

Briefing by Benon Sevan, Executive Director of the Iraq Programme,
at the informal consultations held by the Security Council
on Thursday, 22 July 1999

Visit to Iraq

(16 June to 6 July 1999)

TALKING POINTS and related

- Held intensive series of long working meetings with the Vice President of Iraq as well as all the Ministers responsible for sectors with which the Humanitarian Programme in Iraq is involved pursuant to Council resolution 986 (1995) - (Foreign Affairs, Oil, Education, Finance, Transport and Communications, Health, Trade, Agriculture, Presidential Adviser on Electricity). Met in fact twice with some of the ministers. Additional meetings were also held with their respective senior officials.
- Visited the three governorates in the north (Dohuk, Erbil and Suleimaniyah) where the United Nations implements the programme on behalf of the Government pursuant to the MOU.
- Met with local authorities, including Messrs. Masood Barzani and Talabani.
- Held numerous meetings with all UN agency and programme representatives and visited many project sites.
- Held a meeting with NGOs in Baghdad.
- Met individually with many heads of diplomatic missions in Baghdad and briefed the diplomatic corps prior to departure from Baghdad.

General remarks

Throughout the visit was received very warmly by the Vice President and all the Ministers and their respective colleagues. Had a similar warm reception by the local authorities in the north.

The meetings held were the most open and frank meetings I have had during my three visits to Iraq since start of my assignment as Executive Director of the Iraq Programme on 15 October 1997. The discussions were held in a truly frank atmosphere, with a view to resolving difficulties encountered and improving the implementation of the humanitarian programme.

Reiterated that it was essential to depoliticize the humanitarian programme in order to achieve its humanitarian objectives.

Throughout the visit, reiterated also that all United Nations personnel, including myself, associated with the humanitarian programme should refrain from getting involved in political issues - not even by implications - and should concentrate all their efforts strictly on the implementation of the humanitarian programme pursuant to the mandate given to the Secretary-General by the Security Council in resolution 986 (1995), and in compliance with the provisions of the Memorandum of Understanding signed between the Secretariat and the Government of Iraq..

The North

There has been considerable progress made in the implementation of the programme in the three northern governorates of Dohuk, Erbil and Suleimaniyah.

Implementation rate in some sectors was slower than I would have liked to see e.g., education and electricity in particular, as it affects all sectors.

In electricity there is a lot to catch up with as the implementation rate in that sector had a very slow start in the earlier phases.

As promised to you a year ago, I am pleased to inform that we have put our house into order as far as the electricity projects in the north are concerned and the implementation of the projects are in good hands..

Am determined to push for further improvements in the implementation rates, particularly in the education sectors.

The United Nations can and must improve further its performance in the North.

The key issue during my visit to the North was the question of electricity supply. On this issue, during my meetings in Baghdad, the authorities called for reconnecting the three governorates to the national grid - as they put it, Baghdad has the expertise, and emphasized the necessity of standardization. Besides, they told me they could complete the electricity projects during a period of 3 to 5 months.

I pointed out that while on technical grounds one could not argue against the reconnection to the national grid, the local authorities had repeatedly insisted to have their own independent electricity system. Since the Governorate of Dohuk was already connected to the national grid, I added, the Government may wish to consider making Dohuk as a model by providing additional electricity supply to Dohuk on a regular basis, which was responded favourably by the authorities.

When I raised the question with the local authorities in the north, the local authorities in the three governorates told me that while they had no objection to reconnect to the national grid and, in fact, they were ready to meet, as they put it, the expenses of reconnection "up to their border", they would like to continue with the implementation of the current electricity projects in their respective governorates.

A series of further technical discussions between the authorities in Baghdad and UNDP experts will resume during the first week in August.

The impact of our accelerated implementation in the northern governorates is clear. There is new construction to be seen, greater economic activity and fewer complaints from local authorities. Indeed, their principal concern at all my meetings was how to ensure their current share of financial support (13 per cent) beyond sanctions.

Centre/South

Our main responsibility in the fifteen governorates in the Centre/South is observation of the equitability, adequacy and effectiveness of distribution of supplies provided under humanitarian programme. We also monitor the utilization of oil spare parts and equipment.

Since the start of the humanitarian programme, over \$3.4 billion dollars worth of food supplies and close to \$700 million worth of health supplies have arrived in Iraq. Food and medicine alone, however, can not resolve the very serious difficulties experienced in improving the dire humanitarian situation in Iraq. The improvement of the nutritional and health status of the Iraqi people through multi-sectoral approach, as recommended by the Secretary-General and endorsed by the Security Council in resolution 1153 (1998) is being seriously affected as a result of excessive number of holds placed on supplies and equipment for water and sanitation and electricity.

With reference to humanitarian supplies which have reached Iraq, I was determined during the visit, as I put it, "to demystify" the question of excessive amounts of humanitarian supplies and equipment provided under the humanitarian programme, being held in government warehouses.

This particularly applied to medical supplies and equipment, although it also applied to some other sectors.

I welcome the understandings reached with all the Ministers concerned to review the inventory currently in government warehouses, regarding supplies and equipment received under the programme, and prepare the categories of items together with their respective dollar value, for example, list of items received which were defective or did not meet quality control standards, list of items which require complimentary supplies, parts and equipment which are either on their way to Iraq or had been placed on hold by the 661 Committee, as well as list of items stored as buffer stocks, among others.

Assurances were received from the Vice President that the necessary directives to the ministries concerned would be given.

WHO and UNICEF, together with UNOHCI, have already started working, with the authorities concerned, on the inventory of supplies and equipment in the health sector:

- Buffer stocks
- Supplies which have failed quality testing
- Defective equipment
- Unmatched arrival of complementary items, including essential complementary items which have been placed on hold
- Allocations to semi-private centres kept at central warehouses

- Uninstalled equipment lacking spare parts or installation services

Throughout the meetings there was an openness to share information, including for the first time information provided by the Minister of Trade regarding the supplies provided from Government stocks to meet the shortfalls in the monthly food basket.

A major problem being faced by the Government is regarding supplies and equipment which on arrival are found to be defective or do not meet quality control standards.

I emphasized the necessity to enter in to contracts with reliable suppliers and avoid excessive dependence on brokers.

The situation has worsened as many suppliers with whom Iraq has had long standing commercial dealings have become reluctant to supply goods under the 986 programme, given the lengthy delays in contracting and approval. As a consequence, Iraq is obliged to procure through less reliable brokers. This further reduces the likelihood of compensation when sub-standard supplies and equipment are received.

It is essential to find ways and means to ensure that supplies and equipment provided by contractors are in compliance with their contractual commitments, e.g. performance bonds etc.

The 661 Committee recently reviewed procedures regarding the above matters and decided to maintain current procedures.

The Secretariat stands ready to assist the 661 Committee in finding appropriate measures in that regard. The Office of the Iraq Programme is consolidating the relevant procedures and understandings reached by the 661 Committee, which should be helpful to both the Committee, the Government of Iraq as well as to potential suppliers.

The Government needs to be more careful in the selection of contractors.

Drought

- The drought is affecting not only Iraq but the whole region.
- The United Nations agencies, specifically FAO, are preparing a plan to deal with the drought which will include sinking new

water wells for communities across the 18 governorates which are particularly vulnerable to the effects of the drought.

- Between 1.2 million to 1.5 million sheep and over 50,000 heads of cattle had already been moved to the three northern governorates. You could see the stream of herds moving to the north for grazing, by foot or by truckloads.
- The water levels at the two dams, the Derbandikan and Dokan, in the North, were 23 metres below normal levels during my visit.
- In the distribution plan for phase VI there are a number of activities related to drought.
- Requested the Government to indicate in the contracts when they are related to anti drought activities in order to have priority approval by the 661 Committee.

Foot and mouth disease

FMD is also affecting not only Iraq, but the whole region.

FAO has already ordered 1.8 million doses of FMD vaccine. It is expensive, costing \$1.00 per doze. Each animal requires booster shots every two months. The kind of strain prevalent in Iraq requires a special kind of vaccine which is produced, according to FAO, only by three establishments, one in India, one in France and one in Ethiopia. FAO doubts that the companies concerned could meet the magnitude of the demand. Another problem being faced is, according to FAO, the fact that by the time the vaccines arrive in Iraq, they lose over 30 per cent of their potency, during the flight from Delhi to Amman and then by road (1,000 kms) to Baghdad.

FAO will send an assessment mission to Iraq to review further the situation. The Office of the Iraq Programme is working closely with FAO in formulating the terms of reference of the assessment mission.

Oil spare parts and equipment

Under cover of his letter dated 2 July 1999 addressed to the President of the Security Council, the Secretary-General submitted, pursuant to paragraph 9 of

resolution 1242 (1999, a detailed list of parts and equipment necessary for the purpose described in paragraph 1 of resolution 1175 (1998). In order to help prepare the list, the Secretary-General dispatched a group of experts to Iraq, and the report of the group appears as an annex to the letter of the Secretary-General (S/1999/746).

According to the group of experts, while the estimated value (\$600 million) of the list of spare parts and equipment submitted by the Government of Iraq is twice the amount (\$300 million) approved by the Council in resolution 1242 (1999), the amount indicated by the Government is considered to be commensurate with the production levels achieved and predicted, particularly given the emphasis placed on major projects and investment in safety, control of pollution and environmental damage.

The stated crude oil production targets of the Government of Iraq are: 3 million barrels per day by December 1999; 3.2 million per day by March 2000; and 3.5 million per day by December 2000.

As pointed out by the Secretary-General in his letter addressed to the Security Council, any additional amount requested for the purchase of oil spare parts and equipment would require authorization by the Council. The Secretary-General has been keeping under constant review the revenues received during the current phase and would address the matter within the context of his 90-day report to be submitted to the Council by 23 August, pursuant to paragraph 6 of resolution 1242 (1999).

The letter of the Secretary-General is very clear on the urgent requirements of oil spare parts and equipment for the oil industry, and equal urgency of the approval of applications for such spare parts and equipment.

The oil experts briefed the 661 Committee on Tuesday, 13 July.

As at 19 July 1999, a total of 1025 applications, with a value of over \$531 million, for oil spare parts and equipment had been received by the Office of the Iraq Programme, of which 835, with a total value of \$409.6 million, were circulated.

Of the total number of applications circulated, 588 with a total value of \$296.7 million, have been approved by the 661 Committee, and 233 applications, with a total value of \$109.4 million, have been placed on hold.

There remain 156 applications, with a total value of \$121.9 million, which have not yet been circulated, of which applications to a value of \$90.6 million require either distribution plan amendments or further information from the applicants.

The current rise in the export volume of Iraqi crude oil of approximately 300,000 barrels per day from phase IV to phase V (which includes 100,000 barrels per day owing to reduced refining throughput), should not create complacency regarding the urgent need for spare parts and equipment for the oil industry. The higher production rates will begin to decline unless much-needed chemicals for drilling and perforating and other equipment and spare parts - some of which have been placed on hold by the 661 Committee - are delivered to Iraq in a timely manner. The absence of a single spare part or item of equipment, as small as it may be, could be sufficient to prevent the completion of an entire water injection project or well completion programme. For phase VI, the current phase, it may be noted that an indication is provided regarding the interrelationship of the spare parts and equipment.

Oil production for export has a direct relationship to the revenue available to fund humanitarian purchases. The approval and delivery to Iraq of the spare parts allocated to the Oil sector would have a positive impact on sustaining oil production and ensuring the continued success of the humanitarian efforts.

Critical to these efforts are a number of necessary items:

- Contracts have been approved for pipes for the export pipelines to carry the oil; however contracts for pigging these pipelines are "On Hold". Communications equipment necessary for safe operation of the export pipelines and the safe and efficient lifting at Mina Al Bakr remains "On Hold".
- Contracts for equipment that relate to oil exploration, well drilling, down hole well logging and surveying, including heavy equipment vehicles needed to perform the field work are all examples of goods and services that encourage "good oilfield husbandry". Unfortunately, these are also examples of contracts currently "On Hold".
- A number of contracts that include control instrumentation that are for the efficient and safe operation of control rooms in pumping stations, degassing plants and crude oil treatment facilities are currently on hold "pending further technical

evaluation". These goods are crucial to ensuring that other major equipment, much of it expensive, is operated within the manufacturers' recommended parameters to avoid damage through misuse and, in addition, to provide a safe working environment for operators. A contract for hydrostatic testing units which is essential to ensure the integrity and safety of pipelines in storage tank farms and pumping stations is also "On Hold", "due to dual use concerns".

- The Secretary General has, in previous reports, expressed concern regarding the state of the Iraqi environment. Contracts for goods that would address these types of concerns, include waste water treatment equipment, automatic control instrumentation, gauges, oil slop sewage draining units, pumps etc. These contracts, however, are all "On Hold" either "pending further evaluation" or "for dual use concerns" regarding their material composition or because of their computer related components.
- A recent review of circulated contracts in both Phases IV and V reveal a number of examples where some goods have been approved while other complementary goods necessary to complete "Projects" are "On Hold". The simplest example of this is approved and delivered pipes that are awaiting fittings, welding units and heavy equipment (and tires) for site preparation that are currently on hold. The consequence is that these projects cannot be completed in the absence of integral parts and the contracts are often abandoned or cancelled by the purchaser.

The Secretary-General has already brought to the Council's attention that the operations in Mina al-Bakr are not carried out in an operationally safe manner. Owing to the lack of intermediary storage capacity, a large percentage of crude oil is transferred almost directly from the producing fields to Mina al-Bakr. The operation involves a length of 180 kms of the pipeline, without efficient communications and operations control. The application for the necessary communication has been on hold since October 1998.

A particular concern is the control of any situation that might be caused by an emergency shut-down of a loading procedure at Mina al-Bakr, which could result in a major and disastrous oil spillage.

The increase in production and export of oil is being achieved, however, at very a very high cost, damaging oil wells, some permanently, and very serious environmental consequences which will not be tolerated by any standard.

I should like to reiterate what the Secretary-General has asked for repeatedly - it would be most helpful if the Security Council could request the 661 Committee to proceed as expeditiously as possible in its consideration and approval of applications for oil spare parts and equipment and to review further all applications placed on hold. The same applies of course for all applications submitted for other sectors covered under the approved distribution plan. There are excessive numbers of holds being placed on essential supplies related particularly to water and sanitation and electricity which affects all other sectors.

On telecommunications, we are discussing with the ITU and UNOPS regarding arrangements for the implementation of the telecommunications projects in the north as well as the observation mechanism for the centre/south.

There is an urgent need to address telecommunications requirements.

The Office of the Iraq Programme will spare no effort in assisting the 661 Committee in providing any additional information, as well as technical advice, that may be required.

Let us all remember and remember very well: the success or failure of the programme hinges squarely on the amount of oil produced and exported.

Revenue

It may be recalled that in his supplementary report (S/1998/90) submitted to the Security Council in February 1998, the Secretary-General had recommended a revenue target of \$3.4 billion for the implementation of the humanitarian programme, after the deductions pursuant to paragraph 8 of resolution 986 (1995). In resolution 1153 (1998), the Council endorsed the recommendations of the Secretary-General and authorized a revenue target of up to \$5.256 billion during a given period of 180-day, which after deductions would indeed provide the \$3.4 billion required for the implementation of the humanitarian programme. The revenue target proposed by the Secretary-General did not include the \$300 million authorized by the Council in resolution 1175 (1998) for oil spare parts and equipment.

That revenue target was never achieved during the fourth and fifth phases due to the substantial fall in oil prices. Accordingly, the recommendations of the Secretary-General regarding the enhanced humanitarian programme as endorsed by the Council could not be fully implemented in light of substantial short-falls in the funding levels.

During phases IV and V, the revenues available for the implementation of the humanitarian programme, after deductions of funds for the oil spare parts and equipment as well as for pipeline fees, were, respectively, \$1.651 and \$2.198 billion. Therefore, there was a shortfall of \$3.1 billion in the revenues authorized for humanitarian supplies under phases IV and V.

Thanks to the rise in oil prices, we may be able to achieve for the first time the revenue target set by resolution 1153 (1998) and, in fact, go beyond the \$5.2 billion. As at 21 July 1999, approved phase VI contracts for oil exports involved 344.6 million barrels, with an overall estimated value of \$5.7 billion. More contracts are expected to be submitted to the 661 Committee for approval, which would generate additional revenue.

Would like, however, to caution that the oil market continues to be volatile. While since 1 June 1999 oil prices have risen by about \$5 per barrel, from one day to another the prices have at times gone up and down by about \$1. The average price of Iraqi crude oil slipped by 80 cents per barrel between 20 and 21 July. Each change in price by 10 cents per barrel, amounts to about \$25 million in revenue generated or lost.

The Security Council may wish to review, pursuant to paragraph 14 of its resolution 1242 (1999), the revenue target set forth in paragraph 2 of its resolution 1153 (1998).

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Security and safety of staff

The security and safety of staff working in Iraq remains paramount.

It may be recalled that on 5 June, the Iraq News Agency (INA) reported that unnamed officials in the Ministry of Agriculture had accused the United Nations agency responsible for demining activities of "sabotage" through

alleged actions of a British employee who, it was claimed, had buried locust eggs at a location in northern Iraq in April this year.

After investigating the report by INA, in a statement to the press on 10 June I expressed my serious concern about the allegations made and stated that the report was incorrect in every detail and completely false in its claim that a United Nations employee or the United Nations Office for Project Services, which implements the demining programme in the three northern governorates, had behaved in a way which could damage agriculture in Iraq.

I was expecting that during my recent 20 day visit to Iraq the matter will be raised by the Government. It was not.

In fact, I wished to raise the matter myself and did so during my meeting with the Minister of Agriculture, on 22 June. I asked to visit the site where we allegedly had buried the locust eggs. As I put it, they must be hatching by now. The response was quick, and consisted of laughter. I thought the matter was closed.

I very much regret that while I was on the road on my way to Amman on 6 July, the Government handed to the United Nations Humanitarian Coordinator a note verbale, reiterating allegations first reported by INA on 5 June, stating that the Government of Iraq considered Mr. Ian Broughton, a New Zealand national, working with UNOPS, as "undesirable person", and requested his departure within 72 hours of the receipt of the note verbale. Mr. Broughton who was completing his assignment in about a week's time, left the country on 8 July.

We did again carry out an investigation and could not confirm the allegations made by the Government.

Again, I should like to express my regret that the Government did not see fit to inform me while I was in Iraq about this matter. In fact, the letter from the Acting Minister for Foreign Affairs addressed to the Secretary-General is dated 5 July, when I was still in Iraq. The text of that letter is reproduced in document S/1999/757.

I believe the onus to provide the proof remains with the Government of Iraq.

Also as United Nations Security Coordinator, I am very much concerned with the increasing trend by officials at the highest levels in making allegations against United Nations personnel in Iraq, who already have been working in a difficult environment. I am seriously concerned also because only about two months ago we lost a colleague who was shot in cold blood in the north. We are still awaiting the results of the investigation by the local authorities. The allegations made by the Government against a United Nations colleague is very serious and could provoke violent action by those who are disgruntled against UN personnel.

I therefore appeal to the Government to refrain from making such allegations and provide information to the Secretary-General in advance, if indeed there are activities being carried out by UN personnel outside the mandate given to the Secretary-General. This was an understanding I had reached with the authorities during my previous visit to Iraq in June 1998.

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Finally, Mr. President,

Let us all join hands in improving the implementation of the humanitarian programme in order to achieve the humanitarian objectives of Security Council resolution 986 (1995) and the successive resolutions concerning the programme. Let us depoliticize the programme in order to achieve its humanitarian objectives.

TABLES: [Review of 53% account applications on hold: phase III](#)
[Review of 53% account applications on hold: phase IV](#)
[Review of 53% account applications on hold: phase V](#)