests and depending on forest resources for their livelihoods;
35. “**Fund**” means the Readiness Fund or the Carbon Fund, as the case may be;
36. “**Funds**” means both the Readiness Fund and the Carbon Fund;
37. “**Fund Property**” means all of the property contributed to the Funds and all other assets, receipts and interests of the Funds;

38. **“Grant Agreement for the Development and Implementation of the Readiness Plan”** or **“Grant Agreement”** means the agreement between a REDD Country Participant and the Trustee of the Readiness Fund setting out terms and conditions for disbursement of the grant for support of preparing and implementing the Readiness Plan;
39. **“General Conditions for the Emission Reductions Payment Agreements”** means a set of standard conditions applicable to all ERPAs, which sets out general rights and obligations of the parties to the ERPA;
40. **“IBRD”** means the International Bank for Reconstruction and Development;
41. **“IDA”** means the International Development Association;
42. **“Indigenous Peoples”** means a distinct, vulnerable, social and cultural group as defined in the World Bank’s Operational Policies and Procedures on Indigenous Peoples;
43. **“Independent Third Party”** means an entity, approved by the Participants Committee for the purpose of undertaking activities, including without limitation, Ex Ante Assessments, ex post monitoring, or Verification for the Emission Reductions Program and where applicable, Additional Benefits, which is independent from the IBRD, the Participant, any body established under the Facility or the entity that hosts the Emission Reductions Program;
44. **“Interim Arrangement”** means the arrangement described in Article 15;
45. **“Minimum Contribution”** means the minimum amount specified in Sections 7.1 or 8.1 to be payable to the relevant Trustee by a Donor Participant or a Carbon Fund Participant, respectively;
46. **“Modified Cash Basis of Accounting”** means a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America or International Financial Reporting Standards, wherein Contributions will be recorded when received, expenditures will be recorded as disbursements when paid rather than when committed;
47. **“Monitoring System”** means a nationwide monitoring, measuring and verification system, capable of monitoring Emission Reductions against an established Reference Scenario;
48. **“Opening Date of the Carbon Fund”** means the date on which the Trustee commences entering into Carbon Fund Participation Agreements for the Carbon Fund;
49. **“Operational Date of the Carbon Fund”** means the date on which the Trustee declares commencement of operation of the Carbon Fund;

50. “**Opening Date of the Readiness Fund**” means the date described in Section 4.1 (a);
51. “**Operational Date of the Readiness Fund**” means the date described in Section 4.1 (b);
52. “**Operational Date of the Facility**” means the date that the Readiness Fund commences operation;
53. “**Organizational Meeting**” means a meeting of the Participants held pursuant to Section 10.3;
54. “**Participants**” or “**Participants in the Facility**” means collectively REDD Country Participants, Donor Participants and Carbon Fund Participants;
55. “**Participation Agreements**” means collectively REDD Country Participation Agreements, Donor Participation Agreements and Carbon Fund Participation Agreements;
56. “**Participants Assembly**” means a body for all Participants described in Article 10;
57. “**Participants Committee**” means the committee described in Article 11;
58. “**Readiness Fund**” means one of the two trust funds established under the Facility to receive funding from Donor Participants to achieve the objectives described in Section 2.1;
59. “**Readiness Package**” means a package of activities designed to support a REDD Country Participant’s capacity to participate in possible future systems of positive incentives for REDD, which include the following elements:
 - (i) A Reference Scenario;
 - (ii) A REDD Strategy; and
 - (iii) A Monitoring System;
60. “**Readiness Plan**” means a plan submitted to the Facility Management Team by a REDD Country Participant, which builds on the Readiness Plan Idea Note and details the activities to be undertaken by that country to increase its capacity to address REDD through implementation of its Readiness Package
61. “**Readiness Plan Idea Note**” or “**R-PIN**” means the initial proposal submitted to the Facility Management Team by an Eligible REDD Country outlining that Country’s proposal for a Readiness Plan;
62. “**REDD**” means reducing Emissions from deforestation and/or forest degradation;

63. “**REDD Country Participant**” means an Eligible REDD Country which was selected by the Participants Committee in accordance with Section 6.2 or by the Steering Committee during the Interim Arrangement in accordance with Section 15.1, and that has entered into a REDD Country Participation Agreement;
64. “**REDD Country Participation Agreement**” means an agreement between a REDD Country Participant and the Trustee of the Readiness Fund setting out terms and conditions for the REDD Country’s participation in the Facility;
65. “**REDD Strategy**” means a strategy prepared by the REDD Country Participant describing how the REDD Country Participant intends to reduce Emissions from deforestation and/or forest degradation;
66. “**Reference Scenario**” means a combination of recent historical data on Emissions from deforestation and/or forest degradation and estimated future Emissions resulting from forest carbon stock changes leading to a national scenario through time of Emissions in the absence of additional positive incentives for REDD;
67. “**Relevant International Organization**” means an intergovernmental association of countries, established by and operated according to multilateral treaty, which has experience and expertise in REDD;
68. “**Relevant Non-Governmental Organization**” means a civil society organization or a non-governmental organization that has experience and expertise in REDD or represents interests that are likely to benefit from or be affected by REDD;
69. “**Relevant Private Sector Entity**” means a private company or organization that is not registered as a non-governmental organization that is likely to benefit from or be affected by REDD;
70. “**Shared Costs**” means the costs and expenses incurred in the administration of the Facility which include, but are not limited to, the Participants Assembly, meetings of the Participants Committee, Steering Committee and the activities undertaken by the Facility Management Team for both the Readiness Fund and the Carbon Fund;
71. “**Steering Committee**” means the committee described in Section 15.1;
72. “**Subtropical Area**” means the zones of the Earth immediately north and south of the Tropical Area, which are considered to be roughly between 35° and 23.5° north and south latitudes respectively;
73. “**Tranche**” means a trust fund established under the Facility by the Trustee of the Carbon Fund as described in Section 4.2 (b);
74. “**Tropical Area**” means the area bounded by the Tropic of Cancer on the north and Tropic of Capricorn on the south, which lie at 23.5° north and 23.5° south latitudes, respectively;

75. “**Trustees**” means collectively, the Trustee of the Readiness Fund and the Trustee of the Carbon Fund;
76. “**Trustee of the Carbon Fund**” means the Bank acting not in its individual or personal capacity but solely in its capacity as trustee of the Carbon Fund;
77. “**Trustee of the Readiness Fund**” means the Bank acting not in its individual or personal capacity but solely in its capacity as trustee of the Readiness Fund;
78. “**UNCITRAL**” means the United Nations Commission on International Trade Law;
79. “**UNFCCC**” means the United Nations Framework Convention on Climate Change adopted in New York on May 9, 1992;
80. “**UNFCCC Guidance on REDD**” means the body of rules, modalities, procedures and guidelines on REDD that is adopted under the auspices of the UNFCCC;
81. “**Verification**” means the periodic ex post assessment by an Independent Third Party, in relation to:
 - (i) The monitored Emission Reductions arising from an Emission Reductions Program during a specific period;
 - (ii) The Additional Benefits identified in the Emission Reductions Purchase Agreement or any other agreement that were achieved during a specific period in accordance with the terms of the relevant agreement;
82. “**World Bank**” or “**Bank**” means the International Bank for Reconstruction and Development;
83. “**World Bank Group**” means the International Bank for Reconstruction and Development, the International Finance Corporation, the International Development Association and the Multilateral Investment Guarantee Agency;
84. “**World Bank’s Operational Policies and Procedures**” means the operational policies and procedures of the Bank that are applicable to the operation of the Facility;
85. “**World Bank Policy on Disclosure of Information**” means the policy of the World Bank on public availability of information held by it and the material available to the public, effective January 1, 2002, as may be amended from time to time;
86. “**World Bank’ Standard Conditions for Grants Made by the World Bank Out of Various Funds**” means standard terms and conditions, dated July 20, 2006, applying to the Bank’s grant agreements under the Bank’s trust funds, as may be amended from time to time.

Section 1.2 Interpretation

- (a) In this Charter, unless the context requires another meaning, a reference:
 - (i) To the singular includes the plural and vice versa, and to a gender includes all genders;
 - (ii) To a law includes any legislation, judgment or rule of law and is a reference to that law as amended, consolidated, supplemented or replaced, and includes a reference to any regulation, by-law or other subordinate legislation; and
 - (iii) To a party means a party to this Instrument, and to an item, clause, schedule, section or annexure is to an item, clause, schedule, section or annexure of this Instrument (unless specified otherwise).
- (b) Where a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (c) Headings are for convenience only and do not affect the interpretation of this Charter.
- (d) The Annex forms part of this Charter.

CHAPTER II

ESTABLISHMENT, OBJECTIVES AND PRINCIPLES

Article 2. Establishment and Objectives

Section 2.1 Objectives

Forest Carbon Partnership Facility is hereby established in accordance with the terms and conditions of this Charter. The objectives of the Facility are:

- (a) To assist Eligible REDD Countries in their efforts to achieve Emission Reductions from deforestation and/or forest degradation by providing them with financial and technical assistance in building their capacity to benefit from possible future systems of positive incentives for REDD;
- (b) To pilot a performance-based payment system for Emission Reductions generated from REDD activities, with a view to ensuing equitable sharing and promoting future large scale positive incentives for REDD;
- (c) Within the approach to REDD, to test ways to sustain or enhance livelihoods of local communities and to conserve biodiversity; and
- (d) To disseminate broadly the knowledge gained in the development of the Facility and implementation of Readiness Plans and Emission Reductions Programs.

Section 2.2 Funds under the Facility

The Facility shall comprise the following two funds to achieve the objectives described in Section 2.1:

- (a) A Readiness Fund; and
- (b) A Carbon Fund.

Article 3 Principles

Section 3.1 Operating Principles

The operation of the Facility, including implementation of activities under Grant Agreements and Emission Reductions Programs, shall:

- (a) Respect a REDD Participant Country's sovereign right and responsibility to manage its own natural resources while encouraging effective monitoring and implementation of the Readiness Plan and Emission Reductions Programs;
- (b) Recognizing the pilot nature of the Facility, follow a "learning by doing" approach;

- (c) Seek to ensure consistency with the UNFCCC Guidance on REDD;
- (d) Comply with the World Bank's Operational Policies and Procedures, taking into account the need for effective participation of Forest-Dependent Indigenous Peoples and Forest Dwellers in decisions that may affect them, respecting their rights under national law and applicable international obligations;
- (e) Build public and private partnerships for REDD among Participants and Relevant International Organizations, Relevant Non-governmental Organizations, Forest-Dependent Indigenous Peoples and Forest Dwellers, and Relevant Private Sector Entities; and
- (f) Maximize synergies with other bilateral and multilateral programs on REDD.

CHAPTER III

ORGANIZATION

Article 4 Organization and Dates

Section 4.1 Dates for the Readiness Fund

The Trustee of the Readiness Fund shall determine:

- (a) An Opening Date of the Readiness Fund being the date on which the Trustee of the Readiness Fund commences entering into Donor Participation Agreements; and
- (b) An Operational Date for the Readiness Fund being the date on which the Trustee of the Readiness Fund has signed Donor Participation Agreements, representing a sum of at least US\$20 million.

Section 4.2 Organization and Dates for the Carbon Fund

(a) The Trustee of the Carbon Fund shall determine:

- (a) An Opening Date for the Carbon Fund being the date on which the Trustee of the Carbon Fund commences entering into Carbon Fund Participation Agreements;
- (b) An Operational Date for the Carbon Fund being the date on which the Trustee of the Carbon Fund has signed Carbon Fund Participation Agreements, representing a sum of at least US\$40 million; and
- (c) A Closing Date for the Carbon Fund being the last date on which the Trustee enters into Carbon Fund Participation Agreements.

(b) The Trustee of the Carbon Fund may decide to organize the Carbon Fund in one or more Tranches, in which case each Tranche shall operate as a separate trust fund. The Trustee of the Carbon Fund shall, in consultation with the Participants Committee, define, *inter alia*, the purpose, establishment and terms of participation for each Tranche.

Section 4.3 Dates for the Facility

The Facility shall become operational upon the Operational Date of the Readiness Fund.

CHAPTER IV

PARTICIPATION

Article 5 Participants

Section 5.1 Types of Participants

The Facility shall include the following Participants:

- (a) REDD Country Participants;
- (b) Donor Participants; and
- (c) Carbon Fund Participants.

Article 6 REDD Country Participants

Section 6.1 Eligible REDD Countries

An Eligible REDD Country may participate in the Facility through the process set out in Section 6.2 below.

Section 6.2 Process for becoming a REDD Country Participant

- (a) An Eligible REDD Country may submit a Readiness Plan Idea Note to the Facility Management Team to apply for participation in the Facility.
- (b) Except for the Interim Period set out in Article 15, an Eligible REDD Country, upon approval of its Readiness Plan Idea Note by the Participants Committee, shall enter into a REDD Country Participation Agreement with the Trustee of the Readiness Fund to become a REDD Country Participant.
- (c) Following effectiveness of a REDD Country Participation Agreement, the Trustee of the Readiness Fund may, if the Trustee so decides, enter into one or more Grant Agreements related to the development and implementation of the Readiness Plan with the REDD Country Participant.

Section 6.3 Development and Implementation of Readiness Plan

- (a) A REDD Country Participant shall, on the basis of the Readiness Plan Idea Note, develop a Readiness Plan and submit it to the Facility Management Team for review and approval by the Participants Committee.

- (b) A REDD Country Participant shall report to the Participants Committee on the progress made with respect to implementation of the Readiness Plan in accordance with the timeframe and requirements set forth in the Grant Agreement or the REDD Country Participation Agreement, as the case may be.
- (c) At any time, a REDD Country Participant may request the Facility Management Team to assist it in developing and implementing the Readiness Plan. Upon such request and subject to the World Bank Operational Policies and Procedures, the Facility Management Team may make an arrangement to provide necessary assistance to that REDD Country Participant.

Section 6.4 Readiness Package, Emission Reductions Program and Emission Reductions Payment Agreement

- (a) A REDD Country Participant, based on progress in implementing its Readiness Plan, may submit its Readiness Package to the Facility Management Team and request the Participants Committee to endorse it.
- (b) The REDD Country Participants whose Readiness Package has been endorsed by the Participants Committee may submit one or more Emission Reductions Programs to the Facility Management Team for consideration by the Carbon Fund Participants in accordance with Article 12. A public or private entity from such a REDD Country Participant may also submit an Emission Reductions Program provided that such entity is approved by the REDD Country Participant.
- (c) If the Emission Reductions Program is selected by the Carbon Fund Participants in accordance with Article 12 and an agreement is reached between the Carbon Fund Participants and the REDD Country Participant with regard to terms and conditions of the transaction, the Trustee of the Carbon Fund, subject to the World Bank's Operational Policies and Procedures, may enter into an Emission Reductions Payment Agreement with the REDD Country Participant or any public or private entity approved by this REDD Country Participant .

Section 6.5 Default in Implementation

- (a) In addition to anything provided for in the World Bank's Standard Conditions for Grants Made by the World Bank Out of Various Funds, which shall be applicable to the Grant Agreement, if a REDD Country Participant ("**Defaulting REDD Country Participant**"),
 - (i) Fails to develop a Readiness Plan in accordance with Section 6.3 within twenty-four (24) months after the date of execution of the REDD Country Participation Agreement; or
 - (ii) Fails to fulfill the obligations set out in the Grant Agreement for the implementation of the Readiness Plan,

Unless the Participants Committee decides otherwise in accordance with Section 11.1 (n), the Defaulting REDD Country Participant will lose all of its rights and privileges rendered in this Charter and its REDD Participation Agreement, including its eligibility to become a member of the Participants Committee, until such time as the default has been remedied to the satisfaction of the Participants Committee and the Trustee of the Readiness Fund. In the case that the Defaulting REDD Country Participant is a member of the Participants Committee, it shall be replaced by another REDD Country Participant nominated by its Constituency.

Section 6.6 Withdrawal

- (a) A REDD Country Participant may, at any time, withdraw its participation in the Facility, provided at least three (3) months prior written notice is given to the Facility Management Team.
- (b) Upon the withdrawal referred to in subparagraph (a) above, the REDD Country Participation Agreement and the right of the REDD Country Participant in the relevant Grant Agreement to receive the grant that has not been disbursed shall be terminated.
- (c) For the avoidance of doubt, the withdrawal shall not, in any manner, affect effectiveness, implementation and enforcement of the Emission Reductions Payment Agreement entered into between the REDD Country Participant and the Trustee of the Carbon Fund referred to in Section 6.4(c), which shall survive the REDD Country Participant's withdrawal of its participation in the Facility.

Article 7 Donor Participants

Section 7.1 Participation and Contribution

- (a) An Eligible Donor may participate in the Readiness Fund through entering into a Donor Participation Agreement.
- (b) Each Donor Participant will be required to make a Minimum Contribution of US\$5 million to the Readiness Fund.
- (c) A Donor Participant may elect to increase its Contribution payable under Section 7.2 by making one or more Additional Contributions to the Readiness Fund at any time during the operation of the Readiness Fund, provided that the Additional Contributions are made in increments of US\$1,000,000.

Section 7.2 Payment of Contribution

Each Donor Participant shall pay its Contribution to the Readiness Fund in accordance with the terms of the Donor Participation Agreement.

Section 7.3 Default in Making Payment

- (a) If, after Demand of Payment issued by the Trustee of the Readiness Fund, a Donor Participant (the “**Defaulting Donor Participant**”):
- (i) Fails to pay the whole or any part of an installment of its Contribution when due; and
 - (ii) Such failure continues for one (1) month,
- the Trustee of the Readiness Fund shall notify the Participants Committee of such default (“**Notification**”) and request the Defaulting Donor Participant to submit a written communication to the Facility Management Unit, stating the reasons for the default and the measures being taken to address it.
- (b) Unless the Participants Committee decides otherwise, if the default in making payment by a Donor Participant continues for three (3) consecutive months after the Notification, the Defaulting Donor Participant will lose all of its rights and privileges rendered in this Charter and its Donor Participation Agreement, including its eligibility to become a member of the Participants Committee, until such time as the default has been remedied. If the Defaulting Donor Participant is a member of the Participants Committee at the time the default in payment occurs, it shall be replaced by another Donor Participant elected by its Constituency.
- (c) If such default continues for six (6) consecutive months after the Notification, the Donor Participant shall cease to be a Participant in the Facility and its Donor Participation Agreement shall terminate.

Section 7.4 Withdrawal

- (a) A Donor Participant may, at any time, withdraw its participation in the Facility provided at least three (3) months prior written notice is given to the Facility Management Team.
- (b) Upon such withdrawal referred to in subparagraph (a) above, the Donor Participation Agreement shall terminate on the conditions set forth in the Donor Participation Agreement.

Article 8 Carbon Fund Participants

Section 8.1 Participation and Contribution

- (a) An Eligible Prospective Carbon Fund Participant may participate in the Facility through entering into a Carbon Fund Participation Agreement to make a Contribution to the Carbon Fund.

- (b) The Minimum Contribution of the Carbon Fund is US\$5 million. If the Trustee of the Carbon Fund opens a Tranche in accordance with Section 4.2 (b), the Trustee of the Carbon Fund will determine the Minimum Contribution for that Tranche.
- (c) A Carbon Fund Participant may elect to increase its Contribution to the Carbon Fund by making Additional Contributions to the Carbon Fund up to the Closing Date of the Carbon Fund, provided that the Additional Contributions must be made in increments of US\$1,000,000.

Section 8.2 Payment of Contribution

Each Carbon Fund Participant shall pay its Contribution to the Carbon Fund in accordance with the terms of the Carbon Fund Participation Agreement.

Section 8.3 Disclosure of Competing Interests

- (a) Prior to the meetings of the Carbon Fund Participants to review the relevant Emission Reductions Program (“**Underlying Emission Reductions Program**”), if a Carbon Fund Participant or its affiliate or employee is directly involved in preparing and/or implementing the Readiness Plan or the Readiness Package of the REDD Country Participant whose Underlying Emission Reductions Program is under consideration by the Carbon Fund Participants, this Carbon Fund Participant shall disclose such involvement to the Facility Management Team.
- (b) If the Facility Management Team determines that the involvement is such that the Carbon Fund Participant should not participate in the decision by the Carbon Fund Participants on whether or not to object to the Emission Reductions Program, it shall advise the relevant Carbon Fund Participant making the disclosure to recuse itself from the decision by Carbon Fund Participants with respect to the Underlying Emission Reductions Program.
- (c) The Facility Management Team may further develop guidelines on process and procedure on conflict of interest in accordance with Section 14.1(g).

Section 8.4 Default in Making Payment

- (a) If, after Demand of Payment issued by the Trustee of the Carbon Fund, a Carbon Fund Participant (“**Defaulting Carbon Fund Participant**”)
 - (i) Fails to pay the whole or any part of an installment of its Contribution when due; and
 - (ii) Such failure continues for ten (10) Business Days,

The Trustee of the Carbon Fund shall notify the Participants Committee immediately and shall send a notice (“**Notice**”) in writing to the Defaulting Carbon Fund Participant, requiring such Participant to remedy the default by making payment to the Trustee of the Carbon Fund within 15 Business Days of the date of the Notice, failing which (“**Default**”):

- (i) The Defaulting Carbon Fund Participant shall forthwith cease to be a Carbon Fund Participant in the Carbon Fund unless the Participants Committee decides otherwise; and
 - (ii) Subject to subparagraph (e) below, the rights of the Defaulting Carbon Fund Participant in relation to the Facility shall be limited to those Emission Reductions for which it has made payment but has not received before occurrence of the Default.
- (b) The Trustee of the Carbon Fund shall notify other Carbon Fund Participants of the Default within five (5) Business Days upon occurrence of the Default. Between thirty (30) to forty-five (45) Business Days following such notice, any of the other Carbon Fund Participants may notify the Trustee of the Carbon Fund that it intends to purchase the Defaulting Carbon Fund Participant’s interest in the Carbon Fund, for which it shall make payment to the Trustee of Carbon Fund the amount of the unpaid installment due to the Trustee of the Carbon Fund from the Defaulting Carbon Fund Participant and increase its Contribution to the Carbon Fund to cover the remaining amount of the Contribution of the Defaulting Carbon Fund Participant, for which the Trustee of the Carbon Fund has not drawn against the promissory note in accordance with Section 8.2.
- (c) If more than one Carbon Fund Participant notifies the Trustee of the Carbon Fund of the intention to purchase the Defaulting Carbon Fund Participant’s interest in the Carbon Fund, the Trustee of the Carbon Fund shall allocate the Defaulting Carbon Fund Participant’s interest to these Carbon Fund Participants pro rata to their Contribution to the Carbon Fund, or any other arrangement that may be agreed between and among the Trustee of the Carbon Fund and those interested Carbon Fund Participants. Those Carbon Fund Participants shall then make payments in accordance with subparagraph (b) above.
- (d) If no Carbon Fund Participant notifies the Trustee of the Carbon Fund of such purchase, the Trustee of the Carbon Fund may arrange for a private sale of that interest to a person acceptable to the Trustee of the Carbon Fund. Any costs incurred by the Trustee of the Carbon Fund associated with arranging the sale or transfer of the Defaulting Carbon Fund Participant’s share shall be born by the Defaulting Carbon Fund Participant.
- (e) If there is no sale of a Defaulting Carbon Fund Participant’s interest in the Carbon Fund within three (3) months of the date of the Notice, the Defaulting Carbon Fund Participant shall thereupon, without any further notice or action by the Trustee, be

deemed to have forfeited all of its rights and interest in the Carbon Fund and the Facility, including, without limitation, the right to receive Emission Reductions for which it has made payment but has not received before occurrence of the Default, and the right to receive distribution of the Carbon Fund Property, which it is, or would otherwise be, entitled to receive, and such rights and interest shall thereupon, without any further notice or action by the Trustee of the Carbon Fund, be cancelled.

Section 8.5 No Withdrawal

Contributions by Carbon Fund Participants to the Carbon Fund are irrevocable.

Section 8.6 Novation

A Participant may novate all, but not part, of its interest in the Carbon Fund or any of its rights under the Carbon Fund Participation Agreement or this Charter to an Eligible Prospective Carbon Fund Participant (“**New Party**”) with the prior written consent of the Trustee of the Carbon Fund, such consent not to be unreasonably withheld, provided that the New Party agrees, in form and substance acceptable to the Trustee of the Carbon Fund, to be bound by:

- (a) The terms of this Charter; and
- (b) The Carbon Fund Participation Agreement entered into between the Trustee of the Carbon Fund and the New Party.

CHAPTER V

GOVERNANCE STRUCTURE

Article 9 Structure

Section 9.1 Structure

The Facility shall have:

- (a) A Participants Assembly;
- (b) A Participants Committee;
- (c) Subject to Section 12.1, a Carbon Fund Participants Committee;
- (d) One or more Ad Hoc Technical Advisory Panels;
- (e) A Facility Management Team; and
- (f) A Trustee of the Readiness Fund and a Trustee of the Carbon Fund.

Article 10 Participants Assembly

Section 10.1 Frequency of Meetings and Participation

- (a) An Annual Meeting of the Participants Assembly shall be held each year at a time and place as shall be determined by the Facility Management Team.
- (b) The Eligible REDD Countries, Eligible Donors and Eligible Prospective Carbon Fund Participants, which have expressed interest in participating in the Facility, and representatives of Relevant International Organizations, Relevant Non-governmental Organizations, Forest-Dependent Indigenous Peoples and Forest Dwellers and Relevant Private Sector Entities, may be invited by the Facility Management Team to attend Annual Meetings as observers.
- (c) The Vice President of Sustainable Development Network of the Bank or his or her representative shall chair Annual Meetings of the Participants Assembly.

Section 10.2 Role of the Participants Assembly

- (a) The Participants Assembly:
 - (i) Shall provide general guidance to the Participants Committee. For this purpose, the Chairperson of the Participants Committee shall report to the Participants

Assembly at each Annual Meeting on the decisions made by the Participants Committee and, where appropriate, other issues discussed by the Participants Committee;

- (ii) May review specific decisions made by the Participants Committee with respect to the items referred to:
 - A. Section 11.1(f) on pricing methodologies for Emission Reductions Payment Agreements;
 - B. Section 11.1(j) on the General Conditions of the Emission Reductions Payment Agreements;
 - C. Section 11.1(k) on the guidelines on Additional Benefits;
 - D. Section 11.1(l) on evaluation of operation of the Facility.

In its review, the Participants Assembly may overturn the decisions made by the Participants Committee with respect to items specified in subparagraphs A to D above by at least two-thirds majority of REDD Country Participants and two-thirds majority of collectively, the Donor Participants and Carbon Fund Participants, present and voting at the meeting. In the event of such overturn, the Participants Committee shall reconsider its decisions at its next meeting.

- (iii) Shall serve as a forum for exchanging information and sharing knowledge among Participants and observers.
- (b) In addition to paragraph (a) above, at the Annual Meeting each Constituency may hold its own or joint Constituency Meeting to discuss matters identified by the relevant Constituency and elect their representatives to the Participants Committee in accordance with the following:
 - (i) REDD Country Participants shall elect their representatives as members of the Participants Committee and shall determine their own criteria and mechanism for such elections;
 - (ii) Donor Participants and Carbon Fund Participants shall jointly elect their representatives as members of the Participants Committee and shall jointly determine their own criteria and mechanism for such elections, taking into account the amount of the Contribution to the Readiness Fund or the Carbon Fund by such individual Participant.
 - (c) In the absence of the Carbon Fund Participants Committee referred to in Article 12.1, the Constituency Meeting for the Carbon Fund Participants shall perform the functions set out in Section 12.1.

Section 10.3 Organizational Meeting

- (a) Within four (4) months after the Facility has at least three (3) REDD Country Participants and together three (3) Donor Participants and Carbon Fund Participants, the Facility Management Team shall convene an Organizational Meeting of the Participants.
- (b) The date, time and place of the Organizational Meeting shall be determined by the Facility Management Team.
- (c) The Organizational Meeting shall have the same role as the Annual Meeting set out in Section 10.2 above.

Section 10.4 Quorum

A majority of the REDD Country Participants and a majority of Donor Participants and Carbon Fund Participants, collectively, shall constitute a quorum for the meetings of the Participants Assembly.

Article 11 Participants Committee

Section 11.1 Role of the Participants Committee

The Participants Committee shall be responsible for:

- (a) Selecting, in accordance with the Criteria for Selection of the REDD Participant Countries set out in the Annex to this Charter and taking into account the recommendations by the Ad Hoc Technical Advisory Panel, an Eligible REDD Country to participate in the Facility by approving the Readiness Plan Idea Note proposed by such Eligible REDD Country;
- (b) Taking into account the findings and recommendations of the Ad Hoc Technical Advisory Panel that may be established for this purpose in accordance with Article 13, approving the Readiness Plan submitted by a REDD Country Participant, and assessing progress made in the implementation of the Readiness Plan;
- (c) Where necessary, reviewing the Criteria for Budget Allocation for Preparing and Implementing a Readiness Plan approved by the Steering Committee in accordance with Section 15(b);
- (d) Approving, in accordance with the Criteria for Budget Allocation for Preparing and Implementing a Readiness Plan, the budget allocation proposed by the Facility Management Team for a REDD Country Participant to develop and implement a Readiness Plan;

- (e) Upon request by a REDD Country Participant, taking into account the recommendations of the Ad Hoc Technical Advisory Panel that may be established for this purpose in accordance with Article 13, endorsing some or all elements of the REDD Country Participant's Readiness Package;
- (f) Adopting policy guidance on pricing methodologies for Emission Reductions Payment Agreements pursuant to Section 3.1(b);
- (g) In the absence of relevant UNFCCC Guidance on REDD, advising on modalities for determining how to attribute Emission Reductions generated from REDD activities to the provision of REDD incentives;
- (h) In the absence of relevant UNFCCC Guidance on REDD, establishing a list of Independent Third Parties to deliver services related to Emission Reductions Programs and/or other activities undertaken under the Facility;
- (i) On the basis of the recommendations from the Facility Management Team, providing guiding principles on the key methodological framework on REDD;
- (j) Approving the General Conditions of the Emission Reductions Payment Agreements, which set out general rights and obligations of the parties to the agreement;
- (k) On the basis of recommendations from an Ad Hoc Technical Advisory Panel that may be established for this purpose, adopting guidelines on achieving Additional Benefits;
- (l) Evaluating the operation of the Facility in accordance with Section 17.1;
- (m) Approving the establishment of Ad Hoc Technical Advisory Panel(s), to provide technical advice and findings in order to fulfill its functions set out in this Section, including, without limitation, subparagraphs (b) and (d) above;
- (n) Addressing defaults referred to in Sections 6.5, 7.3 and 8.4;
- (o) Approving the Annual Budget of the Readiness Fund and the Shared Costs;
- (p) Reporting to the Participants Assembly at each Annual Meeting on the decisions made by the Participants Committee and, where appropriate, other issues discussed by the Participants Committee; and
- (q) Performing any other functions necessary to facilitate operation of the Facility.

Section 11.2 Membership of the Participants Committee

- (a) Subject to Section 11.2 (b) below, the Participants Committee shall consist of twenty (20) members, among which:

- (i) Ten (10) members shall be from REDD Country Participants; and
 - (ii) Ten (10) members shall be collectively from Donor Participants and Carbon Fund Participants, among which the Donor Participants and the Carbon Fund Participants shall collectively determine the number of the members allocated to either group for each term, taking into account the objective of having equal representation of both groups in the Participants Committee.
- (b) If there are fewer than ten (10) REDD Country Participants and ten (10) Donor Participants and Carbon Fund Participants together but there are at least three (3) REDD Country Participants and together three (3) Donor Participants and Carbon Fund Participants, the Participants Committee shall comprise all the Participants, provided that there shall be an equal number of members from REDD Country Participants and from Donor Participants and Carbon Fund Participants together.
- (c) The members of the Participants Committee shall be elected by the respective Constituency:
 - (i) For the first Participants Committee, at the Organizational Meeting in accordance with Section 10.3; and
 - (ii) Subsequently, at each Annual Meeting of the Participants Assembly in accordance with Section 10.2(b).
- (d) Elected members of the Participants Committee shall regularly consult with their Constituencies to ensure that the views of the relevant Participants are represented at the meetings of the Participants Committee.
- (e) Elected members of the Participants Committee shall be officers, directors, employees or officials of Participants, provided that not more than one member shall be a representative of the same Participant. Elected members of the Participants Committee who cease to be officers, directors, employees or officials of the Participant which nominated them will no longer be eligible for membership of the Participants Committee and will be replaced in accordance with subparagraph (f) below;
- (f) With the exception of the members of the first Participants Committee elected at the Organizational Meeting whose term will expire at the end of the second Annual Meeting following the Organizational Meeting, membership of each Participants Committee will run from the first date after the end of the Annual Meeting at which they were elected, until the following Annual Meeting, unless the member otherwise retires, resigns or is removed in accordance with subparagraph (g) below;
- (g) Following the retirement, resignation or removal of a member of a Participants Committee, the Participant which nominated that member may appoint another of its officers, directors, employees or officials to fill that vacancy in the relevant

Participants Committee. A member appointed to fill a vacancy on a Participants Committee shall be appointed for the unexpired term of the member's predecessor in office.

- (h) At any time, any member of a Participants Committee may be removed by the Participant for which such member is a representative and replaced with another representative of that Participant for the unexpired term of the member's predecessor in office.
- (i) Unless the Participants Committee decides otherwise, the Vice President of Sustainable Development Network of the Bank or his or her representative shall chair the meetings of the Participants Committee.

Section 11.3 Meetings of the Participants Committee

- (a) The Participants Committee shall meet, at least twice a year, or at any other frequency as may be deemed necessary by the Participants Committee, provided at least 14 days' written notice by the chairperson of the Participants Committee or the Facility Management Team is given to each member of that Participants Committee and observers to the Participants Committee, stating matters to be considered and the place, date and time of the meeting.
- (b) Members of a Participants Committee may participate in that Participants Committee meeting :
 - (i) In person;
 - (ii) By telephone or other communications facilities as permit all members participating in the meeting to hear each other; or
 - (iii) By other electronic means;and a member of a Participants Committee participating by such means set out in subparagraphs (ii) and (iii) above shall be deemed for the purposes of this Charter to be present at that meeting.
- (c) With the exception of the case referred to in subparagraph (d) below, no member of any of the Participants Committees shall receive any compensation from the Facility for its services as such, nor shall any member of any of the Participants Committees be entitled to payment or reimbursement from the Facility or the Facility Management Team for travel or other costs incurred in attending Participants Committee meetings.
- (d) For the members of the Participants Committee who are from a REDD Country Participant, funding from the Readiness Fund may be made available for covering the expenses of such members' travel and accommodation incurred in attending the meetings of the Participants Committee. Such expenses shall be reimbursed in

accordance with the World Bank's policies for travel. Similar arrangements may be made for the observer from the Forest-dependent Indigenous Peoples and other Forest Dwellers referred to in Section 11.7 (b).

Section 11.4 Voting

- (a) Each member of the Participants Committee shall be entitled to cast one vote.
- (b) The members of the Participants Committee shall make every effort to make decisions on consensus. If all efforts to reach consensus have been exhausted, and no decision has been made, decisions shall be taken by two-thirds majority of the members present and voting at the meeting.

Section 11.5 Quorum

A majority of the members of the Participants Committee from REDD Country Participants and a majority of the members of the Participants Committee from Donor Participants and Carbon Fund Participants together shall constitute a quorum for the meetings of the Participants Committee.

Section 11.6 Conflict of Interest

- (a) If a member of the Participants Committee who is a Donor Participant or a Carbon Fund Participant or that member's affiliate or employee, is directly involved in preparation and implementation of the Readiness Plan and/or the Readiness Package (together "**REDD Activities**") of the REDD Country Participant whose application or REDD Activities are under consideration by the Participants Committee, such member of the Participants Committee shall disclose such involvement to the Facility Management Team and the Participants Committee.
- (b) If the Participants Committee determines the existence of conflict of interest due to the involvement referred to subparagraph (a) above, such member of the Participants Committee shall recuse himself or herself from participating in any decision related to this Country's REDD Activities.
- (c) A member of the Participants Committee from a REDD Country Participant shall recuse himself or herself from taking part in any decisions related to that country's activities undertaken pursuant to relevant provisions of this Charter, including, without limitation, matters related to its Readiness Plan and budget allocation referred to in Section 11.1(b) and (c) and endorsement of some or all elements of its Readiness Package referred to in Section 11.1(d).
- (d) The Facility Management Team may further develop guidelines on the process and procedures on conflict of interest for considerations by the Participants Committee in accordance with Section 14.1(g).

Section 11.7 Observers to the Participants Committee

- (a) Participants that are not members of the Participants Committee may attend the meetings of the Participants Committee as observers.
- (b) One representative from Relevant International Organizations, one representative from Relevant Non-Governmental Organizations, one representative from Forest-Dependent Indigenous Peoples and Forest Dwellers and one representative from Relevant Private Sector Entities will be invited to attend the meetings of the Participants Committee as observers without voting rights to any decision by the Participants Committee.
- (c) The respective groups of Relevant International Organizations, Relevant Non-Governmental Organizations, Forest-Dependent Indigenous Peoples and Forest Dwellers and Relevant Private Sector Entities will determine, on the basis of the proposal from the Facility Management Team, as appropriate, a process for selecting their representatives for participating as observers in the meetings of the Participants Committee.
- (d) Subject to the rules of procedures referred to in Section 11.8, the observers to the Participants Committee may express their views on issues under discussion but without voting rights to any decision by the Participants Committee.

Section 11.8 Rules of Procedures

The Facility Management Team shall prepare rules of procedures for meetings of the Participants Committee setting out *inter alia* meeting arrangement and participation by observers to the meetings of the Participants Committee, for consideration and adoption by the Participants Committee.

Article 12 Carbon Fund Participants Committee

Section 12.1 Role of Carbon Fund Participants Committee

The Trustee of the Carbon Fund may, where necessary, establish a Carbon Fund Participants Committee to be responsible for:

- (a) Reviewing Emission Reductions Programs for the Carbon Fund prepared by REDD Country Participants or their authorized entities and submitted by the Facility Management Team, with the assistance of an Ad Hoc Technical Advisory Panel as deemed necessary by the Carbon Fund Participants Committee or the Constituency Meeting of the Carbon Fund Participants, as the case may be;
- (b) Selecting one or more Emission Reductions Programs for the Carbon Fund from a REDD Country Participant whose Readiness Package has been approved by the Participants Committee;

- (c) Providing guidance to the Trustee of the Carbon Fund on issues relating to specific Emission Reductions Payment Agreements for the Carbon Fund;
- (d) Approving business plans and Annual Budgets for the Carbon Fund proposed by the Facility Management Team; and
- (e) Any other functions necessary to facilitate the operation of the Carbon Fund.

Section 12.2 Constituency Meeting of the Carbon Fund Participants

In the absence of the Carbon Fund Participants Committee, the Constituency Meetings of the Carbon Fund Participants referred to in Section 10.2 (c) shall serve as forum to perform the functions set out in Section 12.1. Without prejudice to Section 10.2 (b) (iii), the Carbon Fund Participants shall make every effort to reach decisions by consensus on matters related to the Carbon Fund. If all efforts at consensus have been exhausted, and no agreement has been reached, decisions shall be taken by a simple majority of the Carbon Fund Participants present and voting at the meeting. The number of votes shall be allocated on the basis of one vote per US\$1,000,000 of the Contribution.

Section 12.3 Rules and Procedures for the Carbon Fund Participants Committee

The Trustee of the Carbon Fund shall develop rules and procedures for the meetings of the Carbon Fund Participants Committee if such committee is established in accordance with Section 12.1 (a). Such rules and procedures shall be adopted by consensus of the Carbon Fund Participants.

Section 12.4 Carbon Fund Participants Committee in a Tranche

If the Trustee opens a Tranche in accordance with Section 4.2(b), the Trustee of the Carbon Fund may, where necessary, establish a Carbon Fund Participants Committee in that Tranche to perform functions set out Section 12.1(a).

Article 13 Ad Hoc Technical Advisory Panels

- (a) One or more Ad Hoc Technical Advisory Panels may be established by various bodies under the Facility including the Participants Committee, the Carbon Fund Participants Committee or the Facility Management Team, for the purpose of providing technical advice and information to these bodies; and
- (b) Each Ad Hoc Technical Advisory Panel shall be independent, impartial and proportionate to the tasks being undertaken. The Facility Management Team shall establish a roster of experts and propose members of an Ad Hoc Technical Advisory Panel, and their terms of reference for consideration and approval by the body that establishes the panel in accordance with subparagraph (a) above.

Article 14 Administration

Section 14.1 Facility Management Team

A Facility Management Team under the Facility is hereby established by the Bank to be responsible for the day-to-day operation of the Facility and the size of the Facility Management Team shall be proportionate to its functions, which shall include:

- (a) Conducting the initial review of Readiness Plan Idea Notes submitted by Eligible REDD Countries. Such initial review will be focused on completeness and accuracy of the information;
- (b) Proposing Criteria for Budget Allocation for Preparing and Implementing the Readiness Plan and the budget for a REDD Participant Country in preparing and implementing the Grant Agreements;
- (c) Upon request by a REDD Country Participant referred to in Section 6.3(d), making arrangements for assisting the REDD Participant Country to prepare and implement its Readiness Plan;
- (d) Supervising implementation of the Grant Agreements and Emission Reductions Payment Agreements;
- (e) Conducting the initial review of Emission Reductions Programs submitted by REDD Country Participants. Such initial review will be focused on completeness and accuracy of the information. Once deemed complete, the Emission Reductions Programs would be submitted by the Facility Management Team for consideration by the relevant Carbon Fund Participants in accordance with Section 12.1(a);
- (f) Proposing members and terms of reference for Ad Hoc Technical Advisory Panels;
- (g) Developing, as appropriate, guidelines on conflict of interest referred to in Section 8.3 and Section 11.6 for consideration and adoption by the Participants Committee;
- (h) Providing secretariat service to the meetings held under the Facility;
- (i) Monitoring provision of Ex Ante Assessment and Verification services for Emission Reductions Programs;
- (j) Coordinating with relevant international bodies to ensure effective operation of the Facility;

- (k) Seeking to ensure the Facility's operation in compliance with the relevant World Bank Group' Operational Policies and Procedures;
- (l) Providing reports on the activities of the Facility to the Board of Executive Directors of the Bank and to the Participants;
- (m) Collecting, organizing, managing and disseminating the knowledge and information gained through operation of the Facility;
- (n) Proposing Annual Budget for the Readiness Fund, Annual Budget for the Carbon Fund and the Shared Costs;
- (o) Arranging for appropriate independent evaluation of the Facility in accordance with Article 17; and
- (p) Any other function that may be deemed necessary for facilitating operation of the Facility.

Section 14.2 Trustee of the Readiness Fund and Trustee of the Carbon Fund

- (a) The Bank shall be the Trustee of the Readiness Fund and the Trustee of the Carbon Fund.
- (b) The Trustee of the Readiness Fund and the Trustee of the Carbon Fund shall have the following powers and duties. The powers and duties of the Trustee of the Readiness Fund and the Trustee of the Carbon Fund shall be subject to this Charter, the Participation Agreements and the relevant World Bank's Operational Policies and Procedures. For the purpose of this Section, any reference to the "Trustee", "Fund" or "Fund Property" refers to each or both of the Readiness Fund and the Carbon Fund, as the case may be:
 - (i) The Trustee shall hold the Fund Property in trust and manage and use the Fund Property for the purpose of, and in accordance with this Charter;
 - (ii) The Contributions to the Funds shall be administered by the Trustee on behalf of Donor Participants and Carbon Fund Participants in accordance with the terms of the Charter, the relevant Donor Participation Agreement and the Carbon Fund Participation Agreement (together as "**Agreements**"). The Trustee shall be responsible only for performing those functions specifically set forth in the Agreements and shall not be subject to any other duties or responsibilities to the Donor Participant or the Carbon Fund Participant, 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 Trustee under the Articles of Agreement of the Bank or any applicable law, all of which are expressly reserved.

- (iii) The Trustee shall keep the Fund Property separate and apart from the assets of the World Bank Group but may commingle it for investment purposes with other trust fund assets maintained by the World Bank Group. At its discretion, the Trustee may at any time exchange any funds received from a Participant or any other Fund Property for one or more other currencies in order to facilitate the administration of the Fund;
- (v) The Trustee is authorized to enter into relevant Participation Agreements, which in the case of the Readiness Fund, refers to the REDD Country Participation Agreements and Donor Participation Agreements, and in the case of the Carbon Fund, refers to Carbon Fund Participation Agreements. Participation Agreements shall be in form and substance satisfactory to the Trustee. The Trustee shall not be authorized to recognize more than one person joining together as a joint Participant;
- (vi) The Trustee is authorized to accept Contributions in the required amount from Donor Participants in the case of the Readiness Fund and Carbon Fund Participants in the case of the Carbon Fund. The Trustee shall use the Contributions and income earned from the investment of such Contributions pending disbursement solely for the purposes set out in this Charter;
- (vii) The Trustee is authorized to perform all acts and enter into all contracts as it shall deem necessary or desirable to accomplish the purposes of the Fund;
- (viii) The Trustee is authorized to invest Fund Property pending disbursement in such manner as it may decide. All the income from such investments shall be credited to, and used exclusively for the purposes of, the Fund. Any investment loss shall be debited to the Fund Property. Without limiting the foregoing, the Trustee shall have the power to invest Fund Property in such securities, instruments and other obligations as are authorized investments for other trust fund assets maintained by the World Bank Group or retain Fund assets in cash; from time to time to change the investments of the assets of the Fund; and to exercise any and all rights, powers and privileges of ownership or interest in respect of any and all such investments of any kind and description, including, without limitation, the right to consent and otherwise act with respect thereto, with power to designate one or more individuals, firms, associations or corporations to exercise any of said rights, powers and privileges in respect of any of said instruments. The Trustee shall not be limited to investing in obligations maturing before the possible termination of the Facility, nor shall the Trustee be limited by any law limiting the investments which may be made by fiduciaries;

- (ix) To ensure the efficient operation of the Fund's cash management and investment transactions, the Trustee shall have the power to borrow from commercial banks and other financial institutions, for periods of up to thirty days, in any currency or currency unit;
- (x) The Trustee shall have the power to incur and pay any reasonable costs or expenses which in its opinion are necessary or desirable to carry out any of the purposes of the Fund, and to make payments from Fund Property to itself as Trustee to the extent provided in this Charter;
- (xi) The Trustee shall have the power to collect all property due to the Fund and to pay all claims against Fund Property. The Trustee shall have the power to engage in and to prosecute, defend, compromise, abandon, or adjust, by arbitration, or otherwise, any actions, suits, proceedings, disputes, claims, and demands relating to the Fund, and out of the Fund Property to pay or to satisfy any debts, claims or expenses incurred in connection therewith, including those of litigation, and such power shall include without limitation the power of the Trustee to dismiss any action, suit, proceeding, dispute, claim, or demand, derivative or otherwise, brought by any Person, including a Participant in its own name or the name of the Fund, whether or not the Facility or the Trustee may be named individually therein or the subject matter arises by reason of business for or on behalf of the Fund;
- (xii) The Trustee shall have the power to: (A) employ or contract with such individuals or persons as it may deem desirable to conduct the business of the Fund; (B) enter into joint ventures, partnerships and any other combinations or associations; (C) subject to the terms of this Charter, elect and remove such officers and appoint and terminate such agents or employees of the Facility as it considers appropriate; (D) purchase and pay for out of Fund Property, to the extent available on commercially reasonable terms, such insurance as the Trustee deems desirable to protect it, the Bank, the Participants and any other individual or person entitled to indemnification by the Fund;
- (xiii) The Trustee may from time to time appoint or otherwise engage one or more banks or trust companies or other financial institutions to serve as escrow agent(s) on behalf of the Fund in respect of Fund Property that may be deposited into an escrow account pending disbursement;
- (xiv) Except as otherwise provided in this Charter, the Trustee shall have the exclusive power to conduct the business of the Fund and carry on its operations wheresoever the Trustee deems necessary, proper or desirable in order to promote the interests of the Fund. Any determination made by the Trustee in good faith as to what is in the interests of the Fund shall be conclusive. In construing the provisions of this Charter, the presumption shall be in favor of a grant of power to the Trustee. The enumeration of any specific power herein shall not be construed as limiting the aforesaid power. Such powers of the

Trustee may be exercised without order of or resort to any court or other authority;

- (xv) Nothing in this Charter shall preclude the Bank from acting for its own account and from entering into or being interested in any contract or transaction with any person, including, but not limited to, any Participant, with the same rights as it would have had if it were not acting as the Trustee, and the Bank need not account for any profit therefrom;
 - (xvi) Any power, duty or discretion to be exercised by the Trustee pursuant to the terms of this Charter shall, unless otherwise provided, be exercised by the Trustee in its sole discretion.
- (c) Without prejudice to Section 14.2(b), the Trustee of the Carbon Fund shall have the following additional powers and duties:
- (i) To enter into ERPAs and make payments in accordance with such ERPAs;
 - (ii) To monitor the delivery of Emission Reductions achieved by each Emission Reductions Program to Carbon Fund Participants; and
 - (iii) To maintain a register of Emission Reductions, accounting for all Emission Reductions purchased on behalf of the Carbon Fund Participants.

CHAPTER VI

INTERIM ARRANGEMENT

Article 15 Interim Period

Section 15.1 Steering Committee

- (a) During the period between the Operational Date of the Facility and before the establishment of the Participants Committee in accordance with Article 11 (“**Interim Period**”), a temporary Steering Committee shall be established by the Facility Management Team to perform the functions of the Participants Committee set out in Section 11.1, in particular, to select Eligible REDD Countries to participate in the Facility in accordance with Section 6.2, and to approve the Criteria for Budget Allocation for Preparing and Implementing a Readiness Plan.
- (b) The Steering Committee shall comprise all Donor Participants, Carbon Fund Participants and REDD Country Participants and the Eligible REDD Countries that have expressed interest in participating in the Facility and that are invited by the Facility Management Team to participate in the Steering Committee. To avoid any conflict of interest, any such Eligible REDD Country shall not participate in any decision relating to its own participation in the Facility. In inviting the Eligible REDD Countries to participate in the Steering Committee, the Facility Management Team will take into account geographic balance of representation of the Eligible Countries.
- (c) The members of the Steering Committee shall make every effort to make decisions on consensus. If all efforts at consensus have been exhausted, and no agreement has been reached, decisions shall be taken by two-thirds majority of the members present and voting at the meeting. Each member shall be entitled to cast one vote.

Section 15.2 Termination of the Interim Arrangement

The Interim Arrangement shall cease to exist at the time that the Participants Committee is established at the Organizational Meeting in accordance with Section 10.3 (a).

CHAPTER VII

REPORTING AND EVALUATION

Article 16 Reporting

Section 16.1 Annual Progress Reports

No later than fourteen (14) days prior to each Annual Meeting of the Participants Assembly, the Facility Management Team will provide annual progress reports to Participants regarding the activities of the Facility for the previous Fiscal Year.

Section 16.2 Other Documentation

Subject to compliance with the Bank's Policy on Disclosure of Information, the Facility Management Team shall make the following documents available to the Participants and to the public:

- (a) Readiness Plan Idea Notes for those Eligible REDD Countries that have been selected as REDD Country Participants, Readiness Plans, Grant Agreements, reports on implementation of Grant Agreements and any other information submitted by REDD Country Participants;
- (b) Reports and conclusions of the Participants Committee;
- (c) Information on Emission Reductions Programs selected by the Carbon Fund Participants Committee referred to in Section 12.1(b);
- (d) Where appropriate, findings and advice from the Ad Hoc Technical Advisory Panels established under the Facility in accordance with Article 13;
- (e) Information on good practices and lessons of experience learned through operation of the Facility; and
- (f) Any other information as deemed appropriate by the Facility Management Team.

Article 17 Evaluation of the Operation of the Facility

Section 17.1 Time and Scope of Evaluations

- (a) The Facility shall be subject to periodic evaluation on effectiveness of its operation. The first review shall take place no later than two years after the Facility is declared operational in accordance with Section 4.2. Thereafter the Participants Committee shall determine the frequency of the evaluation.

- (b) The scope of evaluations shall be determined by the Participants Committee and shall include, without limitation, an assessment of the effectiveness of the governance structure of the Facility and the operational effectiveness of the Readiness Fund and the Carbon Fund.

Section 17.2 Process for Evaluation

The evaluation referred to in Section 17.1 shall be conducted by an independent third party, including the Bank's Independent Evaluation Group in line with rules of that group.

CHAPTER VIII

FINANCIAL MATTERS

Article 18 Currency and Financial Statements

Section 18.1 Currency

- (a) Both the Readiness Fund and the Carbon Fund shall be denominated in United States Dollars (“**Holding Currency**”).
- (b) Notwithstanding the foregoing, the Trustee may, at its discretion, establish accounts under the Funds denominated in currency other than the Holding Currency.
- (c) Upon receipt of a Contribution in a currency other than the Holding Currency, the relevant Trustee may convert such funds into the Holding Currency.

Section 18.2 Financial Statements

- (a) The Readiness Fund and the Carbon Fund shall have separate records and ledger accounts.
- (b) The Trustee of the Readiness Fund shall provide to the Donor Participants and the Trustee of the Carbon Fund shall provide to the Carbon Fund Participants, audited financial statements, using a Modified Cash Basis of Accounting.
- (c) The auditors shall be the Bank’s auditor as appointed from time to time.

Section 18.3 Emission Reductions Statements

- (a) The Trustee of the Carbon Fund shall maintain a separate account of the Emission Reductions accruing to the Carbon Fund Participants and provide statements of such accounts to the Carbon Fund Participants.

Article 19 Expenses

Section 19.1 Budget and Cost Sharing

- (a) The Readiness Fund and the Carbon Fund shall have separate budgets. Subject to subparagraph (b) below, all the costs and expenses incurred in the administration of:
 - (i) The Readiness Fund, including grants disbursed to the REDD Country Participants in accordance with the Grant Agreements and supervision of Grant Agreements by the Bank, shall be borne by the Readiness Fund; and

- (ii) The Carbon Fund, including the payments under the ERPAs and meetings of the Carbon Fund Participants Committee, shall be borne by the Carbon Fund, including preparation and supervision of implementation of ERPAs.
- (b) Unless the Participants Committee decides otherwise, the Readiness Fund shall bear 65% and the Carbon Fund shall bear 35% of the Shared Costs.

Section 19.2 Expenses

- (a) Subject to Section 19.1, the respective Fund Property of the Readiness Fund and the Carbon Fund may be used to pay or reimburse the Facility Management Team, the respective Trustee of the Funds or any other person, including the Bank, for all costs and expenses incurred in the administration of the Facility, including but not limited to:
 - (i) All costs incurred in connection with the activities of the Fund Management Unit and the respective Trustee of the Funds;
 - (ii) Costs of office space and facilities, equipment and software purchase, office moves, equipment and supplies and services, development and implementation of applications applicable to the work of the Facility, share of depreciation and operating expenses of existing and new system infrastructure developments as used and required by the Facility, including, without limitation, the cost of utility services;
 - (iii) Communication expenses, including, without limitation, mailing, telephone, video conferences, couriers, diplomatic pouch, and facsimile expenses;
 - (iv) Salaries, benefits, travel, accommodation and subsistence, representation and hospitality expenses of all personnel performing services in respect of the Facility, including, without limitation, the costs in connection to application of the Bank's Operational Policies and Procedures;
 - (v) Expenses for documentary and other relevant requirements, including fees relating to the UNFCCC regime or any other regime, and any verification or other processes;
 - (vi) Any payments required by the UNFCCC regime or any other regulatory bodies;
 - (vii) Any compensation and expenses of any consultant, agent, adviser, intermediary, contractor or subcontractor engaged by the Facility Management Team and the Trustees;
 - (viii) Costs of any insurance policies, financial transactions and any other financial and risk management instruments, obtained in connection with, or on behalf of, the Facility, Participants or other persons;

- (ix) Costs of legal, accounting, treasury, auditing and other professional services;
 - (x) Public relations and representation costs; and
 - (xi) Cost of contract printing, publishing costs, internet web site development and maintenance, printing supplies, publication distribution, press conferences, trade shows and expositions, all Facility meeting expenses including facility and equipment hire, interpretation and translation expense, costs associated with communication with the media, including education and training of the media in the work of the Facility, cost of advertising, publicity and marketing the Facility to Participants and others
- (b) In order to simplify recovery of costs and expenses, the Trustees may recover some or all overhead related costs using standard overhead cost recovery rates based on a suitable cost driver as determined by the Trustees and communicated to Participants in a cost recovery policy. The Trustees will also utilize the Bank cost allocation systems and chargeback mechanisms to simplify and assure efficiency in cost recovery processes.

CHAPTER IX

INDEMNIFICATION

Article 20 Indemnification

Section 20.1 Indemnification of Facility Management Team, Trustees and Bank

- (a) The privileges and immunities accorded to the Bank shall apply to the Fund Property of each Fund, archives, operations and transactions of the Facility. Nothing in this Charter shall be considered to be a waiver of any privileges and immunities of the Facility Management Team, Trustees, the Bank, or where applicable, the Participants or their respective officers, employees or agents, under the Articles of Agreement of the Bank or any applicable law, all of which are expressly reserved.
- (b) The Facility Management Team, the Bank, and any person who is, or has been, an officer, employee or agent of the Bank or the Facility Management Team (each an “**Indemnified Party**”) shall be indemnified out of Fund Property against any loss, liability, cost, claim, action, demand or expense (including, but not limited to, all reasonable costs, charges and expenses paid or incurred in disputing or defending any of the foregoing) which any Indemnified Party may incur or which may be made against any of them (or in respect of any act or omission of a delegate or agent of the Fund Management Unit, the Bank or the Facility) arising out of or in connection with the Facility’s activities (including, without limitation, any such claims arising from Participants’ actions or failure to act pursuant to this Charter or to realize the value of or provide to the Carbon Fund Participants Emission Reductions), except as may result from the Bank’s or the Facility Management Team’s gross negligence or willful misconduct.
- (c) Section 20 (b) shall apply to the Trustee of the Readiness Fund and the Trustee of the Carbon Fund except that indemnification of each Trustee is limited to the Fund Property of the respective Fund.
- (d) This indemnity is in addition to any indemnity permitted by law.

Section 20.2 No Personal Liability

- (a) The liability of the Facility Management Team and the Bank is limited to the Trustee’s ability to be indemnified from the Fund Property.
- (b) The liability of a Donor Participant or a Carbon Fund Participant, as the case may be, is limited to the amount, if any, which remains unpaid in relation to the relevant Participant’s Participation Agreement.

Section 20.3 No Duty of Investigation

No individual or person dealing with the Facility Management Team, Trustees or any officer, employee or agent of the Facility Management Team, Trustees or the Facility shall be bound to make any inquiry concerning the validity of any transaction purported to be made by the Facility Management Team, the relevant Trustee or by said officer, employee or agent or be liable for the application of money or property paid, loaned to or delivered to or on the order of the Facility Management Team, Trustees or of said officer, employee or agent. Every obligation, contract, instrument, certificate or undertaking, and every other act or thing whatsoever executed in connection with the Facility, shall be conclusively presumed to have been executed or done by the executors thereof only in their capacity as officers, employees or agents of the Trustees or the Facility.

Section 20.4 Reliance on Experts

The Facility Management Team, Trustees and each officer and employee of the Trustees or the Facility (together "**Relevant Bank Staff**") shall, in the performance of its duties, be fully and completely justified and protected with regard to any act or any failure to act resulting from reliance in good faith upon the books of account or other records of the Facility, upon an opinion of counsel, or upon reports made to the Facility by any of its officers or employees or by any accountant, auditor, appraiser or other expert or consultant selected with reasonable care by the Relevant Bank Staff.

CHAPTER X

AMENDMENT; DURATION; TERMINATION

Article 21 Amendment

Section 21.1 Amendment Procedure

- (a) Subject to Section 21.1(b) and (c) below, this Charter may only be amended by the Bank with the prior unanimous consent of Participants.
- (b) Notwithstanding subparagraph (a) above, the Bank may amend this Charter:
 - (i) without prior notice to or consent from any Participant if such amendment is to supply any omission, or cure, correct or supplement any manifest error or ambiguous, defective or inconsistent provision hereof; or
 - (ii) in consultation the Participants Committee if for any other purpose such amendment does not adversely affect the rights of any Participant;provided in any case that all Participants are notified of any such amendment within fifteen (15) days after the effective date of such amendment.
- (c) Without prejudice to subparagraphs (a) and (b) above, the Bank may amend:
 - (i) provisions under Article 1, Article 11 and the Annex to this Charter, with unanimous consent of all members of the Participants Committee;
 - (ii) provisions under Article 12 with unanimous consent of all Carbon Fund Participants.

Article 22 Termination

Section 22.1 Dates of Termination of the Funds and the Facility

Subject to Sections 22.2 and 22.3,

- (a) The Readiness Fund shall be terminated on December 31, 2020;
- (b) The Carbon Fund shall be terminated on December 31, 2020; and
- (c) The Facility shall be terminated upon termination of both Funds referred to in subparagraphs (a) and (b) above.

Section 22.2 Early Termination of the Facility

Notwithstanding anything in Section 22.1, the Facility shall terminate upon the occurrence of one or more of the following, whichever shall be the earliest:

- (a) The unanimous written consent of all Participants; or
- (b) Resignation of the Bank as Trustee for the Readiness Fund and the Carbon Fund.

Section 22.3 Early Termination of the Readiness Fund

Notwithstanding anything in Section 22.1 and 22.2, the Readiness Fund shall terminate upon the occurrence of one or more of the following, whichever shall be the earliest:

- (a) Failure within eighteen (18) months of the Opening Date of the Readiness Fund to have signed one or more Donor Participation Agreements, representing a sum set out in Section 4.1 (b) (ii) for the operation of the Facility;
- (b) Failure within 24 months of the Operational Date of the Readiness Fund to have signed any REDD Country Participation Agreement;
- (c) By unanimous vote of all the Donor Participants; or
- (d) Resignation of the Bank as the Trustee of the Readiness Fund.

Section 22.4 Early Termination of the Carbon Fund

(a) Notwithstanding anything in Section 22.1 and 22.2, the Carbon Fund shall terminate upon the occurrence of one or more of the following, whichever shall be the earliest:

- (a) Failure to declare operation of the Carbon Fund by the Trustee of the Carbon Fund within 36 months of the Opening Date of the Carbon Fund;
- (b) By unanimous vote of the Carbon Fund Participants; or
- (c) Resignation of the Bank as the Trustee of the Carbon Fund.

Section 22.5 Effect of Early Termination of One Fund

In the event of termination of the Readiness Fund or the Carbon Fund, as the case may be, pursuant to Section 22.3 or Section 22.4:

- (a) The termination of a Fund will not affect the operation of the other Fund in the Facility;

- (b) Article 24 will apply to the winding up and management of the Fund Property of the Fund being terminated.

Article 23 Extension of Term

Section 23.1 Extension of Term for the Facility

On or before termination of the Facility the Participants may decide to continue the business of the Facility by unanimous vote of all the Participants, provided that, the Trustee will continue to serve as trustee of the Readiness Fund and/or the Carbon Fund, only if the Board of Executive Directors have expressly agreed to the extension and to the terms of such extension.

Section 23.2 Extension of Term for the Readiness Fund or Carbon Fund

- (a) Notwithstanding Section 23.1, the REDD Country Participants and Donor Participants, by unanimous consensus of those participants, may decide to continue the business of the Readiness Fund, in which case this Charter shall be amended by unanimous consent of those participants.
- (b) The relevant Carbon Fund Participants, by unanimous consent, may decide to continue the business of the Carbon Fund, in which case this Charter shall be amended by unanimous consent of those participants;

Provided, in both (a) and (b) above, the Trustee will continue to serve as trustee of the Readiness Fund and/or the Carbon Fund, as the case maybe, only if the Board of Executive Directors have expressly agreed to the extension and to the terms of such extension.

Article 24 Post Termination

- (a) Following the termination of the Facility or one of the Funds in the Facility under Article 22:
 - (i) The Trustee for the respective Fund shall carry on no business for the Fund except for the purpose of winding up its affairs;
 - (ii) The Trustee shall proceed to wind up the affairs of the respective Fund, and all of the powers of the Trustee under this Charter shall continue until the affairs of the Fund shall have been wound up;
 - (iii) In the case of the Readiness Fund, the Trustee of the Readiness Fund shall, upon termination of the Readiness Fund, return to the Donor Participants on a pro rata basis any remaining balance of the Contributions of the Donor Participants that that is not committed by the Trustee of the Readiness Fund or the IBRD, including without limitation, under Grant Agreements and/or any

other agreement with any consultant or other third parties for the purpose of the Readiness Fund.

- (iv) Any Grant Agreement that is effective at the time of the termination of the Readiness Fund shall continue to be effective in accordance with the provisions in that Grant Agreement.
 - (v) In the case of the Carbon Fund, after paying or adequately providing for the payment of all liabilities under ERPAs into which the Carbon Fund has entered, and upon receipt of such releases by the REDD Country Participant or their entity which is the party to the relevant ERPA, indemnities and refunding agreements as it may deem necessary for its own protection, the Trustee of the Carbon Fund shall distribute the remaining Carbon Fund Property in cash or in kind, or a combination of both, among the Carbon Fund Participants on a pro rata basis; and
 - (vi) Notwithstanding subparagraph (v) above, in the event the remaining Carbon Fund Property includes the right to acquire Emission Reductions to be generated after the termination date of the Carbon Fund, the Trustee shall, subject to any applicable restrictions under international law, national law or otherwise, including regulations under the UNFCCC and/or the Kyoto Protocol, endeavor to make such arrangements as are necessary to effect a transfer of those rights to or to the order of the relevant Carbon Fund Participants entitled to them, but shall not have any liability to the Carbon Fund Participants if it is unable to do so.
- (b) Any rights, interests or entitlements to be transferred under Section 24 (iii) and (v) may be assigned in writing by the Donor Participant or the Carbon Fund Participant, as the case may be, entitled to receive them to a third party, in which case the Trustee will endeavor to transfer those interests, rights or entitlements to that third party at the cost of the relevant Participant entitled to them, but will not be liable to these Participant if it is unable to do so.

CHAPTER XI

DISPUTES, ARBITRATION AND REMEDIES

Article 25 Disputes and Claims

Section 25.1 Trustee of the Carbon Fund Withdrawal from Dispute or Claim

- (a) In order to avoid any potential conflict of interest between the Bank and the Trustee of the Carbon Fund, and notwithstanding any other provision of this Charter, the Trustee of the Carbon Fund shall not have any obligation to prosecute, defend, compromise, negotiate, abandon or adjust, by arbitration, or otherwise, any action, suit, proceeding, dispute, claim or demand or any default or potential default by any party under or in connection with any ERPA.
- (b) If the Trustee of the Carbon Fund determines that it will refrain from taking any such action, the Trustee shall so notify the relevant Carbon Fund Participants, and the Trustee of the Carbon Fund and those Participants shall use their best efforts to endeavor to agree to satisfactory arrangements for dealing with such matter including the assignment and transfer of all or part of the Trustee of the Carbon Fund's rights and obligations under the relevant ERPA to the relevant Carbon Fund Participants, or to a third party acting on their behalf.
- (c) The Trustee of the Carbon Fund shall have no liability to the Carbon Fund Participants as a result of the Trustee of the Carbon Fund's determination to refrain from taking any such action or as a result of the failure of the Trustee of the Carbon Fund and the Carbon Fund Participants to reach such satisfactory arrangements in a timely manner or otherwise.

Article 26 Arbitration

Section 26.1 Arbitration

- (a) Any dispute between the relevant Trustee of one or both Funds and a Participant arising out of or relating to this Charter or such Participant's Participation Agreement shall be settled by arbitration in accordance with the UNCITRAL Arbitration Rules as at present in force.
- (b) The number of arbitrators shall be three.
- (c) The appointing authority shall be the Secretary-General of the Permanent Court of Arbitration at The Hague.
- (d) In the event of a conflict between the UNCITRAL Arbitration Rules and the terms of this Instrument or of the Participation Agreement, the terms of the Charter and Participation Agreement shall prevail.

- (e) The language of the Arbitration shall be English.

Section 26.2 Delays

- (a) No delay in exercising, or failure to exercise, any right, power or remedy accruing to any party under this Charter or any agreement between the relevant Trustee and a Participant, whether or not upon any default, shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default.
- (b) No action of such party in respect of any default, or any acquiescence by it in any default, shall affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

Article 27 Disclosure

Section 27.1 Disclosure of Agreements

The Trustee of the Readiness Fund and the Carbon Fund may disclose this Charter, any Participation Agreement, any other agreements entered into by the Bank as Trustee of the relevant Fund and information with respect to the Funds in accordance with the Bank's Policy on the Disclosure of Information.

Annex

Criteria for Selection of the REDD Participant Countries

- **Being an Eligible REDD Country**, which is
 - A Borrowing Member State of the IBRD or IDA; and
 - Located in the Tropical Area or Sub-tropical Area.
- **Relevance of Country in the REDD context:**

Priority should be given to countries with following characteristics:

 - Significant area and carbon stock of forest;
 - High relevance of forests in the economy of a country including relevance for poverty reduction, the livelihoods of forest-dependent indigenous peoples and other forest dwellers, and clarification of land tenure regimes livelihoods;
 - Current deforestation or forest degradation rates, or countries whose forest cover is under significant current or projected deforestation or degradation pressure; and
 - Proposal that demonstrates approach to REDD that is inclusive.
- **Quality of the R-PIN:**

Evaluation of the quality of the R-PIN should be based on the following criteria:

 - Ownership of the proposal by both the government and relevant stakeholders.
 - Coherence between national and sectoral strategies and proposed REDD Strategy;
 - Completeness of information and data provided;
 - Clear responsibilities for the execution of REDD activities to be financed; and
 - Feasibility of proposed activities to reduce deforestation and forest degradation and their likelihood of success.
- **Geographic and Biome Balance:**

A balanced approach should be used to take into account country proposals from different continents and from the main biomes and that coverage is sufficient to have confidence in the lessons learned.

- **Variety of approaches:**

Consideration should be given to approaches that can contribute to the learning objective of the FCPF, by selecting country proposals that:

- (i) Propose innovative and/or comprehensive strategies/programs and approaches on how to tackle deforestation and degradation;
- (ii) Focus on innovative and/or advanced concepts of monitoring, reporting and remote sensing, including for forest degradation, biodiversity protection and social benefits;
- (iii) Propose to test new mechanisms and distribution methods of REDD revenues;
- (iii) Provide regionally important leadership in addressing REDD or in certain technical areas relevant to Readiness; and/or (v) demonstrate approaches that are inclusive and focus on REDD in combination with poverty reduction, livelihood enhancement, and/or land tenure rights, including alternative forest sector or other governance arrangements.

