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Crucial Elements of New Export-Revenue Mechanism for Iraq Still Lacking, United Nations Controller Says in Briefing to Security Council

Despite progress, crucial elements still needed to be put in place for an Iraqi national mechanism to replace the fund that funnels the country's export revenues towards development needs and international obligations, Jun Yamazaki, United Nations Controller, told the Security Council this morning.

Mr. Yamazaki expressed particular concern that an oil-metering system was behind schedule, delaying the determination of the total amount of oil subject to a 5 per cent contribution to the mechanism intended to replace the Development Fund for Iraq. "I strongly urge full and timely implementation of the comprehensive oil-metering system that was initially envisaged by the Government of Iraq," he said, noting that the system was scheduled to become fully operational by the end of 2011, except for one State company, the metering of which would be completed by 2012.

The Council established the Fund in May 2003, following the United States-led invasion of Iraq, to facilitate the payment of oil, gas and other revenues and their disbursement for humanitarian needs and economic reconstruction. It replaced the previous "oil-for-food" programme, which had allowed the country's previous sanctions-bound Government to use some oil revenues for the monitored purchase of humanitarian supplies. (See Press Release [SC/7765](#) of 22 May 2003)

In December 2009, the Council extended for one year the mandates of the Fund and its auditing body, the International Advisory and Monitoring Board (IAMB), at the request of the Iraqi Government, to allow time for the establishment of a successor mechanism. It also requested the Government, through the head of the Council of Financial Experts, to report quarterly to the Council on progress made in the transition. The latest report is contained in document S/2010/365.

In his presentation today, Mr. Yamazaki said IAMB had agreed at its April meeting to the auditing arrangement with PricewaterhouseCoopers that the Government had recommended for 2010, and he was pleased that it would follow the same selection procedure in 2011. It was understood that the Government would continue to select an independent international auditor to be responsible for auditing the successor entity beyond the next year as well, he added,

expressing satisfaction with the Government's continuing efforts to establish banking arrangements that would ensure that the required percentage of revenues from oil and gas exports would be deposited automatically into the successor entity.

He stressed that it had been understood that the privileges and immunities enjoyed by the Development Fund would only be valid for a limited period. As for remaining letters of credit with outstanding claims of delivery, he said the Government had not yet received the confirmation of arrival documents required to enable the Secretariat to process payments to the respective beneficiaries. Without those documents, he said, the Council had the option of cancelling the remaining letters of credit, subject to the Government providing a comprehensive indemnity with regard to all activities of the Organization, as well as its representatives and agents in connection with the oil-for-food programme.

Following Mr. Yamazaki's presentation, Abdul Basit Turki Saed, Head of the Committee of Financial Experts, provided an update on the Iraqi Government's recent steps to fulfil the requirements of resolution 1905 (2009), saying that the ministerial committee formed by the Council of Ministers to review all outstanding letters of credit from the oil-for-food programme had carried out a review and decided to pay out 26 of them.

Regarding debts inherited from the previous regime, the Minister of Finance had sent confirmation letters to his counterparts in non-Paris Club States who had yet to respond to calls for debt settlement, he said. Since then, the Government of Pakistan had expressed its desire to restructure Iraq's debt, and negotiations with Brazil and Poland had begun in June. Three commercial creditors in the United Kingdom — Mass Property and Investment Ltd., Universal Plant & Machinery Ltd. and Millars Project Ltd. — had stated their interest in buying debt, he said.

He said the Iraqi Government had proved its seriousness about finalizing issues concerning commercial creditors who had yet to register their claims, as well as a legal agreement on a package deal with the concerned State, to be approved by the Iraqi legal authorities, on receiving compensation after the lifting of immunities protecting Iraqi funds. On progress towards strengthening financial and administrative control over the Development Fund, he said the Government's 41 ministries had completed structural charts and presented them to the Council of Ministers for approval.

The Ministry of Finance had gathered the financial and administrative instructions into a manual and would distribute them to all State entities for implementation in July, he continued. It intended to set up a database on frozen Iraqi assets, and a high-level committee formed to follow up on Iraqi funds abroad had obtained a court order to recover funds in France and Switzerland, he said. The adoption of a new mechanism to succeed the Fund would enable the Iraqi Government to ensure that the proceeds from oil export sales went to their intended purpose of benefiting the Iraqi people, he said.

At the opening of the meeting, Council members observed a minute of silence in commemoration of the fifteenth anniversary of the Srebrenica massacre.

The meeting began at 10:15 a.m. and ended at 10:38 a.m.

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