

A Summary of the Oil-for-Food Program

February 2005

Political Reasons for OFFP

- The United Nations Security Council imposed sanctions on Iraq via [Resolution 661](#) in August 1990 following Iraq's invasion of Kuwait.
- Following the implementation of sanctions, there was increasing international pressure regarding the impact of the sanctions on the Iraqi people. This led to concerns that support by Security Council members for the sanctions regime was eroding.
- Between 1991 and 1995, multiple failed attempts were made to create a program that would allow Iraq to sell limited amounts of oil and use the proceeds to purchase humanitarian goods. However, these attempts were rejected by the Iraqi Government under Saddam Hussein.
- The Security Council, led by the U.S. and the UK, continued to search for a mechanism to address the humanitarian concerns for the Iraqi people while maintaining the integrity of the sanctions.

Los Angeles Times

Iraq on Brink of Famine, U.N. Finds Destitution

Sanctions are blamed. Studies liken nation to 'disaster-stricken African countries.'

August 8, 1993

THE CHRISTIAN SCIENCE MONITOR

UN Sanctions Devastate Iraq's Isolated Economy

Hunger is increasing, but Baghdad regime is buffered by hidden assets, for the moment

July 21, 1993

The Atlanta Journal-Constitution

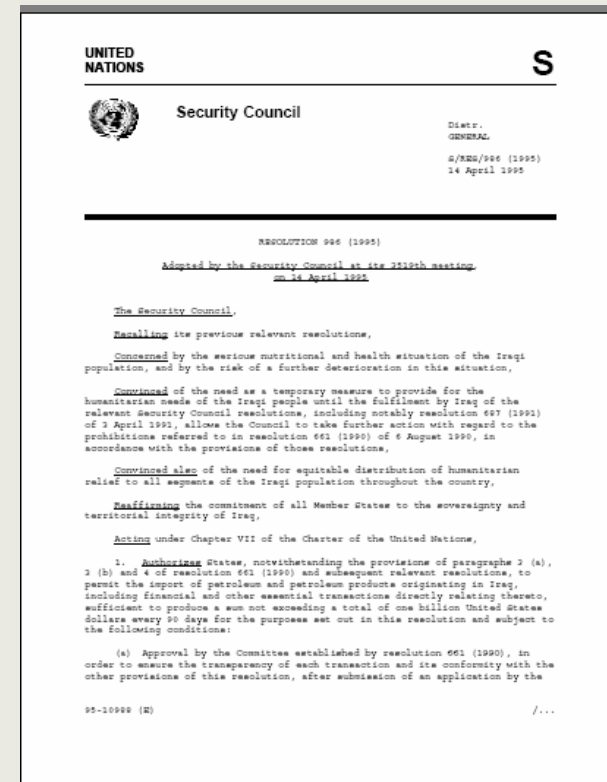
Sanctions Take Human Toll

Poverty is hitting most Iraqis hard, children hardest

October 13, 1994

What is OFFP?

- On April 14, 1995 the UN Security Council adopted [Resolution 986](#) by unanimous vote, which authorized limited sales of Iraqi oil to fund humanitarian relief. This unprecedented and unique program became known as the Oil-for-Food Program.
- The UN and the Iraqi Government negotiated the terms of the program in 1996 and the first oil sales were implemented in December.
- The Oil-for-Food Program was funded exclusively from the proceeds of Iraqi oil exports authorized by the UN Security Council.
- The program ended in March 2003 when oil exports under the program ended. \$9.3 billion in leftover oil revenues were transferred to the Development Fund for Iraq managed by the Coalition Provisional Authority.



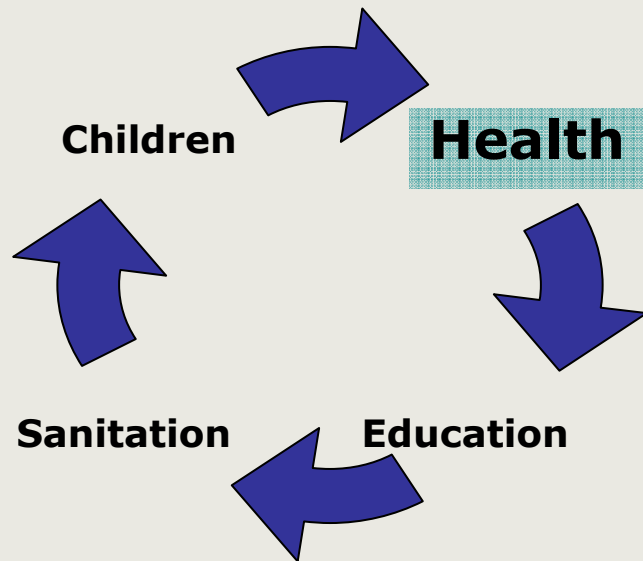
How OFFP Worked

- OFFP was overseen by the so-called “661 Committee”
 - The “661 Committee” had the same membership as the UN Security Council, including the U.S. and the UK
 - The “661 Committee” was tasked with oversight of OFFP’s day-to-day implementation
 - The “661 Committee” approved all contracts on a “no-objection procedure” which allowed any member to object to any contract on any grounds.
- The UN’s Office of the Iraq Program was responsible for the overall management and coordination of all United Nations humanitarian activities in Iraq.
- The Office of the Humanitarian Coordinator in Iraq (UNOHCI) was involved in monitoring of program implementation in the center-south of Iraq and coordination of implementation of the program in the three northern (Kurdish) governorates.
- Nine United Nations agencies and organizations were involved in implementation of the program in the three northern governorates including:
 - UN Development Program (UNDP)
 - UN Children’s Fund (UNICEF)
 - Food and Agricultural Organization (FAO)
 - World Food Program (WFP)
 - UN Educational, Scientific and Cultural Organization (UNESCO)
 - World Health Organization (WHO)
 - UN Human Settlements Program (UN-HABITAT).The Iraqi government implemented the program in the center-south and the UN acted in an observation and monitoring capacity.

OFFP Achievements

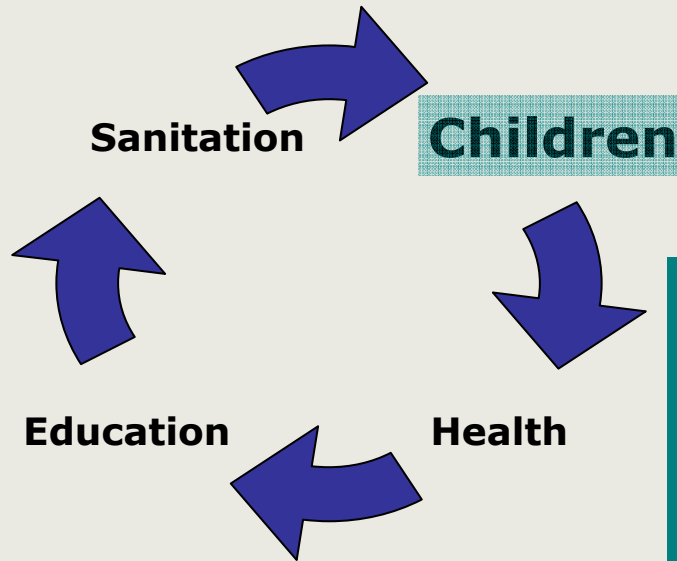
- The Oil-for-Food Program achieved its two missions:
 1. Maintain international support for the UN economic sanctions against Iraq to prevent the Hussein regime from developing its weapons programs.
 2. Alleviate the impact of the economic sanctions on the Iraqi people.

OFFP Achievements



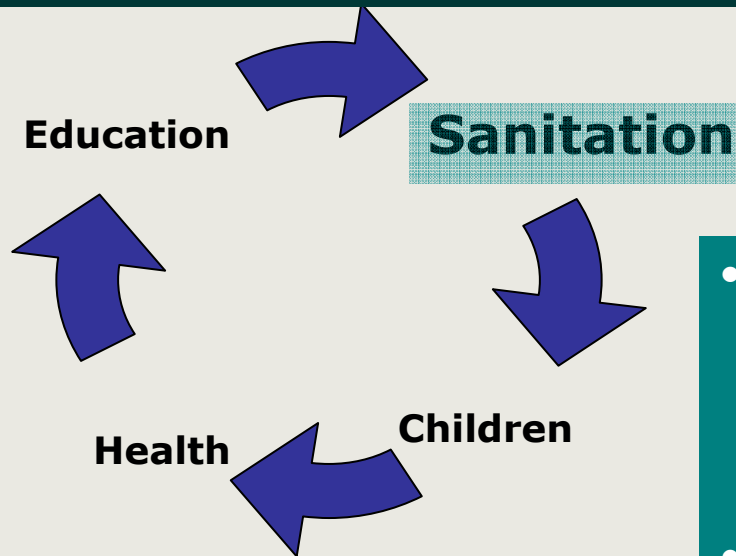
- Polio was eradicated in Iraq through a vaccination campaign (WHO)
- Malaria cases dropped from 14,000 to just over 1,000 cases (WHO)
- Diphtheria cases were reduced by 90% from 290 to 32 cases (WHO)
- Seasonal cholera epidemics were contained in the north of the country – no case has been reported there since 2000 (WHO)
- Iraqi hospitals were able to carry out 40% more major operations because of supplies (WHO)

OFFP Achievements



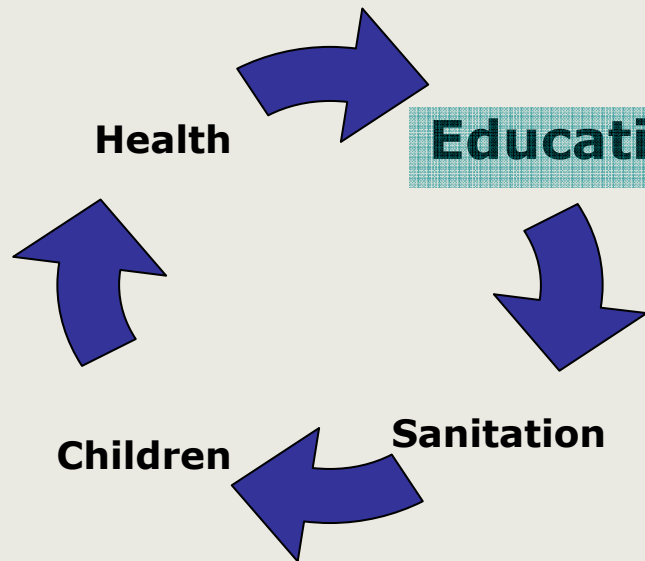
- 56% reduction in chronic malnutrition among children under 5 (UNICEF)
- 44% drop in underweight children (UNICEF)
- Acute malnutrition rates dropped from 11% to 5.4% (UNICEF)
- Percentage of underweight children fell from 26% to 10.2% (UNICEF)

OFFP Achievements



- **Water and sanitation facility rehabilitation effort allowed for hundreds of thousands in the north of Iraq to have access to clean water (UNICEF)**
- **670 sanitation vehicles were repaired or provided (UNICEF)**
- **Household latrines were constructed in over 50,000 homes (UNICEF)**
- **230 sanitation programs were being conducted in local schools (UNICEF)**

OFFP Achievements

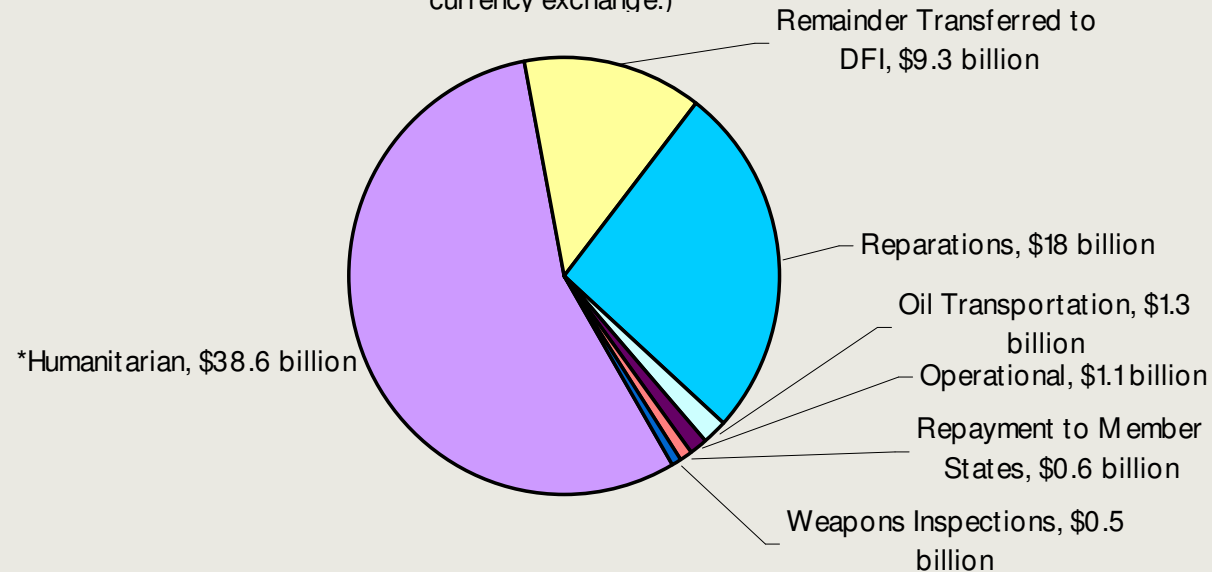


- **School enrollment in northern Iraq rose 17% for secondary students, 72% for university students and 70% for students at technical schools (UNESCO)**
- **Over 600 primary schools and 44 kindergartens were built or rehabilitated (UNESCO)**
- **Primary school attendance increased by one-third. (UNESCO)**
- **All secondary schools received text books and the education ministry received a assistance to produce 2 million textbooks (UNESCO)**

OFFP Revenue Allocations

Total Oil Profit Through Oil-for Food: \$69.4 billion

(Included in chart are \$2.9 billion earned in interest and a \$2.3 billion gain on currency exchange.)



- Humanitarian Activities
- Remaining funds transferred to Development Fund for Iraq (DFI) at the conclusion of the Oil-for-Food Program
- Claims processed by UN Compensation Commission for losses and damages suffered as a result of Iraq's invasion and occupation of Kuwait
- Transportation costs of oil
- Operational and administrative expenses (\$1.4 billion was allocated, but \$0.3 billion was transferred to the humanitarian account.)
- Repayment to Member States that advanced funds for humanitarian purchases
- Contribution to UNSCOM and UNMOVIC to support weapons inspections

*This number includes total letters of credit. The remaining balance includes \$30 million for the IIC, and contracts for the Kurdish governorates. Following a completed assessment of the liabilities left against the account, the balance will be transferred to the DFI.

Questions Arise About OFFP

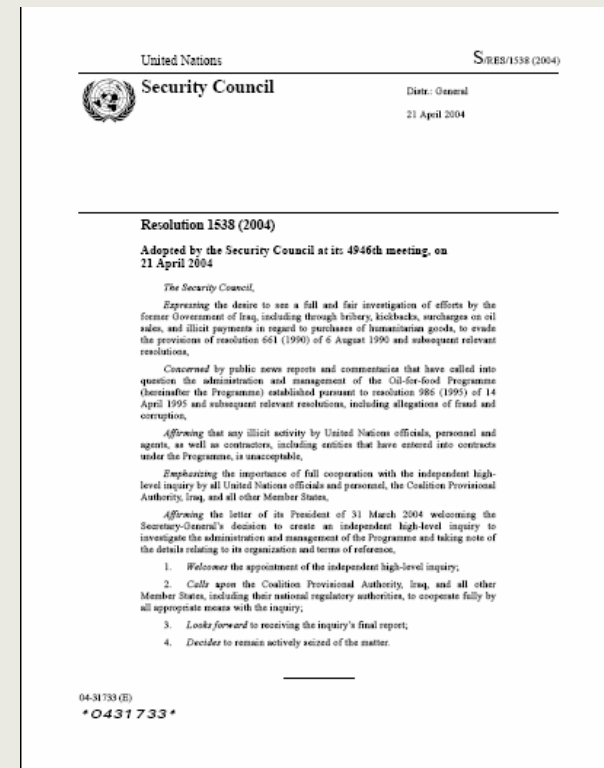
- In early 2004, concerns were raised that mismanagement of the Oil-for-Food Program allowed Saddam Hussein's regime to embezzle millions of dollars through underpriced oil contracts and overcharging in contracts for some of the goods Iraq purchased under the program.
- In addition, there have also been allegations that UN officials may have illegally profited from the program

"Obviously these are serious allegations which we take seriously," he told reporters at UN headquarters in New York. "I want to get to the truth and I want to get to the bottom of this."

-UN Secretary General Kofi Annan
"Annan Vows Truth in UN Fraud Probe of Iraq Oil Sales"
Agence France Presse, April 22, 2004

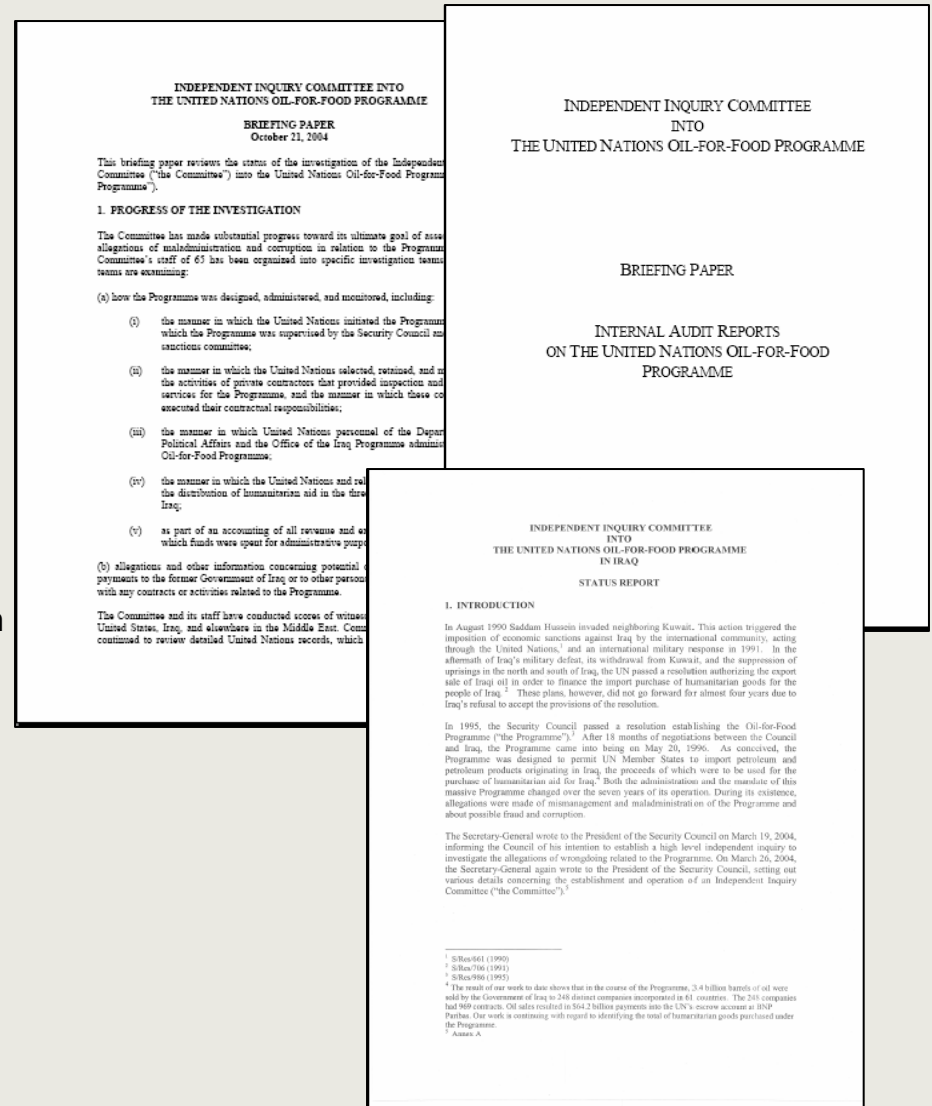
Independent Inquiry Committee

- In April 2004, UN Secretary-General Kofi Annan announced the formation of an [Independent Inquiry Committee \(IIC\)](#) after the UN Security Council Resolution approved its creation unanimously.
- The IIC is tasked with conducting an inquiry into allegations of impropriety in the operation and management of the Oil-for-Food Program. To accomplish this the UN has provided the IIC with:
 - **Unrestricted access to all relevant documents.** The UN has transferred to the IIC all documents related to the OFFP.
 - **UN personnel and program contractors instructed to cooperate.** The Secretary General instructed all UN staff to cooperate fully with the Committee's investigation or face dismissal. He has also instructed OFFP program contractors to do the same.
 - **Protection for whistleblowers**
 - **UN member states pledge cooperation.** In approving the UNSC resolution creating the ICC, UN member states pledged to cooperate fully with the inquiry.
 - **Funds to Begin Work.** The UN provided start-up funding of \$4 million and later \$30 million for the investigation as requested by the IIC.



Independent Inquiry Committee

- The IIC is composed of three respected and accomplished individuals
 - **Paul Volcker.** The respected former U.S. Federal Reserve Chairman
 - **Justice Richard Goldstone.** Former Chief Prosecutor of the United Nations International Criminal Tribunals for the former Yugoslavia and Rwanda
 - **Mark Pieth.** A Swiss academic with expertise in money-laundering.
- The IIC has so far issued four interim reports
 - **August 9, 2004.** An update providing details on the progress made in structuring the IIC including the hiring of staff.
 - **October 21, 2004.** An update on the status of the inquiry.
 - **January 9, 2005.** A briefing paper with observations on the UN internal audits of OFFP. All the audits were released by the IIC.
 - **February 3, 2005.** An interim report detailing findings of the inquiry into procurement process and management of the program



Common Myths About OFFP

MYTH

Saddam Hussein's regime raised \$21.3 billion in illicit revenue by subverting OFFP

FACT

- According to the report issued by the Iraq Survey Group, nearly $\frac{3}{4}$ of the illicit revenue obtained by the Hussein regime during the sanctions period came from Iraq's illegal oil trade with its neighbors. That report only attributes \$1.7 billion to OFFP.
- The \$21.3 billion figure dates back to 1991 when UN sanctions began. OFFP did not begin operations until 1996.

Common Myths About OFFFP

MYTH

Oil smuggling was a problem under the OFFFP that the UN failed to prevent

FACT

- The UN had neither the authority nor the resources to prevent oil smuggling.
- The task of policing oil smuggling fell to the Multinational Interception Force (MIF) predominantly made up of the Fifth Fleet of the U.S. Navy. The MIF was created following the imposition of sanctions in 1990.
- Waivers issued by both the current Bush and the Clinton Administration show the U.S. was aware that Iraq was trading oil with its neighbors, in violation of the UN sanctions. Many observers believe successive U.S. administrations allowed the illegal oil trades to continue because stopping them could endanger the support of Iraq's neighbors for UN sanctions.

Common Myths About OFFP

MYTH

The UN did not raise concerns about potential kickbacks and surcharges in OFFP contracts

FACT

- In many instances, officials from the Office of the Iraq Program (OIP) made the UN Security Council's 661 Committee aware of potential irregularities in contracts.
- November 2000: UN oil overseers alerted the 661 Committee that the oil pricing formulas proposed by Iraq did not represent "fair market value." According to the Iraq Survey Group report this action effectively ended Saddam's practice of using oil surcharges to acquire illicit revenue.
- 2001-02: Hundreds of contracts for humanitarian goods to be sold to Iraq were queried by UN experts for potential overpricing. At least 70 cases were reported to the 661 Committee and not a single case was placed on hold for pricing issues.

For More Information

For all the facts about
the Oil-For-Food Program
please visit
www.oilforfoodfacts.org

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