**Memorandum of Understanding**

**Between**

**The World Bank**

**and**

[Country]

**Memorandum of Understanding**

**Between**

**The World Bank and [Country]**

**[Country]** and the International Bank for Reconstruction and Development (the “World Bank”) understand that the Kyoto Protocol to the United Nations Framework Convention on Climate Change (the “UNFCCC”) aims to impose commitments to reduce emissions of greenhouse gases on those countries listed in Annex B to the Protocol. They are aware that the Protocol envisages that countries listed in Annex B might meet a proportion of their greenhouse gas reduction commitments through projects implemented in another country (a “Host Country”) through so-called “joint implementation” projects under Article 6 of the Protocol or under the Clean Development Mechanism defined by Article 12 of the Protocol. They also appreciate that both Articles 6 and 12 envisage the participation of both the public and private sectors in these activities.

The Executive Directors of the World Bank have approved the establishment of a Prototype Carbon Fund (the “Fund”) to help finance the generation of emission reductions through the implementation of project activities in Host Countries designed to reduce the emissions or, as appropriate, enhance the sequestration of greenhouse gases, recognizing that there will be other such financial instruments which would not involve the World Bank.

The aims of the Fund are to demonstrate how project-based emissions reductions transactions can promote and contribute to the sustainable development of the World Bank’s borrowing member countries, and illustrate how this outcome might be secured in the longer term. Second, the Fund aims to provide the Parties to the UNFCCC with an opportunity to “learn by doing” as they deliberate on the guidelines, modalities and procedures that will govern project-based Emission Reduction transactions under the framework of the Kyoto Protocol. Consistent with this objective, the Fund’s design places great emphasis on knowledge generation, synthesis, and dissemination in the course of its implementation. Third, the Fund seeks to provide an example of how the World Bank can work in partnership with both the public and private sectors to mobilize new resources for its borrowing member countries while addressing global environmental concerns.

The design and operational conditions of the Fund are sufficiently flexible to adapt to the emerging requirements of the regulatory framework of the UNFCCC. The Fund will also comply with the operational policies and procedures of the World Bank. The Fund has been developed in consultation with the Global Environment Facility (GEF) and in coordination with other relevant World Bank initiatives.

**[Country]** has expressed an interest in exploring the possibility of hosting future project activities of the Fund and has accepted the World Bank’s invitation to participate in a group of Host Countries and potential Host Countries (hereinafter the “Host Country Committee”). It is currently envisaged that the role of the Host Country Committee will include providing advice to the World Bank as Trustee of the Fund on a number of issues including: proposed amendments to the Project Selection Criteria and Project Portfolio Criteria; the composition of the Project portfolio and the consistency of the Project portfolio with the regulatory framework of the UNFCCC; how to effect an equitable sharing between the Participants and the Host Countries of any Emission Reductions and other benefits arising from Projects; Project implementation, including the processes of Validation, Verification and Certification; and the development and improvement of vehicles for the dissemination of the knowledge gained by it in the development of the Fund and the implementation of Projects.

**[Country]** and the World Bank (the “Parties”) understand that the participation in the Host Country Committee signifies a good faith commitment to study the means and modalities of operating the Fund as well as a range of associated issues such as the transfer of emission reductions generated by such projects. It is envisaged that the Host Country Committee will meet at least annually on such dates and at such places as considered appropriate by the management of the Fund at a time preferably co-incident with existing UNFCCC meetings. The Parties recognize that the expenses of participating in any of these future meetings of the Host Country Committee will be limited to the travel and staff costs that each party assumes on its own.

The Parties understand that neither signature of this Memorandum of Understanding nor participation in the Host Country Committee will constitute any commitment by the Fund to finance, or any commitment by the Government to host, any project activity of the Fund. The Parties recognize that the World Bank is pursuing discussions with possible participants in the Fund, as well as potential Host Countries. New members may be invited to participate in each of these groups. The Parties also recognize that **[Country]** may wish to evaluate its participation in the Host Country Committee from time to time.

This Memorandum of Understanding is executed in two original copies in English.

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| **[Authorized Representative, Title]** | **[Name of VP]**, Vice President |
| **[Department/Ministry]**  **[Country]** | Environmentally and Socially Sustainable Development  The World Bank |

Washington DC

**[Date]**