



LPB HAS SEEN

COALITION PROVISIONAL AUTHORITY
BAGHDAD

ACTION MEMO

May 12 2004

George W. Bush

FOR: THE ADMINISTRATOR
FROM: Simon Haselock
SUBJECT: IMN/PSB Initial Board of Governors Nominations.

Order No. 66 (the "Order") establishes the Iraqi Media Network as the public service broadcaster for Iraq ("PSB"). The PSB is composed of a 9-member Board of Governors (including a chair), a 3-member Financial Committee, a Director General and such advisory boards and other committees as the Board of Governors deems necessary.

The immediate responsibilities of the PSB's bodies are:

- **The Board of Governors:** (1) to protect the independence of the PSB; (2) to prepare a comprehensive Charter for the PSB (with 30-day public notice and consultation) and; (3) to begin consultations with the Iraqi Communications & Media Commission ("ICMC"), or appropriate legislative committees, to draft a law that comprehensively addresses public service broadcasting in Iraq.
- **The Financial Committee:** (1) to ensure that public and donated funds and/or equipment are used by the PSB appropriately; (2) to report to the Board of Governors on expenditures; and (3) to create a 5-year Financial Plan that ensures the PSB's financial security.
- **The Director General:** to act as the PSB's chief executive officer, with responsibility for all PSB functions, including, but not limited to budget preparation and editorial control over PSB's programming. The Director General is accountable to the Board of Governors.

Before the PSB can commence operations, the Order requires the Administrator to appoint the Chair of the Board of Governors, at least two Governors, and all members of the Financial Committee. The Director General and all remaining Governors must be appointed by May 30, 2004. However, as we discussed last night we are in a position to appoint a strong candidate for DG now. As we discussed last night to that end:

- The Iraqi Governing Council ("IGC") has been consulted (through the Executive Media Committee and subsequently through the General Secretary, [REDACTED] about the appointment process.

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- Four individuals, representative of Iraq's gender, religious, and ethnic backgrounds, have been identified to fill the initial Board of Governor positions:

- (1) **Kan'an Makkiya (Shi'a)**—Mr. Makkiya is an architect, academic, and writer. He is the author of "*Republic of Fear*" and "*Cruelty and Silence*." He is a scholar-in-residence at the Centre for Middle Eastern Studies at Harvard University. He previously served as a professor of Middle East studies at Brandeis University in Massachusetts. He is currently assisting in the establishment of the Memory Foundation, a centre designed to document Ba'ath regime crimes. Mr Makkiya is shortly to relocate to Baghdad.
- (2) **Kamiran Qaradaghi (Kurd)**- Mr. Qaradaghi is a veteran broadcaster and journalist. He is currently the deputy director of Radio Free Iraq (Radio Free Europe/ Radio Liberty), currently based in Prague. Radio Free Iraq is about to close and Mr Qaradagi has already resigned his post with them. He will shortly return permanently to Iraq to live. He is a potential candidate for chairman
- (3) **Lina Abood (Sunni)**—Ms. Abood is a physician/gynecologist and teacher, member of the Iraqi Women's League, and a one-time candidate for the IGC. She is also a daughter of a prominent anti-Saddam activist and internal resident
- (4) **Jinan (b)(6) (Sunni)**- Mrs. (b)(6) (b)(6) She is a US educated academic and teacher who describes herself as an educationalist. She is currently living in Baghdad but may leave in a few months time for Paris if her husband becomes the Ambassador to UNESCO. Nevertheless, she understands that she will need to return to Iraq for board meetings as necessary.

- All 4 nominees have been interviewed, accepted the position, and agreed to a salary of up to \$24,000 per year (comparable to ministers) on a per diem basis. The first 2 names were drawn from the original Executive Media Committee list, the second 2 are recent additions but have the support of the IGC.
- Although Order 66 requires only that three Governors be appointed, there is no legal prohibition on the Administrator appointing four Governors now. Indeed, since a clear candidate for the Chairman position has not emerged, it is recommended that the four above-listed individuals be appointed immediately (with one of them to serve as interim chair) so they can commence work and present you a possible permanent chair from amongst themselves by May 30, 2004.

The candidate for the post of IMN/PSB Director General is:

Jalal Al Mashta (Shia): Mr. Al Mashta is currently editor in chief of the *Al Nahda* newspaper. He has an MA in journalism and a PhD in political science. He has extensive editorial and media experience in print, radio and television with, among others, LBC, Swiss Radio, Al Hayat, BBC and Abu Dhabi TV. He was also the secretary of the GC media committee and is an internal candidate who will resign his post as the editor of *Al Nahda* newspaper on appointment. He is also strongly supported by Pierre Al Daher of LBC/Harris who is confident in his abilities and their ability to work together.

Remuneration for the Director General has been agreed at a \$60,000 annual rate plus secure accommodation.

- **Announcement:** As we discussed last night following your confirmation of the appointments recommended in this Memorandum, we will issue a press release tomorrow Thursday 13 May announcing the names, their short CV's and their responsibilities.
- **Financial Committee:** It is anticipated that three candidates for the Financial Committee will be submitted to your office next week and that a press release confirming their appointment will be issued after the first Governors' meeting concludes.

RECOMMENDATION: Approve the appointments contained in this Memo.

Approve: ✓ 5/12 Disapprove: _____ Approve with modification: _____

ATTACHMENTS: NONE

COORDINATION: General Counsel/ (b)(6) b(6)
IMN/ Dorrance Smith (ok)
Governance Team/ S. Carpenter
Communications/ G. Thames
OMB/ [G. Wolfe] b(6)



COALITION PROVISIONAL AUTHORITY
BAGHDAD

MEMORANDUM FOR: Condoleezza Rice, Assistant to the President for National Security Affairs

SUBJECT: Iraq Emergency Action Options

Thank you for your April 11th memo on Iraq Emergency Action Options. We all agree on the critical need to establish effective Iraqi security forces. Your willingness to accelerate the support required to meet these needs is necessary and appreciated. We continue to improve our ability to move money through the system and are ready to meet the needs from a contracting standpoint.

I have recently allocated \$500 million for security in the revised 2004 Iraqi Budget. Between the Supplemental and the Iraqi budget, we are currently covering all known requirements identified by CJTF-7 (approximately \$3.7 billion). Events of the past seven days and the days to come will most likely yield additional requirements for this purpose. I am willing to work with my Iraqi colleagues to obtain an additional \$500 million, for a total investment of \$1 billion from the Development Fund for Iraq (DFI), with more than \$600 million that will be a readily available reserve for needs arising from recent events.

However, I do not recommend spending all of the additional \$2 billion of Iraqi money for short-term security needs. With the exception of \$2 billion received from the UN escrow account on March 31, Iraq has allocated the remaining projected revenues for this year in the revised 2004 budget issued last month. (While we do project some additional oil revenues, this projection assumes consistent supply and continued high prices, neither of which is certain.)

I am now working closely with the Iraqi Minister of Finance and others to determine how best to apply additional funds, not just to immediate security requirements (the additional \$500 million referenced above) but also to other critical needs concerning oil and electric infrastructure, Iraqi Property Claims Commission funding, and other pressing national needs. It would be difficult to justify committing all of this money to security to the exclusion of these other needs. One concern with allocating such a large portion of available funds to short-term security requirements is that such demands, while immediate and pressing, may compromise the longer-term goals for a secure and stable Iraq.

Concerning recommendation #2, I understand the potential for bipartisan Congressional opposition to doing away with competitive contracting. It is important to note that my request was only to waive "contracting timeline restrictions." No one here wants to conduct procurements on other than a competitive and transparent basis, and we will continue to use this time-honored practice.

I agree with recommendation #3. The immediate release of all third quarter funds should help us move much more quickly. Of course, there are also \$4.6 billion held back for fiscal 2005.

We agree with recommendation #4. In the past month, we have just completed selection of 10 contractors that will allow us to award up to \$6 billion to design and build construction projects. We are expeditiously negotiating task orders that will allow us to execute those projects..

L. Paul Bremer III
Administrator

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BAGHDAD

ACTION MEMORANDUM

April 28, 2004

FOR: THE ADMINISTRATOR
FROM: George Wolfe, Senior Advisor – Ministry of Finance
SUBJECT: Allocation Request #67

The Program Review Board recommends an allocation of \$500,000,000 for the project listed below.

SUMMARY OF PROPOSED ALLOCATIONS

#685—Emerging Security Requirements—\$500,000,000. CJTF-7/Lt Col [REDACTED]
Recent violence has created an increased need for security throughout Iraq in order to facilitate the successful transition to Iraqi sovereignty. To address these emergent needs, \$500 million is requested both for locally generated critical community requirements, as well as for more traditional Iraqi Security Forces requirements. In implementing this spending plan, CPA will consult with the Iraqi Ministry of Finance, Ministry of Planning, Ministry of Public Works, and appropriate local officials. CPA will also consult with the Council for International Cooperation (CIC) to ensure coordination among donor projects.
APPROVED AS AMENDED: \$500,000,000 DFI

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RECOMMENDATION: The Administrator approves Allocation Approval #67 by signing the attached document.

Approve: WJ/28 Disapprove: _____ Approve with modification: _____

ATTACHMENT: Spreadsheet - Allocation Approval #67

Allocation Req # 67
PRB

28-Apr-04

PRB	Name	Governorate	CPA Office	Funding Src	Program	Amt Recd	In Budget
685	Emerging Security Requirements	Various	CJTF-7	DFI	Security	\$500,000,000	N
Approved: 		w/28/c4		Total Amount Recommended			
				\$500,000,000			

L. PAUL BREMER
CPA Administrator

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FAX COVERSHEET
SECRETARY OF DEFENSE
CABLES

N

TIME TRANSMITTED (LOCAL)

TIME RECEIVED (LOCAL)

FROM: Donald Rumsfeld	OFFICE/DESK: Secretary of Defense	PHONE NBR: [REDACTED]
SUBJECT: Allocation of Development Fund for Iraq (DFI) Resources for Iraqi Security Forces		FAX NBR: [REDACTED]
DELIVERY INSTRUCTIONS:		PAGES: 3 (including cover)
<input checked="" type="checkbox"/> HOLD FOR NORMAL DUTY HOURS/ROUTINE <input type="checkbox"/> IMMEDIATE/URGENT		
NOTE: Furnish after duty hour contact telephone number for each addressee requiring after duty hour delivery.		
TRANSMIT TO		
AGENCY	INDIVIDUAL (NAME)	OFFICE ROOM NBR PHONE NBR
CPA	Ambassador Bremer	
WH/Vice President	Honorable Richard B. Cheney	WASH FAX'd
WH/NSA	Honorable Condoleezza Rice	WASH FAX'd
CENTCOM	General John Abizaid	VIA SecDef Fm
CPA	Reuben Jeffery	In Box
REMARKS: OSD 04439-04		
For Cables: Return copy of transmission receipt to OSD/CCB		
WASH FAX OPERATOR [REDACTED]		
SECDEF CABLES [REDACTED]		

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THE SECRETARY OF DEFENSE
1000 DEFENSE PENTAGON
WASHINGTON, DC 20301-1000

MAR 25 2004

TO: Ambassador Bremer
FROM: Donald Rumsfeld *[Signature]*
CC: Vice President Richard B. Cheney
Honorable Colin Powell (by hand)
Dr. Condoleezza Rice
Paul Wolfowitz
General Abizaid
Dov Zakheim
Reuben Jeffery

SUBJECT: Allocation of Development Fund for Iraq (DFI) Resources for Iraqi Security Forces

I understand that you are close to approving a revised 2004 Iraqi budget. Before you make your final decisions on the Iraqi budget, I would like to discuss with you some ideas that Paul and I have to preserve as much flexibility as possible inside the Supplemental, both to respond to changing priorities for reconstruction funds and to preserve as much flexibility as possible for the U.S. after July 1st.

As you know, our highest priority is to stand up capable Iraqi security forces and transition responsibilities to them as soon as possible. I appreciate the fact that you have allocated \$600 million of DFI resources to cover the salaries of Iraqi security forces and that you recently dedicated another \$200 million of DFI funds to meet General Abizaid's most urgent equipment requirements. That is tremendously helpful.

However, we need to consider creating a "reserve" within the Supplemental appropriation to cover the growing need of Iraqi security forces. This could be done by reallocating some DFI resources to cover reconstruction projects within the Supplemental.

My understanding is that the 2004 Iraqi budget of \$19.6 billion includes \$2.7 billion for capital investment and another \$4.6 billion of "one-time expenditures" identified as "nationbuilding, regional projects and transfer payments." If funds were temporarily reallocated from some of that \$7.3 billion to



OSD 04439-04

fund immediate investments that would otherwise be funded out of the Supplemental, this would create room in the Supplemental that could be used in any number of the following ways:

- In the event that we came to conclude that other projects were more urgent, for example in the security area, we would have created some flexibility within the Supplemental to cover those more urgent priorities;
- If you or the new ambassador conclude later in the year that the original DFI project is the right priority of funds, then that project could be funded out of the Supplemental;
- Even in that case, you or your successor would have some leverage over whatever Iraqi ministers are involved because it would not be an automatic approval;
- Moreover, your current oil revenue projections appear to be based on a projected decline to \$21 per barrel for the last eight months of '04. While that may be a prudent assumption, with world oil prices running at their current high levels, there seems to be a significant possibility of a revenue surplus. It would be nice if the U.S. had some direct control over how such a surplus would be spent toward the end of the year.

Accordingly, I would like you to take an urgent look at what projects are within the \$7.3 billion and let me know how much of that money might be reallocated to projects within the Supplemental. I would think at least \$500 million or more should be reallocated as a reserve to cover likely additional requirements for security forces.

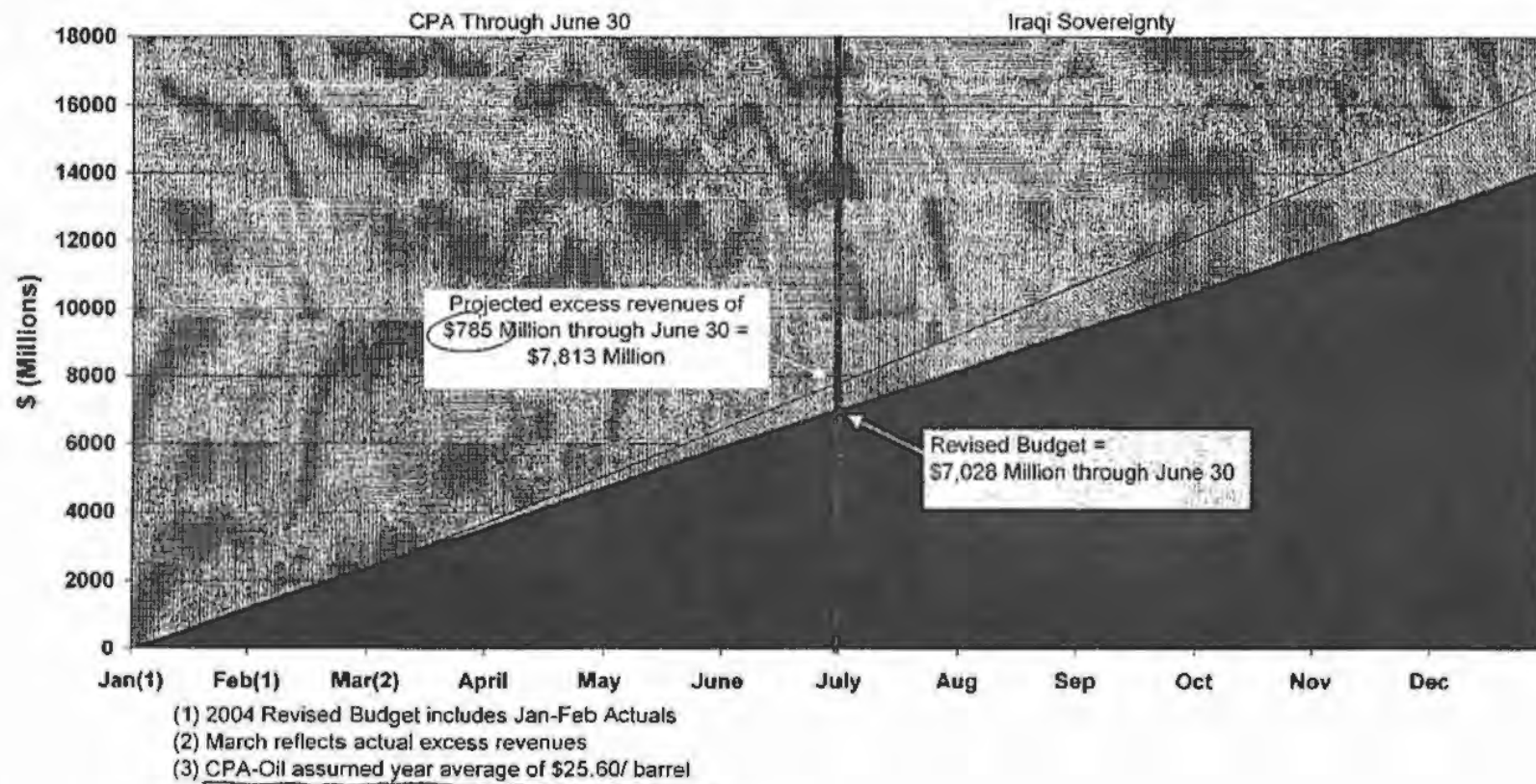
I understand that you are in the process of finalizing a revised budget. I am prepared to move on this fast, as soon as you get back to me.

I look forward to discussing this with you.

Send to Dave N.

CPA-OMB Cumulative Excess Oil Revenue Projection

■ Excess Revenue ■ Revised 2004 Budget



CPA-OMB Monthly Excess Oil Revenue Sensitivity Study

4/2/2004

		Jan ⁽¹⁾	Feb ⁽¹⁾	Mar ⁽²⁾	April	May	June	July	Aug	Sep	Oct	Nov	Dec		
Exports (Mmbbls/d) ⁽³⁾ :		1.49	1.51	1.52	1.75	1.75	1.75	1.75	1.85	1.85	1.85	1.90	1.90	Δ for All 2004	2004 Oil Revenue
Budget price:		\$25.58	\$26.35	\$27.50	\$23.00	\$22.00	\$21.00	\$21.00	\$21.00	\$21.00	\$21.00	\$21.00	\$21.00	\$0	\$ (14,175)
2004 Revised Budget		\$ 1,221	\$ 1,157	\$ 1,146	\$1,208	\$1,194	\$1,103	\$1,139	\$1,204	\$1,166	\$1,204	\$1,197	\$1,237	\$0	\$ (14,175)
Barrel Price	\$21				(\$106)	(\$53)	\$0	(\$14)	\$0	\$0	\$0	\$0	\$0	(\$14)	\$ 14,161
	\$22				(\$53)	\$0	\$53	\$146	\$53	\$56	\$56	\$56	\$58	\$338	\$ 14,659
	\$23				\$0	\$53	\$106	\$306	\$106	\$113	\$113	\$113	\$116	\$675	\$ 15,156
	\$24				\$53	\$106	\$160	\$465	\$160	\$169	\$169	\$169	\$173	\$1,013	\$ 15,653
	\$25				(\$106)	(\$160)	(\$213)	\$625	\$213	\$225	\$225	\$225	\$231	\$1,351	\$ 16,150
	\$26				\$160	\$213	\$266	\$785	\$266	\$275	\$275	\$275	\$281	\$1,688	\$ 16,648
	\$27				\$213	\$266	\$319	\$944	\$319	\$338	\$338	\$338	\$347	\$2,026	\$ 17,145
	\$28				\$266	\$319	\$373	\$1,104	\$373	\$394	\$394	\$394	\$405	\$2,363	\$ 17,642
	\$29				\$319	\$373	\$426	\$1,264	\$426	\$450	\$450	\$450	\$462	\$2,701	\$ 18,140
Δ					\$53	\$53	\$53	\$160	\$53	\$56	\$56	\$56	\$58	\$338	\$497

⁽¹⁾ 2004 Revised Budget (\$14,175) reflects actual excess oil revenues for Jan-Feb (\$21Million).

⁽²⁾ March reflect actual exports, barrel price and excess revenues (\$146 Million).

⁽³⁾ CPA has the ability to obligate excess revenues only through June.

⁽⁴⁾ CPA-Oil: Assumed year average of \$25.60/ barrel. (CPA-Oil: Based on Nymex WTI strip and a discount of 6.75 (incl. IT tariff) for Kirkuk at Ceyhan Terminal and the Brent futures minus 4.50 for Basrah and a 20%/80% division of loadings, we would predict weighted average prices around \$26.80 for May declining modestly to \$24.50 for December, averaging roughly \$25.60 for the balance of the year.)

⁽⁵⁾ Assume Oil Exports meet target Mmbbls/d



COALITION PROVISIONAL AUTHORITY
BAGHDAD

INFO MEMO

DATE

FOR: THE ADMINISTRATOR
FROM: [The Component Head initials hard copy here]
SUBJECT: Sample Information Memorandum

1. CERP Data.

A. Brief history of CERP projects in Iraq and background on the process.

The Commander's Emergency Response Program (CERP) enables commanders in the field to respond to urgent humanitarian relief and reconstruction requirements by carrying out programs that will immediately assist the Iraqi people. CERP funds can be used for such things as improving water and sanitation infrastructure, food production and distribution, electrical power generation and distribution, improving irrigation systems and agriculture, purchasing school supplies and equipment, and civic clean-up. CJTF-7 has distributed \$335 million in CERP funds (out of total of \$548.7 million-- \$178.7 from seized funds, \$230 million from DFI, \$140 million appropriated) to Major Subordinate Commands, which have initiated 19,681 projects totaling \$225 million as of 4/10/2004.

548
335 dist'd
213

B. Spend rate data (how rapidly the funds have been spent in the past)

The following table shows the cumulative number of projects and dollars spent over the past 2.5 months. These numbers reflect CERP budgeted dollars, not the Military's capacity to spend the funds.

at 335k
MSCA,
225 spent
100% in
hand

Date	Cumulative # of projects	New projects started in previous 2 wks	Cumulative \$ spent (millions)	New \$ spent in previous 2 wks
31-Jan	15763		\$175.2	
14-Feb	17122	1359	\$187.4	\$12.2
28-Feb	17922	800	\$194.0	\$6.6
13-Mar	18684	762	\$209.4	\$15.4
27-Mar	19143	459	\$222.5	\$13.1
10-Apr	19681	538	\$225.5	\$3.0

C. How much CERP could be spent on Sunni/Shia projects quickly. Specifically, how much could be spent in:

- i. 1 month
- ii. 3 months
- iii. 6 months

Note: Estimates of how much CERP could be spent must take into consideration the new security environment and how much resources must be dedicated to current operations.

2. R3P Data.

A. Brief history of R3P projects in Iraq and background on the process

The Rapid Regional Response Program (R3P) began the last quarter of 2003. The purpose of the program is to provide funds for CPA regional and governorate coordinators to create local jobs, support local industries, and stimulate the economy in a quick and efficient manner. The program supports a range of projects:

- Small, high-impact, emergency projects (e.g. school renovation @ \$30,000)
- Medium sized reconstruction or other projects (e.g. replace pumps in water treatment plant @ \$500,000)
- Governorate or region-wide projects to address common problems (e.g. region wide civic education program @ \$1.5 million)

B. Spend rate data (how rapidly the funds have been spent in the past)

R3P Funds from the DFI total \$177 million (Nearly \$20 million to the Iraqi Kurdistan governorates). As of 3/31/2004, ~~\$140 million had been committed and \$71.5 million had been obligated.~~ Current obligation goal is 100% by 4/30/2004, which governorate coordinators may not meet. We are reviewing a possible recommendation to extend that obligation deadline to 5/10/2004.

C. How much R3P could be spent on Sunni/ Shia projects quickly?

Because CPA staff administers R3P funds in the regions, the program will not continue past 30 June. We are not currently aware of any plan to continue Governorate Teams in all 18 governorates beyond 30 June. At this time, we recommend that the CPA direct any additional funds to the CERP program, which will continue past 30 June.

However, if current staffing levels, procedures, and mechanisms were to remain in place, and the security situation stabilizes, the following estimates represent potential spending rates following the obligation of the existing \$105 million the Governorate Teams have yet to obligate.

Specifically, how much could be spent in:

- i. 1 month- \$20M
- ii. 3 months- \$60M
- iii. 6 months- \$120M

4. Apportionment Statement

In order to apportion the Supplemental funding by program ("Category B" apportionment), OMB needs to know:

- The sector or program in which the funds will be used
- The agency that will perform the activity (because apportionments are agency- and account-specific).

The quarterly report to Congress ("2207 report") lays out the proposed spending by sector for the full Supplemental, and details the expected programs within each sector on which funds will be used. These plans, while subject to evolution given the dynamic situation in Iraq, have not substantially changed.

In past quarters, the Program Management Office, USAID Baghdad, and OMB Baghdad have provided a proposed break-out of which agency will perform which project in order to facilitate apportionment of funds by OMB Washington. We can provide a preliminary break-out by agency for all funds at any time, which would be subject to change and reapportionment as projects evolve.

MEMO TO: Steve Hadley
Rich Armitage
General Pace
Sam Bodman
John McLaughlin
Jim Comey
Scooter Libby
Joel Kaplan
Jerry Bremer
General Abizaid

DATE: April 12, 2004

FROM: Paul Wolfowitz *PW*

SUBJECT: An Initiative for the Supplemental

Attached are short descriptions of two initiatives that the President might announce in his remarks tomorrow night:

1) I have directed the Secretary of Defense to assess action underway to equip Iraqi Security Forces and to streamline the contracting process where necessary. Further, I have directed the Secretary of Defense and Ambassador Bremer to use all available funding sources, including Iraqi funds as well as the Supplemental Appropriation, to acquire, on an expedited basis, the equipment and supplies our military commanders in the field need now to outfit Iraqi security forces.

2) I am asking Ambassador Bremer to reprogram \$2 billion of Iraqi funds immediately and allocate them to Iraqi provinces on a per capita basis to enable our local commanders, in coordination with local Iraqi and CPA officials, to invest in essential military civilian reconstruction and job creation projects. I am asking General Abizaid to work with Ambassador Bremer and CPA provincial team leaders to develop an expedited spending plan with the following priorities in mind:

- Providing a safer and more secure environment for our troops
- Creating job opportunities for Iraqis
- Rebuilding essential services and facilities most needed by local communities
- Strengthening the authority and capacity of local government in Iraq

cc: Harriet Miers
Gary Edson
Reuben Jeffery
Doug Feith
Marc Grossman
Robin Cleveland



COALITION PROVISIONAL AUTHORITY
BAGHDAD

TO: General Jeff Oster (Ret.)
FROM: L. Paul Bremer
Administrator *llp*
SUBJECT: \$500 million for Emerging Security Requirements
DAT: April 27, 2004

As Iraq transitions to sovereignty in 65 days, we must do everything we can to make Iraq as secure and stable as possible.

The DFI recently received \$500 million. The use of these funds for emerging security requirements is critical.

In the past weeks, violence has arisen in certain areas of the country. The \$500 million for emerging security requirements should address both local security-focused reconstruction needs (through CERP and other funding mechanisms), and more traditional security needs.

We need to put the \$500 million for emerging security requirements to work on the ground. Please obtain any necessary approvals for the use of the \$500 million and make this happen as soon as possible.



COALITION PROVISIONAL AUTHORITY

BAGHDAD

LPB HAS SEEN

ACTION MEMO

April 30, 2004

Q. wife.

FOR: THE ADMINISTRATOR
FROM: Giles Denham, Director Civil Affairs *JD*
SUBJECT: Meeting with Ministers on May 8

Your next meeting with the ministers is on Saturday May 8 at 1400. As it is possible that many of the current Ministers will not be in the interim government after June 30, I suggest we review the purpose of continuing these meetings.

You agreed the four objectives for the meetings I proposed in my memo of March 21:

- To encourage collective discussion of national issues which require Ministry action.
- To agree with that action and monitor progress.
- To develop Ministers' concept of collective responsibility as a Cabinet/Council.
- To establish and supervise relevant inter-ministerial groups to deal with crosscutting areas e.g. economic policy.

The meetings have set a good precedent of collective discussion for the interim government, and I recommend we continue with them. If many of the current Ministers leave at the end of May, we can enhance continuity with the interim government by inviting all the Deputy Ministers to attend the 'Cabinet' meetings. Currently there are 28 in 15 Ministries, and there may be more by May 8.

Given the limited time left to the current group of Ministers, it is unlikely that any major new decisions can be implemented. However, there are key issues where we need to sustain progress.

*Set
up
BSA
before
Saturday*

I propose the first agenda item should be Anti-Corruption. By the time of the meeting we are likely to have announced appointments for the Commissioner on Public Integrity and all Inspectors General (except, probably, for Defense). The Board of Supreme Audit (BSA) appointments should be imminent. It would be helpful now to get Ministers and their Deputies to state their personal commitment to making the new anti-corruption system effective. In view of their crucial roles in the system, it would be desirable to introduce the new Commissioner, if announced and available, and for the BSA President to be present for this item.

I also recommend the agenda includes a slot for the Ministers of Finance and Planning to explain how they have responded to the discussion at the last meeting in developing the 2005 budget setting process. This will help develop the idea that Ministers should take note of collective discussion, and allow you to emphasize the collective responsibility which follows from that.

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The Ministers have not yet suggested any other items, but they are likely to raise the political process at the meeting. The attached draft agenda therefore includes this. If agreed, we will prepare a short briefing note for Ministers on progress with the Anti-corruption strategy, and notify the Ministers of Finance and Planning about the second agenda item.

Although it did not emerge from a meeting with the Ministers, you have agreed to establish a Ministerial Committee on the Economy (OPPA's memo of April 14). Together with the Ministerial Committee on National Security, that can form the basis of a support structure for the Cabinet of the interim government. A separate memo on possible Cabinet structures and support requirements will be with you shortly. I recommend that you brief Ministers about this structure on May 8 if there is time.

David Kirk is arranging, with Anti-Corruption, Finance and Planning colleagues, an 'introductory' briefing session for Deputy Ministers on the same day. It will last for about an hour, and will start 15 minutes after the Ministers' meeting ends.

You previously agreed that we should prepare formal minutes of the meetings with Ministers. The attached draft for the meeting on April 20 is based on the reporting cable you saw. As usual, all papers for these meetings will be circulated in both English and Arabic.

RECOMMENDATION (1) That you agree to continue with the program of meetings, and invite Deputy Ministers also to attend.

Approve: ☒ Disapprove: ☐ Approve with modification: ☐

RECOMMENDATION (2) That you confirm the draft agenda attached, for immediate distribution to the Ministers, along with a 'Secretariat Note' on the Anti-Corruption Strategy.

Approve: ☒ Disapprove: ☐ Approve with modification: ☒

RECOMMENDATION (3) That you invite the new Commissioner on Public Integrity (if announced) and the ~~Acting~~ President of the Board of Supreme Audit to be in attendance.

Approve: ☒ Disapprove: ☐ Approve with modification: ☐

RECOMMENDATION (4) That you also brief Ministers on the Cabinet/Ministerial Committee structure which has been developed.

Approve: ☒ Disapprove: ☐ Approve with modification: ☐

RECOMMENDATION (5) That you approve the draft minutes of the meeting on April 20, for circulation with the agenda.

Approve: ☒ Disapprove: ☐ Approve with modification: ☐

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Don't want to
put in "Bureau
sec"



COALITION PROVISIONAL AUTHORITY
BAGHDAD

ATTACHMENTS: 1. Draft Agenda
2. Draft minutes of meeting on April 20

COPY: Amb Jones
LTG (Ret) Oster
David Gompert
Ed Schmults

CO-ORDINATION: Governance, Michael Ratney
OPPA, David Kirk and (b)(6) b(6)
Planning, Neil Hawkins
Finance, George Wolfe

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**COALITION PROVISIONAL AUTHORITY
BAGHDAD**

AGENDA

**Meeting between the Ministers and the Administrator
Saturday, May 8
11:00 AM, Baghdad Forum**

- 1. Note of meeting held on April 20 and matters arising**
- 2. Anti-corruption strategy (note attached)**
- 3. Budget plan for 2005 – report by Ministries of Finance and Planning
& Development Co-operation**
- 4. ~~Process for establishing Interim Government~~**

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Minutes of the Meeting of Interim Ministers with CPA Administrator
Held at the Baghdad Convention Center 1100hrs - Tues 20 April 2004

Attending	<p>Ambassador L. Paul Bremer LtGen (Ret) Jeffrey W. Oster - CPA DCOO Dominic Asquith - Senior UK Representative (b)(6) - Finance Mehdi al-Hafidh - Planning And Development Ibrahim Bahr al-Uloum - Oil Bruska Shaways - Defense Samir Shakir - Interior Haider Al-Abadi - Communications Baker S Jabor Al Zubaidi - Housing And Construction Aiham Alsammarae - Electricity Ayad Ibrahim Al-Safi - Municipalities & Public Works Waleed Saleh - Water Resources Behnam Zea Polis - Transportation Bakhtiar Amin - Human Rights Maysoon Aldamiuji - Culture Muhammad Tawfiq Rahim - Industry And Minerals Sami al-Mudhafer - Education Abdul Amir Al-Abood - Agriculture Hashim Abdel Rahman al-Shibli - Justice Khudair Abbas - Health Abdulrahman Siddeeq Kareem - Environment Sami Azara al-Ma'jun - Labor and Social Affairs Rashad Mandan Omar - Science And Technology Alai Allawi - Trade Muhammad Jasim Khdeir - Displacement & Migration Ali Fa'iq Al Ghabbban - Youth And Sports Zeiad Abdel Aswad - Higher Education Ibrahim Mustafa - Baghdad Central Hoshiyar al-Zibari - Foreign Affairs</p>
Secretariat	<p>Giles Denham - CPA Director Civil Affairs Col (b)(6) - Military Assistant to Director Civil Affairs (b)(6) - Personal Assistant to Director Civil Affairs b(6) Michael Ratney - CPA Governance Directorate (b)(6) - Executive Secretariat (b)(6) - Executive Secretariat (b)(6) - Executive Secretariat David Kirk - Office of Policy, Planning and Analysis</p>

Budget Preparation Plan for 2005

1. Ambassador Bremer introduced the item by emphasizing the importance to Iraq of Ministries developing a responsible and considered budget for 2005, particularly in view of the current political and security context. Discussion began with presentations from the Minister of Planning and Development Cooperation and the Deputy Minister of Finance.

2. Minister Al-Hafidh (Planning) delineated five key goals for the budget formulation process: (a) the promotion of basic services, (b) the creation of new jobs for Iraqis to directly alleviate unemployment and indirectly improve the security environment, (c) to maintain the prices of goods and services at the current level, (d) to fight poverty, and (e) to maintain capital investment in state-run programs. He pointed out that, on the assumptions used in the indicative figures presented, sale of oil production would account for 97 percent of Iraqi revenues. It was of great concern that the budget was so dependent on one source of income. He also noted the prospect of recovering frozen assets in the coming year, possibly raising revenues for 2005.

3. Minister Al-Hafidh also emphasized the importance to the budget of the assumptions used for oil price and production levels. Production had reached a level of 2.1 million barrels per day, and Iraq needed to follow the recent OPEC decision to keep the price of oil between 22 and 28 dollars per barrel. While recognizing that subsidizing basic services was a "sensitive issue" for many Iraqis, it was necessary to reduce the burden of resource transfer programs (including subsidies). These were projected to cost 14 trillion New Iraqi Dinars (NID) in 2005, 50 percent of the federal budget. Shifting the expenditure focus to the capital account would bring long term gains. Investment would reach 11 percent in 2005, and this level needed to be sustained. Substantial further funding was available from international donors, including the US Supplemental.

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4. Deputy Minister [REDACTED] (Finance) pointed out that the expenditure estimates for 2005 were indicative, and could be changed. He emphasized the need for all ministries to work together on the development of the 2005 Budget, and presented a timetable for this. Key dates on the timeline were: (a) April 29, the Ministry of Finance would release the request for Ministry budget proposal/estimates; (b) June 15, Ministries would submit budget proposal/estimates back to the Ministry; (c) June 30, the transition to sovereignty would take place; (d) mid-August, the Ministries of Finance and Ministry of Planning and Development Cooperation would discuss the results with other Ministries; and (e) October 29, the budget would be ready for approval. Deputy Minister [REDACTED] noted that revenues in 2005 were projected to be 21% above those in the 2004 Budget, but a small deficit was still projected. It would be important to eliminate this in the final Budget.

5. Ambassador Bremer observed two primary risks for the Iraqi economy. First, the Ministry of Oil had done a good job of consistent production, at 2.5 million barrels per day. However, pipelines' vulnerability to sabotage and the economy's dependency on oil amplified the budgetary risks. Second, spending 11 trillion NID on food, fuel and electricity subsidies was unsustainable. There were political difficulties in reducing

these, but the economy could not achieve long run growth otherwise. Ambassador Bremer stressed fiscal responsibility in deciding national budget priorities in coming months. He emphasized his optimism about Iraq's future, as long as Ministers controlled spending.

5. Minister Al-Abood (Agriculture) understood the value of supporting basic services but thought subsidizing the price of gas was unnecessary. He also called attention to the precarious political environment, saying that if the unemployment problem was not alleviated soon (even at the risk of running a deficit), the enemy forces would only grow stronger in numbers. Minister Al-Sammarae (Electricity) strongly opposed subsidies. He pointed out that 10 billion USD was being invested in electricity infrastructure, but only 10 million USD was being collected in charges. He sought a plan from the Planning and Finance Ministries to reduce the level of subsidies, supported the idea of increasing taxes to levels elsewhere in the region, and said the private sector should be incentivized to create jobs to minimize unemployment. Minister Aswad (Higher Education) reminded his colleagues of the importance of funding education programs.

6. Minister Al-Abadi (Communications) said that the solution to the subsidy problem was not one of eliminating subsidies altogether in the short run, but of eliminating the source of reliance on subsidies (low salaries); in the meantime, running a deficit might be worthwhile to activate the economy. Minister Khdeir (Displacement and Migration) commented that the government would pay a high political price for imposing taxes and eliminating subsidies, recommending the current subsidy level be maintained to provide a stable environment, and encouraging the return of risk-averse investors. Minister Al-Hafidh understood the interest in eliminating subsidies, but stressed little progress could be made now in case it exacerbated the security situation. He said the Ministers must balance their vision of fiscal policy with political reality.

7. Minister Sumaid'ie (Interior) asked if reliance on imported oil byproducts could be reduced. Deputy Minister Al-Saeed responded that an extra 460 million USD had been invested in refurbishing Iraqi oil refineries, reducing the reliance on importing oil byproducts from abroad. Minister Al-Uloun (Oil) acknowledged that the first challenge to oil production was security, and the second was sustaining production levels until investment to improve the oil infrastructure took effect.

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8. Minister Al-Shibli (Justice) and Deputy Minister Saleh (Water Resources) asked if oil revenues could be divided between the current account and the capital account. Putting oil income towards investment would ease the reliance on imported oil byproducts, and would allow Iraq to produce its own. Minister Allawi (Trade) proposed distributing a percentage of oil revenues across the population and reducing subsidies. Minister [REDACTED] viewed the policy of distributing oil income between the current and capital accounts as anachronistic; only the oil income remaining beyond a balanced budget could go towards investment.

9. Ambassador Bremer pointed out that US President Bush had appointed former Secretary Baker to renegotiate Iraqi debt with IFI's and other nations. If Iraq had to pay

six percent interest on its international debt – just the interest without decreasing the actual debt – it would cost 11 trillion dinars per year, the same amount as subsidizing food, electricity and gas for the Iraqi people. Reduction of the debt was a strategic requirement: if Iraq did not reduce its debt, it would have no money. If Iraq did not maintain a balanced budget, there would be no debt reduction. This was the legacy Saddam Hussein had left the Iraqi people. The Iraqi government did not have the luxury of running deficits until debt had been negotiated down and paid off.

Oil for Food

10. Ambassador Bremer expressed his gratitude for the Ministry of Oil's willingness to provide a depository for all documentation related to the investigation of the Oil for Food program, and for all Ministries' cooperation in submitting their documentation for safekeeping.

Government arrangements after June 30

11. Ambassador Bremer noted UN envoy Lakhdar Brahimi's expected return to engage in a broad range of consultations on the interim government. This government would likely maintain the roles of Ministers in a Cabinet, with a Prime Minister and a Presidency also in place by the end of May. It would run only day-to-day operations for seven months in preparation for the elections expected in January 2005.

Future meetings

12. Ambassador Bremer encouraged Ministers to submit agenda items to Senior Advisors or Mr Denham for the next Ministers' meeting, scheduled for May 8.

Action: Ministers to consider and submit agenda items



COALITION PROVISIONAL AUTHORITY
BAGHDAD

040415-08

ACTION MEMO

15 April 2004

FOR: THE ADMINISTRATOR
FROM: DEPUTY ADMINISTRATOR AND CHIEF OPERATING OFFICER
SUBJECT: Plan for Former Ministry of Information Employees

Update:

Having officially met with the representatives of the former Ministry of Information (MoInfo) employees we have both a more accurate accounting and idea of what will assuage the situation. At final count there are approximately 3,870 former Ministry of Information employees; 10 General Directors, 1,402 of the higher salary grade; 1,178 of the middle salary grade, and 1,280 of the lowest salary grade. Of these, we've been told approximately 1,000 will ask for pensions. They have been told to begin preparing pension lists in anticipation of the deadline announcement.

During the meeting it became clear that the previously recommended \$50 stipend for 5 months would not resolve the situation. They demand back salaries for October, November, and December 2003 as well as the 60,000 ID Ramadan bonus paid to all government employees in November 2003 (this bonus was deemed negotiable). While Governance originally had reservations about this solution, they now agree meeting this demand is the best way to resolve the situation. In addition, we will not have to create a funding wedge for their employment in ministries, as they would not demand employment if given backpay.

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We have investigated the role of the Executive Media Commission in resolving this problem. This commission has a Chairperson, [REDACTED] and has begun staffing. IGC Resolution No. 8 calls on the Executive Media Commission to seize all assets of the former Ministry of Information. If this resolution is ratified, this commission will be invaluable in locating and accounting for all funds and assets. However, until any additional MoInfo funds are located, funds will be made available from the Ministry of Finance reserve to cover the \$1.42M cost of the three months' back salaries.

Recommended Plan:

- Authorize the Ministry of Finance to pay from its reserve the October-December 2003 back pay *without* the Ramadan bonus. Based on the numbers of former employees and their salary levels, this would amount to \$1.42M. Payments to commence 22 April 2004.

Approve: W/K

Disapprove: _____

Approve with modification: _____

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- Require Ministry of Finance to locate the funds remaining from the April-September 2003 payment to the former employees and use these funds to pay the October-December salaries.

Approve: WY/15 Disapprove: _____ Approve with modification: _____

- Urge the Iraq Public Service Broadcaster and the Iraq Communications and Media Commission (ICMC) to grant these former employees priority hire status, if the skills and requirements match.

Approve: WY/15 Disapprove: _____ Approve with modification: _____

- Announce this plan at the 15 April Arab Media Roundtable as well as a 22 April deadline for pension applications.

Approve: WY/15 Disapprove: _____ Approve with modification: _____

- In addition, the former employees will be given information by the Ministry of Labor and Social Affairs urging them to register at the Ministry employment centers for recruitment by Iraqi and international employers, job training, and skills assessment.

COORDINATION:

GOVERNANCE: (b)(6) OBTAINED b(6)

FINANCE: George Wolfe, OBTAINED

STRATEGIC COMMUNICATIONS: Robert Tappan, OBTAINED

Prepared by: (b)(6)

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ACTION MEMO

LPB HAS SEEN

14 April 2004

FOR: THE ADMINISTRATOR

FROM: Neil Hawkins, Director CIC and Sr. Advisor MoPDC

George Wolfe

SUBJECT: Census Update and Proposed Meeting with Minister of Planning and Development Cooperation

Purpose

To brief you on the meeting of Carina Perelli and representatives of the Ministry of Planning and Development Cooperation on the proposed census and to recommend a follow up meeting with Minister Hafedh to discuss the next steps and to de-link the census from the electoral process.

Issues

A group of senior officials from the Ministry of Planning and Development Cooperation (MoPDC) met with Carina Perelli and other members of the UN electoral team on Tuesday 13 April and for two hours discussed the Ministry's census proposal (translation attached). The UN team argued strongly against any plan to use the census as the basis for electoral roll preparation.

Acting Deputy Minister Faiq Rasoul led the MoPDC group (the Minister is in Austria) while Mehdi Al-Alak, Director of the Central Statistical Organization (CSO), gave a strong presentation on the Ministry's proposal. Faiq said that the Minister shared the proposal with the Governing Council three weeks ago. Dr Alak explained the preparations that have taken place to date (saying they began over six months ago). According to Dr Alak, preparation of the census in Iraq in both 1987 and 1997 took approximately nine months, and the CSO has now progressed about as far as it can without an act from the GC to release funding for it. (Comment: the issue of funding for the census was clearly a primary concern for the Ministry officials. The existing 2004 budget includes \$100 million in a Ministry of Finance account for carrying out a census.)

The UN team was skeptical that a census could be prepared so quickly. Perelli said that in most countries it takes three years. The team expressed support for the importance of a census generally, but raised detailed and forceful objections to its use in preparing electoral rolls. Perelli explained that this would require opening the census key containing names and addresses of respondents, which would violate international conventions. She also noted the potential for political abuse of the information in the census key would cause election observers to declare an election that was not free and fair. Another team member explained the importance of maintaining accurate electoral rolls as time went on—while it was unreasonable to think that Iraq could conduct a census before each of the elections foreseen in the TAL. Another asserted that the census would not serve the purpose of allocating voters to specific electoral districts. He also pointed out that the importance of sticking to the electoral timetable would build in rigidity to

conducting the census that would be inadvisable: any slippage in timing would be construed as political maneuvering.

The MoPDC group displayed some signs of disorganization. They were unfamiliar with critical aspects of the TAL, such as the electoral timetable. Confronted with the fact that a UN official (Mary Chamie) advised them in a March 2003 conference in Amman of the UN's official position against using the census for elections, the group asked why the UN had not then proposed alternatives to the CSO to help prepare the elections (response: the CSO never asked). After having been advised numerous times that \$100 million dollars for a census has been in the 2004 national budget since it was passed in October, the MoPDC officials continue to say that it is not (perhaps because the allocation is in a Ministry of Finance account and not a MoPDC account).

The extent to which the MoPDC officials seemed to acknowledge the validity of the UN position was unclear. After defending their plan and hearing the UN objections, they discussed some aspects of alternative ways for constructing electoral rolls and raised some concerns about them. The MoPDC objections to alternatives to a census were far less specific or important. Given the concerns of the United Nations, the fact that preparations for the census seem to have already begun and because this meeting was with sub-Ministerial level officials, it would be advisable for you or a high level CPA official to follow up directly with the Minister to provide direct advice and guidance on CPA views regarding the census. This could include requesting that the Minister seek international expertise to help plan and implement the census.

RECOMMENDATION: That you meet with Mehdi Hafeedh, Minister of Planning and Development Cooperation, sometime between April 19 and April 24 to discuss his census proposal and reiterate the importance of de-linking it from the electoral process.

Approve: [Signature]

Disapprove: _____ Approve with modification: _____

ATTACHMENTS: Translation of CSO census proposal

DRAFTED: CPA-MoPDC, Stephen Newhouse

COORDINATION: Governance (Irfan Siddiq)
Sr. Advisor Ministry of Finance (George Wolfe)

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BAGHDAD

LPB HAS SEEN

ACTION MEMO

April 8, 2004

FOR: THE ADMINISTRATOR

FROM: Hon. Edward C. Schmults, Senior Advisor to the Ministry of Justice

SUBJECT: Overrule PRB decision on judicial salaries

I recommend that you order the Program Review Board to allocate \$2.2M to the Ministry of Justice to pay for the judicial salary increase which you approved on March 29, 2004. (See Attachment 1). That sum, which the Ministry of Justice will transfer to the Council of Judges when the latter receives an independent budget, would fund the increase from May 1 through the end of 2004. The PRB yesterday denied the request of my office to fund the salary increase (see Attachment 2), despite knowing that it had your approval. Neither my office nor Mr. Wolfe is aware of any other way to fund the salary increase.

Just the day before the PRB's decision, I received from Andrew Rathmell a speech by Amb. Charles Crawford, the British ambassador-designate to Poland, about mistakes made in nation-building in the Balkans. He lamented the folly of underpaying judges, particularly when honest ones can be attracted at salaries very modest by our standards:

A strategic mistake by Western governments has been to underplay the role of judges in the courts. And the sums involved are tiny! You don't have to pay judges much money. In somewhere like Bosnia, 10,000 USD a year for senior judges would help give them a personal incentive not to take bribes. [Our plan would pay Iraqi judges similar amounts.] But if they take bribes from the people controlling not tens of millions of dollars, but hundreds of millions of dollars, the whole of society remains skewed right from the start.

The penny-wisdom, pound-foolishness of underpaying judges--in this case, less even than they earned under Saddam--reminds me of judicial-pay-raise proposals when I was Deputy Attorney General during the Reagan Administration. Inevitably, one or a handful of western Senators would bemoan: "In my state, lawyers would line up around the block to earn that much money." But a good judiciary needs better than just any old lawyer, and must offer sufficient pay to attract fine legal minds and upstanding characters.

* The PRB request incorrectly states that the increase requires \$3,770,000, which would fund the increase for an entire year. The amount actually needed is only seven-twelfths of that, or \$2.2M, as the increase does not take effect until May 1, and hence requires only 7 months' funding in 2004. My office made this clear to the PRB.

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RECOMMENDATION: That you order the Program Review Board decision to allocate \$2.2M to the Ministry of Justice to pay for the judicial salary increase which you approved on March 29, 2004, by initialing next to "Approve" below.

Approve: VV/3 Disapprove: _____ Approve with modification: _____

ATTACHMENTS: 1. Action Memo of March 29, 2004 in which you approved a judicial salary increase
2. PRB request

COORDINATION: CPA Ministry of Finance, Mr. Wolfe, agrees

COPY: Program Review Board
Mr. Rathmell, Office of Policy and Planning Analysis

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