

STATEMENT BY

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AND

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DAR ES SALAAM, TANZANIA

BEFORE THE

PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

COMMITTEE ON GOVERNMENTAL AFFAIRS

UNITED STATES SENATE

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I. INTRODUCTION

Mr. Chairman, Ranking Member Levin, and Subcommittee Members:

I bring you greetings from Dar Es Salaam, Tanzania, where I currently live. Thank you for this opportunity to testify before you concerning the United Nations Oil for Food Programme (“OFF Programme” or “Programme”).

In July 1998, I joined the United Nations Office of Iraq Programme (“UNOIP”), as a UNOIP customs expert. Eventually I became the Deputy Chief Customs Expert. My responsibilities included reviewing contracts for the humanitarian aid to be shipped into Iraq under the Programme, as well as monitoring the performance of the independent inspections contractors for the Programme.

Prior to my arrival at the UNOIP, I also had nearly thirty years of experience as a Customs Officer for the Government of Canada. I served as Superintendent of the Highway Customs Traffic Operations at the Canadian-U.S. border; Superintendent of International Air Traffic Customs Operations at the International Airport in Winnipeg, Canada; District Programmes Officer for the Department of National Revenue, Canada Customs and Excise; and Project Officer in the Headquarters, Firearms Customs Operations branch in Ottawa, Ontario.

I have substantial experience in monitoring the flow of international goods in conflict zones. During the Balkans crisis in 1993-1994, I was the Senior Team Leader for the Organization for Security and Cooperation in Europe (“OSCE”). OSCE was responsible in part for enforcing sanctions against the regime in Serbia. In 1994, after the armed conflict ended, I became the Head of the Sector for Belgrade of the Customs Monitoring Mission International Conference on the former Yugoslavia (“ICFY”) on the other side of the border.

I took a leave of absence from my customs officer position with the Government of Canada to join the UNOIP in New York on a six month, rolling contract to become part of the UNOIP’s customs function. I was with the UNOIP for approximately three years, until March 2001.

I welcome the opportunity to share with the Subcommittee my expertise, experiences and observations on the UNOIP, as well as on the OFF Programme, during the period of my service. The Subcommittee’s invitation requested that I address the following issues in my prepared remarks: (1) My knowledge of the humanitarian goods contract review and approval process; (2) Details relating to the UNOIP’s oversight and monitoring of the independent inspection agents under the Programme, including the inspection agents’ scope of duties, and observations of any problems or issues associated with the inspection process due to political, administrative, or local conditions; (3) Observations of any problems or issues in relation to approving humanitarian goods contracts; and (4) My views on whether, and the degree to which, the OFF Programme as implemented achieved the Programme’s goals.

II. THE CONTRACT REVIEW AND APPROVAL PROCESS FOR HUMANITARIAN GOODS FROM JULY 1998 TO MARCH 2001

There were two main categories of contracts that the UNOIP was responsible for reviewing under the Programme: contracts for humanitarian goods and contracts for agency goods. Humanitarian goods were sometimes referred to as “53 percent” goods, because 53 percent of the revenues from the sale of Iraqi oil were used to purchase these goods. Later, this number was increased to 59 percent. As I will discuss below, the Government of Iraq was permitted to contract directly for the purchase of humanitarian goods. Agency goods, on the other hand, were sometimes referred to as the “13 percent goods,” because 13 percent of the oil revenues were used to purchase these goods. Agency goods were goods purchased directly by United Nations agencies, including the World Health Organization, the World Food Programme, and the Field Administration Logistics Division (“FALD”). Agency goods were purchased directly by agencies for delivery to the 3 northern governates of Iraq, because it was felt that the Government of Iraq could not be trusted to deliver humanitarian goods to the region.

During the period I was with the UNOIP, the contract review and approval process for humanitarian goods was different than the process for agency goods. I will first discuss the process for humanitarian goods, which had six distinct steps:

First, at the beginning of each phase of the Programme, the Programme Management Division (“PMD”) of the UNOIP was responsible for creating a list of goods that could be purchased with the revenues from the sale of Iraqi oil. This list was called the Distribution Plan, and was essentially a large shopping list. The Distribution Plan was broken down into various sectors including food, medical supplies, education, water/sanitation, telecommunications, oil spares, and electricity, and controlled what could be purchased as humanitarian goods. Once the Distribution Plan was approved, the Government of Iraq was permitted to seek contracts for items on the Distribution Plan.

Second, the Government of Iraq negotiated directly with suppliers and entered into contracts for the purchase of goods on the Distribution Plan. The UNOIP review process addressed the issues of appropriateness of pricing and compliance with Security Council Resolution 986, which I will address later in my remarks.

Third, the United Nations Mission representing the nationality of the supplier presented the contract negotiated between the supplier and the Government of Iraq to the UNOIP. For example, if a French supplier had negotiated a contract for spare parts for oil rigs, and spare oil rig parts were on the approved Distribution Plan, then the French Mission to the United Nations would submit the contract to the UNOIP on behalf of the supplying French entity. Under the Programme, suppliers could not present their contracts directly to the 661 Committee; rather, they had to work with their respective Missions to have the contract presented to the UNOIP. Since the Missions were sponsoring the contracts, we at the UNOIP consequently believed that each Mission had a responsibility to review the contracts it was submitting as a first level of review. We in the UNOIP did not rely on the Missions in this regard, although we assumed that each Mission did their best to review the contracts for contractor and supplier compliance before submission.

Fourth, customs experts at the UNOIP’s Contract Processing Monitoring Division (“CPMD”), where I worked, reviewed the applications and the contracts presented by the Missions on a first-come, first-served basis. It is important to note that the CPMD had a practice of prohibiting customs experts from reviewing contracts from their own country of origin. Thus, for example, a customs expert on loan from the Russian government would generally not review a contract if the Russian Mission had submitted the contract. However, as the CPMD was generally understaffed, this practice may not have been strictly followed when contracts began to accumulate.

The customs experts, including myself, reviewed the applications and the contracts box by box, line by line, and clause by clause to assess the following: (1) whether the goods being purchased under the contract fell into a category of goods on the Distribution Plan; (2) whether the goods being purchased under the contract were appropriate and/or suitable for the approved purpose in the sector; (3) whether the goods were priced reasonably under the circumstances; and

(4) whether contracts included prohibited clauses that were outside the scope of the Programme, such as preferred payment clauses or performance guarantees.

To assess the reasonableness of prices, the customs experts attempted to obtain the transactional value of the goods by various methods. These methods included: cross-checking the prices on similar goods; checking catalogs of different suppliers for price comparisons; researching price information available on the Internet; and contacting suppliers via the permanent Missions. It is important to point out that customs experts were not allowed to meet with suppliers in the absence of representatives from the respective Missions to reduce potential offers of bribes or other financial incentives that suppliers might extend. In addition, as the Programme progressed, we began to see recurring contracts and we could compare the price, for example, of basic building supplies from Phase III with similar building supplies in Phase IV. We also compiled a searchable database by which we conducted price comparisons between contracts over previous phases of the Programme. Price assessment was an extremely difficult task for reasons that I will discuss in more detail later in my testimony.

The customs experts checked to make sure that the corresponding paperwork was in order to facilitate the authentication that would be conducted by the independent inspection agents once the goods arrived in Iraq, which I will discuss in more detail in the next section. Port of entry had to be specifically defined so that the inspectors at a particular authentication site would have the proper documentation. In addition, it was particularly important that each and every item to be shipped under the contract be identified specifically as a line-item. For example, a contract could not simply say “assorted spare parts.” Rather, it had to specify as a separate line-item each individual part to be shipped under the contract. This line-item detail was necessary to enable the independent inspection agent to verify that each line-item of the contract had arrived in Iraq by a comparison to shipping documents and physical inspections at the borders. It also facilitated the later examination by the United Nations Monitoring, Verification and Inspection Commission (“UNMOVIC”), to ensure that the goods included no dual-use items, which I will discuss in a moment.

In cases where the contract or supporting application was not compliant, the contract was placed under evaluating, or non-compliant, status. The reviewing customs expert would write to the supplier, via the submitting Mission, requesting further information, that the application be revised, or that the parties amend the contract. Amendments were required to be signed by both parties to the contract. The application and contract could not proceed further until the reviewing expert changed the application’s status.

Following this thorough review of the application and the contract, the customs expert compiled his or her findings in an Officer’s Comment, or report, which included the expert’s assessment of whether the contract price was reasonable, slightly high, or excessive. The customs expert also included all written communications between the respective Mission, the supplier, and the customs expert, as well as any technical specifications that had been supplied or requested. The application and contract, the report, and all supporting documentation were then forwarded to the Chief Customs Expert or the Deputy Chief Customs Expert.

Fifth, the Chief Customs Expert or the Deputy Chief Customs Expert conducted another supervisory level of compliance review of each written contract report. Each contract was reviewed and signed-off-on by the Customs Expert who prepared the report and either the Chief or Deputy Chief Customs Expert before submission to the 661 Committee. Thus, from the end of 1999 until I left the Programme in March 2001, while I was serving as the Deputy Customs Expert, I reviewed most of the contracts and written contract reports compiled by the customs experts at the UNOIP. Following this review, the applications, contracts, and supporting documentation were forwarded to the 661 Committee with the written reports of the CPMD customs experts.

At some point in time in 2000, the 661 Committee requested that United Nations Monitoring, Verification and Inspection Commission (“UNMOVIC”) comment on the dual use capability of certain items included in humanitarian good contracts. Thereafter, UNMOVIC reviewed the contracts simultaneously with the custom experts’ reviews. The written customs experts’ reports included comments from UNMOVIC concerning dual-use capability.

Finally, the 661 Committee reviewed each contract and each report, including whether the contract complied with relevant United Nations resolutions, in particular Resolution 986. The 661 Committee had the option of approving the contract, denying the contract, or putting the contract on hold pending clarification. The 661 Committee had 48 hours from its receipt of the contract to take action either approving, denying, or putting on hold the contract. This procedure changed pursuant to Security Council Resolution 1284 after my departure.

If one counts the review that the Mission should have conducted before submission, each application and contract had three levels of review before it was submitted to the 661 Committee, and four levels of review including the 661 Committee. In my opinion, this represented a reasonable review process involving various stakeholders.

Agency goods, or 13 percent goods, the other major category of goods under the UNOIP, had a slightly different contract review and approval process. Because agency goods were purchased directly by the agencies, rather than by the Government of Iraq, the contract review process did not involve the same level of scrutiny that the UNOIP gave to contracts for humanitarian goods. Moreover, the agencies paid for the goods at the time of purchase, so they did not require the same authentication process as humanitarian goods required. Despite these differences, the customs experts in CPMD thoroughly reviewed these contracts using the same criteria I discussed earlier and also compiled a report for each contract. In addition, contracts for the purchase of agency goods had to be approved by the 661 Committee.

III. UNOIP’S OVERSIGHT AND MONITORING OF THE INDEPENDENT INSPECTION AGENTS FROM JULY 1998 TO MARCH 2001

To understand the UNOIP’s role in the oversight and monitoring of the independent inspection agents, it is first important to understand the limited role of the independent inspection agents. When I first started working in the UNOIP, Lloyd’s Register, a British Company, had the inspection contract for the Programme. In February 1999, Cotecna SA, a Swiss Company,

replaced Lloyds Register. Both companies, during their respective terms, were charged with “authenticating” the goods the Government of Iraq purchased under the Programme. Authentication is the process by which inspectors confirmed the physical arrival of the goods for those contracts that had been approved by the 661 Committee. Authentication requires inspectors to compare the goods delivered to contract documentation approved by the 661 Committee, shipping documents, and cargo manifests. The independent inspectors were not responsible for either pre-shipment inspections, price verification, or a commercial standard post-landing inspection. Food deliveries were, however, subject to laboratory testing to ensure fitness for human consumption prior to authentication.

It should be noted that the independent inspectors had no mandate to monitor or to report sanctions violations, or to carry out inspections of goods not presented for inspection. Thus, under the design of the Programme, the role of the independent inspection agents was reactive, rather than proactive.

The critical aspect of authentication is that it was the trigger for payment to the supplier. A supplier could not draw down on the Letter of Credit issued by the UNOIP until the goods had been authenticated as having arrived in Iraq by the independent inspection agents. Once the goods were authenticated, the U.N. Treasury Department was notified and the Letter of Credit issued to the supplier was funded. As a result, the absence of authentication meant no payment to the supplier. Delayed authentication meant delayed payment to the supplier. Authentication of less than all of the approved goods could mean no payment or partial payment to the supplier, depending on the terms of the contract.

Authentication is not the same as a normal commercial inspection process; rather, it is a very limited physical inspection and document comparison focusing on the arrival of goods in a country. Our mandate was to make sure that approved goods were delivered, not to make sure that the Government of Iraq was satisfied with the quality of goods they received. Because authentication was a prerequisite of payment to suppliers, the Government of Iraq could have used commercial inspectors to hold up payment to, and gain additional leverage on, suppliers. By reducing the level of inspection required, the “independence” of the independent inspectors was enhanced.

The UNOIP sent the relevant contract paperwork to the independent inspection agents at the 4 different entry sites where goods were authenticated under the Programme. In addition, the independent inspection agents would receive contract items to be verified from the UNOIP by virtue of a Lotus Notes database, generally referred to as the OFF database.

The method for authentication and level of analysis, however, varied depending on the type of goods involved. For example, some goods could be verified by documentation and a simple visual inspection. Other, non-standard contracts, however, such as the refurbishment of goods in the oil spares sector, where I worked, often required the customs experts to draft specialized procedures for authentication, or “SAPs.” SAPs were also drafted by the customs experts for any contract containing services.

One example of tailoring authentication procedures to specialized contract needs involved the removal, refurbishment and reinstallation of two Rolls Royce turbine engines. The multi-million dollar contract required the two Rolls Royce engines to be removed from their locations in Iraq, shipped back to the Rolls Royce factory in Scotland, repaired and refurbished, shipped back to Iraq, reinstalled and recommissioned in working order. As a result, each step of the process had to be authenticated. Therefore, the UNOIP drafted a SAP by which a Cotecna inspector would be on site to witness the removal and crating of the two Rolls Royce engines. Cotecna inspectors in Iraq would also be responsible for ensuring that the crates containing the two gas turbines were sealed at the site and remain sealed when loaded on the ship for transport back to the Rolls Royce factory. Once in Scotland, inspectors were responsible for checking to make sure the seals were intact when the shipment was unloaded, as well as making periodic inspections to make sure the refurbishment was in fact being done as required under the contract. Inspectors in Scotland were also required to verify that the refurbishment had been completed and oversee the packing and crate sealing at the Rolls Royce factory. Once the shipment of turbines arrived in Iraq, Cotecna inspectors verified that the seals had not been broken on the shipping containers, as well as monitoring the reinstallation, recommissioning and functioning of the turbines. This is one example of an SAP that we regularly developed at CPMD, and that Cotecna regularly implemented. This type of SAP was approved by the 661 Committee and I believe gave the Committee additional comfort in terms of ensuring that payment was for services performed and goods delivered.

The UNOIP conducted oversight and monitoring of the independent inspectors in several ways. First, the UNOIP was in almost daily contact with the sites discussing what procedures to use to authenticate the goods. In cases involving non-standard goods, the UNOIP worked closely with the independent inspectors to relay the appropriate procedures for authenticating the goods. Second, customs experts from the UNOIP often made mission trips to Iraq to conduct site visits and reported back to the UNOIP on how well the independent inspectors were complying with their obligations under their contracts with the United Nations. The UNOIP did not have a permanent presence at any of the inspection sites in Iraq. While I thought that it would have been advisable for the UNOIP to have had a customs expert in Iraq full-time, others in CPMD were of a different opinion. As a result, the UNOIP customs experts made periodic mission trips to Iraq. I made three such trips during my tenure. Third, in the case of the contract with Cotecna, the United Nations initially granted the company a six-month contract. Thus, the United Nations had Cotecna on a short leash and could have replaced the company if it was unhappy with its performance.

In April 2001, as the term of Cotecna's amended contract was coming to an end in June 2001, the UNOIP issued a Request For Proposal ("RFP") for the independent inspection contract for the Programme. I left the UNOIP on March 31, 2001, but to my knowledge, nobody in CPMD had a role in selecting the winning bid. The procurement division of the United Nations was in charge of selecting the winning bidder, which occurred in May 2001. My feeling, which I believe was shared by the other customs experts in CPMD, was that Cotecna was performing very well under their contract and was very responsive to requests for service enhancements. Due to Cotecna's demonstrated outstanding performance, as well as their unique experience in the Programme, it was in the best interest of the Programme to retain Cotecna as the independent

inspection agent, especially to provide continuity of effective service delivery. Cotecna had been a very dependable contractor under difficult circumstances and often did more than they were contractually obligated upon requests from UNOIP.

When concerns were raised with Cotecna, the company was extremely responsive and took steps immediately to remedy those concerns. For example, early in Cotecna's initial contract the company assigned its inspectors in Iraq to a 5-1-5 schedule, where they would work in-country for five months, take one month off, then return for another five-month shift. At the time, Cotecna could not have known how difficult this schedule would be for its inspectors. Given the problems they sometimes faced dealing with local Iraqi Government officials and the harsh environment, however, this policy started to cause a lot of tension with Cotecna's inspectors. I recommended to Cotecna that it change this policy so the inspectors were able to get time-off under a shorter schedule. Under their contract, Cotecna was not required to implement my recommendation. However, Cotecna was responsive to this request and changed their policy, which actually increased the productivity of the inspectors. This was true of other recommendations and requests made to Cotecna, such as to increase the number of inspectors with "customs" knowledge. The company was always responsive and did more than they were required to under the contract to make the process work. They were not perfect, however, and when issues arose, we did not hesitate to bring these issues to Cotecna's attention, as evidenced by my mission reports which included both critical and complimentary observations. The company's responsiveness is one reason the customs experts had a favorable opinion of Cotecna and believed it was in the best interest of the Programme for Cotecna to be retained for authentications. That said, however, CPMD had no authority over procurement. The procurement division of the Programme made the decision to award the contract to Cotecna.

Based on my experience in the monitoring of Cotecna's performance, when I was leaving the UNOIP Cotecna was high on my list among several offers of employment I received. I had always been impressed with the company's professionalism, responsiveness and its dedication to the task at hand. The other customs experts in CPMD, as well as my superiors in the UNOIP, were aware that I was joining Cotecna and supported my decision. I did, however, avoid working on the Programme to prevent any perceived conflict of interest, given my former role in the UNOIP. Instead, I joined Cotecna's Liaison Office in Dar Es Salaam, Tanzania.

IV. OBSERVATIONS REGARDING THE APPROVAL OF HUMANITARIAN GOODS CONTRACTS FROM JULY 1998 TO MARCH 2001

From the perspective of a customs expert at the UNOIP, it is important to make clear that instances of overpricing in contracts with the Government of Iraq, where they were supported by something more than just a customs officer's hunch, were passed along in our reports to the 661 Committee. It was the 661 Committee alone that approved contracts. On many occasions, CPMD noted that there were instances of overpricing or other concerns in its written reports to the 661 Committee. What the 661 Committee did with the UNOIP's reports and how they used that information is beyond the scope of my testimony. However, I know that a large number of contracts submitted to the 661 Committee contained notices or alerts concerning overpricing. I

do not recall any of these contracts being put on hold by the 661 Committee due to overpricing despite our warnings.

There are several reasons why it was difficult for customs experts to detect overpricing. First, there was the fact that suppliers were taking a large risk under these contracts. In a typical commercial contract, a supplier often would be paid when the supplier delivered the goods to the shipper, often in the country of origin, which is consistent with normal commercial practice. Unlike typical commercial contracts, the suppliers participating in the Programme were not paid until their goods actually arrived in Iraq and were authenticated by the third-party inspectors, either Lloyds or, later, Cotecna. If the shipper was boarded and inspected by U.S. Naval vessels enforcing sanctions, payment could be delayed. Due to the volume of goods passing through the Programme, instances where the Government of Iraq refused to cooperate at inspection sites, and other contingencies, suppliers often were not paid for months after their shipments had arrived.

As a result, suppliers often increased their prices or “overpriced” the contracts by small amounts, in the neighborhood of 10 percent. But given the unusual conditions and risks that suppliers endured in order to participate in the Programme, it was difficult to say that a small increase in price was commercially unreasonable when a supplier could often sell the same product in a commercial transaction with much less risk. In conducting our price assessments, customs experts at the UNOIP were routinely told by suppliers that these slightly inflated amounts were being charged because of the risks that suppliers took by participating in the Programme or the cost of carrying charges on the goods shipped. This explanation often seemed reasonable. Accordingly, a contract for goods that was 10 percent higher may well have been a fair market value. Such issues were always identified and passed along to the 661 Committee.

Second, as the Programme evolved and additional goods were added to the Distribution Plan, it became more difficult to conduct a pricing assessment of the contracts. One reason is that many of the goods added to the Distribution Plan were technical in nature. In the Oil Sector, for example, contracts were signed for the replacement of failed goods which were often 20 years or more in age. The replacement goods had to “fit” the infrastructure and, for example, if a compressor failed it had to be replaced with a compressor of a technology which was consistent with the rest of the environment in which it was to be installed. A compressor that was 20 years old was not worth much on the open market, but was extremely valuable for Iraq’s antiquated infrastructure. Since such equipment was scarce, suppliers could charge a substantial premium. Customs officers by trade know a little bit about a lot of things, but as the goods became more sophisticated, it was clear that we needed more technical expertise within the UNOIP. We attempted to add this expertise by adding requirements to our terms of reference for customs officials with expertise in these technical areas, as well as in pricing. Unfortunately, we were not able to make a significant difference in gaining the necessary expertise.

In addition, many of the later contracts for industrial goods had provisions for mobilization, commissioning, and services. Mobilization is the process of getting a good to the location where it will be used, while commissioning is the process of getting the good up and running once it has been delivered. Pricing for mobilization and commissioning take into account numerous factors that are difficult to quantify, including: transportation, travel costs for

individuals, and hourly rates for individuals with various areas of expertise. Thus, it was extremely difficult for customs experts at the UNOIP to detect overpricing in contracts involving provisions for mobilization, commissioning, and service charges. Despite these challenges, however, customs experts at the UNOIP continued to use their best efforts to assess pricing using the various methods I described earlier, and to my knowledge all suspected overpricing was reported to the 661 Committee.

Third, there is the inherent difficulty in assessing a reasonable price or fair market value when you are attempting to compare prices from suppliers in various regions of the world. A price on a good in one region of the world might be completely different from the price on the same good in another region, yet both may be reasonable market prices in their respective regions. For example, the price of a can of Coca-Cola in Wisconsin is different from the price of a can of Coca-Cola in Mongolia. But this doesn't necessarily mean that the cost of Coca-Cola in Mongolia is unreasonably high or that kick-backs are occurring. In short, even taking into account the risk incurred by the suppliers in participating in the Programme, as well as the technical and complicated aspects of many of the contracts, it was often difficult to conduct our pricing assessments in the UNOIP within the context of normal market environments.

For all of these reasons, I believe that, for the most part, the customs experts at the UNOIP did a commendable job considering the extremely difficult task at hand. What is more, our work was reported directly to the 661 Committee, which had the ultimate authority to decide whether contracts were approved, denied, or placed on hold.

The majority of contracts were presented by the Missions of France, China and Russia. There were instances, however, where I believe that individuals within the political elements of the United Nations pressured customs experts to help push contracts along. In one case, Michael Merkoulov, a Russian customs officer, complained to me that he was being pressured by the Russian Mission to help insure that certain contracts were approved. I do not recall exactly how this situation was resolved, but knowing Mr. Merkoulov quite well, I am very certain that he did not succumb to this pressure.

On another occasion, I received an anonymous fax stating that a contract from a Chinese supplier for \$12 million was outrageously overpriced. I spoke with Jeremy Owen, the Chief Customs Expert at that time, to see what should be done. When I later returned to my desk, however, the smoking-gun fax was missing. Subsequently, the document reappeared on my desk. I eventually discovered that Chang Sheng Li, a Chinese customs expert, had taken it and faxed it to the Chinese Mission. Mr. Li admitted that he had contacted the Chinese Mission to request that the Mission look into this irregularity and to advise the Mission not to participate in any potentially illegal contract submissions. I believed that this action by Mr. Li was unethical given that the Chinese Mission had already presented the contract. Despite this conduct, Mr. Li remained with the UNOIP but his duties changed to reviewing agency goods contracts. It is my belief that influential people within the United Nations protected him. I was never personally approached by anyone seeking to exert political influence, and I do not recall any other instances of such conduct beyond the two I just described. I do know, however, that many Missions had regular contact with customs experts from their countries.

As mentioned above, agency goods did not have to undergo authentication in order for suppliers to be paid. As a result, there was no link between oversight by the custom officers and payment for the suppliers. In mid to late 1999, the UNOIP requested that the agencies and Cotecna authenticate the arrival of agency goods to facilitate the provision of statistical information regarding goods delivered under the 13 percent account via the OFF database. Statistics regarding humanitarian goods were readily available because Cotecna had performed its authentication services and could provide detailed information concerning humanitarian goods. However, because agency goods by-passed Cotecna's inspection sites, it was difficult to provide the 661 Committee with any statistics regarding the delivery of agency goods. Accordingly, some shippers of agency goods began to voluntarily stop at Cotecna inspection sites so that statistical information could be provided to the 661 Committee.

Finally, during my tenure at the UNOIP, I heard rumors within the UNOIP that the Government of Iraq was insisting that oil purchasers pay 25 cents a barrel into off-shore accounts as a "signing bonus," but I never came across nor heard rumors of such practices with respect to the contracts for humanitarian goods.

V. VIEWS REGARDING THE SUCCESS OF THE OIL-FOR-FOOD PROGRAMME IN ACHIEVING ITS GOALS

The stated goal of the Programme was to get humanitarian goods to the Iraqi people who were suffering as a result of the United Nations sanctions on the Government of Iraq, while insuring that the Government of Iraq did not manipulate the Programme to rearm its military. Taking into account the complexity of the sanctions scheme, the vast number of suppliers and corresponding countries involved in the Programme, and the fact that the work to be done on the ground was in harsh territory controlled by a dictator, I believe the Programme was successful in achieving its goal in spite of these limitations. From the evidence following the recent invasion of Iraq, it appears that the former Government of Iraq was unable to manipulate the Programme to rebuild Saddam Hussein's army. Moreover, there is no doubt that the Iraqi people received a great number of shipments of food and medicine that they would not have otherwise received had it not been for the Programme, especially in the Northern Governates. The humanitarian efforts of the Programme provided a visual benefit by improving the quality of life for the people of Iraq. In my view, the UNOIP was conducting reasonably good stewardship of this highly complex Programme to the best of their ability within the limitations placed upon it.

The recent focus of the many investigations making news appears to be on the billions of dollars the Government of Iraq allegedly fraudulently obtained through the Programme. I cannot speak to any fraud that might have occurred on the oil sales part of the Programme; that is, the Government of Iraq's sale of oil to fund its purchases of humanitarian goods. I was not involved in that part of the Programme; however, I heard numerous rumors of kick-backs related to oil sales. On the humanitarian goods side of the Programme, as I testified earlier, I can only say that I was working with a group of highly-qualified and committed customs experts in the CPMD that I believe were doing their best to report overpricing and suspected fraud to the 661 Committee. Moreover, all of us within CPMD believe in the work that we were doing. To my knowledge, the 661 Committee was fully aware of all suspected overpricing and fraud detected

by the customs experts in the CPMD. What the 661 Committee did with this information is beyond the scope of my testimony.

In addition, I was impressed with Cotecna's role as the independent inspection agent in charge of authentications under the Programme. Cotecna was charged with a very difficult task in a very harsh environment. Despite this, Cotecna was always responsive to the recommendations of the customs experts. Moreover, as the Programme progressed, the UNOIP repeatedly asked Cotecna to perform additional tasks that, in my opinion, were not covered under their contract. Again, Cotecna was always responsive, and to my knowledge always implemented the requested additional services. Given Cotecna's limited, technical role in conducting authentications for the Programme, as well as the oversight of the company conducted by the UNOIP, I have no reason to believe that Cotecna was involved in any of the overpricing and kick-back schemes that appear to be the focus of several investigations. In my opinion, they did a fine job under difficult circumstances. The limitations on the effectiveness of the Programme included the inability to institute sound customs practices within the Government of Iraq, as well as the lack of freedom of movement in Iraq. Another example of the types of limitations that Cotecna dealt with was the lack of laboratory testing facilities in Iraq. Iraq was not allowed to have its own laboratory facilities due to the potential for dual use. As a result, the Government of Iraq would not allow Cotecna to have laboratories in Iraq for testing food. Therefore, Cotecna had to ship food samples out of Iraq in order to test them to determine whether they met the Programme food standard of "fit for human consumption." This procedure was much more expensive for Cotecna than it would have been to have a laboratory in Iraq for this purpose.