



**United Nations  
Environment  
Programme**

Distr.  
GENERAL

UNEP/OzL.Pro/ExCom/77/40  
3 November 2016

ORIGINAL: ENGLISH



EXECUTIVE COMMITTEE OF  
THE MULTILATERAL FUND FOR THE  
IMPLEMENTATION OF THE MONTREAL PROTOCOL  
Seventy-seventh Meeting  
Montreal, 28 November - 2 December 2016

**PROJECT PROPOSAL: THE DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA**

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

Phase-out

- HCFC phase-out management plan (stage I, third tranche)

UNIDO

**PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS**  
**Democratic People's Republic of Korea**

(I) PROJECT TITLE	AGENCY	MEETING APPROVED	CONTROL MEASURE
HCFC phase-out plan (Stage I)	UNIDO	73 <sup>rd</sup>	15% by 2018

(II) LATEST ARTICLE 7 DATA (Annex C Group I)	Year: 2015	70.02 (ODP tonnes)
--	------------	--------------------

(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)								Year: 2015	
Chemical	Aerosol	Foam	Fire fighting	Refrigeration		Solvent	Process agent	Lab use	Total sector consumption
				Manufacturing	Servicing				
HCFC-123									
HCFC-124									
HCFC-141b		10.5							10.5
HCFC-142b									
HCFC-22				10.2	49.4				59.6

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	78.0	Starting point for sustained aggregate reductions:	78.0
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	20.03	Remaining:	57.97

(V) BUSINESS PLAN		2016	2017	2018	Total
UNEP	ODS phase-out (ODP tonnes)	2.0	0.0	0.4	2.4
	Funding (US \$)	101,700	0	22,600	124,300
UNIDO	ODS phase-out (ODP tonnes)	2.9	0.0	0.4	3.3
	Funding (US \$)	139,100	0	21,400	160,500

(VI) PROJECT DATA			2014	2015	2016	2017	2018	Total
Montreal Protocol consumption limits			78.0	70.2	70.2	70.2	70.2	n/a
Maximum allowable consumption (ODP tonnes)			0.*	70.2	70.2	70.2	66.3	n/a
Agreed funding (US\$)	UNEP	Project costs	10,303	0	0	0	0	10,303
		Support costs	1,339	0	0	0	0	1,339
	UNIDO	Project costs	123,700	506,680	167,867	0	40,000	838,247
		Support costs	8,659	35,468	11,751	0	2,800	58,677
Funds approved by ExCom (US\$)	Project costs	134,003	506,680	0	0	0	640,683	
	Support costs	9,998	35,468	0	0	0	45,466	
Total funds requested for approval at this meeting (US\$)	Project costs			<b>167,867</b>			<b>167,867</b>	
	Support costs			<b>11,751</b>			<b>11,751</b>	

\* The Government of the Democratic People's Republic of Korea estimated a consumption of 80.00 ODP tonnes, which is above the HCFC baseline for compliance.

<b>Secretariat's recommendation:</b>	For blanket approval
--------------------------------------	----------------------

## PROJECT DESCRIPTION

1. On behalf of the Government of the Democratic People's Republic of Korea, UNIDO as the designated implementing agency has submitted to the 77<sup>th</sup> meeting a request for funding for the third tranche of stage I of the HCFC phase-out management plan (HPMP), at the amount of US \$190,000<sup>1</sup>, plus agency support costs of US \$13,300<sup>2</sup> as originally submitted. The submission includes a progress report on the implementation of the second tranche, the verification report on HCFC consumption and the tranche implementation plan for 2017 to 2018.

2. At the 75<sup>th</sup> meeting, the Executive Committee approved the transfer from UNEP to UNIDO of the activities formerly implemented by UNEP and the associated funding for the second, third, and fourth tranches of the HPMP as well as the balance of the first tranche (decision 75/58).

### Report on HCFC consumption

3. The Government of the Democratic People's Republic of Korea reported a consumption of 70.02 ODP tonnes of HCFC in 2015. The 2011-2015 HCFC consumption is shown in Table 1.

**Table 1. HCFC consumption in the Democratic People's Republic of Korea (2011-2015 Article 7 data)**

HCFC	2011	2012	2013	2014	2015	Baseline
<b>Metric tonnes</b>						
HCFC-22	1,301.0	1,275.5	1,282.6	1,153.0	1,083.0	1,126.2
HCFC-141b	168.0	171.0	182.0	145.0	95.0	145.5
<b>Total (metric tonnes)</b>	<b>1,469.0</b>	<b>1,446.5</b>	<b>1,464.6</b>	<b>1,298.0</b>	<b>1,178</b>	<b>1,271.7</b>
<b>ODP tonnes</b>						
HCFC-22	71.56	70.15	70.54	63.42	59.57	62.00
HCFC-141b	18.48	18.81	20.02	15.95	10.45	16.00
<b>Total (ODP tonnes)</b>	<b>90.04</b>	<b>88.96</b>	<b>90.56</b>	<b>79.37</b>	<b>70.02</b>	<b>78.00</b>

4. The reduction in HCFC consumption between 2013 and 2015 is due to the immediate application of the licensing and quota system for imports and production of HCFCs upon approval of the HPMP, supported by the activities so far implemented with the first two tranches of the HPMP, which allowed HCFC consumption levels in 2014 and 2015 to fall below the estimated figure in the plan of action to return to compliance<sup>3</sup>.

### *Verification report*

5. The verification report confirmed that the Government is implementing a licensing and quota system for HCFC production, imports and exports and that the total consumption of HCFCs for 2015 was 70.02 ODP tonnes, in compliance with the maximum allowable consumption target of HCFCs for the same year (70.16 ODP tonnes). The verification also confirmed that the production of HCFC-22 in 2015 was 27.39 ODP tonnes, in compliance with the maximum allowable production target of HCFC-22 for the same year (27.60 ODP tonnes); there were no exports of HCFC-22. The report also recommends, in order to avoid returning to non-compliance, that the implementing agency and the Government undertake

<sup>1</sup> The third tranche of stage I of the HPMP for the Democratic People's Republic of Korea amounted to US \$220,000 plus agency support costs of US \$20,800; however at the 75<sup>th</sup> meeting, an advance of funding on the third tranche was approved, at the amount of US \$30,000, plus agency support costs of US \$2,100 (decision 75/58).

<sup>2</sup> As per the letter of 30 September 2016 from the National Coordinating Committee to UNIDO.

<sup>3</sup> Recommendation 53/2 (UNEP/OzL.Pro/ImpCom/53/4, section A of Annex I).

additional efforts to expedite implementation of the HPMP activities and to address the issues related to restrictions on fund transfer and delays on delivery of equipment for foam manufacturing conversions.

*Country programme (CP) implementation report*

6. The Government of the Democratic People's Republic of Korea reported HCFC sector consumption data under the 2015 CP implementation report that is consistent with the data reported under Article 7 of the Montreal Protocol.

Progress report on the implementation of the second tranche of the HPMP

*Legal framework*

7. The 2015 HCFC quotas issued for production and import of HCFC-22 amount to 1,085 mt (59.67 ODP tonnes) and the HCFC-141b quotas for importers amount to 95 mt (10.45 ODP tonnes). The HCFC production and import quotas for 2016 were issued in accordance with the return-to-compliance plan presented in Table 3.

*PU foam sector*

8. Stage I of the HPMP for the Democratic People's Republic of Korea includes conversion of two foam enterprises: Puhung Building Materials using 5.74 ODP tonnes of HCFC-141b in spray foam and Pyongyang Sonbong using 7.49 ODP tonnes of HCFC-141b in rigid foam.

9. The spray foam equipment for Puhung Building Materials Factory, which had received clearance from UN Security Council Committee (UNSCC) 1718<sup>4</sup> in 2015, was delivered to the beneficiary in December 2015. Additional auxiliary equipment and tools required for the project received UNSCC clearance on 1 September 2016 and are expected to be shipped in last quarter of 2016. The commissioning and start-up of the spray foam equipment are expected to take place by December 2016, resulting in the phase-out of 5.74 ODP tonnes.

10. The enterprise Pyongyang Sonbong PU Foam Factory, which received funds to convert to cyclopentane, agreed with UNIDO and the National Coordination Committee for Environment (NCCE) that the equipment to be procured from the HPMP project should be for the use of methyl formate instead, as the storage requirement of cyclopentane on an underground stainless steel tank was unlikely to be approved by the UNSCC<sup>5</sup>, and local procurement of the tank is not feasible. Methyl formate can be imported in drums that can be kept at ground level.

11. Technical specifications for the equipment to operate with cyclopentane had been prepared by UNIDO's technical expert and submitted to UNSCC 1718 on 14 October 2015. The UNSCC responded in June 2016 that they could not ascertain the information provided in UNIDO's proposal due to possible non-compliance with relevant Security Council resolutions<sup>6</sup> and required a greater level of technical review concerning the items, equipment, goods and technology to be supplied to the Democratic People's Republic of Korea to enable the Committee to make an informed judgment.

12. UNIDO appointed a second technical expert to conduct the detailed technical assessment of the equipment items in view of compliance with the relevant Security Council resolutions, in particular the recent resolution 2270 (2016). The detailed review, which proposed the change to methyl formate was

---

<sup>4</sup> The UN Security Council Committee established pursuant to resolution 1718 was consulted before submission of the HPMP to establish whether the equipment or any other services under the HPMP could be provided to the country.

<sup>5</sup> Under a previous CTC phase-out project, the shipment of a reaction vessel that had been procured for the project was stopped by the Chinese customs at the border and confiscated.

<sup>6</sup> Resolutions 1718 (2006), 1874 (2009), 2087 (2013), 2094 (2013) and 2270 (2016).

submitted to UNSCC 1718 on 19 July 2016. Following the approval, UNIDO issued a contract to the best technically acceptable offer.

13. The items required to introduce the methyl formate include: storage tanks for the polyol and MDI, a high-pressure foam dispenser, a premixing station with a buffer tank, safety items, technical assistance and trials for validation of the formulations, equipment and process, a safety audit, and contingencies at a total cost of US \$382,580, which is below the US \$416,680 originally approved. As per the original proposal, no incremental operational costs are requested. The shipment is planned for November 2016 and the commissioning, start-up and training are expected to take place by January 2017, which will result in the phase-out of 7.49 ODP tonnes.

#### *Non-investment activities*

14. UNSCC 1718 provided clearance for the training equipment for refrigeration and air-conditioning (RAC) service technicians in 2015, and procurement was initiated in April 2016. The shipment was stopped at the Beijing airport by the Chinese customs authority, which confiscated a few items as it considered them dangerous goods (nine 9v batteries, two 1.5v batteries and five two-liter containers with vacuum pump oil at an estimated cost below US \$100). The remaining equipment was allowed to continue to Pyongyang, was cleared through the Democratic People's Republic of Korea customs, and was received in September 2016.

15. The training programmes for customs officers and RAC service technicians were delayed, as the funds transfer channel arranged by UNIDO through the World Food Programme (WFP) was terminated upon the adoption of UN Security Council Resolution 2270 on 2 March 2016. UNIDO was informed that UNDP had started negotiations with the UN Security Council on establishing a new special funding channel to be used by both resident and non-resident UN agencies in the country. While awaiting the availability of an operational funding transfer facility, UNIDO in cooperation with the NCCE decided to conduct the first train-the-trainers workshop on good practices in the RAC service sector in the third quarter of 2016, and to delay the first train-the-trainers workshop for customs officers until the facility to transfer funding to the country becomes fully operational.

16. Accordingly, 35 trainers in Pyongyang received RAC training on available alternative refrigerants; refrigerant management including recovery, recycling and reclamation; good servicing practices and safety issues. Pending the availability of an operational funds-transfer modality, five follow-up training workshops for servicing technicians are planned for the fourth quarter of 2016. During this period, no awareness-raising and public outreach activities took place due to the unfavourable conditions related to the transfer of funds.

17. In September 2016, the UN Resident Coordinator in Pyongyang informed UNIDO that in August 2016, UNSCC 1718 had approved the correspondent relationship between Bank Sputnik CJSC of Russia and the Foreign Trade Bank of the Democratic People's Republic of Korea in accordance with UN Security Council resolution 2270 (2016). However, the approval process by the Bank of Russia to formally authorise Bank Sputnik to provide the correspondent banking services in line with the approval of the UN Sanctions Committee has not been completed. Consequently UN had still not been able to transfer funds for its operations in the country. On 28 September 2016 the UNDP Assistant Administrator and Regional Director for Asia and the Pacific requested the Permanent Representative of the Russian Federation to the UN in New York to help expedite the Bank of Russia's approval process.

#### *Project implementation and monitoring unit (PMU)*

18. The NCCE Coordinator involved since the inception of the HPMP was recently changed. The PMU will be established once the funding transfer channel has been approved and made operational.

Until then, cooperation will continue via direct communication between UNIDO and the NCCE/NOU (via UNDP).

#### Level of fund disbursement

19. As of September 2016, of the US \$630,380 so far approved, US \$198,211 had been disbursed (US \$187,908 for UNIDO and US \$10,303 for UNEP). The balance of US \$475,669 will be disbursed between 2016 and 2018 (Table 2).

**Table 2. Financial report of stage I of the HPMP for the Democratic People's Republic of Korea (US \$)**

Agency	First tranche		Second tranche		Total approved	
	Approved	Disbursed	Approved	Disbursed	Approved	Disbursed
UNIDO	123,700	56,615	506,680*	131,293	630,380	187,908
UNEP	43,500**	10,303	0	0	43,500	10,303
<b>Total</b>	<b>167,200</b>	<b>66,918</b>	<b>506,680</b>	<b>131,293</b>	<b>673,880**</b>	<b>198,211</b>
Disbursement rate (%)	40.0		25.9		29.4	

\* Includes advance of US \$30,000 from the third tranche (UNEP/OzL.Pro/ExCom/75/44 paragraph 28(c) and decision 75/58(f)).

\*\*Of the US \$43,500, US \$33,197 is being returned at the 77<sup>th</sup> meeting by UNEP changing the total of funds approved by the ExCom to US \$640,683.

#### Implementation plan for the third tranche of the HPMP

20. The following activities will be implemented:

- (a) Two train-the-trainers for 50 customs officers and six training workshops for 150 customs officers on ODS regulations and its enforcement including the HCFC licensing and quota system (US \$33,500);
- (b) Second train-the-trainers for 40 trainers on RAC servicing and ten training sessions for 200 refrigeration technicians (US \$59,500);
- (c) Procurement and distribution of additional equipment for the recovery and recycling centers (same items as those procured during the previous tranche) following the same procedure for clearance with the UNSCC (US \$100,000);
- (d) National consultants and educational materials for the enforcement of HCFC control measures (US \$12,000); and
- (e) Project management unit (US \$15,000).

### **SECRETARIAT'S COMMENTS AND RECOMMENDATION**

#### **COMMENTS**

##### Compliance with the Montreal Protocol

21. In June 2014, the Government of the Democratic People's Republic of Korea notified the Parties through the Ozone Secretariat of its possible non-compliance with the control measures for consumption and production of HCFCs for 2013, 2014 and 2015. At their 26<sup>th</sup> meeting, the Parties noted that the annual

consumption by the Democratic People's Republic of Korea of HCFCs of 90.6 ODP tonnes for 2013 exceeded the maximum allowable consumption for that year and that the country was, therefore, in non-compliance with the consumption control measures under the Protocol, and that the annual production of HCFCs of 31.8 ODP tonnes in 2013 exceeded the allowable production of 27.6 ODP tonnes for that year. The Parties noted with appreciation the submission by the country of a plan of action to ensure its return to compliance with the Montreal Protocol's HCFC consumption control measures in 2015 and production control measures in 2016, and further noted that under the plan, without prejudice to the operation of the financial mechanism of the Protocol, the country proposed HCFC phase-out schedule presented in Table 3. In taking this decision, the Parties *inter alia* urged the Democratic People's Republic of Korea to work with the relevant implementing agencies to implement its plan of action to phase out consumption and production<sup>7</sup> of HCFCs; and to the degree that the country is working towards and meeting the specific Protocol control measures it should continue to be treated in the same manner as a Party in good standing (i.e., should continue to receive international assistance to enable it to meet those commitments in accordance with item A of the indicative list of measures that may be taken by the Meeting of the Parties in respect of non-compliance) (decision XXVI/15). Table 3 presents the schedule for returning to compliance.

**Table 3. Schedule for return to compliance by the Democratic People's Republic of Korea (ODP tonnes)**

Year	Max. allowable consumption	Proposed target consumption	Max. allowable production	Proposed target production
2013	78.00	90.60	27.60	31.80
2014	78.00	80.00	27.60	29.00
2015	70.16	70.16	24.84	27.60
2016	70.16	70.16	24.84	24.84
2017	70.16	70.16	24.84	24.84

22. At its 54<sup>th</sup> meeting<sup>8</sup> in July 2015 and its 56<sup>th</sup> meeting<sup>9</sup> in July 2016, the Implementation Committee adopted recommendations 54/1 and 56/2 respectively, noting that the Democratic People's Republic of Korea was in compliance with its commitment contained in decision XXVI/15, as shown by the HCFC consumption data reported for 2014 and 2015.

#### Progress report on the implementation of the second tranche of the HPMP

##### *Compliance with UNSCC resolutions, and modality of fund transfer*

23. The Secretariat noted that for the implementation of the second tranche and the request for the third tranche UNIDO continued to follow a thorough approach to comply with the relevant UNSCC resolutions, the modality of disbursement, organizational structures and monitoring procedures, in accordance with decision 75/58(g)<sup>10</sup>. UNIDO also confirmed that all applicable resolutions of the UNSCC, including the latest resolution 2270 (2016) have been considered, and that clearances from UNSCC 1718 have been obtained according to the procedure established in the above resolution.

<sup>7</sup> No assistance from the Multilateral Fund has been provided for the phase-out of HCFCs in the production sector.

<sup>8</sup> UNEP/OzL.Pro/ImpCom/54/4. Paris, 27-28 July 2015.

<sup>9</sup> UNEP/OzL.Pro/ImpCom/56/4. Vienna, 24 July 2016.

<sup>10</sup> To request UNIDO, when submitting and implementing future tranches of the HPMP, to follow an approach similar to that taken for the first and second tranches of stage I of the HPMP for the Democratic People's Republic of Korea in terms of compliance with the resolutions of United Nations Security Council, the modality of disbursement, organizational structures and monitoring procedures.

24. The Secretariat also noted that while equipment procurement and distribution was taking place, several non-investment activities in the refrigeration servicing sector and the establishment of the PMU had not advanced as expected due to the closure of WFP as a funding transfer channel. At the 75<sup>th</sup> meeting UNEP transferred its HPMP component to UNIDO due to similar challenges related to method of disbursement, organizational structures and monitoring procedures.

25. During the discussions UNIDO provided additional up-to-date information indicating that further to the UNSCC's approval of the funding mechanism involving the Russian Sputnik Bank, the Sputnik Bank has been officially approved by the Bank of Russia to be part of the funding transfer channel. Following this approval, UNICEF began conducting a test funds-transfer operation to verify and confirm the functionality of the new mechanism. The results are expected shortly.

26. UNIDO's diligence in addressing this issue is noted with appreciation. Despite the slower implementation of non-investment activities, the conditions for approval of the third tranche have been accomplished. Delaying its approval would be detrimental to the initiation of activities such as the procurement and distribution of equipment to the recovery and recycling centres. Once the funding mechanism is proven to be functional, UNIDO will establish a concrete working modality for transferring funds for the HPMP with the assistance of UNDP in the country.

27. UNIDO expects that by the time of the 77<sup>th</sup> meeting, the new funds-transfer mechanism will have been established. If this were the case, UNIDO would be able to execute fund transfers approval which would be a priority for the establishment of the PMU. The remaining funds from the second tranche and the funds from the third tranche would be used to complete all customs and refrigeration training, and to procure additional equipment for the recovery and recycling centres.

#### *Manufacturing sector*

28. Given the limitations on equipment imposed by UNSCC 1718, UNIDO, the NCCE and the enterprise Pyongyang Sonbong Foam Factory agreed that the equipment procured for the HPMP project should use methyl formate (a low-GWP alternative) as a blowing agent instead of the originally proposed cyclopentane technology.

29. As per the Agreement between the Government and the Executive Committee (paragraph 7(c)), this change is presented to the Executive Committee for its consideration. The level of funds approved for the Pyongyang Sonbong Foam Factory to introduce cyclopentane were US \$416,680 to phase out 7.49 ODP tonnes of HCFC-141b (US \$6.12 per kg). The agreed adjusted cost to introduce methyl formate is US \$361,350<sup>11</sup> at US \$5.31 per kg, representing a savings in incremental costs of US \$55,330, plus agency support costs of US \$3,873 which will lead to a decrease in the overall funding level under the Agreement.

30. UNIDO confirmed to the Secretariat that the list of equipment to introduce methyl formate has already received clearance by UNSCC 1718 and can be imported.

#### Transfer of UNEP's component to UNIDO

31. Further to the transfer of UNEP's component of stage I of the HPMP to UNIDO at the 75<sup>th</sup> meeting, UNEP was requested to return to the Multilateral Fund at the 76<sup>th</sup> meeting the remaining balance from the US \$43,500, plus agency support costs of US \$5,655 approved under the first tranche<sup>12</sup>. UNEP confirmed that the balance of funds amounting to US \$33,197, plus agency support costs of

---

<sup>11</sup> Discount was applied to the foam dispenser due to unavoidable upgrade.

<sup>12</sup> Decision 75/58(b).



US \$4,316 would be returned at the 77<sup>th</sup> meeting<sup>13</sup>. Accordingly, in line with decision 75/58(c), a value of US \$33,197, plus agency support costs of US \$2,324 is being added to UNIDO's third tranche request at the 77<sup>th</sup> meeting. Savings related to the transfer of funds from UNEP to UNIDO amount to US \$1,992 in agency support costs.

#### Revision to the HPMP Agreement

32. Based on the level of funding approved at the second tranche, savings in incremental costs related to the change of technology from cyclopentane to methyl formate by the enterprise Pyongyang Sonbong PU Foam Factory, and the transfer of UNEP's component of stage I of the HPMP to UNIDO in line with decision 75/58(b), (c) and (d), Appendix 2-A of the Agreement has been updated and a new paragraph 16 has been added to indicate that UNEP stopped being the cooperating agency since the 75<sup>th</sup> meeting and that the updated Agreement supersedes that reached at the 73<sup>rd</sup> meeting, as shown in Annex I to this document. The full revised Agreement will be appended to the final report of the 77<sup>th</sup> meeting.

#### Conclusion

33. The Secretariat noted that in 2015 the Democratic People's Republic of Korea maintained compliance with the HCFC consumption and production targets established in the Agreement and in its action plan to return to compliance (decision XXVI/15). In addition, the conversion activities in the PU foam sector and equipment procurement for the refrigeration servicing sector progressed in compliance with all the resolutions of UNSCC 1718, and one enterprise changed the selected technology from cyclopentane to methyl formate, representing savings to the Multilateral Fund. The project will be completed by January 2017 with the complete phase-out of 7.49 ODP tonnes of HCFC-141b. UNEP is also returning to the Fund the unused balance of the first tranche, which will be transferred to UNIDO. The funds-transfer mechanism established by UNIDO for non-investment activities could not be used and a new mechanism is currently being established.

#### **RECOMMENDATION**

34. The Fund Secretariat recommends that the Executive Committee:

- (a) Note:
  - (i) The progress report on the implementation of the second tranche of stage I of the HCFC phase-out management plan (HPMP) for the Democratic People's Republic of Korea;
  - (ii) That the enterprise Pyongyang Sonbong PU Foam Factory changed the selected technology from cyclopentane to methyl formate, and that the savings in incremental costs related to the change of technology would decrease the overall funding level under the Agreement by US \$55,330;
  - (iii) That UNEP is returning to the Multilateral Fund US\$ 33,197, plus agency support costs of US \$4,316, and that US \$33,197, plus agency support costs of US \$2,324 have been added to the third tranche being requested by UNIDO in accordance with decision 75/58(b) and (c);
  - (iv) That the Fund Secretariat has updated paragraph Appendix 2-A of the Agreement between the Government of the Democratic People's Republic of Korea and the Executive Committee, based on the level of funding approved at the second

<sup>13</sup> As reflected in Annex III of document UNEP/OzL.Pro/ExCom/77/4.

tranche, the savings in incremental costs as mentioned in sub-paragraph (ii) above and the transfer of UNEP's component to UNIDO in accordance with decision 75/58(d) and sub-paragraph (iii) above, and that a new paragraph 16 has been added to indicate that UNEP stopped being the cooperating agency since the 75<sup>th</sup> meeting and that the updated Agreement supersedes that reached at the 73<sup>rd</sup> meeting, as contained in Annex I to the present document;

(b) Request UNIDO:

- (i) When submitting and implementing future tranches of the HPMP, to follow an approach similar to that taken for the first and second tranches of stage I of the HPMP for the Democratic People's Republic of Korea in terms of compliance with the resolutions of the United Nations Security Council, the modality of disbursement, organizational structures and monitoring procedures; and
- (ii) To report on progress in the establishment of a fund-transfer mechanism in the context of the 2016 annual progress and financial report.

35. The Fund Secretariat further recommends blanket approval of the third tranche of stage I of the HPMP for the Democratic People's Republic of Korea, and the corresponding 2017-2018 tranche implementation plan, at the funding level shown in the table below:

	<b>Project title</b>	<b>Project funding (US \$)</b>	<b>Support cost (US \$)</b>	<b>Implementing agency</b>
(a)	HCFC phase-out management plan (stage I, third tranche)	167,867	11,751	UNIDO

Annex I

**TEXT TO BE INCLUDED IN THE UPDATED AGREEMENT BETWEEN THE GOVERNMENT OF THE DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA AND THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND FOR THE REDUCTION IN CONSUMPTION OF HYDROCHLOROFLUOROCARBONS**

(Relevant changes are in bold font for ease of reference)

**16. At the 75<sup>th</sup> meeting UNEP stopped being the Cooperating Agency in respect of the Country's activities under this Agreement. Therefore, the responsibilities of UNEP under this Agreement only extend up to the 75<sup>th</sup> meeting. This updated Agreement supersedes the Agreement reached between the Government of the Democratic People's Republic of Korea and the Executive Committee at the 73<sup>rd</sup> meeting of the Executive Committee.**

Row	Particulars	2014	2015	2016	2017	2018	Total
1.1	Montreal Protocol reduction schedule of Annex C, Group I substance (ODP tonnes)	78	70.2	70.2	70.2	70.2	n/a
1.2	Maximum allowable total consumption of Annex C, Group I substance (ODP tonnes)	*	70.2	70.2	70.2	66.3	n/a
2.1	Lead IA (UNIDO) agreed funding (US\$)	123,700	<b>506,680</b>	<b>167,867</b>	<b>0</b>	<b>40,000</b>	<b>838,247</b>
2.2	Support costs for Lead IA (US \$)	8,659	<b>35,468</b>	<b>11,751</b>	<b>0</b>	<b>2,800</b>	<b>58,678</b>
2.3	Cooperating IA (UNEP) agreed funding (US \$)	<b>10,303</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10,303</b>
2.4	Support costs for Cooperating IA (US \$)	<b>1,339</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,339</b>
3.1	Total agreed funding (US \$)	<b>134,003</b>	<b>506,680</b>	<b>167,867</b>	<b>0</b>	<b>40,000</b>	<b>848,550</b>
3.2	Total support costs (US \$)	<b>9,998</b>	<b>35,468</b>	<b>11,751</b>	<b>0</b>	<b>2,800</b>	<b>60,017</b>
3.3	Total agreed costs (US \$)	<b>144,001</b>	<b>542,148</b>	<b>179,618</b>	<b>0</b>	<b>42,800</b>	<b>908,567</b>
4.1.1	Total phase-out of HCFC-22 agreed to be achieved under this Agreement (ODP tonnes)						4.03
4.1.2	Phase-out of HCFC-22 to be achieved in previously approved projects (ODP tonnes)						n/a
4.1.3	Remaining eligible consumption of HCFC-22 (ODP tonnes)						57.97
4.2.1	Total phase-out of HCFC-141b to be achieved under this Agreement (ODP tonnes)						16.00
4.2.2	Phase-out of HCFC-141b to be achieved in previously approved projects (ODP tonnes)						n/a
4.2.3	Remaining eligible consumption of HCFC-141b (ODP tonnes)						0.00

\*The Government of the Democratic People's Republic of Korea estimated a consumption of 80.00 ODP tonnes, which is above the HCFC baseline for compliance.