



**IFAD**  
**INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT**  
**Executive Board - Sixty-Third Session**  
Rome, 22-23 April 1998

**CROP AND LIVESTOCK REHABILITATION PROJECT**

IN THE

**DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA**

**REPORT ON ISSUES AND CONCERNS RAISED IN THE BOARD**

1. The issues/concerns raised during discussions on the Crop and Livestock Rehabilitation Project at the Sixty-Second Session of the Executive Board in December 1997 (summarized in Attachment I) have been conveyed by IFAD to the Government of the Democratic People's Republic of Korea (D.P.R. Korea), together with recommendations to ensure effective project implementation (Attachment II).
2. A delegation from D.P.R. Korea, comprising the designated Project Director and other project staff, visited IFAD headquarters on 13 March 1998, when these issues/concerns were discussed in depth. The importance of project initiatives at the grass-roots level and their impact on the government's policy framework, as raised by a number of Executive Board Directors, was especially highlighted. The delegation of D.P.R. Korea stressed the prompt action taken by their authorities to ensure speedy project implementation and affirmed their desire to learn from IFAD and the grass-roots experience of the project. These aspects will be followed up with concerned government officials, as the occasion arises, during IFAD missions to the country. A report on progress in project implementation and further interaction with the Government will be submitted to the Executive Board at its December 1998 session.
3. The loan agreement was signed on 19 December 1997 and the project became effective on 20 December 1997. The initial deposits from the IFAD loan account have been transferred to the project's Special Accounts in the country. One major task facing the Government — to arrange for the international procurement of fertilizers and other inputs — has proceeded according to schedule. The movement of goods from procurement sources outside the country is under way, and their internal distribution is expected to be undertaken in April. Thus, despite the difficult conditions prevailing in the country, the Fund is optimistic about the course of project implementation.

**CONCERNS RAISED IN THE EXECUTIVE BOARD  
WITH RESPECT TO THE IMPLEMENTATION OF THE  
CROP AND LIVESTOCK REHABILITATION PROJECT  
IN THE  
DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA**

1. Given the relatively less-known nature of the country's socio-economic system and institutions, do conditions exist for effective project implementation? Would resources be put to good use? Will financing of the various inputs automatically generate higher production? Does the "absorptive capacity" exist to handle the considerable scale of the project? Will markets exist to absorb the intensive production? Can the prices be trusted to provide the necessary incentives? Is beneficiary participation there?
2. With particular reference to livestock, would fodder and good-quality feed be available? Will not the livestock production negatively affect the food balance for human consumption (while the positive effect, on people's nutrition, of the higher-value animal production brought about through the project is likely to improve only in the longer term)?
3. The project's credit component appears to be risky. Will it be workable? Will the Central Bank be able to manage the considerable volume of credit? How will both individual credit and cooperative credit be managed simultaneously? How will the credit be operated on a "demand basis"?
4. What will the envisaged "counterpart funds", accruing from fertilizer sales to the cooperatives, be spent on? Through which budgetary or other monitoring system will fertilizer sales, the cost recoveries from the sales and the accrual of these amounts to the "Special Fund" (for subsequent use on poverty-focused efforts) be tracked?
5. There will be need to establish an effective overall system for monitoring the flow of funds, the flow of goods and the overall implementation of the project; the monitoring of the livestock and credit components might be particularly complicated.
6. It would help in finding solutions to the country's present difficulties if the (possibly) macroeconomic and policy-related factors behind the current shortage of inputs (in addition to natural calamities) were also given due consideration. A related problem concerns the availability and reliability of statistical information. In particular, some Board members would be interested receiving information on the Government's policy framework for conducting the project.
7. Looking beyond the IFAD-financed provision of key inputs for the coming crop season, what would be the prospect for input availability over the longer-term? What are the Government's policy/programmes to assure continued supply of fertilizer once the IFAD-financed activities come to a close?

## **ATTACHMENT II**

### **CROP AND LIVESTOCK REHABILITATION PROJECT**

#### **SAFEGUARDS FOR EFFECTIVE PROJECT IMPLEMENTATION**

1. Mid-Term Review in Project Year 2 rather than Project Year 3.
2. Special follow-up in 1998 by the Assistant President, Programme Management Department (PD), with regard to project implementation and policy changes resulting from project interventions. A report on the subject will be submitted to the Executive Board in December 1998.
3. Intensive monitoring of the project's crop and livestock activities through internationally-recruited technical assistance at each key stage of the project.
4. Completion of a detailed inputs distribution plan, prior to project start-up, to provide the basis for monitoring by an internationally-recruited crop inputs distribution coordinator.
5. Full and free access to all project areas and facilities for nationally- and internationally-recruited project personnel.
6. Increased frequency of missions by the cooperating institution (the United Nations Office for Project Services, UNOPS) - twice yearly.
7. Collection and analysis of field-level data by monitoring staff at each key stages of the project.
8. Setting up of a system of accounting and audits for the crop component. Proper auditing of accounts, acceptable to IFAD, to be completed as a pre-condition for further disbursements to the livestock component for the project.
9. Preparation of detailed technical guidelines on credit, to be prepared in consultation with IFAD, as a pre-condition of IFAD loan disbursements for the credit component.
10. Capacity-building in financial management, accounting, procurement, and general project management.
11. Enhancement of local technical capacities through project-supported training and exchange visits.
12. Undertaking of a baseline survey, to be completed at the time of project start-up, recording the key monitoring indicators for the project.