

**Brazilian views on the detailed costs incurred, including in-kind contributions, for the preparation of its most recent national communication and on the financial resources received through the GEF.**

Brazil recalls the invitation to Parties contained in document FCCC/SBI/2011/L.33, paragraph 3, and welcomes the opportunity to submit information on the detailed costs incurred, including in-kind contributions, for the preparation of its most recent national communication and on the financial resources received through the GEF.

The information below is extracted from the Second National Communication of Brazil to the UNFCCC, Part V, Chapter 1 entitled “Constraints and Gaps, and Related Financial, Technical and Capacity Needs” (English version, 2<sup>nd</sup> volume, pp. 488 and 489).

“The budget for elaborating Brazil’s Second National Communication to the Convention was established in 2005, when the document for the BRA/05/G31 project was signed. It was set up at US\$ 3,400,000 and was provided by the GEF – which is an operational entity of the financial mechanism under the Convention –, and US\$ 4,175,600, from Brazil’s contribution, for a total original budget of US\$ 7,575,600.

The Ministry of Science and Technology - MCT is the executing agency of this project, as it was when the Initial Communication of Brazil was elaborated, also financed with GEF resources. MCT uses this Fund’s resources to leverage contributions from diverse partner institutions that participate directly in the execution of each project result. The budget originally made available is only sufficient for conducting projected basic results, without any expansion in their content or detail, which often proves necessary since these are highly complex technical studies for which the expansion of content and detail greatly contributes towards the quality of the final result.

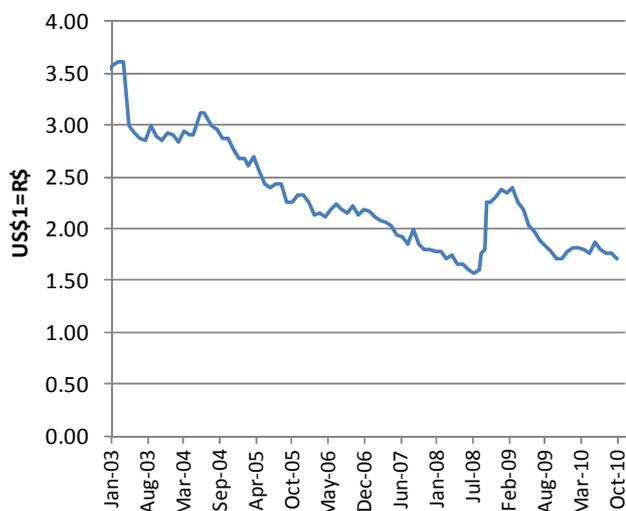
In the specific case of Second National Communication of Brazil, the executing agency of this project, i.e., the MCT, had to make additional efforts in relation to financial execution of the project. Besides those contributions that are normally expected for expanding and detailing results, additional funds were necessary to permit carrying out some studies, given the Real's appreciation in relation to the dollar, throughout project execution, from 2006 to 2010.

The dollar exchange rate at the time the project was negotiated with the GEF was R\$ 3.15. In that scenario, the approved budget for the project (US\$ 3,400,000 from GEF plus the original national contribution of US\$ 4,175,600), would certainly be sufficient for carrying out all the projected basic studies, and the expansions and details, that is, the additional activities would be implemented at the expense of the contributions that would be negotiated during project execution, with each partner.

However, the dollar exchange rate, according to the official United Nations exchange rate for October 2010, was at R\$ 1.71, having oscillated throughout the execution of the project (Figure 1.1) at rates lower than those considered when the project was

proposed. This created several financial difficulties for the project to comply with its basic commitments, since all of its expense commitments were paid in Brazilian reais.

**Figure 1.1 – Dollar exchange rate oscillation throughout the execution of the project of the SNC**



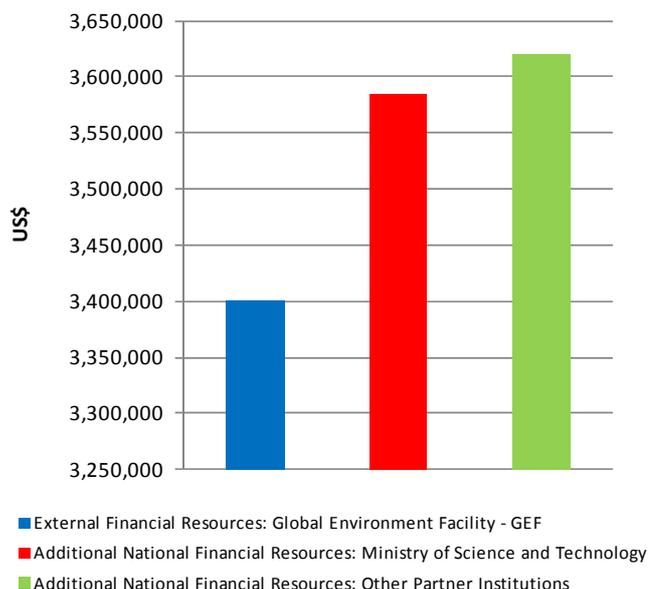
The efficient elaboration of Brazil's Second National Communication, with the proper expansions and details of those studies deemed necessary by the technical area, as well as the solution of the difficulties faced with the exchange appreciation, demanded funds of around US\$ 10,604,222.

Of these funds, US\$ 3,400,000 were provided by GEF and US\$ 7,204,222 came from national contributions. Initially, this contribution was US\$ 4,175,600. However, in face of the exchange rate appreciation and the determined need for additional activities during execution of the project, this contribution was not sufficient, which forced the MCT to work with several of the Ministry's institutions and entities in order to obtain additional funds, otherwise the work would not be completed.

Through active participation and thanks to a solid construction of partnerships by the MCT, it was possible to leverage contribution funds of US\$ 3,028,622 to finalize the project in an efficient manner, maintaining the expected quality of the results. In addition to the MCT, these additional contributions came from other partner institutions, such as Ministry of Mines and Energy - MME, National Institute on Space Research - INPE, Brazilian Agricultural Research Corporation - Embrapa, Environmental Sanitation Technology Company of the state of São Paulo - Cetesb, Foundation for Space Science, Technology and Applications - Funcate, Economy and Energy - e&e, the Brazilian Coal Association - ABCM, etc.

Figure 1.2 shows the allocated contributions, separating the MCT from the other institutions, as well as the original budget provided by GEF. As can be observed, the MCT provided more funds than those coming from the GEF, demonstrating the Brazilian government's commitment to the work performed.

**Figure 1.2 Source of the resources allocated to elaborate Brazil's Second National Communication to the United Nations Framework Convention on Climate Change**



In relation to administrative execution, it is important to mention the diligence and effort put into executing the project on the part of the UNDP as well as the Brazilian Cooperation Agency of the Ministry of External Relations – ABC/MRE, which had positive impacts on the results achieved by the project.”

The example of Brazil’s Second National Communication demonstrates the need to enhance GEF funding for the preparation of national communications by non-Annex I Parties. The current insufficient level of such funding leads to situations in which developing countries cover the greater share of costs associated with their national communications. This goes against the spirit and specific provisions of the UNFCCC.