



**United Nations
Environment
Programme**

Distr.
LIMITED

UNEP/OzL.Pro/ExCom/41/39/Add.1
14 December 2003



ORIGINAL: ENGLISH

EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
Forty-first Meeting
Montreal, 17 - 19 December 2003

Addendum

PROJECT PROPOSAL: DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA

This document is issued to:

- **Add** the following paragraph on page 5:

8(bis) The 2004 annual work programme has been prepared. The draft agreement between the Government of the Democratic People's Republic of Korea (D.P.R. Korea) and the Executive Committee for the terminal phase-out plan for Annex B (Group II) substances in D.P.R. Korea has subsequently been concluded and is presented in Annex I to this document.

- **Add** Annex I (attached).

Annex I**DRAFT AGREEMENT BETWEEN THE DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA AND THE EXECUTIVE COMMITTEE OF THE MULTILATERAL FUND FOR THE PHASE-OUT OF THE OZONE-DEPLETING SUBSTANCE CARBON TETRACHLORIDE (CTC)**

1. This Agreement represents the understanding of Democratic People's Republic of Korea (the "Country") and the Executive Committee with respect to the complete phase-out of controlled use of the ozone-depleting substance CTC (the Substance) prior to 1 January 2010 in compliance with Protocol schedules.
2. The Country agrees to phase out the controlled use of the Substance in the solvent sector in accordance with the annual phase-out targets set out in row I of Appendix 2-A (the "Targets") and this Agreement. The annual phase-out targets will, at a minimum, correspond to the reduction schedules mandated by the Montreal Protocol, except to the extent that the performance targets conform to the response by the Meeting of the Parties to Decision 37/20(a) of the Executive Committee. The Country accepts that, by its acceptance of this Agreement and performance by the Executive Committee of its funding obligations described in paragraph 3, it is precluded from applying for or receiving further funding from the Multilateral Fund in respect to the Substances.
3. 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 5 of Appendix 2-A (the "Funding") to the Country. The Executive Committee will, in principle, provide this funding at the Executive Committee meetings specified in Appendix 3-A (the "Funding Approval Schedule").
4. The Country will meet the consumption limits for the Substance as indicated in row 1 in Appendix 2-A. It will also accept independent verification by the relevant Implementing Agency of achievement of these consumption limits as described in paragraph 8 of this Agreement.
5. The Executive Committee will not provide the Funding in accordance with the Funding Disbursement Schedule unless the Country satisfies the following conditions at least 30 days prior to the applicable Executive Committee meeting set out in the Funding Disbursement Schedule:
 - (a) that the Country has met the Target for the applicable year;
 - (b) that the meeting of these Targets has been independently verified as described in paragraph 8;
 - (c) that the Country has substantially completed all actions set out in the last Annual Implementation Programme;
 - (d) that the Country has submitted and received endorsement from the Executive Committee for an annual implementation programme in the form of Appendix 4-A (the "Annual Implementation Programmes") in respect of the year for which funding is being requested.

6. The Country will ensure that it conducts accurate monitoring of its activities under this Agreement. The institutions set out in Appendix 5-A (the “Monitoring”) will monitor and report on that monitoring in accordance with the roles and responsibilities set out in Appendix 5-A. This monitoring will also be subject to independent verification as described in paragraph 8.

7. While the Funding was determined on the basis of estimates of the needs of the Country to carry out its obligations under this Agreement, the Executive Committee agrees that the Country may have the flexibility to reallocate the approved funds, or part of the funds according to the evolving circumstances to achieve the goals prescribed under this Agreement. Reallocations, which are considered as major changes should be accounted for in the verification report and reviewed by the Executive Committee.

8. 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 fulfil the obligations under this Agreement. UNIDO (the “Lead IA”) has agreed to be the lead implementing agency in respect of the Country’s activities under this Agreement. The Lead IA will be responsible for carrying out the activities listed in Appendix 6-A, including but not limited to independent verification. The Country also agrees to periodic evaluations, which will be carried out under the monitoring and evaluation work programmes of the Multilateral Fund. The Executive Committee agrees, in principle, to provide the Lead IA with the fees set out in row 8 of Appendix 2-A.

9. Should the Country, for any reason, not meet the Targets for the elimination of the Substance or otherwise does not comply with this Agreement, then the Country agrees that it will not be entitled to the Funding in accordance with the Funding Disbursement Schedule. At 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 instalment of Funding under the Funding Disbursement Schedule. The Country acknowledges that the Executive Committee may reduce the amount of the Funding by the amounts set out in Appendix 7-A in respect of each ODP tonne of reductions in consumption not achieved in any one year.

10. 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 consumption/production sector projects or any other related activities in the Country.

11. The Country will comply with any reasonable request of the Executive Committee and the Lead IA to facilitate implementation of this Agreement. In particular, it will provide access by the Lead IA to information necessary to verify compliance with this Agreement.

12. All of the agreements set out in this Agreement are undertaken solely within the context of the Montreal Protocol and do not extend to obligations beyond this Protocol. All terms used in this Agreement have the meaning ascribed to them in the Protocol unless otherwise defined herein.

Appendices

Appendix 1-A: The Substances

1. The ozone-depleting substance to be phased out under the Agreement is as follows:

Annex B: Group II CTC

Appendix 2-A: The Targets and Funding

| Year | 2003 | 2004 | 2005 CTC- 85% | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|-----------|---------|---------------------|-------|------|------|------|------|
| Montreal Protocol reduction schedules | | | 192.8 | 192.8 | 92.8 | 92.8 | 92.8 | 0 |
| 1. Max allowable total consumption of CTC | 2,200 | 2,150 | 192.8 | 92.8 | 77.8 | 37.8 | 0 | 0 |
| 2. Reduction from ongoing MP projects | 0 | 0 | 565.8 | 0 | 0 | 0 | 0 | 0 |
| 3. New reduction under the present plan | 0 | 0 | 1,191.4 | 100.0 | 15 | 40 | 37.8 | 0 |
| 4. Total annual reduction of CTC | 0 | 0 | 1,757.2 | 100.0 | 15 | 40 | 37.8 | 0 |
| 5. Lead IA agreed funding | 4,832,114 | 426,363 | 426,363 | | | | | |
| 6. Lead IA support cost | 362,409 | 31,977 | 31,977 | | | | | |
| 7. Total agreed funding, US\$ | 5,194,523 | 458,340 | 458,340 | | | | | |
| 8. Total agency support cost | 362,409 | 31,977 | 31,977 | | | | | |

Appendix 3-A: Funding Approval Schedule

1. Funding will be considered for approval at the last meeting of the year preceding the annual plan.

Appendix 4-A: Form of Annual Implementation Programme

1. **Data**

Country _____
 Year of plan _____
 # of years completed _____
 # of years remaining under the plan _____
 Target ODS consumption of the preceding year _____
 Target ODS consumption of the year of plan _____
 Level of funding requested _____
 Lead implementing agency _____

2. **Targets**

| Indicators | | Preceding year | Year of plan | Reduction |
|---------------|------------------|----------------|--------------|-----------|
| Supply of ODS | Import | | | |
| | Total (1) | | | |
| Demand of ODS | Manufacturing | | | |
| | Servicing | | | |
| | Stockpiling | | | |
| | Total (2) | | | |

3. **Industry Action**

| Sector | Consumption preceding year (1) | Consumption year of plan (2) | Reduction within year of plan (1)-(2) | Number of projects completed | Number of servicing related activities | ODS phase-out (in ODP tonnes) |
|----------------------|--------------------------------|------------------------------|---------------------------------------|------------------------------|--|-------------------------------|
| Manufacturing | | | | | | |
| Aerosol | | | | | | |
| Foam | | | | | | |
| Refrigeration | | | | | | |
| Solvents | | | | | | |
| Other | | | | | | |
| Total | | | | | | |
| Servicing | | | | | | |
| Refrigeration | | | | | | |
| Total | | | | | | |
| Grand total | | | | | | |

4. **Technical Assistance**

Proposed Activity: _____
Objective: _____
Target Group: _____
Impact: _____

5. **Government Action**

| Policy/Activity Planned | Schedule of Implementation |
|--|-----------------------------------|
| Type of policy control on ODS import: servicing, etc | |
| Public Awareness | |
| Others | |

6. **Annual Budget**

| Activity | Planned Expenditures (US \$) |
|-----------------|-------------------------------------|
| | |
| | |
| Total | |

7. **Administrative Fees**

Appendix 5-A: Monitoring Institutions and Roles

1. As developed in Section 5 of the Plan: The Terminal CTC Phase-out Plan will be managed by a dedicated Policy & Management Committee, consisting of a co-ordinator to be designated by the Government and supported by representatives and experts from UNIDO and the necessary support infrastructure. The Policy & Management Support component of the Phase-out Plan will include the following activities for the duration of the Plan:

- (a) Management and co-ordination of the Plan implementation with the various Government policy actions pertaining to the Solvent Sector;
- (b) Establishment of a policy development and enforcement program, covering various legislative, regulatory, incentive, disincentive and punitive actions to enable the Government to acquire and exercise the required mandates in order to ensure compliance by the industry with the phase-out obligations;
- (c) Development and implementation of training, awareness and capacity-building activities for key government departments, legislators, decision-makers and other institutional stakeholders, to ensure a high-level commitment to the Plan objectives and obligations;
- (d) Awareness creation of the Phase-out Plan and the Government initiatives in the Sector among consumers and public, through workshops, media publicity and other information dissemination measures;

- (e) Development of a programme and procedures, if needed, to address the impact of CTC phase-out on the certain number of small scale enterprises (SSE) in D.P.R. KOREA re-using spent CTC, in view of the hardship that CTC elimination will cause them;
- (f) Preparation of implementation plan including determining the sequence of enterprise participation in planned sub-projects;
- (g) Verification and certification of CTC phase-out in completed projects within the Plan through plant visits and performance auditing;
- (h) Establishment and operation of a reporting system for use of CTC substitutes by enterprises;
- (i) Establishment and operation of a decentralised mechanism for monitoring and evaluation of Plan outputs, in association with provincial regulatory environmental bodies to ensure sustainability.

Appendix 6-A: Role of the Lead Implementing Agency

1. UNIDO will be responsible for a range of activities to be specified in the project document along the lines of the following:

- (a) Ensuring performance and financial verification in accordance with this Agreement and with its specific internal procedures and requirements as set out in the Country's phase-out plan;
- (b) Providing verification to the Executive Committee that the Targets have been met and associated annual activities have been completed as indicated in the annual implementation programme
- (c) Assisting the Country in preparation of the Annual Implementation Programme;
- (d) Ensuring that achievements in previous Annual Implementation Programmes are reflected in future Annual Implementation Programmes;
- (e) Reporting on the implementation of the Annual Implementation Programme commencing with the Annual Implementation Programme for the each year to be prepared and submitted in the previous year;
- (f) Ensuring that technical reviews undertaken by UNIDO are carried out by appropriate independent technical experts;
- (g) Carrying out required supervision missions;

- (h) Ensuring the presence of an operating mechanism to allow effective, transparent implementation of the Annual Implementation Programme and accurate data reporting;
- (i) Verification for the Executive Committee that consumption of the Substance has been eliminated in accordance with the Targets;
- (j) Ensuring that disbursements made to the Country are based on the use of the Indicators; and
- (k) Providing assistance with policy, management and technical support when required.

Appendix 7-A: Reductions in Funding for Failure to Comply

1. In accordance with paragraph 9 of the Agreement, the amount of funding provided may be reduced by US \$5,600 per ODP tonne of reductions in consumption not achieved in the year.
