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LETTER DATED 12 OCTOBER 1999 FROM THE SECRETARY-GENERAL
ADDRESSED TO THE PRESIDENT OF THE SECURITY COUNCIL

In a letter dated 11 June 1999 addressed to the President of the Security Council, I informed the members of the Council that I had approved the distribution plan submitted by the Government of Iraq for the purchase and distribution of humanitarian supplies during the new period specified in paragraph 1 of resolution 1242 (1999) of 21 May 1999, phase VI, on the understanding that, inter alia, in the event that it was estimated that revenue could be generated at a level that would exceed the target referred to in paragraph 2 of resolution 1242 (1999), in anticipation of the Council's review of the matter pursuant to paragraph 14 of resolution 1242 (1999), I would consult with the Government of Iraq concerning the utilization of the additional revenue and, as necessary, make recommendations to the Council (S/1999/671). Accordingly, on 18 August 1999, the Government of Iraq was invited to submit, taking into account the sectoral priorities set forth by the Security Council in resolution 1153 (1998) of 20 February 1998 and in successive resolutions, proposals for the utilization of the additional revenue for my consideration and recommendations thereon to the Council.

Taking into account Security Council resolution 1266 (1999), of 4 October 1999, the Government of Iraq was informed today that I had approved the proposed adjustments submitted for my consideration by the Government of Iraq, transmitted in a letter dated 28 September 1999 from the Permanent Representative of Iraq to the United Nations (see appendix I).

In my latest report to the Security Council pursuant to paragraph 6 of resolution 1242 (1999) (S/1999/896, para. 94), I recalled that the Government of Iraq had already indicated in the distribution plan for phase VI that, if oil revenues generated during phase VI were likely to exceed the total of the \$3.004 billion required for the implementation of the approved distribution plan, the Government intended to enter into additional contracts for oil spare parts and equipment up to the value of \$300 million (S/1999/671, annex II, enclosure). The Government has reconfirmed its intention in that regard in its submission of the revised sectoral allocations referred to above.

As stated in my previous reports to the Security Council, as well as in my most recent letter dated 2 and 22 July 1999 addressed to the President of the

Security Council (S/1999/746 and Add.1), the oil industry of Iraq continues to be in a lamentable state, the details of which are provided in the aforementioned letter. The group of experts indicated that the amount requested by the Government of Iraq (\$600 million) is considered to be commensurate with the production levels achieved and predicted, given in particular the emphasis placed on major projects and investment in safety, control of pollution and environmental damage (S/1999/746, para. 48).

Accordingly, I recommend that the Security Council approve the request to increase by \$300 million the allocation for oil spare parts and equipment, bringing the total allocation to \$600 million, during the current phase.

(Signed) Kofi A. ANNAN

Annex

Letter dated 12 October 1999 from the Executive Director of
the Office of the Iraq Programme addressed to the Permanent
Representative of Iraq to the United Nations

On behalf of the Secretary-General, I have the honour to acknowledge receipt of your letter dated 28 September 1999, concerning the proposed adjustments by the Government of Iraq of phase VI allocations, in light of increased oil revenues during the current phase, for the Secretary-General's consideration and approval (see appendix I).

Further to the letter dated 11 June 1999 from the Secretary-General addressed to the President of the Security Council (S/1999/671) approving the distribution plan for phase VI, and taking into account Security Council resolution 1266 (1999) of 4 October 1999, I have the honour, on behalf of the Secretary-General, to inform the Government of Iraq, through you, that, having examined the proposed adjustments, the Secretary-General has approved the adjustments with the following understandings.

The adoption of Security Council resolution 1266 (1999) will, for the first time, enable the humanitarian programme established pursuant to resolution 986 (1995) of 14 April 1995 to be sufficiently funded for the implementation of the recommendations of the Secretary-General (S/1998/90), as endorsed by the Council in resolution 1153 (1998) of 20 February 1998. The sectoral allocations should be kept under review with due regard to paragraph 2 of resolution 1153 (1998) providing that the food and nutrition and health sectors are allocated funds on a priority basis.

In particular, given the unsatisfactory nutritional situation prevalent in Iraq and the necessity of providing a full food basket on a monthly basis, and also taking into account the effects of the current drought, it is essential to keep under constant review the funding level of the food sector. While welcoming the Government's proposed modest increase in the target caloric value of the food basket to 2,200 kilocalories per person per day, in view of the additional funds available, the Secretary-General recommends that the caloric value of the food basket should be increased at the minimum to 2,300 kilocalories per person per day country-wide, which was the level approved for the enhanced distribution plan for phase IV (S/1998/446).

The information that the Government of Iraq has contracted all the targeted nutrition supplies in quantities set out in the approved distribution plans for phases IV, V and VI is welcomed. I would like to recall that, in light of the findings of the recent child and maternal mortality survey (July 1999), conducted by the United Nations Children's Fund and the Government of Iraq, the Secretary-General had recommended in his report to the Security Council that the Government of Iraq increase the funding for the targeted nutrition programmes so as to expeditiously improve the nutritional status of children (S/1999/896, para. 103). Furthermore, in order to ensure timely and regular distribution of the supplies, the allocation for the targeted nutrition programme should be

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increased to provide adequate warehousing, transportation and related infrastructure.

With regard to the health sector, at this stage of the programme, when sufficient funding is available, it is essential to ensure that all measures are taken to procure and distribute all essential pharmaceuticals in a timely manner. The ratio established between drugs and medical equipment set out in the approved distribution plan for phase VI (S/1999/671) should be fully implemented.

In order to address the health and nutritional requirements of the population, the allocation for water and sanitation should be sufficiently funded. The Ministry of Health has repeatedly stated that the provision of clean drinking water to the population is critical in reducing levels of malnutrition. Although the increased allocation to the water and sanitation sector is welcome, the sector has been relatively under-funded in comparison with other sectors in previous phases. Specific consideration should be given to the provision of operational/maintenance supplies in order to enhance the implementation capacity of water authorities.

With respect to the Government of Iraq's request for the introduction of a new sector, namely housing construction supplies, I wish to inform you that, without prejudice to the merit of the proposal made by the Government, the Secretary-General is not in a position at this stage to endorse the proposed allocation in the distribution plan for phase VI. The proposal will be given further consideration and will require a review to, inter alia, clarify objectives, identify beneficiaries and determine appropriate observation resources and procedures.

With regard to the proposed allocation of \$10 million for banking requirements, I should like to reiterate what was stated at the time of the approval of the distribution plan for phase VI (S/1999/671, annex I), that the Secretary-General's acceptance of the revised sectoral allocations does not constitute an endorsement of either the budgetary allocation of equipment and supplies in support of the banking requirements, referred to in paragraph 67 of the plan, or the specific items listed in annex IX to the plan.

It may be recalled that, in approving the distribution plan for phase VI, the Secretary-General took note of the proposal in paragraph 12 of the distribution plan, including the indication given by the Government of Iraq that if oil revenues generated during phase VI were likely to exceed the total of the \$3.004 billion required for the implementation of the approved distribution plan, the Government intended to enter into additional contracts for spare parts and equipment up to the value of \$300 million (S/1999/671, annex II, enclosure). The Secretary-General supports the proposal of the Government of Iraq for an additional \$300 million allocation for the purchase of oil spare parts and equipment, and is therefore recommending to the Security Council that it approve the request, bringing the total allocation to \$600 million, during the current phase.

I should also like to recall that, owing to revenue shortfalls during phase IV, it was necessary to transfer approved applications with a value of

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approximately \$510 million for funding under phase V. These transfers, coupled with the value of additional phase V applications yet to be submitted and the ultimate status of phase V applications currently on hold, may result in subsequent transfers of phase V applications to phase VI. The availability of phase VI revenues to fund the full extent of new contracts arising from the Government of Iraq's plan for the use of the revenue increases, as authorized by resolution 1266 (1999), will therefore need to be considered vis-à-vis the yet to be determined transfers from phase V.

In light of the above, and, in view of the volatility of oil prices, the revenue received from oil exports should be kept under constant review in order to make the necessary adjustments for funding approved applications, bearing in mind the priorities set forth by the relevant Security Council resolutions.

(Signed) Benon SEVAN
Executive Director
Office of the Iraq Programme

Appendix I

Letter dated 28 September 1999 from the Permanent Representative of Iraq to the United Nations addressed to the Executive Director of the Office of the Iraq Programme

With reference to your letter dated 18 August 1999 concerning the adjustment of phase VI allocations in the light of increased oil revenues, I am transmitting to you herewith a table showing the increases approved by the Government of Iraq for the phase VI sectors under the 53 per cent account and the 13 per cent account. I should like to state as follows:

I.

The allocation to the food sector under the 53 per cent account and the 13 per cent account has been increased by \$103 million. This will raise the caloric value of the food basket to 2,200 when the additional amount is used to provide another 250 grams of cooking oil and increase the allocations for dried whole milk and/or cheese and for pulses to accord with the full quantities approved in the phase VI distribution plan. We are also transmitting herewith: a revision of table 3 of the distribution plan to show the allocation of an additional amount of \$103 million for the importation of cooking oil, milk and/or cheese and pulses; and a revision of the table showing food-related supplies and equipment, where an additional sum of \$20 million is being allocated to the importation of tyres and batteries for distribution to the transport fleets used to carry foodstuffs from the port at Umm Qasr to warehouses in all parts of Iraq. The Ministry of Trade is also placing quantities of domestically produced foodstuffs in central and local markets for distribution to citizens of limited income through such outlets at nominal prices. These items are:

1. 300,000 tons of rice, with 1 kilogram to be allocated to each person;
2. 500,000 tons of wheat, or the equivalent of 450,000 tons of flour, with one-half kilogram to be allocated to each person;
3. 25,000 tons of domestically produced vegetable oil, with 100 grams to be allocated to each person.

The farmers from whom these items will be purchased will also store sufficient quantities for their own needs and those of their families. With the distribution of these items, caloric intake per person will be at least 2,300 per month.

The Ministry of Trade is also placing quantities of domestically produced soap and detergent in central markets for distribution to citizens at nominal prices.

Increasing caloric intake and improving nutrition cannot solve the problems associated with the health, nutritional and social standards of Iraqi citizens in the absence of healthy and appropriate housing that meets the sanitary

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requirements of normal life. The population of Iraq has increased by more than five million since 1990, and this has meant increased population density and overcrowded dwellings. Disruptions in the electricity supply and sanitation problems have promoted the spread of diseases, especially contagious diseases. The comprehensive sanctions that have been maintained against Iraq since 6 August 1990 have made it impossible to provide the dwellings required to meet the population increase. There is also, of course, the deterioration that has taken place in the existing housing stock. In view of the additional oil revenues projected for phase VI, the sum of \$112.1 million has been set aside for the importation of supplies for the construction of dwellings to be allocated to citizens in accordance with the mechanism established by the memorandum of understanding. We therefore transmit herewith a list of items and quantities as an amendment to the annexes to the distribution plan, under the item "Housing construction supplies", together with a detailed explanation of the reasons for the allocation of this sum to dwellings for citizens. As the authority concerned with such matters, the Ministry of Trade would import and distribute these items.

II.

The Ministry of Health has accorded particular importance to the question of high-protein biscuits and therapeutic milk. It has allocated the sum of \$27 million for the importation of these two items for phases IV, V and VI, that is to say \$9 million for each phase. This will help to improve the nutritional situation of infants and expectant mothers. The Ministry signed contracts as follows:

1. Phase IV

(a) High-protein biscuits: Two contracts were signed with the Dutch company Pally, one (No. 40/99/806) in the amount of \$1,692,100 and one (No. 40/99/402) in the amount of \$4,307,857, for 4,800 tons. Shipment is in progress and delivery is expected at the end of September 1999.

(b) Therapeutic milk: A contract (No. 40/99/24) was signed with the French company Rippoz in the amount of \$3,400,000 for 1,500 tons.

The phase IV requirement for these two items was thus met.

2. Phase V

(a) High-protein biscuits: A contract for 4,800 tons has been forwarded to the Yemeni company Ha'il Sa'id and steps are being taken with a view to its signing. This quantity represents the full phase V requirement.

(b) Therapeutic milk: A contract (No. 40/99/380) was signed with the Danish company M. D. Food on 27 September 1999 in the amount of \$3,280,000 for 1,500 tons. This represents the full phase V requirement.

3. Phase VI

(a) High-protein biscuits: A contract (No. 40/99/379) was signed with the Dutch company Pally on 25 September 1999 in the amount of \$6,000,000 for 4,800 tons.

(b) Therapeutic milk: A contract (No. 40/99/378) was signed with the French company Rippos on 28 September 1999 in the amount of \$3,289,470 for 1,500 tons.

The full phase VI requirement for these two items has thus been met.

We request approval of the amounts allocated to the various sectors as indicated in the annexed table showing the amended phase VI allocations.

Accept, Sir, the assurances of my highest consideration.

(Signed) Saeed H. HASAN
Ambassador
Permanent Representative

Appendix II

AMENDED PHASE VI ALLOCATIONS

Sector	13 per cent			53 per cent			66 per cent		
	Allocated	Additional	Total	Allocated	Additional	Total	Allocated	Additional	Total
Food	138	15.5	153.5	777	87.5	864.5	915	103	1 018
Food-related supplies	0	0	0	207	72	279	207	72	279
Housing construction supplies	0	0	0	0	112.1	112.1	0	112.1	112.1
Health	44	7	51	206	33	239	250	40	290
Electricity	140	81.4	221.4	300	225	525	440	306.4	746.4
Agriculture	52	30.2	82.2	99	88.8	187.8	274	229	503
Irrigation				123	110	233			
Education	28	16.3	44.3	57	58	115	127	112.3	239.3
Higher education				42	38	80			
Interior	30	17.5	47.5	160	75	235	280	151.5	431.5
Municipality of Baghdad				90	59	149			
Transport and communications	19.6	11.4	31	100.4	12.2	112.6	120	23.6	143.6
Central Bank	0	0	0	10	0	10	10	0	10
Resettlement	54	31.4	85.4	0	0	0	54	31.4	85.4
Nutrition	18	10.5	28.5	0	0	0	18	10.5	28.5
Mine clearance	9	5.2	14.2	0	0	0	9	5.2	14.2
Total	532.6	226.4	759	2 171.4	970.6	3 124	2 704	1 197	3 901
Oil	0	0	0	300	300	600	300	300	600

PHASE 6

Items	Monthly ration per capita (kg)	Total monthly requirements (ton)	Total needs for six months (ton)	Required value for six months (US\$)
Food				
Wheat flour	9	257 000	1 542 000	260 000 000
Rice	2.5	60 000	360 000	120 000 000
Sugar	2	48 000	288 000	82 000 000
Tea	0.15	3 550	21 300	42 000 000
Cooking oil	1.25	30 100	180 600	135 000 000
Milk powder	3.6	2 520	15 120	43 000 000
Dried whole milk and/or cheese	0.5	11 800	70 800	170 000 000
Fortified weaning cereal	0.8	560	3 360	7 000 000
Pulses	1	24 000	144 000	85 000 000
Iodized salt	0.15	3 600	21 600	3 000 000
Subtotal				947 000 000
Soaps and detergent soap	0.25	6 100	36 600	34 000 000
Detergents	0.35	8 500	51 000	37 000 000
Total				71 000 000
Grand total				1 018 000 000

ELECTRICAL ACCESSORIES AND LIGHTING FITTINGS

ITEM	ACTIVITY	END USER	QUANTITY
PVC single core wire according to BS 6014/75 stranded and solid	Using in building houses	People	5 000 KM
500 volt PVC flat wire according to BS 6004/75 stranded type copper conductor - PVC isolated and PVC sheathed outside Colour grey	-	-	3 000 KM
NYIFY wire solid conductor according to VDEO 250	-	-	4 000 KM
NYFGBY cable 0.6/1 KV PVC sheathed and PVC isolated - all conductors to be stranded and manufactured according to VDEO 271	-	-	1 500 M
Distribution board circuit breakers flash mounting complete with MC.B.SS.PN & 100 AM main switch D.P. isolator	-	-	5 000 PCS
Moulded case circuit breakers	-	-	4 000 PCS
Galvanized steel conduit pipes diameter 1.6 m thickness, 3.75 M length for eight pipe 2 ends threaded and 1 end coupled according to BS.4568	-	-	10 000 PCS

ELECTRICAL ACCESSORIES AND LIGHTING FITTINGS
"ALL ACCORDING TO BRITISH STANDARD"

ITEM	ACTIVITY	END USERS	QUANTITY PCS.
Flush type switches	Using in building houses	People	2 000 000
Flush type switch sockets	Using in building houses	People	750 000
Flush type bell push switches	Using in building houses	People	100 000
Flush type sockets	Using in building houses	People	100 000
Plugs	Using in building houses	People	600 000
Three and single phase iron and metal clad switch	Using in building houses	People	10 000
Lamp holders	Using in building houses	People	750 000
Lighting fixtures	Using in building houses	People	100 000
Starter fluorescent	Using in building houses	People	1 000 000
One and two gang boxes	Using in building houses	People	1 000 000
Musical bells	Using in building houses	People	100 000
Socket and plug	Using in building houses	People	100 000
Fluorescent tubes	Using in building houses	People	750 000
Bulbs	-	-	750 000
Mercury lamps	-	-	300 000

(STEEL)

ITEM	DESCRIPTION	UNIT	QUANTITY
1	Reinforcing deformed bars	Ton	50 000
2	Galvanized plain sheets	Ton	25 000
3	Window section	Ton	15 000
4	Black anealed wire	Ton	2 000
5	Teak plywood and commercial wood	Sheet	2 000 000
6	Teak wood	Cubic foot	200 000
7	White wood	Cubic metre	60 000
8	Block board	Sheet	200 000
9	Bath set with chromium fittings	Set	10 000
10	Wall and floor tiles	Square metre	500 000
11	Galvanized water pipes	Piece	2 000 000

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[Rationale for the new item, "Housing construction supplies"]

1. Before the embargo, the State would spend some 1 billion dollars [a year] on average to import construction materials and supplies.

2. The construction of housing in Iraq would proceed in a systematic manner in keeping with population growth. The State would make available construction materials and supplies and would also build housing for Iraqi families and provide loans to citizens to build housing themselves.

3. While the embargo has been in force, the population of Iraq has grown from 18 million to 23 million. It has become impossible to provide housing to meet the increase in population and to compensate for depreciation in the existing housing stock because of the large quantities of construction materials required. The embargo and the impossibility of securing construction supplies as before has thus brought about a high degree of overcrowding in such housing as does exist.

4. The consequent overcrowding (together with disruptions in electricity supply and problems in the sanitation area) has promoted the spread of contagious diseases. The items in question are thus of a humanitarian nature, and their importance is similar to that of food and medicine.

ITEM	ACTIVITY	END USERS	QUANTITY
Tyres with tube flaps (different sizes)	Spares for all trucks used for transporting and handling grain and foodstuff	Ministry of Trade Grain Board and Food Stuff Co., grain processing	150 000 sets
Batteries (different capacities)	Spare for all trucks and forklifts used for transporting and handling grains and foodstuff	Ministry of Trade Grain Board and Food Stuff Co.	50 000 pieces
