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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Fifty-first Meeting
Montreal, 19-23 March 2007

PROJECT PROPOSAL: DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA

This document consists of the comments and recommendation of the Fund Secretariat on the following project proposal:

Phase-out

- Implementation of the NPP: regulations, training programme and monitoring (third tranche)

UNEP and UNIDO

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**PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS
DEMOCRATIC PEOPLE’S REPUBLIC OF KOREA**

PROJECT TITLE**BILATERAL/IMPLEMENTING AGENCY**

Implementation of the NPP: regulations, training programme and monitoring (third tranche)	UNEP and UNIDO
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NATIONAL CO-ORDINATING AGENCY:	National Coordinating Committee for Environment (NCCE)
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LATEST REPORTED CONSUMPTION DATA FOR ODS ADDRESSED IN PROJECT**A: ARTICLE-7 DATA (ODP TONNES, 2005, AS OF JANUARY 2007)**

Annex A Group I - CFC	91.8		
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B: COUNTRY PROGRAMME SECTORAL DATA (ODP TONNES, 2005, AS OF JANUARY 2007)

ODS	Aerosol	Foam	Ref. Mfg.	Ref. Servicing	Solvents	Process agent	Fumigant
CFC-11				49.0			
CFC-12				127.0			

CFC consumption remaining eligible for funding (ODP tonnes)	
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CURRENT YEAR BUSINESS PLAN: Total funding US \$113,000; total phase-out 10.0 ODP tonnes.

PROJECT DATA		2005	2006	2007	2008	2009	2010	Total
CFC (ODP tonnes)	Montreal Protocol limit	220.9	220.9	66.3	66.3	66.3	0	
	Annual consumption limit	177.0	120.0	66.0	48.0	30.0		
	Annual phase-out from ongoing projects	-	-	-	-	-	-	
	Annual phase-out newly addressed	57.0 + 15.7	54.0	18.0	19.0	30.0	0	192.7
	Annual unfunded phase-out							
TOTAL ODS CONSUMPTION TO BE PHASED OUT		57.0 + 15.7	54.0	18.0	19.0	30.0	0	192.7
Total ODS consumption to be phased-in (HCFCs)								
Final project costs (US \$):								
Funding for Lead IA: UNEP		234,600	163,400	100,000	20,000	10,000		528,000
Funding for Cooperating IA: UNIDO		536,000	0	0	0	0		536,000
Total project funding		770,600	163,400	100,000	20,000	10,000		1,064,000
Final support costs (US \$):								
Support cost for Lead IA: UNEP		30,498	21,242	13,000	2,600	1,300		68,640
Support cost for Cooperating IA: UNIDO		40,200	0	0	0	0		40,200
Total support costs		70,698	21,242	13,000	2,600	1,300		108,840
TOTAL COST TO MULTILATERAL FUND (US \$)		841,298	184,642	113,000	22,600	11,300		1,172,840
Final project cost effectiveness (US \$/kg)								5.52

FUNDING REQUEST: Approval of funding for the third tranche (2007) as indicated above.

SECRETARIAT’S RECOMMENDATION	Blanket approval
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PROJECT DESCRIPTION

1. On behalf of the Government of the Democratic People's Republic of Korea (D.P.R. Korea), UNEP has submitted a progress report on the implementation of the national CFC phase-out programme (NPP) for D.P.R. Korea, a verification report on the CFC consumption for 2005, and the request amounting to US \$100,000 plus agency support costs of US \$13,000 for UNEP for the implementation of the third tranche of the NPP, for consideration by the Executive Committee at its 51st Meeting.

Background

2. At its 47th Meeting, the Executive Committee approved in principle the NPP for D.P.R. Korea at the amount of US \$1,064,000 plus agency support costs of US \$68,640 for UNEP and US \$40,200 for UNIDO. The Executive Committee also approved an agreement specifying the conditions for implementation of the NPP, as well as funding for the first tranche of the NPP at the amount of US \$770,600 plus support costs for UNEP and UNIDO (decision 47/42). An additional US \$163,400 plus agency support costs of US \$21,242 was approved for UNEP at the 49th Meeting for implementation of the second tranche of the NPP.

Progress report

3. Since the approval of the NPP, 30 refrigeration technicians and 50 customs officers have been trained as trainers. These trainers have gone on to train 96 refrigeration technicians and 200 customs officers. Recovery and recycling equipment has been distributed and training equipment and ODS identification kits have been procured and will be delivered in the first quarter of 2007.

4. In addition to the recovery and recycling equipment provided in 2005, 140 portable multi-refrigerant recovery machines, 15 recovery/recycling/recharge units and servicing tools have been procured and delivered by UNIDO. Monthly data collection of the amounts of CFC recovered and recycled was conducted from the 10 regional centres that were established during the implementation of the RMP. About 27.3 ODP tonnes of CFCs were recovered and recycled in 2006.

5. An enforcement centre for the control of ODS imports has been established with the participation of several government agencies. It has generated a comprehensive compendium of ODS phase-out laws and regulations and an enforcement mechanism, which has already been drafted and submitted to the Cabinet for approval. It is expected that the regulations will be adopted in 2007 and enforced in 2008.

6. The project monitoring unit has been in operation since March 2006. Several public awareness and education campaigns have been conducted.

Verification report

7. A verification report on the levels of CFC consumption has been prepared. The report concluded that the total amount of CFCs imported in 2005 by the four licensed companies was 91.8 ODP tonnes, that CFCs were not produced in 2005, no illegal trade was identified from the

official files reviewed, and that the regulations on ODS import were comprehensive and had been enforced strictly by the relevant authorities.

2007 annual work programme

8. Work programme activities for 2007 include: implementation of additional training programmes for refrigeration servicing technicians and customs officers; continued implementation of the refrigerant recovery and recycling scheme; development of enforcement measures for ODS regulations; awareness education; and monitoring and evaluation of the activities contained in the NPP.

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

9. The Secretariat noted that the request for the third tranche of the NPP for D.P.R. Korea is in accordance with the agreement between the Government and the Executive Committee approved at the 47th Meeting.

10. The 2005 CFC consumption reported by the Government of D.P.R. Korea under Article 7 of the Protocol (i.e., 91.8 ODP tonnes) was already 129.05 ODP tonnes below the Protocol's maximum allowable level of consumption (i.e., 220.85 ODP tonnes), and 85.2 ODP tonnes below the maximum allowable level of consumption stipulated in the NPP agreement (i.e., 177.0 ODP tonnes). CFC consumption levels in 2006 have been estimated at 24.5 ODP tonnes. In 2006, not all of the 54.6 ODP tonnes of CFCs that had been stockpiled in 2005 were utilized.

11. The verification report was prepared by the Director of the Department of External Cooperation, Ministry of Chemical Industry. The Secretariat raised a concern about the independence of the report and a potential conflict of interest, taking into account that the person who conducted the audit is a Government official. UNEP indicated that the Government of D.P.R. Korea allocates the responsibility for conducting the verification to the Ministry of Chemical Industry, which is a separate entity from the governmental departments implementing the phase-out programme in the country.

RECOMMENDATION

12. The Fund Secretariat recommends blanket approval of the project with associated support costs at the funding level shown in the table below.

	Project Title	Project Funding (US \$)	Support Cost (US \$)	Implementing Agency
(a)	Implementation of the NPP: regulations, training programme and monitoring (third tranche)	100,000	13,000	UNEP