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**COMMENTARY**

## United Nations Dictators Program

 By **MELANIE KIRKPATRICK**
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Saddam Hussein managed to pull off the \$100 billion Oil for Food scam right under the noses of the United Nations officials charged with administering it. Now another dictator with nuclear ambitions has succeeded in a similar trick, this time manipulating the United Nations Development Program in North Korea.

The story of the UNDP's lack of oversight of its operations in North Korea is revealed in previously undisclosed documents and an exchange of letters between U.S. and U.N. officials. American officials have been pushing for months for more transparency in UNDP operations in North Korea, while the UNDP has resisted.




David Gothard

In a Jan. 16 letter to UNDP Associate Administrator Ad Melkert, Ambassador Mark Wallace of the U.S. Mission to the U.N. lays out what American digging has found so far: The UNDP's program in the Democratic People's Republic "has for years operated in blatant violation of U.N. rules, served as a steady and large source of hard currency and other resources for the DPRK government with minimal or no assurance that UNDP funds and resources are utilized for legitimate development activities." Mr. Wallace declined to speak with me, but Richard Grenell, spokesman for the U.S. Mission, said yesterday: "We have raised serious concerns with UNDP regarding their oversight of the programs in North Korea . . . We want to ensure that U.S. tax dollars are not used to fund illicit activities."

While the precise amount of hard currency supplied through UNDP isn't known, the documents suggest it has run at least to the tens of millions of dollars since 1998 and one source says it could be upward of \$100 million. An internal 1999 audit notes a budget of \$27.9 million for 29 projects. David Morrison, a UNDP spokesman, says "the overall size of the program" in North Korea has been reduced in recent years. While \$22.2 million was budgeted for 2005-2006, the agency spent only \$3.2 million last year and \$2.1 million in 2005, he says. Programs fall into four areas: humanitarian assistance, public health, environment and agriculture, and the economy.

The stakes are nonetheless very high because, unlike Saddam's Iraq, North Korea has already succeeded in testing its nuclear bomb. The hard currency supplied by the UNDP almost certainly goes into one big pot marked "Dear Leader," which Kim can use for whatever he wants, including his weapons programs. This may not violate the letter of Security Council Resolution 1718, which

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restricts trade in anything having to do with North Korea's nuclear or missile programs, but it certainly violates its spirit.

Unlike Oil for Food, there's no evidence to date that corrupt UNDP officials are in on the game -- though given the U.N.'s record of late, it would be unwise to rule that out before a full investigation. There is, however, plenty of evidence of willful blindness on the part of the UNDP, which let myriad rules be broken and allowed itself to become a large source of hard currency for the regime. Nor did it bring these irregularities to the attention of its governing body, the 36-member executive board.

Consider staffing. The UNDP's Pyongyang office is dominated by government employees selected by North Korea. According to a redacted version of a 2004 internal audit, "The government provides only one candidate for each post and does not provide detailed qualifications, work experience or personal details to the office." The auditors recommended that the UNDP recruit its own staff. A status update, dated Dec. 15, 2006, dryly notes that "the Government is not yet ready to consider such a shift at present."

In addition to appointing the UNDP's staff, the North Korean government requires that UNDP pay their salaries to the government, which presumably takes its cut. That's the way it works for North Korean workers who labor abroad or who work for South Korean companies in the Kaesong Industrial Complex north of the DMZ. In yet another violation of the rules, UNDP gives local staff a cash "meal stipend" of \$120 a month, which is another hard currency contribution.

Speaking of cash, the UNDP also accedes to Pyongyang's demands that it pay cash to local government vendors. That's another violation of U.N. rules, as is placing North Korean staffers in jobs that give them control of financial records, personnel actions, and equipment and supplies. To cite just one example of abuse, the 1999 internal audit found that the UNDP checkbook was not kept in a secure location and no check register was maintained reflecting checks written.

But who needs a checkbook? According to the same audit, cash is the only means of payment that the government accepts. The UNDP does not use purchase orders in North Korea and local purchases -- including those over \$1,000 -- are made in cash. That includes local office costs, which are typically provided in kind by the host country. North Korea even charges rent, to the tune of \$2 million a year, according to one source who has looked at the program.

Meanwhile, there is little if any oversight of the UNDP's projects in North Korea, which, according to a U.N. document, numbered 30 last year. UNDP regulations require one official, on-site visit a year but since Pyongyang prohibits foreigners from visiting some of the project sites, that's another rule that's out the window. Audits of individual projects are spotty at best and in the case of "nationally executed" or "NEX" projects -- that is, those run by the North Korean government with funds provided by the UNDP -- they are often done by the government itself, giving new meaning to the adage about the fox running the henhouse.

It's anyone's guess as to whether the UNDP work in North Korea is benefiting the people for whom it is intended. According to Mr. Wallace's letter, "In the absence of real audits and site visits it is impossible for UNDP to verify whether or not any of the funds paid to the DPRK for supposed use in UNDP programs have actually been used for bona fide development purposes or if the DPRK has converted such funds for its own illicit purposes."

The U.S. sits on the agency's executive board, and in 2005 contributed \$105 million, 11.4% of

UNDP's core budget (plus an additional \$142 million for specified projects). Yet American officials have had to fight for even the most basic information on the UNDP's activities in North Korea. When the U.S. Mission asked for copies of the internal audits of the North Korean operations, it was rebuffed. "Internal audit reports are important management tools for Executive Heads and, therefore, confidential," wrote Kemal Dervis, UNDP's head, on Jan. 5. After protests, American officials were finally permitted to review three internal audits -- 1999, 2001, 2004 -- but were not allowed to retain copies.

Meanwhile, as the U.S. was pressing for answers about North Korean shenanigans involving the UNDP, three North Korean officials were traveling to New York, courtesy of the U.N., for, among other things, next week's meeting of the UNDP executive board. The U.N. picked up their business-class, trans-Pacific tickets at \$11,959 each. When U.S. officials objected, the UNDP, in a rare flash of insight, changed its policy.

"Starting immediately after the forthcoming Board meeting, UNDP will not reimburse government officials' travel or other costs for attending Board meetings," writes Mr. Melkert, the associate administrator, in a Jan. 12 letter to Mr. Wallace. It apparently occurred to Mr. Melkert and his boss, Mr. Dervis, that it might not be appropriate for the U.N. to pay for officials of a country that is abusing the U.N. to come to U.N. headquarters to lobby for re-funding its operations.

Also under U.S. pressure, the UNDP now says it will stop transferring hard currency to the Kim Jong Il regime. "We have instructed the DPRK Country Office that all payments in hard currency to government, national partners, local staff and local vendors should end at the latest by 1 March 2007," writes Mr. Melkert, in the Jan. 12 letter.

UNDP spokesman Mr. Morrison says his agency's operations in North Korea "fully comply" with the decisions of the executive board and with the board-approved financial regulations. UNDP is taking "all necessary measures to avoid misperceptions or unintended consequences," he says, and will institute "any additional measures the board may deem necessary." Since Mr. Wallace's letter presents a very different assessment of UNDP actions in North Korea, that should make for an animated board meeting next week.

At that meeting, the U.S., along with Canada, Japan, Belgium and Serbia, plan to request a "deferral" of the agency's programs in North Korea until a full accounting of its operations can be made. An independent, outside audit is an essential first step. A full-scale investigation along the lines of the Volcker Commission's Oil for Food probe would be even better. And don't stop at the UNDP. The North Korean operations of other U.N. agencies -- Unicef, the World Food Program, the Population Fund -- also deserve scrutiny. It's crucial to determine whether, like Saddam Hussein's manipulation of the Oil for Food program, Kim Jong Il has been busy using the resources of the United Nations for his own illicit purposes.

*Ms. Kirkpatrick is a deputy editor of the Journal's editorial page.*

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