Why GAO Did This Study

The Oil for Food program was established by the United Nations and Iraq in 1996 to address concerns about the humanitarian situation after international sanctions were imposed in 1990. The program allowed the Iraqi government to use the proceeds of its oil sales to pay for food, medicine, and infrastructure maintenance. The program appears to have helped the Iraqi people. From 1996 through 2001, the average daily food intake increased from 1,300 to 2,300 calories. From 1997-2002, Iraq sold more than $67 billion of oil through the program and issued $38 billion in letters of credit to purchase commodities.

GAO (1) reports on our estimates of the illegal revenue acquired by the former Iraqi regime in violation of U.N. sanctions and provides some observations on the administration of the program and (2) suggests areas for additional analysis and summarizes the status of several ongoing investigations.

What GAO Found

From 1997 through 2002, we estimate that the former Iraqi regime acquired $10.1 billion in illegal revenues—$5.7 billion in oil smuggled out of Iraq and $4.4 billion in surcharges on oil sales and illicit charges from suppliers exporting goods to Iraq through the Oil for Food program. The United Nations, through the Office of the Iraq Program (OIP) and the Security Council’s Iraq sanctions committee, was responsible for overseeing the Oil for Food program. However, the Security Council allowed the Iraqi government, as a sovereign entity, to negotiate contracts directly with purchasers of Iraqi oil and suppliers of commodities. This structure was an important factor in enabling Iraq to levy illegal surcharges and commissions. OIP was responsible for examining Iraqi contracts for price and value, but it is unclear how it performed this function. The sanctions committee was responsible for monitoring oil smuggling, screening contracts for items that could have military uses, and approving oil and commodity contracts. The sanctions committee took action to stop illegal surcharges on oil, but it is unclear what actions it took on the commissions on commodity contracts. U.N. external audit reports contained no findings of program fraud. Summaries of internal audit reports provided to GAO pointed to some operational concerns in procurement, coordination, monitoring, and oversight.

Ongoing investigations of the Oil for Food program may wish to further examine how the structure of the program enabled the Iraqi government to obtain illegal revenues, the role of member states in monitoring and enforcing the sanctions, actions taken to reduce oil smuggling, and the responsibilities and procedures for assessing price reasonableness in commodity contracts. Current or planned efforts include an inquiry initiated by the United Nations, an investigation and audit overseen by the Iraqi Board of Supreme Audit, and efforts undertaken by several U.S. congressional committees.