

“Oil-for-Food” as a Catalyst for a Strategic Approach to Improving the Humanitarian Situation in Iraq

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1 Problem Definition & Approach

The “Oil-for-Food” Program established under UN Security Council resolution 986 (14 April 1995) was intended as a “...*temporary measure to provide for the humanitarian needs of the Iraqi people*”.² After more than two years of operation, this unique and complex humanitarian program has proven itself incapable of meeting the basic needs of the civilian population.³ This realization, coupled with recent assessments that the situation will deteriorate in the near-term, suggests the need for a new approach to providing humanitarian assistance to the Iraqi population. Such an approach would move away from the current, “*short term and temporary*” operational focus, and would implement a strategic plan to provide for a more robust and effective transition to long-term rehabilitation. While this proposed operational framework does not go as far as to constitute a (re-)development program, it does propose strategies for a more comprehensive approach to the provision of humanitarian relief.

This memorandum therefore proposes an initiative, intended as the basis for exploiting the existing framework and institutional capacity inherent in the Office of the Iraq Program, the Office of the Humanitarian Coordinator in Iraq (UN-OHCI), and the associated implementing agencies: UNICEF, WHO etc., for the purposes of establishing a more effective humanitarian program. Moreover, this approach recognizes the substantial disparity between the humanitarian situation in the three northern governorates and the South/Central regions of Iraq, and the current operational constraints in each area.

¹ The opinions and policy recommendations outlined in this paper are the sole responsibility of the author, and do not necessarily reflect the views of, or an endorsement of any policy position on the part of, the Massachusetts Institute of Technology.

² The role of the “Oil-for-Food” Program is outlined by the Secretary General in: United Nations Security Council, *Report of the Secretary-General Pursuant to Paragraph 7 of Resolution 1143 (1997)*, Report # S/1998/90 (New York: United Nations, February 1, 1998). Quotation from paragraph 7.

³ In a recent report to the Security Council which provides a 2-year review of the “Oil-for-Food” program, the Secretary General noted: “...[the programme] cannot – and was never meant to – meet all the humanitarian needs of the Iraqi people, nor can it restore Iraq’s economic and social infrastructure to pre-1990 levels.” United Nations Security Council, *Review and Assessment of the Implementation of the Humanitarian Programme Established Pursuant to Security Council Resolution 986 (1995) (December 1996-November 1998)*, Report # S/1999/481 (New York: United Nations, April 28, 1999) : para. 115.

The policy-directed suggestions that follow are based on three key principles:

1. There is a widely-accepted, urgent need to improve the humanitarian situation in an equitable manner throughout the whole of Iraq;
2. Given the political ‘instability’, in terms of the future of UN relations with Iraq, and the concomitant implications for the provision of humanitarian assistance, there is a need for more robust and ‘insulated’ mechanisms for the long-term provision of humanitarian relief;⁴
3. There is significant potential for expanding the operational focus of existing mechanisms to take a longer-term approach;

It should be noted from the outset that any improvements to the “Oil-for-Food” Program, as currently formulated, will only improve the humanitarian situation in a marginal sense. The essence of the humanitarian problem in Iraq is the prolonged imposition of sanctions. However, the Program can be used as a catalyst for planning future humanitarian operations. One possible way forward is for the Office of the Iraq Program to take the initiative in establishing a Humanitarian Task Force on Iraq – to address the situation ‘head-on’.

2 Recommendations

In addition to the need to move towards a more long-term approach, the recommendations that follow recognize the need to ensure adequate ‘capacity’ of Iraqi authorities, both at the national and local levels, if a significant improvement in the humanitarian situation is to be realized. This strengthening of capacity includes institutional, administrative, technical and financial strands.

From the point of view of the Government of Iraq, any changes short of elimination of sanctions are considered merely an exercise in ‘window dressing’. This position notwithstanding, the fact of the matter is that Iraq is currently ill prepared to provide for the needs of the people in the absence of the “Oil-for-Food” program. In effect, Iraq has become highly dependent on the Program, to such a degree that under existing implementation mechanisms, “Oil-for-Food” may be detracting from the long-term rehabilitation of specific sectors, such as the agricultural sector.⁵ Therefore, apart from improving the humanitarian situation in Iraq, these suggestions are intended as a means of better positioning Iraq to transition to any future status – whether that may be a prolonged imposition of sanctions, staged or complete elimination of sanctions, or a more radical reassessment of the current provisions of the “Oil-for-Food” Program – all of which are possible outcomes.⁶

2.1 Involving UN Humanitarian Agencies / NGOs in Strategic Planning

United Nations agencies are currently responsible for implementing the humanitarian program in the three northern governorates of Dahuk, Sulaymaniyah and Erbil on behalf of the Government of Iraq. While there are several UN agencies and NGOs operating in Iraqi Kurdistan, there are

⁴ As of the beginning of July 1999, there were three draft resolutions concerning Iraq before the Security Council, yet no agreement on an appropriate way forward. Irrespective of the political decision regarding sanctions, there will be a need for a transition in operational focus, away from the short-term, to a more inclusive approach.

⁵ It has been noted that while the ‘food basket’ has increased the availability of essential food items, and has thus helped to regulate the market price of these commodities, it is also compromising indigenous food production, resulting in strong dependency on the ‘food basket’ rations.

⁶ Some of the draft resolutions before the Security Council at the beginning of July 1999 outline plans for an incremental elimination of sanctions, conditional on satisfactory resolution of outstanding disarmament issues. However, short of complete and immediate lifting of sanctions, the “Oil-for-Food” Program will remain a core ‘pillar’ of UN humanitarian efforts in Iraq.

few agencies working in the South/Central regions. This is due to a number of factors, including concerns for the security of personnel from humanitarian agencies in the South/Center, and reluctance on the part of the Government of Iraq to agree to external agencies operating in these areas.

Some of the agencies operating in the northern governorates have expressed frustration at the uncertainty in program implementation – from the point of view of trying to plan for future phases etc. By passively fostering an atmosphere of dependency, current implementation mechanisms detract from a longer-term objective of improving living conditions in the whole country. Paradoxically, areas outside the northern governorates, with least involvement of UN agencies and NGOs, are worst affected.⁷

Based on the experience of UN humanitarian agencies (UNCIEF etc.) and NGOs (Save the Children, for example) in program implementation in the North, the Office of the Iraq Program should lead an initiative, working in conjunction with these agencies, to develop a strategic plan for enhancing continuity of implementation, and moving towards a more comprehensive humanitarian program. Some possible approaches are outlined below. This effort would result in policy recommendations to the 661 Committee for presentation to the Security Council, and would also assist the Government of Iraq in planning for implementation in the South/Center of the country under future scenarios.

Operationally, formulation of this strategic planning guide would involve close collaboration between the Office of the Iraq Program and the various humanitarian agencies at the program management and planning level, while receiving recommendations from humanitarian personnel ‘in the field’ and the Government of Iraq. In this respect, lessons learned in program implementation in the northern governorates could be transposed to the South/Central regions. Some illustrative topics, which this strategic plan may consider, include:

- **Investigation of “community-based” approaches to the provision of humanitarian assistance as a means of reinvigorating certain aspects of the education, healthcare and agricultural sectors.** For example, current problems in the education sector include the lack of suitably qualified teachers, school equipment, and adequate school buildings in rural areas throughout Iraq. Identifying strategies to address these problems at the local level, such as initiating support workshops for educators, combined with properly identified resource requirements, will likely be more successful in sustaining improvements in the education sector.
- **Planning for the rehabilitation of essential elements of the food sector and ensuring that the requirements are reflected in contract processing.** While longer-term requirements may in some cases divert revenues from providing essential elements of the ‘food basket’, the Catch-22 cycle can be broken by incrementally investing in small projects to establish the baseline for longer-term, more self-sufficient, rehabilitation. Planning the appropriate processes for ensuring that local goods show up in the food basket, for example, will help to stimulate indigenous food production, albeit on a small scale initially.

⁷ United Nations Security Council, *Report of the three Panels on Iraq established pursuant to the note by the President of the Security Council of 30 January 1999 (S/1999/100)*, Report # S/1999/356 (New York: March 30, 1999) : Annex II, paragraph 44: “...the North of Iraq is clearly doing better than the Center/South for a variety of reasons.”

- **Establishing joint projects between the UN agencies/NGOs and the Iraqi authorities in the South/Central regions to target ‘critical’ processes for rehabilitation on a local level, learning from experience in the northern governorates.** For example, the targeted rehabilitation of the water purification infrastructure, starting from a local level. Non-Iraqi personnel and skills would be used to complement local expertise and to provide training, and where necessary, some local funds for implementation. This type of approach is inextricably linked to the notion of initiating a “cash component” i.e. local availability of cash revenues (See Section 2.2.3 below).
- **Expansion of the scope and mandate of the “Oil-for-Food” Program.** Previously, the Security Council has made significant alterations to the “Oil-for-Food” Program, specifically by increasing the oil export ceiling in Resolution 1153 (20 February 1998). In the current situation, where there are three draft ‘package’ resolutions before the Council, yet little consensus on a way forward, it may be possible to expand the mandate and scope of the Program as an interim measure to facilitate transition towards a more sustainable humanitarian situation. Specifically, the role of the Office of the Iraq Program could be expanded to make recommendations directly to the 661 Committee, to put in place plans for a more long-term approach, to evaluate more innovative revenue-generating ideas, and to develop contingency plans for operating the program during a staged/partial elimination of sanctions.⁸

2.2 Initiating a “Cash Component”

The need for a “cash component” to enhance program implementation in the South/Central regions of Iraq has been clearly identified in recent UN reports. The availability of this mechanism in the northern of Iraq has been shown to greatly enhance both the scope and speed of implementation.⁹

The local availability of a proportion of Program revenues in cash would facilitate payment of training and installation costs within Iraq, allowing the various Ministries to cover costs associated with logistics, local labor and maintenance. Furthermore, the “cash component” would aid in rebuilding institutional capacity within the lower levels of the various national agencies in Iraq, and would facilitate local procurement of some supplies. As such, the “cash component”, short of elimination of financial controls on Iraq, is a vital precursor to any future, more comprehensive approach.

How, then, could this cash component be implemented – and how would it function? Obviously, providing any latitude and financial discretion to the Iraqi authorities, in the existing political climate, is a highly contentious issue! However, there are several possible alternatives.

From a macroscopic view, there are three primary modes of dispensing cash revenues within Iraq (and several combined approaches): (1) via the Iraqi authorities, (2) via the UN Humanitarian Coordinator in Iraq, or (3) through a third party organization, perhaps one or more international Non-Governmental Organizations. Some possible modes of implementation:

⁸ These are intended as illustrative examples of how the role of the Office of the Iraq Program could be expanded to identify more proactive strategies for improving the humanitarian situation in Iraq.

⁹ In the three northern governorates, the “cash component” in each phase, as a percentage of total revenue allocated for the North of Iraq, was (approx.): Phase I – 6.7% ; Phase II – 7% ; Phase III – 9% ; Phase IV – 7.4% ; Phase V – 5.7%.

2.2.1 Cash Component By Sector

The “cash component” could be implemented on a sectoral basis, whereby each sector in the Distribution Plan would be allocated a specific percentage of its revenue in cash. This mechanism would reflect the variation in requirements for local procurement and training across the various sectors. For example, the agriculture sector may require a greater percentage of ‘local’ funds than the electricity sector. In addition, this mechanism would provide more incentive for each sector to focus on priority cash-related issues within its own domain, without having to compete with other ministerial offices or government departments.

2.2.2 Incremental, Indexed Cash Component

As a means of promoting ‘legitimate’ and targeted local expenditure, and in addition to the sector-specific allocation of resources, the percentage of revenue disbursed in cash could be increased incrementally, conditional on observable implementation in each sector. The initial percentage could be set at 15-20%. By this mechanism, any future increases in the cash component (with a potential future 100% component) would be ‘indexed’ or linked to implementation on the ground. The Government of Iraq would be responsible for ensuring transparent use of these funds.

Furthermore, this incremental approach could be linked to satisfactory resolution of some of the outstanding ‘political’ aspects, specifically the implementation of a reinforced Ongoing Monitoring and Verification (OMV) regime. Moreover, the incremental cash allocation would slowly increase dependency of the Iraqi Government on these revenues, thereby acting as an incentive for continued cooperation.

2.2.3 Joint Implementation

Joint implementation of a “cash component” could use either, (1) the UN Office of the Humanitarian Coordinator in Iraq, or (2) local and international NGOs, working in partnership with the Iraqi authorities at a local level. Under such a mechanism the Government of Iraq would work side-by-side with the respective partner to identify and fund activities requiring local disbursement of revenues. This mechanism would also aid in targeting activities on a local level, and identifying obstacles to rehabilitation as quickly as possible.

2.2.4 Operational Considerations

Any of the previous suggestions do not address the actual mechanics of implementation. Who will have ultimate control of the revenue? One possible mechanism would be to extend the existing financial mechanisms to make available to the Government of Iraq, by a sectoral allocation, revenue from the existing escrow account. This revenue could then be transferred to the Central Bank of Iraq. While this mechanism does not provide for scrutiny of the final destination of the cash revenues, it does provide a ‘fail-safe’ mechanism whereby complete control of all revenues could be reverted to the United Nations.

2.3 Developing a Cross-Sectoral Distribution Plan

The Distribution Plan (DP) submitted to the United Nations by the Government of Iraq at the beginning of each phase of program implementation, in accordance with the Memorandum of Understanding (MoU) between the Government and the Secretary General (1996), has typically

been compiled using a sectoral approach i.e. outlining the requirements *per sector*.¹⁰ From the point of view of generating the appropriate requirements within government institutions in Iraq, this may be a practical necessity.

Despite this, the Government of Iraq should be encouraged to expand its DP preparation methodology by adding an additional section which would outline the cross-sectoral requirements for ensuring that an appropriate ‘process-based’ approach is adopted. Several instances have been cited where, either due to contract approval delays, or inappropriate contract submissions, the Government of Iraq has been unable to implement a specific process. In addition, the process-based focus is hampered by the absence of local cash revenues.

The cross-sectoral implementation scheme would serve to identify in advance the key processes and associated requirements for various sectors. It would inherently account for priority needs across sectors. This technique would be particularly valuable for systems that require inputs from several key sectors. For example, the rehabilitation of a hospital operating-room facility may require specific electricity-generating inputs, water-purification inputs, medical spare parts, training, sewage disposal etc. In short, a cross-sectoral approach is essential to a sustained improvement in the humanitarian situation.

2.4 Increasing Iraq’s Revenue-Generating Capability

An obvious and well-recognized requirement for improving the current humanitarian situation in Iraq is the increase in Iraq’s revenue-generating capability. During Phase V, Iraq could only generate revenue equivalent to 75% of the permitted ceiling.¹¹ Any attempt, therefore, at establishing a more comprehensive approach is inextricably linked to efforts to increase the available revenue. Current restrictions on Iraq’s revenue generating capability are due to, (1) a dependence on oil exports for revenue generation, and (2) the deterioration of Iraq’s oil infrastructure.

Therefore, any suggestions to increase Iraq’s revenue-generating capability should not be seen a merely an extension of the “Oil-for-Food” Program, but rather an attempt to improve the humanitarian situation in the longer term. Several suggestions aimed precisely at this objective have been identified previously and will only be mentioned briefly here:

- Initiate a “Gas-for-Food” Program i.e. sale of natural gas under resolution 986;
- Augment bilateral trade with Jordan, not only in the oil sector, but also in the agriculture sector;
- Divert contributions to the Compensation Fund for one phase to rapidly rehabilitate the oil infrastructure;
- Implement an ‘overdraft’ facility on UN accounts pertaining to Iraq, to be guaranteed by the Compensation Fund revenue;
- Begin trading in Iraqi oil ‘futures’.

3 The Way Forward – A Humanitarian Task Force on Iraq

Irrespective of the future constraints on the provision of humanitarian assistance to Iraq, continuing with the existing near-term operational focus of the “Oil-for-Food” program is not a

¹⁰ Ministry of Foreign Affairs, Republic of Iraq, *Distribution Plan: Submitted by the Government of Iraq to the UN Secretary-General in accordance with the Memorandum of Understanding of 20 May 1996.*

¹¹ Gross revenues for Phase V totaled \$3.933 billion. The current ‘ceiling’ is \$5.2 billion.

viable option. Existing mechanisms are insufficient, and the available health indicators provide little scope for future optimism unless a more effective humanitarian program is established.

One possible approach, which will have long-term benefit irrespective of the future of UN-Iraq political relations, is to establish and implement a strategic plan for long-term provision of assistance, on an equitable basis throughout the entire country. Several suggestions have been put forward in this document as a means of providing a starting point for such an approach.

The Office of the Iraq Program should lead this effort, working in collaboration with the implementing agencies in the North of Iraq. This effort would be best completed by a suitable qualified Humanitarian Task Force – which would include representatives from UNICEF, the Government of Iraq, WHO, the Office of the Iraq Program etc. As a starting point, the Task Force would:

- A.** Develop a strategic plan for transition to a more long-term humanitarian program;
- B.** Implement the recommendations of the Humanitarian Review Panel on Iraq;
- C.** Develop, and implement, additional strategies to improve the humanitarian situation in Iraq;
- D.** Make recommendations to the 661 Committee and the Security Council on how to improve the humanitarian situation, given existing political constraints;
- E.** Develop contingency plans for operations under a staged/complete elimination of sanctions;

The issues are clear: the humanitarian need is grave, and undisputed; the inadequacy of existing mechanisms is fully evident; practical, more effective solutions are necessary, and are feasible! The Humanitarian Task Force proposed here represents a new way forward. “Oil-for-Food”, through the Office of the Iraq Program, has a dominant role to play as a catalyst for this new approach to improving the humanitarian situation in Iraq.