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FOREIGN ASSISTANCE

North Korean Constraints Limit Food Aid Monitoring

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Mr. Chairman and Members of the Committee:

I am pleased to be here today to discuss our recently completed assessment of the World Food Program procedures to monitor and report on U.S. government-donated food aid to North Korea. The United States is one of the largest donors of emergency food to North Korea, with cumulative donations since 1996 valued at about $365 million. Most of this food aid is channeled through the United Nation's World Food Program and, as of June 1999, U.S. donations accounted for approximately 88 percent of the World Food Program's distributions to North Korea. According to the Department of State and the World Food Program, this food aid is being provided to address the widespread food shortage in North Korea. The Department of State also believes that these food donations may improve the climate of the bilateral relationship with North Korea on a host of issues, including negotiations regarding North Korea's development of nuclear weapons and the maintenance of peace on the Korean peninsula. You had expressed concerns, Mr. Chairman, as to whether the World Food Program can adequately account for U.S. government-donated food aid to North Korea and prevent possible diversions of food aid to the military and ruling elite. My statement today is based on our recent report for the Committee on this topic.[1] Our objective was to examine the procedures the World Food Program has established and implemented to monitor and report on U.S. government-donated food aid provided to North Korea.

I want to emphasize at the outset that we recognize that food aid distributed by the World Food Program has played an important role in helping to alleviate hunger and saving lives around the world, and, as noted in our report, the World Food Program is performing a difficult role in North Korea.

Summary

U.S. policy is that no food aid will be provided to North Korea if it cannot be adequately monitored. The World Food Program has established procedures to track and monitor food aid deliveries in North Korea. However, the North Korean government has not allowed the World Food Program to fully implement its procedures and, as a result, it cannot be sure that the food aid is being shipped, stored, or used as planned.

[1] *Foreign Assistance: North Korea Restricts Food Aid Monitoring* (GAO/NSIAD-00-35, Oct. 8, 1999).

Specifically, the North Korean government, which controls food distribution, has denied the World Food Program full access to the food distribution chain and has not provided required reports on food use. Consequently, the World Food Program cannot be sure it is accurately reporting on where U.S. government-donated food aid is being distributed in North Korea.

Mr. Chairman, I would like to now discuss the findings and recommendations of our report in more detail and the responses we received from the World Food Program, State, and the U.S. Agency for International Development.

North Korea Limits Ability of WFP to Assure Accountability

World Food Program (WFP) and State Department officials told us that there is no evidence of significant diversions of food aid to the military or governing elite in North Korea and that they have confidence in WFP's ability to account for food aid in North Korea. However, while the WFP and U.S. government agencies believe that the bulk of the food reaches the needy, these organizations cannot provide assurance that food aid is being managed according to plan and is reaching the intended beneficiaries because North Korea controls distribution of the food aid and restricts WFP's ability to monitor how the food is used. The North Korean government has imposed constraints on WFP monitors, who do not have random access to all stages of the food distribution process. U.S. private voluntary organizations, State, the U.S. Agency for International Development (USAID), and others have reported that North Korea has prevented effective monitoring of a significant portion of food donations, making it impossible to verify whether food has reached the target beneficiaries.

WFP Food Aid Accountability Standards

WFP donations generally become the property of the recipient government once they arrive in-country and, in most countries in which it operates, including North Korea, WFP is not directly responsible for food aid distribution. Food distribution is the responsibility of the recipient government. Nevertheless, WFP has a responsibility to its donors to ensure that donations are responsibly managed and reach targeted beneficiaries. WFP carries out its responsibility for accountability in part by negotiating implementation agreements with recipient governments—as in the case of North Korea—and nongovernmental organizations that distribute its food aid, and then monitoring and reporting on actual food use. WFP's policy manual provides standard language for agreements between WFP and

recipient governments that stipulates basic accountability, monitoring, and reporting requirements to help achieve these accountability objectives.

Food aid monitoring, according to WFP's policy manual, includes "frequent visits to [distribution] centers to inspect records and actual stocks" and "spot-checking actual [distributions] and observing distribution procedures." WFP's standard agreement language on monitoring further specifies that the recipient government "will facilitate travel within the country of WFP officers and consultants and their access to all ports, stores, transshipment and distribution points where WFP-supplied commodities are received, stored, handled and distributed, in order to observe the handling, distribution and use of the commodities and any other inputs provided by WFP, and to observe operations at all stages." WFP agreements with North Korea incorporate this standard WFP language on monitoring and reporting. For example, North Korea agreed to facilitate WFP's access to all distribution points and to allow WFP to observe the use of their food donations.

WFP Accountability for Food Aid Largely Depends on North Korean Government

WFP officials told us their operations in North Korea are essentially a North Korean government program, in which WFP's role is to help North Korean authorities implement the program by providing advice, establishing internal control systems, monitoring to see if systems work, and training government officials in food management. One of the primary accountability mechanisms WFP relies upon in North Korea is the extreme degree of order imposed by the government on all facets of society. We were also told that diversions of food were unlikely because (1) the army and party elite have preferential access to national agricultural production (which is mainly rice and more desirable than WFP's wheat donations); (2) China and other countries provide food aid that can be used by the military and elite; (3) the army has its own agricultural production; (4) there is a culture of respect for state authority; and (5) intense regimentation of all sectors of society precludes theft. This "cultural element," we were told, is a natural safeguard in WFP's operations in North Korea because it minimizes the risk of diversions due to larceny and petty corruption.

WFP's Tracking System in North Korea Does Not Adequately Track Food From Time of Arrival to Distribution to Final Beneficiaries

WFP and the North Korean government established a food tracking system in 1997 to collect information from the government about its distribution of WFP food. WFP attempts to track food aid trucked from the ports to county warehouses using this system, which is administered by North Korean authorities. WFP and North Korean government authorities co-develop and co-sign food distribution plans and then use waybills to verify that the distribution to warehouses took place as agreed.

However, we found several weaknesses in this food tracking system. For example, North Korean authorities transport and store the food, complete the paperwork, manage the warehouses, and do not allow WFP to conduct unrestricted spot checks along the transportation route or storage sites. North Korean control of the tracking system and the access constraints they impose on WFP prevent WFP from independently verifying at each step of the process that the North Korean authorities have in fact delivered the food to agreed-upon warehouses.

In addition, the tracking system does not track all the donations. According to WFP officials in Rome and North Korea, the tracking system in North Korea was designed primarily to track food aid transported by trucks from the seaport to county warehouses. The system does not track the transportation of some food while it is on trains or barges before it is transferred to trucks for delivery to warehouses. Nor does the system track food during the period when it is transported from the warehouse to the estimated 43,000 institutions where the food is actually distributed to individual beneficiaries.

North Korea Precludes Effective Food Monitoring

According to WFP officials, North Korea has not allowed WFP independent, unrestricted access to monitor the food distribution process. WFP officials told us that North Korean authorities

- do not allow WFP monitors to act independently and conduct random monitoring visits;
- have not given WFP monitors complete information about the numbers, names, and location of institutions and the numbers of beneficiaries at locations receiving its food; and
- have rarely allowed WFP monitors to select the institutions they wish to visit.

WFP estimates that 90 percent of the 43,000 North Korean institutions receiving food aid have not received monitoring visits, and WFP monitors

have rarely been allowed to observe the actual distribution of food to beneficiaries. WFP officials told us that even with complete access, WFP would not attempt to monitor 100 percent of the institutions receiving its food but would instead monitor a smaller, randomly selected set of representative institutions. According to WFP officials in Rome, WFP has determined that a 10-percent sampling rate for monitoring is adequate. However, WFP said that, because of North Korean restrictions, it is unable to randomly select the institutions it monitors. As a result, WFP (1) cannot generalize its findings from those institutions to which it has been granted access by the government and (2) cannot randomly visit institutions about which it may have particular concerns.

Nevertheless, according to officials of the State Department, the U.S. Agency for International Development, the U.S. Department of Agriculture, and U.S. nonprofit organizations, WFP is doing a good job under difficult circumstances and they believe the food is getting to the beneficiaries. As evidence, WFP referred to the observations of WFP monitors and the Executive Director, based on her August review of WFP operations in North Korea, that (1) attendance at institutions receiving food aid—such as kindergartens and schools—has increased and (2) the condition of the children to whom the bulk of WFP food is supposed to go to has apparently improved.

Food Shipped to Counties Later Closed to WFP Monitors by North Korean Military

WFP's agreements with North Korea stipulate that WFP shall have access to monitor wherever WFP food is distributed. These agreements are consistent with the frequently stated position of the Department of State—that no U.S.-donated food shall be distributed that cannot be adequately monitored. WFP told us, however, that in 1998 North Korean authorities distributed at least 14,738 metric tons of WFP food to counties that they had previously agreed would be open to WFP monitors, but that after distribution the North Korean military blocked WFP from monitoring how the food was used. The ultimate disposition of the food remains unknown. WFP did not report food aid shipped to the subsequently closed counties as lost or stolen.

As a result of these North Korean actions, WFP stated that in May 1998 WFP introduced a policy of "no access-no food." WFP told us that the delivery of food to counties where WFP had no access was stopped, and the corresponding amount of food aid was deducted from the totals planned for the overall operation.

WFP Subsidizes North Korean Deliveries of its Donations

To promote North Korean compliance with the agreed-upon distribution plans, and because WFP relies on the fuel-poor government to transport its food, WFP pays a fuel subsidy to the North Korean government of $8 for every ton of food transported by truck, which WFP told us is comparatively inexpensive. WFP reported that as of August 1999 it had paid North Korea over $5 million in fuel subsidies to help pay for transportation services and that it is due to pay $2.6 million more for food transported earlier in the year. If WFP learns, through its waybill system, that North Korean authorities have transported food to counties where monitoring is forbidden, WFP reduces the total fuel subsidy by an amount equal to the subsidy that would have been paid for transporting that food. For example, as a result of the 14,738 metric tons of food shipped to closed counties in 1998, WFP told us that in late 1998 it withheld $117,901 in fuel subsidies.

WFP Not Meeting Reporting Requirements, and Loss Rates May Not Be Accurate

WFP guidelines require that it report to donors on food use upon the completion of an emergency operation, and host governments are required to provide an audit report at the end of each emergency operation. We found that North Korea has not provided any audit reports to WFP as required by its agreements. This has affected WFP's ability to accurately report back to its donors. Given North Korean constraints on WFP accountability procedures, WFP cannot be sure of the accuracy of its reports to donors on food use because it cannot independently verify where food aid has been provided.

WFP policy requires it, upon the completion of an emergency operation, to provide reports to donors on the use of food, including losses. WFP officials in Rome told us that it has distributed reports to donors on North Korea operations for 1995, 1996, and 1997 but that WFP's project report for 1997, though distributed, is incomplete. Its report for 1998 is late in part because North Korea has not provided food use information to WFP.

WFP agreements with North Korea also specify that North Korea should provide an audit report upon the completion of an operation. These audit reports are intended to give WFP information about the beneficiaries, the quantity and condition of the food received, the locations where it was distributed, any losses, the government's use of WFP subsidies, the nutritional impact on beneficiaries of WFP food donations, and lessons learned. North Korea has not provided any of the audit reports that are due to WFP for operations it has already completed.

WFP policy further requires WFP monitors to observe distribution of food aid to verify government reports on food use, which together provide the basis for the Executive Director's reports to donors. In North Korea, however, WFP cannot provide the independent check to ensure the accuracy of government reporting. WFP officials told us that the issue of North Korean reporting delays "has consistently been raised with the government."

WFP, State, and USAID Responses to Our Recommendations

In our report, we made recommendations aimed at (1) improving accountability over food distributions that are intended to help ensure that the food is reaching the intended beneficiaries and (2) improving reporting by WFP on its work in North Korea. For example, we recommended that the Secretary of State, acting through the U.S. Representative at the U.S. Mission to the U.N. Agencies for Food and Agriculture in Rome, Italy, emphasize to the North Korean representative the importance of meeting North Korea's commitments agreed to in its agreements with the World Food Program, including granting World Food Program staff improved access to track and monitor World Food Program food donations and providing required audit reports in a timely fashion.

To improve WFP's reporting, we recommended that the Secretary of State—again, acting through the U.S. Representative at the U.S. Mission to the U.N. Agencies for Food and Agriculture in Rome, Italy—request that the World Food Program's Executive Director provide the U.S. government comprehensive and timely reports on the use of U.S.-donated food in North Korea, including information on (1) North Korea's monitoring restrictions; (2) the impact of these monitoring restrictions on the World Food Program's ability to provide independent, accurate reports on food use; (3) the World Food Program's efforts to persuade North Korean authorities to allow the World Food Program to perform independent monitoring; (4) North Korean responses to the World Food Program's suggested improvements; and (5) the use by the World Food Program's Executive Director of her authority to withhold food aid and fuel subsidies as one method of responding to North Korean-imposed constraints to effective accountability.

In their comments, the World Food Program generally agreed with our report findings, detailed its efforts to improve monitoring, noted strong congressional and administration support for the program, and stated that despite the difficulties of operating in North Korea, the humanitarian needs in North Korea were the primary consideration of the program. Both State

and USAID stated that they will work with the World Food Program and the North Koreans to implement our recommendations aimed at improving accountability over U.S. donations through improvements in monitoring and reporting.

State and USAID also made some additional observations. For example, they believe the report relied on the most negative examples available and was overly critical of the World Food Program's ability to provide accountability. In addition, USAID stated that famine conditions persist in North Korea and were concerned that our report could leave the impression that the food shortage in North Korea is over.

In our report, we pointed out that we were not overly critical of the World Food Program's ability to account for food aid in the difficult environment of North Korea. Our assessment was based on information obtained from World Food Program officials in Rome and North Korea and the published reports of the U.S. government-funded consortium of private voluntary groups that have used WFP procedures to assist WFP in its monitoring of U.S. food aid in North Korea since 1997. WFP and the USAID- and USDA-funded Consortium are the most authoritative sources on the current conditions affecting WFP's ability to account for U.S. government-donated food aid to North Korea.

In response to USAID's comment that our report could leave the impression that the food shortage in North Korea is over, our report makes it clear that we did not assess the impact of the food shortage or North Korea's food aid needs. As the report points out, our objective was to examine the procedures the World Food Program has established and implemented to monitor and report on U.S. government-donated food aid provided to North Korea. We did note, though, that there is not a consensus on either of these issues, which we feel is part of the fundamental challenge to accountability in North Korea. We have addressed these and other comments by WFP, State, and USAID in our report.

Mr. Chairman, that completes my prepared statement. I will be pleased to respond to any questions you may have.

Contact and Acknowledgments

For future contacts regarding this testimony, please call Benjamin F. Nelson at (202) 512-4128. Key contributors to this testimony included Harold Johnson, Phillip Thomas, Ned George, and Christian Hougen.

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