

**INDEPENDENT INQUIRY COMMITTEE
INTO
THE UNITED NATIONS OIL-FOR-FOOD PROGRAMME**

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**INDEPENDENT INQUIRY COMMITTEE FINDS
MISMANAGEMENT AND FAILURE OF OVERSIGHT:
UN MEMBER STATES AND SECRETARIAT SHARE
RESPONSIBILITY**

The Independent Inquiry Committee today issues its definitive Report on the overall management and oversight of the “temporary” Oil for Food Programme, a programme which stretched to seven years with more than \$100 billion in transactions (over \$64 billion in oil sales and approximately \$37 billion for food). In preceding interim reports and briefing papers, the Committee has reported the results of its investigations on specific aspects of the Oil for Food Programme.

This very large and very complex Programme accomplished many vital goals in Iraq. It reversed a serious and deteriorating food crisis, preventing widespread hunger and

probably reducing deaths due to malnutrition. While there were problems with the sporadic delivery of equipment and medical supplies, undoubtedly many lives were saved. At the same time, things went wrong, damaging the reputation and credibility of the United Nations.

With respect to the Programme as a whole, the Committee's central conclusion is that the United Nations requires stronger executive leadership, thoroughgoing administrative reform, and more reliable controls and auditing.

However, responsibility for what went wrong with the Programme cannot be laid exclusively at the door of the Secretariat. Members of the Security Council and its 661 Committee must shoulder their share of the blame in providing uneven and wavering direction in the implementation of the Programme.

WHAT WENT WRONG

However well-conceived the Programme was, in principle, the Security Council failed to clearly define the broad parameters, policies and administrative responsibilities for the Programme. This lack of clarity was exacerbated by permitting the Iraqi regime to exercise too much initiative in the Programme design and its subsequent implementation. Compounding that difficulty, the Security Council, in contrast to most past practice, retained through its 661 Committee, substantial elements of administrative control. As a result, neither the Security Council nor the Secretariat leadership was in overall control.

For all that uncertainty, the Secretariat had significant responsibilities in implementing and administering the Programme. As the Chief Administrative Officer of the United Nations, the Secretary-General, in turn, carried oversight and management responsibilities for the entire Secretariat. That included auditing and controls functions that had demonstrable problems with respect to the Programme.

Within the Programme itself, problems arose almost from the start. This report records the reluctance of both the Secretary-General and the Deputy Secretary-General to

recognize their own responsibility for the Programme's shortcomings, their failure to ensure that critical evidence was brought to the attention of the Security Council and the 661 Committee, and their minimal efforts to address sanctions violations with Iraqi officials; altogether there was a lack of oversight concerning OIP's administration of the \$100 billion Oil-for-Food Programme, and, above all a failure shared by them both to provide oversight of the Programme's Executive Director, Benon Sevan.

In sum, in light of these circumstances, the cumulative management performance of the Secretary-General and the Deputy Secretary-General fell short of the standards that the United Nations Organization should strive to maintain. In making these findings, the Committee has recognized the difficult administrative demands imposed upon the Secretariat and the Secretary-General, both by the design of the Programme and the overlapping Security Council responsibilities.

The Committee's investigation clearly makes the point that, as the Programme expanded and continued, Saddam Hussein found ways and means of turning it to his own advantage, primarily through demands for surcharges and kickbacks from companies doing business with the Programme. For UN agencies, the work went beyond their core competencies of overseeing the distribution of humanitarian goods—from monitoring, planning, and consulting—to infrastructure rebuilding, thus multiplying problems. Nor was there much success in coordinating so large a program among UN Agencies accustomed to zealously defending their institutional autonomy.

ILLICIT INCOME

To put the Programme's flaws and the manipulation by the Saddam Hussein regime into perspective, it is important to note that the regime derived far more revenues from smuggling oil *outside* the Programme than from its demands for surcharges and kickbacks from companies that contracted *within* the Programme. Thousands of vehicles and trucks carried smuggled goods—in both directions across the Iraqi border—with limited, if any, kind of inspection or oversight by the United Nations or, for that matter, member states involved. By the Programme's design, these inspectors were charged only

with the inspection of oil and goods that were financed under the Programme. The value of oil smuggled outside of the Programme is estimated by the Committee to be USD 10.99 billion as opposed to an estimated USD 1.8 billion of illicit revenue from Saddam Hussein's manipulation of the Programme.

KOFI AND KOJO ANNAN

In the light of new information relating to Kojo Annan's activities to assist Cotecna win the humanitarian goods inspection contract, and a document suggesting that the Secretary-General may have been informed of Cotecna's bid, the Committee reviewed its findings concerning the Secretary-General in its Second Interim Report. After a careful examination of the new information, the Committee has affirmed its prior finding that, weighing all of the information and the credibility of witnesses, the evidence is not reasonably sufficient to conclude that the Secretary-General knew that Cotecna had submitted a bid on the humanitarian inspection contract in 1998.

The Committee also affirms its prior finding that no evidence exists that the Secretary-General influenced, or attempted to influence, the procurement process in 1998 leading to the selection of Cotecna.

As to the adequacy of the Secretary-General's response to press reports in January 1999 of a possible conflict of interest, the Committee re-emphasizes its earlier conclusion that the Secretary-General was not diligent and effective in pursuing an investigation of the procurement of Cotecna. What is now known about Kojo Annan's efforts to intervene in the procurement process, underscores the Committee's prior finding that a thorough and independent investigation of the allegations regarding Kojo Annan's relationship with Cotecna was required in 1999. A resolution of the questions much earlier would likely have resolved the issues arising from the Cotecna bid process and the consequent conflict of interest concerns.

THE “BACKCHANNEL” AND THE MOU NEGOTIATIONS

This Report deals with the negotiations that resulted in the Memorandum of Understanding between the UN and Saddam Hussein. It also records Iraqi attempts to pass money to former Secretary-General Boutros Boutros-Ghali, principally through an Iraqi- American businessman, Samir Vincent, and a Korean lobbyist, Tongsun Park. The Iraqi leadership hoped that Secretary-General Boutros-Ghali would be “more flexible” and would take steps to “ease the conclusion” in the oil-for-food negotiations. The Committee has determined that well over \$1 million was paid to Mr. Vincent and Mr. Park. However, the Committee has not found evidence that Secretary-General Boutros-Ghali received or agreed to receive monies from Mr. Park and Mr. Vincent.

Also reported are Iraq efforts to secure another high-level contact at the United Nations in 1997 when Mr. Park, introduced his Iraqi contacts to a Canadian, Maurice Strong— Secretary-General Annan’s newly-appointed Executive Coordinator for United Nations Reform. In the course of Mr. Park’s relationship with Mr. Strong, he obtained \$1 million USD in cash from his Iraqi contacts which he used to consummate a stock purchase in a company controlled by Strong’s family. While there is an indication that Iraqi officials tried to establish a relationship with Mr. Strong, the Committee has found no evidence that Mr. Strong was involved in Iraqi affairs or matters relating to the Programme.

REFORM PROPOSALS

On the central matter of United Nations reform, the Committee’s investigation leads it to make six major recommendations:

1. Create the position of Chief Operating Officer (“COO”). The COO would have authority over all aspects of administration and would be appointed by the General Assembly on the recommendation of the Security Council. The position would report to the Secretary-General and the United Nations Charter should be amended as appropriate.
2. Establish an Independent Oversight Board (IOB) with a majority of independent members. In discharging its mandate, the IOB should have functional

responsibility for all independent audit, investigation and evaluation activities, both internal and external, across the United Nations Secretariat and those agencies receiving funds from the United Nations and for which the Secretary-General appoints the executive heads..

3. Improve the coordination and the oversight framework for cross-Agency programs.
4. Strengthen the quality of the United Nations management and management practices.
5. Extend the financial disclosure requirement well below the current assistant secretary-general level within the organization and specifically include the Secretary-General and the Deputy Secretary-General as well as all UN staff who have any decision-making role in the disbursement or award of UN funds (eg. Procurement Department, Office of the Controller).

Expand and better define the United Nations conflict of interest rules so that they encompass actual, potential and apparent conflicts of interest.

6. Agencies involved in a United Nations program are entitled to reasonable support for “overhead” as well as direct expenses. In the context of the Oil for Food Programme, those charges were excessive and the Agencies involved should return up to \$ 50 million in excess compensation secured as a result of work performed under Security Council Resolution 1483.

Emphasizing points expressed in the Report’s Preface, the Committee’s Chairman, Paul A Volcker, stated, “The inescapable conclusion from the Committee’s work is that the United Nations Organization needs thoroughgoing reform—and it needs it urgently. What is important—what has been recognized by one investigation after another—is that real change must take place, and change over a wide area. Clear benchmarks for

measuring progress must be set. The General Assembly should insist, in its forthcoming meeting, that key reforms be put in place no later than the time of its regular meeting in 2006. To settle for less, to permit delay and dilution, would be to invite failure. It would, in reality, further erode public support, undercut effectiveness, and dishonor the ideals upon which the United Nations is built.”

He added, “Before concluding its work, the Committee also intends a more comprehensive listing of firms participating in the Programme, either in the purchase of oil or the sale of humanitarian goods, as well as a more detailed analysis of the manner in which Iraq and its vendors and oil purchasers unlawfully manipulated the Programme.”