

The United Nations Oil for Food Program

Background

The United Nations Oil-for-Food Program was established on April 14, 1995 by Security Council Resolution 986. Operations commenced in December 10, 1996 to allow Iraq to export oil to *bona fide* oil traders in exchange for imports of food and other humanitarian necessities. The goal of the program was to relieve the impact that UN economic sanctions on the Hussein regime were having on ordinary Iraqis. Creation of the Oil-for-Food program was critical to maintaining international support for economic sanctions against Saddam Hussein. At the time, increased international concern for the impact of the sanctions on the Iraqi people was eroding the support for the sanctions regime. Both the United States and the United Kingdom, as permanent members of the UN Security Council, and as principal proponents of sanctions against the Iraqi ruler, voted for the creation of the program and for its expansion in 1998.

From 1997 to 2002, Iraq sold more than \$67 billion in oil through Oil-for-Food and issued \$38 billion in letters of credit to purchase commodities for the Iraqi people, according to the U.S. General Accounting Office (GAO). The program ended in November 2003 when the Security Council adopted Resolution 1483 which lifted the civilian sanctions on Iraq and provided for termination of the program within six months. All remaining activity was transferred to the administration of the Coalition Provisional Authority and remaining funds to the Iraqi Development Fund.

Helping the Iraqi People:

The mission of the Oil-for-Food program was to address the humanitarian impact of the sanctions on the Hussein regime, while maintaining the sanctions to keep Saddam from acquiring weapons of mass destruction. The program accomplished its goal. Nine different United Nations agencies, programs, and funds developed and managed humanitarian operations in Iraq across 24 economic and social sectors.

- The program delivered enough food rations to feed all 27 million Iraqi residents, resulting in a 50% drop in the malnutrition rate among Iraqi children;
- It contributed to national vaccination campaigns that helped reduce child mortality and eradicated polio in Iraq for the last three years;
- The program provided more dependable access to electricity and clean water;
- Foodstuffs worth more than \$13 billion and medical supplies totaling \$2 billion entered Iraq;
- More than 2,500 Iraqis were empowered to carry out these projects.

It is also important to note that 0.8% of the program funds were provided to UNMOVIC, the United Nations weapons inspections program in Iraq. The program was key to destroying weapons of mass destruction in the hands of the Iraqi regime and preventing the regime from developing new weapons programs.

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Allegations against the Program and the UN's Actions

It has been alleged that mismanagement of the Oil-for-Food Program allowed Saddam Hussein's regime to embezzle millions of dollars through under-priced oil contracts and overcharging in contracts for some of the goods Iraq purchased under the program. There have also been allegations that UN personnel illegally profited from the program.

According to a General Accounting Office report, Saddam Hussein embezzled \$4.4 billion through pricing irregularities. It is also estimated that Saddam acquired an additional \$5.7 billion through illegal oil smuggling. **However, the Oil-for-Food program had neither responsibility nor enforcement capacity for checking for unauthorized oil sales. That responsibility was provided to UN Member States** and, in the Gulf area, to the multinational Maritime Interception Force (MIF) which was established when the sanctions regime was put in place in 1990.

Oversight over Oil-for Food rested on the UN Security Council and the UN Secretariat's Office of the Iraq Program (OIP). Specifically, it was the role of the Security Council's 661 Committee to monitor all contracts awarded under the Oil-for-Food Program. The U.S., through its Permanent Seat on the UN Security Council, had a representative on the 661 Committee during the entire duration of the Oil-for-Food Program. Regular program audits were undertaken by the UN's Office of Internal Oversight and the program's escrow account was audited every six months.

The OIP on multiple occasions raised concerns about potential wrongdoing in the Oil-for-Food program on multiple occasions. These are some instances:

- The Duelfer report notes that "Saddam introduced a 'surcharge' on Iraqi oil exports in September 2000. The UN objected to the surcharge because it would give Iraq more money than it was authorized under the OFF program," (pg. 36).
- On November 17, 2000, UN oil overseers informed the 661 Committee (a committee of UN Security Council members tasked with overseeing the program) that formulas proposed for oil pricing for the month of December were considerably under-priced and did not appear to represent "fair market value."
- In December, 2000, the Office of the Iraq Program referred various complaints on surcharges and side-agreements to the 661 Committee, which then directed oil overseers to advise buyers of Iraqi oil that they should not pay any surcharges by fax. In early March, 2001, the Secretary-General informed the Security Council of surcharge efforts in a report. That same month, the U.S. circulated information about oil and humanitarian aid surcharges, including recommendations to remedy the surcharges. As a result, the Security Council instituted a "retroactive pricing" mechanism designed to curb the practice.
- Oil-for-Food administrators identified at least 70 cases for potential over-pricing between 2001 and 2002. None of these cases were held up for pricing issues by the 661 Committee and most were later approved.

The Volcker Committee

As a result of the allegations, the UN Secretary General created an independent committee chaired by Paul Volcker, former Chairman of the U.S. Federal Reserve Bank, to thoroughly examine the allegations. The other members of this commission were South African Justice Richard Goldstone and Mark Pieth, a Swiss expert on international money-laundering and bribery. The panel members

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were independent of the UN and the terms of reference made clear that the panel will have unrestricted access to all relevant United Nations records and information, written or unwritten, and to interview all relevant UN officials and personnel, regardless of seniority.

This mandate was endorsed by a unanimous Security Council Resolution. In the recent past, the UN has set up similar inquiries into Rwanda and Srebrenica that have operated with full independence and autonomy and have issued findings critical of the organization. The independent inquiry panel looked into three broad areas:

- Investigate whether the procedures established by the UN for the administration and management of the program were violated;
- Determine whether any United Nations officials, personnel, agents or contractors engaged in any illicit or corrupt activities in the carrying out of their respective roles in relation to the Program;
- Determine whether the accounts of the Program were in order and were maintained in accordance with UN regulations and rules.

In addition, the inquiry panel was authorized to engage professional investigators, auditors, accountants, forensic experts, and similar personnel or firms to assist it in carrying out its work. The Secretary-General instructed all UN staff to cooperate fully with the panel's investigation as a condition of employment, so that while the inquiry lacked explicit subpoena power, access to important information was still assured. The UN has never had the ability to subpoena witnesses, because this is a function reserved to member states only.

Deputy Secretary General Louise Fréchette noted that many internal changes have been implemented since 1996 – the time period focused in Volcker's report. For instance, the UN website now posts all purchasing requirements and awards, including details and the progress of all transactions. "As part of an organization-wide attempt to improve the openness and transparency of the organization, the Secretary-General intends to review in a more comprehensive fashion the ruling guidelines pertaining to access to UN documentation," she said during a press briefing in February.

On March 29, 2005, the inquiry cleared Secretary General Kofi Annan of any wrongdoing while overseeing the program. It found insufficient evidence that he was aware of his son's dealings with a Swiss contracting firm. However, the report did criticize Annan for his inadequate investigation into the affair. The final report by Volcker's team is due to be presented in the summer.

Citizens for Global Solutions would like to credit the Better World Campaign for much of this information.

About Citizens for Global Solutions

Citizens for Global Solutions envisions a future in which nations work together to abolish war, protect our rights and freedoms, and solve the problems facing humanity that no nation can solve alone. This vision requires effective democratic global institutions that will apply the rule of law while respecting the diversity and autonomy of national and local communities. We work to build political will for our vision in the United States by educating Americans about our global interdependence, communicating global concerns to public officials, and developing proposals to create, reform, and strengthen international institutions such as the United Nations.

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