



Security Council

Distr.: General
14 December 2012

Original: English

Third 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, with the first report due no later than 1 January 2012, about the United Nations Compensation Fund, evaluating the continued compliance with the provisions of paragraph 21 of resolution 1483 (2003). This third report covers the developments following the issuance of my second report (S/2012/508) on 29 June 2012.

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 developments following the expiration of the mandate of the International Advisory and Monitoring Board for Iraq on 30 June 2011 and the transfer of the oversight of the control, reporting and use of Iraqi oil export revenues to the Iraq Committee of Financial Experts.

3. The Governing Council held its seventy-fourth session from 27 to 29 November 2012. In its conclusion on the issue of arrangements for ensuring payments that would be made to the Compensation Fund, the Governing Council noted the commitment of Iraq to meeting its obligations and expressed its satisfaction with the continued transfers of 5 per cent of the oil revenues of Iraq to the Compensation Fund under the oversight of the Iraq Committee of Financial Experts. The Council also directed the Compensation Commission secretariat to continue to engage with the Committee to ensure the continued 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 Compensation Fund.

4. The average monthly income to the Compensation Fund since July 2012 has been approximately \$386 million as compared with \$368 million for the first half of the year. Since the last report, the Compensation Commission has made two payments to Kuwait totalling almost \$2.4 billion; the first was made on 26 July 2012 and the second on 25 October 2012. The overall amount of compensation made available to date by the Commission is \$38.8 billion. Approximately \$13.6 billion



remains outstanding with respect to two oil sector claims which were awarded compensation for damages to Kuwait's oilfield assets (oil wells, pipelines and related equipment) and associated production and sales losses. Based on current levels of income to the Fund and recent projections, it is still estimated that the Commission will pay the outstanding balance in full by April 2015.

5. The audit report on the financial statements for the Development Fund for Iraq and the successor account covering the period from 1 January to 31 December 2011 was signed on 26 June 2012. Although the Government of Iraq is making progress with regard to the installation of oil metering systems, the audit report contains a qualified opinion, as the auditors, Ernst and Young, were not able to reliably determine the volume of all quantities extracted and pumped to export terminals in the absence of a comprehensive metering system.

6. While noting the issues raised in the audit report, based on current levels of income to the Compensation Fund and the Governing Council's satisfaction therewith, I am pleased to note that the Government of Iraq remains committed to complying with its obligations under paragraph 21 of resolution 1483 (2003).

7. I would like to conclude by expressing my ongoing appreciation to the Government of Iraq and the Iraq Committee of Financial Experts for their continued cooperation with the Compensation Commission.
