

DEVELOPMENT FUND FOR IRAQ AND SUCCESSOR
ACCOUNT
FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2019

Development Fund for Iraq and Successor Account
Financial statements for the year ended
31 December 2019

	<u>Page</u>
Independent auditors' report	-
Statement of cash receipts and payments	1
Statement of proceeds of oil exports sales	2
Notes to the financial statements	3-14

**INDEPENDENT AUDITORS' REPORT
TO GOVERNMENT OF IRAQ AND COMMITTEE OF FINANCIAL EXPERTS OF THE
DEVELOPMENT FUND FOR IRAQ AND SUCCESSOR ACCOUNT
Baghdad – Iraq**

Qualified Opinion

We have audited the accompanying financial statements of the Development Fund for Iraq and successor account ("DFI"), which comprise the statement of cash receipts and payments and the statement of proceeds of oil export sales for the year ended 31 December 2019, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the basis for qualified opinion below, the accompanying financial statements for the year ended 31 December 2019 present fairly, in all material respects, in accordance with the International Public Sector Accounting Standard (IPSAS) "Financial Reporting under the Cash Basis of Accounting".

Basis for Qualified Opinion

- As explained in note (4) to the financial statements, the Ministry of Oil did not receive production reports from Kurdistan region during the year ended 31 December 2019. The Ministry of Oil received reports, which included only the quantities pumped in the pipelines. Accordingly, we were not able to satisfy ourselves regarding the produced oil quantities during the year 2019 in Kurdistan region and the impact of this on the accompanying financial statements.
- As explained in note (4) to the financial statements, the crude oil shipments lifted by the international oil companies in accordance with their service contracts during the year ended 31 December 2019 totaled to U.S. \$ 10.8 billion (year ended 31 December 2018: U.S. \$ 10.9 billion) were not included as part of total export sales of petroleum in the statement of proceeds of oil export sales. These lifted quantities were not collected in cash and were not deposited at the Oil Proceeds Receipt Account (OPRA) during the year ended 31 December 2019. A committee was formed which was chaired by the Ministry of Finance and membership of Central Bank of Iraq and Ministry of Oil to determine a suitable mechanism to ensure the payment of amounts due to OPRA in respect of the crude oil shipments lifted by the international oil companies. The Committee decided that the CBI would transfer the full value of oil lifted from DFI account to OPRA; however, no transfers were made during the year ended 31 December 2019.
- As explained in note (4.7) to the financial statements, sales of crude oil to finance Majnoon field were not recorded and deposited in the statement of cash receipts and payments, rather the funds were deposited at Trade Bank of Iraq account of Basrah Oil company. The value of quantities of oil sales for Majnoon oil field amounted to U.S. \$ 372 million during the year ended 31 December 2019 (31 December 2018: U.S. \$ 472 million).

- As explained in note (5) to the financial statements, and according to the United Nation Security Council Resolution order number 1483 for (2003), all member states of the UN in which there are funds or other financial assets or economic resources (collectively referred to as 'the frozen funds') of the former Iraqi regime or its state bodies, corporations, or agencies, located outside Iraq as of the resolution date shall freeze the frozen funds and transfer it directly to DFI. The frozen funds of the former Iraqi regime are still held by various member states, which the Government of Iraq is actively pursuing. The Government of Iraq cannot reliably estimate the amount of the frozen funds that may eventually be transferred to DFI, as some of these frozen funds are subject to prior judicial, administrative or arbitral lien or judgment; therefore, we were unable to determine whether all proceeds from the frozen funds have been received by DFI or any proceeds have also been remitted to other Government bodies.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards, are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of DFI in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Iraq, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of matter - Basis of accounting and restriction on use

We draw attention to note (2) to the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the International Public Sector Accounting Standard (IPSAS) "Financial Reporting under the Cash Basis of Accounting" to assist the Government of Iraq and the Committee of Financial Experts. As a result, the financial statements may not be suitable for another purpose. Our auditor's report is intended solely for the information and use of the Government of Iraq and the Committee of Financial Experts and should not be used by any other parties. Our opinion is not further modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Public Sector Accounting Standard (IPSAS) "Financial Reporting under the Cash Basis of Accounting", and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing DFI's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate DFI or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing DFI's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of DFI's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on DFI's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause DFI to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



8 March 2021

Mustafa Fouad Abbas & Co.

(A Member Firm of Ernst & Young Global Limited)

Baghdad - Iraq



Development Fund for Iraq and Successor Account
Statement of Cash Receipts and Payments
For the year ended 31 December 2019
In Thousand U.S. Dollars

	Notes	31 December 2019	31 December 2018
Cash receipts			
Sales of oil exports	4	66,506,461	72,559,307
Domestic oil sales	5	244,940	-
Proceeds from frozen assets in foreign countries	6	-	3,937
Interest received	7	241,496	164,976
Loans received	8	6,500	1,448
Other receipts	9	234,883	245,130
Total cash receipts		<u>67,234,280</u>	<u>72,974,798</u>
Cash payments			
Transfers to the Ministry of Finance (MOF)	10	73,725,000	64,175,074
Other payments	12	79,722	40
Total cash payments		<u>73,804,722</u>	<u>64,175,114</u>
(Deficit) Surplus in cash and cash equivalents		(6,570,442)	8,799,684
Cash and cash equivalents as at 1 January		<u>6,148,039</u>	<u>(2,651,645)</u>
Cash and cash equivalents as at 31 December*	13	<u>(422,403)</u>	<u>6,148,039</u>

* Cash and cash equivalent for the year ended 31 December 2019 appeared in contrary to its nature due to excluding loans that were funded for the purpose of covering the deficit in the statement of cash receipts and payments, which include payments from the International Monetary Fund loan and the Trade Bank of Iraq (TBI) loan that was signed with Government of Iraq and as shown in note (13).



Saher Hadi Hameed

General Manager of the Accounting Determent

Ministry of Finance



Ali Abdul Amir Allawi

Minister of Finance

Ministry of Finance

Development Fund for Iraq and Successor Account
Statement of Proceeds of Oil Export Sales
For the year ended 31 December 2019
In Thousand U.S. Dollars

	<u>Notes</u>	<u>31 December 2019</u>	<u>31 December 2018</u>
Total sales of oil during the year as reported by SOMO	4	67,437,074	72,849,453
Add:			
Sales made in the previous year and collected in the current year		6,743,000	6,854,652
Interest on delayed bank transfers		347	208
Less:			
Demurrage claims deducted from sales invoices		(15,327)	(43,085)
Proceeds deposited in Oil Proceeds Receipts Account after end of year		<u>(6,645,844)</u>	<u>(6,737,302)</u>
Total Proceeds deposited in Oil Proceeds Receipts Account during the year		<u>67,519,250</u>	<u>72,923,926</u>
Amounts transferred to the United Nation Compensation Fund	4.5	<u>(1,012,789)</u>	<u>(364,619)</u>
Net proceeds from sales of oil exports deposited in the Development Fund for Iraq		<u>66,506,461</u>	<u>72,559,307</u>

The accompanying notes from 1 to 16 are part of these financial statements and should be read with them

Development Fund for Iraq and Successor Account
Notes to The Financial Statements
For the year ended 31 December 2019
In Thousand U.S. Dollars

1. GENERAL

The United Nation Security Council Resolution (UNSCR) 1483 (2003), which was adopted by the Security Council on 22 May 2003, has called for the incorporation of the Development Fund for Iraq (DFI) to administer proceeds from all the export sales of petroleum and petroleum products in Iraq, remaining funds from Oil for Food Program, and proceeds from frozen assets seized from the previous regime. DFI was placed under the control and administration of the former Coalition Provisional Authority (CPA).

UNSCR 1483 also called for the appointment of an International Advisory Monitoring Board (IAMB), to promote transparency and financial accountability of DFI.

Under UNSCR 1546, the Security Council and the CPA resolution number 100 terminated the CPA and transferred control to Interim Government of Iraq on 28 June 2004 and subsequently to the Transitional Government of Iraq and currently to the Government of Iraq.

DFI consists of bank accounts held with the Federal Reserve Bank of New York (FRBNY), which are managed by the Central Bank of Iraq (CBI) on behalf of the Iraqi Ministry of Finance (MOF) as well as MOF's successor account No. 300600 at the CBI which was opened on 27 May 2014. DFI has sub-account at the FRBNY, which is managed by the U.S. Agencies and monitored by the Iraqi MOF. The Purpose of this sub-account is to facilitate disbursements for contracts signed by the former CPA requiring payment subsequent to 28 June 2004.

The U.S. Agencies include the Joint Contracting Command-Iraq (JCC-I), Project and Contracting Office (PCO), Iraq Reconstruction Management Office (IRMO), the Joint Area Support Group-Central (JASG-C) Comptroller, DFI Disbursing Office, the Defense Contracts Management Office, the U.S. Army Corps of Engineers and Coalition Forces. U.S. Agencies management of DFI sub-account expired on 31 December 2006.

The DFI sub-account is closed at 15 July 2014 and its balance transferred to MOF's successor account number 300600 at the CBI.

In accordance with UNSCR 1483 (2003), 95% of the proceeds from export sales of petroleum, petroleum products and natural gas from Iraq are to be deposited in DFI. Furthermore, all Member States are obligated to freeze and transfer funds and other financial assets of the former Iraqi regime to DFI. In addition, surplus funds from the Oil for Food program, established by UNSCR 986 (1995), are to be transferred to DFI.

The Republic of Iraq's Council of Ministers resolved in its twenty third meeting held on 19 October 2006 to form Committee of Financial Experts (COFE) to take over the tasks of the IAMB in monitoring DFI upon the termination of the IAMB by 31 December 2007. COFE is headed by the president of the Federal Board of Supreme Audit (FBSA) and membership of two independent experts. COFE is responsible directly to the Council of Ministries. On 30 June 2011, COFE took over the tasks of the IAMB in monitoring DFI.

The Republic of Iraq's Council of Ministers decided in their resolution number 82 of 2014 dated 18 November 2014 to extend the duties of Mr. Abdul Basit Turki Saeed, former chairmen of FBSA, in chairing the COFE till finalizing the works of the Committee of Compensation Fund.

Development Fund for Iraq and Successor Account
Notes to The Financial Statements
For the year ended 31 December 2019
In Thousand U.S. Dollars

1. GENERAL (cont'd)

The UNSCR 1905 (2009) extended on the arrangements established in paragraph 20 of resolution 1483 (2003) for the depositing into DFI of proceeds from sales of export oil and petroleum products and the arrangements referred to in paragraph 12 of resolution 1483 (2003) and paragraph 24 of resolution 1546 (2004) for the monitoring of DFI by the IAMB and further decided that, subject to the exception provided for in paragraph 27 of UNSCR 1546 (2004), the provisions of paragraph 22 of UNSCR 1483 (2003) shall continue to apply until 31 December 2010, with respect to funds and financial assets and economic resources described in paragraph 23, taking into consideration the exception mentioned in paragraph 27 of UNSCR 1546 (2004) in this regard.

The UNSCR 1956 (2010) also affirmed that the requirement established in paragraph 21 of UNSCR 1483 (2003) that 5% of the proceeds from all export sales of petroleum, petroleum products and natural gas shall be deposited into the Compensation Fund established in accordance with resolution 687 (1991) shall continue to apply.

The UNSCR 1956 (2010) extended the arrangements mentioned in the previous paragraph to 30 June 2011. After this date, these arrangements will become ineffective and Iraq will have to make the final arrangements to succeed DFI and IAMB.

On 27 May 2014, the president of the United States issued a resolution to stop the American protection on DFI, as a result the Government of Iraq has set a new mechanism to transfer the oil revenues on a daily basis from OPRA to the CBI 2 account in the FRBNY, and thereafter transfer the amounts deposited in the CBI 2 account to the Ministry of Finance U.S. \$ account at the CBI (Successor account number is 300600).

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Public Sector Accounting Standard (IPSAS) "Financial Reporting under the Cash Basis of Accounting".

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in previous years.

The accompanying financial statements have been prepared for the Government of Iraq and COFE purposes and should not be used for any other purposes.

The financial statements have been presented in United States Dollars (U.S. \$), which is the functional currency of DFI. All amounts in the financial statements are in thousands of U.S. Dollars unless indicated otherwise.

The financial statements for the year ended 31 December 2019 have been approved by MOF on 8 March 2021.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances and overnight placements.

3.2 Cash receipts

Cash receipts are recorded in CBI when cash are deposited in DFI bank accounts at the FRBNY.

Development Fund for Iraq and Successor Account
Notes to The Financial Statements
For the year ended 31 December 2019
In Thousand U.S. Dollars

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.3 Cash payments

Cash payments are recorded when payments are transferred to MOF.

3.4 Taxation

DFI is not subject to any type of taxation in Iraq.

4. SALES OF EXPORTED OIL

4.1 Allocation of sales of exported oil, petroleum products, and natural gas in accordance with UNSCR 1483.

According to the UNSCR 1483, which was adopted by the UNSCR on 22 May 2003, all export sales of exported oil, petroleum products, and natural gas from Iraq following the above resolution date adoption shall be deposited into an Oil Proceeds Receipt Account (OPRA) held with the FRBNY and immediately thereafter, 95% is required to be deposited in DFI at the FRBNY and the remaining 5% is required to be deposited in the United Nations' Compensation Fund as established by UNSCR 687 (1991) and the subsequent relevant resolutions. Subsequently, the United Nation Compensation Commission Board issued Resolution No. 276 of 2017, in which the compensation portion of the United Nations was adjusted to 1.5% during 2019 and 0.5% during 2018 instead of 5%. Receipts from the exported oil sales deposited into oil sales collection during the year ended 31 December 2019 amounted to U.S. \$ 66.50 billion (31 December 2018: U.S. \$72.55 billion).

4.2 Sales of exported petroleum products

Cash received from exported sales of petroleum products during the year ended 31 December 2019 amounted to U.S. \$ 1.5 billion (from inception to 31 December 2019: U.S. \$ 6.24 billion) were not deposited into OPRA and were not reported in DFI's financial statements. These funds were deposited in bank accounts controlled by SOMO and then recorded as revenues in the public treasury.

4.3 Oil production reports from Kurdistan Region

The Ministry of Oil did not receive production reports from Kurdistan region during the year ended 31 December 2019. The Ministry of Oil received reports include the quantities pumped in the pipelines; however, any information about production quantities related to Kurdistan Region during the year ended 31 December 2019 was not included.

4.4 Ceasing of the 5% deduction related to the United Nations Compensation Fund

United Nations Compensation Commission issued Resolution No. 272 of 2014 and 273 of 2015 to cease the 5% deduction from the sales of exported oil, which belongs to the United Nations compensation fund for the period from 1 October 2014 to 31 December 2016, and to resume the deduction starting from the year 2017. The suspension was extended for a period of one year in accordance with the United Nations Compensation Commission Board Resolution No. 274 of 2016. The total remaining amount of undeducted compensation amounted to U.S. \$ 4.6 billion for the years ended 31 December 2015, 2016, and 2017, and to resume the deduction at the beginning of 2018.

Development Fund for Iraq and Successor Account
Notes to The Financial Statements
For the year ended 31 December 2019
In Thousand U.S. Dollars

4. EXPORT SALES OF PETROLEUM AND PETROLEUM PRODUCTS (cont'd)

4.5 Recommence depositing into Compensation Fund

The Board of Directors of the United Nations Compensation Commission issued Resolution No. 276 of 2017 to resume the deposits in the Compensation and Payments Fund towards the pending Compensation for the years 2015, 2016, and 2017. It was decided by the commission to deposit the following percentages from the revenues of all sales of oil exports, petroleum products and natural gas and from the value of in-kind payments of oil, petroleum products and natural gas granted to service providers in the Compensation Fund:

Period	Percentage
1 January 2018 to 31 December 2018	0.5%
1 January 2019 to 31 December 2019	1.5%
1 January 2020 until full payment of compensation	3%

During 2019, compensation amounts for in-kind payments represented by crude oil shipments loaded by international oil companies operating in Iraq under the service contracts were not deposited. The total amount of shipments loaded during the year ended 31 December 2019 was U.S. \$ 10.8 billion (31 December 2018: U.S. \$ 10.9 billion)

4.6 Oil Shipments loaded by International Oil Companies (IOC's) and amounts transferred by the CBI to OPRA

Crude oil shipments loaded by the IOCs working in Iraq during the year ended on 31 December 2019 (in accordance with their service contracts) were not included as part of total sales of exported oil in the statement of proceeds of oil export sales since these proceeds will not be collected in cash. A committee was formed which was chaired by MOF and membership of CBI and Ministry of Oil to determine a suitable mechanism to ensure the payment of amounts due to the OPRA in respect with the crude oil shipments loaded by the IOCs operating in Iraq. The Committee decided that the CBI would transfers the full value of oil lifted from DFI account to OPRA.

During 2016, this work mechanism was discontinued, and the CBI did not make any transfers during the year ended 31 December 2019.

4.7 Crude oil sales to finance Majnoon field

According to Council of Ministers Resolution No. 80 of 2018, which stipulates that the Majnoon oil field development work entrusted with the national effort to Basra Oil Company (BOC) to implement development plans with the same standards and methods applicable to licensing tour companies. Given the lack of cash, it was decided that SOMO sells quantities of crude oil and deposits the funds in BOC's account at TBI. Sales of crude oil to finance Majnoon field were recorded as sales of service contracts; therefore, it was not included in the list of collected sales of exported oil. The value of quantities of oil sales for Majnoon oil field amounted to U.S. \$ 372 million during the year ended 31 December 2019 (31 December 2018: U.S. \$ 472 million).

Development Fund for Iraq and Successor Account
Notes to The Financial Statements
For the year ended 31 December 2019
In Thousand U.S. Dollars

4. EXPORT SALES OF PETROLEUM AND PETROLEUM PRODUCTS (cont'd)

4.8 Swap sales contract with Iran

During 2018, SOMO signed an agreement to exchange crude oil with Iran. One shipment of crude oil was supplied to Iran, then this agreement was suspended after the US sanctions on Iran. The value of this shipment amounted to U.S. \$ 60.38 million, which was considered as a payment for the Iraqi Ministry of Electricity dues to Iran. No shipments exchanged under this during 2019.

5. Domestic oil sales

During 2018 and 2019, SOMO sold part of the Al-Qayyarah crude oil quantities inside Iraq and the amounts of these sales were deposited in the Trade Bank of Iraq. During 2019, U.S.\$ 245 million from these sales were transferred to the Ministry of Finance (account number 300600) at the Central Bank of Iraq. The value of Domestic oil sales was U.S.\$ 251 million during the year ended 31 December 2019 (31 December 2018: U.S.\$ 20 million). The compensations amounts were not deducted from these sales during 2018 and 2019. Below are the details of the movement on this account:

	<u>2019</u>
Opening balance as at 1 Jan 2019	-
Sales related to 2018	19,830
Sales during the year	250,572
Transfers during the year to the Ministry of Finance account No. 300600	<u>(244,940)</u>
Un-transferred balance as at 31 December 2019*	<u>25,462</u>

* The un-transferred balance as at 31 December 2019 is domestic oil sales which are still deposited at the Trade Bank of Iraq and it will be transferred to Ministry of Finance (Account No. 300600) at the Central Bank of Iraq in the subsequent period.

6. RECEIPTS FROM FROZEN ASSETS IN FOREIGN COUNTRIES

According to the UNSCR 1483 (2003), which were adopted by the UNCSR on 22 May 2003, all member states of the UN in which there are funds or other financial assets or economic resources (collectively referred to as "the frozen funds") of the former regime or its state affiliates, corporations, or agencies, located outside Iraq as of the resolution date shall freeze the frozen funds and transfers them to DFI, unless these frozen funds are subject of a prior judicial, administrative, or arbitral lien or judgment. The frozen funds of the former regime are still held by various member states, which the current regime is actively pursuing. The current regime cannot reliably estimate the amount of the frozen funds that may eventually be transferred to DFI, as some of these frozen funds are subject to prior judicial, administrative or arbitral lien or judgment. No amount was received from frozen assets during the year ending December 31, 2019 (during the year ended 31 December 2018: the received amount totaled to U.S. \$ 4 million).

Development Fund for Iraq and Successor Account
Notes to The Financial Statements
For the year ended 31 December 2019
In Thousand U.S. Dollars

7. INTEREST RECEIVED

	For the year ended 31 December	
	2019	2018
Foreign Military Sales (FMS)*	47,100	58,725
Overnight repurchase agreement pool facility/CBI**	193,859	106,251
Other	537	-
	<u>241,496</u>	<u>164,976</u>

* This amount represents the interest resulting from the investments of the amounts deposited into the Foreign Military Sales (FMS) through US Treasury bonds and overnight repurchase agreement.

** This amount represents interest received on overnight repurchase agreements. These interests were deposited in DFI account at the FRBNY and are subject to investment in overnight repurchase agreement.

Development Fund for Iraq and Successor Account
Notes to The Financial Statements
For the year ended 31 December 2019
In Thousand U.S. Dollars

8. LOANS RECEIVED

During the year ended 31 December 2019, DFI received an amount of U.S. \$ 6.50 million (31 December 2018: U.S. \$ 1.45 million) from Islamic Republic of Mauritania and the Islamic Republic of Senegal as a repayment as a repayment for a part of the loan principle and its related interest as a result of the loan granted in the previous years.

9. OTHER RECEIPTS

	For the year ended 31 December	
	2019	2018
Release of cash margins against LGs	193,301	235,823
Other	41,582	9,307
	<u>234,883</u>	<u>245,130</u>

10. TRANSFERS TO THE MINISTRY OF FINANCE

The primary financing source for MOF is through DFI. Funds are transferred from DFI to other sub-accounts of MOF, then the funds are distributed to other Iraqi ministries and their affiliated institutions in accordance with the budget allocated to each of them. The funds are also used to pay external debts and cover the costs of credits and other external transfers. The following table shows the details of the amounts transferred from DFI to the other sub-accounts of the Ministry of Finance during the years ended 31 December 2019 and 2018:

	For the year ended 31 December	
	2019	2018
Transfers to MOF account (70009) to cover operating expenses	58,851,000	52,229,074
Transfers to MOF account (300349) to pay off the external debt	3,360,000	3,050,000
Transfers to MOF account (300351) to cover the costs of letters of credit and other external transfers *	<u>11,514,000</u>	<u>8,896,000</u>
Total transfers	<u>73,725,000</u>	<u>64,175,074</u>

Development Fund for Iraq and Successor Account
Notes to The Financial Statements
For the year ended 31 December 2019
In Thousand U.S. Dollars

10. TRANSFERS TO THE MINISTRY OF FINANCE (cont'd)

* The following table shows the details of the letters of credit payments during the years ended 31 December 2019 and 2018 from MOF account in the Central Bank of Iraq No. (300351 amounts reserved for letters of credit) for the benefit of the Iraqi government institutions and their departments based on CBI records:

	For the year ended 31 December	
	2019	2018
Ministry of Oil	2,852,838	4,479,434
Ministry of Electricity	5,119,630	2,014,298
Ministry of Trade	1,181,460	1,125,287
Ministry of Health	859,719	671,388
Ministry of Defense	290,638	392,293
Departments not affiliated with Ministries	174,901	214,787
Ministry of Transportation	418,350	102,874
Ministry of Education	-	79,517
Ministry of Finance	1,000	67,041
Ministry of interior	76,268	61,296
Ministry of Agriculture	39,785	30,925
Ministry of Justice	4,230	14,322
Ministry of industry and Minerals	3,987	2,053
Ministry of Water Resources	56,612	22
The Ministry of Construction and Housing	38,599	-
	<u>11,118,017</u>	<u>9,255,537</u>

11. CONTRACTS ADMINISTERED BY U.S. AGENCIES

U.S. Agencies have been granted limited authority by the Government of Iraq to administer outstanding contracts by the former CPA in relation to payments after 28 June 2004. In September 2007, the JCC-I was granted temporary authority by MOF to disburse the remaining funds from DFI account. On 31 December 2007, this authority ended on 31 December 2007 and it was not extended.

Neither the U.S. Agencies nor MOF reconciled the proceeds made to the U.S. Agencies from DFI and the amounts disbursed to the reconstruction contracts further to the date of the preparation of the financial statements

12. OTHER PAYMENTS

This amount represents the transferred amounts made by CBI during the year ended 31 December 2019 according to the agreed mechanism between MOF, Ministry of Oil and CBI in respect of the amounts wrongly deposited into DFI's account.

Development Fund for Iraq and Successor Account
Notes to The Financial Statements
For the year ended 31 December 2019
In Thousand U.S. Dollars

13. CASH AND CASH EQUIVALENTS

	For the year ended 31 December	
	2019	2018
DFI balance:		
Balance at FRBNY*	82	81
Balance at CBI **	(422,485)	6,147,958
Total ***	(422,403)	6,148,039

*The details of balance at FRBNY as below:

	For the year ended 31 December	
	2019	2018
Operating accounts	82	81
Total	82	81

**The details of balance at CBI as below:

	For the year ended 31 December	
	2019	2018
Successor account (300600)	4,876,530	11,446,973
Less: balances of received loans	(5,299,015)	(5,299,015)
Total ***	(422,485)	6,147,958

*** The amounts in the following table were recorded in the DFI's account to cover the deficit in the budget of the State of Iraq. These transfers are not considered part of DFI's revenues and should not be recorded in DFI's account, in accordance with the security council Resolution 1483 of 2003; therefore, these transfers were excluded from DFI's account, which led to the account being in contrary with its nature for the year ended 31 December 2019.

Transfers	In Thousand U.S. Dollars
Repayment the International Monetary Fund loan for the following years:	
2015	1,242,800
2016	1,252,549
2017	803,666
Repayment the Trad Bank of Iraq loan for 2015	2,000,000
Total	5,299,015

Development Fund for Iraq and Successor Account
Notes to The Financial Statements
For the year ended 31 December 2019
In Thousand U.S. Dollars

14.COMMITMENTS, CONTINGENCIES, AND IMMUNITY

Contractual commitments consist of open contracts, signed by the former CPA and administered by the U.S. Agencies. Contractual commitments entered into by the Iraqi ministries are considered to be committed through the Iraqi budget and are not directly committed through DFI.

The former CPA did not maintain complete accounting records in respect of contractual commitments entered into by U.S. Agencies for the period from inception to 28 June 2004.

On 11 December 2006, the U.S. Agencies submitted the contracts files and other supporting documents of the former CPA and the U.S. Agencies to the FBSA. According to the FBSA letter dated 25 February 2007, the BSA informed the U.S. Agencies that they found financial and legislative violations, which lead the FBSA to review all the submitted documents and the Iraqi entities retained their right to request compensation for any financial damage to the Iraqi budget due to any financial or administrative actions taken by the U.S. Agencies during the execution of the contracts. In September 2007, the JCC-I was granted temporary authority by MOF to disburse the remaining funds from DFI sub account. On 31 December 2007, this authority was expired and not renewed. The MOF was not able to assess the outstanding contractual commitments balance upto the date of the preparation of the financial statements.

In accordance with UNSCR 1483 (2003), certain Member States have taken legal steps, as considered necessary, to ensure immunity of the oil and petroleum products originating in Iraq, until title is passed to the purchaser, from legal proceedings against them so as not to be subject to any form of prior judicial, administrative or arbitral lien or judgment. In accordance with UNSCR 1956 (2010), it was decided to extend the above mentioned arrangements until 30 June 2011. On 17 May 2013, the president of the United State of America (President Obama) issued a decision to continue the American protection of the Development Fund for Iraq starting from 22 May 2013 and for one year.

On 27 May 2014, the president of the United State of America issued a decision to stop the American protection of the Development Fund for Iraq from 27 May 2015.

15.FOREIGN MILITARY SALES (FMS)

The FMS account was opened on 4 December 2006 at the request of the CBI and initially funded from DFI account. This account is designated to the security expenditures of the Ministry of Justice, Ministry of Interior and Ministry of Defense. Moreover, this account is not part of DFI. Interest earned from investments in overnight repurchase agreements from the FMS account since its inception are transferred to the main DFI account quarterly (note 6 to the financial statements).

The balance of the FMS account is allocated as follows:

	For the year ended 31 December	
	2019	2018
Treasury bills	297,639	2,569,540
Overnight placements	3,701,900	1,583,300
Operating accounts	44	62
	<u>3,999,583</u>	<u>4,152,902</u>

Development Fund for Iraq and Successor Account
Notes to The Financial Statements
For the year ended 31 December 2019
In Thousand U.S. Dollars

16. ANALYSIS OF RECEIPTS AND PAYMENTS MANAGED BY THE GOVERNMENT OF IRAQ AND
US AGENCIES

For the year ended 31 December 2019

	Government of Iraq (Main Accounts)	Successor Account*	Total
Cash receipts			
Sales of exported oil	-	66,506,461	66,506,461
Domestic oil sales	-	244,940	244,940
Interest received	47,100	194,396	241,496
Loans received	6,500	-	6,500
Other receipts	-	234,883	234,883
Total cash receipts	<u>53,600</u>	<u>67,180,680</u>	<u>67,234,280</u>
Cash payment			
Transfers to MOF	-	73,725,000	73,725,000
Other payments	-	79,722	79,722
Total cash payments	<u>-</u>	<u>73,804,722</u>	<u>73,804,722</u>
Transfers between accounts	(53,599)	53,599	-
Surplus in cash and cash equivalents	<u>1</u>	<u>(6,570,443)</u>	<u>(6,570,442)</u>
Cash and cash equivalents at 1 January 2019	<u>81</u>	<u>6,147,958</u>	<u>6,148,039</u>
Cash and cash equivalents as at 31 December 2019	<u>82</u>	<u>(422,485)</u>	<u>(422,403)</u>

* According to this new mechanism that has been used by the Government of Iraq on 22 May 2014, the oil revenue is transferred on a daily basis from OPRA in the federal bank of New York to the CBI 2 account in the federal bank of New York, and then after transfer the amounts deposited to MOF's U.S. \$ account at the CBI (Successor account number 300600).

Development Fund for Iraq and Successor Account
Notes to The Financial Statements
For the year ended 31 December 2019
In Thousand U.S. Dollars

16. ANALYSIS OF RECEIPTS AND PAYMENTS MANAGED BY THE GOVERNMENT OF IRAQ AND US AGENCIES

For the year ended 31 December 2018

	Government of Iraq (Main Accounts)	Successor Account*	Total
Cash receipts			
Sales of exported oil	-	72,559,307	72,559,307
Proceeds from frozen assets in foreign countries	-	3,937	3,937
Interest received	58,738	106,238	164,976
Loans received	1,448	-	1,448
Other receipts	432	244,698	245,130
Total cash receipts	60,618	72,914,180	72,974,798
Cash payment			
Transfers to MOF	-	64,175,074	64,175,074
Other payments	-	40	40
Total cash payments	-	64,175,114	64,175,114
Transfers between accounts	(60,600)	60,600	-
Surplus in cash and cash equivalents	18	8,799,666	8,799,684
Cash and cash equivalents at 1 January 2018	63	(2,651,708)	(2,651,645)
Cash and cash equivalents as at 31 December 2018	81	6,147,958	6,148,039

* According to this new mechanism that has been used by the Government of Iraq on 22 May 2014, the oil revenue is transferred on a daily basis from OPRA in the federal bank of New York to the CBI 2 account in the federal bank of New York, and then after transfer the amounts deposited to MOF's U.S. \$ account at the CBI (Successor account number 300600).