

**BRIEFING ON THE IMPLEMENTATION OF  
PARAGRAPHS 16, 17 AND 18 OF**

**SECURITY COUNCIL RESOLUTION 1483 (2003) OF 22 MAY 2003**

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**Executive Director of the Iraq Programme  
at the informal consultations of the Security Council**

**Thursday, 26 June 2003**

Mr. President,

Pursuant to paragraph 16 of resolution 1483 (2003), the ongoing operations of the Oil-for-Food Programme will be terminated by 21 November 2003, "both at headquarters level and in the field, transferring responsibility for the administration of any remaining activity under the Programme to the Authority."

In anticipation of the adoption of resolution 1483 (2003), we had already begun to initiate the necessary preparations and actions required for phasing down the Programme and for its termination.

A checklist for the orderly termination of the Programme is being finalized, incorporating recent discussions held with the Authority in Iraq as well as the discussions held with members of the Security Council Committee established by resolution 661 (1990). The checklist will be kept under constant review in order to ensure the timely and orderly phasing down and termination of the Programme.

**The Security Council Committee established by resolution 661(1990)**

The Office of the Iraq Programme (OIP), along with the Office of the Controller as well as representatives of the relevant UN agencies and programmes, has been participating regularly in the informal consultations held by the Committee, concerning the implementation of paragraphs 16, 17 and 18 of resolution 1483 (2003), particularly on matters that require clarification of the intent behind some of the provisions of the resolution.

I should like to thank the members of the Committee for their positive response to OIP's emphasis on an approach with regard to the implementation of the relevant provisions of the resolution concerning the Programme, namely an approach that should be pragmatic, flexible, transparent and, above all, consistent, with the ultimate objective of meeting the needs of the Iraqi people. There remain, however, a few matters that require further clarification and confirmation by the Committee, particularly with regard to some categories of contracts, including their respective letters of credit. OIP has come under heavy pressure from contractors and their respective permanent missions, with regard to the serious concerns that they have on the status of their contracts. This is understandable and I remain confident that most of the outstanding matters will be resolved soon.

## **Office of the Controller**

On 28 May 2003, the Controller transferred \$1 billion to the Development Fund for Iraq, from unencumbered funds in the ESB (59 per cent) and ESC (13 per cent) accounts, pursuant to paragraph 17 of resolution 1483 (2003).

Pursuant to paragraph 16 (c) of resolution 1483 (2003), the Secretary-General submitted to the Council a report on the estimated operating budget based on funds set aside in the ESD (2.2 per cent) account for the United Nations administrative and operational costs (S/2003/640). The estimated budget identified, *inter alia*, "all known and projected costs to the United Nations required to ensure the continued functioning of the activities associated with the implementation of the present resolution" and "all known and projected costs associated with the termination of the Programme."

As stated in paragraph 16 of the report of the Secretary-General, the balance at the end of May 2003 in the ESD (2.2) percent account was estimated at \$400 million. After deduction of the estimated operating budget (\$106.6 million) and the contingency reserve (\$16 million), the surplus available for transfer to the Development Fund for Iraq amounts to \$277.4 million. The transfer of the surplus will be made soon, thus fulfilling the requirement to transfer as soon as possible the surplus in the 2.2 per cent account, as required by paragraph 17 of resolution 1483 (2003).

At its informal consultations held on 16 June 2003, the Council held a preliminary review of the report of the Secretary-General. Pursuant to the decision of the Council, the report of the Secretary-General is currently under further consideration by the Committee.

Furthermore, pursuant to paragraph 16 (d) of resolution 1483 (2003), the Controller is in the process of consolidating into a single fund the ESB (59 per cent) and ESC (13 per cent) accounts.

## **The Oil Sector - the Saybolt Contract**

Pursuant to paragraph 18 of resolution 1483 (2003), monitoring of the export of petroleum and petroleum products, including monitoring of the utilization of oil spare parts and equipment, was terminated, effective 22 May 2003. OIP has notified Saybolt that the contract for the provision of oil inspection agents and monitoring of oil spare parts and equipment has been terminated.

OIP, in consultation with the representatives of the Authority as well as the relevant Iraqi officials at the "ministry of oil", is preparing the necessary documentation, including copies of contracts and other relevant data, which will be transferred to the Authority.

## **UN observation and monitoring**

Pursuant to paragraph 18 of resolution 1483 (2003), all UN observation and monitoring activities have been terminated. As is well known, the core of all UN activities in the 15 governorates in the centre/south of Iraq was observation

and monitoring of the distribution and utilization of supplies and equipment provided under the Programme.

#### **The United Nations Guards Contingent in Iraq**

All members of the United Nations Guards Contingent (UNGCI) were withdrawn at the time of the evacuation of UN international staff. The contributing countries were informed that for the time being the services of the UNGCI would not be required.

#### **Releasing staff engaged under the Programme**

With regard to the remaining UN staff, a schedule for phasing down the number of staff both at the headquarters level (including the staff of the agencies and programmes concerned) and in the field, was reviewed within the context of the preparation of the budget which was submitted to the Council pursuant to paragraph 16(c) of resolution 1483 (2003).

It is clear, however, that the time period leading to the termination of the Programme by 21 November 2003 will be labour intensive. It involves not only the acceleration of efforts to complete projects but also to undertake other essential activities such as the provision of essential humanitarian goods and services for the population. This includes the provision of commodities to the public utilities, under more difficult and complex conditions, and parallel activities in phasing down and terminating the Programme, including all necessary arrangements for the transfer of projects and assets to the Authority by 21 November.

At present the number of international staff present in Iraq is around 600, including around 200 in the three northern governorates.

#### **Implementation of resolutions 1472 (2003), 1476 (2003) and 1483 (2003)**

Resolution 1483 (2003) authorized further extension of the responsibilities of the Secretary-General contained in resolutions 1472 and 1476 for a period of six months.

The total value of priority items identified so far from the Programme's humanitarian delivery pipeline that could be shipped to Iraq for emergency needs has reached \$1.4 billion - food (\$748 million), electricity (\$297 million), agriculture (\$184 million) and health (\$126 million) and water and sanitation (\$40 million).

Pursuant to resolution 1483 (2003), additional contracts in the pipeline are presently under consideration and the value of supplies and equipment to be

shipped to Iraq will definitely increase. The Authority has expressed its intention to accelerate the process of submitting requests for prioritization of contracts for expeditious delivery to Iraq, using procedures proposed by OIP.

OIP is also considering procedures for handling contracts, such as those concerning the oil sector, which do not fall within the purview of the UN agencies and programmes. The total value of contracts in the pipeline for the oil sector is about \$1.9 billion.

### **Local procurement**

For the first time since the start of the implementation of the Programme in December 1996, wheat will be procured locally. A WFP project for the local procurement of 1.25 million tons of wheat, with a total value of over \$152,396,314, has already been approved on 28 May 2003. An FAO project for the local procurement of 500,000 tons of barley, with a total value of over \$35,363,500, was also approved on 11 June. Furthermore, presently under consideration is the utilization of some \$97 million to print locally all the necessary schoolbooks for the next academic year.

The start of local procurement is a most welcome development. It should be allowed to continue and expand as the most expeditious and cost effective way of procuring the required goods and services. Moreover, it would also help to jump-start the economy and provide opportunities for gainful employment.

### **Delivery and authentication of supplies and equipment**

The independent inspection agents (Cotecna) who were temporarily relocated to neighbouring countries following the suspension of the Programme are progressively returning to the previous border entry points in Iraq. It may be necessary to open additional 'entry points' to enable the most efficient and cost effective delivery into Iraq of supplies and equipment.

OIP has recommended to the representatives of the Authority that they consider establishing safe corridors for the transportation of supplies and equipment, e.g. from Trebil (entry point at the border between Jordan and Iraq), to Baghdad and other locations in Iraq, thus re-establishing the delivery system that existed prior to the conflict. Such a measure would reduce considerably the additional and currently exorbitant costs associated with deliveries.

### **Processing of contracts**

A notice has been posted on the OIP web site advising that no further contract applications will be processed. This also applies to 1,950 contracts with

a total value of over \$7 billion, which were registered by OIP but not processed due to the decision taken by OIP on 14 April 2003, to take "a pause" in processing additional contracts, in view of the substantial shortfall in the funds available to the Programme and the financial uncertainties due to the total cessation of oil exports. Copies of these contracts will be retained in the future archives of the Oil-for-Food Programme and the originals will be transferred to the Authority.

OIP is taking the following steps in order to:

- a) Identify, in consultation with UNOHCI, the relevant United Nations agencies and programmes, and the Authority, the relative utility and priority of civilian supplies and equipment among the \$10.53 billion worth of goods under approved and funded contracts and to: facilitate the process of their adoption by the concerned UN agency/programme; process the amended contracts; revise the related Letters of Credit through the UN Treasury; facilitate authentication of the arrival of supplies by Cotecna at the alternative delivery locations, and certify related documents before forwarding them to the UN Treasury for authorizing payment from the UN Iraq account;
- b) Determine, at the request of the Authority, and in consultation with UNOHCI and the relevant United Nations agencies and programmes, whether some 3,600 approved and un-funded contracts worth a total of about \$7 billion contain priority items of relative utility to be funded from the unencumbered funds, and if so, to issue the relevant approval letters for such contracts, to arrange for the issuance of the corresponding Letters of Credit through the UN Treasury, and to deal with the remaining part of the process as described in paragraph (a) above;
- c) Organize the originals of all contracts not prioritized under (a) and (b) above to be transferred to the Authority, while retaining electronic and hard copies of such contracts for the future archives of the Programme;
- d) Organize copies of all the contracts that have been fully delivered or are being delivered, and to transfer them to the Authority in Iraq, while retaining the originals of such contracts for the future archives of the Programme;

**Paragraph 16 (b) of resolution 1483 (2003)**

OIP has already taken the necessary measures for the implementation of the provisions of paragraph 16 (b) of resolution 1483, which requests the Secretary-General, *inter alia*, to review, "in coordination with the Authority and the Iraqi interim administration, the relative utility of each approved and funded contract with a view to determining whether such contracts contain items to meet the needs of the people of Iraq both now and during reconstruction, and to postpone action on those contracts determined to be of questionable utility and

the respective letters of credit until an internationally recognized, representative government of Iraq is in a position to make its own determination as to whether such contracts shall be fulfilled.”

During the recent discussions held in Baghdad, the Authority agreed to designate a focal point for the coordination envisaged in paragraph 16 (b) of the above resolution. The Authority has already provided a list of names of the individuals who would serve as focal points in dealing with matters related to eight sectors (Trade, Oil, Electricity, Transport and Telecommunication, Irrigation, Agriculture, Industry and Minerals, and Health). OIP, UNOHCI and the UN agencies and programmes concerned will follow up with appropriate actions required in implementing paragraph 16 (b).

Accordingly, sectoral working groups are being established and will meet as frequently as necessary. The working groups will be composed of representatives of UNOHCI, United Nations agencies and programmes concerned, the Authority coordinators and advisors for the relevant sectors, and their Iraqi sectoral counterparts. Sectoral working groups have already been established for Agriculture, Irrigation, Trade and Oil.

### **Duplicates of contracts and related material**

The United Nations is currently working with the representatives of the Authority and the relevant Iraqi officials to determine their needs for information on contracts and related material concerning humanitarian supplies and equipment and the oil sector. OIP has also started to prepare a set of materials that could be provided to the Authority and the Iraqi officials concerned, e.g., copies of all contracts and records of delivery of supplies and equipment.

OIP has started the reorganization of hundreds of files pertaining to end-use/user observation and the monitoring of dual-use supplies and equipment delivered to Iraq and their orderly transfer to the future archives of the Oil-for-Food Programme. Copies of the pertinent sectoral reports and assessments will be shared with the Authority, as appropriate. Furthermore, a review and consolidation of documents and records is currently being undertaken by UNOHCI in order to ensure that the experience gained over the life of the Programme contributes to the analysis of the situation in Iraq.

### **Programme activities in the three northern governorates**

In anticipation of the adoption of resolution 1483 (2003), OIP had already requested all agencies and programmes concerned to refrain from initiating new projects in the three northern governorates of Dahuk, Erbil and Sulaymaniyah and instead to concentrate their efforts on expediting the completion of projects already underway. Furthermore, they were requested to refrain from initiating

new contracts unless they were directly related to and essential for the completion of projects in progress.

In order to ensure the timely transfer of all operational responsibility as well as all assets and relevant documents of the Programme to the Authority, the United Nations has requested the Authority to take the necessary measures to ensure the presence of appropriate representatives in the region in order to enable the United Nations to transfer all operational responsibility to the Authority, pursuant to paragraph 16 (f) of the above resolution. We have proposed that, similar to the establishment of sectoral working groups in Baghdad, a separate multi-disciplinary working group, based in Erbil, be established in order to start immediately the process of reviewing all projects undertaken by the United Nations in the three northern governorates in order to ensure their orderly transfer, together with operational responsibility of the Programme to the Authority.

**A comprehensive exit strategy**

In paragraph 16 (f) of resolution 1483 (2003), the Secretary-General is requested "to provide the Security Council, 30 days prior to the termination of the Programme, with a comprehensive strategy developed in close coordination with the Authority and the Iraqi interim administration that would lead to the delivery of all relevant documentation and the transfer of all operational responsibility of the Programme to the Authority." The report will have to be submitted to the Council by 21 October 2003.

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