

washingtonpost.com

U.S. Alleges North Korea Is Misusing Aid for Poor

Probe Says U.N. Money Was Spent on Property Overseas

By Glenn Kessler and Colum Lynch
Washington Post Staff Writers
Saturday, June 9, 2007; A11

About \$3 million in [United Nations](#) money intended to help impoverished North Koreans was diverted by the [Pyongyang](#) government toward the purchase of property in [France](#), the [United Kingdom](#) and [Canada](#), according to a confidential [State Department](#) account of witness reports and internal business records. Millions more, the department reported, went to a North Korean institution linked to a bank alleged to handle arms deals.

The [U.N. Development Program](#) (UNDP) in [North Korea](#) spent about \$3 million a year over the past decade to promote the country's economic growth, foreign trade and investment. It halted operations in March after the [United States](#) alleged that the agency engaged in improper hiring and financial practices. A preliminary U.N. audit, released last week, confirmed that it violated its own guidelines by hiring local workers who were selected by the North Korean government and paying them in foreign currency.

A separate State Department investigation suggests that some of the agency's money enriched the North Korean government. The U.S. ambassador to the United Nations, [Zalmay Khalilzad](#), presented UNDP Administrator Kemal Dervis with new allegations regarding the North Korea programs Wednesday, a UNDP spokesman confirmed.

"At first glance, the allegations do not correspond with our own records, which we have scrutinized extremely closely in the past six months," spokesman David Morrison said.

The U.S. probe, headed by Mark Wallace, a deputy ambassador, also found that the UNDP procured for North Korea equipment that could be used in a weapons program. Such "dual use" equipment included global-positioning system equipment, computers and computer accessories, and a device known as a mass spectrometer, used to determine the isotopic composition of elements.

Morrison said the UNDP purchased the computers, GPS equipment and spectrometer to enable the forecasting of weather patterns in flood- and drought-prone areas of the country. He noted that the 10 GPS devices cost \$65,000 and the mass spectrometer cost \$6,000.

"UNDP takes these allegations very seriously and has asked the U.S. Mission to provide all available documentation to substantiate the allegations and to facilitate UNDP's own immediate review of them," Morrison said.

Ric Grenell, a spokesman for the U.S. Mission to the United Nations, said the information presented to Dervis "indicates an apparent misuse and diversion of UNDP funds, business dealings with certain suspect entities affiliated with [North Korea], UNDP's procurement of potential dual-use equipment and

Advertisement

WEB EXCLUSIVE SAVINGS.

Motorola® Blend™ ic402

- Built-in Nextel™ Walkie-Talkie
- Powerful Sprint voice and data
- GPS enabled

FREE*

*After 2 year service agreement

Start working harder >

NEXTEL
only from Sprint

information related to the further use of counterfeit U.S. currency in North Korea. He said Dervis indicated that he is "committed to investigating the matter" and providing answers.

The State Department has not made public any documents to back up its interpretation, and Khalilzad has declined to release details of the department's investigation. Some congressional staff members have received confidential briefings on the findings.

The revelations come at a sensitive moment, as the Bush administration has been working closely with other countries, particularly [Russia](#), to arrange a transfer of \$24 million in tainted North Korean money to facilitate an agreement to shut down North Korea's nuclear reactor.

The U.S. probe discovered that the UNDP purchased for the North Korean government 29 books for an arms control and disarmament project, including one titled "The Psychology of Nuclear Proliferation." Morrison said the books were purchased in December and delivered last month. "In hindsight, better judgment could have been used in the selection and delivery of these books," he said.

The State Department and the UNDP are in sharp dispute over some of the figures in the transactions. Such quarrels have been frequent between State and the UNDP, with tempers subsiding when documentation emerges to challenge the rhetoric.

According to the State Department, the UNDP transferred more than \$7 million between 2001 and 2005 to a North Korean government entity, the National Coordination Committee for UNDP. Morrison said the figure is much lower -- a few hundred thousand.

During 2001 and 2002, the UNDP also transferred more than \$8 million of other agencies' funds to the North Korean government, the State Department said. Pyongyang then transferred at least \$2.8 million of the UNDP funds to North Korean diplomatic missions in [Europe](#) and [New York](#) to "cover buildings and houses," including purchasing buildings in France, the United Kingdom and Canada, the probe found.

The UNDP said the national government received \$2.2 million. The agency has no means to determine how North Korea financed its purchase of expensive houses, Morrison said, but he said the UNDP has verified that its money was used to fund its programs.



The State Department also alleged that the UNDP paid nearly \$2.7 million for "goods and equipment" to a North Korean financial institution that is linked to Tanchon Commercial Bank (also known as Changgwang Credit Bank). [President Bush](#) designated that institution in 2005 as the main North Korean financial agent for sales of ballistic missiles and parts used in the assembly of weapons and missiles.

A UNDP official said the State Department has cited to the agency two financial institutions linked to Tanchon -- Zang Lok and the International Financial and Trade Company. The UNDP found one payment, for \$22,000, sent via Zang Lok in 2004 and none for International Finance.

Lynch reported from the United Nations.

Post a Comment

Ad

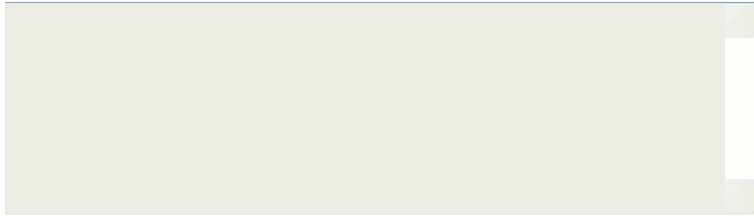
Join the discussion. Sponsored by Cisco.  welcome to the human network. 

[View all comments](#) that have been posted about this article.

Your washingtonpost.com User ID, graziella.reis-trani, will be displayed with

your comment.

You must be logged in to leave a comment. [Log in](#) | [Register](#)



Submit

Comments that include profanity or personal attacks or other inappropriate comments or material will be removed from the site. Additionally, entries that are unsigned or contain "signatures" by someone other than the actual author will be removed. Finally, we will take steps to block users who violate any of our posting standards, terms of use or privacy policies or any other policies governing this site. Please review the [full rules](#) governing commentaries and discussions. You are fully responsible for the content that you post.

© 2007 The Washington Post Company

Ads by Google

[Take This Shocking Test](#)

You may be younger than you think. Take the RealAge test and find out.

www.RealAge.com

[Stress Management](#)

Sweat Away Your Stress in Just 15 Mins. Read our Stress busting tips.

www.HealthExpressions.com

[Ben Wa Balls - Steel](#)

Stress Relief & Stimulation 100% Satisfaction Guaranteed.

MadelntheOrient.com