FOREIGN ASSISTANCE

U.S. Bilateral Food Assistance to North Korea Had Mixed Results
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### Abbreviations

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<td>USAID</td>
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June 15, 2000

The Honorable Benjamin Gilman
Chairman
The Honorable Sam Gejdenson
Ranking Minority Member
Committee on International Relations
House of Representatives

Following North Korea's agreement to provide the United States access to inspect a suspected underground nuclear facility at Kumchang-ni in March 1999, the administration announced it would take a modest step to facilitate an improvement in relations with North Korea in the form of the first U.S. government-supported bilateral assistance project in North Korea. In April 1999, the United States, North Korea, and a consortium of U.S. private voluntary organizations (hereafter referred to as the Consortium) signed an agreement for the project. The Consortium had experience in managing food aid in North Korea. In the agreement, the Consortium committed to pay for and provide seed potatoes to North Korean farmers to increase the country's potato production and the United States committed to provide 100,000 metric tons of emergency food aid for distribution to laborers participating in food-for-work projects. (In food-for-work projects, laborers and their families receive a food allotment for each day they work on a project.) The Consortium was to work collaboratively with its North Korean counterparts in implementing and monitoring both the potato production and the food-for-work components of the project.

Consortium members include the Adventist Development and Relief Association, Amigos Internacionales, CARE, Catholic Relief Services, the Carter Center, Church World Service, the Latter Day Saints Charities, the Korean American Sharing Movement, and Mercy Corps International. CARE is the program coordinator and fiduciary agent for all Consortium activities; Catholic Relief Services manages food-for-work commodity related matters; the Carter Center manages agricultural issues; and Mercy Corps International serves as the chair of the board. As discussed later in this report, CARE plans to withdraw from the Consortium on June 30, 2000.

In providing emergency food aid, the term “bilateral” often refers to a program where the commodities are provided directly to the other government. However, in this case, the United States provided the commodities to CARE as the lead organization in the Consortium.
According to U.S. officials, the food aid was provided for humanitarian purposes, reflected the modest progress that had been made in the relationship with North Korea, and could serve as a basis for possibly expanding the relationship with North Korea. North Korean officials were described by U.S. officials as having seen the project as a way to obtain needed food, as something received for allowing the United States to inspect the Kumchang-ni facility, and as a step toward normalizing relations with the United States. The Consortium saw the project as an opportunity to provide needed food aid to unemployed factory and agricultural workers through food-for-work programs and initiate a small pilot agricultural project that could help improve North Korea's food security.

Although it is well accepted that North Korea has a food shortage, U.S. provision of food aid has been controversial. The United States and North Korea do not have diplomatic relations, and the United States has serious concerns about North Korea's nuclear weapons and missile capabilities. North Korea is also on the State Department's list of state sponsors of international terrorism. In addition, there are differing views about who has benefited from the food assistance and whether the food has helped to maintain North Korea's communist dictatorship.

As you requested, we examined (1) the objectives, accomplishments, key factors affecting performance, and monitoring effectiveness of the potato component of the bilateral aid project; (2) the objectives, accomplishments, key factors affecting performance, and monitoring effectiveness of the food-for-work component; and (3) the administration's views on the project and plans for additional bilateral assistance to North Korea.

To address these issues, we collected and reviewed numerous U.S. government and Consortium project reports and related documentation, and we interviewed U.S. agency officials and Consortium managers and food aid monitors. We made repeated and extensive efforts to conduct fieldwork in North Korea, including sending two visa request letters to and holding four telephone discussions with North Korean officials over a period of 4 months. In addition, our visa requests received several U.S. congressional and executive branch endorsements. However, the North Korean government did not act on our requests. Although not able to travel to North Korea, we were able to conduct lengthy interviews with Consortium field managers and monitors who worked on the bilateral assistance project in North Korea. See appendix I for additional information on our scope and methodology.
Results in Brief

The potato component of the bilateral aid project sought to increase North Korean potato production by using 1,000 metric tons of imported Chinese and American seed potatoes to generate as much as several hundred thousand tons of potatoes over two growing seasons (1999 and 2000). The Consortium estimates that only about 3,000 metric tons of potatoes were produced during the first harvest (compared to a possible yield of about 8,400 to 12,600 tons) and that most of these were in poor condition. The project produced substantially fewer potatoes than expected primarily because the seed potatoes were planted late in the first growing season, unusually bad weather struck close to the harvest time, and the North Korean government directed that the potatoes be planted in areas that were less than ideal. As a result of the weather, potatoes that were harvested were undersized and had a high moisture content. In addition, the Consortium and the Flood Damage Rehabilitation Committee did not collaborate on a second planting because the North Korean government no longer wanted assistance in the form of seed potatoes, but instead sought commercial potato propagation technology from the Consortium. According to a senior official of the U.S. Agency for International Development and Consortium managers, the Consortium did not fully monitor the seed potatoes provided to North Korea. For example, the Consortium did not have a potato specialist available in North Korea to advise officials on a regular basis nor at critical times in the project. As a result, when North Korean officials claimed that roughly one-third of the airlifted American potatoes were damaged upon arrival in North Korea, the Consortium could not credibly confirm or deny the finding. The potatoes were reportedly destroyed or fed to animals. Consortium staff were not provided an opportunity to verify their disposal.
The food-for-work program sought to provide 100,000 metric tons of U.S. government-donated food to North Koreans in return for their work on agricultural and other infrastructure projects to benefit their communities, including the seed potato assistance project. The Consortium estimates that the food was distributed to nearly 2.7 million persons in 107 of 211 North Korean counties and met a goal of providing at least 50 percent of the food to northeast provinces, which were considered the most in need of food. The food program supported work on 176 projects, such as raising the level of a river embankment to control future flooding. In addition, Consortium personnel and U.S. agency officials believe that the food aid and Consortium interaction with North Korean officials and food-for-work participants have improved North Korean perceptions of Americans and the United States. Key problems that negatively affected the distribution of the food aid were shipping and visa delays and disagreement between the Consortium and the Flood Damage Rehabilitation Committee over how the food should be used. As a result of these problems, and in an effort to ensure accountability, the Consortium found it necessary to redirect two shipments of commodities to the United Nations World Food Program in North Korea, and the U.S. Agency for International Development later arranged to temporarily store subsequent commodities in South Korea, where they were stored until the Consortium and Flood Damage Rehabilitation Committee agreed on food distribution plans. The terms of the project agreement\(^3\) and North Korean actions made it difficult for the Consortium to effectively monitor the distribution of food aid. For example, the agreement provided that the Consortium might visit any project site, but the North Korean government had to be notified at least 1 week in advance. Consortium staff told us they were not aware of any evidence of actual diversions of food aid, but several Consortium monitors indicated it is not likely they would be aware of diversions because of constraints on their monitoring.

\(^3\)The project agreement was titled Memorandum of Understanding Between the Flood Damage Rehabilitation Committee of the Democratic People's Republic of Korea and the Consortium of U.S. Private Voluntary Organizations with the Government of the United States of America.
U.S. officials said they currently have no plans for providing additional bilateral emergency assistance to North Korea. The U.S. Agency for International Development said the bilateral assistance project seemed to demonstrate that the North Korean government was not yet ready to engage in a way that would support success and that the United States would need to articulate expectations and commitments more clearly in any similar future program. Officials of the Department of Agriculture and the U.S. Agency for International Development recognized the Consortium efforts, but were critical of its management of the project. The administration continues to favor the World Food Program as the primary vehicle for distributing U.S. food donations to North Korea on the grounds that the program is better able to monitor the situation in North Korea. However, in previous work, we found that the World Food Program is limited in its ability to provide independent assurance that the food aid is reaching targeted beneficiaries. Until North Korea is removed from the State Department’s list of terrorist nations, North Korea generally will not be eligible for nonemergency bilateral development assistance from the United States. According to State Department officials, if North Korea were to take actions that resulted in its being removed from the list, the provision of bilateral development assistance would nevertheless remain uncertain. A specific policy regarding conditions under which the administration would consider providing such assistance has not yet been developed.

In this report, we recommend that the Secretary of State, the Secretary of Agriculture, and the Administrator of the U.S. Agency for International Development take certain steps to improve the likelihood of success if the agencies decide to approve another bilateral food assistance project for North Korea. Agency officials generally agreed with or did not object to our conclusions and recommendations.

Background

North Korea is a highly centralized communist state under the rigid control of the ruling elite. Unlike most other communist states, North Korea has generally not opened itself to trade, investment, and exchange with the rest of the world. No comprehensive peace agreement has replaced the 1953 armistice pact that ended the military hostilities of the Korean War. However, the United States remains committed to maintaining peace on the

4See Foreign Assistance: North Korea Restricts Food Aid Monitoring (GAO/NSIAD-00-35, Oct. 8, 1999).
Korean Peninsula and currently has about 37,500 troops stationed in South Korea. During the past decade, U.S. policy toward North Korea has focused on trying to secure and verify North Korea’s ending its nuclear weapons and long-range missile-related activities, which are seen as a major threat to peace. Under a 1994 political agreement, known as the Agreed Framework, North Korea pledged to freeze its existing nuclear program and eventually to allow the International Atomic Energy Agency to carry out inspections designed to account for all of its nuclear material. In return, among other things, the United States agreed to create an international consortium of member countries to replace North Korea’s graphite-moderated reactors with light-water power plants. Other key provisions of the Agreed Framework include the progressive normalization of U.S.-North Korean political and economic relations and dialogue between North and South Korea. However, progress toward implementing the Agreed Framework has been slow and questions have remained about whether North Korea is clandestinely pursuing further development of its nuclear weapons capabilities.
North Korea is normally not food self-sufficient. In the early 1990s, North Korea lost its concessionary trading relations with the former Soviet states and China. The loss of favorable terms of trade with these major trading partners, North Korea's inefficient agricultural and economic policies, floods and droughts, and near total economic collapse transformed North Korea's normal state of food import dependence into a serious humanitarian crisis. According to the Central Intelligence Agency, between 1994 and 1998 widespread famine and disease killed hundreds of thousands of North Koreans. Other estimates of the deaths from famine and famine-related health problems range as high as 2.5 million persons. North Korea issued its first appeal for foreign assistance in 1995. According to the U.S. Department of Agriculture (USDA), North Korea's food situation has improved, but staple grain output remains more than 1 million tons below what the country needs to meet minimal demand. This situation may persist for the next several years and perhaps longer.

See, for example, Andrew Natsios, “The Politics of Famine in North Korea,” United States Institute of Peace Special Report (Washington, D.C.: Aug. 2, 1999). Also, a nutritional study conducted by United Nations agencies in 1998 found that 62 percent of children under seven were malnourished and 65 percent had stunted growth and retarded development.

In December 1999, USDA estimated North Korea's 1999 grain situation, without food aid, as 771,000 tons below that needed to maintain the minimum daily caloric intake standards recommended by the United Nations Food and Agriculture Organization. These standards were described as comparable to the activity level of a refugee—that is, not allowing for play, work, or any activity other than food gathering. The study projected that the food gap will widen during the next decade without external assistance and/or significant gains in agricultural performance. See: United States Department of Agriculture, Food Security Assessment (Washington, D.C.: Dec. 1999).
The United States is the largest known contributor of food assistance to North Korea, according to a senior U.S. Agency for International Development (USAID) official. Since 1995, the United States has contributed nearly $400 million in food commodities, most of which have been distributed through the United Nations World Food Program (the United States provides about 80 percent of World Food Program donations to North Korea). However, U.S. food assistance has been controversial because of differing views about how the food aid has been used and whether North Korea has been acting consistently with the terms of the Agreed Framework. According to critics of the food assistance policy, the food may be diverted for military use and not reach those civilians most in need; and North Korean officials endeavor to extort such aid, threatening to take provocative steps like exporting more North Korean ballistic missiles and related technologies to sensitive world areas unless the United States and others provide substantial aid. In addition, critics say that the food aid frees other resources for North Korea to divert to its weapons of mass destruction and conventional military programs, helps to perpetuate a repressive regime, and helps North Korea avoid needed agricultural, economic and political reforms. Proponents of the food aid justify it on humanitarian and other grounds. They say that that starving people have been helped, food conditions have improved, and there is no evidence of a significant diversion of food aid. In addition, proponents say that aid can help open up North Korea's economy and closed society to outside contacts and influences, promote the adoption of reformist, moderate policies by the government, and promote peace on the Korean peninsula.

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7 The official told us that China provides large amounts of food to North Korea, but the U.S. government does not know the quantity nor what mechanisms China uses to transfer the food. China may provide some grant aid to the government of North Korea and may provide some food in exchange for natural resources, such as timber.

8 See Korea: U.S.-South Korean Relations—Issues for Congress (CRS Issue Brief IB98045, Jan. 11, 2000).

9 See North Korea's Nuclear Weapons Program (CRS Issue Brief IB91141, Jan. 7, 2000).
In August 1998, media reports revealed intelligence findings that North Korea was possibly constructing a nuclear installation at the Kumchang-ni underground facility. The administration responded to the disclosure by pressuring North Korea to allow the United States access to the facility and indicating that failure to do so would threaten the viability of the Agreed Framework. On March 16, 1999, the Secretary of State announced that the United States and North Korea had reached agreement on U.S. access to the site. According to the Secretary, the United States did not agree to compensate the North Koreans in return for access to the facility. However, the Secretary said, the United States did advise the North Koreans that removal of U.S. suspicions concerning Kumchang-ni would enable the United States to resume its relationship with North Korea as outlined in the Agreed Framework. Furthermore, the Secretary said, the United States had decided to take a step in the form of a bilateral pilot agricultural project. Subsequently, on April 17, 1999, the United States, North Korea, and the Consortium signed a project agreement in which the United States committed to providing food aid to North Korea and the Consortium agreed to provide seed potatoes to the North Koreans and to work collaboratively with North Korean counterparts in distributing the donated food. Although U.S. law generally precludes the United States from providing North Korea with regular development assistance so long as the State Department designates it as a terrorist nation, the United States can provide North Korea with emergency food assistance. U.S. officials have described U.S. involvement in this bilateral aid agreement as being consistent with the emergency food assistance authority.

The Consortium is a group of U.S. private voluntary organizations that, beginning in 1997, has received funding from the U.S. government to plan the distribution of and monitor a portion of U.S. donations provided through the World Food Program to North Korea in support of food-for-work projects. In 1999, when the bilateral project was initiated, the Consortium was composed of nine organizations that had agreed to

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10 Other accounts have disputed this account. For example, according to a Congressional Research Service report, the United States and North Korean agreement provided for multiple U.S. inspections of the Kumchang-ni facility in return for at least 500,000 tons of new U.S. food aid for North Korea. See: North Korea's Nuclear Weapons Program (CRS Issue Brief IB91141, Jan. 7, 2000).

12 U.S.C. 2371. On May 1, 2000, the State Department issued its latest list of terrorist nations, and North Korea was again included.

operate as a single entity in North Korea. Each member organization is represented on the Consortium's board, which employs a two-thirds majority vote decisionmaking rule. The Consortium’s board delegated programmatic and operational oversight responsibilities for the bilateral aid project to a project management team composed of representatives from CARE, Catholic Relief Services, the Carter Center, and Mercy Corps International, each of whom had designated responsibilities.

According to State Department officials, the North Korean government had expressed an interest in receiving potato production assistance during talks between the United States and North Korea in early 1999. U.S. officials advised the Consortium of the North Korean interest and encouraged the Consortium to undertake the potato production project. In late February 1999, U.S. government officials and Consortium members met at the Department of State to discuss the issue. The Consortium sent a technical feasibility team to North Korea for a study funded by the U.S. government. In mid-April, the Consortium and North Korean government negotiated the terms of the bilateral assistance project, and the agreement was signed by representatives of the Consortium, the United States, and North Korea on April 17, 1999. The North Korean government was represented by the Flood Damage Rehabilitation Committee. According to U.S. agency officials and Consortium managers, USAID budgeted $15 million for the bilateral food assistance project, the USDA $11.8 million, and the Consortium $0.6 million. The potato project cost

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13Although potatoes have reportedly been grown on the Korean peninsula since 1824, rice and corn are the principal food grains produced and consumed in North Korea. Rice is clearly the grain of choice for North Korean consumers. About 40,000 hectares of potatoes were planted in 1998 compared to 1.3 million total hectares that were under cultivation. An October 1999 Consortium report estimated that about 167,000 hectares were devoted to potatoes in 1999 and a target of 200,000 hectares was being mentioned for 2000. Average national yields for potato production are reported to be less than 10 metric tons per hectare compared to a world average of about 15 metric tons per hectare and more than 20 metric tons per hectare in South Korea.

14In 1997, North Korea’s leadership announced a national campaign to expand the production of potatoes as part of an effort to meet urgent food needs.

15According to a State Department official, the Flood Damage Rehabilitation Committee was originally formed by the North Korean government to coordinate the influx of foreign aid. The role of the committee has evolved so that it now also acts as an aid management organization—coordinating the distribution of food aid and the implementation of assistance projects. This official believes it is an independent government agency comprised of Ministry of Foreign Affairs officials and officials from other North Korean government bodies.
approximately $1 million, of which the Consortium paid about 60 percent, according to Consortium and U.S. government figures.

**Project to Increase Potato Production Was Unsuccessful**

The potato component of the bilateral food aid project attempted to increase seed potato production on eight farms in North Korea and generate as much as several hundred thousand tons of potatoes over two growing seasons. The Consortium believes that only about 3,000 metric tons of potatoes were produced during the first harvest and that most of these were in poor condition. The project did not achieve its objective primarily because the seed potatoes were planted late in the growing season and unusually bad weather struck close to the harvest time. The second season’s planting did not proceed because the North Korean government no longer wanted seed potato assistance, but instead sought expensive potato propagation technology. The Consortium, while responsible for monitoring how the potato project was carried out, was not able to fully do so because of various constraints.

**The Potato Component Sought to Improve Food Production and Capability**

The primary purposes of the potato component were to assist North Korean farmers to increase potato production¹⁶ over two growing seasons (in 1999 and 2000) and to allow North Korean scientists to assess new varieties of potatoes and relevant agricultural practices.¹⁷ Under the project agreement, the Consortium agreed to provide 900 metric tons of tested and certified Chinese variety seed potatoes. The potatoes were to be planted by farmers in Kangwon Province at elevations higher than 1,000 meters above sea level. The Consortium also agreed to provide 100 metric tons of several U.S. varieties of tested and certified seed potatoes for seed multiplication and variety trials by the North Korean Academy of Agricultural Sciences.¹⁸

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¹⁶The potato is one of the world’s main food crops and considered an excellent food staple. According to the Consortium’s harvest assessment study, under average yield conditions, potatoes yield more protein per hectare than either wheat, rice, or corn and approximately equal the food energy from one hectare of rice. A medium-size potato of about 150 grams provides one-third of an adult’s daily requirement of vitamin C and significant quantities of vitamin B-1, niacin, and iron.

¹⁷The project was seen as an efficient way to reduce North Korea’s food deficit, since the country had an adequate knowledge base to expand food production with some technical assistance from the outside.

¹⁸Since American potatoes had not been previously grown in North Korea, the Consortium understood that it was necessary that they undergo trials for a period of 2 years.
Recognizing that the planting season was already underway in North Korea at the time the project agreement was signed, the Consortium agreed to undertake extraordinary efforts to deliver the 900 metric tons of certified seed potatoes to the China/North Korean border as close as possible to April 30, 1999. And it agreed to airlift the U.S. varieties to Pyongyang, the capital of North Korea, by the first part of May.

The project agreement did not state how many new potatoes the seed potatoes should produce during each of the two growing cycles. According to documents we reviewed, in early 1999 the State Department’s Office of Korean Affairs estimated that 1,000 metric tons of seed potatoes could be multiplied over two growing seasons to as much as 200,000 metric tons to 375,000 metric tons. Its estimates were based in part on data obtained from private voluntary organizations that would later, as Consortium members, manage the potato project. The assumed seed potato yields per hectare were not always specified in State’s estimates. In mid-February 1999, a future Consortium member organization estimated that a yield of up to 25 metric tons per hectare could be achieved in North Korea at the national level. In late February 1999, Consortium members told State that they assumed 1,000 metric tons of seed, planted on 500 hectares in the northeast provinces, could yield 40 metric tons per hectare or 20,000 metric tons of seeds during the first growing season.

Under the project agreement, the Consortium was responsible for providing technical assistance, inland transportation costs, and adequate agricultural inputs such as fertilizer, fungicide, insecticide, and herbicide to support the first cycle of the potato program. The agreement also provided that the Consortium would employ monitors to help manage and monitor the potato program and food-for-work program and two agricultural specialists to support the potato initiative. Monitors could be granted visas for approximately 6 months, but agricultural specialists would be granted visas for only short stays. The Flood Damage Rehabilitation Committee would collaborate with the Consortium agricultural specialists during implementation of the project, and they would conduct field monitoring and ongoing evaluation. The Ministry of Agriculture and the Academy of Agricultural Sciences would be involved in the project activities, including the second cycle.

19One hectare equals 2.47 acres.
Considerable Efforts Made but Final Results Were Poor

Despite an extremely tight deadline, Consortium efforts to supply seed potatoes to North Korea by the beginning of May were largely successful. All of the Chinese-origin potatoes were inspected, purchased, and delivered to the North Korean border by May 4. Difficult problems had to be overcome, including a shortage in railway cars for transporting the potatoes into North Korea. After shipping losses, 840 metric tons of three Chinese varieties were available for planting. Most of the potatoes were planted by mid-May. However, some were not planted until the latter part of May, and one parcel of 40 metric tons was not planted until June 18. The potatoes were planted on eight farms in three counties in Kangwon Province (see fig. 1). According to the Consortium, a scientist affiliated with the International Potato Center provided invaluable technical assistance to the Consortium’s efforts.20

20The International Potato Center, founded in 1971, is underwritten by numerous governments, multilateral institutions, and foundations. It works to enhance cultivation, yield, processing, and consumption of potatoes. Consortium managers said that the center participated in the feasibility study, assisted in identifying a procurement agent, carried out random testing of the Chinese potato varieties, and provided other technical assistance to the Consortium’s consultants.
Figure 1: Province and Counties Where the Chinese Seed Potatoes Were Planted

Source: GAO analysis of Consortium data.
The Consortium also rapidly procured 100 metric tons of American seed potatoes from Colorado, but was only able to provide one variety. According to a Consortium manager, other available varieties had not been tested for blight and testing them would have meant missing the project agreement deadline for shipping the potatoes to North Korea. Given that the project agreement was not signed until the planting season was already underway, the Consortium had agreed to air freight the potatoes. However, it was not able to pay or find a donor to cover the cost. USAID then agreed to pay the cost, which was $290,000. When the potatoes arrived in North Korea on April 29, North Korean officials told the Consortium that 35 metric tons of the potatoes were damaged or diseased. According to a Consortium consultant, the seeds were reportedly destroyed in mid-May. The remaining potatoes were distributed by May 11 to 12 test sites operated by the Academy of Agricultural Sciences, according to a Consortium consultant. About 16 metric tons were distributed in northern highland areas and planted in mid-May. The remaining 49 metric tons were planted in test plots in the south and western coastal potato areas, but not until mid-July, the time for a second crop planting.

At the suggestion of a Consortium consultant, the Consortium agreed to modify the project by providing the cooperative farms with extra quantities of fertilizer that could be used on their other crops, and these non-potato crops reportedly benefited from the change. The purpose was to remove the temptation of the farmers to use the fertilizer that was intended for the seed potatoes on other more important crops such as rice and corn and to ensure that any losses that the farms might incur if the seed potato harvest was poor would be compensated by the increased production of the other crops. In addition, it increased the long-term development impact of the project by allowing the farmers to choose how to use the additional fertilizer and by promoting crop diversification. The cost to the Consortium of the extra fertilizer was $50,000.

Consortium staffing problems had some adverse consequences for project performance. The Consortium did not have an agronomist or a potato specialist in North Korea to manage the potato project and consult with local counterparts for most of April through July, which included certain key times. According to the Consortium, North Korea refused to accept a permanent agronomist during negotiations of the project agreement; however, the project agreement did allow for short-term visits by consulting specialists. The Consortium wanted to have an agronomist there at the start of the project and at other key times, such as when fungicides and pesticides were applied. A Consortium manager said that finding
appropriate expertise on short notice and during the planting season was difficult. Two Consortium consultants reported to Consortium management that failure to staff a full-time agricultural specialist limited the Consortium's ability to establish relationships with North Korean counterparts, which was one of the goals of the project agreement. In addition, the Consortium did not have a specialist available to provide instruction on the safe use of the fungicide and pesticide; such instruction was integral to the technical assistance that the Consortium was to provide. A Consortium consultant secured the agreement of a Ministry of Agriculture technician to provide courses in the safe handling of these materials, but the Consortium did not verify that the training actually occurred, according to the consultant.

The Consortium arranged for a mid-term crop evaluation in July 1999 by a consultant who was an experienced potato horticulturist. The consultant told us that although the potatoes had been planted late in all counties and therefore were not in as good condition as might otherwise have been the case, they nonetheless looked quite good. He told us that he had expected actual yields of about 20 to 30 tons per hectare. This suggested a possible total yield ranging between 8,400 to 12,600 metric tons.  

Consortium consultants estimate that only about 3,000 metric tons of the Chinese potatoes were harvested compared to the mid-harvest expected yield of 8,400 to 12,600 metric tons and that only 190 to 210 metric tons were retained as seeds for planting in 2000. Regarding the American seed potatoes planted at lower elevations, Consortium agricultural consultants reported a near total crop failure. Regarding potatoes planted at higher elevations, the consultants said the Academy of Agriculture Sciences had estimated yields of about 20 metric tons per hectare.

If the potato yields had been as expected, the Consortium could have faced a serious problem in storing some of the potatoes for use as seed in 2000. For example, according to the Consortium's agricultural consultant's mid-term assessment, the three counties where the potatoes were grown did not have facilities for storing the potatoes, and they had limited time to build storage sites. He recommended that the Consortium consider immediate assistance for the building of facilities. The Consortium's logistical consultant was also critical of the Consortium's performance on this matter. He noted that storage had been raised as an issue in the April

21The Chinese potatoes were planted on 420 hectares.
Poor Results Were Primarily Due to a Late Start and Bad Weather

The potato project did not achieve expected yields in part because the potatoes were planted late in the growing season. The sowing started late because the project got off to a late start. According to a State Department official, North Korean officials presented the idea of a potato project to them in early 1999. U.S. officials met with private voluntary organizations, including Consortium members, on February 24, 1999. These dates were late relative to the planning of a new crop for the spring of 1999. Around the world, farmers typically make spring planting decisions in the preceding fall. The actual project agreement was not signed until April 17, 1999, which was about the time the seed potatoes should have been planted. According to a Consortium report, the potatoes were planted some 5 to 6 weeks after optimal dates. The late start increased the risk of damage from heavy rains and high temperatures that normally occur in Kangwon Province during July and August. According to the Consortium's April 1999 technical feasibility study, the main concern echoed by all of the North Korean officials with whom the team met was the lateness of the season and how

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22Consortium managers said the more expensive commercial-grade potato propagation technology was recently provided to North Korea by World Vision International.
this would affect the success of the project as measured by total potato yield. Local officials told the Consortium that the weather in Kangwon is hot and humid during the months of July and August and that insects and diseases are a serious problem as a result.

The Consortium’s harvest study team wrote that the crop prospects took a sharp downward trend with the arrival of Typhoon Olga on August 3, 1999. All eight farms where the seed potatoes were planted were seriously affected by the resulting high temperatures and rainfall during the August 3 to 13 period, according to the team’s report. The yields for the Chinese potatoes ranged from about 5 to 7.4 metric tons per hectare, as compared to 18 to 20 metric tons per hectare for the local North Korean varieties of potatoes that had been planted much earlier. In addition, potatoes that were harvested were undersized and had a high moisture content, which raised concern that storage losses would be unusually high. The report also cited the results of an Italian nongovernmental organization involved in potato development on other farms in Kangwon Province and in South Hwanghae Province. These potatoes were planted earlier than Consortium potatoes, and harvesting was completed by early August, with reported yields of 20 to 22 metric tons per hectare.

The late start may also have affected the quality of the seed potatoes that were purchased for the project and support for the project by relevant parties in North Korea. The Consortium, with the collaboration of a scientist affiliated with the Beijing branch office of the International Potato Center, procured what the Consortium states were high quality seed potatoes. According to the Consortium’s managers, the scientist facilitated the selection of the Chinese seed potatoes and provided documentation concerning their quality. However, a Consortium consultant who prepared a mid-term assessment of the crop and later participated in the harvest study assessment concluded that most high quality seed had already been purchased by others, since the planting season was already underway. In his mid-term assessment, he said that most of the Chinese potatoes that

23According to South Korean and wire media sources and the United Nations Office for the Coordination of Humanitarian Affairs, Typhoon Olga left about 35 dead and about 24,000 homeless in South Korea, and it flooded 30,000 to 36,000 hectares of South Korean farmland.

24According to a Consortium report, the severe weather was a 1-in-5 to a 1-in-25 year event. The Consortium was aware, however, that Kangwon province was subject to tropical weather patterns in the summer, and the Consortium told us it did have climate data showing unusual weather patterns in the area of the potato project since 1994.
had been purchased for the project would not under normal conditions have been grown as a seed crop, but rather grown for table consumption. More recently, he told us that although he did not have an opportunity to inspect the seed potatoes before planting, based on his knowledge of seed potato production and certification procedures in China and his inspection of the plants, he continues to doubt the quality of many of the Chinese seed potatoes.

According to the harvest report, with seed of unknown potential arriving late, Academy of Agricultural Sciences staff and the Ministry of Agriculture were skeptical about the project. This was understandable, the report said, since the Academy's 1999 research program had already been determined and the Ministry of Agriculture's annual planning process, which largely determines the year's cropping program on cooperative farms, had been completed at least 4 months earlier. Although farm managers had been told of a likely potato project, details were vague. As a result, the report said, the farms did not commit first-class land to the project, with one exception.

Consortium managers had been concerned about the implications of a late start from the time that State solicited their participation in February 1999. Consortium officials told us they realized that the time line for implementation would require an extraordinary effort on everyone's part. Consortium managers decided to accept the risk because opportunities for initiatives with a development component in North Korea were limited. Every emergency response effort involves risks of some sort, they said, and they wanted to seize upon the opportunity that had been presented. However, not all Consortium members favored the project. One member, Amigos Internacionales, felt strongly that the project's prospects for success were poor and advised the Consortium to seek North Korean agreement to postpone the startup to the year 2000. This organization's representative also expressed his views to senior U.S. government officials.

Although U.S. government officials were present during Consortium negotiations with the North Korean government, it was a Consortium decision to proceed with the project.

For example, one member organization hoped the pilot potato project might lead to projects involving other crops for improving North Korea's food security. Another member organization said the project provided an opportunity for involvement at the community level. Still, another member organization said it felt it could not continue sending food aid without also providing assistance to help North Korea reduce its dependency. Another member said that development assistance cannot be provided to North Korea without a better environment, and it hoped the potato project would help promote normalization of relations with North Korea.
In addition to the late start, the seed potatoes were not planted in ideal locations. Potatoes are known as a cool weather crop that grow best in drier, high altitude areas. Consortium managers and other U.S. officials told us that much of North Korea’s potato production is concentrated in North Korea’s three mountainous northeastern provinces. The Consortium sent a team to North Korea, from March 27 through April 6, 1999, to determine the feasibility of initiating a seed potato project. The Consortium had planned to plant the bulk of the seed potatoes in those provinces. However, North Korean officials told the feasibility team that the potatoes were to be planted in the southern part of North Korea, in Kangwon province. Consortium agricultural consultants concluded that the warm tropical climate in the summer and disease conditions in this location made it less suitable for seed production. Consortium staff also concluded that Kangwon province lacked adequate storage. However, according to records we reviewed, the feasibility team was told that failure to accept the North Korean government’s request that the potatoes be planted in Kangwon would jeopardize agreements between the U.S. government and North Korea. Although the Consortium realized that planting the seed potatoes in Kangwon Province might not achieve the seed potato production goals outlined in State Department and Consortium planning papers, it concluded the project still could contribute to North Korea’s food security.

Performance Monitoring Was Not Adequate

The Consortium did not adequately monitor the potato component of the food aid project. The project agreement provided that the Consortium would employ a number of monitors to manage the potato and food-for-work program and two agricultural specialists to support the potato initiative. The Flood Damage Rehabilitation Committee would collaborate with the Consortium agricultural specialists during the implementation, and they would conduct field monitoring and ongoing evaluation. However, the Consortium did not arrange for an agronomist to be in North Korea to advise North Korean officials when the imported seed potatoes arrived. As a result, when the American seed potatoes arrived and North Korean officials concluded that roughly one-third of the potatoes were diseased or damaged, the Consortium did not have an expert present to confirm or deny the finding. The North Koreans reportedly destroyed these potatoes and did so without inviting any Consortium staff to verify the destruction.

27The Consortium’s field manager for a World Food Program-related project that overlapped with the bilateral assistance project was present at the airport to observe the arrival of the potatoes.
The Consortium told us that in hindsight it would have been important to have an American potato specialist on the plane to arrive with the airlifted American potatoes. At the time, however, they told us it was difficult to recruit a specialist and obtain a visa for travel to North Korea on short notice, and the Consortium was focused on moving the potatoes from China to the participating North Korean farms.

This problem might not have arisen if the Consortium had included instructional material, including photographs, with the airlifted American potatoes. According to the manager of the Colorado State Seed Potato Program, the American variety that was provided, Russet Nugget, can have superficial skin defects, such as particularly rough skin and cracks. These defects might have been misinterpreted by staff of the Academy of Agricultural Sciences as a sign of disease. The manager told us that he is confident that there was nothing wrong with the potatoes, since they were fully inspected, met all the tolerances for certification, and received a U.S. grade one rating for quality. In addition, he observed the loading of the potatoes on the plane and was impressed with how the carrier handled them.

The Consortium did not try to send any monitors into North Korea until June 1999, and no monitors actually entered North Korea until July because of visa and other problems. By that time, the potatoes were well on their way to maturity. A Consortium manager told us that the Consortium was not able to complete assembling field staff for the bilateral assistance project until June 1999 and that in any case it was doubtful that the North Koreans would have approved of a field manager and a monitor going into North Korea for the sole purpose of monitoring the potato component. Although monitors arrived in July, they focused largely on the food-for-work program. No monitor was assigned to regularly monitor progress on the potato component.28 (In its agreement with USDA, the Consortium had indicated that U.S. funds would be used to support a food-for-work monitor with potato experience who would oversee food-for-work projects undertaken to support the potato component.)

28The Consortium field manager did travel to one of the farms to observe the damage following Typhoon Olga. He said that he also tried to visit some of the other farms as well, but was denied access by the North Koreans on the grounds that there was too much storm damage to travel safely to the locations.
With the support of North Korean officials, one of the Consortium’s consultants developed a monitoring form for the potatoes early in the program, but it was not fully used by the Consortium. The Consortium’s logistical consultant, who arranged the procurement and transportation of the Chinese potatoes and associated inputs for all of the potatoes, developed the form for monitoring potato production. He was in North Korea for a few periods between May and June 1999 and, though not a potato specialist, he had extensive experience in agriculture and rural development, including in North Korea. He worked directly with authorities from the Flood Damage Rehabilitation Committee and county agricultural offices to jointly develop and field test a simple form for monitoring and evaluating seed potato production at the eight different farms. According to the consultant, despite prior resistance, the Flood Damage Rehabilitation Committee took an enthusiastic lead in designing the information-gathering forms and providing the farms with instructions in their use. During the field testing of the monitoring forms, information was recorded for activities that had taken place during May and early June. However, he said, the Consortium’s subsequent consultants did not fully complete the monitoring form. As a result, he said, it was not known, for example, whether the farmers had received proper instruction in the use of the fungicide and pesticide.

The Consortium did send agricultural specialists to North Korea to prepare mid-term harvest and postharvest assessments. They collected needed information on the mid-term development of the potato crops and the final results, as well as information and analysis relevant to the planned second cycle. As part of this process, the consultants held discussions with officials of the Ministry of Agriculture and the Academy of Agricultural Sciences and with farm managers at the eight cooperative farms involved in growing the Chinese potato seeds.

29This form was designed to record the receipt and use of Consortium supplied fertilizers and other inputs, document training in the safe use of pesticides and fungicides, and record the amount of harvested product. The forms were also designed to collect basic information on which crops the farmers chose for the additional fertilizer, how much fertilizer was applied to those crops, and with what results.

30According to the consultant, prior to the Consortium’s agreement to provide the farms with additional fertilizer for use on their other crops, the Flood Damage Rehabilitation Committee had resisted attempts to introduce monitoring and record-keeping arrangements. The Consortium insisted that the monitoring system be developed before the Consortium would approve the purchase of the additional fertilizer.
The Food Aid Was Distributed but There Were Planning and Monitoring Problems

The food-for-work component of the bilateral aid project sought to improve food security by providing U.S. government-donated emergency food assistance to North Koreans in return for their work on agricultural and other infrastructure projects. The Consortium estimates that the food was distributed to nearly 2.7 million persons in 110 of 211 North Korean counties and met a goal of providing at least 50 percent of the food to northeast provinces, which were considered the most in need of food in the country. The food supported work on 176 projects for improving the country's agricultural infrastructure as well as for implementation of the seed potato project. In addition, Consortium personnel and U.S. agency officials believe that the food-for-work component has improved perceptions of Americans and the United States. Key problems that negatively affected the distribution of the food aid were shipping and visa delays and disagreement between the Consortium and the Flood Damage Rehabilitation Committee over how the food should be used. Some of these problems were associated with Consortium attempts to promote accountability. For example, to improve accountability, the Consortium redirected two shipments of commodities to the World Food Program, and USAID later arranged to store subsequent commodities in South Korea, from where they could be called forward once food distribution plans were in place. The terms of the project agreement and North Korean actions also made it difficult for the Consortium to effectively monitor the distribution of food aid. Consortium staff told us they were not aware of any evidence of diversions of food aid; however, several monitors indicated it is not likely they would be aware of diversions because of constraints on their monitoring.
Food-for-Work Sought to Improve Short-term Food Security and North Korea’s Agricultural Infrastructure

The project agreement provided that the U.S. government would donate 100,000 metric tons of emergency food aid to be used in food-for-work projects in North Korea. The food would be made available to workers participating in the projects and their families. (The project agreement did not specify that the targeted beneficiaries would be those workers, and their families, most in need of food aid.) The commodities would be used to directly support the seed potato project and to support agricultural infrastructure and other projects. Specific activities that might be supported included watershed management, irrigation construction, reforestation, land leveling, and building of access roads to agricultural areas.

Nearly 2.7 Million People Received Food and 176 Projects Were Completed

Between July 1999 and May 2000, 80,000 metric tons of yellow corn and 20,000 metric tons of milled rice arrived in North Korean ports and were distributed throughout much of the country. The Consortium field team and the Flood Damage Rehabilitation Committee planned the distribution of the food aid for 176 projects in 107 of 211 counties or local districts. The Consortium estimated that nearly 900,000 North Koreans worked on the projects, and calculated that each laborer received 2 kilograms of food for each day worked. According to the Consortium, the projects’ duration rarely exceeded 60 days. Based on the assumption that each worker’s food was shared with two other adult family members, the Consortium estimated that nearly 2.7 million persons, or nearly 13 percent of the population, benefitted from the food-for-work component of the bilateral assistance project.

Figure 2 shows the distribution of the 100,000 metric tons by North Korea’s main administrative districts. As the figure shows, food-for-work projects

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31The Consortium was able to indirectly address this issue by securing agreement on a goal of locating at least half of the food-for-work projects in the northeast provinces, which are considered to be the areas most vulnerable to food insecurity in North Korea.

32According to the Consortium, a one-third ration of rice equals about 2,400 calories and a one-third ration of corn equals about 2,335 calories.

33In July 1999, the CIA estimated North Korea’s population at 21.4 million people.

34This figure may include double counting. According to the Consortium, it may have been possible for a worker to serve on more than one project during the year. However, the Consortium said, taking into account the size of counties, location of projects, and lack of transportation, it is unlikely that this would occur very often.
were conducted in eight of North Korea's nine provinces, as well as in Nampo City. Chagang Province, in the north central part of the country, did not have any projects.
Figure 2: Type and Number of Food-for-Work Projects, Metric Tons of Food Distributed, and Beneficiaries by North Korean Administrative Districts

Yanggang
- Embankment: 4
- Embankment/Excavation: 1
- Reforestation: 3
- Food: 2,605 metric tons
- Beneficiaries: 68,238

South Hamgyong
- Embankment: 3
- Excavation: 14
- Fish Pond: 4
- Reforestation: 16
- Food: 24,535 metric tons
- Beneficiaries: 680,268

North Pyongan
- Embankment: 7
- Excavation: 5
- Fish Pond: 1
- Reforestation: 1
- Food: 10,120 metric tons
- Beneficiaries: 265,722

North Pyongan
- Embankment: 11
- Excavation: 6
- Fish Pond: 1
- Reforestation: 2
- Food: 12,478 metric tons
- Beneficiaries: 295,071

South Hamgyong
- Embankment: 3
- Excavation: 24
- Fish Pond: 1
- Reforestation: 10
- Reservoir: 1
- Soil Layover: 5
- Food: 22,931 metric tons
- Beneficiaries: 684,678

North Hamgyong
- Embankment: 3
- Excavation: 14
- Fish Pond: 4
- Reforestation: 16
- Food: 24,535 metric tons
- Beneficiaries: 680,268

Kangwon
- Potato Project: 3
- Food: 2,000 metric tons
- Beneficiaries: 30,042

Pyongyang City
- No Project Activity

Kaesong City
- No Project Activity

Chagang
- No Project Activity

North Hwanghae
- Embankment: 7
- Excavation: 6
- Fish Pond: 1
- Reforestation: 1
- Food: 8,678 metric tons
- Beneficiaries: 217,392

Nampo City
- Embankment: 1
- Excavation: 3
- Fish Pond: 1
- Food: 2,955 metric tons
- Beneficiaries: 105,732

Kaesong City
- No Project Activity

South Hwanghae
- Embankment: 5
- Excavation: 11
- Fish Pond: 1
- Reforestation: 1
- Food: 13,376 metric tons
- Beneficiaries: 350,448

North Pyongan
- Embankment: 11
- Excavation: 6
- Fish Pond: 1
- Reforestation: 2
- Food: 12,478 metric tons
- Beneficiaries: 295,071

Chagang
- No Project Activity
Note: Administratively, North Korea is divided into nine provinces and three special cities. The latter are Pyongyang, Nampo, and Kaesong.

Source: GAO analysis of Consortium data.

As figure 3 shows, 24 percent of the food was distributed in North Hamgyong Province, 23 percent in South Hamgyong Province, and 3 percent in Yanggang Province. Thus, the goal of distributing at least 50 percent of the food in the poorer northeastern provinces was achieved. Figure 4 shows that most of the projects supported by the U.S. donated commodities were for excavations, embankments, and reforestation.

**Figure 3: Percentage Distribution of the 100,000 Metric Tons of Food Aid by Administrative District, August 1999 to May 2000**

Source: Consortium.
Figure 4: Percentage Distribution of the 100,000 Metric Tons of Food Aid by Type of Food-for-Work Project, August 1999 to May 2000

Source: Consortium.
According to Consortium staff, some of the food-for-work projects may not have a medium- or long-term impact on the country's agricultural infrastructure and food security. As an example of a project that would probably have a medium-term or longer impact, one monitor referred to a river embankment project designed to guard against future flooding. He said that a project that included stonework on the walls and sod and trees on the top of the river bank would be more likely to hold up over time than a project that raised the height of the bank but did not include the other reinforcements. In general, Consortium staff felt most of the food-for-work projects would make a useful contribution provided that they received general maintenance.\textsuperscript{35} Consortium managers told us that the priority was on distributing food to hungry people and said infrastructure improvements could have been enhanced if additional resources for construction had been available, such as cement.

The project agreement did not include an objective that the Consortium and North Koreans interact for the purpose of improving North Korean perceptions of the United States and its people. However, Consortium managers and field personnel and U.S. officials that we spoke with believe this has been an important benefit of the Consortium's work. They note that North Korea has been a closed society for many decades and that it produces considerable anti-American propaganda, much of which concerns the Korean War. They further pointed out that in the absence of direct contact with Americans, and also because they are unable to access Western media, North Koreans lack outside information on which to base their attitudes towards the United States. The food-for-work projects provided an opportunity for a number of North Koreans to interact with the American monitors. For example, during the bilateral assistance project, monitors crisscrossed North Korea many times, with numerous visits to all but one of the provinces and to one of three special cities. According to the Consortium, field managers dealt with up to 500 county officials in the course of monitoring the food-for-work projects. Monitors said this type of

\begin{footnote} 
\textsuperscript{35} The Consortium's report on its World Food Program-related food-for-work project activities in North Korea immediately preceding the bilateral assistance project indicated that it was difficult to predict whether those projects would have a lasting effect and contribute to the long-term rehabilitation of the agricultural infrastructure. However, the Consortium said that with proper planning and yearly maintenance of embankments, salt pans, and care of the planted trees, some counties may be able to slow down the deterioration of their agricultural infrastructure and help protect against damage from future flooding.
\end{footnote}

interaction was one of the most valuable parts of their experience in North Korea.

The food-for-work projects may also have affected attitudes toward the United States as a result of containers in which the food was stored. The U.S. food aid was transported to storage sites and distribution centers in bags. On the outside of the bags were written the words “A Gift From the People of the United States” in both Korean and English. Once empty, these bags were considered a useful resource and are apparently reused for other purposes.

**Timely Implementation Was Affected by Shipping and Visa Delays and by Disagreements Over Use of the Food**

The planning for and distribution of the 100,000 metric tons of food aid did not occur in a timely and collaborative manner. The project agreement’s schedule for arrival of the food in North Korea was not fully met because of Consortium challenges, shipping and visa delays, and serious disagreements between the Consortium and the Flood Damage Rehabilitation Committee over how the food should be used. We are not able to describe whether any of the delays adversely affected the food needs of North Korean laborers and their families, because information was not available on this matter. However, Consortium managers told us that Flood Damage Rehabilitation Committee personnel put pressure on the Consortium field team whenever food shipments were late. As discussed below, though, the Flood Damage Rehabilitation Committee was itself partly responsible for the lateness.

Under the project agreement, the Consortium and the Flood Damage Rehabilitation Committee were to (1) jointly review and approve food-for-work project proposals and distribution/allocation plans and (2) monitor distributions and adherence to work goals and standards by conducting site visits. Although it was not addressed in the agreement, county officials were to propose projects to the Flood Damage Rehabilitation Committee, which would then present them to the Consortium. Individual project agreements would then be signed and approved by the Flood Damage Rehabilitation Committee, the Consortium, and the project holder. If the terms of the project agreement were not met, the Flood Damage Rehabilitation Committee and the Consortium would agree to reallocate food to other food-for-work projects undertaken within the geographic scope of the program.

Table 1 shows the planned arrival times for the food aid, based on the project agreement, through the end of November 1999. As the table shows,
actual deliveries greatly lagged behind the planned schedule. For example, 55,000 metric tons of commodities should have been delivered by the end of September 1999, but only 15,000 metric tons had been actually landed by that time. By early November 1999, the actual schedule matched the project agreement plan.

Table 1: Comparison of Scheduled and Actual Food Aid Deliveries for the Bilateral Assistance Project, May 1999 to November 1999

<table>
<thead>
<tr>
<th>Date</th>
<th>Project agreement notional schedule</th>
<th>Actual schedule</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tonnage delivered</td>
<td>Cumulative tonnage</td>
</tr>
<tr>
<td>May 1999</td>
<td>15,000</td>
<td>15,000</td>
</tr>
<tr>
<td>June 1999</td>
<td>0</td>
<td>15,000</td>
</tr>
<tr>
<td>July 1999</td>
<td>0</td>
<td>15,000</td>
</tr>
<tr>
<td>Aug. 1999</td>
<td>15,000</td>
<td>30,000</td>
</tr>
<tr>
<td>Sept. 1999</td>
<td>25,000</td>
<td>55,000</td>
</tr>
<tr>
<td>Oct. 1999</td>
<td>15,000</td>
<td>70,000</td>
</tr>
<tr>
<td>Nov. 7, 1999</td>
<td>15,000</td>
<td>70,000</td>
</tr>
</tbody>
</table>

*Language in the project agreement characterized the scheduled delivery times as “notional.” According to a Consortium manager, when the agreement was negotiated the parties understood that this term meant the dates were flexible. However, the manager said, the Flood Damage Rehabilitation Committee subsequently took the position that the schedule was firm. The Consortium manager further said that when the agreement was signed, the Flood Damage Rehabilitation Committee clearly understood that it was not possible for U.S. agencies to meet the scheduled delivery time for the first shipment of the food aid. (Under the project agreement, U.S. agencies were responsible for shipping the commodities.)

*Five thousand metric tons of bagged rice arrived in North Korea, but the Consortium re-consigned the food to the World Food Program because visas for its monitors had not been approved. See text for discussion.

*Twenty thousand metric tons of bulk corn arrived in North Korea. However, the Consortium re-consigned 10,000 metric tons to the World Food Program because of disagreement with the Flood Damage Rehabilitation Committee over the use of the food. The remaining 10,000 tons were sent on to another North Korean port and not unloaded until early August 1999. See text for discussion.

Source: GAO analysis of Consortium data.
The project agreement called for the first shipment of food aid to be delivered in May 1999 in the amount of 15,000 metric tons. The date was not met due to shipping and visa delays and some staffing challenges. For example, on June 2, 1999, the Consortium requested that the North Korean government approve visas for three field staff (a field manager, senior food monitor, and monitor) to arrive in North Korea on June 15. The request was made nearly 2 weeks before the monitors requested entry into North Korea and the expected arrival of the ship a few days later, on June 18, 1999. However, North Korea did not approve the Consortium's visa requests in time for the staff to arrive before the first food aid shipment. The Consortium needed to have its staff in North Korea prior to the arrival of food aid shipments so that the food aid distribution could be effectively planned and monitored. Because the visas were not approved and also because there was some potential damage to part of the cargo, the Consortium recommended that USAID re-consign\textsuperscript{36} the first shipment to the World Food Program. On June 22, 1999, the Consortium requested visas for six additional monitors. This request was made 3 weeks before the monitors' scheduled entry. On July 2, the North Korean government advised the Consortium it was denying two visas on the grounds that the persons were not Americans. The Consortium was disappointed because it believed it had recruited a technically superior team and, during some of its previous work in North Korea, the Consortium had been allowed to include non-Americans on its food-monitoring staff. North Korea's visa denials also meant additional time would be needed to find replacement staff (the Consortium told us that it had some difficulty in recruiting qualified personnel to implement the bilateral assistance project).\textsuperscript{37}

When the Consortium's advance team arrived in North Korea in mid-July 1999 and began discussions on how the food aid would be distributed, additional delays resulted. Disagreement arose when the Flood Damage Rehabilitation Committee insisted all of the food should be used to support

\textsuperscript{36}According to the Consortium, re-consignment meant the transfer of legal title of the food to the World Food Program.

\textsuperscript{37}The project agreement specified that the Consortium was supposed to request visas 4 weeks in advance of the desired arrival dates. The Consortium's June 2, 1999, and June 22, 1999, visa requests were made only 2 to 3 weeks in advance. However, according to a Consortium manager, when the project agreement was negotiated, Flood Damage Rehabilitation Committee officials understood that occasions would arise when the Consortium would need approvals on shorter notice. Moreover, the manager said, there had been occasions when the North Korean government approved visas with as little as a few days' notice.
agricultural activities related to potato production throughout the country, including weeding, fertilizer application, and harvesting. The Consortium considered this demand a serious problem, since the project agreement, in its view, indicated that only 2,000 metric tons of the commodities would be used to support the potato component of the bilateral assistance project. The balance was to be used for agricultural infrastructure projects. The Consortium was also concerned because the Flood Damage Rehabilitation Committee advised that unless the Consortium was ready to compromise, severe political consequences would result, and the monitors would be required to leave the country.

Consortium managers concluded that accepting the Flood Damage Rehabilitation Committee’s demand would erode the credibility of the food-for-work program. The second shipment of food (20,000 metric tons of corn) was expected to arrive shortly, so the Consortium re-consigned 10,000 tons of the corn to the World Food Program’s operations in North Korea. After that corn was unloaded, the ship left for another North Korean port. On July 26, 1999, with the food distribution issue still unresolved, the Consortium chairman requested that the Flood Damage Rehabilitation Committee provide a proposed distribution plan to enable joint review, assessment, and approval prior to offloading the remaining 10,000 metric tons of food. Without a plan, the chairman said, it would again be necessary to re-consign the food to the World Food Program.

The issue was resolved on July 28, 1999, when the Flood Damage Rehabilitation Committee provided the Consortium with a proposed food distribution plan for the 10,000 metric tons of commodities. The plan called for only 2,000 metric tons of the commodities to be used to support the seed potato component of the bilateral assistance project, as had been the Consortium’s understanding. The remaining 8,000 metric tons would be used to support agricultural infrastructure programs. The Flood Damage Rehabilitation Committee dropped its demand that additional amounts of the food be used to support potato production or seed protection activities.

Consortium managers noted that food-for-work project proposals originated with local county officials, who then provided the proposals to the Flood Damage Rehabilitation Committee. The committee and the Consortium monitors would then evaluate the proposals. According to the

38This and the earlier re-consigned commodities were repaid in full by the World Food Program when the team was able to assess and approve projects for initial distribution.
Consortium managers, the Consortium could have been more effective in identifying North Korean needs and designing food-for-work projects if the Consortium had been allowed to work directly with local county officials when proposals were being developed. The Consortium had hoped that this kind of arrangement would have evolved during the course of the project. However, according to Consortium managers, central government officials did not facilitate this relationship.

Effective Monitoring Was Constrained

Effective monitoring was constrained by some of the terms of the project agreement, the project's large scale, and by the Flood Damage Rehabilitation Committee's unwillingness to actively support the monitoring process, according to the Consortium. According to the Consortium, the committee violated agreed upon procedures for planning the distribution of a September 1999 shipment of 5,000 metric tons of rice. Field managers and monitors were not aware of any evidence of actual diversions of food, but the issue remains in doubt because of constraints on the Consortium. Other international organizations and humanitarian agencies have experienced serious problems in monitoring assistance programs, and several nongovernmental organizations have withdrawn from North Korea.

Visits to the project sites were to be jointly planned and agreed upon 1 week in advance by the Flood Damage Rehabilitation Committee and Consortium. The Consortium might visit any project site as often as necessary for assessment and monitoring purposes. While accompanied by Flood Damage Rehabilitation Committee and local officials, the Consortium would be granted the possibility of on-the-spot visits to project sites, all related project areas, food distributions, local leaders and citizens and officials involved in the project. In case of doubt concerning the condition of the U.S. government donated commodities and their fitness for eventual consumption, the Flood Damage Rehabilitation Committee would consult with Consortium staff before taking any specific decision on the future use of such commodities.

Consortium managers said that they had tried to maintain a high level of transparency regarding the issues that challenged the project, including briefings provided to U.S. agencies and congressional staff.
Some terms of the project agreement compromised the Consortium’s ability to adequately monitor and assure that the agreement was being properly implemented. For example, the agreement provided that the Consortium might visit any project site as often as necessary for assessment and monitoring purposes. However, it also stipulated that such visits would be agreed upon 1 week in advance by both the Consortium and its counterparts. Moreover, according to the agreement, Consortium monitors were not authorized to travel independently to any project site, food distribution center, or warehouse that held the U.S. government-donated commodities. (A USAID official described this as standard language for monitoring agreements in North Korea and said that similar conditions are imposed on the World Food Program.) Importantly, whether a visit to a site was necessary depended not only on the Consortium’s judgment, but also on Flood Damage Rehabilitation Committee agreement as well.

The project agreement said that the Consortium would be granted the “possibility” of “on-the-spot” visits to project sites, all project-related areas, food distributions, local leaders, and citizens and officials involved in the project while accompanied by Flood Damage Rehabilitation Committee and local officials. A Consortium manager told us that during project visits, Consortium monitors were granted on-the-spot visits to the projects, distribution centers, project participants, and sometimes a laborer’s home. There were instances when Consortium requests were rejected by the Flood Damage Rehabilitation Committee or county officials, but often their requests were granted, according to the manager. According to a senior USAID official, the on-the-spot visits represented a new approach to monitoring negotiated by the Consortium and a measured step toward improved access. According to the Consortium, its ability to monitor the food-for-work projects was also enhanced by the recruitment of two monitors who were fluent Korean-language speakers.

41Under the project agreement, the Flood Damage Rehabilitation Committee was responsible for storing the food, keeping it separate from other food sources, preventing the unauthorized use of the food commodities, and ensuring that the commodities were distributed exclusively to workers engaged in the food-for-work activities. The agreement also provided that records at each warehouse would document the receipt, storage location, and distribution by shipment of all commodities. Such records would be made available for review by the Flood Damage Rehabilitation Committee and the Consortium.

42The monitors were always accompanied by North Korean counterparts and usually had to rely on North Korean interpreters when speaking to persons in the food distribution chain or reviewing records.
Without random and independent access, monitors had less assurance that work was being done as required and that all of the food was going to intended beneficiaries. This problem was accentuated by the large number of food-for-work projects (176) relative to the amount of food distributed (100,000 metric tons), the number of Consortium monitors (4 to 7), and the dispersal of project sites across much of North Korea (107 counties). As a result, monitors were not able to make frequent visits to each project site and associated food distribution centers. Consortium managers told us that monitors tried to visit each project three times: once for assessment and approval; once to monitor work in progress; and once to verify completion of the project. According to a Consortium manager, through April 25, 2000, the monitors averaged 2.7 visits per project. Consortium managers said that monitors frequently performed multiple activities during visits. For example, a monitor might visit the project site, interview a worker, go to a public distribution center where the food was distributed, observe a distribution if it occurred on the same day of the visit, and interview a project participant as he or she left the center. Monitors’ visits to project sites where work was underway or to food distribution centers where food was distributed lasted between 15 minutes to an hour because of their workload.

Consortium managers said that to compensate for the lack of random access in North Korea, their monitoring activities exceeded those in other countries with food-for-work programs. They said that they continued to strive for higher standards of accountability in North Korea, including more frequent visits to project sites, warehouses, distributions, and project participants. In addition, they said that if they had had more staff and vehicles, they could have conducted more monitoring visits. Alternatively, they said, if the North Korean government had provided improved access, they could have developed a program based upon random visits that would have required fewer staff and resources and achieved a higher standard of technical assistance.
According to the Consortium, Flood Damage Rehabilitation Committee senior managers generally did not work in a collaborative way to facilitate the Consortium’s monitoring activities. For example, the Consortium said its relationship with managers had not become collaborative and was cooperative on only the most superficial level. The Consortium said monitors made trips to counties needlessly because the Flood Damage Rehabilitation Committee had not taken the time to find out if the project had been suspended or if they had no food to distribute. In addition, the Consortium said, the Flood Damage Rehabilitation Committee acted as though North Korea was entitled to the food.\textsuperscript{43} Consortium managers further emphasized that North Korea was a particularly challenging place for Consortium staff to work. For example, the government imposed additional restrictions on the staff’s activities. These included being required to live in segregated housing,\textsuperscript{44} apart from the community of other international aid workers, and generally requiring that the Consortium staff be accompanied at all times when leaving their residence.

\textsuperscript{43}According to a document we reviewed, during September 1999 negotiations between the Consortium and Flood Damage Rehabilitation Committee concerning the planned second phase of the potato project, a Flood Damage Rehabilitation Committee official said U.S. support of the bilateral assistance project was viewed by North Korea as an “admission fee” for the United States to visit suspect North Korean nuclear sites.

\textsuperscript{44}From July to December 1999, Consortium staff were housed in a government-run hotel in Pyongyang. From March to May 2000, they were housed in a government-run guest house outside of Pyongyang.
The Flood Damage Rehabilitation Committee violated agreed upon procedures for planning the distribution of a September 1999 shipment of 5,000 metric tons of rice, according to the Consortium. The bulk of the rice was distributed without Consortium approval of the distribution plan, and about 296 metric tons of the rice were reportedly destroyed without Consortium verification. The Consortium chairman advised the Flood Damage Rehabilitation Committee that failure to uphold the agreed procedures was a serious breach of the project agreement. In replying, the Flood Damage Rehabilitation Committee said that the Consortium field manager's refusal to sign the Flood Damage Rehabilitation Committee distribution plan for the rice was contradictory to the spirit of the political agreement between the United States and North Korea and the humanitarian nature of the project agreement. The Flood Damage Rehabilitation Committee said that the field manager, who had since left North Korea on scheduled leave, could not return. In October 1999, the Consortium chairman and its program coordinator traveled to North Korea to discuss the problem. State and USAID officials also visited North Korea at this time to review progress with U.S.-supported food aid programs, among other things. Because the Consortium and U.S. agencies continued to have concerns about assuring effective monitoring of the bilateral project's food aid, USAID decided that the remaining shipments of the bilateral food aid to North Korea would be shipped to Pusan, South Korea, and held there until the Consortium and the Flood Damage Rehabilitation Committee had reached agreement on distribution plans for the food. A USAID and a State Department official advised the North Korean government of the decision. The added cost to the U.S. government of transshipping the food through Pusan was about $2.3 million.

Field managers and food monitors we spoke with said that they were not aware of any evidence of actual diversions of food aid, including diversions to the military and Communist party elite. However, several monitors said

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45Although not allowed to approve the distribution plan, Consortium staff were able to conduct monitoring visits to the participating projects.

46USAID told us that it is not uncommon for nongovernmental organizations that deliver U.S. food aid to face numerous monitoring and logistical challenges and personal safety constraints in delivering food. As examples of other countries and regions where problems have recently occurred, they cited the Balkans, Sierra Leone, and Sudan. We note, however, that the beneficiaries in each of these cases are mobile refugee populations in war- and civil strife-afflicted regions, unlike North Korea where there is neither war or civil strife but instead a strong central government, with food aid distributed through a state-controlled food distribution system, and where there are no mobile refugee populations.
that given constraints on their ability to monitor, it is not likely that they would be aware of diversions if the diversions were in fact occurring. According to a Consortium manager, it is difficult for any one in the Consortium to determine to what extent there may have been any food diversions. Based on his experience as a manager, he feels that significant diversions have not occurred. However, he said, without random access, the whole matter is called into question. Some monitors said that they believed the number of workers on the projects was inflated and that local officials were diverting food to other needy people in their counties. Some monitors said that they thought that one could conclude that worker numbers were not inflated if the monitoring showed the work had been completed. In addition, they said that they believed that there was sufficient observation of the food distributions to reasonably assume that the food went to the intended beneficiaries. Some of the monitors said they could not be sure one way or the other on these issues because of the constraints on the monitoring.

Other international organizations and humanitarian agencies have experienced serious monitoring problems operating in North Korea, and several nongovernmental organizations have withdrawn from the country because of accountability related issues. On December 11, 1999, a consensus statement was issued by 5 United Nations agencies and 16 other donor agencies and nongovernmental organizations in which they expressed concern about restrictive conditions in North Korea, noting that such conditions hindered the promotion of humanitarian principles and verification of humanitarian assistance. Organizations that have withdrawn include Medicins Sans Frontieres (MSF, Doctors Without Borders), Oxfam, and Action Against Hunger. In addition, one of the key Consortium members, CARE, announced that it will withdraw from the Consortium on June 30, 2000. (See app. II for additional information on the programs these organizations undertook and their reasons for withdrawing from North Korea.)

In commenting on a draft of this report, a USAID official said that the agency is confident that U.S. food aid is reaching intended beneficiaries and convinced that U.S. food aid has made a major difference in reducing malnutrition and saving lives. The official said evidence of this is from many monitoring visits by both the Consortium and the World Food Program. According to the official, although USAID’s knowledge of North Korea is less than perfect, it has no evidence of significant diversions of U.S. food aid. At the same time, he acknowledged that there have been serious concerns about food aid monitoring and general conditions for
program operations in North Korea, including on the part of the U.S. government. He said these concerns have been conveyed to the North Korean government many times, which has made some progress in addressing them. While also noting that some organizations have chosen to withdraw from North Korea, he said USAID believes it is important to point out that others have chosen to stay the course, feeling the continued provision of humanitarian assistance is important and to work for improved conditions.

Administration Has No Plans for Future Bilateral Assistance

The administration does not currently have plans for providing additional bilateral emergency assistance to North Korea. A senior USAID official told us that the bilateral assistance project seemed to demonstrate that the North Korean government was not yet ready to engage in a way that would support success. State, USAID, and USDA officials acknowledged the Consortium’s efforts to implement the project. In addition, USAID and USDA officials were critical of how it managed the project. The administration considers the first bilateral assistance project to have been a worthwhile experiment, but continues to favor the United Nations World Food Program as the primary vehicle for distributing U.S. food donations to North Korea. Regarding bilateral development assistance, the administration generally cannot provide such aid as long as North Korea is on the government's list of terrorist nations. According to State Department officials, if North Korea were to take actions that resulted in its being removed from the list, the provision of bilateral development assistance would nevertheless remain uncertain. A specific policy regarding under what conditions the administration would consider providing such assistance has not yet been developed.
<table>
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<th>North Korea’s Lack of Cooperation</th>
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| USAID, State, and USDA officials were critical of North Korea’s lack of cooperation during the negotiation and implementation of the bilateral assistance project agreement. According to USAID, North Korean officials were responsible for the large majority of the problems encountered during the project. A USAID official reported being told by a North Korean official, in October 1999, that North Korea was not interested in potatoes or the Consortium; the North Korean official reportedly said “just give us the food, you take the Consortium.” Similarly, a State official told us that the North Korean attitude during the project had been one of “just give us money or food, we don’t want your projects or your people.” According to another State official, North Korean officials wanted to lay down as many barriers to food monitoring as possible. According to a USDA official, the North Korean government had been confrontational at every step along the way of the project. Another USDA official noted that in North Korea the Consortium was forced to work with central government officials intent on maintaining an adversarial relationship.

In commenting on a draft of this report, a USAID official said that the project seemed to demonstrate that the North Korean government was not yet ready to engage in a way that would support success. That result is useful in its own right, the official said, and suggests we would need to articulate our expectations and commitments much more clearly if we were ever to consider something similar again.

The Consortium may also have been hampered by North Korea’s governmental structure. A senior State official told us that the structure is “stovepiped,” with separate agencies having their own communication channels to North Korea’s chief of state, Kim Jong-il. Given this arrangement, the official said, North Korean agencies may transmit to and receive back from the leadership conflicting information. Thus, the Ministry of Agriculture’s understanding of the bilateral project may have differed from the Flood Damage Rehabilitation Committee’s understanding. The State official also told us that the Consortium’s work with North Korean officials had been particularly frustrating, since the Consortium had to deal with lower-level officials in a North Korean bureaucracy that has strong competing interests.

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47He attributed this in part to their being very suspicious of Americans.
Agency officials were pleased that the Consortium undertook the potato component of the project, and they appreciated the Consortium’s efforts to get the potatoes to North Korea in time. According to a State and a USAID official, the State Department initially encouraged the Consortium to undertake the potato component of the bilateral assistance project because it appeared to have a developmental component. In addition, the State Department was interested in providing the 100,000 metric tons of food aid bilaterally to see whether doing so might help improve relations with North Korea. (All previous U.S. food assistance to North Korea had been channeled through the World Food Program.) USAID officials told us that they believe the potato project was a worthwhile experiment, and they commended the Consortium for working hard and doing an impressive job in procuring and transporting the seed potatoes to North Korea. In their view, if the potato crops had not been damaged by the typhoon, yields would have been good, and the project would have been viewed favorably. USAID also noted that the bilateral project was not typical in the sense that U.S. government representatives were not present in-country to assist when problems arose with North Korean officials.

However, agency officials expressed concerns about the Consortium’s management. A USDA official told us that some of the problems faced by the Consortium were common to agricultural development projects, but that the Consortium had not communicated well among its members. One USAID official criticized the Consortium for having a bureaucratic and weak management framework and for lacking a strategy for operating in North Korea. For example, monitors did not know when it was appropriate to take a stand on issues when dealing with North Korean officials. As a result, the official said, the Consortium conveyed a lack of seriousness to North Korean officials. The official also criticized the Consortium for failing to have a technically qualified person present in North Korea when the U.S. seed potatoes arrived. Nonetheless, a senior USAID official said that the Consortium put forth an exceptional effort to make the project succeed and that many of the Consortium’s problems were the result of North Korean unwillingness to support the program as anticipated. The official said USAID would seek a role for the Consortium in any future U.S. assistance.

Many Consortium personnel that we spoke with acknowledged weaknesses in the Consortium’s management of the bilateral assistance program. For example, the Consortium’s program coordinator in the United States told us that board members had different views on the Consortium’s priorities in North Korea. In the field, he said, the field manager was the
nominal leader. However, since monitors were hired and paid by individual Consortium members, the field manager’s authority was diminished. The most recent field leader told us that the project was managed by a committee in the United States and that this structure was unwieldy. In his view, one person needed to be in charge in the United States and available to quickly address field problems that needed a fast response. Some of the Consortium monitors also told us that they lacked sufficient guidance on how to conduct the monitoring. (Consortium managers told us that because they could not obtain visas for field staff for the duration of the project, they were limited in their ability to develop and draw upon institutional memory, for example, in training new monitors.) According to the Consortium’s first senior monitor, some monitors felt that as long as the work was done on food-for-work projects, it did not matter if the worker counts were accurate or not, while other monitors felt the actual number of workers should conform to the project’s original proposal. We believe this is an example of the need for Consortium management to provide better guidance to its monitors.

Consortium managers told us that their routine project assessment procedure included checks on the engineering viability of the proposed food-for-work projects. However, a Consortium manager also told us that, contrary to their grant agreement with USDA for the commodities received, they were not able to recruit a civil engineer to serve on their monitoring staff. A monitor told us his ability to assess proposed food-for-work projects was limited by a lack of engineering guidance.

Administration Currently Favors the World Food Program for Channeling U.S. Food Aid

Agency officials told us that the first bilateral assistance project was an experiment, and that the administration currently has no plans for additional bilateral food assistance. A State Department official told us that the project was worth doing, but could not be called an unqualified success.\(^4\) In March 2000, a senior State Department official told the Senate Foreign Relations Committee, Subcommittee on East Asian and Pacific Affairs, that the United States is not interested in replacing U.S. food aid commitments to the World Food Program with a bilateral assistance program. The official testified that the fundamental provision of food should be through the World Food Program. According to the official,

\(^4\)On a more positive note, the official said State believes the attitudes of North Korean officials were positively affected by the nongovernmental, Consortium staff who worked in North Korea.
although World Food Program monitoring is not perfect, the program can monitor the provision of food, and few countries have that capacity on a bilateral basis. Although State is not interested in replacing its food aid commitments to the World Food Program with a bilateral assistance program, an official in State's Office of Korea Affairs said State would consider the possibility of another bilateral project for North Korea if it appeared the proposed project would work.

According to a USAID official’s assessment in fall 1999, the World Food Program was much better suited to manage and deliver food aid than the Consortium. He recommended that the government put the bilateral program on the shelf until stronger relations develop between the United States and North Korea. More recently, a USAID official told us that the World Food Program has several advantages over a bilateral program: (1) more equipment, systems, and monitors; (2) many of the program’s people have been there for longer periods of time and some are stationed in field offices; and (3) clear and consistent leadership in-country, based on a formal, multilateral relationship with the North Korean government. Although administration officials believe the World Food Program is better positioned than the Consortium to monitor the distribution of food aid, our 1999 review of the World Food Program procedures for monitoring and reporting on U.S. government-donated food aid provided to North Korea found that the program is limited in its ability to provide independent assurance that the food aid is reaching targeted beneficiaries. 49

Providing Bilateral Development Assistance to North Korea Would Require Progress on Other Issues

Under current law, North Korea generally is not eligible to receive bilateral development assistance because it is on the State Department’s list of terrorist nations. According to a State official, if North Korea were to take actions that resulted in its being removed from the list, the provision of bilateral development assistance would still remain uncertain. A specific policy regarding the conditions under which the administration would consider providing such assistance has not yet been developed. Such a policy might be linked to strategic and economic issues. For example, as previously discussed, the administration’s overall approach to North Korea has been dominated by broad security issues whereby the United States and its South Korean and Japanese allies continue to seek demonstrations of North Korea’s willingness to forgo nuclear weapons and long-range

missile programs. In addition, a senior USAID official told us that it would be unwise to provide development assistance to North Korea unless it reformed its economy. At the same time, State told us that no plans are being made for bilateral development assistance for the coming year.

Conclusions

We believe the bilateral aid project offers a number of lessons learned for similar projects that the United States might consider for North Korea in the future. For example, the United States may have been premature in encouraging implementation of the potato component of the project. Prospects for the project's success were reduced from the start. The State Department's late invitation to the Consortium and the North Korean government's subsequent redirection of the planting of the Chinese potatoes to areas less than ideal for seed potatoes pushed the potato harvest late into the region's warm, rainy season. Even if the Consortium-donated potatoes had not been destroyed by the typhoon, the late start and less than ideal location meant that seasonal rains and heat could have seriously affected the harvest yield and quality. Because the Consortium was not able to staff a full-time agricultural specialist in-country, it was limited in its ability to interact with the Ministry of Agriculture and the Academy of Agricultural Sciences. In addition, the Consortium lacked a qualified expert to challenge the North Korean conclusion that one-third of the American seed potatoes were damaged or diseased and, hence, had to be destroyed.

The food-for-work component was adversely affected by North Korean actions that obstructed project management. The Consortium was not allowed to field a team in a timely manner, and the original Consortium field manager was not permitted to return to North Korea. Management and monitor continuity are important to effective distribution planning and monitoring of food aid. North Korean restrictions on the Consortium's access to local county officials limited the team's ability to respond more effectively to the emergency food aid and agricultural infrastructure needs of participating counties. Constraints on the Consortium's monitoring of food aid distributions have raised questions about whether the food aid is reaching all of the intended beneficiaries.

U.S. agency officials and Consortium management both report finding the Consortium management structure cumbersome, and both claim this was a constraint on the Consortium's ability to implement the project effectively. For example, timely communication and decisionmaking amongst board
and management team members and guidance to monitors hired by these different organizations were seen as weak.

**Recommendations**

The Department of State told us that no plans are currently being made for bilateral development assistance for the coming year. However, if State, USAID, and USDA decide to support another bilateral aid project designed to provide seed potatoes to North Korea, the Secretary of State, the USAID Administrator, and the Secretary of Agriculture should take steps to ensure that the project is started in a timely manner, the potatoes are planted in suitable locations, and that a potato specialist is available throughout the duration of the project to ensure effective monitoring and interaction with North Korea's Ministry of Agriculture and Academy of Agricultural Sciences.

If the Department of State and USAID decide to approve another bilateral food-for-work program where the Consortium is responsible for implementing the program, the Secretary of State and the USAID Administrator should undertake efforts to secure improved cooperation from the North Korean government. More specifically, in negotiating future agreements with North Korea, they should seek agreement that

- the Consortium's field manager and monitors will be provided visas for the duration of the program,
- food aid shipments will not be landed in North Korea until the Consortium food aid monitors have arrived in-country and had time to conduct assessments and approve projects that will receive the food aid,
- the Consortium personnel have greater access to local government officials for the purpose of cooperatively identifying and developing project proposals based on local needs and conditions, and
- the team is guaranteed access to project sites and associated food distribution centers on short-notice and provided schedules for distributing the food-for-work food aid.

In addition, the Secretary of State, the USAID Administrator, and the Secretary of Agriculture should assess the Consortium's proposed management to determine whether it is adequate to the demands of implementing projects in North Korea. For example, a clear line of authority should be established between the project management in the United States and the team in the field and clear guidance provided to monitors on how to perform their role.
Agency Comments and Our Evaluation

We received written comments on a draft of this report from USAID (see app. III) and oral comments from State’s Deputy Director of the Office of Korean Affairs and from USDA’s Deputy Administrator for Export Credits. The agencies also provided technical comments, which we incorporated in the report as appropriate. We also obtained comments from Consortium representatives on the factual accuracy of those parts of the body of the report that are based on Consortium information, and we incorporated changes as appropriate.

USAID said it generally accepted the findings of the report, agreed that our recommendations would result in improved monitoring and would seek to implement those recommendations if the administration considers a bilateral program in the future. USAID also provided general comments concerning U.S. food aid, the potato project, and Consortium efforts. USAID said it is confident that U.S. food aid is reaching intended beneficiaries, convinced that the aid has made a major difference in reducing malnutrition and saving lives in North Korea, and has no evidence of significant diversions of U.S. food aid. USAID believes the potato project was a worthwhile experiment and that with better weather the results would likely have been satisfactory. In addition, USAID said the project seemed to demonstrate that the North Korean government was not yet ready to engage in a way that would support success. Finally, USAID said it believes the Consortium put forth an exceptional effort to make the bilateral project succeed. USAID recognized that the Consortium had management problems and could have done better, but also believes that many of the Consortium’s problems were the result of North Korean unwillingness to support the program as expected. USAID said that it would seek a role for the Consortium in any future U.S. assistance to North Korea.

State said that it did not object to our conclusions and recommendations.

USDA said they found our report to be reasonable and contained nothing unexpected given the difficult work environment in North Korea. USDA said that if another bilateral assistance project is done with North Korea, it hopes the project would reflect the recommendations in our report. In addition, USDA said it generally shared USAID’s views on our report.

As arranged with your offices, unless you publicly announce the contents earlier, we plan no further distribution of this report until 30 days after its
issue date. At that time we will send copies to interested congressional committees and the Honorable Madeline K. Albright, Secretary of State; the Honorable Dan Glickman, Secretary of Agriculture; and the Honorable J. Brady Anderson, Administrator of USAID. Copies will also be made available to others upon request.

If you or your staff have any questions about this report, please contact me on (202) 512-4128. Other GAO contacts and staff acknowledgments are listed in appendix IV.

Susan S. Westin
Associate Director
International Affairs and Trade
Scope and Methodology

We obtained the information on the bilateral assistance project from the Consortium's U.S.-based management, field management, and food aid monitors and from U.S. government officials in the Departments of Agriculture (USDA) and State and in the U.S. Agency for International Development (USAID). We interviewed the Consortium's U.S.-based management and Consortium field managers, Consortium-contracted agricultural consultants, and most of the food aid monitors who have participated in the bilateral project. In addition, to put the Consortium's experience with the bilateral project into context, we also interviewed several field managers and monitors employed by the Consortium in previous phases of its work in North Korea. We relied heavily on Consortium reports, documents, assessments, and data; the Consortium provided considerable information in response to our requests. Finally, early in our review we met in Washington, D.C., with the Consortium's board of directors. We did not verify the accuracy of data provided by the Consortium and U.S. government agencies.

Fieldwork in North Korea was an integral part of the planned scope of the assignment. However, we were not able to obtain visas to conduct the overseas work. As a result, we were not able to secure the views of North Korean officials who participated in the negotiation and implementation of this bilateral project. We had planned on speaking with appropriate officials and other persons in the North Korean Ministry of Foreign Affairs, the Ministry of Agriculture, the Flood Damage Rehabilitation Committee, the Academy for Agricultural Sciences, county governments, and participating county farms as well as with food-for-work project participants. In addition, we had planned on observing firsthand Consortium monitoring of select food-for-work projects. Though not able to travel to North Korea, we interviewed Consortium field managers and monitors, usually by phone.

Our efforts to secure visas for travel to North Korea included the following actions. We first applied to the North Korean government for visas on January 24, 2000. This visa request has still neither been approved nor denied. The Assistant Comptroller General for National Security and International Affairs sent two letters and held four separate phone discussions with North Korean officials over a period of 4 months concerning our visa requests. In addition, our requests received several congressional and executive branch endorsements. The Chairman and Ranking Minority Member of the House International Relations Committee co-authored and sent a visa request endorsement letter in February 2000, and Representative Tony Hall sent North Korean officials a visa request
endorsement letter in January 2000. Senior officials of the State Department's Office of Korean Affairs told us that they discussed our request with North Korean counterparts over the phone in February 2000 and April 2000 and in person during high-level bilateral negotiations in New York in March 2000.

To determine the objectives, accomplishments, key factors affecting performance, and monitoring effectiveness of the potato component of the bilateral aid project, we reviewed the project agreement, the Consortium's commodity transfer agreements with USAID and USDA, and the Consortium's potato project reports, and field staff correspondence with U.S.-based management. We interviewed Consortium-contracted logistical and agricultural consultants, interviewed the Consortium board, and frequently consulted with Consortium project managers. We also obtained the views of American potato scientists, the Colorado state potato inspection service official who inspected the American potatoes sent to North Korea, the Colorado farmer who grew the potatoes, and an operations representative present on the contracted flight that airlifted the American potatoes to North Korea. We also obtained the views of State, USAID, USDA, and intelligence officials.

To determine the objectives, accomplishments, key factors affecting performance, and monitoring effectiveness of the food-for-work component, we reviewed the project agreement, the Consortium's commodity transfer agreements with USAID and USDA, and the Consortium's food-for-work project reports, field staff reports to U.S.-based management, and food-for-work project data provided by the Consortium. We interviewed the Consortium board and frequently consulted with the Consortium's U.S.-based project managers. We interviewed the Consortium field managers of the first half of the bilateral project, including the field manager and the senior food monitor. Because the North Korean government did not grant us visas, we conducted telephone interviews with the Consortium field managers and monitors working in North Korea while they were on scheduled leave in Beijing, China, in mid-April 2000. We also interviewed field managers and monitors who worked in North Korea during the July to December 1999 period but not during March to May 2000. All together, we interviewed all but one of the bilateral project's food monitoring staff. We also obtained the views of State, USAID, USDA, and intelligence officials.

To determine the administration's views on the bilateral assistance project and its plans for additional bilateral assistance to North Korea, we
Appendix I
Scope and Methodology

We interviewed State, USAID, and USDA officials and reviewed recent Executive Branch testimony before Congress.

We did our work from October 1999 through June 2000 in accordance with generally accepted government auditing standards.
Appendix II

Accountability Related Problems Raised by International Agencies and Nongovernmental Organizations

In September 1998, Medicins Sans Frontieres (MSF, Doctors Without Borders) ended its nutritional programs and withdrew from North Korea. According to a Medicines Sans Frontieres report, the organization left North Korea because (1) North Korean authorities prevented it from evaluating the impact of its assistance, (2) many hospitals inflated their registers with “fake malnourished” children, and (3) the central government attempted to cover up or deny the existence of the most malnourished children and denied Medicins Sans Frontieres access to them.

In the latter part of 1999, Oxfam of the United Kingdom decided to discontinue an assistance program for establishing a safe and adequate water supply in five cities, including the capital, Pyongyang. According to an Oxfam representative, Oxfam withdrew in spite of its belief that the public health situation remained very serious. Oxfam told us that it did so because North Korea had been extremely restrictive in setting the terms on which the organization could operate in the country (e.g., minimum staff), failed to honor the terms of a project agreement that affected the scope of the program and the way in which Oxfam could work, limited Oxfam’s access for assessment and monitoring, and was unwilling to sufficiently encourage the spread of good practices. The Oxfam representative noted that relevant technical staff in the ministries had welcomed Oxfam’s efforts to promote the spread of good health practices, but their political leaders had not acknowledged these efforts as significant or welcome. The latter judged Oxfam simply by the monetary value of its material inputs. The Oxfam representative further noted that a failure of humanitarian agencies and organizations to insist on minimum standards had direct implications for program effectiveness and undermined the efforts of those who were seeking to meet such standards.
On December 11, 1999, a consensus statement was issued by 5 United Nations agencies and 16 other donor agencies and nongovernmental organizations in which they expressed concern about restrictive conditions in North Korea, noting that such conditions hindered the promotion of humanitarian principles and verification of humanitarian assistance. They declared their regret over Oxfam’s decision to withdraw from the country and said that they unanimously agree that, in spite of progress in certain areas during the past 2 years, the humanitarian crisis in North Korea was still ongoing. Malnutrition, safe water, adequate sanitation, and public health in general remained serious problems to be addressed. Programs in these areas continue to suffer from difficult operating conditions that limit and constrain implementation, accountability, verification, and access to the most vulnerable people. We believe, the agencies said, that only with adherence to these operating principles will we be able to work towards helping those in the greatest need with accountable assistance, and we remain committed to these objectives.1

1CARE was one of the signers of the statement.
On March 13, 2000, Action Against Hunger, a French humanitarian organization, withdrew from North Korea after having worked there since January 1998. Action had established a nutritional program in the province of North Hamgyong and operated a sub-office in the provincial capital, Chongjin. Action provided nutritional support for 1,442 nurseries and 1,098 kindergartens and also operated sanitation and other programs. Action told us it was withdrawing because it was impossible to carry out an assistance program for the most vulnerable people suffering from malnutrition. Action’s officials characterized the decision as extremely difficult, since the organization was convinced that the majority of the country’s population was still having extreme difficulties in finding sufficient food for themselves and their families. Action also criticized some international agencies for allocating massive aid to the country, but not insisting on reaching the most deprived populations. According to Action, the deprived populations were being sacrificed for a policy aimed at stabilizing the North Korean regime and limiting its military harmfulness. Action recommended that the international agencies seek the use of real vulnerability criteria on the distribution of aid to North Korea and pressure North Korea to allow direct access to beneficiaries.

On April 4, 2000, one of the principal members of the Consortium, CARE, announced that it was withdrawing from the Consortium by June 30, 2000. In explaining its decision, CARE noted that agricultural harvests in North Korea had improved and economic production had begun to recover. CARE

2According to Action, the North Korean government channeled assistance via officially supported structures, and the most vulnerable populations were not accessible through these structures. As evidence, Action noted that its nutritionists had rarely seen evidence of malnutrition in the day nurseries; however, the October 1998 nutrition survey by the World Food Program, UNICEF, and the European Union had shown that nearly 16 percent of North Korean children were suffering from malnutrition. In addition, Action cited abandoned street children in rags and with sallow complexes who were seen everyday by Action’s humanitarian workers. It also cited an orphanage in the capital that Action had been able to visit where more than 20 percent of the children were undernourished. The most severe cases were children under the age of one, and a majority of these needed to be fed by nasal-gastric catheters and be re-hydrated or they would die within days. Action said it had offered to establish a therapeutic re-nutrition unit in the orphanage, but Korean authorities refused the offer in October 1999 without any meaningful explanation. Action had also proposed setting up a system for direct distribution of hot meals via soup kitchens in the streets of Chongjin. However, Korean authorities refused to accept the basic monitoring system Action insisted would be necessary to ensure that the program really benefited the intended groups of deprived people.

3Action Against Hunger was one of the signers of the December 11, 1999, consensus statement discussed earlier.
said that it was the appropriate time for the Consortium to move in the
direction of sustainable rehabilitation and development programs in North
Korea, including programs for food-for-work, agriculture, health, and water
and sanitation. However, CARE said, for such programs to be effectively
and efficiently implemented, it was necessary to have significantly higher
access to people in need, including working more closely with
communities to improve their capacity so that they could create lasting
solutions to their problems. It also meant being able to identify the people
in need, develop programs responsive to their needs, and monitor and
evaluate the programs to ensure those needs were being successfully met.
However, CARE said, despite a nearly 4-year dialogue with the North
Korean government regarding the importance of access, transparency, and
accountability, the operational environment had not progressed to a point
where CARE felt it was possible to implement effective rehabilitation
programs. CARE said its decision to withdraw had been made reluctantly,
since life was still very difficult for many families in North Korea and
humanitarian assistance was still needed.
Appendix III

Comments From the U.S. Agency for International Development

Note: GAO comments supplementing those in the report text appear at the end of this appendix.

May 26, 2000

Mr. Henry L. Hinton, Jr.
Assistant Comptroller General
National Security and International Affairs Division
U.S. General Accounting Office
441 G Street, N.W. - Room 4039
Washington, D.C. 20548

Dear Mr. Hinton:

I am pleased to provide the U.S. Agency for International Development's (USAID) formal response on the draft GAO report entitled "Foreign Assistance: Multiple Factors Limited the Effectiveness of U.S. Bilateral Food Assistance to North Korea."

We appreciate the balanced presentation of views and the responsible tone of this report. In general, we accept the findings of the report and agree that GAO's recommendations would result in improved monitoring. If the Administration considers a bilateral program in the future, we will seek to implement those recommendations.

We would like to make three general comments and have several specific recommendations for your consideration in preparing the final report.

First, we are confident that U.S. food aid is reaching intended beneficiaries and we are convinced that our food has made a major difference in reducing malnutrition and saving lives. We have evidence this is so from the many monitoring visits of World Food Program (WFP) and U.S. Private Voluntary Organization Consortium (PVOC) staff. There is consensus that food security in North Korea is much improved. GAO presents the speculation of some that food may be diverted and that the most needy North Korean people are being excluded from receipt of food aid. While our knowledge of North Korea is less than perfect, we have seen no evidence that this is true. Specifically, we have no evidence of significant diversions of U.S. food aid.

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See comment 1.

See pp. 41, 49.
Second, we continue to believe that the Potato Project was a worthwhile experiment. Typhoon Olga was the main reason it failed in terms of increasing food availability. As your study points out, an Italian potato program achieved impressive yields in Kangwon, and the PVOC program had good results at mid-term. With a better break on the weather, results in the field would likely have been fully satisfactory. The project also seemed to demonstrate that the North Korean Government was not yet ready to engage in a way that would support success. That result is useful in its own right and suggests we would need to articulate our expectations and commitments much more clearly if we were ever to consider something similar again.

Third, we believe that the PVOC put forth an exceptional effort to make this project succeed. The deadline for getting seeds in the ground was very tight and the logistical environment difficult. They deserve credit for their significant accomplishments. We recognize the management problems which the PVOC had and believe they could have done better, particularly in staff recruitment and deployment. It also appears that their decision-making process needed to be better focused. However, many of the PVOC's problems were the result of North Korean unwillingness to support the program as anticipated. USAID believes the PVOC has made a valuable contribution to food aid programs in North Korea and would seek a role for the PVOC in any future U.S. assistance.

In terms of specific recommendations, we request the following revisions to the report:

1) When the term "bilateral project" is introduced, the report should explain what this means. In providing emergency food aid, the term "bilateral" often means a government-to-government program. As used in this case, however, the term means assistance routed through a management mechanism other than a multilateral organization such as WFP or UNICEF.

2) Either the first page or the footnote on that page describing the PVOC should note that the Consortium was formed in 1997 and had extensive experience managing U.S. food aid in North Korea. In deciding on the Consortium as a Cooperating Sponsor, we had every reason to expect they would be able to handle the work satisfactorily. This point, which is made in the results section, should be moved forward to the summary.

3) On page 9, top, the Consortium monitored only a portion of U.S. donations through WFP for food-for-work activities.
See comment 2.

4) On page 20, Kangwon province is described as having a warm tropical climate. This is not accurate. While more temperate than Yanggang or North Hamyong, Kangwon does not have a warm climate. Certainly the climate is not tropical.

5) On page 24, there is a statement which says several Consortium monitors indicated it was not likely they would be aware of diversions because of constraints on their monitoring. While there is no way for us to dispute what GAO says it was told, the fact is the Consortium accepted food for distribution based on their belief that monitoring was adequate to ensure the Consortium would be aware of diversions. We recommend you review this statement with the Consortium for possible revision.

See p. 33.

6) On page 32, we recommend that you change the heading on the chart to say: Project Agreement Notional Schedule. In negotiating the MOU, we were always careful to describe delivery schedules as notional.

See p. 37.

7) On page 36, you state that project monitoring visits were to be agreed upon one week in advance and that monitors could not travel independently in North Korea. A sentence should be added which states this is standard language for monitoring agreements in North Korea and is similar to conditions imposed on WFP. At the end of the paragraph a sentence should be added which says: "Nevertheless, these on-the-spot visits represented a new approach to monitoring negotiated by the FVO and a measured step toward improved access."

See p. 40.

8) On page 39, we appreciate the note which states there are other difficult monitoring situations in the world where we must accept less than ideal conditions to deliver humanitarian food aid. GAO is correct in noting that North Korea is special case, with much greater control over events, and could do things differently if it chose to do so. North Korean restrictions stem from its insistence on rigidly controlling its people, from its preoccupation with security, and from its suspicion of the West. While we would encourage and welcome their doing things differently, progress has been slow.

See p. 46.

9) On page 44, we recommend that you add as the third bullet the following point: (3) clear and consistent leadership in-country, based on a formal, multilateral relationship with the North Korean Government. Then the next sentence would read: "As a result, WFP is better positioned to monitor..."
10) It is true that there have been serious concerns about food aid monitoring and general conditions for program operations in North Korea, including on the part of the U.S. Government. These concerns have been conveyed to the North Koreans many times, and there has been some progress. It is also true that some organizations have withdrawn from North Korea and expressed their concerns as they did so. We respect these organizations and their views, as we do when they choose to leave in other difficult situations such as Southern Sudan. However, we believe it is important to point out that others have chosen to stay the course, feeling the continued provision of humanitarian assistance is important, and to work for improved conditions. Appendix II should make this point, perhaps with some relevant quotations.

As indicated above, we would draw somewhat different and more positive conclusions in terms of the results of this experiment. However, we find GAO’s recommendations reasonable and, should consideration be given to this sort of program in the future, we would work for its implementation.

Thank you for the opportunity to respond to the GAO draft report and for the courtesies extended by your staff in the conduct of this review.

Sincerely,

Richard C. Nygard  
Acting Assistant Administrator  
Bureau for Management

Enclosure: a/s
The following are GAO’s comments on USAID’s letter dated May 26, 2000.

**GAO Comments**

1. In its comments, USAID said that GAO presents the speculation that some of the food aid may be diverted and that the most needy North Korean people are being excluded from the receipt of food aid. We believe it is more accurate to say that GAO reported the views of others on whether food aid may have been diverted and most needy people excluded from food aid, noted constraints on monitoring that compromised the Consortium’s ability to adequately monitor and assure that the food aid was being properly distributed, and observed that the project agreement did not specify that the targeted beneficiaries would be workers, and their families, most in need of food aid.

2. We modified our report to show that the feasibility team referred to the warm topical climate in the summer (see p. 22).

3. In our draft report we noted that Consortium staff told us they were not aware of any evidence of actual diversions of food aid. In addition, we cited the views of a Consortium manager who said it is difficult for any one in the Consortium to determine to what extent there may have been any food diversions. Based on his experience as a manager, he feels that significant diversions have not occurred. However, he said, without random access, the whole matter is uncertain. In addition, we have added other clarifying remarks provided by the Consortium (see pp. 38, 40-41).

4. We noted USAID’s comments in the body of the report rather than appendix II (see pp. 41-42.)
## GAO Contacts and Staff Acknowledgments

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### Acknowledgments

In addition to those named above, Christian Hougen and Richard Seldin made key contributions to this report.
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