

Written Testimony

Of

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On

“UN Headquarters Renovation: No Accountability Without Transparency”

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Chairman Coburn, Ranking Member Carper, Senators, thank you for the invitation to testify here today. As a journalist, I have spent almost 25 years covering international affairs, much of that in Asia, Latin America, the former Soviet Union and the Middle East. I am currently based in New York, where in recent years I have focused on the United Nations.

I wish I had better news to report. In its secrecy, lack of accountability, and what has been possible to discern of the resulting waste, abuse and corruption, the UN bears a much closer resemblance to some of the despotisms I have covered than to any open and responsible democratic system.

One often hears it argued that while the UN may be flawed, it's all we've got -- and that all human institutions are prone to at least some waste, abuse and corruption. True. But there are degrees of fraud, duplicity and secrecy. There are some systems with built-in checks and balances that tend to favor disclosure and accountability. There are others in which there are no genuinely effective corrective mechanisms, and the institutional arrangements reward those most adept at abusing, defrauding and exploiting the system for personal gain – whether that be in the form of money, patronage and so forth.

The immediate difficulty in even understanding the depth of the problems at the UN is the astounding lack of transparency. What tends to happen is that while the general opportunities for wasteful or abusive or corrupt activity may be obvious – as was the case with some of the elementary scams under Oil-for-Food – the UN withholds from the public the specifics that would allow documentation of individual cases of wrong-doing. Under Oil-for-Food, for instance –which I cite because it was in many ways a fractal of

the UN system -- it was possible to see from generic UN documents that Saddam Hussein with UN approval was doing an oddly large number of deals buying “detergent” from such terrorist-linked nations as Saudi Arabia, Syria, Yemen and Sudan. Or that under this relief program meant to be dealing with end-users of oil and good-faith suppliers of relief goods, there seemed to be an overly cozy relationship between Saddam and such financial havens as Liechtenstein, Cyprus, Panama and Switzerland. But the UN concealed virtually all the details that might have allowed further insight.

May I also offer the reminder that the UN Secretariat, which hired the inspectors, processed the contracts, and was tasked and paid \$1.4 billion to monitor the integrity of this program, in shutting down its role in Oil-for-Food in November, 2003, mentioned not a word about the graft. Secretary-General Kofi Annan praised the program, and in particular his handpicked director, Benon Sevan. And when allegations of deep corruption erupted in the press, in early 2004, Mr. Annan’s first response was to delegate the investigation in-house to the UN’s secretive Office of Internal Oversight Services, or OIOS, which had already failed to stop the perversion of the program.

It was only after Congress scheduled hearings, in the wake of damning press reports, based on confidential documents found in Baghdad and leaked to the media, that Mr. Annan conceded the need to authorize an “independent” investigation. This led to the \$35 million investigation under Paul Volcker, which reported signs of rampant corruption among some of the UN agencies working under Oil-for-Food in Iraq; described at length the derelictions and substandard performance of Mr. Annan, his deputy and his chief-of-staff, in overseeing the program; and alleged that Mr. Annan’s handpicked director of Oil-for-Food, Benon Sevan, had taken \$147,000 in payoffs on some of Saddam’s oil deals, linked in various ways to family members of former UN Secretary-General Boutros Boutros-Ghali. (Mr. Sevan and Mr. Boutros-Ghali have denied any wrongdoing).

The result: Apart from a former special adviser to Mr. Annan, under investigation in France, not one UN staff member has faced charges related to Oil-for-Food. No one has even been fired (Mr. Annan wrongly fired one staffer who was later reinstated). Mr. Sevan was allowed to leave the country during the investigation – while the Secretary-General’s office assured the press there was no cause for concern, or the Volcker Committee would surely let us all know. Mr. Sevan has never faced charges and since last year has been living as a free man in his native Cyprus, on full UN pension.

When I asked the Secretary-General’s office some weeks ago if the UN along with providing Mr. Sevan with full pension had paid Mr. Sevan’s moving expenses from New York back to Cyprus, I was told this was a personal matter, and therefore confidential.

That is an oddly protective and secretive reality, much at odds with Mr. Annan’s promise back in 2004 of transparency and accountability in the Oil-for-Food saga. Speaking on May 2, 2004, on NBC’s “Meet the Press,” Mr. Annan assured his audience that “We are protecting all the material for the investigation” (while, in fact, as the Volcker inquiry later discovered, Mr. Annan’s then chief-of-staff Iqbal Riza immediately after the launch

of the investigation had begun shredding three years' worth of UN executive suite documents potentially relevant to the inquiry). Mr. Annan went on to promise, in reference to the Volcker investigation, that "if their findings were to conclude that any UN staff member had been engaged in this corruption, he or she will be dealt with severely, their privileges and immunities will be lifted so that if necessary they will be brought before the court of law and dealt with in addition to being dismissed."

Mr. Volcker did, indeed, report findings that Benon Sevan "corruptly" profited from Oil-for-Food. There was no severe dealing whatsoever. Within months, the Secretary-General's public version of this had evolved into the sort of statement Mr. Annan made in London this past February and has since repeated in a variety of venues: "If there was a scandal" it involved "only one staff member... maybe... ."

I cite this in some detail because it is typical of the ways in which the UN obfuscates, evades, denies, promises transparency and accountability – and then brazenly declines to deliver, or be held to account.

This has been the pattern in one UN scandal after another, including reports of embezzlement in UN agencies, sexual exploitation of minors by UN peacekeepers in Africa; conflicts-of-interest involving a number of Secretary-General Kofi Annan's handpicked special advisers and envoys, and so forth.

In only one of the recent scandals have we seen actual arrests – the Procurement Division bribery and bid-rigging scandal, which led to the federal indictment and guilty plea of UN Russian staffer Alexander Yakovlev, and the subsequent indictment of the head of the UN budget oversight committee, Alexander Kuznetsov (who has pleaded not guilty). In those instances, Mr. Yakovlev's involvement first surfaced not – I stress *not* – due to disclosures by the UN, or even by the Volcker committee (which in the first of its three interim reports portrayed him as a witness defending the integrity of the UN bidding process), but due to a media report by myself and George Russell, Executive Editor of Fox News, last June. In researching that story, we were assured by UN officials that there were no significant concerns about corruption within the UN procurement department. We were told it had been through reforms that had left it clean and transparent.

That turned out to be radically untrue. And since then, in terms of UN transparency and accountability, there has been no improvement. Despite all the talk of reform, some things have gotten even worse –including the disappearance from the UN web site of archives showing even minimal details of billions worth of procurement contacts prior to 2005. One pattern typical of the UN is that "reform" or "investigation" becomes an excuse for refusing to answer even basic questions, or supply data that as a matter of routine belongs in the public domain.

Perhaps the most useful insight I can provide at this juncture is simply by way of listing some examples of the ways in which the UN hides information about how its spends money – whether the \$20 billion or so that flows annually through the overall UN system, or the \$1.9 billion "core" budget now under debate.

1) Procurement. The UN Secretariat provides a list of its officially registered “vendors,” which gives nothing more than the name, country of origin, and in some instances – though, oddly enough, not all – the date registered. There are no addresses, no contact names, no further details whatsoever on why these vendors have been chosen, or who they are.

On the contracts themselves, the UN as a rule discloses nothing more than a few lines noting total price, the supplier, and the affiliated UN office or operation receiving the generically described goods or services. These are listed in cumbersome format, by generic commodity. There is no way an outsider can do a universal search on even this bare bones database. Barring access to leaked documents, there is no way for an outsider to begin to evaluate the integrity of these UN supply contracts. Were UN procurement department disclosure the standard for shopping at your local grocery, you would be offered “beef” at a total price, with no details whatsoever about the cut of the beef or the quantity, and so forth.

To give a concrete example or two, there is no elaboration about some of the more eccentrically described consulting services – such as the recent \$45,000 contract awarded to a Washington firm for “Barrier Removal for the Widespread Commercialization of Energy Efficient CFC-Free Refrigerators in China,” or a contract for \$47,995.47 worth of “stationery articles” from a company in Milan, Italy. These may of course be perfectly reasonable purchases. But apart from depending on the UN’s assurances of its own integrity – which have repeatedly turned out to be false – how is one to judge?

Additionally, there is no information made publicly available by the UN as to exactly which UN employees have handled which precise contracts. Despite allegations by the Volcker inquiry and accusation by federal investigators which tell us, for instance, that Mr. Yakovlev handled at least scores of millions worth of bribe-tainted contracts, the UN has never released a list of the companies he dealt with. How many of the tainted contracts are still in force? How many of the complicit companies are still doing business with the UN? The UN refuses to say.

We do know that Mr. Yakovlev handled the initial design contract for the renovation of UN headquarters, in which millions were paid to a Milan-based architectural firm, Renato Sarno – but we know that solely due to leaked confidential documents, not to any public UN disclosure. I do not mean to allege any wrong-doing in this case; it may have been an entirely innocent connection. But why won’t the UN disclose full details of what went on?

Which brings me to the matter of the vanishing archives. Prior to the procurement department scandal, it was at least possible to look back several years at the minimally informative data on individual contracts. Sometime in the past year, those links were removed from the UN web site, and the only archives now accessible on the UN procurement site are limited to the past 18 months. Even the minimal details describing specific contracts prior to 2005 have been removed.

2) Oil-for-Food. In this case, the contracts signed by Saddam and approved by the UN were even more opaque, with the UN Secretariat –which processed the contracts, administered the \$130 billion or so in flow of funds through Oil-for-Food, and kept the central records -- refusing to release even the names of the contractors or the dollar amounts – until subsequent investigations finally forced at least minimal disclosure. Although to this day, the UN has never released the actual contracts, which most likely include substantial information relevant to the many loose ends left by the UN-authorized Volcker inquiry.

The UN refused to answer questions about vital details of its business under Oil-for-Food when the program was underway, on grounds these were "confidential," then refused to answer questions while Volcker was investigating, on grounds an investigation was underway, and has since refused to answer questions on grounds that the investigation is over.

Nor have we had reasonable transparency from the Volcker Committee -- which operated under terms of reference drawn up by Kofi Annan and approved by the Security Council, which is to say, under terms designed by the UN. Mr. Volcker has never used his investigative discretion to release the underlying documentation, which would include material from which he concluded that some UN agencies were rife with corruption -- but excused himself from naming a single individual, on grounds that he did not have the resources to follow his leads. Why should these leads be withheld? (Security concerns might argue for the vetting of some documents, but do not explain withholding from the public the entire archive).

Further, Mr. Volcker, with the exception of limited materials included in case studies in his reports, has refused to release to the public the documentation behind allegations that more than 2,000 companies paid kickbacks to Saddam -- leaving it solely to the discretion of national authorities whether to follow up. This means that while Mr. Volcker tells us in cryptic one-liners that he has documentation, in some cases from actual bank records, of kickbacks paid to Saddam, there is effectively a free pass for companies in any country that does not choose to open an investigation, or does not seriously pursue such allegations – for instance, China, Russia, Nigeria, Syria, Libya, Sudan and so forth.

3) UN Budget and Outlays

Not only are these formatted so as to be confusing and often non-descriptive in the extreme, but the UN omits breakdowns that would give insight into actual outlays. We know, for instance, that the Secretariat's Department of Public Information spends more than \$85 million per year on UN public relations, but even though the whole point of this department of information is to provide, well, information, we get no detailed breakdown on its own travel expenses, business entertainment, per diem outlays, cost of staff retreats and so forth.

There is no clear source of detailed information on funding and outlays for UN special projects bankrolled via “trust funds,” in which a few member states can launch projects such as the new “Alliance of Civilizations” (to which the Secretary-General has appointed as a special adviser, with the rank of Under-Secretary-General, his retired former chief of staff, the same Iqbal Riza who shredded documents of potential relevance to the Volcker inquiry).

For substantial amounts flowing to the UN from private donors and foundations, there is highly limited information, much of it – once again – generically uninformative, and presented in scattered and cumbersome format.

As for oversight functions, the UN Office of Internal Oversight Services, set up in 1994 as a watchdog, has itself become part of this opaque and inbred system, with the Secretary-General refusing to release any OIOS reports at all until pressured by Congress in 2004. More recently, we have seen at least one important draft report sanitized before release to the member states. There are also by now substantial signs that even in cases where the auditors reported manifold cases of wrong-doing, there is no disciplined follow-up at the UN, and no transparency for anyone outside to be able to judge whether anything has been done or not.

4) Ethic Office and New “Disclosure” Requirements

The UN this January set up an Ethics Office, which has already become part of the cover-up culture. Three weeks after it was set up, Kofi Annan a \$500,000 personal cash prize from the Prime Minister of the United Arab Emirates (who doubles as the unelected ruler of Dubai), courtesy of a jurors' panel that included two UN top-level officials appointed by Annan, and the ambassador of Pakistan to the UN. When I repeatedly queried whether this constituted a flagrant conflict of interest (if not several), the Ethics Office refused to comment, and referred me to the office of the Secretary-General. When another journalist reported some ten weeks later that Annan had appointed yet another member of the prize jury, Achim Steiner, to head the UN Environment Program in Nairobi, Mr. Annan finally relinquished the cash -- but he never conceded the principle that it is quite probably a flagrant conflict of interest for the UN Secretary-General to take cash prizes from anyone or anything connected with the UN (in this case, a member state). Nor has the UN released any specifics of the cash transfer.

The Ethics Office earlier this year also announced that as part of the UN reforms and new “transparency,” top UN officials are required to fill out financial disclosure forms. It is disingenuous to call this “disclosure,” however, since these will not be released to the public – therefore, once again, there is no real transparency. The vetting and supervision will remain inside the same UN bureaucracy that refused even to criticize Mr. Annan for taking \$500,000 in personal prize money.

5) UN Dodges and Manipulations of the Truth

On the petty end, these have included top UN officials deflecting legitimate questions with personal insults (such as those delivered to the highly competent and well-informed Times of London correspondent, James Bone, by Kofi Annan in re Kojo Annan's Mercedes, and by Mark Malloch Brown in re his tenancy on the estate of George Soros; or to me, on occasion, by Mr. Annan's office in re questions about Oil-for-Food). On a more disturbing scale, such dodges have also included falsehoods, such as Mr. Annan's statement in 2004 that all documents relevant to the Volcker investigation were being preserved, or that those judged guilty of wrong-doing would be severely dealt with. Or we hear such artful circumlocutions as Mr. Annan's statement that he had seen "no evidence" of "wrong-doing" by anyone on his staff – although we now know he had ample cause to wonder, and had known for years that there were severe problems with graft under Oil-for-Food, but chose not to report it either to the Security Council or the public.

In talking about UN reform, it is natural to seek some measure of hope. But I think even more important than that is an acknowledgement of basic truths. It is not clear to me that the United Nations is fundamentally configured to behave as an honest institution, or is even institutionally capable of what we mean in a free society when we talk about reform.

The UN is not a democracy, but a collective. It is the product of a past century which was prone – at terrible cost -- to collectivist experiments. Those nation states that embraced this form of governance ended up with despotic and corrupt ruling structures which either crashed, dissolved or began to evolve painfully into something rather different – apart from a few holdouts such as, say, North Korea. Those changes came about largely because the governments were in one way or another finally called to account by their own citizens.

At the UN, there is no constituency that has been both willing and able to rise up and require profound regime change. With its \$20 billion system-wide annual budget, and its currently much-debated \$2 billion Secretariat "core" budget, the UN represents, among other things, a poorly supervised and very large pot of money, combined with a logo that confers diplomatic immunity, a variety of special privileges, and a calling card recognized around the globe. Put this together with the profound lack of transparency and the jockeying of member states, some of which have come to regard it as their right to fill patronage slots in the Secretariat and on the various commissions, agencies, and so forth. You have a breeding ground for special-interest groups who will fight hard to prevent any significant reform. You have the additional problem that the UN system in all its opaque complexity is difficult for any outsider to grasp, exhausting to debate, and packed with senior officials experienced in out-manoeuvring measures meant to impose reform.

The result is cycle after cycle of ineffectual reform, in which the promise to shape up becomes a substitute for any genuine improvement in integrity, accountability and transparency. All this mattered somewhat less during the Cold War, when the UN was relatively constrained in the scope of its activities. But since the Cold War ended, the UN has been enjoying new pride of place in this new world order. Over the past 15 years we have seen a rapid growth of the UN system, huge proliferation of peacekeeping missions, and proposals for everything from UN meddling with the internet to a UN system of global taxes—meant to generate automatically funds that would flow through the opaque and dysfunctional system described above.

At the heart of this, we have seen the rise of an increasingly imperial secretariat. While the UN charter describes the role of the Secretary-General as Chief Administrative Officer – meant simply to serve the Security Council -- we now have a Secretary-General who describes his role as “perhaps Chief Diplomat of the World” – and no one calls him to account. This is a job description that begs the question of who or what exactly he represents – the Secretariat? The entire UN, including the General Assembly? The world?

In democratic societies, such representation – if that’s what it is – would come with accountability. At the UN, it does not. We have just seen the release of a study commissioned by the UN staff union and led by widely respected British barrister Geoffrey Robertson, the “Report of the Commission of Experts on Reforming Internal Justice at the United Nations,” which found that there is no adequate system of internal justice at the UN. Inside the diplomatically immune world of the UN is a “judicial” system that is not only unwieldy, secretive and slow, but which can in any event be over-ridden by arbitrary decisions of management. There is no institutional mechanism for impartially holding UN personnel accountable for their actions. There is no impartial standard of law to which UN top officials are subject.

In fact, this judicial reform commission found that the UN, in its treatment of its own staff, is in violation of the human rights standards it prescribes for others. In effect, the UN has become a sort of aspiring super-state which lacks anything resembling a healthy judiciary. The result, as tends to happen in despotic institutions, is that those who arrive in positions of top management run the show pretty much as they please, while those lower down have no recourse against injustice.

This is unfortunate for staff members who invest a significant chunk of their careers in the place and then fall foul of someone higher up the pecking order. But the more alarming implications for the rest of us are that there is essentially no forum in which UN top management is held accountable. Those who manage the Secretariat – and who will be tasked to carry out whatever reforms might next be prescribed -- are both diplomatically immune from the jurisdiction of host countries, and also unaccountable within the UN system. Emblematic of this arrangement is that while it is possible in the U.S. to impeach a wayward president, at the UN there is no mechanism for removing a Secretary-General.

The result, as I testified to a number of congressional committees two years ago, is a system of secrecy and privilege. With a license that more closely resembles the propaganda of despotisms than the debate of free societies, high officials of the Secretariat can lie, distort, cover-up and violate their own organization's charter, all with impunity.

We are now hearing talk from UN management of some sort of freedom of information act. That sounds all very healthy and good, but leads right back to the same problems I have tried to describe here. In a system without real accountability, who will monitor good-faith compliance? Who will be held accountable if, like the promises of oversight by OIOS, the protestations of ample auditing and transparency under Oil-for-Food, the assurances early last year of an honest procurement department, the UN does not live up to this latest proposal for reform?

Lacking institutional remedies, we are left to rely right now on the integrity of those holding the top positions at the UN. Currently, we have a Secretary-General who did not regard it as a conflict of interest to accept a \$500,000 cash prize from the ruler of Dubai; who has blankly refused to account for or even discuss the UN records of the Mercedes imported by his son into Africa under false use of the Secretary-General's name and UN perquisites; and who promoted to head of a UN office with a \$64 million annual budget (the Economic Commission for Africa) the UN resident representative who handled the Mercedes paperwork in Ghana and then claimed that neither he nor the Secretary-General had a clue anything improper was going on. Assuming it was all an honest mistake on the UN side, we are still left with big questions about the competence of the UN system to prevent such abuse.

We have a Deputy-Secretary-General, Mark Malloch Brown, who has publicly declared he does not consider it a conflict-of-interest to rent a house for what we are told is \$10,000 per month on the estate of George Soros, who according to Mr. Malloch Brown himself "collaborated extensively" with the UN Development Program while Mr. Malloch Brown was running that same UNDP. Despite numerous requests from the press, the UN has never produced any records documenting that Mr. Malloch Brown's tenancy is an arm's-length arrangement, nor has Mr. Malloch Brown volunteered any.

Here is one test of good faith. A great deal of the information currently withheld by the UN does not have to wait upon any freedom of information act. Secretary-General Kofi Annan could release it now, if he wanted to. At the very least, one might expect full public disclosure of records pertaining to procurement division contracts (past and present), of UN records handed over to the Volcker committee, of detailed budget outlays, and actual public disclosure of the UN's new "financial disclosure" forms for senior staff.

Thank you, and I would be glad to answer any questions you might have.