

REPORT OF THE SECRETARY-GENERAL
PURSUANT TO PARAGRAPH 5
OF SECURITY COUNCIL RESOLUTION 1302 (2000) OF 8 JUNE 2000
S/2000/857

Introductory statement by Benon V. Sevan

Executive Director of the Iraq Programme

at the informal consultations of the Security Council

Thursday, 21 September 2000

I have the honour to introduce the report of the Secretary-General, contained in document S/2000/857, submitted to the Council pursuant to paragraph 5 of resolution 1302 (2000). In making this statement to the Council, I am taking into account also the very extensive and frank discussions I held during my recent visit to Iraq from 1 to 16 August, with the Vice President of Iraq, H.E. Taha Yasin Ramadan, and all the Ministers concerned as well as the local authorities in the three northern governorates of Dahuk, Erbil and Suleimaniyah, including H.E. Mr. Barzani and H.E. Mr. Talabani. I also had extensive meetings with all my United Nations colleagues in Iraq, and met with the representatives of the non-governmental organizations operating in Iraq. In addition, I met with the diplomatic corps in Baghdad and also briefed them prior to my departure.

I co-chaired with the Minister of Trade an informal meeting of the Joint Consultative Committee, composed of all representatives of the UN agencies and programmes and the representatives of all the Ministries involved in the implementation of the humanitarian programme.

Overall, I believe my visit was good and we reviewed a number of matters and resolved some of the problems faced in the implementation of the programme.

Revenue

As at 15 September 2000, the cumulative total proceeds received for the programme were \$32,339,217,120. The proceeds have been distributed, pursuant to relevant resolutions of the Security Council, as follows:

ESB (53 per cent account) for central/southern Iraq	\$16,718,071,803
ESC (13 per cent account) for the three northern governorates	\$4,046,127,331
ESD (2.2 per cent account) for administrative and operational costs	\$689,397,850
ESE (UNSCOM/UNMOVIC)	\$233,741,665
CWA (Compensation Commission)	\$9,653,446,127
RWA (Security Council resolution 778) Escrow Account	\$119,500,828
(suspended during phases VII and VIII)	
ESF (Transportation costs in Turkey)	\$878,931,516

As indicated in paragraph 10 of the report before you, on 28 July 2000, the Security Council Committee was informed that \$52 million in unencumbered funds in the ESD (2.2 per cent) account was available for a decision by the Security Council Committee established by resolution 661 (1990) as to its possible use and allocation. An early decision by the Committee would be of significant assistance.

Based on the current price of oil, it is estimated that the revenues earned by oil exports during phase VIII will reach about \$10 billion, which, after deductions pursuant to paragraph 8 of resolution 986 (1995) and other relevant resolutions of the Council, would make about \$6.6 billion available for the implementation and operation of the programme.

Under phase VIII, the total value of applications received by the Office of the Iraq Programme, under the 53 per cent account, was about \$1 billion, as at 18 September 2000.

The figures carry a clear message. It is essential for the Government of Iraq to proceed most expeditiously in contracting the supplies and equipment required, as indicated in the distribution plan.

Oil spare parts and equipment – paragraph 18 of resolution 1284 (1999)

I am pleased to inform the Council that the group of experts appointed pursuant to paragraph 18 of resolution 1284 (1999), that is to say the oil industry group, has been

functioning well. As at 18 September 2000, the group had approved 46 applications for phase VII projects, with a total value of \$33.9 million. These come of course from the approved list of spare parts and equipment, pursuant to paragraph 18 of resolution 1284 (1999). Applications including items not covered under the approved list are submitted to the Security Council Committee for approval, as was the case under previous procedures.

This modest success in a crucial sector is important. However, I very much regret to inform the Council that the Security Council Committee is taking too long in its review of the draft lists of items submitted for phase VIII by the Office of the Iraq Programme. The list was submitted to the Committee on 8 August and has still not been approved. We had a long delay also in the approval of the list during phase VII.

This is puzzling – we now face a situation where procedures meant to expedite approvals are now causing further delays in their approval. This has to be corrected and I appeal to all concerned to redouble their efforts in responding to the draft proposals submitted by the Secretariat to the Committee.

Despite the continued commendable efforts by the Iraqi authorities to increase their production and export of oil, under very difficult conditions without the supply of spare parts, I fear the current volume of production and export levels are not sustainable, unless the necessary spare parts and equipment are delivered. In previous reports, the Secretary-General has noted that Iraq is producing and exporting oil at the expense of the future, by destroying oil fields, some irreparably. So far, fortunately, there has been no disastrous accident – but that is no basis for complacency.

Mr. President,

I would like to draw the Council's attention to something that appears difficult to explain. The Council last year doubled the allocation for oil spare parts and equipment. This was most welcome for the sector that is the lifeline of the humanitarian programme. However, that was the end of the good news – we continue to experience serious delays and the number of holds placed on applications has become unacceptably high.

On the one hand, everyone is calling on OPEC to increase the export of oil. On the other hand, the spare parts and equipment that are the minimum requirements of Iraq's oil industry, have been facing serious obstacles in the Security Council Committee.

The Office of the Iraq Programme has provided the Committee on a regular basis with all the information requested. We have arranged special briefings for the Committee by our oil experts. I do hope that all concerned will review further all the applications placed on hold and expedite their release. We have in place a very good monitoring mechanism that has been working well. If the Committee wishes to have specific

monitoring of specific items, we are prepared to monitor such items accordingly. To do that, we first need the supplies to be in Iraq.

Paragraph 17 of resolution 1284 (1999)

Since the endorsement of the accelerated procedures for the approval of contracts for humanitarian supplies, beginning late February this year, the Office of the Iraq Programme, has processed, as at 18 September, 762 applications, worth \$1.792 billion, which represents 13.6 per cent of all approved or notified humanitarian applications since the implementation of the notification procedures. These were for items on the list approved by the Committee, pursuant to paragraph 17 of resolution 1284 (1999), in the agriculture, education, food and health sectors, as well as in the water and sanitation sector under paragraph 8 of resolution 1302 (2000).

In view of the positive results gained in the implementation of paragraph 17 of resolution 1284 (1999), the Secretary-General has strongly urged the expansion and extension of the lists and procedures involved to all remaining sectors in the distribution plan. I should like to appeal to the Council to respond positively to the recommendation of the Secretary-General, contained in paragraph 47 of his report.

Observation mechanism regarding humanitarian supplies

In the previous report of the Secretary-General, contained in document S/2000/520 of 1 June 2000, the Council was informed of the details of the measures to improve the United Nations observation process. I am pleased to inform you that those measures were put into effect, effective 20 July this year.

I am also pleased to inform you that during my recent visit to Iraq, agreement was reached to increase the number of observers from 151 to 158, excluding the number of monitors for oil spare parts and equipment. I should like to provide you with some clarifications regarding the numbers of observers because some of you are of the view that the numbers should be higher.

My colleagues and I, including the representatives of the agencies and programmes concerned in the field, are satisfied that with 158 observers, we will be able to carry out effective observation of the utilization of the supplies and equipment arriving in Iraq under the humanitarian programme. We have reorganized the observation mechanism and have improved the management of that mechanism. We will ensure that there will always be 158 observers in Iraq, irrespective of annual leave and occasional recuperation break entitlements. We have also decided that those who are counted as observers, do in fact act as observers. There is a special effort under way right now to fill all the vacancies as soon as possible.

The new arrangements will be kept under constant review and adjustments will be made whenever needed.

Holds placed on applications

I am sure some of you will now tell me: “Benon, come on, not again, you sound like a broken record!” Well, so be it. As the Executive Director of the Iraq Programme, I feel duty bound to draw the attention of the Council to the unacceptably high level of holds placed on applications. Just as playing a broken record hurts the ear, every hold placed on an application for an essential supply affects the implementation of the programme, or to put it another way, it hurts the Iraqi people.

Mr. President,

The increasing number of holds has become a major concern for the Secretary-General who has been following very closely the progress in our efforts to reduce the number and value of holds. As stated in paragraph 46 of the report before you, in many sectors, infrastructure remains heavily incapacitated despite the ordering by the Government of Iraq of essential inputs. Complementary items have frequently been kept on hold long after the central items with which they were intended to be used have been delivered. Thus many key supplies and equipment essential to all sectors remain either on hold by the Committee or in effect on hold in an Iraqi warehouse, waiting for the arrival of a complementary item.

Despite the commendable efforts made since the end of last April to bring about a reduction in the number of contracts on hold, I regret to say that the total value of holds, which had dropped to \$1.6 billion, as at 31 May, has now reached yet again, \$1.982 billion, or just under \$2 billion, as at 18 September, involving 1,172 applications. Of these, 503 applications, worth \$266 million, were for oil spare parts and equipment.

The figures just quoted represent 13.44 per cent of the value of all circulated applications, as compared to 10.6 per cent, as at 30 June. In brief, there has been a net increase in the volume and value of the holds both in relative and absolute terms. As you will note from the additional information on holds, provided in the annexes attached to the text of my statement, there are many reasons for placing applications on hold. Increasingly, we have been facing a new situation whereby even when experts from UNMOVIC do not consider that items are on the 1051 list, some members insist that the items concerned are covered or should have been covered under resolution 1051 (1996).

Mr. President,

We should not be complacent by citing that the total value of applications placed on hold represents only about 10 to 14 per cent of the value of all applications circulated. It is neither the size nor the value of the items placed on hold that determine their relative value for the implementation of a project. What is the use, for example, if approval is given for the purchase of a very expensive truck and the application for the purchase of its ignition key is placed on hold?

The level of holds remains unacceptably high in the transport and telecommunications sector, and the electricity and education sectors, which now stand, respectively, at 46, 36 and 20 per cent of all applications circulated in those sectors.

I should like to appeal to all concerned, to redouble their efforts in expediting the approval of applications and to further review all holds placed on applications. We are prepared to carry out all the observation/monitoring you require.

The Office of the Iraq Programme will shortly launch a new effort to bring down the level of holds, by giving more specific and detailed information on each hold, in each of the sectors concerned.

I should like to state in no uncertain terms that holds, as large a detriment as they are, they are not the only problem we face in the effective implementation of the programme. As indicated from the relevant table annexed to the text of my statement, the Office of the Iraq Programme has about \$1.163 billion worth of applications still waiting for additional information prior to circulation. I therefore appeal to the Government of Iraq and the permanent and observer missions of the suppliers concerned, to respond promptly to all requests for additional information and to refrain from submitting incomplete applications.

As I stated earlier, while we have passed the mid-point of the current phase, the total value of applications received thus far is only about \$1 billion. It is essential that the Government of Iraq ensures the timely contracting of all the supplies and equipment required, in sufficient quantities, in order to have such supplies arrive in Iraq as urgently as possible. In light of the serious difficulties experienced with some of its contractors, it is also essential for the Government of Iraq to be more selective in choosing its suppliers in order to avoid the arrival of defective supplies. Far too many defective supplies are arriving in Iraq. The choice of the contractor, however, remains with the Government of Iraq. The UN has no role in their selection.

Letters of Credit

In April of this year, the Office of the Iraq Programme was alerted to the emergence of a large backlog in the issuance of Letters of Credit (LCs) by the bank holding the United Nations Iraq escrow account. Thanks to the measures taken by the UN Treasurer and the bank, the backlog has now been significantly reduced. As at 14

September 2000, there were only 74 approved applications for which the bank was awaiting clarifications from the Central Bank of Iraq (CBI) to issue the LCs. There were an additional 389 applications awaiting issuance of LCs, pending receipt of instructions by the bank from CBI. It should be noted, however, that most of these applications have been approved very recently. At present, there are only 20 approved applications from phases IV and V, for which no LCs have been issued, due to the absence of instruction from the CBI. We have asked the Iraqi authorities whether they still wish to act on the related contracts.

I am pleased to inform you that following my discussions held in Iraq on the need to reduce the lead-time for issuance of instructions by CBI, the UN Treasurer has now noted a significant improvement in that regard. The Government has also decided to send a high official from the CBI to New York for a period of six months, to work together with us in resolving all matters concerning banking.

Commercial protection for the Government of Iraq

I should like to refer to previous exchanges with the Security Council Committee, regarding the payment mechanism under the ESB (53 per cent) account, and, in particular, to the paper submitted by the Office of the Iraq Programme to the Committee, on 7 July 1999, contained in document S/AC.25/1999/CN/31. Furthermore, it may be recalled that the Secretary-General, in paragraph 208 (e) of his report of 10 March 2000 (S/2000/208), and in paragraph 111 of his report of 1 June 2000 (S/2000/520), drew the attention of the Council to the importance attached to meeting the legitimate need to provide commercial protection for purchases made from the ESB (53 per cent) account.

Unfortunately, however, up until now the Committee has not taken action on any such arrangement, and applications containing these payment mechanisms have been approved only after these payments mechanisms have been removed.

I very much doubt that any member of this Council or any Council, Commission, Committee or an Organization, let alone any business establishment or an individual, would enter into a contract with a supplier without there being clear commercial protection against the shipment of supplies and equipment which may be found to be defective, malfunctioning or not in compliance with the terms of the contract.

The contracts signed by the Government of Iraq, however, contain no such provisions. In the present contracts there are no provisions for performance bonds, despite the size, technical complexity and the value of contracts. In brief, commercial protection for Iraq is seriously lacking. As a result, much is arriving in Iraq, defective or non-compliant with the terms of contracts. At present, there is no penalty against a supplier who does not meet the terms of a contract. He is paid once it is certified that the supplies have crossed the border into Iraq.

These are all legitimate concerns and I should like to make an urgent appeal through the Council to the Committee members to reconsider this very important matter. The Office of the Iraq Programme is ready to assist the Committee in that regard.

Reimbursement from the ESC (13 per cent) account to the ESB (53 per cent) account

Another proposal submitted by the Office of the Iraq Programme to the Security Council in February 1999, concerning reimbursement from the 13 per cent account to the 53 per cent account, has yet to be acted upon by the Committee. As at 18 September, \$145 million allocated for food and \$110 million allocated for medicine, have not been reimbursed from the 13 per cent to the 53 per cent account, pending delivery of the supplies to the three governorates in the north.

Given that the Committee has had OIP's proposal before it for almost 18 months, it is time for the Committee to consider and act on the proposal we have submitted.

Implementation of the humanitarian programme

Mr. President,

There is nothing theoretical about the United Nations' concerns on the issue of holds. This is particularly true when we look at those sectors that affect all other sectors – namely, electricity, transport and communications, as well as water and sanitation.

Electricity in particular is a major concern – not only is the supply of electricity insufficient, it is precarious, as seen with the recent fire in the transmission lines at the Mussaiyab Power Station, which resulted in the loss of 600 MW. This increased power outages in Baghdad to eight hours a day and up to 20 hours in other affected governorates. The entire electricity grid is in a precarious state and is in imminent danger of collapsing altogether should another incident of this type occur.

In Baghdad last month I had a meeting with the Commissioner for Electricity. After five minutes, the lights went off. When he tried to telephone to find out what had happened, the phone was not working. So we had an hour's meeting in the dark. I assure you it was not staged. There was no need, because I have experienced the outages and the frustrations of trying to telephone in Baghdad. Besides, I have met with him several times while the lights were on. The system simply does not function. There is an urgent and genuine need to act on the requests for supplies and equipment for these sectors.

With such a high volume of supplies and equipment arriving in Iraq under the programme, it is essential to provide the necessary logistic facilities to move and store the supplies and equipment, as well as to provide the necessary laboratory equipment for

quality testing. I am very much concerned that, with additional funding available, a heavy volume of supplies and equipment will arrive in Iraq and there will be no means to transport them, let alone unload them at the port – which itself is in dismal condition.

We will soon submit to the Security Council Committee copies of WFP's Mission Report on the Transport and Food Handling Sector, a report on Water and Sanitation in the Northern Iraq as well as a report on the electricity sector, prepared by experts sent by OIP. We will also arrange for the experts concerned to brief the Security Council Committee. As soon as we hear from FAO, the technical report prepared for the Government of Iraq by FAO, on the assessment of the food and nutrition situation in Iraq will also be made available to the Committee. I will also arrange for FAO to brief the Committee.

I do hope that the reports and briefings will provide a better understanding and appreciation of the difficulties encountered and will expedite the approval of applications as well as the flow of humanitarian supplies into Iraq. I also hope that the Government of Iraq will take into full account the recommendations contained in the reports in formulating their proposals as well as deciding on the supplies and equipment required.

In the three governorates of Dahuk, Erbil and Sulaymaniyah, where the United Nations implements the humanitarian programme on behalf of the Government of Iraq, there has been positive impact on the daily lives of the people. All my interlocutors confirmed this assessment. I should like to quote what one of the leading figures in the north has recently stated: "The United Nations 'oil-for-food' programme has had a positive impact on the quality of life in the region, and through our close cooperation with the UN agencies, the programme has yielded significant success."

During my recent visit to the region, together with the UN Humanitarian Coordinator in Iraq, Mr. Tun Myat, and the representatives of the agencies and programmes, I reviewed thoroughly the programme activities and we have taken the necessary decisions to enhance further the rate of our implementation of the programme. We will follow up our review at the forthcoming interagency meeting to be held at Headquarters, under the Chairmanship of the Deputy Secretary-General, with the participation of the agency and programme representatives in Iraq, as well as the participation of representatives from their respective headquarters.

It was also decided that to the maximum possible, we should utilize national expertise in implementing the activities under the programme. We have also decided to emphasize and strengthen training of national personnel within the context of the programme in order to develop and further strengthen local capacity.

This would also apply to our activities in the 15 governorates in the center/south of Iraq. I regret to say that there has been too much emphasis in bringing expertise from outside even when such expertise – at times even better - exists within the country.

In brief, the humanitarian programme pursuant to resolution 986 (1995), irrespective of the difficulties encountered and the criticisms from various quarters, has provided substantial assistance towards meeting the pressing humanitarian needs of the Iraqi people throughout Iraq.

Internally displaced persons

A matter of great concern is of course the increasing numbers of internally displaced persons, both due to the conflict among the various factions in the north as well as those coming from the south. The existence of the large numbers of internally displaced persons has been placing additional burden on the programme and measures should be taken to resolve the matter urgently. I have impressed on the local authorities in the north that they have to resolve their differences and allow the internally displaced to return to their respective areas of residence. I also took up the matter with the Government of Iraq. I was told that those moving to the north were in fact non-residents. I have no way to check out whether that is true or not. What I was told by the internally displaced people who had recently arrived from Kirkuk and Khanaghin, was that they were forced to leave their homes and move to the north.

On my way back to Baghdad from Sulaymaniyah, I was confronted by hundreds of displaced persons who were residing in the most abominable conditions at the Kani Shaitan Camp. Accordingly, I took the decision, in consultation with the local authorities and my agency colleagues, to make available 150 houses - presently under construction at Chamchamal town and to be completed by mid-October - to 220 families, the internally displaced and presently residing at the Kani Shaitan Camp. The remaining houses at Chamchamal housing project, involving a total of 240 houses, will also be made available to the IDPs from the Kani Shaitan Camp which will then be closed. This, however, is not a solution as there are so many more people who are internally displaced. It may be recalled that the number of internally displaced at the outset of the programme was estimated to be about 500,000. Several thousands of returnees from Iran are also living in very difficult conditions.

I therefore requested Mr. Tun Myat to establish an interagency working group to review the situation and to come up with proposals to address their immediate requirements, taking into account also the survey on this matter that is being conducted by HABITAT, which should be completed soon. We will keep the Council and its Committee informed on further measures taken.

NGOs

The non-governmental organizations working in Iraq, which have been providing very valuable services to the Iraqi people, are facing an increasingly difficult situation, in

particular in funding their activities. With so high a level of revenues being made available to the humanitarian programme under resolution 986 (1995), donors are becoming reluctant to contribute funds to the work of the NGOs. Some NGOs feel that unless their funding situation is improved, they may have no alternative but to curtail further their activities. Some, in fact, told me, that they may have to stop their programmes altogether.

I therefore appeal to all donors to continue to support the work of the NGOs that are involved in areas not covered under the programme.

Closing remarks

Mr. President,

Recent developments concerning Iraq are a matter of serious concern. The growing tendency to politicize the programme has indeed been affecting adversely the implementation of the humanitarian programme. The programme has a distinct identity and should not be confused with other United Nations activities related to Iraq. Accordingly, I would plead with all concerned to avoid politicizing the humanitarian programme in order to allow us to implement the programme efficiently for the benefit of the Iraqi people, an objective set out in Security Council resolution 986 (1995).

On behalf of the Secretary-General, I should like to appeal to all Council members as well as to the Government of Iraq, to take concerted action in improving the implementation of this programme. Lifting the ceiling on oil revenues and establishing procedures to expedite approval of applications were important and welcome decisions. They will not make a difference, however, without also removing the roadblocks that delay or prevent the purchase of key supplies and equipment.

In taking whatever measures with respect to this programme, it is of paramount importance not to lose sight of the human dimension and fully bear in mind the humanitarian needs of the Iraqi people at this very difficult period.