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

### PROJECT TITLE
Implementation of the NPP: regulations, training programme and monitoring (third tranche)

### BILATERAL/IMPLEMENTING AGENCY
UNEP and UNIDO

### NATIONAL CO-ORDINATING AGENCY:
National Coordinating Committee for Environment (NCCE)

### LATEST REPORTED CONSUMPTION DATA FOR ODS ADDRESSED IN PROJECT
#### A: ARTICLE-7 DATA (ODPTONNES, 2005, AS OF JANUARY 2007)

<table>
<thead>
<tr>
<th>ODS</th>
<th>Refrigerant Mfg</th>
<th>Refrigerant Servicing</th>
<th>Solvents</th>
<th>Process agent</th>
<th>Fumigant</th>
</tr>
</thead>
<tbody>
<tr>
<td>CFC-11</td>
<td>57.0</td>
<td>54.0</td>
<td>18.0</td>
<td>19.0</td>
<td>30.0</td>
</tr>
<tr>
<td>CFC-12</td>
<td>127.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### B: COUNTRY PROGRAMME SECTORAL DATA (ODPTONNES, 2005, AS OF JANUARY 2007)

<table>
<thead>
<tr>
<th>ODS</th>
<th>Aerosol</th>
<th>Foam</th>
<th>Ref. Mfg</th>
<th>Ref. Servicing</th>
<th>Solvents</th>
<th>Process agent</th>
<th>Fumigant</th>
</tr>
</thead>
<tbody>
<tr>
<td>CFC-11</td>
<td>57.0</td>
<td>54.0</td>
<td>18.0</td>
<td>19.0</td>
<td>30.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CFC-12</td>
<td>127.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### CURRENT YEAR BUSINESS PLAN:
Total funding US $113,000; total phase-out 10.0 ODP tonnes.

### PROJECT DATA

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>CFC (ODP tonnes)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Montreal Protocol limit</td>
<td>220.9</td>
<td>220.9</td>
<td>66.3</td>
<td>66.3</td>
<td>66.3</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Annual consumption limit</td>
<td>177.0</td>
<td>120.0</td>
<td>66.0</td>
<td>48.0</td>
<td>30.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual phase-out from ongoing projects</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Annual phase-out newly addressed</td>
<td>57.0</td>
<td>54.0</td>
<td>18.0</td>
<td>19.0</td>
<td>30.0</td>
<td>0</td>
<td>192.7</td>
</tr>
<tr>
<td>Annual unfunded phase-out</td>
<td>+ 15.7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### TOTAL ODS CONSUMPTION TO BE PHASED OUT

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total ODS consumption to be phased-in (HCFCs)</td>
<td>57.0</td>
<td>54.0</td>
<td>18.0</td>
<td>19.0</td>
<td>30.0</td>
<td>0</td>
<td>192.7</td>
</tr>
</tbody>
</table>

### 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
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:

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Project Funding (US $)</th>
<th>Support Cost (US $)</th>
<th>Implementing Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Implementation of the NPP: regulations, training programme and monitoring (third tranche)</td>
<td>100,000</td>
<td>13,000</td>
<td>UNEP</td>
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</table>