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INTERIM REPORT OF THE SECRETARY-GENERAL ON THE IMPLEMENTATION
OF SECURITY COUNCIL RESOLUTION 986 (1995)

I. INTRODUCTION

1. The present interim report is submitted to the Security Council pursuant to paragraph 13 of resolution 986 (1995), by which the Council requested the Secretary-General to take the actions necessary to ensure the effective implementation of that resolution, authorized him to enter into any necessary arrangements or agreements, and requested him to report to the Council when he had done so. The actions for which the resolution gives the Security Council responsibility relate to four functions authorized by the Council, namely: (a) the sale of Iraqi petroleum and petroleum products; (b) the purchase, confirmation of arrival in Iraq, and equitable distribution of medicine, health supplies, foodstuffs and materials and supplies for essential civilian needs of the Iraqi people (hereinafter "humanitarian supplies"); (c) reporting on the equitable distribution and adequacy of the humanitarian supplies; and (d) the establishment of an escrow account. These are dealt with in sections II to V below.

2. Pursuant to paragraph 13 of resolution 986 (1995), I began consultations with the Government of Iraq and informed the Council of them through a letter to the President on 1 June 1995 (S/1995/495). In further consultations, I obtained the agreement of the Government of Iraq to conduct formal negotiations on the implementation of resolution 986 (1995). Subsequently, I requested the Legal Counsel to lead the talks with the Government of Iraq. These resulted in the conclusion on 20 May 1996 of a memorandum of understanding between the Secretariat of the United Nations and the Government of Iraq (see S/1996/356). In the letter with which I forwarded the memorandum of understanding to the President of the Security Council, I expressed the view that it represented an important step in the arrangements required to bring resolution 986 (1995) fully into effect. In a letter dated 23 May 1996 (S/1996/365) the President of the Security Council informed me that the members welcomed the conclusion of the memorandum of understanding and extended their congratulations on that achievement.

3. To sustain the momentum generated by the signing of the memorandum of understanding, and with a view to expediting and consolidating actions required on the part of the Secretariat, I established a high-level Steering Committee on the Implementation of Security Council Resolution 986 (1995). The Steering Committee, which is chaired by my Senior Adviser, Under-Secretary-General Chinmaya Gharekhan, oversees steps taken in preparation for implementation of the resolution, maintains liaison with representatives of the Government of Iraq, and advises me on developments in this regard.

4. On 22 May 1996, the Secretariat submitted for the consideration of the Security Council Committee established by resolution 661 (1990) a draft text of expedited procedures in accordance with paragraph 12 of resolution 986 (1995), in which the Council requested the Committee, in close coordination with the Secretary-General, to develop expedited procedures as necessary to implement the arrangements in paragraphs 1, 2, 6, 8, 9 and 10 of the resolution. The Committee adopted the expedited procedures on 8 August 1996. I thereupon transmitted the text of the procedures, at the request of the Committee, to all Member States for their information and use as necessary.

5. While the consultations of the Committee on the draft procedures were under way, I dispatched to Iraq in June 1996 a technical reconnaissance mission comprising senior members of the Secretariat, together with petroleum and customs experts, in order to prepare for the speedy implementation of paragraphs 6 and 8 (a) (iii) of Security Council resolution 986 (1995), which deal respectively with the monitoring of the export of petroleum and petroleum products by Iraq and with the confirmation of the arrival of humanitarian supplies in Iraq.

6. The mission inspected the metering station on the Kirkuk-Yumurtalik pipeline at the border between Iraq and Turkey and Iraqi oil installations at Mina al-Bakr; ascertained the number of independent inspection agents required to monitor those installations; consulted with the Iraqi authorities on the number and location of entry points and other locations at which independent inspection agents would be stationed in order to confirm the arrival of the goods to be funded from the Iraqi escrow account; ascertained the number of independent inspection agents required for such confirmation; and discussed with the Iraqi authorities related logistical arrangements.

7. The mission received the full cooperation of the Iraqi authorities and was able to visit all facilities that it wished to inspect.

II. SALE OF PETROLEUM AND PETROLEUM PRODUCTS

8. In accordance with paragraph 1 of its procedures, the Committee established by resolution 661 (1990), in the performance of its duties, is to be assisted at Headquarters by United Nations independent experts in international oil trade, to be selected by the Committee and appointed by me as "overseers". Following their selection by the Committee on 9 August 1996, I have appointed Bernard Cullet (France), Alexandre Kramar (Russian Federation), Maurice Lorenz (United States of America) and Arnstein Wigestrang (Norway) to serve as the overseers. Further overseers may be appointed if it becomes clear that there is a requirement for them. Arrangements have also been made to ensure adequate support staff for the overseers.

9. In accordance with paragraph 6 of resolution 986 (1995) and paragraph 15 of the Committee's procedures, the Secretary-General is also to appoint independent inspection agents to monitor the sale of petroleum and petroleum products to be exported by Iraq via the Kirkuk-Yumurtalik pipeline through Turkey to the Ceyhan terminal and from the Mina al-Bakr oil terminal. On the basis of the assessment of the technical reconnaissance mission team described above, I have decided that a total of 14 inspectors will be required for monitoring purposes (4 at the Ceyhan terminal, 4 at the metering station on the Kirkuk-Yumurtalik pipeline at the border between Iraq and Turkey and 6 at the offshore Mina al-Bakr terminal). Accordingly, contractual arrangements have been made with Saybolt Nederland BV to provide 14 oil inspection agents in order to ensure the monitoring of those oil installations. In accordance with the memorandum of understanding, these agents shall enjoy the privileges and immunities of experts on mission.

10. From 22 October to 3 November 1996 an advance team from Saybolt visited Iraq in order to test the reliability of the metering equipment at the pipeline metering station near Zakho, at the border between Iraq and Turkey, and at the Mina al-Bakr offshore oil terminal. Saybolt's logistical requirements in anticipation of the deployment of the oil inspection agents were also discussed. The advance team received full cooperation and support from the respective authorities.

11. With respect to the Mina al-Bakr terminal, the advance team determined that the export of oil could commence immediately subject to the on-site availability of adequate laboratory facilities. As for the metering station near Zakho, the team recommended a number of technical steps that needed to be taken in order to bring the metering systems up to acceptable standards. They specified the spare

parts needed for the proposed repairs to the metering systems and offered to assist the Iraqi authorities in procuring and calibrating such equipment. Subsequently, the Secretariat was informed by the Permanent Mission of Iraq that the required spare parts had been located and that work was under way to upgrade, within a short period of time, the relevant installations in a way that would meet the requirements specified by Saybolt. I have requested Saybolt to undertake another technical mission to Iraq as soon as the Iraqi authorities confirm completion of the repair work.

12. On 17 November 1996, pricing mechanisms for loadings in December 1996 were submitted by the State Oil Marketing Organization of Iraq for the approval of the Committee.

13. In accordance with the procedures of the Committee, the pricing mechanisms have been sent to the overseers for their analysis and recommendations to the Committee. On receipt of these recommendations, the Committee will review the pricing mechanisms under its no-objection procedure.

III. PURCHASE, CONFIRMATION OF ARRIVAL IN IRAQ AND EQUITABLE DISTRIBUTION OF HUMANITARIAN SUPPLIES

Distribution plan

14. On 15 July 1996 the Government of Iraq submitted to me its distribution plan for the purchase and distribution of humanitarian supplies in accordance with paragraph 8 (a) (ii) of resolution 986 (1995). On 18 July the Government of Iraq was informed that I had approved its plan subject to the condition that its implementation would be governed by resolution 986 (1995) and the memorandum of understanding and would be without prejudice to the procedures employed by the Committee established by resolution 661 (1996). A copy of the categorized list of supplies and goods that accompanied the Government of Iraq's distribution plan has been made available to the Committee in accordance with paragraph 10 of the memorandum of understanding. The list was scrutinized by experts of the United Nations Special Commission who identified items that would be subject to notification by Iraq under the procedures adopted by resolution 1051 (1996), the export/import monitoring mechanism for Iraq. The list of items falling under this category has also been forwarded to the Committee. The distribution plan and the letter conveying my acceptance of it are attached to this report as annexes I and II.

15. In accordance with paragraph 16 of resolution 986 (1995), the distribution plan confirms the willingness of the Government of Iraq to cooperate fully in order to allow, as explained in paragraphs 36 to 44 of the memorandum of understanding, unrestricted freedom of movement and access to United Nations personnel working for the United Nations Inter-Agency Humanitarian Programme, in connection with the performance of their functions, in particular observation of the equitable distribution of humanitarian supplies imported under the plan. The distribution plan allocates funds, on a sectoral basis, for the purchase and distribution of only those humanitarian supplies which are needed urgently. It contains corresponding estimated financial allocations relating to each of the sectors identified in section VII of the memorandum of understanding as food items, medical supplies and equipment, water and sanitation supplies and equipment, and other materials and supplies, in particular those needed for the rehabilitation of infrastructures essential to meet humanitarian needs.

16. To address the urgent needs in the food sector, a total of \$804.63 million is allocated for the purchase and distribution of appropriate quantities of food commodities over a six-month period. In addition, \$101.38 million is allocated for the purchase of soap and detergents, which form part of Iraq's ration basket, and for spare parts and logistic requirements related to the processing and distribution of food. An allocation of \$210 million is made for the provision of good quality drugs, vaccines and medical equipment, including that required for vector control, as well as ambulances. Another \$15.40 million is allocated to meet health infrastructure and nutritional needs. The sum of \$44.20 million is allocated to meet urgent needs in the sector of water and sanitation supplies and equipment. Other materials and supplies included in the distribution plan are those required for the rehabilitation of infrastructures in the electricity, agriculture and education sectors, as well as for energy- and demining-related activities; the plan allocates \$145.07 million for the purchase and distribution of these supplies. The total allocated to the sectors covered by the distribution plan would therefore amount to \$1,320.68 million, of which \$260 million is allocated to the three northern governorates. The estimated allocations by sector constitute indicative figures to give an order of magnitude of the intended use of resources. The actual amounts for humanitarian supplies will depend on market prices at the time of procurement.

17. The distribution of humanitarian supplies within the 15 governorates of central and southern Iraq will be undertaken by the Government of Iraq. For this purpose, the current food rationing system, which was introduced by the Government in 1990, will be employed. It provides for distribution to be effected through a decentralized network of food warehouses and distribution

centres that supply rations to private retail stores, which in turn distribute monthly rations to households within their area. Transportation of these rations from warehouses to the retail stores is provided by the private sector and paid for by the Government. The warehouses are Government-owned and located throughout the 15 governorates.

The Programme in the Governorates of Dihouk, Arbil and Suleimaniyeh

18. In paragraph 8 (b) of its resolution 986 (1995), the Security Council stipulated that in view of the exceptional circumstances prevailing in the three northern Governorates of Dihouk, Arbil and Suleimaniyeh, \$130 million-\$150 million would be provided to the Programme from the escrow account every 90 days, except that if less than \$1 billion worth of petroleum or petroleum products was sold during any 90-day period a proportionately smaller amount would be allocated for this purpose. This allocation is to enable the Programme to complement the distribution by the Government in central and southern Iraq of goods imported under resolution 986 (1995), in order to ensure an equitable distribution of humanitarian supplies to all segments of the Iraqi population. In view of this stipulation and as elaborated in the memorandum of understanding, the distribution of humanitarian supplies within the three northern governorates is the responsibility of the Programme. The Programme will function under the authority of the Department of Humanitarian Affairs at United Nations Headquarters.

19. Accordingly, and as agreed in paragraph 2 of appendix I to the memorandum of understanding, the Programme undertook to identify the humanitarian requirements of the three northern governorates, taking into consideration all relevant circumstances there and in the rest of the country so as to ensure equitable distribution. This exercise was also conducted in close cooperation and consultation with the local authorities. The identified requirements, covering a six-month period and totalling \$260 million, were discussed with the Government of Iraq. They have been duly incorporated into the distribution plan (for details see annex I).

20. Humanitarian supplies will be stored in warehouses located within these governorates. The Programme will supervise the transportation and other logistic arrangements related to the delivery of humanitarian supplies destined for distribution within the governorates. Should such supplies be delivered to warehouses in Mosul or Kirkuk, the Programme will use United Nations personnel to control and manage the warehouses and will arrange for the supplies to be transported to the three northern governorates. The Programme will use current

modalities and existing resources within the governorates for the distribution of humanitarian supplies.

Purchase of humanitarian supplies

21. I have taken steps to reinforce the team in the Secretariat in New York, which is responsible for the processing of applications for humanitarian supplies, in particular in the light of paragraph 33 of the expedited procedures of the Committee established by resolution 661 (1990).

22. The Programme will be responsible for the procurement of humanitarian supplies for the three northern governorates. Such procurement will be undertaken in accordance with paragraphs 3 and 4 of appendix I to the memorandum of understanding. In this regard, considerations pertaining to efficiency and cost-effectiveness will, as called for in paragraph 3 of that appendix, guide the discussions between the Programme and the Government of Iraq regarding the manner by which the bulk procurement of certain commodities will be undertaken. The process stipulated in that paragraph has been initiated.

Confirmation of the arrival of humanitarian supplies

23. The arrival in Iraq of humanitarian supplies funded from the escrow account will be confirmed by independent inspection agents appointed by me, in accordance with paragraph 8 (a) (iii) of resolution 986 (1995) and paragraph 36 of the procedures adopted by the Committee. On the basis of the assessment of the technical reconnaissance mission cited above, I have decided that a total of 32 independent inspection agents will be stationed at various sites in Iraq: 10 at the port of Umm Qasr, 11 at the Turkish border (Zakho/Faida), and 11 at the Jordanian border (Trebil). The independent inspection agents will keep the secretariat of the Committee and the Programme informed of the arrival of the humanitarian supplies and perform the functions required by paragraph 36 of the Committee's procedures.

24. Contractual arrangements have been made with Lloyd's Register Inspection Limited for the provision of the required number of independent inspection agents who, in accordance with the memorandum of understanding, shall enjoy the privileges and immunities of experts on mission. An advance team of technical experts from Lloyd's Register will proceed to Iraq shortly in order to inspect the designated entry points and discuss logistical requirements with the Iraqi authorities.

IV. REPORTING OBLIGATIONS

25. Mindful of the paramount importance that resolution 986 (1995) attaches to the equitable distribution of humanitarian supplies to all segments of the Iraqi population, I have appointed a humanitarian coordinator for the management of the Programme in Iraq. Mr. Gualtiero Fulcheri assumed his functions in August 1996 in Baghdad, where he and the United Nations Office of the Humanitarian Coordinator in Iraq (UNOHCI), will be based. He will be assisted by two Deputy Coordinators, located in Baghdad and Arbil, respectively. The Deputy Coordinator based in Arbil will be responsible for all United Nations activities in the three northern governorates, including the work of two sub-offices of UNOHCI in Dihouk and Suleimaniyeh. He will also coordinate the work of programmes, funds and agencies of the United Nations system in the three northern governorates. The humanitarian operation in the north will be served by dedicated transport and communication units, as well as logistics units (stationary or mobile), which will be principally responsible for the confirmation of the arrival of goods and their quantification, storage and warehousing. Related administrative and support services will be provided by the sub-offices of UNOHCI in Dihouk, Arbil and Suleimaniyeh.

26. The Department of Humanitarian Affairs has established an observation and reporting mechanism that will assist me in carrying out my reporting obligations under paragraph 11 of resolution 986 (1995), in particular on whether Iraq has ensured the equitable distribution of humanitarian supplies and on the adequacy of revenues to meet Iraq's humanitarian needs. The system will comprise three distinct but interrelated mechanisms: a geographical observation unit, a sectoral observation unit and a multidisciplinary observation unit. This system will ensure that the monitoring of equitable distribution of humanitarian supplies is undertaken on a governorate-by-governorate basis as well as by sector or activity.

27. The observation and reporting mechanism is also designed to evaluate the humanitarian situation in Iraq, including trends or sudden changes in the supply of and demand for humanitarian goods throughout the country. Observation and reporting will be carried out on the basis of the sectors identified in section VII of the memorandum of understanding, namely food, medical supplies and equipment, water and sanitation, and other materials and supplies. The memorandum recognizes that the criteria for determining "equitable distribution" will vary from sector to sector. Although these variations in criteria will be reflected in the specific procedures and operational arrangements for

observation within sectors, in accordance with section VII of the memorandum, the following tasks will be common to all sectors:

(a) Cross-checking of arriving humanitarian supplies with those confirmed by the independent inspection agents at the entry points;

(b) Analysis of data from various sources, including relevant ministries of the Government of Iraq and programmes, funds and agencies of the United Nations system;

(c) Interviews with end users, which will include households and distribution agents;

(d) Random surveys (employing various sampling techniques), spot checks and, when appropriate, market surveys.

28. The findings of all United Nations geographical and sectoral observers will be collated, analysed and integrated by the multidisciplinary observation unit, which will include experts in the areas of agricultural inputs and machinery, plant protection, animal health, food logistics, public health, pharmaceuticals, hospital equipment, water and sanitation, education and electricity. Guidelines and standards to ensure effective observation and analysis of the distribution of humanitarian supplies will be established by the unit, which will report its analyses, conclusions and recommendations directly to the Department of Humanitarian Affairs in New York, as well as to the Humanitarian Coordinator who will, as necessary, communicate to the Department his own observations and those of other United Nations bodies in Iraq.

29. The multidisciplinary observation unit will be based in Baghdad, and will comprise 13 international staff. Sixty-three international staff members will be devoted to observation and reporting on a governorate-by-governorate basis (geographical observation). Furthermore, each United Nations programme, fund and agency participating in the Programme will have its own complement of international staff to observe and report on the sector for which it is responsible. They will work closely with the Humanitarian Coordinator in providing regular assessments of the equitability of distribution and adequacy of supplies in their respective sectors. The international staff responsible for sectoral observation will total 75. In addition to these 151 observation and reporting personnel based in Iraq, a team of up to 8 staff within the Department of Humanitarian Affairs at Headquarters will be assigned exclusively to the observation function.

30. Paragraph 42 of the memorandum of understanding specifies that the exact number of observation personnel will be determined by the United Nations, and that the Government of Iraq will be consulted in this regard. In accordance with that paragraph, and on the basis of careful assessment in the field, I have determined that 151 observers based in Iraq would be essential for the United Nations to carry out effectively its observation and reporting requirements. This number will be adjusted as warranted by experience.

V. THE ESCROW ACCOUNT

31. In paragraph 7 of its resolution 986 (1995) the Security Council requested me to establish an escrow account, into which all proceeds of oil sales would be paid and from which all payments for the purposes specified in the resolution would be made.

32. In order to select a bank to be the holder of the escrow account, a working list was prepared of major banks in all parts of the world with the necessary credit quality ratings, strong capital positions and the capabilities to provide the services necessary for the account. After consultations with the Government of Iraq, a small number of those banks were asked to submit written proposals outlining their services and pricing. After careful consideration of the proposals received, Banque nationale de Paris was selected as the holder of the escrow account; the account has been opened at the bank's branch in New York.

33. As provided for in the memorandum of understanding, the United Nations Iraq account will be audited by the Board of Auditors, who are independent external public auditors. The Board will prepare periodic audit reports on the financial statements every six months. These reports will be submitted to me for forwarding to the Committee established by resolution 661 (1990) and the Government of Iraq.

VI. FINANCIAL IMPLICATIONS

34. Proceeds of oil sales amounting to \$2 billion will be allocated as shown in annex III to this report. The procedure for allocating oil sale proceeds will involve an immediate division of each amount received from those proceeds as follows (the references are to paragraphs of resolution 986 (1995)):

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(a) Approximately 53 per cent will remain in the escrow account to provide funds for humanitarian purchases, as specified in paragraph 8 (a) and for any other expenditures approved by the Committee as being reasonable and necessary for the sale of oil, as specified in paragraphs 8 (f) and 9;

(b) Approximately 13 per cent will be set aside in a separate account established for the purchase of humanitarian goods to be provided by the United Nations Inter-Agency Humanitarian Programme, as specified in paragraph 8 (b);

(c) Thirty per cent will be transferred directly to the United Nations Compensation Fund, as specified in paragraph 8 (c);

(d) Approximately 2.2 per cent will be set aside for the various operational and administrative costs to the United Nations associated with the implementation of resolution 986 (1995), as specified in paragraph 8 (d). Should this estimate prove to be inadequate, appropriate reductions will be effected within the allocations mentioned in paragraph 16 above;

(e) Approximately 0.8 per cent will be transferred to a special account to meet the current operating costs of the United Nations Special Commission, as specified in paragraph 8 (e);

(f) One per cent will be transferred directly to the escrow account established under resolutions 706 (1991) and 712 (1991) for the payments envisaged under paragraph 6 of resolution 778 (1992), as specified in paragraph 8 (g).

35. The various operational and administrative costs referred to in paragraph 34 (d) above are estimated at \$44.3 million for a six-month period, including distribution and in-country monitoring of humanitarian goods (\$30,800,000), banking-related charges for the Iraq account (\$4,000,000), auditing (\$46,200), oil and customs inspection (\$6,405,000), independent oil experts assisting the Committee (\$469,200) and all other administrative costs (\$2,622,600).

VII. OBSERVATIONS

36. Out of concern for the serious nutritional and health situation of the Iraqi population and the risk of its further deterioration, the Security Council adopted resolution 986 (1995) as a temporary measure to provide for the

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population's humanitarian needs until there is full compliance by Iraq with the relevant Council resolutions, including notably resolution 687 (1991). From the outset, I have been committed to an early and comprehensive implementation of the resolution and am pleased to be able to report that significant progress has been achieved since I transmitted to the President of the Security Council on 20 May 1996 the text of the memorandum of understanding between the Secretariat and the Government of Iraq.

37. Most of the arrangements required to bring resolution 986 (1995) into effect are today in place: the oil overseers have been appointed; contracts have been signed with firms which will supply independent inspection agents to monitor the export of oil from and confirm the arrival of humanitarian supplies in Iraq; the distribution plan has been finalized and approved; a Humanitarian Coordinator has been appointed and an observation and reporting mechanism prepared to ensure the equitable distribution of humanitarian supplies inside Iraq; and the escrow account has been opened. These steps have been taken after consultation with the Iraqi authorities, without whose full cooperation effective implementation of resolution 986 (1995) will not be possible.

38. Over the past two months, the Government of Iraq has, however, raised several new issues. It has requested "assurances" that nothing will disrupt the implementation of resolution 986 (1995) once it has begun; that it should receive copies of the contracts signed by the Secretariat with commercial firms related to implementation of 986; that the State Oil Marketing Organization should be the beneficiary of letters of credit involving the sale of Iraqi oil; that all local staff currently employed by the United Nations in the three northern governorates should be dismissed and that names of new personnel should be cleared in advance by the Iraqi authorities. Furthermore, Iraq has insisted that prior approval of the pricing mechanism by the Committee established by resolution 661 (1990) was a condition for bringing resolution 986 (1995) into effect. It has also complained about what it perceives as lack of consultation by the Secretariat on the number of humanitarian observers who will be stationed in central and southern Iraq. These issues have been discussed in several meetings at Headquarters between senior officials of the Secretariat and a delegation led by the Permanent Representative of Iraq. The Security Council has been kept fully informed.

39. I am confident that, as a result of these meetings, the Government of Iraq has a thorough understanding of my position regarding the discharge by the Secretariat of its functions in accordance with resolution 986 (1995). One of the most fundamental aspects is the unrestricted freedom of movement of United

Nations personnel, an area on which the Humanitarian Coordinator and his staff have recently encountered difficulty with regard to their travel inside Iraq. I expect the Iraqi authorities to abide by all their obligations under resolution 986 (1995) and the memorandum of understanding. The Government of Iraq has provided assurances in this regard through its Permanent Representative.

40. For resolution 986 (1995) to be implemented as it was intended, it will be necessary for several actors to work together, principally the Government of Iraq, the Secretariat and the Committee. Each has clear responsibilities under the resolution, which have been elaborated upon in the memorandum of understanding and the expedited procedures of the Committee. It is encouraging that the interaction between the State Oil Marketing Organization, the oil overseers, the oil inspection agents, and the Committee has thus far been businesslike and cooperative.

41. As indicated in paragraph 11 above, Iraq has expressed its intention to repair the Kirkuk-Yumurtalik pipeline metering systems. I hope that by early December Saybolt will be able to certify that the metering systems are up to acceptable standards, following which the 14 oil inspection agents will be deployed in Mina al-Bakr, Zakho and Ceyhan. In the meantime, the Lloyd's advance team will have completed its visit to Iraq, and arrangements will be made to dispatch an initial complement of goods inspection agents.

42. Preparations are under way within the Department of Humanitarian Affairs to send an advance team to Iraq for assessment of the Programme's requirements, including logistical and support arrangements, ahead of the arrival of additional international staff. Finalization of the observation and reporting mechanism is also under way, to make it possible to deploy observers on short notice. I trust that I can count on the Government of Iraq to make every effort to facilitate the work of the Programme as required by resolution 986 (1995) and the memorandum of understanding, including the expeditious issuance of visas, customs clearance of logistical equipment, such as vehicles and communications facilities, and provision of office space and accommodation.

43. In submitting this interim report, I have sought to bring the Security Council up to date on where matters now stand with respect to the implementation of resolution 986 (1995). I will submit to the Security Council as soon as possible the report requested of me in paragraph 13 of the resolution.

Annex II

Letter dated 18 July 1996 from the Under-Secretary-General
and Special Adviser to the Secretary-General addressed to
the Head of the delegation of Iraq

On behalf of the Secretary-General, I wish to acknowledge receipt of the distribution plan and would like to inform you that I have been authorized by the Secretary-General to convey in this respect the following.

Security Council resolution 986 (1995) requires that Iraq shall guarantee, on the basis of a plan submitted and approved by the Secretary-General, equitable distribution of medicine, health supplies, foodstuffs and materials and supplies for essential civilian needs (humanitarian supplies) exported to Iraq under the conditions defined by that resolution. The memorandum of understanding concluded on 20 May 1996 between the United Nations Secretariat and the Government of Iraq for the implementation of that resolution provides that the Government of Iraq shall prepare a distribution plan describing in detail the procedures to be followed by the competent Iraqi authorities with a view to ensuring equitable distribution of humanitarian supplies and submit that plan to the Secretary-General for approval. The memorandum states in this regard that if the Secretary-General is satisfied that the plan adequately ensures equitable distribution of humanitarian supplies to the Iraqi population throughout the country, he will so inform the Government of Iraq.

I have the honour to inform the Government of Iraq through you that, having examined the distribution plan as finally submitted by you on 15 July 1996, the Secretary-General has come to the conclusion that the plan, if properly implemented, should meet the requirement of equitable distribution of humanitarian goods to the Iraqi population throughout the country. The distribution plan is, therefore, approved with the following remarks.

The approval of the distribution plan is subject to the condition that its implementation is governed by the relevant provisions of Security Council resolution 986 (1995) and the memorandum of understanding, and that, in case of inconsistency between the particular provisions of the plan (on the one hand) and the resolution and the memorandum of understanding (on the other), the provisions of the two latter documents shall prevail.

The approval of the distribution plan is also without prejudice to the

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procedures to be employed by the Security Council Committee established by resolution 661 (1990) concerning export to Iraq of humanitarian supplies and parts and equipment that are essential for the safe operation of the Kirkuk-Yumurtalik pipeline system in Iraq.

The distribution plan includes a categorized list of supplies and goods to be purchased and imported under the plan. The approval of the plan is without prejudice to actions that might be taken by the Committee established by resolution 661 (1990) regarding applications for export of particular items contained on the list submitted for the Committee's consideration in accordance with its procedures.

Likewise the categorized list contains certain items the export of which to Iraq must be notified to the joint unit established by Security Council resolution 1051 (1996) as these items will be subject to monitoring because of their possible dual use for civilian or for prohibited purposes under Security Council resolution 687 (1991) and other relevant resolutions.

(Signed) Chinmaya R. GHAREKHAN
Under-Secretary-General
Senior Adviser to the Secretary-General

Annex IIIA. Dollar allocation from oil proceeds(Millions of United
States dollars)

Humanitarian supplies ^a	1 060.7
Humanitarian supplies - northern governorates	260.0
United Nations Compensation Fund	600.0
Various operational and administrative costs	44.3
United Nations Special Commission	15.0
Escrow account established by the Security Council in its resolutions 706 (1991) and 778 (1992)	<u>20.0</u>
<u>Total</u>	<u>2 000.0</u>

^a Will include amounts related to paragraph 8 (f) of Security Council resolution 986 (1995) approved by the Committee established by resolution 661 (1990).

B. Percentage allocation from oil proceeds

^a Will include amounts related to paragraph 8 (f) of Security Council resolution 986 (1995) approved by the Committee established by resolution 661 (1990).

Humanitarian supplies^a

Humanitarian supplies - northern governorates

United Nations Compensation Fund

Various operational and administrative costs

United Nations Special Commission

Escrow account established by the Security Council in its resolutions 706 (1991) and 778 (1992)
