

SECURITY COUNCIL COMMITTEE ESTABLISHED  
BY RESOLUTION 661 (1990) CONCERNING  
THE SITUATION BETWEEN IRAQ AND KUWAIT

S/AC.25/2002/COMM.10  
8 January 2002  
ORIGINAL: ENGLISH

Letter dated 7 January 2002 from the  
Executive Director, Office of the Iraq Programme  
addressed to the Chairman of the Committee

REF: ED/2002/661/1

Dear Mr. Chairman,

It is with grave concern that I should like to inform you that the volume of holds placed on applications has witnessed yet another unprecedented surge, having reached a total of 1854 contract applications, with a total value of some \$4.95 billion, as at 7 January 2002.

The absolute level of holds has been continuously rising during the past year, with a temporary drop in May 2001 following a campaign by this Office, and a small decrease in September 2001, largely due to the release of several high-value applications. The relative value of holds, on the other hand, has been somewhat stable at around 13 to 14 per cent of the combined value of all applications circulated to the Committee and notified by the Secretariat. It should be noted, however, that while the overall relative value of holds has been positively influenced by the notification of applications for large volumes of food items, it has remained considerably higher in some crucial individual sectors, such as water and sanitation (30.5 per cent), electricity (29.7 per cent) and education (24.5 per cent).

The relative level of holds is highest in the "Special Allocation" sector, with 85.5 per cent of the value circulated to the Committee having been placed on hold. However, this involves a fairly small number of 14 applications, as the sector has been introduced recently. The level of holds in the oil spare parts sector has dropped to 19.8 per cent, compared with the average of 25.0 per cent in March 2001, mainly as a result of significant increase in the number and value of applications approved by the oil group of experts on the basis of the pre-approved project-based list of items, not requiring circulation to the Committee.

Notwithstanding some minor recent movements, the lack of feedback from the holding mission(s) following submission of the requested information, continues to pose a considerable problem. At present, there are 334 applications worth \$942 million, which are still on hold without a feedback in excess of 60 days after the required information was provided. This issue requires particular attention, as the period for reviewing the additional information has been constantly increasing.

Another issue of particular concern is the increasing number of holds placed on applications for "dual-use" reasons, as determined by the mission placing the hold, which now covers 255 applications worth \$532 million, or over 10 per cent of the total value on hold. This category has now exceeded the number and value of applications placed on hold for containing 1051 items, as determined by the Secretariat, which stand at 111 applications worth \$397 million. The absence of a set of criteria and consistency in placing holds for "dual-use" reasons has prevented the suppliers, the Government of Iraq and this Office from taking further steps in resolving the holds in that category.

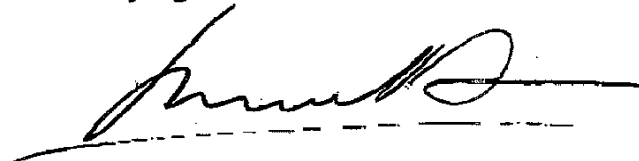
The number of cases on which experts of the Committee disagreed with the Secretariat on 1051 determination, has somewhat declined to 190 applications worth \$493 million, from 201 applications worth over \$620 million last September. The reduction is largely due to the gradual deletion of the alleged "1051-items" from applications on hold, as well as due to fewer newly arising disagreements following the revision of the "1051-list". While this Office has provided further technical clarifications on the majority of the existing disagreements, very few have been resolved or the reason for the continued holds changed as a result.

The system of end-use/user verification at the Committee's request has yielded many positive results, with 947 applications worth over \$1.9 billion released/approved under the system. The Committee members have been provided full access to the end-use/user verification database, which contains regular and up-to-date reports and all other relevant data on the applications approved/released on the condition of end-use/user verification. However, while the system was designed primarily to address 1051-related holds; only a handful of applications containing "1051-items" have been approved under the system, a problem which is further compounded by the rise in the holds for "dual-use" reasons, as described above.

At present, there are also 95 applications worth \$151 million, which are placed on hold for "pending further consideration/evaluation" reasons, with over half of them for 60 days or longer. The lack of specific reason provided for the holds has prevented this Office from taking any measure towards resolving the difficulties regarding the holds concerned.

I truly regret that the situation regarding holds, which has affected adversely the efficiency and effectiveness of the programme, has not improved despite our strenuous efforts and the special meetings of the Committee experts to reverse the trend in the individual sectors. Therefore, by presenting the above information and the attached two tables and a graph, I should like to appeal to all members of the Committee to exert greater and more determined efforts in addressing the increasingly high volume of holds placed on applications, now approaching \$5 billion.

Please accept, Mr. Chairman, the assurances of my highest consideration.



Benon V. Sevan  
Under-Secretary-General

Status of ESB (59 per cent) account applications for all phases, as at 7 Jan 2002

Sector	Applications Received		Notified/Approved by the UN Secretariat		Under Processing		Non compliant applications		Inactive applications		Applications Circulated to Committees*		Applications Pending at the Committee		Applications Approved by Committees		Block N/V	Applications On Hold		Inactive Holds***		On Hold** %	On Hold*** %
	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value		No.	Value	No.	Value		
Agriculture	1,393	3,442,242,841	204	368,871,938	13	91,421,521	32	145,682,393	19	13,976,220	1,376	2,843,169,783	2	7,843,852	1,138	2,815,453,246	252	207	589,570,260	20	32,313,622	21.12%	19.12%
Communications/Transportation	501	2,004,718,074	0	0	11	15,937,593	41	140,323,045	12	27,485,193	691	1,931,571,541	6	2,621,398	665	1,433,273,635	48	118	445,248,666	13	20,127,861	24.47%	24.47%
Education	701	1,088,359,899	71	184,930,223	5	8,436,938	19	64,687,071	9	14,074,040	503	816,222,708	1	532,573	387	579,981,833	100	99	208,348,624	17	25,361,476	28.79%	23.47%
Electricity	1,888	4,347,285,438	3	14,887,414	3	20,889,111	14	171,547,882	24	182,241,358	1,891	3,880,359,066	3	79,506,045	1,829	2,852,812,943	147	142	1,168,541,017	17	48,081,252	28.79%	29.88%
Food	3,386	10,998,886,724	1,683	5,213,359,293	1	134,401	3	781,084	0	0	1,384	5,782,402,943	0	0	1,384	5,782,402,943	308	0	0	0	0.00%	0.00%	
Food Handling	1,647	3,201,428,046	170	148,968,634	10	48,377,373	22	130,684,884	7	110,841,897	1,123	2,782,453,958	3	1,191,104	874	2,292,425,301	208	134	422,588,198	12	46,238,767	18.97%	16.70%
Health	3,573	2,988,693,729	694	605,921,084	18	42,118,513	26	103,419,030	19	23,807,584	2,253	2,211,418,634	1	147,075	2,043	1,761,127,358	377	184	438,287,846	23	20,866,347	20.81%	16.33%
Housing	1,108	2,524,413,231	104	323,488,825	7	32,184,605	25	51,165,625	2	4,223,092	782	2,113,382,884	2	2,880,223	682	1,834,889,889	178	95	183,101,932	13	10,430,860	8.31%	7.20%
Special Allocation	98	549,226,171	0	0	6	44,870,974	18	169,803,718	13	201,488,821	19	113,083,869	2	1,840,328	3	14,792,858	0	12	64,850,850	2	31,812,823	85.48%	85.46%
Water & Sanitation	983	2,095,737,031	31	115,436,527	11	79,829,392	16	38,988,439	4	17,067,889	747	1,816,414,699	8	14,007,673	582	1,233,624,984	82	137	570,586,094	10	27,816,229	32.41%	30.51%
Total Humanitarian	15,832	38,318,889,288	3,871	6,810,302,023	87	384,828,527	209	1,038,084,029	105	894,883,887	13,558	24,381,681,021	27	110,991,962	9,267	18,991,063,498	1,701	1,127	4,014,091,534	138	288,838,927	17.55%	13.68%
Oil Spares	5,208	3,914,117,899	831	874,978,341	299	282,772,917	114	271,019,311	41	15,300,841	3,374	2,537,448,839	2	45,088	2,983	1,880,804,029	227	51	589,134,111	88	67,317,338	16.68%	19.83%
Grand Total	21,028	57,238,200,905	4,122	7,785,478,367	389	857,401,164	323	1,298,113,340	148	609,684,938	14,133	28,913,129,155	29	110,643,018	12,250	21,851,857,327	1,928	1,848	4,883,223,645	208	359,305,365	18.44%	14.28%

Applications on Hold by Phase

Phase	Humanitarian		Oil Spares		TOTAL	
	No	Value	No	Value	No	Value
Phase 1	0	0	0	0	0	0
Phase 2	0	0	0	0	0	0
Phase 3	0	5,917,023	0	0	0	5,917,023
Phase 4	0	3,581,559	30	15,481,717	30	19,063,276
Phase 5	30	33,368,228	46	22,144,201	76	55,512,429
Phase 6	168	389,288,972	101	114,678,658	269	503,967,630
Phase 7	198	497,561,430	100	111,428,504	298	608,989,934
Phase 8	292	1,328,965,445	60	82,813,248	352	1,411,778,693
Phase 9	249	1,110,422,729	128	201,066,890	377	1,311,489,619
Phase 10	184	846,885,850	24	41,850,691	208	888,736,541
	1,127	4,014,091,534	321	688,132,181	1,448	4,702,223,715

Applications under inactive hold by Phase

Phase	Humanitarian		Oil Spares		TOTAL	
	No	Value	No	Value	No	Value
Phase 1	0	0	0	0	0	0
Phase 2	0	0	0	0	0	0
Phase 3	0	0	0	0	0	0
Phase 4	0	0	0	0	0	0
Phase 5	6	5,708,371	5	3,724,288	11	9,432,659
Phase 6	20	16,822,370	10	24,419,079	30	41,241,449
Phase 7	34	42,218,587	17	36,447,840	51	78,666,427
Phase 8	44	117,807,458	20	9,788,883	64	127,596,341
Phase 9	34	83,286,743	16	14,045,888	50	97,332,631
Phase 10	0	0	0	0	0	0
	188	265,838,027	68	87,367,338	256	353,205,365

HOLD STATUS (ON HOLD)

Hold Status	No	Value
1051	50	68,923,833
BAS	49	18,131,663
BAS**	2	224,252
D 1051	100	186,331,742
DU	59	210,084,655
L 1051	71	89,207,510
D	49	723,429,250
PFE	85	161,128,599
WWD	64	91,201,501
	573	1,808,871,342
OKINFO	348	1,876,201,742
1051**	35	189,928,388
D 1051**	47	247,858,489
L 1051**	20	6,468,246
WWD**	40	141,978,175
DU**	12	18,019,202
	711	2,261,840,203
NOINFO	314	1,184,683,815
1051*	12	57,871,216
D 1051*	10	29,847,168
WWD*	22	28,510,488
DU*	8	28,988,392
	364	1,394,712,701
G. Total	1,648	4,883,223,645

HOLD STATUS (INACTIVE HOLDS)

Hold Status	No	Value
NOINFO	146	191,685,258
1051*	14	82,074,591
D 1051*	24	60,239,022
L 1051*	3	2,069,437
WWD*	15	10,483,184
DU*	2	6,743,882
	205	353,305,365

\*Circulated to Committee + Approved by Committee + Pending + On Hold + Inactive Hold

\*\*Holds plus inactive holds as percentage of the value circulated

\*\*\*Holds plus inactive holds as percentage of the value circulated (value Notified/Approved)

\*\*\*\*Applications on hold where additional info was requested but not provided for more than 60 days.

Total Holds + Inactive Hold	No	Value
Agriculture	236	621,983,882
Comm./Transp.	131	485,378,517
Education	116	234,708,219
Electricity	169	1,158,421,256
Food	0	0
Food Handling	148	489,886,954
Health	209	468,144,183
Housing	108	175,632,852
Special Alloc.	16	86,843,673
Water & San.	147	588,882,123
Total Human.	1,263	4,280,029,881
Oil Spares	369	676,489,449
Grand Total	1,632	4,956,519,330

**Table 1: Status of ESB (59 per cent) account applications on hold as per the hold category as at 7 January 2002**

Applications placed on hold (or reason changed) within the last 60 days for additional information, which has not been provided yet	364	\$1,334,712,101
Applications on hold for additional information which has been provided, awaiting feedback from the holding mission for less than 60 days	377	\$1,319,973,389
Applications on hold for additional information which has been provided, awaiting feedback from the holding mission for more than 60 days	334	\$941,866,814
Applications on hold for reasons other than the request for additional information	573	\$1,006,671,342
<b>SUBTOTAL</b>	<b>1,648</b>	<b>\$4,603,223,645</b>
Inactive Holds (applications on hold for additional information which has not been provided in excess of 60 days)	206	\$353,305,365
<b>GRAND TOTAL</b>	<b>1,854*</b>	<b>4,956,529,010*</b>

\* Included in this number are 190 applications worth \$493 million for which there is a disagreement on 1051 status between the UN Secretariat experts and the experts of the holding mission

**Chart 1**

**Overall Weekly Value of Holds, including 'Inactive Holds'**  
**From 08/01/01 to 07/01/02 (Phase IV-X)**

◆ Grand Total

