

NOTE: This is an unofficial translation of Law No. (05) for the year 2013

Law of identifying and obtaining financial dues to the Kurdistan Region - Iraq from federal revenue

According to the provisions of articles (1, 13, **105, 106**, 110, 111, 112, 115, 121 and 132) of the constitution of the Federal Republic of Iraq in 2005 and the provision of **item 1** of Article 56 of the Law of Kurdistan Parliament No. 1 of 1992, **amended, and** based on **what the Council of Ministers of Kurdistan Region – Iraq** has submitted and the implementation of provisions of article 40 of Law No. 1 of 2013 (the General Budget Law of the Kurdistan Region of Iraq for the Fiscal Year 2013), Iraqi Kurdistan's parliament decided during its meeting number **10** held on April **23**, 2013 the legislation of the following law:

Law for the year 2013

Law of identifying and obtaining financial dues to the Kurdistan Region - Iraq from federal revenue

Chapter One

Definitions

Article (1):

The following terms shall have the meanings set forth for the purposes of this law:

First: the Federal Government; Federal Government of the Republic of Iraq.

Second: The Constitution; the Constitution of the Federal Republic of Iraq in 2005.

Third: The region; The Kurdistan Region - Iraq.

Fourth: Parliament; Parliament of Kurdistan - Iraq.

Fifth: **Council of Ministers; the Council of Ministers of the Region.**

Sixth: Oil and gas revenues; Revenue s of the federal government obtained from oil operations, including oil and gas sales, and **other payments and revenues of** oil contracts concluded with foreign and local **companies** by either the federal government or the regional government.

Seventh: Expenditures' tables; Tables for **amounts of** governing and sovereign expenditures annexed to the Laws of the Annual Federal **General** Budget **since** 2004.

Eighth: **The following terms shall have the meanings set out in the** article 1 of the Iraqi Kurdistan Region's Oil and Gas Law No. 22 for the year 2007: (Oil, crude oil, gas, natural gas, oil field, **current** field, future field and **oil** operations).

Chapter II

The Law's Objectives

Article II:

This law aims at:

First: **Develop** legal mechanisms **to** identify and obtain financial rights owed to the Region within the federal revenues, and to **include them in the Region's general budget**.

Second: Enable the Region to obtain its financial dues **from** oil and gas revenues, in-kind or in cash according to the Constitution.

Third: Obtain the **Region's dues** from grants, aid and international loans provided to the federal government **depending on** the first item of article 106 of the Constitution.

Fourth: Obtaining the Region's share of any other resources or compensations **received** by the federal government.

Fifth: Provide the necessary mechanisms to obtain **the Region's dues** from the federal budget, taking into account the unpaid accumulated **amounts such as** sovereign and governing **expenditures that are** included in the federal budget since 2004.

Sixth: Obtain compensations owed to the Region for damages resulting from unfair practices by the former regime through mass repression, genocide, Anfal operations and scorched - earth policy in **accordance with** the first **item** of article 112 of the Constitution.

Seventh: Achieving justice in the distribution of federal resources to ensure the unity of the people of Iraq and **its** federal state in line with the first article of the Constitution.

Chapter Three

Financial Rights of the Region

Article III:

The region has the right to:

First: A fair share of oil and gas extracted in the whole of Iraq that is to be commensurate with the population distribution based on article 111 and the first item of article 112 of the Constitution.

Second: A fair share of all other revenues obtained **federally and** of grants, aid and international loans to enable the Regional government to bear its **burdens** and responsibilities according to item three of article 121 of the Constitution.

Third: An extra share of oil and gas revenues to compensate **it** for damages resulting from the practices of the former regime based on the first item of article 112 of the Constitution.

Fourth: **Actual** participation in the formation and membership of the **General Authority for Monitoring and Allocation of Federal Revenues through the Region's representation in it by its experts and representatives** according to the provisions of article 106 of the Constitution.

Fifth: **Call on** the federal government to **fulfill** legislation that embodies **its** actual partnership in the management of the state and its institutions on the basis of the provision of article 105 of the Constitution and deter damage on the **financial and economic** rights of the region, and legislation of law for distribution of oil and gas revenues based on the first item of 112 of the Constitution to accelerate development in the Region and the Governorates.

Sixth: Actual participation with the federal government for marketing oil and gas produced from the current fields and, to **perform its** exclusive **role in the** management of the future fields **in the Region** including marketing of oil and gas produced from them, and from which the Region was deprived because of the refusal of the federal government and its failure to perform its positive role in **developing** the necessary strategic policies to develop oil and gas wealth, as referred to in the second item of article 112 of the Constitution.

Seventh: **The allocation of** a fair share of crude oil and gas and oil products intended for consumption in the whole of Iraq to be commensurate with the distribution of population and taking into account the special circumstances of the Region and the removal of all forms of discrimination.

Chapter Four

The Bases for Identifying the Financial Rights of the Region

Article IV:

First: The 17% **accredited in the** federal budget laws **will be the** basis to determine the Region's share of total operating expenses and investment project expenses **of** the annual **federal** public budget until a general population census is conducted in Iraq and, the Region **will** have the same percentage of the following:

A - Total revenues of the federal public budget including revenues **received from** the export of crude oil.

B - Total refined crude oil provided for consumption in the whole of Iraq, including needed crude oil to run power plants.

C - Total **governing** expenses and allocations for reconstruction and development of the projects of the Region's Governorates, and increases achieved in revenues from exports of crude oil and allocations of sovereign expenses to the Regional **bodies similar to the federal bodies consisting of (Presidency of the Region, the Parliament, Council of Ministers, Presidency of Council of Minister, Office of the Deputy Prime Minister, the Region Guards [Peshmerga], the National Security Protection Council, Human Rights Board, Integrity Commission, the Nationality and Border and Security Apparatus).**

Second: The ministries of finance and economy, planning in and natural resources in the Region to calculate the referred to in paragraph (c) of this Article, in coordination with other concerned entities in the region.

E - For the Ministry of Natural Resources in the region to calculate entitlements referred to in the points (a), (b) and (c) of the first item of this article **in coordination with the other relevant parties in the Region.**

Third:

A - In addition to the share of Region's Governorates of petrodollar from the crude oil exported from the Region since 2009, the Region deserves **a dollar from** petrodollar of every barrel of crude oil and **150 cubic meters of produced and refined or intended gas for consumption in the Governorates of the Region, providing that these entitlements to be calculated by the ministry of natural resources according standards accredited by the federal government.**

B - Revenues obtained **actually** at border crossing points of the Region's Governorates **are returned and are allocated** exclusively for the rehabilitation and reconstruction of the border crossing points of each Governorate.

C – **The council of ministers**, with the approval of the Parliament, **to be competent in** determining how to deal with revenues obtained by the Region, according to the provisions of this law.

Fourth: The council of ministers should form a ministerial committee for the purposes of assessing **due** compensations in accordance with the item three of article III of this law, in cash amounts or equivalent in-kind of crude oil of the Region **providing that the estimated** compensations **are paid off** in annual installments for a period not to exceed 5 years from the date of this law entering into force.

Article V:

The ministries and parties referred to in article IV of this law to complete their tasks within a period not to exceed 60 days from the date of this law entering into force and submit their final reports to the **council of ministers** for approval within a period not to exceed 30 days from the date of their submission.

Chapter Five

Procedures for Obtaining Financial Rights of **the Region**

Article VI:

First: **The council of ministers**, after the identification and estimation of the financial rights of the Region under the provisions of this law, should request the federal government to pay the estimated financial dues in accordance with **the** law within a period of 90 days from the date of informing them of request and **to legislate** the law for oil and gas revenue distribution based on item 1 of article 112 of the Constitution.

Second: If the regional government did **not receive notice** from the federal government **about** its willingness to **hold talks** the Region's dues during the period of 30 days from the date of **receiving the Region's request**, or 90 days passed from the date of the start of talks without reaching an agreement **between both sides or rejecting the Region's demands implicitly or explicitly or being silent towards them**, the Region has to take action it deems appropriate for obtaining its financial rights under the provisions of this law, including the production, export and sale of crude oil and gas to cover all entitlements the federal government refrains to pay, whether before the entry of this law into force or after and **informing the Parliament about it**.

Article VII:

In considering the decisions and procedures of this law, the Regional government is committed to the provisions of the oil and gas law No. 22 for the year 2007; including dealing with the obtained revenues and it exercises its responsibilities in accordance with the special principles and criteria of the EITI.

Article VIII: Not to deal with any legal provision or a decision contrary to the provisions of this law.

Article IX: The Natural Resources Minister, in coordination with the Finance and Economy Minister to issue necessary instructions to facilitate the implementation of the provisions of this law.

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