

## Country Programme document for the Democratic People's Republic of Korea (2007-2009)

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## **Introduction**

1. Formulated jointly by the UNDP National Coordinating Committee of the Democratic People's Republic of Korea and UNDP, this draft country programme document for the three-year period 2007-2009 was prepared on the basis of a United Nations Strategic Framework for the country that outlines the key outcomes through which the United Nations system will support national development priorities over the same period. The United Nations country team (UNCT) in the Democratic People's Republic of Korea prepared this framework in early 2006 taking into account a common country assessment (CCA) that had been done earlier. Intensive discussions with key counterparts and line ministries on their priorities for the coming years have informed the present draft document. Benefiting from a review of the current country programme carried out in early 2006, the draft country programme seeks to position UNDP support within the broad mandate and areas of focus of the multi-year funding framework, 2004-2007 (DP/2003/32).

### **I. Situation analysis**

2. Prior to the 1990s, the Democratic People's Republic of Korea had achieved high levels of human development in terms of life expectancy, infant mortality, and access to health services, water and sanitation. In the 1990s, a number of developments created a reversal of these achievements. Among them were the loss of socialist markets and the natural disasters that afflicted the country during that decade. For the period 1995 to 2005, when the Government called for the end of humanitarian assistance and a shift to development cooperation, the World Food Programme (WFP) delivered annually an average of \$200 million in food assistance.

3. The 2002 economic policy measures have made a difference but further progress is needed. The aforementioned call by the Government to shift from humanitarian aid to development cooperation came three years after it announced a package of economic policy measures in July 2002. Aimed at encouraging entrepreneurship and the development of markets, the package included changes with respect to prices and wages, greater authority of enterprises to sell surpluses, an increase in individually managed agricultural plots, the right to sell excess agricultural produce on the market, decentralization of decision-making authority to local production units, and the cutting of government subsidies, with the exception of those for strategic items. The Democratic People's Republic of Korea also benefited from recent cross-border activities with its neighbours through the establishment of special economic zones and other investments. Consequent to these measures, economic growth has resumed, but it has gone hand in hand with a massive increase in prices of essential goods and inflation. For growth to be sustained, the country should continue to improve economic management and efficiency.

4. External trade and access to capital and technology remain constrained. The Democratic People's Republic of Korea has begun to recover in part from its loss of socialist markets. In 1990, before the break-up of the Union of Soviet Socialist Republics, total trade stood at some \$4.8 billion. Subsequently, after reaching a low of \$1.7 billion in 1998, total trade increased to \$1.977 billion in 2004. Despite this increase in volume of trade, the gains have been limited by a narrow product and market base and by continuing reliance on low-value-added products for export.

5. Food security and the rural energy supply remain critical concerns. Because of the level of industrialization of the country and its liberal energy subsidies, the agricultural sector has evolved into a mechanized, high-input-oriented, energy-intensive network of 2,708 cooperatives farms and around 3,000 State-run farms. While this strategy worked for a number of years and the cereal harvest more than doubled from 4.1 million tonnes in 1966 to 9.1 million tonnes in 1993, yields have seriously declined since then, owing in part to the natural disasters faced by the country in the mid-1990s. Energy production per capita in 2004 was estimated to be 30 per cent of 1989 levels, and shortfalls in rural energy have also contributed to declines in agricultural production and to the disruption of transport and distribution systems.

6. All in all, the economic difficulties of the Democratic People's Republic of Korea since the mid-1990s have had a substantial negative impact on food security and food production, environmental quality, health and education, and, initially, on the quality of life of both urban and rural communities. Moreover, while the economic difficulties have taken their toll on women, better gender-specific and disaggregated data are required for the design of more strategic and sustainable gender-oriented interventions. The country programme will attempt to address this issue.

7. The social sector needs to be rehabilitated. While the Government is committed to improving equitable access to quality social services to reach the standards of human development that had been achieved in the late 1980s, trends in the social sector indicate underutilization of current capacities and a slow take-up of innovative practices, technologies and methodologies being used successfully in other countries. The national health care system, built up over many years, has significantly deteriorated. Tuberculosis and malaria, once under control, have again become public health problems. At the policy level, there is an urgent need to assess the current situation in relation to social and economic indicators and establish baselines and national targets in order to facilitate planning based on the Millennium Development Goals (MDGs).

## **II. Past cooperation and lessons learned**

8. An independent review mission visited the country in March 2006 to assess the results achieved through implementation of the current country programme (DP/DCP/PRK/1) and to recommend measures aimed at adjusting the programme as needed and at assisting in the formulation of the new programme. The principal lessons generated by the mission's findings and conclusions are the following:

(a) Both programme interventions and UNCT advocacy have had a significant policy impact in terms of introducing the MDGs into the national planning system. The programme has enabled UNDP to be well positioned to provide both development-planning advisory services and capacity-development support for modernization of the national economy and for the country to expand its engagement with the global and regional economies. The programme has helped the country to expand its participation in regional and South-South cooperation in ways that have been beneficial to the country. Future activities should give increased attention to both types of cooperation;

(b) The new country programme should be even more focused than the current programme. At the same time, flexibility must be maintained so that new ideas of a creative and innovative nature can be accommodated during the course of implementation. There is also a clear need to enhance attention to

gender issues and to reaching vulnerable groups. The proposed quality-of-life report needs to be based on gender-disaggregated data and on data disaggregated by region. The needed gender assessments and the identification of populations at risk could then be undertaken. The preparation of periodic quality-of-life reports should also be considered;

(c) There are still some projects that appear too isolated or too narrow in scope to bring about much development impact. A broader-based programme approach should be adopted in project selection and project design. Moreover, there is a need to sharpen the focus on results-based management, including results-based reporting, monitoring and evaluation. Capacity development in this area should include action for both the country office and for national institutions.

### **III. Proposed programme**

9. In line with the United Nations Strategic Framework, this draft country programme supports the Government goal of restoring the quality of life of the people to levels reached before the onset of economic and humanitarian difficulties in the mid-1990s. In conveying this goal to the UNCT in the Democratic People's Republic of Korea, the Government also indicated that, for the period 2007-2009, it attached importance to five priorities:

- (a) Enhanced economic management;
- (b) Sustainable food security to improve the quality of life;
- (c) Sufficient energy supply for economic development;
- (d) Social development to improve the quality of life of the people; and
- (e) Improved environment for sustainable development.

10. The proposed country programme represents an effort to respond to these priorities within the framework of promoting the MDGs in the Democratic People's Republic of Korea and promoting the engagement of the country with the global and regional economies. It focuses on three result areas: (a) national economic policy and external-sector management for sustainable growth; (b) environment, energy and sustainable livelihoods; and (c) social-sector management for improved quality of life. The selection of specific interventions under each of these areas has been, and will continue to be, based on an assessment of their contribution towards the following: (a) sustainable growth, employment and livelihoods; (b) reducing the vulnerability of the population; and (c) the potential for broad-based policy impact.

11. For each result area, a programme approach will be undertaken with a view to clustering activities coherently, creating interrelationships between activities and generating networks of partnerships. Linkages with the UNDP regional programme for Asia and the Pacific will be developed. South-South cooperation will be used to throw light on policy options and to undertake related capacity development.

#### **National economic policy and external-sector management for sustainable growth**

12. This programme area will have as a main goal the provision of capacity development and analytical support for economic management, with emphasis on medium-term strategic planning and planning of scenarios. The goal will be to deepen and expand development policy assessment and sectoral work with a view to surmounting the country's present economic difficulties, translating

the MDGs into national terms and promoting achievement of the national MDGs. The economic management programme will also include attention to financial management issues. Support will be provided to national budgeting, taxation policy, debt management, and auditing and accounting, including audits of business enterprises. Capacity development for foreign trade banking, including modernization of payment systems, will also take place. Additionally, an assessment of the potential for sustainable microfinance initiatives in the Democratic People's Republic of Korea will be undertaken. Another set of activities in this area will consist of capacity development and analytical support for mobilization and management of external assistance and other external resource flows. This will include preparatory work for eventual resumption of full-fledged development cooperation.

13. A related sector review-cum-programme-development exercise will similarly create a base for a comprehensive approach to foreign trade expansion and the promotion of foreign direct investment (FDI). This will give special attention to the legal and administrative environment relating to foreign trade and FDI, diversification of the export base and external markets, promotion of exports of high-value products with good markets, and improvements in financial, supply-chain and logistical infrastructures. Employment creation for men and women will serve as a cross-cutting concern in all these areas. Action will also be taken to develop capacity and infrastructure for standards, metrology, and quality management and accreditation for international market access.

#### **Environment, energy and sustainable livelihoods**

14. In the energy sector, a major initiative, launched in the second half of 2006, will consist of a sustainable rural energy development programme. This programme will explore rural energy options aimed at reducing the energy insecurity of rural communities and their vulnerability to natural and unforeseen energy shortages. Programme development and implementation phases will be followed by a scaling-up phase whereby good practices will be replicated with a view to putting in place a nationwide strategy and investment plan for rural energy development, which will include the establishment of a rural energy planning database.

15. A demonstration project for integrated mountain and watershed management will be identified, developed and implemented, with emphasis on linkages between resource management, sustainable livelihoods and vulnerability reduction strategies. A forestry programme will introduce tissue culture into the country's forest management system to enable key regional nurseries to multiply improved genetic material. This will enhance national capacity to close the expanding gap between the rate of deforestation caused by the demand for firewood and construction timber on the one hand and the current output of tree planting material from tree nurseries.

16. Three agricultural-sector interventions started in the second half of 2006 will continue as part of the proposed programme: establishment of an agricultural data bank, a seed improvement project and a programme for the reduction of pre- and post-harvest losses. All three will contribute to the achievement of the food security goals of the Government and to fostering sustainable livelihoods in the rural sector. There will be close coordination with ongoing programmes of the Food and Agriculture Organization of the United Nations (FAO) that include initiatives with a direct link to the proposed UNDP interventions.

17. Proposed interventions in environmental protection will first focus on strengthening the policy, institutional and legal infrastructure for national implementation of multilateral environmental conventions and agreements. In this regard, ongoing emphasis on a national implementation plan for the Stockholm Convention on Persistent Organic Pollutants will be reinforced by capacity development aimed at support for national implementation of the global conventions on climate change, biodiversity and land degradation. Another important element of the country programme will establish an integrated environmental monitoring and early warning system embracing both environmental degradation and natural disasters. An additional initiative will develop a national action plan for environmental education and awareness and strengthen capacity for environmental education.

#### **Social-sector management for improved quality of life**

18. A quality-of-life report based on an analysis of national development goals with reference to the MDGs relating to education, gender equality, child and maternal health and nutrition, and HIV/AIDS, malaria and tuberculosis will be completed in the country programme period following initiation of the report in 2006. MDG data disaggregated by gender and region will be generated and fed into the analytical process. A related parallel initiative, which will build on ongoing support for the Central Bureau of Statistics (CBS), will reinforce and expand a capacity-building programme on statistical methodology and system development supported by the United Nations Children's Fund (UNICEF). The programme will enable the CBS to enhance the usage of DevInfo, which the United Nations Development Group has adopted for global dissemination as an instrument for monitoring progress towards the MDGs. Both the quality-of-life report and DevInfo will serve as inputs for gender assessments and as guides to the possible mainstreaming of gender-oriented interventions under this country programme.

19. A capacity-development programme for public health will provide for UNDP to work closely with the World Health Organization (WHO) in supporting Government efforts to address the health impact of the country's economic difficulties. The programme objective will be to generate a pool of health professionals with a strong understanding of epidemiology and public health concepts and with the capability to manage the development of health systems.

20. The Government wishes to reduce the dependence of the public health system on the essential medicines provided by international organizations and instead to expand national production of critical drugs on the Essential Drugs List that has been prepared for the Democratic People's Republic of Korea by the Ministry of Public Health, WHO and the International Federation of the Red Cross (IFRC). Within the framework of this policy, through technical assistance, UNDP will work closely with WHO in the formulation of a national drug policy together with related drug laws and regulations and in the setting up of a national regulatory authority for enforcing drug laws and good manufacturing practices.

#### **IV. Programme management, monitoring and evaluation**

21. Through programming instruments such as the country programme action plan (CPAP), broad-based programme-wide approaches will be taken along lines previously discussed. To ensure realistic programme build-up and

delivery, the CPAP and the annual CPAP reviews will also ensure that programme goals are consistent with available delivery capacity. Design of individual programme interventions will likewise incorporate realistic time frames.

22. Within the framework of national ownership, the selection of implementing partners will be based on a comprehensive assessment of the technical and financial management capacities of potential national partners. Efforts to strengthen the programme and project management capacity of national implementing partners will be undertaken. Periodic dialogue between UNDP and its implementing partners on the UNDP mandate, policies and regulations will be organized with the aim of improving programme and project management.

23. The application of results-based programme management will be sharpened. A monitoring and evaluation plan will be developed and implemented by the country office as an integral part of the country programme. Annual CPAP reviews will be organized. As required by UNDP policies, at least one independent quality assurance assessment will be conducted within the country-programme cycle. In-country monitoring and evaluation capacity will be complemented with regular visits from UNDP monitoring and evaluation experts from headquarters and other county offices. The efforts to strengthen results-oriented monitoring and evaluation capacity will not be limited to the country office but will also include the strengthening of the capacity of national partners.

## Annex. Results and resources framework for the Democratic People's Republic of Korea (2007-2009)

Programme component	Country programme outcomes	Country programme outputs	Output indicators, baselines and targets	Role of partners	Regular resources by goal
<b>National priority:</b> Enhanced economic management					
<b>United Nations Strategic Framework outcome:</b> Economic growth, foreign trade and investment increased and generating additional resources for social and economic development					
National economic policy and external-sector management for sustainable growth	1. Institutional and human capacity for strategic planning and for the management of external assistance strengthened.	<p>1.1 Capacity development and analytical support for economic management, with emphasis on strategic planning and scenario planning. Database on national economy.</p> <p>1.2 Capacity development and analytical support for mobilization and management of external resource flows. Preparation for eventual resumption of full-fledged development cooperation.</p>	<p>1.1 Medium-term strategic planning capacity established: Government planners demonstrate capacity to prepare medium-term strategic plans applying techniques such as scenario planning.</p> <p>1.2 Human resources and systems to manage external assistance strengthened: The Government should have the demonstrated institutional capacity to prepare documents such as sector studies, public expenditure reviews and a medium-term expenditure framework critical for economic management.</p>	State Planning Commission, Ministry of Finance, Central Bureau of Statistics, United Nations Department of Economic and Social Affairs (UN/DESA), South-South partners, selected bilateral donors.	\$1.0 million
	2. Institutional and human capacity for effective financial management at the national and enterprise levels strengthened.	<p>2.1 Capacity development and analytical support for financial management: national budgeting; taxation policy; accounting and auditing, including auditing of business enterprises; debt management; foreign trade banking; and modernization of payment systems.</p> <p>2.2 Assessment of potential for microfinance.</p>	<p>2.1 International standards incorporated into the budget preparation process.</p> <p>2.2 Generally Accepted Accounting Principles introduced into the government oversight agencies and into the management of newly registered enterprises.</p> <p>2.3 International standards introduced into the national auditing system.</p> <p>2.4 Debt management systems installed.</p> <p>2.5 Consensus reached with the Government on the potential for microfinance.</p>	Ministry of Finance, Foreign Trade Bank, UN/DESA, United Nations Capital Development Fund, Kim Il Sung University, selected United Nations technical agencies, South-South partners.	\$1.2 million
	3. Legal, institutional and enterprise capacities for foreign trade and FDI strengthened to meet the challenge of export-base diversification, investment promotion and employment generation.	<p>3.1 Sectoral assessment and programme development for foreign trade expansion and FDI promotion and its implications for: employment generation; legal and administrative environment relating to foreign trade and FDI; diversification of export base and external markets; improvements in financial, supply-chain and logistical infrastructures; one-stop service facility for FDI promotion.</p> <p>3.2 Programme for standards, metrology, testing, and quality and accreditation infrastructure for international market access.</p>	<p>3.1 Sector review on foreign trade, FDI and employment consequences completed.</p> <p>3.2 Comprehensive trade, FDI and employment programme launched.</p> <p>3.3 An operational system for standards, metrology, testing, quality and accreditation established.</p>	Ministry of Foreign Trade, State Planning Commission, Ministry of Labour, United Nations Industrial Development Organization, selected United Nations technical agencies, South-South partners.	\$3.54 million
<b>National priority:</b> Social development to improve the quality of life of the people					
<b>United Nations Strategic Framework outcome:</b> Quality of basic social services with a focus on public health, child and maternal health and nutrition, education, water and sanitation improved					

Social-sector management for improved quality of life	4. Management and use of overall statistics for national planning enhanced, including for the generation and use of data relating to the MDGs.	4.1 Quality-of-life report. Completion of report and recommendations for national policy follow-up. 4.2 Capacity-building and analytical support for MDG-related statistical methodology and system development (joint programme with UNICEF).	4.1 First Quality-of-life Report published and required policy follow-up identified. 4.2 From having statistical staff with limited exposure to latest statistical methodologies, staff will subsequently be able to apply the latest statistical methodologies in the generation of MDG-related data disaggregated by gender and region.	Central Bureau of Statistics, State Planning Commission, Ministry of Public Health, Ministry of Education, UNICEF, WHO, United Nations Population Fund, South-South partners.	\$1.0 million
	5. Human and institutional capacity of the public health system to address rise in communicable diseases and management of essential drugs strengthened.	5.1 Capacity-development programme for public health (joint programme with WHO). 5.2 Formulation of a national drug policy, drug laws and regulations and establishment of a national regulatory authority for the pharmaceutical industry (joint programme with WHO).	5.1 Human resources required to address the rise in communicable diseases trained in latest public health techniques. 5.2 An operational National Regulatory Authority for drugs established.	Ministry of Public Health, IFRC, UNICEF, WHO.	\$1.37 million
<p><b>National priorities:</b> Sustainable food security to improve the quality of life; sustainable energy is supplied for economic development; and improved environment for sustainable development</p> <p><b>United Nations Strategic Framework outcomes :</b> Increased availability of food at household and national levels; availability and use of sustainable energy resources improved; and environmental management improved and contributing to sustainable use of environmental resources</p>					
Environment, energy and sustainable livelihoods	6. Institutional and human capacity to promote sustainable livelihoods and to achieve food security in rural communities enhanced.	6.1 Sustainable rural energy development programme. Support for national rural energy database and national strategy-cum-investment plan for rural energy. 6.2 Establishment of agricultural data bank. 6.3 Agricultural seed development programme. 6.4 Reduction of pre- and post-harvest losses. 6.5 Demonstration project for integrated mountain and watershed management. 6.6 Introduction of tissue culture into forest management system. 6.7 Integrated environmental and early warning system for preventing environmental degradation and natural disasters as well as reducing their impact. 6.8 Enabling policy environment and technical base for small-scale generation of wind energy strengthened	6.1 Review of options for food security, energy and sustainable livelihoods completed. 6.2 Capable staff and rural energy database available for policy, planning and programme development. 6.3 Capable staff and agricultural databank available for policy analysis, planning and programme development. 6.4 Operational downstream policy-linked experiments in sustainable rural energy, watershed management and pre-/post-harvest loss reduction. 6.5 Results of tissue culture research applied in targeted watershed areas. 6.6 An operational national environmental early warning system established. 6.7 Assessments of wind energy potential carried out and technology standards for small-scale generation of wind energy established.	Ministry of Agriculture, Ministry of Coal and Electricity, State Academy of Sciences, Academy of Agricultural Sciences, Ministry of Land and Environment Protection, Ministry of Forestry, Central Bureau of Statistics, FAO, United Nations Environment Programme (UNEP).	\$6.5 million
	7. Environmental protection laws, policies and plans developed and institutions strengthened to implement multilateral environmental agreements and to ensure sustainable use of environmental resources.	7.1 Strengthening of the policy, institutional and legal infrastructure for national implementation of multilateral environmental conventions and agreements. 7.2 Environmental education and environmental public-awareness programme. 7.3 Established national construction standards and regulatory framework for environmentally friendly housing.	7.1 National laws revised to conform to multilateral environmental conventions. 7.2 Implementing guidelines for the revised laws prepared and disseminated within the government bureaucracy. 7.3 An environmental education and public-awareness campaign designed, launched and completed. 7.4 National guidelines and laws for environmentally friendly housing approved.	Ministry of Land and Environment Protection, State Academy of Sciences, UNEP, United Nations Educational, Scientific and Cultural Organization.	\$3.3 million

**Total indicative resources: \$17.91 million**