

**Written Testimony of Claude Hankes-Drielsma, Advisor to The
Iraq Governing Council and Chairman of Roland Berger Strategy
Consultants Ltd on The Oil-for-Food Program to The Congress of
the United States, The Subcommittee on National Security,
Emerging Threats, and International Relations - *The Iraq Oil-for-
Food Program: Starving for Accountability***

21 April 2004

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21st April 2004

A. Summary:

Mr. Chairman, distinguished members of the Committee. My written testimony attempts to set out in chronological order the background to, and the reasons why, independent investigations into The Oil-for-Food Program were initiated by The Iraq Governing Council and subsequently by the United Nations. While the remarkable achievements of the US and its commitment in assisting Iraq to become a vibrant economy are well recognised by the Iraqis, the good intentions of the US are sometimes misunderstood or misrepresented. A touch of humility and more democratic consultations with the Iraqis by those administering the US efforts in Iraq would achieve a great deal

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I would first like to commend the courage and determination of the IGC as a whole in forging ahead, amidst great challenges, to build a democratic and stable Iraq. The IGC has been much undermined and criticised. It should be noted that it is the most politically broad and demographically representative body in Iraq's history.

2

From the information available to date, it is clear that the UN failed in its responsibility to the Iraqi people in administering the Oil-for-Food program during the period 1995 to 2003. (See Letter to Secretary General, Page 8). NGOs have confirmed that at times the food delivered was unfit for humans and medicine was often out of date. Much of the corruption and mismanagement under the almost 64 billion dollar Oil-for-Food program could have been prevented through transparency and had the UN recognised the importance of public accountability. The UN's credibility with Iraqis, particularly the Shia community, is understandably one of unease and I will try to explain why.

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The UN Oil-for-Food programme provided Saddam Hussein and his corrupt and evil regime with a convenient vehicle through which he bought support internationally by bribing political parties, companies, journalists and other individuals of influence. This secured the cooperation and support of countries that included members of The Security Council of the UN, the very body that received over 1 billion US dollars in fees to administer the Oil-for-Food programme. This dynamic and conflict of interest is the cancer that lies at the core of the problem. For as long as members of The Security Council are party to corrupting the system, the UN will remain but a convenient tool for those countries who wish to operate without responsibility and accountability.

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The very fact that Saddam Hussein, the UN and certain members of The Security Council could conceal such a scam from the world, should send shivers down every spine in this room today. I recommend to the United States and Britain that they should instigate a complete review of the UN, its function and how it might operate effectively and with integrity.

The KPMG investigation report, commissioned by the ICG, is expected to demonstrate this clear link between those countries which were quite ready to support Saddam Hussein's regime for their own financial benefit at the expense of the Iraqi people and those that opposed the strict application of sanctions and the overthrow of Saddam

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Hussein. The decision by the IGC to commission the KPMG report in current circumstances in Iraq should be seen for what it is, a focused and praise-worthy step to fleck out the truth in the interest of a peaceful and stable Iraq into the future. Only truth and transparency can secure progress.

1

The KPMG investigation however was on hold, due to Ambassador Bremer's intervention, until the Finance Committee completed its due process on Sunday 18 April. On April 18, the Finance Committee of the Governing Council met and reviewed the submitted tender proposals. They came to the conclusion that KPMG's proposal was the most competent and suitable for this task. Representatives of the CPA were present at this meeting.

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It is hoped that this report can now proceed without any further delay but there still is not a firm undertaking that Ambassador Bremer, contrary to the assurance given at earlier discussions, will grant the necessary funding from the Iraq development fund. Any further delay in the preparation of this report instigated by the IGC will have serious consequences. The due process and appropriate way forward was almost jeopardised by the CPA and was an example where Iraqi officials and members of the Finance Committee of the IGC were not properly consulted and there was a lack of transparency. The United States Government, with its remarkable and admirable commitment to Iraq, can and should try and redress some of these concerns.

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Governments may also wish to consider how to prevent the abuse of diplomatic immunity to circumvent money-laundering laws that permitted Saddam Hussein to move money around the world. The time has come for Governments to review whether it remains appropriate that those with diplomatic immunity are free to circumvent money laundering laws, regulations and controls. Saddam Hussein operated one of the most sophisticated money laundering systems ever seen and the full extent of this will emerge from the report instigated by the IGC. Saddam Hussein's regime exploited the banking systems of those countries where anti-money laundering controls appear to have been extremely weak. Given the efforts of bodies such as the Financial Action Task Force to defeat terrorist financing, these weaknesses will have to be addressed to ensure that those parties whose interests conflict with all of ours are not allowed to exploit them in the future.

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Some may suggest that these issues only came to light in recent months. That is simply not true. The UN office of Internal Oversight in two consecutive annual reports, October 2000 and October 2002, to the General Assembly drew attention to the non-compliance of the Iraq Oil-for-Food Program with UN best practice in financial and contracting matters.

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May I give you two quotes from meetings of the UN Security Council. The first from Mr. Cunningham of the United States:

“As Council delegations heard in the Multinational Interception Force briefing to the sanctions Committee yesterday, hundreds of millions of dollars' worth of gas oil are being smuggled out of Iraq, with the proceeds going not for oil-for-food humanitarian imports but to the regime and its cronies”

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The second from Sir Jeremy Greenstock of the United Kingdom:

“The Committee has also heard convincing evidence that smugglers are also exporting oil through other neighbouring States including Turkey. The potential revenue from all these operations must now exceed \$1 billion per year. Instead of being used to rebuild a hospital in Baghdad or provide clear water for a village, this money is being spent by Saddam Hussein’s regime for the sustenance and comfort of the Iraqi elite and military”.

Both were from 24 March 2000. The UN Security Council Sanctions Committee established by resolution 661 produced annual reports commenting on compliance with the sanctions. In its annual report dated 27 July 2001, over a year after the comments from the US and UK representatives, under the heading "Monitoring arrangements and reported violations" it included the following:

"At its 194th meeting on 17 March 2000 the committee discussed a communication from the United States concerning illicit export of petroleum and petroleum-derived products by Iraq through the Persian Gulf. No consensus emerged on how to deal with the issue. At its 196th meeting on 20 March 2000 the committee received a briefing from the Coordinator of the Multinational Interception Force (MIF) on the MIF's activities in the Gulf region where it was noted that there had been an increase in smuggling activities during the previous year. The committee decided to keep the issue of oil smuggling under review".

I hope this demonstrates that the significance of the illegal smuggling and money laundering was being made known to The Security Council years before Saddam Hussein's regime fell. I hope that the investigations will uncover why the Sanctions Committee were unable to reach a consensus on how to deal with the smuggling and in practice what actually happened when the Committee "decided to keep the issue of oil smuggling under review". The IGC investigation will, I hope, reveal if oil smuggling increased despite the Committee's interest after March 2000.

Attached to this written testimony is a diagram which summarises the different ways that Saddam Hussein’s regime raised funds outside of the Food For Oil programme. This is based on the limited investigations performed to date, and hence may change. However it demonstrates several issues.

First, that there were a variety of different and innovative ways of raising these funds.

Secondly, that at this stage I do not know what these funds were utilised for or who received the benefit of them.

Thirdly, that the funds raised involved the knowing collusion of many entities. These included those which either purchased oil through the official UN Oil-for-Food program and paid oil surcharges either in cash to Iraqi embassies abroad or transfers to sanction-breaking bank accounts controlled by the regime. These included those countries which accepted smuggled oil. These included those who supplied medicine, health supplies,

food and other materials through the Oil-for-Food program at inflated prices and paid a 10% or higher premium in cash or to sanction breaking bank accounts controlled by the regime. These included those which supplied inferior goods or goods past or near their sell by date or those which conspired to repurchase the goods back from the regime and pay the regime to sanction breaking accounts. In summary, Saddam Hussein's regime did not raise these funds alone, it did it with the active and knowing participation of a number of countries, which included members of The Security Council, companies and individuals.

B. Background:

In December 2003, I became an advisor to the IGC. My role is to provide independent advice. I do not represent the British Government nor for that matter, any other member of the Coalition. At times my advice may conflict with views of members of the Coalition. The CPA may resent the fact that the IGC obtains independent advice, outside their direct control.

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My appointment was made by the Finance Committee of the IGC, which is chaired by Dr Ahmed Chalabi. I first became involved with Iraqi matters at the end of the Iran-Iraq war through the Allawi family. At that time I agreed to meet with the US Government to discuss Iraq policy, which at that time was to support Saddam Hussein. This was also very much the Saudi and Jordanian view and coincided with and supported the US fear of the unknown. My efforts in trying to reverse this policy did not succeed. These countries continue to influence policy on Iraq to this day. Jordan became economically dependent on Iraq under the Saddam Hussein regime.

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In December 2003, on my first visit to Baghdad I became aware of the extent of the United Nations Oil-for-Food problem. It was during this visit that I was also shown a list of non-end users who purchased crude oil through the UN approved program, not by smuggling. For clarification, non-end users are those purchasers of crude oil who do not themselves own a refinery. BP would be an end user as it owns many refineries, a brass plate company from Panama would be a non-end user. This list had been prepared by highly competent Iraqi Government officials in Iraq ministries from existing files. Iraq civil servants kept meticulous records and all its transactions were recorded cross-referenced and had the appropriate approvals. While the list included many bona fide oil traders there were many names which raised questions. It suggested a pattern of buying influence through those with political influence within their own countries. The list included an official at the UN and individuals such as the former French Ambassador to the UN. That this might have happened and the magnitude of the problem and its implications was a shocking revelation. What adds to my concerns is that because these purchases were through the UN approved program, all such contracts were approved by the UN as indeed were the contracting parties while at the same time countries that became heavily indebted to Iraq included members of The Security Council.

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The implication for the UN were clearly very serious and the effect that it might have on any role in the future unless it addresses these concerns ruthlessly. My initial decision was to try and meet with Ambassador Bremer but after four calls to his office and not having received any response I decided to dictate from Baghdad an email to the Secretary-General of the United Nations dated 5th December 2003 (Page 8).

Sanctions more often than not, do not affect a regime itself but bring great suffering to the ordinary people, in this case Iraq. The world should take note how the sanctions against Iraq contributed to the suffering of the peoples of Iraq.

C. 5th December 2004 - First letter to The Secretary General:

QUOTE:

Content of letter from Mr. Claude Hankes-Drielsma to The Secretary General.

I am in Baghdad this week to help and advice Ministers of the Governing Council. I made a courtesy call to Sir Jeremy Greenstock, offered to see Mr. Bremer but his schedule did not allow. I had no formal meetings with the CPA but my path has crossed several of its members.

As a result of my findings here, combined with earlier information, I most strongly urge the UN to consider appointing an independent commission (to perhaps include a QC and a top accountant) to review and investigate the “Oil-for-Food Programme”. The purpose being to identify and bring to account those that violated and profited by it or flaunted UN sanctions and in certain cases, I suspect, profiteer because and through sanctions. Were the UN to undertake this they would take the moral high ground and the initiative in demonstrating to the world that those guilty will be brought to account. It would be a most powerful message for the future.

Failure to do so might bring into question the UN’s credibility and the public’s perception of it.

The UN might also consider what action it can take with those countries not acting in good faith at the present time and with funds still held resulting from the “Oil-for-Food Programme.”

My belief is that serious transgressions have taken place and may still be taking place.

A further issue which needs serious consideration and on which I would welcome an early discussion with you is how any debt which might have been incurred by Iraq post UN sanctions or made to rogue nations should be treated. This would be a further opportunity to send a powerful message for the future.

I look forward to your response and to meeting you again soon.

UNQUOTE

In due course I had a call from Mr. Corell, the Under Secretary-General for Legal Affairs at the United Nations, at the suggestion of the Secretary-General. He was anxious that I should write setting out the issues which needed to be addressed. I had hoped to review these on my next visit to Baghdad but the list of non-end users which I had seen in Baghdad was leaked to an Iraqi newspaper (Al-Mada). I was aware that this list included Mr. Sevan and therefore immediately wrote to Mr. Corell on 2nd February 2004.

D. 2 February 2004 - Second letter to The Secretary General

QUOTE:

TO: Mr. Hans Corell, Under Secretary For Legal Affairs and Legal Counsel of the United Nations for: The Secretary General
Copy to: The Iraq Governing Council; The Foreign Secretary, Mr. Jack Straw, co Mr. John Buck, Director, Iraq at the Foreign Office.
FROM: Claude Hanks-Drielsma, Advisor to Iraq and Chairman of Roland Berger UK

UNITED NATIONS INDEPENDENT INQUIRY

Dear Mr. Corell,

Further to our conversation at the request of The Secretary General in response to my fax to him dated 5th December, I am now in a position to respond. There is information which I was not in position to refer to when we spoke.

1

The areas which need urgent investigation should include:

1. Oil-for-Food Program

- a. Indications are that not less than 10% was added to the value of all invoices to provide cash to Saddam Hussein (as much as \$4 billion). If so, why was this not identified and prevented? Was the UN alerted to this at any stage? What action was taken and who was made aware of this allegation?
- b. The UN received a fee of 2% of the value of all transactions to administer the program (as much as 1.1 Billion US Dollars). What method was put in place by the UN to insure inspection of the quality of food?
- c. What controls where in place to monitor BNP (the bank in France) who handled the bulk of LC's, the total value of which may have in the region of 47 billion US\$. What exchange rates were applied by BNP and why were payments converted into Euros and then back into US\$?
- d. The Role of Jordanian Banks such as Jordan National Bank, Arab Bank and Housing Bank: Have there been a proper independent audit of all transactions and a proper accounting of all funds? Are these banks still holding funds, if so how much, why and how is this monitored? Was there a link between these banks and The Iraq Secret Service or any other part of the Saddam Hussein system?

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- e. Who at the UN carried overall responsibility for the Oil-for-Food program? Could there have been any link, directly or indirectly, with Saddam Hussein or his middlemen?
- 2. UN approval of Oil Contracts under the above program
 - a. Why did the UN approve oil contracts to non-end users? And without knowing at what price?
 - b. A list of some of these contracts has been published by an Arab News Paper (this list is known to me). It demonstrates beyond any doubt that Saddam Hussein bought political and other support under the aegis of the UN. In this list a “Mr. Sevan” is shown as receiving crude oil by this method through Panama.
 - c. Very significant supplies of crude oil made to non-end users were to or to those linked to individuals with political influence in many countries including France and Jordan. What method of control and transparency over sales did the UN require?

1

I again urge the UN Secretary General to immediately appoint an independent commission.

2

UNQUOTE

Nobody can understand why the UN did not prepare proper detailed and comprehensive annual accounts of the Oil-for-Food programme’s income and expenditure with an auditor’s report. There needs to be complete accounting for the income and expenditure now and made publicly available.

3

The UN’s response to my second letter dated 2nd February (Page 9) of UN wrongdoing, was ‘produce the evidence’.

4

My advice to the IGC was that the only credible way to do this was for the IGC to appoint a world-class firm of accountants together with appropriate legal advisors. We now all await the outcome of such a report before any definitive conclusions can be reached or appropriate action can be taken.

E. Appointment of KPMG and Scope of Investigation:

Who to Appoint - February 2004

Independent soundings were taken as to who was the most highly regarded individual with the appropriate experience and background. The advice received was that this was a Mr. Adam Bates at KPMG, in charge of KPMG’s Global Forensic activities. I had never met Mr. Bates before but meetings were arranged with him at my London office. In due course KPMG confirmed that they were prepared to undertake the task envisaged and I recommended the firm to the Finance Committee of the Iraq Governing Council. Particularly as KPMG agreed that Mr. Bates personally, would take charge of the mandate.

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The recommendation was accepted by the Finance Committee of the Iraq Governing Council and a visit to Baghdad with KPMG took place towards the end of February 2004. Meetings also took place with Mr. Olin Wethington at the CPA and KPMG and we informed him fully. He totally supported the initiative and offered to help in anyway he could to expedite KPMG's task.

KPMG then commenced with obtaining data and interviewing ministerial officials. During these initial meetings, it was interesting to learn that officials at the Central Bank of Iraq under the Saddam Hussein regime had been concerned about the relationship between BNP and the UN. They had written to the UN many times about discrepancies but UN officials had stonewalled their requests.

THE KPMG's SCOPE OF INVESTIGATION

The Finance Committee of the IGC agreed that the scope of the investigation should cover the following:

1. Identification of governments, individuals and corporate entities in the public and private sector both in Iraq and elsewhere who wrongfully benefited under the UN sanctions or under the oil-for-food programme.
2. Identification, verification, tracing and recovery of misused assets belonging to the state of Iraq and identifying actions which may have caused loss or damage to Iraq in connection with or as a result of actions in breach of the oil-for-food programme or in breach of the UN sanctions.
3. In relation to those identified in 1. To analyse and collate available evidence in such a way as to facilitate decisions by the Iraq Governing Council in deciding what actions to take to bring to account those who benefited or profited improperly under the programmes referred to and through negotiations or other legal means to support recoveries or claims that may need to be made.

The report would also cover improper payments within the Oil-for-Food programme, adjustments in invoice values to provide excess funds, improper kick backs, reporting and responsibility inside the UN, status and use of fees received by the UN, controls in place to monitor agents acting for the UN, role of banks in handling payments, cash and otherwise, identifying, retrieving funds still held by overseas banks and tracing ultimate beneficiaries where necessary.

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On the 3rd March 2004, I wrote my third letter to the Secretary-General informing him of the KPMG and Freshfields appointment.

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F. 3 March 2004 - Third letter to The Secretary General:

QUOTE:

**To: Mr. Kofi Annan, Secretary General, United Nations
c/o Mr. Hans Corell, Under Secretary for Legal Affairs and Legal
Counsel of the United Nations**

**From: Claude Hankes-Drielsma
Advisor to Iraq**

I wrote to you in December urging the UN to set up an independent commission to investigate the Oil-for-Food Programme.

This is to formally notify you that Iraq has asked KPMG (the international firm of auditors) and Freshfields Bruckhaus Deringer (the leading firm of lawyers), to prepare an independent report which will be presented to the Governing Council of Iraq who will decide what action is to be taken.

I have today returned from Baghdad and work on the report has begun. Maximum resources will be engaged to ensure that phase one of the report will be completed as soon as possible. The CPA is fully informed. We hope that the UN will fully cooperate with those preparing the report and make available any records as requested. The Iraq Government Audit Department will also be engaged.

Could you possibly confirm whether the UN has taken any precaution to secure all relevant documents? If this has not been done, might this not have been appropriate action, given the possibility that officials in the UN might be implicated, to ensure that no relevant documents or evidence are destroyed either in the UN or at any of its agents such as BNP etc?

We shall all await the report, but feel I must alert you that based on the facts as I know them at the present time, the UN failed in its responsibility to the Iraqi people and the international community at large. The UN should not be surprised that the Iraqi people question the UN's credibility at this time and any future role for the UN in Iraq. It will not come as a surprise if the Oil-for-Food Programme turns out to be one of the world's most disgraceful scams and an example of inadequate control, responsibility and transparency, providing an opportune vehicle for Saddam Hussein to operate under the UN aegis to continue his reign of terror and oppression.

I will be in New York and Washington on Monday and Tuesday 8th and 9th March and would be available to meet with you personally, if you felt that such a meeting could be helpful. It would be an opportunity for me to explain in more detail some of the relevant issues.

UNQUOTE

Credit must be given to the IGC for their professionalism and transparency and their decision to commence a professional investigation. This combined with the fact that letters to the Secretary-General were in the public domain and the resulting media interest, forced members of The Security Council and the Secretary-General at long last to respond to this serious problem. Had the UN had in place an independent (non-political / governmental) review body the UN might have acted much sooner.

Nor was any action was taken by the UN when this matter was raised by the IGC members in September 2003. Two Kurdish leaders, Mr. Barzani and Mr. Talabani, had also written to Mr. Annan on 10th February 2003 to raise their concerns but never received a reply to their letter.).

The Finance Committee informed all appropriate ministries in Iraq to secure the necessary documentation. KPMG's second visit to Baghdad was successful in securing important and relevant evidence and KPMG received full co-operation from highly competent civil servants.

G. 26 March 2004 - Letter from Iraq Governing Council to The Secretary General:

On 26th March 2004, the Iraq Governing Council wrote a letter to the Secretary-General reconfirming full co-operation with the UN investigation but also asking the UN's co-operation in furthering it's own investigation. The Iraq Governing Council requested immediate assistance in the following areas

1. Access to the following UN documents:
 - All audit reports relating to the UN oil-for-food programme;
 - Minutes of the 661 sanctions committee and supporting papers;
 - All records relating to the oil overseers;
 - All reports produced on behalf of the UN by Lloyds Register, Saybolts and Cotechna
2. Arrangements to be made for the following individuals to be made available for interview;
 - Benon Sevan (Executive director of the office of the Iraqi programme);
 - Suzanne Bishopric (Treasurer);
 - Bernard Cullet, Alexandre Kramar, Maurice Lorenz, Arstein Wigestrang, Michel Tellings and Morten Buur-Jenson (Oil overseers);
 - The Chairperson(s) of the 661 Sanctions committee during the period 14 April 1995 to 9 April 2003.
3. Agents of the UN

Release Lloyds Register, Saybolts and Cotecna of any confidentiality constraints and instruct them to co-operate with the IGC investigation to enable the investigation team to:

- Interview current and former employees and contractors;
- Examine documents held by these entities relating to their work as agents of the UN

Two annual reports of the UN Office of Internal Oversight Services ("OIOS") also reveal why an investigation is required. The first, for the period 1 July 1999 to 30 June 2000 described how in that year the OIOS increased its resources devoted to the Oil-for-Food program in recognition of the high value of oil revenue and the complexity of the organisation. The report commented adversely in a number of areas. For example in relation to the coordination and monitoring of the Office of the Humanitarian Coordinator in Iraq ("OHCH") of projects in northern Iraq which to date had amounted to over \$1 billion that, inter alia, "that there was only limited coordination of programme planning and insufficient review and independent assessment of project implementation activities". In addition the report commented that "The procurement function [of OHCH] had not been effective and, as a result, there had been several breaches of procurement rules and frequent delays in procurement actions". The second, for the period 1 July 2001 to 30 June 2002, reviewed the management of the escrow account. It commented that "appropriate United Nations investment limits had not been complied with, exposing the funds to unacceptable risks". It is clearly vital that those conducting any investigation understand these publicly available reports as well as the many more detailed reports which the UN have kept secret.

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The letter went on to say 'given the urgency to which we are committed to carrying out this investigation we would like an indicative response to this specific request within seven days from the date of this letter'. Despite four weeks having passed, no response has been received.

2

H. Delay in KPMG/Process:

Unfortunately, Ambassador Bremer suddenly decided to intervene. He informed the Finance Committee of the IGC that he would not release funds from the Iraq Development Fund to meet the costs of the investigation unless the work was put out to tender. He also, without discussion or consultation, put an arbitrary upper limit of \$5 million which he generously agreed to allocate from the Iraq Development Fund to the IGC. He did so with the full knowledge that KPMG had already started the investigation and done a great deal of work. Reluctantly, but left with no choice, an invitation was put out within 24 hours on March 26 2004 (See Page 17) by the Finance Committee of the IGC with a closing date of 9th April 2004. The KPMG team had to return to London and stop their work in Baghdad in order for them to prepare their proposal. The CPA were aware of this. On 4th April 2004 it was brought to my attention that the CPA might after all put out their own invitation to tender.

3

This prompted my letter of 5th April 2004 to Ambassador Bremer to which I have had no response. The delay (possibly up to two months) caused by Ambassador Bremer's intervention is most unfortunate and carries a great deal of risk. Some of the key documents received by KPMG may never have come to light or may have been permanently lost had KPMG not started their assignment when they did (See Page 20, Paragraph 1, Letter to Ambassador Bremer).

Ambassador Bremer also instructed all Ministries to secure all documents relevant to the Oil-for-Food programme. Whilst a start, this does not necessarily guarantee their safety. As with many investigations of this type, the most important documents are not those which necessarily appear to be the most obvious. It is not until the investigation gets underway that the relevance of documents becomes clear. So although Ambassador Bremer's and the Chairman of the IGC's Finance Committee instructions no doubt will have some effect, there is no substitute for restarting the investigation as soon as possible to ensure that all relevant documents are identified, scanned and secured.

1

I. 26 March 2004 - IGC Invitation to Tender:

From:
The Chairman, The Finance Committee
Iraq Governing Council
Baghdad

INVITATION TO TENDER

Confidential

26 March 2004

Iraq Report into the "Oil-for-Food Programme"/Violations of UN Resolutions

The invitation to tender is for the provision of forensic investigation services combined with the necessary legal support to prepare for the Iraq Governing Council a report with regard to the United Nations Resolution 9865 – oil-for-food programme operated between the periods 14 April 1995 and 9 April 2003 and any other relevant resolutions connected thereto including violations of UN sanctions.

The Iraq Governing Council unanimously endorsed the decision to appoint a world leading accounting firm combined with a leading law firm to provide the necessary support. You are invited to submit a written statement of qualification by 9 April 2004 12 p.m. Baghdad time by email as herein.

Scope of investigation will include:

1. Identification of governments, individuals and corporate entities in the public and private sector both in Iraq and elsewhere who wrongfully benefited under the UN sanctions or under the oil-for-food programme.
2. Identification, verification, tracing and recovery of misused assets belonging to the state of Iraq and identifying actions which may have caused loss or damage to Iraq in connection with or as a result of actions in breach of the oil-for-food programme or in breach of the UN sanctions.
3. In relation to those identified in 1. to analyse and collate available evidence in such a way as to facilitate decisions by the Iraq Governing Council in deciding what actions to take to bring to account those who benefited or profited improperly under the programmes referred to and through negotiations or other legal means to support recoveries or claims that may need to be made.

The report will also need to cover improper payments within the oil-for-food programme, adjustments in invoice values to provide excess funds, improper kick backs, reporting and

responsibility inside the UN, status and use of fees received by the UN, controls in place to monitor agents acting for the UN, role of banks in handling payments, cash and otherwise, identifying, retrieving funds still held by overseas banks and tracing ultimate beneficiaries where necessary.

1

Timetable

The work would need to commence immediately at the time of appointment and be completed in a timely and efficient manner.

2

Form of the Bid

Proposal should not exceed 10 pages of single-sided A4 paper in length and proposals should clearly demonstrate:

3

1. Your firm's relevant experience.
2. Your current Iraqi capability and presence.
3. A detailed work plan and description on how you would perform the work.
4. Set out what you believe to be the key issues.
5. What you consider to be the key problems and how you would overcome them.
6. Confirm that your firm would not have any conflict with regard to the UN and any of its agents such as BNP or any other parties which you consider relevant.
7. Provide indicative costing.
8. Provide detailed CV's of the senior team members who would be directing and performing the work to include their international experience and relevant experience and confirming the firm's global capabilities.
9. Finally, your firm's commitment to undertake the necessary work in Iraq at the present time.

10. Your submission should include details of a law firm of your choice from the enclosed list and the said law firm should also submit all details as herein together with your submission.

Valuation criteria

The contract will be awarded on the basis of the best combination of the capabilities demonstrated, resources to the project and proposed methodology to be used.

Applicants must be able to specify that they are legally entitled to work in Iraq following all US governmental requirements and do not have ties to any of the parties involved in the investigation. The applications must have the ability to trace and recover data and ensure the validity of documents, the commitment to sending the necessary team to Iraq to perform any analysis and research that needs to be undertaken there.

J. 5 April 2004 - Letter to Ambassador Paul Bremer:

QUOTE:

TO: AMBASSADOR PAUL BREMER, CPA BAGHDAD
CC: MR. OLIN WETHINGTON
RE: OIL-FOR-FOOD PROGRAMME, IRAQ GOVERNING COUNCIL REPORT

Prior to my sending a letter to the Secretary General of the United Nations on 5th December 2003 to urge the Secretary General to appoint an independent investigation, I made four calls to your office to try to meet with you to discuss this matter. Unfortunately, your schedule did not allow.

1

At the end of February, I met with Mr. Olin Wethington at the CPA and subsequently arranged a meeting with KPMG and Mr. Wethington at which I was present. I had informed Mr. Wethington at my first meeting that the Governing Council had requested that KPMG and Freshfields prepare an independent report to be presented to the Governing Council. At the meeting with Mr. Wethington and KPMG, Mr. Wethington confirmed support for this initiative and offered the CPA's assistance in any way they could. Including putting KPMG in touch with a number of individuals who might be helpful.

2

On 3rd March 2004, I reported to the Secretary General of the United Nations that work had begun and the press were informed. It was also that letter in which we requested that the UN take precautions to secure all relevant documentation. Dr. Chalabi as Chairman of the Finance Committee of the Iraqi Governing Council, had done the same with all the relevant Governmental departments in Baghdad. I trust you concur that this action by the Governing Council was professional, transparent and in the general public's interest.

3

We were most fortunate in securing the commitment of KPMG and in particular Mr. Adam Bates as Chairman of KPMG Global Forensic department.

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I believe on 25th March 2004, I received a telephone call from Baghdad to say that you had confirmed the “Iraq Development Fund” would pay for the said report but in order for the Iraqi Governing Council to qualify for the release of these funds, you insisted on a tender process by the Finance Committee of the Governing Council.

The Finance Committee of the Governing Council within 24 hours put out an invitation to tender, requesting written statements of qualification by 9th April 2004, 12pm Baghdad time. (KPMG who have already done extensive work and as you know had their team in Baghdad at that time agreed to continue their work in order not to delay the process).

It is deeply disturbing to have been informed that you may now be considering that the CPA / Board of Supreme Audit should usurp the initiative of the Governing Council and their invitation for tender as this will cause considerable delay and confusion and may well be perceived as politically motivated.

It is always important for investigations of this nature to be carried out as quickly as possible. This is to prevent those under investigation from destroying or altering records or from silencing witnesses. The KPMG team has returned to London to write their proposal document which means that they are not investigating these matters in Iraq. The sooner KPMG, or another firm, are given the clear signal that the CPA and the IGC have the will and the funding to commence the investigation again the better. This would be in everybody’s interest.

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Ambassador Bremer, I am confused by CPA’s actions at the present time. We certainly hope that this matter can be clarified and resolved satisfactorily. If not, the Iraq Governing Council should consider exploring independent funding in order to complete the report.

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UNQUOTE

K. 6 April 2004 - CPA confirmation to the press that IGC Tender would stand:

However, the CPA on 5th April confirmed to a senior journalist at the Wall Street Journal that the tender process, as put out by the IGC, would stand. This was reported as follows:

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QUOTE:

REVIEW & OUTLOOK (Editorial)
Moving On Oil-For-Food

The Wall Street Journal Europe

Back in February we reported that the Iraqi Governing Council had appointed auditors KPMG, and international law firm Freshfields Bruckhaus Deringer, to investigate

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documents recovered from Iraqi ministries related to the U.N.'s scandalous oil-for-food program. That effort seemed to be moving along smoothly. KPMG's forensic team had made two trips to Iraq and was gearing for more, with a view toward delivering a report in May or June, just before Ambassador L. Paul Bremer and the Coalition Provisional Authority formally transfer sovereignty to Iraqis.

But late last month it appeared that the CPA was putting the brakes on the probe. The Iraqi Governing Council's Finance Committee, headed by Ahmed Chalabi, was told that it needed to launch a full tender process for the task, ostensibly because the funds for the project would come from Iraq's development fund, which is controlled by the CPA. KPMG had been appointed as a result of an international search effort led by IGC advisor Claude Hankes-Drielsma (a former chairman of the management committee of PriceWaterhouse). Mr. Hankes-Drielsma responded to the CPA demand by sending out a tender letter requesting bids to the four top audit firms.

So far, so bureaucratic. But last week word went out through the grapevine that the CPA would be putting out its own tender, leaving the matter subject to further delays, not to mention confusion over who would run the tender, select the auditor and oversee the process. Neither the auditors we spoke with, nor those close to the IGC seemed to know the answers, despite efforts at getting clarification from the CPA.

We set out yesterday to try to clear up some of the confusion and are happy to report that a decision seems to have been reached. A CPA spokesperson told us that the Iraqi Board of Supreme Audit would be "overseeing the independent Iraqi investigation of allegations of misconduct spanning the management of the former Oil-for-Food Program. This investigation will be carried out by a private auditing/accounting firm to be selected by a full, open and competitive process. The effort will be funded by \$5 million in development funds for Iraq funds. The Board of Supreme Audit was established for precisely this type of function, and will ensure an independent, apolitical and vigorous examination of the allegations." Pressed further, the CPA said that the tender process being run by the IGC with the April 9 deadline would indeed stand.

That's a relief. Getting to the bottom of the oil-for-food scandal is vital for Iraq's reckoning with the crimes and corruption of the Saddam era. It is equally important if Iraqis are going to be asked to trust the U.N. again to help them toward democratic governance. Any delays to that process, or suspicions that it is being politicized by those who wish to make life easier for the U.N., would cast further doubts on the job being done by coalition authorities in Iraq.

Steven Edwards

UNQUOTE

L. 9 April 2004 - CPA Invitation to Tender:

On 9th April, the CPA without consultation or informing the Governing Council or the Finance Committee of the Iraq Governing Council put out an invitation to tender with a

closing date of 24th April 2004. Notwithstanding that they knew the IGC had already initiated an appropriate tender process. The CPA then sent out a further announcement that it wished to accelerate the process and changed the date to 20th April. This approach to handling something as important as this report for Iraq is inappropriate and unprofessional.

The new CPA tender sets out a somewhat different scope to that originally set by the Finance Committee of the IGC. As far as I am aware the CPA did not discuss the scope in their tender document with the Finance Committee of the IGC. This is incredible given that it was the IGC who initiated this investigation for the people of Iraq.

Three audit firms responded to the IGC invitation to tender (sent out on March 26) by the closing date of 9th April. They were clearly confused because of the parallel tender issued by the CPA (as mentioned above) but in the end all three informed the CPA that they had submitted their tenders to the IGC Finance Committee. It was most unfortunate how this was handled by the CPA. But it is consistent with many of the CPA's actions, and the perceived high-handedness by Ambassador Bremer in dealing with the IGC over a long period. The lack of consultation and transparency threatens to undo much of the tremendous goodwill created by the coalition forces in liberating Iraq and their continuing role in assisting with future stability. The present scenario is not helped by the Iraqi and international perception that the CPA's awarding of contracts has often caused concern. Significant contracts may have been awarded to those with historic Saddam Hussein links or have failed to deliver. (The Inspector General of the Department of Defense issued a report on March 18th and the US Accounting Office may be investigating and reviewing non-defense contracts).

On 18th April 2004, The Finance Committee of the Governing Council met and reviewed the submitted tender proposals. They came to conclusion that KPMG's proposal was the most competent and suitable for this task. Representatives of the CPA were present at this meeting.

M. Oil-for-Food Programme Overview

Oil-for-food: an overview

