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**REPORT OF THE SECRETARY-GENERAL PURSUANT TO PARAGRAPH 10
OF SECURITY COUNCIL RESOLUTION 1153 (1998)****I. INTRODUCTION**

1. The present report is submitted pursuant to paragraph 10 of resolution 1153 (1998) of 20 February 1998, in which the Security Council requested the Secretary-General to submit an interim report 90 days after entry into force of paragraph 1 of the resolution, on the basis of observation by United Nations personnel in Iraq and consultations with the Government of Iraq, on whether Iraq had ensured the equitable distribution of medicine, health supplies, foodstuffs, and materials and supplies for essential civilian needs. In accordance with paragraph 5 of resolution 1153 (1998), the enhanced distribution plan was submitted by the Government of Iraq on 27 May 1998. The Secretary-General approved it on 29 May 1998, and a new 180-day period commenced at 0001 hours eastern standard time on 30 May 1998. The present report provides information up to 31 July 1998 on the distribution of humanitarian supplies throughout Iraq, including the implementation of the United Nations Inter-Agency Humanitarian Programme in the three northern governorates of Dahuk, Erbil and Sulaymaniyah. The delivery and distribution of inputs under resolutions 986 (1995), 1111 (1997) and 1143 (1997) continue. The present report describes developments in the implementation of the programme since the previous report (S/1998/477) and reviews the impact of the programme as a whole. The first approval of supplies under resolution 1153 (1998) took place in June 1998.

II. REVENUE GENERATION, PROCUREMENT AND DISTRIBUTION TO END-USERS**A. Oil production and sale of petroleum and petroleum products**

2. Since the beginning of the current phase, the oil overseers and the Security Council Committee established by resolution 661 (1990) have reviewed and approved a total of 46 contracts involving purchasers from 19 countries. The total quantity of oil approved for export under those contracts corresponds to approximately 295 million barrels for 180 days - the highest amount since the beginning of the programme. It should be noted that the average quantity of oil exported from Iraq has increased from 1.44 million barrels per day during the previous 90-day period, to 1.7 million barrels per day during the current reporting period. Concurrently, during this phase, oil prices for Iraqi crude

have decreased to less than \$10 per barrel. At current prices, total revenue projected for this phase is estimated at \$2.86 billion. After the deduction of the minimum pipeline fee of \$140 million, and the allocation of revenue as set out in paragraphs 8 (a) through (f) of resolution 986 (1995), an amount of approximately \$1.79 billion would be available to finance the humanitarian supplies authorized in resolution 1153 (1998) and the oil spare parts and equipment authorized in resolution 1175 (1998). This amount falls far short of the funds required to implement fully the enhanced distribution plan, namely, \$3.1 billion. Under each of the previous three phases, \$1.32 billion were made available for the humanitarian programme. It may be recalled that in my letter dated 15 April 1998 (S/1998/330 and Corr.1), I had indicated that according to the group of experts established pursuant to paragraph 12 of resolution 1153 (1998), should the current average price of \$10.50 per barrel for Iraqi crude oil remain unchanged, based on the existing capacity of 1.6 million barrels per day, revenues in the amount of only \$3 billion could be achieved during a 180-day period, starting in June 1998, provided the spare parts required were ordered immediately.

3. As at 31 July 1998, the export of petroleum from Iraq under the current phase was proceeding smoothly. Seventy-one liftings, totalling 90 million barrels at an estimated value of \$843 million, have been completed. About 52 per cent of the loadings have been made at Ceyhan, Turkey.

4. The oil overseers have continued to advise and assist the Security Council Committee on the pricing mechanism, contract approvals and their modifications, and other questions related to exports and monitoring under resolution 986 (1995) and all subsequent relevant resolutions. The overseers and the independent oil inspection agents, Saybolt Nederland BV, deployed to observe oil loadings and transfers, have also worked closely together to monitor the relevant oil installations.

B. United Nations Iraq Account

5. The United Nations Iraq Account is divided into seven separate funds pursuant to paragraphs 8 (a) to (g) of Security Council resolution 986 (1995). As at 31 July 1998, of the \$5.256 billion authorized under resolution 1153 (1998) for the 180-day period starting 30 May 1998 (phase IV), \$388.9 million had been deposited into the account for this period, bringing the total oil proceeds deposited to the Account since inception to \$6,748.5 million. Annex I shows the allocation of the total oil among the various funds and the corresponding expenditures to date.

6. In accordance with paragraph 14 of the Memorandum of Understanding between the United Nations and the Government of Iraq (see S/1996/356), the United Nations Board of Auditors is currently finalizing its second report on the United Nations Iraq Account and the Iraq Programme. The first report of the Board of Auditors, covering the period 10 December 1996 to 30 June 1997, was submitted to me on 8 June 1998, and forwarded to the Government of Iraq and the Security Council Committee on 12 June 1998.

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7. In its first report, the Board of Auditors expressed appreciation that the operations of the Iraq Programme had been reorganized under a single command. The Office of the Iraq Programme, as well as other departments and offices concerned, are taking the necessary action to implement the recommendations of the Board of Auditors.

C. Prioritization, processing and approval of applications, delivery to Iraq and distribution to end-users

8. During the reporting period, the Office of the Iraq Programme processed applications for both phase III and the current phase under the enhanced distribution plan. Simplified procedures for approving applications for foodstuffs were set out by the Security Council Committee in its report of 17 April 1998 (S/1998/336, appendix), whereby a pricing mechanism for the procurement of foodstuffs listed in the annexes to the distribution plan was to be submitted by the Government of Iraq for review by the Committee. Such a pricing mechanism has not yet been submitted by the Government of Iraq, and the simplified procedures have therefore not been implemented.

9. The current status of phase III and enhanced distribution plan applications received as at 31 July 1998, is presented in the table in annex III. In accordance with the Committee's procedures, the Office of the Iraq Programme continued to circulate for its consideration and approval applications in advance of the availability of funds, on the understanding that approval letters would be released by the Secretariat only after confirmation that sufficient funds were available. For phase III, 52 approval letters valued at \$90,664,285 were awaiting the availability of funds. The rate at which these letters can be issued depends mainly on reimbursements from the ESC (13 per cent) account to the ESB (53 per cent) account. For the enhanced distribution plan, 50 approval letters valued at \$222,954,202 were awaiting issuance. This was due primarily to revenue shortfalls resulting from low oil prices.

10. Within the framework of the priorities established under the enhanced distribution plan, contracts for oil spare parts and equipment have been processed on a first-come, first-served basis. Special accounting and banking procedures for financing approved contracts on a proportionate basis from the ESB (53 per cent) and ESC (13 per cent) accounts, as directed by the Security Council Committee, have been developed and implemented. A separate database and tracking system have been established to monitor the processing of applications, authentication of arrival of spare parts and equipment in Iraq, and onward observation of their storage, installation and end-use. There were significant initial delays in the circulation of many contracts, mainly owing to discrepancies between quantities and prices of items listed in the enhanced distribution plan and the applications received. As at 31 July 1998, 34 applications for oil spare parts and equipment had been received by the Secretariat, of which nine had been circulated to the Committee, with three approved and one on hold. Of the 25 contracts not circulated, 24 were returned to submitting missions for clarifications related primarily to pricing or to quantities as set out in the enhanced distribution plan; one was still under review by a customs expert. Applications have been arriving in good time, and the inclusion by the Government of Iraq of direct reference in more recent

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contracts to the applicable codes and item descriptions in the enhanced distribution plan has facilitated the processing of those applications. With the increased number of customs experts and corresponding support staff, as well as increased consultation with Saybolt Nederland BV, the rate of processing and submission of contracts for oil spare parts and equipment to the Committee for approval has improved.

11. With respect to the ESC (13 per cent) account, 273 phase III applications had been submitted as at 31 July 1998, of which 265 were approved. Thirty-three enhanced distribution plan applications had been submitted, with 30 approved and 3 pending. As the number of amendments to applications submitted by United Nations agencies and programmes remains high, the attention of agencies and programmes is drawn to paragraph 56 of my report of 1 February 1998 (S/1998/90), in which they were urged to submit applications once the details of contracts were worked out in order to avoid delays caused by such amendments.

12. The Office of the Iraq Programme is in the process of establishing a comprehensive integrated information system to improve and expedite the provision of authoritative information on the progress of applications from contracting through distribution, and on the implementation of the programme as a whole, pursuant to my directive contained in paragraph 53 (h) of my report of 1 February 1998 (S/1998/90).

III. OBSERVATION AND MONITORING ACTIVITIES

A. Inspection and authentication of humanitarian supplies

13. The United Nations independent inspection agents, Lloyd's Register, continue to authenticate the arrival of humanitarian supplies at the entry points in Al-Walid, Trebil, Umm Qasr and Zakho. The number of Lloyd's Register inspectors has been increased from 42 to 54 to ensure inspection and authentication services for the expected increase in imports of humanitarian supplies, as provided for under the enhanced distribution plan, and in response to paragraph 53 (j) of my report of 1 February 1998 (S/1998/90), in which I directed the Office of the Iraq Programme to enhance the capacity of the independent inspection agents to authenticate and provide quality control of the commodity flows expeditiously; to ensure that they report to the Office of the Iraq Programme and to the United Nations Office of the Humanitarian Coordinator in Iraq the authentication of the arrival of supplies within 24 hours; and to enhance their capacity to perform quality tests within the shortest period technically feasible, as well as to perform quality tests inside Iraq. To this end, the new contract with Lloyd's Register also provides for a mobile laboratory. Discussions between the Office of the Iraq Programme and the Government of Iraq are under way to determine where the mobile laboratory will be located. Under the enhanced distribution plan, Lloyd's Register will also authenticate the arrival of humanitarian supplies procured under the United Nations Inter-Agency Humanitarian Programme for the three governorates of Dahuk, Erbil and Sulaymaniyah.

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B. Monitoring of oil spare parts and equipment

14. In its resolution 1175 (1998) of 19 June 1998, the Council authorized States to permit the export to Iraq of the necessary parts and equipment to enable Iraq to increase the export of petroleum and petroleum products in quantities sufficient to produce the sum established in paragraph 2 of resolution 1153 (1998), and requested the Security Council Committee, or a panel of experts appointed by the Committee, to approve contracts and equipment according to lists of parts and equipment approved by the Committee for each individual project.

15. During the reporting period, after consultations with the Committee and the Government of Iraq, a monitoring mechanism was established in Iraq by the Office of the Iraq Programme, utilizing the expertise provided by Saybolt Nederland BV, and in conjunction with Lloyd's Register, to ensure effective monitoring of oil spare parts and equipment, from approval to delivery in Iraq, as well as storage and utilization. The monitoring mechanism was finalized in July 1998, and a report was submitted to the Committee by the Office of the Iraq Programme on 28 July 1998.

16. Three central storage sites were established, one in the area of Kirkuk, one in Basrah and a smaller facility in Baghdad. The monitoring team consists of three members, including the chief of the team, based in Baghdad, with frequent visits to the storage sites to ensure appropriate implementation. The Government of Iraq has provided accommodations and office space for the monitors and has given assurances of full cooperation and full and free access to all facilities as required by the monitors to fulfil their task. As at 31 July 1998, the only spare parts and equipment that had arrived in Iraq were supplied under a contract approved by the Security Council Committee during phase III. They were placed into storage in the Kirkuk facility, to be utilized for the Kirkuk-Yumurtalik pipeline.

C. United Nations observation mechanism

17. In order to increase the coherence of observation activities conducted under resolution 986 (1995), sectoral, geographical and multidisciplinary observers began to implement a forward-looking quarterly observation plan, starting with the period from June to August 1998. Implementation of this plan has reduced the need for multiple visits in the food, health and education sectors. With respect to electricity and agriculture, the degree of specialist expertise needed for effective observation and assessment has required a more narrow focus for the Geographical Observation Unit. Training has been provided by both the sectoral agencies and the Multidisciplinary Observation Unit, and observation has been initiated in all sectors. To meet the requirement for greater coverage and technical expertise, available posts will increasingly be filled by specialists.

18. In the food sector, World Food Programme (WFP) international observers track commodities at the warehouse level, and national staff in each governorate conduct spot checks at food agents and households under the supervision of international staff. WFP observers visit all warehouses and silos weekly and

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all mills monthly. A random sampling methodology has been adopted, and, to date, about 80 per cent of all food agents have been visited at least once. Because sampling has been based on population density, food agents serving less populated areas receive less attention. WFP is considering ways to ensure that the remaining 20 per cent is covered by December 1998. The Geographical Observation Unit has reviewed the efficiency and cost of transportation, the effect of power cuts on flour processing and distribution, and the accuracy of receipts and disbursement records. Regular tracking of food commodities has been assigned to WFP.

19. In the health sector, the World Health Organization (WHO) has tracked a wide variety of drugs and supplies and has focused on drug supply and distribution, the quality of drug management and the utilization and dosage forms of selected drugs. The Geographical Observation Unit has assessed the extent of transportation problems, the extent and effectiveness of the cold chain, the timeliness of arrivals, the quality control process for selected items, distribution to governorate warehouses and end-user facilities, and the efficiency of distribution to private pharmacies. In the next observation plan, WHO intends to provide more in-depth analysis of the adequacy and effectiveness of health services, so as to encourage improved prescription practices.

20. In the water and sanitation sector, United Nations Children's Fund (UNICEF) observers have maintained complete tracking of chlorine supplies. A productive division of labour has been agreed on with the Geographical Observation Unit so that the central warehouses and 50 per cent of the water treatment plants in all 15 governorates in the centre and south of Iraq can be covered every four rather than every seven weeks. A standardized set of indicators has been developed to quantify plant performance before and after installation of equipment supplied under resolution 986 (1995). In order to utilize the greatly increased allocation in the enhanced distribution plan, a much more thorough understanding of the state of the whole network is required, including the requirements of individual plants. It is expected that a UNICEF survey will start within the next three months.

21. In the agricultural sector, observation by the Food and Agriculture Organization of the United Nations (FAO) has concentrated on tracking the distribution of inputs. FAO, in collaboration with the Geographical Observation Unit, assessed the equitability and adequacy of agrochemicals, and, in collaboration with the Geographical and Multidisciplinary Observation Units, spare parts for tractors and combine harvesters. Local staff, supervised or accompanied by international observers where appropriate, have made a valuable contribution to the collection of data required by the programme. The Multidisciplinary Observation Unit has continued to focus on the distribution and adequacy of agricultural inputs, the rational prescription of veterinary drugs and vaccines, and the connection between animal and human disease.

22. In the electricity sector, United Nations Development Programme (UNDP) international observers and national assistants cover all 15 governorates of the centre and south of Iraq every two months. Goods have been checked against their specifications from waybills and purchase orders. The UNDP staffing level is sufficient for observing the current level of phase I arrivals. As phase II and III deliveries increase, so will the observation capacity of UNDP. Although

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the Ministry of Industry expressed initial reservations about the quarterly (three-month) observation plan, routine observation of this sector has proceeded smoothly in practice, with few delays. All equipment subject to tracking and observation was found to be in storage or installed at the relevant warehouse or project site.

23. In the education sector, fewer observations were conducted at schools during the reporting period because these are only open for a limited time on Tuesdays and Saturdays during the summer vacation. The slow distribution of supplies from governorate warehouses to schools has also limited observation at the end-user level. The observation capacity of the United Nations Educational, Scientific and Cultural Organization (UNESCO) has not been adequate in the past owing to a failure to deploy staff. When the planned deployment of staff takes place, UNESCO will be able to pay more attention to schools in remote areas. UNICEF observation teams cover warehouses and schools throughout the 15 governorates of the centre and south of Iraq over a seven-week cycle.

IV. PROGRAMME IMPLEMENTATION: EFFECTIVENESS, EQUITABILITY AND ADEQUACY

A. Implementation of the programme in the centre and south of Iraq

Food and nutrition

24. As at 31 July 1998, foodstuffs valued at \$2,045,202,559 or 78 per cent of the allocation under phases I to III, had been delivered to end-users in the centre and south of Iraq (see annex VI.A for further details). About 75 per cent of the enhanced distribution plan allocation had been contracted by the Ministry of Trade. Stocks are sufficient for distribution at the level established for phases I to III during September and October 1998. Although the contract processing rate of the Security Council Committee has improved considerably, the Ministry of Trade did not expect to be able to implement the enhanced basket (with a caloric value of 2,300 kilocalories per person per day) before October 1998, since delivery rates had not improved. The Ministry has stated two main reasons for this: continuing problems in the handling of letters of credit and, over phases I to III, about \$161 million awaiting transfer from the ESC (13 per cent) to the ESB (53 per cent) account under the bulk purchasing arrangement. This has prevented authorized food contracts from being funded in an efficient manner. During the reporting period, none of the monthly food baskets delivered was complete, but the Government of Iraq supplemented some of the shortfalls from its stocks. The ration of pulses was reduced from 1.5 kilograms per month to 1 kilogram per month. As a result of the below-target food rations, the average caloric value of the basket was only 95 per cent of the previous target under phases I to III, namely, 2,030 kilocalories per person per day. Losses from entry point to warehouses were limited to 0.05 per cent, and inter-governorate transfers to compensate for shortages amounted to only 3 per cent of the total volume of goods distributed. Flour mills now produce more refined flour because of the preference for white bread. Unfortunately, this will have an adverse nutritional impact, as most of the necessary vitamin B and minerals are provided in the bran, which is discarded. Although the nutritional supplies provided under the enhanced

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distribution plan have yet to reach Iraq, the Ministry of Health is reviewing the effectiveness of existing distribution arrangements.

Health

25. As at 31 July 1998, medicine valued at \$313,440,420, had arrived in the centre and south of Iraq, of which \$98,533,794, or 16 per cent of allocations under phases I to III, has been delivered to end-users (see annex VI.C for further details). The low delivery rate to end-users is due to delays in quality testing, the retention of stocks for emergency needs, time required for drawing up allocation plans for newly arrived supplies, inadequate information on actual requirements of end-users, poor communications between health facilities and warehouses, and shortage of transport, labour, materials and funding to install equipment. The Iraqi State Company for Importation of Drugs and Medical Supplies (Kimadia) and WHO are considering a range of initiatives to reduce bottlenecks at various stages of distribution. The contract approval process for the health sector has seen a marked improvement. Whereas about 80 per cent of phase II contracts were signed only during the last two months of the phase, phase III contracting was spread throughout the whole period, and goods have begun to arrive. Only five applications remain on hold under phase III. As at 31 July 1998, Kimadia had concluded 50 contracts, representing about 16 per cent of the allocation under the enhanced distribution plan. It is expected that 80 per cent of the contracting process will be completed by the end of September 1998. Although this should lead to an improved flow of supplies, the major constraint remains the performance of suppliers. With an increasing volume and range of medical supplies reaching Iraq, the Ministry of Health is attempting to increase the flow of supplies by automatic distribution of 75 per cent of supplies, but retaining, where supply levels permit, a 25 per cent stock to respond to subsequent demand from governorates.

26. Nevertheless, with the arrival of more than half of phase II supplies, the quantities in stock and the range of drugs available have increased significantly. Tracking has shown that, with very few exceptions, equitable distribution of available drugs to governorates has been assured, and that, within governorates, national guidelines have, by and large, been adhered to in deciding final allocations to individual health facilities. Public health facilities continue to receive a greater share of deliveries than the private sector. This is reflected in increased attendance at public health clinics, many of which received supplies under resolution 986 (1995) for the first time during the reporting period. Priority continues to be given to ensuring, where possible, full treatment to hospital inpatients, whereas drugs are still rationed to outpatients. The Ministry of Health is introducing a drug card scheme to restrict the tendency towards over-consumption of drugs by limiting the number of prescriptions available from pharmacies per month, though this does not apply to pharmacies within hospitals. WHO is promoting better prescription practices so that doctors are made aware of the importance of rigorous treatment protocols. It is easier to see the impact of supplies at the point of end-use rather than on the health system as a whole.

Water and sanitation

27. As at 31 July 1998, chemicals, supplies and equipment for water and sanitation valued at \$30,164,882 had arrived in the centre and south of Iraq, of which \$11,589,478, or some 16 per cent of allocations under phases I to III, have been delivered to end-users (see annex VI.E for further details). The low delivery rate is due to critical shortages of staff, materials and funding for the installation of equipment and the lack of complementary inputs. The equipment remains in storage while allocation plans are being revised. In the water and sanitation sector, there has been a reduction in contract approval time, and the rate at which commodities are arriving has continued to improve. Difficulties have been encountered when supplies were not in conformity with specifications or were missing accessories needed to make them operational. This reflected an insufficient match between individual plant requirements and equipment ordered, and the lapse of time since original procurement decisions. The rate of distribution from the central warehouse to water treatment plants has varied according to the project, as the water authorities await the necessary implementation budgets and staff to undertake the substantial installation and commissioning involved. Therefore, the full benefit of inputs delivered to date has not yet been felt.

28. Although there is an extreme shortage of supplies and spare parts for many plants, the arrival of inputs under the programme provided for under resolution 986 (1995) has led to improvements. Preliminary estimates suggest that the capacity of treatment plants has been improved, but to achieve further improvements in operational capacity, many plants require major repairs. With many plants working at or near maximum capacity, the risk of further breakdowns is high. It appears that the most positive impact has been in the provision of treatment chemicals. A pilot survey of water quality and health indicators in selected districts in Baghdad showed lower bacteriological contamination of water supplies and fewer cases of amoebic dysentery, giardiasis and diarrhoea in health facilities. The improved water test results is related to chlorination levels. Test results from the other governorates also indicate improvements, although water supply remains restricted. Except in very localized instances, it is possible to indicate trends but not to measure exact impact. It is difficult to distinguish the impact of commodities supplied under resolution 986 (1995) from those supplied by the water authorities and non-governmental organizations. It is questionable whether inputs alone will be sufficient to offset the limitations of system design, the wastage of water by consumers, which contributes to insufficient pressure in the network, or the continuing decay of the system as a whole. One area of continuing concern is the sanitation sector, where insufficient equipment and supplies for sewage treatment plants were provided under phase I. While sanitation tankers for emptying septic tanks, jetting equipment to clean clogged sewers and sewage pumps have been delivered and are in use, sewage treatment plants are functioning at such a low level that major investment is required before any reduction in sanitation-related disease is likely.

Agriculture

29. As at 31 July 1998, agriculture inputs valued at \$25,454,451, had arrived in the centre and south of Iraq, of which \$15,953,324, or 22 per cent of

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allocations under phases I to III, have been delivered to end-users (see annex VI.G for further details). The low distribution rate is due to the fact that many inputs are tied to seasonal requirements and to slow allocation to end-users. Measures have now been taken to improve forward planning. In the agricultural sector, aerial crop spraying using pesticides supplied under resolution 986 (1995) is estimated to have saved at least 30 per cent of the cereal harvest and 35 per cent of the date harvest since April 1998. Infestation has been fully controlled in treated sugarcane fields. FAO states that it has ensured 100 per cent control over dual-use helicopter spare parts. Some agro-chemicals released to end-users during the current cropping season were in storage for several months because they were delivered too late for the spraying season. FAO attributes delays in distributing veterinary drugs to shortages of chemical reagents and equipment for quality control testing, delayed pricing of inputs, and the intermittent arrival of inputs, making it uneconomical to distribute small quantities. At the governorate level, all state agricultural services face problems with transportation and laboratory and treatment equipment and facilities. The Government has sought to safeguard the effective use of supplies by deterring farmers from selling the inputs they receive, which are attractive since they are cheaper and of better quality than similar commodities available on the local market. Farmers' individual requirements are reviewed by the relevant authorities before authorization to purchase supplies is given. Actual distribution equalled 90 per cent of provisional allocation plans. As in the health sector, it is inevitable that some specialist equipment and supplies will only be utilized effectively by specific facilities. One instance of such a facility in private ownership receiving an apparently disproportionate allocation of poultry vaccine has been observed. Its justification by the Ministry of Agriculture has been noted and is subject to further observation.

30. Any impact assessment is rendered difficult by the nature of the production processes involved. In the agricultural sector, the impact of inputs provided under resolution 986 (1995) is affected by climate, disease or pest prevalence and the efficiency of state extension services. Use of other inputs, of varying quality, is an additional critical factor, which should be known when estimating the relevance and significance of particular supplies. Although the size of the agricultural machinery and vehicle fleet is known with some accuracy, data for other sectors are less satisfactory, notably with respect to livestock population or productivity. For example, animal population figures included in the phase I distribution plan are a projection based on a 1986 census. A repair cost ratio calculation suggests that spare parts for tractors and combine harvesters meet just under 20 per cent of the requirement, slightly above the overall adequacy rating of 13 per cent for other types of spare parts. The agricultural spraying helicopters have now completed 1,500 hours of flying time since their last overhaul, and the provision of spare parts is no longer sufficient to maintain the airworthiness of those aircraft. In fact, no further aerial crop spraying can take place until they are either overhauled by the manufacturer or replaced. United Nations experts are still reviewing the effectiveness of a wide range of procurement and prescription decisions in the veterinary subsector. The Ministry of Agriculture also relies on imports and indigenous production of veterinary supplies outside the framework of resolution 986 (1995), although FAO is not in a position to assess the volume or adequacy.

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Electricity

31. As at 31 July 1998, electricity equipment valued at \$25,950,000, had arrived in the centre and south of Iraq, of which \$23,550,000, or 22 per cent of allocations under phases I to III, have been delivered to end-users (see annex VI.F for further details). In comparison to other sectors, the slower rate of arrivals reflects the nature of the equipment and materials procured. However, the efficient distribution of goods on arrival is notable. In the electricity sector, the pace of arrival of goods has increased during the reporting period. Over the next three months it is expected that all phase I supplies, half of phase II and just under a third of phase III supplies will have reached Iraq. Because of the site-specific nature of most power station equipment, equity cannot be based on distribution. Set percentage allocations determine the share of the four electricity distribution authorities in the 15 governorates of the centre and south of Iraq.

32. It is possible to measure the impact of commodities on specific units, but not on the system as a whole. For example, the output of generation units at Baiji power station has increased through the provision of special steel baskets, and the number of shutdowns has been reduced. However, with demand far outstripping supply during the summer months, no benefit is felt by the consumer. The change of circuit breakers in electrical substations leads to more reliable, but not greater, power supply. When power cuts occur, as they have to an unprecedented extent in recent months, it is not possible to determine, without access to system-wide data, whether this was due to planned load-shedding or the failure of transformers. Information on this subject is awaited from the relevant authorities in Iraq.

Education

33. As at 31 July 1998, education supplies valued at \$14,896,863, had arrived in the centre and south of Iraq, of which \$5,262,735, or 15 per cent of allocations under phases I to III, have been delivered to end-users (see annex VI.H for further details). The slow rate of distribution is related to lack of complementary inputs, shortage of staff, materials and funding, erratic arrivals hindering efficient planning, manifestly inadequate transport and the need to undertake most substantial infrastructure repairs during the school holidays. In the education sector, there has been a reduction in the time taken to approve contracts over phases I to III, and the rate at which commodities arrive continues to improve. However, lack of complementary items has delayed the full utilization of materials already delivered. The Ministry of Education printing press, for production of all primary and secondary education school books in Arabic, has not been able to resume operations because an application for control computers and desktop publishing software is on hold in the Security Council Committee. Suppliers have also failed to deliver according to specification a range of school rehabilitation materials. Distribution of supplies to governorates has been slow mainly because of an extreme lack of transport, which the Ministry of Education has started addressing in phase III, and because of concern about theft of building supplies from schools. The Ministry started major rehabilitation at the end of school exams in June 1998. School supplies and teaching aids have been distributed, and allocations have been spread among as many schools as possible. A major impediment to speedy

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rehabilitation has been the lack of funds for local labour and materials. Governorate education officials recently indicated that the Ministry had allocated 250,000 Iraqi dinars per school to fund implementation costs. Unless the Ministry of Education is more successful in borrowing transport from other ministries and manages to provide additional funding, as it has offered, it seems unlikely that substantial progress will be made in time for the start of the new school year in September 1998.

B. Programme implementation in Dahuk, Erbil and Sulaymaniyah

Food and nutrition

34. As at 31 July 1998, foodstuffs and related items valued at \$261,087,542, or 71 per cent of allocations under phases I to III, have been delivered to end-users (see annex VI.A for further details). During the reporting period, WFP continued to distribute some 52,000 tons of food and related items monthly. The ration made available was the same as in the 15 governorates of the centre and south of Iraq. In order to ensure the equitable distribution of the food ration, WFP has continued to assist the local authorities to issue ration cards. WFP also checks the accuracy of registration data in the three governorates of Dahuk, Erbil and Sulaymaniyah over a six-week period. Double registration, exacerbated by the continuing movement of population, primarily between Erbil and Sulaymaniyah, has remained a problem. Using regularly updated screening, WFP has identified some 126,000 cases since the inception of the programme. Since January 1998, some 11,117 individuals, including 2,300 during the reporting period, have been relocated.

35. As at 31 July 1998, therapeutic milk, supplementary foodstuffs and related items for the nutrition sector, valued at \$15,679,731, had arrived in the three governorates of Dahuk, Erbil and Sulaymaniyah, of which \$14,737,452, or 59 per cent of the allocations under phases I to III, have been delivered to end-users (see annex VI.B for further details). According to UNICEF, its latest nutrition survey showed that the incidence of acute malnutrition requiring hospitalization has fallen to below 3 per cent of children under five years old. UNICEF provides therapeutic milk and high protein biscuits for such children. WFP has focused on providing supplementary foodstuffs to families with malnourished children as an incentive to safeguard their consumption of special nutritional supplements. Problems encountered earlier this year with uncoordinated supply of milk and supplementary foodstuffs have been resolved. UNICEF is also working to train staff in 172 health centres which have received anthropometric equipment. UNICEF has pointed out that chronic malnutrition, which affects an estimated 25 per cent of the population of children under five years old, is not directly reversible by supplementary feeding alone. It is a function of poor feeding practices by parents, limited access to basic preventive health care, shortage of safe drinking water, poor sanitation and illiteracy. Better coordination is required by the Inter-Agency Humanitarian Programme to improve the nutritional status of those most at risk.

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Health

36. As at 31 July 1998, medicine and ambulances, valued at \$21,114,650, had arrived in the three governorates, of which \$15,656,244, or 20 per cent of allocations under phases I to III, have been delivered to end-users (see annex VI.C for further details). As at 31 July 1998, medical equipment valued at \$12,775,921, had arrived in the three governorates, of which, \$11,539,475, or 38 per cent, of allocations under phases I to III, have been delivered to hospitals (see annex VI.D for further details). WHO receives and distributes medicines and medical supplies procured under the bulk purchase arrangement with the Government of Iraq. Low handling capacity in Kimadia's warehouses contributed to the fact that only 27 per cent of commodities received have been distributed to governorates. In general, there is a good flow of drugs. Health authorities have complained that they lack information from Kimadia on the release of drugs after quality tests in Baghdad, but WHO notes that this would be accessible through more effective use of the WHO Microdrug database. WHO also procures medical equipment and health infrastructure supplies. Equipment trans-shipped through Turkey has been subject to an average delay of three months. WHO is rehabilitating nursing and midwifery schools and water quality control laboratories so as to provide a suitable environment for test equipment already received.

37. The improved flow of drugs is restoring the credibility of the health-care system. Consequently, most facilities are witnessing a dramatic increase in the number of patients. Some families have been reported to sell their prescription medications, although the extent of this abuse is unknown. WHO is seeking to educate practitioners in better drug management and prescription practices. Despite the greater availability of drugs, the incidence of infectious and parasitic disease appears to be increasing. The absence of an effective epidemiological surveillance system makes it difficult to identify and monitor high-risk populations and areas, and disease trends, or to measure the impact of the humanitarian initiatives carried out under Council resolution 986 (1995).

Water and sanitation

38. As at 31 July 1998, chemicals, supplies and equipment valued at \$20,068,561 had arrived in the three governorates, of which \$15,911,870 (cash component included), or 26 per cent of the allocations under phases I to III, have been delivered to end-users (see annex VI.E for further details). In the water and sanitation sector, UNICEF has accelerated procurement by earlier identification of full specifications and costings and more timely submission of applications to the Security Council Committee. While UNICEF activities were only undertaken previously in urban areas, the programme is now being implemented in both urban and rural areas. Some 115,000 persons will benefit from 164 rural water projects under implementation in remote parts of the three governorates. As at 31 July 1998, phase I inputs had benefited over 300,000 persons. The United Nations Centre for Human Settlements (Habitat) has been responsible for provision of services to resettlement projects under phases I to III. Under the enhanced distribution plan, the Centre has been allocated resources, subject to eventual funding, to concentrate more work on urban or semi-urban schemes. As at July 1998, all phase I and II projects were either under construction or completed, comprising 42 rural or semi-urban water schemes and 22 sanitation

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projects. Under phase III, the Centre has begun three water projects and one sanitation assistance project to internally displaced persons. Despite the strong preference of local authorities in the three governorates for major urban rehabilitation projects, resources are inadequate for such a task. Urban water and sanitation systems are badly decayed, with water loss at 40 per cent, compounded by household wastage, and partial solutions to major infrastructure problems may exacerbate the overall deterioration of the system. The Centre has drawn up a priority list for deep well drilling for new water sources. In close consultation with local authorities, it is seeking to identify alternative areas for investing such resources and intends to complete project design by December 1998.

Agriculture

39. As at 31 July 1998, agriculture inputs valued at \$39,419,968, had arrived in the three governorates, of which \$24,344,833 (including cash component), or 34 per cent of allocations under phases I to III, have been delivered to end-users (see annex VI.G for further details). In the agricultural sector, the application approval process under phases II and III was faster than in phase I and has helped to improve the timeliness of deliveries. Essential inputs for both the 1997-1998 winter and 1998 summer agricultural season were provided as planned. Improved planning has enabled FAO to phase deliveries of inputs according to seasonal requirements. FAO stated that, on average, its tendering process has taken one to two weeks, and its contracting process about one week. FAO includes and enforces a penalty clause in its contracts that the supplier must deliver the product within a specified time-frame. This obviously varies with the commodity. A limited number of commodities, including antiparasiticides, tomato seeds and orchard fungicides, have not been supplied in accordance with specifications, but FAO has taken remedial action.

40. The distribution mechanism is effective overall but it is hindered by security risks in certain areas, seasonal shortage of storage space in distribution centres and difficult access to remote areas. Some 155,907 farmers have benefited from seed and fertilizer inputs. The area in production has risen by 29 per cent over the 1996-1997 crop season, with a 20 per cent fall in production costs. The summer pest control campaigns benefited 140,000 farmers, and an estimated 85 per cent of animals in the region have been treated and vaccinated. These activities have reduced disease incidence, increased production levels and led to a 40 per cent drop in the prices of meat and dairy products. The cost of veterinary pharmaceuticals in the local market has dropped by over 50 per cent, and time-expired items have disappeared from sales outlets. The number of broiler chicken farms increased from 25 to 150 between February and July 1998, with the utilization of nearly all phase I and II poultry inputs. Under phase III and the enhanced distribution plan, the target is to reach a level of 300 reactivated farms. Backyard poultry-raising is being promoted in order to increase availability of animal protein to poorer families in remote areas. For inputs which are insufficient to meet the needs of farmers, such as agricultural machinery spare parts, irrigation pumps and pipes, wheat seed, fertilizers and sprayers, distribution to end-users is carried out by lottery. Animal health vaccines and drugs, vegetable seeds and crop pest and disease control inputs almost cover the total requirements of end-users. Some

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inputs are sold to farmers at not more than 20 per cent of the market price. A sliding scale is used to ensure that poorer farmers are not disadvantaged.

Electricity

41. As at 31 July 1998, electricity equipment, valued at \$4,700,000, had arrived in the three governorates, of which \$1,613,014 (including cash component), or 2 per cent of allocations under phases I to III, has been delivered to end-users (see annex VI.F for further details). Implementation in the electricity sector has evolved from a procurement exercise on behalf of the local authorities into a major engineering programme. The pace of the implementation of the programme has suffered seriously due to inadequate technical and managerial resources as well as essential administrative support. The implementation of the programme has also suffered owing to difficulties in obtaining accurate specifications and technical documentation, whether from local authorities or the Ministry of Industry, and to the fact that the full range of equipment requirements were not fully identified. It has also been difficult to secure the services of international suppliers willing to undertake the execution of projects.

42. In the course of implementation, UNDP/Department of Economic and Social Affairs has had to provide international technical expertise to compensate for the fact that the local authorities do not possess the full range of expertise to survey, design, plan or implement the projects they intend to undertake. Moreover, UNDP/DESA notes that, for more than 50 per cent of items, quantities and specifications have been changed by local authorities since the start of the programme. This has inevitably caused major delays. UNDP/Department of Economic and Social Affairs has experienced considerable difficulties both in staffing its procurement and project management team at Headquarters and in deploying to the field appropriately qualified international staff in a timely manner. The utilization of inputs in Dahuk has been further constrained by serious security matters. Not only are there an estimated 254 minefields adjacent to power lines, but unknown saboteurs recently knocked down a transmission tower and placed landmines around it, killing one of the locally contracted engineering staff and wounding four others. In view of this situation, there is a need to establish priority demining where the rehabilitation activities are impeded by minefields.

43. Since July 1998, however, the following measures have been taken to speed up implementation. UNDP/Department of Economic and Social Affairs is making arrangements to delegate authority to the field to undertake equipment purchases needed for timely response to urgent requirements. The Erbil office is now headed by a very senior manager, with the authority to maintain project integrity and to take procurement decisions. During the reporting period, four international consultancy firms have undertaken studies on the structural integrity of Derbandikhan dam, the rehabilitation of power generating units at both Derbandikhan and Dokan dams, and the state of the transmission and distribution network. Within the next three months, structural emergency repairs of the Derbandikhan dam will be completed and two generating units at Dokan will be overhauled. A substantial increase in equipment arrivals is also expected over the same period, including 14 power transformers for Sulaymaniyah, two mobile substations for Dahuk and Erbil, four diesel generating units for

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Erbil emergency humanitarian services, 360 distribution transformers and a wide variety of spares. At the most basic level, the programme is maintaining the operational capacity of the electricity utilities. The programme in the three northern governorates, including feasibility studies of alternative power generation sources, cannot be separated from the rehabilitation of the national grid. Until fundamental decisions are agreed to by all parties involved, implementation will necessarily concentrate on the most viable and urgent projects to prevent further degradation of power-generating capacity. Programme implementation is now under constant review at the Headquarters level jointly by the Office of the Iraq Programme, UNDP and the Department of Economic and Social Affairs in order to ensure that the work plan is implemented on schedule.

Education

44. As at 31 July 1998, education supplies, valued at \$12,107,542, had arrived in the three governorates, of which \$9,576,658 (including cash component), or 20 per cent of allocations under phases I to III, have been delivered to end-users (see annex VI.H for further details). UNICEF and UNESCO share responsibility for the implementation of the education sector. UNICEF focuses on primary schools and on the provision of school supplies and UNESCO concentrates on secondary and tertiary education.

45. Serious problems have been encountered in the implementation of the UNESCO programme. The implementation problems included serious staffing difficulties, delays in submission of applications to the Security Council Committee, inadequate delegation of contracting authority to the field and late payments to local contractors. In addition, costs of materials were 60 to 70 per cent higher in Sulaymaniyah than in Dahuk or Erbil, which led to unexpected re-tendering, increased construction costs, and a corresponding 60 per cent cut in envisaged rehabilitation activities in Sulaymaniyah.

46. During the reporting period, UNESCO has taken the necessary action to streamline its procurement procedures by granting its Baghdad office sufficient authority to manage the process effectively, facilitating transit of goods through Jordan and ensuring that greater attention is paid to the quality of incoming materials and evaluation of completed projects. By increasing the work contracted locally to 60 to 70 per cent of the total, UNESCO expects to avoid the delays encountered in importing goods under phase I. UNESCO has been filling vacant posts with experienced international staff in the north, and is in the process of strengthening its support from headquarters. These measures have led to a marked acceleration of the education programme in recent months.

47. UNICEF has also experienced a range of difficulties in trans-shipment through Turkey and has appointed a full-time logistics officer to follow up customs clearance procedures. It has streamlined its local contracts approval procedures with improved coordination between its Baghdad and Erbil offices. Administrative improvements for international procurement may save up to seven weeks in placing orders with suppliers.

48. All phase I UNESCO projects, except school chalk production, are due to be completed by November 1998. Implementation of projects from phases II and III

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will start by 15 September 1998, and enhanced distribution plan projects are expected to begin in October 1998.

49. The United Nations Centre for Human Settlements (Habitat) has also been heavily involved in the construction of new rural primary and urban secondary schools under the settlement rehabilitation sector. Of its target of 180 schools under phases I to III, 20 have been completed and 76 are under construction, of which 33 will be completed by the new school year. Identification of the enhanced distribution plan projects has already started and construction will start in March 1999. UNICEF's phase I and II rehabilitation projects are under way at 137 schools and will be completed by October 1998. The installation of printing press equipment for the production of 4.5 million textbooks for 500,000 students is due to be completed by October 1998. All phase II education kits for primary and intermediate school pupils have arrived and will be distributed to some 500,000 pupils at the beginning of the school year in October 1998.

Rehabilitation of settlements

50. As at 31 July 1998, in the settlement rehabilitation sector, commodities valued at \$5,788,626 (including cash component), or 20 per cent of allocations under phases I to III, have been delivered to end-users (see annex VI.I for further details). The settlement rehabilitation sector implemented by the United Nations Centre for Human Settlements (Habitat) has made substantial progress in spite of considerable administrative and operational constraints. The total \$84 million allocation under phases I to III and the enhanced distribution plan is to facilitate permanent resettlement of those residents of collective towns who wish to return to their places of origin, or to resettle more recent internally displaced persons in new locations. Under phases I to III, this will involve construction of some 180 schools with teachers' houses, 60 health centres, 32 sewerage projects, 72 access roads, 100 water schemes, 14 veterinary clinics, nearly 3,500 homes and the provision of other basic infrastructure and community services. This requires appropriate administrative and procurement infrastructure in the Centre, and an effective local construction industry with the capacity to undertake work on this scale. Neither were in place to ensure timely implementation. Over-centralized tendering and procurement procedures used by the Centre and the United Nations Office at Nairobi lengthened the time taken to place a contract to 16 weeks. Local contractors, with no opportunity to engage in projects on this scale over the past seven years, faced major set-up difficulties, compounded by exchange-rate fluctuations.

51. Despite these constraints, however, the Centre is ahead of its target completion date in all three stages of prioritization and design, contracting and construction. By the end of 1998, some \$10 to \$12 million worth of projects will have been completed. This has had a major impact in boosting the capacity of local contractors, which will benefit future construction projects undertaken by United Nations agencies. The approach for settlement rehabilitation is the establishment of basic, integrated infrastructure such as access roads, water and sanitation, irrigation channels, schools and health centres.

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Demining

52. As at 31 July 1998, activities valued at \$4,219,370 (including cash component), or 68 per cent of allocations under phases I to III, have been implemented (see annex VI.J for further details). In the demining sector, substantial progress has been made following the programme's initial difficulties in phases I and II. The number of minefields in the governorates of Dahuk, Erbil and Sulaymaniyah is not yet established, but is estimated to be in the order of 4,000, of which only 2,500 have been demarcated. A database survey carried out by the United Nations Office of Project Services (UNOPS) to determine more accurately the number of mines and mine victims is due to be completed by the end of January 1999. The number of demining teams is being expanded in proportion to the estimated scale of the problem in each governorate. The United Nations will formally notify the relevant authorities in Iraq of the areas where it is conducting demining activities. The Government of Iraq has not provided maps of minefields, and its procedures for clearing equipment, including even ambulances, and issuing visas for international staff have been lengthy. The Government of Turkey does not allow any transit of demining equipment. To avoid delays, therefore, UNOPS has changed the type of equipment which it intends to procure under the enhanced distribution plan, and has deployed a full-time liaison officer to facilitate customs clearance in Baghdad.

53. Although many villages employ their own untrained deminers, local information on the extent of minefields is not reliable. UNOPS is conducting its own accident survey; the first survey team of national staff has been trained. UNOPS has restarted prosthetic centres in Diana and Halabja using existing stocks and will shortly open a centre in Dahuk. It is estimated that 4,000 people already have prostheses, all of which will require maintenance, and 2,500 people in the region are currently awaiting artificial limbs. With current capacity, it may take two years to clear the backlog; a more accurate estimate will emerge through the survey. In addition, UNICEF is working to provide a mine-awareness programme in schools, focusing on 1,000 schools located in high-risk areas; 1,050 primary school teachers have been trained to date. Although the UNOPS demining programme will be the largest in the three governorates, in the short term, the sheer scale of the problem means that the reduction of casualties will be achieved through greater awareness rather than minefield clearance. However, it should also be recognized that the UNOPS programme is building a regional capacity intended to be sustainable with minimal outside support.

V. OBSERVATIONS AND CONCLUSIONS

54. In spite of the increase in the quantity of oil exported from Iraq during the reporting period, the substantial drop in the price of oil has led to a decline in the total revenue projected for the current phase, which is now estimated at \$2.86 billion. After deductions pursuant to paragraph 8 of Council resolution 986 (1995), a net amount of approximately \$1.79 billion is expected to be available for the humanitarian supplies authorized by resolution 1153 (1998), and the oil spare parts and equipment authorized by resolution 1175 (1998). This falls far short of the funds required to implement fully the

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enhanced distribution plan (\$3.1 billion). Accordingly, it is essential to prioritize further within and among the different sectors in the enhanced distribution plan, in order to ensure the appropriate utilization of the reduced revenues available for the reasons stated above. The Office of the Iraq Programme has entered into discussions with the Government of Iraq to create a mechanism that will establish priorities to match available funding against approved applications.

55. In order to expedite the reimbursements from the ESC (13 per cent) account to the ESB (53 per cent) account for expenditures involved for bulk purchases of food and medicine by the Government of Iraq for the governorates of Dahuk, Erbil and Sulaymaniyah, measures have been taken by the United Nations to expedite reporting of the arrival and authentication of food and medicine in the north. Regrettably this has been insufficient to reduce the number of food and medicine contracts under the ESB (53 per cent) account awaiting funding from the reimbursed monies from the ESC (13 per cent) account, which now amount to \$161.4 million. Accordingly, the Executive Director of the Iraq Programme and the United Nations Controller are reviewing further options to make the necessary adjustments to the current procedures to reduce the long delays in the reimbursements.

56. In order to accelerate the pace of implementation of the humanitarian programme, the Executive Director of the Iraq Programme organized and chaired inter-agency meetings in Baghdad and Erbil in June 1998, with the participation of all the agencies and programmes concerned, including representatives from their respective headquarters. I am satisfied that the decisions taken at the inter-agency meetings will ensure more effective and speedy implementation of the humanitarian programme, and further strengthen the overall cooperation and interaction between the organizations of the United Nations system involved in the implementation of the programme, both at the headquarters level and in the field. Some of the positive results are already reflected in the present report, in particular those regarding the concrete decisions taken to speed up the implementation of the projects in the electricity and education sectors. An urgent effort is also being made by all organizations concerned to fill the long-standing vacancies in the field. In this context, I urge the Government of Iraq to grant expeditiously entry visas to international staff, pursuant to the relevant provisions of Council resolution 986 (1995) and the memorandum of understanding.

57. I take this opportunity to express my appreciation for the dedication and commitment of all the staff members of the United Nations system involved in the implementation of the programme. I also wish to express my appreciation to the Government of Iraq for its continued cooperation.

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Annex I

United Nations Iraq Account

The allocation of total oil proceeds received from inception to date and the corresponding expenditures is as follows:

(a) \$3,363.2 million has been allocated for the purchase of humanitarian supplies by the Government of Iraq, as specified in paragraph 8 (a) of resolution 986 (1995). Letters of credit issued by the Banque Nationale de Paris on behalf of the United Nations for the payment of those supplies for the whole of Iraq amounted to \$2,396.2 million under Phases I, II and III which include an amount of \$153.2 million due for the reimbursement for bulk purchases made by the Government of Iraq for northern Iraq and distributed by the United Nations Inter-Agency Humanitarian Programme;

(b) \$824.4 million has been allocated for the purchase of humanitarian goods to be distributed in the three northern governorates by the United Nations Inter-Agency Humanitarian Programme, as specified in paragraph 8 (b) of the resolution. Expenditures recorded for humanitarian goods approved by the Security Council Committee amounted to \$646.6 million;

(c) \$2,021.8 million has been transferred directly into the United Nations Compensation Fund, as specified in paragraph 8 (c) of the resolution. As at 31 July 1998, a total of 67.8 million had been allotted to cover the operating expenditures of the Compensation Commission and an amount of \$1,210.8 million for payment of first, second and third installments of "A" and "C" claims;

(d) \$140.5 million has been allocated for the operational and administrative expenses of the United Nations associated with the implementation of resolution 986 (1995), as specified in paragraph 8 (d) of the resolution. Expenditures for administrative costs for all United Nations entities involved in implementing the resolution amounted to \$98.1 million;

(e) \$47.6 million has been allocated to the United Nations Special Commission (UNSCOM) for its operating expenses, as specified in paragraph 8 (e) of the resolution. Expenditures for the Commission amounted to \$37.9 million;

(f) \$287.6 million has been set aside for the transportation costs of petroleum and petroleum products originating in Iraq exported via the Kirkuk-Yumurtalik pipeline through Turkey, in accordance with paragraph 8 (f) of the resolution and in line with procedures adopted by the Security Council Committee. Of that amount, \$241.4 million has been paid to the Government of Turkey;

(g) \$63.4 million has been transferred directly to the escrow account established pursuant to resolution 706 (1991) of 15 August 1991 and 712 (1991) of 19 September 1991 for the repayments envisaged under paragraph 6 of resolution 778 (1992) of 2 October 1992, as specified in paragraph 8 (g) of resolution 986 (1995).

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Annex II

Oil proceeds and humanitarian supply letters of credit
as at 31 July 1998

Oil proceeds

Phase	Last deposit	No. of letters of credit	Value of letters of credit from oil sales
I	27 June 1998	125	\$ 2 149 506 395.99
II	2 January 1998	128	\$ 2 124 569 788.26
III	30 June 1998	186	\$ 2 085 326 345.25
Current	As at 31/07/1998	113	\$ 1 327 291 000.00 ¹
Totals		552	\$ 7 686 693 529.50

Humanitarian supply letters of credit for ESB (53%)
account and bulk procurement

Phase	No. of letters of credit opened	Approximate value of letters of credit opened	Bank payments made on delivery
I	869	1 242 181 000	\$ 1 171 136 900
II	524	1 185 287 000	\$ 907 554 200
III	496	1 010 976 000	\$ 317 549 100
Current	12	22 130 000	\$ -
Totals	1 901	3 460 574 000	\$ 2 396 240 200

¹ Of the oil proceeds of \$1,327,291,000, only \$388.9 million had been received as at 31 July 1998; oil proceeds to be received may vary due to market price fluctuations.