

IRAQ OIL-FOR-FOOD PROGRAMME, II

Mr. Annan's supporters -- UN Member State missions, foreign ministries, and international affairs pundits -- leaped into the fray in early 2005. They emphasized their belief in his integrity, confidence in his leadership, and their continuing support. The pundits who attacked the expanding oil-for-food findings and allegations on the newspaper "op/ed" pages seemed to concentrate on three arguments: (a) the whole blowup was just a personal attack on Mr. Annan from US right-wing politicians, (b) attention should be focused instead on Mr. Annan's grand new proposals for UN reform in 2005 (ignoring the failure of his preceding management accountability reform efforts), and (c) asserting that the oil-for-food program was run by the Security Council, not by the Secretariat and certainly not by Mr. Annan, who had other things to do.

IO Watch believes that the pundits need to do their homework, not only in considering prior reports and analyses cited throughout this section and this entire archive, but considering as well the many other sources diligently investigating and following this topic in detail. Instead of charges of political bickering, or future UN reform ideas, the focus of this material is quite properly on accountability and sanctions for gross mismanagement of the oil-for-food programme in the UN Secretariat, in which Mr. Annan serves as chief administrative officer, and on his own direct involvement in, and responsibilities for, the program.

The best analysis of the Secretariat role, which anyone judging the oil-for-food scandal should read, was made by Claudia Rosett in April 2004. She laid out the central Secretariat involvement in the oil-for-food program, versus the scanty Security Council efforts (devoted mostly to US and UK efforts to block "dual use" items), and emphasized that

" ... Oil-for-Food is not simply a saga of one UN program gone wrong. It is also the tale of a systematic failure on the part of what is grandly called the international community.

Oil-for food tainted almost everything it touched. It was such a kaleidoscope of corruption as to defy easy summary, let alone concentration on the main issues. But let us try."

Claudia Rosett, "The oil-for-food scam: What did Kofi Annan know, and when did he know it?", Commentary, May 2004, pp. 15-22, available in full at

Ms. Rosett traced and analyzed the Secretariat's central operational role in detail. The UN reserved clear-cut oversight and contract-rejection authority. The Secretariat took a very handsome commission of 2.2 percent -- some \$1.4 billion -- of Saddam's oil money for its own administrative overhead costs for the humanitarian program. Mr. Annan was directly involved in 1996 in negotiating the basic terms of the oil sales, and he later was given direct power of approval for contracts. The nine UN agencies involved employed some 3,600 Iraqis and 900 international staff working in Iraq under the Oil-For-Food office, plus another 100 in New York.

Claudia Rosett, "The oil-for-food scam: What did Kofi Annan know, and when did he know it?", Commentary, **May 2004**, Special article, (see above, pp. 2-3.)

The Secretariat subsequently pushed for aggressive expansion of the program (and thereby its administrative "cut" as well). It kept the contract records and books, controlled the bank accounts, authorized the release of funds, and audited the program [carried out by the OIOS]. In November 2003, when the programme shut down, the Oil-for-food programme office lauded itself as "one of the most efficient UN programs". Mr. Annan chimed in with his own praise for the staff and "particularly to its executive director, Benon Sevan". And the then-president of the UN Security Council offered further praise for "the exceptionally important role of the program in providing humanitarian assistance to the people of Iraq."

Claudia Rosett, "The oil-for-food scam: What did Kofi Annan know, and when did he know it?", Commentary, **May 2004**, Special article, (see above, pp.3-5, 7, 9.)

Meanwhile, as all the accusations, revelations, and defenses were mounting in New York and Washington, it should not be forgotten that the flow of funds issues from the oil-for-food programme and the struggles of the Iraqi people for food continued on, as illustrated by the following two stories.

"... More than half a billion dollars in cash ... part of \$1.4 billion in Iraqi oil reserves [was] paid in cash by the US-led occupation authority to the Kurds in June 2004.

...

... [It] is currently held at a Kurdish bank in Switzerland. ...

The Coalition Provisional Authority had shipped the money to the Kurds in three helicopters ... It would have weighed 14 tons and represented the equivalent of around six months regular financing for the Kurdish regional government. ... The money came from the Development Fund for Iraq, set up by the United Nations following the war for use in rebuilding the country. ...

The Kurds have refused to give UN-mandated auditors access to their records, but say they have not spent any of the money. ...

No one has alleged that the transactions being mooted are improper. But the lack of transparency has fueled questions about that payment, as well as billions of dollars handed out by the CPA in the weeks before the handover [of power to the interim Iraqi government.]"

Thomas Catan, "Oil-for-food funds: Kurds try to invest 14 tons of cash", Financial Times (UK), **December 10, 2004**.

"Iraq's trade ministry has transferred hundreds of millions of dollars earmarked for the country's food rations into three Lebanese banks, raising concern about lack of transparency.

The ministry of trade is trying to revive [the] system as under Saddam Hussein, with the same people' ... said a senior Iraqi finance official ...

The transfers come amid fears of food shortages as the country prepares for next month's polls. ...

... Iraq's trade minister said the Trade Bank was taking too long to issue letters of credit for food purchases before the holy month of Ramadan.

'The only reason behind the transfer was time', [he] insisted ... '[The Trade Bank had only] a manual system, not an electronic [transfer] system.' ...

[The finance official, however, said] 'Now the transparency has gone.'

Food shortages could fuel discontent among a population already angered by severe shortages of electricity, petrol and water ...

Iraq's trade ministry resumed responsibility for the supply of food rations two months ago, after the UN's World Food Programme ended final food shipments in October. ...

[The trade minister] said the claims of lack of transparency were a smear campaign from 'political parties who have come after the war.'"

Nicolas Pelham, "Iraqi funds for food sent to Lebanese banks", Financial Times (UK), **December 29, 2004**.

In January 2005, however, the focus returned to the UN in New York, as the Volcker group publicly released the set of OIOS audits of the oil-for-food programme, and the Volcker group then released its preliminary findings. The Secretariat first responded with some aggressive "spin", but also some promises of changes to come, particularly because the new material highlighted very serious criticisms of the UN audits and weak Secretariat follow-up actions on them.

"United Nations officials today welcomed initial findings by [the Volcker probe] into the UN Oil-for-Food programme in Iraq, acknowledging deficiencies ... and pledging to revamp the world body's current overall management structure.

[UN spokesman Stephane Dujarric told a press briefing that the preliminary analysis] ... 'is just one step in the ... inquiry which the Secretary-General initiated, and which continues to enjoy his full support and cooperation ...'

'What this initial briefing from the Committee does show is that there was a dynamic auditing process generated by the UN itself, as well as the audits of external auditors ...' He noted that all audits ... were conducted in accordance with internationally recognized standards ...

[and that] 'We ourselves are already focused on issues of management and accountability ... in a critical review ... which will lead to a broad overhaul of the UN's management structure and systems ...'

Mr. Dujarric pointed out that the Oil-for-Food programme 'did fulfil its main objective by providing humanitarian relief to 27 million Iraqis ...'

... [He] stressed that ... 'the audits that were released today are just one snapshot of the programme. ... they are part of a whole process.'

"UN undertaking management review in response to early findings I Oil-for-Food probe", UN News Service, **10 January 2005**.

"The UN failed properly to oversee contractors hired to inspect Iraq's multi-billion dollar oil-for-food programme, according to ... fifty-six audits conducted over several years ... [to be] released today by the [Volcker group.] ...

Mr. Volcker has said the audits contain 'no flaming red flags.' ...

But they do raise important questions over the way in which the United Nations managed the programme ...

The UN claims the audits' existence demonstrate there was substantial oversight of the oil-for-food programme, but it is unclear to what extent their advice was heeded.

According to *Associated Press*, two ... audits examined irregularities, ... including overcharging by two companies that were hired to monitor oil sales and the import of humanitarian goods ... while another detailed financial mismanagement by a United Nations agency administering humanitarian aid.

The Volcker committee's own preliminary report is scheduled for release at the end of January."

Mark Turner, "Internal audits may increase pressure on UN to reform its management", Financial Times (UK), **January 10, 2005**.

'According to an early sampling of 10 [UN audit reports on oil-for-food]... the UN Office of the Iraq Program [OIP], which was led by Benon Sevan ... allowed major contractors to overcharge the United Nations and to understaff [monitoring] posts at ports and borders ...

The audits reviewed ... identify problems with all three of the program's main contractors hired to inspect transactions ...

The United Nations, however, denied allegations that the audits show that the United Nations did not adequately monitor the program. ...

Still ... congressional investigators ... say [the audits] reinforce questions about [whether] poor stewardship by the United Nations played a major role in widespread corruption in the administration of sanctions against Iraq.

The reports cite many accounting and operational lapses within the [OIP]. The auditors write that Sevan's office permitted its own employees to lose money and thousands of dollars' worth of equipment in the field, and allowed its contractors to overcharge the United Nations and to understaff critical inspection posts ...

One congressional investigator who has examined [most of] the documents said it was clear that Sevan's office failed to supervise the program's inspections. 'They did not do their job', he said."

Judith Miller, "UN audits fault running of Iraq oil-for-food program", International Herald Tribune, **January 10, 2005**.

"[The Volcker commission's 36-page "provisional" assessment of UN auditors' performance says they] ... did not adequately monitor its giant oil-for-food program in Iraq and that in some cases UN officials ignored recommendations deemed crucial by the auditors. ...

... .. The audits make clear that many of the deficiencies were known in the late 1990s, at a time when indications of corruption of the program by Saddam Hussein and others were reaching the UN. ...

The briefing paper chronicles numerous shortcomings in the Iraq auditors' activities. [It cites] ... the auditors' failure to monitor in depth the New York headquarters of the office that administered the program, where nearly 40 percent of the \$1 billion of the program's administration costs were spent.

In addition, the commission noted, the auditors failed to monitor contracts for the oil sales ... or those for the purchase of goods ... to ease the debilitating effect of sanctions on Iraqis. Nor did the auditors examine the letters of credit issued by the program's major banker ...

The program, the commission said, suffered from a 'chronic shortage' of auditors assigned to monitor the UN's largest aid program, financed through 2.2 percent of Iraq's oil revenue."

Judith Miller, "Oil-for-food auditors failed", International Herald Tribune, **January 11, 2005**.

"[The Volcker preliminary report] ... has sharply criticized the United Nations for insufficiently auditing operations [of the oil-for-food program, especially] ... at its New York headquarters.

'There were no examinations of the oil and humanitarian contracts ... during the OFFP. ... Oil contracts were not examined ... despite the fact that UN officials had contract-approval responsibilities.'

It was also 'unclear' why the audits ... 'focused on areas and operations peripheral to or ... away from, headquarters operations of the OIP.'

Even where audits of the programme were done, there was often no follow-up. ...

The UN has explained many of the programme's problems in terms of political games between powerful countries, but the audits reveal that the UN secretariat itself failed to exert necessary oversight.

The report said more comprehensive monitoring could have deterred the surcharge scheme on Iraqi oil contracts, ... as well as undercutting the Iraqi government's kickback scheme for goods purchases. ...

[It found] ... no examination of the processing of letters of credit by the ... bank that handled the oil-for-food account, 'even though UN officials were overseeing the work of the BNP and had approval roles in oil sales and payments to vendors.'

Mark Turner, "UN criticized by Iraq oil-for-food inquiry", Financial Times (UK), **January 11, 2005**.

These very sharp criticisms did indeed mobilize the Secretariat into action, and the oil-for-food programme may even possibly, maybe, somehow, some time, serve as the key catalyst to bring real management accountability to the UN. Mr. Annan swiftly appointed a new chief of staff, who made some dynamic commitments.

"Can Kofi Annan survive? The secretary-general of the United Nations has just finished what he himself admits was an annus horribilis for his organization. Now an American-led campaign to unseat him is probably closer to its goal than ever. ...

... Although Mr. Annan is unlikely to be directly implicated in any personal corruption [in the UN's much-criticised oil-for-food programme in Iraq], some of his staff could well be. As the overall boss, he could be culpable of negligence at least. ...

More troubling could be his son's links to Cotecna, a Swiss-based company that monitored imports of humanitarian aid into Iraq. ...

Meanwhile, ... there are grumbles from America about the UN's alleged mishandling of relief for the tsunami disaster. Wrangles [continue] ... about the UN's role in Darfur, [and] charges of rape and sexual abuse of children by UN peacekeepers in Congo ...

This week [Mr. Annan] announced that Mark Malloch Brown, the media-savvy head of the [UNDP] ... is to take over as his chief of staff ... But he will need to draw on all Mr. Malloch Brown's presentational skills if he is to mount an effective defense to the Volcker report."

"Kofi creamed: The secretary-general is under increasing pressure to quit", The Economist, **January 8th, 2005**, pp. 44-45.

"Mark Malloch Brown has spent the past few days hopping from one disaster-struck region in Asia to the next. Meanwhile, [he] ... is also charged with seeing the United Nations through one of the most trying periods in its 59-year history. Plagued by allegations of corruption, inefficiency and even irrelevance, the world body will need urgent attention ...

... 'The United Nations needs to take a good hard look at itself and go through a series of management reforms to make ourselves more effective. ...

I think people acknowledge the UNDP is a very successful example of U.N. reform. ...

... [Mr. Annan] made it clear in appointing me ... that it was that kind of management turnaround success [that we had] at UNDP ... that he wants to see brought into the United Nations proper. And the emphasis ... on communications. ... We will see if we can repeat the trick at the United Nations. ...

Now ... the critics are a lot tougher and meaner, and the standard of the bar set a lot higher. I know my lines, I know the part, and we'll see what the critics have to say in the morning."

"The last word: Mark Malloch Brown", Newsweek International, **January 17, 2005**.

"The man appointed to oversee a management shake-up at the United Nations has warned that it must brace itself for wide-ranging reform ...

'The crisis is still building,' [Mark] Malloch Brown said. 'It's very hard after [last] week's revelations to believe there isn't going to be some pretty tough stuff on management.'

Paul [Volcker's group] last week criticized the UN for its limited response to internal audits showing irregularities in the \$65 billion [Iraq oil-for-food] programme.

... Mr. Malloch Brown also warned that it was no longer only the institution's traditional, conservative critics that were calling for a shake-up.

Mr. Volcker also claimed the volume of allegations surrounding the former [head of the Iraq] programme, Benon Sevan, suggested there must have been some 'monkey business.'

At the end of January Mr. Volcker will issue his preliminary findings. 'That may be a transition point', Mr. Malloch Brown said ...

'It should be a mainstream preoccupation of every government share holder of the UN.' ,,,

A reshuffle of Mr. Annan's cabinet would take place within six weeks, maybe sooner, he said. ...

... The management shuffle would be followed by 'human accountability' reforms addressing other recent scandals."

Mark Turner, "UN warned to get ready for sweeping reforms", Financial Times (UK), **January 17, 2005**.

In early February 2005 the Volcker investigative group released its full preliminary report on the Secretariat's oil-for-food programme, and it contained more bad news for the UN. Mr. Annan responded dutifully with promises to take action against wrongdoers and pursue renewed management reforms.

"[The Volcker panel interim report] ... investigating the [UN] oil-for-food program in Iraq severely criticizes its director and depicts the program as 'tainted' for failing to follow the organization's own procedures.

In an essay Thursday in *The Wall Street Journal*, Volcker ... said the report accused Benon Sevan, the Cypriot who had headed what was once the world body's largest humanitarian effort, of 'irreconcilable conflict of interest.' ...

An official [said that the report] ... also criticized ... Joseph Stephanides, a senior official on the Security Council staff, for failing to ensure that the organization's own rules for buying oil, selling goods and selecting contractors were followed. ...

In his essay, Volcker said that ...

'The findings do not make for pleasant reading' ...

... The interim report concluded that the auditing system was 'underfunded and undermanned' and hence, 'unable to meet effectively the challenge posed by a really unique, massive and complex program of humanitarian assistance.' ...

.... The auditing system ... lacked 'clear reporting lines and the management responsiveness critical to achieving a fully effective auditing process.'

... [Further, he wrote,] the commission ... found what he called 'a clear lapse from disciplined judgement.'"

Judith Miller, "Panel calls oil-for-food program 'tainted'", International Herald Tribune, **February 4, 2005**.

"Reaffirming his pledge to act resolutely on any findings of staff misconduct in connection with the United Nations Oil-for-Food programme for Iraq, Secretary-General Kofi Annan today announced ... disciplinary proceedings against officials involved in the operation and ... broader management measures in response to the [release of the Volcker panel report on] ... the management of the now-defunct relief effort.

'Should any findings of the Inquiry give rise to criminal charges, the United Nations will cooperate with national law enforcement authorities pursuing those charges, and ... I will waive the diplomatic immunity of the staff member concerned,' Mr. Annan said in the statement ...

... The statement noted the [Volcker panel's] intention to publish a further interim report dealing with [his son Kojo's involvement, which Mr. Annan awaited] ... 'with a clear conscience' ...'

[Spokesman Mark] Malloch Brown acknowledged that 'we're dealing with critical and vital breakdowns in the management of the UN' ...

[On the inadequate UN auditing process, he stated that] 'we'll have to look again at what we can do to strengthen the external independence of audit, to strengthen the assurance that it will have the resources it needs to do the task' ..."

"Acting on Oil-for-Food report, Annan takes disciplinary action, further management steps", UN News Service, **3 February 2005**.

However, some would-be UN whistle-blowers also called into question whether the true story of the oil-for-food programme scandals will ever be told in a UN that suppresses their efforts.

"Two lawyers for U.N. whistle-blowers urged the United Nations on Wednesday to protect staffers who want to disclose corruption at the world body, including **the oil-for-food program for Iraq**.

One of the lawyers said **'five or six' U.N. employees including a high-level employee had contacted him for advice on how to reveal evidence of wrongdoing in [that] ... programme without jeopardizing their careers.** ...

Andre Sirois -- himself a U.N. staff member and former whistle-blower --- said ...

'In one case it was something big, that definitely would make the front page ...'

But based on his advice, none of [them] ... have gone public, he said. 'I know them. **They won't.** They are very quiet and under a lot of stress.' ...

While U.N. rules call for wrongdoers to be punished, they do nothing to shield staff members from reprisals when they come forward with evidence, [Tom] Devine and Sirois said."

Irwin Arief, "Lawyers call on U.N. to shield whistle-blowers", Reuters, **December 15, 2004.** [emphasis added.]

[Note: For more on this grave problem, see also the subsection on **Suppressed whistle-blowers** .]

During February and March 2005, further troubling aspects of the oil-for-food programme continued to emerge.

"Iraq said on Friday that it wanted its money back from the United Nations oil-for-food program as Secretary General Kofi Annan vowed to get to the bottom of wrongdoing by UN employees.

Iraq's ambassador to the United Nations, Samir Samaidaie, said that 'huge sums of money which should have served the needs of the Iraqi people who were suffering at that time -- a lot of these resources -- were squandered and misspent.'

Iraq, he said, should at minimum not have to pay for the independent investigation set up by the United Nations from remaining oil-for-food funds. The inquiry's panel has spent \$30 million so far, with the approval of the Security Council.

We are as determined as everyone to get to the bottom of this," Annan [has] said. 'We do not want this shadow to hang over the UN.'

The [first interim report by the Volcker panel] ... showed that if the program were audited more thoroughly, it might have uncovered the cheating by Saddam Hussein's government."

"Iraq seeks money back from relief program", *Reuters* in the **International Herald Tribune** , **February 5-6, 2005.**

"The Senate subcommittee on investigations says it has documents showing that the former head of the United Nations oil-for-food aid program [Benon Sevan] may have made as much as \$1.2 million from illegal oil shipments by Iraq ... [and] might have violated U.S. laws banning the use of mail or telephones for fraudulent purposes ... as well as criminal conspiracy laws ...

The Senate investigators ... [also] said it was 'troublesome' that ... [Kojo Annan] did not account for his actions during a two-week business trip to New York in September 1998, before Cotecna's oil-for-food contract was announced. He had filed detailed trip reports for previous business travel, they said. ...

In documents distributed Monday, Kojo Annan told Cotecna's chief executive months before the awarding of the contract that he had 'put in place a machinery' in New York that would be of a 'global nature' and would 'assist in development of new contracts for the future.'

The investigators said that neither the company nor Annan's son, whom they interviewed in London on Friday, could explain what he meant by that.

Both Cotecna and Annan have denied any wrongdoing or conflict of interest ... "

Judith Miller, "New oil-for-food allegations", International Herald Tribune, **February 16, 2005**.

"A former U.N. official who was fired after blowing the whistle on his superiors and accusing them of 'flagrant mishandling' of the Oil-for-Food program will be the star witness at a ... [US congressional hearing tomorrow.]

"Rehan Mullick served ... [in the UN humanitarian coordinator's office] in Baghdad from 2000-2001, during the height of the alleged corruption that occurred in the Oil-for-Food program.

... He claimed he repeatedly warned his supervisors in Baghdad and later in New York that the United Nations had no way to properly measure the success of the delivery of humanitarian goods ... that Saddam was diverting the goods to other uses, including for the Iraqi military ... [and] that wives and children of senior Baath Party officials and intelligence agents got much-sought-after jobs at the United Nations and managed to get control of and manipulate the data base that tracked delivery of humanitarian goods. ...

He says he was repeatedly demoted until his job was finally terminated by the United Nations in 2001. ...

[A UN spokesman said] a blistering 10-page report that Mullick delivered to top officials in Manhattan days before he was terminated had been forwarded to the ... [Volcker commission] ..."

"U.N. whistleblower to testify on Oil-for-Food", Fox News, **March 16, 2005**.

[Note: This article is one of a set of Fox News (US) articles, found at www.foxnews.com, on the evolving UN oil-for-food problems and the related US federal investigations and multiple congressional hearings that are underway on this topic in Washington, D.C. They include, for instance

"UN chief no stranger to controversy", Fox News, **February 13, 2005**, and George Russell and Claudia Rosett, "Annan's #2 blocks Oil-for-Food scrutiny," Fox News, **March 02, 2005**.]

"Leading members of the United Nations Security Council yesterday demanded to know why the UN secretariat had offered to use Iraqi oil revenues to pay the legal fees of Benon Sevan, the disgraced former head of Iraq's oil-for-food programme.

The UN said on Tuesday that it had promised to pay Mr. Sevan reasonable legal fees to ensure his cooperation with the Volcker Commission ... [and] proposed to cover the costs from a special account funded by Iraqi oil revenues to administer the oil-for-food programme.

Feisal Istrabadi, Iraq's ambassador to the UN, expressed outrage.

'The idea that Iraqi state assets are being used to defray the legal fees of someone alleged to have stolen money from the people of Iraq is shameful. This is like a bank employee accused of stealing funds, and requiring the depositor to pay his legal fees. ...

'When I saw that I thought, 'That's not possible', said another diplomat. 'Why should the Iraqi people pay for that? It's dreadful, the UN is making one mistake after another.'

The disclosures are seen as a further blow ... [before next week's report]

assessing whether Kojo Annan ... used his family connections to obtain oil-for-food inspection contracts."

Mark Turner, "Fury at UN plan to pay legal fee from Iraq revenue," Financial Times (UK), **March 24, 2005**.

In late March, the second interim report of the Volcker group appeared, but it did not do much to resolve the major controversies and charges surrounding the oil-for-food programme.

"An interim report from the [Volcker inquiry] ... is likely to criticize [Secretary General] Kofi Annan for failing to perceive the appearance of a conflict of interest posed by his son's employment by a program contractor. It will also say that the son, Kojo, was paid more than twice the compensation the company had previously long acknowledged.

...

The report will add to the atmosphere of crisis that is buffeting the United Nations at a moment when it is making senior staff changes and proposing reforms designed to forestall a repetition of the abuses that have drawn the attention of five U.N. congressional committees as well as calls for Annan to step down before his term is completed at the end of 2006.

But attention has already shifted back to the institution's oil-for-food problems. ... [A Cotecna spokesman said Friday it] had told the Volcker commission that it paid [Kojo Annan] ... at least \$366,000 ... during the 1996 to 2004 period he received payments. ... The new total was provided after ... [two newspapers] jointly reported on Wednesday that Kojo Annan had been paid at least \$300,000 ...

... [Volcker's final report is] due this summer."

Warren Hoge and Judith Miller, "UN leader faces criticism in independent report: Annan faulted over activities of his son", International Herald Tribune, **March 28, 2005**.

"After a nearly year-long inquiry, ...[the Volcker inquiry] generally absolved Kofi Annan of involvement in the alleged improprieties that swirled around the oil-for-food program ...

But it pointed out that Cotecna's chief executive, Robert Massey, was indicted in June 1998 by a Swiss magistrate in connection with an investigation into alleged illicit payments by Cotecna to former Pakistan prime minister Benazir Bhutto ... [The committee suggested the UN should have considered this] when it awarded Cotecna the contract in the first place. ...

The panel concluded that Cotecna 'generally has cooperated' with the investigation, but said the company 'has made false statements to the public, the United Nations and the committee' ... [and] 'disguised its continuing relationship with Kojo Annan' by routing payments to him through other companies from March 1999 until February 2004."

Colum Lynch and William Brannigan, "U.N. report spares Annan", Washington Post, **March 29, 2005**.

"[The Volcker inquiry's second interim report] ... concluded Tuesday that Secretary-General Kofi Annan had not interfered in the awarding of a contract to a company that employed his son, but ... said an investigation initiated by Annan himself ... was inadequate and the case should have been referred to the UN monitoring agency for an independent investigation.

As for the younger Annan, the report said he 'intentionally deceived the Secretary General' ... [and that] 'Significant questions remain about Kojo and his actions during the fall of 1998 as well as the integrity of his business and financial dealings with respect to the oil-for-food program' ...

'The committee's investigation of these matters is continuing.'

[Kofi] Annan claimed vindication Tuesday.

'As I had always hoped and firmly believed, the inquiry has cleared me of any wrongdoing,' especially on the key issue of awarding a contract to a firm that employed his son, he said in a statement.

The Volcker report [comes after] ... allegations of sex abuse by UN peacekeepers and sexual harassment and mismanagement by senior UN staff ... and Mr. Annan's call for the biggest overhaul of the United Nations in its 60-year history."

"UN chief cleared of aiding son on contract: But Annan is faulted on his inquiry into oil-for-food program", from news reports, International Herald Tribune, **March 30, 2005**.

[Interestingly, the above article on the UN appeared on the front page of the *International Herald Tribune* right next to another article on severe retaliatory action being imposed on senior corporate officials for mismanagement. The two articles provide a clear contrast on the "rule of law" issues that are central to this IO Watch website -- namely the immunity maintained by international organization senior officials outside the rule of law and conducting "independent" self-inquiries into major operational scandals, versus corporate officials subject to severe civil and criminal prosecutions and damaged organizational reputations in the same situation.

" ... After the collapse of Enron and other companies ... corporations and their boards are adopting zero-tolerance policies and increasingly holding their employees to lofty standards of business and personal behavior.

The result is a wave of abrupt firings as corporations move to stop perceived breaches of ethics by their employees that could result in law enforcement action, or public relations disasters. ...

The seemingly frantic reach for the moral high ground is driven as much by self-interest as by any attempt at righteousness, now that boards and chief executives have seen how public scandals can torpedo stock prices, alienate customers and end careers.

'There is a new kind of puritanism' said Marjorie Kelly, the editor of *Business Ethics* magazine, replacing what Kelly said was an era of 'arrogance and ignorance, an attitude that boys will be boys.'

... The reaction has been most severe on Wall Street, where investment banks, mutual funds and insurers have felt the sting of legal prosecution for ethical lapses most acutely."

Landon Thomas Jr., "Nervous about ethics, firms are fast to fire", International Herald Tribune, **March 30, 2005**.

[Note: IO Watch finds nothing "frantic" in the situation at the UN, where, other than some crowded press conferences, the senior "old boys" of the Secretariat continue quietly and calmly on with "business as usual" -- lots of talk (though none whatsoever from the General Assembly) and no legal action.]]

"Kojo Annan, son of the United Nations secretary general, said yesterday he

regretted any embarrassment caused to his father by an independent investigation into whether his family connections helped his former employer obtain a UN contract.

... The report said [Kojo] had not been clear to his father about his relationship with the company ...

Kojo's lawyers said: 'Our client believes the report is unfair in its criticism of him ... and is currently considering what options are available to him.'

Mark Turner, "Kojo expresses regret over report", Financial Times (UK), **March 31 2005**.

"[The Volcker inquiry cleared Kofi Annan of impropriety in awarding UN contracts to [Cotecna] ...

[But it] ... also catches Kofi Annan in a misstatement ... '[when he told the committee] in November 2004 that he had not met Elie Massey, [Cotecna's owner], prior to awarding [the inspection contract.]'

... The inquiry found information on Kojo Annan's computer that he had met Mr. Massie twice. One ... was in September 1998 ... [a] 'private' meeting ...

'A note to the secretary-general from his assistant makes it clear that it was Kojo Annan who arranged this second meeting,' the inquiry says. ...

[The inquiry also found that] Riza Iqbal, Mr. Annan's former chief of staff, approved the destruction of chronological files [from 1997-1999] 'of potential relevance to the committee's investigation' ... a day after the Security Council welcomed the appointment of the ... [Volcker group.]

The destruction ... then continued ... 'more than seven months after the secretary-general instructed all UN staff members not to destroy or remove any documents related to the oil-for-food programme.'

'The committee does not find persuasive Mr. Riza's suggestion that his 'chron' files were only duplicates of files maintained elsewhere ...', it said."

Mark Turner, "Oil-for-food investigators clear Kofi Annan but expose shredding of files", Financial Times (UK), **March 30, 2005**.

[Note: The above article also highlights many long-standing family ties of the Annan family with a senior Cotecna official's family. In fact, the *Financial Times* has done a lengthy series of articles, and especially a set of joint investigative articles with *Il Sole 24 Ore*, the Italian business daily, on new findings in the oil-for-food scandal. They are excellent examples of the international media's sustained efforts that have repeatedly pressured the UN to -- ever so slowly and reluctantly -- address the still expanding oil-for-food programme scandals. In addition to others already mentioned, these articles include:

Claudio Gatti and Mark Turner, "Questions raised about UN official who ran Iraq oil-for-food program", Financial Times (UK), **February 1, 2005**,

Claudio Gatti, "Saddam bribed UN tanker monitor, investigators say", Financial Times (UK), **February 12-13, 2005**,

Claudio Gatti, "Cotecna link to Kojo Annan under scrutiny", Financial Times (UK), **March 23, 2005**,

Claudio Gatti, "Annan son received \$300,000 in Cotecna payments", Financial Times (UK), **March 23, 2005**, and

Mark Turner, Raphael Minder, Michael Peel and Dino Mahtani, "How Kojo Annan, rugby player, left his father on the defensive", Financial Times (UK), **March 29, 2005**.]

IO Watch has devoted some extra attention (but only a fraction of the content available) to the issue of "the Annans" in the oil-for-food programme, because it is a pivotal part of the process. The Annans pronounced themselves pleased and exonerated after Mr. Volcker's second interim report, but there are still many open questions and much continuing investigation work in many areas, by many people, of this major scandal.

Even if there was no impropriety in Mr. Annan's son's involvement with contractors for the UN oil-for-food programme (an issue still far from being resolved), much valid criticism properly focuses on how poorly Mr. Annan and the UN have handled the allegations since they appeared. Two knowledgeable quotes underscore the remaining grave problems for the UN leadership and for the organization's diminishing reputation.

"...[Investigator] Mark Pieth ... rejected [Kofi] Annan's declaration that the [Volcker] report ... exonerated him on the matter of Cotecna winning a \$10 million a year UN contract, while he was secretary-general, and while it employed his son, Kojo.

'We did not exonerate Kofi Annan', Pieth said in an interview. 'We should not brush this off. A certain *mea culpa* would have been appropriate.' ...

Annan, when asked if he planned to step down, replied 'Hell, no' ... 'After so many distressing and untrue allegations ... made against me, this exoneration ... is a great relief.'

But the report clearly faulted [his] management ... and his oversight of the scandal-ridden oil-for-food program ...

[Concerning Cotecna,] 'It's a continuous history of us confronting them, their owning up to something and then backtracking,' said Pieth, a professor of criminal law and criminology at the University of Basel, in Switzerland.

[He cited an April 2004 Cotecna letter, not included in the report, which stated] ... that after Kojo Annan left the company in 1998, it paid him no more money.

But the report issued Tuesday concluded that Kojo Annan was paid as much as \$484,000 after he left the company."

"Firm in UN scandal draws harsh criticism: Investigator disputes Annan comments", Associated Press, in the International Herald Tribune, **March 31, 2005**.

"Kofi Annan, the United Nations' embattled secretary general, claims to have been 'exonerated' by the Volcker committee's second report into the organisation's oil-for-food scandal. He was not. The committee ... did indeed find no evidence of impropriety by Mr. Annan in the UN giving a hefty contract to Cotecna, a Swiss firm that employed his son Kojo. But the report is riddled with unanswered questions and ambiguities.

Kojo, in particular, comes in for damning criticism ... accused of repeatedly lying, of seeking to conceal the true nature of his relationship with Cotecna ... and of refusing to co-operate fully with the committee. The committee will continue to investigate his role ... and his 'financial dealings ...'

[and, *inter alia*, it] ... point[s] out that Kojo had close contacts in the UN's procurement office ...

The committee's main conclusion is carefully worded, not to say opaque. ...

This is hardly the full exoneration that Mr. Annan wanted. Some of his many American critics are once again baying for his blood. Asked this week if he would resign, Mr. Annan's answer was clear: 'Hell, no!' But his reputation has been besmirched, his credibility undermined and his moral authority badly eroded."

"Kofi, Kojo and a lot of shredded documents: There are still too many unanswered questions at the United Nations", The Economist, **April 2d, 2005**.

This pivotal major UN management and management accountability failure will quite probably stretch on for several years before the full story emerges -- it will not end with the Volcker inquiry final report. Many other international media and US and other Member State investigations will continue on with new disclosures, so that further oil-for-food revelations and court cases will continue to gravely damage the UN's operational credibility. Meanwhile, Mr. Annan is pressing for yet another set of drastic management and other reforms, to be discussed during the General Assembly's 60th anniversary session in the autumn of 2005 and beyond.

Many parts of this archive assess the very serious recent mismanagement problems of the UN Secretariat and their very disturbing expansion (see in particular [Late 2004: A 'tipping point' for the UN?](#) as well as [2005: Real management culture reform, or just more UN bustle and bluster?](#) , both under [UN Management Accountability Struggles](#), and the entire set of archive subsections under [Other Major Problems](#). Yet most of the UN's "international community" has continued to sing the praises of the UN's chief executive officer, Secretary-General Annan, even as the Secretariat burns.

Everyone should remember that Mr. Annan himself grimly stated in September 2003 that

"... the United Nations must consider sweeping reforms in the wake of the Iraq war and warned that the organization had lost the confidence of many across the globe.

In unusually strong language Annan suggested that the credibility of the Security Council, the General Assembly and other UN bodies was at stake.

'If they are to regain their authority, they may need radical reform,' Annan said before making public his report on the organization's future."

"UN needs big changes, Annan says", AP, AFP, International Herald Tribune, **September 9, 2003**.

These newest overall UN reform proposals, slowly gestating from late 2003 until late 2005, can scarcely address and hardly resolve all the grave UN operational problems exemplified by the oil-for-food programme. Instead, the current situation was nicely summarized in the following thoughtful response to the "praise

Mr. Annan" statements of early December 2004.

"Imagine if U.S. troops were accused of sexually exploiting children in impoverished nations ... a U.S. Cabinet Secretary were accused of groping a female subordinate, [but then exonerated] ... by the president [an agency head] ... and the president's own offspring stood accused of complicity in [a massive embezzlement racket] ...

... [These things happened in the UN this year.]

Where's the outrage? ... Why didn't the mainstream ... devote more attention to these scandals? Far from demanding high-level resignations, they are circling the wagons.

The U.N.'s friends are doing ... no favors with this knee-jerk defense. Even [Kofi] Annan recognizes [the problems with his 1997 and 2002 management reform attempts, and reports on Rwanda, Bosnia, and general peacekeeping failures.] ...

[Yet] all the *reformistas*' efforts founder on the rocks of apathy and inertia. ... Most of the U.N.'s 191 member states ... [and] 49,000 employees ... have other priorities.

Flawed as it is, the UN does some useful things ... Leaving the U.N. ... is unrealistic. But it will never live up to the grandiose expectations of its starry-eyed supporters, unless they get mad enough to demand real change. So far there's no sign of that happening."

Max Boot, "Why U.N. stays mired in its defects: Start with too-friendly media, apathy and members' entrenched interests", Los Angeles Times, **December 9, 2004**.

IO Watch will continue to update the progress of the oil-for-food programme investigations, allegations, and revelations. The findings, and their impact, and any corrective follow-up actions thereon, will no doubt run on for several years.

The further developments can also be followed through particular sources, including the excellent investigative work of Claudia Rosett and the *Financial Times* and *Fox News* already cited above. In addition, US newspaper columnist William Safire did a series of early stories on the scandal during 2004. They featured considerable "insider information" that was intriguing to many readers and upsetting to others. And (at least one) very detailed investigative "blog" site on the Internet has been attentively following oil-for-food developments, with hundreds of articles gathered and available.

William Safire, *inter alia*

"UN kickbacks in Iraq", International Herald Tribune, **March 18, 2004**,

"The UN kickback-for-food affair", International Herald Tribune, **March 30, 2004**,

"Covering kickbacks", International Herald Tribune, **April 20, 2004**,

"Washington's tribes do battle over Iraq", International Herald Tribune, **May 25, 2004**,

"Mr. Annan, tear down this UN stonewall", International Herald Tribune, **June 15, 2004**, and

"The great oil-for-food cash cow", International Herald Tribune, **June 24, 2004**.

"Duelfer report catches France red-handed", International Herald Tribune, **October 14, 2004**, and

"Obstruction of justice at the UN", International Herald Tribune, **November 16,**

2004.

"My son, my son", New York Times, **November 29, 2004.**

[Note: Mr. Safire ended his regular columns (of the past several decades) in December 2004.]

For the investigative blog, see www.acepilots.com/unscam/ , Friends of Saddam .