

*United Nations Development Programme
Operations in North Korea*

Briefing for the
Permanent Subcommittee on Investigations
Committee on Homeland Security and Governmental Affairs
United States Senate

January 24, 2008

Statement of the
United Nations Development Programme

Senator Levin, Senator Coleman, and other Members of the Subcommittee, on behalf of the United Nations Development Programme (UNDP), we appreciate this opportunity to brief the Subcommittee and respond to questions about UNDP's operations in the Democratic People's Republic of Korea (DPRK or North Korea), as well as to comment on related issues of institutional transparency and accountability.

We appear voluntarily and informally in accordance with the legal status and established practice of the United Nations regarding the jurisdiction of national authorities. As a multinational organization, UNDP must respect and treat all member states on an equal and impartial basis, and we appreciate your willingness to accommodate these considerations today.

But within these parameters, we are willing and prepared to brief the Subcommittee fully, not only on the underlying facts of the issues that led to this investigation, but also on the extensive efforts UNDP has made to allay concerns surrounding them. As you know, we have already met extensively with your staff in an effort to respond to their questions and provide additional information relevant to the issues under review.

Serious allegations have been made, and repeated in media reports, about UNDP's operations in North Korea. Based on the evidence reviewed by your Staff over the past few months, it should now be clear that these allegations have no basis in fact:

- UNDP did not transfer tens of millions of dollars to the North Korean government;
- UNDP's funds did not go to fund North Korean purchases of real estate, or its nuclear or missile programs;
- UNDP did not deal in significant amounts of cash, which could be diverted or embezzled in defiance of financial controls.
- UNDP did not ignore UN controls on prohibited vendors and did not deal directly with entities barred by these processes.
- UNDP did not resist providing information to Member States about its conduct in North Korea and made available information to refute these charges.

It is important, Mr. Chairman, that these points be acknowledged, so that the reputation and effectiveness of this organization should not continue to be compromised by such charges.

In addition, criticisms of UNDP's transparency and accountability have been made which are incompatible with an extensive series of external evaluations showing that the organization rates very highly on such criteria. Appended to this statement, we have summarized a series of evaluations from respected organizations, including agencies of the U.S. government, which confirm this overall performance.

At the same time, we acknowledge that expectations and opinions will differ about the policies and procedures most appropriate to the operation of international organizations, and we are prepared to consider changes and clarifications that may be advisable and consistent with the approaches of the U.N. Secretariat and other UN agencies. We also agree that there are areas where improvements are appropriate and many are already underway. We therefore welcome the opportunity to discuss these issues with this Subcommittee.

UNDP Panel. UNDP is represented today by a panel of people with different functions and backgrounds within the organization. Each has spent considerable effort in recent months to review and respond to questions raised about our operations in the DPRK, including extensive discussions with the Subcommittee staff. Given the level of detail involved in many of the matters under review, we think this working level panel is the best way to represent the organization at this briefing. The panelists are:

- **Frederick Tipson**, Director of the UNDP office in Washington, whose principal function is to facilitate UNDP's transparency and accountability to the U.S. government. Before spending 23 years in the private sector, Fred was counsel to the Senate Foreign Relations Committee under Senators Jacob Javits (R-NY) and Charles Percy (R-IL).
- **David Lockwood**, Deputy Assistant Administrator and Deputy Regional Director for Asia and the Pacific, whose experience spans a 35-year career in UNDP, including UN Resident Coordinator in Afghanistan and Bangladesh prior to assuming responsibility for programs in Asia and the Pacific, including North Korea.
- **David Morrison**, a Director in the Partnerships Bureau of UNDP, where he has had the major responsibility over the past year for examining and responding to the allegations that have arisen around our North Korea operations.

UNDP Overview. UNDP is the UN's largest development organization, entrusted with about \$5 billion per year of development resources, and a presence in more than 160 countries. UNDP's work focuses on assisting developing countries in building democratic institutions; reducing poverty; preventing and assisting recovery from crises; and protecting the environment. Within the UN system, UNDP also plays a coordinating role for other development activities. Our Administrator, **Kemal Dervis**, is the Chair of the U.N. Development Group, which comprises the heads of all U.N. institutions involved with development. Each organization is managed separately, however, with different mandates, governance structures and funding mechanisms.

UNDP operates in nearly every developing country in the world. These include very difficult locations, such as Afghanistan, Pakistan, Sudan, Somalia, and many others.

UNDP manages the Trust Fund for Iraq, established by a range of donors in 2003, and coordinates major infrastructure projects there, including the reconstruction of ports and power systems. We also manage more than a dozen other multi-donor trust funds, totaling more than \$3 billion in all, designed to maximize the impact of different multilateral and national donor agencies. Congress recognized the value of this presence, as in the Department of State FY 2006 Congressional Budget Justification:

“[UNDP] has transformed itself from a project financing entity into an organization focused on governance and institutional capacity building. UNDP has also instituted a results-based management system to monitor and improve its performance... At the country level, it provides services to nineteen agencies and manages the Resident Coordinator System--a system essential to shaping a common UN approach to the development needs of a country.”

UNDP operates everywhere with the approval and oversight of an Executive Board, on which the United States has always been an active member. Some of these locations include countries where the government’s relations with the U.S. government are difficult or problematic, but in such locations UNDP is experienced at designing and implementing programs that benefit the local population without endorsing specific government leaders or agendas.

UNDP is highly decentralized, with the bulk of its workforce serving in the field, and the majority in their home countries. Indeed, one of UNDP’s principal contributions in these countries is the training and support of local talent—the cultivation of the human capacity needed to carry out personal, institutional and national development over the long term. In the December 11 terrorist bombing in Algiers, six of the seven UNDP staffers killed were Algerian nationals.

While its scope and purpose present UNDP with major challenges in managing a global enterprise, UNDP has developed and employs systems and procedures comparable to those of other large enterprises—including performance management systems to promote excellence and extensive tools to track and evaluate the use of funds. No large organization of such global scope is completely immune from problems of misconduct and mismanagement, particularly when one considers the great differences in culture and living conditions from one location to another. But UNDP has been rigorous in its approach to preventing, detecting and punishing such behavior. When it encounters waste or fraud within the organization, UNDP acts decisively to remedy the situation.

At the same time, the best protection against misconduct in UNDP, like any other large organization, is the quality and integrity of line management, the effectiveness and reliability of major systems for reporting and accounting, and the incentives and sanctions that create the basic performance culture of the institution. If UNDP had to depend principally on the scrutiny and judgments of outsiders--or even on the

extraordinary initiatives of insiders--to protect itself against misconduct, it could not expect to be an effective organization.

Ethical Standards and Protection of Employees from Retaliation. In two areas of particular interest to the United States government—the protection of employees from retaliation and the provision of greater access to internal audits--UNDP continues to make changes to increase confidence.

Until very recently, several senior managers, with well defined roles, had the responsibility to assure ethical behavior within UNDP. Together they performed most of the functions of an Ethics office. UNDP's basic line management system incorporated the standards embodied in the United Nations Staff Regulations and Rules and the 2001 Standards of Conduct for the International Civil Service. These included protection against retaliation and related responsibilities, codified by UNDP in 2005 in our guidelines on Workplace Harassment, Sexual Harassment and Abuse of Authority. UNDP recently reinforced these protections by issuing a "Legal Framework for Addressing Non-Compliance with UN Standards of Conduct," which further addresses the reporting of allegations, protection against retaliation, action against retaliators, investigation procedures, rights of subjects/participants during investigation, and disciplinary measures. It makes specific reference to the provisions of the UN Secretary-General's Bulletin of 2005. In addition, for the past three years, UNDP's Office of Audit and Performance Review has maintained a hotline for anonymous and confidential reporting.

In short, contrary to some of the criticism directed at UNDP this past year, UNDP has had policies and procedures in place to protect employees from retaliation, some of which predated the policies initiated by the Secretary-General in 2005. Moreover, all personnel (staff and non staff), regardless of level or legal status, are encouraged to bring concerns and claims under these procedures, and all such claims are treated with appropriate seriousness.

Most recently, in accordance with the new policies issued by the Secretary-General on November 30 2007, UNDP has added the new position of Ethics Officer, and has appointed an experienced officer. As he is close to retirement we are conducting a global search for someone who could occupy the position longer-term. In addition to overseeing the key components of UNDP's ethical standards and mechanisms, this Ethics Officer will work together with the Director of the Ethics Office in the Secretariat, the new United Nations Ethics Committee, and the Ethics Officers of the other UN Funds and Programs further harmonizing the overall ethics regime of the wider UN system. From a staff point of view, there is now a "two step system". In other words, staff from UNDP and the other Funds and Programmes can now appeal to the Chair of the new UN Ethics committee to have their individual case reviewed by the UN Ethics Office, if they believe that they have not been treated appropriately by the Ethics Officer of their own organization.

Oversight and Audits. UNDP's accountability to Member States governments is achieved principally through its 36-nation Executive Board. That Board reviews both the general policies and practices of the organization, as well as the country development plans that form the core of UNDP's programs in a particular country. Audits are a basic tool in assuring the financial integrity and development effectiveness of UNDP programs, and UNDP undertakes both internal and external audits. External audits are conducted by the UN Board of Auditors, composed of the supreme audit authorities from member states, and it has full access to all documents, including UNDP's internal audits and source material. The biennial Financial Report and Audited Financial Statements, including the Report of the Board of Auditors is posted on the General Assembly website. Cases of fraud and presumptive fraud are reported to Member States as part of the above stated report. The independent Annual Internal Audit and Oversight Report presented to the Executive Board, and posted on its website, comprises of detailed analysis of all internal audits carried out by UNDP's Office of Audit and Performance Review (OAPR) including cases of fraud and presumptive fraud. The OAPR report is also accompanied by the independent report of the Audit Advisory Committee. UNDP's and other Funds and Programs' internal audits have traditionally been viewed as tools of internal management and not made available to member states.

At its October meeting, the Chief Executives Board (CEB), comprised of heads of UN entities, and chaired by the Secretary-General, considered whether to provide Member States with direct access to internal audits. It determined that this issue should be raised by the executive head of each agency with its governing board. UNDP's Administrator, who had pushed for the CEB to consider this issue, then moved quickly to present a proposal for providing such access to UNDP's Executive Board, a proposal that is under consideration at its meeting this week in New York. It would assure Member States of the Executive Board the right to review all internal audits, subject to appropriate considerations of sensitivity and confidentiality.

North Korea. UNDP began programs in North Korea in 1981 with the approval of the Executive Board, which then included representatives of President Reagan's administration. Our DPRK program has always been modest, averaging \$2.6 million per year over the past decade, but with less than half of that amount actually spent in the country. UNDP personnel in North Korea have not exceeded 10 international and about 20 local people. Among other things, UNDP's presence in the country helped facilitate the international response to severe famines in the 1990's, and has helped to expose local officials and citizens to the standards and norms of the international community.

UNDP's operations in North Korea were sometimes difficult, largely because of restrictions placed by the Government on all foreign entities (UN agencies, national diplomatic missions, international NGOs) operating in North Korea. The restrictions included, for example, the requirement to recruit local personnel via a North Korean government agency, and the requirement to give advance notice for travel beyond the capital city of Pyongyang. The need to be especially vigilant about our operations in North Korea led UNDP to conduct internal audits in 1999, 2001 and 2004. While the first two audits pointed to certain weaknesses in our operations, the third documented that

substantial improvement had been achieved by 2004, improvement which continued thereafter. In recent years UNDP further tightened its operations in the country, including by increasing oversight from headquarters, by increasing the number of site visits, and by hiring an international procurement expert to verify equipment inventories.

2007 External Audit. In early 2007, in response to allegations raised, the Secretary-General called for an external audit. A 31 May preliminary audit report in our view shows clearly that:

- The audit report confirmed the relatively modest size of UNDP's program, averaging \$2.6 million per year in the 2002-06 audit period, and it found that UNDP had in place a full range of monitoring mechanisms, including site visits, to see how its funding was being spent. The audit did not support allegations that UNDP dealt in tens of millions of dollars and lacked controls to verify its spending.
- Although UNDP had been required by the North Korean authorities from the outset of its operations there in 1981 to obtain the services of local personnel from a North Korean government agency, UNDP had duly informed its own Executive Board, of which the U.S. is a member, of this requirement--most recently in 2001. As noted above, this requirement, which remains in place to this day, is imposed on all other international organizations, such as, for example, UNICEF; national embassies; and international NGOs operating in North Korea (e.g. Mercy Corps International; Caritas).
- UNDP had made payments to vendors directly in Euros instead of first changing Euros into local currency via the North Korean banking system, "without requisite authority". (The auditors did not find that such payments broke any rules, but they did recommend that the relevant rules state more explicitly that UNDP should make effective use of all available currencies, as UNICEF's rules do. UNDP is making this modification).
- UNDP conducted project site visits to check how its money was spent, but these visits required prior permission and took place under the supervision of the North Korean authorities.

Interpretations of these and other findings of the External Audit differed sharply. In UNDP's view this was largely because of persistent and incorrect assumptions about how the organization operated in North Korea; the difference between spending that took place inside the country and spending that took place elsewhere; the functioning of the National Execution (NEX) modality in North Korea; the number of projects UNDP maintained in North Korea; the various means it used to monitor its spending, including project site visits; and its use of checks and bank transfers.

June 2007 Allegations. Shortly after the External Audit report, new allegations were raised that UNDP had underreported its funding levels, had knowingly or

negligently allowed its funds to be diverted outside of the country, and had made large payments to entities with links to North Korean armaments programs. UNDP was shown sample documents that purported to substantiate some of the allegations. However, a cross-check against UNDP's own records showed:

- That the sample documents referred to payments far in excess of the total money UNDP had available in the country for all purposes (i.e. including international staff salaries and travel, all program expenditures, payments on behalf of others, etc) during the periods in question.
- That of the 100+ payments detailed in the sample documents, only 11 matched UNDP's own records.
- That payment information in the sample documents purporting to be from 2001 and 2002 used financial system codes not yet in use by UNDP at that time.

In short, the allegations seemed to be based on either a misreading of the documents themselves, inauthentic or "doctored" documents that had been provided both to the U.S. government and to the media or allegations made that could be contradicted by reliable records and documents.

On some of the more persistent allegations, UNDP would like to clarify:

- Total payments of UNDP funds to the "NCC for UNDP" amounted to \$370,695 in the period 1997 – 2007. This is far less than the \$7 million that was alleged for the period 2001 – 05 alone.
- Total payments to the Chinese company Zang Lok amounted to \$29,567.80 on behalf of WIPO for computer equipment in 2002, and \$22,634.15 on behalf of UNESCO for computer equipment in 2004; in both cases the equipment was received in good order. The total of \$52,201.95 is far less than the \$2.7 million that UNDP was alleged to paid to Zang Lok.
- Further, in June 2007, when the State Department alerted UNDP that Zang Lok had ties to a North Korean entity with links to the country's armaments programs, UNDP immediately agreed to cease doing business with Zang Lok. UNDP and other UN agencies routinely consult control lists maintained by the U.N. Security Council before making procurement decisions. It is unclear whether Zang Lok, as a company with ties to a "designated" North Korean entity -- and not itself a designated entity -- was on any list that UNDP or other UN agencies should have consulted in 2002 and 2004.

The funds devoted to UNDP's programs in North Korea over the last ten years can be summarized in the following table, which distinguishes those funds transferred to North Korean government agencies from the total funding for UNDP's North Korea programs each year, and the percentage which that represents. We have also broken out

funds transferred to the “NCC for UNDP”, because of the attention that has focused on this entity.

Year	UNDP Funds transferred to “NCC for UNDP”	UNDP funds transferred to other Government entities	UNDP managed Funds	Total Expenditures for UNDP’s North Korean programs	Payments to Government entities as a percentage of the total
1997	0	1,507,706	4,068,225	5,575,931	27%
1998	0	531,662	4,691,667	5,223,329	10%
1999	50,250	16,206	1,531,568	1,598,024	4%
2000	22,613	36,417	2,011,283	2,070,312	3%
2001	0	96,060	1,415,602	1,511,662	6%
2002	4,040	21,213	1,810,101	1,835,354	1%
2003	43,197	7,164	2,204,801	2,255,162	2%
2004	59,045	0	1,105,470	1,164,515	5%
2005	92,451	18,774	3,084,213	3,195,439	3%
2006	99,099	334,140	4,135,626	4,568,865	9%
2007	0	0	641,809	641,809	0%
Total	370,695	2,569,342	26,700,365	29,640,402	10%

In addition to the above, UNDP also made payments in North Korea on behalf of other UN entities. These payments totaled roughly \$1 million per year during the period 1997 – 2007 (a detailed breakdown is available on the UNDP website). It should also be noted that:

- Of the \$29,640,402 in program expenditures going back over a decade, only about half of that spending took place within North Korea. The remainder represents expenditures elsewhere in the world, in support of the North Korea program.
- The \$370,695 paid to the NCC for UNDP does not support the persistent allegations that this entity transferred \$2.72 million in UNDP funds abroad for the purchase of real estate. As UNDP has maintained all along, the bulk of the money paid to that entity was used in support of agricultural workshops for participants from Asia and Africa, workshops that were monitored and documented.
- In the course of its interactions with the Subcommittee Staff in late 2007, however, UNDP was for the first time shown documentation indicating that the “NCC for UNDP” had apparently used its bank account to transfer \$2.72 million to various locations abroad in 2002. While this was clearly not money provided by UNDP, and UNDP had no way of knowing that the bank account had been used in this manner, UNDP was greatly concerned that its name had been used in

connection with these unrelated financial transactions. It has formally raised the matter with the North Korean government.

- All payments made by UNDP to the North Korean government or anyone else in North Korea were undertaken by bank transfer or check. Despite persistent allegations, UNDP did not deal in cash in North Korea, beyond an allowable \$50 limit for petty cash.

UNDP acknowledges that some aspects of its operations can appear complex, particularly in countries such as North Korea, which has a dual currency regime, and where UNDP had put in place special measures, such as directly executing almost all projects that were technically under government execution, in order to ensure effective financial control. Yet we tried to be extremely responsive to member states that had questions or expressed particular concerns about our North Korea program. This was especially the case with Japan, which took a special interest in the program going back some years. Similarly, when the U.S raised concerns in late 2006 about UNDP's payment practices and recruitment of local personnel via a North Korean government agency, UNDP moved immediately to address the concerns. UNDP has been very forthcoming in responding to all queries from Member States about its North Korea operations since concerns first arose over a year ago.

External Independent Investigative Review (EIIR). However, because of the continuing concerns expressed by others, and the resultant need to address and resolve all outstanding issues, UNDP's Administrator, Kemal Derviş, in close consultation with the President of its Executive Board, and with the U.S. government and other Board members, commissioned an External Independent Investigative Review (EIIR), designed to operate in a non-political and highly professional manner and be complementary to the UNBOA process. The Review is being led by former Prime Minister of Hungary, Miklos Németh, who later became a Vice-President of the European Bank for Reconstruction and Development in London and a member of the Advisory Board of Transparency International. The other two members are Mary Ann Wyrsh, former President and the Executive Director of the Bush-Clinton Katrina Fund, former United Nations Deputy High Commissioner for Refugees, and former acting commissioner of the U.S. Immigration and Naturalization Service, and Chander Vasudev, a former high level official of the Indian Finance Ministry.

The Terms of Reference for the EIIR (available on UNDP's website), include a thorough investigation of claims by a former UNDP contractor in North Korea that he was retaliated against for "blowing the whistle" on irregularities in UNDP's operations there. The results of this aspect of the investigation will be forwarded to and reviewed by the UN Ethics Office, which will then advise on appropriate actions, if any. The EIIR began work in October and has been provided with access to all documents and personnel available to UNDP, including all documentation previously held by the UNDP country office in Pyongyang, which was brought to New York. We understand that all concerned parties are cooperating. It expects to issue a final report in March 2008. This report will likely include overall recommendations on specific measures that UNDP should take

when directed by its Executive Board to operate in countries that may present special challenges.

Finally, Mr. Chairman, UNDP welcomes the efforts by this Subcommittee to examine these allegations in a careful and systematic way. We look forward to your questions today and for further opportunities to assure a complete and accurate record on these matters.

Thank you.

Attachments:

1. UNDP Programs in Selected Countries
2. External Assessments of UNDP
3. Responses to Recent Allegations about UNDP Operations in North Korea

Attachment 1

UNDP Programs In Selected Countries

The **United Nations Development Program** is on the ground in 166 countries. Below are examples of UNDP's current work in countries of particular interest to the U.S. Congress.

AFGHANISTAN

Delivering on the Bonn Agreement

UNDP was already present and working extensively in Afghanistan at the time of U.S. military intervention after September 11, 2001. UNDP was therefore well-placed to move swiftly to help the country face the challenges of forging a post-Taliban government. Since November 2001, UNDP has played a central role with the UN system in coordinating donor support for Afghanistan.

To aid the implementation of the Bonn Peace Process, UNDP set up the Afghan Interim Authority Fund—an innovatively flexible mechanism for quick resource mobilization, disbursement, and initial institution building. This fund paid for the emergency Loya Jirga, the traditional Afghan Grand Council that UNDP helped to convene. UNDP also helped set up the Afghan Interim Authority; rapidly resuscitate the national civil service, as well as the police force; draft a new constitution; hold three successful elections; and establish a new Afghan National Assembly.

UNDP remains highly engaged in Afghanistan, operating from all of the country's 34 provinces. Since the Bonn Agreement was signed, UNDP has delivered close to \$1 billion of assistance to Afghanistan, including \$336 million since 2002 from the United States. Among the programs UNDP supports are:

- Building the capacity of the Afghan Independent Elections Commission and successfully completing a voter and civil registry pilot exercise. In addition, UNDP, along with the UN Assistance Mission in Afghanistan and members of the international community, currently is engaged in discussions about the timing as well as legal, political, financial, operational and security considerations with regard to the next presidential and parliamentary elections in 2009.
- Building the capacity of civil servants and supporting the preparation of the Afghan national budget and helping the government prioritize funding allocation and coordinate aid.
- Supporting the establishment and implementation of a country-wide disarmament, demobilization and reintegration program. Through this program, 13,519 tons of ammunition and 334,025 pieces of anti-personnel mines were destroyed by March 2007. The program also focuses on disbanding illegal armed groups. By early 2007, a total of 29,251 weapons were collected and 1,496 illegal armed groups were engaged in the disbanding process.
- Managing a program of construction of approximately 1,400 houses for landless Afghan returnees and internally displaced persons (IDPs) north of Kabul.
- Assisting, in collaboration with the International Labor Organization, over 63,300 combatants who were demobilized in June of 2006 and their families to access viable employment opportunities in agriculture, service, and enterprise development through a national network of public Employment Services Centers.
- Constructing drainage channels in Jalalabad City to create a better business environment for shopkeepers and customers, a wider space for transport and commerce, as well as a more hygienic city environment. The construction work provided employment opportunities to local populations, with priority given to the most vulnerable groups of society such as returnees and IDPs, ex-combatants and the disabled.
- Creating alternative livelihoods to opium production while increasing agricultural production through the Counter Narcotics Trust Fund, which UNDP manages.

Total 2006 UNDP expenditures for Afghanistan were \$201 million.

IRAQ

UNDP staff, based in offices inside the country as well as in Jordan and Kuwait, work throughout most of Iraq in the midst of an extremely challenging environment. UNDP activities in the country concentrate on rehabilitation of physical infrastructure; governance, economic advice, institution building and civil society; poverty reduction and human development; and mine clearance.

UNDP administers the UN Development Group's Iraq Trust Fund on behalf of itself and other participating UN organizations. This trust fund, along with another administered by the World Bank, was created to help donor nations (including the United States) channel resources and coordinate support for reconstruction and development in Iraq. To date, 25 donors have contributed \$1.2 billion to the UN Development Group Iraq Trust Fund. As of the end of 2006, the fund transferred \$886 million to UN agencies of which over 79% has been expended.

UNDP supported programs have included:

- Establishing an Aid Coordination Unit and a donor assistance database. With committed donations of almost \$15.6 billion, this is the largest known database of its kind in the world. UNDP's support has included the provision of technical expertise, hardware, and software for this endeavor.
- Training the Board of Supreme Audit of Iraq, the country's independent audit institution, and strengthening the capacities of the Ministry of Planning and Development Cooperation as well as five other ministries. UNDP has also trained senior employees from the human rights and justice ministries in management and public administration and provided key legal texts to develop both ministries' libraries.
- Supporting local government by building capacity for strategic planning and decentralization of service delivery. For example, UNDP has assisted the Ministry of Municipalities and Public Works through the training of 90 middle managers on modern management skills.
- Creating, in collaboration with the Reuters Foundation a web-based news exchange called *Aswat al-Iraq*, or *Voices of Iraq* to address the information gap caused by the absence of a national news agency. The site currently publishes over 600 news items a month and is a credible source of information for more than 200 media institutions. UNDP is in the process launching a similar TV newscast initiative.
- Acting as the lead agency on poverty alleviation within UNAMI, supporting the adoption of poverty reduction policies, and revitalizing the private sector. During 2006, the UNDP Iraq Reconstruction and Employment Program generated over 113,200 workdays and employed more than 11,000 workers. UNDP is supporting local planning mainly in the deteriorated marshlands to promote local governance and effective service delivery to help rebuild these devastated communities.
- Rebuilding infrastructure, including in the electricity sector (repair of 18 major transmission lines; purchase and delivery of 165 diesel generators; rebuilding electrical distribution networks in nine major hospitals; purchasing mobile substations and large-scale testing equipment; and rehabilitating the National Dispatch Center); in the trade infrastructure sector (focusing on waterways management, as well as shipwreck, hydrographic, bathymetric, and other surveys, as well as Iraq's Civil Aviation infrastructure); and water and wastewater management (plans for potable and wastewater management as well as solid waste disposal, rehabilitation of key facilities including the water treatment plant that brings potable water to approximately one million Baghdad residents, and water and sanitation to Basra, including the port city of Umm Qasr).

Total 2006 UNDP expenditures for Iraq were \$69.9 million.

PAKISTAN

UNDP is an important partner in Pakistan's national efforts to achieve its development goals and in

meeting international commitments. UNDP has contributed towards establishing policies, setting up governance institutions, as well as strengthening human and institutional capacities. Among the programs UNDP supports are:

- Supporting poverty reduction and gender equality through tailored advice, as well as technical and capacity building support toward the achievement of the Millennium Development Goals (MDGs).
- Promoting community-based development, in partnership with the provincial governments and communities, and improving the living conditions of poor communities in several urban and rural areas, organizing households at the grassroots level and enabling them to access water, sanitation facilities, microfinance services, skills training and improved natural resource management.
- Promoting gender equality including through helping district governments mobilize Musalihat Anjumans (a forum for alternate dispute resolution outside of the formal judicial system) in several Pakistani districts, and through microfinance and skills development that has enabled more than 1,000 women in the livestock and garment sectors to secure jobs.
- Encouraging the democratic process by training 51,000 Presiding Officers and 100,000 Assistant Presiding Officers in electoral laws and procedures and providing material to the Election Commission including 300,000 electronic voter screens, 430,000 transparent ballot boxes and 5.5 million seals.
- Supporting the Devolution Trust for Community Services which has caused the number of Citizen's Community Boards to increase rapidly, reaching a total of 16,324—enabling greater community participation in local development.
- Supporting a four-year performance appraisal of the National Assembly, the first study of its kind in Pakistan, and undertaking a training needs assessments for the secretariats of the National Assembly and the Senate covering areas such as research, legislative drafting and parliamentary oversight as well as establishing mechanisms for public outreach.
- Responding to and preparing for natural disasters, including in the aftermath of October 2005 earthquake in Pakistan, when UNDP's recovery and reconstruction programs reached out to the nine affected districts of the North West Frontier Province and Pakistan Administered Kashmir. In 2007, UNDP continued to respond to the effects of the 2005 earthquake through a combination of aid coordination, hardware support and capacity development. UNDP projects provide infrastructure, human resources, and management capacities to the federal, provincial, and local governments. In 2007 UNDP and its implementing partners were able to deliver approximately \$42 million during a period that was marked by climatic disturbances and political upheaval.

SOMALIA

In Somalia, UNDP has played a key role in laying the foundations for democratic governance, including supporting the separation of legislative and executive powers, as well as building institutions to marginalize spoilers of peace, reconciliation, and development. UNDP supported programs have included:

- In February of 2006, facilitating the first session of the Transitional Federal Parliament in Somalia. To establish a secure environment for the successful sitting of this parliamentary session in Baidoa, UNDP in partnership with the UN's Office for the Coordination of Humanitarian Affairs (OCHA), members of the Transitional Federal Parliament, elders and local leaders, launched the Baidoa Reconciliation Conference Initiative. This initiative was instrumental in reconciling local communities, significantly contributing to the restoration of law and order and making the parliamentary session possible. Additionally, the initiative improved access for humanitarian assistance to vulnerable groups afflicted by conflict and drought.
- Supporting two key independent commissions, the Independent Federal Constitution Committee and the National Reconciliation Commission, through payment of stipends to commission members. In addition, through payment of stipends to the Somali police force and judiciary, UNDP has contributed to the strengthening of rule of law and access to justice in compliance with international human rights standards.

- Reducing poverty while addressing crises, such as with the Duduble Canal project, hailed across eastern Africa as a model of community-driven recovery. This project which created a major community-run environmental management system, including early warning systems and flood preparedness, soil conservation measures, agricultural training, crop marketing, and regular conflict management forums. Where once the entire area was strictly divided along clan lines, with roads riddled with roadblocks, former enemies now sit on collective management committees, people travel safely on open, newly repaired roads – and relatives meet without fear of reprisal.
- Carrying out a comprehensive poverty mapping exercise that provides the Somali administration and other development partners with critical data. UNDP surveyed approximately 7,000 settlements, 3,000 water points and 1,000 nomadic settlements, covering 90% of the country. This survey also compiled vulnerability characteristics and access to social services.
- Supporting the development of a five-year development plan by the authorities of Puntland as well as training planning and statistical staff in the three ministries on collection and compilation of critical socio-economic data as a part of a statistical capacity building program.

Total 2006 UNDP program expenditures for Somalia were \$46 million.

SUDAN

In recognition of its significant and sustained presence, UNDP has been entrusted with managing several funds, including the Recovery and Rehabilitation Program funded by the European Commission, and the Common Humanitarian Fund in which nine UN organizations participate. Also, as the principal recipient for Global Fund grants to fight AIDS, tuberculosis, and malaria in Sudan, UNDP is responsible for financial and programmatic management, the procurement of health and non-health products, as well as capacity development services to sub-recipients and implementing partners. UNDP-supported programs have included:

- As one of the few organizations with a presence in all three states of Darfur, UNDP works from three sub-offices in extreme conditions, undertaking development activities in parallel with ongoing relief operations, and focuses on promoting rule of law; upholding human rights and combating gender-based violence; and providing legal protection to marginalized groups, IDPs and local communities. Since 2004, UNDP has been running a rule of law program in order to respond to the population's immediate needs for legal protection, while laying the building blocks for the restoration of rule of law. Through this program, UNDP has trained 10,000 civil society representatives and government officials on core principles of rule of law, human rights, and justice. In addition, UNDP has trained 150 paralegals, established seven legal aid centers, and established a legal aid network of 60 Darfurian lawyers that led to the prosecution of several court cases. UNDP's rule of law project helped in the conviction of almost 200 perpetrators in Darfur in 2006 alone.
- Starting up a livelihood support program that targets vulnerable communities and IDPs in the three states of Darfur—the only one of its kind in Darfur that addresses livelihood issues in a sustainable manner. Goals include identifying sources of large-scale employment generation such as the rehabilitation of irrigation systems and flood protection, reforestation, employment of teachers in IDP camps; creating certificate-based programs for internally displaced youth that train specific skills, such as agricultural practices and the use of natural resources; strengthening the capacity of local NGOs in management, budgeting, and planning skills; and developing economic organizations (for example, cooperatives, farmers' unions, micro credit providers).
- In **Southern Sudan**, supporting peace consolidation efforts by focusing on governance and rule of law institutions along with community-based initiatives to reduce insecurity and conflict. In 2006, UNDP facilitated the development of a strategic plan for each of the ten southern states, the Local Government Policy Framework, and the Governors Forum of Southern Sudan. In addition, UNDP established a legal advice center in Yei and rule of law forums in each of the 10 southern states. UNDP oversaw the nine-month training of 17 judges and legal officials in

Uganda, and helped train more than 3,000 police officers in partnership with the UN Mission in Sudan.

- Aside from Darfur and Southern Sudan, building the capacity of the national and local institutions as well as civil society to encourage a sustained recovery. With UNDP's assistance, a total of 48 national and international NGOs are working together in ten states to build water points, healthcare units, schools, and sanitation systems; design projects that provide families an opportunity to earn an income; improve the local administration's performance capacity; and respond to priority needs defined by the communities themselves. UNDP runs additional area-based recovery programs in Abyei and Southern Kordofan.
- Focusing on judicial reform, raising public awareness of legal issues, as well as legal aid and representation. In 2006, UNDP completed the training of 20,000 government officials and community members on core principles of rule of law, human rights, and justice. UNDP also completed the training of 375 paralegals, in addition to establishing 15 legal aid centers and a network of 100 Sudanese lawyers who provide legal advice and representation to vulnerable groups. UNDP also facilitated 150 rule of law workshops and rehabilitated police stations and courthouses in the country.
- Supporting Sudan's national disarmament, demobilization, and reintegration as well as mine action authorities as they develop their national programs. UNDP manages over \$38 million in donor contributions to this end.

Total 2006 UNDP program expenditures for Sudan were \$120 million.

Attachment 2

Assessments of UNDP

U.S. DEPARTMENT OF STATE

UNDP “priorities are fully consistent with U.S. foreign policy goals and complement U.S. bilateral efforts. Its near universal presence in program countries gives it credibility as a neutral platform for development activities... In line with U.S.-backed reform initiatives, UNDP has changed dramatically over the last five years. It has moved away from a pure entitlement system to one that includes performance-based criteria for country allocations and greater local capacity building through national execution. Furthermore, the organization has implemented decentralized decision-making, is reducing its headquarters staff, is putting greater focus on areas of “comparative advantage,” and is advocating more forcefully for key global objectives such as poverty alleviation, and good governance.” – **Secretary of State’s FY 2002 Congressional Budget Justification**

UNDP “programs support U.S. strategic interests including economic development, democracy and human rights, and global growth and stability... Its projects target governance and institutional capacity building. UNDP has a near universal presence in developing countries and an important record of credibility. UNDP’s country-level collaboration enables it to operate effectively in some of the developing world’s most isolated and vulnerable people.” – **Secretary of State’s FY 2003 Congressional Budget Justification**

“UNDP’s universality ensures its presence in the poorest countries and in those with the weakest governments. It assists these countries in developing the type of democratic governance and open and transparent institutions that will eventually qualify them to participate in the President’s New Compact for Development. This is a long-term effort that few bilateral donors are willing or able to tackle on their own, but will undertake collectively through a multilateral organization.” – **Secretary of State’s FY 2004 Congressional Budget Justification**

“UNDP is present in most of the poorest countries and in those with the weakest governments. It assists these countries in developing the type of democratic governance and open and transparent institutions that can qualify them to participate in the President’s Millennium Challenge Account... UNDP is a valuable partner in the Administration’s efforts to avert major crises, including terrorism, extreme poverty, devastating diseases and environmental degradation, through effectively applied economic assistance.” – **Secretary of State’s FY 2005 Congressional Budget Justification**

“UNDP’s programs are closely aligned with U.S. strategic interests. UNDP adopted five ‘core goals’ for its work in the next four years: (1) reduce human poverty; (2) foster democratic governance; (3) manage energy and environment for sustainable development; (4) support crisis prevention and recovery; and (5) respond to HIV/AIDS... it has transformed itself from a project financing entity into an organization focused on governance and institutional capacity building. UNDP has also instituted a results-based management system to monitor and improve its performance... At the country level, it provides services to nineteen agencies and manages the Resident Coordinator System --a system essential to shaping a common UN approach to the development needs of a country. – **Secretary of State’s FY 2006 Congressional Budget Justification**

“[UNDP] has been a remarkable engine for pushing the issues of rule of law and democracy.” – **Mark Lagon, Deputy Assistant Secretary for International Organizations (UNDP Washington Roundtable, Feb. 2006)**

STATE DEPT/OMB

UNDP “received excellent scores in regards to the program’s purpose: to provide central funding and coordination of UN activities that advance economic and social development while combating poverty and disease worldwide... The program has responded to OMB’s findings and recommendations by implementing measurable annual performance targets, an efficiency measure, and by effectively demonstrating that program managers are held accountable for achieving key U.S. objectives within the UN organization.” – **The U.S. Office of Management and Budget’s Program Assessment Rating Tool (PART, Feb. 2006)**

DFID [UK]

“UNDP topped the list of 23 multilateral agencies assessed by DFID in 2003-2004 against eight corporate systems: corporate governance, corporate strategy, resource management, operational management, quality assurance, staff management, monitoring evaluation and lesson learning, and reporting. Across these systems, UNDP scored 96 percent out of 100 on internal performance, 98 percent on country level results, and 98 percent on partnerships.” – *Assessing UNDP*, April 2005, in reference to the DFID [UK Government’s Department for International Development] Multilateral Effectiveness Scorecard

OTHER DONORS

“UNDP shows real strengths when it comes to its ability to assemble divergent points of view at collective discussion fora. UNDP has contributed to ‘bringing different actors together’, thus playing ‘a leading role in several initiatives for policy dialogue’... ‘Its lack of adequate financial resources’ is perceived to hamper UNDP’s ‘capacity to contribute more effectively to national policy issues.’” – MOPAN [Multilateral Organisations Performance Assessment Network] Survey, Contribution to policy dialogue, p.4 (2004); [consists of Austria, Canada, Denmark, the Netherlands, Norway, Sweden, Switzerland, and the UK]

GINGRICH-MITCHELL – UN TASK FORCE

“The UNDP experience does hold out promise as a model for other parts of the United Nations. One crucial lesson is the importance of leadership. Successful reform required diligent, persistent effort, clear vision, and the capability to ‘sell’ both member-states and staff on the need for specific changes... The recent reform of UNDP has given added weight to its role as a key coordinating body. But its main function continues to be its special relationship with host governments, promoting transparency and good governance, and improving the planning of development.” – Gingrich-Mitchell USIP Task Force on UN Reform (June 2005)

2007 GLOBAL ACCOUNTABILITY REPORT

UNDP received top ranking on the 2007 Global Accountability Report by One World Trust, a leading expert in the field of global governance and accountability. UNDP is among 30 of the world's leading organizations from intergovernmental, non-governmental, and corporate sectors assessed by One World Trust according to four widely-accepted dimensions of accountability: transparency, participation, evaluation, and complaint and response mechanisms. UNDP ranked highest overall. – One World Trust, 2007 Global Accountability Report (December 2007)

Attachment 3
Responses to Recent Allegations about UNDP Programs in North Korea (DPRK) *

Allegations	UNDP Responses
1. UNDP has recently transferred more than \$15 million to the North Korean government, which has been used to purchase nuclear technology, weapons, real estate and/or luxury items for the leadership.	False. From 1997 until the suspension of its programs in North Korea in March 2007, UNDP made direct transfers to the designated North Korean government agency (National Coordinating Committee for UNDP, or NCC/UNDP) totaling just \$370,695. Furthermore, over the same period, of the \$29.6 million UNDP has expended on all North Korean projects (or roughly \$3 million per year), less than half of that money actually entered North Korea, having been expended on staff salaries and expenses outside of the country or with vendors supplying equipment for specific projects within the country. Total funds expended on behalf of other UN agencies for projects in North Korea averaged an additional \$1 million per year--but, once again, very little of this money was transferred directly to the North Korean government, and all expenditures are fully documented with receipts, activity reports, and written communications. UNDP has strong financial management systems in place and has undergone a further detailed review of its activities in North Korea to verify the purposes, recipients and uses of all its funds. Its programs there have been regularly approved by the UNDP Executive Board, which includes the United States.
2. UNDP used large amounts of cash for many of its transactions in North Korea.	False. UNDP conducted its business in North Korea by means of check and bank transfers rather than cash. Where vendors or employees did not have bank accounts (which are difficult to obtain in North Korea), UNDP paid with "cash checks", i.e. endorsable checks made out to particular individuals. Use of this term may have caused confusion, but UNDP has been able to verify that it wrote checks only to individuals and not to "cash", with appropriate receipts and authorizations.
3. UNDP facilitated the use or transfer of counterfeit currency by the North Korean government.	False. The only evidence to date involving a connection between UNDP and counterfeit currency was the storage in a UNDP office safe in Pyongyang since 1995 of \$3,500 in counterfeit currency belonging to a former Egyptian consultant to UNDP who had been paid by the North Korean government in false U.S. currency. That money had been defaced by an Egyptian bank, according to banking rules relating to counterfeit currency, and therefore was not usable. It was stored at the request of the consultant who was seeking UNDP's assistance in obtaining restitution in valid currency from the North Korean government. UNDP's efforts were not successful and the currency remained in the office safe indefinitely. At the time, there was not a clear UNDP policy about the disposition of such currency, but such a policy is now being finalized.

*The above allegations have appeared in various documents and media reports. They are among the issues under investigation by the External Independent Investigative Review panel commissioned by UNDP. That review is being led by former Prime Minister of Hungary, Miklos Németh, who later became a Vice-President of the European Bank for Reconstruction and Development in London and a member of the Advisory Board of Transparency International. The other two members are Mary Ann Wyrsh, former President and the Executive Director of the Bush-Clinton Katrina Fund, former United Nations Deputy High Commissioner for Refugees, and former acting commissioner of the U.S. Immigration and Naturalization Service, and Chander Vasudev, a former high level official of the Indian Finance Ministry.

<p>4. UNDP has supplied equipment of significant military value in defiance of national export control restrictions.</p>	<p>False. UNDP requires suppliers of products and equipment to obtain any necessary export licenses from the national governments where those products originate. Two examples have recently drawn particular attention. In 2000, UNDP purchased a Geographic Information System (GIS) from Australia, and, in 2006, purchased a GPS system and a high-end spectrometer from Holland. This type of equipment is increasingly common in many developing countries to assist with land use classification, crop yield estimation, and monitoring of natural disasters, and it is readily available off-the-shelf. In both cases, UNDP's suppliers were not required to obtain export licenses from their respective governments for the equipment involved.</p>
<p>5. UNDP has been unable to monitor its development projects in North Korea to assure that funds are properly utilized, and it had to obtain government approvals before traveling to observe its own development projects.</p>	<p>False. UNDP has been able on a regular basis to visit and observe all of its projects in North Korea to confirm the use of funds, equipment and staff and to evaluate project effectiveness. Government requirements of prior notice for project visits are standard in many countries where UNDP operates, as is the protocol that Government counterparts participate in the visits. In North Korea these requirements could be burdensome, but there is no indication that they resulted in significant interference with the execution and monitoring of UNDP's projects. Many activities that UNDP supported in North Korea did not have "sites" to visit (e.g. training and study travel abroad for officials to gain understanding of the outside world), but could be monitored effectively in other ways. Since 1979 UNDP's projects in North Korea have centered on improving the living conditions of the population: among other things UNDP's presence in North Korea allowed for a more effective international response to the horrific famines the country experienced in the 1990s, and in recent years have focused on food production, rural and environmental sector management, economic management and social sector management.</p>
<p>6. UNDP operated in North Korea despite government requirements that it hire only local nationals employed by the government and that it pay only in hard currency—conditions which contradict UNDP's standard approach on such matters.</p>	<p>True. From 1979 to early 2007, UNDP accepted the conditions imposed by the North Korean government on employing local nationals and using hard currency as the only basis for operating in the country. They are the same conditions observed by other UN agencies, international NGOs and those national diplomatic missions operating in the country (including many Member States of UNDP's Executive Board). These issues were last brought before the UNDP Executive Board in 2001. However, following concerns raised by the United States and endorsed at UNDP's January 2007 Executive Board meeting, UNDP informed the North Korean government that it was no longer willing to follow the conditions placed on local hiring and currency use. The North Korean government indicated that it was not prepared to remove these conditions, and UNDP therefore suspended its program in North Korea as of March 2007. All other UN agencies and foreign embassies in North Korea continue to operate under these same conditions.</p>

<p>7. UNDP retaliated against a former contractor who sought to “blow the whistle” and expose serious problems in its North Korea operations.</p>	<p>This case is under consideration by the External Independent Investigative Review referenced above, and upon the conclusion of their work in March, may be referred to the U.N. Ethics Office. The contractor in question worked for UNDP on various short-term contracts over the past 13 years for a total tenure of about 2 ½ years. His services were not renewed upon expiration of his last three-month contract because the budget for that project was discontinued. He did not invoke UNDP’s existing protections against retaliation (“whistleblower” protections) and did not cooperate with UNDP’s own investigation of allegations about North Korea, so it is not clear what problems he sought to identify.</p>
<p>8. UNDP is naïve and ineffective in dealing with authoritarian, fragile or corrupt governments.</p>	<p>False. UNDP has years of experience operating in the most difficult countries in the world, including those in the midst of conflict or turmoil, such as Afghanistan, Iraq, Pakistan, Somalia and Sudan. Our headquarters and local leadership are particularly attuned to the challenges of working with governments who might seek to divert development programs for political or personal advantage. Additional financial safeguards are included in problematic circumstances, and members of UNDP’s Executive Board, including the United States, exercise special scrutiny of all programs in these locations. For a recent GAO review of UN programs in Burma, for example, including assessments of UNDP’s projects there, see GAO-07-457: “International Organizations, Assistance Programs in Burma” (April 2007).</p>