

4 September 1998

**Oil-for-Food
Background
Information**

PRESS BRIEFING BY EXECUTIVE DIRECTOR OF OFFICE OF IRAQ PROGRAMME

The 986 "oil-for-food" programme had been implemented to alleviate the situation of the Iraqi population during a very rigorous sanctions regime, Benon Sevan, Executive Director of the Office of the Iraq Programme and United Nations Security Coordinator, told correspondents this afternoon following his briefing to the Security Council on the Secretary-General's report (document S/1998/823). The programme had never been meant to take care of all the needs of the Iraqi people, he added. "It was just a temporary measure."

Mr. Sevan said that the Secretary-General was very concerned about the expected low level of funding for the programme due to a drop in oil prices. Today, the price of oil had risen to \$10.7 per barrel, but even with that rise far less funding than the targeted \$3.1 billion for the 180 days of the current phase of the programme was expected. Now about \$1.8 billion was expected. In fact, in order to generate the targeted revenues of \$3.1 billion, Iraq should have been in a position to export up to \$4.8 billion worth of oil for the 180day period.

With all the reductions, the funds for the humanitarian programme had been reduced, Mr. Sevan said. At the same time, it was important to point out that in comparison with the problems that had been faced during its first and second phases, the 986 programme was now delivering significant quantities of foodstuffs and was having a marked impact on the quantity of food and medicine being distributed. By the end of August, he added, nearly 6.8 million tons of food worth \$2.2 billion had been delivered.

Mr. Sevan said that as a result of the fall in oil prices, the current kilocalorie level of foodstuffs per person per day was 2,000. That was to be compared with the levels of 1,300 or 1,400 kilocalories per person per day before the programme had started. The target under the enhanced distribution plan was 2,300 kilocalories. Mr. Sevan stressed that the enhanced distribution plan had never been expected to take care of all needs. It had been aimed at helping improve the nutritional situation of the people.

The enhanced distribution plan could not be fully implemented until Iraq was provided with the capacity to increase its production and exports of oil, Mr. Sevan said. It had been demonstrated by United Nations oil experts that Iraqi capacity had been adversely affected by many years of neglect of its oil fields and pumping stations. \$300 million was

considered to be the minimum needed to partially resolve the problem. That was not meant to provide a total solution to the problem. More than \$1 billion would be needed to completely revitalize Iraq's oil industry, he added. The implementation of the enhanced programme required an enhanced capacity of production and export of oil. Thus, the urgency for the speedy approval of spare parts contracts.

Many supplies were not being distributed, Mr. Sevan continued. The distribution problem lay both with the Government, as well as with the various agencies involved. He said he continued to be critical of the programme's performance in that regard in the three northern governorates where the United Nations was responsible for implementation on behalf of the Government. However, measures had been taken to speed up the rate of implementation. Progress on implementation was being monitored and reviewed on a weekly basis.

There was no denying that the programme had had a positive impact on the overall situation in Iraq, in particular regarding the distribution of food and medicine, Mr. Sevan said. When he had been in the north of Iraq, all the local authorities he had asked had said that thanks to the 986 programme there was more food and medicine available for the average Iraqi in the north.

A correspondent asked a question regarding the temporary nature of the programme and the possibility of it becoming permanent once sanctions had been lifted. Mr. Sevan said if sanctions were lifted there would be no programme. That was why the situation was reviewed every six months. It would be up to the Government to decide how it would proceed in the event that sanctions were lifted.

In response to a question on Iraqi distribution management, Mr. Sevan said that there existed what was known as the 13 per cent account for the three northern governorates. In that area, the United Nations system was responsible for implementing the programme on behalf of the Government. There was also, in the centre and the south, what was known as the 53 per cent account, which concerned the 15 governorates for which the Government was responsible. In that area, the 986 programme simply observed to ensure that there was equitable distribution of supplies received under the programme. His office had no role in how the Iraqis managed their own distribution system.

In response to a question on oil spare parts, Mr. Sevan reiterated that, as the Secretary-General had stated in a 15 April letter to the President of the Security Council (document S/1998/330), \$300 million was the minimum required -- that estimate was based on the recommendation of the independent group of experts sent by the Secretary-General. When

spare parts contracts were submitted to his Office, experts from Saybolt were consulted. The contracts were then sent to the Security Council Committee for approval. The decisions were up to them.

A correspondent asked a further question about oil spare parts contracts. Had there been any reaction from United States Ambassador Bill Richardson at the Council briefing on the subject of the so called "downstream" contracts? the correspondent asked. Mr. Sevan said, " This issue of downstream and upstream came up right from the beginning when the letter of the Secretary-General came out. We had last week, a briefing to the Committee by the experts from Saybolt, who are under contract to us, explaining the differences. There is a lot of interlinkage between upstream and downstream. And then, as I pointed out several times, it has to do with environmental issues and safety issues for the workers." Discussions had been held privately with the United States, Mr. Sevan continued. He thought there was a little movement on the issue. There might be some differences on whether some of the spare parts being requested under spare parts should, perhaps, have come under different sectors. That was being discussed, and he hoped that there would be resolution of the issue.

The whole programme had been run in a rather politically suspicious atmosphere, so that made it more difficult, he said. With more communication, he was confident that there would be success in pushing forward the approval of the spare parts. There was a willingness on the part of all concerned to look at the situation more sympathetically. It was up to the United Nations, through its monitoring mechanism in place, to ensure that what was arriving in the country was being used properly for approved purposes.