

## Briefing by Benon V. Sevan, Executive Director of the Iraq Programme, of the Security Council at its informal consultations held on 7 February 2000

Thank you Mr. President.

This morning I intend to keep my remarks to a minimum and simply update you on developments since the letter dated 14 January 2000 from the [Secretary-General addressed to the President of the Council \(S/2000/26\)](#), submitting, together with the report of the oil expert, a detailed list of parts and equipment for the oil industry during phase VII, and the [Secretary-General's report \(S/2000/22\)](#) submitted to the Council on the implementation of paragraphs 15 to 30 of resolution 1284 (1999) adopted on 17 December 1999. (S/2000/22) on the first 30 days of the implementation of

The Secretariat is working harder than ever on a number of fronts to maintain the oil for food programme as it grows in size and complexity and also to assemble authoritative information to assist the Security Council and its Committee in addressing the new provisions contained in resolution 1284 (1999).

Let me express at the outset our sincere appreciation that the Council endorsed the Secretary-General's recommendation that the information and recommendations to be included in the reports requested in paragraphs 28 and 30 of resolution 1284 and in paragraph 5 of resolution 1281 (1999) be included in a single report to be submitted to the Council on 10 March. Such a single comprehensive report will provide the basis for a constructive exchange of views on a range of related issues next month.

### **Oil Sector**

The letter of the Secretary-General on the oil sector reflects the outcome of the visit of an independent oil expert who visited Iraq from 15 to 21 December for the purpose of working with Ministry of Oil in the preparation of that part of the distribution plan for phase VII relating to the oil industry.

The conclusions are consistent with earlier reports. Iraq's oil industry continues to be in a lamentable state. We would appeal to all members of the Council to reflect on the argument that - unless key items of oil industry equipment are made available and commissioned within a short time, the production of oil is likely to drop, even under a regime of severe risk management. This is a very clear warning.

The independent experts contracted by the United Nations have always noted that their predictions on Iraq's export capacity depend on the timely arrival of spare parts and equipment. That isn't happening – to date around \$250 million\* of oil sector equipment has actually arrived in Iraq while \$288 million worth remains on hold.

Mr President – allow me to repeat the Secretary-General's recommendation that Iraq be authorized to purchase an additional \$300 million dollars worth of spare parts using revenue from phase VI. There is currently sufficient unallocated revenue available from phase VI to cover this additional amount. On the information presented this Council over nearly two years there can be no doubt about the need of Iraq's oil industry for higher levels of assistance.

So far as oil sales are concerned in the current phase OIP has received 96 contracts of which 92 have been approved by the 661 Committee. The total volume of oil approved is 254.6 million barrels. To date 88.9 million barrels have been exported for revenue estimated at \$2.14 billion. Based on current contracts for the sale of oil and prevailing prices we estimate that revenue in phase VII should be around \$6.6 billion.

The volumes of oil approved and exported show a marked reduction when compared to the same period in phase VI. At the same point in Phase VI the overseers and the Committee had approved contracts for the export of 350 million barrels of oil. Actual exports at that point were also greater at 108 million barrels.

However, the price of oil is currently much higher than through most of phase VI and, despite the drop in volume revenues in the current phase are significantly higher than in phase VI.

Mr. President – the oil market continues to be volatile and therefore there is no room for complacency in witnessing the rise in oil prices. I should like to recall

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that at the start of the programme three years ago the price of oil was at \$18 per barrel, then dropped to \$8 per barrel and now is around \$25 per barrel.

Pursuant to paragraph 30 of resolution 1284, the Secretary-General established a group of six experts with skills in different sectors of the oil industry. The team visited Iraq from January 16 to 31. Their report will be presented to the Council on 10 March.

## **1 Per Cent Account**

In paragraph 20 of resolution 1284 (1999) the Council suspended implementation of paragraph 8 (g) of resolution 986 (1995). This decision left hanging the issue of what to do with one per cent of Iraq's oil revenue. You have before you the proposal of the Secretary-General that this one per cent be added to the allocation for the humanitarian programme in the south and center of Iraq – the account we usually call the 53% account. I believe this would be a logical and equitable use of the additional resources and would ask for your endorsement of the Secretary-General's recommendation (S/2000/22, para 22).

## **Programme Review**

We welcomed the Council's requests contained in paragraphs 21 and 28 of resolution 1284 (1999) to review both the observation mechanism and the progress of the programme in meeting the humanitarian requirements of Iraq's people. On the first point, my Office has already begun an internal review of the observation work – taking into account the dramatic changes in the programme with the arrival of substantial quantities of non-food and medicine supplies over the past year.

We are presently undertaking the review of the progress made in meeting the humanitarian needs of the Iraqi people, which will be an input to the Secretary-General's report to be submitted on 10 March. We plan also to share the results of the review with the Government of Iraq. We should have no illusions here – without the full support and cooperation of the Government it will not be possible to conduct a proper review of the humanitarian situation and of the revenues needed to meet the needs of the people.

Except in a few cases, however, it has not been possible to engage the Government formally in detailed discussions regarding the extent of humanitarian needs and to collaborate on possible measures to address those needs.

## **Specific Tasks**

With your permission Mr President, I would like to go through some of the specific tasks given to the Secretariat in resolution 1284 and advise on our work to this point.

In paragraph 26, the Secretary-General was asked to make arrangements for Iraqis to perform the important religious duty of the Hajj. Over the past three weeks I have consulted – on behalf of the Secretary-General - with most of the members of the Security Council individually and with the Permanent Representative of Iraq to review options for making such arrangements. While these consultations are continuing and all parties appear willing to find a workable solution, there is not yet a basis for agreement on this issue.

In paragraph 24, the Council opened the possibility for funds to be used for the purchase of locally produced goods and to meet the local cost for essential civilian needs including for installation and training services. My Office is currently engaged in finalizing terms of reference for the United Nations Office of Project Services to investigate the possibility of implementing this provision and reporting back to me.

In paragraphs 17 and 25, the Council directed measures to facilitate and streamline the approval of contracts for humanitarian supplies. This was in line with recommendations made by the Secretary-General in his programme review of February 1998 (S/1998/90).

During last month, my Office circulated to the Committee draft lists of items in the food and education sectors. We have also circulated guidelines for the operation of this new procedure. There have already been some informal exchanges of views with the Committee and we now await their detailed response. Meanwhile, we are drawing up lists for the health and education sectors for circulation shortly.

Our approach here is obvious – the food and education sectors are the least difficult and we hope that by reaching agreement with the Committee on these sectors we will establish sufficient areas of common understanding to work constructively on other sectors.

Internally, we have revised some of our internal procedures and have updated the database to take account of these new procedures. Once the Committee agrees to the lists, the Secretariat will be able to implement these provisions of resolution 1284.

I would underline here that we are not opening up any loopholes. Applications will be scrutinized by OIP's Contracts Processing Section and the joint unit established under resolution 1051 (1996). Where necessary, OIP will seek further information from the submitting permanent or observer mission and in cases where doubts remain, applications will be circulated to the Committee.

On oil spare parts and equipment, paragraph 18 of resolution 1284 proposes a panel of experts to approve contracts in this sector. This issue was discussed with the Committee last week and in individual meetings with a number of delegations. There appears to be consensus emerging that this group should comprise technical experts rather than political appointees and that it should work as an integral part of the Office of the Iraq Programme. In this context I would remind the Council that it has been unable to agree on the appointment of additional oil overseers. From the original four overseers at the outset of this programme we currently have just one oil overseer who been working alone since July last year – this is an unreasonable situation and I would ask Council members to renew their efforts on this matter.

## **Holds**

Mr President, this is my first time speaking to the newly constituted Council, which means that five of the delegations here have not yet heard me voicing our serious concern at the persistent high level of holds placed on applications for humanitarian supplies and especially on oil sector equipment. I do not propose to repeat what I have said each time I have sat in this chair beyond the following few points:

There continues to be a steady increase in both the number of applications placed on hold and their value. In phases IV to VI there are currently 1068 applications on hold with a total value of \$1.596 billion dollars. This is 23 per cent of the dollar value of all applications circulated in these three phases. A small number of high value applications dominate this picture – 25 applications on hold, mainly in the electricity sector, account for over \$800 million or half of the total value of holds.

In successive reports and letters, the Secretary-General has appealed to delegations around this table to review this situation with a view to lifting holds wherever possible in order to improve the implementation of this programme. To date, there has not been a significant response to those appeals.

The workload is enormous. For our part, we are in the process of recruiting additional customs experts and support staff to cope with the flood of

applications which followed the high revenue achieved in phase VI. There is currently a backlog of around 800 humanitarian and oil sector applications – my colleagues and I believe this is unacceptable and are making every effort to accelerate our processing of these contracts.

Mr President, that is all I wish to say at this point. As I noted, the letter and the report before the Council and my briefing are interim in nature and reflect work that is still in progress in responding to the requests contained in resolution 1284 as well as our ongoing work under the provisions of resolution 1281.

Thank you.