

Annex XXVI

AGREEMENT BETWEEN ARGENTINA AND THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND FOR THE ACCELERATED CFC PRODUCTION PHASE-OUT

1. This Agreement supplements the Agreement between the Executive Committee and Argentina entered into at the 38th Meeting for the phase-out of CFC production in Argentina (the “Existing Agreement”). This Agreement represents the understanding of Argentina (“the Country”) and the Executive Committee with respect to the Accelerated phase-out of the production of ozone depleting substances (“the substances”) by 1 January 2008, as set out in paragraph 2 of the existing agreement.

2. The Country agrees to phase-out the production of the Substances by January 1, 2008, as described in row 3 of Table 1 in Appendix 1 of this Agreement. The other conditions in the existing agreement on phase-out of the Substances in Argentina will not be changed with the following exception: Paragraph 3(f)(viii) of the Existing Agreement is amended as follows.

Paragraph 3(f)(viii). Independently verifying for the Executive Committee that dismantling of CFC production lines is done appropriately by ensuring that the control and monitoring equipment are dismantled and rendered unusable for future ODS production, and are disposed of.

3. The Country accepts that, by its acceptance of this Agreement and performance by the Executive Committee of its funding obligations described in paragraph 2, it is precluded from applying for or receiving further funding from the Multilateral Fund in respect to the phase-out of the production of CFCs. Paragraph 3(d) of the Existing Agreement is amended as follows:

Paragraph 3(d). Argentina agrees that the funds being agreed in principle by the Executive Committee at its 38th and 52nd Meetings for complete closure of its CFC production capacity is the total funding that will be available to it to enable its full compliance with the CFC production phase out requirements of the Montreal Protocol, and that no additional Multilateral Fund resources will be forthcoming for related activities including the development of infrastructure for the production of alternatives, the import of alternatives, or the eventual closure of any HCFC facilities that use existing CFC infrastructure. It is also understood that aside from the agency fee referred to in Table 2 of Appendix 1 below, Argentina, the Multilateral Fund and its Implementing Agencies and bilateral donors will neither provide nor request further Multilateral Fund related funding for the accomplishment of the total phase out of CFC production in accordance with the schedule noted above and the terms of the strategy being approved. This includes but is not limited to funding for employee compensation and all technical assistance including training.

4. Subject to compliance by the Country with its obligations set out in this Agreement, the Executive Committee agrees in principle to provide the funding set out in row 3 of Table 2 in Appendix 1 (the "Funding") to the Country. The Executive Committee will provide the funding tranche associated to the new accelerated phase-out at the 53rd Executive Committee meeting. For the subsequent tranches in 2008 and 2009, the releases of these tranches will follow the terms and conditions stipulated in the original Agreement between Argentina and the Executive Committee.
5. The Country will meet the production limits as indicated in row 3 of Table 1 in Appendix 1. It will also accept independent verification by the World Bank of achievement of the production limit and the completion of the necessary dismantling activities as described in paragraph 3(f) of the Existing Agreement.
6. The Country agrees to assume overall responsibility for the management and implementation of this Agreement and of all activities undertaken by it or on its behalf to fulfill the obligations under this Agreement. The Country also agrees to establish policies or enforcement mechanisms to control illegal ODS related activities as set out in Appendix 2.
7. Should the Country, for any reason, not meet the Targets for the elimination of the Substances or otherwise does not comply with this Agreement, then the Country agrees that it will not be entitled to the Funding. In the discretion of the Executive Committee, funding will be reinstated according to a revised Funding Disbursement Schedule determined by the Executive Committee after the Country has demonstrated that it has satisfied all of its obligations that were due to be met prior to receipt of the next installment of Funding under the Funding Disbursement Schedule. In addition, Argentina understands that the Multilateral Fund will reduce the subsequent tranche and therefore, total funding for the CFC production closure on the basis of US \$1,000 per ODP tonnes of reductions not achieved in this Agreement.
8. The Funding components of this Agreement will not be modified on the basis of any future Executive Committee decision that may affect the Funding of any other production sector projects or any other related activities in the Country.
9. The Country will comply with any reasonable request of the Executive Committee and the World Bank to facilitate implementation of this Agreement. In particular, it will provide access by the World Bank to information necessary to verify compliance with this Agreement.
10. All of the agreements set out in this Agreement are undertaken solely within the context of the Montreal Protocol and as specified in this Agreement. All terms used in this Agreement have the meaning ascribed to them in the Protocol unless otherwise defined herein.

Appendix 1. The targets and the funding.

Table 1. Production targets

Description	Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
1. Target under current agreement	3,020	3,020	3,020	1,647	1,647	686	686	686	0
2. Verified production	3,015	3,018	3,016	1,645	1,645	-	-	-	-
3. Proposed production under APP						686	0	0	0

Table 2. Funding

Description	Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
1. Funding under current agreement	0.5	3.5	0.0	0.3	2.0	0.0	1.0	1.0	0.0
2. Support costs under Existing Agreement	0.020	0.110	0.090	0.120	0.100	0.120 ⁽¹⁾	0.120	0.047	0.0
3. Total adjusted funding for the APP						2.3 ⁽²⁾	1.0	1.0	0.0
4. Programme support costs for the APP						0.173 ⁽³⁾	0.0	0.0	0.0
5. Total funds to be released to the country and I.A.						2.593	1.12	1.047	0.0

Notes:

⁽¹⁾ The programme support cost of \$0.12 million for 2007 will be released as part of the 2007 work program.

⁽²⁾ Adjusted funding for the APP is equal to \$2.3 million for not producing 1372 Mt of CFCs in 2008 and 2009. This funding amount will be released in full by the ExCom at the 53rd Meeting. For the remaining tranches for 2008 and 2009, funds will be released at the first meeting of the year as per the terms and conditions stipulated in the original Agreement between Argentina and the ExCom.

⁽³⁾ Programme support costs are equal to 7.5% of the \$2.3 million.

Appendix 2. Enforcement and penalties related to illegal production.

Year of effectiveness	Actions
January 1, 2008	Argentina will continue on-site monitoring of the production of CFC until 2010 as currently implemented under the CFC production sector plan. The World Bank will continue to conduct independent verifications of the plant in 2008 and 2009 to confirm the sustained production closure. The 2007 verification report along with the verification of plant closure will be submitted to the first meeting of the ExCom in 2008. The 2008 verification report will be submitted to the first meeting of the ExCom in 2009.
