

Annex IV

**AGREEMENT FOR THE TOTAL PHASE-OUT OF ANNEX A GROUP I
SUBSTANCES (CFCs) IN BRAZIL**

1. The Executive Committee approves in principle a total of US \$26.7 million in funding for the phased reduction and complete phase-out of consumption of Annex A Group I substances in Brazil by 2010 (CFCs -11, -12, -113, -114 and -115). This is the total funding that will be available to Brazil from the Multilateral Fund for the total elimination of CFC use in the refrigeration sector in Brazil as well as for all other sectors using these substances, (e.g., foams, aerosols, solvents, sterilants, MDIs etc.). The agreed level of funding will be paid out in instalments in the exact amount of US dollars specified in paragraph 2, and on the basis of the understanding set out in this Agreement.

2. By this Agreement, Brazil commits that, in exchange for the funding specified in Table 1 below, it will eliminate its total consumption of Annex A, Group I substances in accordance with the consumption targets also indicated in Table 1 below. To achieve this goal Brazil will meet the total annual reduction targets specified in Table 1. Ongoing approved projects will be completed and phase out achieved according to the implementation schedules approved for each project and subject to established Fund rules and procedures.

Table 1
National Control Targets for Annex A Group 1 CFC consumption in ODP tonnes

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Max allowable total consumption of Annex A Group 1 substances (ODP tonnes)	9,276	(9,276)	8,280	6,967	5,020	3,070	2050	1000	424	74	0
Total annual reduction (ODP tonnes)	-	-	996	1,313	1,947	1,950	1,020	1,050	576	350	74
Reduction from ongoing projects	-	-	745	313	1210	1207	0	0	0	0	0
New reduction under plan	-	-	251	1000	737	743	1,020	1,050	576	350	74
Total agreed funding (US \$ million)			9.5		6.42	5.27	3.10	1.19	0.87	0.25	0.10
Agency support costs (US \$ million)			0.8353		0.563	0.4595	0.2642	0.0923	0.0635	0.0125	0.005

3. In order to facilitate early establishment of Brazil's implementation and monitoring unit, achievement of Brazil's 2002 and 2003 reduction targets, and to initiate measures necessary to meet the other reduction targets included in Table 1, the Executive Committee decides at its 37th Meeting to provide US \$9.5 million plus agency support costs to Brazil.

4. The Executive Committee also agrees in principle to payments in 2003 and subsequent years in the exact amount listed in Table 1, subject to:

- (a) achievement of the consumption limits specified in the first row of Table 1 and the other performance requirements contained in this agreement; and
- (b) consideration of an annual implementation plan for the following year.

Thus, for example, the payment indicated in year 2003 will be for activities to be implemented in 2004, and so on. The Executive Committee will strive to provide the specified funding at the last meeting of the year concerned.

5. Payments noted in Table 1, other than the initial payment in 2002, will be released based on confirmation that: the agreed maximum consumption targets noted in Table 1 for the previous year have been achieved; it has been verified that CFC phase-out has taken place, and that a substantial proportion of the activities planned for the previous year were undertaken in accordance with the annual implementation plan.

6. For example, payment in 2003 for the 2004 implementation programme will be conditional on satisfactory verification that Brazil has, as a minimum: met its consumption targets for 2002 as specified in Table 1; achieved at least one third of the reductions in consumption for 2003 as also indicated in Table 1, and; completed the 2002 implementation plan activities and the 2003 activities planned for completion before the 2003 reporting date. Payment in 2004 for the 2005 implementation plan will be released based on confirmation that the 2003 consumption targets have been met, and so on for future years.

7. The Government of Brazil agrees to ensure accurate monitoring of the phase-out. The Government of Brazil will provide regular reports, as required by its obligations under the Montreal Protocol and this Agreement. Consumption figures provided under this Agreement will be, as a minimum, consistent with Brazil's compliance with the Montreal Protocol regarding Annex A Group I CFCs and will be reported to the Ozone Secretariat pursuant to Article 7 of the Montreal Protocol.

8. The Government of Brazil also agrees to allow independent verification audits as provided for in this Agreement, a biennial verification to be implemented as part of the relevant annual work programme of monitoring and evaluation of the Multilateral Fund and; in addition, such external evaluation as may be directed by the Executive Committee, to verify that annual CFC consumption levels correspond to those agreed in Table 1 and that implementation of the national CFC phase-out plan proceeds as scheduled and agreed in annual implementation programmes.

9. The National CFC Phase-out Plan for Brazil, the Brazilian Country Programme and other related documentation may include estimates of specific funds that were thought to be needed for specific items. Notwithstanding this, the Executive Committee wishes to provide Brazil with maximum flexibility in using the agreed funds to meet the reduction targets and the consumption limits agreed in Table 1. The Executive Committee understands that during implementation, the funds provided to Brazil pursuant to this Agreement may be used in any manner consistent with

this Agreement that Brazil believes will achieve the smoothest possible CFC phase-out, consistent with operational procedures as agreed between Brazil and UNDP as the lead implementing agency in the National CFC Phase-out Plan for Brazil as revised and as indicated in the annual implementation programmes. In the Executive Committee's acknowledgement of the flexibility available to Brazil to achieve a complete CFC phase-out, it is noted that Brazil is committing to contribute the level of resources necessary to implement the plan and to achieve the consumption limits in Table 1 of this Agreement.

10. The Government of Brazil agrees that the funding agreed in principle by the Executive Committee at its 37th Meeting for the complete phase-out of consumption of Annex A Group I substances is the total funding that will be available to Brazil to allow its full compliance with the reductions in consumption and the phase-out as agreed with the Executive Committee of the Multilateral Fund, and that no additional Multilateral Fund resources will be forthcoming for any additional activities related to phase out of Annex A Group I substances. It is also understood that aside from the agency fee referred to in paragraph 12 below, the Government of Brazil, the Multilateral Fund, and its implementing and bilateral agencies will neither request nor provide further Multilateral Fund-related funding for the accomplishment of the total phase-out of Annex A Group I substances.

11. The Government of Brazil agrees that if the Executive Committee meets its obligations under this Agreement, but Brazil does not meet the reduction requirements outlined in Table 1, or other requirements outlined in this document, the implementing agency and the Multilateral Fund will withhold funding for subsequent tranches of funding outlined in Table 1 until such time as the required reduction has been met. It is clearly understood that the fulfilment of this Agreement depends on satisfactory performance by both the Government of Brazil and the Executive Committee of their obligations. In addition, Brazil understands that with respect to all calendar year targets beginning with 2002, as set out in Table 1 of this Agreement, the Multilateral Fund will reduce the subsequent tranche and therefore the total funding for phase-out of CFC-11 in the foam sector in the amount of US \$9,200 per ODP tonne of reductions in consumption not achieved in any year, unless the Executive Committee decides otherwise.

12. UNDP has agreed to be the lead implementing agency for the implementation of this national CFC phase-out plan which will be completed in 2010. A fee of 5 per cent of the annual funding for project implementation and monitoring and 9 per cent of the annual funding for all other activities has been agreed in accordance with the provisions of this Agreement, and distributed as shown in Table 1. As the lead implementing agency, UNDP will be responsible for the following:

- (a) Ensuring performance and financial verification in accordance with this agreement and with specific UNDP procedures and requirements as specified in the National CFC Phase-out Plan for Brazil, as revised;
- (b) Providing verification to the Executive Committee that the consumption targets listed in Table 1 and the associated annual activities have been met;
- (c) Assisting Brazil in preparation of annual implementation programmes,

- (d) Ensuring that achievements in previous annual programmes are reflected in future programmes;
- (e) Reporting on the implementation of the annual implementation programmes commencing with the submission for the 2004 annual implementation programme to be prepared and submitted in 2003;
- (f) Ensuring that technical reviews undertaken by UNDP are carried out by appropriate independent technical experts;
- (g) Carrying out required supervision missions;
- (h) Ensuring the presence of an operating mechanism to allow effective, transparent implementation of the programme, and accurate data reporting;
- (i) Verification for the Executive Committee that national Annex A Group I consumption for Brazil has been completed based on the schedules listed in Table 1;
- (j) Ensuring that disbursements are made to Brazil based on agreed performance targets in the project and provisions in this Agreement;
- (k) Providing policy development assistance when required.

13. The funding components of this Decision shall not be modified on the basis of future Executive Committee decisions that may affect the funding of any other consumption sector projects or any other related activities in the country.