

Based on what was decided by the Council of Representatives and approved by the Presidency Council and in accordance with the provisions of Article 61 (First) and Article 73 (Third) of the Constitution, the following Law has been promulgated.

## **"Law of Financial Resources"**

### **Article (1):**

This law aims:

**First:** To establish the Financial Resources Fund (the Fund) for collecting total federal financial resources, to determine the responsibility of its management and to ensure its monitoring.

**Second:** To ensure the flow of financing the allocations of the expenditures of the Federal Government and Regions and Governorates not organized in a region.

**Third:** To finance the account of "The Future Fund."

**Fourth:** To verify fair distribution of all Financial Resources, grants, aid and international loans between Regions and Governorates not organized in a region in accordance with the Constitution.

**Fifth:** To verify the optimal use of Federal Financial Resources and direct it towards its intended purposes.

**Sixth:** To ensure the transparency and justice when funds are allocated to the Regional governments and Governorates not organized in a region, in accordance with the decided percentages.

### **Article (2):** Financial Resources shall consist of:

A- Amounts received and obtained from sales of oil and gas payable to the State all over the country, royalty, production bonuses, and direct and indirect taxes or any additional resources resulting from oil and gas contracts from national and foreign companies.

B- Amounts received from other sources:

- 1-External sources, including grants, aid, and international loans;
- 2-Internal sources including all resources obtained federally or in favor of the Federal Government by Regions and Governorates not organized in a region according to the provisions of Article (110) of the Constitution.

**Article (3):**

**First:** An account for all external financial resources (the External Account) shall be opened for the Fund in the name of the Central Bank of Iraq (CBI) and all amounts mentioned in paragraph (A) and (B)/1 of Article (2) shall be deposited in it.

**Second:** An account for all Internal Financial Resources (The Internal Account) shall be opened for the Fund in the CBI. All amounts mentioned in paragraph (B)/2 of Article 2 shall be deposited in it.

**Third:** Amounts in the internal and external accounts mentioned in paragraph (First) and (Second) of this Article shall be moved by the CBI based on instructions by the Prime Minister, and the Minister of Finance according to the Federal budget of the State.

**Fourth:** Locked accounts of federal resources shall be opened in the names of departments, in Regions and Governorates not organized in a region, which are charged of levying Federal Revenues. The balance of these accounts shall be transferred automatically at the end of each month to the account mentioned in paragraph (Second) of this Article.

**Fifth:** Two accounts shall be opened for the Kurdistan Regional Government in the CBI (Irbil –branch), one in Iraqi Dinars and the other in U.S Dollars. The quota of Kurdistan Region from the received monthly resources shall be deposited monthly and automatically in the two accounts mentioned in paragraph (First and Second) of this Article in accordance with the provisions of Article 4 of this Law.

**Sixth:** Amounts in the accounts of Kurdistan Region mentioned in paragraph (Fifth) and of this Article shall be moved by the CBI based on instructions by the Prime Minister, and the Minister of Finance of the Kurdistan Region.

**Seventh:** the CBI shall facilitate and provide all the necessary assistance for external transfers for legitimate regional budget purposes as decided by Regional Government of Kurdistan.

**Article (4):**

**First:** Financial Resources shall be distributed according to the following:

A- Funding sovereign expenditures of the Federal Government and strategic projects of benefit to all to be agreed with the governments of the Regions and Governorates, provided that this does not impact the balance and needs of the governments of the Regions and the Governorates which are not organized in a region.

B- Funding the Future Fund account in accordance with Article (7) of this law.

C- Funding the quota of the region of Kurdistan which amounts to (17%) of the remaining revenues after subtracting expenditures mentioned in (A) and (B) of this Article and until population census is held by the State.

D- Operational and investment expenditures of the Federal Ministries which are listed in the Public budget of the State.

E- Expenditures for the development of Governorates not organized in a region in accordance with their population density.

**Second:**

A Transfer monthly and automatically to two accounts of the Kurdistan Region with CBI the share of the Kurdistan Region from the actual monthly received revenues.

B- In the event of shortfalls in the actual revenues received for a month or more during a financial year, the federal government shall ensure that necessary steps are taken to remedy the reasons for such shortfalls in the revenues.

**Third:**

At the beginning of the second half of each year, the actual revenues shall be assessed and matched with the planned revenues. Adjustments to the distribution of financial resources will be made in accordance with constitutional measures.

**Article (5):**

**First:** the Ministry of Finance must ensure the flow of funding the expenditure allocations in accordance with the Federal Budget of the State, through providing the cash needs of governorates not organized in a region, Federal Ministries and all payment units for the purposes of financing their monthly expenditures allocated in the Federal Budget one month earlier.

**Second:** The entities mentioned in paragraph (First) of this Article shall submit their needs in accordance with a schedule to be prepared by the Ministry of Finance for the amounts allocated to cover their expenditures for the month in which it was expended prior to a period of one month at least.

**Third:** The entities mentioned in paragraph (First) of this Article shall attach with the schedule of the needs and its bank statement, which shows its cash balance with the Trial Balance of the actual accumulated expenses, before the month in which it was expended.

**Fourth:** The regions should submit a Trial Balance of the actual accumulated expenses and revenues in the mid of the month following the month in question.

**Article (6):**

**First:** An independent commission called (the Commission of Monitoring the Federal Financial Resources) called “the Commission” for the purpose of this law shall undertake monitoring the total Financial Resources mentioned in Article 2 of this law. The Commission shall be headed by an employee with the grade of a minister, two deputies with the grade of a deputy minister, two experts and a representative for each region or a governorate not organized in a region.

**Second:** The Commission shall be formed after the issuance of this law, based on a decision to be issued by the Council of Ministers and approved by the COR, provided that the structure and jurisdiction of the Commission be determined according to a regulation.

**Third:** The Commission shall monitor all funds deposited into and withdrawn from the Financial Resources Fund for the purposes of financing expenditures according to the Federal Budget of the State to ensure the proper use and justice in allocating and directing it towards the purposes set forth in the provisions of Article (106) of the Constitution.

**Fourth:** The Commission shall make use of an international accounting firm to audit the external and internal activities of the Fund and to file reports expressing its opinion about these activities for inclusion in the reports filed by the Commission to the Council of Ministers.

**Fifth:** The Commission shall provide all data related to the funds and activities of the Fund regarding deposits and withdrawals, in addition to providing quarterly reports summarizing the activities and the reports by the international accounting companies, and issuing a public annual report about the activities of the commission and the Fund to the COR and the legislative Council of the regions and the Councils of governorates not organized in a region.

**Sixth:** The Commission must ensure transparency and disclosure in financial operations in accordance with international accounting standards and the extent of their applicability to all accounts mentioned in Article 3 of this law.

**Seventh:** To confirm the accuracy and the fairness of distribution of the revenues from the external and the internal accounts in accordance with Article 4 of this law and filing a monthly report to the Council of Ministers and the COR.

**Article (7):**

A Future Fund shall be established, and a certain rate of the surplus resources shall be deposited in it for the coming generations. This shall be regulated by law after an agreement shall be reached between the Federal Government, and Governments of the regions and Governorates regarding its administration and funding.

**Article (8):**

In the of case of failure of the Regions and Governorates to deliver the federal dues accordance to Article 110 of the Constitution, settlement shall start from the first due.

**Article (9):**

The pending financial matters, before the issuance of this law, between the federal government and the Regional Governments shall be settled between the federal and the regional Finance Ministers according to the Constitution and the prevailing laws.

**Article (10):**

The Minister of Finance shall issue the instructions required to implement this law.

**Article (11):**

Any legal provision in conflict with the provisions of this law is null and void.

**Article (12):**

The law comes to effect after publication in the official Gazette and at becomes operational at beginning of the financial year 2008.

**Necessitating reasons**

In order to guarantee the management, disbursement and monitoring of the federal financial resources in an efficient and transparent manner, to achieve a just and fair distribution for these resources and for ensuring a reserve for the coming generations;

This law has been promulgated.