

**REPORT OF THE SECRETARY-GENERAL PURSUANT TO PARAGRAPH 6
OF SECURITY COUNCIL RESOLUTION 1210 (1998) - (S/1999/187)**

**Introductory statement by Benon V. Sevan, Executive Director of the Iraq
Programme, at the informal consultations of the Security Council, on 25 February
1999**

The limits inherent in the implementation of the programme have been subject to constant evaluation and reporting by the Secretary-General to the Council as well as by the Office of the Iraq Programme to the 661 Committee. We have been engaged in discussions on a regular basis with the Government of Iraq, members of the Security Council as well as other Member States and interested parties in an effort to identify effective means of increasing the impact of the humanitarian programme.

One of the most comprehensive assessments of Iraq's humanitarian requirements was contained in the Secretary-General's supplementary report (S/1998/90), which was endorsed by the Council in resolution 1153 (1998), albeit within the framework of resolution 986 (1995). You will recall that the Secretary-General has always called on the international community to adopt a wider perspective on the issue in order to provide the full range of complementary assistance to the Iraqi people.

The Secretary-General has welcomed the establishment of the Panel on Humanitarian Issues, under the chairmanship of His Excellency Ambassador Celso Amorim of Brazil who can count on the full support and cooperation of the Office of the Iraq Programme as well as of all the agencies and programmes involved in the implementation of the humanitarian programme. We very much hope that the Panel will identify ways in which all concerned can respond to the humanitarian situation in Iraq with more effective and adequate measures.

In addition, as the Council has been informed previously, we have already initiated an interagency review and assessment of the programme over the last two years. This will encompass the performance of the programme in the context of the overall humanitarian situation. Drawing on data available to the United Nations in Iraq and other relevant studies, the review will also examine the impact of the continuing degradation of physical and social infrastructure.

The Secretary-General's 90-day report outlines many issues which require urgent attention both by the Government of Iraq and the Security Council and its Committee established pursuant to resolution 661 (1990).

Limited Funding

The increasing shortfall in revenues required for the implementation of the programme has become the greatest challenge which we have been facing since the start of the previous phase. For the current phase ending on 25 May, gross oil revenues are anticipated to reach \$2.9 billion, leaving only about \$1.8 billion for humanitarian supplies and oil spare parts and equipment for the Iraqi oil industry, in contrast to the \$2.7 billion required for the implementation of the humanitarian programme.

Enhancing oil revenues is therefore key to achieving the complementary multi-sectoral objectives of the programme. Iraqi crude oil prices, however, are not expected to recover significantly over the coming months from their current levels of between \$8 and \$9 per barrel. We are therefore far from a position where we could reach the target of the revenues authorized at \$5.2 billion by resolution 1153 (1998). Accordingly, any suggestion to raise further the ceiling of revenues is simply an academic exercise, unless bold, imaginative and pragmatic alternatives for investment in Iraq's oil industry are considered by the Council. There is no way, and can be no way for Iraq, to increase its capacity to export additional oil to finance both the humanitarian programme and to meet the demands for necessary spare parts and equipment. As stated in the report of the Secretary-General, the current arrangements for the supply of oil spare parts and equipment are not expected to make a significant impact on oil exports until March 2000.

We welcome the increasingly flexible approach taken by members of the 661 Committee in reducing substantially the holds placed on oil spare parts and equipment. However, just as we welcome the decrease in numbers of holds, we face additional holds placed on new applications. We hope that after further reviews those holds will also be lifted.

While net revenues available for the implementation of the humanitarian programme, and for oil spare parts and equipment, are constrained by low oil prices and the long wait prior to a sustained increase in Iraqi oil exports, the slow rate of reimbursement from the 13 per cent account continues to penalize the funding for applications under the 53 per cent account. Accordingly, I should like, on behalf of the Secretary-General, to reiterate the recommendation to consider favourably the proposal submitted to the 661 Committee by the Secretariat on 11 February 1999.

About \$34 million of approved applications, for example, continue to await funds almost 10 months after the end of phase III, on 25 May 1998. Among

those applications are \$3.4 million worth of pharmaceuticals, \$7.3 million of medical supplies and equipment, and \$1.3 million of agricultural inputs. For phase IV, the funding of about \$100 million of contracts for oil spare parts and equipment is also likely to be delayed for many months as a result of the combined effect of processing delays due to holds, and the slow rate of reimbursement from the 13 per cent account.

Implications of the shortfall on programme implementation

The implications of the shortfall of available revenue against that predicated in the Secretary-General's supplementary report are complex. On the one hand, the United Nations has held firm to the clear priority accorded to nutritional inputs in regard to increased caloric value of the food basket, targeted nutrition supplies for those most at risk and enhanced support for domestic food production. Of these, by far the most expensive is the food basket. Indeed, in phases IV and V, it absorbed an unprecedented share of the funds provided under the programme. This has reached such a level that it threatens the efficient implementation of programmes in almost all other sectors by reducing their share. This in turn undermines their complementary role in boosting the health and nutritional status of the Iraqi people. The United Nations has tried to maintain an equilibrium so that other sectors are at least able to finance recurrent costs for consumables and spare parts, albeit that, in the main, provision of major equipment and infrastructure inputs have been postponed. Through the daily work of United Nations observers, we keep short term requirements under constant review and this information is becoming increasingly helpful in our discussions with the Government of Iraq on the processing of contracts. Observation and assessment also continues on the state of Iraq's infrastructure and I again draw the Council's attention to the dire state of the electricity sector which should be considered as a priority as it has a direct impact on all sectors. The sheer range of operating difficulties facing electricity generation and distribution has been recently reported in considerable detail to the Security Council Committee.

In view of the substantial shortfall in funding, the Office of the Iraq Programme has requested the Government to submit revised allocations for the implementation of the programme during the current phase. While awaiting the Government's revised allocations, we have suggested to the Government the rollover of selected phase IV applications into phase V in order to ensure that immediate requirements are met. In our discussions with the Government, we have emphasized the importance of maintaining established programme and sectoral priorities.

Even if all the desired funding were available to address Iraq's complex humanitarian requirements, these would still need greatly improved delivery and distribution mechanisms in order to ensure the full impact on the humanitarian situation. The report before you outlines some of these complex issues as they affect the process from suppliers to end-users.

Concentration of implementation resources

Any humanitarian programme, on whatever scale and regardless of whether comprised of emergency or rehabilitation projects, necessarily requires supporting services. These range from basic transport and logistics to the design and execution of a particular project. Each aspect requires adequate planning, staffing and finance. Regrettably few of these essential prerequisites have been made available in an efficient and timely manner and as resolution 986 (1995) concentrates overwhelmingly on the provision of imported commodities, it has not been able to guarantee the optimum utilisation of goods supplied under the programme. I welcome the 661 Committee's recognition that major engineering projects in the oil and electricity sectors require the funding of service arrangements. This is a realistic response to a very grave situation and the unavailability, locally, of all necessary technical expertise and resources. However, many smaller projects and activities seeking to utilise supplies delivered under the programme also require similar assistance. A greater measure of flexibility by all concerned would be welcome and the Panel on Humanitarian Issues may wish to review the issues involved.

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Finally, Mr. President, I wish to inform you that I have taken the initiative to make available to the members of the Council a copy of the comments of the Government of Iraq on the report of the Secretary-General, which were received in New York late last Tuesday evening, and required translation. I believe it is only fair that we make them available to members of the Council during the consideration of the report before you. The distribution of the comments is in line with our sincere efforts to ensure full and unadulterated transparency in carrying out the tasks entrusted to us.

We welcome the detailed and substantive comments offered by the Government. Unfortunately, due to constraints of time we could not discuss the comments with the Government before issuing the report. We are currently reviewing the comments and will be seeking, as necessary, clarifications from the UN agencies and programmes concerned on a number of issues. Certain comments by the Government raise issues which require further review by the

agencies and programmes with their respective counterparts in the technical ministries, which we had already intended to raise in our review and assessment of the programme implementation.

The submission of the detailed and substantive comments by the Government should be considered a positive development. For the first time there is some information provided, or I should say, some indication given by the Government of its own efforts outside the 986 programme. The absence of information on inputs by the Government regarding the various sectors has been one of the major difficulties encountered by the United Nations system. I wish to express the hope that the Government will cooperate in our review and assessment of the implementation of the programme and make available all the information required.

Annexes:

**Status of Phase IV Applications Processing - 53% Account
(including bulk procurement) 24 February 1999**

(Millions of dollars)

Sector	Enhanced DP Allocation	GOI * Allocation	Received in New York	Received but not circulated	Circulated	Approved	On Hold	Funded	Approved Pending Funding
Food	1113.0	906.0	911.9	(8.0)	903.9	902.8	1.1	902.8	0.0
Health	274.0	200.0	213.8	(10.8)	203.0	172.8	19.6	152.3	20.5
Oil Spares	300.0	300.0	276.0	(19.9)	256.1	227.7	24.9	203.4	24.3
Electricity	287.5	250.0	289.8	(117.7)	172.1	169.0	2.8	169.0	0.0
Agriculture	193.0	130.0	118.2	(10.4)	107.8	106.7	1.1	97.1	9.6
Wat/San	174.5	90.0	82.6	(66.4)	16.2	16.0	0.2	16.0	0.0
Education	53.0	50.0	24.6	(0.0)	24.6	23.0	1.6	22.8	0.2
Food Equipment	180.0	80.0	95.8	(18.4)	77.4	52.3	25.1	52.3	0.0

Total	2575.0	2006.0	2012.7	(251.6)	1761.1	1670.3	76.4	1615.7	54.6
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*Revised allocations as indicated in the letter of 24 October from the Permanent Mission of Iraq to the Executive Director of the Iraq Programme

Current Value of Phase IV to V Transfers By Sector & Their Impact On Phase IV Approvals

Sector	Enhanced Distribution Plan Allocation	Current value of Phase IV Approvals	Value of Phase IV Approvals Transferred to Phase V	Value of All Phase IV Comms. Transferred to Phase V
Food	1,113,000,000	902,840,029	104,061,854	179,607,075
Health	274,000,000	172,778,848	0	0
Electricity	287,500,000	168,969,326	0	0
Agriculture	193,000,000	106,652,617	14,017,855	57,797,775
Wat/San	174,500,000	16,021,043	1,000,000	29,952,028
Education	53,000,000	23,007,390	480,000	21,958,047
Food Equipment	180,000,000	52,337,911	0	69,623,953
Totals:	2,275,000,000	1,442,607,164	119,559,709	358,938,878

**Status of Phase V Applications Processing - 53% Account
(including bulk procurement) 24 February 1999**

Sector	DP V Allocation	Received in New York	Received but not circulated	Circulated	Approved	On Hold	Funded	Approved Pending Funding
Food	1056.0	618.7	(60.6)	558.1	537.1	0.0	421.9	115.2
Health	219.0	8.5	(1.7)	6.8	5.0	0.0	4.1	0.9
Oil Spares	300.0	0.0	(0.0)	0.0	0.0	0.0	0.0	0.0
Electricity	293.0	2.3	(2.3)	0.0	0.0	0.0	0.0	0.0
Agriculture	146.0	77.1	(76.6)	0.5	0.5	0.0	0.5	0.0
Wat/San	127.5	31.4	(31.4)	0.0	0.0	0.0	0.0	0.0
Education	75.0	23.5	(23.5)	0.0	0.0	0.0	0.0	0.0
Infrastructure	107.3	0.0	(0.0)	0.0	0.0	0.0	0.0	0.0
Food Equipment	120.0	87.9	(85.6)	2.3	2.1	0.0	1.8	0.3
TOTAL	2443.8	849.4	281.7	567.7	544.7	0.0	428.3	116.4

**STATUS OF HOLDS AS AT 20 November 1998 & 24 February 1999
UNDER PHASE IV**

SECTOR	Holds at 20 Nov 98	\$ Value	Imposed	Lifted	Holds at 24 Feb 99*	\$ Value
Food Basket	3	1,069,500			3	1,069,500
Medicine	8	38,644,852	11	8	9	19,603,030
Food Handling	5	25,099,010			5	25,099,010
Wat/San	1	172,000	1	1	1	172,000

Electricity	2	77,771,970		1	1	2,841,970
Agriculture	7	2,443,590		1	4	1,082,500
Education	7	2,325,585		3	4	1,625,095
SUBTOTAL	33	147,526,507	12	14	27	51,493,105
Oil Spares/Equipment	105	44,294,840	87	102	90	24,888,722
GRAND TOTALS	138	191,821,347	99	116	117	76,381,827

*Figures in this column may not tally as a result of held applications being transferred or withdrawn