

REPORT OF THE SECRETARY-GENERAL
PURSUANT TO PARAGRAPH 5 OF RESOLUTION 1360 (2001)

(S/2001/1089)

Informal consultations of the Security Council held on Monday, 26 November 2001

Introductory statement by

Benon V. Sevan, Executive Director of the Iraq Programme

Dear Mme. President,

I have the honour to introduce the report of the Secretary-General contained in document S/2001/1089. It describes the developments in the implementation of the humanitarian programme since his previous report submitted to the Security Council on 28 September (S/2001/919), covering the period up to 31 August 2001.

As stated by the Secretary-General, despite its shortcomings, as well as the complaints and criticisms leveled by various quarters against the programme, it continues to make a considerable difference in the daily lives of the average Iraqi citizen.

The report of the Secretary-General also draws attention to a number of serious difficulties and obstacles encountered in the effective implementation of the programme. On behalf of all of us who are involved in the implementation of the programme, I should like to assure the members of the Security Council that the programme can deliver more to the benefit of the Iraqi people if all parties concerned take the necessary concerted measures to remove the difficulties faced in the implementation of the programme.

On our part, we definitely can do much more, if we were allowed to do so. We continue to be frustrated, however, because of a number of obstacles faced in fulfilling all the tasks entrusted to us by the Security Council, details of which are provided in the report of the Secretary-General.

As the report provides detailed information on the status of the implementation of the humanitarian programme in Iraq, I shall limit my introductory statement to the serious funding difficulties faced by the programme.

We now estimate that the total revenue for phase X of the programme, which ends on 30 November, will be approximately \$3.644 billion, after the required deductions pursuant to the relevant resolutions. It may be recalled that the distribution plan for phase X was budgeted at \$5.5 billion (S/2001/758, annex III). Hence, there will be a revenue shortfall of \$1.856 billion for the funding of supplies and equipment under phase X. [Out

of the \$3.644 billion, \$2.987 billion are provided to the ESB (59 per cent) account and \$657,800,000 to the ESC (13 per cent) account. Additional \$340 million are made available to the 59 per cent account, including the 13 per cent share for oil spare parts, reimbursements for bulk purchase items and interest accrued, bringing the total for the 59 per cent account to \$3.327 billion.]

The shortfall for the 59 per cent account has been further compounded by the transfer of already approved applications under the 59 per cent account from previous phases, with a total value of over \$1.6 billion, to phase X for funding purposes. Thus the total revenue available under the 59 per cent account during phase X is, in fact, \$1.727 billion. Additional applications submitted under phase X with a total value of \$614 million have been approved and funded, leaving only a balance of \$1.113 billion still available for funding new contracts. However, after deducting \$590 million and \$260 million, respectively, reserved for oil spare parts and contracts related to special allocations, the estimated available unencumbered funds under the 59 per cent account now total \$261 million. At present we already have approved applications with a total value of \$570 million waiting to be funded. Thus we have a shortfall of \$300 million required under the 59 per cent account.

I am distributing copies of the revised [annex III](#) to the report of the Secretary-General, providing information as at 23 November, concerning the status of ESB (59 per cent) account applications for all sectors, along with a table providing information on the status of ESB (59 per cent) account applications for phase X.

In view of the drastic shortfall in funding the purchase of supplies and equipment under the 59 per cent account, now more than ever, it is incumbent on the Government of Iraq to take all measures necessary to expedite action by the Central Bank of Iraq with regard to the opening of the letters of credit for approved 583 applications with a total value of \$883 million, for which the funds have been blocked in BNP-Paribas, covering all sectors, including for example, \$186 million in the health sector, \$111 million in agriculture sector, \$100 million in water and sanitation sector, \$139 million in the education sector.

Furthermore, in a letter addressed today to the Permanent Representative of Iraq I recommended that in view of the shortfall in funds the Government of Iraq may wish to review the 722 long standing approved applications with a total value of \$1.209 billion, for which the necessary funds had been blocked for over a year, but the suppliers concerned had failed to deliver the goods contracted. The Government may therefore wish to review the performance of the contractors concerned who have failed to deliver the supplies within the time frame specified in the contract or a reasonable period thereafter, and cancel such contracts in order to release the blocked funds for funding other approved applications. Contracts involved include, among others, over \$353 million in the food sector, \$151 million in the housing sector, \$115 million in agriculture sector, \$120 million in electricity sector, \$49 million in water and sanitation sector.

Finally, I should like to take this opportunity to express, on behalf of all my colleagues and myself, our sincere thanks to His Excellency Ambassador Ole Peter Kolby, the Chairman of the Security Council Committee, and members of his delegation for their support and cooperation. I should also like to express our sincere thanks to the members of the Committee as well as to the members of the Security Council for their support and cooperation.