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CARBON FUND OF THE FOREST CARBON PARTNERSHIP FACILITY

## **Emission Reductions Payment Agreement**

*Atala Atsinanana Emission Reduction Program*

by and between

REPUBLIC OF MADAGASCAR

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT,  
AS TRUSTEE OF TRANCHE A OF THE CARBON FUND  
OF THE FOREST CARBON PARTNERSHIP FACILITY

Dated February 4, 2021

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**TABLE OF CONTENTS**

**ARTICLE I APPLICATION OF GENERAL CONDITIONS; DEFINITIONS.....2**

SECTION 1.01 APPLICATION OF GENERAL CONDITIONS .....2

SECTION 1.02 INCONSISTENCY WITH GENERAL CONDITIONS.....2

**ARTICLE II ER PROGRAM DETAILS.....3**

SECTION 2.01 DESCRIPTION OF THE ER PROGRAM .....3

**ARTICLE III CONDITIONS OF EFFECTIVENESS OF SALE AND PURCHASE .....3**

SECTION 3.01 CONDITIONS OF EFFECTIVENESS TO BE FULFILLED .....3

SECTION 3.02 CONDITIONS FOR BENEFIT OF TRUSTEE .....3

SECTION 3.03 TERMINATION OF THE AGREEMENT .....3

**ARTICLE IV PURCHASE AND SALE OF CONTRACT ERS .....4**

SECTION 4.01 CONTRACT ER VOLUME AND UNIT PRICE .....4

SECTION 4.02 TRANSFER OF CONTRACT ERS.....4

SECTION 4.03 PERIODIC PAYMENT .....5

SECTION 4.04 ADVANCE PAYMENTS.....5

SECTION 4.05 RECEIPT AND USE OF ERPA PAYMENTS.....8

SECTION 4.06 APPLICATION FOR PAYMENT .....9

**ARTICLE V CALL OPTION .....9**

SECTION 5.01 CALL OPTION SPECIFICATIONS.....9

SECTION 5.02 CALL OPTION VOLUME AND EXERCISE PRICE .....9

**ARTICLE VI ER PROGRAM DEVELOPMENT AND FOCAL POINT .....10**

SECTION 6.01 ER PROGRAM DEVELOPMENT .....10

SECTION 6.02 FOCAL POINT .....10

**ARTICLE VII ADDITIONAL COVENANTS.....10**

SECTION 7.01 ADDITIONAL COVENANTS .....10

**ARTICLE VIII HOST COUNTRY WITHDRAWAL FROM FACILITY.....11**

**ARTICLE IX SUB-PROJECT ARRANGEMENTS .....12**

SECTION 9.01 DEVELOPMENT OF SUB-PROJECT ARRANGEMENTS .....12

**ARTICLE X MISCELLANEOUS .....12**

SECTION 10.01 TERM OF THE AGREEMENT .....12

SECTION 10.02 NOTICES .....12

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**SCHEDULE 1 CONDITIONS OF EFFECTIVENESS OF SALE AND PURCHASE .....14**  
**SCHEDULE 2 MINIMUM REPORTING PERIOD AMOUNTS.....15**  
**SCHEDULE 3 ER TRANSFER FORM.....16**  
**SCHEDULE 4 EXERCISE NOTICE.....18**  
**SCHEDULE 5 PUT OPTION EXERCISE NOTICE .....19**  
**SCHEDULE 6 PRINCIPAL TERMS OF SUB-PROJECT ARRANGEMENTS.....20**

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**CARBON FUND OF THE FOREST CARBON PARTNERSHIP FACILITY  
EMISSION REDUCTIONS PAYMENT AGREEMENT**

("Agreement")

**PARTIES:** REPUBLIC OF MADAGASCAR ("**Program Entity**"), REPRESENTED BY THE MINISTRY OF ECONOMY AND FINANCE ("**MOEF**") AND THE MINISTRY OF ENVIRONMENT AND SUSTAINABLE DEVELOPMENT ("**MOESD**")

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("**IBRD**") IN ITS CAPACITY AS TRUSTEE OF TRANCHE A OF THE CARBON FUND ("**Fund**") OF THE FOREST CARBON PARTNERSHIP FACILITY ("**Trustee**") PURSUANT TO THE CHARTER ESTABLISHING THE FOREST CARBON PARTNERSHIP FACILITY ("**Charter**").

(hereinafter referred to together as "**Parties**" and individually as "**Party**")

**RECITALS:**

- A. Pursuant to the Charter, the Executive Directors of the IBRD have established the Forest Carbon Partnership Facility ("**Facility**") for the following purposes:
- (i) To assist REDD Country Participants in their efforts to achieve Emission Reductions from avoided deforestation and/or avoided 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;
  - (ii) To pilot a performance-based payment system for Emission Reductions generated from REDD activities, with a view to ensuring equitable benefit sharing and promoting future large scale positive incentives for REDD;
  - (iii) Within the approach to REDD, to test ways to sustain or enhance livelihoods of local communities and to conserve biodiversity; and
  - (iv) To disseminate broadly the knowledge gained in the development of the Facility and implementation of Readiness Preparation Proposals and ER programs.
- B. The ER Program is intended to be developed, implemented and operated in the Republic of Madagascar subject to the Letter of Approval issued by the Host Country on June 3, 2020.
- C. The Program Entity wishes to sell and the Trustee wishes to purchase and make payment, upon the terms and conditions in this Agreement, for transferred Emission Reductions from the ER Program.
- D. The Program Entity instructs that all payments under this Agreement shall be deposited in the Special Designated Account (Compte d'affectation Spéciale) held by the MOEF at the Central Bank of Madagascar. The Program Entity, through MOEF and MOESD, shall



operate the Special Designated Account in accordance with the Benefit Sharing Plan and the Operations Manual.

- E. In addition to this Agreement, the Program Entity has entered into a separate Emission Reductions Payment Agreement with the IBRD, acting as trustee of Tranche B of the Fund of the Facility ("**Trustee of Tranche B of the Fund**"), around the date of this Agreement for the purchase, transfer and payment of Tranche B of the Fund's pro rata share of 10,000,000 ERs to be generated and verified under the ER Program and offered to Tranche B of the Fund ("**Tranche B ERPA**").

**NOW THEREFORE** the Parties hereby agree as follows:

**Article I**  
**Application of General Conditions; Definitions**

**Section 1.01**      *Application of General Conditions*

- (a) The International Bank for Reconstruction and Development's "General Conditions Applicable to Emission Reductions Payment Agreements for Forest Carbon Partnership Facility Emission Reductions Programs" dated November 1, 2014 ("**General Conditions**")<sup>1</sup>, set forth the terms and conditions applicable to this Agreement and constitute an integral part of this Agreement.
- (b) The following definitions shall be added to Section 2.01 of the General Conditions:
- “Disbursement and Financial Information Letter” means the letter transmitted by the Trustee to the Program Entity with instructions related to the application for payment under the ERPA.
- “Operations Manual” means the manual that sets forth the administrative, financial, accounting, internal control, auditing, and reporting procedures, as necessary and appropriate, for the operation of the Special Designated Account in accordance with the Benefit Sharing Plan, as these procedures may be updated from time to time with the express prior written consent of the Trustee.
- (c) Unless otherwise defined in this Agreement, any capitalized terms in this Agreement shall have the meaning ascribed to such terms in the General Conditions.
- (d) Any reference made in this Agreement to a specific Article or Section shall, unless expressly provided for otherwise, be deemed to be a reference to the corresponding Article or Section in this Agreement.

**Section 1.02**      *Inconsistency with General Conditions*

If any provision of this Agreement is inconsistent with a provision of the General Conditions, the provision of this Agreement shall prevail to the extent of such inconsistency.

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<sup>1</sup> The General Conditions are available at FCPF website:  
<https://www.forestcarbonpartnership.org/sites/fcp/files/2019/Sep/6.%20Emission%20Reductions%20Payment%20Agreement%20%28ERPA%29%20General%20Terms%20and%20Conditions%20%28English%29.pdf>.



**Article II**  
**ER Program Details**

**Section 2.01**      *Description of the ER Program*

- (a)      The ER Program is:                      Atiala Atsinanana Emission Reduction Program in Madagascar, as further described in the ER Program Document.
- (b)      The Host Country is:                      Republic of Madagascar

**Article III**  
**Conditions of Effectiveness of Sale and Purchase**

**Section 3.01**      *Conditions of Effectiveness to be fulfilled*

The obligations regarding the sale, transfer and payment for Emission Reductions in Articles III and V of the General Conditions will not take effect until all of the conditions of effectiveness of sale and purchase included in Schedule 1 to this Agreement ("**Conditions of Effectiveness**"), in form and substance satisfactory to the Trustee following consultations with the participants of Tranche A of the Fund ("**Tranche A Participants**"), have been fulfilled.

**Section 3.02**      *Conditions for benefit of Trustee*

The Conditions of Effectiveness are for the benefit of, and may only be waived or deferred by, the Trustee.

**Section 3.03**      *Termination of the Agreement*

- (a)      If any of the Conditions of Effectiveness have not been fulfilled by the Program Entity within twelve (12) months from the date of this Agreement, as may be extended by the Trustee in accordance with Section 3.03(a)(i) below ("**Conditions Fulfillment Date**"), the Trustee may, at its discretion:
  - (i)      extend the Conditions Fulfillment Date and, possibly, reduce the Contract ER Volume and one or more Minimum Reporting Period Amount(s) by the amount of Emission Reductions that, in the Trustee's reasonable opinion, can no longer be expected to be generated and transferred due to the delay in the Condition Fulfillment Date; or
  - (ii)     terminate this Agreement by written notice to the Program Entity.
- (b)      In case of termination of this Agreement pursuant to Section 3.03(a)(ii), the Program Entity shall, within forty-five (45) calendar days of receiving the request of the Trustee, repay to the Trustee any unrecovered Advanced Expense Payment.



**Article IV**  
**Purchase and Sale of Contract ERs**

**Section 4.01**      *Contract ER Volume and Unit Price*

- (a) Contract ERs are: Tranche A Pro Rata Share (as defined below) of the first 10,000,000 ERs generated by the ER Program as set out in Schedule 2 to this Agreement ("**Contract ER Volume**").
- (b) The Unit Price is: USD 5.00 per transferred Contract ER

**Section 4.02**      *Transfer of Contract ERs*

- (a) The Minimum Reporting Period Amounts and Cumulative Amounts of Contract ERs to be transferred to the Trustee each Reporting Period in accordance with Section 3.02 of the General Conditions are set out in Schedule 2 to this Agreement.
- (b) From the first ERs that are being generated and verified under the ER Program during each Reporting Period, minus the ERs to be set aside as Buffer ERs in the ER Program Buffer, 85% of such ERs shall be transferred to the Trustee under this Agreement and the Tranche B ERPA ("**Buyer's Percentage Split Amount**") as Contract ERs and 15% of such ERs shall be retained by the Program Entity ("**Seller's Percentage Split Amount**"). From the Buyer's Percentage Split Amount, Tranche A of the Fund shall receive its pro rata share of overall contributions to the Fund (approx. 5.4%) ("**Tranche A Pro Rata Share**") as Contract ERs and Tranche B of the Fund shall receive its pro rata share of overall contributions to the Fund (approx. 94.6%) ("**Tranche B Pro Rata Share**").
- (c) The Parties agree to grant the Program Entity a Put Option to sell the Seller's Percentage Split Amount to the Trustee as Contract ERs. This Put Option provides the Program Entity with a right, but not an obligation, to sell to Tranche A of the Fund the Tranche A Pro Rata Share of all or part of the Seller's Percentage Split Amount to the Trustee as Contract ERs and is subject to the following requirements:
  - (i) Maximum Put Option Volume: Tranche A Pro Rata Share of all ERs from the Seller's Percentage Split Amount;
  - (ii) Exercise Price per transferred ER: Unit Price for Contract ERs; and
  - (iii) Put Option Exercise Period: The Program Entity must notify the Trustee of its decision to exercise the respective Put Option ("**Put Option Exercise Notice**") – as per Schedule 5 to this Agreement - within thirty (30) calendar days following receipt of the final Verification Report for each Reporting Period. If the Program Entity fails to provide the Trustee with a Put Option Exercise Notice within this time period, the Put Option will lapse for that Reporting Period.
- (d) Notwithstanding Section 3.02(b) of the General Conditions, in the event that the Buyer's Percentage Split Amount of ERs (plus any potential Put Option Volume under Section 4.02(c) above) generated and verified under the ER Program during Reporting Period 1 and/or Reporting Period 2 exceeds the aggregate of the respective Minimum Reporting Period Amounts under this

Agreement and the Tranche B ERPA, such excess ERs will be transferred to the Trustee as Contract ERs ("**Sweep Contract ERs**"), subject to the following:

- (i) Tranche A of the Fund shall receive its Tranche A Pro Rata Share and Tranche B of the Fund shall receive its Tranche B Pro Rata Share of the Sweep Contract ERs; and
  - (ii) The Sweep Contract ER amount shall be capped in aggregate for Tranche A and Tranche B of the Fund at 2,000,000 Sweep Contract ERs (for Reporting Period 1) and at 5,000,000 Sweep Contract ERs (for Reporting Period 2) ("**Sweep Contract ER Caps**").
- (e) In the event that in Reporting Period 1 the Sweep Contract ER Cap amount is not exhausted in full any remaining Sweep Contract ER amount for Reporting Period 1 shall be carried over to, and thereby increase accordingly, the Sweep Contract ER Cap amount for Reporting Period 2.

**Section 4.03      *Periodic Payment***

- (a) The Periodic Payment for transferred Contract ERs and/or Additional ERs, if any, shall be calculated in the following manner:

**Periodic Payment for transferred Contract ERs and/or Additional ERs (as applicable):**

$$\left[ \begin{array}{l} \text{Unit} \\ \text{Price /} \\ \text{Exercise} \\ \text{Price} \end{array} \right] \times \left[ \begin{array}{l} \text{The number of} \\ \text{Contract ERs /} \\ \text{Additional ERs} \\ \text{transferred to} \\ \text{the Trustee (as} \\ \text{Verified in the} \\ \text{respective final} \\ \text{Verification} \\ \text{Report)} \end{array} \right] - \left[ \begin{array}{l} \text{Any Advance} \\ \text{Payment(s)} \\ \text{made in} \\ \text{accordance} \\ \text{with Section} \\ \text{4.04} \end{array} \right] - \left[ \begin{array}{l} \text{Any Taxes paid} \\ \text{by the Trustee in} \\ \text{accordance with} \\ \text{Section 5.04 of} \\ \text{the General} \\ \text{Conditions} \end{array} \right]$$

- (b) In the event that any deduction of any Advance Payment installments, made in accordance with and subject to Section 4.04, or any Taxes paid by the Trustee in accordance with Section 5.04 of the General Conditions would make the Periodic Payment for that Reporting Period a negative number, the Trustee will carry forward any amounts not deducted in that Reporting Period to the following Reporting Period.

**Section 4.04      *Advance Payments***

- (a) If requested by the Program Entity, the Trustee may make advance payments on behalf of the Program Entity in the amount of the Tranche A Pro Rata Share for any fees, charges, costs or other expenses charged by a Registry system or any other relevant authority or entity in relation to Registration, issuance and forwarding of Contract ERs or Additional ERs or the ER Transfer, payable by the Program Entity in accordance with Section 5.04(a) of the General Conditions ("**Advanced Expense Payment**").
- (b) In addition to Section 4.04(a) above, the Program Entity may request the Trustee to make one upfront advance payment ("**Upfront Advance Payment**") in the amount of USD 2,000,000 subject to the following conditions:

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- (i) The Program Entity has fulfilled all Conditions of Effectiveness referred to in Section 3.01 and specified in Schedule 1 to this Agreement, in form and substance satisfactory to the Trustee following consultations with Tranche A Participants;
  - (ii) Subject to Section 4.05(c) below, the Upfront Advance Payment to be made by Tranche A of the Fund shall be limited to the Tranche A Pro Rata Share of such payment; and
  - (iii) Upon the conditions for the Upfront Advance Payment under subparagraphs (i) and (ii) above being fulfilled, in form and substance satisfactory to the Trustee of Tranche A of the Fund, the Trustee shall notify the Program Entity accordingly and shall disburse the Tranche A Pro Rata Share of the Upfront Advance Payment to the Program Entity within thirty (30) calendar days following receipt by the Program Entity of such notification.
- (c) In addition to Section 4.04(a) and Section 4.04(b) above, and starting after Verification of ERs generated during Reporting Period 1, the Program Entity may request the Trustee to make one or more interim advance payment(s) (“**Interim Advance Payment**”), provided that any payment by the Trustee of any Interim Advance Payment shall be subject to the following conditions:
- (i) The Program Entity has fulfilled all Conditions of Effectiveness referred to in Section 3.01 and specified in Schedule 1 to this Agreement, in form and substance satisfactory to the Trustee following consultations with Tranche A Participants;
  - (ii) A final Verification Report has been submitted to the Trustee for the Reporting Period preceding the respective Interim Progress Reporting Period (as specified in subparagraph (iii) below) and the Program Entity has monitored ERs generated under the ER Program (“**Monitored ERs**”) during each such Interim Progress Reporting Period and has documented its monitoring results by submission of an interim progress report (“**Interim Progress Report**”) to the Trustee, in form and substance satisfactory to the Trustee following consultations with Tranche A Participants. As a separate annex to the Interim Progress Report, the Program Entity shall provide:
    - (A) evidence satisfactory to the Trustee that the Program Activity is being implemented in accordance with the Safeguards Plans and that the Benefit Sharing Plan has been implemented in accordance with its terms (including any feedback and grievance redress mechanism described in any of such documents); and
    - (B) information on the generation and/or enhancement of Priority Non-Carbon Benefits (to the extent not yet provided for under any relevant Safeguards Plan, if applicable) under the ER Program;
  - (iii) Interim Advance Payment instalments to be made by Tranche A of the Fund shall be limited to the Tranche A Pro Rata Share of the following amounts:
    - (A) For Interim Progress Reporting Period 1 (January 1 – December 31, 2021):
 

50% of the value of Monitored ERs (ie. Unit Price times Monitored ERs times 50%), unless the first Verification of monitored ERs during the Reporting Period 1 verifies less than 50% of ERs previously monitored and reported for Reporting Period 1 in which case the percentage amount for the Interim Advance Payment will be reduced to half of the actual percentage of verified ERs against monitored ERs for Reporting Period 1; and

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(B) For Interim Progress Reporting Period 2 (January 1 – December 31, 2023):

50% of the value of Monitored ERs (ie. Unit Price times Monitored ERs times 50%), unless the second Verification of monitored ERs during the Reporting Period 2 verifies less than 50% of ERs previously monitored and reported for Reporting Period 2 in which case the percentage amount for the Interim Advance Payment will be reduced to half of the actual percentage of verified ERs against monitored ERs for Reporting Period 2.

- (iv) Upon all conditions for each Interim Advance Payment instalment under subparagraphs (i), (ii) and (iii) above being fulfilled, in form and substance satisfactory to the Trustee, the Trustee shall notify the Program Entity accordingly and shall disburse the Tranche A Pro Rata Share of the Interim Advance Payment installment to the Program Entity within thirty (30) calendar days following receipt by the Program Entity of such notification.
- (d) Without prejudice to any rights of the Trustee under Article XVI of the General Conditions (Events of Default and Remedies) and with respect to the Periodic Payments due for transferred Contract ERs from Reporting Periods 1 and 2 under this Agreement and the Tranche B ERPA, if the respective aggregate actual gross Periodic Payment under this Agreement and the Tranche B ERPA are less than USD 2,000,000, the Program Entity may request the Trustee to top up the respective aggregate actual gross Periodic Payment amount by an amount equal to the difference between the actual gross Periodic Payment amount under this Agreement and the Tranche B ERPA and USD 2,000,000, provided that the top up payment by Tranche A of the Fund shall be limited to the Tranche A Pro Rata Share of such payment. Such top up payment(s) shall be deemed part of the Interim Advance Payments referred to above and shall be subject to the conditions listed in Section 4.04(b) above and the Upfront/Interim Advance Payment Cap, but shall not require specific milestones or Interim Progress Report(s).
- (e) In any case, the sum of the Upfront Advance Payment and any Interim Advance Payment instalment made under this Agreement and the Tranche B ERPA shall not exceed USD 6,000,000 (“**Upfront/Interim Advance Payment Cap**”).
- (f) In addition to Section 4.04(a), Section 4.04(b), Section 4.04(c) and Section 4.04(d) above, the Program Entity may request the Trustee to make an ER advance payment (“**ER Advance Payment**”) to the Program Entity for Contract ERs and/or Additional ERs generated by the ER Program during a Reporting Period, as evidenced in the ER Monitoring Report for that Reporting Period and pending subsequent final Verification and ER Transfer, provided that any payment of any ER Advance Payment shall be made by the Trustee subject to the following conditions:
- (i) The Trustee determines, in its sole and absolute discretion following consultations with Tranche A Participants, whether it is willing to make an ER Advance Payment;
- (ii) The ER Advance Payment to be made by Tranche A of the Fund shall be limited to the Tranche A Pro Rata Share of such payment;
- (iii) The Program Entity has fulfilled all Conditions of Effectiveness referred to in Section 3.01 and specified in Schedule 1 to this Agreement, in form and substance satisfactory to the Trustee following consultations with Tranche A Participants;
- (iv) Upon all the conditions for the ER Advance Payment under subparagraphs (i), (ii) and (iii) above being fulfilled, in form and substance satisfactory to the Trustee, the Trustee shall

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notify the Program Entity accordingly and shall disburse the Tranche A Pro Rata Share of the ER Advance Payment to the Program Entity within thirty (30) calendar days following receipt by the Program Entity of such notification; and


- (v) In the event that the subsequent final Verification Report for that Reporting Period verifies an ER amount that is less than the amount that was reported in the ER Monitoring Report and the value of such Verified amount of Contract ERs and/or Additional ERs (i.e. Unit Price/Exercise Price (as applicable) X Contract ERs/Additional ERs (as applicable) generated during that Reporting Period (as evidenced in the final Verification Report)) is less than the ER Advance Payment, the Trustee shall be entitled to recover the Tranche A Pro Rata Share of the overpaid amount from any future Periodic Payment to be made to the Program Entity under this Agreement for transferred ERs or, if no such subsequent Periodic Payment will be due, request repayment of such overpaid amount from the Program Entity within forty-five (45) calendar days of receiving such request of the Trustee.
- (g) The Trustee shall be entitled to deduct in full any Advance Payment(s) made to the Program Entity by Tranche A of the Fund, as applicable, from Periodic Payments for transferred Contract ERs/Additional ERs under this Agreement, provided that (1) with respect to the Periodic Payments due for transferred ERs from Reporting Periods 1 and 2, (a) if the aggregate actual gross Periodic Payments under this Agreement and the Tranche B ERPA are US\$ 2,000,000 or less, no deduction shall take place, or (b) if the aggregate actual gross Periodic Payments under this Agreement and the Tranche B ERPA are more than US\$ 2,000,000, the deduction will be limited to the Tranche A Pro Rata Share of an amount that allows aggregate actual net Periodic Payments to be made to the Program Entity of at least US\$ 2,000,000 (minus any potentially overpaid ER Advance Payment amount under this Agreement and the Tranche B ERPA).
- (h) In the event that any outstanding Advance Payment made under this Agreement cannot be recovered in full from the last Periodic Payment due for transferred Contract ERs/Additional ERs to be made under this Agreement, the Trustee may request repayment of the outstanding Advance Payment amount from the Program Entity to the Trustee within forty-five (45) days of receiving such request of the Trustee.
- (i) Notwithstanding Section 5.03(c) of the General Conditions, legal title to any Contract ERs and/or Additional ERs for which an Advance Payment has been made shall transfer to the Trustee upon completion of the ER Transfer of such ERs to the Trustee.

**Section 4.05      *Receipt and Use of ERPA Payments***

- (a) All Periodic Payments and Advance Payments (together referred to as “ERPA Payments”) under this Agreement shall be deposited in the Special Designated Account (Compte d’affectation Spéciale) held by the MOEF at the Central Bank of Madagascar.
- (b) The Program Entity, through MOEF and MOESD, shall operate the Special Designated Account in accordance with the Benefit Sharing Plan and the Operations Manual. The Program Entity shall provide a draft version of the Operations Manual to the Trustee for its review and shall not approve the Operations Manual, unless the Trustee has provided written approval of the draft Operations Manual as in form and substance satisfactory to the Trustee for the purposes of this Agreement.
- (c) In the event that the Program Entity decides to authorize other government or non-government entity or entities, acceptable to the Trustee, to use ERPA payments in accordance with the Benefit Sharing Plan and the Operations Manual, the Program Entity shall notify the Trustee, and prior to



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the receipt of any ERPA payments, enter into a Subsidiary Agreement with such other entity or each of such other entities, in form and substance satisfactory to the Trustee, and subject to the prior review and approval by the Trustee.

- (d) For the avoidance of doubt, despite the delegation of certain responsibilities of the Program Entity under this Agreement to other government or non-government entity or entities through any future Subsidiary Agreement(s), the Program Entity shall remain fully responsible and accountable under this Agreement for the way such entity carries out its delegated responsibilities on behalf of the Program Entity. In particular, in the event that such other government or non-government entity or entities fail to observe, implement or meet all requirements contained in the Benefit Sharing Plan and Safeguards Plans provided for under this Agreement (including any feedback and grievance redress mechanism provided for under the ER Program, the Benefit Sharing Plan and/or any Safeguards Plan), such failure shall constitute an event of default by the Program Entity (Event of Default) under Section 16.01(a)(vii) of the General Conditions.

**Section 4.06      *Application for Payment***

Any ERPA Payment to be made by the Trustee under and subject to Section 4.03 (in conjunction with Section 5.03 of the General Conditions) and Section 4.04 of this Agreement shall require the Program Entity, through MOEF, to submit an application for payment electronically or otherwise to the Trustee, in form and substance satisfactory to the Trustee, in accordance with the Disbursement and Financial Information Letter ("**Application for Payment**"), and such additional instructions as the Trustee may specify from time to time by notice to the Program Entity. Any time period provided for in this Agreement or the General Conditions for such payment to become due shall not start running before such Application for Payment has been submitted by the Program Entity.

**Article V  
Call Option**

**Section 5.01      *Call Option Specifications***

- (a) The Grantee is:                      Trustee
- (b) The Grantor is:                      Program Entity

**Section 5.02      *Call Option Volume and Exercise Price***

- (a) The Additional ERs are:      In the event that the ER Program generates in a Reporting Period ERs in excess of the Contract ER Volume the Parties agree to grant the Grantee a Call Option to purchase such additional ERs ("**Additional ERs**").

Subject to the Maximum Option Volume (see below), the Grantee may exercise the Call Option for all or part of the Tranche A Pro Rata Share in Additional ERs and, if applicable, for any additional amount of Additional ERs for which the Trustee of Tranche B of the Fund has not exercised its call option in full after a Reporting Period under the Tranche B ERPA.



- (b) Maximum Option Volume is: Tranche A Pro Rata Share of 2,000,000 Additional ERs.
- (c) Exercise Price is: USD 6.00 per Additional ER transferred to Tranche A of the Fund.
- (d) Exercise Period: The Trustee shall notify the Program Entity of its decision to exercise the Call Option (“**Exercise Notice**”) within sixty (60) calendar days following the Trustee’s receipt on the final Verification Report for a Reporting Period indicating that Additional ERs have been generated under the ER Program. If the Trustee does not exercise the Call Option within such time period, the Call Option shall lapse upon the end of such time period for that Reporting Period, and that Reporting Period only.
- (e) Exercise Completion Date is: Ninety (90) calendar days following receipt by the Grantor of the Exercise Notice.
- (f) Increase of Maximum Option Volume: In the event that the Maximum Option Volume is increased by the Trustee under Sections 13.02(c) and/or 16.03 of the General Conditions, the Grantee may exercise the portion of the Call Option increased due to the exercise of the remedies first before it exercises the portion of the Call Option granted under Section 5.02(a). For the avoidance of doubt, the Exercise Price payable for the Additional ERs increased due to the exercise of the remedies will be the Unit Price.

**Article VI  
ER Program Development and Focal Point**

**Section 6.01**      *ER Program Development*

The ER Program Start Date is:    March 22, 2020

**Section 6.02**      *Focal Point*

Both the Trustee and the Program Entity shall serve as joint Focal Points for communications with respect to the ER Program Activity. The Trustee shall be responsible for preparing and submitting the Distribution Letter.

**Article VII  
Additional Covenants**

**Section 7.01**      *Additional Covenants*

- (a) In addition to Section 5.01(b)(i) of the General Conditions, the Program Entity shall monitor and report to the Trustee on the implementation of the Safeguards Plans and Benefit Sharing Plan during Reporting Periods. The Program Entity shall monitor and report to the Trustee on the implementation of the Safeguards Plans annually after the date of this Agreement. The Program



Entity shall first monitor and report to the Trustee on the implementation of the Benefit Sharing Plan six (6) months after receipt of the first Periodic Payment and annually thereafter. The Program Entity may coordinate the annual monitoring and reporting of the Safeguards Plans and the Benefit Sharing Plan, provided that the Program Entity notifies the Trustee and the Trustee accepts such coordinated timelines. The Trustee reserves the right to initiate a separate monitoring of the implementation of the Safeguards Plans and/or the Benefit Sharing Plan annually after the date of this Agreement by an independent Third Party monitor. Sections 9.01(g) and (k) as well as Section 9.05(d) of the General Conditions shall apply to such Third Party monitor *mutatis mutandis*.

- (b) In addition to Section 5.01(b) of the General Conditions, the Program Entity shall also, as a separate annex to the ER Monitoring Report, provide information on emissions from deforestation in the 5 regions partially overlapping with the ER Program Accounting Area ("**Outside Area**") based on the national forest monitoring system. In the event that such emissions from the Outside Area are significantly higher than baseline emissions for the Outside Area at the time of the first verification, the Program Entity will subsequently conduct the necessary driver studies to understand the causes of deforestation and evaluate if such increased emissions have occurred as a consequence of land use activities moving from inside the ER Program Accounting Area to the Outside Area ("**Displacement**"). If such a study confirms that this increase in emissions is due to Displacement, the Program Entity shall prepare a mitigation plan to improve the measures described in the ER Program Document that are taken to address the risk of Displacement ("**Displacement Mitigation Plan**"). The driver study and the Displacement Mitigation Plan will be presented as a separate annex to the ER Monitoring Report for the second Reporting Period. If the Displacement Mitigation Plan is not prepared by that deadline, or not implemented in accordance with its terms, this shall constitute a material breach by the Program Entity (Event of Default) under Section 16.01(a)(vi) of the General Conditions.
- (c) The Program Entity shall apply technical corrections to the estimation of activity data and emission factors of the Reference Level as notified by the Program Entity, and shall do this taking into consideration the areas of improvement identified in the Technical Advisory Panel report dated 24 May 2018 ("**TAP Report**") and following the provisions included in the "Guideline on the application of the methodological framework Number 2: Technical corrections to GHG emissions and removals reported in the reference period" dated November 2018 ("**Guideline**"). Such technical corrections shall be included in the Reference Level and shall be used for any ER Monitoring Report. If the Program Entity does not provide the Trustee with a detailed description of the technical corrections taking into account the TAP Report and in accordance with the Guideline at the latest three (3) months prior to the end of the first Reporting Period, this shall constitute a material breach by the Program Entity (Event of Default) under Section 16.01(a)(vi) of the General Conditions.

### **Article VIII**

#### **Host Country Withdrawal from Facility**

For the avoidance of doubt, the Host Country's withdrawal from the Facility will not terminate this Agreement or alter in any other respect the Program Entity's obligations under this Agreement.



**Article IX  
Sub-Project Arrangements**

**Section 9.01      *Development of Sub-Project Arrangements***

- (a) The Program Entity shall ensure that any Sub-Project Arrangement contains the principal terms included in Schedule 6 to this Agreement and none of the terms of the Sub-Project Arrangements are inconsistent with the terms of this Agreement.
- (b) The Program Entity shall ensure that any Sub-Project Entity complies with all of the requirements set out in the Sub-Project Arrangement.

**Article X  
Miscellaneous**

**Section 10.01      *Term of the Agreement***

This Agreement will become effective through execution by both Parties as of the date first above written. Unless terminated earlier in accordance with the General Conditions or Section 3.03, this Agreement shall terminate upon transfer of all the Contract ERs and Additional ERs, if any, the payment of Periodic Payments in respect thereof, and the repayment of any yet unrecovered and outstanding Advance Payment amounts, if applicable, subject to the survival of provisions as identified in Section 18.11 of the General Conditions, but in any event by no later than December 31, 2025.

**Section 10.02      *Notices***

Any notice, communication, request or correspondence required or permitted under the terms of this Agreement shall be in writing, in the English language (it being understood that any such communication in a language other than English shall be of no force and effect), and shall be delivered personally, or via courier, mail, or facsimile to the address and telecopier numbers provided below.

For the Program Entity:

Ministry of Economy and Finance  
Direction Générale du Trésor / Direction de la Dette Publique  
BP. 129 Antananarivo  
Republic of Madagascar

Email: tresorrdp@gmail.com  
Tel.: +261 34 07 621 87

Ministry of Environment and Sustainable Development  
Antsahavola, Antananarivo 101  
Republic of Madagascar

Email: vahinala@gmail.com  
Tel.: +261 34 93 042 12

RBV  
Mey  
B

For the Trustee:

Carbon Fund of the Forest Carbon Partnership Facility  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Email: fcpfsecretariat@worldbank.org  
Tel.: +1-202-458-4416

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed as of the date first above written.



**INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT, AS TRUSTEE OF TRANCHE A OF THE CARBON FUND OF THE FOREST CARBON PARTNERSHIP FACILITY**



(Authorized signatory)

By: Marie Chantal Uwanyiligira  
Title: Country Manager

**REPUBLIC OF MADAGASCAR REPRESENTED BY THE MINISTRY OF ECONOMY AND FINANCE AND THE MINISTRY OF ENVIRONMENT AND SUSTAINABLE DEVELOPMENT**



(Authorized signatory)

By: Richard Randriamandrato  
Title: Minister of Economy and Finance




(Authorized signatory)

By: Baomiavotse Vahinala Raharinirina  
Title: Minister of Environment and Sustainable Development

**SCHEDULE 1**

**CONDITIONS OF EFFECTIVENESS OF SALE AND PURCHASE**

- (1) Submission of a final Benefit Sharing Plan which, based on the advance draft version of the Benefit Sharing Plan provided by the date of this Agreement, takes into account specific guidance to be provided by the Trustee, following consultations with Tranche A Participants, on the outstanding issues that need further clarification in the final version of the Benefit Sharing Plan;
- (2) Submission of an Operations Manual, which shall be subject to the Trustee's prior review of and consent to the draft of such Operations Manual, for the operation of the Special Designated Account; and
- (3) Submission of evidence demonstrating the Program Entity's ability to transfer Title to ERs, free of any interest, Encumbrance or claim of a Third Party.



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**SCHEDULE 2**

**MINIMUM REPORTING PERIOD AMOUNTS**

<b>Reporting Period</b>		<b>Minimum Reporting Period Amount of Contract ERs to be generated in this Reporting Period and subsequently transferred to the Trustee of Tranche A of the Fund</b>	<b>Cumulative Amount of Contract ERs which must be generated by the end of this Reporting Period and subsequently transferred to the Trustee of Tranche A of the Fund</b>
<b>1</b>	March 22, 2020 – December 31, 2020	Tranche A Pro Rata Share of 300,000 ERs (16,087 ERs)	Tranche A Pro Rata Share of 300,000 ERs (16,087 ERs)
<b>2</b>	January 1, 2021 – December 31, 2022	Tranche A Pro Rata Share of 1,500,000 ERs (80,434 ERs)	Tranche A Pro Rata Share of 1,800,000 ERs (96,521 ERs)
<b>3</b>	January 1, 2023 – December 31, 2024	Tranche A Pro Rata Share of 8,200,000 ERs (439,703 ERs)	Tranche A Pro Rata Share of 10,000,000 ERs (536,224 ERs)

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**SCHEDULE 3**

**ER TRANSFER FORM**

**[LETTERHEAD OF PROGRAM ENTITY]**

**TO:** The International Bank for Reconstruction and Development as Trustee of Tranche A of the Carbon Fund of the Forest Carbon Partnership Facility

**ER Transfer Form for the Reporting Period from ..... [Date] ..... to ..... [Date] .....**

We refer to the Forest Carbon Partnership Facility Emission Reductions Payment Agreement dated [ ] between [ ] ("**Program Entity**") and the International Bank for Reconstruction and Development, as Trustee of Tranche A of the Carbon Fund of the Forest Carbon Partnership Facility ("**IBRD**" or "**Trustee**")[, as amended] ("**ERPA**"). Capitalized terms used and not specifically defined herein shall have the meanings assigned thereto in the ERPA.

**1. Notification of Transfer of ERs**

In accordance with the ERPA, we hereby notify the Trustee that the following amount of Verified ERs has been transferred to the Trustee for this Reporting Period in accordance with the ERPA:

- \_\_\_\_\_ ERs, as Verified by Verification Report dated [INSERT DATE] of which \_\_\_\_\_ ERs are Contract ERs and, if any, \_\_\_\_\_ ERs are Additional ERs.

For the avoidance of doubt, by having transferred the above ERs, we also have transferred and assigned to the Trustee the right to cause those ERs to be forwarded into any Registry Account(s) of the Trustee's nominee(s) in accordance with any modality, procedure, process or mechanism established by any relevant authority, entity or registry.

**2. Invoice and Periodic Payment**

We calculate that the gross payment amount for transferred ERs for this Reporting Period, before deducting the Advance Payment(s) and Taxes which the Trustee is entitled to deduct under the ERPA, is:

[US\$] \_\_\_\_\_ [[US\$][Unit Price] X [Volume of transferred Contract ERs]]  
Plus (if any)

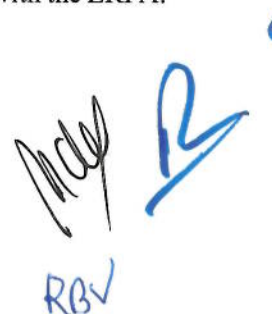
[US\$] \_\_\_\_\_ [[US\$][Exercise Price] X [Volume of transferred Additional ERs]]

Equals

[US\$] \_\_\_\_\_ [gross payment amount]

Please pay the gross payment amount, less any Advance Payment(s) and Taxes which the Trustee is entitled to deduct under the ERPA (Periodic Payment) to the following bank account, in accordance with the ERPA:

Name of Payee's Bank: XXX



Swift Code: XXX  
Bank address: XXX  
Bank Account Number: 123456789

Name of Intermediary Bank: XXX  
Swift Code: XXX  
Bank address: XXX

Dated: \_\_\_\_\_, 20[ ]

For and on behalf \_\_\_\_\_ [Program Entity]

by its authorized Representative

Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_



Handwritten signature and initials in blue ink. The signature is stylized and appears to be 'R' followed by a flourish. Below it are the initials 'RBV'.



**SCHEDULE 4**  
**EXERCISE NOTICE**

**[LETTERHEAD OF GRANTEE]**

TO: [Grantor]

**Exercise Notice for [insert Reporting Period]**

We refer to the Emission Reductions Payment Agreement dated [INSERT DATE] ("ERPA") between [ ] ("Program Entity") and the International Bank for Reconstruction and Development ("IBRD"), as trustee of Tranche A of the Carbon Fund ("Fund") of the Forest Carbon Partnership Facility ("Trustee"), which includes the 'International Bank for Reconstruction and Development General Conditions Applicable to Emission Reductions Payment Agreements for Forest Carbon Partnership Facility Emission Reductions Programs' dated November 1, 2014 ("General Conditions"). Capitalized terms used and not specifically defined herein shall have the meanings assigned thereto in the ERPA and the General Conditions.

For the Reporting Period beginning [XX] and ending [XX], the Grantee hereby exercises its Call Option from the Grantor on the same terms and conditions as set out in the ERPA and transferred in accordance with the following:

Grantor:	Program Entity
Grantee:	Trustee of Tranche A of the Fund
Registry Account:	[insert if known]
Quantity of Additional ERs:	[insert]
Exercise Price:	[insert price per ER as specified in ERPA]
Exercise Completion Date:	[Insert date [90] calendar days from the date of this Notice]

Dated:

**For and on behalf of**  
**[insert legal name of Grantee]**

by its Authorized Representative

\_\_\_\_\_  
Authorized Representative

\_\_\_\_\_  
Please print name

  
RBV

**SCHEDULE 5**

**PUT OPTION EXERCISE NOTICE**

**[LETTERHEAD OF PROGRAM ENTITY]**

TO: [Trustee]

**Put Option Exercise Notice for [insert Reporting Period]**

We refer to the Emission Reductions Payment Agreement dated [INSERT DATE] ("ERPA") between [ ] ("Program Entity") and the International Bank for Reconstruction and Development ("IBRD"), as trustee of Tranche A of the Carbon Fund ("Fund") of the Forest Carbon Partnership Facility ("Trustee"), which includes the 'International Bank for Reconstruction and Development General Conditions Applicable to Emission Reductions Payment Agreements for Forest Carbon Partnership Facility Emission Reductions Programs' dated November 1, 2014 ("General Conditions"). Capitalized terms used and not specifically defined herein shall have the meanings assigned thereto in the ERPA and the General Conditions.

For the Reporting Period beginning [XX] and ending [XX], the Program Entity hereby exercises its Put Option on the same terms and conditions as set out in the ERPA and transferred as Contract ERs in accordance with the following:

Grantor:	Trustee of Tranche A of the Fund
Grantee:	Program Entity
Registry Account:	[insert if known]
Quantity of ERs from	
Seller's Percentage Split Amount:	[insert Tranche A Pro Rata Share]
Exercise Price:	[insert price per ER as specified in ERPA]
Exercise Completion Date:	[Insert date [90] calendar days from the date of this Notice]

Dated:

**For and on behalf of**  
**[insert legal name of Grantee]**

by its Authorized Representative

\_\_\_\_\_  
Authorized Representative

\_\_\_\_\_  
Please print name

  
RBV 

## SCHEDULE 6

### PRINCIPAL TERMS OF SUB-PROJECT ARRANGEMENTS

Any Sub-Project Arrangement between the Program Entity and any Sub-Project Entity shall include, but not be limited to, the following principal terms:

1. The Sub-Project Entity shall:
  - (a) Implement all applicable requirements of the ER Monitoring Plan, including those pertaining to environmental and social performance and operational management systems (unless the Program Entity exclusively monitors the data/info required to be included in the ER Monitoring Report in which case this obligation does not need to be included).
  - (b) Installs, operates and maintains the facilities and equipment and retains staff necessary for gathering all such data as may be required by the ER Monitoring Plan, including by establishing and maintaining all related data measurement and collection systems as are necessary (unless the Program Entity exclusively installs, operates and maintains the facilities and equipment and retains staff necessary for gathering all such data as may be required by the ER Monitoring Plan in which case this obligation does not need to be included).
  - (c) Implement its Sub-Project/ER Program Measures (as specified in the ERPD) in accordance with the terms of the ERPD.
  - (d) For the avoidance of doubt, authorize the Program Entity to transfer any ERs generated from such Sub-Project/ER Program Measures to the FCPF Carbon Fund free of any thirdparty interest or encumbrance.
  - (e) Inform the Program Entity immediately after becoming aware of the occurrence of a Reversal Event under a Sub-Project/ER Program Measure.
  - (f) Operate and implement its Sub-Project/ER Program Measures in compliance with the World Bank Operational Policies and any Safeguards Plans provided for under the ERPA.
  - (g) Maintain and prepare its Sub-Project/ER Program Measures to allow for Verification.
  - (h) Satisfy any obligations in respect of applications for all licenses, permits, consents and authorizations required to implement the Sub-Project/ER Program Measures.
2. The Program Entity shall:
  - (a) Provide the Sub-Project Entity with the ERPD, the ER Monitoring Plan (if needed), the Safeguards Plans and any other information relevant to the implementation of the Sub-Project/ER Program Measures (including relevant communication between the Trustee and the Program Entity in relation to the ERPA).
  - (b) Collect from the Sub-Project Entity, and, if necessary, confirm the accuracy of, all information required to be collected under the Monitoring Plan and the applicable Safeguards Plans.

  
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