

STATEMENT BY
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AT THE INFORMAL CONSULTATIONS OF THE SECURITY
COUNCIL
WEDNESDAY, 25 SEPTEMBER 2002

Mr. President,

We have already made available to the members of the Council, last Friday, a [Note by the Office of the Iraq Programme](#), dated 19 September 2002, which reviews and describes developments in the implementation of the humanitarian programme in Iraq pursuant to resolution 986 (1995), since the last Note, dated 24 May 2002, which I presented to the Council on 29 May 2002, covering Programme implementation under phase XI. The present Note is being submitted, as agreed by the Council at its informal consultations on 29 May 2002, in lieu of the written 90-day report pursuant to paragraph 1 of resolution 1409 (2002) of 14 May 2002.

In view of the information provided in the Note, describing developments in the implementation of the Programme, I should like today to focus on the serious difficulties faced in the effective implementation of the programme due to the growing revenue shortfall. I should also like to provide the Council with an update on the implementation of the revised procedures for the review and approval of applications for humanitarian supplies and equipment pursuant to resolution 1409 (2002).

Revenue

I should like to reiterate what I said during my briefing to the Council at its informal consultations held on 29 May 2002: “Irrespective of improvements in procedures, including those recently adopted by the Council in resolution 1409 (2002), without the necessary funds available in the escrow account it will be impossible to implement the humanitarian programme effectively.”

The effective implementation of the Programme during the past year has continued to face a number of difficulties, foremost, a growing revenue shortfall as a result of substantial reduction in Iraqi oil exports under the Programme. The level of oil exports has dropped from an average of over 2 million barrels per day in the year 2000, to under one million barrels per day in recent months. Assuming a sustainable rate of export of 2.1 million barrels per day, between 1 June and 15 September, \$3.2 billion in revenue has been lost, as a result of reduced levels of oil exports in this phase alone.

The Government of Iraq has budgeted the humanitarian programme for the current phase XII at over \$5 billion. In order to make that amount available to the Programme, after the necessary deductions pursuant to relevant resolutions of the Security Council, Iraq would have to export about \$7 billion worth of oil during the present phase. Unless there is a substantial increase in the level of oil exports, it is now estimated that total revenue during the current phase would be at about \$4.2 billion. After the deductions pursuant to the relevant resolutions of the Security Council, only about \$3.01 billion will, therefore, be made available for the implementation of the Programme, thus further compounding the dire funding shortfall.

The situation is further exacerbated by the cumulative revenue shortfall from earlier phases, which has left over \$2.3 billion worth of contracts for various humanitarian supplies approved by the United Nations, for which no funds are available. Based on the above estimates, accordingly, about \$700 million would be available during the current phase, ending on 25 November 2002, to finance additional humanitarian contracts. Currently, \$834 million is available in the United Nations Iraq Account, of which \$734 million is reserved to fund applications for special allocations and \$100 million for oil industry equipment.

Several factors have contributed to the drop in the volume of Iraqi oil exports under the Programme, including, *inter alia*: Iraq's periodic unilateral suspension of its oil exports - such as the suspension of oil exports for 30 days during the previous phase, which resulted in over \$1.2 billion in lost revenue - and the continued absence of an agreement between the Government of Iraq and the Security Council Committee (the 661 sanctions committee) on the manner in which the price of Iraqi crude oil is set - the Committee has been pricing Iraqi oil retroactively amidst market reports of Iraq's demands for surcharge payments from its buyers - as well as concerns by traders over the reliability of uninterrupted Iraqi oil supplies and/or possible disruptions as a consequence of political developments.

Programme implementation under the ESB (59 per cent) account is further compounded by the failure of the Government of Iraq to make the necessary adjustments to the budgetary allocations contained in the distribution plans more realistically in line with available oil revenues during each phase. The Office of the Iraq Programme has repeatedly recommended to the Government of Iraq to keep under constant review the funding levels and revise downwards the allocations contained in the distribution plans, ensuring as well the availability of necessary funds to various sectors. Regrettably, instead of revising downwards, the Government has continued to revise upwards the allocations contained in distribution plans, even during the present phase, mostly in favour of sectors, which are already fully funded.

Annex I to the text of my present statement provides information on the comparative sectoral funding allocations for phases I to XII, as at 20 September 2002.

An encouraging development during the past week, ending 20 September, has been the notable increase in the level of oil exports to the average of 1.9 million barrels per day, as

compared with the average of about 371,000 and 910,000 barrels per day, respectively, during the week of 31 August to 6 September 2002 and the week of 7 to 13 September, amid industry reports that the surcharge has been removed. The average rate of oil exports during September to date is 1.09 million barrels per day, compared with the average rate of 778,000 barrels per day in August.

Assuming a rate of about 1.1 million barrels per day until the end of the present phase on 25 November 2002, the level of the total revenue could reach \$4.6 billion, at current prices. Should the rate of exports increase to 1.5 to 1.8 million barrels per day, the total revenue could reach between \$5.3 billion and \$5.8 billion. Even with a rate of exports of 2 million barrels per day until the end of the present phase, the revenue generated would reach only \$6.1 billion, which would still be insufficient to fund all the requirements envisaged in the distribution plan for the present phase.

It is our understanding that the major traders are focusing their attention on the future of what has come to be known as the retroactive pricing of Iraqi oil. Accordingly, I should like to reiterate my appeal to the Government of Iraq to be forthcoming in order to resolve the continuing disagreement over the pricing of Iraqi oil in order to resolve the difficulties encountered in improving the critical funding situation. I should also like to reiterate my appeal to the members of the Security Council Committee to be forthcoming and take the necessary and appropriate actions, in response to positive measures, which the Government of Iraq may take in that regard.

Revised procedures pursuant to Security Council resolution 1409 (2002) - Implementation update as at 19 September 2002

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In paragraph 8 of resolution 1409 (2002), the Security Council requested the Secretary-General, "in consultation with interested parties, to submit an assessment report on the implementation of the Goods Review List and its procedures by the end of the next period of implementation of resolution 986 (1995) beginning on 30 May 2002 and to include in the report recommendations on any necessary revision of the Goods Review List and its procedures, including processing of contracts under paragraph 20 of resolution 687 (1991) and the utility of the Distribution Plan as referred to in paragraph 8 (a) (ii) of resolution 986."

I should like to provide you with an update on the implementation of the Goods Review List and its procedures, as at 19 September 2002.

Immediately after the adoption of resolution 1409 (2002), the Office of Iraq Programme (OIP), in close consultation with the United Nations Monitoring, Verification and Inspection Commission (UNMOVIC) and International Atomic Energy Agency (IAEA), started preparations for the implementation of the Goods Review List (GRL) and its revised procedures. The preparations included the complete revision of the previous internal procedures and the development of guidelines and detailed Standard Operating Procedures for the Contracts Processing and Monitoring Division of OIP, including training of the staff and technical adjustments to OIP's databases.

Registration of applications by the Office of the Iraq Programme

Registration of applications under the revised procedures became effective on 1 July 2002. Thereafter, OIP accepted only the new application form. Submissions are scrutinized in accordance with the new requirements for technical and other information.

As at 19 September 2002, OIP had received a total of 1,831 applications worth just over \$3.6 billion under the revised procedures, including new applications, “legacy” applications and applications previously placed on hold and now re-processed under paragraph 18 of the revised procedures. The registration of new applications that were found to meet all basic requirements took an average of 1.7 working days. Of a total of 1,190 new submissions, 964 were fully completed applications, or 81 per cent of the total. The remaining applications were found to be either incomplete for one or more reasons (138 or 11.6 per cent of the total), or were still under review (88 or 7.4 per cent), as at 19 September 2002. The two most common reasons for considering applications inadmissible or incomplete were, first, the failure by the suppliers to submit the list of goods in electronic format, as required under the revised procedures - still a high 27.6 per cent - and also the submission of applications in the old format - which dropped from the previous 23 per cent to 12.2 per cent. These problems are likely to diminish once all concerned understand and comply with the basic requirements under the revised procedures. Other reasons for applications being considered inadmissible included a discrepancy between the total value stated in the contract and in the list of goods; incomplete application forms; duplication of previously submitted contracts; diskettes that could not be accessed; contracts not included with the applications; absence of a certifying seal and signature from the submitting mission; missing and/or illegible pages; absence of basic technical specifications, etc.

Processing of applications by the Office of the Iraq Programme

After registration of applications, the Office of the Iraq Programme has processed applications on an average of 2.9 working days. Of the total of 1,646 applications fully processed by OIP as at 19 September 2002, 1,466 or 89.1 per cent were found to be compliant and were subsequently forwarded for UNMOVIC/IAEA review. The remaining 180 applications (10.9 per cent) worth just over \$1 billion were awaiting response from the suppliers to the queries made by OIP, which were part of a total of 526 applications worth \$2.8 billion with Non-Compliant/Inactive status (under old procedures) for which OIP had requested additional information and/or clarifications. The applications submitted under the old system, which were non-compliant or inactive even prior to 1 July 2002, are now being transferred and processed under the revised procedures, inevitably contributing to a relatively high total volume of non-compliant applications.

The two most common reasons (85 per cent of the cases) for non-compliance are very similar to reasons prior to 1 July 2002, i.e., failure by suppliers to provide a fully itemized list of all goods included in the contract or insufficient details on the services to be

provided. OIP continues to make every effort to inform all concerned parties of the most common reasons for delays at this stage of the process, in order to reduce the number of such instances in the future.

Processing by UNMOVIC/IAEA

The UNMOVIC/IAEA review for the GRL assessment took on average 3.9 working days per application. Of the 1,365 applications reviewed by UNMOVIC/IAEA as at 19 September, a total of 957 (70.1 per cent) were found to contain no GRL items, and were subsequently approved by OIP under paragraph 10 of the revised procedures.

Of all applications reviewed by UNMOVIC/IAEA, 387 (28.3 per cent) were awaiting their GRL assessment and were thus under GRL Non-Compliant status. In such cases, the suppliers have been requested by UNMOVIC or IAEA, through OIP, to submit additional technical information. These requests are very similar to the requests for additional information requested under the old procedures, which were often a reason for holds.

Similar to applications in non-compliant status, the number of GRL Non-Compliant applications is compounded by the applications previously placed on hold, which are now being processed under paragraph 18 and found to require additional technical information for completion of GRL assessment. Out of the 606 applications on hold (at a total value of \$1.2 billion) and assessed by UNMOVIC/IAEA so far, 223 (36.8 per cent) require additional technical information.

Further processing of GRL items

As at 19 September 2002, GRL items have been identified in 21 applications worth \$43.6 million. The submitting missions have been sent the GRL notice which informs them of the options available to the suppliers under the revised procedures. The relative number of applications containing GRL items (as percentage of all applications processed by the United Nations experts) remains fairly constant, at around 1.2 to 1.5 per cent.

The Security Council Committee, under condition of end-use verification, has approved a total of six applications containing GRL items. Two have been denied, though a further petition to the Committee is still possible under the revised procedures; others are pending and one was sent by OIP to UNMOVIC/IAEA for reconsideration of their GRL assessment. Of the applications that are pending, in one case OIP has received a request for an impact assessment report prior to circulation to the Committee; another Mission has indicated its intention to submit an amendment to delete or replace the GRL items. Of the two “661 Denied” items, one is a contract for an oilfield truck for \$2 million, and the most recent one is a contract for corrosion resistant valves, worth about \$550,000.

Implementation of paragraph 18 of the revised procedures

As at 19 September 2002, Category B still contained 1,273 applications on hold valued at \$3.6 billion. Thus far, UNMOVIC/IAEA have re-assessed a total of 606 applications worth \$1.2 billion. No GRL items were found in 376 applications worth \$377 million and they have been approved by OIP. UNMOVIC has asked for additional information in 223 cases, worth over \$780 million. In addition, 95 applications had been declared null-and-void by the contracting parties, while 46 Category B applications worth over \$103 million had been released from hold by the holding missions prior to completion of re-assessment by UNMOVIC/IAEA.

Once the GRL assessment of Category B is completed, the status of these applications will change as appropriate under the revised procedures. It is expected that by 15 October 2002, no application will remain on “hold” any longer – these applications will either be denied or approved.

As for category A applications, suppliers have been offered to delete or substitute 1051 items through an amendment first. If no amendment was received by 15 August 2002, the applications concerned were returned to submitting missions. As at 19 September 2002, OIP had returned 159 applications worth \$199 million.

There are only 17 applications, worth \$145 million, remaining in Category A, as the suppliers had asked for the extension of the deadline for the submission of amendments by 30 September. Following that, the applications will be either returned or transferred to Category B and processed accordingly.

Suppliers may re-submit returned Category A applications either in an identical form or as amended. So far, 8 applications in Category A have been re-submitted and will be fully processed in accordance with the new procedures.

Other matters related to the implementation of resolution 1409 (2002)

Paragraph 4 of the revised procedures stipulates that “at their discretion and subject to the approval of the 661 Committee, UNMOVIC and IAEA may issue guidance regarding what categories of applications do not contain any item(s) covered by paragraph 24 of resolution 687 (1991) as it relates to military commodities and products, or military related commodities or products covered by the GRL. UNMOVIC, IAEA and OIP, working in consultation, may develop a procedure whereby OIP may evaluate and approve applications that, based on this guidance, fall within these categories.”

In a letter dated 11 September 2002 addressed to the Chairman of the Security Council Committee, I submitted a list of 12 categories of items, prepared pursuant to paragraph 4 of the revised procedures, with the relevant exclusion criteria indicated for each category. None of the 6021 items included in the lists submitted to the Committee are either in the GRL or in the military commodities covered under paragraph 24 of resolution 687 (1991). Once the Committee approves the list of items, OIP will evaluate and approve applications containing such items, without any further review by UNMOVIC/IAEA. Together with the list, a set of internal guidelines and criteria for the

implementation of the list, drafted jointly by OIP, UNMOVIC and IAEA, was also provided to the Committee for its information.

I should like to reiterate my appeal to the Committee to consider the proposed lists of items as early as possible and inform OIP of its decision by Monday, 7 October.

Pursuant to paragraph 17 of the revised procedures, OIP has been providing the Committee members - at their request and for information purposes only - with electronic copies of all applications approved by OIP under the revised procedures, within three working days following approval. As a next step, OIP will consider electronic circulation to the Committee members of applications found to contain one or more GRL items.

OIP has made some initial adjustments to the end-use verification mechanism in order to meet the requirements stemming from resolution 1409 (2002) and the revised procedures. This included the preparation of a standard format for the Impact Assessment of non-approval of GRL items in accordance with paragraph 9 of the revised procedures. The format was presented to the Committee in August 2002. Further adjustments will be made to the end-use verification mechanism, as required, depending largely on the number of GRL items approved and the type of verification requirements. So far, the assessment has been requested only in two cases and has been prepared using the new format.

On 24 June 2002, over 200 participants from permanent and observer missions, including their invited suppliers, as well as representatives from United Nations programmes and agencies, participated in a workshop organized by OIP, to explain the revised procedures and requirements. In addition, OIP has posted on its Web site all the revised and new documents, templates, and guidelines, which will be updated, as necessary, including reasons for processing delays and how they could be avoided. In July, an OIP Programme Officer from the Contract Processing and Monitoring Division visited Iraq to explain the new procedures to the ministries of the Government of Iraq concerned and the United Nations agencies and programmes.

Annex II to the text of my present statement, provides a statistical update as at 19 September 2002, on the processing of applications under resolution 1409 (2002).

A preliminary assessment of the implementation of the revised procedures

- We started implementing the revised procedures on 15 July 2002. Accordingly, we have rather a limited experience for the time being with regard to the processing of applications pursuant to revised procedures. Some preliminary assessment on the impact of the revised procedures, however, may be drawn in comparison to the previous mechanism, as follows:

- Transparency of the entire process for all parties involved;
- Predictable timeframes for each processing step, with actual processing times well within the timeframes allowed under the procedures;

- An increased rate of approvals by the Secretariat without reference to the Security Council Committee;
- Transparent, clearly defined and consistent “dual-use” criteria based on the Goods Review List;
- Increased number of options available to suppliers and Iraqi buyers on items assessed as “dual-use” under GRL;
- Better focus on the humanitarian implications of the non-approval of GRL items, rather than on their “dual-use” nature alone; and,
- Initial increase in the number of Non-Compliant applications with both OIP and UNMOVIC/IAEA, with the expectation that they will decline.

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Mr. President,

Finally, I should like to take this opportunity to express, on behalf of all my colleagues, both at Headquarters and the field, our sincere appreciation for all the support and cooperation received from the Chairman of the Committee, H.E. Ambassador Ole Peter Kolby, the members of the Committee, as well as from the Council.

**ANNEX I - Comparative sectoral funding allocations for Phases I – XI
as at 20 September 2002
(US\$ million)**

Phases/Sectors	DP allocations	% of DP allocation	Received applications	% received vs allocated	Approved applications	Funded applications	% funded vs DP allocation
Phase I							
Agriculture	24.00	1.89%	22.36	93.15%	22.36	22.36	93.15%
Education	12.00	0.95%	12.00	100.00%	12.00	12.00	100.00%
Electricity	36.00	2.84%	34.25	95.14%	34.25	34.25	95.14%
Food	921.59	72.65%	921.59	100.00%	921.59	921.59	100.00%
Food Handling	40.98	3.23%	28.74	70.14%	28.74	28.74	70.14%
Health	210.00	16.55%	197.74	94.16%	197.74	197.74	94.16%
Water & Sanitation	24.00	1.89%	22.91	95.46%	22.91	22.91	95.46%
	1,268.57	100.00%	1,239.59	97.72%	1,239.59	1,239.59	97.72%
Phase II							
Agriculture	24.00	1.96%	21.37	89.03%	21.37	21.37	89.03%
Education	12.00	0.98%	10.68	89.02%	10.68	10.68	89.02%
Electricity	49.39	4.03%	49.39	100.00%	49.39	49.39	100.00%
Food	870.00	70.99%	844.22	97.04%	844.22	844.22	97.04%
Food Handling	36.00	2.94%	35.35	98.19%	35.35	35.35	98.19%
Health	210.00	17.14%	204.79	97.52%	204.79	204.79	97.52%
Water & Sanitation	24.17	1.97%	20.17	83.45%	20.17	20.17	83.45%
	1,225.56	100.00%	1,185.97	96.77%	1,185.97	1,185.97	96.77%

Phase III							
Agriculture	24.30	1.98%	24.30	100.00%	24.30	24.30	100.00%
Education	12.00	0.98%	11.70	97.54%	11.12	11.12	92.66%
Electricity	41.62	3.39%	44.87	107.81%	41.62	41.62	100.00%
Food	873.89	71.14%	873.89	100.00%	873.89	873.89	100.00%
Food Handling	52.35	4.26%	52.35	100.00%	52.35	52.35	100.00%
Health	200.00	16.28%	189.17	94.58%	187.50	187.50	93.75%
Water & Sanitation	24.17	1.97%	20.65	85.43%	20.65	20.65	85.43%
	1,228.33	100.00%	1,216.93	99.07%	1,211.43	1,211.43	98.62%
Phase IV							
Agriculture	104.98	5.53%	104.98	100.00%	104.98	104.98	100.00%
Education	23.41	1.23%	24.58	105.00%	23.21	23.21	99.15%
Electricity	279.86	14.62%	279.86	100.90%	279.86	279.86	100.00%
Food	906.67	47.78%	906.63	100.00%	906.63	906.63	100.00%
Food Handling	53.06	2.80%	52.89	99.68%	52.89	52.89	99.68%
Health	163.50	8.62%	162.09	99.14%	159.90	159.90	97.80%
Oil Spares	300.00	15.81%	290.84	96.95%	281.35	279.95	93.32%
Water & Sanitation	68.71	3.62%	50.04	72.82%	48.45	48.45	70.51%
	1,900.20	100.00%	1,871.90	98.64%	1,857.26	1,855.86	97.79%

Phase V							
Agriculture	146.00	6.49%	146.06	100.04%	144.13	144.13	98.72%
Tele/Trans	88.80	3.95%	87.52	98.56%	87.14	86.73	97.67%
Education	50.00	2.22%	47.74	95.48%	42.07	41.31	82.62%
Electricity	293.00	13.03%	301.35	102.85%	289.33	281.63	96.12%
Food	906.00	40.28%	899.06	99.23%	899.06	899.06	99.23%
Food Handling	118.90	5.29%	118.81	99.92%	118.81	118.81	99.92%
Health	219.00	9.74%	208.87	95.37%	208.33	208.33	95.13%
Oil Spares	300.00	13.34%	317.51	105.84%	301.72	299.19	99.73%
Water & Sanitation	127.50	5.67%	135.86	106.56%	127.67	127.28	99.83%
	2,249.20	100.00%	2,262.77	100.60%	2,218.25	2,206.46	98.10%
Phase VI							
Agriculture	469.70	10.83%	485.22	103.30%	453.31	447.93	95.37%
Tele/Trans	113.32	2.61%	126.09	111.98%	121.31	113.32	100.00%
Education	218.50	5.04%	250.53	114.66%	200.31	192.28	88.00%
Electricity	676.55	15.61%	882.32	130.53%	693.17	676.55	100.00%
Food	1,038.84	23.96%	1,038.84	100.01%	1,038.84	1,038.84	100.00%
Food Handling	390.29	9.00%	425.49	109.08%	392.16	390.29	100.00%
Health	305.90	7.06%	321.14	104.98%	300.14	296.51	96.93%
Housing	112.10	2.59%	36.30	32.38%	36.30	35.73	31.88%
Oil Spares	600.00	13.84%	677.05	112.84%	577.13	564.01	94.00%
Water & Sanitation	410.00	9.46%	435.27	106.16%	420.80	409.74	99.94%
	4,335.19	100.00%	4,678.25	107.95%	4,233.47	4,165.19	96.11%
Phase VII							
Agriculture	653.00	13.31%	696.61	106.68%	668.62	652.92	99.99%
Tele/Trans	243.50	4.96%	259.77	106.68%	251.94	241.44	99.15%
Education	202.00	4.12%	211.78	104.84%	173.34	172.57	85.43%
Electricity	546.84	11.14%	718.83	131.45%	599.82	540.55	98.85%
Food	1,172.25	23.89%	1,162.80	99.19%	1,162.80	1,162.80	99.19%
Food Handling	406.27	8.28%	463.77	114.15%	408.45	406.19	99.98%
Health	433.00	8.82%	527.37	121.80%	446.47	429.54	99.20%
Housing	342.00	6.97%	336.98	98.53%	336.98	336.98	98.53%
Oil Spares	600.00	12.23%	670.97	111.83%	577.90	522.09	87.02%
Water & Sanitation	308.03	6.28%	389.27	126.39%	319.36	308.03	100.00%
	4,906.90	100.00%	5,438.16	110.83%	4,945.68	4,773.11	97.27%
Phase VIII							
Agriculture	872.57	11.27%	880.14	100.87%	713.16	669.90	76.77%
Tele/Trans	674.65	8.71%	519.28	76.97%	427.74	420.23	62.29%
Education	351.50	4.54%	273.48	77.80%	199.78	152.33	43.34%
Electricity	1,032.00	13.33%	1,026.40	99.46%	612.10	546.77	52.98%
Food	1,589.89	20.54%	1,583.17	99.58%	1,583.17	1,583.17	99.58%
Food Handling	573.03	7.40%	653.79	114.09%	598.25	571.14	99.67%
Health	624.75	8.07%	532.16	85.18%	422.17	323.98	51.86%
Housing	871.69	11.26%	910.67	104.47%	864.41	853.08	97.87%
Oil Spares	600.00	7.75%	722.08	120.35%	571.69	567.58	94.60%
Water & Sanitation	551.46	7.12%	420.16	76.19%	259.28	172.72	31.32%

	7,741.55	100.00%	7,521.33	97.16%	6,251.75	5,860.90	75.71%
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Phase IX							
Agriculture	446.95	8.26%	679.83	152.10%	279.72	231.38	51.77%
Tele/Trans	468.66	8.66%	420.46	89.71%	303.55	257.71	54.99%
Education	163.60	3.02%	172.66	105.54%	122.47	95.78	58.54%
Electricity	481.92	8.90%	547.62	113.63%	236.25	116.16	24.10%
Food	1,283.80	23.72%	1,274.36	99.26%	1,274.36	1,274.36	99.26%
Food Handling	405.16	7.49%	706.80	174.45%	455.17	404.55	99.85%
Health	350.00	6.47%	307.10	87.74%	222.55	211.19	60.34%
Housing	476.74	8.81%	562.02	117.89%	489.35	436.47	91.55%
Oil Spares	600.00	11.09%	815.95	135.99%	562.40	558.52	93.09%
Special Allocation	387.37	7.16%	437.55	112.96%	81.19	58.77	15.17%
Water & Sanitation	348.50	6.44%	318.93	91.51%	203.57	186.26	53.45%
	5,412.70	100.00%	6,243.28	115.35%	4,230.57	3,831.14	70.78%

Phase X							
Agriculture	585.00	10.91%	648.68	110.89%	398.13	256.48	43.84%
Tele/Trans	395.54	7.37%	447.56	113.15%	188.84	159.93	40.43%
Education	189.00	3.52%	194.17	102.74%	96.90	53.41	28.26%
Electricity	528.08	9.84%	599.04	113.44%	292.11	189.34	35.86%
Food	1,395.76	26.02%	1,395.59	99.99%	1,395.59	1,395.59	99.99%
Food Handling	380.52	7.09%	780.58	205.14%	580.44	380.07	99.88%
Health	252.50	4.71%	352.64	139.66%	251.79	174.14	68.97%
Housing	367.11	6.84%	627.07	170.81%	503.96	366.74	99.90%
Oil Spares	600.00	11.18%	733.06	122.18%	395.60	384.93	64.15%
Special Allocation	383.84	7.16%	320.34	83.46%	21.67	21.67	5.65%
Water & Sanitation	287.00	5.35%	426.54	148.62%	245.24	146.61	51.08%
	5,364.34	100.00%	6,525.29	121.64%	4,370.28	3,528.92	65.78%

Phase XI							
Agriculture	422.00	10.23%	697.73	165.34%	399.27	254.71	60.36%
Tele/Trans	251.00	6.08%	490.86	195.56%	238.35	228.28	90.95%
Education	187.00	4.53%	163.63	87.50%	81.99	46.36	24.79%
Electricity	228.00	5.53%	270.10	118.47%	28.30	6.69	2.93%
Food	1,275.00	30.91%	1,298.89	101.87%	1,292.51	1,274.81	99.98%
Food Handling	169.25	4.10%	340.61	201.25%	216.87	62.60	36.99%
Health	178.00	4.31%	132.98	74.71%	90.78	42.33	23.78%
Housing	245.12	5.94%	360.43	147.04%	312.87	243.35	99.28%
Oil Spares	600.00	14.54%	241.56	40.26%	83.11	41.41	6.90%
Special Allocation	309.40	7.50%	95.03	30.71%	47.50	45.27	14.63%
Water & Sanitation	260.60	6.32%	106.84	41.00%	58.23	25.48	9.78%
	4,125.37	100.00%	4,198.65	101.78%	2,849.79	2,271.29	55.06%

**Total of sectoral funding allocations for Phases I-XI as at 20 September 2002
(US\$ million)**

Sector	DP allocations	% of DP allocation	Received applications	% received vs allocated	Approved applications	Funded applications	% funded vs DP allocation
Agriculture	3,772.51	9.49%	4,407.28	116.83%	3,229.36	2,830.46	75.03%
Tele/Trans	2,235.47	5.62%	2,351.53	105.19%	1,618.85	1,507.63	67.44%
Education	1,421.01	3.57%	1,372.96	96.62%	973.87	811.04	57.08%
Electricity	4,193.26	10.55%	4,754.02	113.37%	3,156.19	2,762.80	65.89%
Food	12,233.69	30.77%	12,199.04	99.72%	12,192.66	12,174.96	99.52%
Food Handling	2,625.80	6.60%	3,659.18	139.35%	2,939.47	2,502.97	95.32%
Health	3,146.65	7.91%	3,136.05	99.66%	2,692.17	2,435.94	77.41%
Housing	2,414.77	6.07%	2,833.47	117.34%	2,543.86	2,272.35	94.10%
Oil Spares	4,200.00	10.56%	4,469.02	106.41%	3,350.89	3,217.68	76.61%
Special Allocation	1,080.61	2.72%	852.93	78.93%	150.37	125.72	11.63%
Water & Sanitation	2,434.15	6.12%	2,346.65	96.41%	1,746.33	1,488.30	61.14%
	39,757.91	100.00%	42,382.12	106.61%	34,594.04	32,129.84	80.82%

**Comparative sectoral funding allocations for Phases XII as at 20 September 2002
(Euro million)**

Phases/Sectors	DP allocations	% of DP allocation	Received applications	% received vs allocated	Approved applications	Funded applications	% funded vs DP allocation
Agriculture	462.48	9.62%	118.47	25.62%	78.11	51.84	11.21%
Central Bank of Iraq	26.60	0.55%	0.00	0.00%	0.00	0.00	0.00%
Construction	155.49	3.23%	0.00	0.00%	169.71	0.00	0.00%
Culture	31.95	0.66%	0.00	0.00%	0.00	0.00	0.00%
Education	162.94	3.39%	4.05	2.49%	0.00	0.14	0.08%
Electricity	239.62	4.98%	24.59	10.26%	0.99	0.00	0.00%
Finance	31.95	0.66%	0.00	0.00%	0.00	0.00	0.00%
Food	1,357.87	28.24%	871.95	64.21%	0.00	226.46	16.68%
Food Handling	186.37	3.88%	126.41	67.83%	782.00	67.23	36.07%
Health	165.07	3.43%	120.15	72.79%	83.12	35.37	21.43%
Housing	59.64	1.24%	26.24	44.00%	64.78	11.20	18.78%
Industry	171.46	3.57%	0.00	0.00%	23.82	0.00	0.00%
Information	53.25	1.11%	0.00	0.00%	0.00	0.00	0.00%
Justice	7.45	0.15%	0.00	0.00%	0.00	0.00	0.00%
Labour and Social Affairs	3.19	0.07%	0.00	0.00%	0.00	0.00	0.00%
Oil Spares	639.00	13.29%	0.00	0.00%	0.00	0.00	0.00%
Religious Affairs	21.30	0.44%	0.00	0.00%	0.00	0.00	0.00%
Special Allocation	377.38	7.85%	0.91	0.24%	0.00	0.00	0.00%
Tele/Trans	267.31	5.56%	246.54	92.23%	0.00	99.77	37.32%
Water & Sanitation	365.86	7.61%	67.13	18.35%	58.11	0.00	0.00%
Youth and Sports	21.30	0.44%	0.19	0.88%	0.19	0.00	0.00%

	4,807.48	100.00%	1,606.63	33.42%	1,260.84	492.01	10.23%
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ANNEX II - PROCESSING OF APPLICATIONS UNDER
RESOLUTION 1409 (2002)
Statistical update as at 19 September 2002

TABLE 1: GENERAL PROCESSING STATISTICS
(In US\$ million)

	Application category	ESB (59 per cent) account		ESC (13 per cent) account		TOTAL	
		No.	Value	No.	Value	No.	Value
1.	Total number of applications received and registered*	1,468	3,556.3	363	64.6	1,831	3,620.9
2.	Under OIP Review	121	228.9	64	7.5	185	236.4
3.	Non-compliant/ Inactive	179	1,010.1	1	0.38	180	1,010.5
4.	Under UNMOVIC/ IAEA Review	76	199.5	25	1.9	101	201.4
5.	GRL non-compliant/ GRL Inactive**	355	1,002.7	32	34.3	387	1,037
6.	OIP Approved***	723	1,072.5	234	19.6	957	1,092.1
7.	Applications containing GRL Items	14	42.6	7	1	21	43.6

* Includes new applications as well as fully processed OLD HOLDS and "legacy" applications.

** Includes OLD HOLDS processed under para 18 and GRL Non-compliant, as well as "legacy" applications now with the same status.

*** Includes 376 applications worth \$376.7M previously on hold and now OIP approved under para. 18.

Note: 1 = 2+3+4+5+6+7

So far, 1,646 applications have been reviewed by OIP (3+4+5+6+7), of which 1,466 (89.1 per cent) were cleared and moved to the next processing stage (4+5+6+7), and 180 (10.9 per cent) await response to request for clarifications (3).

So far, 1,365 applications have been reviewed by UNMOVIC/IAEA (5+6+7), of which 957 (70.1 per cent) contained no GRL items and were approved by OIP (6), 387 (28.4 per cent) await response to requests for additional technical information (5), and 21 (1.5 per cent) contained one or more GRL items (7).

TABLE 2: AVERAGE PROCESSING TIMES

Processing Stage	Average Number of Working Days
REGISTRATION (Check and issuance of Comm. Number)	1.7
OIP REVIEW	2.9
UNMOVIC/IAEA REVIEW	3.9

TABLE 3: REASONS FOR NON-REGISTRATION BY OIP

REASON	Frequency of reason as <i>per cent</i> of total number of reasons	Number of applications in each category
Excel attachment to the Application Form (list of goods) not submitted electronically.	27.63	63
Old version of the application used for applications submitted after 1 July 2002.	12.28	28
Total value of line items in Excel attachment differs from total value of the contract.	9.65	22
Boxes in the application form are not completed or filled in correctly.	11.84	27
Application identified as a duplicate of another application previously submitted (same contract No.).	4.39	10
Electronic Data submitted could not be opened. Accessible copy requested.	7.46	17
No contract attached to the application.	3.51	8
Certifying seal/signature omitted.	1.75	4
Original application illegible.	3.07	7
All other reasons (missing pages, tech specs, unit of measurement, paperwork in the wrong format, etc.).	18.42	42
Total	100.00	228

Most of the applications determined by OIP as Non-Compliant lack detailed lists of the contract's spare parts/tools/sets/kits, or require clarification on payment terms and/or service components. In

the category of applications determined as GRL Non-Compliant, UNMOVIC had additional questions in 355 cases (90.8 per cent), IAEA requested additional information in 15 cases (3.8 per cent), and both UNMOVIC and IAEA had additional questions in 21 cases (5.4 per cent).

TABLE 4: LIST OF APPLICATIONS CONTAINING GRL ITEMS

Comm No	GOODS	GRL ITEMS	CURRENT STATUS
801747	WRECK REMOVAL	Diver Equipment	GRL Processing
1130229	FIRE FIGHTING EQUIPMENT	Fire Fighting Breathing Device Including: Back Plate, Pressure Reducer, Full Face Mask, Demand Valve, Cylinder Of 1800 Liters and Fire Fighting Complete Air Trolley Including: 1 Trolley With 2 Wheels And 2 Drums Of 25 M Hose, Cylinders Of 1800 Liters, Air Lines With Mask And Positive Pressure Demand Valve	GRL Processing
710973	WATER TANKER	Renault Kerax 350.34	Circulated to Committee
700683	EDUCATIONAL MATERIALS/ EQUIPMENT	Centrifugal And Axial Fans Study Unit Pn20Dnt Code 970650, Unit For Meas. Of The Actual Physical Air Contidions Code 988100, Electronic Three Components Balance Be3 Code 970609/3, Set Of Resting Models, Unit F/Test Contraction Devices F/The Meas. of Flow 970652	GRL Processing
700670	TRANSMISSION LINE MATERIALS AND EQUIPMENT	Special Lorries 4 Wheels Drive W/12 Ton Crane & 12 Ton and 25 Ton Car Loading Capacity, hovel On Wheel W/Engine Of Not Less Than 175 H.P., 3 Crane Short Body Lg Tiers Clime Ton Cap. & Lift M.W/Special Eng.	Circulated to Committee
1130205	CONTROL & MEASURING INSTRUMENTS	Monitor Module #3300/01	Pending Response from Supplier
930076	CARGO DOUBLE CABS W/ CRANE & DIESEL ENGINE	Cargo Truck With Crane Model 50C 13D	Pending Response from Supplier
930078	CARGO TRUCKS W/ SPARES AND ACCESSORIES	Cargo Truck Cap (10-12) Tons Model Iveco Mp190E37H	Pending Response from Supplier
910232	VEHICLES	Fm12 6X4 Tipper Truck	Circulation Requested
1001314	DESIGNING AND CONSTRUCTION OF HOUSING	Truck Mixer, Trucks 16 Cu.M., Mobile Crane (35T) (Temporary Goods)	Pending Response from Supplier
910167	VEHICLES	Fm12 6X4 Platform Truck With Hydraulic Crane, Fm12 6X4 Platform Truck	Pending Response from Supplier

801596	TRUCK TRACTORS	Mercedes Benz Truck Tractors 3348 S, 6 X 4, 3300 W/Randon Cement Silo, Mercedes Benz Truck Tractors 3348 S, 6X4 And 3300 Randon Bitumen Tank	Pending Response from Supplier
801597	TRUCK TRACTORS	Mercedes-Benz Truck Tractors And Randon Low Bed Semi-Trailers	Pending Response from Supplier
811207	Vet. Vaccines	PPR live vaccine	Approved with monitoring
1130152	Truck/parts	Kenworth Oilfield Truck Model 953	661 Denied
910230	Truck/Parts	FM 12 6x4 Tipper Truck with Hydraulic Crane	Approved
910231	Truck /Parts	FM 12 6x4 Tipper Truck	Approved
1002173	Vet. Vaccines	CEVAC NEW L and CEVAC UNI L New castle Disease Vaccines	Approved with monitoring
1101524	Vet. Vaccines	CEVAC NEW L and CEVAC UNI L New castle Disease Vacc.	Approved with monitoring
1101438	Pumps	5 chemical GS PTFE lined pumps	661 Denied
811226	Vet. Vaccines	Jovac NDV Lasota (Newcastle Disease Vaccine).	Approved with monitoring

Of the eleven applications containing GRL items have been circulated to the Committee, 6 were approved (54 per cent), 4 requiring monitoring, 2 were denied approval (18 per cent) and 3 are pending (28 per cent).
Number and value of applications containing GRL items: 21, worth \$43.6 million
Number and value of all line items in applications above: 2,542, worth \$43.6 million
Number and value of GRL items alone: 60, worth \$9.9 million
GRL items are 2.36 per cent of total number items and 22.71 per cent of value of all items.

TABLE 5: PROCESING OF APPLICATIONS UNDER PARAGRAPH 18

Application category	No. of Applications	US\$ million
Applications on hold (current):	1,290	3,740.5
Returned holds (Cat. A)	159	199.2
Cat. A (current)	17	145.0
Category B	1,273	3,595.5
Sent to UNMOVIC/IAEA (cat. B)	2,023*	4,488.7

** Of these, 95 have been null-and-void and 606 returned from UNMOVIC/IAEA with their status changed, as appropriate.*

Returned from UNMOVIC/IAEA	No. of Applications	US\$ million
No GRL items	376	376.7
Additional Questions	223	780.3
GRL Items	7	30.1
Total Reviewed	606	1,187.1

**TABLE 6: PREVIOUS REASONS FOR "HOLDS"
ON 376 APPLICATIONS APPROVED UNDER PARAGRAPH 18**

Reason for Hold	No. of Applications	Per cent
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Technical specifications required	129	34.3
Dual use (WMD)	73	19.4
1051 “disagreement”	72	19.1
Pending further evaluation	61	16.2
End-use, End-user information	30	7.9
Basrah	11	2.9
TOTAL	376	100
