



Security Council

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Seventh report of the Secretary-General pursuant to paragraph 6 of resolution 1956 (2010)

I. Introduction

1. The present report is submitted pursuant to paragraph 6 of Security Council resolution 1956 (2010), in which the Council requested me to provide written reports on an ongoing basis to the Council every six months about the United Nations Compensation Fund, with effect from 1 January 2012, evaluating the continued compliance with the provisions of paragraph 21 of resolution 1483 (2003), which requires Iraq to deposit 5 per cent of the proceeds from export sales of petroleum, petroleum products and natural gas into the Fund. The present seventh report covers the developments since the issuance of my sixth report ([S/2014/422](#)) on 18 June 2014.

II. Developments

2. In its authority over the arrangements for ensuring that payments are made to the Compensation Fund, the Governing Council of the United Nations Compensation Commission has continued to actively monitor deposits into the Fund. The Commission secretariat has also continued to engage with the Iraq Committee of Financial Experts, the oversight body for the control, reporting and use of Iraqi oil revenues.

3. The Compensation Commission secretariat held meetings with the Iraq Committee of Financial Experts in Ankara on 26 August 2014 and in Geneva on 1 October 2014. During those meetings, the Head of the Committee reiterated the continued commitment of Iraq to complying with applicable United Nations resolutions and paying the outstanding compensation in full. With regard to the obligation to deposit the equivalent of 5 per cent of non-monetary payments of petroleum, petroleum products and natural gas made to service providers under resolution 1956 (2010), an additional amount of \$268.2 million has been deposited into the Fund in relation to such transactions since my previous report. This has brought the total deposited in relation to non-monetary payments to \$1.08 billion since the Committee assumed oversight of Iraq's oil revenues in July 2011.

4. The average monthly income accruing to the Compensation Fund for the year to date is approximately \$351.2 million, with quarterly payments of compensation awards continuing to average in excess of \$1 billion. Since my previous report to



the Security Council, the Compensation Commission has made two payments to Kuwait totalling \$2.25 billion; the first was made on 24 July 2014 and the second on 23 October 2014. The overall amount of compensation paid to date by the Commission is \$47.8 billion, leaving approximately \$4.6 billion outstanding to be paid to Kuwait to settle the last remaining claim.

5. The Governing Council held its seventy-eighth session on 2 and 3 October 2014. At the opening plenary meeting, the delegation of Iraq, which included the Head of the Iraq Committee of Financial Experts, reaffirmed the commitment of that country to meeting its obligations under relevant Security Council resolutions. In its conclusion on the issue of arrangements for ensuring that payments were made to the Compensation Fund, the Governing Council noted its continued satisfaction with the transfer of 5 per cent of Iraq's oil revenues and the equivalent of 5 per cent of the value of non-monetary payments to the Fund and expressed its appreciation to Iraq for its continued commitment, especially given the extremely difficult security circumstances in that country.

6. Subsequently, the Governing Council held a special session on 18 December 2014 to consider a request from the Government of Iraq for a temporary postponement of the deposits of oil proceeds into the Compensation Fund. In that regard, it is recalled that, in Security Council resolution 1956 (2010), the Council provides for those deposits to continue unless the Government of Iraq and the Governing Council of the United Nations Compensation Commission, in the exercise of its authority over the methods of ensuring that payments are made into the Compensation Fund, decide otherwise.

7. Noting the extraordinarily difficult security circumstances in Iraq and the unusual budgetary challenges associated with confronting that issue, and welcoming Kuwait's support for a temporary postponement, the Governing Council adopted decision 272 (2014), in which it postponed until 1 January 2016 the requirement that Iraq deposit into the Compensation Fund 5 per cent of the proceeds from all export sales of petroleum, petroleum products and natural gas and 5 per cent of the value of any non-monetary payments of petroleum, petroleum products and natural gas made to service providers. Payments of compensation to settle the outstanding claims will resume in 2016, in accordance with the payment mechanism set out in Governing Council decision 267 (2009). In adopting that decision, the Governing Council emphasized the importance of Iraq fulfilling its obligations and completing payment of the outstanding claims in a timely manner.

8. With regard to the issue of export sales of oil from the Kurdistan Region, I welcome the recent progress made between the federal Government of Iraq and the Kurdistan Regional Government and encourage the parties to continue to work together to ensure that, following the resumption of deposits under Governing Council decision 272 (2014) on 1 January 2016, 5 per cent of all export sales of petroleum, petroleum products and natural gas from Iraq will be deposited into the Compensation Fund.

9. Owing to the security challenges in Iraq, the audit report on the financial statements for the Development Fund for Iraq and its successor account, covering the period from 1 January to 31 December 2013, has not yet been issued. A review of the draft audit report, however, suggests that, with the exception of the Kurdistan oil exports, there are no issues that have affected revenue accruing to the Compensation Fund.

10. In conclusion, I would like to echo the sentiments of the Governing Council and emphasize the importance of completing payment of the outstanding claims in a timely manner. I also would like to express my appreciation to the Government of Iraq for its commitment in the face of very difficult circumstances and to acknowledge the Iraq Committee of Financial Experts for its continued cooperation with the Compensation Commission.
