



## U.N. Procurement Scandal: Secret Information Was Leaked to a Bidder

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By George Russell and Claudia Rosett

### FOX NEWS

NEW YORK — On the morning of Nov. 6, 2003, an e-mail sped between two business executives at two private firms, bearing an important tip-off about an impending and highly confidential **United Nations** ([search](#)) business deal.

The message was brief and direct. "Dear Andy," it said, "This will go to the Committee next Tuesday. All the best."

The committee in question was the **United Nations Headquarters Committee on Contracts** ([search](#)), a top-level U.N. body that gives final approval to, among other things, all major purchases by the procurement department of the world organization. It was slated to hold its next meeting on Tuesday, Nov. 11, 2003.

Attached to the e-mail were commercially sensitive U.N. documents that no one outside of highly restricted circles within the U.N. was supposed to have access to — and that the contracts committee itself would not ponder for five more days.

[The first document \(pdf\)](#) was a draft of the official recommendation by the U.N. procurement department that a \$62 million contract for U.N. peacekeepers in Liberia be awarded to a company called **Eurest Support Services** ([search](#)), or ESS, based in England and Cyprus. The contract covered food and water supplies for up to 15,000 peacekeepers for three years plus two renewable one-year options. It ended with a plea for the contracts committee to approve the deal: "The advice of the Committee is requested."

[The second document \(pdf\)](#) was a detailed United Nations evaluation of the technical abilities of 12 different food supply firms to meet U.N. requirements for feeding separate U.N. peacekeeping missions in Liberia, Ethiopia and Eritrea, and the Congo. The analysis winnowed the 12 firms down to five that the U.N. technicians felt could best provide food and other supplies to the Africa-based troops.

[The third \(pdf\)](#), and most startling, document was a detailed list of the price bids that three of the five firms had submitted for the U.N. contract, covering everything from different ration packages to warehousing costs. The document showed that ESS had bested its nearest rival, a Monaco-based food services firm known as **Es-Ko** ([search](#)), by literally pennies per ration unit, and had also underbid its competitors in virtually every other service category.

Such information is considered top-secret by the United Nations, and is submitted in a sealed -bid process that U.N. officials have touted as foolproof.

Nonetheless, all this information was clearly available to the business executive who sent the e-mail -- **Ezio Testa** ([search](#)), President and CEO of a mysterious and controversial company known as **IHC Services** ([search](#)). Based in New York with offices in Milan, IHC until recently was a registered vendor to the U.N. procurement department, acting both as a contractor selling goods directly to the world body and as a go-between, or "vendor intermediary," for a number of other suppliers.

The man who received Testa's e-mail had a vital interest in it. He was **Andy Siewert** ([search](#)), a business development executive with ESS, which is itself a subsidiary of **Compass Group** ([search](#)), self-described as the largest food services company in the world. Siewert has also been described to FOX News by sources close to the U.N. as the ESS executive who had the most frequent day-to-day contact with the scandal-plagued U.N. procurement department.

That contact included frequent meetings with **Alexander Yakovlev** ([search](#)), the U.N. procurement officer who last August pleaded guilty to charges of corruption, wire fraud and money -laundering after FOX News exposed his personal ties to IHC Services, which employed Yakovlev's son. According to documents obtained by FOX News, Yakovlev was in charge of the Liberia food rations contract that was the subject of Testa's e-mail.

FOX News has obtained copies of the minutes taken at the U.N. Headquarters Committee on Contracts meeting on Nov. 11, 2003, which confirm that the committee went on to approve the award of the contract to ESS in exactly the manner that Testa's e-mail foreshadowed. While committee members briefly questioned details of the proposal, they approved the full \$62 million amount.

The Liberia peacekeeping contract was a major coup for ESS, but not the only one involving the U.N. Since 2000, ESS has won food contracts via the U.N. procurement department with peacekeeping forces in places such as East Timor, Burundi, Eritrea, Lebanon, Cyprus and Syria. The company recently won an additional contract to feed the expanding U.N. peacekeeper force in Sudan. U.N. officials estimate the total value of ESS peacekeeping contracts at more than \$237 million. Including optional renewals and add-ons, the total could run as high as \$351 million.

Ten months after the exchange of e-mails between Testa and Siewert, ESS and IHC announced a special "Best in Class" business partnership for future business, with Andy Siewert named as the ESS official who would manage the relationship. An announcement of the ESS-IHC relationship, dated Sept. 13, 2004, was posted on the ESS web site, but disappeared shortly after Yakovlev's Aug. 9 arrest. Access to this item in the archive now appears blocked.

In response to an e-mail from FOX News regarding his 2003 message to Siewert, IHC's CEO Testa referred FOX to his Washington, D.C., lawyers, who later told FOX that "there is no evidence that IHC had any improper communications with ESS concerning confidential U.N. information." Telephone calls and e-mails to Siewert and to a spokesman for Compass Group were answered by a company spokesman who said "there is no evidence of any wrongdoing on our part."

The 2003 e-mail exchange between Testa and Siewert is the most graphic evidence yet of the extent of the procurement scandal that continues to rock U.N. headquarters, in which supposedly secret U.N. business deliberations were apparently an open book to at least some firms dealing with the organization — even as the U.N. refuses to open almost all of its operations to public scrutiny.

So far, two U.N. officials have been arrested in this scandal: Yakovlev, a Russian native, and another Russian, **Vladimir Kuznetsov** ([search](#)), who headed the U.N.'s budget oversight committee. But the full extent of such schemes, and the amount of U.N. money involved, is not yet known. In a recent report, the Volcker committee investigating the U.N.'s multibillion-dollar **Oil for Food** ([search](#)) scandal noted that Yakovlev, who is now cooperating with investigators, had close to a million dollars in bribe money stowed in a secret Caribbean bank account, and that the bribes involved at least \$79 million in non-Oil for Food U.N. contracts.

Tentacles of the procurement scandal have now reached as high as the U.N. Secretary-General's office. [On Oct. 4, FOX News revealed](#) that Italian businessman and diplomat **Giandomenico Picco** ([search](#)), appointed in August 1999 as a personal representative of Secretary-General **Kofi Annan** ([search](#)) with the U.N. rank of under secretary-general, had also served as a director and then chairman of the board of IHC Services from 1997 to at least February 2000. Picco's U.N. appointment was extended, with a brief interruption, until February 2003, when he became a formally designated adviser to Annan, a title that does not lapse until June 30, 2006. Neither Picco nor the Secretary General's office has answered questions about whether the overlapping duties were ever disclosed to the U.N. Picco has denied any wrongdoing.

Asked about the apparent conflict of interest in Picco's case, a spokesman for the secretary-general said that "new and stronger policies on conflict of interest and disclosure" were being contemplated.

Senior U.N. officials say that internal U.N. investigators are now heavily involved in examining the procurement department, and according to press reports, both federal and U.N. investigators are now probing alleged links of ESS and its parent, Compass, to the procurement scandal. The ESS company spokesman said his firm is cooperating with the U.N. investigation.

But whether the investigators have talked to Testa and Siewert about their \$62 million communication and the window it offers into the confidential U.N. bidding process remains to be seen.

*George Russell is Executive Editor of FOX News. Claudia Rosett is journalist-in-residence with the Foundation for the Defense of Democracies.*

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## U.N. Procurement Scandal: A Secret Sales Deal

Thursday, October 20, 2005

By George Russell and Claudia Rosett

### FOX NEWS

NEW YORK — In mid-May, 2005, the secretive owners of **IHC Services** ([search](#)), a United Nations supplier firm that was about to emerge near the center of a multimillion-dollar U.N. procurement scandal, suddenly decided to get rid of the company — one month before the scandal exploded in public.

Less than a month later, on June 3, 2005, the sale finally closed at a meeting held in the Milan offices of **Torno S.A.H.** ([search](#)), a mysterious, Luxembourg-based firm that was the formal owner of IHC. During the closing, all of IHC's directors resigned. The new directors who took power in the [transaction \(pdf\)](#) represented another mysterious firm named **Strategic International Alliance Limited** ([search](#)), registered in the British Virgin Islands, a tax haven where the names of corporate owners and directors are concealed from public scrutiny.

Not all the individual names are concealed, however, on copies of the sale documents for IHC, some of which have been obtained by FOX News in heavily redacted form. Two of the names representing the anonymous buyers are identical to the names of executives of **Eurest Support Services Worldwide** ([search](#)), or ESS, a huge food service firm that has done hundreds of millions of dollars worth of food-related business with the United Nations over the past five years, and is now being probed by U.N. and U.S. federal investigators for irregularities in that bidding. ESS is in turn a subsidiary of British-based **Compass Group** ([search](#)), self-described as the world's largest food service firm, with sales of more than \$21 billion in 2004.

One of the names listed in the IHC closing [documents \(pdf\)](#) obtained by FOX News is that of Andy Siewert, which is also the name of a mid-level ESS executive with close ties to IHC's former owners and management. Another is that of [Peter Harris](#) — which is also the name of the CEO of ESS, an executive who is also in charge of Compass Group activities in Britain and Ireland, the Middle East and Africa, and is, according to the company Web site, a member of the parent company's top management team.

In the closing documents obtained by FOX News, Peter Harris is not only named as a representative of the buyers, but also signs as a [director \(pdf\)](#) of Strategic International Alliance Limited, the new corporate owner. He signs a [second time \(pdf\)](#) as a director of the newly purchased IHC Services on an attached security guarantee. The same Peter Harris signs a third time as the specially authorized representative of the newly owned IHC to negotiate and supervise the employment agreement for Ezio Testa, the previous and current CEO of the company, who is elsewhere named in the documents as a new director of the company.

In a brief telephone conversation with FOX News, Peter Harris, the ESS/Compass Group executive, denied any knowledge of the new ownership of IHC Services and said he had "never heard of" Strategic International Alliance Limited.

But the ESS executive is undoubtedly well aware of IHC Services through other ties between that firm and his own. In its main line of business, IHC Services is a "vendor intermediary," a firm that helps other firms obtain contracts with the U.N. and other organizations for goods and services. ESS is not named by IHC among its clients on the IHC Web site. But according to an ESS Web site press release dated Sept. 13, 2004, ESS established an unspecified "Best in Class" partnership with IHC for future business, a partnership hailed in the same press release by ESS's CEO Peter Harris. The ESS executive named to manage that new relationship, according to the same press release, was Andy Siewert.

FOX News has since discovered other, questionable ties between the two companies. On Oct. 7, FOX News revealed that in 2003, just days before the U.N. was to formally decide on the winner of a \$62 million food contract for peacekeepers in Liberia, Ezio Testa, the CEO of IHC, had emailed highly confidential U.N. information on the bid to Siewert, who is also named by food industry insiders as the company's chief liaison officer with the United Nations procurement department. The information in Testa's e-mail was supposedly protected by a foolproof U.N. bidding process and was for designated U.N. officials only. ESS was later named the winner of the contract.

Last week, the United Nations formally asked ESS to explain why this unauthorized information was in corporate hands, and why the world organization was not immediately told about it when the secret information arrived. ESS has so far offered no reply, according to a U.N. spokesman.

IHC is close to the center of the United Nations procurement scandal that first began to come to light on June 20, 2005, when [FOX News revealed](#) that the company had hired the son of **Alexander Yakovlev** ([search](#)), a United Nations procurement officer, in contravention of U.N. conflict-of-interest rules. At the time, IHC was supplying the U.N. with \$1.8 million worth of portable generators in a contract negotiated and managed by Yakovlev. FOX News also revealed that Yakovlev had established a secret Caribbean bank account. Two days later, Yakovlev resigned.

He was arrested by U.S. authorities on August 9 and pleaded guilty to corruption, wire fraud and money laundering; he is now cooperating with federal authorities. According to the Volcker committee investigating the multibillion -dollar **Oil for Food** ([search](#)) scandal, investigators discovered nearly a million dollars worth of bribes in Yakovlev 's bank account, related to some \$79 million in U.N. contracts.

Yakovlev, as it happens, also was the U.N. procurement officer on the controversial \$62 million food contract for Liberian peacekeepers that was won by ESS, and on many other peacekeeping food contracts.

Since 2000, ESS has won food contracts via the U.N. procurement department with U.N. peacekeeping forces in places such as East Timor, Liberia, Burundi, Eritrea, Lebanon, Cyprus and Syria. The company recently won an additional contract to fee the expanding peacekeeper force in Sudan. U.N. officials estimate the total value of current peacekeeping contracts with ESS at more than \$237 million. Including optional renewals and add -ons, the total could run as high as \$351 million.

The closing documents for the sale of IHC Services obtained by FOX News still leave many questions unanswered about the firm's new owners. The entire deal took place within a network of secretive companies based in Luxembourg, the British Virgin Islands, and the British offshore tax haven of Guernsey, and was structured in a way that keeps the ultimate identities of both the new and old owners secret.

Even while he is named as a director of Strategic International Alliance Limited and its authorized representative for the compensation of IHC's CEO, it is not clear that Peter Harris — whoever he may prove to be — is among the new owners.

From the documents, it appears that Strategic International Alliance Limited is an offshore shell company, based in the British Virgin Islands and with representative offices in another haven of corporate anonymity, the British Channel Isle of Guernsey. Strategic International is in turn owned by another company, **Oak Directors Limited** ([search](#)), of unknown registry and ownership.

Approval of the IHC purchase "for and behalf of Oak Directors Limited" is contained on a [certificate \(pdf\)](#) signed by individuals named Mark Courtney Chasey and David Michael Willis, with no other designation. It is not known whether they are owners, directors, trustees or other types of officials. Mark Chasey 's name is also listed at the principal address given for Strategic International Alliance Limited in Guernsey. A FOX News fax to Chasey at that address, asking for clarification of his role in that company and in Oak Directors Limited, went unanswered.

To make the deal even murkier, FOX News has discovered British Virgin Island [registry documents \(pdf\)](#) that change the name of Strategic International Alliance Limited to Alliance Investment Development Ltd., effective June 2, 2005 — the day before the IHC sale.

What UN and federal investigators probing the procurement scandal know about the complex deal is also a mystery.

*George Russell is Executive Editor of Fox News. Claudia Rosett is journalist -in-residence with the Foundation for the Defense of Democracies*

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