

**OPENING STATEMENT  
Of  
CHAIRMAN NORM COLEMAN  
Permanent Subcommittee on Investigations**

**Hearing On  
Corruption in the United Nations Oil-for-Food Program:  
Reaching a Consensus on United Nations Reform**

**October 31, 2005**

Good afternoon. Today, the Permanent Subcommittee on Investigations holds its fourth hearing relating to its investigation into corruption and mismanagement in the United Nations Oil-for-Food Program. I am very pleased to be joined today by the Ranking Member, Senator Levin, who has participated in and supported this investigation from the outset. Thank you, Senator Levin.

For the past 18 months, the Subcommittee has explored many facets of this expansive scandal. We have collected millions of pages of documents from around the globe. The Subcommittee has reconstructed complex financial transactions, exposing shady oil deals and secret kickback agreements. We have interviewed scores of witnesses, including high-level officials from the Hussein regime.

Almost a year ago in November 2004, the Subcommittee held its first hearing entitled "How Saddam Hussein Abused the U.N. Oil-for-Food Program." We outlined the ways that Saddam made hard cash by subverting the Program through kickbacks and surcharges.

Charles Duelfer, the head of the Iraq Survey Group, testified as to how that cash permitted Saddam to rebuild his military capacity. We also heard from Juan Zarate from the Department of Treasury, who testified about the possibility that Saddam's cash was financing the Iraqi insurgency.

In February 2005, the Subcommittee held its second hearing, titled "The U.N.'s Management and Oversight of the Oil-for-Food Program." At that hearing, we explored the effectiveness of the U.N.'s inspection agents -- Cotecna Inspection and Saybolt Group. We also inquired into the procurement of the contract awarded by the U.N. to Cotecna during a time when it employed the Secretary-General's son, Kojo.

Most recently, in May the Subcommittee held a hearing titled "Oil For Influence: How Saddam Used Oil to Reward Politicians Under the U.N. Oil-for-Food Program." At that hearing, we exposed Saddam's use of lucrative oil allocations to reward friends of the regime, including such notables as Vladimir Zhirinovskiy and George Galloway.

The evidence uncovered by the Subcommittee established that those men solicited oil allocations from Iraq in return for their continued support for the brutal Hussein regime.

At today's hearing we will look at the Oil for Food scandal in the context of United Nations reform. The gross mismanagement of the Oil for Food program is a textbook example of the kinds of abuses that can occur in an organization lacking in effective oversight, acceptable ethical standards, and accountable leadership. These same shortcomings have given rise to other UN scandals, such as sexual abuse by peacekeepers and outright thievery by UN procurement officers.

A considerable degree of consensus exists on the need for UN reform, as well as on the specific reforms required - the Secretary General himself has acknowledged as much. However, because of the structure of the UN, and specifically the power of General Assembly, enacting UN reform has proven to be much more difficult than prescribing it. The failure of the recent summit to produce agreement on things as basic as the structure, membership and mandate of a new Human Rights Council to replace the discredited Human Rights Commission is a case in point. The summit also deferred key management reforms to a future date.

The UN needs to make management reforms sooner rather than later if it is to prevent future scandals and restore its credibility. That is why, along with Chairman Lugar of the Foreign Relations Committee, I have introduced legislation giving the Administration additional leverage in negotiating reform at the UN. Ambassador Bolton recently announced Administration support for our bill, and I look forward to its passage. I hope today's hearing will also help to move the UN towards immediate management reform.

Over the long term, there are other issues to be considered, particularly related to UN funding. Just eight countries pay 75 percent of the UN budget, yet have no more say on budget matters than countries that pay a fraction of one percent. Most UN contributions come in the form of assessed dues, rather than voluntary contributions which allow a country to put its funds into those parts of the UN organization that are most effective, and take funding away from those parts that are wasteful. Perhaps the best way to ensure more efficient use of funds in the long run is to move toward a system where each UN entity must make its case and compete for dollars.

I am an optimist. I believe the UN can be a positive force in the world - for example, Security Council cooperation following the assassination of Rafik Hariri may yet succeed in bringing positive change in Lebanon and Syria. But we have a long way to go before the UN will be worthy of the billions of dollars entrusted in it by the American taxpayer. Make no mistake, a UN that refuses to reform will lose the confidence of its biggest investors.

We are very fortunate to have several distinguished individuals here with us today to discuss the Oil for Food scandal and the imperative of UN reform.

Our first presenter, who has graciously agreed to come forward to brief us on his report and his call for UN reform, is especially important since he has been investigating the same subject matter as the Subcommittee. The Independent Inquiry Committee, chaired by Mr. Paul Volcker, has spent the last 18 months conducting a massive investigation, the size and scope of

which are unprecedented to my knowledge. Mr. Volcker's Committee found that more than 2,200 companies worldwide paid kickbacks to the Hussein regime totaling more than 1.5 billion dollars. The IIC also found that a quarter of a billion dollars in illegal surcharges were paid to by oil purchasers.

Mr. Volcker has been kind enough to join us today to brief us on the findings of his investigation and to give us his views as to how we should reform the United Nations.

We are also joined today by former Speaker of the House Newt Gingrich, who co-chaired the Congressionally-mandated, bi-partisan Gingrich-Mitchell Task Force on U.N. Reform. The report of the Task Force, titled "American Interests and U.N. Reform," is a hard-hitting analysis of the many problems confronting the U.N. and the urgent need to reform the institution. The report focuses on safeguarding human rights, ending genocide, repairing and reforming the management and operations of the U.N., and several other important issues. The report concludes that U.S. leadership is essential to bring about meaningful reform and that a successful effort "will require bipartisan leadership in Washington's approach to the United Nations."

Of particular significance, the report focuses on internal U.N. management reforms, and concludes that the U.N. faces structural problems of oversight, accountability, management, and human resource management.

It cites disagreements among U.N. Member States as a major contributing force to a wide variety of internal management problems. The report also criticizes limited internal oversight, inadequate management systems, politicized budgeting, and poor personnel practices.

The Gingrich-Mitchell Task Force recommended a reform program that includes the establishment of an authoritative Independent Oversight Board, the creation of a Chief Operating Officer, the establishment of effective policies on whistle-blower protection, and ethics disclosure standards for top U.N. officials.

On our third and final panel we will hear from Mr. Thomas Melito of the Government Accountability Office and Robert Werner of the Department of Treasury's Office of Foreign Assets Control. Mr. Melito will update the Subcommittee on the status of our request for them to review the operations and management of the U.N. Office of Internal Oversight Services and the U.N. procurement system. With the recent indictment of the head of U.N. procurement, this review could not be more timely and appropriate.

Mr. Werner will describe monitoring and oversight of U.S. and U.N. sanctions programs, including the monitoring of the Oil-for-Food Program by the Department of Treasury. I am particularly concerned about the activities of U.S. companies, such as Bayoil, which was recently indicted by the federal authorities in the Southern District of New York in relation to the payment of illegal surcharges to the Hussein regime. Senator Levin's leadership on exposing the illicit activities of Bayoil has been a constant feature of the Subcommittee's investigation, and I am grateful for his hard work on this issue. I hope Mr. Werner's testimony today will help us understand how we can more effectively administer and enforce sanctions programs in the future.

The Oil-for-Food scandal has been documented to one of overwhelming proportion. The blame is all encompassing.

The program was set up in a way which allowed Saddam Hussein to choose to whom he sold oil. He used this power to influence foreign policy and reward those who spoke out favorably about the Regime or opposed sanctions. Ultimately, the program was a cash cow of illicit income to the regime.

Member states received billions of dollars in financial incentives to turn a blind eye to kickbacks and corruption.

The Secretary-General did not report the kickbacks to the Security Council and did little to oppose the surcharges. As the U.N.'s Chief Administrative Officer, it is untenable to suggest that the Secretary-General is not ultimately responsible for those failures.

Private companies, including American companies, paid the kickbacks and still made handsome profits.

One of the questions that must be asked is - did Sadaam believe that the U.N. Security Counsel would not act against him because of the millions of dollars he had spread around to those connected to member states?

Many questions still remain about the extent of the scandal. Further legal action against those who participated in the bribery, fraud and corruption will take many years to play out.

It is important now to learn the lessons of Oil-for-Food and turn our focus to reforming the United Nations so such a scandal never again occurs.

The Oil-for-Food scandal and other disgraceful episodes at the U.N., such as sexual abuse in U.N. peacekeeping programs, have revealed the need for immediate and comprehensive U.N. management reform.

The slow pace of U.N. internal management reform efforts, coupled with the failure of the General Assembly at the September 2005 U.N. Reform Summit to approve comprehensive management reforms, raises concerns about the organizations ability at all levels to take urgently-needed corrective action.

I look forward to hearing from all of our distinguished presenters today.