

**Security Council**

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**Note verbale dated 29 April 2011 from the Permanent Mission of Iraq to the United Nations addressed to the President of the Security Council**

The Permanent Mission of Iraq to the United Nations presents its compliments to the Office of the President of the Security Council of the United Nations and has the honour to attach herewith a letter from Hoshyar Zebari, Minister for Foreign Affairs of Iraq, dated 28 April 2011, and the enclosure thereto, a report of the Government of Iraq regarding the transition to the successor arrangements of the Development Fund for Iraq in accordance with paragraph 4 of Security Council resolution 1956 (2010) for distribution to the members of the Security Council (see annex).



**Annex to the note verbale dated 29 April 2011 from the Permanent Mission of Iraq to the United Nations addressed to the President of the Security Council**

[Original: Arabic]

I would like to refer to Security Council resolution 1956 (2010), paragraph 4, in which it is requested that the Government of Iraq provide a written report to the Council no later than 1 May 2011 on progress towards the transition to a post-Development Fund mechanism.

I have the pleasure to transmit to you herewith a report of the Government of Iraq that includes measures designed to achieve, by 30 June 2011 at the latest, a full and effective transition to a post-Development Fund mechanism that will enable Iraq to fulfil the requirements set forth in Security Council resolution 1483 (2003), paragraph 21 (see enclosure).

I should be grateful if you would have the present letter and its enclosure circulated to the members of the Security Council without delay.

*(Signed)* Hoshyar **Zebari**  
Minister for Foreign Affairs of Iraq

## Enclosure

### **Report of the Government of Iraq pursuant to Security Council resolution 1956 (2010) on transition to a post-Development Fund mechanism**

[Original: Arabic]

1. Pursuant to Security Council resolution 1956 (2010), paragraph 4, in which it is requested that the Government of Iraq provide a written report to the Council no later than 1 May 2011 on progress towards the transition to a post-Development Fund mechanism, we should like to inform the Security Council that the Government of Iraq has completed the arrangements that will ensure full and effective transition to such a mechanism. Those measures include the following:

- (a) The post-Development Fund mechanism;
- (b) Arrangements for the external auditing of accounts;
- (c) Deduction of the 5 per cent compensation percentage or any other lesser percentage;
- (d) Settlement of the foreign debts of Iraq.

2. With respect to the post-Development Fund mechanism, the Government of Iraq has decided that after 30 June 2011, it will continue to use the same mechanisms for the Development Fund for Iraq, including the following:

(a) After 30 June 2011, the Government of Iraq will continue to operate the Oil Proceeds Receipts Account that is held by the Central Bank of Iraq in order to receive revenues from the export of oil, oil derivatives and gas;

(b) In replacement of the Development Fund for Iraq account, a new account will be opened in the name of the Government of Iraq, to be held by the Central Bank of Iraq at the Federal Reserve Bank, and transfer will be made to that new account of all the financial assets currently held in the Development Fund for Iraq and any other Iraqi Government assets, including those referred to in Security Council resolution 1483 (2003), paragraph 23, the work of the 1518 Committee will be continued until such time as pertinent issues are resolved;

(c) Beginning 1 July 2011, 95 per cent of the funds held in the Oil Proceeds Receipts Account referred to in paragraph (a) above will be transferred to the account referred to in paragraph (b) above;

(d) Five per cent or any other subsequently determined lesser percentage will continue to be transferred from the Oil Proceeds Receipts Account referred to in paragraph (a) above to the United Nations Compensation Fund account, using the same name, number and mechanism that were established pursuant to Security Council resolution 1483 (2003).

3. With regard to arrangements for the external auditing of accounts, the international audit firm PricewaterhouseCoopers was appointed to audit Development Fund for Iraq accounts for 2010 according to the recommendation of the International Advisory and Monitoring Board and the Committee of Financial Experts. The aforementioned firm presented its preliminary report at a meeting of the International Advisory and Monitoring Board that was held in Geneva on 6 and

7 January 2011, and will present its draft final report at an International Advisory and Monitoring Board meeting that is to be held in Paris on 27 and 28 April 2011.

4. With the approval of the International Advisory and Monitoring Board and in coordination with the Committee of Financial Experts, an announcement of request for proposals for Development Fund for Iraq and successor accounts audit for 2011 was made and proposals were received from the following international big four firms to audit Development Fund for Iraq accounts to 30 June 2011 and the successor account to 31 December 2011:

- (a) Ernst & Young;
- (b) PricewaterhouseCoopers;
- (c) KPMG;
- (d) Deloitte.

5. The proposals submitted were considered and analysed and were presented with recommendations to the International Advisory and Monitoring Board for its opinion on those recommendations and the selection of a suitable auditor. Once the external auditor has been selected, it will submit a preliminary report to the International Advisory and Monitoring Board before it concludes its mandate. The final report on the accounts will be received by the Committee of Financial Experts. As for successor arrangements, the Committee of Financial Experts will replace the International Advisory and Monitoring Board with effect from 1 July 2011, and the accounts referred to in paragraph 2 (b) above will be supervised by that Committee of Financial Experts. All the oversight authorities of the International Advisory and Monitoring Board will be transferred to the Committee of Financial Experts, which will exercise those authorities in accordance with its terms of reference approved by the Council of Ministers.

6. Concerning the deduction of the 5 per cent compensation percentage or any other lesser percentage, the Government of Iraq has decided to continue to use the same mechanism that was adopted under the Development Fund for Iraq, because that mechanism is transparent and will ensure that Iraq is able to continue to meet its obligations, as provided for in Security Council resolution 1483 (2003), paragraph 21. With regard to Security Council resolution 1956 (2010), paragraph 3, concerning proceeds from in kind payments of export sales of petroleum, petroleum products and natural gas, the United Nations Secretariat will be consulted with a view to finding a transparent mechanism to ensure that 5 per cent or any other lesser percentage of such payments is deducted and deposited to the United Nations Compensation Fund.

7. Iraq will continue its serious attempts to settle its foreign debts in accordance with the Paris Club agreement that was signed in November 2004.