

العدد: 5-9
التاريخ: 2003/9/17

To : (b)(6) Super Advisor
For the Ministry of Industry
Subject : Training of Engineers

Dear Sir

The ministry of industry has been working for the last three months to prepare a program for training a number of engineers in this ministry in order to disperse them to other ministries around the country . These experienced engineers are recruited from the dissolved Iraqi army through the Iraqi engineering Union headquarter . The union contacted this ministry for the above purpose . However , The cost of training for those engineers should be pay by the ministry of finance , because this ministry cannot in the present satiation offer to pay for such cost . But the suggestion is to have you approve the idea first and then a contact can be made with ministry of finance to provide the money required to pay for the training cost .

Please consider the matter to be very important . It is for benefit of the Iraqi side and yours , specially when this number of Engineers could go back to work .

Thank you and Best regards.

Sincerely yours

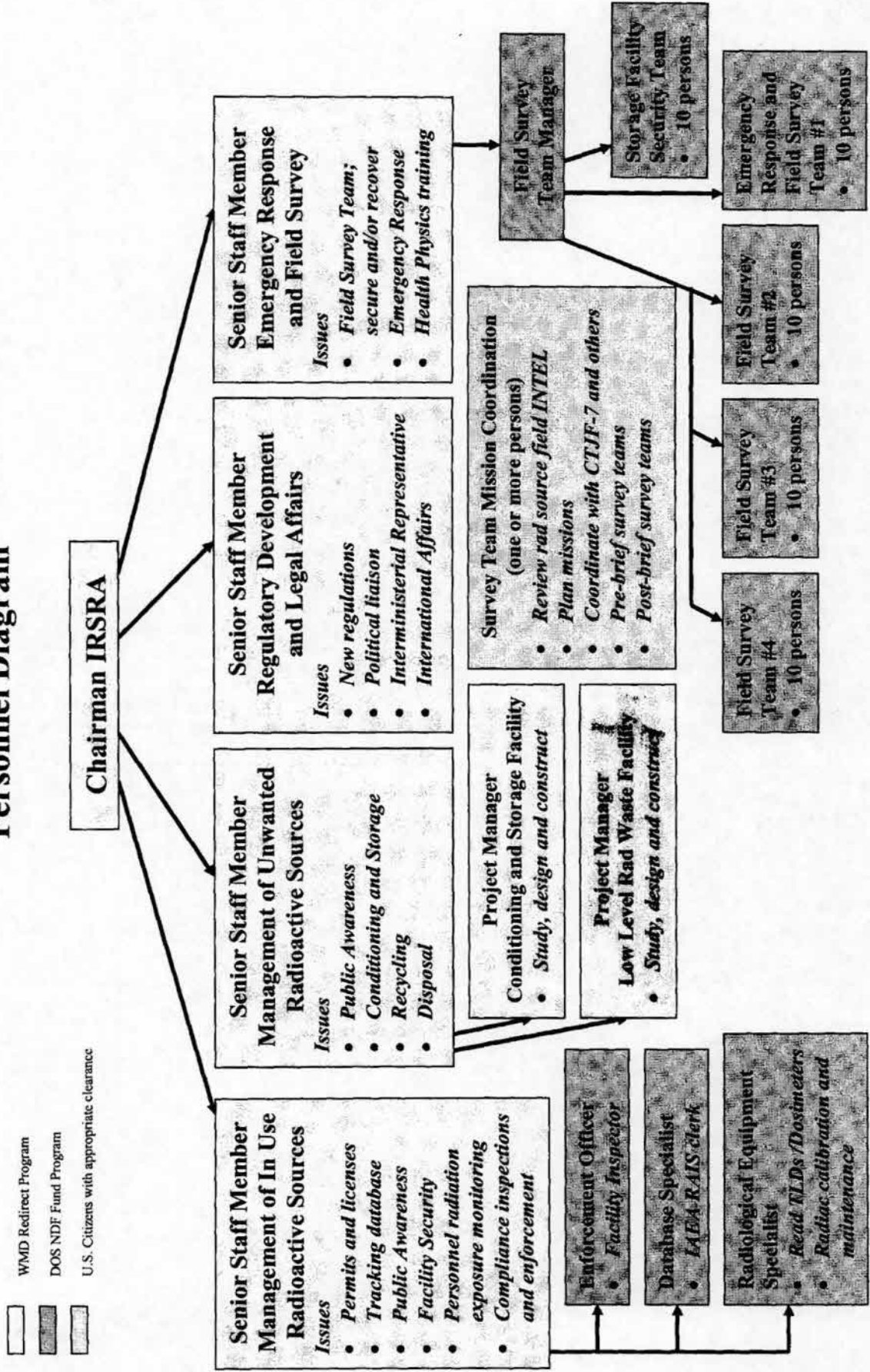
15/9.03

Mohanned A.Ala'a
Super Advisor of the Ministry of Industry
The Thirteenth of September 2003

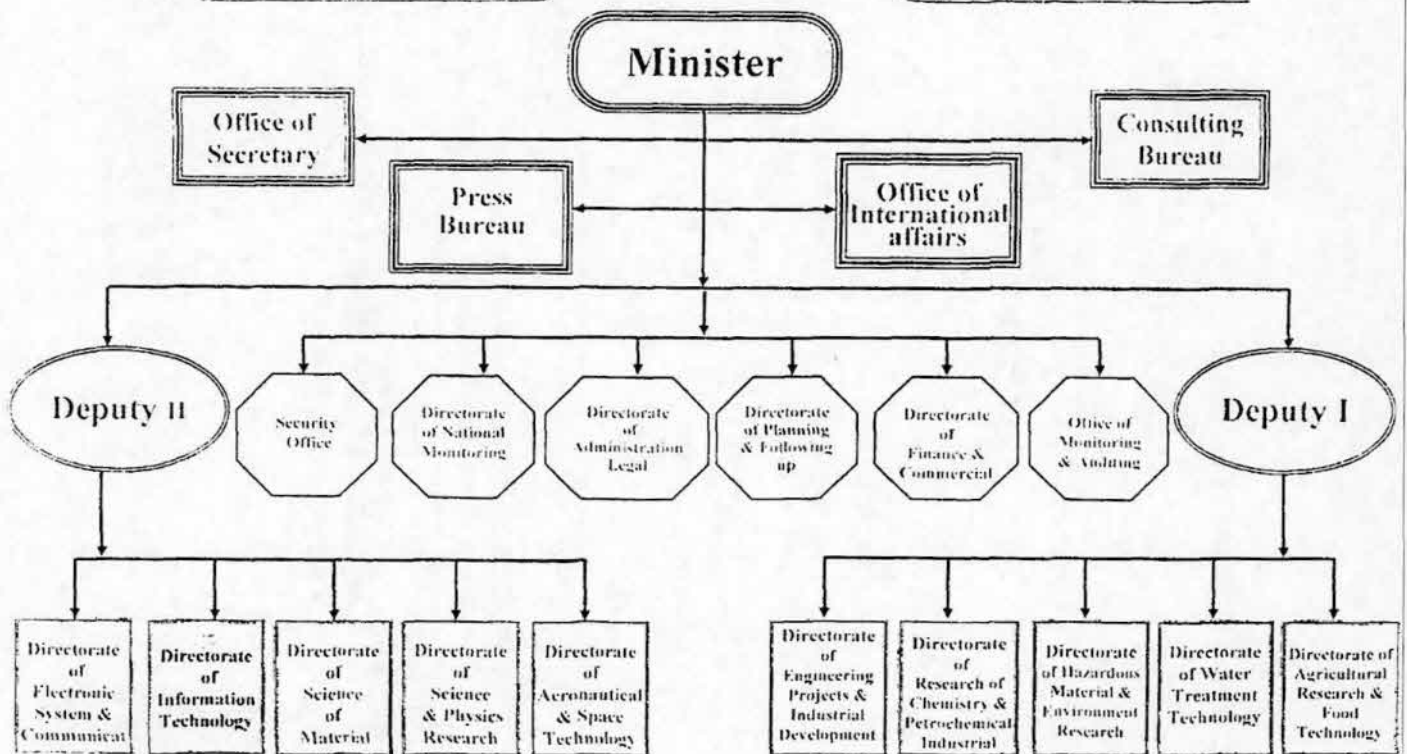
L.B. Ali

00-15/9

Iraqi Radioactive Source Regulatory Agency (IRSRA) Personnel Diagram



The Structure Diagram of The M.O.S.T



9,500⁺ employees

75-100 concerned about -

MoST Directorates - Military Industrialization Commission

1. Directorate of Electronic Systems and Communications
 - SOE - Al-Meelad Company (**Electronics**)
 - SOE - 28th Neessan Company and
 - SOE - Sakr Al-Arab Company (**Electronics Warfare R&D**)
2. Directorate of Information Technology
 - SOE - Al-Kawarizmy Company and
 - SOE - Ferabi Company (**Computer Software**)
3. Directorate Science of Material
 - SOE - Al-Quds Company (**Physics and Metallurgy**)
 - SOE - Al-Raya Company (**Metallurgy**)
4. Directorate of Science and Physics Research
 - SOE - Al-Quds Company (**Physics and Metallurgy**)
 - SOE - Al - Razi Company (**Laser Research**)
5. Directorate of Aeronautical and Space Technology
 - SOE - Al-Battani Company (**Space**)
 - SOE - Ibn Fernas Company (**Aeronautical**)
 - SOE - Al-Fatah Company (**Rockets**)
6. Directorate of Engineering Projects and Industrial Development

MoST Directorates - Military Industrialization Commission *Con't*

7. Directorate of Research of Chemistry and Petrochemical Industrial
 - SOE - Al-Basil Company (**Oil Research**)
8. Directorate of Hazardous Material and Environmental Research
9. Directorate of Water Treatment Technology
 - SOE - Al-Majid Company (**Water Research Projects Design and Supervision**)
10. Directorate of Agricultural Research and Food Technology
11. National Monitoring Directorate
 - **SOE - National Monitoring Directorate (WMD Monitoring Follow-up)**

New Iraqi Monitoring Agency Concept Plan

As of 4 Jan 2004

PROBLEM: - Currently No Iraqi Governmental Entity Exists to Act as the Nations' Regulatory Authority to Monitor and Enforce Regulations.

- Control Nuclear, Chemical, Biological and Radiological Materials.
- Control and License Dual Use Materials
- Monitor Dual Use Technologies
- Assist in the Hazardous Material Environmental Clean-up

SOLUTION: - Create a New Iraqi Agency with both Monitoring and Enforcement Responsibilities.

- Assist Iraqis in the development of proposed legislation and regulations to codify the Agencies Authority and Responsibility

STRATEGY: - The Structure for the New Agency will come from Assets (Personnel and Real Property) provided by the Ministry of Science and Technology.

- Initially the New Agency would operate like current Ministries, except the Director of the Nonproliferation Coordination Office, would Act as the CPA Senior Advisor.

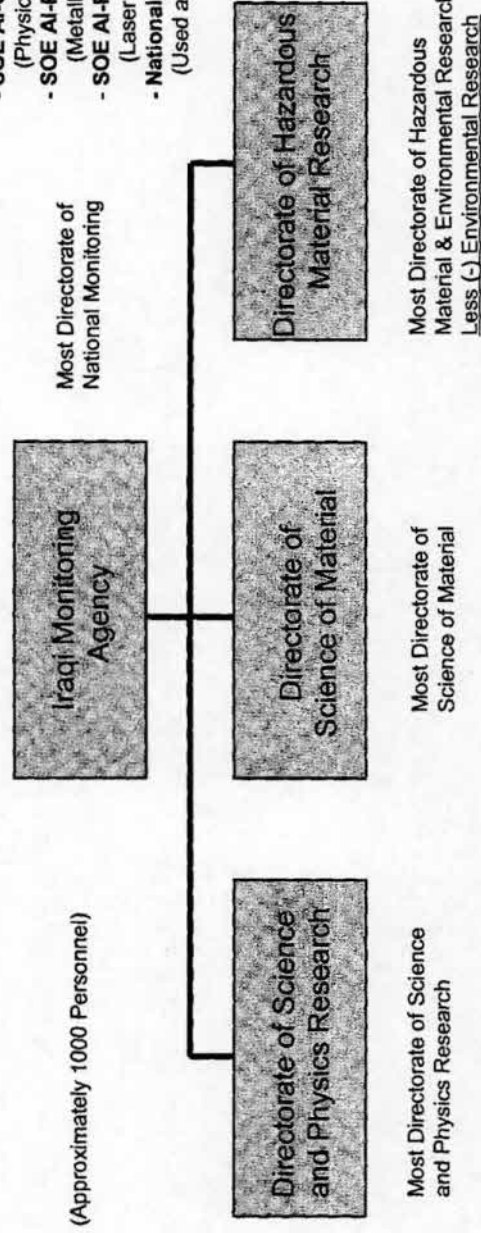
- On July 1, 2004, the Iraqi Monitoring Agency would fall under the Executive Branch of New Transitional Government and the Director would Report Directly to the Chief Executive.

RECOMMENDATION: Recommend Concept Approval and incorporation of the concept into CPA ORDER XX, Consolidation of State-Owned Enterprises

Former Regime Entities

Includes Former Atomic Energy Personnel

- SOE Al-Quds Company (Physics and Metallurgy)
- SOE Al-Raya Company (Metallurgy)
- SOE Al-Razi Company (Laser Research)
- National Monitoring Directorate (Used as means of control)



NOTE: Though the Monitoring directorate of MOST was tasked with monitoring Iraq's imports and exports, historically its actual task was masking Iraq's WMD activities by acting as the counterpart to UNSCOM. It also has little or no laboratory facilities to provide inspection support.

MoST Directorates - Military Industrialization Commission

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MoST Directorates - Military Industrialization Commission *Con't*

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 - **SOE** - National Monitoring Directorate (WMD Monitoring Follow-up)

Possible Transfer of Ministry of Science and Technology Assets to other Ministries

MoST Directorates

Directorate of Electronic Systems and Communications

Directorate of Information Technology

Directorate Science of Material ✓

Directorate of Science and Physics Research ✓

Directorate of Aeronautical and Space Technology

Directorate of Engineering Projects and Industrial Development

Directorate of Research of Chemistry and Petrochemical Industrial

Directorate of Hazardous Material and Environmental Research ✓

Directorate of Water Treatment Technology

Directorate of Agricultural Research and Food Technology

Iraqi Ministries

Ministry of Communications

Ministry of Communications

Ministry of Higher Education

Ministry of Higher Education

Ministry of Higher Education

Ministry of Construction and Housing

Ministry of Health / Ministry of Oil

Ministry of Environment

Ministry of Water Resources / Ministry of Public Work

Ministry of Agricultural

Ministry of Science and Technology Fact Sheet

Background

The Ministry of Science and Technology (MOST) is formed out of the former Iraqi Atomic Energy Commission (IAEC) and the following 13 Military Industry Commission (MIC) centers:

- Al-Khawarizmy (computer software)
- Al-Basil (oil research)
- Al-Battani (space research)
- Al-Majd (water research, projects design and supervision)
- The former National Monitoring Directorate (WMD follow-up).
- Sakr Al-Arab Research Center
- Ibn Farnas State Company
- Al-Razi State Company
- Al-Raya State Company
- Al-Fatah State Company
- Al-Meelad State Company
- 28 Neessan State Company
- Al-Quds State Company

The combined number of employees is now about 8000. Currently, the MOST employs about 200 Ph.D.s, 400 Masters Degree holders, and more than 2000 Bachelor Degree holders. The rigorous implementation of the De-Ba'athification Policy has not resulted in the loss of scientific or engineering capability.

Discussion

All MIC scientists and engineers whose organizations were not transferred have been asked to apply for possible transfers to the MOST if their current organization is being dissolved. The transfers will be coordinated with the MIC's current management, and should ensure that all of Iraq's former WMD scientists and engineers are gainfully employed. Implementation of the De-Ba'athification Policy will be the rule for all transferred entities to the MOST.

Rev 3570'43
Jum

Republic of Iraq
Science & Technology Commission

Ref: 364
Date: 25/8/2003

To : Coalition Provisional Authority
Sub : 2003 – 2006 Iraqi Science and Technology
Commission (ISTC) Temporary Budget Addition

Following your approval on the (ISTC) Temporary Budget, (hereby a copy attached), and reference to your agreement CPA/LOA 16 July 2003 /FMT 118, and your decision dated 5th of August 2003 to merge all the following mentioned companies plus their properties to the ISTC:

No.	Company	Staff
1.	Al-Battani Co.	287
2.	Al-Kawarizmy & Ferabi Co.	334
3.	National Monitoring Directorate	240
4.	Al-Basil Co.	425
5.	Al-Majid Co.	545
6.	Research Commission	54
7.	Ibn Fernas Co.	670
8.	Al-Razi Co.	319
9.	Sakr Al-Arab Co.	38
10.	Al-Meelad Co.	789
11.	Al-Quds Co.	650
12.	Al-Raya Co.	350
13.	Al-Fatah Co.	182
14.	28 th Neessan	99
	Total	4982

Also adding the scientific section staff which was related to ex-dissolved security (113) thus the total No. of transferred staff to the STC will be (5095) employees. Due to the merging of the above mentioned companies including its staff, it is required to add additional Funding to the 2003 ISTC temporary Budget, distributed in accordance with the current Budget chapters and the reconstruction of the additional merged sites.

COALITION PROVISIONAL AUTHORITY ORDER NUMBER 24

MINISTRY OF SCIENCE AND TECHNOLOGY

Pursuant to my authority as Administrator of the Coalition Provisional Authority (CPA), and under the laws and usages of war, and consistent with relevant U.N. Security Council resolutions, including Resolution 1483 (2003),

Recognizing that Iraq possesses a large, well-trained engineering and technical work force fully capable of advancing scientific research and development initiatives to support the reconstruction and economic development of Iraq,

Recalling that Iraq's scientific expertise was employed in a manner inconsistent with accepted notions of scientific development and for purposes directed by the former regime,

Understanding that redirecting the efforts of Iraq's scientific and technical research efforts away from weapons development is necessary to transform and modernize Iraq's industrial base in support of the continued economic development of Iraq,

I hereby promulgate the following:

Section 1

Dissolution of the Ministry of Atomic Energy

In accordance with CPA Order No. 2, Dissolution of Entities (23 May 2003), the Ministry of Atomic Energy is hereby dissolved. Employees and assets of the Ministry of Atomic Energy shall be transferred to the Ministry of Science and Technology established hereunder.

Section 2

Establishment of the Ministry of Science and Technology

There is hereby established the Ministry of Science and Technology as a ministerial level agency that shall identify, research and develop projects designed to restore and improve Iraq's infrastructure and industrial base.

Section 3 Purpose

The Ministry of Science and Technology will work with public and private industry, governmental agencies, and educational institutions to lead scientific and technological development for the purpose of fostering the restoration and improvement of Iraq's infrastructure and industrial base.

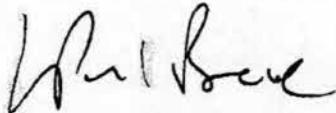
Section 4 Organization

The Ministry of Science and Technology shall be organized by centers of thought. These centers include:

- 1) Fossil Fuel/Solar Energy Research and Development Center. This Center will focus on the development of new technologies to maximize the potential of current fossil fuel production and to research alternative energy sources.
- 2) Environmental Protection Center. This Center will focus on standards and compliance measures to address radiation, air quality, hazardous materials, water management, and pollution prevention.
- 3) Information and Electronics Technology Center. This Center will focus on research and technology to foster business productivity. The functional areas will include hardware and software, process engineering, and electronic devices.
- 4) Agriculture and Food Technology Center. This Center will focus on the redirection and refurbishment of the agriculture and food production capabilities of Iraq. The functional areas will include natural pesticides, improved seed stocks, processed foods, and hydroponics.
- 5) Materials and Chemistry Center. This Center will focus on supporting the emerging sectors by nurturing the development of material technologies. The functional areas will include plastics, ceramics and glass, metals, and building technology.
- 6) Industrial Development Center. This center will investigate potential solutions and processes that require the study of available raw materials and the commercial viability of supporting technologies. This includes the use of licensing agreements and outside experts and partners.

Section 5
Entry into Force

This Order shall enter into force on the date of signature.

 8/24/03

L. Paul Bremer, Administrator
Coalition Provisional Authority

ACTION MEMO

December 13, 2003

FOR: THE DEPUTY ADMINISTRATOR AND CHIEF POLICY OFFICER

FROM: Carleton J. Phillips, NP/PTR, Department of State

SUBJECT: Establishing Coordination of Nonproliferation Programs

The Department of State will launch in January a two year program to redirect Iraqi scientific and technical personnel with WMD expertise into peaceful, transparent, civilian employment. The State program is distinct from that of the Iraqi Survey Group (ISG), whose mission focuses on historical and legal aspects of Saddam's WMD programs. The implementation of the State program offers an opportunity to create an organizing and coordinating entity within CPA to: 1) serve as POC for other agency and NGO nonproliferation programs currently being or planned or considered; 2) be a source of information for senior administrators; 3) guide implementation of the State program; and 4) lead planning and transition for a possible future Office for Nonproliferation in the new United States Embassy in Iraq. Two administrative options have been considered, with preference given to a CPA Special Advisor on Nonproliferation Coordination (recommendation 1).

RECOMMENDATION (1): That a CPA Special Advisor on Nonproliferation be appointed to implement the State program and to coordinate and represent non-proliferation programs.

Approve: ☐ Disapprove: ☐ Approve with modification: ☐

RECOMMENDATION (2): That a CPA Office of Nonproliferation Coordination be established to implement the State program and to coordinate and represent non-proliferation programs.

Approve: ☐ Disapprove: ☐ Approve with modification: ☐

ATTACHMENTS: Unclassified Discussion Paper, 4 pages, from Dr. Phillips, NP/PTR


COORDINATION: NP/PTR Department of State ok

UNCLASSIFIED

DISCUSSION PAPER

12 December 2004

To: Richard Jones
Deputy Administrator & Chief Policy Officer
Coalition Provisional Authority

From: Carleton J. Phillips 
NP/PTR
Department of State

Subject: Establishment of a CPA Nonproliferation Coordinating Advisor or
Office with Possible Transition to a U.S. Embassy Nonproliferation
Function

Summary

State will shortly begin a Redirection Program for Iraqi scientists and technicians with WMD expertise. A decision must be made on how to organize an office in Baghdad to implement the program, whose mission is distinct and separate from that of the Iraq Survey Group. This paper proposes as a first step the creation of an interim Special Advisor for Nonproliferation on CPA staff or, alternatively, creation of a CPA Office of Nonproliferation Coordination. Such an arrangement would permit the Advisor or office to keep CPA informed about this and other nonproliferation projects and broader scientific engagement in Iraq being planned by State or other USG agencies. It would also be a conduit to State and other agencies for policy support on nonproliferation issues when these arise inside CPA. The office could also bridge this function into an embassy office when an embassy is established. Because personnel with WMD expertise are dispersed among several Iraqi ministries, that format would also prevent the program from becoming too closely attached to any one Iraqi Ministry.

Background

State will launch in January 2004 a two-year program to redirect former Iraqi WMD personnel into peaceful, transparent, civilian employment. An initial \$2 million in start-up funds for approximately six months of activity has been notified to Congress from State/NPs Nonproliferation and Disarmament Fund (NDF). An additional \$20 million is planned for the full two year program. The program has two objectives:

- 1) dissuade Iraqi scientists and technical personnel from transferring their WMD expertise to rogue states and terrorists, and

- 2) support the technological and economic reconstruction of a free and democratic Iraq, while safeguarding against Iraq re-acquiring technologies or resources that would assist reconstitution of its weapons programs.

In pursuing this program, State will draw on the expertise it developed over the past ten years from its programs to redirect former Soviet weapons scientists.

By mutual agreement, the State program is distinct and separate from the work of the Iraq Survey Group (ISG). The ISG's mission includes historical reconstruction of Saddam Hussein's WMD programs, acquisition of weapons and relevant chemicals and biological materials, and related legal issues. In contrast, the State program (and related USG non-proliferation programs under development) is designed to prevent proliferation of resident Iraqi expertise through redirection into scientific and technical work that will constitute a contribution to the reconstruction of Iraq.

CPA has been consulted on additional nonproliferation programs developed by other State offices and USG agencies. These include proposals for improving Iraq's export control and border security efforts, securing radioactive sources in Iraq, and assisting more generally the reconstruction of Iraq's scientific infrastructure. Not all of these programs may actually get underway, but CPA at minimum will be asked to give views and coordinate on them. These efforts are coordinated in Washington by the NSC Proliferation Strategy sub-PCC on Iraq.

Implementation Issues

In the short-term, State must develop a structure to implement its WMD personnel redirection program. It has examined the possibility of attaching an office to one of the Iraqi ministries (e.g. the Ministry of Science and Technology), which is known to have former WMD scientists among its staff. However, available information indicates Saddam deliberately scattered WMD personnel in many Iraqi agencies. Associating the State program too closely with one ministry might make it difficult for it to engage WMD personnel in other ministries.

In the longer term, State, working with the NSC and other agencies, will determine if the redirection task requires negotiation of an agreement with Iraq. This was the approach used in the former Soviet Union, where successful redirection programs have lasted for more than a decade. We have taken an initial look at different forms of agreement—bilateral, intergovernmental, and international. Because of its flexibility, we believe that an intergovernmental agreement is the preferred framework, in part because it would allow the inclusion of other countries through an accession process.

The most straightforward short-term solution would be to appoint within CPA a Special Advisor for Nonproliferation Coordination. The portfolio for such an advisor could include the following specific items:

- 1) Serve as POC for all USG and NGO non-proliferation projects and all USG science and technology reconstruction programs. This would cover the interrelationship between proliferation threat concerns and dual use technologies;
- 2) Be an intra-CPA source of information for senior administrators;
- 3) Guide implementation of the new State WMD personnel redirect program; and
- 4) Guide planning and transition into a future Office for Non-Proliferation in the new United States Embassy in Iraq.

The principal merit of the Special Advisor option is that it will allow the WMD program to begin initial operation at a minimal level and provide an immediate coordination point for other nonproliferation and S&T initiatives. At this point, we have not been able to assess fully whether or not there are sufficient WMD personnel to warrant a long-term program framework. Establishing a long-term program that operates under an agreement may not be necessary, particularly if employment opportunities can be identified in the short to medium term. If a program agreement is established, a separate program office operating outside CPA and/or the Embassy is foreseen.

Although the Special Advisor would require some staff support, the Advisor position itself need not occupy a specific office within the CPA administrative organizational chart. The Special Advisor would be available to assist or coordinate as needed and could sit in the administrative suite, with support staff elsewhere in the palace.

Another option would be to create a CPA Office of Non-proliferation Coordination. The office head would have the same portfolio as in the Special Advisor option except that line-reporting for the office would be based on the CPA organizational chart.

Whether an Advisor is appointed or an Office is opened, the interim staff is expected to consist of the Advisor or Head, two US personnel, and four-six Iraqi support and implementation specialists. Candidates for the U.S. staff positions have been identified and we expect that two of the three will be language qualified and that they will have a range of skills, including policy, scientific, and legal. Iraqi staff could be recruited from among the WMD personnel targeted by the redirection program. All program staff, including the Advisor or Head, will be paid by their respective sponsors (DOS, NEA, DOE, but not CPA) or by program funds. It is understood that U.S. staff will be covered by the State-DoD MOU on State personnel being seconded to CPA. That MOU guarantees DoD assistance with security and logistics.

Timing is the essential component in both options. The State program should begin in January. This means that there could be a 3-4 month transition period before opening the embassy.

Embassy Transition

The need for nonproliferation programs will continue (and perhaps increase) once Iraq regains sovereignty. Planning should begin immediately for a nonproliferation function in the new embassy. For this to occur in a timely and smooth manner, the process should begin by mid-January. Such an office could include the following major responsibilities:

- 1) Continuing administrative responsibility for the DOS WMD Personnel Redirection Program or performing a liaison function if a separate program office is established;
- 2) Coordination for all Iraq nonproliferation programs; and
- 3) Development and coordination with other nations that might assist our nonproliferation efforts in Iraq. (Coalition members, specifically the U.K. and Australia have, indicated a willingness to assist our WMD personnel redirection effort. Other coalition participants, including Kazakhstan and Uzbekistan, that have a long, successful track record of cooperating with the U.S. on nonproliferation programs, also could play a future role.).

Recommendation

That a Special CPA Advisor for Nonproliferation Coordination be appointed with service expected to begin as early as mid-January. The Advisor's final portfolio can be determined jointly. The Advisor and staff will assist with the transition of the nonproliferation function to a future embassy office.

The Major Enterprises

The MOST is organized into six major enterprises (see Figure 1). In turn, the major enterprises are organized into related functional areas. Within each of the enterprises, goals, and objectives have been established. The major enterprises are:

- Energy Research and Development
- Environmental Protection
- Center for Industrial Development
- Information and Electronics Technology
- Agriculture and Food Technology
- Materials and Chemistry Center
- Water Research Center

Enterprise: Energy Research and Development

Functional Areas

The Energy Research and Development Enterprise is organized into the major functional areas as shown in Figure 2 below:

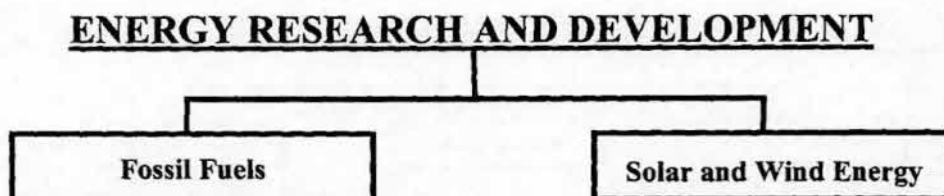


Figure 2, Energy Research and Development.

Goal: This enterprise will harness the expertise of Iraq's scientists to develop new technologies to maximize the potential of current fossil fuel production, and to research and develop alternative energy sources.

Objectives:

- Renovate and establish the old Al Tuwaitha facility as not only a research facility for development of energy technologies, but also too help emerging manufacturing and production companies overall. Develop the site for showcasing public-private partnerships and new technology.
- Examine emerging technologies in the alternative energy fields of solar and wind power with the ultimate objective of assisting its remote communities in the desert by supplying their energy needs with these alternative sources.
- Export these new technologies to other countries that are in need of solar and wind energy alternatives.

Enterprise: Environmental Protection

Functional Areas

The Hazardous Materials Enterprise is organized into the major functional areas as shown in Figure 3 below:

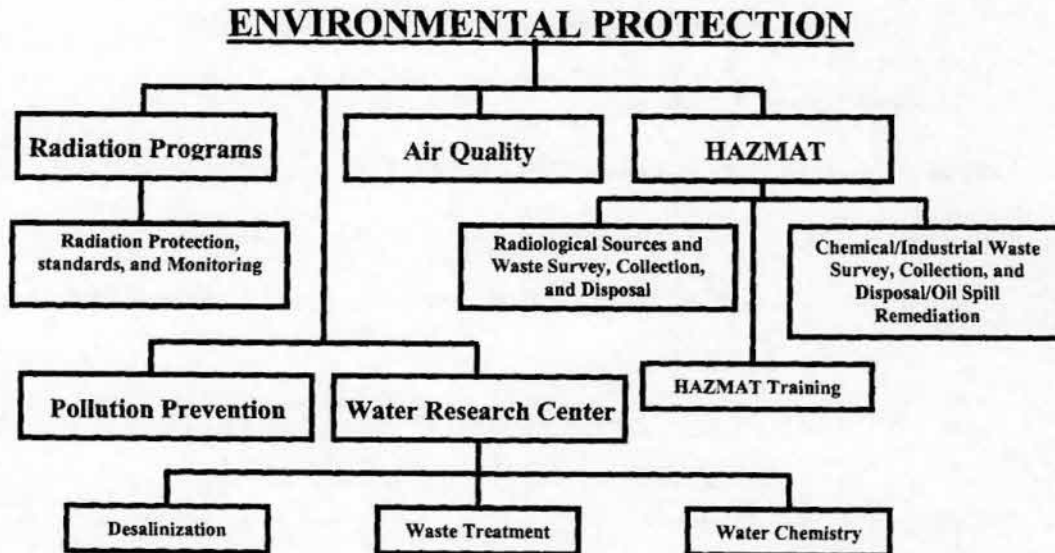


Figure 3, Environmental Protection Agency Functional Areas.

Goal: Establish standards, monitor conditions, and conduct remediation in order to protect human health and safeguard the environment.

Objectives:

- Develop and resource pollution prevention programs to forestall any further contamination.
- To meet its international obligations under the Nuclear Nonproliferation Treaty, serve as the technical interface and liaison with international monitoring agencies such as the International Atomic Energy Agency (IAEA).
- Serve as the responsible body for assuring the proper use of radioactive materials for legitimate medical and industrial uses.
- Train, educate, and maintain proficiency of HAZMAT teams to the proper standards in order to assess, collect, process, and dispose of hazardous waste.
- Establish consultancy to other ministries concerning environmental issues.
- Train and equip first responder medical teams to respond to a hazardous or toxic material event.

- Conduct environment impact assessments and a survey of environmental damage due to the various WMD projects.
- Construct and staff radiological and chemical waste sites.
- Conduct research into suitable forms of recycling waste products.
- Develop capabilities to use licensed technology to establish desalinization plants in order to alleviate severe salinity problems in Iraq's rivers.
- Examine technologies to aid in environmental clean-up and to enhance waste treatment capabilities in order to reduce microbial and chemical contaminant level to at or under established standards.
- Conduct research on aspects of water chemistry for practical applications in Iraq's water systems.

Enterprise: Center for Industrial Development

Functional Areas

The Center for Industrial Development Enterprise is organized into the major functional areas as shown in Figure 4 below:

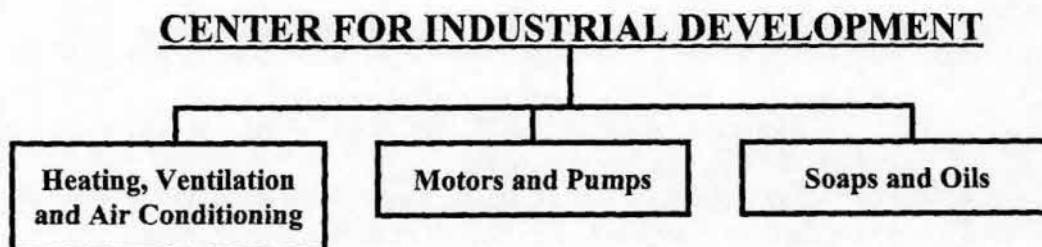


Figure 4, Center for Industrial Development and Information Technology Functional Areas.

Goal: Establish suitable facilities for private commercial enterprises to use for the purpose of exploring new technologies and industrial processes. This goal is key to the overall goal of encouraging a free-market economy that can compete in world markets.

Objectives:

- To promote the development of infrastructure that is necessary to conduct trade in goods and services.
- Benchmark performance of industrial processes against established standards.
- Build capacity of academic, non-government and government institutions to support specific industrial enterprises.
- Conduct research and development on industrial processes

Enterprise: Information and Electronics Technology

Functional Areas

The Information and Electronics Technology Enterprise is organized into the major functional areas as shown in Figure 5 below:

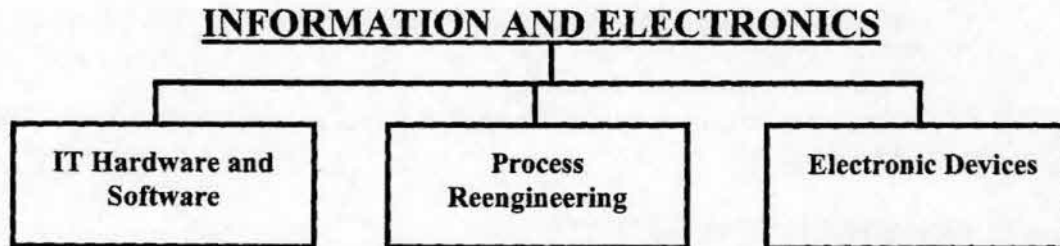


Figure 5, Information and Electronics Technology Functional Area.

Goal: Modernize this critical area in order to help in Iraq's economic recovery and to streamline the operations of the government and business.

Objectives:

- Establish network interfacing of hardware and software.
- Digitize critical data records and the creation of government wide data bases and modernize banking and financial data bases.
- Establish uniform or compatible software standards for use by the government.
- Improve business processes to maximize the potential of technology.

Enterprise: Agriculture and Food Technology

Functional Areas

The Agriculture and Food Technology Enterprise is organized into the major functional areas as shown in Figure 6 below:

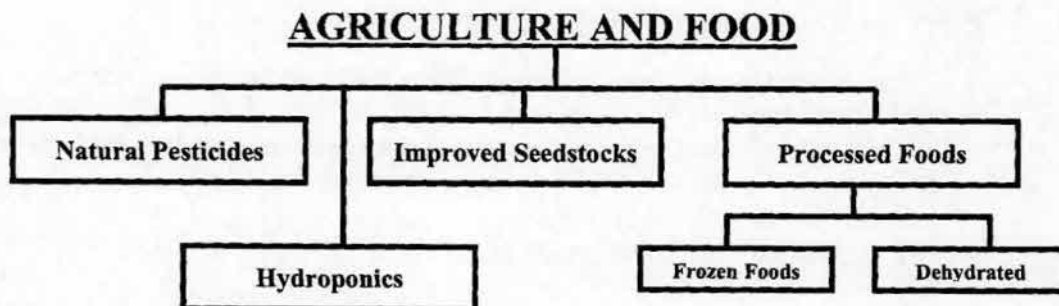


Figure 6, Agriculture and Food Technology Functional Area.

Goal: For Iraq to stabilize its society and grow economically, the MOST must facilitate the redirection and refurbishment of the agriculture and food production capabilities of the country.

Objectives:

- Facilitate obtaining international expertise to assist in refurbishment of the agriculture sector.
- Restart previous experiments with cobalt in food sterilization, genetically modified grains to withstand local diseases, and examine various other microbiological applications.
- Study new ways of managing Iraq's dwindling fish stocks that are being depleted through over-fishing and reduced production as a result of pollution.

Enterprise: Materials and Chemistry Center

Functional Areas

The Materials and Chemistry Center Enterprise is organized into the major functional areas as shown in Figure 7 below:

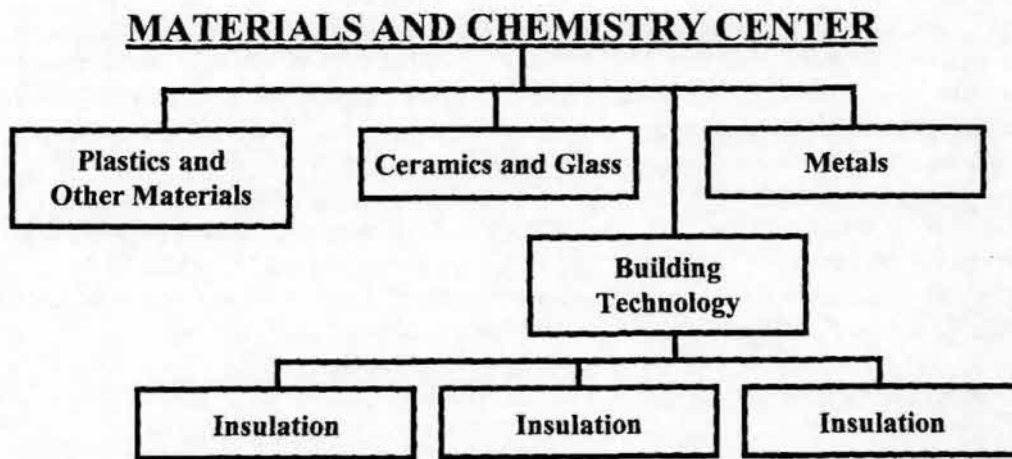


Figure 7, Materials and Chemistry Center Functional Areas.

Goal: Support the emerging private sector by researching and developing advanced material technologies.

Objectives:

- Investigate potential solutions and processes that require the studies of available raw and processed materials and the commercial viability of supporting

technologies.

- Facilitate in bringing in outside expertise to assist in development of emerging material technologies.
- Assist in developing technologies that maximize the potential of quality raw materials for the ceramics and glass industries. This applies to both the building material sector and products for household use.
- Develop appropriate construction technology and better materials with a higher insulation factor to partially offset the very hot Iraqi weather. This effort can bring cheaper and better housing to Iraq, and alleviate the critical housing shortage.
- Enhance knowledge about new technologies that, coupled with preprocessing, can turn iron and bauxite ores into economically viable raw materials.
- Examine technologies in the area of powder metallurgy that can lead to the production of less expensive industrial components.

Common Tasks

Simply put, common tasks primarily involve management of resources and people; tasks that all of the enterprises of the MOST must perform. Managing resources effectively is critical to achieving ministry goals and objectives. Good management entails responding to constituencies and customers, minimizing costs, and seeking efficiencies. It is important to emphasize the phrase "seeking efficiencies." In a start up effort such as forming the MOST, being an efficient operation will come with time. In some situations, resources will have to be expended to literally build capabilities from the ground up; that is, "being efficient" has no meaning until the capability exists and is up and running. However, there will be "efficiencies" to be found in the process of starting up and resourcing the enterprises of the MOST. The ministry will always invest resources with an eye for maximum returns. By integrating general management practices, all of the enterprises within MOST will leverage limited resources, standardize and streamline processes where it makes sense to do so, and ensure rapid, reliable, and open exchanges of information. Therefore, the primary Common Tasks of the MOST are:

Financial Management

To effectively manage our financial resources and evaluate Ministry, Enterprise, and program-level performance, the MOST must adhere to CPA and Ministry of Finance established financial management and accounting systems.

Physical Resources Management

The physical assets actually under ministry control will vary depending upon the progress of transformation. Eventually, state or ministry controlled assets will represent a small portion of ministry physical resources. In any case, good physical resources management will support the goals and objectives of the ministry, and will provide a good example to the people of Iraq.

Human Resources Management

Our human resources management begins with the recognition that employees are our most important resource. As a ministerial activity, we must recruit and manage our staff in order to achieve our strategic goals and objectives. This means we must focus on acquiring those people with the necessary skills and competencies that directly relate to the functioning of the MOST.

Interagency Cooperation

Since the MOST will provide the core scientific expertise for the reconstruction of Iraq, a key strategy is to establish and effectively utilize partnerships with other ministries, the newly formed Business Center, and Iraqi and foreign universities and industries. In this way, we can use our limited resources for the maximum benefit; that is, obtaining expertise, skills, and resources of others who are all stakeholders in the recovery of Iraq. An example of this cooperation is the ministry's coordination of this plan with the newly established Business Center, and incorporating their input. In addition, the Business Center acts as a valuable conduit in linking interested private companies looking for work in Iraq to the requirements of the ministries and the government of Iraq. In this way, an engaged private enterprise can produce those "efficiencies" discussed earlier.

Conclusion

The transformation of the Ministry of Atomic Energy and the Military Industrialization Commission into the Ministry of Science and Technology (MOST) is a critical step in modernizing Iraq's industrial base and developing technologies that will have an impact on the economy of the entire country. It is also key that Iraq's highly skilled scientists and engineers have viable careers in Iraq as full participants in the reconstruction of their country.

Implementation Tasks for CY 2004

MOST's goal of modernizing Iraq's industrial base and ensuring that Iraq's best minds have a viable future in their home country involve long-term programs. However, there are major high priority tasks identified to guide our programs, activities, human resources, and financial resources during CY 2004. Given the years of neglect of Iraq's infrastructure, these priority tasks are primarily concerned with halting, then selectively reversing the contamination of Iraq's water supply. As before, the prioritized tasks are listed within the context of their associated enterprise.

Enterprise: Environmental Protection

Iraq's rivers are highly polluted due to indiscriminate dumping of untreated waste water, high salinity, and industrial chemical waste. Though contractors will repair some waste water treatment plants, the fact remains that the majority of towns have no treatment facilities. The MOST can resolve the problem by a focused effort that coordinates the efforts of Iraq's scientific and engineering community, and experts and partners from abroad to help create a waste water remediation industrial base.

Major Tasks CY 2004:

- Recruit and train assessment and laboratory personnel, and waste water treatment personnel.
- Prioritize specific sites for assessment and remediation; selected sites should present an immediate threat to human health.
- Develop and institute a water pollution prevention program to forestall any further contamination.
- Form a water composition database on Iraq's rivers.
- Establish consultancy to other ministries concerning environmental issues.
- Establish water chemistry laboratories.
- Establish linkage to engineering and technical institutes for a trained technical base.

Enterprise: Environmental Protection

The water salinity problem in Iraq is extensive. At times, water salinity can reach seven or eight times the maximum allowed for human consumption in cities such as Basra and Nassiriya. Buying reverse osmosis plants for desalination throughout the needed areas will cost billions of dollars. However, the manufacturing of these plants involves standard technology and has been successfully transferred through licensing and local development to many countries. Building these plants locally will cost only a small fraction of the cost of importing them, even if some parts, such as the membranes that separate the dissolved solids, are purchased. In many cases these were made locally through a license. The time is right to focus on the above mentioned strategy to create a workable long-range solution.

Major Tasks CY 2004:

- Use licensed technology to establish desalinization plants in order to alleviate severe salinity problems in Iraq's rivers.
- Conduct research on aspects of water chemistry for practical applications in Iraq's water systems.

Enterprise: Materials and Chemistry Center

Better building technology and materials are sorely needed in Iraq. The traditional brick

and mortar houses are too expensive to cool or heat, very expensive to build and take a long time to complete. For example, better materials are needed with a higher insulation factor to partially offset the very hot Iraqi weather. Introducing appropriate construction technology and creating manufacturing facilities can bring cheaper and better housing to Iraq and alleviate the critical housing shortage that is getting worse. Along with these modern insulation materials, metal production, including aluminum and steel are required to move away from buildings and houses constructed entirely of brick and mortar. Earlier attempts at production of metals failed because of the lack of knowledge about new technologies that, coupled with preprocessing, could have turned mineral ores into economically viable raw materials. Powder metallurgy can also have significant impact on the manufacturing base by permitting the production of less expensive industrial components.

Major Tasks CY 2004:

- Develop appropriate construction technology and better materials with a higher insulation factor; this includes development of pre-fabricated panels/sections.
- Establish manufacturing facilities for new materials.

Enterprise: Information and Electronics Technology

Iraq has lagged behind the region in information technology and needs considerable planning and resources to modernize this critical area. Digitization of critical data records such as those of banking and financial records and the creation of government wide data bases will be a great help in Iraq's economic recovery and streamlining the operations of the government.

Major Tasks CY 2004:

- Modernize the telecomm infrastructure to support networking.
- Digitize critical data records and create government wide data bases.
- Network interfacing of hardware and software.
- Establishment of uniform or compatible software standards for use by the government.
- Improve business processes to maximize the potential of technology.

THE MINISTRY OF SCIENCE AND TECHNOLOGY
STRATEGIC PLAN
2004

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Introduction

The Ministry of Science and Technology's (MOST) Strategic Plan takes its emphasis from the Coalition Provisional Authority's strategy as outlined in *Achieving the Vision*. The document describes the core foundations of CPA's strategy and key action steps within the core elements. Overall, the Mission of the CPA is to:

"...work with the Iraqi people and the Iraqi Interim Administration to establish the conditions for a free, sovereign, democratically-elected representative government. We want to work with Iraqis to establish an Iraq that uses its resources for the benefit of its people. It should be an Iraq that is stable, united, prosperous, at peace with its neighbors and able to take its rightful place as a responsible member of the region and the international community. This Iraq must be free of weapons of mass destruction and terrorists."

As will be seen in the MOST plan, the ministry will have an important part to play in virtually every aspect of the stated mission. Specifically, the four principal objectives, or "core foundations" of the CPA strategy are:

- **Security** – establishing a secure and safe environment
- **Essential services** – restoring basic services to an acceptable standard
- **Economy** – creating the conditions for economic growth
- **Governance** – enabling the transition to transparent and inclusive democratic governance

As mentioned in CPA's plan, none of these objectives can be accomplished in isolation, but must be acted upon concurrently to achieve CPA's vision. The MOST will have involvement in all four of the objectives, but will have the most impact in the areas of essential services and the economy. For example, water resources within Iraq suffer from pollution and extremely high salinity levels. Through water chemistry research, training of water quality assessment teams and construction of water treatment facilities, the MOST can have an immediate impact on essential services by improving the water resources of Iraq. An example of MOST's contribution to the core foundation of the economy is through our Center for Industrial Development. The goal is to establish suitable facilities for private commercial enterprises to use for the purpose of exploring new technologies and industrial processes. This task is key to the overall goal of encouraging a free-market economy that can compete in world markets.

Endstate

This plan describes only the beginning of a long, and what will be a sometimes painful process of recovery and renewal. The endstate will be a Ministry of Science and Technology that will **provide the scientific and engineering core** for manufacturing, energy, information technology, and scientific progress and development for the people of Iraq. This, in turn, will contribute immensely to the economic well-being of the country and its citizens.

Background

Iraq's past practices in technology and industry, like most of the region, utilized the concept of turnkey facilities. This practice required that all major projects be developed in this fashion, including petrochemicals, refineries, steel mills, and food processing facilities. As a result of this practice, Iraq's technology base gained no insight into modern technologies and had to rely on external support for maintenance of most facilities. Additionally, Iraq lacked support teams to update its facilities; in many cases, facilities became obsolete and fell into disrepair within few years after startup.

After the first Gulf war and with UN sanctions in place, a new initiative was spearheaded by the Iraqi Atomic Energy Commission (IAEC) and its partners in the Military Industrialization Commission (MIC), formerly the Ministry of Military Industrialization. This initiative capitalized on the huge industrial base established for Iraq's WMD programs and the lack of similar civilian infrastructure. In March of 1991, Iraq had no electricity, no oil refineries, no telephone services and limited mobile broadcasting facilities. Many bridges were destroyed or damaged. The work planned and coordinated by the IAEC following the 1991 Gulf War developed an amazing, yet elementary reconstruction program that rebuilt much of Iraq's destroyed infrastructure in a short period of time. In months, refineries were back on line (albeit producing inferior products but working) and electricity was back on. Bridges were rebuilt and in one case a double decked bridge replaced the original one level bridge, and both TV and radio broadcasts on the air.

Given the new self-confidence generated by these accomplishments, new factories were built to supply desperately needed products. The Iraqis traded the quality of their products for speed of restoration. Output was of inferior quality and lacked modern technology inputs or upgrades. For example, realizing that their carbon black industry was producing an inferior product that resulted in bad tires and poor quality paints, Russian companies were hired to provide the necessary technology to improve product quality. This move did result in improved production lines, increased productivity and improved products. However, production output and quality continued to lag behind an Egyptian plant that used similar American technology. The UN sanctions on Iraq limited outside contacts and Iraq's ability to improve other industries.

The international science and engineering communities now realize that Iraq cannot recover successfully on its own. Old turnkey facilities must be replaced with newer technology developed and installed in a joint effort by Iraq and new commercial partners. Additionally, training programs, the presence of expert consultants, and licensing choices have to be included for these efforts to succeed. To this end, the Strategic Plan to establish and organize the Ministry of Science and Technology Commission is presented below.

Vision and Mission

The plan to transition from the Ministry of Atomic Energy, and the transfer of selected MIC companies to establish the Ministry of Science and Technology is based on historical examples of other countries recovering from a war. For instance, Japan successfully achieved its reconstruction goals using a science and technology organization. Iraq now possesses a large, well-trained engineering and technical work force with no jobs. The time is right and the demands exist to move Iraq and its scientists towards a similar organization. In this way, Iraq's best minds can provide the technology that will allow Iraq to modernize its industrial base to spur economic growth.

Also, one of the major concerns of the world community is the potential spread of Iraqi WMD knowledge and the skilled scientists and technicians who worked these programs for the past regime. The potential transfer of WMD knowledge and skilled personnel to terrorist states such as Iran, Syria and Libya must be prevented. Iraqi scientists, engineers and technicians at Atomic Energy and its partners in the Military Industrialization Commission must realize that they have a future with viable careers in the new Iraq. The door will be open for all scientists and engineers in the other parts of MIC to apply to join the newly formed MOST. This will provide employment and direction to rewarding science and technology careers to all of Iraq's former WMD scientists and engineers. This talent pool and associated laboratories will be made available to the universities to train their students, especially graduate students in various research areas.

The mission of the MOST is to provide the core scientific and engineering expertise to transform and modernize Iraq's industrial base. Two specific objectives are:

- Because Iraq's professional and engineering workforce has been depleted, the MOST will bring together the expertise to develop newer, more advanced technologies in several different disciplines in order to help Iraq in its reconstruction and development. The MOST can more easily achieve this goal because its members have vast experiences of managing large engineering tasks.
- To assure Iraqi scientists, engineers and technicians that they have a viable future in Iraq that does not require the secrecy and security measures of the old regime, thereby encouraging these scientists to remain in Iraq and not seek employment with other governments.

The MOST Organization

Organization

The membership of the new MOST would be made of personnel from the old IAEC and the MIC. The MOST will be an organization capable of serving many needs focused on improving the future of Iraq. Figure 1 below shows the overall organization of the MOST and the six major enterprises composing the organization.

Redirecting the efforts of Iraq's scientists away from weapons research and development and into more peaceful endeavors would be a high priority for the MOST. In this regard, the United States Department of State's Office of Science and Technology has proposed an initiative to rehabilitate the Iraqi scientists and redirect their energies into more constructive work. This initiative proposes a visit from the U.S. National Academy of Sciences and some professional engineering societies.

The MOST would perform a critical task for the country by funding, monitoring and exploring new ideas through actual research and development. Working in concert with both the public and private sector, the MOST would also establish ties with other various international organizations.

THE MINISTRY OF SCIENCE AND TECHNOLOGY

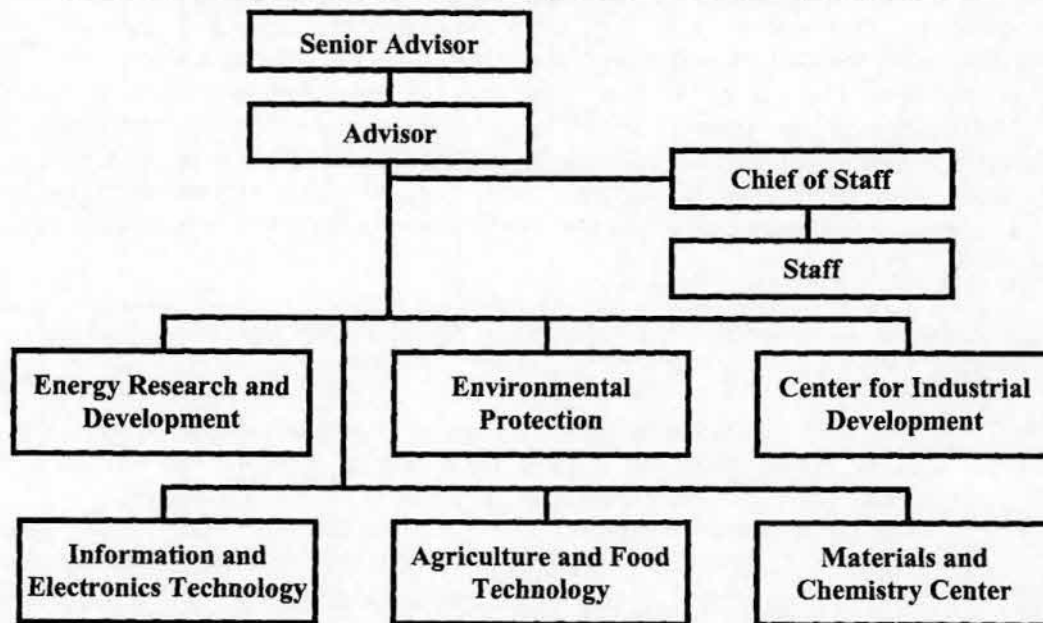


Figure 1, MOST Organization and Major Enterprises

Enterprises: Goals, Objectives, and Programs

Transforming the old IAEC and the MIC into the Ministry of Science and Technology would provide the nation with one expert organization to serve as the leader in identifying, planning and developing new projects designed to restore and improve Iraq's infrastructure and industrial base. The MOST would serve as an "agent of change" for identifying and bringing new technology into Iraq and sharing it with all interested parties; it should not be a bottleneck that stifles progress by others, especially private sector companies.

Possible Transfer of Ministry of Science and Technology Assets to other Ministries

<u>MoST Directorates</u>		<u>Iraqi Ministries</u>
1.	Directorate of Electronic Systems and Communications	Ministry of Communications
2.	Directorate of Information Technology	Ministry of Communications
3.	Directorate Science of Material	Ministry of Higher Education
4.	Directorate of Science and Physics Research	Ministry of Higher Education
5.	Directorate of Aeronautical and Space Technology	Ministry of Higher Education
6.	Directorate of Engineering Projects and Industrial Development	Ministry of Construction and Housing
7.	Directorate of Research of Chemistry and Petrochemical Industrial	Ministry of Health / Ministry of Oil
8.	Directorate of Hazardous Material and Environmental Research	Ministry of Environment
9.	Directorate of Water Treatment Technology	Ministry of Water Resource /Ministry of Public Work
10.	Directorate of Agricultural Research and Food Technology	Ministry of Agricultural
11.	National Monitoring Directorate	

COALITION PROVISIONAL AUTHORITY
FY04 SUPPLEMENTAL REQUEST
TO
REHABILITATE AND RECONSTRUCT IRAQ

BAGHDAD, IRAQ

September 2003

**Coalition Provisional Authority
FY04 Supplemental Request
To Rehabilitate and Reconstruct Iraq**

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Introduction

Prior to the war, the President outlined an ambitious vision for post-war Iraq that could serve as a model to the Arab world. He described a secure and stable country, governed by a democratically-elected government and served by a robust and open economy. Whether Iraq embraces this future is, ultimately, up to the Iraqis. The Coalition, however, has an obligation to lay the groundwork for the new Iraq, and to leave the country with a real chance of fulfilling the President's vision. In order to support this commitment the Coalition Provisional Authority requires an additional \$20.3 billion in fiscal year (FY) 2004 and is requesting the Congress to provide these resources as emergency non-offset supplemental appropriations. Expedient approval of this emergency supplemental request is critical for the Coalition to lay the groundwork for an Iraq governed by and for the people of Iraq, to serve as the model for democracy in the mideast and to help fight the global war on terrorism by providing an alternative framework for governance.

This additional \$20.3 billion will finance the most critical needs for security and infrastructure that cannot be met with anticipated revenues from oil sales until the entire oil infrastructure becomes more robust. These needs are immediate and urgent. We are ready to begin execution of these funds before the end of 2003.

Highlights of this \$20.3 billion FY 2004 emergency supplemental request include

- \$2.1B to fund public safety including border enforcement, police, fire and customs and enhanced security communications
- \$2.1B to establish national security forces and the Iraq Civil Defense Corps
- \$0.9B to provide justice and civil society development
- \$6.0B to rehabilitate the electric power infrastructure
- \$2.1B to rehabilitate oil infrastructure and secure domestic consumption
- \$3.7B to fund repairs and improvements to water and sewerage services
- \$0.9B to fund repairs to facilitate and conserve water resources
- \$0.8B to repair transportation facilities and telecommunications infrastructure
- \$0.5B to upgrade housing, public buildings, roads and bridges
- \$0.9B to fund construct, repair, and equip hospitals and primary clinics
- \$0.3B to invest into private sector business initiatives and jobs training programs

In each instance, our Supplemental request is designed to ensure adequate resources to put Iraq on the path to a secure, economically hopeful future. The programs in this supplemental are thus all based upon Coalition evaluations and estimates. They are all fiscally conservative numbers.

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The Coalition Provisional Authority is requesting non-offset emergency supplemental funding to directly support the rehabilitation and construction of Iraq, and in particular, to invest in essential security and stabilization initiatives and urgent infrastructure repairs and requirements. Further, the coalition requests urgent passage of the supplemental to announce the United States commitment to provide one-for-one matching funds at the Madrid Donor Conference scheduled for 23-24 Oct 2003 and for donations which will follow later.

Detailed Overview of Requirements
(Dollars in Millions)

Security

Public Safety Requirements:

Border Enforcement	\$150	
National Police Service	\$150	
International Police Training Mission	\$800	
Traffic Police	\$ 50	
Fire and Civil Defense	\$500	
Facility Protective Services	\$67	
Public Safety Training	\$274	
Nat'l Security Communications Network	<u>\$150</u>	
Subtotal Public Safety		\$2,141

National Security:

New Iraqi Army	\$2,000	
Iraqi Civil Defense Corps	<u>\$ 76</u>	
Subtotal National Security		\$2,076

Justice:

Technical assistance for investigations into crimes against humanity	\$100	
Security for Judges and Prosecutors	\$200	
Witness Protection Program	\$100	
Other technical investigative methods	\$ 10	
Prison system technical assistance	\$ 10	
Reconstruction & modernization of 26 detention and prison facilities	\$ 99	
Two new 4,000 bed maximum security prisons	\$400	
Subtotal Justice		\$ 919
Subtotal Security		\$5,136

Infrastructure

Electricity

Generation	\$3,050
Transmission networks	\$1,700
Distribution networks	\$1,000

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Communications and control	\$ 150	
Institutional strengthening	\$ 25	
Security	\$ 50	
Subtotal Electric		\$5,975
<u>Oil Infrastructure</u>		
Oil Investment	\$1,200	
Oil products purchase	\$ 900	
Subtotal Oil Infrastructure		\$2,100
<u>Public Works</u>		
Improve access to potable water	\$2,830	
Reducing water losses	\$ 30	
Improve sewer services	\$ 697	
Improving solid waste management	\$ 153	
Subtotal Public Works		\$3,710
<u>Water Resources</u>		
Pumping Stations	\$ 75	
Standby Generators	\$ 75	
Irrigation/Drainage Systems	\$ 130	
Complete Projects Halted by War	\$ 130	
Rural Water Supply Dams	\$ 25	
Dam Safety Repairs	\$ 100	
Water Pipeline and Treatment Plant	\$ 200	
Environmental Restoration	\$ 100	
Tidal Channel Flushing	\$ 40	
Subtotal Water Resources		\$ 875
<u>Transportation & Telecommunication</u>		
Civil Aviation	\$ 165	
Ports	\$ 45	
Railroads	\$ 303	
IPTC network systems	\$ 124	
Iraqi communications systems	\$ 109	
Iraqi communications operations	\$ 89	
Subtotal Trans/Telecomm.		\$ 835
<u>Housing and Construction</u>		
Housing	\$ 100	
Public Buildings	\$ 130	
Roads and Bridges	\$ 240	
Subtotal Housing & Construction		\$ 470
<u>Health</u>		
Construct Pediatric Hospital in Basrah	\$ 150	
Refurbish Health System	\$ 393	
Repair/Replace Equipment	\$ 300	
Partnership for Health	\$ 7	
Subtotal Health		\$ 850
<u>Private Sector Development</u>		

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American-Iraqi Enterprise Fund	\$ 200	
Expand Network of Employment Centers	\$ 8	
On The Job Training	\$ 35	
Market Oriented Specialized Training	\$ 110	
Subtotal Private Sector Development	\$ 353	
Subtotal Infrastructure		<u>\$15,168</u>

Grand Total	\$20,304M
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Overview of Appropriation Request

Iraqi Relief and Reconstruction Fund	\$20,069M
American-Iraqi Enterprise Fund	235M
Grand Total	\$20,304M

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Public Safety

Although the coalition has made great strides to stabilize Iraq and enhance security, the Iraqi citizenship faces three levels of threats: the hardened criminals the previous regime let loose into the streets; the remnants of the old regime who have nowhere to flee; and foreign terrorists. Dealing with these security threats is our highest priority.

Border Enforcement.

Bureau of Border and Customs Police: Divided into three Sections of Patrol, Investigations and Detention & Deportation. Border and Customs Police enforce the immigration and customs laws and regulations along the border between the ports of entry and the interior of Iraq. Currently, facilities include a headquarters office, three regional offices and 264 border police stations. Each border police station accommodates 10 – 30 policemen. Our goal is to leverage technology to greatly reduce the number of border police stations, possibly by as much as 75 per cent. However, that effort will require that at least 50 new border police stations be constructed. The headquarters and three regional offices will require complete renovation, due to war damages, post-war looting and years of neglect. Further, because the previous border police used conscripts, almost all of whom deserted, a massive recruitment/training program must be implemented to develop a professional, reliable police service. The Investigation Section and the Detention & Deportation Section are elements new to the Border/Customs Police and will, consequently, have a massive impact on infrastructure and training. The current number of personnel is estimated to be about 4,000. An additional 2,000 should be immediately recruited. Total required personnel are 6,000.

Bureau of Border Inspections: Also divided into three Sections of Immigration Inspections, Customs Inspections and a Border Guard Section. Personnel will be assigned to 14 land ports of entry, three airport ports of entries, and two seaport ports of entries. Besides the ports of entry, are a headquarters and three regional offices. Consideration is being given to the establishment of secondary ports of entry. There are currently about 2,500 Customs Inspectors who inspect imported and exported products and about 350 Border Guards who perform perimeter and internal security of the respective port of entry compounds. Duties of Immigration Inspectors were previously conducted by elements of Saddam's security police, so the entire Section of Immigration Inspections requires basic law enforcement and specific immigration and nationality law training. We estimate that at least 2,500 Immigration Inspectors will be recruited and trained. Facilities at virtually each port of entry were damaged and/or looted and will require a significant amount of refurbishment. Total required personnel are about 5,350.

Bureau of Nationality & Civil Affairs: Like the previous two bureaus, it is divided into three Sections of Passport, Nationality & Civil Affairs (includes vital statistics), and Immigration. The Passport Section is responsible for the issuance of passports to Iraqi citizens and secure control of unassigned documents. The previous passport facility was completely destroyed and must be replaced. Because all previous employees were members of the security police, an entirely new workforce of an estimated 350 personnel must be recruited and trained. The Nationality & Civil Affairs

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Section is responsible for determining citizenship, issuance of national identification cards, and for vital statistics functions, such as the recording of births, deaths, marriages, divorces, etc. and will perform these tasks with about 1,400 civilian personnel working from 26 separate field offices in Baghdad, three regional offices and a headquarters facility. A proposal has been made to consolidate the 26 field offices into just two Baghdad facilities and all buildings require significant repairs due to neglect, vandalism and looting. The *Immigration Section*, consisting of an estimated 500 personnel will adjudicate petitions pertaining to both immigrant and non-immigrant visas and will forward decisions to respective foreign posts operated by the Ministry of Foreign Affairs. Total required personnel are approximately 2,250.

Summary of Border Enforcement: When rebuilt, the Department of Border Enforcement will employ approximately 13,600 personnel. Of those, approximately 4,500 recruits for police type positions must be identified and trained as soon as possible. Beyond basic academy and refresher training, 75 long term advisors are required to ensure successful transition of border related enforcement into a single ministry. At least 53 Border Police facilities, 19 port of entry facilities, and 5 Nationality and Civil Affairs facilities will require refurbishment or complete construction. The total incremental cost to improve border and customs enforcement is estimated at \$150M. Without this investment, the nation continue to be at tremendous risk of penetration by members of terrorist cells and other subversive organizations; smuggling will continue to bleed the revenues necessary for the Iraqi economy to stand on its own and Iraq will not be able to control its borders.

Police, Traffic Police and Motor Vehicles

General Police Forces. An estimated \$150M is urgently required to recruit, train, equip and operate viable, sustainable policing services in Iraq, capable of dealing in a professional manner with all issues falling within their mandate. There are significant immediate costs to restoring competent, trustworthy police forces due to significant damage if not outright destruction Iraq-wide of facilities and looting of property, the training and equipping of a new police force, as well as associated operations and maintenance costs.

International Police Training. The coalition requires an estimated \$800M to immediately begin building an international police training force of 1500 to provide the level of professionalism and assistance upon which the Iraqi native police force will achieve. This force will support training and development of the Iraqi police with field training officers (FTO), and advisors to enable the new police to effectively apply the skills learned in classroom training. In addition, such a mission would provide "hands on" guidance to all levels of the Iraqi police forces to help them understand modern, democratically based principles of civilian policing.

Traffic Police. The Iraq Traffic Police has 5,200 officers and 27 Office buildings countrywide. They are responsible for the control of traffic, enforcement of traffic laws, and accident investigation. Their buildings, fleet, and equipment have been almost completely destroyed or looted, and will require funding priority near term to stand up operational capability to at least pre-war capacity. Estimated cost: \$50M

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Fire and Civil Defense

Summary of Request: \$500M is required to provide adequate fire service, civil defense needs, mine action requirements and to repair public safety facilities for the safety of the Iraqi people.

Fire Service: The Fire Service is the principal agency responsible to serve the security and safety needs of the populace by controlling the destructive force of fire, natural, and human-made hazards in an effort to diminish the loss of life and property. Firefighters are also the principal emergency responders for the entire country and serve the needs of over 26.2 million Iraqis. Firefighters also serve as the EOD experts for the country, responding to and mitigating the effects of all unexploded ordnance which litters the entire country. The department needs at least 20 fully trained and capable EOD units in order to minimize the paralyzing and destructive effects of misplaced ordnance.

The Fire Service currently stands at over 5200 full-time trained professionals that provide fire suppression and mitigation services for structure fires, petroleum industry incidents, and fire in nature (e.g. sulfur mines and agricultural fires). The country needs an additional 5000 firefighters in order to support its mission. There is a need for a national academy to train these men. Fire fighting and suppression services are delivered through the employment of equipment and personnel. The war and subsequent looting destroyed over 165 firehouses throughout the country. There are no tools or equipment in any firehouse. There is a need for major communication overhaul. There are no phones or portable radios to coordinate and communicate with. Major end items and support required near term include personal protective equipment, operational, maintenance, and training needs.

The greatest cost associated with the fire service comes from the need to purchase equipment to replace those items either destroyed by the looters during hostilities, or from ten years of minimal attention being paid to the operational maintenance of fire suppression equipment. Second, the lack of personal protective equipment (PPE) commonly referred to as "bunker gear" or "turn out gear" is non-existent. At over \$2,500 per complete set of protective gear (helmet, PPE, gloves, haligan tools, self-contained breathing apparatus (SCBA), footwear, pioneer tools, and high-angle personal rescue gear) the cost for outfitting the current fire personnel throughout Iraq is significant. Besides purchasing SCBA, money will also need to be spent on the operation and maintenance of the equipment to include fitting, sealing, seal repair, and recharging of the air tanks. Estimated cost: \$290M.

Civil Defense: Civil Defense is the main Iraqi agency responsible for all civil support during all emergencies. Civil Defense personnel must quickly respond to incidents emanating from the discovery of unexploded ordnance (UXO); improvised explosive devices (IED); and explosive remnants of war (ERW). They must possess the capability to respond to all natural and man made hazards and threats to include earthquakes, floods, epidemics, disease and WMD events. And they must provide emergency support to all aspects of an emergency to include command and control, operations, personnel and logistical support. To meet these requirements the Ministry needs a robust communications package of UHF, VHF, digital, mobile and FM

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capabilities. Logistics support include trucks, cots, tents, generators, lighting, stocked CD centers, medical equipment, blankets, food, hygiene material, wood, water, specialized engineering equipment, and a vast assortment of equipment to support the operation. Personnel need specialized training in Incident Command, size up, WMD, first responder, train the trainer, interagency workshops, UN request for Aid procedures, and other emergency management and disaster mitigation courses. Staff needs to be assembled from within governorates and across all ministries to work together, conduct coordination, and practice tactics and procedures. Estimated minimum cost: \$57M.

Mine Action. The national mine action authority in the Ministry of Planning is responsible for coordination of removal of all explosive remnants of war. This involves several organizations, both local and international. Our omnibus State Department partner is RONCO, but we also fund numerous NGOs such as Mines Advisory Group (MAG) and Norwegian People's Aid (NPA). \$61M is required to sustain 12-15 more local and or international organizations already part of the Oil for Food Program (OFF) in the north or working contracts in the central and south. This will include the governance piece of the National Mine Action Authority (NMAA), Iraqi Mine Action Center (IMAC) and three Regional Mine Action Centers (RMAC) already formed or paid for in the 03 budget through State. Iraq is the most heavily mined and UXO contaminated country in the world with 100s of casualties per month. The other telling problem is that they block or impede almost all other sector's development from transportation, reconstruction, electricity, education, agriculture etc. Estimated minimum cost: \$61M

Public Safety Facilities: Public Safety Facilities Repair, Remodel, and Refit in the post-conflict period following cessation of major combat operations, significant looting, vandalism, burning, and wanton destruction of public safety facilities occurred. Work must continue on the refurbishing of facilities to include glazing, painting, electrical, plumbing, and HVAC work. Office furniture, equipment, computers, and telephone systems will also need to be brought into the facilities. Significant cost will be required near term for repair, remodeling, refurbishing, refitting, operations, maintenance, and training needs. Estimated minimum cost: \$92M.

Facilities Protection Service (FPS)

FPS. Facilities protection is critical to the reconstruction of Iraq and therefore a high priority to the CPA. Without a safe working environment, workers will be reluctant to return to the workplace. Facilities cannot be refurbished until there is protection against continuing vandalism and theft. If these issues are left unresolved, reconstruction will stall. To achieve adequate facilities protection would require \$66.7M for two separately managed programs.

(1)The Facility Protection Program: FPS is currently a federated program under which Ministries and Governates each form their own fixed site security forces that operate under Ministry control in accordance with standards established by the Ministry of Interior. Ministries are currently working FPS costs into their individual budgets. Approximately 20K FPS guards are required to deploy countrywide by Jan 2004 to protect structures, contents and assigned personnel.

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With the current decentralized model for FPS funding, security issues are in competition with other important aspects of Ministerial budgets.

By centrally funding FPS requirements, the CPA ensures critical security needs are properly resourced. Under this scheme, Ministry of Interior is funded to administer the FPS account, disburse FPS funds to other Ministries, run a training program for FPS guards, and provide administrative and operational oversight of the FPS program, to include certifying guards and private security firms and inspecting FPS operations countrywide. Ministries will hire guards and administer their FPS programs IAW Ministry of Interior guidance.

Basis of estimate: Centralized funding for salaries (\$24M - \$100/man/month ave), uniforms (\$1.2M - \$60/person), MoI training program and FPS administration (\$15M for both), vehicles for selected Ministries (\$2.64M - 80 pickup trucks), communications (\$3.63M for 400 handheld radios and 200 Thurayas), badging (\$2.0M - 18 sites) and tribal pay for tribes along power lines and oil pipelines (\$1.056M), mandated Regional Operations Center in each Governate (\$7.2M - 18 sites). Estimated minimum cost: \$56.7M.

(2) The FPS Professional Standards and Training Program: The FPS Professional Standards and Training Program. This program regulates FPS activities of each of the ministries, other public agencies and the activities of private guard companies. Facilities protection was originally provided by a unit within the police department. To many, this unit was perceived as a corrupt and unprofessional organization that was part of a larger scheme to misappropriate public resources. If facilities protection is to have the trust and confidence of the Iraqi people, a separate office is necessary with oversight authority and to establish, regulate and inspect the standards and training of the guards of the public facilities. \$10M is required to develop a program office with a staff of 48 to provide administrative and operational oversight, to train and certify guards, and to inspect guard operations for all of Iraq.

Public Safety Training.

Training. \$274M is required to provide initial training to ensure the success of the overall reform of all departments within the MOI: Department of Border Enforcement, Iraq Police Service, Traffic Police, Facilities Protection Service and Fire & Emergency Services. The CPA seeks to reconstitute these departments while increasing the professional standards of law enforcement officers and emergency service personnel within its ministry. All MOI training programs (for existing personnel and as well as all new personnel) will be developed and presented in a manner consistent with the principles of democratic policing (service in a free society) through an educational philosophy that is based on international human rights standards.

The CPA seeks to use a Public Safety construct to achieve the training goals for all MOI departments throughout Iraq. This concept has two primary benefits. First, the basic training programs for most of these departments are similar, and many in-service and/or advanced training courses will require multi-disciplinary participation. All of these departments must work together in order to provide the best possible protection and

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service to the citizens of Iraq, and therefore it will be important for them to train in a cooperative environment. Second, the utilization of Public Safety Academies, as opposed to numerous specialized academies, will provide for economies of scale reducing training costs significantly while ultimately increasing the effectiveness of the law enforcement /emergency services functions.

The requested training is for the following organizations in the MOI: IPS, Traffic Police, Customs and Border Police, Customs and Border Investigators, Customs Inspectors, Immigration Inspectors, Detention and Deportation Officers, Border Guards, Passport Officers, Nationality and Civil Affairs personnel, Facilities Protection Service guards, and Fire and Emergency Services personnel. This request does not duplicate training provided by the International Police Training requirement.

To support this effort, at least three Public Safety Academies must be built/refurbished (Baghdad, Mosul and Basrah), outfitted (furniture, operational equipment and supplies, training equipment and supplies), staffed and maintained. Reform courses will be conducted for all existing MOI police, traffic police, DBE personnel, fire and emergency service personnel country wide as well the delivery of in-service and advanced/specialized courses – approximately 60,000 existing MOI police and emergency personnel. The CPA as a part of its exit strategy will begin to develop the indigenous training capacity (Iraqi trainers) in all departments through the creation and delivery of comprehensive Instructor Development Programs (train-the-trainers). Further, it is possible that new basic recruit training will be conducted outside the country for approximately 34,000 police/traffic personnel in the next two years. Also, approximately 8,000 new DBE personnel will need to be trained, along with 5,000 new Fire and Emergency Services personnel.

Iraq National Security Communications Network.

National security and first responder (police, ambulance, border and customs, key facilities protection, fire and civil defense) communications network with 911 dispatch capability for Iraq. Given Iraq's vulnerable security position, and complete lack of communications capabilities locally and nationally, a security and first responder operational communications network is imperative in the near term. Network would include a dispatch "911" capability so citizens could call one number in the event of an emergency instead of the current Iraqi system of separate numbers for each of the first responder assets, police, fire, or ambulance. This dispatch capability would be operated regionally. The master site based at the national command center in Baghdad would receive and oversee all of the information and data relating "911" and other regional as well as national contingencies.

This network concept spans all the major population centers connected via a fiber backbone. This effort will be directly by the managed by the Ministry of Transport and Communications (MOTC), as well as the CPA communications support office. The MOTC has affirmed that it is able to support this network and provide the fiber that is required to link all of the centers and bring them back to Baghdad. The majority of the fiber is already in place and currently being reworked to be stood up over the next two

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months. Time is of the essence because of the complete lack of interoperable communications throughout Iraq.

Regionally, security forces are suffering due to the lack of communication in the hands of the Iraqi police, who are supposed to be performing patrolling duties but are reluctant to do so as they have no means to call for assistance. Fire and ambulance service, while not a matter of national security, is a matter of public health and safety and also dependent on an effective communications network for its ability to respond quickly. This in turn would instill confidence in the general security and services, and in turn the government providing them. \$150M is needed to implement this network. Costs include installation of communications infrastructure and equipment, to include (but not limited to) hand-held radios, base stations, repeaters, communications towers, with associated installation, training, operations and maintenance costs. Separate network costs to support the first responder requirement are addressed in the Transportation & Communications section of this supplemental request.

National Security Forces.

Summary of Request Iraq's military forces were decimated in the war and the surviving leadership was too closely tied to the Baath Party. An entirely new military structure is necessary to help stabilize the country and to demonstrate to the people that a professional military is part of the foundation of a constitutional democracy. \$2,076M is required to fund the equipment acquisition needs of the New Iraqi Army, Support Agency/HQ, and Civil Defense Forces. This force is quickly growing from 4,000 toward a goal of 40,000 (3 divisions, 9 brigades and 27 battalions, including 3 heavy). Our goal is to have this force operational by August 2004.

New Iraqi Army (NIA)	
NIA Facilities	\$745.4M
NIA Equipment	\$879.3M
NIA Operations	\$205.3M
US Contract Training	\$164.0M
Purchased International Training	\$ 6.0M
Subtotal	\$2,000.0M
Iraqi Civil Defense Corps (ICDC)	
Operations	\$ 39.5M
Salaries	\$ 18.9M
Vehicles & minor procurement	\$ 17.2M
Subtotal ICDC	\$75.6M
Grand Total	\$2,075.6M

New Iraqi Army (NIA). After the transfer of full sovereignty to an elected government, Iraq will need to have a militarily effective force for the defense of its territory that is non-political, representative of the country as a whole, and committed to protection of the country, not the perpetuation in power of a particular regime.. Further, from the point of view of developing a working constitutional government in Iraq, it is

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important that such a force be under law-based civilian control and subject to public and parliamentary oversight. To form the foundation for such a force, the US and its coalition allies have begun to establish a New Iraqi Army that embodies these principles. The first battalions are already in training. As the units of this army become operational, they will participate directly in military operations in Iraq, led by Iraqi officers, and, like other coalition forces, under overall Coalition operational command. They will perform critical military tasks, including protecting the borders, route and convoy security, and control of territory, thereby reducing the burden on US and other coalition military units and speeding the day when those units can be relieved of security tasks in Iraq.

\$2,000M is required to have 9 brigades (27 battalions) of the NIA fully operational by 2005. This program provides funds for US support for the costs of training, facilities, and equipment for a basic Iraqi ground force of 9 motorized infantry brigades, plus costs for setting up the necessary administrative support structures, reopening the military academy to provide a source of young officers, purchasing advanced training for military and civilian leaders, and standing up a new ministry of defense in consultation with the emerging Iraqi governmental authorities. Iraqi funds would be used to pay costs of salaries and subsistence. The initial equipment will make maximum use of commercially available military and civilian items. An initial armored and mechanized force (armored brigade) is also to be set up and will consist of one armor battalion, one mechanized battalion, and one mobile artillery battalion. Our intent is to use recovered and refurbished equipment to fill the equipment needs where possible. This also includes the re-establishment of depot repair and refurbishment of facilities within Iraq. Rolling Stock, engineer equipment, combat support and combat service support resources, crew-served weapons systems, and individual soldier equipment is also to be acquired. Also included is \$137.2M for an Army Aviation Element. These prices are based on provision of a small number of helicopters (generally second hand) and procurement/refurbishment of a small medium lift capability, i.e., C130 equivalent. Together this will provide mobility through an Army Aviation element. Includes costs associated with purchase of necessary support equipment, e.g., GSE.

Overall strong attention and focus will be applied to using existing Iraqi resources to provide and maintain the equipment sets desired. Without this equipment, graduated battalions from the New Iraqi Army Training Center in Kirkush will have no equipment and will be meaningless units, incapable of offering assistance to Coalition Forces to provide stability. Other significant components of the NIA include:

NIA- Contract Training. An existing contract is in place to provide trainers to the New Iraqi Army training base at Kirkush, Iraq. \$164M additional contract funding is required (included in the \$2B) for further refinement and additional curriculum for the training mission. Continued funding support of the New Iraqi Army is critical to establishing a military capable of defending the post-regime nation of Iraq from emerging threats. The trained light infantry division plus armored brigade would free up US Army and Marine Corps units and their support elements.

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Coast Guard. Included in the \$2B requirement is \$81.9M for a small coast guard force. Piracy, slave trading, terrorism and smuggling on the rivers and costal waterways of Iraqi are of great concern to the coalition. For this reason a modest funding requirement has been raised to combat these activities and protect vital Iraqi assets. Funding is based on refurbishment of existing vessels and the procurement of a small number of support craft, plus the equipping of a Naval Infantry Battalion to support critical port and on load/off load facilities. The requirement includes \$41M for facilities, \$37M for equipment and \$3.9M for operations.

NIA- Iraqi Manned Defense Support Agency. Included in the \$2B requirement for the NIA is \$22M to set up the Iraqi Manned Defense Support Agency (DSA) in order to provide executive and support services to the New Iraqi Army and to lay the groundwork for the eventual establishment of a new Iraqi Ministry of Defense. Funding includes necessary equipment purchases (\$3.5M) such as vehicles and automated command and control information technology systems. Also included is \$2.5M for one year of operating costs.

Without this funding, the Coalition Provisional Authority will have to increase the Coalition staffing of the OSA office to administer the NIA. As the Iraqi Ruling Council grows in strength and ability to assume responsibility for post-regime Iraq, a functional Ministry of Defense, built on this foundation, will be critical to develop capability to deal with internal and external threats.

NIA- Professional Military Education Military Academies. The New Iraqi Army will need a professional Officer and NCO Corps and thus education facilities and equipment to train them. This \$51.4M (included within the \$2B) requirement will allow vehicles, training equipment, and training systems to help develop this professional Officer and NCO Corps. The requirement includes \$46.2M for facility refurbishment, \$4.4M for equipment and \$0.8M for operating costs. Without these resources, the newly trained Iraqi armed forces will not have professional leadership trained in the ways and understanding of the role of the armed forces in a functional society. Coalition Forces will be forced to provide force structure to lead these leaderless units. Those Iraqi's who are appointed or promoted into leadership positions will not have a new professional paradigm to draw from and will naturally revert to the behavior and traditions derived from the former regime.

NIA- Military Education and Training. A crucial part of developing the nucleus of a professional Officer and NCO Corps is giving them the opportunity to attend overseas training in the professional development institutions of the different Coalition Partners. Embedding core values essential to a post-regime Iraq will take place during this overseas training of key Iraqi military personnel. \$6M is required (included within the \$2B) to send the best and brightest to professional military schools to better learn principles of civilian control of military, and the role of the military in a democratic society.

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Iraqi Civil Defense Corps. The Coalition Provisional Authority urgently requires \$75.6M to develop a military support organization in each Iraqi Governate. Each of the 18 governates will be assigned one battalion (approximately 600 strong) of a new paramilitary force called the Civil Defense Corps. These battalions will assist Coalition Forces in bringing stability to Iraq. They will be lightly armed and will be trained to act as guides, interpreters, conduct searches, and man checkpoints. They will require minimal training and will be trained and operate predominantly in their home areas.

Costs for these forces are mainly salary (\$18.9M for 18 battalions at \$70k/month plus special allowances) and subsistence, fuel, and other costs (\$39.5M annual cost). An additional \$17.2M is required to properly equip this force. The major procurement requirements are for 2 'jeeps' and 12 cargo trucks per battalion at \$244K per bn), communications gear (99 platoon net and 25 company and battalion net radios per battalion at a cost of \$132.5K per bn), basic 'tented' infrastructure (overhead cover, ablutions, plastic furniture, and secure storage containers for each battalion at a cost of \$15.1K per bn) and personal protective gear (cold weather gear, helmet and body armor for each member at \$.5K per person). Vehicles are needed to speed ICDC response, particularly in rural sectors, ensure public perception of ICDC cooperation with Coalition Forces, and reduce ICDC reliance on Coalition transport. Radios are required to increase the flexibility and responsiveness of ICDC units and to reduce ICDC reliance on Coalition communications equipment. Basic Barracks Infrastructure is required to provide ICDC with suitable locations at which units can muster, train, secure stores, and, equally importantly, develop their identity. Finally, helmets and body armor are prudent personal protection items given an ICDC mission set that includes crowd and Riot Control, Route and Convoy Security, and Fixed Site Security.

Once trained and operating, these battalions will be a significant force multiplier, increasing the effectiveness and potentially freeing Coalition Battalions in their area of operations. Without these elements, Coalition maneuver battalions must continue their deployment to provide stability.

Justice and Civil Society Development.

Summary of Request. Reforming the Iraqi justice system, including prison system and courts, is prerequisite to improving confidence in justice outcomes for the country and laying the foundation for a constitutional democracy. After decades of corrupt Baathist party rule, the following investments are critical to reforming the system and establishing the rule of law.

Technical assistance for investigations into crimes against humanity	\$100M
Security for Judges and Prosecutors	\$200M
Witness Protection Program	\$100M
Other technical investigative methods	\$ 10M
Prison system technical assistance	\$ 10M
Reconstruction & modernization of 26 detention	

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and prison facilities	\$ 99M
Two new 4,000 bed maximum security prisons	<u>\$400M</u>
TOTAL	\$919M

Technical Assistance for Crimes Against Humanities Investigations. The Iraqi Justice system lacks the technical expertise needed to conduct investigations related to the systematic commission of crimes against humanity by the former regime. Specifically, assistance is needed in forensic analysis, document analysis and financial analysis. In the prosecution of crimes against humanities it is critical to have expert testimony to establish the commission of the crime and command responsibility of higher officials. This expert testimony is dependent upon an accurate and complete investigation. Thus, forensic analysis is needed to corroborate testimony concerning the manner in which killings were conducted. This expert evidence is critical in corroborating the testimony of persons having knowledge of the crime in order to establish the witness's credibility. Similarly, the analysis of documents showing the command structure of the regime is needed in order to prove knowledge and criminal responsibility by members of that command structure. Finally, financial analysis is needed in order to demonstrate the squandering of state assets for the personal benefit of governmental officials. These resources are not available in Iraq, and the investigation of these crimes is a massive undertaking. The technical assistance for humanitarian investigation was based on a cost of \$200,000 per expert for a minimum 500 experts and investigators. This cost includes an estimated salary of \$100,000 for each expert and a logistics cost of \$100,000 for each expert for a total of \$100M for 500 experts.
Estimated Minimum Cost: \$100M.

Security for Judges and Prosecutors: Iraq is facing regular attacks by foreign terrorists and members of the former regime. As a government is formed, these matters need to be addressed in the criminal justice system. To the extent possible democratic societies use the criminal justice system to prosecute terrorists located within their borders. When this occurs, the Justice system then becomes a source of attack. Under the prior regime, the Justice Ministry was marginalized and controlled by the state. Thus the Ministry of Justice now has insufficient resources to address the security requirements faced by a Justice system that is the target of terrorists precisely because it is being used to combat terrorism. Consequently, judges and prosecutors need to be supplied with personal security details and the physical structures of the courts need to be hardened against terrorist attack. None of these items are currently in place and the judges and prosecutors in Iraq present an inviting target to the terrorists. Consequently, a massive undertaking is needed to strengthen the Iraqi court system so that it can fairly adjudicate these cases. This task requires a massive undertaking.

The Security Program cost estimate was made based on a pilot security program that was established on an emergency basis for the central criminal court of Iraq. That program, which provides security for 15 judges, costs \$10 million on an annualized basis. In order for the security program to be effective, it needs to be extended to more than 15 judges as well as making modifications to the infrastructure of the courts. This amount comes to approximately 50,000 per judge and includes vehicles, security details, weapons

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and communications capability. Thus, funds in the amount of \$20 million would provide security for approximately 400 judges and prosecutors. There are currently 860 judges and prosecutors in Iraq. The courts in Iraq need to be hardened with a variety of physical and technical security measures, including X-Ray devices, bomb detection devices, protective blast walls and other physical and improvements. There are 130 court buildings in Iraq, and this proposal would allocate approximately 1.3 Million per courthouse. This security package is thus reasonable and would enable the judiciary to function free of fear and intimidation. **Estimated minimum cost: \$200M**

Witness Protection Program. Not only is Iraq facing daily attacks from terrorists, organized crime is flourishing in the disorder created in the aftermath of the war. Organized crime members and terrorists function in a similar manner even though their motivations are different. Indeed, terrorist organizations often fund their activities through organized crime. In order to effectively prosecute these offenses, witnesses to the commission of these offenses are required. These witnesses can not be developed unless there is a mechanism in place to protect them. Consequently, a witness protection program is needed in order to allow victims as well as criminals who become government witnesses to testify without fear of being killed by the remaining members of the organization against whom they are testifying. Without an effective witness protection program, it is simply not possible to prosecute these cases.

Protecting witnesses is one of the single most expensive components of criminal prosecutions in that it involves short term and long term protection. The witness must be relocated far outside the danger area, which may involve international relocation for terrorism and organized crime cases. This estimate is based on \$200,000 per person per year. This would allow for 100 families with an average of five persons each to be relocated for a total cost of \$100M. **Estimated minimum cost: \$100M**

Other Technical Investigative Methods. Although the prior regime used technical means to gather information, this was not done for the purpose of securing admissible evidence for a criminal prosecution. Long and bitter experience with terrorism and organized crime has demonstrated that technical evidence gathering is critical in the investigation and prosecution of these activities. Because in a democratic society these crimes should be addressed through the due process system of the Courts, the ability to gather such evidence is required in order to prove criminal responsibility. Iraq has become a focus for terrorist activity, and the use of unclassified technical means of gathering evidence is critical to the successful prosecution of these cases. An initial allocation of 10M for this purpose will enable the Iraqi government, under coalition supervision, to start using this unclassified technical evidence gathering means. This cost estimate is based on an extrapolation from a similar \$1M dollar package that was used in Kosovo, which has one tenth of the population of Iraq. **Estimated minimum cost: \$10M**

Prison System Technical Assistance. This request is for 100 international prison experts for six months, to identify suitable establishments for reconstruction, training and monitoring of prison operations in accordance with international requirements. The

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technical assistance requirement is based on a six-month cost of \$100,000 per expert for a minimum 100 experts and investigators. This cost includes an estimated salary of \$50,000 for each expert and a logistics cost of \$50,000 for each expert for a total of \$10M. **Estimated minimum cost: \$10M**

26 Detention and Prison Facilities for Juveniles and Adults. Prison facilities are a vital component to the credibility of the criminal justice system and essential in establishing the security of Iraq. This expenditure provides for the new build, reconstruction and modernization of 26 adult and juvenile detention and prison facilities. This expenditure would provide a wider geographical coverage than under the previous regimes. It would ensure that the establishments conform to international accepted standards. They would increase prison capacity by 10,000 (i.e., from 11,200 under current plans to 21,200) and free military resources currently tasked to operate detention facilities. At least local 4,800 jobs would be created in the prison service. The estimated average cost per facility is approximately \$2.3 million, \$0.5 million in start up costs and \$1 million in initial operating costs). **Estimated minimum cost: \$99M**

2 New 4,000 Bed Maximum Security Prisons. This spending would allow two new maximum security prisons to be constructed in accordance with international standards, with inbuilt security features that reduce staffing costs and achieve economies of scale. These facilities would house 4,000 prisoners each (8,000 additional prison beds) and would take four years to construct. Funding is needed immediately for engineering and design and to start construction. **Estimated minimum cost: \$400M**

Electricity.

Summary of Request. The electrical power infrastructure in Iraq is in a perilous state. Without significant investment in the immediate future, the situation will actually deteriorate further. The CPA has been managing the sector since the war and fully understands the problems. The UN, which has been active in the sector since 1996 and working with the World Bank, has recently completed a needs assessment of the electrical power infrastructure. We are fortunate to have the results of this assessment which match our own findings. To make significant progress in a short period of time, the following investments must be made immediately into the electric power infrastructure.

Generation	\$3,050M
Transmission networks	\$1,700M
Distribution networks	\$1,000M
Communications and control	\$ 150M
Institutional strengthening	\$ 25M
Security	\$ 50M
TOTAL	\$5,975M

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Generation. The level of generating capacity in Iraq, at present, varies between 3000 MW and 3300 MW. The estimated demand is 6500 MW and is expected to increase significantly as the economy grows, industry is restarted and oil production increases. It is hard to overstate the problems caused by the shortfall between generating capacity and demand of approximately 50%. It is the major cause of discontentment of the Iraqi population and, quite apart from the physical discomfort, is preventing industries, factories and oil refineries from operating. This exacerbates the problems inherent in having large numbers of people without employment or an income.

The lack of generating capacity and the geographic location of that capacity has created major differences in the power distributed to people in different parts of Iraq. In particular, the citizens of Baghdad have suffered disproportionately, as generating capacity is concentrated in the South and North. These imbalances have led to political divisions between the areas that are net generators of power and those that are net recipients.

As a means of sharing power between consumers, deliberate load-shedding is being used where local lines serving a neighborhood are switched off, so that other lines may be switched on. Although there is no alternative at this time, this practice causes much greater wear on the components of the already decrepit electrical power infrastructure.

Generation levels are low because the power stations were targeted during the Gulf War of 1991. In addition, the sanctions that followed meant that it was very difficult to procure materials to maintain power stations properly. Management practices also deteriorated, including acting under political pressure to maintain generation levels rather than to undertake long overdue maintenance work. Although some improvements were made under the UN Oil for Food Program, the timescales, costs and the level of verification required under this scheme made progress slow.

The result is that almost all power stations in Iraq are in very poor condition, generating well below their rated level and are extremely unreliable. Unplanned outages are daily events. Without urgent remedial action, the situation could get much worse. An intensive program is now underway to increase generation levels to pre-war levels, stated as 4400 MW, by undertaking repairs to power stations and through other actions to put into production units not currently in production for various reasons. There are three main means of increasing generation within Iraq:

- Rehabilitation of existing power stations and providing adequate spare parts
- Installation of new gas turbine power stations
- Construction of new thermal power stations

The most cost-effective means of increasing generation is to rehabilitate existing power plants – both gas and thermal units. Rehabilitation results in the generating units being restored to a condition close to that when they were first commissioned. Because there is no requirement to perform either engineering design or civil construction work, the costs and timescales are very much less than building new plant. We intend to rehabilitate a significant proportion of the total generation capacity, prioritizing those that are not in service at present.

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Gas turbine units can be installed within a 3 to 7 month timescale. We intend to install and commission at least eleven 40 MW gas turbine units in a number of strategic sites before the end of 2003. In addition, we plan to build some larger gas turbine power stations, of 150 MW capacity, to meet short to medium-term demands. Gas turbine units may also be run on several types of fuel and we shall ensure that we are not overly dependent on the availability of certain fuels.

Thermal power stations are more expensive and typically take up to three years to build. However, they are capable of providing high levels of generation, using fuels such as crude oil or heavy fuel oil (some of which are waste products). They are also comparatively cheaper to maintain. As such, thermal power stations will form a vital component of Iraq's electrical power generation capabilities. Several thermal power stations have been under construction for many years, with progress interrupted by wars and by delays in the UN MoU program. We shall review the status of each thermal power station construction project and, where continuation makes financial and technical sense; propose to complete the work under an accelerated timetable. In other cases, we need to commence construction of new thermal power stations and ensure that sufficient funding is in place to enable completion. The costs associated with each area of increased generation are:

Rehabilitation of existing power stations	\$1,000m
New gas turbine generation	\$1,200m
New thermal power stations	\$750m
Maintenance	\$100m
Total	\$3,050m

Transmission networks. Transmission networks perform the task of transporting power from where it is generated to the area which it is consumed. In Iraq, the transmission networks are comprised of the 400 KV network, with its 22 substations, and the 132 KV network with approximately 200 substations. Before the recent war, the transmission networks were in a degraded but operable state. Inadequate maintenance and poor operational procedures had resulted in corroded power lines, damaged towers, switchgear with frequent faults, damaged transformers, and a multitude of other faults which degrade network performance and that risked the safety of Electricity Commission staff.

Since the recent war, continuing acts of looting and deliberate sabotage on a vast scale have reduced the capabilities of the transmission networks to a point where the national grid barely functions. The network, as it currently stands, is highly unstable resulting in frequent blackouts, and is incapable of delivering sufficient power from power stations to population centers, most notably Baghdad.

Some 400 KV power lines have been almost completely destroyed. For example, the Coalition Forces recently surveyed 1175 km of lines and found 623 downed towers out of a total of 2554. However, in total, it is hard to provide accurate figures of the number of towers and miles of power lines that it will be necessary to replace. Although all Iraqi line repair crews are fully deployed to repair power lines, it is evident that the scale of the task is far beyond their capacities. Therefore, we urgently need to

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bring in international engineering firms specializing in this type of work, to repair the lines and substations.

As generation capacity increases over 2004 and beyond, the transmission networks will also have to be increased in capacity. This shall necessitate the implementation of new lines and new substations. We intend to use the services of specialist consultants to analyze the electrical power infrastructure so as to design changes to the transmission network, especially the addition of new infrastructure. Our estimates for work urgently required to restore the transmission networks with adequate spare parts, and to add capacity to support additional generation are based on our surveys and those of the UN/World Bank assessments.

Repair of 400 KV lines	\$300m
Repair of 132 KV lines	\$500m
Expansion of 400 KV lines	\$300m
Expansion of 132 KV lines	\$200m
Rehabilitation of substations	\$250m
Additional substations	\$150m
Total	\$1,700m

Distribution networks. Distribution networks deliver power carried over the transmission networks to local areas. The distribution networks were relatively unaffected by the recent war but were in a highly deteriorated condition beforehand. Equipment is operating without adequate electrical protection and is generally overloaded. The majority of 33/11 KV substations suffer from the effects of being switched too frequently (due to load shedding), a lack of maintenance and insufficient augmentation to cater for new load. There has also been, and continues to be, damage to distribution networks caused by acts of looting and vandalism.

We intend to commence a program of rehabilitation and replacement of distribution network infrastructure. However, it must be recognized that the scale of the problem is such that this program will have to take place over several years. Based on the information supplied by the UN/World Bank assessment, we anticipate the costs of the work we need to undertake until the end of 2004 as being:

33/11KV substation rehabilitation and development	\$150m
33KV network rehabilitation and development	\$56m
11KV network rehabilitation and development	\$185m
Distribution transformer rehabilitation and development	\$125m
0.4KV network rehabilitation and development	\$204m
O&M material and equipment	\$180m
Vehicles, machinery, training, studies and review, etc	\$100m
Total	\$1,000m

Communications & Control. The lack of an automated monitoring and control system means that it is not possible to effectively monitor power distribution or enforce

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load shedding plans. This lack of monitoring capability has impeded CPA's efforts to re-establish an effective and efficient electrical sector in Iraq. The Electricity Commission requires a Supervisory Control And Data Acquisition (SCADA) system to provide this monitoring and control capability. SCADA is a distributed system that collects data from individual power substations, and delivers it to a central monitoring and control centre. It consists of several components, including:

1. A National Dispatch Center (NDC) to provide national oversight of the electricity network;
2. One or more Regional Control Centers (RCC's);
3. Multiple Remote Terminal Units (RTU's) located at the 400 kilovolt (KV) substations and the 33KV substations. These RTU's capture critical data from the substation equipment;
4. Communications equipment to deliver data from the RTU's to the RCC's and NDC. Communications between the substations and the NDC will be provided via a fibre optic network, a radio network, or microwave network, or a combination thereof, in order to minimize costs. Several communication networks already exist in varying states of repair and capability in Iraq, and these will be utilized if possible.

The SCADA system will be implemented extremely rapidly in order to gain management control of the distribution of electricity in Iraq. Such an implementation depends upon the timely provision of funds in order to procure the equipment, personnel and other resources required to perform this task.

This SCADA system will provide critical improvements to the management of the electricity grid in Iraq. It will permit the accurate monitoring of the electricity grid of Iraq on a national basis. In addition, it will assist in the assessment of equipment failures by providing remote alarms and warnings. Finally, it will assist in the fair and equitable distribution of electricity to the Iraqi population. The cost of the full SCADA system implementation and associated communications infrastructure is estimated at \$150m.

Institutional strengthening. The Electricity Commission is institutionally very weak. In order to build an effective organization capable of managing the continued operation and development of the electrical power infrastructure in Iraq, we wish to invest in strengthening the institution. This shall be done by rehabilitating the buildings, providing consultants embedded within the organization, developing a Master Plan for continued development, and investing in extensive staff training. The estimated cost of providing this program is \$25m.

Security. There is little point in investing in transmission line repairs if they cannot be secured. The Coalition Forces are overstretched and cannot provide adequate security to electrical power infrastructure. Moreover, they will not be in Iraq indefinitely. Therefore, other arrangements must be made. It is our intention to strengthen the existing Electricity Commission Power Police and to augment their capabilities with contracted helicopter surveillance. The estimated cost of providing an improved service is \$50m.

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Oil Production.

Summary of Request. The coalition has assisted the Iraq Ministry of Oil in making progress towards reestablishing pre-war production levels. However, we must do more to lay the foundation for the national economic recovery, and to ensure that Iraq has the revenue for a self-sustaining government. Factors that must be addressed include continued repair of war damage and repair of looting damage. At the same time, continued terrorist sabotage activity is hampering progress. The funds requested will be used to repair the infrastructure, counter the terrorist threat to protect the current investments, and to compensate for the losses that are a direct result of previous successful terrorist attacks. Once production has stabilized, funds will then be used to continue to improve the Iraqi petroleum production systems with the ultimate goal of restoring pre-war production levels.

Detailed Overview of Requirements
(Dollars in Millions)

Oil Investment

Requirements:

Rapid Pipeline Repair Capability	\$ 55	
Topping Plant Acquisitions	\$ 125	
Port Facilities Upgrades	\$ 9	
Petroleum Distribution	\$ 68	
Infrastructure Security	\$ 60	
Personnel Security	\$ 8	
Qarmat Ali Water Plant	\$ 125	
Qarmat Ali Water Study	\$ 5	
Retain Subject Matter Experts	\$ 5	
Oil Reservoir Management	\$ 40	
Pump Station and Pipeline for North Ramalia	\$ 40	
Repairs to NGL Plant	\$ 15	
Repairs to LPG Plant	\$ 50	
Repairs to Bulk Storage	\$ 20	
Infrastructure Repair	\$ 575	
Subtotal Oil Investment		\$ 1,200

Oil Products Purchase

Requirements:

Petroleum Product Imports	\$ 900	
Subtotal Oil Products Purchase		\$ 900
Grand Total		\$ 2,100

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Rapid Pipeline Repair Team Contract. Multiple acts of sabotage and looting, and mechanical failure due to historically poor maintenance have resulted in extended downtime on main pipelines. There is a need to extinguish any associated fire and effect repairs to the pipeline without allowing the remainder of the line to drain. The pipelines range in diameter from 8 to 46 inches and are used to carry either crude or refined products. Failure to repair these pipelines results in significant lost revenues to the Iraqi people...as much as \$7 million per day in the case of the Iraq-Turkey crude oil pipeline. Funds will be used to provide a quick reaction pipeline repair team in order to return pipelines to operational condition within 96 hours of notification that the area is secure. **Estimated minimum cost: \$75M**

Topping Plant Acquisitions. Import of refined petroleum products is currently costing \$3-4 million per day. Acquiring additional Topping Plants will have a direct effect on reducing this outlay, and thereby reducing the future need to appropriate funds for these imports. Topping plants are the first step in the process of converting crude oil to refined petroleum products, and can provide diesel, LPG and kerosene directly from crude in remote locations. In several cases, there is a need for refined products closer to the oilfields than to the established refineries. Acquisition of 4 "Topping Plants" to be placed strategically throughout Iraq will ensure quicker, cheaper, and more efficient delivery of refined products to the end users. This will have the direct effect of reducing the need for imports, and reducing the need for additional funds for imports. **Estimated minimum cost: \$125M**

Port Facilities Upgrades. As stated previously, there is an urgent need for additional imports of petroleum fuels. A large part of the task will involve the use of port facilities. While some of the port infrastructure currently exists, there is a need to ensure safe operations for the downloading of hazardous materials - gasoline, diesel and kerosene. Funds will be used to upgrade these facilities to meet the targets for imports. \$6 million will be used to dredge the Khawr Az Zubayr waterway. \$2 million will be used to remove sunken vessels impeding traffic. \$1 million will be used to hire a barge to unload confiscated smuggling vessels. **Estimated minimum cost: \$9M**

Petroleum Distribution Requirements. The vulnerability of the pipelines has created the need to establish redundancy in the petroleum distribution system; namely, enough trucks to meet distribution requirements when interruptions in pipeline flow occur. Funds will be used to purchase 200 fuel tankers and 250 Liquefied Petroleum Gas (LPG) trucks to meet this need. **Estimated minimum cost: \$68M**

Oil Infrastructure Security Requirements. As stated before, security of the oil infrastructure is a key concern. Even with quick repair of damaged facilities, losses due to terrorist activity can easily total in the tens of millions of dollars. Investments made to thwart these attacks will certainly pay for themselves. Funds will be used to train and equip an oil infrastructure security force. The purpose of this force is solely to protect the

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oil infrastructure, and will not duplicate other security efforts being undertaken. Current security is provided by coalition forces and an inefficient assortment of local security services. **Estimated minimum cost: \$40M**

Personnel Security Requirements. Funds will be used to provide continuous personal security for the Minister of Oil and his Director-Generals, as requested by General Abizaid in his 28 August memo to the Secretary of Defense. The life of one of the Director-Generals was threatened as recently as late August, so this is a critical requirement. **Estimated minimum cost: \$8M**

Qarmat Ali Water Plant. Repair of the Qarmat Ali Water Plant and associated Cluster Pump Stations (CPS) is required to provide water injection for the Southern Rumaylah oil fields, a process critical to maintaining current production rates and preventing damage to the reservoir during production. Funds will be used to provide the necessary equipment, materials, and personnel to complete emergency repairs to restore oil production to pre-hostility levels. Failure to complete this work will adversely impact oil production rates, and will drastically affect long-term production of this oilfield. **Estimated minimum cost: \$125M**

Qarmat Ali Water Study. In order to make the most efficient use of the Qarmat Ali Water Plant, and decrease the likelihood of causing costly, permanent damage to the oilfield, an extensive geologic study is required to determine the appropriate locations for the injector wells. Funding this study will result in a significant return on investment in terms of both higher production rates and lower lift costs. Failure to fund will result in continuation of current inefficient practices and potential damage to the oilfield. **Estimated minimum cost: \$5M**

Retain Subject Matter Experts. Bringing Iraq from zero production using antiquated systems to full production using modern technology requires the assistance of those with specialized training and considerable experience in the oil industry. Like many of the other requests, this funding will directly impact the speed with which production and exports reach pre-war levels. **Estimated minimum cost: \$5M**

Oil Reservoir Management. Modern techniques and technologies are available to improve the location and management of oil reservoirs. Making use of the assets available will maximize production from existing reservoirs, find new reservoirs, and ensure optimum production from all petroleum sources. This investment will improve efficiency and ultimately increase the total available supply of oil. **Estimated minimum cost: \$40M**

Pump Station and Pipeline for North Ramalia: Process water is essential to the operation of the Degassing Stations and the NGL plant in the North Rumaylah Oil fields. Current source of process water for these facilities is the Qarmat Ali Water Treatment Plant, which is under reconstruction. When reconstruction is complete, water from Qarmat Ali will primarily meet the demands of water injection and process water will

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still be inadequate. Due to the poor condition of the water treatment plant and the deteriorated state of the existing pipeline network, the current system will not be able to meet peak demands for process water in North Rumalia. The new pump station and associated pipeline will meet process water needs in North Rumalia. This new network will be isolated to allow Qarmet Ali to meet the demands for water injection more efficiently. With a new pump station and pipeline, production from the North Rumalia fields will be more reliable. **Estimated minimum cost: \$40M**

Repairs to NGL Plant: The NGL plant is currently receiving repairs that will make the plant operable, however, it will still be in extremely poor condition. The poor condition of this plant will result in unstable production of feedstock to send to the LPG plant. Rebuilding a gas turbine compressor, repairing the water system, replacing excessively worn fin fans and replacing electrical cables will make the NGL plant more stable and slightly increase production. This work will increase the reliability of LPG production from the LPG plant. **Estimated minimum cost: \$15M**

Repairs to LPG Plant: Current repairs to the LPG plant will make the plant operable to produce OCT 03 LPG goals. In order to make pre-war production of LPG, another LPG unit must be brought online. This requires replacing missing motors and installing new cable that was looted after the war, rebuilding the burnt control room, and replacing looted electrical switchgear. These repairs will make it possible to achieve pre-war LPG production. **Estimated minimum cost: \$50M**

Repairs to Bulk Storage: Repairs are needed at the Bulk Storage facility. Work includes replacing damaged chillers, refurbishing utilities and reworking the control room. **Estimated minimum cost: \$20M**

Infrastructure Repair. The restoration of the Iraqi oil infrastructure is critical to the overall success of the Coalition Provisional Authorities mission. The oil infrastructure provides for the generation of significant revenue for the Iraqi national budget and delivers refined products to fuel the economy and the quality of life for the Iraqi people.

In June 2003 Task Force Restore Iraqi Oil (RIO) and the Ministry of Oil (MOO) completed a Rough Order of Magnitude for the restoration of the Iraq Oil Infrastructure and initiated a funding request. A workshop was conducted in July with RIO and the MOO with the end product being the Restoration of Iraqi Oil Infrastructure Work Plan. This plan included the project management plan, scope of work as defined by the list of 220 projects and a rough order of magnitude budget estimate for each project.

This work plan is an integrated plan that was carefully developed and coordinated with every MOO operating company and TF RIO. The plan was developed with the focus being to restore the Oil Infrastructure to pre-war production levels. Each project in the work plan has an impact on the restoration of the infrastructure and an impact on production levels.

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The Work Plan has been sub-divided into three phases. Phase One projects are to be complete by October 2003, Phase 2 by December 2003, and Phase 3 by March 2004.

Phase 2 and 3 combined represent eighty projects. These projects will provide for a 20% increase in production of crude which represents conservatively \$12 million per day of revenue for the Iraqi people.

Several other critical projects need to be completed, but are longer-term projects that were not included in the aforementioned Work Plan. Funds could be used to complete improvements to the Upstream (ground to refinery) and Downstream (refinery and beyond) sectors of the oil industry as well as complete long delayed repair of 1991 war damage. Projects proposed include the following:

Upstream Sector. Improvements in the upstream sector include enhancements to the export system that will increase the flow capability, thereby, increasing export capacity. The funding will also initiate the development of new oil and gas fields. New oil fields in both the north and south regions are planned to produce no less than 250K barrels per day. Development of two new gas fields, both north and south, will provide natural gas to meet power generation requirements, lessening the use of diesel and residual oil. The fields will provide liquefied petroleum gas (LPG) for the domestic market in the amount of 200 million standard cubic feet per day.

Downstream Sector. Funding will allow the commencement of the planned new refinery that will increase domestic refinery capacity by 70K barrels per day to meet the increasing demand of the local market and to reduce import requirements. Improvements will be made at current refineries to add new reforming units. These units improve the quality of domestically produced gasoline, thereby reducing the need for environmentally damaging tetra-ethyl lead additives. Hydrodesulfurization units will also be added to lessen the content of sulfur in diesel to reduce sulfur dioxide emissions to the atmosphere. Expansions to the northern gas processing plant by the addition of a new processing train will increase the capability to meet the needs of the newly developed fields in the upstream sector. Increased storage capability for products and LPG will be initiated to stabilize operation of the refineries and gas plants to meet seasonal demand and improve distribution efficiency. Distribution will also be enhanced by an improved product pipeline network that will reduce road transport with its inherent inefficiencies and hazards.

Repair of 1991 war damage. The supplemental funding will allow the rebuilding of the lubricating oils plant in the Baiji refinery to meet the increasing market demand for these products. Additionally, rebuilding of product storage tanks at the Basrah refinery and at some of the product distribution storage depots will allow a more stabilized refinery production operation as well as avoiding seasonal shortages as product demand fluctuates.

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These investments will accelerate the growth in Iraqi export dollars, and thereby shorten the period during which the Iraqi government will be reliant on international aid.

Estimated minimum cost: \$575M

Oil Products Purchase

Petroleum Product Imports. Interruptions to the flow of crude to the refineries, difficulties at the refineries themselves, and interruptions to the flow of refined product to the cities have created the need to import more petroleum products than originally projected. Funds will be used to cover the difference between Iraqi demand and refinery production, and to establish and maintain a 30-day reserve in all major products to ensure no interruptions in basic services due to future terrorist activity. The main products required are Liquefied Petroleum Gas (LPG), used for cooking; kerosene, used for heating in the winter months; benzene, for auto fuel; and diesel, to fuel larger equipment and power generation. Failure to provide any of these will directly affect the quality of life of the average Iraqi. \$600 million will be needed in the first quarter to compensate for the large difference between demand and production, and to build the 30-day reserve. \$300 million will be required for the remainder of the fiscal year to compensate for continued production shortfalls while maintaining the reserve. **Estimated minimum cost: \$900M**

Public Works.

Summary of Request. \$3,710M is required to meet critical water and sanitation requirements. Our overall priorities in implementing the various public works programs are:

1. Providing potable water.
2. Improving efficiency of the distribution system.
3. Improving sewerage facilities and solid waste management

Although our immediate thrust concentrates on the restoration of conditions to pre-war conditions, we also intend to emphasize improving and expanding services and coverage in all governorates. Our initial requirements to help the Iraqi people improve their public works include

Raising potable water access across Iraq	\$2,830M
Reducing water loss from 60% to 40%	\$ 30M
Increasing sewerage service in cities to 15%	\$ 697M
Improving solid waste management	\$ 153M
TOTAL	\$3,710M

Different assessment studies by International organizations have all agreed that the above public work programs are the best way to improve the performance of the sector and the living conditions of Iraqis. This work should commence as soon as possible and be pleted by the end of 2004.

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Currently, the responsibility for the delivery of basic municipal services is centrally controlled in terms of budget allocation and priority setting. Over time the responsibility for basic services will be devolved to the governorate and the municipality level. These programs will also help develop the capacity of governing authorities, and demonstrate to local authorities and the central agencies (such Ministry of Finance and Public Works) on proper administrative procedures for major public works.

Raising potable water access across Iraq 90%. \$2,300M is required to provide potable water access to most of Iraq. Our plan to reach that level involves first working up to 75% access, then working further improvements to reach 90% access for cities, towns, rural areas and villages.

The coverage figure in urban areas at this time is approximately 60% however the supply is not 100% of the time and the quality is suspect. The existing supply system is stretched to its limit and system strengthening/master planning is required before coverage can be increased by any significant percentage. Master plans have to be completed before accurate figures on the incremental costs of service coverage can be given. Infrastructure required will include larger feeder water mains, service reservoirs to balance daily and hourly flows and the provision of dividing and control valves to allow the creation of supply zones and mains to be shut down for repairs and maintenance. The estimated cost to increase urban coverage to 75% is \$1,000M and is based on extending coverage to 2.7M people at a per capita cost of \$370/capita for water treatment and network. This per capita cost estimate is based on theoretical analysis using a hypothetical residential area.

To raise coverage levels across the country to 75%, supplies to rural areas and villages will have to be improved. Many small towns and villages are served by tankers coming many miles to provide potable water on a frequency of once a day, once every 2 days and in some cases once every 10 days. To improve coverage will require the installation of treatment plants capable of treating saline water (reverse osmosis), reticulation systems and additional tankers. To achieve the coverage target approximately 2.2M additional people in rural areas will have to be served. Four techniques have been identified for serving the additional people. Details and costs are:

Extension of existing urban systems	\$370/capita
The use of compact units plus local reticulation	\$186/capita
Tankering potable water to them	\$373/capita
Using well to supply water	\$267/capita

Estimates have been made of the population to be served by the different supply methods and the total cost of the program has been estimated to be \$530M.

To raise supply levels across the country to 90% will require improvements in supplies to cities, towns, rural areas and villages. To improve coverage across the nation, we intend to install treatment plants capable of treating saline water (reverse osmosis), reticulation systems and additional tankers. The increased populations served by this program are:

- Urban 2.7M people
- Rural 1.3M people

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Using the per capita construction costs quoted above the cost of raising universal coverage of potable water to 90% is \$1300M.

Reducing water loss from 60% to 40%. Reducing water losses in an arid environment is a national priority. Water losses are currently estimated at 60% of the potable water produced from the water treatment plants. \$30M is required to repair the water distribution networks to ensure that safe water (free of pathogens and other harmful chemicals) actually reach families is a priority. This will also require a full inspection and mapping of the networks. Reducing water losses has a three fold effect of:

- increasing coverage because there is more water available;
- reducing operational costs because less water is required; and
- reducing the risk of illness because leaks into the system are repaired preventing the contamination of potable water.

An initial reduction to 40% (\$30M) involves the rectification of visible leaks. There are approx. 15,000km of water main in Iraq and using consultants' studies the cost per kilometer for the rectification of visible leaks has been estimated to be \$500/km. The cost of the program is estimated to be approximately \$30m allowing for the variables in the network and the scale of the leaks likely to be encountered.

Increasing sewerage service in cities to 11%. The current coverage across Iraq is estimated at 6%. This situation is unsatisfactory in that wastewater can come in contact with children causing illness and death. As water supply increases the situation will become more critical as more water becomes available adding to the amount of wastewater with the potential to spread disease. CPA requests \$697M as initial seed funding to increase sewerage service to 11% in urban areas which will involve extending treatment facilities and collection systems within cities. This will require innovation in treatment techniques such as aquaculture and alternative collection system such as low pressure systems. The funding will be used to test treatment and construction techniques so that larger sewerage programmes will be more effective.

To increase the coverage to the target of 11% translates to an additional 0.9M people being served. The cost per capita for providing sewerage services has been estimated to be \$775 of which \$570 is for the collection system and \$205 for treatment. The estimated cost of the program is \$697M.

Improving Solid Waste Management. There is no overall solid waste management strategy for Iraq. \$153M is required to finalize a strategy which must include the construction of correctly designed landfill sites, equipment to operate the landfill site, regular collection of solid waste requiring vehicles, education campaigns to sort rubbish at source and demonstration/startup recycling plants. Recycling can help to protect the environment, generate employment, and reuse valuable nutrients from food-waste and sewage for safe utilization in horticulture, aquaculture, forestry and food production. More needs to be done to ensure the safe management of medical and

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industrial waste as these pose a serious health hazard to those who work with waste and to children who play in unprotected landfills. These more hazardous wastes need to be treated at source.

The capital cost of such a program has been estimated based on 50 landfill sites at \$0.5M/site, \$0.5M/site for operating equipment, 40 collection vehicles for each site at \$50,000/vehicle and six demonstration plants at \$0.5M each. The total cost of the program is estimated to be \$153M.

Water Resources.

Summary of Request. The water resources infrastructure in Iraq suffered some damage after the war due to looting and vandalism, however, the overall functionality of the system was not significantly affected. Still, investment in this sector is strategically important to the Coalition both immediately and over the long term. To meet our immediate objectives, CPA requires \$935 M to repair and improve water and sewerage services.

Agriculture and irrigation sustain the lives of a large sector of the population and water supply is essential to prosperity. Although many of these initiatives increase the condition or service beyond prewar conditions, investment in the projects included below will clearly demonstrate a commitment to the people of Iraq in important and visible ways.

Pumping Stations. \$75M is required to replace pumps and electrical control appurtenances for 125 priority pumping stations (of 270 stations). Each pumping station has, on average 4-6 pumps for the purpose of reliability, maintenance and operational flexibility. Pumps vary in size, capacity and lift, but average cost is \$125K per unit (includes pump, motor, starter and control box) [600x\$125K=\$75M]. Approximately half of the inventory (600 pumps) require immediate replacement with western standards equipment. Maintenance, refurbishment, and replacement of irrigation pumps have been largely neglected since 1980. New equipment delivered and installed under FFO contracts is of low quality and reliability.

Replacement of irrigation pumps on a large scale will demonstrate to the people of rural Iraq that the Coalition is dedicated to improving their lives and livelihood. This project is needed immediately as farmers throughout the country are negatively affected by the current situation. This project would improve the current system beyond the pre-war condition.

Replace Standby Generators. \$75M is needed to replace standby generators for key pumping stations, barrages, and dam sites. There are about 100 key points (of ~300) in the vast system of reservoirs, barrages and pumping stations that require backup generators to assure electricity for running the pumps, providing municipal water, irrigation, lifting the gates on barrages, and operating other essential emergency equipment. The standard 750Kw generator costs ~ \$750K [100units x \$750K = \$75M] Minor site work (construction) will be required.

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Generators are necessary to return the operation and reliability of pump stations to prewar standards throughout the country. The current state of the national power grid does not allow pump stations to function adequately. Pump stations require continuous power to operate and the grid currently provides three hours on and three hours off, at best. Lack of reliable, continuous electricity from the grid has caused a significant reduction in irrigation pump service and benefit to farmers.

The installation of this equipment will demonstrate the Coalition's commitment to the rural areas of Iraq. There is a common belief that many people are worse off now with respect to public services, than prior to the war. This would reverse that trend.

Rehabilitate irrigation and drainage systems. \$130M is needed to rehabilitate old operating irrigation and drainage systems for improving water use efficiency and water quality. Every existing system needs major rehabilitation, consisting of cleaning irrigation and drainage canals; replacing regulators and sluice gates and lining irrigation canals with concrete to reduce water losses through infiltration. There are 20 projects which serve approximately 500,000 hectares which, when rehabilitated, would result in water savings of 25-35%.

Maintenance and refurbishment of the irrigation infrastructure has been neglected since 1980. This requirement would increase the efficiency of water delivery and use throughout the country to higher than prewar levels. Projects would be concentrated in the southern Governorates and can be started immediately.

This effort would directly benefit the agricultural community by improving the efficiency and reliability of water use. As a nation, Iraq could determine how best to allocate the water conserved, either to additional irrigation, municipal and industrial uses, or ecological/environmental restoration. This project would signal strong support for hundreds of thousands of rural Iraqis whose support is critical to the success of the coalition. The many village and tribal leaders need clear examples of improvement to gain the confidence and backing of their members.

Completion of 10 major irrigation/drainage projects. \$130M is required to complete construction of 10 major ongoing irrigation and drainage projects. Numerous worthy projects were initiated during the past few years which need completion. Five major irrigation projects will have concrete lined canals for water savings, and will be connected to 5 drainage canals to ensure that saline water flows to the main outfall drain (MOD) and the sea, reducing the salinity loads to the Tigris and Euphrates Rivers. The total new irrigated area is approximately 400,000 ha.

Projects would open new, more productive areas to agriculture, allowing less productive land to be retired. This would result in a net savings of water and increased production. Projects would also have a positive environmental impact, by reducing high salinity return flows into the Tigris and Euphrates Rivers.

Construct 11 rural water supply dams. \$25M is required to initiate construction of 11 rural water supply dams in Western Al-Anbar governorate desert (roughly \$2.3M per dam). There are many semi-nomadic desert dwellers, with villages and livestock dependent on the sporadic flows of ephemeral streams during a short rainy season. There

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is a need for small dams at 11 sites to provide water for villages and livestock. Engineering and design can begin now with construction following immediately thereafter.

These projects would more than double the prewar amount of water available to the villages and herdsman of western Iraq, who suffer from water shortages. This project would demonstrate to the people of the western desert that resources are distributed fairly. Building trust and allegiance in this vast, remote region is strategically important because this area borders Syria, Jordan, and Saudi Arabia.

Rural Groundwater Supply Projects. \$60M is required to initiate rural groundwater supply projects in Kurdish region (~100 villages, average cost \$2M x 30 clusters = \$60M). Many villages in the north, particularly in the Kurdish areas depend on groundwater for village and livestock water supply. Groundwater availability varies, and the villages that are clustered together can maximize their supply reliability and availability by interconnecting the systems and building a common storage tank and distribution system. There are numerous such clusters of 3-5 villages that can be interconnected. Engineering and design can begin now with construction following immediately thereafter.

Connecting water supply systems would provide a measure of insurance against mechanical failure or groundwater availability in any single village. The project would improve water supply to greater than prewar levels. Investment in the north of Iraq is important to demonstrate the commitment and fairness of the coalition.

Dam safety repair and major structural rehabilitation. \$100M is required to make repairs identified by a Corps of Engineers Dam safety team which completed an assessment of 16 dams and barrages. The critical repairs are currently underway to return structures to prewar levels. Dams and barrages requiring repair are distributed throughout the country with the large dams in the north, and other structures along the Tigris and Euphrates Rivers. Many shortcomings are readily repairable with little design or lead time required. For more significant work, engineering and design can begin now with construction following immediately thereafter.

Completion of this work would ensure the overall safety and reliable operation of the water control infrastructure in Iraq above prewar levels. Investigation of questionable practices and repair of structures would put to rest numerous recurring concerns that coalition forces have discovered. For example, Constructed over layers of soluble gypsum, Mosul Dam is particularly import to address.

Basra/Umm Qasr water supply pipeline and water treatment plant. Currently, water to Basra only, flows through an open, 260km long canal, only half of which is concrete lined. There are large evaporation losses along the way, and saline water infiltrates into the water supply. A pipeline would effectively reduce water losses by 33%, ensuring reliability and quality of supply. The savings in water would be sufficient to supply Umm Qasr as well. Engineering and design is ongoing, but \$200M is required to initiate first stage construction (an additional \$800M is required to complete the plant.)

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This project would provide higher quality raw water to Basra, the second largest city in Iraq. Umm Qasr, historically receiving poor quality, highly saline water, would also benefit. This project would purchase the necessary pipe from the factory in Basra, employing several hundred workers.

Environmental Restoration (Euphrates). \$50M is required to reconnect the Euphrates River, which is contained within a 200km dike system, to villages via regulators and culverts. A major flood control levee system was built along much of the lower Euphrates River. The effect was to cut off access for the numerous villages and farms to flood waters and floodplains for their livestock and irrigation of palm trees. Box culverts and regulators would be installed at regular intervals to serve the villages, and provide easy access to the Euphrates waters. Only limited engineering and design is required and sites are independent, so this project is ready for immediate execution.

This effort will benefit the lives of tens of thousands of citizens who will regain access to the Euphrates River and floodplain for farming and livestock. This access will rectify the actions of the former regime and improve the lives of the people along the lower Euphrates well beyond their prewar condition.

Environmental Restoration (Hawizeh Marsh). \$50M is required to construct regulators on Kasara Escape and Al Sweeb River to establish control of outflow from the Hawizeh Marsh (2 regulators at approximately \$25M each). Kasara Escape and the Al Sweeb River carry the discharge from the Hawizeh Marsh to the Euphrates River near Qurna. Installation of control structures (regulators) would allow management of the outflow and hence the water level within the marsh. This increase in control will greatly assist the effort to expand the Hawizeh Marsh by improving the efficiency of water use. While the marshes will likely never cover the same vast areas that they once did, water conserved can be used to maintain optimum water levels in the existing marsh and/or allocated to former marsh areas for restoration purposes. Engineering and design can begin now with construction following immediately thereafter.

Completion of the regulators would be a significant first step in the investment to restore the marshes of southern Iraq. This project would be seen as a positive move by the Coalition to rectify some the environmental and socioeconomic tragedies of the past 25 years. These regulators, as part of a larger effort, will improve the environment and the lives of Marsh Arabs beyond prewar conditions.

Basra Channel Regulators – Tidal Channel Flushing. \$40M is required to flush out canals in Basra. A network of canals extends throughout the city of Basra. All of these canals contain stagnant water and debris and present a health hazard to a large number of people. This project would allow the natural rise and fall of the tidal cycle to flush out the canals at frequent intervals. A series of six gates are needed where each canal joins the Shatt Al-Arab. Because the canals can be separated as individual loops, a pair of gates, one at each end of a loop, can be alternately opened and closed when the tide rises and falls, thus creating a current to flush the canal. This project is ready for execution pending the availability of funds.

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This project would improve the health and environment of tens of thousands of citizens in Basra, a long neglected city. This end state would be an improvement over the prewar condition.

Transportation and Telecommunications.

Summary of Requirements. The Coalition requires \$835M to restore transportation and telecommunications to basic levels of service. \$513M is needed for transportation (civil aviation-\$165M; ports-\$45M; and railroads-\$303M) and \$322M for telecommunications (IPTC & CPA Network Systems Architecture Planning & Analyses - \$124M; Iraqi communications systems - \$109M; and Iraqi communications operations - \$89M).

Civil Aviation. \$165M is required to complete airspace and airport opening: Funds will be used to complete the reopening of Baghdad and Basra airports. In addition, there are approximately 120 airports in the country of Iraq including the major airport, Mosul, to the north. No funds have been made available in the current year budget for any airport with the exception of Baghdad and Basra. Funds will be used to repair the infrastructure, obtain avionic equipment, and train aviation personnel to international standards and to provide safety and security systems. A more detailed listing for each of these categories follows.

Infrastructure: Funds will be used to repair control towers, repair sewage and electrical systems, water system repair, refurbishment of runways and taxiways, fuel system repairs and basic cosmetics (parking lots, escalators, glass/glazing, etc). Estimated minimum cost - \$95M.

Avionic Equipment: Funds will be used to purchase, control tower console/radio replacement, install precision approach path indicators, install and provide maintenance for radar systems at Basrah and Mosul, to repair/replace ILS landing systems at various airports, install fiber optic cables for communication equipment, to repair/install airfield substations and lighting vaults, and install AFTN communications systems. Estimated minimum cost - \$40M.

Training: Iraqi aviation personnel require training to meet the minimum international (ICAO) standards. Personnel include air traffic controllers, flight standards, equipment technicians, mechanics, ramp personnel, aircraft safety inspectors, etc. Estimated minimum cost - \$10M.

Safety/Security systems: Funds will be used to conduct security assessments, install internal and external security systems meeting ICAO standards, purchase ground support equipment, purchase crash, fire and rescue equipment, install airport surface detection equipment, repair/replace airport. Estimated minimum cost - \$20M.

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Ports. \$45M is required to fix serious shortcomings at the the port of Umm Qasr which is a vital transportation node in the Iraqi economy. The port of Umm Qasr is without electric power from the grid. It lacks water for vessel servicing, habitability and fire protection. It lacks perimeter fencing and security lighting. While some aspects of this are being addressed by specific Bechtel taskings, the port requires additional equipment for handling cargo both container and break bulk. The current level of port activity is not sufficient to fund these urgently required needs.

Railroad. \$303M is required to restore the railroad to a functioning system. Funds would be spent to repair, rehabilitate the following areas of rail infrastructure.

Rehabilitation/Restoration of Buildings and Other Facilities: Serious looting and vandalism in the immediate aftermath of the active fighting, and extending to the present time, has left the railroad virtually devoid of the tools, machinery and spare parts necessary to maintain their plant and equipment. Fewer than half of the fifty mainline locomotives received in 2002 are still in operating condition and the number shrinks almost daily. Hundreds of older, but still potentially useful, locomotives sit out of service. Passenger cars have had air conditioning and other equipment removed and interiors vandalized, all with no means to repair. Freight cars sit out of service for lack of parts as simple as air hoses. Buildings have been looted to the extent that roofing has been torn off and door and window frames removed. Estimated minimum cost - \$70M.

Repair/Renewal of Track Structure: The track structure has suffered from a combination of severe neglect ever since the first Gulf War, coupled with what money there was being largely wasted on ill-advised new construction schemes. Virtually the entire railroad is in a state of deferred maintenance, some so severe as to present a serious risk of derailment. In addition, mechanized track machinery has mostly all been looted and vandalized so as to make it unusable. Two bridges remain out due to war damage. What little emergency funding has been made available is being spent on the very worst section, but overall the condition of the track structure continues to deteriorate. Estimated minimum cost - \$125M.

Replacement of Signal and Communications Systems: The mainline is being operated using a jury-rigged radio network set up by the Army. There has already been one collision, resulting in a fatality that would have been avoided had the signal system, which used to exist, been in service. In addition to the obvious safety issues, the lack of signals and communications put severe limitations on the capacity of the line. At present, the line between Umm Qasr/Basrah and Baghdad only has the capacity for one additional pair of trains though there is the potential for significant new business on the line. Estimated minimum cost - \$65M.

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Repair/Acquisition of Locomotives and Cars: The rolling stock situation is alarming due to the lack of repair facilities and spare parts. There are twenty new locomotives of the 2002 order still at the manufacturer's plant waiting for payment. Prompt acquisition of these locomotives would help avert a short-term crisis. A critical commodity in winter is LP Gas and additional specialized cars to transport this product are sorely needed. Passenger equipment is in a deplorable state and presents a seriously negative public image. Estimated minimum cost – \$ 25M.

Development/Acquisition of Intermodal Facilities and Equipment: A major source of possible new business is the handling of intermodal containers. The port of Umm Qasr has the potential capacity for handling a significant increase in container traffic, and international container traffic could develop to and through Turkey to continental Europe. At present, Baghdad is the only inland point capable of loading and off-loading containers, and even there it is done very inefficiently using a 50ton crane. Inland container terminals must be built at selected locations and equipped with suitable handling equipment, and additional container cars acquired, if the railroad is to be successful in developing this important business. Estimated minimum cost – \$15M.

Bridges. The Ministry of Transportation and Communication's initial assessments of the Railroad bridge network in Iraq has revealed that only 2 bridges (the Akashat and the Al-Fattah) will need to be funded for repair. Estimated minimum cost - \$3M.

ITPC & CPA Network Systems Architecture Planning & Analyses (\$124M).

CPA Enterprise Systems – LAN/WAN/PSTN. The CPA Communications intends to launch comprehensive technical and business process studies of CPA and ITPC operations. The objective is to provide a detailed systems study that will lead to needed systems architectures prior to undertaking network design and construction. The output of these studies will feed directly into capital upgrades of the Iraqi public telephone network. Many current and planned systems upgrades, such as increasing fiber optic trunking, linking into international gateways, standing up packet switched data networks (for high volume transactional data and Internet traffic), and wireless cellular networks require immediate expansions to the Iraqi switching and transmission systems infrastructure. In addition to supporting planned increases in network traffic, yet additional infrastructure is required to support background networks for managing these networks. These new systems include operations support systems and billing support systems. The CPA requires a parallel, yet modest, investment to stand up Enterprise Systems for supporting the management of the Iraqi PTT (ITPC) and what will be its newly established regulatory agency. Estimated minimum cost: \$54M.

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CPA Enterprise Systems – Applications. This increment of investment capital and direct expense is aimed at bringing modern business automation into the business infrastructure of the Iraqi telecommunications environment. These investments include reengineering Iraqi PTT business practice around COTS Enterprise Software systems. These systems go by a variety of names such as Enterprise Resource Planning (ERP), Supply Chain Management (SCM), and Customer Relationship Management (CRM). These names all connote the automation of business processes. The amounts requested include computer equipment, intrapremises networking gear, and enterprise level software licenses for both network-based, and premises-based software applications. The CPA will engineer links between its governmental operations to the ITPC and Postal Commissions, with links to regulated commercial telephony service providers. Estimated minimum cost: \$27M.

Postal IT Architecture and Systems. The Postal system of Iraq remains antediluvian. Seed investments of Information Technology will allow the Iraqi Postal authority to reengineer its business practices and to support them with automated systems such as letter and package bar coding, establishment of ZIP codes, letter and package tracking systems, and linkages into financial accounting systems. Estimated minimum cost: \$9M.

WiFi Capabilities for ITPC. These investments will allow the ITPC to build wireless Internet Protocol (IP) networks to support its internal business operations. The IP network will link into its public network and to Wireless Fidelity (WiFi) networks for mobile users. The WiFi network will, in turn, promote capabilities provided by unregulated service providers, but with provisions for security and network management unavailable in the former domain. Portions of these monies will be used to build prototype capabilities at CPA headquarters and field locations for supporting intra-ministerial communications. Estimated minimum cost: \$19M.

CIO Function – Operations. The CPA MoTC Communications organization is being increasingly seen as the organization to manage intra-ministerial and intra-agencies communications and information management. As such, this Chief Information Officer function requires bringing standardized business processes and office automations systems to harness the information stovepipes now being built in the rush of post-war action. The CIO will manage all standard IT functions including those currently being provisioned by DoD and its Defense Agency (DISA) and support contractors. The CIO will manage all voice and data services at the Tiers 2 and 3 levels, and, upon request, build interfaces to those Tier 1 systems managed by Joint Coalition Forces. Estimated minimum cost: \$15M.

Iraqi Communications Systems (ITPC and Other Ministries) @ \$109M.

Public Safety Information Services Network IOC. The Ministry of Interior has requested the development and stand-up of an enhanced services, wireless network. The network will be used by “Security and First Responders”, including police, fire, and EMT teams. Little or no capabilities exist within the Iraqi infrastructure either for centrally-

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dispatched communications, nor point-to-point communications. The Iraqi Self-Defense Forces are also prospective clients of the Public Safety Network as they stand up and eventually relieve Coalition Forces. The funds for this program will focus upon validating systems concepts being developed jointly among OSD, CJTF-7, CPA (MoTC) and other CPA ministries. Upon systems validation, CPA will oversee the rapid build out of an operational network using either publicly available wireless networks, or special purpose government funded networks. Estimated minimum cost: \$73M.

Commercial TV and Radio: Management and Licensing. Under the purview of CPA resides the commercial broadcast network over open airwaves and what will be an emergent rebroadcast (cable) network over fixed wired media. The funds will be used to restart and expand commercial broadcast operations, including installing modern broadcast transmitters. Behind the camera, funds will be used to modernize the business practices of the regulated television and radio industry. Funds will also be used for spectrum enforcement. Rogue broadcasters will be licensed, have their spectra moved, or altogether shutdown. Estimated minimum cost: \$10M.

Numbering Schema and 911 Initiative for ITPC and Independent Wireless Service Providers. Funds will be used to develop a nationwide numbering scheme for Iraq, and a "911" emergency response system. (Note: Outside of the USA, the 911 name goes by "112".) The Iraqi ITPC will be first to implement the nationwide numbering scheme that will stand up country, area, and city codes. Concurrently, the commercial wireless service providers will build 911 response features into their systems, at their own cost. Estimated minimum cost: \$4M.

Replacement of Back-up Generators for Outside Telecom Plant. Site surveys have revealed that significant numbers of emergency diesel generators have either been looted or remain inoperative due to lack of maintenance and spare parts. Preliminary economic analyses suggest scrapping the remaining inventory of ITPC owned assets. Funds will be used to by computer automated generators for providing immediate power needs and for anticipated growth requirements in central offices and local loop plants. Estimated minimum cost: \$22M.

Iraqi Communications Operations (Miscellaneous @ \$89M).

Iraqi-FAA Operations. Upgrade Baghdad airport facilities to modern aviation standards. Conduct Engineering studies at other major Iraqi airfields. Build and modernize departure and in-route air traffic control (ATC) center communications. Funds will form a pool to support the communications need of industrial ministries which depend upon the publicly switched network. Estimated minimum cost: \$14M.

Technical and Management Training for ITPC. Train personnel on vendor-specific equipment for wired network upgrades, and for reprogramd Iraqi workers to the newly licensed wireless service providers. This training will fall outside of programs instituted by the Ministry of Education. Estimated minimum cost: \$5M.

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Emergency Repairs and Payment to ITPC Network – Not Elsewhere Specified. As the ITPC continues site surveys to battle-damaged switching centers and sabotaged trunk lines, the bill to repair or replace this equipment continues to rise. Funds request are for a CPA-managed reserve that will be used to restore essential services and network upgrades required to support interfaces into privately owned networks and into international gateways. Estimated minimum cost: \$70M.

Housing and Construction

Housing. There has been virtually no housing activity across Iraq over the past 20 years. There is a need for dramatic increase in the scope of Government funded housing projects. \$100M is required to dramatically increase the amount of housing activity underway and to give a strong initial push to the Housing sector. Our intent is to initiate work leading to the initiation of construction on at least 3,528 new houses over the next year. This construction will be a significant challenge in that it will require the development of a housing infrastructure to supply local water, sanitation, and electrical capacity that does not currently exist.

We expect that this initial effort will be augmented with a greatly increased rate of construction activity in the year following, as the construction infrastructure becomes more robust and able to accomplish an increased rate of home production, despite dramatic increases in the cost of construction materials.

\$100 million dollars will create 7 housing communities, totaling 3,528 housing units, as well as the supporting infrastructure such as basic services, roads, a primary school, two secondary schools, a clinic, a place of worship, and a market in each community. This amount will address 0.35% or a tiny fraction of the total housing need in Iraq; however, this may be enough to start an effective housing program, which will require an approximate \$2 billion annual budget. This amount will also enable the Ministry of Housing and Construction to develop and implement a short term housing program that will lead to long term success and stability. This short term housing program would hire architects and engineers to begin the master planning and design for each major city in Iraq, begin construction of several affordable housing communities throughout the country, provide the ministry with the resources to invest in home financing and mortgage insurance programs that will encourage investments from the private sector, and invest in developing the resources and capabilities of the housing construction industry in Iraq.

Iraq faces a housing crisis and has a current need for more than a million housing units; although, this need will not be met in the short term, construction of new housing projects will show the Iraqi people that both the Coalition forces and the new Iraq government are taking immediate steps to address their housing issues. The policies implemented by the former government resulted in a society dependent on the government. Also, Iraq has experienced three wars within the last 20 years. Over these 20 years, Iraq has been ruled by an oppressive regime and has lacked a social housing program to address the issues of the urban poor, normal population growth, and internally displaced families evicted from their homes due to ethnic strife. The housing shortage

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continues to be exacerbated by the return of large numbers of refugees and ex-patriots to Iraq. If these housing issues are not addressed quickly and effectively, the homeless population in Iraq will continue to grow and threaten the security and stability of Iraq. More and more families will become desperate for shelter and lose faith in the new Iraqi government. The Ministry of Housing and Construction (MOHC) has already started the construction of 1,008 housing units in Iraq and has coordinated with the United Nations (UN) to begin construction of 7 housing projects that would create 504 housing units each or 3,528 total housing units. These UN housing projects will be funded under the UN Oil-for-Food program. The \$1.6 million housing budget for 2003 is well short of what the new Iraqi government will need to develop an effective and successful housing program. The supplemental budget would fund the construction of 7 additional housing communities in cities throughout Iraq making a positive impact in each of those areas. With the additional supplemental funding, the current housing program would begin construction of 8,064 total housing units throughout Iraq. These new housing construction projects will illustrate to the people that the new Iraqi government is making progress and cares enough to address their housing concerns and issues. In addition, this supplemental funding would create additional housing construction projects employing approximately 14,815 laborers over a 20 month period and infuse money back into the Iraqi construction industry. The new Iraqi government must continue to address these housing issues effectively by showing concrete results in the form of new housing communities since it is both a social and economic problem. Failure to do so will result in political and economic instability throughout Iraq, as the people will continue to feel that their government does not legitimately care about their problems.

The \$100 million supplemental budget will support the current housing program and start construction of approximately 7 communities or 3,528 housing units throughout Iraq. The housing program will incorporate proper urban planning and design so that housing areas and zones can be identified and existing urban areas can support continued expansion and growth. This program will accommodate anticipated increases in the population over time and avoid overcrowding that leads to high levels of unemployment in cities. This program will also fund the Ministry of Housing and Construction's ability to design new projects, contract funded projects, and provide construction oversight and program management for next year's anticipated housing construction effort. Over time, the private sector's role in the housing industry will grow while reducing the government's role in directly building these complexes. Until then, there is an immediate requirement to support designing, contracting, providing oversight, and program management for next year's anticipated housing construction effort in order to develop a successful and effective long term housing program that will contribute to Iraq's economic and social stability.

Public Buildings. There are many requirements for Public Buildings across Iraq. This has been an active area which can be further accelerated. \$130M is required to dramatically accelerate our schedule to define contracts, which are currently undefined as a result of direction to Iraqis to re-start previously ongoing contract work early in the construction efforts within Iraq. The supplemental will also allow the Ministry to continue ongoing work or initiate new work at an even faster rate as a result of increased

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infrastructure capability and equipment purchases. There are also requirements for improvements to Ministry of Housing and Construction facilities across the Governates and Regions of Iraq. These improvements, new equipment, and new facilities, will provide significant new capabilities to the Ministry to support improved construction rates. The facilities will also provide appropriate protection for new equipment and construction infrastructure necessary to support resurgence within the construction industry in Iraq, protecting an investment necessary to jump start the Construction Industry.

If this additional \$130 million is not funded it will prolong the disruption to the government operations and thousands of governmental employees of Iraq, have an adverse ripple effect on the overall economy and slow down the transition to the new Iraqi government. This effort really only is a stopgap measure and does not fully provide for the full needs of the reconstruction of the Iraqi building infrastructure. The economic consequence of not funding this supplemental budget request will have immeasurable indirect costs in the continued degradation of the employee's work places and family life's.

This \$130 million will fund the following types of projects:

- 1) 1,325 basic repair projects at \$40,000 each for \$53 million. This basic repair work will put a building back in operation after years of neglect and deferred maintenance.
- 2) 140 refurbishment projects at \$250,000 each for \$35 million. This refurbishment work will allow for the upgrade of currently obsolete building components and limited construction.
- 3) 6 major reconstruction projects at \$7 million dollars for \$42 million. These major reconstruction projects will replace all of the buildings comments to current international safety and building standards.

These projects will allow these public buildings to successfully meet the overall operational and serviceability needs of the building occupants. The various building components that will be maintained, repaired or replaced in these projects will be: general cleaning, doors/ frames/ hardware, windows/ glazing, walls, floors/ walkways, stairwells, plumbing, plumbing fixtures, painting, electrical power, light fixtures, electric fans/ HVAC systems and other construction incidentals.

Roads and Bridges. Investments in the amount of \$240 Million must be made on Iraq's Road and Bridge infrastructure as a prerequisite to begin the economic redevelopment of the nation. A robust transportation network is imperative for efficient movement of essential products such as fuel, wheat, water, construction materials and equipment, and other supplies which fuel the economic foundations of Iraq. The current disrepair caused by lack of maintenance over an extended period of time affects over 74,000 KM of major highways and

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local road systems. In addition, a total of 32 bridges are currently damaged and will not adequately support the high volume of transportation required to support national recovery. We have determined the necessary repairs and system improvements for recovery from the 15 years of neglect and minimal improvements will cost \$12 Billion. The proposed \$240 Million for the Supplemental Budget for FY03 will provide enough money to fund the remaining War-damaged Bridges on the Priority Projects list and invest a significant amount of funds into Expressway 1 for critical equipment and paving of gaps in the project that are deteriorating due to military convoys. The \$240 Million is only 2% of the total Road and Bridge repair, maintenance, and system upgrades required, but this amount will nonetheless make a significant down payment on beginning the required recovery effort.

Expressway 1, the major north-south route in Iraq (an absolutely vital asset) is a 146 KM stretch of road that has never been completed. Many portions have deteriorated such that they will require significant repair and rehabilitation in order to support any sustained amount of traffic. This same highway is also in need of major rehabilitation and maintenance north of the capital city. Similarly, local roads and bridges are the essential lifeline for farmers to bring goods to market yet they have not received adequate maintenance or construction for decades.

There are many bridges throughout Iraq that have not been properly maintained or repaired. It is estimated that 160 bridges may, because of war damage or poor maintenance, become unusable within the next year unless immediate maintenance and repair is accomplished. Funding should be focused on repairing and maintaining safe and sound bridges and roads that will support the long-term growth and development of Iraq. This will be accomplished through a two part program. Part one, the Main Artery Road and Bridge repair Program, will begin repairs and maintenance on roads and bridges which traverse the most highly traveled corridors across Iraq. Composed of 700 major bridges and 42,000 KM of the largest highways, these form the backbone of the Iraqi transportation system. Part two, the Governate Road and Bridge Repair Program, composed of approximately 600 bridges and 32,000 KM of secondary and rural roads, will address the road network which supports the manufacturing areas and rural communities which play such an important part in Iraqi commercial activities. With the proposed Supplemental Budget for the FY03, we will be focused on Priority Bridge Projects and Expressway 1 and spend \$20 Million dollars to start emergency repairs on some of the 160 critical bridges in Iraq.

The Iraqi Ministry of Housing and Construction, working with their counterparts from the Coalition Provisional Alliance and the Governates, have determined that the following funding areas will be required for repairs and maintenance as discussed previously but also will provide for badly needed new roads, highways and expressways. While the total funds for the proposed Supplemental Budget Request in FY04 is \$240 million which is only 2% of the total amount required, it will make a dramatic initial impact to support of the recovery of the Iraqi road and bridge system.

- In order for Iraq to complete projects started before the war, it will cost \$174 million dollars to make emergency maintenance repairs and return the transportation system to prewar capacity. This includes \$100 million for Express Way # 1, \$16 million for emergency maintenance, \$28 million to complete ongoing projects started in FY03 and \$30 million to complete war damaged projects started in FY03.

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- Concurrently with these projects, work will begin on an additional \$66 million in rehabilitation, maintenance, and new roads and bridges to address 15 years of neglect and poor planning. This will be distributed as follows: \$20 million to conduct additional maintenance for structures and roadways to a minimal level of service; \$10 million to rehabilitate intercity and rural roads in the governorates; \$10 million for new intercity and rural roads in the governorates; \$10 million for rehabilitation of highway and expressway systems including roads and bridges; and \$16 million for the addition of 20 km of new roads that connect towns, hamlets and market centers among each other.

A comprehensive review of the Iraqi Highways, Roads and Bridges infrastructure, that combines the efforts of the Ministry of Housing and Construction with the Governorates, will help set a new direction on how Capital improvement in the National Highway System and local Roads and Bridges are allocated and disbursed. The CPA Ministry of Housing and Construction has projected a required \$1.253 billion of funding for the Roads and Bridges program in 2004. The \$240 Million Supplemental Budget Request for FY03 will provide an immediate boost to this effort and provide the trail blazing through the projected difficulty of implementing such a massive and critical program in Roads and Bridges. While these funds are only a fraction (2%) of the funds required, they will reverse a trend of marginal spending and bring roads and bridges back to a safe operational condition where economic growth is not deterred by poorly maintained highways or neglected local road systems.

Health

Summary of Request. \$850M is required to bring health care in Iraq up to pre-sanction standards, but updated to current technologies. The pre-war standard is untenable due to the abysmal erosion of health care over the past 14 years (only an average of 4% of facilities saw any rehabilitation or reconstruction in the past 14 years). Health care vital statistics and purchasing power adjusted health care expenditures in Iraq trail many Countries in the region. For example, While Turkey has an estimated infant death rate of 46 per 1000 live births, this statistic for Iraq has been reported to be as high as 108 per 1000. In addition, as many as 13% of all Iraqi children die before they reach the age of 5. Without the requested funds, the Iraqi people will continue to suffer from substandard health care. The three main areas of emphasis are:

Major new children's hospital	\$150M
Refurbishing pediatric hospitals, primary health care services and outreach	\$393M
Repair/replacement of equipment	\$300M
Partnership for Healthcare	\$ 7M
TOTAL	\$850M

Major New Children's Hospital. \$150M is required to start basic construction on a tertiary pediatric treatment facility in Basrah. Other than the low life expectancy, no other Iraqi negative health statistic stands out like those related to infant, maternal and child health. With over 41% of the total population being 14 years old or younger, there

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is not only a need now for specialty services for this population, but the population distribution indicates that there will be a significant "baby boom in Iraq within the next 7 to 10 years. This request is for funds to build a state-of-the-art tertiary care children's hospital in Southern Iraq. The hospital will be designed to handle top level care for pediatric oncology, plastic surgery, burn treatment, specialized surgeries and high risk pregnancies with the latest technologies in radiology, ultrasound, physical therapy and other procedures. This facility will be the base for cutting edge research and post-graduate development for Iraqi physicians. This effort will create a pediatric hospital that will be a visible sign of the transformation of the health care system in Iraq. Total cost of this facility is estimated between \$500M to \$700M depending on the final number of tertiary specialties offered. Capital and benchtop equipment, general medical supplies and equipment, general logistics supplies and equipment, salaries for consultants, salaries for support staff and other requirements will come from donors or other sources of funding.

Hospital Refurbishment. \$393M is needed to reduce infant and childhood deaths by 50% through the provision of services that can address the underlying causes of these dismal statistics. New efforts to be undertaken throughout the country to provide those necessary public health efforts that can have definitive impacts on early mortality and morbidity (immunization, nutrition counseling, clean water and appropriate sewage disposal activities). Major shortfalls of all pediatric and primary health care facilities tend to be with major structural subsystems. The medical gas system is largely non-existent or need extensive repairs. This supplemental aims to refurbish and reequip every one of the 1200 primary care clinics in Iraq and 5 regional maternal and pediatric referral centers in Basra, Al Najaf, Erbil, Baghdad and Mosul. The result will be a network of clinics that will have the capability to provide those basic maternal and infant support services so critical to positive birth outcomes. In addition, when they identify high risk cases, they will finally have the ability to transfer the case to one of the 5 regional centers of excellence for maternal, infant and pediatric care. Our strategy is to rehabilitate 200 of the 240 hospitals and 900 of 1200+ Primary Health Care Clinics. Major structure subsystems are all in dire need of repair, rehabilitation or expansion (water/sewage, electrical, HVAC and med gas especially). Cost of construction is 1/10th of US standard per sqft in general construction, 1/5th in specialized medical construction and 8/10th in specialty construction. Materials for health care are not indigenous and will have to be imported which will raise the low cost of construction in this country to European construction cost levels (up to 80% of US health care construction costs in specialized areas such as OR, radiology, laboratory etc).

Equipment Replacement. \$300M is required to repair the deplorable state of the nation's 240 hospitals. Early studies indicate that as much as 50% of the equipment in these facilities is in desperate need of repair or replacement. All equipment is poorly maintained. This includes everything from; incinerators to dispose of medical waste, x-ray machines, in hospital lab equipment and especially generators. While a nearly emergency effort is underway to supply generators, the initial effort will only cover 30 to 35 hospitals, then quickly expand to 150 hospitals. Training staff to use this equipment is

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equally important. Iraq lacks credentialed, skilled bio-medical engineers and technicians and has a significant shortfall of technically up to date engineers and technicians (skill sets run to pre-sanction levels). We estimate that 100% of current staff will require retraining. An additional 25% staff increase is required to properly man these hospitals. This equipment and associated training effort should provide a much needed upgrade to the remaining facilities and if basic infrastructure services such as sewage and potable water can occur at the same time, the hospitals in Iraq may more closely come to resemble "hospitals" in many parts of the rest of the world.

Partnership for Healthcare. \$7M is required to facilitate the establishment of partnerships between American health care organizations/leaders and selected Iraqi healthcare centers. We envision a consortia of health care institutions in the U.S., international donors, and U.S. government agencies for the purpose of providing professional education, technical advice and support, equipment, supplies, pharmaceuticals, and managerial expertise to selected Iraqi healthcare centers. This modest investment will bring immediate returns in the form of improved public health, accelerated modernization of Iraq's medical schools, community hospitals and clinics, and establish long term relationships between elements of the American health care system and those in Iraq who will lead it to a democratic future.

Private Sector Development.

Establish an American-Iraqi Enterprise Fund. \$200M is required to capitalize an Iraqi-American Enterprise Fund. This fund would operate independently from the US Government under the guidance of a Board of Directors appointed by the President of the United States. The primary purpose of this fund would be to promote the private sector development of Iraq. To accomplish this, the Fund would invest in a wide array of private enterprises, disseminate western business know-how, and assist business to play an appropriate role in shaping public policy. Estimated minimum cost: \$200M.

Expand network of Employment Centers. Iraq has 27 cities with a population exceeding 100,000. Funding was approved in 2003 for 5 centers. Each Employment Center would serve the unemployed by offering aptitude and ability testing, job counseling, job search assistance, and referrals to employment and training opportunities. Funds would cover 22 new Employment Centers at a cost of \$350,000 each. Estimated minimum cost: \$8M.

On-the-Job Training for Private Sector Employment. CPA requests \$35M to offer private sector employers a subsidy to cover the on-the-job costs of training newly hired workers. De facto a wage subsidy, this should provide a major incentive to private employers to increase their employment. These funds are to be executed through the American-Iraqi Enterprise Fund.

Program design elements: Private employers would be eligible to receive a subsidy, averaging \$ 25/month, for wages paid to newly hired (through local Ministry of Labor offices) workers. Subsidies would range from 25,000 Iraqi dinars to 50,000 ID per

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month per worker, depending upon the wage, occupation and intensity of training. Subsidies would last four to six months. Employers who do not retain the workers after the subsidy ends would not be eligible for future participation.

Cost calculation: \$25/worker x 100,000 enrolled = \$2.5 million/month wage costs (= \$30 million/year). Four to six month enrollment duration implies 2.5 yearly turnover = 250,000 newly hired workers. Plus \$5 million for program administration, intake, referral, and monitoring of wages/worksites. Estimated minimum cost for a one-year program: \$ 35 million.

Market- Oriented Specialized Training. \$110M is required to fund four separate employment training programs.

1) **Basic Computer Literacy Training.** \$40M is needed to increase productivity of the Iraqi workforce and facilitate a qualified labor force for emerging private sector jobs. At 250 locations throughout Iraq, each with approximately 20 desk-tops, provide currently employed (first priority) or unemployed (second priority) workers introductory computer skills; program is envisioned as half-day training for one month, allowing two shifts per day at each location = 10,000/month.

Cost calculation for a one-month course for 120,000 trainees: Capital costs, including 5,000 computers, = \$ 15 million; instructional salaries = \$20 million; operating expenses = \$5 million. (Providing each student a \$25/month stipend would add \$3 million, plus admin costs). Estimated minimum cost: \$40M.

2) **Specialized Computer Training.** Funds to drive up productivity of the workforce by developing market oriented skills. At approximately 50 locations in Iraq, each with 20 places, provide public and private sector employees with enhanced computer skills relevant to their jobs.

Cost calculation for of three-month, afternoon/evening courses for 9,000 trainees: Capital costs = \$4 million; instructional salaries = \$9 million; operating expenses = \$2 million. Estimated minimum cost: \$15M.

3) **English as a Second Language (ESL).** \$30M is required to increase productivity of Iraqi workforce, and ease Iraq's integration into the world economy. At 250 training locations, each with 20 spaces, provide half-day ESL instruction for six months to each participant.

Cost calculation to provide intensive (4 hours/day) ESL to 20,000 Iraqis for six months: Capital costs = \$5 million; instructional salaries = \$20 million; operating expenses = \$5 million. (As above, providing a stipend adds \$3 million). Estimated minimum cost: \$30M.

4. **Modernize Vocational Training Institutes.** The Ministry of Labor has six vocational training centers (Arbil, Mosul, Kerkuk, Baghdad, Najaf, and Basrah) which are well-located, but with antiquated equipment and curriculum unsuited to a new Iraqi economy. Updated at a cost of \$25M, they would serve both employer needs and as train-the-trainer locations for staff of the 265 Ministry of Education vocational education facilities.

**Coalition Provisional Authority
FY04 Supplemental Request
To Rehabilitate and Reconstruct Iraq**

Cost calculation of new curriculum development, equipment, materials, and train-the trainers activities for six existing vocational training centers: \$3 million per location for curriculum, equipment, training materials, supplies; \$1 million per institute for staff development; = \$4 million per institute plus \$1 million for central planning/coordination. Estimated minimum cost: \$25M.

**Iraq Reconstruction Initial Justifications – Total need estimates, U.S.
share, proposed results metrics, timeframe**

Public Safety

Estimated total need: ?

CPA Estimate of U.S. Share:

Border Enforcement:	\$ 150 million
National Police Service:	\$ 150 million
International Police Training:	\$1,001 million or \$800 million*
Traffic Police:	\$ 50 million
Fire and Civil Defense:	\$ 906 million or \$1,106.5 million*
Facility Protection Service:	\$ 66.7 million
Public Safety Training:	\$ 274 million
"911" Communications Network:	\$ 150 million

Proposed results metrics:

- Construct or refurbish 53 Border Police facilities and 19 port-of-entry facilities
- Identify and train 4,500 border police recruits
- Recruit and train 2,500 personnel for Section of Immigration Inspections
- Completely reconstruct passport facility
- Recruit and train entirely new workforce of 350 personnel for Passport Section
- Recruit, train, equip and operate National Police Service
- Construct/refurbish National Police facilities
- Deploy 8,000 international police trainers/advisors by XXX for YYY months/years
- Restore Traffic Police to pre-war operational capacity (5,200 officers and 27 buildings)
- Stand up at least 20 fully trained unexploded ordnance units in Fire Service
- Recruit, train and equip an additional 5,000 firefighters
- Establish a national firefighting academy
- Refurbish and equip over 165 firehouses
- Install robust communications system for Civil Defense
- Refurbish, equip, operate, and maintain Public Safety facilities
- Train, equip, and pay 20,000 Facility Protection Service (FPS) guards
- Establish regional FPS Operations Centers in each governorate
- Establish a 48-person FPS Program Office to administer/oversee FPS
- Build/refurbish/outfit/staff/maintain three Public Safety Academies
- Provide initial training for Ministry of Interior personnel (e.g., new police recruits)
- Install, operate, and maintain "911" communications infrastructure and equipment

Timeframes:

Border Enforcement:	X months
National Police Service:	X months
International Police Training:	X months
Traffic Police:	X months
Fire and Civil Defense:	X months
Facility Protection Service:	20,000 FPS guards deployed by January 2004
Public Safety Training:	X months (possibly train 34,000 police recruits within two years)
"911" Communications Network:	X months

*Conflict between Overview Table and text of request.

National Security Forces

Estimated total need: ?

CPA estimate of U.S. Share:

Train/equip 40,000 person New Iraqi Army	\$ 1.800 billion
Train and equip an Iraqi Civil Defense Corps (ICDC)	\$ 75.6 million

Proposed results metrics:

For the New Iraqi Army (NIA), train, equip, house, and support operational 9 brigades (27 battalions) by 2005.

Military education academies enrolling first NCO and officer classes.

Contract training, continue the follow-on contract until Iraqi army assumes full training mission.

For the New Iraqi Army (NIA), train, equip, and house 18 battalions (600 persons each), so one battalion can be assigned to each of 18 Iraqi Governates, to act as guides and interpreters for coalition forces, and to conduct searches and operate checkpoints.

Timeframes:

Establish facilities, train and equip 40,000 troops	
First 9 battalions	9 months (6/04)
27 battalions	24 months (9/05)
Complete training 40,000 troops and make MODefense operational	XX months (date?)
10,800 ICDC personnel trained, equipped, housed, and deployed	X months

1/ The last CPA plan provided to OMB estimated first full year cost, for 12,000 troops, at \$170 million, including \$120 million in Iraqi funds. Some of this is one-time costs; some costs (e.g., equipment, salaries, subsistence) will be recurring and increasing as the size of the force triples. The CPA summary page lists supplemental request for the Iraqi Army and Civil Defense Forces at \$2.2 billion, which does not match the \$1.876 billion in the detail.

2/ On August 12, 2003, the Program Review Board of the CPA approved an allocation of \$19.6 million to establish the ICDC. It is not known if this amount was funded, the fund(s) from which the \$19.6 million was taken, nor the relationship of the \$19.6 million to the \$75.6 million requested by CPA for the supplemental.

Justice

Estimated total need: ?

CPA estimate of U.S. Share:

Crimes Against Humanity Investigations:	\$ 100 million
Judge/Prosecutor Security:	\$ 200 million
Witness Protection Program:	\$ 100 million
Other Technical Assistance	\$ 20 million
Reconstruction/Modernization	
of 26 detention and prison facilities:	\$ 99 million
Prison Construction (2 maximum security)	\$ 400 million

Proposed results metrics:

Establish the investigatory basis for crimes against humanity by the former regime using the services of 500 forensic, documentation, and financial experts
Physical security upgrades at all 130 court buildings in Iraq and provide personal security protection for 400 judges and prosecutors
Establish a witness protection program to enable terrorism and organized crime prosecutions, providing protection for at least 100 families.
Increase existing detention and prison capacity to 35,200 from the current 11,200 and create 4,800 prison jobs
Further increase prison capacity by building two 4,000-bed, maximum-security prisons

Timeframes:

Crimes against humanity investigations:	1 year
Security for Judges and Prosecutors:	X months
Witness Protection Program:	X months
Other Technical Assistance	6 months

Reconstruction/Modernization of detention and prison facilities: X months
Prison Construction (2 maximum security) 4 years

Electricity

Electricity – Generation

Estimated total need:

Rehabilitation - \$1.23 billion, Bechtel assessment*

New capacity - \$4.25 billion, 6,000 MW, Bechtel assessment*

* CPA please validate if Bechtel assessment remains accurate of total

CPA estimate of U.S. share:

Rehabilitation - \$1 billion

New capacity - \$2.55 billion

Proposed results metrics:

Rehabilitation: X generating units providing Y MW.

New Capacity: 11 small gas turbine units (40 MW each) providing 440 MW

X large gas turbine units (150 MW each) providing Y MW

X thermal power stations providing Y MW

Timeframes:

Rehabilitation: X months

Small gas turbine units: 7 months

Large gas turbine units: X months

Thermal power stations: X years

Electricity – Transmission and Distribution Networks

Estimated total need:

Transmission networks - \$1.7 billion, CPA assessment*

Distribution networks - \$ 1 billion, CPA assessment*

*CPA please validate

CPA estimate of U.S. share:

Transmission networks - \$1.7 billion
Distribution networks - \$ 1 billion

Proposed results metrics:

Transmission networks:

Repair of X kilometers of 400/132 KV lines
Expansion of X kilometers of 400/132 KV lines
Rehabilitation of X substations
Construction of X additional substations

Timeframes:

Repair of 400/132 KV lines:	X months
Expansion of 400/132 KV lines:	X months
Rehabilitation of substations:	X months
Construction of additional substations:	X months

Public Works

Estimated total need:

Raising access to potable water:	\$2.575 billion, Bechtel assessment*
Reducing water loss:	\$ 52 million, Bechtel assessment*
Increasing sewerage service:	\$2.653 billion, Bechtel assessment*
Improving solid waste management:	\$ 140 million, Bechtel assessment*

*CPA please validate if Bechtel assessment remains accurate of total

CPA estimate of U.S. Share:

Raising access to potable water:	\$2.83 billion
Reducing water loss:	\$ 30 million
Increasing sewerage service:	\$1.2 billion
Improving solid waste management	\$ 450 million

Proposed results metrics:

2.7 million additional people in cities served with potable water
2.2 million additional people in rural areas served with potable water
4 million additional people in urban and rural areas served with potable water
15,000 kilometers of water main inspected and visible leaks repaired

1.6 million additional people provided with sewerage, for total of 15% of urban population

150 new sanitary landfill sites constructed and equipped

Timeframes:

Extension of potable water to 2.7m additional people in cities: X months

Extension of potable water to 2.2m additional people in cities: X months

Extension of potable water to 4m additional people in cities and rural areas: X months

Repair of water mains: X months

Extension of sewerage service to 15% of urban population: X months

Construction and equipping of 150 new sanitary landfills: X months

Water Resources

Estimated total need:

Pumping stations and standby generators:	?
Irrigation and drainage:	\$118 million, Bechtel assessment*
Dam safety and construction:	?
Basra/Umm Qasr water supply pipeline	\$900 million, Bechtel assessment*
Environmental restoration:	\$100 million, Bechtel assessment*
Basra channel regulators:	?

*CPA please validate if Bechtel assessment remains accurate of total

CPA estimate of U.S. Share:

Pumping stations and standby generators:	\$150 million
Irrigation and drainage:	\$260 million
Dam safety and construction:	\$125 million
Basra/Umm Qasr water supply pipeline	\$200 million
Environmental restoration:	\$100 million
Basra channel regulators:	\$40 million

Proposed results metrics:

500-750 pumps replaced in 125 pumping stations
100 generators installed at key pumping stations
20 irrigation and drainage systems rehabilitated
10 major ongoing irrigation/drainage projects completed
11 new rural water supply dams constructed
30 rural groundwater supply projects completed, benefiting 100 Kurdish villages
16 dams and barrages repaired
Defined 1st stage construction on Basra/Umm Qasr Pipeline completed

Euphrates reconnected to Y villages and Y farms via regulators and culverts
2 regulators constructed at Kasara Escape and Al Sweeb River
6 gates constructed in Basra tidal canals

Timeframes:

Pumps Replaced:	X months
Generators Installed:	X months
Irrigation/Drainage Systems Rehabilitated	X months
Irrigation/Drainage Systems Constructed	X months
Rural Water Supply Dams Constructed	X months
Rural Groundwater Supply Projects Completed	X months
Dams/Barrages Rehabilitated	X months
1 st stage of Basra/Umm Qasr Pipeline Completed	X months
Euphrates Reconnected to villages and farms	X months
Regulators Installed	X months
Canal Gates Installed	X months

Transportation and Telecommunications

Civil Aviation

Estimated total need:

\$1.756 billion, Bechtel assessment*

\$15.4 million for Mosul Airport and \$60 million for Basrah Airport, Skylink*

*These estimates are independent and cannot be added - CPA please validate

CPA estimate of U.S. share: \$165 million

Proposed results metrics:

X infrastructure repair projects completed at Baghdad International [and other?] Airport
New radar systems installed at Basrah and Mosul airports
X ILS systems repaired or replaced
X AFTN communications systems installed
X Iraqi aviation personnel trained to meet minimum ICAO standards
X internal/external security systems installed

Timeframe:

Infrastructure repairs completed:	X months
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Radar systems installed:	X months
ILS systems repaired or replaced:	X months
AFTN communications systems installed:	X months
Aviation personnel trained:	X months
Security Systems installed:	X months

Ports

Estimated total need:

\$316.4 million, Bechtel assessment*

\$165.8 million, Stevedoring Services of America assessment*

*These are independent estimates and should not be added – CPA please validate

CPA estimate of U.S. share: \$45 million

Proposed results metrics:

Port fully connected to sufficient level of electricity and water supply

Perimeter fencing and security lighting installed

Container and bulk handling equipment purchased and installed to unload X tons per day

Implement new customs facility and operation

Timeframe:

Electricity and water connections completed:	X months
--	----------

Perimeter fencing and security lighting completed:	X months
--	----------

Additional cargo handling equipment purchased and installed:	X months
--	----------

New customs facility fully operational:	X months
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Railroad

Estimated total need: \$310 million, Bechtel assessment*

*CPA please validate if Bechtel assessment remains accurate of total

CPA estimate of U.S. share: \$303 million

Proposed results metrics:

X buildings and other facilities rehabilitated or restored

X kilometers of track rehabilitated or repaired

Signal and communications system serving [entire system?] replaced

X locomotives and Y cars repaired or acquired
 Inland container terminals constructed in X locations
 Akashat and the Al-Fattah Rail Bridges repaired

Timeframe:

Rehabilitation of buildings and other facilities:	X months
Rehabilitation of track:	X months
Signal and communications system replaced:	X months
Repair/Acquisition of locomotives and cars:	X months
Inland container terminals constructed:	X months
Repair the Akashat and the Al-Fattah bridges:	X months

Telecommunications

Estimated total need: \$45 million, Bechtel assessment*

*CPA please validate if Bechtel assessment remains accurate of total

CPA estimate of U.S. share:

IPTC and CPA Network Systems Architecture planning and analysis:	\$124 million
Iraqi Communications systems:	\$109 million
Iraqi Communications operations:	\$ 89 million

Proposed results metrics:

[Appropriate results measure for CPA Enterprise Systems]
 Iraqi Postal authority begins use of bar codes, zip codes, and other service upgrades
 Fully functioning CIO operation in place in the Ministry of Telecommunications
 Fully functional public safety information services network in place
 X new commercial TV and radio stations broadcasting
 Nationwide numbering schema and "911" system in place and functioning
 X new back-up generators installed in central offices and local loop plants
 Fully functional modern air traffic control communications system
 X IPTC personnel trained on vendor-specific equipment

Timeframe:

[Appropriate results measure for CPA Enterprise Systems achieved]:	X months
Postal System upgrades in place:	X months
CIO operation in place:	X months
Public safety information services network in place:	X months
New commercial TV and radio stations broadcasting:	X months
Nationwide numbering schema and "911" system in place:	X months

New back-up generators installed:	X months
Modern air traffic control communications system functioning	X months
IPTC personnel fully trained:	X months

Housing and Construction

Housing

Estimated total need: 1 million units, \$2 billion in 2004, CPA assessment*

*CPA please validate

CPA estimate of U.S. Share: \$100 million

Proposed Results Metrics: Complete construction of 3,528 housing units

Timeframe: X months

Public Buildings

Estimated total need:

Basic repairs and refurbishment:	\$283 million, Bechtel assessment*
Major reconstruction projects:	\$600 million, Bechtel, assessment*

*CPA please validate if Bechtel assessment remains accurate of total

CPA estimate of U.S. Share:

Basic repairs and refurbishment:	\$88 million
Major reconstruction projects:	\$42 million

Proposed Results Metrics:

1,325 basic repair projects completed
 140 refurbishment projects completed
 6 major reconstruction projects completed

Timeframes:

Basic repair projects:	X months
Refurbishment projects:	X months
Major reconstruction projects:	X months

Roads and Bridges

Estimated total need:

\$213 million, Bechtel assessment*

\$1 billion in 2004, CPA assessment*

*CPA please validate

CPA estimate of U.S. share: \$240 million

Proposed Results Metrics:

Repair and rehabilitate 146 kilometers of Expressway 1

Repair and rehabilitate 32 war-damaged bridges

Maintain and repair X kilometers of other intercity and secondary roads

Maintain and repair X other bridges

Build X kilometers of new intercity and secondary roads

Timeframes:

Repair and rehabilitate Expressway 1: X months

Repair and rehabilitate war-damaged bridges: X months

Maintain and repair other intercity and secondary roads: X months

Maintain and repair other bridges: X months

Build new intercity and secondary roads: X months

Health

Estimated Need:

New Children's Hospital: \$500-700 million, CPA assessment*

Other Health: ?

*CPA please validate

CPA estimate of U.S. Share:

New Children's Hospital: \$150 million

Other Health: \$700 million

Proposed Results Metrics:

[Defined status of construction for New Children's Hospital]
 5 regional maternal and pediatric referral centers rehabilitated
 200 hospitals rehabilitated
 900 primary care clinics rehabilitated
 X generators installed in hospitals
 X hospitals re-equipped with X-ray and other medical equipment
 X doctors and other hospital staff retrained on modern equipment
 X new doctors and other hospital staff on board in hospitals

Timeframes:

[Defined status of construction for New Children's Hospital]:	X months
Regional maternal and pediatric referral centers rehabilitated:	X months
Hospitals rehabilitated:	X months
Primary care clinics rehabilitated:	X months
Generators installed in hospitals:	X months
Hospitals re-equipped with X-ray and other medical equipment:	X months
Doctors and other hospital staff retrained on modern equipment:	X months
New doctors and other hospital staff on board in hospitals:	X months

Private Sector Development

Estimated total need: ?

CPA estimate of U.S. share: \$353 million

Proposed results metrics:

American-Iraqi Enterprise Fund established and makes at \$10 million in initial loans/investments
 22 new Employment Centers established and fully functional
 250,000 new workers hired through on-the-job training
 120,000 trainees complete computer literacy course
 9,000 trainees complete specialized computer training
 20,000 Iraqis complete six month intensive English as a Second Language course
 6 upgraded Vocational Training Institutes train X thousand Iraqis

Timeframes:

Enterprise Fund completes \$10 million in loans/investments:	X months
New Employment Centers fully functional:	X months
250,000 workers hired through on-the-job training:	12 months
120,000 trainees complete computer literacy course	12 months

9,000 trainees complete specialized computer training	12 months
20,000 Iraqis complete six month intensive ESL course:	12 months
6 upgraded Vocational Training Institutes train X thousand Iraqis:	X months

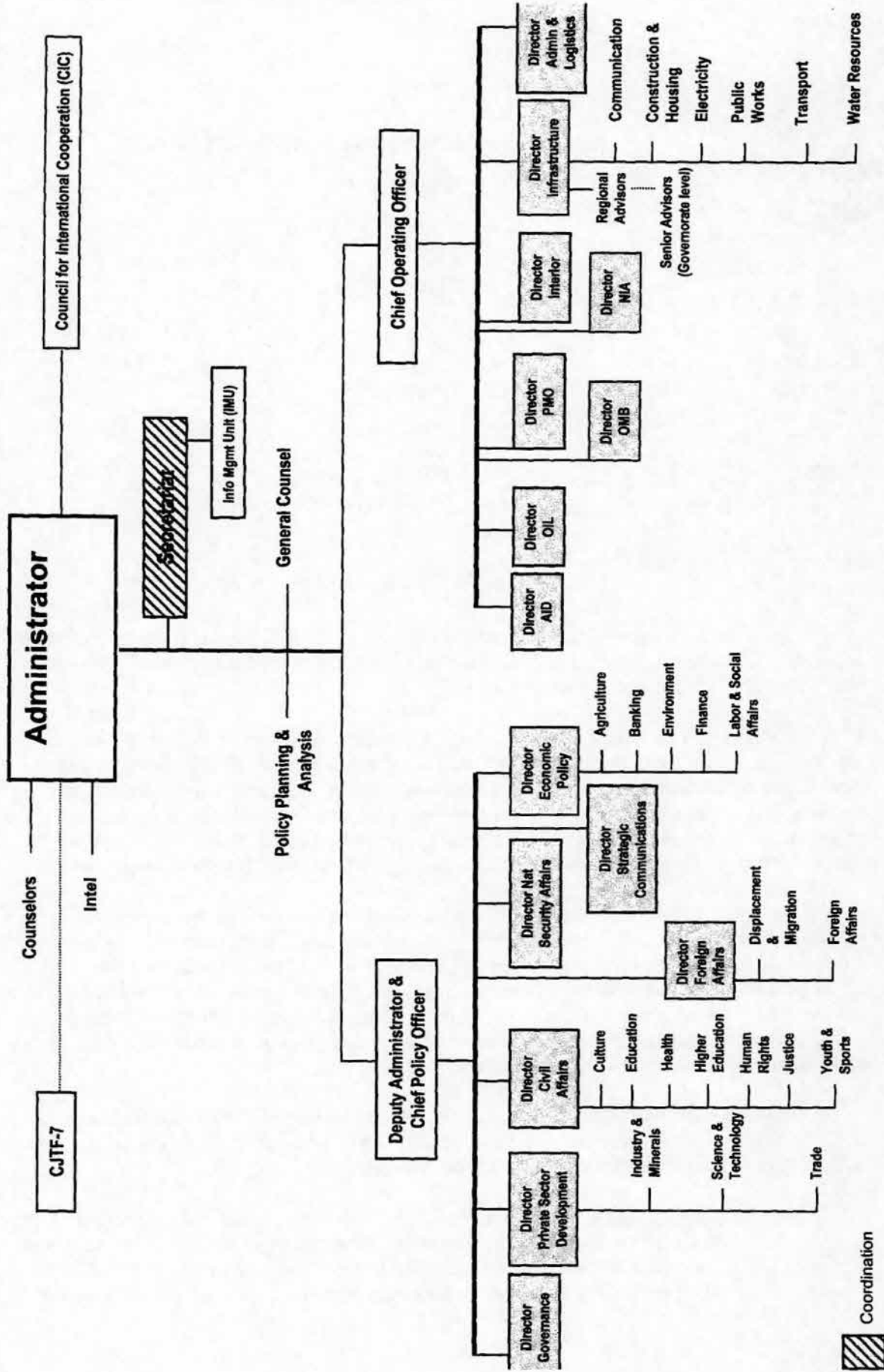
Additional Sectors Requiring Estimate of Total Needs:

Oil
Agriculture (restore production to wean from OFF)
Health
Economic/Currency
Governance: Constitutional, media, elections issues
Environment
Education
GC and Follow-on Government Budget Support

	(\$ in MM) FY2004	workers	amount	total
Economic Restructuring Programs for Training and Redundancy**				
Assistance for displaced workers	315	225,000	\$1,400	315,000,000
Mentoring/Coaching for 100 SOE Managers	32	128	250,000	32,000,000
Expand Network of Employment Centers	8			
On-the-Job Training for Private Sector Development	35			
Basic Computer Literacy Training	40			
Specialized Computer Training	15			
English as a Second Language	30			
Modernize Vocational Training Institutes	25			
Subtotal:	\$500			
Direct Support for State-Owned Enterprises				
Capital Expenditures Required to Restart Operations	175			
Requirement to Cover Operating Shortfalls	325			
Subtotal:	\$500			

****This doesn't include the \$200MM American-Iraqi Enterprise Fund
(how much to come from UNDC?)**

COALITION PROVISIONAL AUTHORITY





COALITION PROVISIONAL AUTHORITY

BAGHDAD

ACTION MEMO

November 25, 2003

FOR: THE ADMINISTRATOR

FROM:

(b)(6)

– Director, Private Sector Development

(b)(6)

– Deputy Director, Private Sector Development

SUBJECT: Private Sector Credit

(NO mention of SDE?)

This memo outlines Private Sector Development's plan for injecting more credit into the economy. The memo includes the action plans you requested of us in response to Treasury Secretary Snow's November 7 memo to you.

There is an urgent need among Iraq's private sector businesses of all sizes for letters of credit and loans. Without them the private sector businesses are very short on working capital, raw materials and spare parts, and funds for making catch-up investments in equipment and systems. As a result, many private sector businesses are unable to take advantage of the opportunities to expand and create new jobs in Iraq's newly open economy, including the opportunity to compete for business related to the expenditure of the Supplemental funds.

The lack of credit results primarily from the Rafidain and Rasheed banks, which represent over 90% of Iraq's banking services delivery capacity, being incapable of delivering credit products of the type and volume needed. Their problems include the lack of a modern credit culture, an institutional bias against lending, weak balance sheets, and a multitude of other internal problems that make lending a low priority. The private banks, Iraq's only other source of private sector credit, collectively have under \$300 million of gross assets making them far too small to provide credit in the volumes needed.

Private Sector Development estimates that private sector businesses have an immediate need for \$250 million in letters of credit and another \$250 million of medium term loans. The following initiatives are underway to satisfy these needs:

1. **Foreign Bank Entry.** The Central Bank is currently reviewing proposals for up to six new charters for foreign banks. These are expected to be decided by year end with the new entrants starting business in Iraq in the first quarter of 2004. Long term, these banks are an important part of the solution to private sector

credit needs of all types and sizes, but they will want to collect local deposits before they begin significant lending activities. Credit availability in any significant volume from foreign banks is probably 12-24 months away.

2. **Rafidain and Rasheed Banks.** Several projects are underway to enable the two state-owned banks to provide private sector credit products in the future. These projects include management training, credit training, and systems improvement. Assuming other impediments to lending by these institutions, including resolving their weak financial situations, are resolved, credit may be available from them in significant volumes in the future, but not before 12-24 months.
3. **International Finance Corporation Facility.** The International Finance Corporation ('IFC') has indicated an interest in a credit facility for Small and Medium sized Enterprise ('SME') lending in the range of \$170 million. Private Sector Development is working with the IFC and anticipates they will be set-up and ready to lend here in the second half of 2004. *Not Treasury*
4. **Citigroup/OPIC Letter of Credit Facility.** Private Sector Development is working with OPIC and Citigroup to develop a \$350 million letter of credit facility. The Trade Bank facility is targeted toward and in its current form will only serve the Ministry Business. The Citigroup/OPIC facility is targeted toward both the Ministry business and private sector businesses. Rather than using a consortium of foreign banks, the OPIC/Citigroup facility will use the private banks as local credit intermediaries. By structuring the facility this way, private sector businesses not only get letters of credit, but the private banks are getting the letter of credit business which will enable them to develop the credit culture, skills, and systems to support letter of credit business in the future. Private Sector Development is requesting that 25 % of the Ministry Letter of Credit business be directed through the private banks.

Approved _____ Disapproved _____ Approved with Modification _____

5. **Microlending.** Several different microlending initiatives are now underway covering all regions of Iraq. Approximately \$30 million is committed for microlending in 2004 which is a high side estimate of what the economy can absorb. Although microlending is an important part of the long term strategy for private sector growth, it is not a significant factor in the current credit needs of existing businesses. *Mention Sun-Triangle Initiative?*
6. **SME lending.** Two projects are underway to stimulate SME lending. The first is a program to educate and provide incentives to Rafidain and Rasheed Banks as well as the private banks to extend SME credits. The second is a direct lending program in which Andrew Tulloch of the Economic Development Directorate will be assembling a team to make SME loans directly in partnership with a local lending institution or some other provider of funds. The latter effort is an effort to get SME loans into the marketplace sooner than the larger banking

institutions can. Both of these efforts will employ the some \$60 million of aggregate funds available in the Supplemental for SME lending.

7. **Direct Lending Project.** To fill the gap between now and the time other credit sources are available for serving mainstream private sector borrowing needs, we are working on several alternatives for providing credit to the marketplace directly. These initiatives would entail assembling a credit assessment team for analyzing and negotiating loans. These loans would be funded through US-based special purpose enterprises with USG agency guarantees, other offshore entities, and/or Supplemental funds, if available for this purpose. After a portfolio of loans was built-up to meet short term credit needs it would be sold to one of the foreign or domestic banks or another institution for monitoring and collection. The proceeds from the portfolio sale could be used to finance other lending initiatives.

These programs together represent our efforts to bring additional credit to the market place. We are confident that long term, with the entry of foreign banks, a full range of banking and credit products will be available in sufficient quantity to meet Iraqi market needs within 24 months. The bigger challenge is how to meet the current credit needs of Iraq's private sector businesses of all sizes. Our ability to succeed on the near term challenge will have a large impact on how soon the private sector economy emerges from the disruptions and other effects of the war and how soon these businesses will be able to expand and create new jobs.

COORDINATION: Economic Development
OMB

ATTACHMENTS: None

MEMORANDUM

TO: (b)(6), Deputy Director of Economic Policy, CPA
(b)(6), Director of Private Sector Development
R. Bent, Director of OMB

cc. (b)(6) Senior Advisor

FROM: (b)(6)

REF: Small and Middle Size Enterprises Lending Program

DATE: 24NOV03

OVERVIEW

The private sector and CPA has been frustrated by the lack of lending by the 17 private sector banks (who are undercapitalized and lack a commercial credit culture) and the state owned government banks which dominate the banking sector (but are inefficient delivery vehicles for credit). The bulk of Rasheed and Rafidain's lending was directed by the previous regime to state owned enterprises and their willingness to grant credit now is undermined by bank officials who are still concerned about supporting the Coalition.

Many CPA officials from Amb. Bremer down to individual advisors have tried to implement a variety of programs to start aggressive lending without compromising credit integrity and the reality is that these banks just **will not lend**. As such, on 7NOV03, Secretary Snow sent Amb. Bremer a memo entitled "Accelerating Delivery of Credit to Iraq" in which he specifically commented that "the programs are sufficiently comprehensive to have an impact over the medium to long term, but they need to be accelerated and coordinated".

This memo describes a strategic plan which will leave a core of trained, commercially oriented lending officers in private sector banks as well as a tactical plan to lend US\$25million to SMEs by 28FEB04.

DISCUSSION

FUNDING

There is availability of funds from various sources which could be used to either fund or guarantee loans to the SMEs. Funding made available to private sector banks combined with loan guarantees would make private sector banks into booking units for loans approved by experienced emerging market bankers already in Iraq and working within CPA. \$25million could be allocated to this endeavor.

Rodney, could you have your troops comment on the availability of the \$45 or \$76million for this?

STRUCTURE AND RESOURCES REQUIRED

In addition to funding, the SME credit team would need young, commercially oriented private sector bankers who would join the credit team to assist in the due diligence required to evaluate individual loan requests. At least one should be from the north and one from the south. A total of seven would be ideal and all private sector banks would be invited to contribute an officer to this team. Specifying young is not a prejudice against experienced lenders in these banks. It is a reality if we are to change the credit culture over the near future. I propose that these seven officers be judged on their accounting and analytical skills. English language proficiency is secondary. The private sector bank management and the credit officers from that bank are absolutely essential to the Know Your Client Due Diligence.

To motivate the individuals and the banks, we propose we either pay their salaries for the period during which they are with us or provide a bonus at the end of FEB'04 for accomplishments. I would also propose that we pay for English language classes during the next 3 months and send all of them to the Jordanian Banking Academy during the period MAR'04-MAR'05 at our expense. This should be a firm commitment regardless of the outcome of this program.

The team will require a dedicated translator with an English and Arabic proficiency in accounting and financial terms.

There may be specific needs to use dedicated accountants or advisors who would flesh out the accounting records of potential borrowers or who have specific sectorial experience/skills whereby they could validate key assumptions in the credit evaluation. If these resources are not immediately available in Iraq, then we must have funding to bring in resources from either MNC accounting firms or from Gulf state firms.

Security is absolutely critical since we cannot afford to lose one person to wounds suffered by local aggressors. As such, we require a minimum of a two man team of driver and shooter to accompany the credit team on certain loan due diligence visits. The military cannot provide this and we would need funding for the two man security team with an armored car for up to two days a week. Due Diligence visits would be concentrated in one or two days a week on a random schedule. The team will be provided with flack vests and helmets and security and the team leader will determine the risk level and dictate the 'dress code'.

The concept of this credit initiative is countrywide. This is why we would want officials from both the north and south. We will have to have access to travel facilities to bring these two officers to Baghdad and also for the core credit team to do due diligence throughout Iraq. Military regions have already indicated that they will provide billeting and security to compliment that which we have available integral to the team.

A comprehensive budget is difficult to develop now and we anticipate that the highest expenses will be A) security B) travel C) appraisers, accountants, sector experts D) training and salaries.

A military liaison officer will be required.

ORGANIZATION

Head of SME Credit Team	(b)(6)	Econ Policy Directorate
Deputy	tbd	
Credit officers	7 tbd	
Security	2 private security firm officers w/ vehicle 2 days a week	
Military Liaison	tbd	
Translator	1	

LOCATION

An office facility at the Convention Center adequate for operations and receiving of potential clients from the Baghdad area.

CREDIT POLICIES & PROCEDURES

Credit policies will be developed and translated to Arabic. These policies are essentially multinational bank lending policies which have been developed over the last 50 years by major American banks active in emerging markets. There will be no compromise of the credit integrity standards applied to this 90 day project and it will set a standard which could be applied by Iraqi private sector banks long after CPA leaves.

The procedure for loan approval is as follows:

- SME Credit Team receives or solicits a credit request.
- Credit officer is assigned for initial viability evaluation.
- KYC due diligence is conducted and the client is rejected or accepted for further evaluation at this time.
- Due diligence visit is conducted and a resource evaluation is determined. If the loan project requires resources beyond those of the SME Credit Team, the loan

request will either be acted upon with resources committed or deferred for a later date. We would be willing to refer the request to banks without a recommendation on our part.

- Financial evaluation and collateral evaluation is conducted and standards are not to be compromised.
- Credit Evaluation and recommendation is prepared and signed off with a recommendation to approve by the Head of the SME Credit Team.
- The loan request is presented to the Program Review Board and if no exceptions are noted, the recommendation goes to the Director of OMB for final approval. The concept of this final approval is to insure that the loan is consistent with the economic development objectives of the CPA and that the allocation of these resources are justified given other priorities. Given the 90 day horizon of this tactical plan, we would expect that we would be given a priority consideration by both OMB and PRB to get these funds into the private sector.

SUMMARY AND RECOMMENDATION

There has been a failure on the part of the Iraqi banking system to deliver loans to reactivate the economy.

CPA has the resources to both over-ride the banking sector's failure and contribute to the long term credit culture of the Iraqi banking system.

RECOMMEND

- Approve US\$25million for use as loanable funds and/or guarantees to be used to support lending to SMEs over the period 1DEC03-28FEB04.
- Authorize sub limits to fund essential training, security, transportation, salaries, consultants, etc. Budget to follow.
- Authorize an autonomous lending limit by the Head of SME lending of US\$25,000 in conjunction with the Director of OMB.
- Approve the PRB and OMB as checks and balances

11/14/2003 2:45 PM

**COALITION PROVISIONAL AUTHORITY
FY04 SUPPLEMENTAL REQUEST
TO
REHABILITATE AND RECONSTRUCT IRAQ**

BAGHDAD, IRAQ

September 2003

**Coalition Provisional Authority
FY04 Supplemental Request
To Rehabilitate and Reconstruct Iraq**

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Introduction

Prior to the war, the President outlined an ambitious vision for post-war Iraq that could serve as a model to the Arab world. He described a secure and stable country, governed by a democratically-elected government and served by a robust and open economy. Whether Iraq embraces this future is, ultimately, up to the Iraqis. The Coalition, however, has an obligation to lay the groundwork for the new Iraq, and to leave the country with a real chance of fulfilling the President's vision. In order to support this commitment the Coalition Provisional Authority requires an additional \$20.3 billion in fiscal year (FY) 2004 and is requesting the Congress to provide these resources as emergency non-offset supplemental appropriations. Expedient approval of this emergency supplemental request is critical for the Coalition to lay the groundwork for an Iraq governed by and for the people of Iraq, to serve as the model for democracy in the mideast and to help fight the global war on terrorism by providing an alternative framework for governance.

This additional \$20.3 billion will finance the most critical needs for security and infrastructure that cannot be met with anticipated revenues from oil sales until the entire oil infrastructure becomes more robust. These needs are immediate and urgent. We are ready to begin execution of these funds before the end of 2003.

Highlights of this \$20.3 billion FY 2004 emergency supplemental request include

- \$2.1B to fund public safety including border enforcement, police, fire and customs and enhanced security communications
- \$2.1B to establish national security forces and the Iraq Civil Defense Corps
- \$0.9B to provide justice and civil society development
- \$5.7B to rehabilitate the electric power infrastructure
- \$2.1B to rehabilitate oil infrastructure and secure domestic consumption
- \$3.7B to fund repairs and improvements to water and sewerage services
- \$0.9B to fund repairs to facilitate and conserve water resources
- \$0.8B to repair transportation facilities and telecommunications infrastructure
- \$0.5B to upgrade housing, public buildings, roads and bridges
- \$0.9B to fund construct, repair, and equip hospitals and primary clinics
- \$0.3B to invest into private sector business initiatives and jobs training programs
- \$0.3B to assist refugees, provide for human rights and develop civil society

In each instance, our Supplemental request is designed to ensure adequate resources to put Iraq on the path to a secure, economically hopeful future. The programs in this supplemental are thus all based upon Coalition evaluations and estimates. They are all fiscally conservative numbers.

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The Coalition Provisional Authority is requesting non-offset emergency supplemental funding to directly support the rehabilitation and construction of Iraq, and in particular, to invest in essential security and stabilization initiatives and urgent infrastructure repairs and requirements. Further, the coalition requests urgent passage of the supplemental to announce the United States commitment to provide one-for-one matching funds at the Madrid Donor Conference scheduled for 23-24 Oct 2003 and for donations which will follow later.

Detailed Overview of Requirements
(Dollars in Millions)

Security

Public Safety Requirements:

Border Enforcement	\$150	
National Police Service	\$150	
International Police Training Mission	\$800	
Traffic Police	\$ 50	
Fire and Civil Defense	\$500	
Facility Protective Services	\$67	
Public Safety Training	\$274	
Nat'l Security Communications Network	<u>\$150</u>	
Subtotal Public Safety		\$2,141

National Security:

New Iraqi Army	\$2,000	
Iraqi Civil Defense Corps	<u>\$ 76</u>	
Subtotal National Security		\$2,076

Justice:

Technical assistance for investigations into crimes against humanity	\$100	
Security for Judges and Prosecutors	\$200	
Witness Protection Program	\$100	
Other technical investigative methods	\$ 10	
Prison system technical assistance	\$ 10	
Reconstruction & modernization of 26 detention and prison facilities	\$ 99	
Two new 4,000 bed maximum security prisons	\$400	
Subtotal Justice		\$ 919
Subtotal Security		\$5,136

Infrastructure

Electricity

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Generation	\$2,900
Transmission networks	\$1,550
Distribution networks	\$1,000
Communications and control	\$ 150
Institutional strengthening	\$ 25
Security	\$ 50
Subtotal Electric	\$5,675
<u>Oil Infrastructure</u>	
Oil Investment	\$1,200
Oil products purchase	\$ 900
Subtotal Oil Infrastructure	\$2,100
<u>Public Works</u>	
Improve access to potable water	\$2,830
Reducing water losses	\$ 30
Improve sewer services	\$ 697
Improving solid waste management	\$ 153
Subtotal Public Works	\$3,710
<u>Water Resources</u>	
Pumping Stations	\$ 75
Standby Generators	\$ 75
Irrigation/Drainage Systems	\$ 130
Complete Projects Halted by War	\$ 130
Rural Water Supply Dams	\$ 25
Dam Safety Repairs	\$ 100
Water Pipeline and Treatment Plant	\$ 200
Environmental Restoration	\$ 100
Tidal Channel Flushing	\$ 40
Subtotal Water Resources	\$ 875
<u>Transportation & Telecommunication</u>	
Civil Aviation	\$ 165
Ports	\$ 45
Railroads	\$ 303
IPTC network systems	\$ 124
Iraqi communications systems	\$ 109
Iraqi communications operations	\$ 89
Subtotal Trans/Telecomm.	\$ 835
<u>Housing and Construction</u>	
Housing	\$ 100
Public Buildings	\$ 130
Roads and Bridges	\$ 240
Subtotal Housing & Construction	\$ 470
<u>Health</u>	
Construct Pediatric Hospital in Basrah	\$ 150
Refurbish Health System	\$ 393
Repair/Replace Equipment	\$ 300

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Partnership for Health	\$ 7	
Subtotal Health		\$ 850
<u>Private Sector Development</u>		
American-Iraqi Enterprise Fund	\$ 200	
Expand Network of Employment Centers	\$ 8	
On The Job Training	\$ 35	
Market Oriented Specialized Training	\$ 110	
Subtotal Private Sector Development		\$ 353
Subtotal Infrastructure		\$14,868

Refugees, Human Rights and Civic Society

Migration and Refugee Assistance	\$ 105	
Local Governance & Municipalities	\$ 90	
Property Claims Tribunal	\$ 30	
Update antiquated banking system	\$ 30	
Catch up business training	\$ 20	
Human Rights	\$ 15	
Civic Programs	\$ 10	
Subtotal Refugees, Human Rights and Civic Society		\$ 300

Grand Total **\$20,304M**

Overview of Appropriation Request

Iraqi Relief and Reconstruction Fund	\$20,069M
American-Iraqi Enterprise Fund	235M
Grand Total	\$20,304M

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Public Safety

Although the coalition has made great strides to stabilize Iraq and enhance security, the Iraqi citizenship faces three levels of threats: the hardened criminals the previous regime let loose into the streets; the remnants of the old regime who have nowhere to flee; and foreign terrorists. Dealing with these security threats is our highest priority.

Border Enforcement.

Bureau of Border and Customs Police: Divided into three Sections of Patrol, Investigations and Detention & Deportation. Border and Customs Police enforce the immigration and customs laws and regulations along the border between the ports of entry and the interior of Iraq. Currently, facilities include a headquarters office, three regional offices and 264 border police stations. Each border police station accommodates 10 – 30 policemen. Our goal is to leverage technology to greatly reduce the number of border police stations, possibly by as much as 75 per cent. However, that effort will require that at least 50 new border police stations be constructed. The headquarters and three regional offices will require complete renovation, due to war damages, post-war looting and years of neglect. Further, because the previous border police used conscripts, almost all of whom deserted, a massive recruitment/training program must be implemented to develop a professional, reliable police service. The Investigation Section and the Detention & Deportation Section are elements new to the Border/Customs Police and will, consequently, have a massive impact on infrastructure and training. The current number of personnel is estimated to be about 4,000. An additional 2,000 should be immediately recruited. Total required personnel are 6,000.

Bureau of Border Inspections: Also divided into three Sections of Immigration Inspections, Customs Inspections and a Border Guard Section. Personnel will be assigned to 14 land ports of entry, three airport ports of entries, and two seaport ports of entries. Besides the ports of entry, are a headquarters and three regional offices. Consideration is being given to the establishment of secondary ports of entry. There are currently about 2,500 Customs Inspectors who inspect imported and exported products and about 350 Border Guards who perform perimeter and internal security of the respective port of entry compounds. Duties of Immigration Inspectors were previously conducted by elements of Saddam's security police, so the entire Section of Immigration Inspections requires basic law enforcement and specific immigration and nationality law training. We estimate that at least 2,500 Immigration Inspectors will be recruited and trained. Facilities at virtually each port of entry were damaged and/or looted and will require a significant amount of refurbishment. Total required personnel are about 5,350.

Bureau of Nationality & Civil Affairs: Like the previous two bureaus, it is divided into three Sections of Passport, Nationality & Civil Affairs (includes vital statistics), and Immigration. The Passport Section is responsible for the issuance of passports to Iraqi citizens and secure control of unassigned documents. The previous passport facility was completely destroyed and must be replaced. Because all previous employees were members of the security police, an entirely new workforce of an estimated 350 personnel must be recruited and trained. The Nationality & Civil Affairs

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Section is responsible for determining citizenship, issuance of national identification cards, and for vital statistics functions, such as the recording of births, deaths, marriages, divorces, etc. and will perform these tasks with about 1,400 civilian personnel working from 26 separate field offices in Baghdad, three regional offices and a headquarters facility. A proposal has been made to consolidate the 26 field offices into just two Baghdad facilities and all buildings require significant repairs due to neglect, vandalism and looting. The Immigration Section, consisting of an estimated 500 personnel will adjudicate petitions pertaining to both immigrant and non-immigrant visas and will forward decisions to respective foreign posts operated by the Ministry of Foreign Affairs. Total required personnel are approximately 2,250.

Summary of Border Enforcement: When rebuilt, the Department of Border Enforcement will employ approximately 13,600 personnel. Of those, approximately 4,500 recruits for police type positions must be identified and trained as soon as possible. Beyond basic academy and refresher training, 75 long term advisors are required to ensure successful transition of border related enforcement into a single ministry. At least 53 Border Police facilities, 19 port of entry facilities, and 5 Nationality and Civil Affairs facilities will require refurbishment or complete construction. The total incremental cost to improve border and customs enforcement is estimated at \$150M. Without this investment, the nation continue to be at tremendous risk of penetration by members of terrorist cells and other subversive organizations; smuggling will continue to bleed the revenues necessary for the Iraqi economy to stand on its own and Iraq will not be able to control its borders.

Police, Traffic Police and Motor Vehicles

General Police Forces. An estimated \$150M is urgently required to recruit, train, equip and operate viable, sustainable policing services in Iraq, capable of dealing in a professional manner with all issues falling within their mandate. There are significant immediate costs to restoring competent, trustworthy police forces due to significant damage if not outright destruction Iraq-wide of facilities and looting of property, the training and equipping of a new police force, as well as associated operations and maintenance costs.

International Police Training. The coalition requires an estimated \$800M to immediately begin building an international police training force of 1500 to provide the level of professionalism and assistance upon which the Iraqi native police force will achieve. This force will support training and development of the Iraqi police with field training officers (FTO), and advisors to enable the new police to effectively apply the skills learned in classroom training. In addition, such a mission would provide "hands on" guidance to all levels of the Iraqi police forces to help them understand modern, democratically based principles of civilian policing.

Traffic Police. The Iraq Traffic Police has 5,200 officers and 27 Office buildings countrywide. They are responsible for the control of traffic, enforcement of traffic laws, and accident investigation. Their buildings, fleet, and equipment have been almost completely destroyed or looted, and will require funding priority near term to stand up operational capability to at least pre-war capacity. Estimated cost: \$50M

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Fire and Civil Defense

Summary of Request: \$500M is required to provide adequate fire service, civil defense needs, mine action requirements and to repair public safety facilities for the safety of the Iraqi people.

Fire Service: The Fire Service is the principal agency responsible to serve the security and safety needs of the populace by controlling the destructive force of fire, natural, and human-made hazards in an effort to diminish the loss of life and property. Firefighters are also the principal emergency responders for the entire country and serve the needs of over 26.2 million Iraqis. Firefighters also serve as the EOD experts for the country, responding to and mitigating the effects of all unexploded ordnance which litters the entire country. The department needs at least 20 fully trained and capable EOD units in order to minimize the paralyzing and destructive effects of misplaced ordnance.

The Fire Service currently stands at over 5200 full-time trained professionals that provide fire suppression and mitigation services for structure fires, petroleum industry incidents, and fire in nature (e.g. sulfur mines and agricultural fires). The country needs an additional 5000 firefighters in order to support its mission. There is a need for a national academy to train these men. Fire fighting and suppression services are delivered through the employment of equipment and personnel. The war and subsequent looting destroyed over 165 firehouses throughout the country. There are no tools or equipment in any firehouse. There is a need for major communication overhaul. There are no phones or portable radios to coordinate and communicate with. Major end items and support required near term include personal protective equipment, operational, maintenance, and training needs.

The greatest cost associated with the fire service comes from the need to purchase equipment to replace those items either destroyed by the looters during hostilities, or from ten years of minimal attention being paid to the operational maintenance of fire suppression equipment. Second, the lack of personal protective equipment (PPE) commonly referred to as "bunker gear" or "turn out gear" is non-existent. At over \$2,500 per complete set of protective gear (helmet, PPE, gloves, haligan tools, self-contained breathing apparatus (SCBA), footwear, pioneer tools, and high-angle personal rescue gear) the cost for outfitting the current fire personnel throughout Iraq is significant. Besides purchasing SCBA, money will also need to be spent on the operation and maintenance of the equipment to include fitting, sealing, seal repair, and recharging of the air tanks. Estimated cost: \$290M.

Civil Defense: Civil Defense is the main Iraqi agency responsible for all civil support during all emergencies. Civil Defense personnel must quickly respond to incidents emanating from the discovery of unexploded ordnance (UXO); improvised explosive devices (IED); and explosive remnants of war (ERW). They must possess the capability to respond to all natural and man made hazards and threats to include earthquakes, floods, epidemics, disease and WMD events. And they must provide emergency support to all aspects of an emergency to include command and control, operations, personnel and logistical support. To meet these requirements the Ministry needs a robust communications package of UHF, VHF, digital, mobile and FM

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capabilities. Logistics support include trucks, cots, tents, generators, lighting, stocked CD centers, medical equipment, blankets, food, hygiene material, wood, water, specialized engineering equipment, and a vast assortment of equipment to support the operation. Personnel need specialized training in Incident Command, size up, WMD, first responder, train the trainer, interagency workshops, UN request for Aid procedures, and other emergency management and disaster mitigation courses. Staff needs to be assembled from within governorates and across all ministries to work together, conduct coordination, and practice tactics and procedures. Estimated minimum cost: \$57M.

Mine Action. The national mine action authority in the Ministry of Planning is responsible for coordination of removal of all explosive remnants of war. This involves several organizations, both local and international. Our omnibus State Department partner is RONCO, but we also fund numerous NGOs such as Mines Advisory Group (MAG) and Norwegian People's Aid (NPA). \$61M is required to sustain 12-15 more local and or international organizations already part of the Oil for Food Program (OFF) in the north or working contracts in the central and south. This will include the governance piece of the National Mine Action Authority (NMAA), Iraqi Mine Action Center (IMAC) and three Regional Mine Action Centers (RMAC) already formed or paid for in the 03 budget through State. Iraq is the most heavily mined and UXO contaminated country in the world with 100s of casualties per month. The other telling problem is that they block or impede almost all other sector's development from transportation, reconstruction, electricity, education, agriculture etc. Estimated minimum cost: \$61M

Public Safety Facilities: Public Safety Facilities Repair, Remodel, and Refit in the post-conflict period following cessation of major combat operations, significant looting, vandalism, burning, and wanton destruction of public safety facilities occurred. Work must continue on the refurbishing of facilities to include glazing, painting, electrical, plumbing, and HVAC work. Office furniture, equipment, computers, and telephone systems will also need to be brought into the facilities. Significant cost will be required near term for repair, remodeling, refurbishing, refitting, operations, maintenance, and training needs. Estimated minimum cost: \$92M.

Facilities Protection Service (FPS)

FPS. Facilities protection is critical to the reconstruction of Iraq and therefore a high priority to the CPA. Without a safe working environment, workers will be reluctant to return to the workplace. Facilities cannot be refurbished until there is protection against continuing vandalism and theft. If these issues are left unresolved, reconstruction will stall. To achieve adequate facilities protection would require \$66.7M for two separately managed programs.

(1)The Facility Protection Program: FPS is currently a federated program under which Ministries and Governates each form their own fixed site security forces that operate under Ministry control in accordance with standards established by the Ministry of Interior. Ministries are currently working FPS costs into their individual budgets. Approximately 20K FPS guards are required to deploy countrywide by Jan 2004 to protect structures, contents and assigned personnel.

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With the current decentralized model for FPS funding, security issues are in competition with other important aspects of Ministerial budgets.

By centrally funding FPS requirements, the CPA ensures critical security needs are properly resourced. Under this scheme, Ministry of Interior is funded to administer the FPS account, disburse FPS funds to other Ministries, run a training program for FPS guards, and provide administrative and operational oversight of the FPS program, to include certifying guards and private security firms and inspecting FPS operations countrywide. Ministries will hire guards and administer their FPS programs IAW Ministry of Interior guidance.

Basis of estimate: Centralized funding for salaries (\$24M - \$100/man/month ave), uniforms (\$1.2M - \$60/person), MoI training program and FPS administration (\$15M for both), vehicles for selected Ministries (\$2.64M - 80 pickup trucks), communications (\$3.63M for 400 handheld radios and 200 Thurayas), badging (\$2.0M - 18 sites) and tribal pay for tribes along power lines and oil pipelines (\$1.056M), mandated Regional Operations Center in each Governate (\$7.2M - 18 sites). Estimated minimum cost: \$56.7M.

(2) The FPS Professional Standards and Training Program: The FPS Professional Standards and Training Program. This program regulates FPS activities of each of the ministries, other public agencies and the activities of private guard companies. Facilities protection was originally provided by a unit within the police department. To many, this unit was perceived as a corrupt and unprofessional organization that was part of a larger scheme to misappropriate public resources. If facilities protection is to have the trust and confidence of the Iraqi people, a separate office is necessary with oversight authority and to establish, regulate and inspect the standards and training of the guards of the public facilities. \$10M is required to develop a program office with a staff of 48 to provide administrative and operational oversight, to train and certify guards, and to inspect guard operations for all of Iraq.

Public Safety Training.

Training. \$274M is required to provide initial training to ensure the success of the overall reform of all departments within the MOI: Department of Border Enforcement, Iraq Police Service, Traffic Police, Facilities Protection Service and Fire & Emergency Services. The CPA seeks to reconstitute these departments while increasing the professional standards of law enforcement officers and emergency service personnel within its ministry. All MOI training programs (for existing personnel and as well as all new personnel) will be developed and presented in a manner consistent with the principles of democratic policing (service in a free society) through an educational philosophy that is based on international human rights standards.

The CPA seeks to use a Public Safety construct to achieve the training goals for all MOI departments throughout Iraq. This concept has two primary benefits. First, the basic training programs for most of these departments are similar, and many in-service and/or advanced training courses will require multi-disciplinary participation. All of these departments must work together in order to provide the best possible protection and

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service to the citizens of Iraq, and therefore it will be important for them to train in a cooperative environment. Second, the utilization of Public Safety Academies, as opposed to numerous specialized academies, will provide for economies of scale reducing training costs significantly while ultimately increasing the effectiveness of the law enforcement /emergency services functions.

The requested training is for the following organizations in the MOI: IPS, Traffic Police, Customs and Border Police, Customs and Border Investigators, Customs Inspectors, Immigration Inspectors, Detention and Deportation Officers, Border Guards, Passport Officers, Nationality and Civil Affairs personnel, Facilities Protection Service guards, and Fire and Emergency Services personnel. This request does not duplicate training provided by the International Police Training requirement.

To support this effort, at least three Public Safety Academies must be built/refurbished (Baghdad, Mosul and Basrah), outfitted (furniture, operational equipment and supplies, training equipment and supplies), staffed and maintained. Reform courses will be conducted for all existing MOI police, traffic police, DBE personnel, fire and emergency service personnel country wide as well the delivery of in-service and advanced/specialized courses – approximately 60,000 existing MOI police and emergency personnel. The CPA as a part of its exit strategy will begin to develop the indigenous training capacity (Iraqi trainers) in all departments through the creation and delivery of comprehensive Instructor Development Programs (train-the-trainers). Further, it is possible that new basic recruit training will be conducted outside the country for approximately 34,000 police/traffic personnel in the next two years. Also, approximately 8,000 new DBE personnel will need to be trained, along with 5,000 new Fire and Emergency Services personnel.

Iraq National Security Communications Network.

National security and first responder (police, ambulance, border and customs, key facilities protection, fire and civil defense) communications network with 911 dispatch capability for Iraq. Given Iraq's vulnerable security position, and complete lack of communications capabilities locally and nationally, a security and first responder operational communications network is imperative in the near term. Network would include a dispatch "911" capability so citizens could call one number in the event of an emergency instead of the current Iraqi system of separate numbers for each of the first responder assets, police, fire, or ambulance. This dispatch capability would be operated regionally. The master site based at the national command center in Baghdad would receive and oversee all of the information and data relating "911" and other regional as well as national contingencies.

This network concept spans all the major population centers connected via a fiber backbone. This effort will be directly by the managed by the Ministry of Transport and Communications (MOTC), as well as the CPA communications support office. The MOTC has affirmed that it is able to support this network and provide the fiber that is required to link all of the centers and bring them back to Baghdad. The majority of the fiber is already in place and currently being reworked to be stood up over the next two

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months. Time is of the essence because of the complete lack of interoperable communications throughout Iraq.

Regionally, security forces are suffering due to the lack of communication in the hands of the Iraqi police, who are supposed to be performing patrolling duties but are reluctant to do so as they have no means to call for assistance. Fire and ambulance service, while not a matter of national security, is a matter of public health and safety and also dependent on an effective communications network for its ability to respond quickly. This in turn would instill confidence in the general security and services, and in turn the government providing them. \$150M is needed to implement this network. Costs include installation of communications infrastructure and equipment, to include (but not limited to) hand-held radios, base stations, repeaters, communications towers, with associated installation, training, operations and maintenance costs. Separate network costs to support the first responder requirement are addressed in the Transportation & Communications section of this supplemental request.

National Security Forces.

Summary of Request Iraq's military forces were decimated in the war and the surviving leadership was too closely tied to the Baath Party. An entirely new military structure is necessary to help stabilize the country and to demonstrate to the people that a professional military is part of the foundation of a constitutional democracy. \$2,076M is required to fund the equipment acquisition needs of the New Iraqi Army, Support Agency/HQ, and Civil Defense Forces. This force is quickly growing from 4,000 toward a goal of 40,000 (3 divisions, 9 brigades and 27 battalions, including 3 heavy). Our goal is to have this force operational by August 2004.

New Iraqi Army (NIA)	
NIA Facilities	\$745.4M
NIA Equipment	\$879.3M
NIA Operations	\$205.3M
US Contract Training	\$164.0M
Purchased International Training	\$ 6.0M
Subtotal	\$2,000.0M
Iraqi Civil Defense Corps (ICDC)	
Operations	\$ 39.5M
Salaries	\$ 18.9M
Vehicles & minor procurement	\$ 17.2M
Subtotal ICDC	\$75.6M
Grand Total	\$2,075.6M

New Iraqi Army (NIA). After the transfer of full sovereignty to an elected government, Iraq will need to have a militarily effective force for the defense of its territory that is non-political, representative of the country as a whole, and committed to protection of the country, not the perpetuation in power of a particular regime.. Further, from the point of view of developing a working constitutional government in Iraq, it is

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important that such a force be under law-based civilian control and subject to public and parliamentary oversight. To form the foundation for such a force, the US and its coalition allies have begun to establish a New Iraqi Army that embodies these principles. The first battalions are already in training. As the units of this army become operational, they will participate directly in military operations in Iraq, led by Iraqi officers, and, like other coalition forces, under overall Coalition operational command. They will perform critical military tasks, including protecting the borders, route and convoy security, and control of territory, thereby reducing the burden on US and other coalition military units and speeding the day when those units can be relieved of security tasks in Iraq.

\$2,000M is required to have 9 brigades (27 battalions) of the NIA fully operational by 2005. This program provides funds for US support for the costs of training, facilities, and equipment for a basic Iraqi ground force of 9 motorized infantry brigades, plus costs for setting up the necessary administrative support structures, reopening the military academy to provide a source of young officers, purchasing advanced training for military and civilian leaders, and standing up a new ministry of defense in consultation with the emerging Iraqi governmental authorities. Iraqi funds would be used to pay costs of salaries and subsistence. The initial equipment will make maximum use of commercially available military and civilian items. An initial armored and mechanized force (armored brigade) is also to be set up and will consist of one armor battalion, one mechanized battalion, and one mobile artillery battalion. Our intent is to use recovered and refurbished equipment to fill the equipment needs where possible. This also includes the re-establishment of depot repair and refurbishment of facilities within Iraq. Rolling Stock, engineer equipment, combat support and combat service support resources, crew-served weapons systems, and individual soldier equipment is also to be acquired. Also included is \$137.2M for an Army Aviation Element. These prices are based on provision of a small number of helicopters (generally second hand) and procurement/refurbishment of a small medium lift capability, i.e., C130 equivalent. Together this will provide mobility through an Army Aviation element. Includes costs associated with purchase of necessary support equipment, e.g., GSE.

Overall strong attention and focus will be applied to using existing Iraqi resources to provide and maintain the equipment sets desired. Without this equipment, graduated battalions from the New Iraqi Army Training Center in Kirkush will have no equipment and will be meaningless units, incapable of offering assistance to Coalition Forces to provide stability. Other significant components of the NIA include:

NIA- Contract Training. An existing contract is in place to provide trainers to the New Iraqi Army training base at Kirkush, Iraq. \$164M additional contract funding is required (included in the \$2B) for further refinement and additional curriculum for the training mission. Continued funding support of the New Iraqi Army is critical to establishing a military capable of defending the post-regime nation of Iraq from emerging threats. The trained light infantry division plus armored brigade would free up US Army and Marine Corps units and their support elements.

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Coast Guard. Included in the \$2B requirement is \$81.9M for a small coast guard force. Piracy, slave trading, terrorism and smuggling on the rivers and costal waterways of Iraqi are of great concern to the coalition. For this reason a modest funding requirement has been raised to combat these activities and protect vital Iraqi assets. Funding is based on refurbishment of existing vessels and the procurement of a small number of support craft, plus the equipping of a Naval Infantry Battalion to support critical port and on load/off load facilities. The requirement includes \$41M for facilities, \$37M for equipment and \$3.9M for operations.

NIA- Iraqi Manned Defense Support Agency. Included in the \$2B requirement for the NIA is \$22M to set up the Iraqi Manned Defense Support Agency (DSA) in order to provide executive and support services to the New Iraqi Army and to lay the groundwork for the eventual establishment of a new Iraqi Ministry of Defense. Funding includes necessary equipment purchases (\$3.5M) such as vehicles and automated command and control information technology systems. Also included is \$2.5M for one year of operating costs.

Without this funding, the Coalition Provisional Authority will have to increase the Coalition staffing of the OSA office to administer the NIA. As the Iraqi Ruling Council grows in strength and ability to assume responsibility for post-regime Iraq, a functional Ministry of Defense, built on this foundation, will be critical to develop capability to deal with internal and external threats.

NIA- Professional Military Education Military Academies. The New Iraqi Army will need a professional Officer and NCO Corps and thus education facilities and equipment to train them. This \$51.4M (included within the \$2B) requirement will allow vehicles, training equipment, and training systems to help develop this professional Officer and NCO Corps. The requirement includes \$46.2M for facility refurbishment, \$4.4M for equipment and \$0.8M for operating costs. Without these resources, the newly trained Iraqi armed forces will not have professional leadership trained in the ways and understanding of the role of the armed forces in a functional society. Coalition Forces will be forced to provide force structure to lead these leaderless units. Those Iraqi's who are appointed or promoted into leadership positions will not have a new professional paradigm to draw from and will naturally revert to the behavior and traditions derived from the former regime.

NIA- Military Education and Training. A crucial part of developing the nucleus of a professional Officer and NCO Corps is giving them the opportunity to attend overseas training in the professional development institutions of the different Coalition Partners. Embedding core values essential to a post-regime Iraq will take place during this overseas training of key Iraqi military personnel. \$6M is required (included within the \$2B) to send the best and brightest to professional military schools to better learn principles of civilian control of military, and the role of the military in a democratic society.

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Iraqi Civil Defense Corps. The Coalition Provisional Authority urgently requires \$75.6M to develop a military support organization in each Iraqi Governorate. Each of the 18 governorates will be assigned one battalion (approximately 600 strong) of a new paramilitary force called the Civil Defense Corps. These battalions will assist Coalition Forces in bringing stability to Iraq. They will be lightly armed and will be trained to act as guides, interpreters, conduct searches, and man checkpoints. They will require minimal training and will be trained and operate predominantly in their home areas.

Costs for these forces are mainly salary (\$18.9M for 18 battalions at \$70k/month plus special allowances) and subsistence, fuel, and other costs (\$39.5M annual cost). An additional \$17.2M is required to properly equip this force. The major procurement requirements are for 2 'jeeps' and 12 cargo trucks per battalion at \$244K per bn), communications gear (99 platoon net and 25 company and battalion net radios per battalion at a cost of \$132.5K per bn), basic 'tented' infrastructure (overhead cover, ablutions, plastic furniture, and secure storage containers for each battalion at a cost of \$15.1K per bn) and personal protective gear (cold weather gear, helmet and body armor for each member at \$.5K per person). Vehicles are needed to speed ICDC response, particularly in rural sectors, ensure public perception of ICDC cooperation with Coalition Forces, and reduce ICDC reliance on Coalition transport. Radios are required to increase the flexibility and responsiveness of ICDC units and to reduce ICDC reliance on Coalition communications equipment. Basic Barracks Infrastructure is required to provide ICDC with suitable locations at which units can muster, train, secure stores, and, equally importantly, develop their identity. Finally, helmets and body armor are prudent personal protection items given an ICDC mission set that includes crowd and Riot Control, Route and Convoy Security, and Fixed Site Security.

Once trained and operating, these battalions will be a significant force multiplier, increasing the effectiveness and potentially freeing Coalition Battalions in their area of operations. Without these elements, Coalition maneuver battalions must continue their deployment to provide stability.

Justice and Civil Society Development.

Summary of Request. Reforming the Iraqi justice system, including prison system and courts, is prerequisite to improving confidence in justice outcomes for the country and laying the foundation for a constitutional democracy. After decades of corrupt Baathist party rule, the following investments are critical to reforming the system and establishing the rule of law.

Technical assistance for investigations into crimes against humanity	\$100M
Security for Judges and Prosecutors	\$200M
Witness Protection Program	\$100M
Other technical investigative methods	\$ 10M
Prison system technical assistance	\$ 10M
Reconstruction & modernization of 26 detention	

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and prison facilities	\$ 99M
Two new 4,000 bed maximum security prisons	<u>\$400M</u>
TOTAL	\$919M

Technical Assistance for Crimes Against Humanities Investigations. The Iraqi Justice system lacks the technical expertise needed to conduct investigations related to the systematic commission of crimes against humanity by the former regime. Specifically, assistance is needed in forensic analysis, document analysis and financial analysis. In the prosecution of crimes against humanities it is critical to have expert testimony to establish the commission of the crime and command responsibility of higher officials. This expert testimony is dependent upon an accurate and complete investigation. Thus, forensic analysis is needed to corroborate testimony concerning the manner in which killings were conducted. This expert evidence is critical in corroborating the testimony of persons having knowledge of the crime in order to establish the witness's credibility. Similarly, the analysis of documents showing the command structure of the regime is needed in order to prove knowledge and criminal responsibility by members of that command structure. Finally, financial analysis is needed in order to demonstrate the squandering of state assets for the personal benefit of governmental officials. These resources are not available in Iraq, and the investigation of these crimes is a massive undertaking. The technical assistance for humanitarian investigation was based on a cost of \$200,000 per expert for a minimum 500 experts and investigators. This cost includes an estimated salary of \$100,000 for each expert and a logistics cost of \$100,000 for each expert for a total of \$100M for 500 experts.
Estimated Minimum Cost: \$100M.

Security for Judges and Prosecutors: Iraq is facing regular attacks by foreign terrorists and members of the former regime. As a government is formed, these matters need to be addressed in the criminal justice system. To the extent possible democratic societies use the criminal justice system to prosecute terrorists located within their borders. When this occurs, the Justice system then becomes a source of attack. Under the prior regime, the Justice Ministry was marginalized and controlled by the state. Thus the Ministry of Justice now has insufficient resources to address the security requirements faced by a Justice system that is the target of terrorists precisely because it is being used to combat terrorism. Consequently, judges and prosecutors need to be supplied with personal security details and the physical structures of the courts need to be hardened against terrorist attack. None of these items are currently in place and the judges and prosecutors in Iraq present an inviting target to the terrorists. Consequently, a massive undertaking is needed to strengthen the Iraqi court system so that it can fairly adjudicate these cases. This task requires a massive undertaking.

The Security Program cost estimate was made based on a pilot security program that was established on an emergency basis for the central criminal court of Iraq. That program, which provides security for 15 judges, costs \$10 million on an annualized basis. In order for the security program to be effective, it needs to be extended to more than 15 judges as well as making modifications to the infrastructure of the courts. This amount comes to approximately 50,000 per judge and includes vehicles, security details, weapons

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and communications capability. Thus, funds in the amount of \$20 million would provide security for approximately 400 judges and prosecutors. There are currently 860 judges and prosecutors in Iraq. The courts in Iraq need to be hardened with a variety of physical and technical security measures, including X-Ray devices, bomb detection devices, protective blast walls and other physical and improvements. There are 130 court buildings in Iraq, and this proposal would allocate approximately 1.3 Million per courthouse. This security package is thus reasonable and would enable the judiciary to function free of fear and intimidation. **Estimated minimum cost: \$200M**

Witness Protection Program. Not only is Iraq facing daily attacks from terrorists, organized crime is flourishing in the disorder created in the aftermath of the war. Organized crime members and terrorists function in a similar manner even though their motivations are different. Indeed, terrorist organizations often fund their activities through organized crime. In order to effectively prosecute these offenses, witnesses to the commission of these offenses are required. These witnesses can not be developed unless there is a mechanism in place to protect them. Consequently, a witness protection program is needed in order to allow victims as well as criminals who become government witnesses to testify without fear of being killed by the remaining members of the organization against whom they are testifying. Without an effective witness protection program, it is simply not possible to prosecute these cases.

Protecting witnesses is one of the single most expensive components of criminal prosecutions in that it involves short term and long term protection. The witness must be relocated far outside the danger area, which may involve international relocation for terrorism and organized crime cases. This estimate is based on \$200,000 per person per year. This would allow for 100 families with an average of five persons each to be relocated for a total cost of \$100M. **Estimated minimum cost: \$100M**

Other Technical Investigative Methods. Although the prior regime used technical means to gather information, this was not done for the purpose of securing admissible evidence for a criminal prosecution. Long and bitter experience with terrorism and organized crime has demonstrated that technical evidence gathering is critical in the investigation and prosecution of these activities. Because in a democratic society these crimes should be addressed through the due process system of the Courts, the ability to gather such evidence is required in order to prove criminal responsibility. Iraq has become a focus for terrorist activity, and the use of unclassified technical means of gathering evidence is critical to the successful prosecution of these cases. An initial allocation of 10M for this purpose will enable the Iraqi government, under coalition supervision, to start using this unclassified technical evidence gathering means. This cost estimate is based on an extrapolation from a similar \$1M dollar package that was used in Kosovo, which has one tenth of the population of Iraq. **Estimated minimum cost: \$10M**

Prison System Technical Assistance. This request is for 100 international prison experts for six months, to identify suitable establishments for reconstruction, training and monitoring of prison operations in accordance with international requirements. The

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technical assistance requirement is based on a six-month cost of \$100,000 per expert for a minimum 100 experts and investigators. This cost includes an estimated salary of \$50,000 for each expert and a logistics cost of \$50,000 for each expert for a total of \$10M. **Estimated minimum cost: \$10M**

26 Detention and Prison Facilities for Juveniles and Adults. Prison facilities are a vital component to the credibility of the criminal justice system and essential in establishing the security of Iraq. This expenditure provides for the new build, reconstruction and modernization of 26 adult and juvenile detention and prison facilities. This expenditure would provide a wider geographical coverage than under the previous regimes. It would ensure that the establishments conform to international accepted standards. They would increase prison capacity by 10,000 (i.e., from 11,200 under current plans to 21,200) and free military resources currently tasked to operate detention facilities. At least local 4,800 jobs would be created in the prison service. The estimated average cost per facility is approximately \$2.3 million, \$0.5 million in start up costs and \$1 million in initial operating costs). **Estimated minimum cost: \$99M**

2 New 4,000 Bed Maximum Security Prisons. This spending would allow two new maximum security prisons to be constructed in accordance with international standards, with inbuilt security features that reduce staffing costs and achieve economies of scale. These facilities would house 4,000 prisoners each (8,000 additional prison beds) and would take four years to construct. Funding is needed immediately for engineering and design and to start construction. **Estimated minimum cost: \$400M**

Electricity.

Summary of Request. The electrical power infrastructure in Iraq is in a perilous state. Without significant investment in the immediate future, the situation will actually deteriorate further. The CPA has been managing the sector since the war and fully understands the problems. The UN, which has been active in the sector since 1996 and working with the World Bank, has recently completed a needs assessment of the electrical power infrastructure. We are fortunate to have the results of this assessment which match our own findings. To make significant progress in a short period of time, the following investments must be made immediately into the electric power infrastructure.

Generation	\$2,900M
Transmission networks	\$1,550M
Distribution networks	\$1,000M
Communications and control	\$ 150M
Institutional strengthening	\$ 25M
Security	\$ 50M
TOTAL	\$5,675M

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Generation. The level of generating capacity in Iraq, at present, varies between 3000 MW and 3300 MW. The estimated demand is 6500 MW and is expected to increase significantly as the economy grows, industry is restarted and oil production increases. It is hard to overstate the problems caused by the shortfall between generating capacity and demand of approximately 50%. It is the major cause of discontentment of the Iraqi population and, quite apart from the physical discomfort, is preventing industries, factories and oil refineries from operating. This exacerbates the problems inherent in having large numbers of people without employment or an income.

The lack of generating capacity and the geographic location of that capacity has created major differences in the power distributed to people in different parts of Iraq. In particular, the citizens of Baghdad have suffered disproportionately, as generating capacity is concentrated in the South and North. These imbalances have led to political divisions between the areas that are net generators of power and those that are net recipients.

As a means of sharing power between consumers, deliberate load-shedding is being used where local lines serving a neighborhood are switched off, so that other lines may be switched on. Although there is no alternative at this time, this practice causes much greater wear on the components of the already decrepit electrical power infrastructure.

Generation levels are low because the power stations were targeted during the Gulf War of 1991. In addition, the sanctions that followed meant that it was very difficult to procure materials to maintain power stations properly. Management practices also deteriorated, including acting under political pressure to maintain generation levels rather than to undertake long overdue maintenance work. Although some improvements were made under the UN Oil for Food Program, the timescales, costs and the level of verification required under this scheme made progress slow.

The result is that almost all power stations in Iraq are in very poor condition, generating well below their rated level and are extremely unreliable. Unplanned outages are daily events. Without urgent remedial action, the situation could get much worse. An intensive program is now underway to increase generation levels to pre-war levels, stated as 4400 MW, by undertaking repairs to power stations and through other actions to put into production units not currently in production for various reasons. There are three main means of increasing generation within Iraq:

- Rehabilitation of existing power stations and providing adequate spare parts
- Installation of new gas turbine power stations
- Construction of new thermal power stations

The most cost-effective means of increasing generation is to rehabilitate existing power plants – both gas and thermal units. Rehabilitation results in the generating units being restored to a condition close to that when they were first commissioned. Because there is no requirement to perform either engineering design or civil construction work, the costs and timescales are very much less than building new plant. We intend to rehabilitate a significant proportion of the total generation capacity, prioritizing those that are not in service at present.

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Gas turbine units can be installed within a 3 to 7 month timescale. We intend to install and commission at least eleven 40 MW gas turbine units in a number of strategic sites before the end of 2003. In addition, we plan to build some larger gas turbine power stations, of 150 MW capacity, to meet short to medium-term demands. Gas turbine units may also be run on several types of fuel and we shall ensure that we are not overly dependent on the availability of certain fuels.

Thermal power stations are more expensive and typically take up to three years to build. However, they are capable of providing high levels of generation, using fuels such as crude oil or heavy fuel oil (some of which are waste products). They are also comparatively cheaper to maintain. As such, thermal power stations will form a vital component of Iraq's electrical power generation capabilities. Several thermal power stations have been under construction for many years, with progress interrupted by wars and by delays in the UN MoU program. We shall review the status of each thermal power station construction project and, where continuation makes financial and technical sense; propose to complete the work under an accelerated timetable. In other cases, we need to commence construction of new thermal power stations and ensure that sufficient funding is in place to enable completion. The costs associated with each area of increased generation are:

Rehabilitation of existing power stations	\$1,000m
New gas turbine generation	\$800m
New thermal power stations	\$1,000m
Maintenance	\$100m
Total	\$2,900m

Transmission networks. Transmission networks perform the task of transporting power from where it is generated to the area which it is consumed. In Iraq, the transmission networks are comprised of the 400 KV network, with its 22 substations, and the 132 KV network with approximately 200 substations. Before the recent war, the transmission networks were in a degraded but operable state. Inadequate maintenance and poor operational procedures had resulted in corroded power lines, damaged towers, switchgear with frequent faults, damaged transformers, and a multitude of other faults which degrade network performance and that risked the safety of Electricity Commission staff.

Since the recent war, continuing acts of looting and deliberate sabotage on a vast scale have reduced the capabilities of the transmission networks to a point where the national grid barely functions. The network, as it currently stands, is highly unstable resulting in frequent blackouts, and is incapable of delivering sufficient power from power stations to population centers, most notably Baghdad.

Some 400 KV power lines have been almost completely destroyed. For example, the Coalition Forces recently surveyed 1175 km of lines and found 623 downed towers out of a total of 2554. However, in total, it is hard to provide accurate figures of the number of towers and miles of power lines that it will be necessary to replace. Although all Iraqi line repair crews are fully deployed to repair power lines, it is evident that the scale of the task is far beyond their capacities. Therefore, we urgently need to

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bring in international engineering firms specializing in this type of work, to repair the lines and substations.

As generation capacity increases over 2004 and beyond, the transmission networks will also have to be increased in capacity. This shall necessitate the implementation of new lines and new substations. We intend to use the services of specialist consultants to analyze the electrical power infrastructure so as to design changes to the transmission network, especially the addition of new infrastructure. Our estimates for work urgently required to restore the transmission networks with adequate spare parts, and to add capacity to support additional generation are based on our surveys and those of the UN/World Bank assessments.

Repair of 400 KV lines	\$200m
Repair of 132 KV lines	\$300m
Expansion of 400 KV lines	\$250m
Expansion of 132 KV lines	\$250m
Rehabilitation of substations	\$300m
Additional substations	\$250m
Total	\$1,550m

Distribution networks. Distribution networks deliver power carried over the transmission networks to local areas. The distribution networks were relatively unaffected by the recent war but were in a highly deteriorated condition beforehand. Equipment is operating without adequate electrical protection and is generally overloaded. The majority of 33/11 KV substations suffer from the effects of being switched too frequently (due to load shedding), a lack of maintenance and insufficient augmentation to cater for new load. There has also been, and continues to be, damage to distribution networks caused by acts of looting and vandalism.

We intend to commence a program of rehabilitation and replacement of distribution network infrastructure. However, it must be recognized that the scale of the problem is such that this program will have to take place over several years. Based on the information supplied by the UN/World Bank assessment, we anticipate the costs of the work we need to undertake until the end of 2004 as being:

33/11KV substation rehabilitation and development	\$150m
33KV network rehabilitation and development	\$56m
11KV network rehabilitation and development	\$185m
Distribution transformer rehabilitation and development	\$125m
0.4KV network rehabilitation and development	\$204m
O&M material and equipment	\$180m
Vehicles, machinery, training, studies and review, etc	\$100m
Total	\$1,000m

Communications & Control. The lack of an automated monitoring and control system means that it is not possible to effectively monitor power distribution or enforce

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load shedding plans. This lack of monitoring capability has impeded CPA's efforts to re-establish an effective and efficient electrical sector in Iraq. The Electricity Commission requires a Supervisory Control And Data Acquisition (SCADA) system to provide this monitoring and control capability. SCADA is a distributed system that collects data from individual power substations, and delivers it to a central monitoring and control centre. It consists of several components, including:

1. A National Dispatch Center (NDC) to provide national oversight of the electricity network;
2. One or more Regional Control Centers (RCC's);
3. Multiple Remote Terminal Units (RTU's) located at the 400 kilovolt (KV) substations and the 33KV substations. These RTU's capture critical data from the substation equipment;
4. Communications equipment to deliver data from the RTU's to the RCC's and NDC. Communications between the substations and the NDC will be provided via a fibre optic network, a radio network, or microwave network, or a combination thereof, in order to minimize costs. Several communication networks already exist in varying states of repair and capability in Iraq, and these will be utilized if possible.

The SCADA system will be implemented extremely rapidly in order to gain management control of the distribution of electricity in Iraq. Such an implementation depends upon the timely provision of funds in order to procure the equipment, personnel and other resources required to perform this task.

This SCADA system will provide critical improvements to the management of the electricity grid in Iraq. It will permit the accurate monitoring of the electricity grid of Iraq on a national basis. In addition, it will assist in the assessment of equipment failures by providing remote alarms and warnings. Finally, it will assist in the fair and equitable distribution of electricity to the Iraqi population. The cost of the full SCADA system implementation and associated communications infrastructure is estimated at \$150m.

Institutional strengthening. The Electricity Commission is institutionally very weak. In order to build an effective organization capable of managing the continued operation and development of the electrical power infrastructure in Iraq, we wish to invest in strengthening the institution. This shall be done by rehabilitating the buildings, providing consultants embedded within the organization, developing a Master Plan for continued development, and investing in extensive staff training. The estimated cost of providing this program is \$25m.

Security. There is little point in investing in transmission line repairs if they cannot be secured. The Coalition Forces are overstretched and cannot provide adequate security to electrical power infrastructure. Moreover, they will not be in Iraq indefinitely. Therefore, other arrangements must be made. It is our intention to strengthen the existing Electricity Commission Power Police and to augment their capabilities with contracted helicopter surveillance. The estimated cost of providing an improved service is \$50m.

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Oil Production.

Summary of Request. The coalition has assisted the Iraq Ministry of Oil in making progress towards reestablishing pre-war production levels. However, we must do more to lay the foundation for the national economic recovery, and to ensure that Iraq has the revenue for a self-sustaining government. Factors that must be addressed include continued repair of war damage and repair of looting damage. At the same time, continued terrorist sabotage activity is hampering progress. The funds requested will be used to repair the infrastructure, counter the terrorist threat to protect the current investments, and to compensate for the losses that are a direct result of previous successful terrorist attacks. Once production has stabilized, funds will then be used to continue to improve the Iraqi petroleum production systems with the ultimate goal of restoring pre-war production levels.

Detailed Overview of Requirements
(Dollars in Millions)

Oil Investment

Requirements:

Rapid Pipeline Repair Capability	\$ 55	
Topping Plant Acquisitions	\$ 125	
Port Facilities Upgrades	\$ 9	
Petroleum Distribution	\$ 68	
Infrastructure Security	\$ 60	
Personnel Security	\$ 8	
Qarmat Ali Water Plant	\$ 125	
Qarmat Ali Water Study	\$ 5	
Retain Subject Matter Experts	\$ 5	
Oil Reservoir Management	\$ 40	
Pump Station and Pipeline for North Ramalia	\$ 40	
Repairs to NGL Plant	\$ 15	
Repairs to LPG Plant	\$ 50	
Repairs to Bulk Storage	\$ 20	
Infrastructure Repair	\$ 575	
Subtotal Oil Investment		\$ 1,200

Oil Products Purchase

Requirements:

Petroleum Product Imports	\$ 900	
Subtotal Oil Products Purchase		\$ 900
Grand Total		\$ 2,100

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STAC Oil Investment

51
28 **Rapid Pipeline Repair Team Contract.** Multiple acts of sabotage and looting,
39 and mechanical failure due to historically poor maintenance have resulted in extended
57 downtime on main pipelines. There is a need to extinguish any associated fire and effect
33 repairs to the pipeline without allowing the remainder of the line to drain. The pipelines
44 range in diameter from 8 to 46 inches and are used to carry either crude or refined
28 products. Failure to repair these pipelines results in significant lost revenues to the Iraqi
33 people...as much as \$7 million per day in the case of the Iraq-Turkey crude oil pipeline.
72 (Funds will be used to provide a quick reaction pipeline repair team in order to return
-mark After six months of implementation, monitoring and adjustment an assessment report will
) pipelines to operational condition within 96 hours of notification that the area is secure.
Estimated minimum cost: \$55M

Topping Plant Acquisitions. Import of refined petroleum products is currently costing \$3-4 million per day. Acquiring additional Topping Plants will have a direct effect on reducing this outlay, and thereby reducing the future need to appropriate funds for these imports. Topping plants are the first step in the process of converting crude oil to refined petroleum products, and can provide diesel, LPG and kerosene directly from crude in remote locations. In several cases, there is a need for refined products closer to the oilfields than to the established refineries. Acquisition of 4 "Topping Plants" to be placed strategically throughout Iraq will ensure quicker, cheaper, and more efficient delivery of refined products to the end users. This will have the direct effect of reducing the need for imports, and reducing the need for additional funds for imports. **Estimated minimum cost: \$125M**

Port Facilities Upgrades. As stated previously, there is an urgent need for additional imports of petroleum fuels. A large part of the task will involve the use of port facilities. While some of the port infrastructure currently exists, there is a need to ensure safe operations for the downloading of hazardous materials - gasoline, diesel and kerosene. Funds will be used to upgrade these facilities to meet the targets for imports. \$6 million will be used to dredge the Khawr Az Zubayr waterway. \$2 million will be used to remove sunken vessels impeding traffic. \$1 million will be used to hire a barge to unload confiscated smuggling vessels. **Estimated minimum cost: \$9M**

Petroleum Distribution Requirements. The vulnerability of the pipelines has created the need to establish redundancy in the petroleum distribution system; namely, enough trucks to meet distribution requirements when interruptions in pipeline flow occur. Funds will be used to purchase 200 fuel tankers and 250 Liquefied Petroleum Gas (LPG) trucks to meet this need. **Estimated minimum cost: \$68M**

Oil Infrastructure Security Requirements. As stated before, security of the oil infrastructure is a key concern. Even with quick repair of damaged facilities, losses due to terrorist activity can easily total in the tens of millions of dollars. Investments made to thwart these attacks will certainly pay for themselves. Funds will be used to train and equip an oil infrastructure security force. The purpose of this force is solely to protect the

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oil infrastructure, and will not duplicate other security efforts being undertaken. Current security is provided by coalition forces and an inefficient assortment of local security services. **Estimated minimum cost: \$60M**

Personnel Security Requirements. Funds will be used to provide continuous personal security for the Minister of Oil and his Director-Generals, as requested by General Abizaid in his 28 August memo to the Secretary of Defense. The life of one of the Director-Generals was threatened as recently as late August, so this is a critical requirement. **Estimated minimum cost: \$8M**

Qarmat Ali Water Plant. Repair of the Qarmat Ali Water Plant and associated Cluster Pump Stations (CPS) is required to provide water injection for the Southern Rumaylah oil fields, a process critical to maintaining current production rates and preventing damage to the reservoir during production. Funds will be used to provide the necessary equipment, materials, and personnel to complete emergency repairs to restore oil production to pre-hostility levels. Failure to complete this work will adversely impact oil production rates, and will drastically affect long-term production of this oilfield. **Estimated minimum cost: \$125M**

Qarmat Ali Water Study. In order to make the most efficient use of the Qarmat Ali Water Plant, and decrease the likelihood of causing costly, permanent damage to the oilfield, an extensive geologic study is required to determine the appropriate locations for the injector wells. Funding this study will result in a significant return on investment in terms of both higher production rates and lower lift costs. Failure to fund will result in continuation of current inefficient practices and potential damage to the oilfield. **Estimated minimum cost: \$5M**

Retain Subject Matter Experts. Bringing Iraq from zero production using antiquated systems to full production using modern technology requires the assistance of those with specialized training and considerable experience in the oil industry. Like many of the other requests, this funding will directly impact the speed with which production and exports reach pre-war levels. **Estimated minimum cost: \$5M**

Oil Reservoir Management. Modern techniques and technologies are available to improve the location and management of oil reservoirs. Making use of the assets available will maximize production from existing reservoirs, find new reservoirs, and ensure optimum production from all petroleum sources. This investment will improve efficiency and ultimately increase the total available supply of oil. **Estimated minimum cost: \$40M**

Pump Station and Pipeline for North Ramalia: Process water is essential to the operation of the Degassing Stations and the NGL plant in the North Rumalia Oil fields. Current source of process water for these facilities is the Qarmat Ali Water Treatment Plant, which is under reconstruction. When reconstruction is complete, water from Qarmat Ali will primarily meet the demands of water injection and process water will

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still be inadequate. Due to the poor condition of the water treatment plant and the deteriorated state of the existing pipeline network, the current system will not be able to meet peak demands for process water in North Rumalia. The new pump station and associated pipeline will meet process water needs in North Rumalia. This new network will be isolated to allow Qarmet Ali to meet the demands for water injection more efficiently. With a new pump station and pipeline, production from the North Rumalia fields will be more reliable. **Estimated minimum cost: \$40M**

Repairs to NGL Plant: The Natural Gas Liquefaction plant is currently receiving repairs that will make the plant operable, however, it will still be in extremely poor condition. The poor condition of this plant will result in unstable production of feedstock to send to the LPG plant. Rebuilding a gas turbine compressor, repairing the water system, replacing excessively worn fin fans and replacing electrical cables will make the NGL plant more stable and slightly increase production. This work will increase the reliability of LPG production from the LPG plant **Estimated minimum cost: \$15M**

Repairs to LPG Plant: Current repairs to the LPG plant will make the plant operable to produce OCT 03 LPG goals. In order to make pre-war production of LPG, another LPG unit must be brought online. This requires replacing missing motors and installing new cable that was looted after the war, rebuilding the burnt control room, and replacing looted electrical switchgear. These repairs will make it possible to achieve pre-war LPG production. **Estimated minimum cost: \$50M**

Repairs to Bulk Storage: Repairs are needed at the Bulk Storage facility. Work includes replacing damaged chillers, refurbishing utilities and reworking the control room. **Estimated minimum cost: \$20M**

Infrastructure Repair. The restoration of the Iraqi oil infrastructure is critical to the overall success of the Coalition Provisional Authorities mission. The oil infrastructure provides for the generation of significant revenue for the Iraqi national budget and delivers refined products to fuel the economy and the quality of life for the Iraqi people.

In June 2003 Task Force Restore Iraqi Oil (RIO) and the Ministry of Oil (MOO) completed a Rough Order of Magnitude for the restoration of the Iraq Oil Infrastructure and initiated a funding request. A workshop was conducted in July with RIO and the MOO with the end product being the Restoration of Iraqi Oil Infrastructure Work Plan. This plan included the project management plan, scope of work as defined by the list of 220 projects and a rough order of magnitude budget estimate for each project.

This work plan is an integrated plan that was carefully developed and coordinated with every MOO operating company and TF RIO. The plan was developed with the focus being to restore the Oil Infrastructure to pre-war production levels. Each project in the work plan has an impact on the restoration of the infrastructure and an impact on production levels.

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The Work Plan has been sub-divided into three phases. Phase One projects are to be complete by October 2003, Phase 2 by December 2003, and Phase 3 by March 2004.

Phase 2 and 3 combined represent eighty projects. These projects will provide for a 20% increase in production of crude which represents conservatively \$12 million per day of revenue for the Iraqi people.

Several other critical projects need to be completed, but are longer-term projects that were not included in the aforementioned Work Plan. Funds could be used to complete improvements to the Upstream (ground to refinery) and Downstream (refinery and beyond) sectors of the oil industry as well as complete long delayed repair of 1991 war damage. Projects proposed include the following:

Upstream Sector. Improvements in the upstream sector include enhancements to the export system that will increase the flow capability, thereby, increasing export capacity. The funding will also initiate the development of new oil and gas fields. New oil fields in both the north and south regions are planned to produce no less than 250K barrels per day. Development of two new gas fields, both north and south, will provide natural gas to meet power generation requirements, lessening the use of diesel and residual oil. The fields will provide liquefied petroleum gas (LPG) for the domestic market in the amount of 200 million standard cubic feet per day.

Downstream Sector. Funding will allow the commencement of the planned new refinery that will increase domestic refinery capacity by 70K barrels per day to meet the increasing demand of the local market and to reduce import requirements. Improvements will be made at current refineries to add new reforming units. These units improve the quality of domestically produced gasoline, thereby reducing the need for environmentally damaging tetra-ethyl lead additives. Hydrodesulfurization units will also be added to lessen the content of sulfur in diesel to reduce sulfur dioxide emissions to the atmosphere. Expansions to the northern gas processing plant by the addition of a new processing train will increase the capability to meet the needs of the newly developed fields in the upstream sector. Increased storage capability for products and LPG will be initiated to stabilize operation of the refineries and gas plants to meet seasonal demand and improve distribution efficiency. Distribution will also be enhanced by an improved product pipeline network that will reduce road transport with its inherent inefficiencies and hazards.

Repair of 1991 war damage. The supplemental funding will allow the rebuilding of the lubricating oils plant in the Baiji refinery to meet the increasing market demand for these products. Additionally, rebuilding of product storage tanks at the Basrah refinery and at some of the product distribution storage depots will allow a more stabilized refinery production operation as well as avoiding seasonal shortages as product demand fluctuates.

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These investments will accelerate the growth in Iraqi export dollars, and thereby shorten the period during which the Iraqi government will be reliant on international aid.

Estimated minimum cost: \$575M

Oil Products Purchase

Petroleum Product Imports. Interruptions to the flow of crude to the refineries, difficulties at the refineries themselves, and interruptions to the flow of refined product to the cities have created the need to import more petroleum products than originally projected. Funds will be used to cover the difference between Iraqi demand and refinery production, and to establish and maintain a 30-day reserve in all major products to ensure no interruptions in basic services due to future terrorist activity. The main products required are Liquefied Petroleum Gas (LPG), used for cooking; kerosene, used for heating in the winter months; benzene, for auto fuel; and diesel, to fuel larger equipment and power generation. Failure to provide any of these will directly affect the quality of life of the average Iraqi. \$600 million will be needed in the first quarter to compensate for the large difference between demand and production, and to build the 30-day reserve. \$300 million will be required for the remainder of the fiscal year to compensate for continued production shortfalls while maintaining the reserve. **Estimated minimum cost: \$900M**

Public Works.

Summary of Request. \$3,710M is required to meet critical water and sanitation requirements. Our overall priorities in implementing the various public works programs are:

1. Providing potable water.
2. Improving efficiency of the distribution system.
3. Improving sewerage facilities and solid waste management

Although our immediate thrust concentrates on the restoration of conditions to pre-war conditions, we also intend to emphasize improving and expanding services and coverage in all governorates. Our initial requirements to help the Iraqi people improve their public works include

Raising potable water access across Iraq	\$2,830M
Reducing water loss from 60% to 40%	\$ 30M
Increasing sewerage service in cities to 15%	\$ 697M
Improving solid waste management	\$ 153M
TOTAL	\$3,710M

Different assessment studies by International organizations have all agreed that the above public work programs are the best way to improve the performance of the sector and the living conditions of Iraqis. This work should commence as soon as possible and be pleted by the end of 2004.

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Currently, the responsibility for the delivery of basic municipal services is centrally controlled in terms of budget allocation and priority setting. Over time the responsibility for basic services will be devolved to the governorate and the municipality level. These programs will also help develop the capacity of governing authorities, and demonstrate to local authorities and the central agencies (such Ministry of Finance and Public Works) on proper administrative procedures for major public works.

Raising potable water access across Iraq 90%. \$2,300M is required to provide potable water access to most of Iraq. Our plan to reach that level involves first working up to 75% access, then working further improvements to reach 90% access for cities, towns, rural areas and villages.

The coverage figure in urban areas at this time is approximately 60% however the supply is not 100% of the time and the quality is suspect. The existing supply system is stretched to its limit and system strengthening/master planning is required before coverage can be increased by any significant percentage. Master plans have to be completed before accurate figures on the incremental costs of service coverage can be given. Infrastructure required will include larger feeder water mains, service reservoirs to balance daily and hourly flows and the provision of dividing and control valves to allow the creation of supply zones and mains to be shut down for repairs and maintenance. The estimated cost to increase urban coverage to 75% is \$1,000M and is based on extending coverage to 2.7M people at a per capita cost of \$370/capita for water treatment and network. This per capita cost estimate is based on theoretical analysis using a hypothetical residential area.

To raise coverage levels across the country to 75%, supplies to rural areas and villages will have to be improved. Many small towns and villages are served by tankers coming many miles to provide potable water on a frequency of once a day, once every 2 days and in some cases once every 10 days. To improve coverage will require the installation of treatment plants capable of treating saline water (reverse osmosis), reticulation systems and additional tankers. To achieve the coverage target approximately 2.2M additional people in rural areas will have to be served. Four techniques have been identified for serving the additional people. Details and costs are:

Extension of existing urban systems	\$370/capita
The use of compact units plus local reticulation	\$186/capita
Tankering potable water to them	\$373/capita
Using well to supply water	\$267/capita

Estimates have been made of the population to be served by the different supply methods and the total cost of the program has been estimated to be \$530M.

To raise supply levels across the country to 90% will require improvements in supplies to cities, towns, rural areas and villages. To improve coverage across the nation, we intend to install treatment plants capable of treating saline water (reverse osmosis), reticulation systems and additional tankers. The increased populations served by this program are:

- Urban 2.7M people
- Rural 1.3M people

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Using the per capita construction costs quoted above the cost of raising universal coverage of potable water to 90% is \$1300M.

Reducing water loss from 60% to 40%. Reducing water losses in an arid environment is a national priority. Water losses are currently estimated at 60% of the potable water produced from the water treatment plants. \$30M is required to repair the water distribution networks to ensure that safe water (free of pathogens and other harmful chemicals) actually reach families is a priority. This will also require a full inspection and mapping of the networks. Reducing water losses has a three fold effect of:

- increasing coverage because there is more water available;
- reducing operational costs because less water is required; and
- reducing the risk of illness because leaks into the system are repaired preventing the contamination of potable water.

An initial reduction to 40% (\$30M) involves the rectification of visible leaks. There are approx. 15,000km of water main in Iraq and using consultants' studies the cost per kilometer for the rectification of visible leaks has been estimated to be \$500/km. The cost of the program is estimated to be approximately \$30m allowing for the variables in the network and the scale of the leaks likely to be encountered.

Increasing sewerage service in cities to 11%. The current coverage across Iraq is estimated at 6%. This situation is unsatisfactory in that wastewater can come in contact with children causing illness and death. As water supply increases the situation will become more critical as more water becomes available adding to the amount of wastewater with the potential to spread disease. CPA requests \$697M as initial seed funding to increase sewerage service to 11% in urban areas which will involve extending treatment facilities and collection systems within cities. This will require innovation in treatment techniques such as aquaculture and alternative collection system such as low pressure systems. The funding will be used to test treatment and construction techniques so that larger sewerage programmes will be more effective.

To increase the coverage to the target of 11% translates to an additional 0.9M people being served. The cost per capita for providing sewerage services has been estimated to be \$775 of which \$570 is for the collection system and \$205 for treatment. The estimated cost of the program is \$697M.

Improving Solid Waste Management. There is no overall solid waste management strategy for Iraq. \$153M is required to finalize a strategy which must include the construction of correctly designed landfill sites, equipment to operate the landfill site, regular collection of solid waste requiring vehicles, education campaigns to sort rubbish at source and demonstration/startup recycling plants. Recycling can help to protect the environment, generate employment, and reuse valuable nutrients from food-waste and sewage for safe utilization in horticulture, aquaculture, forestry and food production. More needs to be done to ensure the safe management of medical and

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industrial waste as these pose a serious health hazard to those who work with waste and to children who play in unprotected landfills. These more hazardous wastes need to be treated at source.

The capital cost of such a program has been estimated based on 50 landfill sites at \$0.5M/site, \$0.5M/site for operating equipment, 40 collection vehicles for each site at \$50,000/vehicle and six demonstration plants at \$0.5M each. The total cost of the program is estimated to be \$153M.

Water Resources.

Summary of Request. The water resources infrastructure in Iraq suffered some damage after the war due to looting and vandalism, however, the overall functionality of the system was not significantly affected. Still, investment in this sector is strategically important to the Coalition both immediately and over the long term. To meet our immediate objectives, CPA requires \$935 M to repair and improve water and sewerage services.

Agriculture and irrigation sustain the lives of a large sector of the population and water supply is essential to prosperity. Although many of these initiatives increase the condition or service beyond prewar conditions, investment in the projects included below will clearly demonstrate a commitment to the people of Iraq in important and visible ways.

Pumping Stations. \$75M is required to replace pumps and electrical control appurtenances for 125 priority pumping stations (of 270 stations). Each pumping station has, on average 4-6 pumps for the purpose of reliability, maintenance and operational flexibility. Pumps vary in size, capacity and lift, but average cost is \$125K per unit (includes pump, motor, starter and control box) [600x\$125K=\$75M]. Approximately half of the inventory (600 pumps) require immediate replacement with western standards equipment. Maintenance, refurbishment, and replacement of irrigation pumps have been largely neglected since 1980. New equipment delivered and installed under FFO contracts is of low quality and reliability.

Replacement of irrigation pumps on a large scale will demonstrate to the people of rural Iraq that the Coalition is dedicated to improving their lives and livelihood. This project is needed immediately as farmers throughout the country are negatively affected by the current situation. This project would improve the current system beyond the pre-war condition.

Replace Standby Generators. \$75M is needed to replace standby generators for key pumping stations, barrages, and dam sites. There are about 100 key points (of ~300) in the vast system of reservoirs, barrages and pumping stations that require backup generators to assure electricity for running the pumps, providing municipal water, irrigation, lifting the gates on barrages, and operating other essential emergency equipment. The standard 750Kw generator costs ~ \$750K [100units x \$750K = \$75M] Minor site work (construction) will be required.

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Generators are necessary to return the operation and reliability of pump stations to prewar standards throughout the country. The current state of the national power grid does not allow pump stations to function adequately. Pump stations require continuous power to operate and the grid currently provides three hours on and three hours off, at best. Lack of reliable, continuous electricity from the grid has caused a significant reduction in irrigation pump service and benefit to farmers.

The installation of this equipment will demonstrate the Coalition's commitment to the rural areas of Iraq. There is a common belief that many people are worse off now with respect to public services, than prior to the war. This would reverse that trend.

Rehabilitate irrigation and drainage systems. \$130M is needed to rehabilitate old operating irrigation and drainage systems for improving water use efficiency and water quality. Every existing system needs major rehabilitation, consisting of cleaning irrigation and drainage canals; replacing regulators and sluice gates and lining irrigation canals with concrete to reduce water losses through infiltration. There are 20 projects which serve approximately 500,000 hectares which, when rehabilitated, would result in water savings of 25-35%.

Maintenance and refurbishment of the irrigation infrastructure has been neglected since 1980. This requirement would increase the efficiency of water delivery and use throughout the country to higher than prewar levels. Projects would be concentrated in the southern Governorates and can be started immediately.

This effort would directly benefit the agricultural community by improving the efficiency and reliability of water use. As a nation, Iraq could determine how best to allocate the water conserved, either to additional irrigation, municipal and industrial uses, or ecological/environmental restoration. This project would signal strong support for hundreds of thousands of rural Iraqis whose support is critical to the success of the coalition. The many village and tribal leaders need clear examples of improvement to gain the confidence and backing of their members.

Completion of 10 major irrigation/drainage projects. \$130M is required to complete construction of 10 major ongoing irrigation and drainage projects. Numerous worthy projects were initiated during the past few years which need completion. Five major irrigation projects will have concrete lined canals for water savings, and will be connected to 5 drainage canals to ensure that saline water flows to the main outfall drain (MOD) and the sea, reducing the salinity loads to the Tigris and Euphrates Rivers. The total new irrigated area is approximately 400,000 ha.

Projects would open new, more productive areas to agriculture, allowing less productive land to be retired. This would result in a net savings of water and increased production. Projects would also have a positive environmental impact, by reducing high salinity return flows into the Tigris and Euphrates Rivers.

Construct 11 rural water supply dams. \$25M is required to initiate construction of 11 rural water supply dams in Western Al-Anbar governorate desert (roughly \$2.3M per dam). There are many semi-nomadic desert dwellers, with villages and livestock dependent on the sporadic flows of ephemeral streams during a short rainy season. There

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is a need for small dams at 11 sites to provide water for villages and livestock. Engineering and design can begin now with construction following immediately thereafter.

These projects would more than double the prewar amount of water available to the villages and herdsman of western Iraq, who suffer from water shortages. This project would demonstrate to the people of the western desert that resources are distributed fairly. Building trust and allegiance in this vast, remote region is strategically important because this area borders Syria, Jordan, and Saudi Arabia.

Rural Groundwater Supply Projects. \$60M is required to initiate rural groundwater supply projects in Kurdish region (~100 villages, average cost \$2M x 30 clusters = \$60M). Many villages in the north, particularly in the Kurdish areas depend on groundwater for village and livestock water supply. Groundwater availability varies, and the villages that are clustered together can maximize their supply reliability and availability by interconnecting the systems and building a common storage tank and distribution system. There are numerous such clusters of 3-5 villages that can be interconnected. Engineering and design can begin now with construction following immediately thereafter.

Connecting water supply systems would provide a measure of insurance against mechanical failure or groundwater availability in any single village. The project would improve water supply to greater than prewar levels. Investment in the north of Iraq is important to demonstrate the commitment and fairness of the coalition.

Dam safety repair and major structural rehabilitation. \$100M is required to make repairs identified by a Corps of Engineers Dam safety team which completed an assessment of 16 dams and barrages. The critical repairs are currently underway to return structures to prewar levels. Dams and barrages requiring repair are distributed throughout the country with the large dams in the north, and other structures along the Tigris and Euphrates Rivers. Many shortcomings are readily repairable with little design or lead time required. For more significant work, engineering and design can begin now with construction following immediately thereafter.

Completion of this work would ensure the overall safety and reliable operation of the water control infrastructure in Iraq above prewar levels. Investigation of questionable practices and repair of structures would put to rest numerous recurring concerns that coalition forces have discovered. For example, Constructed over layers of soluble gypsum, Mosul Dam is particularly import to address.

Basra/Umm Qasr water supply pipeline and water treatment plant. Currently, water to Basra only, flows through an open, 260km long canal, only half of which is concrete lined. There are large evaporation losses along the way, and saline water infiltrates into the water supply. A pipeline would effectively reduce water losses by 33%, ensuring reliability and quality of supply. The savings in water would be sufficient to supply Umm Qasr as well. Engineering and design is ongoing, but \$200M is required to initiate first stage construction (an additional \$800M is required to complete the plant.)

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This project would provide higher quality raw water to Basra, the second largest city in Iraq. Umm Qasr, historically receiving poor quality, highly saline water, would also benefit. This project would purchase the necessary pipe from the factory in Basra, employing several hundred workers.

Environmental Restoration (Euphrates). \$50M is required to reconnect the Euphrates River, which is contained within a 200km dike system, to villages via regulators and culverts. A major flood control levee system was built along much of the lower Euphrates River. The effect was to cut off access for the numerous villages and farms to flood waters and floodplains for their livestock and irrigation of palm trees. Box culverts and regulators would be installed at regular intervals to serve the villages, and provide easy access to the Euphrates waters. Only limited engineering and design is required and sites are independent, so this project is ready for immediate execution.

This effort will benefit the lives of tens of thousands of citizens who will regain access to the Euphrates River and floodplain for farming and livestock. This access will rectify the actions of the former regime and improve the lives of the people along the lower Euphrates well beyond their prewar condition.

Environmental Restoration (Hawizeh Marsh). \$50M is required to construct regulators on Kasara Escape and Al Sweeb River to establish control of outflow from the Hawizeh Marsh (2 regulators at approximately \$25M each). Kasara Escape and the Al Sweeb River carry the discharge from the Hawizeh Marsh to the Euphrates River near Qurna. Installation of control structures (regulators) would allow management of the outflow and hence the water level within the marsh. This increase in control will greatly assist the effort to expand the Hawizeh Marsh by improving the efficiency of water use. While the marshes will likely never cover the same vast areas that they once did, water conserved can be used to maintain optimum water levels in the existing marsh and/or allocated to former marsh areas for restoration purposes. Engineering and design can begin now with construction following immediately thereafter.

Completion of the regulators would be a significant first step in the investment to restore the marshes of southern Iraq. This project would be seen as a positive move by the Coalition to rectify some the environmental and socioeconomic tragedies of the past 25 years. These regulators, as part of a larger effort, will improve the environment and the lives of Marsh Arabs beyond prewar conditions.

Basra Channel Regulators – Tidal Channel Flushing. \$40M is required to flush out canals in Basra. A network of canals extends throughout the city of Basra. All of these canals contain stagnant water and debris and present a health hazard to a large number of people. This project would allow the natural rise and fall of the tidal cycle to flush out the canals at frequent intervals. A series of six gates are needed where each canal joins the Shatt Al-Arab. Because the canals can be separated as individual loops, a pair of gates, one at each end of a loop, can be alternately opened and closed when the tide rises and falls, thus creating a current to flush the canal. This project is ready for execution pending the availability of funds.

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This project would improve the health and environment of tens of thousands of citizens in Basra, a long neglected city. This end state would be an improvement over the prewar condition.

Transportation and Telecommunications.

Summary of Requirements. The Coalition requires \$835M to restore transportation and telecommunications to basic levels of service. \$513M is needed for transportation (civil aviation-\$165M; ports-\$45M; and railroads-\$303M) and \$322M for telecommunications (IPTC & CPA Network Systems Architecture Planning & Analyses - \$124M; Iraqi communications systems - \$109M; and Iraqi communications operations - \$89M).

Civil Aviation. \$165M is required to complete airspace and airport opening: Funds will be used to complete the reopening of Baghdad and Basra airports. In addition, there are approximately 120 airports in the country of Iraq including the major airport, Mosul, to the north. No funds have been made available in the current year budget for any airport with the exception of Baghdad and Basra. Funds will be used to repair the infrastructure, obtain avionic equipment, and train aviation personnel to international standards and to provide safety and security systems. A more detailed listing for each of these categories follows.

Infrastructure: Funds will be used to repair control towers, repair sewage and electrical systems, water system repair, refurbishment of runways and taxiways, fuel system repairs and basic cosmetics (parking lots, escalators, glass/glazing, etc). Estimated minimum cost - \$95M.

Avionic Equipment: Funds will be used to purchase, control tower console/radio replacement, install precision approach path indicators, install and provide maintenance for radar systems at Basrah and Mosul, to repair/replace ILS landing systems at various airports, install fiber optic cables for communication equipment, to repair/install airfield substations and lighting vaults, and install AFTN communications systems. Estimated minimum cost - \$40M.

Training: Iraqi aviation personnel require training to meet the minimum international (ICAO) standards. Personnel include air traffic controllers, flight standards, equipment technicians, mechanics, ramp personnel, aircraft safety inspectors, etc. Estimated minimum cost - \$10M.

Safety/Security systems: Funds will be used to conduct security assessments, install internal and external security systems meeting ICAO standards, purchase ground support equipment, purchase crash, fire and rescue equipment, install airport surface detection equipment, repair/replace airport. Estimated minimum cost - \$20M.

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Ports. \$45M is required to fix serious shortcomings at the the port of Umm Qasr which is a vital transportation node in the Iraqi economy. The port of Umm Qasr is without electric power from the grid. It lacks water for vessel servicing, habitability and fire protection. It lacks perimeter fencing and security lighting. While some aspects of this are being addressed by specific Bechtel taskings, the port requires additional equipment for handling cargo both container and break bulk. The current level of port activity is not sufficient to fund these urgently required needs.

Railroad. \$303M is required to restore the railroad to a functioning system. Funds would be spent to repair, rehabilitate the following areas of rail infrastructure.

Rehabilitation/Restoration of Buildings and Other Facilities: Serious looting and vandalism in the immediate aftermath of the active fighting, and extending to the present time, has left the railroad virtually devoid of the tools, machinery and spare parts necessary to maintain their plant and equipment. Fewer than half of the fifty mainline locomotives received in 2002 are still in operating condition and the number shrinks almost daily. Hundreds of older, but still potentially useful, locomotives sit out of service. Passenger cars have had air conditioning and other equipment removed and interiors vandalized, all with no means to repair. Freight cars sit out of service for lack of parts as simple as air hoses. Buildings have been looted to the extent that roofing has been torn off and door and window frames removed. Estimated minimum cost - \$70M.

Repair/Renewal of Track Structure: The track structure has suffered from a combination of severe neglect ever since the first Gulf War, coupled with what money there was being largely wasted on ill-advised new construction schemes. Virtually the entire railroad is in a state of deferred maintenance, some so severe as to present a serious risk of derailment. In addition, mechanized track machinery has mostly all been looted and vandalized so as to make it unusable. Two bridges remain out due to war damage. What little emergency funding has been made available is being spent on the very worst section, but overall the condition of the track structure continues to deteriorate. Estimated minimum cost - \$125M.

Replacement of Signal and Communications Systems: The mainline is being operated using a jury-rigged radio network set up by the Army. There has already been one collision, resulting in a fatality that would have been avoided had the signal system, which used to exist, been in service. In addition to the obvious safety issues, the lack of signals and communications put severe limitations on the capacity of the line. At present, the line between Umm Qasr/Basrah and Baghdad only has the capacity for one additional pair of trains though there is the potential for significant new business on the line. Estimated minimum cost - \$65M.

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Repair/Acquisition of Locomotives and Cars: The rolling stock situation is alarming due to the lack of repair facilities and spare parts. There are twenty new locomotives of the 2002 order still at the manufacturer's plant waiting for payment. Prompt acquisition of these locomotives would help avert a short-term crisis. A critical commodity in winter is LP Gas and additional specialized cars to transport this product are sorely needed. Passenger equipment is in a deplorable state and presents a seriously negative public image. Estimated minimum cost - \$ 25M.

Development/Acquisition of Intermodal Facilities and Equipment: A major source of possible new business is the handling of intermodal containers. The port of Umm Qasr has the potential capacity for handling a significant increase in container traffic, and international container traffic could develop to and through Turkey to continental Europe. At present, Baghdad is the only inland point capable of loading and off-loading containers, and even there it is done very inefficiently using a 50ton crane. Inland container terminals must be built at selected locations and equipped with suitable handling equipment, and additional container cars acquired, if the railroad is to be successful in developing this important business. Estimated minimum cost - \$15M.

Bridges. The Ministry of Transportation and Communication's initial assessments of the Railroad bridge network in Iraq has revealed that only 2 bridges (the Akashat and the Al-Fattah) will need to be funded for repair. Estimated minimum cost - \$3M.

IPTC & CPA Network Systems Architecture Planning & Analyses (\$124M).

CPA Enterprise Systems - LAN/WAN/PSTN. The CPA Communications intends to launch comprehensive technical and business process studies of CPA and ITPC operations. The objective is to provide a detailed systems study that will lead to needed systems architectures prior to undertaking network design and construction. The output of these studies will feed directly into capital upgrades of the Iraqi public telephone network. Many current and planned systems upgrades, such as increasing fiber optic trunking, linking into international gateways, standing up packet switched data networks (for high volume transactional data and Internet traffic), and wireless cellular networks require immediate expansions to the Iraqi switching and transmission systems infrastructure. In addition to supporting planned increases in network traffic, yet additional infrastructure is required to support background networks for managing these networks. These new systems include operations support systems and billing support systems. The CPA requires a parallel, yet modest, investment to stand up Enterprise Systems for supporting the management of the Iraqi PTT (ITPC) and what will be its newly established regulatory agency. Estimated minimum cost: \$54M.

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CPA Enterprise Systems – Applications. This increment of investment capital and direct expense is aimed at bringing modern business automation into the business infrastructure of the Iraqi telecommunications environment. These investments include reengineering Iraqi PTT business practice around COTS Enterprise Software systems. These systems go by a variety of names such as Enterprise Resource Planning (ERP), Supply Chain Management (SCM), and Customer Relationship Management (CRM). These names all connote the automation of business processes. The amounts requested include computer equipment, intrapremises networking gear, and enterprise level software licenses for both network-based, and premises-based software applications. The CPA will engineer links between its governmental operations to the ITPC and Postal Commissions, with links to regulated commercial telephony service providers. Estimated minimum cost: \$27M.

Postal IT Architecture and Systems. The Postal system of Iraq remains antediluvian. Seed investments of Information Technology will allow the Iraqi Postal authority to reengineer its business practices and to support them with automated systems such as letter and package bar coding, establishment of ZIP codes, letter and package tracking systems, and linkages into financial accounting systems. Estimated minimum cost: \$9M.

WiFi Capabilities for ITPC. These investments will allow the ITPC to build wireless Internet Protocol (IP) networks to support its internal business operations. The IP network will link into its public network and to Wireless Fidelity (WiFi) networks for mobile users. The WiFi network will, in turn, promote capabilities provided by unregulated service providers, but with provisions for security and network management unavailable in the former domain. Portions of these monies will be used to build prototype capabilities at CPA headquarters and field locations for supporting intra-ministerial communications. Estimated minimum cost: \$19M.

CIO Function – Operations. The CPA MoTC Communications organization is being increasingly seen as the organization to manage intra-ministerial and intra-agencies communications and information management. As such, this Chief Information Officer function requires bringing standardized business processes and office automations systems to harness the information stovepipes now being built in the rush of post-war action. The CIO will manage all standard IT functions including those currently being provisioned by DoD and its Defense Agency (DISA) and support contractors. The CIO will manage all voice and data services at the Tiers 2 and 3 levels, and, upon request, build interfaces to those Tier 1 systems managed by Joint Coalition Forces. Estimated minimum cost: \$15M.

Iraqi Communications Systems (ITPC and Other Ministries) @ \$109M.

Public Safety Information Services Network IOC. The Ministry of Interior has requested the development and stand-up of an enhanced services, wireless network. The network will be used by “Security and First Responders”, including police, fire, and EMT teams. Little or no capabilities exist within the Iraqi infrastructure either for centrally-

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dispatched communications, nor point-to-point communications. The Iraqi Self-Defense Forces are also prospective clients of the Public Safety Network as they stand up and eventually relieve Coalition Forces. The funds for this program will focus upon validating systems concepts being developed jointly among OSD, CJTF-7, CPA (MoTC) and other CPA ministries. Upon systems validation, CPA will oversee the rapid build out of an operational network using either publicly available wireless networks, or special purpose government funded networks. Estimated minimum cost: \$73M.

Commercial TV and Radio: Management and Licensing. Under the purview of CPA resides the commercial broadcast network over open airwaves and what will be an emergent rebroadcast (cable) network over fixed wired media. The funds will be used to restart and expand commercial broadcast operations, including installing modern broadcast transmitters. Behind the camera, funds will be used to modernize the business practices of the regulated television and radio industry. Funds will also be used for spectrum enforcement. Rogue broadcasters will be licensed, have their spectra moved, or altogether shutdown. Estimated minimum cost: \$10M.

Numbering Schema and 911 Initiative for ITPC and Independent Wireless Service Providers. Funds will be used to develop a nationwide numbering scheme for Iraq, and a "911" emergency response system. (Note: Outside of the USA, the 911 name goes by "112".) The Iraqi ITPC will be first to implement the nationwide numbering scheme that will stand up country, area, and city codes. Concurrently, the commercial wireless service providers will build 911 response features into their systems, at their own cost. Estimated minimum cost: \$4M.

Replacement of Back-up Generators for Outside Telecom Plant. Site surveys have revealed that significant numbers of emergency diesel generators have either been looted or remain inoperative due to lack of maintenance and spare parts. Preliminary economic analyses suggest scrapping the remaining inventory of ITPC owned assets. Funds will be used to by computer automated generators for providing immediate power needs and for anticipated growth requirements in central offices and local loop plants. Estimated minimum cost: \$22M.

Iraqi Communications Operations (Miscellaneous @ \$89M).

Iraqi-FAA Operations. Upgrade Baghdad airport facilities to modern aviation standards. Conduct Engineering studies at other major Iraqi airfields. Build and modernize departure and in-route air traffic control (ATC) center communications. Funds will form a pool to support the communications need of industrial ministries which depend upon the publicly switched network. Estimated minimum cost: \$14M.

Technical and Management Training for ITPC. Train personnel on vendor-specific equipment for wired network upgrades, and for reprogramd Iraqi workers to the newly licensed wireless service providers. This training will fall outside of programs instituted by the Ministry of Education. Estimated minimum cost: \$5M.

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Emergency Repairs and Payment to ITPC Network – Not Elsewhere Specified. As the ITPC continues site surveys to battle-destroyed switching centers and sabotaged trunk lines, the bill to repair or replace this equipment continues to rise. Funds request are for a CPA-managed reserve that will be used to restore essential services and network upgrades required to support interfaces into privately owned networks and into international gateways. Estimated minimum cost: \$70M.

Housing and Construction

Housing. There has been virtually no housing activity across Iraq over the past 20 years. There is a need for dramatic increase in the scope of Government funded housing projects. \$100M is required to dramatically increase the amount of housing activity underway and to give a strong initial push to the Housing sector. Our intent is to initiate work leading to the initiation of construction on at least 3,528 new houses over the next year. This construction will be a significant challenge in that it will require the development of a housing infrastructure to supply local water, sanitation, and electrical capacity that does not currently exist.

We expect that this initial effort will be augmented with a greatly increased rate of construction activity in the year following, as the construction infrastructure becomes more robust and able to accomplish an increased rate of home production, despite dramatic increases in the cost of construction materials.

\$100 million dollars will create 7 housing communities, totaling 3,528 housing units, as well as the supporting infrastructure such as basic services, roads, a primary school, two secondary schools, a clinic, a place of worship, and a market in each community. This amount will address 0.35% or a tiny fraction of the total housing need in Iraq; however, this may be enough to start an effective housing program, which will require an approximate \$2 billion annual budget. This amount will also enable the Ministry of Housing and Construction to develop and implement a short term housing program that will lead to long term success and stability. This short term housing program would hire architects and engineers to begin the master planning and design for each major city in Iraq, begin construction of several affordable housing communities throughout the country, provide the ministry with the resources to invest in home financing and mortgage insurance programs that will encourage investments from the private sector, and invest in developing the resources and capabilities of the housing construction industry in Iraq.

Iraq faces a housing crisis and has a current need for more than a million housing units; although, this need will not be met in the short term, construction of new housing projects will show the Iraqi people that both the Coalition forces and the new Iraq government are taking immediate steps to address their housing issues. The policies implemented by the former government resulted in a society dependent on the government. Also, Iraq has experienced three wars within the last 20 years. Over these 20 years, Iraq has been ruled by an oppressive regime and has lacked a social housing program to address the issues of the urban poor, normal population growth, and internally displaced families evicted from their homes due to ethnic strife. The housing shortage

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continues to be exacerbated by the return of large numbers of refugees and ex-patriots to Iraq. If these housing issues are not addressed quickly and effectively, the homeless population in Iraq will continue to grow and threaten the security and stability of Iraq. More and more families will become desperate for shelter and lose faith in the new Iraqi government. The Ministry of Housing and Construction (MOHC) has already started the construction of 1,008 housing units in Iraq and has coordinated with the United Nations (UN) to begin construction of 7 housing projects that would create 504 housing units each or 3,528 total housing units. These UN housing projects will be funded under the UN Oil-for-Food program. The \$1.6 million housing budget for 2003 is well short of what the new Iraqi government will need to develop an effective and successful housing program. The supplemental budget would fund the construction of 7 additional housing communities in cities throughout Iraq making a positive impact in each of those areas. With the additional supplemental funding, the current housing program would begin construction of 8,064 total housing units throughout Iraq. These new housing construction projects will illustrate to the people that the new Iraqi government is making progress and cares enough to address their housing concerns and issues. In addition, this supplemental funding would create additional housing construction projects employing approximately 14,815 laborers over a 20 month period and infuse money back into the Iraqi construction industry. The new Iraqi government must continue to address these housing issues effectively by showing concrete results in the form of new housing communities since it is both a social and economic problem. Failure to do so will result in political and economic instability throughout Iraq, as the people will continue to feel that their government does not legitimately care about their problems.

The \$100 million supplemental budget will support the current housing program and start construction of approximately 7 communities or 3,528 housing units throughout Iraq. The housing program will incorporate proper urban planning and design so that housing areas and zones can be identified and existing urban areas can support continued expansion and growth. This program will accommodate anticipated increases in the population over time and avoid overcrowding that leads to high levels of unemployment in cities. This program will also fund the Ministry of Housing and Construction's ability to design new projects, contract funded projects, and provide construction oversight and program management for next year's anticipated housing construction effort. Over time, the private sector's role in the housing industry will grow while reducing the government's role in directly building these complexes. Until then, there is an immediate requirement to support designing, contracting, providing oversight, and program management for next year's anticipated housing construction effort in order to develop a successful and effective long term housing program that will contribute to Iraq's economic and social stability.

Public Buildings. There are many requirements for Public Buildings across Iraq. This has been an active area which can be further accelerated. \$130M is required to dramatically accelerate our schedule to define contracts, which are currently undefined as a result of direction to Iraqis to re-start previously ongoing contract work early in the construction efforts within Iraq. The supplemental will also allow the Ministry to continue ongoing work or initiate new work at an even faster rate as a result of increased

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infrastructure capability and equipment purchases. There are also requirements for improvements to Ministry of Housing and Construction facilities across the Governates and Regions of Iraq. These improvements, new equipment, and new facilities, will provide significant new capabilities to the Ministry to support improved construction rates. The facilities will also provide appropriate protection for new equipment and construction infrastructure necessary to support resurgence within the construction industry in Iraq, protecting an investment necessary to jump start the Construction Industry.

If this additional \$130 million is not funded it will prolong the disruption to the government operations and thousands of governmental employees of Iraq, have an adverse ripple effect on the overall economy and slow down the transition to the new Iraqi government. This effort really only is a stopgap measure and does not fully provide for the full needs of the reconstruction of the Iraqi building infrastructure. The economic consequence of not funding this supplemental budget request will have immeasurable indirect costs in the continued degradation of the employee's work places and family life's.

This \$130 million will fund the following types of projects:

- 1) 1,325 basic repair projects at \$40,000 each for \$53 million. This basic repair work will put a building back in operation after years of neglect and deferred maintenance.
- 2) 140 refurbishment projects at \$250,000 each for \$35 million. This refurbishment work will allow for the upgrade of currently obsolete building components and limited construction.
- 3) 6 major reconstruction projects at \$7 million dollars for \$42 million. These major reconstruction projects will replace all of the buildings comments to current international safety and building standards.

These projects will allow these public buildings to successfully meet the overall operational and serviceability needs of the building occupants. The various building components that will be maintained, repaired or replaced in these projects will be: general cleaning, doors/ frames/ hardware, windows/ glazing, walls, floors/ walkways, stairwells, plumbing, plumbing fixtures, painting, electrical power, light fixtures, electric fans/ HVAC systems and other construction incidentals.

Roads and Bridges. Investments in the amount of \$240 Million must be made on Iraq's Road and Bridge infrastructure as a prerequisite to begin the economic redevelopment of the nation. A robust transportation network is imperative for efficient movement of essential products such as fuel, wheat, water, construction materials and equipment, and other supplies which fuel the economic foundations of Iraq. The current disrepair caused by lack of maintenance over an extended period of time affects over 74,000 KM of major highways and

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local road systems. In addition, a total of 32 bridges are currently damaged and will not adequately support the high volume of transportation required to support national recovery. We have determined the necessary repairs and system improvements for recovery from the 15 years of neglect and minimal improvements will cost \$12 Billion. The proposed \$240 Million for the Supplemental Budget for FY03 will provide enough money to fund the remaining War-damaged Bridges on the Priority Projects list and invest a significant amount of funds into Expressway 1 for critical equipment and paving of gaps in the project that are deteriorating due to military convoys. The \$240 Million is only 2% of the total Road and Bridge repair, maintenance, and system upgrades required, but this amount will nonetheless make a significant down payment on beginning the required recovery effort.

Expressway 1, the major north-south route in Iraq (an absolutely vital asset) is a 146 KM stretch of road that has never been completed. Many portions have deteriorated such that they will require significant repair and rehabilitation in order to support any sustained amount of traffic. This same highway is also in need of major rehabilitation and maintenance north of the capital city. Similarly, local roads and bridges are the essential lifeline for farmers to bring goods to market yet they have not received adequate maintenance or construction for decades.

There are many bridges throughout Iraq that have not been properly maintained or repaired. It is estimated that 160 bridges may, because of war damage or poor maintenance, become unusable within the next year unless immediate maintenance and repair is accomplished. Funding should be focused on repairing and maintaining safe and sound bridges and roads that will support the long-term growth and development of Iraq. This will be accomplished through a two part program. Part one, the Main Artery Road and Bridge repair Program, will begin repairs and maintenance on roads and bridges which traverse the most highly traveled corridors across Iraq. Composed of 700 major bridges and 42,000 KM of the largest highways, these form the backbone of the Iraqi transportation system. Part two, the Governorate Road and Bridge Repair Program, composed of approximately 600 bridges and 32,000 KM of secondary and rural roads, will address the road network which supports the manufacturing areas and rural communities which play such an important part in Iraqi commercial activities. With the proposed Supplemental Budget for the FY03, we will be focused on Priority Bridge Projects and Expressway 1 and spend \$20 Million dollars to start emergency repairs on some of the 160 critical bridges in Iraq.

The Iraqi Ministry of Housing and Construction, working with their counterparts from the Coalition Provisional Alliance and the Governorates, have determined that the following funding areas will be required for repairs and maintenance as discussed previously but also will provide for badly needed new roads, highways and expressways. While the total funds for the proposed Supplemental Budget Request in FY04 is \$240 million which is only 2% of the total amount required, it will make a dramatic initial impact to support of the recovery of the Iraqi road and bridge system.

- In order for Iraq to complete projects started before the war, it will cost \$174 million dollars to make emergency maintenance repairs and return the transportation system to prewar capacity. This includes \$100 million for Express Way # 1, \$16 million for emergency maintenance, \$28 million to complete ongoing projects started in FY03 and \$30 million to complete war damaged projects started in FY03.

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- Concurrently with these projects, work will begin on an additional \$66 million in rehabilitation, maintenance, and new roads and bridges to address 15 years of neglect and poor planning. This will be distributed as follows: \$20 million to conduct additional maintenance for structures and roadways to a minimal level of service; \$10 million to rehabilitate intercity and rural roads in the governorates; \$10 million for new intercity and rural roads in the governorates; \$10 million for rehabilitation of highway and expressway systems including roads and bridges; and \$16 million for the addition of 20 km of new roads that connect towns, hamlets and market centers among each other.

A comprehensive review of the Iraqi Highways, Roads and Bridges infrastructure, that combines the efforts of the Ministry of Housing and Construction with the Governorates, will help set a new direction on how Capital improvement in the National Highway System and local Roads and Bridges are allocated and disbursed. The CPA Ministry of Housing and Construction has projected a required \$1.253 billion of funding for the Roads and Bridges program in 2004. The \$240 Million Supplemental Budget Request for FY03 will provide an immediate boost to this effort and provide the trail blazing through the projected difficulty of implementing such a massive and critical program in Roads and Bridges. While these funds are only a fraction (2%) of the funds required, they will reverse a trend of marginal spending and bring roads and bridges back to a safe operational condition where economic growth is not deterred by poorly maintained highways or neglected local road systems.

Health

Summary of Request. \$850M is required to bring health care in Iraq up to pre-sanction standards, but updated to current technologies. The pre-war standard is untenable due to the abysmal erosion of health care over the past 14 years (only an average of 4% of facilities saw any rehabilitation or reconstruction in the past 14 years). Health care vital statistics and purchasing power adjusted health care expenditures in Iraq trail many Countries in the region. For example, while Turkey has an estimated infant death rate of 46 per 1000 live births, this statistic for Iraq has been reported to be as high as 108 per 1000. In addition, as many as 13% of all Iraqi children die before they reach the age of 5. Without the requested funds, the Iraqi people will continue to suffer from substandard health care. The three main areas of emphasis are:

Major new children's hospital	\$150M
Refurbishing pediatric hospitals, primary health care services and outreach	\$393M
Repair/replacement of equipment	\$300M
Partnership for Healthcare	\$ 7M
TOTAL	\$850M

Major New Children's Hospital. \$150M is required to start basic construction on a tertiary pediatric treatment facility in Basrah. Other than the low life expectancy, no other Iraqi negative health statistic stands out like those related to infant, maternal and child health. With over 41% of the total population being 14 years old or younger, there

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is not only a need now for specialty services for this population, but the population distribution indicates that there will be a significant "baby boom in Iraq within the next 7 to 10 years. This request is for funds to build a state-of-the-art tertiary care children's hospital in Southern Iraq. The hospital will be designed to handle top level care for pediatric oncology, plastic surgery, burn treatment, specialized surgeries and high risk pregnancies with the latest technologies in radiology, ultrasound, physical therapy and other procedures. This facility will be the base for cutting edge research and post-graduate development for Iraqi physicians. This effort will create a pediatric hospital that will be a visible sign of the transformation of the health care system in Iraq. Total cost of this facility is estimated between \$500M to \$700M depending on the final number of tertiary specialties offered. Capital and benchtop equipment, general medical supplies and equipment, general logistics supplies and equipment, salaries for consultants, salaries for support staff and other requirements will come from donors or other sources of funding.

Hospital Refurbishment. \$393M is needed to reduce infant and childhood deaths by 50% through the provision of services that can address the underlying causes of these dismal statistics. New efforts to be undertaken throughout the country to provide those necessary public health efforts that can have definitive impacts on early mortality and morbidity (immunization, nutrition counseling, clean water and appropriate sewage disposal activities). Major shortfalls of all pediatric and primary health care facilities tend to be with major structural subsystems. The medical gas system is largely non-existent or need extensive repairs. This supplemental aims to refurbish and reequip every one of the 1200 primary care clinics in Iraq and 5 regional maternal and pediatric referral centers in Basra, Al Najaf, Erbil, Baghdad and Mosul. The result will be a network of clinics that will have the capability to provide those basic maternal and infant support services so critical to positive birth outcomes. In addition, when they identify high risk cases, they will finally have the ability to transfer the case to one of the 5 regional centers of excellence for maternal, infant and pediatric care. Our strategy is to rehabilitate 200 of the 240 hospitals and 900 of 1200+ Primary Health Care Clinics. Major structure subsystems are all in dire need of repair, rehabilitation or expansion (water/sewage, electrical, HVAC and med gas especially). Cost of construction is 1/10th of US standard per sqft in general construction, 1/5th in specialized medical construction and 8/10th in specialty construction. Materials for health care are not indigenous and will have to be imported which will raise the low cost of construction in this country to European construction cost levels (up to 80% of US health care construction costs in specialized areas such as OR, radiology, laboratory etc).

Equipment Replacement. \$300M is required to repair the deplorable state of the nation's 240 hospitals. Early studies indicate that as much as 50% of the equipment in these facilities is in desperate need of repair or replacement. All equipment is poorly maintained. This includes everything from; incinerators to dispose of medical waste, x-ray machines, in hospital lab equipment and especially generators. While a nearly emergency effort is underway to supply generators, the initial effort will only cover 30 to 35 hospitals, then quickly expand to 150 hospitals. Training staff to use this equipment is

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equally important. Iraq lacks credentialed, skilled bio-medical engineers and technicians and has a significant shortfall of technically up to date engineers and technicians (skill sets run to pre-sanction levels). We estimate that 100% of current staff will require retraining. An additional 25% staff increase is required to properly man these hospitals. This equipment and associated training effort should provide a much needed upgrade to the remaining facilities and if basic infrastructure services such as sewage and potable water can occur at the same time, the hospitals in Iraq may more closely come to resemble "hospitals" in many parts of the rest of the world.

Partnership for Healthcare. \$7M is required to facilitate the establishment of partnerships between American health care organizations/leaders and selected Iraqi healthcare centers. We envision a consortia of health care institutions in the U.S., international donors, and U.S. government agencies for the purpose of providing professional education, technical advice and support, equipment, supplies, pharmaceuticals, and managerial expertise to selected Iraqi healthcare centers. This modest investment will bring immediate returns in the form of improved public health, accelerated modernization of Iraq's medical schools, community hospitals and clinics, and establish long term relationships between elements of the American health care system and those in Iraq who will lead it to a democratic future.

Private Sector Development.

Establish an American-Iraqi Enterprise Fund. \$200M is required to capitalize an Iraqi-American Enterprise Fund. This fund would operate independently from the US Government under the guidance of a Board of Directors. The primary purpose of this fund would be to promote the private sector development of Iraq. To accomplish this, the Fund would invest in a wide array of private enterprises, disseminate western business know-how, and assist business to play an appropriate role in shaping public policy. Estimated minimum cost: \$200M. X

Expand network of Employment Centers. Iraq has 27 cities with a population exceeding 100,000. Funding was approved in 2003 for 5 centers. Each Employment Center would serve the unemployed by offering aptitude and ability testing, job counseling, job search assistance, and referrals to employment and training opportunities. Funds would cover 22 new Employment Centers at a cost of \$350,000 each. Estimated minimum cost: \$8M. ✓

On-the-Job Training for Private Sector Employment. CPA requests \$35M to offer private sector employers a subsidy to cover the on-the-job costs of training newly hired workers. De facto a wage subsidy, this should provide a major incentive to private employers to increase their employment. These funds are to be executed through the American-Iraqi Enterprise Fund.

Program design elements: Private employers would be eligible to receive a subsidy, averaging \$ 25/month, for wages paid to newly hired (through local Ministry of Labor offices) workers. Subsidies would range from 25,000 Iraqi dinars to 50,000 ID per

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month per worker, depending upon the wage, occupation and intensity of training. Subsidies would last four to six months. Employers who do not retain the workers after the subsidy ends would not be eligible for future participation.

Cost calculation: \$25/worker x 100,000 enrolled = \$2.5 million/month wage costs (= \$30 million/year). Four to six month enrollment duration implies 2.5 yearly turnover = 250,000 newly hired workers. Plus \$5 million for program administration, intake, referral, and monitoring of wages/worksites. Estimated minimum cost for a one-year program: \$ 35 million.

Market- Oriented Specialized Training. \$110M is required to fund four separate employment training programs.

1) **Basic Computer Literacy Training.** \$40M is needed to increase productivity of the Iraqi workforce and facilitate a qualified labor force for emerging private sector jobs. At 250 locations throughout Iraq, each with approximately 20 desk-tops, provide currently employed (first priority) or unemployed (second priority) workers introductory computer skills; program is envisioned as half-day training for one month, allowing two shifts per day at each location = 10,000/month. 40

Cost calculation for a one-month course for 120,000 trainees: Capital costs, including 5,000 computers, = \$ 15 million; instructional salaries = \$20 million; operating expenses = \$5 million. (Providing each student a \$25/month stipend would add \$3 million, plus admin costs). Estimated minimum cost: \$40M.

2) **Specialized Computer Training.** Funds to drive up productivity of the workforce by developing market oriented skills. At approximately 50 locations in Iraq, each with 20 places, provide public and private sector employees with enhanced computer skills relevant to their jobs. 15

Cost calculation for of three-month, afternoon/evening courses for 9,000 trainees: Capital costs = \$4 million; instructional salaries = \$9 million; operating expenses = \$2 million. Estimated minimum cost: \$15M.

3) **English as a Second Language (ESL).** \$30M is required to increase productivity of Iraqi workforce, and ease Iraq's integration into the world economy. At 250 training locations, each with 20 spaces, provide half-day ESL instruction for six months to each participant. 30

Cost calculation to provide intensive (4 hours/day) ESL to 20,000 Iraqis for six months: Capital costs = \$5 million; instructional salaries = \$20 million; operating expenses = \$5 million. (As above, providing a stipend adds \$3 million). Estimated minimum cost: \$30M.

4. **Modernize Vocational Training Institutes.** The Ministry of Labor has six vocational training centers (Arbil, Mosul, Kerkuk, Baghdad, Najaf, and Basrah) which are well-located, but with antiquated equipment and curriculum unsuited to a new Iraqi economy. Updated at a cost of \$25M, they would serve both employer needs and as train-the-trainer locations for staff of the 265 Ministry of Education vocational education facilities. 25

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Cost calculation of new curriculum development, equipment, materials, and train-the trainers activities for six existing vocational training centers: \$3 million per location for curriculum, equipment, training materials, supplies; \$1 million per institute for staff development; = \$4 million per institute plus \$1 million for central planning/coordination. Estimated minimum cost: \$25M.

Refugees, Human Rights & Civil Society.

Migration and Refugee Assistance (MRA). CPA must respond to the immediate protection and assistance needs of Iraqis and support the eventual return of over 500,000 Iraqis from neighboring countries and over one million internally displaced persons (IDPs) through international and non-governmental partners.

Current and Planned Activities: To date, the State Department Bureau of Population, Refugees and Migration PRM has allocated nearly \$40 million to International Organization (IO) and Non-Governmental Organization (NGO) partners. An additional \$26 million to be provided to UNHCR, IOM, WFP, UNSECOORD, and a number of NGOs is pending Congressional Notification, but has been approved by CPA and OMB to support humanitarian assistance activities. Anticipated large-scale returns have not yet begun, but are expected in 2004. CPA is working on a national strategy, which includes a significant refugee and internally displaced persons (IDP) return component. Even if conditions are not ripe for significant refugee returns early in 2004, we expect that over one million Iraqi IDPs will require immediate support and hopefully integration to new communities and that refugee returns will commence in large numbers when security conditions dictate. Ambassador Bremer and CPA will rely heavily on UN and NGO partners to implement an orderly and voluntary repatriation operation; these partners will rely on support from State and USAID. Insecurity and access remain challenges for the international relief community and some UN/NGO staffs have drawn down. However, by 2004, we expect security to improve and staff levels to be restored, if not increased, in order to implement programs as the repatriation operation gets underway. We will be launching a major effort to secure international funding for reconstruction activities in Iraq. That effort will only be successful if adequate security assurances are offered. Those same assurances will describe the conditions necessary to support significant refugee and IDP returns.

ICRC has been present and active in Iraq without interruption since 1980. Although major hostilities have ended in Iraq, ICRC's work is far from over. In recent months ICRC had been building up a large-scale operation to ensure protection and assistance for Iraqis. The murder of one of its delegates in July led to tightened security for the organization and temporarily reduced staff in country, but work has resumed to visit detainees, trace family members, and implement major water and sanitation activities. We expect ICRC's program to remain at current levels in 2004, if not expand in order to implement its mandate under the Geneva Conventions.

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Partners

United Nations High Commission for Refugees (UNHCR) – coordinates and facilitates CPA-led refugee and IDP returns. Refugee returns will come primarily from Iran, Jordan, and Saudi Arabia. IDP returns will be coordinated closely with IOM in the north. Assistance includes registration, non-food items, construction materials, quick impact reintegration programs, seeds and tools (for rural dwellers), and other assistance. FY 2003 USG response -- \$31M. FY 2004 -- \$50M.

International Committee of the Red Cross (ICRC) – implements major protection and assistance activities, including tracing, prison visits, missing, family reunification, water and sanitation, and some health activities. FY 2003 USG response -- \$10 million. FY 2004 -- \$26M.

International Organization for Migration (IOM) – transports refugee and IDP returnees in the region in addition to facilitating overall IDP returns in southern Iraq. Will continue to assist with the return of Third Country Nationals. FY 2003 PRM response -- \$6.63M. FY 2004 -- \$6.5M.

Other International Organizations (IOs) – provide key complimentary assistance (health, education, water and sanitation, security, coordination) to returning refugees and IDPs as well as the coordination and security functions necessary for the implementing agencies. FY 2003 PRM response -- \$3.6M. FY 2004 -- \$10M.

Non-Governmental Organizations (NGOs) – assume key roles in health, shelter, food distribution, water and sanitation, and reintegration activities connected with expected large-scale returns. As in other repatriation operations, we expect to support those NGO activities filling gaps in the provision of UN assistance. Projected FY 2003 response from PRM -- \$1.5M. FY 2004 current funding -- \$10M. Additional FY 2004 -- \$12M.

<u>Partner</u>	<u>Est. Add'l '04 Needs</u>	<u>PRM Contribution</u>
UNHCR	\$200M	\$50M
ICRC	\$100M	\$26M
IOM	\$25M	\$6.5M
Other IOs	N/A	\$10M
NGOs	N/A	\$12M
PRM Admin	\$0.5M	\$0.5M
TOTAL		\$105M

Local Governance and Municipalities: The innovative decentralization processes initiated in each of the Governorates in Iraq since April 2003 has brought a new sense of local ownership and prioritization for the delivery of services. The primary challenge facing the Ministry of Municipalities and Public Works now is to coordinate these new local political structures – the Governorate and Municipal Councils – with the existing decentralized Ministry administrative network so that development proposals and investments can reflect local priorities, and payments can flow to pay for the local

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administration, together with the coordination of essential maintenance and capital projects that are required to restore especially the water and sewerage services (funded elsewhere) and the municipal services of garbage collection, cleaning and road repairs. These works also need to be seen in the context of longer term planning of urban development and the forecasting of capital investment required for a workable and efficient built environment in all the towns and cities in Iraq, and belonging to the people of Iraq.

In order to provide the decentralized service delivery functions of the Ministry of Municipalities and Public Works more effectively there is a need to invest in both people and facilities. There is a need to develop better public access to information locally through Public Information Centers that can provide electronic communication for all local services – planning, municipal services, water and sanitation administrative systems that gives the public the ability to participate in the affairs of service delivery, local government and its oversight. These Centers will require restructured physical space and equipment, including reference libraries and general information in each of the 266 Municipalities across the country. In addition the Ministry and the local government staff will require computer links to back up this service, and training to be leaders in local service delivery. **Estimated minimum cost: \$90M.**

Property Claims Tribunal. The fabric of Iraqi society is torn by on going land disputes linked to the actions of the prior regime. These disputes center around land taken by Ba'ath party members and then sold to potentially innocent bona fide purchasers, with the result that two innocent persons may claim the same property, i.e., the person from whom the land was originally taken and the person who purchased the land not knowing that the seller obtained it through the despotic action of the prior regime. The former regime forced thousands of Iraqi citizens from all ethnic backgrounds from their homes, land, and other property without adequate compensation, including in some cases, demolition of entire villages. Iraqis currently face complex legal problems that have emerged from disputed ownership suits resulting from the former regime forcing legal owners to give up their homes, land, and other property and the subsequent sale and expropriation by the regime of these assets. Resolving property claims, legally and peacefully, will be complex and expensive, but will also play a critical role in addressing some of the most egregious actions of the former regime. Spending on land title regularization will ensure uniform standards across Iraq, and ensure that land claims are resolved in a fair and equitable manner. A tribunal is required to work on resolving those claims and to provide funding to partially compensate the innocent person who will no longer have possession of the property. This process would help right a wrong and also generate considerable good will toward the coalition. Estimates are based on the ongoing adjudication costs in Iraq. **Estimated minimum cost: \$30M**

Update antiquated banking system. The Iraqi banking system was nearly destroyed during post war looting. Numerous banks were stripped, vaults looted, and some burned. To support national payment systems, electronic movements of funds, and to create trust in checking accounts which are little used, the coalition seeks to develop and implement a modern system that features networks, integrated databases, and file

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servers that allows accountability of transactions, monitoring of all aspects of the budget, accurate and timely reporting of data from field offices and collated to date. This will allow for greater efficiencies of manpower where currently thousands of workers do manual reporting by pen and paper. The system would not only integrate the entire banking system but would also allow foreign capitalists greater insight into bank records thereby taking their concerns into consideration for greater accessibility and improved infrastructure, which allow them to invest capital in Iraq. Purchases include equipment, training, transference of old records to new databases and infrastructure development. **Estimated minimum cost: \$30M.**

Catch-up Business Training. Develop and train cadre of business and entrepreneurs in business fundamentals and concepts that were missing in the former Iraqi regime. Classes would include management, budgeting, capitalization, cost accounting, leadership, ethics training and leadership. Mid level managers throughout the country have a general lack of knowledge on what is considered western business practices. As Iraq opens its doors to direct foreign capital investment it will need managers and leaders who understand those concepts. Average cost of 4 week course is \$10,000 per pupil. Program depends upon a preponderance of foreign teachers who have experience in this area. **Estimated minimum cost: \$20M.**

Human Rights (Office of Human Rights and Transitional Justice Projects). Iraq has undergone decades of trauma due to brutal regime of Saddam Hussein. We require \$15M to support Iraqis to begin the reconciliation and healing process through programs already identified and being developed.

Research into Past Atrocities: Although Ministry of Justice funding will focus on the investigation of key Ba'ath officials for criminal accountability, the vast majority of all research and documentation of past atrocities will take place outside of the justice system, for healing, truth and reconciliation, and historical record. To accomplish this, it is essential to fund testimony-taking projects, the establishment of a physical document archive, training for Iraqis to take testimony and scan documents for information on past atrocities, and local initiatives to establish memorials and museums. To begin the process of researching and documenting past atrocities, the Office of Human Rights and Transitional Justice, through the newly created Ministry of Human Rights, seeks to fund the following specifically defined.

- **Documentation and Memorial Workshop:** to bring in 8-10 leading experts and past grantees for two days on the establishment of a National Archive of Documents for Past Atrocities, and Memorials and Museums to document past atrocities. Each expert would bring 2 local Iraqi to the table as well to discuss who will take leading role in particular projects. (September) Anticipated cost: \$.04M.
- **Abu Gharaib Memorial:** We are working to establish a memorial and museum at Abu Gharaib with local Iraqi NGO participation. Desire to put out an RFP 9/03. Anticipated cost of memorial: \$0.5M.

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- Memory Foundation: Fund Documentation portion of Kanan Makiya's proposal to create a national information center and museum as CPA's contribution to the creation of a National Archive for Documents of Past Atrocities. Anticipated cost: \$1M
- Athletes Committee: Memorial or Conference to document and tell the world about past atrocities committed against Iraqi athletes. Anticipated cost: \$.05M
- Witness Database: This database will provide information on atrocities committed in the past, and witness contact information. Anticipated cost: \$0.96M.
- Document Database: This database will provide information on atrocities committed in the past that is contained in documents. Anticipated cost: \$0.96M.

Mass Graves/Missing Persons: To strengthen local capacity on exhumations and to assist families in the reconciliation process, we anticipate the following:

- Forensic Anthropology Training Programs to train local communities in forensic exhumation. Anticipated Cost: \$0.94M
- Equipment for Iraqis to use in Forensic and Local Digging which strengthens the local-capacity to perform exhumations. Anticipated Cost: \$1M
- Family advocacy (for families with victims) programs to ensure that families who have lost loved ones advocate for legislation which provides them with needs and closure; and psychosocial counseling programs to train local trainers in community-based counseling. Anticipated Cost: \$0.7M
- Assist Iraqis in Development of Iraqi National Bureau for Missing Persons. Anticipated cost: \$1.5M
- Fund for investigative / documentary purposes. Funds to purchase videos, and photos of past atrocities currently being sold in Baghdad. Anticipated cost: \$0.5M

Human Rights Ministry: To foster a culture of respect for human rights and dignity in Iraq, and to assist the Iraqi reconcile with atrocities committed by the former regime.

- Establishment of a Human Rights Commission. Establish an independent human rights commission which will question the government. Anticipated cost: \$1M
- Develop a Human Rights Civic Education Program. To train Iraqis, in schools and at the community level, in fundamental human rights. To increase public awareness through brochures, publications and news releases. Anticipated cost: \$2.1M
- Truth and Reconciliation Commission. Assist Iraqis in developing regional truth and reconciliation commissions. Anticipated cost: \$2.5M
- NGO Coordination and Development: Start-up funds for local NGOs. Anticipated cost: \$1.25M

**Coalition Provisional Authority
FY04 Supplemental Request
To Rehabilitate and Reconstruct Iraq**

Civic Programs. One of the hallmarks of a democratic society is a vibrant civil society that holds government accountable, organizes citizen participation in government, and empowers traditionally underrepresented groups to participate in governance. **\$10M** is required for the following programs.

Women's programming -- \$5M. To give women the skills necessary to participate in public life, to include civic education campaigns, women's resource centers throughout Iraq, leadership training and exchange programs.

Youth programming -- \$2M -- to expose youth to new models of civic participation through exchange programs, youth groups and University programming.

Civic education -- \$3M. Programs to promote new ideas and concepts, such as democracy, civil society, rights and responsibilities of citizenship. Building consensus on these ideals is the first step in transformation to democratic society. Programs to include book distribution, posters, pamphlets, speakers tours, for a, etc.

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MESSAGE FROM THE GOVERNING COUNCIL OF IRAQ

As we work to rebuild our country after decades of mismanagement and neglect, Iraqis will look to the international community for assistance and support. We are a proud people with a long and noble history determined to regain Iraq's proper place among the family of nations. However, we realize this will be a long and difficult challenge. Never again will Iraq be allowed to fall into the spiral of madness and terror of our recent past, nor the international isolation the previous regime brought upon our nation. The Iraq of the future will be a stable, prosperous and democratic nation at the heart of the Middle East, a country at peace with its neighbors and dedicated to the principles of international law. Our success in this endeavor is key to the stability of the region. As we negotiate this transition, we welcome the assistance and support of our friends in the international community.

The Madrid Donor Conference offers a unique opportunity to highlight the considerable needs Iraqis face in rebuilding our country. In this booklet, each of the 25 Iraqi ministries and three other departments present a summary of the challenges they face and their priorities for meeting our common goal of a stable and prosperous Iraq. In addition to these documents, a delegation representing the Governing Council and a number of Ministers are in Madrid to make presentations and discuss with the donor community the road ahead.

We appreciate the efforts of the United Nations Development Group and the World Bank in producing their Needs Assessment for Iraq, which was completed notwithstanding the heinous bombing of the UN headquarters. We are thankful to the leadership of both organizations, their staff and the authors for committing so much time and energy to a product that will serve as a guide for many of our future development decisions.

As the UN/World Bank report reveals, Iraq's needs for reconstruction over the next four years are vast. Iraqi Ministries have identified priority reconstruction needs and are compiling a database of projects that will need to be addressed in our long-term rebuilding efforts. This database will be available to interested donors soon after the Madrid conference.

Our primary requirement as we lay the groundwork for a better future will be that the Iraqi people come first: their health, their safety, their general welfare. The Iraqi Governing Council and the Ministers that we have appointed are committed to pursuing sound development strategies that have proven successful throughout the world, and that will lead to real improvements in the lives of all Iraqis.

We are committed to the creation of an open and democratic society. We have embarked on a process that will lead to the drafting and ratification of a new constitution followed by a democratic election of a representative, sovereign Government as laid out in that constitution. The constitution and the new legal regime in Iraq will protect free speech and allow the new freedoms we are now experiencing to flourish. An active and participatory non-governmental civil society will be encouraged, as we provide to our citizens the right and responsibility to become active in the affairs of the nation.

We will achieve security in our country and a life free from the fear of crime, lawlessness and terror. Over the past several decades, Iraqis underwent a national trauma in which we learned to live in a constant state of fear and uncertainty. The fall of the former regime has lifted that pervasive sense of fear, but the lack of security in parts of the country in the months since the end of the conflict has prevented Iraqis from fully enjoying the fruits of our new freedom. We

are working closely with the Coalition to erect a new security structure, including fielding thousands of new Iraqi police and the first battalions of the New Iraqi Army.

Security is critical for development, but development is also critical for security. Improvements to critical infrastructure in the months since the war have begun to show Iraqis that their lives will improve with freedom. Some in the donor community have expressed reservations about becoming more involved in Iraq until the situation settles further. We are sympathetic to these views, but would point out that the present is the critical phase in our transformation, as nations that have endured similar traumas know. We need the world's help to weather this early period until we are able to face these challenges alone.

As part of the transformation to a new Iraq, we will implement market-oriented economic policies that unleash the economic potential of our country and help to raise the living standards of all Iraqis. At the same time, we will ensure that all Iraqis are cared for through the development of a strong social safety net, and that all Iraqis have opportunities to share fairly in our country's opportunities and resources. We face enormous challenges in this area, such as the effort to phase out a centralized food distribution system while we develop a private-sector based agriculture sector that will ensure that all Iraqis' basic food needs are met. Such challenges are similar to those many in the international community have also faced recently. We welcome their expertise and recommendations as we move forward.

The pages which follow provide a more detailed look at some of the challenges faced in Iraq. We invite you to study these documents, attend the presentations to be made by new Iraqi Ministers, and discuss with us your ideas and solutions. We also invite you to become acquainted personally with our country and people. Iraq is a land rich in tradition and culture. We are a many varied people, Arabs, Kurds, Turkomen, Christians, Muslims, both Shi'a and Sunni, tribes and farmers in the countryside, and urban dwellers in our cosmopolitan cities. We are excited by what the future holds for us, and for the opportunity to reacquaint the world with the true Iraq.

FROM THE MINISTER OF AGRICULTURE

Current Status of Sector

Major investments will be needed to improve water management to facilitate diversification of crop production, increase productive capacity, enhance domestic food security and improve environmental quality. In 2003, the Ministry's Emergency Assistance Program has focused on the rehabilitation of the central Ministry of Agriculture building in Baghdad and initiation of work on governorate level offices; prioritization and renegotiation of Oil For Food contracts to finance imports of agricultural inputs; rehabilitation of warehouses; evaluating the status of state-owned enterprises; and initiation of price policy reform.

Sector Goals

The overall goal is to bring about major structural change in the agricultural sector to maximise employment, enhance farm and rural incomes, improve soil and water quality, and promote a sustainable agricultural production system.

Proposed Projects

- **Plant Protection, Animal Health and Food Safety**—An immediate and critical need is for Iraq to re-establish a credible animal, plant health, and food safety regulatory and institutional environment.
- **Research and Extension**—Iraq's agricultural colleges currently do not have the capacity to educate the next generation of agricultural specialists to transform the agricultural sector, foster private sector development, and promote good agricultural and environmental practices. Iraq's agricultural extension service is virtually non-existent.
- **Forestry**—Iraq's forest and range resources have been devastated by drought, over-grazing and an increasing demand for wood. Projects to establish plantations and encourage replanting of forests modeled after projects initiated in the three northern governorates by the Food and Agricultural Organization (FAO) need to be expanded.
- **On-farm Water-use Efficiency**—Significant savings in water use and avoidance of salinity problems can be made through adoption of drip and under tree sprinkler techniques and through monitored water application.
- **Marketing and Agro Processing**—Commercially sustainable agro processing and marketing urgently require support to recapture a share of the domestic market which has stagnated due to state control, distorted pricing policies, and non-transparent regulations.
- **Revitalization of the Crop and Livestock Sector**—Wheat and barley have dominated Iraq's agricultural for decades leading to depleted soil quality, reduced yields, and increased levels of insect and fungal disease. Diversification of cropping patterns and improved livestock management will be critical to a sustainable agricultural sector.

Implementation Issues

The ministry is focused on Iraq's institutional capacity to implement country-wide projects and the consistency of national economic policy on pricing and resource allocation.

FROM THE MINISTER OF COMMUNICATIONS

Current Status of the Sector

The state-owned Iraqi Telecommunications and Posts Company is the sole provider of telephone and postal services in Iraq. The country has four telephones per 100 inhabitants, considerably below the regional norm. Connectivity between the provinces is poor. Most of the exchanges date back to 1970's with little in the way of more modern equipment. In Baghdad, 12 of the 22 main telephone exchanges were destroyed in the war and are being replaced, though this will offer little additional capacity. International telephone links are currently minimal, but a limited interim solution using high cost satellite links will soon be in place. High speed data links are close to non-existent.

The postal service is badly run-down and does not offer timely or cost effective delivery. Average daily deliveries are only some 50kg—2 or 3 sacks full. Similarly, international mail has been delivered mainly through land transport via Jordan or Turkey. Mail exchange agreements have been signed with Kuwait, Jordan and few others.

Sector Goals

Under the previous regime, telephone access was a privilege that was awarded to the few. Our aim is to make the phone widely available without discrimination. The target is to double teledensity to 10 percent by 2007. To achieve this, private sector investment in competitive services and networks must be encouraged. If this is to happen, it is vital that the underlying core infrastructure is strengthened to provide a secure base for new and expanded services. Strong bids for three licenses for mobile communications indicate that the willingness to invest exists, but the ability of the present infrastructure to support such projects is limited.

Proposed Projects

- Update national fiber optic network to give reliable high-speed links.
- Re-institute international fiber optic links to provide low cost links.
- Replace and expand regional telecom switches to increase capacity.
- Refurbishment of old and construction of new post offices.

Implementation Issues

In addition to infrastructure investment, business management and training issues need to be addressed. Project management, supply chain management and institutional strengthening are vital.

FROM THE MINISTER OF CULTURE, HERITAGE, AND TOURISM

Current Status of Sector

The Ministry oversees antiquities and heritage, tourism, museums, the National Library, fine and performing arts, cinema, Kurdish folklore and fashion. The Ministry has primary responsibility over the rich heritage of Iraq. Mesopotamia is the cradle of Western civilization, where, for the first time, human beings conceived agriculture, settled in towns, and put their thoughts in written form. The State Board of Antiquities and Heritage oversees over 7,000 archaeological sites, 41 museums, and over 600 heritage buildings. The Board of Tourism owns 15 hotels outright and owns substantial blocks of shares for 15 more. Many of the Ministry's primary cultural assets—including the Iraq National Museum, the National Library, and many archaeological sites—were neglected under the former regime, and then were damaged, looted, or destroyed in the aftermath of the war.

Sector Goals

The Ministry's goals are to protect, repair, and restore its cultural institutions and sites throughout Iraq, and to foster a lively fine and performing arts sector for the benefit of all Iraqis.

Proposed Projects

- Iraq National Museum: restoration and reopening.
- National Library: construction and furnishing of a new building.
- Archaeological sites: protection from looting and development.
- Mosul Museum: restoration and reopening.
- Basra Museum: restoration and reopening.
- Heritage buildings: prevention of demolition and deterioration; restoration.
- Regional museums: restoration and reopening of 12 regional museums.
- National Museum of Modern Art: restoration and reopening.
- Museum of Pioneer Artists: restoration and reopening
- Conservation training center: to address future preservation needs.

Implementation Issues

Problems that should be addressed in implementation planning:

- Concerns about security for public collections and libraries.
- Training needs for staff isolated from international contact for 20 years.
- Poorly organized, trained, and equipped archaeological site guards.
- Infrastructure reconstruction projects that threaten archaeological sites.
- Poor communication with outlying regions.

FROM THE MINISTER OF DISPLACEMENT AND MIGRATION

Current Status of the Sector

From the early 1970s until the recent war, waves of displacement occurred inside and across Iraq's borders as the result of ethnic cleansing, inter-ethnic fighting and a campaign to "Arabize" areas of the north in places of strong concentration of non-Arab ethnic minorities. Since the end of the war there has been further displacement, this time of Arabs from areas to which Kurds began to return. Estimates suggest there may be as many as 800,000 persons displaced throughout northern Iraq, in addition to 100,000-300,000 in the center and south. An estimated 900,000 Iraqis were compelled to cross international borders and are considered to be refugees, or in a "refugee-like" situation. Many Iraqi refugees and those in "refugee-like" conditions reside in Iran and Jordan, with lesser numbers in Saudi Arabia, Lebanon, Syria, and countries outside of the immediate region.

Sector Goals

The Ministry plans to facilitate organized, voluntary refugee returns to Iraq, as conditions permit. It intends to develop and implement durable solutions for non-Iraqi refugees inside Iraq. It will also support local integration or relocation of internally displaced persons (IDPs). Finally, the Ministry must develop a national plan to resolve the comprehensive set of issues affecting internally displaced persons and refugees, to include property restitution or compensation, restoration of citizenship, and access to government services.

Proposed Projects

- Establish regional offices in Basrah, Diyala, Missan, and Sulaymaniyah to facilitate the Ministry's work in governorates of high refugee and IDP returns.
- Rehabilitate housing and public infrastructure (schools, clinics, utilities) to accommodate community growth resulting from refugee and IDP returns.
- Provide legal assistance to returnees and host communities to assist in the resolution of property issues and gain access to governmental services.
- Build institutional capacity for the protection of displaced populations through training of ministries, other government agencies, and community organizations.
- Rehabilitate infrastructure and improve services to returnee areas through implementation of community micro-projects.

Implementation Issues

The security environment in Iraq challenges the implementation of programs that support refugee and IDP return and reintegration. Many of these programs were led by United Nations agencies and non-governmental organizations that have now withdrawn staff and downscaled programs because of security concerns. Due to a lack of infrastructure and limited basic services, Iraq has very little capacity to absorb potential returnees. Return and repatriation should neither be encouraged nor promoted until the situation improves. UN agencies had been helping to meet some of these needs and build local capacity. Much work is being done to handover responsibility for decision-making and policy formulation to Iraqi officials. The new Iraqi Ministry of Displacement and Migration is assuming a key role, but with very limited resources.

FROM THE MINISTER OF EDUCATION

Current Status of Sector

Education conditions in Iraq have deteriorated significantly over the past 20 years due to governmental neglect, the consequences of military adventures, and a decade of international isolation. Literacy has fallen to 20-year lows. UNESCO estimates that some 25 percent of children aged six to eleven years have dropped out of school (31 percent of girls and 17 percent of boys). In rural areas, dropout rates of up to 50 percent are reported for girls. A recent UNESCO study of 4,044 secondary schools determined that approximately nine percent of school buildings were structurally dangerous to students, while 21 percent were badly in need of essential repairs and 43 percent were somewhat in disrepair. More than half of the schools need new sewage systems and access to potable water. Following the latest conflict, 80 percent of supplies and equipment in vocational and technical schools were either looted or rendered unusable. The period of looting caused damage to roughly 3,000 schools, both vocational and academic. As of October 14, rehabilitation has been completed at 1,628 schools, but much work remains to be done.

Sector Goals

The Ministry's goal is to restore our education system to the high level achieved before the Saddam era and respond to the education needs of the Iraqi people, including the need for increased opportunities for all Iraqis to be educated on human rights, constitutional government, and peace.

Proposed Projects

Proposed projects include: the rehabilitation of school facilities, additions to schools, new school construction, demolishing and rebuilding old schools, school maintenance, women's resources, and general projects not fitting into these categories such as school libraries and science laboratories. Assessment of needs conducted recently by the United Nations and World Bank indicate that about one billion dollars is needed every year for the next four years for reconstruction of infrastructure for the education sector.

Implementation Issues

There are several issues that could affect the ministry's ability to reconstitute the primary and secondary school system. In the short term, student attendance will largely depend on whether parents feel safe sending their children to school. Equipment at many schools is still vulnerable to looting and schools built below current water tables are subject to seasonal flooding and sewage run-off. Another important issue is that de-Ba'athification has reduced the ranks of experienced administrators in the education sector.

FROM THE MINISTER OF ELECTRICITY

Current Status of the Sector

In April, Iraq's electrical generation peak output was 1,275 MW—29 percent of the pre-conflict peak level. Since the conflict, peak electricity generation has risen threefold, reaching over 4,400 MW in early October, when it exceeded the pre-conflict peak. To satisfy Iraq's total demand for electricity, the country will need an estimated 6,000 MW by summer 2004, some 1,600 MW more than the pre-conflict level. Post-war looting and sabotage have brought down nearly 1,000 towers, leaving seven of the country's major transmission lines useless. Many substations were destroyed. The overall security situation has been much improved through combined Coalition and Iraqi activities and the deployment of a power police force to guard sensitive lines. Nonetheless, looting of cables, destruction of high-tension towers and fuel line sabotage persist. Decades of operation without regular maintenance and fuel shortages have also severely hampered dependable production.

Sector Goals

The goals of the Ministry are to provide reliable, stable and predictable power to the people and enterprises of Iraq. The Ministry plans to reach peak output of 6000 MW during the summer of 2004, rising to 9000 MW during the spring of 2005. As part of this process, the Ministry plans to reconstruct and rehabilitate generation, transmission and distribution networks, and control and communications. The Ministry also will be working to establish and implement a sound regulatory framework for the sector and to ensure improved infrastructural security and resilience. These goals will only be accomplishable through the funding of major new projects beginning in the fall and winter of 2004.

Proposed Projects

- Construction of Combined Cycle Power Plants
- Transmission Line Additions
- Completion of Thermal Power Stations Begun Under FFO Program
- Training and Continuing Education for Iraqi Technicians and Engineers
- IT Systems, Communications and Training
- Technical Assistance in Evaluation of New Power Plants
- Technical Assistance for Load Flow Analysis
- Technical Assistance in finance, accounting and billing
- Distribution Line Additions
- Provision of Vehicles for the Ministry of Electricity

Implementation Issues

The Ministry of Electricity is concerned that electric power output be increased in an environmentally sensitive manner. Providing security for employees and facilities is also a key concern and priority.

FROM THE MINISTER OF ENVIRONMENT

Current Status of the Sector

The former regime placed little or no emphasis on environmental protection. As a result of poor or non-existent environmental and conservation practices, a lack of physical infrastructure, a complete absence of an effective compliance or enforcement apparatus, and a poorly resourced environmental directorate, Iraq now faces a number of serious environmental problems which have potential consequences for the wider region. These include many unlisted hazardous waste sites, extensive water pollution, and serious damage to the Mesopotamian marshes. The Iraqi Governing Council established the Ministry of Environment on August 7, 2003 and appointed Abdulrahman Sideeq Kareem as Minister. An inter-ministerial agreement between the Ministry of Health and the new Ministry of Environment will transfer staff and facilities to the new ministry. This will provide the new Ministry a nucleus of 741 employees located in three main facilities in Baghdad and support offices in each of Iraq's 18 Governorates.

Sector Goals

The immediate goals of the new Ministry are to: establish standards for air and water quality; monitor the disposal of waste products and levels of air, water, soil and radiological pollution; and initiate remedial actions to protect human health, the ecological balance, and biodiversity. The Ministry will cooperate with other Iraqi ministries in order to make material progress in all aspects of environmental protection and remediation.

Proposed Projects

Urgent needs include the provision and equipment of a central headquarters and governorate ministry offices, as well as laboratory equipment and training for staff. Only when these initial needs have been met can the Ministry begin to properly perform its mission. It will also be able to begin the process of a wide scale civic education program to inform all Iraqis of the importance of environmental protection, and carry out a more detailed assessment of needs within the context of an overall environmental strategy. Immediate priority programs include the following:

- Capacity Building
- Environmental Assessments
- Infrastructure Repair and Cleanup
- Environment Awareness Education Program

Programs for dealing with many of the serious environmental problems are incorporated in the agendas of other Ministries.

Implementation Issues

Environmental problems are cross-cutting. The Ministry of Environment will need to work cooperatively with many other ministries, particularly the Ministries of Municipalities and Public Works and Water Resources, to solve environmental problems. In practice, this means that many of the donor proposals that will benefit the Iraqi environment will be executed by other ministries, with the Ministry of Environment serving in a supporting or consultative role.

FROM THE MINISTER OF FINANCE

Current Status of the Sector

Thirty years of neglect left many financial structures dilapidated and devoid of electronic capabilities. Sustainable recovery in Iraq's economy requires fundamental payment and banking systems. The broader economic policy institutions also require strengthening through both technological support and technical assistance to develop human capacity.

Sector Goals

The primary goals are to rebuild the regulatory and supervisory capacity of the Central Bank of Iraq and strengthen the banking sector overall. This will be done through a combination of direct technical assistance, rebuilding inter-bank informational and mediation services, and introducing modern and secure communications technology.

Technical assistance is being sought to establish a stock exchange and other measures aimed at deepening the capital market and facilitating international trade. Technical assistance and technology are being sought to strengthen the fiscal base through development of a more efficient and effective tax administration.

Proposed Projects

- Communications Upgrades in the Rafidain and Rasheed Banks
- Fiscal Base Technology and Reconstruction
- Corporate Training
- Reconstruction of Baghdad Stock Exchange
- Central Bank of Iraq Technology Upgrade

Implementation Issues

Rebuilding the capacity and regulatory framework within the banking system will be accompanied by other efforts to reestablish confidence and stability in the overall financial system. Parallel efforts in international trade facilitation, improving compliance in a broader fiscal base, and developing payment systems will be highly dependent on the pace of implementation within the sector.

FROM THE MINISTER OF FOREIGN AFFAIRS

Current Status

As part of the restoration of the institutional framework for a functioning democracy, the Ministry of Foreign Affairs has resumed its activities under the Governing Council and Coalition Provisional Authority. The end of the Ba'ath regime made possible Iraq's re-emergence on the international stage. The Iraqi interim authorities are beginning to appoint new diplomats abroad and have resumed Iraq's representation in the United Nations, Arab League, the World Bank and IMF and the Organization of Islamic Conference, OPEC, UNESCO, and other organizations. Iraqi representatives were present at the Dubai World Bank/IMF annual meetings and the Ministry has received numerous foreign delegations. Forty-six nations and organizations have maintained missions or offices in Baghdad.

At present, there are 1300 employees in the Ministry with a core diplomatic cadre close to 500. Main functions of the Ministry have resumed. A major restructuring of the personnel management system and all core functions is in progress. Accomplishing these tasks will require the investment of capital and equipment as well as an intensive training program to develop a new generation of diplomats with sound representational and policy skills.

Sector Goals

The main priorities are to undertake projects that lead to Iraq's effective reintegration to the international community, including the development of a professional and reliable foreign service to represent Iraq's interests abroad and to facilitate its trade and economic relations with the world. Training and development of a cadre of career diplomats will be a high priority in conducting necessary bilateral negotiations, acting in international fora and enhancing foreign relations. The Diplomatic Institute represents a valuable asset for promoting a future core of professionals.

Proposed Projects

The Ministry has proposed five principal projects aimed at improving and upgrading Ministry activities in Baghdad and a number of other proposals aimed at the rehabilitation of 27 Iraqi missions abroad. The five projects to be developed in Baghdad are:

- Developing a basic IT system for internal MFA functions,
- Rehabilitation of the Diplomatic Institute;
- Immediate commencement of training for diplomats and other public servants;
- Rehabilitation of the main Ministry building;
- Rehabilitation of MFA site and complementary facilities.

Implementation Issues

Principal challenges consist of inadequate working facilities due to the destruction of the main Ministry building and subsequent looting. The existing lack of diplomatic skills and access to information and IT tools creates great difficulties for the Ministry to communicate with posts abroad. In the last 20 years, no major capital investment has been allocated for Iraqi diplomatic missions, and some of them have been closed. In order to resume consular services and to provide a professional, transparent relationship with the Iraqi people at home or abroad, investments in modern facilities and a trained staff will be necessary. Further support from donors in the areas of capital equipment and training will ensure a more rapid transition to active participation in the international community.

FROM THE MINISTER OF HEALTH

Current Status of the Sector

The health care system suffers from years of neglect, corruption, weak management and chronic under-investment in maintenance of physical infrastructure, equipment and staff development. Health care spending experienced a 90 percent decline in the final decade of the former regime. This situation was exacerbated by widespread looting and vandalism that left many facilities without any capacity to deliver even the most basic services.

Since May 2003, the Ministry has undertaken major reorganization and recovery. All 240 Iraqi hospitals and more than 1,200 primary health clinics are now operating across Iraq. These facilities include cardiac care centers, pediatric facilities, and nutrition centers. A small, self-sustaining private health care sector exists, with 70 hospitals in operation.

Sector Goals

In the short term the main goals are to restore and refurbish primary level health care facilities, and to repair or replace equipment and secure the supply of pharmaceuticals. Mid-term and long-term goals include:

- Developing a plan to transition from the Oil For Food program and state run procurements to a more open system that emphasizes quality products at competitive prices.
- A focus on maternal and child health and the ambitious but attainable goal of reducing the infant mortality rate by one half by the end of 2005.
- Developing a strategic plan to decentralize the health care system and allow more flexibility to respond to the individual concerns of localities across the country.

Proposed Projects

Ministry of Health personnel have been engaged with representatives from both the World Bank and the United Nations to outline the most urgent funding priorities in the Iraqi health care system. Funding priorities as outlined include:

- Hospital reconstruction
- Maternal Child health programs
- Equipment acquisition and installation
- Community health and mental health programs
- Public health programs
- Medical Surveillance
- Information systems and technology

Implementation Issues

The effort to rebuild the health care sector comes after an extended period of neglect and exploitation. The sector needs an influx of capital to help build a sustainable health care system. The extreme levels of infant mortality and the general decrepitude of the system suggest obvious short term needs. In the medium term, a shift to improved primary care might require fewer large hospitals and better-equipped and staffed small regional centers.

Current Status of the Sector

The 22 universities and 42 technical colleges in Iraq have been in decline for over 20 years. In the looting and fires that occurred during and after the fall of the Saddam regime, many classrooms, libraries, buildings and laboratories were burned to the walls. From Baghdad to the south, computers, furniture, fans, windows, doors—everything of value—were taken or destroyed.

This devastation follows years of neglect. During Saddam's regime, international visits were virtually non-existent. Almost none of the professors in Iraq's universities have ever visited a research university in their field outside of Iraq. In many classes, textbooks are either non-existent or over 20 years old. Libraries lack access to the most important contemporary books and journals.

Sector Goals

Our goals are to rebuild the physical infrastructure of our universities, modernize our libraries and curricula, enter the electronic information age, rebuild the intellectual life of our country, and end our intellectual isolation.

Proposed Projects

- First, to help rebuild our academic buildings, classrooms, libraries, laboratories and computer centers.
- Second, to re-establish visits and exchange programs, not only of faculties but also of students.
- Third, to establish a nation-wide information and computing infrastructure.
- Fourth, to establish centers of advanced study at our universities to increase their ability to be at the forefront of new knowledge.
- Fifth, to establish at least one graduate business and executive management institution to help us as we enter the world's free market.

Implementation Issues

This vision and these projects cannot all be achieved overnight. Certain issues like buildings, books, laboratories, basic computers and equipment must be addressed immediately. Some scholarly exchanges, especially regarding visits of foreign scholars to parts of Iraq, may have to wait until the security situation has improved. Similarly, while basic computing and information science should soon be made available, the completion of a nationwide university and computing infrastructure is dependent on the renovation of a national information and communications infrastructure.

Nonetheless, with hard work on our part and sufficient assistance from others, these goals and projects will surely become reality. The staffs of our universities are dedicated, motivated and intelligent. Our students desperately wish to learn and succeed. We are all eager for Iraq once again to take its place as a leader in the world of science, technology and scholarship.

FROM THE MINISTER OF HOUSING AND CONSTRUCTION

Current Status of the Sector

The Ministry of Housing and Construction is responsible for three areas of construction: public buildings and facilities; housing; and roads and bridges. The Ministry of Housing and Construction supports all of these sectors and assists other Ministries in providing their critical engineering and construction services. The needs are great. Of the 14,250 public buildings in Iraq, over 50 percent are damaged and need immediate repair; the remaining public buildings are suffering from neglect and lack of proper maintenance. Iraq also faces a critical housing shortage. It is estimated that there is an immediate need for up to 1.4 million housing units. Over 41,000 km of major highways and local road systems and more than 32 bridges need major repair and will not adequately support the high volume of transport required to support national recovery.

Sector Goals

Our initial goals represent only a fraction of overall needs. Our target for housing construction will meet only seven percent of needs, however that would provide the seed money necessary to start an effective housing program in Iraq and allow individuals to purchase homes at reasonable prices. Our target for roads and bridges spending will meet only a fraction of the costs necessary to make repairs and system improvements following 15 years of neglect. Our goal for public buildings is to provide facilities appropriate to maximize the capabilities of the Iraqi leadership. This will: enable a more decentralized and representative government model; provide the necessary office space for future organizations to manage, and become involved in the future economic growth; allow for places of worship; sufficient clinics and hospitals to care for the sick; and provide enough schools to educate the children of Iraq to become full partners in its success.

Proposed Projects

On September 9-10, 2003, the Ministry of Housing and Construction held its first Annual Conference during which the Governorates voiced their needs, concerns and desires to improve their plight. At the Annual Conference they were asked to submit their 10 highest priority projects. The projects identified needs in all sectors of the infrastructure, from clinics, to border stations, to schools, to municipal buildings, and roads and bridges.

Implementation Issues

The construction industry in Iraq needs improvement. While not idle, it is not yet fully prepared for any significant increase in activity. Iraq's greatest asset is its people; they are educated, and ready to work and they are keen to exploit new technology and enter into multinational ventures to improve the infrastructure across the whole of Iraq. Demonstrable progress in relieving the housing shortages and rehabilitating infrastructures will contribute to an improved security situation. It will also contribute to producing a more robust base for a market-driven economy, allowing for the rapid expansion of the construction industry to meet Iraq's burgeoning infrastructure needs.

FROM THE MINISTER OF HUMAN RIGHTS

Current Status of the Sector

The Ministry hopes to assist the Iraqi people to reconcile with the human rights abuses committed by the former regime, and build government institutions which protect fundamental human rights and dignity in the future. The Ministry was recently established by the Governing Council and is currently focused on renovating a new building, hiring qualified human rights experts and carving out a new role to serve the Iraqi people.

Sector Goals

The Ministry has several goals, including: (1) addressing past atrocities through truth, reconciliation and justice; (2) establishing a nationwide human rights education program; (3) fostering proactive nongovernmental human rights organizations; (4) ensuring human rights protections are addressed in Iraqi legislative and judicial reform; and (5) engaging other countries in the region and worldwide on human rights issues.

Proposed Projects

- Mass Graves: identification of missing and preservation of key evidence
- Forensic anthropology training for community-led mass grave exhumations
- Investigations and tribunal for past atrocities
- Documentation Project: collect, analyze and use documents to expose atrocities
- Documentation Database: creation of an electronic archive of atrocities
- Witness Testimony-Taking and Database: creation of an oral history
- Human Rights Civic Education Program
- NGO coordination and development
- Family advocacy and counseling for families with victims
- Creation of an Iraqi National Bureau for Missing Persons
- Abu Gharaib Memorial
- Equipment for use in forensic and local digging for mass grave sites
- Establishment of a Truth and Reconciliation Commission
- Establishment of a Human Rights Commission
- Athletes Committee project for former torture victims
- Documentation and memorial workshop
- Fund for investigations and documentary purposes

Implementation Issues

This new Ministry must quickly establish infrastructure and define its role. It must also convince citizens that it is capable of promoting and protecting human rights after 35 years of a repressive regime. Iraqi society as a whole, within and outside of the government, has minimal awareness of basic internationally-protected human rights. Funding constraints and limited capacity in human rights advocacy, forensic expertise and investigative skills may hinder the Ministry's ability to effectively address the atrocities of the former regime.

FROM THE MINISTER OF INDUSTRY AND MINERALS

Current Status of the Sector

The ministry of Industry and Minerals has two broad missions. Its short-term mission is to get the majority of companies which make up Iraq's nationalized heavy industrial and mining companies or State Owned Enterprises (SOE) back into operation so that Iraqis can return to work and regain a sense of security and normalcy. Many companies were damaged during the war or experienced heavy looting after the war. This, after many years of mismanagement, lack of capital expenditures, and depleted raw materials, has left companies unable to operate. Even so, many firms have restarted operations at low levels of capacity. The Ministry's long-term mission is to upgrade and transfer state companies into the private sector through strategic alliances, leasing, and privatization options. In the past six months, the Ministry has been very active in assessing each of its state enterprises through due diligence reviews. The Ministry is validating the information obtained from those reviews and will devise balance sheet and current account statements for the firms.

Sector Goals

The Ministry's short term goals are to reemploy its factors of production where it is economically viable and to sustain SOEs until they are restructured or privatized. There are 192 SOEs throughout the country and 52 of these fall within the responsibility of the Ministry. These firms involve some of the critical sectors/materials needed in the effort to rebuild Iraq and restart the economy, including cement, phosphates and fertilizers, petrochemicals, and other non-oil minerals.

The Ministry's mid-term goal is to address the critical needs of its companies' environmental shortfalls. Plans to properly upgrade and ensure minimal environmental standards were never implemented under the previous regime, thus endangering both employees and citizens living nearby the sites of these facilities throughout Iraq.

The Ministry has concerns about the large workforce employed by SOEs (more than 100,000). The development of a social safety net is necessary before any privatization process can begin in order to reduce the risk of political and social instability. Similarly, job retraining programs are a necessary part of any such process. The Ministry needs to ensure jobs for displaced workers and envisions the creation of industrial development parks to attract new investment, private sector projects, and new jobs.

Proposed Projects

The immediate needs are to complete investment projects for the SOEs that are necessary for privatization to occur. Environmental projects are critical. The other capital expenditure for the Ministry is to build industrial development parks.

Implementation Issues

The Ministry will require technical assistance to manage the transition to a market-based economy and to ensure that viable SOEs stay in business until their disposition is known. Funding or in-kind assistance would be beneficial (including industry management consultants and technicians).

FROM THE MINISTER OF INTERIOR

Current Status of Sector

The Ministry of Interior has responsibility for police, facilities protection services, fire and rescue, border and customs, and nationality and civil affairs. The Iraqi Customs Service has been entirely restructured, based on the globally recognized and more efficient method of moving all customs inspections activity to the border points. Iraqi Border Police resumed operations at 16 out of 19 posts within two months of the end of war with the help of the Coalition. Citizenship is being returned to those stripped of their nationality. Interim travel documents are being issued and passports are being extended.

Iraqi police services are currently 45,000 strong, and 3,300 policemen have cycled through the Transition Integration Program (TIP). The Jordan Police Training Academy is expected to open in late November. New cadets entering the academy will undergo an eight-week intensive basic police education in modern policing methods. It is expected to graduate 1,500 new officers early next year. Fire and Rescue Services have been re-established and a National Response Center is being constructed. A Facilities Protection Services training program has been established at the Baghdad Police Academy.

The Ministry of Interior organizational structure has been established. Ministry headquarters are under construction and expected to be completed by February 2004.

Sector Goals

The goal for Iraq is to establish a civil security foundation that will ensure the security and safety of Iraqi Citizens and their property; to serve Iraqi citizens of all backgrounds and beliefs; and to provide a proactive, accountable police and public safety presence.

Proposed Projects

- Border inspection laboratories
- Freight X-ray scanners for ports of entry
- National civil registration for all of Iraq
- Renovation of 25 police stations across Iraq
- 400 four-door sedans with police transmission and suspension
- 45,000 bullet resistant vests
- Police institutional reform and development
- Construction of a new fire academy

Implementation Issues

Given the broad scope of programs and staffing requirements in the major areas of responsibility for the Ministry of Interior (Police, Facilities Protection Service, Fire and Rescue, and Borders and Customs), there is a tremendous need for staffing, training and funding.

FROM THE MINISTER OF JUSTICE

Current Status of the Sector

Prisons were little more than dungeons and occasionally torture chambers under Saddam; they must be brought up to humane standards before they can be returned to service as correctional facilities. Prison facilities of the prior regime were devastated by official neglect and deliberate pre-war destruction of infrastructure, as well as rampant post-war looting. Virtually every detention and correctional facility requires complete reconstruction, with special attention given to the provision of adequate personal space, health, hygiene, education, treatment, training, exercise, and rehabilitation programs. Currently there are only 3,600 prison beds compared with a projected need of 38,000. There are no maximum-security facilities to house terrorists and organized criminals.

Special security courts that were no more than an extension of the former regime's abuses have been abolished, and regular courts have resumed operation. Judicial independence was established in September, when control of judges was transferred from the Minister of Justice to a Council of Judges, headed by the Chief Judge of the Supreme Court. New criminal defendants' rights have been established and are being implemented, with the help of a public defender program. Judges and courthouses face severe security threats. All judges and prosecutors nationwide are being vetted for past corruption and other malfeasance. However, these early steps along the path to an impartial legal system need considerable reinforcement in the form of extra resources.

Sector Goals

The goal of the Ministry of Justice is to establish an expeditious, effective and efficient justice system comprising the judiciary, courts, and penal institutions. These three elements must be based on the rule of law, free from corruption, within a legal framework that guarantees access to justice by all and complies with or surpasses international legal standards.

Proposed Projects

The following list, which is far from exhaustive, summarizes the most pressing needs in establishing such a system:

- Prisons: construction and reconstruction, provision of technical assistance.
- Courthouse security enhancement and reconstruction programs.
- Establishment of a National Criminal Justice Information Database.
- Provision of equipment for prisons.
- Assistance with judicial, prosecutorial and attorney training.

Implementation Issues

Prisons suffer from a lack of qualified, reliable personnel, placing the provision of skilled technical assistance at a premium. The corrections culture must be transformed from one of brutality and abuse to one of humane and rehabilitative punishment. Similarly, corruption must be eradicated from the legal system so as to engender widespread respect for the judicial process. Respect for human rights and fundamental due process must be engrained at all levels in the bench and bar.

FROM THE MINISTER OF LABOR AND SOCIAL AFFAIRS

Status of the Sector

The Ministry of Labor and Social Affairs serves the most vulnerable people in Iraq. It administers social security, welfare, and programs for Iraq's children, elderly, widows, mentally and physically disabled, internally displaced persons, and refugees. The Ministry is developing employment service and vocational training for the 50 percent of the labor force that is either unemployed or underemployed. The Ministry has 3,800 employees.

Sector Goals

The major goals of the Ministry are to provide expanded, unbiased services to all eligible people across Iraq, including many previously neglected groups, and to reduce unemployment through vocational training and employment assistance. These goals will require the Ministry to build capacity using all available resources and assistance from non-governmental organizations and international organizations.

Proposed Projects

Many projects entail refurbishing facilities that have been systematically neglected, looted and left with no equipment or furnishings; raising many sub-standard services to an acceptable level; and expanding programs to previously underserved groups like the unemployed or mentally disabled. Priority programs include:

- Children Centers
- Employment Centers
- Nursery Centers
- Residential Centers for the Disabled
- Training Centers for the Disabled
- Vocational Centers

Implementation Issues

The Ministry is working in cooperation with non-governmental organizations, international organizations, and other Ministries on major programs to maximize resources, improve existing facilities, and build capacity where indigenous personnel or experience do not exist in the Ministry to meet current and future demands. This work includes: building systems required to administer benefits; creating facilities needed to engage, retrain, and assist the unemployed; and refurbishing and upgrading facilities for children, the elderly, and disabled people.

FROM THE MINISTER OF MUNICIPALITIES AND PUBLIC WORKS

Current Status of the Sector

The Ministry of Municipalities and Public Works' mission is to reform and reinvigorate the delivery of essential public services through subnational good governance. Iraq is divided into 18 governorates headed by governors responsible for the overall coordination of essential services. Nearly 70 percent of Iraq's 25 million citizens live in urban areas. With over 40,000 staff members, the Ministry has qualified and experienced technical personnel in over 300 municipalities responsible for the primary infrastructure of drinking water supply, environmental sanitation (wastewater and solid-waste treatment/disposal), internal roads, urban land use, and other municipal services. New policies will be developed through a consultative process and transparency and accountability will be promoted.

Subnational good governance is fundamental to improve the delivery of public services. Reform and reinvigoration of essential services will be guided by national policies developed by the Ministry. Local government reform processes, including a fundamental change from a project to a policy orientation, have been initiated.

Re-establishing, upgrading, and greatly expanding water supply, wastewater, and solid-waste activities are vital since they touch virtually every life in the country. The Ministry continues to repair and renovate existing systems to prewar performance levels. At the same time, to bring the delivery of essential services up to acceptable levels, the Ministry has been developing plans to expand existing systems and to install new, additional systems.

Sector Goals

The Ministry's overall goal is to develop good governance through improvement in the provision of essential services of drinking water, environmental sanitation, improved land usage, urban planning, and local government administration.

Proposed Projects

Programs in the following areas are a priority:

- Potable drinking water availability
- Wastewater management
- Water loss reduction
- Solid waste management
- Reformation and reinvigoration of service delivery institutions
- City master plan development

Implementation Issues

To support implementation of national policies and strategies pertaining to its mandate, the Ministry needs to re-establish and re-equip many of its offices. To support decision-making, responsiveness, and coordination, the Ministry needs to immediately promote and procure the latest in appropriate information and satellite communication technology by the end of 2003. Currently, information is hand carried between the Ministry, its many offices in Baghdad, and governorate centers and municipalities. The lack of public telecommunication systems dramatically reduces the efficiency of the Ministry's operations. Limited access to the Internet also severely constrains operational efficiency.

FROM THE MINISTER OF OIL

Current Status of the Sector

For the foreseeable future, government revenues from Iraqi oil will be the economic engine for growth and change. After three wars, sanctions, and technical isolation from global oil development, Iraqi oil infrastructure is in urgent need of rehabilitation and replacement. Following the politicization of the oil sector under the previous regime, there is an equally urgent need to remotivate a work force of 70,000 that had been forced to engage in operational practices that did not meet international norms regarding safe work practices or environmental sustainability through the use of obsolete oil sector technology and concepts. The social, political, and commercial challenge to return the Iraqi oil sector to the forefront of global oil—for the benefit of the Iraqi people—is the new mission of the Iraqi Ministry of Oil.

Sector Goals

The Ministry has several goals including: (1) management of the oil sector to meet international standards of best practice; (2) maximize government revenues through optimized value added; (3) reorganization of the oil sector for maximum efficiencies; (4) establishment of national energy security both for domestic product distribution and access to global markets; (5) maximize local content through the use of indigenous business and workforce; (6) development of a national oil policy under the direction of a government acceptable to Iraq; (7) creation and attraction of substantial longer term funding from either internal sources or from foreign direct investment under contractual arrangements that have full governmental approval; and (8) establishment of a national regulatory regime for the protection of the environment and the creation of safe working practices.

Proposed Projects

The United Nations/World Bank Joint Iraq Needs Assessment report did not explicitly address the needs of the oil industry. These have been addressed within the Budget of Iraq and the Supplemental Budget Request that has been submitted to the U.S. Congress. However, some priority programs that would greatly contribute to the achievement of the Ministry's goals, but which are not included in the 2004 Budget of Iraq or the Supplemental Budget Request to the U.S. Congress, include the following:

- National Petroleum Center for Environmental Management
- National Petroleum Center for Safety and Occupational Health
- National Petroleum Center for Industrial Training and Certification
- National Petroleum Technical Research Institute

Implementation Issues

Key issues that may forestall the achievement of the Ministry's goals include the organizational challenges of recreating and reorganizing the Ministry of Oil, transferring best practice international technology and know-how to the Iraqi industry, and creating a regulatory regime with parliamentary oversight to assure the proper management of the industry.

FROM THE MINISTER OF PLANNING AND INTERNATIONAL COOPERATION

Current Status

Before 1958, the role of government centralized planning was under the Iraq Reconstruction and Development Council which consisted of high level economists and planners who managed the annual planning of projects for ministries and local governments. In the early 1960's the first Ministry of Planning was established to take responsibility for preparing the government's short, medium and long term plans. Today the Ministry of Planning has 1,400 employees and contractors spread across Iraq's 18 governorates.

Sector Goals

- Development of a "Foreign Investment" division to help attract foreign investment to Iraq.
- Development of an effective job creation program that will ease Iraq's current unemployment problems.
- Begin the process of planning for a national census that will follow the adoption of a new constitution and the holding of elections for a sovereign Iraqi government.
- Develop a National Mine Action program that will rid Iraq of most mines and unexploded ordinance.
- Coordinate with the Ministry of Finance in preparing the capital and state budgets.
- Coordinate sectoral policies of the different Ministries.
- Coordinate with the United Nations and other International Organizations and Institutions on development issues.

Proposed Projects

- An Iraq National Census: a complete, accurate and reliable national census for Iraq is required.
- A National Mine Action Program: a four-year program to rid Iraq of manually and automatically planted mines, identify and zone areas that are strategic for agriculture, construction, and human development. This project started as part of the Oil For Food program in Northern Iraq, and will continue on the national level.
- Reconstruction of the main Ministry building in Baghdad that was burned and looted during the war.

Implementation Issues

Managing the transformation from a state-controlled economy to one that invites and protects foreign investment will have implications for a number of Ministries, including Planning. Poor Ministry communications systems will need to be addressed in order to link the central Ministry with offices in the 18 governorates; while a comprehensive training program will need to be developed to ensure that Ministry employees adjust to the new focus of Ministry activities. The Ministry will need to integrate its planning efforts with all other Iraqi Ministries and involve Iraqi embassies in foreign countries in efforts to help investors with queries and information

FROM THE MINISTER OF SCIENCE AND TECHNOLOGY

Current Status of the Sector

Iraq's science and technology infrastructure remains in a badly neglected state due to the abuse of scientific and technological resources by the prior regime. Research and development and information technology are practically nonexistent in our country. For example, there are no digital databases developed for any public sector agency. Electronic security development is badly needed in the current security environment. The large number of engineers and skilled technicians in the Ministry of Science and Technology could be the basis for technological growth in Iraq provided they are given the required resources. Nearly all of Iraq's technology is purchased abroad; for example, Iraq's water treatment and desalinization plants are engineered and built by foreigners. If Iraq's science and technology expertise were to be redirected and developed internally, growth in many areas could be achieved at lower cost. Water salinity, solar energy research, waste water treatment and information technology are all areas that would benefit from the redirection and utilization of the scientists, engineers, and technicians of this Ministry.

Sector Goals

The Ministry of Science and Technology's goal is to work with both public and private industries, governmental agencies and educational institutions to lead scientific and technological research and development. By so doing, we will be able to foster the restoration and improvement of Iraq's infrastructure and industrial base in support of economic development for the people of Iraq. In addition, we seek to develop local Iraqi capability, through technology licensing and transfer; and to modernize Iraq's technology base.

Proposed Projects

Priority areas in which Ministry-led research can benefit Iraq in the near-term include:

- Waste Water Treatment and Water Desalinization.
- Electronic Government (creating databases, computer networks and easy access to the Internet).
- Solar Energy (for remote locations).

Implementation Issues

The Ministry currently lacks the resources to fully capitalize the indigenous potential for success. Assistance from external sources is badly needed. Partnering and mentoring with the right mix of foreign firms for licensing and the transfer of technology to Iraq is essential.

FROM THE MINISTER OF TRADE

Current Status of the Sector

The Ministry of Trade is focused on strengthening the investment climate in Iraq, developing small to medium-sized companies, and transitioning the country to a market-oriented economy. Several key issues are of immediate priority and include: the successful transition of the Oil For Food program; effective reform of the Public Distribution System (food rationing); development of a foreign economic relations plan; and, increased trade promotion (spring 2004 Trade fair).

Sector Goals

The Successful Transition of the Oil For Food program: Under UNSCR 1483, the UN-administered Oil For Food program ends November 21, 2003, at which time the Ministry of Trade and Coalition Provisional Authority take over responsibility. The Ministry is working to ensure that this transition is as smooth as possible and that Oil For Food goods enter Iraq with minimal disruption.

Public Distribution System: The Ministry of Trade seeks timely transition to monetization, while ensuring that key food basket items remain in sufficient stock through 2004.

Foreign Economic Relations: Stimulating the Iraqi economy via revitalized economic relations with foreign countries will require rehabilitation of key government functions, such as customs administration and diversification of agricultural and manufacturing exports.

Development of Iraqi Companies: Iraqi Business Centers will provide business assistance for new and existing Iraqi firms, particularly small-to-medium sized companies.

Trade promotion: Promotion of Iraq as an attractive location for foreign direct investment and environment with unique business opportunities is a critical need. The Ministry intends to hold a spring 2004 Trade Fair.

Proposed Projects

To meet these goals the ministry proposes:

- Development of programs to help Iraqi ministries function in a market-oriented economy (procurement, inventory management, trade policy);
- Creation of a Small and Medium Enterprise target credit and business development facility;
- Establishment of programs to transition the existing food distribution program;
- Development of the private sector in the food industry;
- Restoration of Iraq's grain board facilities and silos;
- Creation of an export promotion program including an export facilitation center;
- Construction of a Ministry of Trade building.

Implementation Issues

Outside support—especially across capacity-building issues and strategies—will greatly aid the Ministry in achieving its stated goals.

FROM THE MINISTER OF TRANSPORTATION

Current Status of the Sector

Iraq's transportation system is comprised of 40,680 km of roadways, three major commercial airports, and five additional airports with potential for commercial use, five shipping ports with two major river systems, and the Iraqi railway system, which has five principal lines and 107 stations. In addition to carrying passengers, moving of cargo and equipment is essential to rebuilding the country's infrastructure. Most damage to Iraq's transportation system was caused from looting after the war. Low levels of maintenance over the last decade have also resulted in the general poor condition of equipment, although most is serviceable.

Sector Goals

The Ministry's goals include reopening Iraq's airports and airspace, ensuring the commercial operation of the country's five shipping ports, repairing and renovating the railroad system, repairing the bridges to pre-war standards, and increasing the supply vehicles for passenger and cargo transport that is essential to the reconstruction of Iraq.

Proposed Projects

- **Surface:** Iraq is in great need of additional help in the area of heavy lift tractor trailers, buses, diagnostic equipment and other maintenance tools. This will significantly enhance the capability to respond to dramatic increases in cargo requirement expected in the near future.
- **Ports:** Infrastructure enhancements are needed to upgrade Umm Qasr to operate as a world class multi-commodity facility. Needed are berth, cargo handling and safety equipment, and the repair of lighting, electricity and water lines. Equipment to support dredging and wreck removal and major infrastructure and facility work including underwater, surface, and support facility upgrades is also needed.
- **Rail:** Needed are signals, bridge studies, coaches, power vans, LPG wagons, tipping wagons, and engineering equipment including CAD workstations, software, and materials testing equipment. Rail's role is likely to be amplified during the reconstruction efforts, especially with Umm Qasr becoming a major international gateway.
- **Airports:** Fire trucks, fuel trucks and meteorological equipment are in great need.

Implementation Issues

In all segments of the transportation sector, security is an important issue. We are currently executing a robust program for training, equipping and fielding a Federal Protective Service to ensure the safety of passengers and cargo across all sectors.

FROM THE MINISTER OF WATER RESOURCES

Current Status of the Sector

The Ministry of Water Resources, formerly the Ministry of Irrigation, is the bulk water supplier for the nation. The Ministry's nine large dams, 18 major barrages, and 275 pump stations comprise one of the most complex water distribution systems in the world. Over 90 percent of the nation's water is used to irrigate 3,250,000 hectares of land throughout Iraq. Mechanical equipment, such as pump stations and back-up generators, are 20 to 30 years old and not well maintained. The operational status of the system's 1,200 individual pumps is less than 60 percent. In addition, the water resources infrastructure in Iraq suffered damage after the war due to looting and vandalism, although the overall functioning of the system was not significantly affected. Severe damage and looting was inflicted at several remote project sites and virtually every office. All of the Ministry's commissions and the Headquarters lost everything—data, files, computers, furniture, vehicles, and heavy equipment. What was not taken was vandalized or burned.

Sector Goals

The goals of the Ministry are to provide integrated water resources management to the citizens of Iraq, and to transform and modernize the Ministry of Water Resources into a dynamic and efficient organization that meets current requirements and optimizes future utilization of the diminishing water resources of the nation.

Proposed Projects

The key areas for improvement include better operation and maintenance of water control structures and pump stations, efficient management of water through conservation and optimization, and a comprehensive approach to project approval that considers environmental impacts, competing demands, and public involvement. Priority programs include the following:

- Environmental initiatives including marsh restoration and pollution reduction.
- Improvement of the operation and reliability of water resources infrastructure and groundwater development.
- Completion of numerous irrigation/reclamation projects/dam construction projects.
- Repair of dams and barrages and construction of additional storage facilities.
- Improvement of water management by establishing a modern Water Control Operations Center, with a communication, gauging and meteorological network.
- Capacity building by establishing a training facility, providing technical professional training seminars, participation in professional and international societies, providing foreign study opportunities, and establishing university centers of expertise.
- Acquisition of state-of-the-art hydrographic surveying, GIS, and laboratory equipment.

Implementation Issues

Application of technology in the Ministry lags the rest of the world by several decades. The former regime's indifference to science and engineering, combined with 12 years of sanctions, deprived gifted engineers and scientists of opportunities to collaborate and apply emerging technologies. Many major project decisions were political rather than technically driven solutions developed to solve a problem or benefit the population. Criteria such as the consideration of the environment, public involvement, and economic analysis in decision-making were ignored. Training will be key to removing this deficit in time and knowledge.

FROM THE MINISTER OF YOUTH AND SPORT

Current Status of the Sector

The Ministry of Youth and Sport and its athletes were greatly abused by Uday Hussein. Currently, the Ministry is working toward improving the lives, opportunities, and environment for Iraqi youth. Programs are designed for children and young adults, ages six to 25. After years of neglect, the youth centers, sport facilities and national stadiums call for much needed rehabilitation, and in some governorates, first time construction. The projects put forth by the Ministry are meant to supplement the activities and education that are made available through the school system.

Sector Goals

The Ministry of Youth and Sport intends to provide cultural and athletic activities for young people all over Iraq to help improve their lives. While some activities are meant to be recreational, others will focus on vocational, civic responsibilities, and gender equality. Such training will contribute to reducing unemployment around the country. These programs will incorporate computer and internet training, English language classes, health training, drug education, and assist in the adjustment/change from a dictatorship to a democratic society. While the education system is in the process of reformation, this Ministry can offer the youth of Iraq opportunities in the near future. The Olympic sport movement is also an important aspect of Iraqi culture and has been denied the opportunity to thrive.

Proposed Projects

- Youth Centers, training, and non formal education
- Women's Youth and Sport Centers
- Sport Clubs and Swimming Pools
- Stadiums

Implementation Issues

The reconstruction of existing facilities and the construction, operation and administration of new facilities, will impact greatly the operating budget of the Ministry. Initially, we will be able to absorb the costs for operations and personnel through transfers and consolidation. However, additional guards, teachers, and support staff will be necessary. Training will be an on-going need for cross-leveled employees and for upgrading to newer technology.

FROM THE BAGHDAD CAPITAL MAYORALTY

Current Status of the Sector

The Capital Mayoralty is a Ministry-level office responsible for governance and basic services in Baghdad. It is headed by a three-person Mayoralty Board led by Faris Abdul Razzaq, with over 9,600 employees working in dozens of offices throughout the city. On July 7, 2003, the Mayoralty Board was joined by a new City Advisory Council, selected by Baghdad's citizens in a series of caucuses held in each of the city's 88 neighborhoods and nine major districts. The Executive Board and City Advisory Council worked together closely to develop and prioritize the projects listed here. They also recommended numerous projects for incorporation in other Ministries' proposals to ensure that the overall needs of Baghdad's 5.5 million citizens are met.

Thirty years of neglect under a tyrannical regime have all but destroyed the basic infrastructure of the city. The supply of potable water is limited and in some areas nonexistent. The sewage system is dilapidated, causing a public health dilemma, with many neighborhoods beset by continuously overflowing sewers. The transportation system is in poor repair and needs significant expansion. Parks and recreation facilities are in ruins.

Sector Goals

The objectives of the Capital Mayoralty are to rebuild and repair Baghdad's infrastructure and public service sector, and to restore Baghdad as a modern, progressive city, potentially attractive to international investment. The City Council and Mayoralty Board paid special attention to Baghdad's poorest neighborhoods in prioritizing the project list.

Proposed Projects

- **Potable Water and Sewage Systems:** 42 water and sewage projects address the severe decay of existing systems in a comprehensive, integrated fashion.
- **General Activities:** Two general service projects introduce the latest Geographic Information System technology to the city's planning division.
- **Transportation Systems:** Thirty transportation projects are designed to relieve current traffic congestion and provide for future expansion.
- **Building Projects:** Five building projects will renovate workspaces for city employees and create 10 new retail commercial centers in the city's poorest neighborhoods.
- **Parks:** Eleven parks projects are integrated with new housing projects to reach residents of all of Baghdad's 88 neighborhoods, and will rejuvenate the downtown and Tigris River zones, creating a unique, world-class setting for future business and residential development.

Implementation Issues

Upgrading the water and sewage systems are urgent priorities. The serious public health danger and degrading lifestyle problems created by inadequacy in these systems will spread without immediate attention. As the phased, underground portions of these projects are completed, significant work can begin to repave and build new roads and bridges. This will create the essential infrastructure for other projects to be built concurrently, especially in the health, education and housing sectors, as well as for parks, sports and recreation projects.

FROM THE GOVERNOR OF THE CENTRAL BANK OF IRAQ

Current Status of the Sector

The Central Bank of Iraq is charged with the development and implementation of monetary policy; acting as banker for the commercial banks; providing banking services to the government; operating an interbank payment system, and supervising other payment systems; licensing and supervising commercial banks, as well as other lending and money transmission companies, and foreign exchange bureaus; and issuing dinar currency.

Sector Goals

The goals of the Central Bank of Iraq are to achieve and maintain domestic price stability and to foster and maintain a stable market-based competitive financial system, while taking account of Iraq's need for long-term growth and prosperity.

Proposed Projects

The most pressing tasks and needs of the Central Bank of Iraq include the following:

- Completion of the introduction of the new currency.
- Development of monetary policy.
- Development of payment systems—check clearing and electronic funds transfer in particular.
- Liberalization of interest rates and of exchange controls.
- Upgrading of banking supervision system.
- Modernization of central bank accounts.

Implementation Issues

The tasks being pursued by the Central Bank of Iraq are being implemented very quickly. Pressure of time has been a key concern of the staff. Training for the Central Bank of Iraq's staff is another key issue affecting task implementation. The staff is being challenged to undertake a wide range of difficult tasks. Further staff training will be highly important to ensure that the goals of the Central Bank of Iraq are achieved.

FROM THE OFFICE OF RELIGIOUS AFFAIRS

Current Status of the Sector

Religious activities were prohibited during Saddam Hussein's rule. Muslim, Christian and Jewish Scholars were imprisoned or killed; luckier ones escaped. Iraq is a pilgrimage destination for millions of the world's Muslims, while Jewish life and culture thrived here for centuries. It is important for Christians as well, with churches and Monasteries dating back to 100 A.D.

There is already great demand from the world community for permission to visit these important sites. There are estimates of up to 10,000 visitors a day from Iran, Pakistan and other Muslim states.

Sector Goals

Expanding accommodations and supporting infrastructure at religious sites in Iraq to accommodate the forecasted large influx of religious visitor is also a key objective. The rebuilding and refurbishment of religious shrines is also a principal objective.

Proposed Projects

- Assess repair and refurbishment needs of religious shrines.
- Conduct feasibility studies on the development of tourist facilities to accommodate an expected major increase in tourists to these sites.
- Develop long-range plans to integrate religious and cultural heritage tourism to overall economic development plans.

Implementation Issues

Iraq is important to Muslims, Christian and Jews. While the country can anticipate significant potential revenue from religious visitors, the current infrastructure will be unable to accommodate high-volume tourism.

Ministry of planning
Committee for Determining
Pension for retired officers

Report of Committee
For Determining pension for retired officers

DRAFT

Ministry of Planning

October, 2003
Baghdad - IRAQ

Report of Committee for Determining Pension

First : The Problem

1. The total No. of retired civil and military servants is currently about one million, distributed according to the following groups:

- a- Retired officers alive, they are about (590) thousands, classified as follows:

<u>Pensionable Service (in moths)</u>	<u>Groups</u>				<u>Total</u>
	<u>Civil</u>	<u>Commi-ssioned Officers</u>	<u>Non Commi-ssioned Officers</u>	<u>social security</u>	
• More than 300	164154	35685	82004	10599	292442
• Less than 300	182898	44986	59361	10722	297967
Total	347052	80671	141365	21321	590409

- b- Family Pension (Families of Dead Retired), they are about (409) thousands, classified as follows:

<u>Persons deserving pension</u>	<u>No. (pension files)</u>
One	195682
More than one	213455
Total	409147
Total No. of retired	999546

2. The retired class suffers from many problems under current pension scheme and pay levels, the major problems are:
 - a- The pension for most retired people is incompatible with decent level of life and current prices.
 - b- Pension laws and schemes are numerous, and the bases for calculating pension are different.
 - c- There are big differences in the income of civil, military and security forces officers while they are in the service and after they get retired, and specially after the new salary scheme is issued by the transitional coalition authority decree No. 30 for the year 2003, which made staying in service more preferable by those groups. This is reflected as a slackness in the managerial structures and a decrease in their efficiency of performance.

- d- A big proportion of the files and documents for pension transactions are lost due to circumstances prevailed after the military operations were ceased.

Second: Basic Principles for determining the Pension Salary Scale.

As the transitional coalition authority has asked the salary-scheme task force to develop a similar scheme for pension, the team embarked on its job in early Sep. 2003 . The director general for pension in the ministry of finance and an expert from the pension directorate were added to the committee. The team launched its work based on the following principles:

1. Should a unified pension scheme covering civil, military and security forces officers be adopted, or a number of pension schemes one for each group is to be adopted?
2. Should a one method for calculating pension of both ex-retired officers and the new retired officers adopted?
3. What are the maximum and minimum periods for a pensionable service?
4. How the pension and deduction should be financed?
5. The retirement award.
6. Health and social insurance for the retired.
7. How the pension is to be paid.
8. How to benefit from other countries experiences and neighboring countries in particular.

Third: Present situation and results:

After prolonged discussions on the principles and bases laid down by the task force, taking other countries experiments and the Iraqi situation into consideration with regard to each one of the suggested principles, the committee reached the following:

1. One scheme against many schemes to calculate pension:

a- Current situation:

Current retirement laws are many and their rules are branching despite all are aiming at granting a pension or a retirement award (as a substitute for pension, for a retired with less than 15 years of pensionable service).

To give an example, the pension for civil servants is calculated according to the equation:

$$\frac{\text{Nominal Salary} \times \text{Months of the year}}{420} = 2.86\%$$

While pension for a military officer is calculated according to the equation:

$$\frac{\text{Nominal salary} \times \text{Months of the year}}{260}$$

4,627-

and thus, the civil servant's pension may reach 90% of his or her salary when at service and 100% for the military and some other groups such as primary and secondary school teachers, university professors and judges.

b. Committee suggestion:

The bases for calculating pension for civil and military officers and internal security forces should be unified, taking into consideration the special rules for some categories based on valid legislations and schemes.

The committee suggest the following example of pension.

1- Pension for employees to be retired as from 1/10/2003

- a- The employee entitled for pension after spending not less than 15 years of pensionable service.
- b- Pension is paid as 2% of the salary for each year of pensionable service, and should not be less than 60 thousand Dinar per month.
- c- Pension should no be more than 65% of the basic salary according to the new salary scheme.

\$30

2- Pension for previously retired officers (those retired before 1/10/2003):

Due to varying scales of salaries for those previously retired and the loss of documents for some of them, the committee suggests the following basis to calculate their pension.

- 60 thousand Dinars per month for those having 15 years of pensionable service and having up to a secondary school certificate (inclusive).
- 75 thousand Dinars per month for those having 15 years of pensionable service and having undergraduate diploma, bachelor's degree or post-graduate diploma (below master's degree).
- 90 thousand Dinars per month for those having 15 years of pensionable service and having a master's degree or doctoral degree or equivalent.

max of \$73.25
for Super A

An additional 6 thousand Dinars should be added for each year respectively according to the educational levels above, and pension should not exceed 195 thousand Dinars per month.

\$97.5 max

2. Minimum and maximum pensionable service

a- Present situation

The minimum pensionable years of service is 15 years and is connected to certain restrictions and regulations, and the upper limit for retirement age is 63 years, with some legislation that

too much disparity

permit some categories such as judges, university professors, to reach 65-70 years of age.

b- Committee suggestion:

This subject needs a thorough study by the authorities concerned. The committee recommends, for the time being, to keep the lower limits of pensionable years of service with increasing the upper limit of age to 65 years and to keep the special rules for some categories in the current level because of expected rise in average age of Iraqis in the coming years and to benefit from the accumulated experience for some categories of employees.

3. Financing pension scheme and percentage of deduction

a. Present situation

The treasury of the state bears the pension for all state employees in all groups.

The following deductions are cut from the state employees according to the following ratios:

<u>Current civil and internal security forces/police</u>		<u>Military officers</u>	
<u>Salary</u>	<u>Ratio</u>		
320 Dinar and more	4.5%	leaders as brigadier and higher	6%
251- 319	3.5%	commanders as	
201-250	3.0%	lieutenant colonel - colonel	5%
200-251	2.5%	lieutenant-major	4%
150 or less	1.5%		

The self financed state offices contribute with double the deduction ratio on behalf of its employees to the general treasury.

b- Committee suggestion

Due to the raise in the employees salary scale, according to the new salary scheme , the committee suggests the following ratios for pension deduction for those covered by the new pension scheme according to job grade as follows

<u>Grade</u>	<u>deduction ratio</u>
Special A,B	7.5%
Special B	6%
First	5%
Second and third	4.5%
Fourth and fifth	4%
Sixth and seventh	4%
Eighth and ninth	2%
Tenth and eleventh	2%

Provided that self financed offices pay double the pension deduction on behave of their employees to treasury of state.

4. Health Insurance and Social Security for the Retired :

As it is important to pay pensions quickly, the committee sees that studying these subjects should be done later on by specialized authorities in coordination with the ministries of finance, work and social affairs and health.

5. How Pensions are Paid

Pensions are paid through banking network where 150 banks are responsible for paying pension all over the country despite the banks have ceased to do so because of the damaged that took place after the military operations. The directorate for pension and its branches in the governorates currently pay the pension. The committee recommends that banks should continue to do this job after provision of requirements is done for that, and expanding the banks network responsible for paying pension dues including studying the participation of private sector banks in this service by a specialized committee in the ministry of finance .

6. General Rules

- a. Keeping current retirement rules, not contradicting with this scheme, valid.
- b. This scheme is to be applied to retirement cases as from 1/10/2003, the date the new salary scheme NO.30 for the year 2003 become valid.

Potential Structure of Iraq Investment Prospectus/Information Site

- Broad Overview of Iraq Goals
 - Political overview, aims and goals
 - Economic overview, aims and goals
 - Social overview, aims and goals
- About Iraq
 - Country profile (broad overview of country)
 - Location (detailed national map)
 - Travel (how does one currently get in and out of Iraq)
 - Climate
 - Population (description of population, description of ethnic groups, education/literacy of population, population numbers, broken down by age, gender)
 - Languages spoken
 - Government (description of structure)
 - Time (working hours)
 - Official Holidays
 - Currency
 - International organization memberships and treaty obligations
 - Current employment (broken down by sector)
 - GDP
 - CPI
- Conducting Business in Iraq
 - Investment Climate (broad overview)
 - Banking Climate (broad overview)
 - Insurance
 - Legal Environment
 - Investment Decree
 - Forms of Investment
 - Greenfield
 - Outright purchase of existing assets
 - Concessions
 - Franchising
 - Joint Venture
 - Investment Implementing Regulations
 - Banking Law
 - Tariffs/Custom duties
 - Licensing a business entity
 - Legal structure of differing types of business
 - Employment regulations
 - Accounting regulations
 - Trademark/Patent regulations
 - Bankruptcy Law

- Exiting Investment
 - Iraqi Stock Exchange
 - Private Sale
 - Dissolution of Investment
- Business Sector Overviews (descriptions of sector activities, needs, and opportunities)
 - Financial Services
 - Energy: Downstream Opportunities
 - Infrastructure-related Industry
 - Telecommunications
 - Consumer/Retail Industry
 - Tourism
 - Agriculture
 - Health Care Delivery
 - Transportation
- Specific Business Opportunities in Iraq
 - Pure private sector FDI type opportunities (eg, purchasing a factory, establishing a retail presence, etc)
 - Opportunities peripheral to publicly funded projects (eg, a new highway is being built, opportunities for services, or a marsh is being restored, opportunities for aquaculture)
- Iraq Business Directory (list of business with contact information and brief descriptions if possible)
 - Also will need lists of Iraqi agents/legal reps/ and potential investors/partners
- Frequently Asked Questions Specific to Iraq
 - Travel (how does one get to and from Iraq)
 - Security (what is the current situation, what precautions are necessary)
 - Housing (what are hotel facilities like)
 - Telecoms (access to international voice and data links)
 - Utilities (access to water and electricity)
 - etc
- Useful links (for the web presence)



COALITION PROVISIONAL AUTHORITY
BAGHDAD

INFO MEMO

November 14, 2003

FOR: THE ADMINISTRATOR
FROM: (b)(6) Director of Private Sector Development
SUBJECT: Unemployment Data
CC: (b)(6) CPA Washington
(b)(6) NSC

Private Sector Development has never believed the often quoted unemployment figure of 60-70% was credible. We have done research of our own and found the following:

- No unemployment data has been published by the Government or by CPA since the war began.
- Several articles quoting the 70% number have identified CPA as the source. CPA has not conducted, nor does it have available from another source, any reliable unemployment data. The Ministry of Labor Advisory Group says that very early-on they may have mentioned a 70% number as an informal estimate of the number of people unable to work because of the effects of the war and looting, but that is not the same as unemployment, particularly as many of those people were being paid even though unable to work.
- Determining a reliable unemployment figure is a complex process involving extensive surveys which would have been impractical, if not impossible, to have completed under the circumstances that existed in the first three to six months after the war, so we don't believe any credible data supports a 70% number or any other number.
- Private Sector Development has attempted to estimate what the unemployment rate is currently. We do not have the benefit of the surveys which determine how many people are looking for work, but that can be reliably estimated within a range. We believe the real unemployment rate is near 20% or a little higher. We believe the maximum error from this number is 10% indicating an unemployment rate no higher than 30%. We believe the economy is improving and this number will decline, particularly as the Supplemental Funds are spent. (See attached Exhibit for how these numbers were determined).
- We plan to use these numbers in our communication campaign about how the economy is doing, but we will properly qualified them as rough estimates of our own and not a CPA or official number. If you disagree please let me know.

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Employment and the Implied Unemployment Rate

Source: CPA Private Sector Development Team*

	(millions of Iraqis)
<i>Estimated labor force seeking employment</i> ¹	8.00
<i>Estimated employed (or unemployed but paid):</i>	
Ministry employees (non-SOE) ²	1.05
State Owned Enterprises (SOEs) ³	0.49
Demobilized military ⁴	0.33
Police ⁵	0.08
Local government	0.20
Non-subsistence agriculture	0.50
Formal private sector excluding agriculture ⁶	0.80
Informal private sector including subsistence agriculture ⁷	2.88
Total estimated employment	6.33
<i>Estimated unemployed</i>	1.67
Implied unemployment rate (%)**	20.88%

1) Estimated labor force drawn from ILO estimates and amounts derived from population distribution data combined with propensity to work estimates for males and females.

2) Per the Iraqi 2004 budget – nearly half of these employees are in the education and health sectors.

3) Per Ministry and CPA estimates, there are currently 494,000 employees on SOE payrolls. Some are not currently working, but all are being paid.

4,5) Source: CPA

6) ILO estimate of 10% of workforce.

7) Midpoint of estimates of the World Bank (30% of workforce) and the ILO (42% of workforce).

* The data in this analysis was acquired by the CPA Private Sector Development Team from ILO and World Bank published data and sources within the CPA and Iraqi Government Ministries.

** Because of multiple estimated inputs, there is an estimated error rate of up to 10%.

PROPOSED SOE EMPLOYEE TRANSITION PLAN

1. **Employees Qualifying for Retirement as of January 1, 2004.** Effective January 1, 2004, employees with 22 years of service or who are 60 or more years old, or who otherwise are eligible to retire, will retire and thereafter receive the SOE retirement benefit that applies to them, except that the annual retirement benefit shall not be less than 60% of their annual salary at the time of retirement.
2. **Employees Qualifying for Longterm Disability as of January 1, 2004.** Effective January 1, 2004, employees with longterm disabilities will move to longterm disability status and thereafter receive the SOE longterm disability benefit that applies to them, except that the annual longterm disability benefit shall not be less than 60% of the employee's salary at the time they move to longterm disability status.
3. **All Other Employees.** Any employee terminated from an SOE after January 1, 2004 will receive the following severance benefit upon termination:
 1. **Employees with 15 or more years of service or who are 40 years old or older.** Salary at the time of termination will continue for one year. On the first anniversary of termination, the employee will receive the retirement benefit available at that time under the SOE retirement plan, except that the annual retirement benefit shall not be less than 60% of the employee's annual salary at the time of termination. Employees under 55 years old will qualify for retraining and job placement services.
 2. **Employees with 5-15 years of service.** Salary at the time of termination will continue for one year. On the first anniversary of termination, the employee will receive as an annual retirement benefit 6% of his or her salary at the time of termination for each year of service exceeding five years of service. Employees under 55 years old will qualify for retraining and job placement services.
 3. **Employees with less than 5 years of service.** Salary at the time of termination will continue for one year. Employees under 55 years old will qualify for retraining and job placement services.

CPA ECONOMIC PRIORITIES – JULY 1 AND BEYOND

1) GOALS TO BE ACHIEVED BY JULY 1

BUILD FINANCIAL MARKET STRUCTURES

- make substantial progress toward modernization of the Central Bank of Iraq, including promulgating a modern CBI law and implementing regulations, development of a monetary policy framework, enhancing bank supervisions capability, establishing internationally recognized accounting procedures and introducing information technology
- begin to strengthen the commercial banking sector by raising capital requirements, liberalizing permissible activities (particularly letters of credit and international remittances), promoting foreign direct investment, issuing implementing regulations for new commercial banking law, developing check clearing system, and creating an interbank payments system.
- re-establish the Baghdad Stock Exchange, with modern and transparent operating procedures.
- re-establish the Iraqi government securities market, with modern and transparent operating procedures.

DEVELOP TRANSPARENT BUDGETING AND ACCOUNTING ARRANGEMENTS

- redraft and execution of 2004 budget
- provide the post July 1 Iraqi Government with a responsible fiscal position
- increase capacity of the Ministry of Finance and the Ministry of Planning and International Coordination to manage public resources.

DEVELOP FRAMEWORK FOR SOUND PUBLIC SECTOR FINANCES AND RESOURCES ALLOCATION

DEVELOP SPENDING AND IMPLEMENTATION PLAN FOR SPENDING FROM US SUPPLEMENTAL

PROMOTE PRIVATE BUSINESS AND SMEs

- Business facilitation measures, and technical assistance to business

- Foreign Investment facilitation
- Administer micro-credit activities
- Create business centers

COMMENCE REFORM OF TAX SYSTEM

- Reform tax rates

REMOVE SUBSIDIES/DEVELOP SOCIAL SAFETY NET

- Finalize an energy Subsidy Reform plan
- Develop plan for electricity sector
- Implement Food Basket Monetization Trials -- conduct household survey and begin monetization trials in selected districts.

IMPLEMENT POLICY TOWARDS SOEs

- Work to restore prewar levels of activity and finds sources for financing their short term working capital and investment requirements

DESIGN OIL TRUST FUND

- Finalize development of an Oil Trust plan

LAY FOUNDATION FOR AN OPEN ECONOMY

- Draft legislation including company, labor, customs, intellectual property and interim securities laws.

PURSUE NATIONAL STRATEGY FOR HUMAN RESOURCE DEVELOPMENT

MAINTAIN AND STRENGTHEN IRAQ'S SCIENCE AND TECHNOLOGY BASE

INTIATE PUBLIC SECTOR MANAGEMENT REFORM

2) PROJECTS BEYOND JULY 1

BUILD FINANCIAL MARKET STRUCTURES

- debt forgiveness negotiations will be ongoing

- privatization or fundamental restructuring of state-owned banks

DEVELOP TRANSPARENT BUDGETING AND ACCOUNTING ARRANGEMENTS

- development and implementation of law for management of public funds

DEVELOP FRAMEWORK FOR SOUND PUBLIC SECTOR FINANCES AND RESOURCE ALLOCATION

- implement public procurement framework
- Adoption of international accounting standards

PROMOTE PRIVATE BUSINESS AND SMEs

- reform of insurance sector
- develop and implement reform in the communications sector
- develop and implement policy framework and commercialization activities for aviation, maritime and public transport sectors
- stand up micro-credit program

CONTINUE REFORM OF TAX SYSTEM

- stand up tax commission
- establish tax regime and implement taxes

REMOVE SUBSIDIES/DEVELOP SOCIAL SAFETY NET

- monetization of food basket
- elimination of energy subsidies

IMPLEMENT POLICY TOWARDS SOEs

- ownership transformation – including implementation of legislation

DESIGN OIL TRUST FUND

LAY FOUNDATIONS FOR AN OPEN ECONOMY

- continued technical assistance with enhanced coordination among IFIs and bilateral donors
- WTO observer status
- Develop/amend/implement laws on: budget, real estate, commerce, secured lending, securities, regulation of the Stock Exchange, non-profits, transportation, telecommunications, utilities, consumer protection, insurance, customs, oil, investment, tax, trade, competition and umbrella regulatory function.

PURSUE NATIONAL STRATEGY FOR HUMAN RESOURCE DEVELOPMENT

- Employ 100,00 workers in Public Works programs around the country

MAINTAIN AND STRENGTHEN IRAQ'S SCIENCE AND TECHNOLOGY BASE

INITIATE PUBLIC SECTOR MANAGEMENT REFORM

Al-Rafidain Bank

The General Administration

Number: 1

Date: July 6, 2003

To: all the Bank branches in side Iraq

Subject: freezing accounts

According to the orders

It has been decided to freeze all the accounts of the government companies and offices and the companies which are half belong to the government.

The General Manager
Dhiyaa' Habeeb Al-Khaiwoon

Al-Rafidain Bank

The General Administration

Department: The General Manager Office

Number: 28

Date: Sep18, 2003

Subject: Freezing Accounts

Following to our orders #1 in July6,03 ,we decided to release the accounts of the companies which are half belong to the government . Starting work on this from the date mentioned above.

The Deputy General Manager
Muneer Mohammed Sa'eed Al-Saloom

Al-rafidain Bank

The General Administration

Department: The General Manager Office

Number: 35

Date: Oct19, 2003

TO: all the branches of the Bank in side Iraq

**Subject: releasing the accounts of the companies which are half
belong to the government**

We noticed that some of branches start sending the procedures papers to release these accounts, for that we want to re sure our decision # 28 in Sep18, 03 which we sent a copy from it.

The Deputy General Manager
Muneer Mohammed Sa'eed Al-Saloom

Foreign direct investment initiatives

Foreign capital and expertise are critical for rebuilding the Iraqi economy and generating private sector growth. To address this pressing need, Private Sector Development ("PSD") has engaged in multi-tier program to educate potential investors the opportunities in Iraq, address investor inquiries, and facilitate the creation of a more amicable investment environment (process).

Communication efforts. Several efforts have been undertaken in order to enable us to reach the broadest possible audience:

- Donors conference (Madrid): In collaboration with the CIC, PSD
- Website development: A foreign investment site has been posted on the CPA's main website. The site provides information on investing in Iraq including summary information on banking, taxes, tariffs, commercial laws, and company registration.
- Outreach: Working with the Ministry of Foreign Affairs, PSD is soliciting names and contact information of potential foreign investors in a variety of business sectors. An informational folder on investing in Iraq is being compiled for distribution to these major international companies.

Handling inquiries. All communications encourage potential investors to contact PSD if they need any additional information. These inquiries are directed to the PSD office and are categorized as having either limited or significant investment potential. Limited investments, which tend to originate from small and medium-sized companies and entrepreneurs, are referred to the Baghdad Business Center which is directed by Bob Connan. Significant investment inquiries are handled directly through PSD where investors are provided with information on travel and contact information if meetings with the Ministries are required.

Ease of entry. The systems put in place by the regime for businesses creation and investment no longer serve the interests of a free and sovereign Iraq and its people. In order to encourage foreign investment and new enterprise formation, PSD is working with the General Counsel to develop a more stream-lined process for the registration of new companies and the infusion of funds into existing companies.



COALITION PROVISIONAL AUTHORITY
BAGHDAD

INFO MEMO

DATE: November 12, 2003

FOR: THE ADMINISTRATOR
FROM: Executive Secretariat
SUBJECT: Update on Priority Programs in Sunni Areas

Ambassador Richmond oversaw the development of a strategy for outreach to Sunni communities. This memo provides supplementary information about current and planned activities in Al Anbar, Salah ad Din, Ninawa, and Diyala.

I. POLITICAL OUTREACH:

The Governance team believes that economic reconstruction is a key element in CPA's strategy toward the Sunnis, but it should be considered within the broader context of political outreach and military/security engagement. We must recognize that Sunnis are not a monolithic group; not every Sunni was pro-Saddam and many Sunnis suffered under his regime. Our political message should reinforce that we want all Iraqis to have a stake in the new Iraq. Our strategy should avoid singling out Sunnis in ways that reinforce ethnic/sectarian positions or advocate a policy of positive discrimination for Sunnis. Our goals will require careful explanation to non-Sunnis who may be suspicious of our intentions. The Governance team political outreach program includes: (a) ensuring the Sunnis are fully involved in the constitutional process, especially with respect to protecting minority rights; (b) securing the support of key tribal leaders; (c) encouraging the Governing Council to visit and meet with representatives from the Sunni area; (d) encouraging the Governing Council to show more sensitivity in applying de-Ba'athification procedures which disproportionately affect Sunnis; and (e) encouraging the development of Sunni political parties which promote an Iraqi national identity.

II. ECONOMIC ACTIVITIES:

A. USAID's Response to Sunni Area Priorities.

1. USAID has increased contractor staff in Sunni area Governorates.

Local Governance Teams are established in every governorate, working with local Iraqi leaders to improve services and build civil society.

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The Teams are staffed as follows:

- Al Anbar: 3 professionals (9 by end of the month).
- Salah ad Din: 3 professionals (9 by end of the month).
- Ninawa: 7 professionals (10 by the end of the month).
- Diyala: 4 professionals (9 by the end of the month).

2. USAID contractors and grantees have increased project activity in the Sunni Area Governorates as follows:

- Al Anbar: Total value of activities identified/underway: \$2.3 million

Assistance targets the sectors of health, education and water and sanitation. In the health sector, USAID is rehabilitating primary health care centers, providing emergency assistance to the Al Ramadi General Hospital, and providing equipment to clinics in West Falluja. In the education sector, USAID has rehabilitated two schools (one primary and secondary) benefiting over 3,000 students. In the water and sanitation sector, USAID is rehabilitating water systems, sewage stations, implementing a trash collection and removal program from the streets of Al Ramadi, and repairing water treatment facilities to ensure clean water benefiting over 1.5 million Iraqis. A women and children's center and cultural house is being constructed in the region with input from local residents.

- Salah Ad Din: Total value of activities identified/underway: \$4.4 million (excluding \$28 million for repairs to Bayji Power Plant)

A total of 23 activities in this governorate have been implemented, primarily through grantees focusing on community identified priorities. These range from improvements to local water systems and schools, to vocation training for the disabled. USAID has programmed \$4 million through Bechtel to repair the Tikrit Bridge. This economically critical bridge will be restored by next April.

- At Tamim: Total value of activities identified/underway \$11.2 million. (Does not include the \$48 million repairs to the Kirkuk Electrical Substation).

A total of 140 schools have been rehabilitated in this governorate. Other projects in At Tamim include community identified priorities in water, electricity, orphanages and youth programs.

- Ninawa: Total value of activities identified/underway: \$8.5 million

Support primarily addresses needs in education, health, water and sewage, emergency power, agriculture, and community identified needs. A total of 73 schools have been rehabilitated. Emergency supplies, equipment, training, and improvements to 10 health centers are ongoing.

- Diyala: Total value of activities identified/underway: \$1.1 million:

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Support includes funding to rehabilitate the Mayor's Office in Ba'aquba, the Ministry of Education Office, assistance to displaced persons, improvement of water, sewage and irrigation systems benefiting 42,000 people, and the provision of internet services for libraries and the regional university.

3. USAID programs will continue to bring resources and projects to the Sunni Areas:

- USAID's Office of Transition Initiatives has set aside \$1 million for quick impact activities in the Sunni Area. It is awarding grants in key Sunni areas including Falluja and Tikrit, and is supporting the establishment of Governing Council Outreach Centers.
- The Community Action Program has stepped up activities in Sunni Areas. It has re-organized to work through local NGOs in less accessible areas. NGO grantees have opened an office in Tikrit and are opening an office in Ramadi. (The office in Ramadi will be open in two weeks, security permitting. Local staff are currently being hired.)
- Coordination between USAID programs and CPA Governorate Representatives has increased. USAID is coordinating with CPA Governorate Representative in Salah Ad Din on an NGO conference.
- The newly arrived USAID Agriculture Advisor is immediately traveling to Tikrit to develop opportunities for quick impact agriculture projects.

B. CERP and CPA's Rapid Regional Response Sunni Area Priorities:

1. Total CERP AND CPA Rapid Regional Response Program funding by Governorate:

Al Anbar:	\$11.7M
Ninewa:	\$28.5M
Salah ah Din:	\$14.6M
Diyala:	\$11.9M

2. Planned activities for Sunni Areas:

- A recent allocation funds an additional \$10M of projects in Al Anbar. Military commanders and governorate coordinators will recommend projects for selection. Funding decisions should be finalized by Saturday, November 15, 2003.
- Governorate Coordinators are implementing high impact projects and working on strategic program plans for future activities. Long term job generation ideas include:
 - Salah al Din: Tourism Development. Many palaces could be renovated as resorts. Religious tourism is on going. Over 1,000 visitors make the pilgrimage to Samarah's Shia Shrines.

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- Large infrastructure and construction activities funded from the supplemental are part of a project list that will be finalized by the end of November. Priority will be given to the Sunni area governorates.
- Thousands of small projects targeting immediate results are underway through CERP and CPA Regional Programs. These include the renovation of schools, health clinics, municipal buildings, and police stations. Other projects include improvements in water and sewage treatment services along with city cleanup and other public works projects.
- CPA has allocated funding for micro-credit lending programs in each governorate. Loans should be available starting April 2004. Micro-credit funding of \$4M will be available in Sunni areas.
 - The Rashid and Rafidian Banks have adequate resources to do lending in dollars and dinars through branches in all the major cities and towns.
- Recruiting for the ICDC, Police and Army: (Sunni recruitment activities)
 - Police: As part of a nationwide program, police recruiting efforts will be conducted in the Sunni areas. A recruiting station in Ramadi opens around mid-December

COORDINATION:



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4-16-a	State Company for Phosphate	Fertilizer/ Petrochemical			Anbar	Qaim	Qaim	GL0005001	82nd	0	0	0
4-16-b	State Company for Phosphate	Fertilizer/ Petrochemical	Mines	Mining	Anbar	Aqra Shol			82nd	0	0	0
5-20-b	Iraqi Cement Company	Construction	Cement Co		Anbar	Kutaisa			82nd	0	0	0
5-20-c	Iraqi Cement Company	Construction	Cement Co		Anbar	Al-Qaim			82nd	33	0	11
5-20-e	Iraqi Cement Company	Construction			Anbar	Falluja		LB 9318 9301	82nd	0	0	0
5-22-a	Glass and Ceramics Company	Construction	Glass Company	Production	Anbar	A Ramadi		LC 3639 0041	82nd	50	0	16
5-22-b	Glass and Ceramics Company	Construction	Ceramics Company	Production	Anbar	A Ramadi		LC 3814 9672	82nd	56	0	17
5-23-a	Hammur State Company for Refractories	Construction	Refractories		Anbar	Falluja		LB 9313 9240	82nd	27	0	9
5-24-c	State Company for Geological Survey & Mining	Construction	Mining		Anbar	Rutba			82nd	0	0	0
5-24-e	State Company for Geological Survey & Mining	Construction	Mining						82nd	0	0	0
6-27-a	Al Faria Co	Engineering		Production	Anbar	Falluja	Abu Ghurayb	MB 1178 8544	82nd	40	5	8
6-33-e	Vehicles Co	Engineering			Baghdad	Baghdad	Abu Ghurayb	MB 288 862	82nd	1	3	0
7-39-d	State Co of Ready Made Wears	Textile	Wash Factory	Production	Anbar	Anah			82nd	2	0	0
7-40-f	State Company for Hand Made Carpets	Textile		Production	Anbar	Ama			82nd	0	0	0
7-40-g	State Company for Hand Made Carpets	Textile		Production	Anbar	Rawa			82nd	0	0	0
8-42-d	Design and Construction	Service			Anbar	Al Ramadi			82nd	63	0	21
8-42-e	Design and Construction	Service			Anbar	Al Qaim			82nd	0	0	0

[illegible]

Loc. ID#	Company Name	Sector	Product	Site Type	Province	City	Area	Grid	MSC AOR	# FPS	# Rifles	# Rifles Needed
1-1-c	Dairy Products	Food	Dairy Factory	Production	Ninawa	Mosul			101st	2	0	0
1-4-b	Sugar Co	Food	Sugar	Production	Ninewa	Mosul		LF3360 1833	101st	55	0	7
2-6-a	State Company for Medical Industries and Appliances	Pharmaceutical			Ninevah	Mosul			101st	22	0	7
2-6-b	State Company for Medical Industries and Appliances	Pharmaceutical			Ninevah	Mosul			101st	41	0	13
3-13-a	Al-Mishraq State Co	Chemical	Mishrah Sulpher Mine Co.		Ninevah	Mishrak		LF 4773 9837	101st	271	0	0
5-18-a	Northern Cement Company	Construction	Cement Co		Ninewa	Sinjar			101st	21	0	7
5-18-b	Northern Cement Company	Construction	Cement Co		Ninewa	Badoosh		LF 1464 3491	101st	70	0	0
5-18-c	Northern Cement Company	Construction	Cement Co		Ninewa	Hamam-Alliah		LF 3939 0772	101st	2	0	0
5-21-j	State Company for Materials Construction Industry	Construction	Badoosh Colomes Plant	Production	Ninewa	Badoosh			101st	4	0	1

[illegible]

3-9-c	Paper Industry	Chemical			Diyala	Taji	Taji	MC 3333 0248	4 ID	33	5	6
5-21-d	State Company for Materials Construction Industry	Construction	Baghdad Brick Plant	Production	Diyala	Hussania	Husainia		4 ID	0	0	0
5-21-e	State Company for Materials Construction Industry	Construction	Abu Nuase Bricks	Production	Diyala	Hussania	Husainia		4 ID	16	0	5
6-30-b	State Co. for Electrical Industries	Engineering	Electric Bulb Co	Production	Diyala	Taji	Taji	MC31120032	4 ID	77	0	25
8-49-a	State Industry for Furniture	Service	Baghdad Furniture Company	Production	Diyala	Taji		MC 3338 0209	4 ID	0	0	0
9-52-	Ibn Sena Co.	MIC			Diyala				4ID	6	2	0
9-53-	Al Zawra	MIC			Baghdad	Baghdad		MB 5244 7823	4ID	26	3	5
9-54-	Al Samood	MIC			Diayla	Taji		MC 2872 1564	4ID	3	0	1
1-2-e	The General Company for Vegetable Oils	Food	Mansur Plant	Production	Salahdin	Baji			4th ID	1	0	0
2-5-a	Samarra Drug	Pharmaceutical		Production	Salahdin		LC9685	LC 0397 3785	4th ID	72	0	23

3-10-a	Al-Sawary Co	Chemical	Al Gihad	Production	Diyala	Taji	Taji		4th ID	15	0	5
3-10-b	Al-Sawary Co	Chemical	Rekweld	Production	Diyala	Taji	Taji	MB 2852 9875	4th ID	13	0	4
4-14-a	Northern Fertilizer Co	Fertilizer/ Petrochemical			Salahdin	Beji	Beji	MC 0352 3884	4th ID	2	0	0
5-20-a	Iraqi Cement Company	Construction	Cement Co		Tameem	Kirkuk			4th ID	3	5	0
5-21-l	State Company for Materials Construction Industry	Construction	Sand & Gravel	Production	Slah Al-Dien	Nibai			4th ID	5	0	1
5-24-a	State Company of Geological Survey & Mining	Construction	Salt	Production	Salahdin	Samarra			4th ID	4	0	1
5-24-b	State Company of Geological Survey & Mining	Construction	Sodium Sulfates	Production	Salahdin				4th ID	0	0	0
6-26-a	Nasser Co	Engineering		Production	Diyala	Taji	Taji	MC28801650	4th ID	15	0	5
6-31-a	Quadisia Co	Engineering			Diyala	Baquba		MC 6669 3706	4th ID	3	0	1
7-35-d	State Co for Cotton Industries	Textile	Cotton Industries	Ginning Plant	Tameem	Kirkuk			4th ID	0	0	0

[illegible]

State Owned Enterprises- Company Overviews

OCPA - Ministry of Industry & Minerals

Note: All currency figures are in 000's of Iraqi Dinars unless otherwise noted.

1. General Information

Company Name:	State Companies for Cement (3 Companies - Northern, Central (Iraqi) & Southern)
Sector	Construction
Brief Description	Manufacturers of portland cement, sulfur resistant cement, white cement and lime. Three companies, each serving separate sections of Iraq. Only producers of cement in Iraq.
Revenue in 2002 (Iraqi Dinars '000s)	133,836,294 (North - 21,389,943 ; Central - 50,456,233; South - 61,990,118)
# of Employees	10,800 (North - 2,300; Central - 3,300; South - 5,200)
Annual Employee Salaries & Bonus	25,000,000
Headquarters Address	South - Najaf-Kufa PO 9; Central - Baghdad, PO Box 2050 Alwiyah
Director General Name	South - Farouk Hameed Al Sammerai; Central - Mohammad Abdullah Mohammad
Telephone #	North - Allah Altafeli
Fax #	South - 8853665; Central - 7736071, 21242951
Email Address	South - 8168476; Central - 7733625
Banks Used	South - s.cmt.qm@uruklink.net South - Rafidain Bank; Central - Al Rashid Bank, Cement Branch

2. Company Highlights

Extremely high local demand. Lack of supply has driven market rates to \$80 USD per ton. Company used to sell at \$10.
 Local cement has advantage over imports due to prohibitive cost of long-distance transportation of finished products.
 70% of production already sold in the private sector.
 Operating margins of over 40% (with fuel and electricity subsidies). Without subsidies, profitability unknown.
 Efficiency of electricity usage per ton of output is low compared to international standards (300kwh per ton compared to 130kwh for new technology)
 Will be a problem is electricity subsidies are removed. Most of Co's plants use inefficient "wet" process.
 A portion of costs increases due to impending loss of subsidies can be reclaimed through increased prices, which are currently below-market.
 Capacity to double production.
 Relatively modest cash needs to reach capacity (around \$5 million USD).
 Northern Co allocated \$2.0M USD for 2H 2003 operating budget and provided with 25mw off of grid.
 Iraqi (Central) Co allocated \$3.0M USD for 2H 2003 operating budget and provided with 25mw off of grid.
 Southern Co allocated \$2.6M USD for 2H 2003 operating budget and provided with 40mw off of grid.

3. Facilities

Name	Province	City	Grid	Damage %	Power Needs
Central - Kirkuk Plant	Kirkuk	Kirkuk		0%	17 mw
Central - Kubassa Plant	Anbar ✓	Kubassa		0%	17 mw
Central - Al Qaim Plant	Anbar ✓	Al-Qaim		0%	17 mw
Central - Baghdad Admin & Marketing Office	Baghdad	Baghdad		0%	Minimal
Central - Fallujah Plant	Baghdad ✓	Fallujah		0%	7 mw at 50%
North - Sinjai	Mosul	Mosul		0%	7 mw at <50%
North - Badoosh	Mosul	Mosul		0%	7 mw at <50%
North - Aliah	Mosul	Mosul		0%	7 mw at <50%
South - Kufa (2 plants - 5 lines)	Alnajaf	Kufa		0%	32 mw
South - As Samawah	Muthianah	As Samawah		Looting	13 mw
South - Saddah	Babel	Saddah		Looting	6 mw
South - Karbala	Karbala	Karbala		0%	
South - Karbala ar Razazar	Karbala	Karbala		0%	17 mw
South - Karbala Noura/Lime	Karbala	Karbala		0%	5 mw
South - Sulfur Resistant	Muthianah	Muthianah		Looting	17 mw
South - Grinding and Milling	Basrah	Basrah		Looting	5 mw

Value of All Plant & Equipment Before War, and Initial Purchase Dates and Prices for Major Items
 Most plants were built in the 1970's, and are not efficient compared to modern technologies.

4. Products

Product Name	Unit Measurement	Design Capacity	Available Capacity	2002 Production	2002 Revenue
South - Sulfur Resistant Cement	Tons '000s /Year	3,859	2,893	1,646	
South - Portland Cement	Tons '000s /Year	2,973	2,434	1,983	
South - Lime	Tons '000s /Year	200	160	67	
Central - White Cement	Tons '000s /Year	280	210	175	
Central - Sulfur Resistant Cement	Tons '000s /Year	1,000	470	453	
Central - Portland Cement	Tons '000s /Year	4,000	2,880	1,642	
North - Superfine Cement	Tons '000s /Year	100	90	40	
North - Portland Cement	Tons '000s /Year	3,600	2,750	1,110	
Description of Importance of Products to Other Iraqi Industries	Critical raw material for rebuilding of all Iraqi industries and infrastructure.				

Company Name:

State Companies for Cement (3 Companies - Northern, Central (Iraqi) & Southern)

5. Customers

Customer Name	2002 Revenue	Subsidized (Y/N)	Products Sold to Customer and Unit Pricing
Private Consumers	40% of total	Yes	15K ID/ton for portland cement
Government Ministries	30% of total	Yes	15K ID/ton for portland cement
Private Construction Companies	20% of total	Yes	15K ID/ton for portland cement
Export	10% of total	No	\$17 USD/ton for portland cement

6. Suppliers

Supplier Name	2002 Purchases	Subsidized (Y/N)	Products Purchased and Unit Pricing
Iraq (Private and Public)			
Jordan		Y	
Russia		Y	
France		Y	
Turkey		Y	
Current Payment Terms From Suppliers	Cash or release of pay at delivery.		

7. Imports & Exports

2002 Import Markets for Raw Materials	Jordan, Russia, France
Potential Import Markets in Free Market	
2002 Export Markets for Finished Products	Syria, Northern Iraq
Potential Export Markets in Free Market	Saudi Arabia, Kuwait, Syria, Turkey, Jordan

8. Competition

Description of Competitive Situation	None in Iraq. Companies have a monopoly on their region.
Market Share Description	Company claims 100% of Iraqi market before the war, but this is questionable. Imports most likely satisfied some of local demand.

9. Summary of War Damage & Looting of Property & Equipment

Description of Damage	Northern Co had 25% damage to head office at Northern Elbe and 30% damage to Singar plant. Badoosh plant was not damaged at all. Central Co had 50% damage to cement warehouse, but operating equipment was not damaged. South Co's Samawa, Muthianah and Um Qasr facilities had looting damage.
Current Operating Status	Most need electricity and security only to restart. LTC Jackson working on allocating electricity to 2 factories in each of the three regions - enough to produce 8K to 10K tons per day total. See Section 11 for details.
North Co's Operating Status	Badoosh facility was operating one line producing 2.5K tons per day until end of July when security issues forced factory to close. Could produce 6K tons if 50mw was supplied. Sinjar plant started milling Aug 1. Will produce 2.5K tons once electricity is supplied. Aliah plant currently producing 300 tons, all used for Mosul Dam.
Central Co's Operating Status	4 factories are doing annual maintenance as of July, paying for it with proceeds from recent stock sales. Will be ready to produce in August when electricity is supplied.
South Co's Operating Status	Kufa needs to \$1M USD to fix pressure equipment. Once it has the money, it will take one month to restart. Needs 7mw per mill (has 2 mills) and could produce 3K tons per day combined. Karbala needs 5 mw per mill (has 2 mills) and could produce 3K tons, but it only has 10 days of raw materials. Mithewa and Samawa plants still being looted. No ability to restart these.
Immediate Property & Equipment Needs To Restart Operations	Northern Co needs \$2M USD for spare parts. Central Co needs \$2M, and Southern Co needs \$2.5M, both for spare parts and repairs.
Total Cost to Return to Pre-War Condition	The Northern \$5M USD. The Central \$ 0.5M. The Southern \$9M.

10. Inventory Status

Raw Material Status	Most of the Raw materials: Limestone pebble, Sand and Clay are available to the plants. Karbala only plant with shortage of raw materials (only has 10 days worth).
Months of Material Supplies & Production Rate	Mining operations are next to the plants. No problem for the supply.
Immediate Raw Material Needs	All factories in desperate need of dynamite for mining operations. Without it, they are damaging mines and only getting 1 meter deep instead of usual 3 meters.
Finished Products Supply (Units and Value)	60K tons in silos at North Co. 50K tons at South Co, but 30K of which is in Mithena, which can not be accessed due to security problems. Central Co was selling sulfur resistant cement at \$30 USD per ton in July, quantity unknown.

Company Name:

State Companies for Cement (3 Companies - Northern, Central (Iraqi) & Southern)

11. Fuel & Electricity Needs

Description of Fuel Needs Fuel oil the need is about 1500 m³ / day

Description of Electricity Needs See #3 Facilities for needs. Most facilities not receiving enough electricity to run at capacity. August 2003 allocation is: 15mw for Badoosh (which it had been receiving since June), 10mw for Hamman Al Aili, 20mw for Kirkuk, 5mw for Al Faluja, 20mw for New Kufa, and 20mw for Karbala.

12. Other Needs to Restart

Working Capital Needs At South Co's Kufa plant, heavy mining equipment was used by US troops. Most have been returned, but need maintenance. Total cost unknown.

Security Needs All need security, and these force are best not from the local tribes or they are not effective (and may actually be enabling further looting). Heavy looting still a problem at Mithena & Samawa.

Other Needs \$30M USD in equipment needed to improve capacity output. Sinjar plant could increase production to 2M tons/year with \$6M USD investment. \$8M would be needed to increase Kirkuk production to 2M tons and complete Kubaia's second production line. Karbala needs \$7M, Muthana needs \$6M and Samawa needs \$3.5M, all for upgrades. Kilns at all plants may be damaged from constant starting and stopping. Replacing linings of kilns will cost \$2M USD.

13. Strengths, Weaknesses, Opportunities & Threats

Description of Strengths Huge local demand for product. Most of existing business already generated from private sector.

Description of Weaknesses Necessity to up grade the capacity of production. Needs spare parts and overhaul of most facilities.

Description of Opportunities Expand capacity to design level, wide demand for Cement internally and available market for export.

Description of Threats Security.

14. Long Term Strategy

Description of Strategy Expand capacity to design level improve efficiency of production, expand the export market.

Potential New Products To get ISO standard for the product.

Potential Partnership Opportunities Yes, but none identified by name.

15. Revenue and Costs Overview

Description of How Pricing Was Set 10% below "market rates", as determined by the Ministry. Today, market prices have increased up to 10x due to lack of supply.

Description of Production Costs 11K ID cost/ton, comprising of 6K for raw materials and transport, 4.5K for labor and 0.5K for electric and petroleum.

Potential for Profitability in Free Market Given strong local demand, quality manufacturing equipment, established customer base, and protection from imports due to high transport costs, these Companies have the potential to remain profitable. However, if fuel and electricity subsidies are removed, efficiency will have to be improved.

16. Financials - 2002

Income Statement	Iraqi Dinars (000's)	Notes
Revenue	133,836,294	
Cost of Goods	59,000,000	
Gross Margin	74,836,294	
GM as % of Rev	56%	
Personnel	25,000,000	
Sales & Mktg		
R & D	1,000,000	
Fuel and Electricity	9,079,000	
Other Operating Expenses		
Operating Margin		
OM as % of Rev	0%	
Interest Exp	833,000	
Extraordinary Exp		
Profit Before Tax		
Taxes		

Company Name:

State Companies for Cement (3 Companies - Northern, Central (Iraqi) & Southern)

Net Income

47,000,000

Capital Expenditures

2002 Total & Description of Major Purchases

17. Financials - Projections & Current Situation

<u>Current Situation</u>	<u>Amount</u>	<u>As of (Date)</u>	<u>Notes</u>
Cash in Bank	2,200,000		
Available Bank Credit Line			
Accounts Receivable			
Total Assets			
Accounts Payable			
Drawn Bank Credit Line			
Other Debt	15,500,000		
Total Liabilities			

Projections

Original 2003 Revenue Projection

Most Recent 2003 Revenue Projection

18. Historical Subsidies

Overview of Subsidization Fuel and electricity. Not clear if plant and equipment were subsidized.

Amount Notes

Total MOUs received in 2002 (in US \$)

Total Bilateral Contracts in 2002 (in US \$)

Other Direct Subsidies

19. Accounting Standards

How Often Financial Statements Are Prepared

Audits Performed (Y/N) and by Who

20. Additional Information on Company on File

One page overview of Badoosh site visit by Glenn Corliss

One page overview of Kufa site visit by Glenn Corliss

21. Notes

Deputy DG of Kufa plant is Mr. Hazim.

Market price of cement in July is \$80 USD per ton in Central and Southern Iraq.

Southern Co wants to sell at \$65 per ton (much higher than historical rates) to crush black market. As supply increases, Company will adjust prices down and match market prices, which should level out at \$30, the Company believes.

Kufa plant will make \$2.7M USD revenue per month at 3K tons per day and \$30 per ton.

Local manager is trying to "take over" half of Mithena plant and make it a separate Company which he will control. Local Governorate is supporting this.

Notes from Badoosh site visit:

- 5 production lines consisting of 3 new lines with 2,000 tons per day capacity and 2 old lines with 300 tons per day capacity.
- Upgrades are needed after 13 years of sanctions, but factory is in relatively good condition for Iraqi standards.
- Only one new line is currently running using 15mw. Other lines need additional 25mw electricity to restart. Need a total of 40mw to run all new lines.
- Can purchase 2x25mw power plants for \$15 million if power is not available off of grid in the foreseeable future.
- Currently selling at 40,000 ID per ton for bulk and 50,000 ID for bagged cement. Selling to government and local contractors. Much of this is suspected to be resold in black market at much higher rates.
- Company is currently depositing an average of \$50,000 of revenue per day in bank, but can not access it per orders of local governorate. Company has deposited 1 billion ID (\$666,000) in bank since June 1, 2003.
- US troops which were guarding facility left on Tues July 22. New employee security not effective according to management since they are loyal to local villages. DG has received death threats if he does not give cement to local villages free of charge. Company plans to completely shut down operations immediately since all output will be stolen. DG wants to hire KDP to provide security.
- DG wants, as long term solution to distribution/allocation issue, to have all production allocated to a single buyer who will determine distribution. This appears to do little more than pass the buck though.
- Sinjar factory (not visited) was looted. One mill out of four was rebuilt in July by scavenging other three for parts. Two bagging facilities out of four were rebuilt in a similar fashion. 5mw was recently provided and operations have restarted. One out of two kilns will restart in August. Can produce 2,500 tons of cement per day if additional 10mw is provided (15mw total).
- Security at Sinjar factory not an issue - local police force is reportedly effective.
- Local contractors are currently being used to provide transportation equipment to move raw materials from mine to Sinjar factory. This adds 2,000 ID in costs per ton of finished cement.

Salah Ad Din
Al Ambar
Diyala
Nineva

MIM facilities in the Sunni Triangle

In Salahdin Province

In Baji:

The Vegetable Oil Company has its seed oil plant in the province and employs approximately 395. It is in the process of receiving seed oil to begin operations. Their ability to move forward is liquidity. They would prefer a line of credit with a bank to cover their raw material purchase requirements. This operation within the VOC appears to be the most sustainable.

Northern Fertilizer (Urea manufacturer) is anticipated to be in operation around 15 November. The firm remains constrained by the lack of pressure in the fuel line. This firm should do well when it becomes operational (one of the most promising in the MIM portfolio). It employs 1,314.

In Samarah:

The Samarah Drug Company (SDI) is operational at approximately 32% of pre war capacity. They are making (according to Shakir's estimate) approximately \$1.5million per month. They appear sustainable for 2004. The firm employs 2,500.

In Taji:

Nasser Company. Nasser is a metal fabrication company that employs 2,473 persons. The company has secured about \$1 million in contracts. The firm is operating at 10% capacity. It is constrained by electricity (it has 2MW out of a requirement of 6MW). The viability of the firm is marginal and will require subsidy to operate in its current configuration for 2004.

Al Samood. Adjacent to the above firm this MIC has received \$1.7 million in contracts. It has started operations without a dime of funding from the MIM grant allocation. This firm appears to have a strong management team. It employs 1,487. It is operating at 7% of capacity. This firm is competitive. It is constrained by electricity (it has 2MW out of a requirement of 6MW). The firm may require subsidy for 2004 to continue in its current configuration.

Diyala Province:

The Al Quadisia Co (now called Diyala Co.) manufactures electrical transformers, optical fiber argon gasses and consumer electronic equipment. The firm employs approx 2,297. The firm has been operational since May and is currently operating at 30%. Its sales

performance has been poor. All lines in the factory are operational but one (Iron Steam line which employs 83. It plans to be operational in January). This firm will require additional subsidy to continue from current perspective.

Al Anbar Province:

Ar Ramadi:

The Glass and Ceramics Company

The Glass Company has just come into operation in the last few weeks. It employs approx 1,200 persons. It manufactures flat glass and bottles (received a meaningful contract valued at 300BID). This plant is old and does not have the money to get the remaining equipment operational (est. at \$4 million) nor would you (new equipment would cost less)... The flat glass production is highly inefficient. This company will require subsidy to continue in its current configuration.

The Ceramic Company is beginning operations and employs 1,200 persons. This is a new plant that is constrained by scale. It appears to be profitable with a worthwhile consumer product (bathroom fixtures). The plant manager is concerned about the MIM's leasing plans with the result that he is not moving forward aggressively with getting the company operational.

Al Qaem:

State Company for Phosphates. This company received the largest amount of subsidy from the 2003 budget allocation (\$5 million). The Company estimates total rehab cost of \$9 million. The firm should restart operations around mid November when the rail bridge to its mine (in Akashat) is repaired and the substation fixed. The firm employs around 2,000 persons. This appears to be a very viable operation. Al Qaem operations will be constrained by electricity and this is one of the primary sites for the MIM's IPP solution.

Iraqi Cement operations. The Iraqi Cement Company began operations in mid October with the receipt of 5MW of electricity. It is producing 1,000 tons of cement a day. The firm employs about 600 persons. This firm is constrained by the lack of electricity and the lack of money for rehabilitation.

Faluja:

Al Faris Company is a metal fabrication company that employs 1300 persons. This company has secured several contracts valued at \$3.5 million. The company is relocating its operations from LSA Dogwood to its operation near Faluja (318 persons). The US occupation prevented it from returning to operations. When the Coalition vacates this

site in AL An Bar the site has been deem indefensible by the MIM and Company. This movement will result in transfer of much of these personnel to other Ministries (i.e. oil).

Iraqi Cement operations. This company has received 2.5 MW of electricity in October and began operations. The firm employs about 400 persons. It manufactures white cement. It is operating at 36% capacity operating 1 mill and manufacturing 300 tons a day. It requires another 2.5MW to achieve full capacity. Like all cement operations it requires substantial rehab to get all lines 100% operational.

Haririat State Company for Refractories

This company manufactures thermal bricks. Its customers are the cement factories. They began operations in late October and have one line operational. This company will benefit from the currency exchange program (its adjacent cement factory will be the burn site for the old money). They will obtain a cost plus contract from the MoF which will help the company financially. The firm employs about 560 persons (hopefully eliminating the need for subsidy)

Kubassa:

Iraqi Cement operations. This factory is not operational. It has not obtained electricity. This operation could be sustained by its sister operations. It employs approximately 800 persons.

Rutba:

Geological Survey and Mining has mining operations in the western desert in the vicinity of Rutba. They remain idle largely due to a lack of customers. Security issues will also hamper these companies operations. The firm employs 145 in Rutba. This operation could be sustained by mining operations in the balance of the Country.

Anah:

The Ready Made Clothing Company. Ready Made produces dish dachas at this location. They employ 260 persons. They are operating at 24% capacity. The firm is largely constrained by funds to purchase raw materials. This firm may require subsidy to continue in 2004.

Hand Made Carpet Factory. The operation is operating at 84% capacity. It employs 53.

**Ministry Of Industry & Minerals: State Owned Enterprises
Needs Assessment as of 15 October 03**

Damaged beyond repair
Operational within thirty days

SC	File #	Enterprise	Sector	Facility	Employment	Location			Needs								Actions	Items	Status	Remarks	Q	Cap Unit vs 2002
				Name	Type	Province	City	Grid	Remarks	Electricity	Capacity Need	Priority	1 August MW	Diesel Supply	Current supply	Remarks	Natural Gas	Repairs from Looking	Needs Cash	Needs Other		
1	2	The General Company for Vegetable Oils	Food	Amman Plant	Production	Mayaan	Beji	MDD SE		1	12MW/hr	5	2	2		Operational on 2mw diesel - detergents and soap	0	0	1	0		0%
1	2	The General Company for Vegetable Oils	Food	Mansur Plant	Production	Salahdin	Baghdad	4th ID		1	2MW/hr	5	2	2	0.5	.5 MW with diesel	0	0	1	1		20%
1	2	The General Company for Vegetable Oils	Food	Al Farabi	Production			1st AD		1	4MW/hr	5					0	0	1	1		0%
1	2	The General Company for Vegetable Oils	Food	Al Mustasssem	Production		Misan	MDD SE		1							0					5%
1	3	State Owned Company for Tobacco and Cigarettes	Food	Tobacco Co				N		1							0	0	1	0		N/A
1	3	State Owned Company for Tobacco and Cigarettes	Food	Tobacco	Habbayah		Baghdad	MB519834		1	3MW/hr	3	2		2		0	0	1	1		5%
1	3	State Owned Company for Tobacco and Cigarettes	Food	Tobacco	Karadah			1st AD		1					1	2MW requirement met by generator	0			1		10%
1	3	State Owned Company for Tobacco and Cigarettes	Food	Tobacco Co	Storage	Anbar	Abu Ghurayb	MB43129073		0		5					0	0	0	0		N/A
1	3	State Owned Company for Tobacco and Cigarettes	Food	Bab Al Muthar	Storage			1st AD		0							0					N/A

1
line of credit

1
p 2001/2002

AUGUST 2003

RESPONSE TO THE REQUEST FOR INFORMATION

Coalition Provisional Authority

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0. Introduction

J.P. Morgan Chase & Co. (JPMorgan or JPMC) is pleased to respond to the Coalition Provisional Authority's (CPA) request for information (RFI) relating to Iraq's two largest commercial banks, Rafidain Bank and Rasheed Bank. The CPA requested information relating to specific questions about the manner in which it should proceed with the restructuring of Iraq's banks so that they are able to operate successfully within a market economy.

General comments relating to the RFI

In its reconstruction of the Iraqi financial system, the CPA will have to develop a strategy to address a variety of challenges, of which the restructuring of Rafidain and Rasheed banks will be but one. The effort to achieve this rehabilitation will require sustained progress against established objectives over a multi-year period. Given the challenges ahead, the CPA will need to develop a set of immediate priorities, medium-term goals, and long-term aspirations for the financial system. While needing to devote resources towards the near-term priorities, the overall rehabilitation should reflect the vision for the financial system and seek to avoid creating obstacles or planting the seeds for future difficulties.

Overall, the near-term objectives amount to creating a financial framework to support economic growth and development; the immediate goal must be to create a more robust financial sector whose institutions are able to bring into the formal system transactions that currently take place in the informal financial sector. These goals can be summarized as follows:

- Establishing a system of trade financing;
- Creating the financial and technical framework for the payments system;
- Creating confidence in the banks as deposit-taking institutions; and
- Encouraging the preconditions for new lending, including skills in such areas as credit assessment and micro lending.

In a number of these areas, the CPA will likely seek to introduce international skills, technology, and capital into the Iraqi financial system. We believe that there are a number of avenues open to the CPA to achieve this objective, including:

- Encourage the transfer of skills and experience to the Iraqi financial sector through the use of accounting, legal, and other professional services firms which have acquired experiences of similar rehabilitation programs around the world;
- Seek to attract international financial institutions to the Iraqi banking sector in twinning arrangements, management contracts, or even new investments in existing or *de novo* banking operations; and
- Bring both capital and technical expertise to existing Iraqi financial institutions through the private equity community with expertise in banking investments and institutional recovery.

We believe that despite the fact that the scale of the challenges, which these investors and other potential suppliers of technical expertise will encounter, the CPA will ultimately be able to access support for the financial sector rehabilitation plan from some or all of these sources. However, the CPA will have to design a system of incentives and compensation for these groups with extreme care. In particular, should the CPA seek to attract new external management and possibly capital for the rehabilitations of Rafidain and Rasheed banks, it will need to consider providing participants with significant upside incentives and possibly certain coercive awards, such as the granting of licenses or medium-term competitive advantages.

Scope and Limitations

JPMC has the premier investment banking franchise in the Middle East. Our financial involvement in the Region is particularly focused on sovereigns, government-owned agencies, and central banks, which is a characteristic strength of our firm globally. For many decades, we have served as the top adviser to government-related clients for financing needs, asset management, financial operating services, and for advice on their most important strategic transactions (Please see Appendix A). We also have one of the leading commercial banking franchises in the United States, including the largest in the New York metropolitan area. We are not, however, engaged in commercial banking outside the United States.

To be of greatest service to Iraq's financial reconstruction, JPMC formed a consortium of leading financial institutions around the world, each with complementary strengths. This consortium has already applied to the CPA to help the Trade Bank of Iraq become established in the country, and we are prepared to offer our services in other areas of importance to the financial system. Two of our consortium members, National Bank of Kuwait and Standard Chartered, operate very significant commercial banks in the Middle East, and both seek to establish a presence in Iraq at the earliest opportunity. We have discussed possible approaches to establishing this presence with these banks, as well as our response to this RFI, but the opinions expressed herein are JPMorgan's alone.

In the following sections, JPMC has sought to respond to the questions set out by the CPA in the order these questions are posed in the RFI. We have sought to reflect some of our strategic thinking regarding the CPA's alternatives in the answers to specific questions where appropriate. JPMC would be delighted to discuss its responses to the CPA's questions and any other additional questions which arise should the CPA require further input. Our global financial and government institutions practice has served a number of governmental and other institutions in crisis rehabilitation situations worldwide in the past. We believe that these experiences may be useful to the CPA and in some instances applicable to the challenges faced by the Iraqi financial system, and would therefore be in a position to provide the CPA with guidance where helpful.

JPMC would like to highlight that in responding to the CPA's RFI, it is not indicating that it has an intention to assist in the management of Rafidain Bank or Rasheed Bank, nor is JPMC making a commitment to pursue this possible project further. However we wish to provide the CPA with insights from JPMC's significant experience working with distressed financial institutions in emerging markets globally.

1. Develop and implement a new, market-oriented business strategy at each bank

Typically, financial distress at individual institutions has arisen from the combination of macroeconomic developments and strategic, operating, risk management and other missteps at individual banks. Traditionally, as part of a rehabilitation strategy, surviving banks have sought to develop new business orientations that represent a break from past practices. In particular, there have been a number of instances in which banks have re-oriented their businesses towards, for example, retail and middle market customer segments and away from large corporate lending. These segments have typically been those to offer early profit opportunities in post-crisis economies and sustainable margins.

However, these new strategies have tended to ignore both the management experience and customer franchise that previously existed at the bank. Therefore, institutions formulating new strategies with new competencies and customer segments have often struggled to implement the new strategy. In addition, these re-orientations have often involved the development of entirely new skill sets, such as credit analysis in markets in which lending decisions were traditionally politically directed. There are a number of cases in Eastern Europe where the attempted refocusing on retail banking of previously wholesale/corporate banks has led to significant turmoil within the respective institutions.

Furthermore, it has often been the case that the market impact of a number of institutions re-orienting their strategy in the same direction has created profitability pressures in these more attractive segments. In Korea, for example, the mass movement of the banks into consumer lending after the crisis created a second profitability and asset quality trough, which further weakened a number of institutions.

Prerequisite for the success of the implementation of market-oriented business strategies in the banking sector of a formerly centrally planned economy is the overall economic transition towards a market-based economy and the introduction and enforcement of an effective regulatory framework. Loan growth in Eastern European countries prior to the restructuring of the corporate sector and under insufficient banking supervision has led to significant non-performing loan accumulation that often required further costly restructuring.

In our experience, therefore, a new management entity must bear a number of issues in mind in formulating a strategy re-orientation and the supervisory authorities (in this case the CPA and the Iraqi Central Bank) must be cognizant of the competitive environment which would follow the re-orientation.

In summary:

- The new strategy of the bank should be consistent with the needs of its differentiating customer franchise - in the case of Iraq, the CPA may choose to orient the two large banks in complementary directions;
- This strategy, where possible, should build on existing business skills;
- The strategic re-orientation plan should also spell out specific plans for creating the infrastructure and skill set required to support the new business;
- The new strategy direction should account for changes in the marketplace arising from the strategy decisions of current or future competitors; and
- Finally, corporate sector restructuring and introduction of an effective banking supervision mechanism is necessary for effective transition.

2. Implement essential reforms, including the prioritization of these reforms

The implementation of reforms in banking institutions should be undertaken as a part of the larger process of economic reform. The reform is a difficult and time-consuming challenge; it requires not only that managers are put in place with greater competency consistent with the bank's going-forward strategy, but also that the culture of the bank down to the most junior levels is changed to support the rehabilitation of the institution. Thus, the rehabilitation plan should account not only for the nature and prioritization of reforms, but also for the manner in which these can be implemented within the culture of the institution and accepted at all levels.

International precedent suggests that the management team chosen for the bank's rehabilitation undertake the formulation of an implementation plan. This management team typically takes on senior roles in the institution, including CEO, CFO, Controller, Chief Credit Officer, CIO, and Head of Marketing. Each of these individuals must assemble a staff including existing officers of the bank to pursue the relevant area's operational objectives.

It is important that the employees in the individual staff functions understand the overall strategy and direction of the institution, as well as their objectives and role within the rehabilitation plan. It is also important that the bank staff be made to feel as though the plan will adopt some of the strengths and practices of the pre-crisis institution, rather than throwing out all practices which preceded the rehabilitation plan. Rehabilitation of banks has often involved significant personnel downsizing following the introduction of new business practices. The management team should manage the process, carefully retaining the best resources of the existing pool that will contribute to the success of the rehabilitation plan.

Implementation of information technology (IT) plans is often essential to the execution of the rehabilitation plan, as it tends to play a supporting role for the individual operating groups' implementation plans. Slow or poor execution of an IT plan can lead to substantial delays in the execution of the overall rehabilitation as well as frustration among the staff. In many cases, the use of external IT consulting, installation and management services as well as outsourcing can enhance and accelerate an IT plan.

Therefore, our recommendations based on prior international experience may be summarized as follows:

- The management team, which sets out the overall strategy, should be responsible for implementation of the rehabilitation plan, including formulation of detailed execution steps;
- Reform plans should be highly sensitive to cultural issues within the country and the bank;
- Wherever possible, existing staff and methods should be retained or modified as appropriate; and
- IT objectives and implementation of new management information systems are essential to the execution of a rehabilitation plan, whereby external support should be considered.

3. Create a "Good Bank/Bad Bank" structure at each bank

Defeasance steps are an essential component of the rehabilitation of a distressed bank. Typically, the financial stabilization of the institution will be funded by the government and will involve the removal from the bank's balance sheet of non-performing loans (NPLs) or assets inappropriate to the good bank's future strategy, such as policy loans, other directed lending, or non-banking industrial participations. While there are a number of structures for removing bad assets or the risk and losses associated with the assets from the bank's balance sheet, the "Good Bank/ Bad Bank" structure is the most common.

Removal of NPLs is required to bring the good bank back to financial health and to create strong earnings for capital generation. The earnings and capital generation, in turn, support future growth and value creation at the good bank. While losses will be concentrated in the bad bank, the hiving off of NPLs into the bad bank results in greater focus on maximizing value from non-performing assets at the bad bank management level, and allows the good bank management to focus on the execution of the new strategy. A single consolidation agency has frequently served the role of the bad bank assuming banking sector NPLs in exchange for government guaranteed recapitalization bonds.

Thus the good bank/bad bank structure is viewed as a way to maximize value recovery from the distressed institution, inasmuch as both parts are established with specific focus, as well as to speed the recovery of the banking sector as a whole. In certain instances, the bad bank entities have become viable and valuable companies in themselves, developing skill sets including asset servicing and real estate asset management. The existence of a single bad bank has also improved the efficiency of the NPLs workout process through economies of scale and representation of creditors interests by a single entity.

In certain international precedent transactions, the quality of the existing asset portfolio is so poor as to argue for a complete removal of the assets from the institution, leaving only customer and branch infrastructure and deposits behind at the good bank. This requires that the government (taxpayers) basically assumes responsibility for 100% of the losses and the good bank's initial asset composition is 100% government debt. As the good bank develops lending opportunities over time, the composition of the good bank's assets moves towards retail and commercial loans; ideally, the bad bank is throwing off some amount of cash, enabling the government to pay cash interest on the good bank's government debt assets.

JPMorgan has learned a number of lessons in its experience with good bank/bad bank structures internationally and domestically over a number of years; the most relevant lessons to the current situation facing the CPA are as follows:

- The transfer of assets from the good bank to the bad bank must be done at fair market value;
- The assets at the good bank must be replaced with government debt, which is favorable due to its low risk weighting;
- The government debt must be floating rate and cash paying with staggered maturities;
- Bad bank management must be completely separate from the good bank, and the management team incentivized to maximize proceeds from the sale or workout of the bad assets; and
- The good bank/bad bank transaction structure must not be executed in such a way as to provide ongoing competitive advantages to specific institutions.

4. Improve the management of branches at each bank

In centrally controlled economies, branch organizations have tended to mirror the functions of the larger institutions - a mini-bank. Thus, each branch would be controlled by a branch manager who would have reporting to him or her additional managers across all areas including retail, corporate, HR, financial, etc. This structure has tended to hinder reform, as branch managers are not incentivized to support overall reforms. The first requirement for improvement of branch bank management, therefore, is to centralize functions where appropriate and create a matrix structure with functions in the branch reporting both to the branch manager and to the central staff at head office. Rehabilitation has often also involved legacy branch networks downsizing and redeployment to ensure branch presence in areas with sufficient economic activity.

In this structure, the branch manager assumes a role of chief marketer and relationship officer as well as providing on-site oversight, and is incentivized to maximize the profitability of the branch and monitor risk. Staff functions within the branch should provide their respective services along guidelines and procedures set out by their respective functional management at head office.

Centralization of the branch network allows the branches themselves to focus on deposit gathering, credit origination, and customer service. Functions such as financial reporting, credit analysis, and treasury are typically more efficiently handled at head office in a centralized system. The control environment is often improved by this centralization. It is important to note that IT capabilities play a large role in the centralization of branch bank networks. This is a good example of the importance of successful IT plan execution.

As may be clear from the above, the changes brought on by the centralization of branch functions and the re-orientation of branch personnel to sales and customer service requires significant cultural change. The implementation of a branch rehabilitation plan, therefore, requires that talented and flexible branch managers with deep roots in their local communities be identified.

The CPA may also consider encouraging the creation of new branch systems separate from the major banks. A number of emerging markets have successfully experimented with non-traditional brand systems including post offices, grocery chains and the like. It may be that similar distribution systems particular to Iraq could be employed in this way. The CPA may also encourage the development of modern payment facilities, including Automated Teller Machines and Point of Sale acceptances, which contribute to the efficiency of banking sector branch network. In a number of Eastern European countries this effort was led by the respective central banks considering its relatively high cost and the system-wide utilization of the infrastructure.

In JPMC's experience, branch management improvement is best pursued by:

- Orienting the branch and its personnel towards credit origination, deposit gathering, and customer service;
- Centralizing other functions and introducing a matrix structure;
- Executing on critical IT support plans for branch rehabilitation and centralization;
- Identifying qualified branch managers and developing an appropriate incentive system reflecting both profitability and risks; and

Exploring non-traditional financial services distribution channels as alternatives to traditional branch networks.

5. Outsource, twin, or employ other means of bank assistance used in transitional, post-conflict countries, including, "lessons learned" from these experiences

Around the world, government and supervisory authorities have employed a number of means of bringing bank management and governance from international players to their recovering financial institutions. These have included outsourcing, management contracts and hiring management teams under a variety of commercial agreements.

JPMorgan has had limited experience with outsourcing or twinning arrangements as a party to an agreement. We would observe that these arrangements have been difficult to execute in practice and difficult to negotiate in terms of compensation and service levels. We would refer the CPA to the World Bank, IMF and EBRD for further input on twinning, as this is an arrangement that they have sought to employ in a number of countries, including Eastern Europe and South Asia.

In the current environment, we believe that the CPA would have to offer substantial upside incentives for commercial (i.e. shareholder-owned and profit-oriented) financial institutions to deploy resources in a management contract or twinning arrangement relating to Rafidain Bank or Rasheed Bank. The potential partner institutions are generally cautious about devoting staff to non-core projects. Also, these arrangements have tended to be more successful in relatively narrow areas that offer near-term revenue opportunities for the twinned bank, such as treasury.

Transition of a bank's ownership to a strategic investor has usually resulted in deeper best practice sharing and improved management expertise transfer. Privatized banks in Eastern Europe have benefited from access to the managerial and financial resources of their foreign owners, developing significant advantages over locally owned competitors. As such a development may not be possible at this stage, the CPA may consider the development of joint-venture subsidiaries operating in financial services subsectors between Rafidain and Rasheed banks and international banks. Specialized joint ventures require significantly lower capital commitments by international banks, could result in substantial profit generation for both partners, and provide a forum for wider cooperation between banks.

Iraqi expatriates with experience in international financial institutions could also prove a valuable managerial resource. An Iraqi banking sector reconstruction project is likely to be appealing to the Iraqi expatriate banking community, as a service to the country. Also the influx of native speakers with modern banking experience in the Iraqi banking sector will accelerate rehabilitation and particularly re-training.

Beyond financial institutions, we have observed that private equity investors coupled with community management teams comprised of retired managers from international banks are increasingly teaming up to explore bank investment and turnaround management opportunities. In some cases, such consortia have also included strategic investors. For example, in Korea a number of banks have been acquired by financial sponsors who have brought with them, in addition to capital, new management teams to run the bank (e.g. Newbridge Capital's investment in Korea First Bank).

The financial sponsors seek to invest equity capital at a discount in a cleaned up bank, (i.e. the good bank) in order to generate financial returns as the economy recovers and as the bank's performance improves. The management teams have been incentivized through the award of options or other equity-related compensation to execute on a new business strategy. The objective of these groups is to exit from the investment within 3-5 years, thereby

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benefiting from improvement in the economy as well as in the level of banking sector profitability and the performance improvement in their own institution.

Beyond financial incentives, the CPA may need to consider a system of business or other incentives to encourage financial institutions and other investors to consider twinning and management contracts. The most significant area for consideration relates to future licensing arrangements in the Iraqi market. Assuming a successful and rapidly growing Iraqi market develops over the coming years, avenues for entry into that market are likely to be attractive to a number of international and Gulf banks as well as other investors seeking to benefit from the market opportunity. Through its regulatory role, the Iraqi Central Bank will have ultimate authority regarding the granting of licenses to potential market participants, representing a significant source of leverage over these aspirants. The CPA could consider providing preferential access to institutions willing to participate in management groups around Rafidain and Rasheed banks. Alternatively, the regulator could consider severely restricting the award of new licenses or favoring applications from institutions that provided assistance in the initial rehabilitation of the financial system. While this may persuade international firms to participate in the rehabilitation process, the strategy of restricting licenses could deprive the economy of necessary financial services until Rafidain and Rasheed Banks can be rehabilitated.

As noted above, the CPA will have to create significant incentives to management teams, investors or financial institutions in order to attract them to twinning on the arrangements. This is particularly true in the current security environment. In seeking to create such arrangements, the CPA should bear in mind a number of lessons learned:

- Twinning arrangements, when employed, should be focused on narrow areas of the bank's activities and the fee and other emoluments should be closely monitored by the supervisory authority;
- The CPA may also consider encouraging the formation of consortia of financial institutions, private equity investors and hired management teams to pursue management contracts and new capital investments, whereby the parties are incentivized by the potential future financial returns;
- In these cases, the government has typically been asked to absorb losses in a put agreement for a period of time, lessening the risk to new investors; and
- The CPA may wish to consider coercive incentives, such as preferential market access, in return for assistance in the rehabilitation of the financial system.

6. Strengthen loan valuation and problem loan collection ability

The development of global capabilities in NPL servicing has been rapid and substantial since the U.S. Savings & Loan crisis in the late 1980s and early 1990s. In a number of countries, skills have been developed and entities established towards improving loan collections and recoveries.

A number of international problem loan investing groups have established global servicing platforms, whereby the skills and experience from collecting activity in one country is quickly transferred to a new post-crisis environment. There are a number of specialist bad asset investment funds such as Lonestar and Cerberus, which require significant servicing capabilities. Also, a number of investment banking companies have either captive servicing platforms or outsourcing agreements to support their activities. Therefore, we believe that significant valuation and collection skills should be available to the CPA for transfer into Iraqi institutions.

In a number of instances the government has chosen to create a single asset management cooperation (AMC) in order to work out the bad assets in most or all of the banking system and thereby concentrate the required skills in one entity. Therefore, the CPA may consider establishing a single institution to manage the NPLs of both Rafidain and Rasheed Banks.

However, the CPA will have to consider the commercial terms under which it will seek to attract servicing skills to support the Iraqi bank rehabilitation effort, particularly if it chooses to offer a management contract in the bad bank to independent third parties. Typically, such management contracts are established on a fee plus share in the upside basis.

Finally, it should be noted also that loan valuation and collection is inextricably linked with the legal environment for lien enforcement and foreclosure. Uncertainties in terms of legislation as well as court precedent and length of procedure will have a significant impact on potential NPL valuations. An important aspect of the CPA's efforts in strengthening loan valuation and problem loan collection will be the establishment of a legal environment conducive to enterprise restructurings, a strong bankruptcy code, debtor-in-possession financing, and transparent foreclosure processes.

In summary:

- Significant global skills in bad loan valuation and collection exist, often belonging to or working in conjunction with specialist investors;
- There exists precedent for the establishment of a national work-out entity, allowing the government to concentrate bad debt resolution skills (and in some cases offer special powers);
- In a number of cases, asset valuation and resolution has been outsourced to specialists;
- However, commercial terms for such contracts should be negotiated carefully; and
- A coherent legislative, regulatory and procedural environment helps in both the valuation and collection of NPLs.

7. Encourage small and medium-sized enterprise lending

The development of the small and medium-sized enterprise (SME) sector is an important macro-economic goal given the job creation engine that this economic segment represents. It is particularly important in situations of financial stress, as the SME sector is typically the most vibrant in its recovery from a macroeconomic shock. The SME sector has taken on an even greater importance in the post-communist economies of Eastern Europe subsequent to 1989, as these countries needed to reshape their economies from state-owned, centralized systems to more dynamic market economies.

Experience in these markets has shown that the banks have been ill-equipped to support rapid growth in the SME sector, as the credit skills and relationships upon which this lending activity depends is underdeveloped in the state system. Banks in many of these markets had typically lent only to state-owned institutions largely at political direction and therefore have had little responsibility for credit decisions and credit origination. Therefore, any rehabilitation plan oriented towards SME lending will require a well-conceived approach to building SME credit decision-making capabilities.

Although there is no tried and tested methodology for building SME lending capabilities, a number of government and bank-level actions can significantly alter the size and scope of the banking system's potential in this area:

- As in the U.S., a system of government subsidies or loan guarantees (e.g. Small Business Administration loans) for qualifying SME borrowers would represent a significant step;
- Make SME lending an integral part of the market-oriented strategies of each bank considering also the relatively high spreads and fees from ancillary clearing and payment businesses that SME banking entails;
- The CPA or the Iraqi Central Bank could organize a series of seminars for the banks dealing with credit analysis and decision-making for SME lending (decisions relying on both cash flows and hard assets as collateral);
- As per the comments above regarding branch management, the creation of a strong SME lending market will rely on the identification of talented branch managers with roots in local communities; and
- Trade associations should be encouraged to assist SMEs in specific industries in their development and financing plans.

A number of developing markets have experimented with micro-finance as a tool for enhancing the flow of credit to new, small enterprises. Micro-finance has been used to spur economic activity by creating opportunities for small business people in both urban and rural settings. We believe that this system of financing small entrepreneurs may be applicable to the current situation in Iraq and deserves further investigations.

Based upon our knowledge of the micro-finance sector, we would make the following observations regarding the CPA's potential course of action:

- The CPA can draw on a wealth of experience in micro-lending from the NGO community as well as a number of nations which have deep experience with both its successes and failures, notably South Africa;
- Model legislation exists to govern a micro-lending sector from such multilateral institutions as CIGAP (within the IBRD), whereby experience has shown that this sector thrives when allowed to do so through relatively light regulation;

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- In particular, usury ceilings have often proved to be a significant constraint in lending while not protecting potential borrowers, as the demand for credit above the usury ceiling remains in the informal sector;
- Where possible, regulation should be applied to deposit-taking rather than lending activities; and
- Like the branch rehabilitation program, the micro-finance sector may benefit from non-traditional distribution.

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8. Develop new lending and borrowing instruments

Nascent credit markets in post-financial crisis and formerly statist societies are subject to a variety of limitations, including a relatively narrow selection of lending instruments. The CPA is addressing separately one of the most important and mission-critical elements of the creation of a new financial sector, namely the establishment of an export and import financing capability. In our view, another pressing duty of the CPA in respect of the financial system should be the introduction of an appropriate legal and regulatory environment for risk-based lending to develop.

As it relates to every day banking activities, the priority would be to bring short-term liquidity financing inside the formal banking system and away from moneylenders and other informal networks. In Iraq's case, this must be done within the tenets of Islamic banking traditions. The focus should be on the short-term inventory and working capital financing in local currency. At the outset, longer-term financings are likely to have to be transacted in U.S. dollars or another international currency. Lastly, Iraq will require a market-based method for setting short-term interest rates while the central bank establishes its monetary policy credibility.

A further priority would be to establish a facility in some form for local currency longer-term credit, as recovering financial markets tend to have only short-term borrowing and interest rates available at the outset, at least in the domestic currency; borrowers seeking longer-term financing are usually forced to pay very high rates and are subject to exchange rate risk if they can get a term loan at all. In many countries, this policy goal has been achieved through the establishment of long-term credit banks, a course of action that could be contemplated in the case of Iraq as well.

It is important to bear in mind that while newly established institutions such as a longer-term credit bank are valuable in their initial roles, over time their mandate should be restricted wherever they crowd out private sector alternatives. In addition, the ownership of these institutions should remain with the Iraqi people given their importance to the financial sector.

In summary, we believe that new lending and borrowing instruments are likely to be introduced over time by existing and new institutions as they recover based on market demand. In supporting these developments, the government's priorities should be in the following areas:

- Creation of import/export financing capabilities;
- Introduction of the legal and regulatory framework for lending;
- Creation of a formal and reliable short-term financing market through the banking system; and
- Establishment of a long-term financing capability.

9. Develop a reliable, long-term private deposit base

Private deposits represent a key element of creating functioning savings and money markets, which in turn are essential to the development of long-term credit markets. As the banks' deposits grow and become more stable, they become an increasingly reliable source of funding against which banks can make long-term credit decisions. Clearly, the depth and tenor of a national deposit market will depend on the overall level of confidence in the banking system. The intermediation of the banks of liquid assets away from cash instruments and protecting against capital flight are strong signals of confidence returning to the macro economy.

Nevertheless, there are a number of steps that can be taken by a governmental authority to support the development of the deposit base, most notably a deposit insurance system. In a post-crisis market, deposit insurance presents a number of issues, including but not limited to:

- Funding, inasmuch as a weak banking system is unable to support deposit insurance through premiums;
- Moral hazard, as the deposit insurance scheme represents an acknowledgement that the problems in the banking sector ultimately are owned by the government, and therefore might be repeated; and
- Creating limits and avoiding abuses going forward.

We should again reiterate that prudential regulation and proactive banking supervision imposes strong discipline on management teams and safeguards asset quality, ultimately minimizing the cost of bank failure to the deposit insurance scheme.

Other mechanisms for encouraging deposits in the banking sector can be considered, such as inflation or currency protection, preferential conversion rates into the new currency, or bonuses. Similar to Eastern European countries, a large part of the deposit stock is likely to be held in the form of foreign currency banknotes, most likely U.S. dollars in the case of Iraq, such that special attention is required in order for the deposit base to flow into the banking system and therefore be deployed to fund domestic investments. Any of these devices would have to be carefully structured to avoid adverse implications on currency stability or longer-term market dislocations.

Broadly speaking, however, the growth in the deposit base will be a function of the trust which consumers and businesses place in both the banking system and the macroeconomic management of the country. In addition, as the banks themselves execute on their new strategies, service level improvements are likely to support growth in the deposit base as well.

10. Develop a consumer credit market in Iraq

The consumer is often the first area in the economy to show signs of life in a post-crisis environment. Macroeconomic policies are typically reflationary, such that the consumer may develop purchasing power relatively early on. In most recovering markets, the consumers are interested in purchasing transportation and white goods; these are essential to either employment or quality of life depending on the individual's economic circumstances. Therefore, a consumer credit market can develop rapidly in the financing of, for example, motorcycles and air conditioners in an environment such as that in Iraq today.

The financing for these purchases may come from the banking sector, but may also be provided by manufacturers and distributors. In a number of markets, consumer credit has been initiated by foreign manufacturers of consumer goods, often in joint venture relationships with local distributors and businessmen. Beyond transportation and white goods, this has also been observed in technology and telecommunications, including cellular telephony. Obviously, this activity should be encouraged in the near-term.

Over time, the development of a consumer credit market beyond vendor financing and within the banking sector is likely to take place without government encouragement. Performance of payments through bank accounts (i.e. monthly salaries or government subsidies) has proven an effective security for the extension of consumer credit facilities in a number of countries leading to the proliferation of this market and should be encouraged. As also noted above, the legal framework, for example relating to lien enforcement, is an important element of consumer, particularly mortgage, lending.

An additional support that would speed the development of a retail credit market is the establishment of a credit bureau to aggregate consumer and commercial credit information across all lenders. In some jurisdictions, this information has proved difficult to extract from the banks, or has not been shared with non-bank consumer lenders. Both practices are competitive hindrances to the development of a dynamic consumer lending market.

In summary:

- Non-bank consumer lending, notably vendor financing, and performance of payments through the banking system should be encouraged;
- As for other forms of lending, the legal and judicial framework and procedure is important; and
- The establishment of a credit bureau would provide support to the entrance of new competitors into the market.

11. Facilitate the inflow of remittances into Iraq through the banking sector

Rather like the deposit base, remittance flows into an economy will depend on the degree of trust placed in the domestic financial institutions and the level of service that is offered to the counterparties to the remittance transaction. That is, the remitting party from outside Iraq must be confident that the money will flow unobstructed to its intended recipient. Second, the retrieval of the money in cash by the recipient must be safe, reliable, convenient and free from fraud or extortion.

Inasmuch as the Iraqi Diaspora is widely spread throughout the world and the possible financial support for Iraqi citizens in the Arab world also widespread, the network for collecting possible remittances also represents an important challenge. Arguably, the establishment of a system of correspondent banks eligible to receive funds to be transmitted to the accounts of specified individuals inside Iraq and the representation in Iraq of international instant money transfer companies would provide a significant boost to the goal of facilitating remittance inflows.

In addition, remittance payments typically attract high fees, which can provide a further disincentive to the use of the formal banking system as the mechanism for transmitting funds to family members or others inside Iraq. Therefore, the regulation of a fair level of compensation to the financial institutions would also be beneficial.

We would recommend to the CPA to discuss this issue further with international banks with significant remittance activities, such as the Philippine or Indian banks that serve non-residents. More generally, we believe that the remittance system would benefit from the following elements:

- Developing high degree of trust on the part of both the sender and recipient;
- Using IT and improved services to increase the convenience, reliability and safety of the remittance receipt from the perspective of the Iraqi resident;
- Regulating fees and commissions on remittances; and
- Engaging in discussions with institutions with a specialization in remittance activities to further research this issue (which JPMC would be honored to arrange).

12. Facilitate the development of a viable capital market in Iraq

As noted above, the first steps toward creating a functioning corporate finance market within Iraq will be to establish a money market intermediated by the formal banking sector and the central bank as well as a long-term lending institution and an import/export financing entity. These institutions and marketplaces represent the framework for a functioning capital market:

- The money market and open market activities of the central bank provide the basis for short-term rates and financing;
- The export/import facilities provide both medium-term financing for trade transactions, as well as potentially a bankers acceptance market; and
- By borrowing both domestically and internationally in longer tenors to support long-term lending, the long-term credit institution would provide a benchmark for longer-term rates as well as an investment instrument for domestic investors by issuing debentures.

Other capital market instruments and activities such as commercial paper issuance, medium-term notes, repurchase agreements and long-term government obligations should, over time, become established domestic capital markets possibilities.

The primary impetus for the development of capital markets will come from the government, as its debt issuance programs are commenced. By virtue of their role in the banking industry, Rafidain and Rasheed Banks may also play a role in the development of an Iraqi capital market. Should the CPA place significant emphasis on this role, it may cause their rehabilitation plans to take into account a potential role as providing, with the other institutions previously mentioned, the backbone of a nascent Iraqi capital market.

Of course, the regulatory environment created for the capital markets will play a significant role in this development as well. In a number of jurisdictions, certain forms of public market financing have been slow to develop because the regulatory framework and oversight was insufficient to attract investors, both domestic and international. Therefore, in addition to rehabilitating the major banks, the CPA should be highly focused on developing the appropriate legal and regulatory framework, and on installing qualified supervisory staff.

A further important potential development would be the creation of a functioning and lively equity capital market. Experience in Eastern Europe has shown that private ownership of shares can sometimes be slow to take root in countries in which government ownership of all property was the norm. While private ownership was not unknown in Iraq, many large commercial and industrial enterprises were held in state hands, such that the educational and cultural adaptation to private ownership and equity capital markets is likely to take time.

One solution that has been pursued in a number of jurisdictions is to use a privatization program as a way to jumpstart the equity capital markets and private ownership of equities. For example, in a number of countries, shares in privatized companies were distributed to the public either directly or in the form of tradable mutual funds owning shares of industrial companies (voucher privatization schemes). This method of privatization achieved three goals:

- The removal of state owned enterprises from public ownership;
- The distribution of state wealth to private individuals; and
- The creation of equity capital markets that could be built on the back of trading in either shares or units distributed.

Despite their merits, voucher privatization schemes have led to significant market distortions and therefore their implementation should be carefully considered. Transfer of ownership of large enterprises prior to their restructuring to the public in Eastern European countries with undeveloped corporate governance and control culture has delayed transition and productivity improvement, while it exposed the inexperienced public to serious risks. It should be noted that the public pension systems in many countries also became major shareholders of formerly state-owned institutions, and therefore represented in many cases the first major institutional investors in the domestic equity capital markets.

In summary:

- By creating the pillars of a financial system - the commercial banks, the export/import bank, the long-term credit bank and the Iraqi central bank - the CPA will have created the framework for the fixed income capital markets;
- The management of the major commercial banks would be in the position to support the development of the capital markets, not only in the banks' role as a provider of short- and medium-term credit, but also in the introduction of public securities such as commercial paper or bankers acceptances;
- The CPA has a clear role to play in the establishment of functioning capital markets in that an appropriate legal and regulatory framework is an essential ingredient;
- The development of vibrant equity capital markets depends in part on the development of an equity culture and one of private ownership, which can be achieved only over time; and
- The government may utilize a privatization program to stimulate the development of the domestic equity market.

13. Create an incentive system for bank management consistent with sound corporate governance and in the long-term financial interest of each bank

Clearly, attracting international management to the Iraqi banking system represents a challenge. Appropriate financial incentives will undoubtedly be a key element in achieving this goal. Typically, the compensation for such individuals would consist of traditional salary and benefits, expatriate allowances and performance-based incentives. The salary and benefits package as well as expatriate allowances will have to be competitive with international norms for assignments of this level of difficulty and personal hardship (living conditions, separation from family, danger). However, the true incentive for capable managers is likely to lie in the performance-based compensation, including equity-based systems. In introducing a new commercial law, the CPA will have the ability to influence the corporate governance environment in Iraq. Obviously, a system based on international best practice is likely to be enacted. Consequently, it would be in the government's interest to require that compensation committees be created for major publicly listed companies. In the event that the CPA enters into investment or management contracts with respect to the banks, some presence on the compensation committees of CPA-appointed directors would be advisable. Any contract negotiated with investors or management would be subject to board approval, including in respect of the incentives.

As noted above, attracting management in combination with financial investors has proved to be a viable avenue for bank rehabilitation in other jurisdictions. In those instances, the design of an equity-based compensation structure was undertaken and negotiated by the financial sponsor investing in the bank. In addition, the financial sponsor provided the corporate governance and oversight to ensure that no abuses of these compensation systems took place. In Eastern Europe, where in many cases a secondary market for the equity of banks does not exist as they are subsidiaries of international financial institutions, incentive schemes based on the bank's financial performance have been successfully devised.

We believe that both financial investors and individuals or bank management groups will require assurances regarding their long-term incentive compensation beyond an equity interest in the bank itself. Ultimately, investors' returns and individuals' long-term incentive packages will be subject to political risk relating to agreements negotiated with the CPA, unless some assurances are given regarding the ultimate Iraqi government's recognition of its obligations under agreements of this sort.

RESPONSE TO THE REQUEST FOR INFORMATION

14. Establish performance evaluation benchmarks for individual banks

In seeking management contracts or other arrangements for Rafidain and Rasheed Banks, the CPA will be relying in the first instance on the system of incentives that it negotiates to achieve its performance targets for the banks as set out in the rehabilitation plan. The rehabilitation plans and management contract agreements may contain some provisions for performance measures, however it is our experience that performance evaluation measures have been relatively ineffective as either incentives or coercive tools to meet performance standards.

It should be noted also that new bank regulations are likely to include standards of performance and financial condition to merit ongoing licensing from the regulator similar to the standards the regulators employ in the U.S. Therefore, it is our view that the CPA's most effective mechanisms for encouraging performance standards are likely to be incentive compensation and regulatory enforcement.

Both financial investors and regulators typically focus on a number of simple financial and other measures to determine the strength and attractiveness of a bank. The U.S. regulatory system employs a series of tests known as CAMEL-ratings in its evaluations. The CAMEL system evaluates U.S. banks under 5 broad areas: Capital, Assets, Managements, Earnings, and Liquidity.

- **Capital** refers to the level and quality of regulatory capital supporting the activities of the bank, protecting depositors from losses on lending;
- **Assets** relates to the quality of the loan and other assets on the bank's balance sheet, including the valuation and likelihood of loss;
- **Management** relates to both a subjective and an objective assessment of the quality of management and rules and procedures in place;
- The **Earnings** measures test both the quality and the quantum of earnings available to absorb ongoing losses should they occur and to support future growth; and
- **Liquidity** is an important measure to ensure that the bank can meet short-term obligations in both normal circumstances and periods of market disturbance; a cushion of liquidity is required to protect the bank in the event that a market event causes depositors to withdraw funds which have been loaned out and cannot easily be called back.

In each of these areas, there are a number of ratios and other measures which can assist the CPA in formulating evaluation benchmarks.

A. JPMorgan credentials

JPMorgan, through its different operating units, has been actively involved in providing advice, underwriting and other services to governments and individual institutions in distress situations around the world. The following table provides a summary of our role in selected assignments related to financial sector rehabilitations globally:

Exhibit A.1

JPMorgan credentials	
Country	JPMorgan's involvement
Czech Republic	<ul style="list-style-type: none"> ■ Purchased NPL portfolio from Ceska sporitelna, the country's third largest bank by total assets ■ The total nominal value of the portfolio is \$450 million
Slovak Republic	<ul style="list-style-type: none"> ■ Advised the Slovak government in the restructuring and privatization of the country's two largest banks
U.S.	<ul style="list-style-type: none"> ■ Advised Fidelity Federal Bank in California in restructuring its loan portfolio and raising capital during the S&L crisis
Sweden	<ul style="list-style-type: none"> ■ Advised Swedbank in restructuring its asset portfolio and to raise capital
Korea	<ul style="list-style-type: none"> ■ Advised KAMCO on the sale of \$7 billion of bad assets
Malaysia	<ul style="list-style-type: none"> ■ Advised Bank Negara Malaysia on establishing and funding the asset management company ■ Advised Commerce Asset Holding Berhad and Bank Bumiputra Malaysia Berhad on the merger, capital optimization and put protection on distressed assets
Indonesia	<ul style="list-style-type: none"> ■ Advised the Indonesian Banking Restructuring Agency ("IBRA") on asset disposition through its Asset Management unit
Thailand	<ul style="list-style-type: none"> ■ Advised Bank of Thailand on how to best divest its holdings in Siam City Bank, First Bangkok Bank, City Bank, Bangkok Metropolitan Bank, and Bangkok Bank of Commerce
New Zealand	<ul style="list-style-type: none"> ■ Advised Bank of New Zealand's (BNZ) privatization ■ Advise BNZ on their deteriorating corporate loan portfolio during their privatization
Australia	<ul style="list-style-type: none"> ■ Advised the State Bank of South Australia on their non-performing loans on recapitalization needs
Venezuela	<ul style="list-style-type: none"> ■ Advised Grupo Financiero Mercantil on restructuring and raising capital during the 1997 crisis
Mexico	<ul style="list-style-type: none"> ■ Advised FOBAPROA, the Mexican government agency in the sale of two non performing loan portfolios ■ Advised Grupo Serfin, the third largest bank in Mexico at the time, to structure a recapitalization program for the bank

RESPONSE TO THE REQUEST FOR INFORMATION

B. Text of the RFI - Iraqi Commercial Banks

Background

The Coalition Provisional Authority (CPA) hereby issues a Request for Information (RFI) related to a possible future Request for Proposals (RFP) involving the management of Iraq's two largest commercial banks - Rafidain Bank and Rasheed Bank. The aim is to help both banks to restructure in order to become commercially viable entities that are able to operate successfully within a market economy.

The Request for Information seeks expert views from global financial and management entities interested in helping to manage the Rafidain and Rasheed banks through management contracts. The RFI is specifically directed toward institutions with sufficient size and strength to undertake these contracts themselves. Issues to be addressed in the Request for Information include near-term, day-to-day operational issues of the banks as well as the need to put into place a longer-term strategic business plan.

The Request for Information is an important part of CPA's efforts, working in close cooperation with Iraqis, to advance a wide-ranging economic reform program in Iraq aimed at: (i) modernizing the country's financial system, (ii) building a new foundation for the banking system that is based on sound market principles, (iii) fully implementing measures among Iraq's banks that are consistent with international best practices in all aspects of commercial bank operations, and (iv) allowing Iraq to realize its unique potential for economic growth to the greatest extent possible.

Following several decades of centralized economic control, Iraq's economy has been weakened but maintains significant growth potential owing to its abundant natural and human resources. Oil production will account for an important part of Iraq's future GDP. However, Iraq's non-oil sectors, including tourism, agriculture, and small enterprise, also represent potentially vibrant sectors of Iraq's economy with strong growth prospects.

Iraq's two largest banks - Rafidain Bank and Rasheed Bank - are likely to play key roles in Iraq's economic reconstruction due to their long-standing presence in Iraq, their substantial shares of overall banking system assets and deposits, and the extensive customer base and branch networks each bank maintains in the country. Reliable data about the financial condition of both banks, however, remain scarce.

Under Iraq's previous regime, Rafidain and Rasheed banks operated under the direct control of the country's political leadership, extending resources to public enterprises and supporting projects favored by Baath Party officials. Through many years of government-directed activities, the technical capacity of the banks to operate based on sound credit policies and asset/liability management practices has been harmed.

Request for Information

The CPA is interested in obtaining views on how a management entity might:

- (1) Develop and implement a new, market-oriented business strategy at each bank;
- (2) Implement essential reforms, including the prioritization of these reforms;
- (3) Create a "good bank/bad bank" structure at each bank;
- (4) Improve the management of branches at each bank;
- (5) Outsource, twin, or employ other means of bank assistance used in transitional, post-conflict countries, including "lessons learned" from these experiences;
- (6) Strengthen loan valuation and problem loan collection ability;

- (7) Encourage small and medium-sized enterprise lending;
- (8) Develop new lending and borrowing instruments;
- (9) Develop a reliable, long-term private deposit base;
- (10) Develop a consumer credit market in Iraq;
- (11) Facilitate the inflow of remittances into Iraq through the banking sector;
- (12) Facilitate the development of a viable capital market within Iraq;
- (13) Create an incentive system for bank management that is consistent with sound corporate governance and is in the long-term financial interest of each bank;
- (14) Establish performance evaluation benchmarks for individual banks.

Additional issues may also be addressed at the discretion of those responding to this Request for Information.

Submissions should be professionally presented and forwarded to rfimc@do.treas.gov. Inquiries and questions may also be submitted to this address. CPA's preference is for the submission of responses within two weeks from this date of posting, though all submissions provided through the close of business on August 30, 2003, will be considered. Following a detailed review of the submissions received, the Coalition Provisional Authority may directly contact particular entities to further discuss their recommendations.

Submissions should include the full names of all individuals who contributed to the recommendations, their exact titles, the names of the institutions for which they work or are associated, and all necessary contact information.

RESPONSE TO THE REQUEST FOR INFORMATION

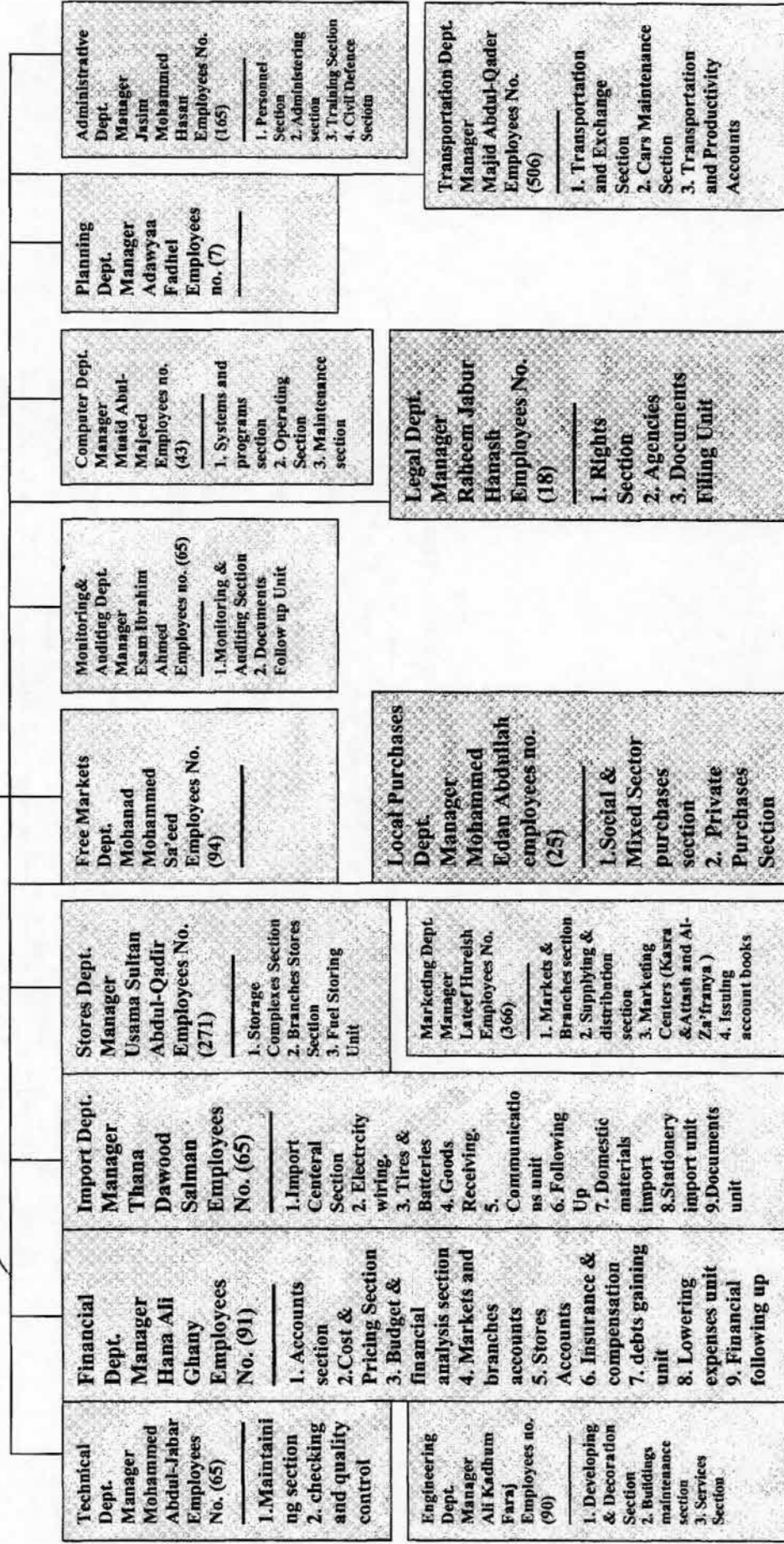


04203

General Company for Shopping Centers
Abdul-Satar Zaidan
Director General / Chairman of Administrative Board

Employees Total No. 1871

Assistant of Director General



MINISTRY OF TRADE

General company for shopping centers

Comparison table of actual expenses during 2002 and those planned for 2003

Note : all currency figures are in 000's of Iraqi dinars unless otherwise noted			
Code	Name of account	Actual expenses for 2002	Planned expenses for 2003
120			
31	wages and payroll	975955	10500000
32	goods Requirements	573715	490050
33	service	648087	804500
35	purchase to be resold	68946325	10000000
37	depreciation	104219	70200
38	exchangeable expenses	1323	20000
39	others expenses	12090	10000
TOTALS		71261714	21894750

MINISTRY OF TRADE

General company for shopping centers
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33	service	648087	804500
35	purchase to be resold	68946325	10000000
37	depreciation	104219	70200
38	exchangeable expenses	133	20000
39	others expenses	12090	10000
TOTALS		70284569	11394750

The General Company for Shopping Center

Account Name - Salaries and wages

Actual /2002	Planned /2003	Account Name	Branch	Main
				31
972583	10500000	Salaries & cash wages	311	
972583	10500000		Total	
0	0		312	
0	0		Total	
1009	0	Salaries & wages and allowances for non-Iraqis	313	
1009	0		Total	
2354	0	Contribution to Social Security	314	
2354	0		Total	
9	0	Contribution to Social Security for non-Iraqis	316	
9	0		Total	
975955	10500000		Total / 31	

The General Company for Shopping Center

Account name - goods requirement

Actual /2002	Planned /2003	Account Name	Branch	Main
				32
0	0	unprocessed and raw material	321	
0	0		Sub-total	
249988	200000	fuel and oil	322	
249988	200000		Sub-total	
200614	200000	Spare parts	323	
200614	200000		Sub-total	
0	0	filling & packing material	324	
0	0		Sub-total	
47754	30000	Miscellaneous	325	
47754	30000		Sub-total	
7	50	Employee supplies	326	
7	50		Sub-total	
75352	60000	water & electricity	327	
75352	60000		Sub-total	
573715	490050		Total 32	

The General Company for Shopping Center

Account name - service requirements

Actual /2002	Planned /2003	Account Name	Branch	Main
				33
255466	630000	Maintenance service	331	
255466	630000		Sub-total	
0	0	Research and consulting services	332	
0	0		Sub-total	
4014	7000	Advertising, Printing & Entertainment	333	
4014	7000		Sub-total	
251302	104000	Travel, delegation & communications	334	
251302	104000		Sub-total	
13601	8000	Building rental	335	
13601	8000		Sub-total	
123704	55500	Various services expenditures	336	
123704	55500		Sub-total	
648087	804500		Total 33	

The General Company for Shopping Center

Account name - Contracting and servicing

Actual /2002	Planned /2003	Account Name	Branch	Main
				34
0	0	Contracts & services	341	
0	0		Total	
0	0	Operating contracts	342	
0	0		Total	

The General Company for Shopping Center

Account name - purchases

Actual /2002	Planned /2003	Account Name	Branch	Main
	0			35
16955470	0	Purchase of local goods for resale	351	
16955470	0		Sub-total	
51950187	10000000	Imported	352	
51950187	10000000		Sub-total	
40668	0	financial burden	353	
40668	0		Sub-total	
68946325	10000000		Total 35	

The General Company for Shopping Center

Account name - Interest and land rent

Actual /2002	Planned /2003	Account Name	Branch	Main
	0			36
0	0	Debtor interest	361	
0	0		Sub-Total	
0	0	Land rent	362	
0	0		Sub-Total	
0	0		Total 37	

The General Company for Shopping Center

Account name Depreciation				
Actual /2002	Planned /2003	Account Name	Branch	Main
	0			37
0	30000	Building & establishment depreciation	372	
0	10000	Tools & equipments depreciation	373	
0	10000	Transportations depreciation	374	
0	10000	Tools & moulds depreciation	375	
0	10000	Furniture depreciation	376	
0	0	Vegetation depletion	377	
	200	Differed expenditures	378	
104219	70200		Total 37	

The General Company for Shopping Center

Account name transferable expenses

Actual /2002	Planned /2003	Account Name	Branch	Main
	0			38
0	0	Retirement expenses and social security	381	
0	0	contribution to expenditures of central units	382	
209	5000	various transferable expenses	383	
0	0	Taxes and fees	384	
1114	15000	Assistance	385	
1323	20000		Total 38	

The General Company for Shopping Center

Account name - other expenditures

Actual /2002	Planned /2003	Account Name	Branch	Main
	0			39
12090	10000	Prior year expenditures	391	
0	0	Incidental expenditures	392	
0	0	capital losses	393	
0	0	storage of emerg. Material	394	
12090	10000		Total 39	

Ministry of Trade
The General Company for Shopping Center
Manufacturing, Trading,

Profit & Loss and Appropriation Account for financial year ending 12/31/03

Thousand Dinars	Account guide	Table No.
2003		statement I
	<u>Revenues of current activities</u>	
	Revenues of goods production activity	4
0	Revenues of trading activities	4
35000000	Revenues of services activities	4
1000000	Revenues of operating for others	4
36000000	Sub-total	
	<u>Deduct (Minus) Cost of current activities</u>	
	<u>Cost of selling finished products</u>	
0	Cost of Production Centers	5
0	Cost of centers for production services	6
0	Sub-total	
36000000	Net activity cost	
	cost of assets manufactured internally	4
	revenues of selling scrap	41
0	<u>Production costs</u>	
	Add / less change in unfinished product warehouses and activities in progress.	
0	Cost of finished products	
	Add / deduct change in inventory of finished products	
0	cost of finished products sold	
	<u>cost goods for sale</u>	
10000000	purchases of goods for resale	35
	Add / deduct change in storage of goods for resale	422
26000000	surplus current activities (prior to support)	
0	Added support	47
0	surplus current activities (after support)	
8845912	Deduct cost of marketing services	73
17154088	surplus production and trade	
2948638	deduct admin. Services	83
14205450	surplus of current operations	
0	<u>add. Revenues not related to current activities</u>	
0	Interest and land rent	46
0	various transferable revenues	483
0	Other revenues	49
0	<u>Ded. Expenses not related to current activities</u>	
0	Interest and land rent	36
20000	transferable expenditures	38
10000	Other revenues	39
14175450	surplus available for distribution	

1. *Journal of the American Medical Association*, 1997; 277: 1001-1005.

[illegible]

MINISTRY of TRADE

Gen .Company for Shopping Centers

- The answers for questions 1, 2, and 3 are attached by template (1).
- The answers for questions 4 and 5 are attached.
- The answer for question 6 is 20 lists attached comprise the names of the employees.
- The answer of question 7 is a report showing the damages and their costs to reconstruction.
- The answer for question 8 :
The estimated cost for the stolen goods = 70 Billions ID (\$1= 1500 ID).
- The answers for questions 9 and 11, we will inform you as soon as we check the remaining goods.
- The answer for question 10, attached is the skeletal diagram to the company in accordance with the activity, divisions, subdivisions and the markets.
- The answer for question 12 is :
The unpaid depts. Are 30.42.400 Billions ID.

Answers for questions 4 and 5 are:

1.Abu Graib stores complex:

- Total area : 822500 M Sq.
- Stores established : 83 (198965 M Sq.)
- Stores used : 36 (75023 M Sq.)
- Rented stores : 47 (102000 M Sq.)
- Fork lifts workshop : 8276 M Sq.
- Stores are classified according to the following utility:



MU Stores:

- | | | |
|-------------|----------------------|-----------------|
| 1. Store 13 | Electrical materials | area 6666 M Sq. |
|-------------|----------------------|-----------------|

2. Store 14	Compressors	area 3333 M Sq.
3. Store 15	Paper	area 9000 M Sq.
4. Store 16	Stationery	area 3333 M Sq.
5. Store 85	variety	area 1800 M Sq.
6. Store 86	variety	area 1080 M Sq.
7. Store 87	variety	area 1080 M Sq.
8. Store 18	Cables	area 5000 M Sq.

➤ National supply Stores :

1. Store 68	Illumination	area 9999 M Sq.
2. Store 76	Paper	area 4500 M Sq.
3. Store 70	Air conditioning	area 6666 M Sq.
4. Store 77	Stationery	area 4500 M Sq.
5. Store 84	Duty free market	area 6666 M Sq.
6. Store 65	Development	area 600 M Sq.

2. Garma stores complex:

- Total area is 720000 M Sq.
- Stores established 92 with total area 197200 M Sq.
- Stores used 38 with total area 56400 M Sq.
- Total stores used by the Ministry 54 with total area 140800 M Sq.
- Stores are classified according to the following utility :

1. Store 11	Tires	area 9600 M Sq.
2. Store 12	Batteries	area 3600 M Sq.
3. Store 13	Electrical installations	area 2160 M Sq.
4. Store 15	Paper	area 3600 M Sq.
5. Store 16	Stationery	area 6560 M Sq.
6. Store 14	Fans	area 4400 M Sq.
7. Store 19	variety	area 4400 M Sq.
8. Store 20	Illumination fittings	area 4400 M Sq.
9. Store 21	Paper	area 2200 M Sq.

10. Store 22	Batteries	area 4400 M Sq.
11. Store 124	furniture	area 2400 M Sq.
12. Store 130	Tires	area 1200 M Sq.

3. Qutaiba stores complex: (hired by Ministry of Industry & Minerals)

- Stores established 8, total area 13900 M Sq. as follows:

1. Store 11	Tires	area 7200 M Sq. (10 Bungalows).
2. Store 12	Batteries	area 2200 M Sq. (2 Bungalows).
3. Store 15	Paper	area 4500 M Sq. (1 Bungalow).

4. Zafarania stores complex:

The total area 7200 M Sq. contains domestic apparatus.

5. Karrada store/ 43:

The total area 5000 M Sq. contains the defected assets.

6. Frion store :

The total area is 1000 M Sq. contains Freon gas.

7. Kasrah & Atash stores complex:

- The total established stores are 9. Total area 10800M Sq.

- Each store area is 1080 M Sq. dispersed as follows :

1. Store 11	Tires
2. Store 12	Batteries.
3. store 13	Electrical installations.
4. store 14	Compressors.
5. store 15	Paper.
6. store 16	stationery.
7. store 17	Freon gas.
8. store 18	Cables.
9. store 19	variety.

- There are 130 fork lifts dispersed all round the company sites.

Local Companies contributing MIC with shares

<u>Company</u>		<u>Location</u>	<u>Activity</u>
<u>MIC Shares</u>			
1.	Sanhareeb	Baghdad	Contracting
		24%	
2.	AlBuraq	Baghdad	Design &
	Consultant	24%	
3.	Dar Alsalam	Baghdad	Machine
	maintenance	24%	
4.	AlQudra	Baghdad	Air
	conditioning services	15%	
5.	Asad Babil	Baghdad	Computers
		24%	
6.	Asia	Baghdad	Thermal units
		24%	
7.	AlRaya	Baghdad	
	Constructions		24%
8.	Uur	Baghdad	Moulds
		24%	
9.	AlRafidain	Baghdad	Lifts
	maintenance	24%	
10.	AlZawra	Baghdad	Printing machines services
		6%	
11.	AlWadhah Mousil		Heaters production
		24%	
12.	AlSahaab	Baghdad	Spray irrigation
		24%	

MINISTRY of TRADE

Gen .Company for Shopping Centers

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9. store 19	variety.

- There are 130 fork lifts dispersed all round the company sites.

6. Store 86	variety	area 1080 M Sq.
7. Store 87	variety	area 1080 M Sq.
8. Store 18	Cables	area 5000 M Sq.

➤ National supply Stores :

1. Store 68	Illumination	area 9999 M Sq.
2. Store 76	Paper	area 4500 M Sq.
3. Store 70	Air conditioning	area 6666 M Sq.
4. Store 77	Stationery	area 4500 M Sq.
5. Store 84	Duty free market	area 6666 M Sq.
6. Store 65	Development	area 600 M Sq.

2. Garma stores complex:

- Total area is 720000 M Sq.
- Stores established 92 with total area 197200 M Sq.
- Stores used 38 with total area 56400 M Sq.
- Total stores used by the Ministry 54 with total area 140800 M Sq.
- Stores are classified according to the following utility :

1. Store 11	Tires	area 9600 M Sq.
2. Store 12	Batteries	area 3600 M Sq.
3. Store 13	Electrical installations	area 2160 M Sq.
4. Store 15	Paper	area 3600 M Sq.
5. Store 16	Stationery	area 6560 M Sq.
6. Store 14	Fans	area 4400 M Sq.
7. Store 19	variety	area 4400 M Sq.
8. Store 20	Illumination fittings	area 4400 M Sq.
9. Store 21	Paper	area 2200 M Sq.
10. Store 22	Batteries	area 4400 M Sq.
11. Store 124	furniture	area 2400 M Sq.
12. Store 130	Tires	area 1200 M Sq.

The General Companies for Shopping Centers

First Answer: The total incomes of the year/ 2002 is (149,667,124,000) one hundred forty nine billion six hundred sixty seven million one hundred twenty four thousands Dinars.

Second Answer: The number of employees monthly paid is as the following:

3590 employee in Baghdad

2450 employee in other Governorates

6040 employee

Third Answer: The number of employees at the end of the year/ 2002 is (5530) in Baghdad and Governorates

Fourth Answer: the total amount of salaries for the year/ 2002 (975,955,000) nine hundred seventy five million nine hundred fifty five thousands Dinars.

Fifth Answer: The total amount of profits for the year/ 2002 (78,405,409,000) seventy eight billion four hundred five million four hundred nine thousands Dinars.

Sixth Answer: Address of the Director General/ Baghdad/ Al-Mustanserya section/ District No. 506/ Street No. 25/ House No. 18

Seventh Answer: Name of the Director General is Abdul-Satar Zedan Alwan.

Eighth Answer: Phone No. of the Director General is
882165202-0725 (Thurya)
19143607568 (mobile)

Ninth Answer: E-mail of the Director General/ not available

Tenth Answer: Main Account (General Center)/ Al-Rasheed Bank No. 5076/ Commercial Credit and many sub-accounts of Al-Rasheed Bank for each Shopping Center in Baghdad and each branch in the Governorates has an account in Al-Rasheed Bank.

Eleventh Answer: Not available

Twelfth Answer: Not available

Thirteenth Answer: Not available

Fourteenth Answer: Not available

Fifteenth Answer: attached

Sixteenth Answer: No

Seventeenth Answer: the cost of reconstructing the destroyed and looted buildings and properties belong to the company is estimated about twenty billion Dinars.

Eighteenth Answer: Not available

Nineteenth Answer: The selling cost of the materials prepared to be sold and currently available (Tires, Liquid Batteries, Electrical Accessories, Freon Gas and Papers) is 500 million Dinars.

Twentieth Answer: Fuel needs (petroleum, oils and lubricating oils) used in the former period is about 150 million Dinars and expected amount for the coming period is 200 million Dinars.

Twenty First Answer:

Twenty Second Answer: amount 30 million Dinars

Twenty Third Answer:

Twenty Fourth Answer:

Twenty Fifth Answer: (12,000,000,230) twelve billion two hundred thirty Dinars

Twenty Sixth Answer:

Twenty Seventh Answer:

Twenty Eighth Answer:

Twenty Ninth Answer:

Thirtieth Answer: The imports of Understanding Memorandum's stages during the year/2002 actually reached are 75 million Dollars.

Thirty First Answer: The imports of materials within agreements contracts during the year/ 2002 actually reached are 145 million Dollars.

Thirty Second Answer: Not available

Abdul-Satar Zedan Alwan
Director General

A- Materials Imported according to the MOU during the year 2002

- Tires
- Batteries
- All Kinds of Paper
- Copybooks
- Stationery
- Compressor
- Freon Gas
- Knitting Machine
- Cables & Wires
- Electrical Accessories
- Ceiling Fans
- Exhaust Fans
- Lamps

Countries

- Egypt
- Tunis
- Jordan
- Algeria
- Morocco
- Syria
- Lebanon
- Oman
- Turkey
- Vietnam
- Malaysia
- China
- India

B- Imported Materials According to Agreements:

- Ceiling Fans
- Kerosene Heaters
- Textile
- Under ware Cloths
- Towels
- Children Ware

Countries

- Syria
- Vietnam



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SCOPE OF WORK

SOE Business, Financial and Legal Assessments

I. Background Information

The Coalition Provisional Authority's Private Sector Development group has defined the need for a business and legal assessment of four state owned enterprises as the first step toward achieving the overall objective of migrating these enterprises from the public sector to some form of private sector participation.

The four state owned enterprises concerned are:

1. Delegates – a rental car company
2. Al Dhilal – a domestic and international bus and trucking company
3. Internet Service Company – an internet service provider
4. General Systems Company, or GSC – advanced electronic systems

All companies are headquartered in Baghdad, although some have branch offices in other cities in Iraq. These companies are relatively small, with relatively simple business processes. Initial assessments were done in September and October by the PSD group, and the confidential findings are provided in Attachment A of this document.

BearingPoint has been asked to conduct financial and business assessments of each SOE as well as a legal assessment of the current ownership structure, and options for change of ownership. These options may include sale of stocks, sale of assets, management and/or employee buy-out, or spin-off, split or merger of some operations. The assessment will define the options available and the ownership structures associated with those options.

II. Benchmarks

Comprehensive financial and business assessments of each of the above SOEs are completed, as well as a legal assessment of the current ownership structure, and options for change of ownership. These assessments will be completed on the following schedule:

1. Delegates – By Mid-January 2004
2. Al Dhilal – By Mid- January 2004
3. Internet Service Company – By Mid-March 2004
4. General Systems Company, or GSC – By Mid-March 2004

III. Specific Tasks and Deliverables

Phase I

Within the background context mentioned above, technical experts will deliver the following for each of the four enterprises:

- A financial and business assessment to include:
 - A report describing the business profile, present status, future prospects and business risks associated with the SOE (maximum 15 pages);
 - A physical inventory count of the movable and immovable property owned by each enterprise (with a report presented);
 - Financial statements in accordance with Iraqi and IAS principles for the last day of the month preceding the month the final report (and deliverable) is submitted;
 - Valuation of the company (with a report presented.) This should be a limited appraisal of the company, recommending a minimum price for the equity.
 - Summary Offering Memorandum (2-3 pages), a public invitation for tender and Offering Memorandum as required. (maximum 15 pages)
- Legal due diligence (including threats assessment) for each enterprise.

All reports will be produced in English and Arabic.

Phase II

Following the submission of the above assessments, it is anticipated that a decision on the change of ownership will be reached immediately. In this event, a follow-on Phase II effort, to assist in the execution of ownership change, may include the following tasks:

- Preparation and distribution, in an appropriate and transparent manner, of the Summary Offering Memorandum for each enterprise to potential investors
- Preparation and publication of a relevant public notification in Iraqi mass-media
- Advice on the content of the sale and purchase agreement prepared by lawyers
- Other legal advice on ownership transformation.
- Other financial and transactional advice, as appropriate

III. Resources and Timing (the assignment dates and LOE)

In order to accomplish the specific tasks and deliverables outlined for Phase I above, it is envisioned that the following resources will be required:

Advisor	Delegates Enterprise Al Dhilal Enterprise	Internet Service Company General Systems Company
1 senior transport expert	November – January 2004	N/A
1 senior technical expert	N/A	January – March 2004
2 mid-level experts	November – January 2004	January – March 2004
4 local experts	November – January 2004	January – March 2004
1 lawyer	November – December 2003	January – February 2004

- 1 Senior Level Technical Expert who will work in Iraq from Mid-November 2003 through Mid-January 2004 for 56 LOE days. This expert will be simultaneously advising on the assessments of Delegates and Al Dhilal.
- 1 Senior Level Technical Expert who will work in Iraq from Mid-January 2004 through Mid-March 2004 for 56 LOE days. This expert will be simultaneously advising on the assessments of the Internet Service Company and the General Systems Company.
- 2 Mid-Level Financial/Business advisors who will work in Iraq from Mid-November 2003 through Mid-March 2004 for 112 LOE days each, or a combined total of 224 LOE days.
- 4 local Iraqi Advisors; comprised of 2 local business/financial analysts and 2 local lawyers who will work in Iraq from mid-November 2003 through mid-March 2004 for 112 LOE days each, or a combined total of 448 LOE days.

- 1 Lawyer who will work in Iraq from Mid-November – December 2003 for 30 LOE, and again from January to February 2004 for 30 LOE.

Timing and LOE for possible Phase II work will be determined at a later stage.

CURRICULUM VITAE**Reino Sten-Erik Kurki**

1. **Family name:** Kurki
2. **First names:** Reino Sten-Erik
3. **Date of birth:** 20 May 1947
4. **Nationality:** Finnish
5. **Civil Status:** Divorced
6. **Education:**

<i>Institution:</i>	Swedish Business University (Hanken), Helsinki, Finland
<i>Date: from</i> <i>(month/year):</i>	August 1969
<i>to (month/year):</i>	May 1971
<i>Degree(s) or Diploma(s):</i>	Marketing, Management and Business Administration

<i>Management courses:</i>	1. IFL (Sweden) Marketing & Management
<i>Date:</i>	May 1983
	2. Insead (France) Management & Business Adm.
	May 1987
	3. Volvo Business University (Italy) Management
	April 1988 (+other training programs)

7. Language Skills: (Mark 1 to 5 for competence)

<i>Language</i>	<i>Reading</i>	<i>Speaking</i>	<i>Writing</i>
Swedish	5	5	5
Finnish	5	5	5
English	5	5	5
Norwegian	5	4	4
Danish	5	4	4
German	4	3	3

Fair understanding of the Latin languages

8. Membership in professional bodies: No particular at present**9. Other Skills:** Computer literacy**10. Present Positions:** Partner in Linea Group Ltd (Tallinn, Estonia)
Partner in KCL Consulting Ltd (Helsinki, Finland)**11. Years within the firms:** Linea Group since January 2002, KCL since 1992**12. Key Qualifications:**

- ♦ At present Mr Reino Kurki is working as advisor and consultant for several national and international customers in the Nordic area, Baltic and Russia, especially with steel industry (Severstal, RU), automotive (DCX) & transport industry and forest industry (Finnforest).
- ♦ Mr. Reino Kurki is an experienced senior executive with great experience of international business and industry accomplished as consultant for many years and in managerial positions within the Volvo Group, Scania Group and in the furniture and design area with Artek Ltd. The last seven years with project and privatisation consulting with several international customers and consortiums.

- ♦ Mr. Reino Kurki is well familiar with the privatisation process in former Soviet areas, analysing the structure of industrial enterprises, establishing turn around strategies to establish new western oriented operations and creating detailed business plans for implementation of changes. He has also created financial models and solutions with international investors with take over and exit scenarios in order to provide long term financial solutions for the projects.
- ♦ To mention some major projects more specifically Mr. Kurki has been involved in the privatisation and restructuring of Kuro Aparatura in Lithuania. Kuro A. was the major producer of agricultural diesel engine fuel systems within the Soviet Union. - Participated as Latvian State representative and member of Detroit Group Ltd business consortium in the privatisation and restructuring of RAF, the Latvian car industry. - He conducted studies of several Estonian industries, like Norma, producer of complete car safety belts for AvtoVaz in Russia. In Russia Mr. Kurki was member of the team at Promaco as advisors to Swedish Assi Domän in their major projects Segeza (corrugated paper mill) and Vsevoloshk (wellpapp factory). Mr. Kurki has gained great experience in various methods of restructuring and reorganizing enterprises in many areas, production, distribution and services.

13. Specific Country Experience:

Country:	Date: Activity
Lithuania	August - December 1998, April - May 1999, September-November 1999. Consultant. Feasibility study of Kuro Aparatura industries under privatisation in Lithuania; restructuring and reorganisation plans made for turn around project. During 1998 -1999 studies and planning for car distribution made for Valmet Automotive and Volvo Car Corp. in the Baltic area.
Latvia	August 1996 - September 1999 Privatisation of RAF minivan factory in Latvia. Consultant, Representative for the Latvian State in RAF, participant in the Detroit Group Consortium together with the Baltic Rim Fund and Euroventures Ltd. April - August 1998, consultant, participating in the Latvian forest utilisation planning project under supervision of the Latvian Ministry of Economics. During 1998 studies of the privatisation of Rigas Wagonu Rupnica (train factory).
Russia	During the period from October 1995 until today participation in several projects in Russia. - Consulting Severstal (#1 in Steel industry) for introduction into the EU market, UAZ, Ulianovsk Auto Zavod, worldwide market studies. - Finnforest market studies for industrial etablation in Russia - Consultant for Valmet Automotive, Eurosamara (AvtoVaz) project, assembly of Russian cars in Finland, planning of new western car assembly site in Russia in the Vyborg - St. Petersburg area. Marketing seminars for the Valmet A. management group. - Consultant for Fintelecom Russia (Sonera), sales training and business planning for their Russian operations. - Team member at Promaco as advisor to Swedish Assi Domän in their major projects Segeza (privatisation of corrugated paper mill) and Vsevoloshk (greenfield wellpapp factory). - Team member in public relations events arranged in Russia for

CURRICULUM VITAE**Reino Sten-Erik Kurki**

Estonia	Coca Cola Co., Philips Home Appliances, Neste (Fortum), Finnair and other. 1997 - 1999 feasibility analyses of Estonian companies for possible restructuring/start as suppliers for western automotive industry.
Scandinavia	Marketing and distribution studies conducted a. o. for Fuji Heavy Industries Ltd (Japan), Clarion Ltd (European Office), International Motor Ltd (UK) in the Nordic countries during 1996 - 2000. Resident and employed in Sweden 1971-1984.

14. Professional Experience Record:

Date:	January 2000 – present
Location:	Helsinki
Company:	Linea Group Ltd and KCL Consulting Ltd
Position:	Senior Consultant / Partner
Description:	<ul style="list-style-type: none"> - Advisor and consultant for VEHO Group, automotive distributor in Finland, Baltic and Russia. - Consultant for JSC SEVERSTAL, Cherepovets, Russia. The biggest Russian steel producer. Project up grade of Russian car industry, UAZ, Ulianovsk car factory, ZMZ, car engine factory. Severstal Invest. Project to introduce Severstal as supplier to western industry in Scandinavia and Europe. - Consultant for Satsafe Ltd, Sweden.. IT-company with automotive telematics as speciality. GPS and GSM based security systems for cars, transports and personal use. - Consulting for Finnish forest industry, Metsäliitto Group and Finnforest. (M-Group also own M-real paper industry and Metsä-Botnia Pulp industry) -Advisor to the board of IWS Ltd, an Oulu based hi tech company developing intelligent OEM wiring system for global automotive and marine industry. -Advisor to the board of Spark Ergonomics Ltd, Seinäjoki based company developing ergonomic office and IT-workstations/furniture. -Taxation expert and advisor to Autoliitto ry. Specialist in vehicle and fuel related taxation in Finland and the EU. -Manpower Ltd, country adaptation of EDP- and system manuals. -Advisor to Kotipizza Oyj, a Finnish fast food franchise chain. -Advisor to Autoklinikka Oy, Finnish car/van paint- and bodyshop chain under development.

1

Date:	July 1996 - December 2000
Location:	Latvia, Lithuania, Estonia, Finland
Company:	Detroit Group Ltd / Guernsey
Position:	Managing Director
Description:	Privatisation project in Latvia: RAF, Riga Automobile Factory Privatisation project in Lithuania: Kuro Aparatura, diesel fuel equipment factory Consulting in several other companies/projects in the mentioned areas.

Date:	October 1995 - December 2000
Location:	Finland and Russia
Company:	Promaco Public Relations Ltd
Position:	Senior consultant
Description:	Different projects, both industrial and public relations related with western companies entering or operational in Russia.

CURRICULUM VITAE**Reino Sten-Erik Kurki**

<i>Date:</i>	November 1991 – November 1996
<i>Location:</i>	Helsinki, Finland
<i>Company:</i>	Artek Ltd.
<i>Position:</i>	Managing Director
<i>Description:</i>	Reorganising the company and establishing a new worldwide distribution network. 40 dealers in Finland, export to 26 countries. Business planning, design and sourcing of furniture and other interior design products.

<i>Date:</i>	September 1990 – October 1991
<i>Location:</i>	Helsinki, Finland
<i>Company:</i>	KCL Consulting Ltd
<i>Position:</i>	Partner
<i>Description:</i>	Consulting for customers in automotive and financial industries in the Nordic region.

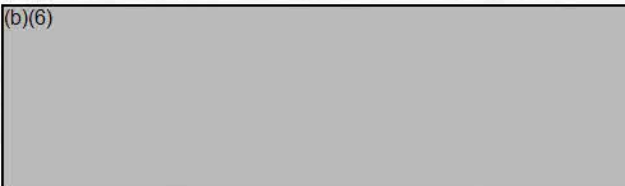
<i>Date:</i>	September 1988 – September 1990
<i>Location:</i>	Helsinki, Finland
<i>Company:</i>	Aro-Yhtymä Ltd
<i>Position:</i>	Managing Director
<i>Description:</i>	Importer of Nissan, Subaru, GM-USA and Chrysler cars and vans in Finland. Retailer in the main city areas.

<i>Date:</i>	August 1984 – September 1988
<i>Location:</i>	Helsinki, Finland
<i>Company:</i>	Volvo Auto Ltd
<i>Position:</i>	Executive vice president, Car division director
<i>Description:</i>	Importer and retailer of Volvo and Renault cars and aftermarket in Finland. Hertz Car rental, Finance company

<i>Date:</i>	January 1980 – August 1984
<i>Location:</i>	Gothenburg, Sweden
<i>Company:</i>	Bil-Forum, Scania-Bilar I GBG AB
<i>Position:</i>	Director
<i>Description:</i>	Dealership in western Sweden of Volkswagen, Audi, Porsche, Man, Scania vehicles and marine products and Interrent car rental operations.

<i>Date:</i>	1971 – 1980
<i>Location:</i>	Stockholm, Sweden
<i>Company:</i>	Volvo, Ernst Nilson Ltd
<i>Position:</i>	Several positions, dealership manager
<i>Description:</i>	Second largest world wide Volvo dealership

(b)(6)



Personnel Résumés

Economic Recovery, Reform, and Sustained Growth In Iraq
Request for Proposal (RFP) M/OP-060303



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Personnel Résumés

Economic Recovery, Reform, and Sustained Growth In Iraq
Request for Proposal (RFP) M/OP-060303



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Range of Experier

**Professional
Experience**

(b)(6)

(b)(6)

Education

Skills

Activities

Document ID: FTS19970915001177

Entry Date: 09/15/1997

Version Number: 01

Region: Near East/South Asia

Sub-Region: Near East

Country: Iraq

Topic: DOMESTIC, ECONOMIC

Source-Date: 08/24/1997

Law No. 22 of 1997 on State Companies

JN1509155497 Baghdad al-Jumhuriyah in Arabic 24 Aug 97 p 2

["Text" of Law No. 22 of 1997 on State Companies]

[FBIS Translated Text] In the name of God the merciful, the compassionate

The Republic of Iraq

In the name of the people

The president of the republic

As decided by the National Assembly and approved by the Revolution Command Council, and in accordance with the provisions of Article 53 of the constitution, we issue the following law:

Law No. 22 of 1997 on State Companies

Chapter One: The Aims of the Law and the Requirements of Establishment

Article 1: For the purposes of this law, the following terms shall have the meanings stated hereunder:

The minister: The minister concerned or the head of an organization which is not linked to a ministry.

The state company: The economic unit which is self-financed, fully owned by the state, enjoying a corporate status, independent financially and administratively, and functioning on economic bases.

The registrar: The registrar of companies at the Department for the Registration of Companies in the Ministry of Trade.

Article 2: This law is aimed at organizing state companies, with regard to their establishment, management, and liquidation, under unified financial and administrative bases and rules so as to enable them to attain a high level of growth

قانون الشركات
العامّة

in their work and production and to adopt the principle of proper economic accounting, competent investment of public funds, and efficiency in achieving state aims and improving the performance of the national economy.

Article 3: The ministry shall submit an application to the cabinet for the establishment of a state company supported by a study which states the economic and technical reasons for its establishment, provided the application includes the following:

First: The company's name, location, and head office.

Second: The company's aims and activity.

Third: The company's capital and sources of financing its activity.

Fourth: Any other information deemed essential by the ministry.

Article 4: Once the cabinet has approved the application for the establishment of the company, the ministry shall prepare the contract or statement, which shall include the following details:

First: The company's name, location, and head office. The name must reflect its activity and include the word "state."

Second: The company's aims.

Third: The company's activity.

Fourth: The company's capital.

Fifth: The names of the founders.

Sixth: Any other information deemed essential by the ministry.

Article 5: For the purposes of statistical records and documentation, the ministry shall submit the establishment contract or statement, which has been approved by the cabinet, to the registrar so he can register the company.

Article 6: The registrar shall register the company and issue a certification of establishment. The ministry shall publish this certificate and contract or statement in the Official Gazette and in the bulletin which is issued by the registrar.

Article 7: The company shall acquire a corporate status as of the date of the issuance of its certificate of establishment.

Chapter Two: The Company's Capital

Article 8: The company's capital shall be fixed in the decision which shall be issued by the cabinet approving its establishment.

Article 9: First: The State Treasury shall pay the company's capital as a lump sum or in installments, whose amounts and due dates shall be fixed in accordance with a timetable which shall be drawn up by the company in coordination with the Ministry of Finance.

Second: The value of the company's movable and immovable property shall be considered part of the paid up capital.

Third: When two or more self-financed state corporate persons participate in the establishment of a state company, the partners shall pay their share of the capital and submit to the same rules which are set forth in the provisions of this law.

Article 10: First: Whenever there is a need to increase or reduce the company's capital, the ministry, in coordination with the Ministry of Finance, shall submit an application to the cabinet supported by a financial study on the reasons for taking such a step and its impact on the company's activity, rights, and obligations.

Second: Once the cabinet has approved the increase or reduction of the company's capital, the ministry shall take the necessary steps to implement that as well as the contract or statement on the establishment of the company.

Third: The ministry shall inform the registrar to amend the registration and publish it in the Official Gazette.

Chapter Three: Profits and Losses

Article 11: For the purposes of this law, net profit means the increase in the revenues over the expenditures, as shown in the profit and loss account for the company's fiscal year, organized according to existing rules and regulations and approved accounting procedures, audited by the Financial Control Bureau, and endorsed by an authorized legal quarter.

Second: Capital profits and losses and any other profits and losses resulting from any extraordinary activity by the company shall be separated from the profits which are to be distributed among the employees.

Third: The profits which are to be distributed must not be more than 30 percent of the value of current activity. Any excess shall be transferred to the Ministry of Finance.

Fourth: The profits stipulated in Clause (III) of this article shall be distributed as follows: i) Forty-five percent to the State Treasury. ii) Thirty-two percent as incentives to company employees and to those who excel in their work, including members of the board of directors and ministry employees according to the percentages which will be fixed by the board of directors with the approval of the ministry. iii) Five percent for research and development. iv) Five percent for social services for the employees. The remainder shall go to the capital reserve.

Fifth: The cabinet may increase or reduce the percentages in Clauses (III) and (IV) of this article depending on the economic activity and circumstances.

Article 12: Twenty-five percent of the net profit before its distribution shall be deducted for covering recurrent losses from previous years, if there are any.

Article 13: If the company's losses amount to 25 percent of the nominal capital, the company's board of directors shall make an economic appraisal, indicating the causes of the losses and suggesting solutions. The appraisal shall be referred to the ministry so it can make the appropriate decision on it.

Article 14: If the company's losses amount to 50 percent of the nominal capital, the ministry shall make an economic appraisal, which shall be referred to the cabinet so that it can make the appropriate decision on whether to maintain or liquidate the company.

Chapter Four: Investments and Loans

Article 15: First: The company may invest its surplus funds in joint ventures with other partner companies, provided the ventures are relevant to the company's aims inside Iraq. The company has to obtain the approval of the cabinet if the ventures are outside Iraq.

Second: The cabinet's approval has to be obtained also when funds from partner Arab and foreign companies or establishments are to be used in joint ventures that are relevant to the company's aims outside Iraq.

Third: The company has the right to participate with Arab or foreign companies and establishments in joint ventures that are relevant to the company's aims inside Iraq.

Article 16: First: The company may invest its surplus funds as fixed deposits in banks inside Iraq for a period of not more than 180 days, provided a special account is opened in the company's records to record the interest on these deposits and to also show them in the final accounts so that it will be easy to determine the company's performance in this sector.

Second: i) Insurance and re-insurance companies and banks may invest their funds in the different investment fields. ii) The cabinet may decide to include any other investment quarter under the provisions of Paragraph (i) of this clause.

Article 17: The company may give or obtain loans, or obtain funds to finance its activity from national financial institutions and state companies under contracts and terms which shall be agreed upon, provided the loan does not exceed 50 percent of the company's paid-up capital.

Article 18: The approval of cabinet must be obtained when the loan is being obtained from outside Iraq in order to finance the company's investment or current activity.

Chapter Five: The Company's Management and Board of Directors

Article 19: The company's board of directors shall assume the task of drawing up the management, financial, organizational, and technical policies and plans for conducting the company's activity, and achieving its aims, and supervising and following up on their implementation. It shall also exercise all the pertinent rights and powers. It may authorize the company's general manager with any powers it deems appropriate.

Article 20: The board of directors shall consist of the company's general manager as chairman and eight members who shall be appointed as follows:

First: Four members shall be chosen by the minister from the among the heads of the company's various units for their experience and specialized knowledge in their fields.

Second: Two members shall be elected from among the company's employees.

Third: Two members, who are experienced and specialized in their fields, shall be selected by the minister from outside the company with the approval of the "Opinion Board."

Fourth: The board of directors shall have three reserve members. One shall be elected by the employees and two appointed by the minister.

Fifth: The board of directors shall elect during its first meeting a vice chairman from among its members. He will replace the chairman in his absence.

Article 21: The company's basic law shall determine the method of electing the representatives of the company's employees in the board of directors and the qualifications they must have.

Article 22: The term of the board of directors shall be three years, which is renewable. The term shall begin from the date of the first meeting of the board.

Article 23: First: The board of directors shall meet once a month at the invitation of its chairman.

Second: The board of directors may hold an extraordinary meeting at the invitation of its chairman or a written request by two of its members stating the reasons for it.

Third: The quorum for the board of directors is achieved by the attendance of the majority of its members, including the chairman or his deputy. Decisions shall be

made by the majority vote of those attending. In the case of a tie vote, the side getting the chairman's vote wins.

Article 24: If a vacancy occurs in the board of directors, the chairman shall invite a reserve member to cover up for the remainder of the board's term.

Article 25: The board of directors' decisions shall be implemented as soon as they are issued. However, those dealing with the issues mentioned below shall be implemented after obtaining the minister's approval:

First: Annual plans and budgets.

Second: The final accounts and the company's annual report.

Third: Legislations.

Fourth: The production incentive system, since it is considered part of the cost of production.

Article 26: The board of directors' decisions on the issues mentioned in Article 25 of this law shall be considered endorsed unless the minister objects to them within 15 days from the date of their submission to his office. If he objects to them, they shall be re-submitted to the board of directors as soon as it meets. If the board of directors insists on its opinion, a meeting shall be held under the chairmanship of the minister in order to examine the subject. The decision made by the majority of the members present shall be final.

Chapter Six: The Company's General Manager

Article 27: The company shall be run by a general manager who is experienced, specialized, and holds at least a first university degree. The general manager shall be appointed under a decision by the cabinet. He shall be the highest authority in the company and he shall undertake all the necessary work for managing and running its activity in accordance with the powers granted to him by the board of directors.

Chapter Seven: Internal Control

Article 28: Internal control is aimed at establishing effective control on the company's funds. In the achievement of this aim, the company shall conduct its activity according to programs that ensure the application of all control systems.

Article 29: The Financial Control Bureau shall prepare monthly reports containing the results of its activity for the previous period. The report shall be submitted to the company's general manager. The company's board of directors shall then take the necessary steps to tackle any problems raised by the report within 30 days from the date the report is submitted to the office of the general manager.

Article 30: The Internal Control Department shall be attached to the general manager. It is impermissible to transfer or punish any member of this department without obtaining the consent of the board of directors and stating the reasons.

Chapter Eight: Merger of Companies

Article 31: First: It is permissible under a decision by the cabinet to merge two or more state companies into a new state company, provided they engage in a similar or integrated activity.

Second: The ministry shall prepare a technical and economic feasibility study of the merger and submit it to the cabinet so it can make the appropriate decision.

Article 32: Once the cabinet has approved the merger, the ministry will amend the original contract or draw up a new one. The board of directors will also amend the basic law or draft a new one.

Article 33: The ministry shall inform the registrar of the amended contract or provide him with a new one. The merger shall be considered valid as of the date of the cabinet's approval, or as of any other date set by cabinet. On that date, the corporate status of the old company shall expire. The registrar shall issue a new certification of establishment.

Article 34: First: The ministry shall publish the merger decision in the Official Gazette and in the bulletin which is issued by the registrar.

Second: The old company's rights and obligations shall revert to the new company.

Chapter Nine: Change of the State Company

Article 35: It is permissible to change a state company to a shareholding company with the approval of the cabinet.

Article 36: The ministry shall prepare a study on the economic and technical reasons for the change, the method of assessing the value of the shares in the capital, and the method of selling the shares. The study shall be submitted to the cabinet so it can make the appropriate decision on them.

Article 37: First: Once the cabinet has approved the change, the ministry shall prepare a new contract for the company and submit it to the registrar with the approval of the cabinet.

Second: The minister shall publish the decision on the change in the Official Gazette and in the bulletin which is issued by the registrar.

Third: The shareholding company shall acquire a corporate status as of the date of the publication of the decision.

Fourth: The cabinet may, following the transformation of a state company into a shareholding company, fix a certain percentage of the company's nominal capital so the company employees can buy shares in the shareholding company.

Article 38: The socialist sector's share in the new company shall be determined under the provisions of existing laws.

Chapter Ten: Liquidation of Companies

Article 39: First: Once the reasons mentioned in Article (14) of this law become valid, the ministry shall seek the approval of the cabinet to liquidate the company.

Second: If the cabinet decides to liquidate the company, the ministry must take the following steps: i) Form a liquidation committee representing the Ministry of Finance and the Financial Control Bureau, define its powers and jurisdictions, and send a copy of the formation of the committee to the registrar. ii) As soon as it is informed of the liquidation decision, the company shall stop assuming any new obligations. However, it can continue its activity in so far as fulfilling its obligations and retaining its corporate status during the liquidation period. iii) The liquidation committee shall seize all the company's records and documents, make an inventory of its assets, and prepare an initial report, which will be submitted to the ministry. iv) The committee will liquidate the company's rights and obligations and what is mentioned in the liquidation decision, taking into consideration the provisions of this law. v) The liquidation committee shall prepare the final accounts and a report on the results of the company's liquidation once the liquidation has been carried out or at the end of every fiscal year, if the company's liquidation work continues for more than one year, and submit them to the ministry. vi) Once the liquidation work has been completed, the committee shall submit its final report to the ministry backed by the report of the accounts controller. vii) If the results of the liquidation show a balance in the company's funds, this balance shall be paid to the State Treasury or to the companies subscribing to the newly established company. The minister has the powers to transfer assets at the approximate value. viii) The liquidation period must not exceed three years in all cases. Otherwise, the matter should be referred to the cabinet so it can make the appropriate decision. ix) Once the ministry is satisfied that the liquidation has been carried out in accordance with the provisions of this law, it shall notify the registrar to this effect so he can issue his decision to cancel the name of the company and publish that in the Official Gazette and in his bulletin.

Chapter Eleven: General and Final Rules

Article 40: Within a period of one year from the implementation of this law, all existing self-financed economic organizations must adjust their conditions in harmony with the provisions of this law.

*

LIQUIDATION

Article 41: The cabinet may, whenever necessary, exempt any mining companies belonging to the Oil Ministry from the provisions of this law.

Article 42: The company's activity shall be subject to the control and auditing of the Finance Control Bureau.

Article 43: The minister shall issue an internal system for the company which shall be prepared by its board of directors in accordance with the provisions of the law within 60 days from the its formation. The system shall include the following:

First: The duties and powers of the board of directors.

Second: The method electing the representatives of the employees in the board of directors.

Third: The required qualifications for a member of the board of directors.

Fourth: The management structure of the company and the descriptions of the management and organizational units' jobs and duties.

Fifth: The organization of the procedures for following on the company's activity and internal control.

Sixth: Any other matters relating to the tasks and activity of the company.

Article 44: The existing employment rules shall apply to the employees of the companies covered by this law until new employment rules are issued.

Article 45: This law shall be implemented as of the date of its publication in the Official Gazette. Any public or private provisions contrary to its provisions are considered invalid.

Written in Baghdad on 15 Rabi' al-Thani 1418 Hegira corresponding to 18 August 1997.

[Signed] Saddam Husayn, president of the republic

Reasons for issuing this law: This law was enacted for the purpose of organizing the activity of self-financed state economic organizations and unifying the laws organizing the activities of these organizations by establishing national state companies and organizing their work in such a way as to contribute to the advancement of the national economy and to achieve the social aims of the socialist sector.

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I. EXECUTIVE SUMMARY

Iraq has a long and distinguished history as a center of Islamic jurisprudence. Its Civil Code, which was enacted in 1951 and became effective in 1953, is still the core of its commercial legal system. This Code is a sophisticated mixture of Islamic and European legal concepts. In fact, its basic contract provisions should be recognizable and usable by any company doing business in the Middle East today. However, Iraqi law at the end of the Saddam Hussein regime contained a number of elements which may create problems for traders and investors. The brief list below is supplemented by more detailed discussion in Parts II and III of this paper.

- A. The Iraqi Constitution prohibits private ownership of natural resources and the "basic means of production."
- B. The Iraqi Constitution prohibits foreign ownership of immovable (real) property.
- C. The Iraqi Companies Law prohibits investment in, and establishment of, companies in Iraq by foreigners who are not resident citizens of Arab countries.
- D. The Iraqi Commercial Agency Law requires that anyone representing another person or company in a commercial transaction must be of Iraqi nationality and be "fully loyal to his homeland." Resolution of disputes and termination of agents may be difficult under Iraqi agency law.
- E. Several Iraqi laws and regulations contain elaborate and probably time-consuming registration and/or licensing requirements for commercial companies, agents, distributors, branches, representative offices, and intellectual property rights. These requirements may include "loyalty" oaths and "Arab Boycott of Israel" certifications.
- F. Iraqi regulations require that the government license and inspect all goods coming into and leaving the country.
- G. U. S. copyright owners have no access to Iraqi copyright protection since the United States and Iraq are not members of any of the same copyright treaties.
- H. Iraq has no antitrust or competition law.
- I. Iraqi law does not require the recognition or enforcement of court judgments or arbitral awards from non-Arab countries.
- J. Iraq has no public system for recording liens or other security interests in movable or personal property.

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II. OVERALL STRUCTURE OF CIVIL LAW IN IRAQ

A. Constitutions

Since World War I, Iraq has seen several constitution-type laws. First, there was the Iraqi Basic Law in 1925, which was amended once before a major revision was enacted in 1943. In 1958 there was a short-lived Constitution of the Arab Federal State (with Jordan). National constitutions were adopted in 1958 and 1964. A provisional or interim constitution was adopted in 1970.¹ Most recently, a 1990 draft or interim constitution, though apparently never formally adopted, was sometimes labeled by the Saddam Hussein regime as the currently effective constitution.² (Since the article numbers and content of both the 1970 and 1990 constitutions are the same with respect to topics of concern in this paper, the terms "Interim Constitution" or "Iraqi Constitution" will be used in this paper to reference both documents until more complete information can be obtained.)

Article 1 of the Interim Constitution proclaims the promotion of a socialist system as one of the basic goals of the State. Article 12 gives responsibility to the government for planning, directing, and steering the national economy toward this purpose. Article 13 provides that "natural resources" and the "basic means of production" are owned by "the People". (We invite comment on what is intended by the term "basic means of production.") Article 16 allows for private ownership of property when it is not "incompatible with economic and general planning" by the government. Article 16 also contains the requirement that private property may not be expropriated "except for considerations of public interest and for just compensation in accordance with the law." Article 18 prohibits foreign ownership of immovable property except as otherwise provided by law. (We understand "immovable property" to mean land, buildings, and other permanent structures or fixtures.)

Article 64, paragraph (a), of the Interim Constitution states that laws are effective the date of publication, unless otherwise provided. Paragraph (b) of that Article provides: "Laws have no retroactive effect, unless otherwise stipulated. This exception does not include penal laws, tax laws, and fiscal fees." Most laws and regulations seem to have been available to the public through publication in the Iraqi Official Gazette: *Alwaqai Aliraqiya*.

¹ The historical summary comes from Munther Al Fadhal, International Counsellor-at-Law, available at <http://www.eatlaf.com/inside/studies%20on%20the%20future.htm>. Our text of the 1970 constitution came from CONSTITUTIONS OF THE COUNTRIES OF THE WORLD: IRAQ 9 (Albert P. Blaustein & Gisbert H. Flanz eds., Oceana Publications, Inc., 1990).

² Any claim to the validity of the 1990 Constitution is indirect, implied by the October 15, 1995, referendum amending provisions of this Constitution to establish Saddam Hussein as President of Iraq. International Constitutional Law, available at http://www.oefre.unibe.ch/law/icl/jz_idx.html. The text of the 1990 constitution (without changes apparently made in 1995) is available at <http://www.oefre.unibe.ch/law/icl/jz00000.html>.

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B. Civil Code

During the 1930s, at the suggestion of the prominent Egyptian jurist Abd al-Razzaq al-Sanhuri, a committee was formed to draft a civil code for Iraq based on Islamic and European (primarily French) legal principles. By the time the committee neared the end of its work in the mid 1940s, it had access to an additional source of law, the draft of the new Egyptian Civil Code (also by Sanhuri).³ The Iraqi Civil Code ("Civil Code"),⁴ was completed in 1946, enacted as Law No. 40 in 1951, and became effective in 1953.⁵ The Civil Code is the main source of Iraqi commercial law, particularly with respect to the formation, discharge, and dissolution of contracts.⁶ Some provisions of the Civil Code have been changed by later laws, several of which are discussed below.

C. Commercial Code

The Iraqi Commercial Code ("Commercial Code") was promulgated in the Law of Commerce No. 30 of 1984. It regulates commercial matters pertinent to businesses including trade names; company registration; company books and accounts; negotiable instruments, commercial mortgages, letters of credit, and other financial transactions; as well as carriage and delivery terms for international sales transactions.⁷ The sections on international terms of sale appear to be similar to the *Incoterms* standards recommended by the International Chamber of Commerce at the time the Commercial Code was passed. We note that the Commercial Code (or any other Iraqi law) does not provide for a public system for recording security interests in movable or personal property. Some provisions of the Commercial Code have been changed by later laws, several of which are discussed below.

D. Statutes, Regulations, Etc.

In the last few decades, the Iraqi government has passed or issued a number of statutes, regulations, decrees and resolutions which impact commercial matters. Several are described in some detail below. We note that Iraq does not have any laws related to antitrust or competition issues.

3 Zuhair E. Jwaideh, *The New Civil Code of Iraq*, 22 GEO. WASH. L. REV. 176, 179-180 (1953-1954). The civil codes of seven other Arab states—Algeria, Jordan, Kuwait, Libya, Syria, Sudan, and the U.A.E.—are also based to varying extents on the Egyptian Civil Code of 1949.

4 Our text of the Civil Code comes from NICOLA H. KARAM, *BUSINESS LAWS OF IRAQ*, (Middle East Business Law Series, Graham & Trotman eds., 1990).

5 See Jwaideh, *supra* note 3, at 180.

6 Khalid Issa Taha & Howard L. Stovall, *Looking Again At Iraq: Commercial Law Issues*, MIDDLE E. EXECUTIVE REP. 9 (February 1997).

7 The Law of Commerce No. 30 of 1984 replaced Law No.149 of 1970 (as amended), except Part VI (on bankruptcy) which remained in effect. Our text comes from KARAM, *supra* note 4.

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III. SELECTED TOPICS IN IRAQI COMMERCIAL LAW

A. Contracts

Many basic elements of Iraqi contract law are similar to those found in Western legal systems. However, there are some important differences such as the following:⁸

1. Mutual consideration in the Western sense is sometimes not required for a valid contract as long as a lawful subject matter and a reason to be bound exist. For example, under Iraqi law, certain gratuitous promises may create binding obligations.⁹
2. There are more legislative and judicial restrictions on the charging of interest than might be expected under Western law. However, unlike some Muslim countries, Iraqi law allows interest to be charged in commercial and banking transactions subject to some restrictions on compound interest and total interest exceeding the amount of the principle.¹⁰
3. The primary remedy for breach of contract is specific performance. Compensatory damages are allowed when specific performance is unavailable or inappropriate.¹¹
4. The statute of limitations for contract claims in Iraq may be as long as fifteen years.¹²

Contracts could be a valuable tool to help foreign businesspersons deal with issues in Iraqi law, such as the inability of foreigners to own real estate in Iraq and the inability of non-Arab foreigners to own interests in Iraqi companies (discussed further below). However, differences between Iraqi and Western contract law such as those listed above highlight the importance of consulting with local legal counsel before entering into contractual arrangements in Iraq.

B. Iraqi Companies

1. The Registration of Companies Department

The Registration of Companies Department of the Iraqi Ministry of Trade (Registrar) administers

⁸ Descriptions of Iraqi commercial contract law including comparisons with Western contract law can be found in S. H. AMIN, *THE LEGAL SYSTEM OF IRAQ* (1989), esp. at 110-160, and NAYLA COMAIR-OBEID, *THE LAW OF BUSINESS CONTRACTS IN THE ARAB MIDDLE EAST* (1996), esp. at 135-144.

⁹ Civil Code, Article 184-185.

¹⁰ *Id.*, Article 171-176. Note that Article 225 appears to indicate banks are not covered by the listed restrictions.

¹¹ *Id.*, Articles 168, 246, 248, 253 & 254.

¹² *Id.*, Article 429-433. See also statute of limitations for negotiable instruments in the Commercial Code, *supra* note 7, Articles 132, 135, 162 & 175.

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the provisions of several Iraqi commercial laws and regulations, including the Companies Law, the State Companies Law, the Arab Investment Law, the Commercial Agency Law and Regulation No. 5 (branches and representative offices), all discussed further below. The responsibilities of the Registrar include registering all business entities, approving incorporation and other establishment documents, monitoring and keeping records of company activities, inspecting company accounts and records, directing company dissolution where appropriate, and providing the government with requested information about any of the registered entities.¹³

2. The Private Sector

The Companies Law No. 21 of 1997 amended the Iraqi Civil and Commercial Codes and currently governs the types of companies allowed in Iraq, as well as their formation, management, and dissolution.¹⁴ Article 6 authorizes four main types of companies:¹⁵

- i. joint stock: five or more shareholders permitting public participation; the liability of each is limited to the nominal value of his share
- ii. limited liability company: two to twenty-five shareholders; the liability of each is limited to the nominal value of his share
- iii. collective partnership: two to ten natural persons with unlimited "joint and personal" liability
- iv. individual enterprise: a single person with unlimited liability

Under Article 12, all founders, shareholders, or partners of Iraqi companies must be Iraqi nationals or the resident citizens of other Arab countries who are treated as Iraqis for purposes of this law.¹⁶

3. The Public Sector

The State Companies Law No. 22 of 1997 outlines the requirements for establishing and operating state owned enterprises: companies that are wholly owned by the government but have a financial and legal structure focused on carrying out economic (rather than governmental)

¹³ Regulation No. 7 of 1989 (Organization of the Ministry of Trade), Article 4. The English text of these regulations was originally provided by the Iraqi Ministry of Trade at <http://www.uruklink.net/trade/english/elaw.htm>. Since this website is currently not operational, requests for a copy of this translation may be made to OCCIC@DOC.GOV. See also, references to the detailed functions of the Registrar throughout the five laws cited in the text of the paragraph.

¹⁴ The Companies Law No. 21 of 1997 replaced the earlier Companies Law No. 36 of 1983, although no changes were made on points of key concern in this paper. This law was translated into English for the U.S. Government by the Foreign Broadcast Information Service (FBIS). Requests for a copy of this translation may be made to OCCIC@DOC.GOV. See also Basil Yousif, *Iraq, LEGAL ASPECTS OF DOING BUSINESS IN THE MIDDLE EAST* (Dennis Campbell, ed., Kluwer Law International Business Series, March 2002).

¹⁵ Companies Law No. 21 of 1997, Article 6. See also *Doing Business in Iraq*, Trade Partners UK [hereinafter Trade Partners UK], at

http://www.tradepartners.gov.uk/iraq/doingbusiness/07_regulations/localrepresentation.shtml.

¹⁶ Companies Law of 1997, Article 12.

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activities.¹⁷ As of May 1999, the Iraqi Official Gazette had announced the registration of 133 publicly owned companies under this law. These companies were principally attached to the Ministries of Industry, Trade, Housing, Transport, Oil, Irrigation and Finance.¹⁸ Companies which have a "mixed" ownership (that is, partly government owned and partly privately owned) are governed by the provisions of the Companies Law rather than the State Companies Law.¹⁹

C. Foreign Companies

1. Arab Companies

As noted above, the Companies Law of 1997 treats resident citizens of Arab countries as Iraqis for the purpose of establishing, operating or simply owning shares in an Iraqi business.²⁰ In addition, Iraq has had at least two laws granting many special exemptions and privileges (such as tax holidays) to Arabs who invested in approved projects. The first such law was the Arab Investment Law No. 46 of 1988.²¹ It appears this law has been replaced by the Arab Investment Law No. 62 of 2002 which contains even more favorable provisions for Arab investors.²²

2. Joint Ventures

Foreign nationals from both Arab and non-Arab countries may participate in joint ventures (JVs) with Iraqi companies on a contractual basis for the completion of a specific project as long as they do not obtain any equity capital of the Iraqi company.²³ In Iraq, a JV has no legal personality and is not itself covered under the Companies Law (although both domestic and foreign companies are governed under this law). The JV may neither acquire nor issue shares to non-contracting parties. Maintaining their original legal identities, the partners to the JV are nonetheless held jointly and severally liable to third parties.²⁴

3. Branch and Representative Offices

Under the Companies Law of 1997 and Regulation No. 5 of 1989 for Branches and Offices of

17 The State Companies Law No. 22 of 1997 was translated into English for the U.S. Government by the Foreign Broadcast Information Service (FBIS). Requests for a copy of this translation may be made to OCCIC@DOC.GOV.

18 Sabah Al-Mukhtar, *Iraq, in YEARBOOK OF ISLAMIC AND MIDDLE EASTERN LAW 1998-1999* (Eugene Cotran & Chibli Mallat, eds.), at 216.

19 Companies Law of 1997, Article 3.

20 *Id.*, Article 12.

21 A translation of this law was provided to the U.S. Government by Citigroup. Requests for a copy of this translation may be made to OCCIC@DOC.GOV.

22 An informal translation of this law was obtained by the U.S. Department of Treasury in Iraq. We are still seeking a good English translation and/or an official version in Arabic.

23 Taha & Stovall, *supra* note 6, at 14.

24 Trade Partners UK, *supra* note 15.

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Foreign Economic Establishments (Regulations), foreign companies carrying out activities in Iraq as a result of an agreement with an Iraqi government agency or with certain companies wholly or partly owned by government entities are permitted to establish branch and representative offices in Iraq.²⁵ A local branch office may conduct business activities within the scope of approved contracts.²⁶ Representative offices are not allowed to carry out any business activity except that involved in acting "as liaisons to collect information, purchase tender documents, and contact clients."²⁷

All companies permanently doing business in Iraq or having a contract to perform a specific activity (other than mere supply contracts) must submit written notice to the Registration of Companies Department in the Iraqi Ministry of Trade (Registrar) as soon as the contract is signed. The Registrar, in conjunction with other "concerned departments," defines the criteria for determining whether a license will be required for each registered activity.²⁸ If a license is required, the foreign company must submit a number of documents including an application form, articles of association, registration certificate, latest financial statements and board of directors' reports, certificates of compliance with the Arab Boycott of Israel, and any other documents requested by the Registrar.²⁹ The Registrar has 60 days in which to approve or disapprove the application with a possible extension of 30 days, and must publish any approval. The license is supposed to be issued within 15 days of publication, upon issuance of which the branch or office acquires the status of legal person.³⁰ Any changes in operations must be submitted to the Registrar for notice and approval.³¹

Each branch or representative office must keep regular corporate and accounting records in Arabic.³² Liquidation procedures, to be completed within 60 days of termination of the contract, also require notice and approval by the Registrar and other concerned authorities, and are covered by Articles 15 and 16 of the Regulations.³³ Penalties provided in the Companies Law of 1997 for failure to keep or provide accurate records of various types apply to branches and representative offices covered by the Regulations.³⁴

25 Companies Law of 1997, Article 211 FIRST; Regulation No. 5 of 1989, Article 1, *FIRSTLY*. The English text of this law was originally provided by Iraqi Ministry of Trade at <http://www.uruklink.net/trade/english/elaw.htm>. Since this website is currently not operational, requests for a copy of this translation may be made to OCCIC@DOC.GOV.

26 Saleh Majid, *Commercial Agencies and Distribution in Iraq*, MIDDLE E. EXECUTIVE REP. 7 (September 2001). See also Regulation No. 5 of 1989 at Articles 2, 3.

27 Majid, *supra* note 26. See also Regulation No. 5 of 1989 at Article 1 and Trade Partners UK, *supra* note 15.

28 Regulation No. 5 of 1989 at Article 3. We have no further information concerning the criteria which determine whether a license is required.

29 N.B.: it is against U.S. law to provide any information about business relationships in response to a boycott request. See 50 U.S.C. app. § 2407 and 15 C.F.R. pt 760.

30 Regulation No. 5 of 1989 at Article 5.

31 *Id.* at Article 6. See *id.* at Articles 11-14, 18, 20 for further reporting requirements.

32 *Id.* at Article 8. See also *id.* at Article 10 for auditing requirements.

33 *Id.* at Articles 15, 16. See also Companies Law No. 21 of 1997, Article 21 on penalties for delay.

34 Companies Law of 1997, Article 211 SECOND; Regulation No. 5 of 1989, Article 22.

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Iraqi law requires foreign companies wishing to establish branches or offices in Iraq to use the "Provisions and Rules for Opening Branches and Offices of Foreign Companies" (Rules).³⁵ In addressing the terms for a branch opening, the Rules stipulate that the contracting period be for 90 days or more (excluding a "maintenance period"), the contracts be worth at least 80,000 Iraqi Dinars ("ID"), at least one of the minimum two permanent employees be of Iraqi nationality, and branch expenses be paid for with foreign currency from abroad if not officially provided for in the contract, among other requirements.³⁶

In addressing the terms for the opening of a representative office, the Rules stipulate confirmation by an Iraqi Commercial Bank of an amount no less than 15,000 ID per annum of transferred foreign currency to cover registration and operation expenses and provision of a guarantee of 10,000 ID to the Registrar in case of additional financial obligations, among other requirements. The Rules also provide for the continuation of legal entity status upon the foreign company's obtaining a contract for which a branch does not have to be established.³⁷

D. Agents and Distributors

1. Civil Code Provisions on Agency

The Iraqi Civil Code includes some basic provisions on general agency law.³⁸ Under the Civil Code, an agent's authority is generally limited by the terms of the agency agreement.³⁹ The principal is liable for an agent exceeding this authority only if the principal gave the agent permission to do so.⁴⁰ An agent is required to account regularly to the principal, and may not appoint a substitute agent without express permission of the principal.⁴¹ Furthermore, the agent must act in the name of the principal when negotiating and concluding a contract in order that the principal and the third party have a direct, enforceable relationship. If the agent concludes a contract without disclosing his relationship with the principal and the principal does not subsequently approve of the transaction, the third party has no direct recourse to the principal.⁴²

35 Provisions and Rules for Opening Branches and Offices of Foreign Companies. The English text of these Rules were originally provided by Iraqi Ministry of Trade at <http://www.uruklink.net/trade/english/edalel.htm>. Since this website is currently not operational, requests for copies of this translation may be made to OCCIC@DOC.GOV.

36 See *id.* at *FIRSTLY*.

37 See *id.* at *SECONDLY*.

38 Civil Code, Articles 927-949. Because Iraqi agency law seems to apply to all types of commercial agencies, references to agents and agencies also cover distributors (including so-called independent distributors) even if not explicitly mentioned in the text of this paper. See Iraqi Civil Code, Article 927. See also Majid, *supra* note 26.

39 Civil Code, Article 933.

40 *Id.* at Articles 944, 945.

41 *Id.* at Articles 936, 939.

42 *Id.* at Articles 942-944. See also Majid, *supra* note 26.

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The agent, if receiving fees or commissions, has a legal duty to exercise care at least equal to that of an ordinary person. If the agent will receive no remuneration, the applicable legal standard of care is that which the agent exercises in his own affairs or that of an "ordinary person," whichever is less.⁴³

An agreement of agency may terminate upon a number of occurrences, including the completion of a project specifically contracted for, the end of a contracted-for term, and the death or forfeiture of the legal capacity of either the principal or agent.⁴⁴ While neither the Iraqi Civil Code nor the Agency Law (below) provides an agent with a general right to claim compensation upon termination, the Iraqi Civil Code does allow an agent in an agency for remuneration the right to claim compensation if he is terminated "at an inopportune time and without acceptable excuse," and if he suffers damages as a result.⁴⁵ Although "inopportune time" is not defined, it has been interpreted to mean termination before the period of agency is over, or termination prior to completion of the terms or purpose of the agency.⁴⁶

2. Commercial Agency Law Provisions

These Iraqi Civil Code provisions are supplemented by the Commercial Agency Law No. 51 of 2000 ("Agency Law").⁴⁷ The Agency Law regulates the operations of commercial agencies as well as relations between government entities and Arab or other foreign suppliers.⁴⁸ Specifically, the law requires commercial agencies to be licensed, registered in a special register, and supervised.⁴⁹ Commercial agencies are defined as every business which is practiced in Iraq by an agent on behalf of a natural person or a corporate body abroad no matter whether it is a commercial agency, a commission agency or any other commercial agency provided for by the laws of commerce, companies and transportation.⁵⁰ The Registrar is further authorized to consider "any commercial activity" as an agency.⁵¹

The Agency Law further requires a party interested in appointing an agent to apply to the Registration of Companies Department (Registrar), the department designated to supervise the

43 Civil Code, Article 934.

44 *Id.* at Article 946.

45 *Id.* at Article 947.

46 See Majid, *supra* note 26.

47 The Commercial Agency Law No. 51 of 2000 [Agency Law], Article 22. The English text of this law (which replaced the Commercial Agency Law No. 26 of 1994) was originally provided by Iraqi Ministry of Trade at <http://www.uruklink.net/trade/english/elaw.htm>. Since this website is currently not operational, requests for copies of this translation may be made to OCCIC@DOC.GOV.

48 Some issues covered by neither the Agency Law nor the Civil Code appear to be left to the discretion of the parties, such as exclusivity. See Majid, *supra* note 26.

49 Agency Law at Article 2. See also Sabah M. Ali Mahmoud, *Middle Eastern Commercial Law*, INT'L LAW. (prepared by Jim Phipps and Christopher H. Johnson) (2002).

50 Agency Law at Article 3:1.

51 *Id.* at Article 8.

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application of the law.⁵² To obtain a license, agents should be of Iraqi nationality, reside in Iraq, be legally competent and at least 25 years old, have not been convicted of an "honor-violating" felony, have a commercial office in Iraq, be enrolled in one of the chambers of commerce in Iraq and have a trade name, be "fully loyal to his homeland," and not be a government official or have interests in the public service.⁵³ No more than three agencies per agent or corporate body may be registered.⁵⁴ The Registrar must make a decision on an application within 30 days, which may be appealed to the Ministry of Trade, whose decision is final.⁵⁵ Licenses are subject to a two-year renewal requirement, and ledgers are to be submitted yearly to the Registrar.⁵⁶

Iraqi government entities generally are prohibited from dealing with commercial agents. However, if dealing directly with foreign suppliers is not possible, Iraqi government entities may request approval to deal with or through an authorized agent.⁵⁷ Violators of this law may be subject to penalties, including fines and jail sentences.⁵⁸

E. Trade⁵⁹

1. Importing

The import policies and programs of Iraq are controlled by the Ministry of Trade. All imports by the private sector are required to be licensed, except for some basic products for certain development projects. Imports financed by foreign exchange obtained by non-resident Iraqis require special licenses. Documents needed for imports include a commercial invoice (of no specific form, but entailing a detailed description of the product, country of origin, and name and address of the manufacturer), two copies of a packing list, and three copies of the bill of lading. A separate certificate of origin is generally not required, but the statement of origin on the commercial invoice may be subject to certification by a recognized chamber of commerce.

Certain documents are required of exporters of goods bound for Iraq, including a certificate of analysis in Arabic and English for imports of products involving antibiotics, "compounds", and

⁵² *Id.* at Article 13.

⁵³ *Id.* at Article 4.

⁵⁴ *Id.*

⁵⁵ *Id.* at Article 5:2.

⁵⁶ *See id.* at Articles 6, 10.

⁵⁷ *Id.* at Article 14.

⁵⁸ *See id.* Articles 6, 15-21.

⁵⁹ Unless noted, all information in this section was obtained from MuslimTrade Network, at <http://www.muslimtrade.net/tradeguideline/iraq/index.html>. See also 2002 Index of Economic Freedom, The Heritage Foundation, available at <http://cf.heritage.org/index/country.cfm?ID=69.0>. Note: The U.S. Government has received informal information from private sector companies and law firms that goods coming into Iraq had to be accompanied by "Arab Boycott of Israel" certifications. We do not have copies of statutes, regulations or administrative issuances which contain such requirements. This may be connected to the "blacklist" discussed in the text. See also, *supra* note 29.

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other "preparations." In addition, a "blacklist" certificate issued by an Iraqi consular officer is required stating the ship carrying the goods is not on the government's "blacklist."

Customs duties were imposed through a single-column import tariff based on the Customs Cooperation Council Nomenclature. Most duties were applied on an ad valorem (value) basis, although others are applied on a specific (fixed amount per unit) basis. In calculating ad valorem duties, the goods may be assessed duties based on their estimated value at the time of the transaction. Generally, the net weight of a product was used to evaluate specific duties, although the gross weight was also used for some items.⁶⁰

2. Exporting

Exports of certain goods are prohibited. All exports must be licensed through the "General Company for Exhibitions and Trading Services" in the Ministry of Trade. Exporters of products manufactured by state owned enterprises are required to repatriate 60 percent of their foreign exchange proceeds at specified government owned banks.

3. Product Standards

Product standards in Iraq are controlled by the Central Organization for Standardization and Quality Control (COSQC), an independent government agency, which was established by Law No. 54 of 1979.⁶¹ The COSQC licenses all imported goods and also reviews domestic goods for health, safety and quality factors. It acts as a consultant on quality control issues for other government ministries and state owned enterprises. In addition, the COSQC maintains relationships with international standards organizations and provides technical assistance to the offices responsible for patent and other intellectual property rights matters. Iraq currently has approximately 3000 product standards which are still being translated into English.⁶²

⁶⁰ Note that under Order Number 12 issued by the Coalition Provisional Authority on June 8, 2003, the following are suspended until December 31, 2003: "all tariffs, customs duties, import taxes, licensing fees and similar surcharges for goods entering or leaving Iraq, and all other trade restrictions that may apply to such goods...." The last published information we have on Iraq's pre-war tariff schedule indicates that in 1997 duties on goods from non-Arab countries ranged between 10% for books and children's clothes to 200% on fresh fruits and soft drinks. Sabah Al-Mukhtar, *Iraq*, in YEARBOOK OF ISLAMIC AND MIDDLE EASTERN LAW 1997-1998 (Eugene Cotran & Chibli Mallat, eds.) at 273.

⁶¹ Sabah Al-Mukhtar, *Iraq*, in YEARBOOK OF ISLAMIC AND MIDDLE EASTERN LAW 1998-1999 (Eugene Cotran & Chibli Mallat, eds.) at 215. This source also mentions that the Planning Board of Iraq published Statutory Instructions No. 16 of 1998 which define in detail Iraqi product standards, quality control criteria, and markings as well as license and inspection procedures. We do not have copies of the COSQC statute or these Statutory Instructions.

⁶² The information in the last four sentences of this paragraph was provided by Susan Hamrock, a U.S. Department of Commerce employee on detail to the Coalition Provisional Authority, Baghdad, Iraq.

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4. Free Trade Agreements

Iraq is a member of the Arab Free Trade Agreement which was signed in 1997 and which has substantially reduced tariffs on manufactured products in trade between its members with a goal of reaching a zero-tariff free trade zone by the end of 2007 or earlier.⁶³

Iraq has also signed agreements with Egypt and Syria providing for the liberalization of trade through the elimination of restrictions and the granting of tariff and tax exemptions. Trade in goods and products covered by these agreements is considered domestic trade rather than foreign trade for local tax purposes.⁶⁴

F. Free Zones and Industrial Development

Law No. 3 of 1998 created the Free Zones Authority, an independent legal entity under the supervision of the Ministry of Finance to promote so-called free zones and regulate enterprises which operate within them. Income and capital gains from investments in the free zones are exempt from all Iraqi taxes and fees, as are the incomes of non-Iraqi employees working in the zones. Fifty percent of the incomes of Iraqis working within the zones are also exempt from income tax. Imports and exports are exempt from tariffs and other taxes unless they move into the Iraqi domestic market. Foreign currencies may move in and out of the zones without any restrictions. Although both Iraqi and foreign persons and companies can apply to operate in a free zone, foreigners must provide an "Arab Boycott of Israel" certification. It appears that at least three free zones have been established under the law.⁶⁵

Law No. 20 of 1998 created the General Directorate for Industrial Development, an independent legal entity under the supervision of the Ministry of Industry and Minerals to promote investment in industrial projects in both the private and "mixed" (part private and part government ownership) sectors. Projects licensed under the law can receive up to a ten-year tax holiday depending on the nature and location of the project. State owned property may be made available to the projects on special terms. Only Iraqi persons and companies can apply for a

⁶³ Iraq reduced its tariffs to members of the Arab Free Trade Agreement 40% in the three years ending in 2001 according to Sabah Al-Mukhtar, *Iraq*, in *YEARBOOK OF ISLAMIC AND MIDDLE EASTERN LAW 2000-2001* (Eugene Cotran, ed.) at 223. See also, Rana Awwad, *No Hitches to Concluding an FTA with Iraq*, *JORDAN TIMES*, January 28, 2001, available at <http://www.jordanembassyus.org/01282001004.htm> (hereinafter *JORDAN TIMES*).

⁶⁴ Mahmoud, *supra* note 49. See also *JORDAN TIMES supra* note 63.

⁶⁵ Translations of the Free Zone Authority Law No. 3 of 1998 and the related Statutory Instructions No. 4 of 1999 and certain free zones publicity materials were provided to the U.S. Government by the U.K. Foreign and Commercial Office. Translations of the law alone were also provided by the Foreign Broadcast Information Service (FBIS) and the law firm of Clifford Chance. Requests for copies of one or more of these translations may be made to OCCIC@DOC.GOV. See also, Yousif, *supra* note 14, at 3-4 and *supra* note 29.

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license to operate under this law.⁶⁶

G. Intellectual Property Rights⁶⁷

1. Trademark Law

The Trademarks and Indications Law No. 21 of 1957 established the current trademark registration system in Iraq.⁶⁸ In 2001, service marks also became registerable under the system. A trademark registration may be applied for by "anyone"⁶⁹ and is valid for fifteen years beginning on the date of application, with the option of renewal. There are a number of categories of marks which are not registrable including those which the Iraqi Office of Israel Boycott decides are identical to or resemble Israeli marks, emblems or symbols.⁷⁰ In order to be enforceable against third parties, the trademark must be published in the Official Gazette and entered into the records of the Trademark Office. A trademark becomes the transferable property of the person who registered it, whose proprietorship may not be challenged after five consecutive years of use.⁷¹ Although use of the trademark is not a requirement for filing an application or for maintaining its validity, a court may cancel the registration upon request of a third party if it is proven that the trademark has not been effectively used for a period of two years, and if no reasonable cause for the nonuse is found to exist. A trademark entered unlawfully or in bad faith may also be subject to court cancellation. Infringement or unauthorized use of a registered trademark is punishable by law.

2. Patent and Industrial Design Law

Patents and industrial designs are regulated by Law No. 65 of 1970.⁷² It typically takes at least two to three years once an application has been filed for a patent to be issued. A patent is valid

⁶⁶ Translations of the Industrial Investment Law No. 20 of 1998 were provided to the U. S. Government by the Foreign Broadcast Information Service (FBIS) and the law firm of Clifford Chance. Requests for copies of one or both of these translations may be made to OCCIC@DOC.GOV.

⁶⁷ Unless otherwise noted, all intellectual property rights materials are based on information provided by Abu-Ghazaleh Intellectual Property, at <http://www.agip.com>. For additional summaries of laws and fees, see ST&P Attorneys and Agents, <http://www.stplegal.com>. Note: The U.S. Government has received informal information from private sector companies and law firms that applications to register all types of intellectual property in Iraq generally had to be accompanied by "Arab Boycott of Israel" certifications. The only IPR statute which mentions Israel at all is the Trademark Law as discussed in the text. We do not have reliable copies of the regulations or other administrative issuances which may contain these requirements. See also, *supra* note 29.

⁶⁸ According to the introduction in this 1957 Law, its provisions are identical to those of Egyptian, Libyan, and Kuwaiti trademark laws. Trademarks & Indications Law No. 21 of 1957 with amendments available at <http://www.agip.com>.

⁶⁹ *Id.* at Article 4.

⁷⁰ *Id.* at Article 5.

⁷¹ *Id.* at Articles 3, 18.

⁷² Patents and Industrial Designs Law No. 65 of 1970, Article 48, available at <http://www.agip.com>.

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for 20 years after completion of the application, subject to the annual payment of prescribed fees and the satisfaction of compulsory working requirements. The transfer or assignment of patent rights must be in writing and published in the Official Gazette.

Industrial design laws are similar to those of patents. Additionally required, however, is the submittal of two miniature design models made of plastic or metal. Upon annual payment of prescribed fees, a design registration is valid for seven years, with no provision for renewal. Unauthorized use or imitation of registered patents and industrial designs is punishable by law.

3. Copyright Law

Copyright protection is governed by Law No. 3 of 1971.⁷³ Generally, this law applies to any type of literary, artistic, or scientific work presented in Iraq or by an Iraqi, in the name of the author (i.e., the person publishing the work), but not to pseudonyms.⁷⁴ Works of foreign authors presented for the first time in a foreign country are covered by this law based on reciprocity.⁷⁵ The author enjoys exclusive publishing rights and rights to receive benefits from the work. However, the author may transfer the rights for financial exploitation in writing.⁷⁶ Furthermore, upon death of the author, all rights succeed to the author's heirs or legatees.⁷⁷ Copyrights expire 25 years after the death of the author, provided that the protection period lasts at least 50 years from the date of publication. In the case of commercial entities, copyrights expire after 30 years from the date of publication.⁷⁸ Copyright infringements are punishable by law.⁷⁹

H. Dispute Settlement

1. The Court System⁸⁰

Under Article 60 of the Interim Constitution, the judiciary is declared independent and A subject to no other authority save that of the law. However, Law No. 160 of 1979, which organizes the structure and functioning of the judiciary, provides that the judiciary is supervised by the

⁷³ Copyright Law No. 3 of 1971 available at <http://www.agip.com> Iraq has also ratified the Arab Agreement for the Protection of Copyright, in Law No. 41 of 1985. According to Article 33 of that Agreement, its provisions will supercede national legislation only where such legislation does not provide "more extensive privileges" than the Agreement.

⁷⁴ Copyright Law No. 3 of 1971, Articles 1, 21, 49.

⁷⁵ *Id.*, at Article 49.

⁷⁶ *See id.* at Articles 7, 38, 41, 42.

⁷⁷ *See id.* at Articles 18, 19, 23.

⁷⁸ *See id.* at Article 20.

⁷⁹ *See id.* at Articles 44, 45.

⁸⁰ Unless otherwise noted, all court system information is based on the *Country Profile* provided by the Programme on Governance in the Arab Region, United Nations Development Programme (hereinafter UNDP-POGAR), available at <http://www.undp-pogar.org/countries/iraq/judiciary.html>.

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Ministry of Justice and the Supreme Judicial Council (presided over by the President of the Court of Cassation).

The judicial system is composed of the Civil Courts, Courts of Personal Status, and Criminal Courts. Civil Courts have jurisdiction over all cases involving civil and commercial matters, and matters of the personal status of non-Muslims. Courts of Personal Status have jurisdiction over matters relating to the personal status of Muslims, including matters of family and inheritance. In addition to these courts, there are some non-commercial courts of specialized jurisdiction, supervised by executive organs other than the Ministry of Justice.

The three Court jurisdictions supervised by the Ministry of Justice are each further divided into a hierarchal system of Courts of First Instance, Courts of Appeal, and a Court of Cassation. Cases of first instance are presided over by a single judge and may be appealed. The Courts of Appeals are divided into seven districts and are composed of three judges, presided over by the President of the Court of Appeal. Appellate decisions of civil and criminal matters may be appealed to the Court of Cassation located in Baghdad. The Court of Cassation, with a minimum of 15 judges, is presided over by a president and several vice presidents. It has three specialized chambers, and the full bench is the highest judicial authority in Iraq.

The Ministry of Justice usually appoints, assigns, promotes, and transfers judges in Iraq. The President of the Republic may also appoint judges. Appointees are usually recent law school graduates, who first serve as clerks and officers of the court before becoming judges.⁸¹ Lawyers in Iraq must be members of the Iraqi Lawyers' Association and have graduated from an Iraqi law school or from another recognized school and have passed an Iraqi Lawyers' Association exam. They are generally allowed to practice in any Iraqi court after an initial training period.

2. Civil Procedure

The Civil Procedure Code or the Law of Civil Actions No. 83 of 1969 covers judicial proceedings in civil matters.⁸² It provides that any person, whether Iraqi or foreign, may bring suit in Iraq and may hire an Iraqi lawyer. Lawyers who are members of the Arab Lawyers' Association may be permitted to plead cases in Iraq on the basis of reciprocity and with approval by the Head of the Iraqi Lawyers' Association.⁸³ Where there are parties of "different domiciles" and as long as it is not contrary to public order or morality in Iraq, an Iraqi court generally must apply the law of the state within which the contract was concluded unless the parties provide otherwise in the contract.⁸⁴

The Enforcement or Execution Law No. 45 of 1980 regulates the enforcement of foreign judicial

⁸¹ *Id.*

⁸² Yousif, *supra* note 14, at 4.

⁸³ *Id.* citing Attorney Law No. 173 of 1965, Article 3. See also UNDP-POGAR, *supra* note 80.

⁸⁴ Iraqi Civil Code, Articles 25, 32.

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awards. As provided by Article 3 of that Law, such awards are enforceable only pursuant to Law No. 30 of 1928.⁸⁵ Law No. 30 of 1928 applies to judgments entered in countries maintaining a bilateral agreement with Iraq, if named by Iraqi government-issued rules, and subject to a condition of reciprocity. Furthermore, if these qualifications are met, someone seeking to enforce a foreign judicial award must then obtain court approval based on numerous other restrictive conditions relating to notice, jurisdiction, finality of the judgment, and public policy concerns of the home country before it will be enforced.⁸⁶

3. Arbitration

While Iraq is not a signatory to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958), it is a member of the Permanent Court of Arbitration at the Peace Palace, The Hague, Netherlands (1899). Iraq also has ratified the Geneva Protocol on Arbitration Clauses (1923, ratified by Iraq in 1926)⁸⁷ and entered into several bilateral agreements and Arab League conventions on the enforcement of judicial and arbitral awards, including the Riyadh Convention for Judicial Cooperation (1983) and the Arab Convention on Commercial Arbitration (1987).⁸⁸

Article 37 of the Riyadh Convention, with a few exceptions, requires member states to recognize and enforce arbitral awards issued in other member states without looking at the merits of the case.⁸⁹ The Arab Convention applies to commercial disputes between any natural or juristic person, regardless of nationality, that is connected by means of commerce with any contracting government.⁹⁰ Its provisions recognize the right of parties to agree to commercial arbitration through the placement of such clauses in contracts or after a dispute has arisen, and the courts of each member country must enforce any award made by the stipulated Arab Centre for Commercial Arbitration, unless "contrary to public order."⁹¹ However, as of yet, the Arab Centre has not yet been established, limiting the present usefulness of the Arab Convention.

Iraq has no domestic law requiring the enforcement of foreign arbitral awards. While the Civil Procedure Code deals with Iraqi arbitration in general, it does not mention enforcement of

85 Saleh Majid, *Enforcement of Foreign Judicial and Arbitral Awards in Iraq*, MIDDLE E. EXECUTIVE REP. 8 (September 1995). According to this source, Article 12 of Law No. 45 of 1980 provides that the enforcement of a foreign judicial decision by an Iraqi court may also be required pursuant to an applicable international agreement.

86 *Id.* See this article for further details of the Iraqi laws on the enforcement of foreign judicial awards.

87 The Geneva Protocol, to which the U.S. is not a party, recognizes the validity and effectiveness of an agreement to arbitrate between citizens of member states. Geneva Protocol on Arbitration Clauses, Article 1. In the opinion of Saleh Majid, Iraqi Legal Consultant and Advocate, Iraq, by its adherence to this Protocol, among other reasons, has forfeited the defense of sovereign immunity in an arbitration proceeding instituted under an agreement between the government and a foreign party of a member state. See Majid, *supra* note 85, at 17.

88 The text of the latter convention is available from Jurist International, at http://www.jurisint.org/pub/01/en/doc/155_1.htm

89 Majid, *supra* note 85, at 17.

90 Arab Convention on Commercial Arbitration (1987), Article 2.

91 *Id.* at Articles 3, 35.

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foreign awards.⁹² Thus, companies wishing to have a foreign arbitral award enforced in Iraq may first need to get a judgment from a domestic court and then go through the process of enforcing that court decision through the Iraqi procedures for the enforcement of domestic judicial awards.⁹³

I. Banking and Finance

The Iraqi government officially controls all financial transactions. The Central Bank of Iraq, having been delegated responsibility for the country's monetary policy, issues and manages currency, establishes and maintains bank controls, and governs exchanges of foreign currency.⁹⁴ RCC Decree No. 98 of 1999 authorizes the circulation of, and opening of bank accounts with, foreign currency owned by both Iraqis and non-Iraqis, under the supervision of the Central Bank.⁹⁵ Non-residents may be permitted to take foreign currency, with added bank interest, out of the country. However, there appear to have been many convertibility restrictions.⁹⁶ The Iraqi government also owns two of the approximately twenty commercial banks which existed in Iraq before early 2003: the Rafidain Bank (which acts for the government in functions not undertaken by the Central Bank) and the Rasheed Bank.⁹⁷

J. The Baghdad Stock Exchange

The Baghdad Stock Exchange (BSE), which is supervised by the Ministry of Finance, was created by the Baghdad Stock Exchange Law No. 24 of 1991 and its related regulations of 1992 and 1997.⁹⁸ Trading began on the BSE in 1992 and, as of early 2003, it listed approximately 100 Iraqi private and mixed public/private companies.⁹⁹ Approximately fifty brokers were permitted

⁹² Majid, *supra* note 85, at 8.

⁹³ We have found one source of the opinion that Iraq may in fact have allowed for the acknowledgement of certain foreign arbitral awards since 1991: Kilian Bälz, *Wiederaufbau Irak: Die rechtlichen Rahmenbedingungen [Iraq Reconstruction: The Basic Legal Conditions]*, at 3 (June 2003), available at <http://www.gleisslutz.com/cgi-bin/tree/data/241.pdf>.

⁹⁴ Economic Intelligence Unit, *Iraq Country Profile 2002*, available at <http://www.eiu.com> and Global Investment House, *Iraq-Economic Review and Prospects (April 2003)* available at <http://globalinv.net>.

⁹⁵ "Law and Regulations," Iraqi News Agency, available at <http://www.uruklink.net/iraqnews/elaw.htm>

⁹⁶ See Institute for Economic Policy, University of Cologne, available at <http://www.uni-koeln.de/wiso-fak/iwp/datenb/centralb.htm>

⁹⁷ Economic Intelligence Unit, *supra* note 94. See also UNDP-POGAR *supra* note 80.

⁹⁸ Al-Mukhtar, *supra* note 60, at 272-272.

⁹⁹ Middle East Media Research Institute (MEMRI), available at http://www.memri.de/uebersetzungen_analysen/temen/oeconomie/meer_12_12_02.html (December 12, 2002). A listing of companies traded by name and sector may be found in Global Investment House, *supra* note 98. Although it appears that non-Iraqi companies could trade on the BSE with special approvals, we found no information any foreign companies have ever received such approvals.

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to trade on behalf of individual investors.¹⁰⁰ The exchange was open on Mondays, Wednesdays, and Saturdays from 9:30 a.m. to noon. It was not run electronically, but rather used markers and white boards hung on walls.¹⁰¹ Trade volume typically approached US\$50,000 on most days,¹⁰² with a total market capitalization of US\$137 million.¹⁰³ In past years, prices on the market have greatly fluctuated, rising 45 percent in 2000 and dropping 35 percent in 2001, before again increasing 24 percent late in 2002. As of March 7, 2003, the index for the BSE had gained 31 percent since the beginning of the year.¹⁰⁴

K. Public Officials

While no evidence has been found of a comprehensive Iraqi code of ethics or rules on financial disclosure for government officials, Article 30 of the Interim Constitution provides that "public office is a sacred confidence" and calls for "honest and conscious obligations...in accordance with the rules of the constitution and the laws." Articles 45 and 55 make each member of the Revolutionary Command Council (RCC) and the National Assembly, including the President of the RCC (i.e., the President of Iraq), answerable only to the RCC for violating the Constitution, breaking a constitutional oath, or behaving disgracefully in disrespect of his position.

Bribery of public officials is dealt with in Article II of RCC Resolution No. 160 of 1983 (as amended by Resolutions No. 703 of 1983 and No. 813 of 1986).¹⁰⁵ According to that law, public service employees who ask for or accept gifts, benefits, privileges, or promises of such on behalf of themselves or a third party are subject to fines and imprisonment. If committed during war, penalties for these crimes include life imprisonment and the seizure of assets. Those who offer unaccepted bribes are also subject to imprisonment. RCC Decree No. 120 of 1994 further provides for the punishment of persons convicted of embezzling government funds.¹⁰⁶

The enforcement of the above laws by legal departments, however, is restricted by State Consultative Council Law No. 106 of 1989, which bans the administrative judiciary from hearing all appeals based on "acts of sovereignty," as found in presidential and RCC orders, decrees, and in actions of agencies based on presidential instructions.¹⁰⁷ Moreover, according to Article 40 of the Interim Constitution, RCC members, including the President of the RCC, have

¹⁰⁰ BLOOMBERG, "Baghdad Stocks Climb on Optimism," *TAIPEI TIMES* 12 (March 7, 2003).

¹⁰¹ *Id.*

¹⁰² David Blair, "Prospect of War Boosts Stocks in Baghdad," *LONDON DAILY TELEGRAPH*, reprinted in *THE WASH. TIMES* (March 3, 2003).

¹⁰³ MEMRI, *supra* note 99.

¹⁰⁴ David Blair, *supra* note 102.

¹⁰⁵ Karam, *supra* note 4.

¹⁰⁶ Provided by the Intelligence Resource Program of the Federation of American Scientists, available at <http://www.fas.org/irp/world/iraq/docs/index.html>.

¹⁰⁷ Tariq Ali Al-Saleh, *Transnational Justice—Basis for Democratic Iraq*, *THE JURIST* (Iraqi Jurist's Association, 2002: "last issue"), available at <http://www.ija2.co.uk>

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"full" immunity, and no measures can be taken against them without prior permission by the RCC. Under Article 38(d) and (f), the RCC may accuse, prosecute, and dismiss any member of the RCC, minister, or vice president.

National Assembly members, under Article 49, are immune from censure and prosecution while they are in session, unless expressly authorized by the RCC and except when caught in the act of committing a crime. National Assembly members are responsible to the Assembly for violating the Constitution, breaking an oath, or "behaving disgracefully." Upon Presidential request, the National Assembly investigates affairs of the prime minister, ministers, and other public employees, and may interrogate, dismiss from duty, retire, or refer them for trial as members see fit.¹⁰⁸

The Commercial Agency Law No. 51 of 2000 discussed above also addresses, albeit indirectly, anti-corruption safeguards in business law. Intended to organize the business of commercial agencies in Iraq in a way that will help avoid exploitation and corrupt practices, this law requires commercial agents to be licensed, registered in a special register, and supervised. It also generally requires government agencies to deal directly with principals rather than commercial agents.

L. International Agreements on Trade and Investment

1. Iraq is a party to the Following International Commercial Organizations, Conventions, and Agreements:

Arab Agreement for the Protection of Copyright (Baghdad, 1984)
Arab Convention on Commercial Arbitration (Amman, 1987)
Arab Free Trade Agreement (1997)
Arab Fund for Economic and Social Development
Arab League Convention on Judicial Cooperation (Riyadh, 1984)
Arab Monetary Fund (AMF)
Commercial, Economic and Technical Cooperation Agreement Between the Government of the United States of America and the Government of the Republic of Iraq (signed on August 26, 1987; entered into force on October 27, 1987)
Council of Arab Economic Unity
Geneva Protocol on Arbitration Clauses
Global System of Trade Preferences
Inmarsat (global mobile satellite communications operator)
Intelsat (commercial satellite communications services provider of International Telecommunications Satellite Organization (ITSO))
International Labor Organization (ILO)

¹⁰⁸ UNDP-POGAR, *supra* note 80. See also, Interim Constitution at Article 54.

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International Monetary Fund (IMF)
International Standards Organization (ISO)
Paris Convention for the Protection of Industrial Property (1967 Act) (1976)
Permanent Court of Arbitration (Hague)
Riyadh Convention for Judicial Cooperation
Treaty of Commerce and Navigation Between the United States of America and the
Kingdom of Iraq (54 Stat. 1790; 9 Bevans 7 (1940))
World Customs Organization (WCO) (accession/ratification 1990)
WCO Technical Committee on the Rules of Origin (Observer)
World Intellectual Property Organization (WIPO)
United Nations
United Nations Convention on Contracts for the International Sale of Goods (CISG);
(entered into force for Iraq 1991)

2. Iraq is NOT a Party to the Following Important Commercial Conventions and Agreements

Berne Convention for the Protection of Literary and Artistic Works
(Paris, 1971, as amended 1979)
Convention for the Protection of Producers of Phonograms Against Unauthorized
Duplication of Their Phonograms (Geneva, 1971)
Convention on the Limitation Period in the International Sale of Goods
(New York, 1974; amended by the Protocol of April 11, 1980)
Convention on the Recognition and Enforcement of Foreign Arbitral Awards
(New York, 1958)
Convention on the Settlement of International Disputes between States and Nationals of
Other States (ICSID) (Washington, 1966)
Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or
Commercial Matters (The Hague, 1965)
Convention on the Taking of Evidence Abroad in Civil or Commercial Matters (The
Hague, 1970)
International Convention for the Protection of New Varieties of Plants (UPOV
Convention, 1991)
International Convention on the Simplification and Harmonization of Customs
Procedures (Kyoto, 1974)
Patent Cooperation Treaty (PCT) (Washington, 1970, as amended 1979, and modified
1984 and 2001)
Protocol Relating to the Madrid Agreement Concerning the International Registration of
Marks (Madrid, 1989)
United Nations Convention on International Bills of Exchange and International
Promissory Notes (New York, 1988)
WIPO Copyright Treaty (Geneva, 1996)

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FOR COMMENT**

WIPO Performances and Phonograms Treaty (Geneva, 1996)
World Trade Organization (WTO)

THE IRAQI LEGAL SYSTEM

ISSUES OF CONCERN

By Farah Killidar

Clifford Chance

When speaking of Russia, Sir Winston Churchill once said: *"I cannot forecast to you the action of Russia. It is a riddle wrapped in a mystery inside an enigma: but perhaps there is a key. The key is Russian national interest."* He might have made the same observation in the context of Iraq today. Iraq and its people have just endured 30 years of repression and stagnation, three major conflicts and now the trauma of the process of liberation. Their needs are great and their expectations are high, and while some changes will be welcomed, where the reasons for others are not fully understood, they may well be treated with suspicion. The coalition and Iraq's future government, therefore, have a minefield of issues to consider, political, legal, or cultural, as part of their change management planning.

It is generally accepted that Iraq requires a new constitution but there will be disagreement as to the form it should take and the resultant necessity for changes to the legal framework, although much of this disagreement should fall away once the goals of the new government are settled. As part of creating this soft infrastructure, there is a pressing need to determine priorities for the medium and long term. This process will in itself require consensus to be reached on a 'vision' for the new Iraq - what are to be its guiding principles to be enshrined in any new constitution? Until this new 'vision' is determined and the legal changes are introduced, the existing laws remain valid (although currently, without, in many cases, any apparatus or inclination to impose them). For the 'vision' for Iraq to encompass acceptance of the need for foreign investment and lending, in turn, the advantages that will flow from such involvement will need to be made clear to the Iraqi people. Whilst it is preferable to have a comprehensive legal and regulatory framework to attract foreign investment, we will see later today that it is not essential for such framework to be complete before any projects are implemented, so long as some basic legal provisions are in force to provide the necessary environment. In fact, the development of initial projects in a host country (as was the case in China) have been known to set the stage for the creation of a legal framework that is designed to attract investors and lenders. As the private sector role evolves, a more comprehensive legal framework can be established. Furthermore, in due course, the government can introduce sector related regulations (for telecommunications, power, etc) to help promote financially sound practices

and thereby increase mutual confidence: that is investors' and lenders' confidence in the new host, and that of the liberated people of Iraq in foreign participation.

In this segment, the aim is to highlight the main issues of concern to foreign investors with the current Iraqi legal system which will need to be considered with a view to finding solutions which are acceptable in an Iraqi context. It is important to highlight that access to secondary legislation is difficult and possibly pointless. We are not purporting to provide a legal opinion on the laws of Iraq in the light of current limitations of access to qualified Iraqi lawyers on the ground.

Much is said about the influence of Sharia'a and perhaps we should begin by putting this in context. By way of background, Islamic Sharia'a encompasses Islamic religious law, customary law, and administrative practices in light of Islamic teachings. Muslim countries have, to varying degrees, relied on Sharia'a as the basis of their legal systems. There is a tendency in the West to assume that the legal system in Iraq is largely governed by Islamic Sharia'a principles. This is not an accurate assumption, and in fact the Iraqi legal system relies less heavily on Sharia'a principles than do many other Arab states (such as Saudi Arabia and the UAE). It is important to bear in mind that the basic legal system in Iraq continues to follow that of a secular civil law country, and many of the laws enacted since the 50s are strongly influenced by Western legal concepts.

This is further highlighted by the fact that the Iraqi Constitution does not prescribe Sharia'a as the primary source of legislation (as do other constitutions such as that of the UAE). Also, whilst the Iraqi Civil Code of 1951, which is the main source of commercial law, does affirm that, in the absence of a relevant legislative provision, courts should look to Sharia'a principles, this is only after considering customary law. The Civil Code also provides that the courts should, whilst considering customary law, Sharia'a and equitable principles, also rely on jurisprudence in Iraq as well as other Arab countries with similar legal structures (such as Egypt and Syria). In fact, as will be demonstrated later today, even countries whose legal systems are far more based on Sharia'a principles have managed to attract substantial foreign investment and work around many of the Sharia'a restrictions. This is of course not to say that Sharia'a principles have not found their way into the commercial laws of Iraq, as for example, under the Civil Code, contractual terms must be defined in such a way so as to avoid speculation and uncertainty. This does not include a total prohibition on charging interest, rather the Civil Code provides for a maximum interest rate of 7% (which may prove to be a little restrictive) and prohibits compound interest

(Articles 172 and 174). It is however important to bear in mind that, in light of the current environment prevailing in Iraq, there might well be pressures brought to bear by the various Islamic movements in Iraq to impose Sharia's principles on the new legal system.

We shall now turn to those issues which have already been identified in earlier segments as of concern to foreign investors, to provide a summary of the historical position (i.e. that prevailing prior to the removal of the old regime) and, where possible, suggest some ways that these concerns may be addressed.

1. **OWNERSHIP OF NATURAL RESOURCES**

Iraq's Interim Constitution of 1990, even though not officially adopted, was regarded by the previous regime as the governing constitution of the country. The 1990 Constitution was preceded by the 1970 Interim Constitution which was similar in many respects, especially for today's purposes. It is generally accepted that one of the first tasks to be carried out by the CPA is to facilitate the preparation of a new Constitution which would provide for new governmental and legislative structures and can be implemented once a new Iraqi government is in place. The new constitution should also provide for a suitable framework to permit, and pave the way for, a foreign investment regime. We believe that the new constitution will need to be in place before significant foreign investment will appear. However, it is useful to review some of the existing provisions in order to understand where changes may need to be made.

Article 13 of the 1990 Constitution provides that the country's 'national resources' and 'basic means of production' are owned by the People. Such 'national resources' would include oil and gas (and this is the most pertinent area for present purposes), whilst the term 'basic means of production' is less clear but is likely to include such assets as manufacturing plants and oil production equipment (even though the provision is not specific, it would seem in practice that only 'basic means of production' which relate to natural resources fall under this category). This provision raises a number of potential concerns vis-à-vis the oil industry and the extent of foreign involvement and participation. It is generally assumed that major reconstruction cannot take place without the involvement of foreign investment and funding, and thus the ability to grant title to, and security over, property and assets in Iraq to foreign investors and financial institutions. Foreign involvement is certainly likely to have a substantial impact on the country's ability to achieve its goals in a reasonable timeframe. However, even if a new Iraqi government accepts the principle of foreign investment and the granting of property

rights and security to foreigners, it may want to consider limitations in relation to foreign control of certain industries and even total exclusion of foreign participation in others (and it has been suggested by some that this should be the case with the oil industry).

The major question here is whether the existing restriction in the Constitution on ownership of 'national resources' and 'basic means of production' being vested in the State is incompatible with the position needed to attract an adequate level of foreign investment and participation. For, even following adoption of a new constitution, it is quite possible that a new Iraqi government would want to maintain the existing position with respect to its natural resources. Despite (or, perhaps because of) the lack of real benefit Iraqis have received in the last few decades from the country's oil wealth, not to mention the corruption that was prevalent amongst the previous regime, Iraqis in general remain quite 'nationalistic' towards their oil industry. In fact, a large number of Iraqis would feel that any kind of privatisation of the oil industry, whereby ownership of the oil and/or the means of production is passed over to foreign hands, would be contrary to the country's development (having already nationalised the oil industry back in the 70s). However, the existing position is not unlike that of other countries in the region, and in fact worldwide, and thus should not be looked upon as a major hindrance as acceptable structures for foreign investment can be created against this background. What is perhaps important to bear in mind is that this issue is quite sensitive for many Iraqis who may feel that any significant change in the status quo constitutes an attempt to deprive the country of its resource rights.

In addition to the practical need to conduct a due diligence exercise to determine the physical state of the Iraqi oil industry and the extent of development and maintenance required to offset the damage incurred over the years, it would also be prudent to conduct a legal audit concerning disputed contracts (many of which relate to the oil industry). It cannot be assumed that merely because the former regime has been deposed the contractual arrangements made by it will not survive its demise. In fact, the opposite may well be the case and the successor government may find itself still bound. The task of reviewing each contract on its own merits and in the light of the circumstances surrounding its creation and the continued possibility of its performance may be a costly and time consuming exercise, but a price that may need to be paid bearing in mind that whilst continuing uncertainty remains as to

the legitimacy of certain contracts, there may be a significant impediment to reconstruction plans.

These problems aside, as intimated, notwithstanding the constitutional limitations referred to earlier, there are ways to attract the necessary foreign investment whilst ensuring Iraqis' concerns to maintain their 'rights' to their natural resources are still addressed. It is worth noting that a distinction may be drawn between 'privatising' some part of INOC (the commercial entity which is vested by the State with the conduct of exploitation of oil and gas reserves) by granting shareholding interests of some nature to foreign investors - which may be seen as parting with control to foreigners and which may thus be better left to a later stage - and granting what are basically contractual rights to foreign oil companies to participate in exploration and exploitation of those reserves themselves - which can be viewed more in terms of 'contracting'.

A substantial body of experience has developed around the world as to the different forms which foreign participation may take in exploration and exploitation activities, with some countries preferring to adopt a concession or licensing approach and others a 'production sharing' model. The distinction between the two approaches may in some cases not be particularly significant and, ignoring nomenclature, in determining an acceptable model for foreign participation in Iraq, the authorities may wish to determine how they should deal with such issues as: the extent of the rights (and obligations) to conduct exploration, the exclusive nature of those rights, ownership of production, at what point title to the oil passes, the degree of control to be retained by the government, the transfer of risk that exploration may prove unsuccessful, the terms of relinquishment of the relevant contract areas, and how 'government take' is to be determined - that is, what payments the contractor is required to make (over and above covering the costs of exploration) to the government. These may take the form of signing and production bonuses, income taxes, excess profit taxes and rentals. This area is complex and will need to be developed along with whatever taxation regime is to be adopted generally.

The choice of model will largely depend on the attitude of the new Iraqi government to its natural resources (where a production sharing agreement is likely to be chosen if the government is strongly protective of the concept of 'continued ownership of' its natural resources). In any event, taking into account the 'nationalistic' nature of the Iraqi people, as mentioned before, a model involving a concession/licensing approach or a

'production sharing' one, as opposed to outright privatisation of INOC is likely to be more attractive initially. This is of course not to say that INOC cannot, possibly at a later stage, be privatised to some extent (with or without foreign contribution) as a way of realising some of the value in its oil reserves. It is our understanding that secondary legislation was passed as long ago as the 60s, which purported to grant INOC ownership of land in exploration areas, but the current position has proved difficult to verify, specifically whether title to the oil passes to INOC upon extraction or whether INOC holds the oil reserves on behalf of the government. Prior to concluding any oil deals, any foreign investor will wish to determine who the contracting party is on the Iraqi government's side and, if it is to be INOC, whether it has the legal right to pass title to the oil.

Similarly, consideration will need to be given to plans to develop refining and petrochemical capacity within Iraq in order that the 'value added' potential of the country's reserves may be maximised. Saudi Arabia and Qatar are good examples of countries in the region who have taken substantial steps in this direction with the development of substantial petrochemical industries. Similar issues will also arise here with regard to foreign participation. Also, consideration will no doubt be given to 'securitisation' - in the broadest terms - of the oil revenues. This may take the form of relatively straight forward advance purchase schemes or more complex structures. In the initial years, it is likely that political risk insurance or other methods of addressing perceived political risk will play a significant role in the ability to attract funds.

2. OWNERSHIP OF PROPERTY

This then takes us to the issue of ownership of property which impinges, not only on the oil industry, but on foreign investment at large. The 1990 Constitution prohibits (Article 18) the ownership of immovable property (which would include land and fixtures) by non-Iraqis, unless otherwise prescribed by law. Whereas ownership of 'national resources' by foreigners is an absolute constitutional prohibition which would require an amendment of the constitution, this is not the case with regard to ownership of immovable property. Nevertheless, currently there does not appear to be any law authorising non-Iraqis to own immovable property out right, save, as we understand, a regulation which authorises foreigners to own real estate in certain limited circumstances, for example where the foreigner's home country provides for reciprocal treatment for Iraqis and where the foreigner has resided or operated in Iraq for seven consecutive years (however, we have not been able to verify that). This

ownership restriction may be thought to cause problems in relation to any oil related concessions, as not only does title to the oil production facilities have to remain with the State, so does title to any other immovable property (such as offices) have to remain in Iraqi hands. However, it would not be unusual for a concession to provide that title to any immovable property provided by the foreign party would pass to the State.

This property ownership limitation also impinges on the ability of lenders to obtain security over immovable property. Whilst the Civil Code does provide for the ability to grant security over property, title to such property cannot transfer to a foreign entity (in light of the constitutional provision). This is equally the position in other Arab countries, such as Saudi Arabia and the UAE, where foreign lenders appoint agent banks (who are nationals of the State) to take the benefit of the security on behalf of the other lenders. This could prove to be a satisfactory solution in the context of Iraq, at least in the short term (assuming the re-establishment of a domestic private banking sector). It is also worth mentioning that many projects in other jurisdictions are successfully structured on the basis of long leases, or even licences for the use, as opposed to outright ownership, of land and buildings. While there may be interesting legal questions as to the way in which current law distinguishes between property and contractual rights, we do not believe this is a topic on which we need to expand here.

3. **OWNERSHIP OF INVESTMENT VEHICLES**

Pivotal to many foreign investment projects is the ability to form an appropriate project or investment vehicle. In order for an entity to be capable of performing the function of such a vehicle (in particular, to provide the sponsors with a degree of limited liability), it must have independent legal personality and the capacity to enter into and perform the relevant project contracts. There are several types of company provided for under the Iraqi Companies Law of 1997 (joint stock, LLC, collective partnerships, sole proprietorships, mixed companies), all of which require all shareholders or partners to be Iraqi nationals or nationals of other Arab countries. Therefore, a non-Arab foreign entity cannot own shares in an Iraqi company or form a project vehicle within Iraq. Iraqi law does however permit foreign entities to enter into joint ventures, usually for particular projects, which are contractually based, and the joint venture partners can have relatively broad discretion to agree the terms of the joint venture. However, as a matter of Iraqi law, a joint venture is treated to some extent as a general partnership and the JV

partners would be jointly and severally liable to third parties for the debts of the JV. Also, the JV would not have a separate independent legal personality, so that the relevant project contracts would need to be entered into by the partners.

One option, which is more suitable for trading activities, specifically for those entities contracting with the Iraqi Government, would be to set up a branch office pursuant to Regulation No. 5 of 1989 for Branches and Offices of Foreign Economic Establishments. For this purpose, the Iraqi Government would include government agencies and companies wholly or partly owned by government agencies. A foreign company need not establish a branch office if it is simply supplying products to an Iraqi government purchaser without having to perform any related activities in Iraq (such as training, installation of equipment or maintenance). However, if a contract with the government includes minimal activities in Iraq, historically, foreign companies have been required to set up branch offices for the duration of the contract and for the purposes set out in the contract (and the branch office may exceed the activities set out in the government contract if approval is obtained from the government).

The advantage in setting up a branch office, besides being the only available means of establishing a presence within Iraq with the ability to carry out commercial activities, is the benefits such branch can derive under Iraqi law. In the past, branch registration has eased the sometimes difficult procedures for companies transferring money in and out of Iraq, facilitated the exit and entry of workers and the obtaining of residence and work permits. One does have to bear in mind though, that a branch office's liability would pass on to the parent company and in fact, a parent company guarantee might be necessary to establish such a branch. Therefore, a branch office is rarely likely to be a suitable vehicle for investment as it does not have limited liability and is unable to own shares in Iraqi companies.

Foreign companies do also have the option to establish representative or liaison offices pursuant to the Companies Law (as it was amended in 1989). A company need not obtain an Iraqi government contract in order to set up such a representative office. However, a representative office may not engage in commercial activities or perform commercial agency works. In other words, such an entity would only serve as a liaison office between its foreign parent and the Iraqi market, to carry out market and feasibility studies and to provide product information to potential purchasers and/or consumers. This could indeed serve as a useful

interim step to breaking into the Iraqi market, developing the know-how and liaising with prospective investment partners in anticipation of more investor friendly laws, which will have to be adopted by the new government if foreign investors are to be provided with the necessary environment.

The inability to own shares in Iraqi companies will also create difficulties for any foreign participation in privatisation endeavours, and, although similar problems exist in other countries in the region, if an amendment of the law were to be made to remove the restriction of foreign ownership, perhaps it will be a good opportunity to introduce other changes to create a better corporate environment. The new Iraqi government could amend the existing Companies Law to remove such restriction, and perhaps, maintain some limitation as to the foreign percentage shareholding, as is the case with other countries in the region.

4. DISPUTE RESOLUTION

Another issue of major significance to anyone wishing to break into the Iraqi market is a legal system where disputes can be resolved by clearly defined and equitable procedures or through binding arbitration. A number of differing approaches may be adopted in an attempt to resolve commercial disputes. Whichever is adopted, it should be remembered that, in many cases, the continuing operation of the underlying commercial arrangements pending resolution of the dispute should be a primary objective.

It is first important to consider the question of the governing law of a contract. Article 25 of the Civil Code gives the parties to a contract the right to choose its governing law. However, there is a caveat in relation to immovable property and any agreement in relation thereto, where the governing law would be the law of the jurisdiction of such immovable property, irrespective of any agreement to the contrary. It is also unclear whether the right to choose the governing law extends to a situation where both parties are of Iraqi domicile. If it does not, a contract where a locally incorporated project vehicle is contracting with an other Iraqi entity would be automatically subject to Iraqi law: this may be seen as unfavourable by foreign investors and lenders. Furthermore, Article 32 of the Civil Code goes further to restrict the parties' choice of a governing law clause by stipulating that foreign law provisions that are contrary to public policy and morality would not be upheld. Such a restriction is not uncommon in many jurisdictions but in some can be very widely interpreted and, in fact, in jurisdictions such as the UAE where the legal

system provides for similar provisions, the courts have been known to throw out foreign law clauses without real justification.

In the event a foreign investor obtains a judgment in a foreign court and the Iraqi defendant does not have sufficient assets outside Iraq and does not comply with the terms of the judgment, the foreign party will need to seek enforcement of the award in Iraq. Article 16 of the Civil Code provides that foreign judicial awards shall not be enforced in Iraq unless deemed in accordance with the relevant laws in Iraq. Enforcement Law No. 45 of 1980 regulates the enforcement of foreign judicial awards and provides, in essence, that foreign judicial awards will only be enforced in relation to countries with bilateral agreements with Iraq and subject to a condition of reciprocity. Even if these conditions are met, a foreign judicial award must still be approved by an Iraqi court following consideration of various issues such as notice, jurisdiction, finality of the judgment and public policy concerns (which conditions are not unusual in many jurisdictions). It is further unclear whether the Iraqi courts would simply claim jurisdiction over a matter, irrespective of any bilateral agreements, in light of Article 15 of the Civil Code which grants Iraqi courts jurisdiction over matters relating to foreigners if such foreigners are 'located' in Iraq, or if the dispute relates to immovable property in Iraq, or if the subject of the dispute is a contract entered into in Iraq or the performance of which is in Iraq. It is important to bear in mind at this juncture that, in the region the problem has not been the existence of unrealistic enforcement restrictions but rather the reluctance countries have demonstrated in enforcing foreign judicial awards, irrespective of the vast steps taken in relation to development and attraction of foreign investors. It is therefore not just a question of providing a suitable legal framework which would allow the enforcement of foreign judgments, but more importantly changing the approach of the courts to ensure that foreign judgments are not thrown out without valid justification. This goes into changing the 'mind set' of judges as part of their training, which could thus take years to fully implement.

For various reasons, be they confidentiality, cost, or perceptions as to partiality or suitable enforcement mechanisms, foreign investors have often looked to arbitration as a better form of resolving disputes. Unfortunately however, in Iraq, as is the case with many other countries in the region, arbitration does not necessarily provide for a better solution to the problem of enforceability of awards. The Iraqi Civil Procedures Code, which regulates local arbitration, does not address foreign arbitration or the enforcement of foreign arbitration awards. Therefore, a foreign

arbitration award cannot be enforced in Iraq unless first approved by a court decision (in which event the restrictions referred to earlier in relation to judicial awards would equally apply). Whilst Iraq has entered into a number of bilateral agreements with the Arab League, such as the Riyadh Convention for Judicial Cooperation (1983), it is not a signatory to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958). Even if a foreign party chooses the place and rules of arbitration pursuant to the Riyadh Convention, it is important to bear in mind that, under such Convention, enforcement of a foreign award can be refused if found to be contrary to Sharia'a, public policy, local law or previous judgments, thus rendering it very restrictive. Therefore, the new Iraqi government should seriously consider accession to the New York convention, as well as bilateral agreements for the recognition of judicial awards, and supplementing existing local regulations to provide for enforcement of arbitral and judicial awards.

5. **TRANSPARENCY**

As has been demonstrated today, and confirmed by UN Resolution 1483, the legitimacy of any new Iraqi government is of vital importance to its survival, international recognition and success. A successful regime is one that reflects the interests and aspirations of its people and gains the trust of its subjects and international community (especially potential investors). The guiding principle of such a successful regime would have to be transparency. Transparency in this context has a far reaching meaning to include both the principle of separation of powers, as well as the lack of stringent restrictions and regulations. The current Iraqi legal system, especially in the light of the secondary legislation issued over the years by the previous regime, has been anything but transparent. In this section, we will deal with some of the aspects of the existing system that are likely to hinder any new government in establishing a transparent regime and an attractive market for the world community.

Article 60 of the 1990 Constitution provides that the judiciary is independent and subject to no other authority save that of the law. However, Law No. 160 of 1979 which organises the structure of the judiciary prescribes that the judiciary is supervised by the Ministry of Justice and the Supreme Judicial Council. Furthermore, Article 57 of the 1990 Constitution goes on to grant the President of Iraq the right to appoint judges and terminate their services. In other words, the concept of separation of powers needs to be better enshrined in the new

constitution to ensure that the judiciary is 'truly' independent and cannot be influenced by the administrative arm of government.

As most Iraqi business is State owned and centrally controlled, important business decisions are often made through committees and many Iraqi government departments have followed standard government forms of contract, which have been drafted to favour the government. For example, a party contracting with the government in an administrative contract cannot necessarily suspend or terminate the performance of its contractual obligations even if the government defaults in executing its obligations (such as the obligation to pay the contractor). In this case, the contractor would have to continue performing its obligations and claim for damages thereafter. Over the years, government contracts have been subject to the laws of Iraq and the exclusive jurisdiction of the Iraqi courts or arbitration in Iraq. Arbitrations in Iraq between a government entity and a foreign party (not to mention an Iraqi party), reportedly, have not been fair and, in fact, in a number of cases have not taken place as it was impossible to find an Iraqi lawyer willing to act against the government. The same could be said for court actions in Iraq where judges have been 'vetted' by the government and any action deemed to be disloyal to the regime would have been severely punished.

It was stated earlier that any foreign entity contracting with the government is required to establish a branch office. Even if a foreign entity were to overlook the unsuitability of this structure, the procedure for establishing such office is quite stringent and time consuming with a number of requirements imposed by various regulations¹ (e.g. branch expenses to be paid for by foreign currency from abroad). If a licence² is required, the foreign entity then has to submit a number of documents, including a certificate of compliance with the Arab League Boycott of Israel. Any changes in the daily or overall operation of the branch will also have to be submitted to the Company Registrar for notice and approval, as well as notice of any liquidation procedure which has to be completed within 60 days of completion of the government contract. One of the biggest obstacles to US trade with Iraq in the 80s, prior to the sanctions years, was probably Iraq's strict adherence to the Israeli Boycott (requiring a seven or eight point boycott certification). The requirement

¹ Regulation No. 5 of 1989 for Foreign Establishments and the Rules for Opening Offices of Foreign Companies.

² The Regulations for Foreign Establishments requires the contracting foreign entity to submit a written notice to the Companies Registrar at the Iraqi Ministry of Trade immediately after the contract is signed. The Registrar, in conjunction with the 'competent departments', defines the criteria for determining whether a licence is required for each registered activity.

for submission of Israeli Boycott certification is not only applicable in relation to establishing branch offices, but also in relation to any government contracts, the registration of commercial agency agreements and within the power of attorney necessary for trademark applications. Of course, any company subject to the US antiboycott laws is prohibited from supplying such boycott certifications, subject to very limited exceptions. Even though over the years some boycott requirements have been waived by the Iraqi government if it considered a US supplier's products to be essential, this conflict between Iraq's boycott and US antiboycott laws needs to be further resolved

There are also import and export policies which are controlled by the Ministry of Trade. All imports of the private sector are required to be licensed, except for some basic products for certain development projects. Furthermore, imports financed by foreign exchange obtained by non-resident Iraqis require special licences. As regards exports, all have to be licensed and export of certain goods is prohibited. Also, exporters of products manufactured by public sector companies are required to repatriate 60 percent of their foreign exchange proceeds to certain specified government owned banks. (This is not to mention the stringent licensing requirements imposed on Iraqis for purchasing basic equipment such as typewriters and mobile phones).

Another factor which further complicates the transparency question is the destruction that followed the occupation of Baghdad. Most records have by now been either looted or destroyed. This impacts on vast areas such as company registration, land registration, dispute resolution, debt rescheduling, etc. The task of confirming the accuracy of information and determining the current position will be both a costly and time consuming one (and doubtless there will be questions as to the validity of some of the claims received).

One of the first tasks for the CPA and the interim government, upon its formation, will be to determine how the various registration and approval/licensing requirements are to be regulated, the extent they are to be amended, who is to carry out the various tasks and whether there is a need for a central body, such as a Foreign Investment Board, to regulate all the activities and provide a one-stop shop so as to avoid duplication and unnecessary delays for foreign investors.

6. **FISCAL REGIME**

Under the Iraqi Income Tax Law No. 113 of 1982, foreign companies generally are liable to income tax on net income arising in Iraq. Income tax rates range from 10 to 60 percent of net taxable income, although there are complicated rules for determining net taxable income, including strict rules on foreign company's deduction of operating expenses incurred outside Iraq. However, over the years, in order to speed up the performance of projects of major importance, the Iraqi government has enacted various pieces of secondary legislation, such as Revolutionary Command Council Resolution 767 of 1987, to attract investment. For example, Resolution 767 exempts foreign companies that undertake major development projects in Iraq from a number of Iraqi legal requirements, including the need to pay income tax and customs duties (which normally range from zero to 150% of the value of goods) arising as a result of executing those projects. This tax exemption also extends to the income of non-Iraqi employees working for the company engaged in the development project.

Various aspects of the fiscal regime will need to be considered, such as stamp duties, real estate taxes, VAT, customs duties, etc., and decisions will need to be made whether to impose these taxes and whether foreigners, by way of incentive, should be exempted. It could be argued that, with an amended Iraqi legal system, and in the light of the scale of the potential foreign involvement, further incentives by way of a less stringent fiscal regime for foreigners are not necessary and, in fact, the money raised by these means could prove to be vital.

7. **ABILITY TO GRANT SECURITY**

Between them, the Civil and Commercial Codes provide for the ability, in theory, to create forms of security over "all assets" including immovable and movable property, contractual rights, shares (subject to the restrictions on share ownership already mentioned) and accounts. Depending on the nature of the asset, the relevant forms will be mortgages, pledges and assignments. Priority is generally dependant on evidence of date of creation or, in the case of assignment, date of notification to the relevant debtor. We are not aware of the previous operation of formal registration procedures, and in any event we have already raised problems with public registry records. In the case of enforcement over tangible property, a court sanctioned process is to be followed as more particularly set out in the Civil Procedures Code. There

will doubtless be difficulties in practice in implementing acceptable security structures but the framework is there.

8. FOREIGN EXCHANGE CONTROLS

Unless any particular investment concerns the export of products from Iraq which may be sold for freely convertible currencies (which may in turn be retained offshore), the issues of foreign exchange convertibility, exchange rate fluctuation and remittance will become relevant. The existence of exchange controls will not necessarily be seen as an unacceptable impediment (and there may be good reasons for maintaining some kind of foreign exchange controls in order to exercise control over limited reserves so as to ensure they are not utilised inappropriately and to discourage currency speculation). Historically, the Iraqi Central Bank has imposed relatively strict exchange controls and Iraqi residents have been prohibited from maintaining bank accounts outside the country without approval. Exporters were also required to repatriate foreign exchange proceeds. Even if the approval process is organised so that those involved with approved projects will have access to foreign exchange reserves for conversion of dinar revenues (to meet any fx opex, debt service and equity returns) and the right of remittance, it may still be necessary to produce some level of support to address the potential problem of exchange rate fluctuations: the Asian crisis brought home to many the fact that very few currencies are ultimately at all stable. The nature of this support may be more a commercial issue in the context of any particular project but initially at least, this may need to involve some kind of Government undertaking. The alternative would be to set the price in \$ (or equivalent) for goods and services provided locally, but this may create ideological issues.

9. OTHERS

There are a number of issues, be they legal, quasi-legal or commercial, that we have not been able to consider at any length in this presentation, but are nevertheless important to bear in mind in the context of Iraq and may well be worth further consideration. Briefly, some of these issues are:

9.1 Sovereign Immunity

Any investor contracting with the Iraqi government, or a government body, would want to ensure they have both a right to take legal action against them and to have recourse against assets in order to satisfy any resulting judgment or award. Whilst the Civil Code does recognise the State, as well as some government bodies, as having separate juridical personality

with the right to sue and be sued, it does go on to provide that those State assets which are used for the benefit of the people cannot be attached (Articles 47 & 71). The extent of assets falling within this category is not clearly defined but in theory therefore, other State assets are available for attachment.

9.2 Insurance

The current legal system provides for insurance to be placed with State owned Iraqi companies. Again, this is not unlike the position in many other jurisdictions and should not be of major concern if re-insurance outside Iraq may be effected and assignments or cut-through clause arrangements are recognised. With the development of the local insurance sector, this monopoly could subsequently be addressed with possible opportunities for privatisation.

9.3 International Standards

There are a number of areas where Iraq will need to take steps to meet international standards in order to attract the right level of foreign investment. Such areas include IP protection, environmental protection and accounting standards.

10. CONCLUSION

We are aware that this presentation has succumbed to a gravitational pull towards issues concerning infrastructure and oil and gas projects, simply because these are currently the main focus of attention. Many of these issues are also relevant to the large stream of smaller scale foreign investments which will form part of the development of Iraq's economy.

What we believe emerges from this review of the Iraqi legal system is that it is not too different from many other legal systems in the region. It does of course suffer from being in a time warp. Commercial law is constantly developing to meet the needs of a global financial and commercial market place which itself is in constant flux. For the last 30 years, unfortunately, Iraq has been shielded and excluded from this process of development, as it has in other fields. Nevertheless, the system as it stands, is far from being unworkable and as has been evidenced in the rest of the region, a large number of the issues can often be worked around. One could argue that a lot of changes to the current legal system are not necessary, as the level of international interest is such that investors do not need to be incentivised: Iraq's oil wealth and vast infrastructure needs and its market potential are enough incentive. However, if progress is to be

implemented quickly and funds are to begin to flow rapidly, there is significant value in change.

As a result of the striking similarities with other legal systems in the region, not to mention the cultural common ground, there may be an initial wave of Middle Eastern investors who are comfortable with the status quo. However, in order to maintain the required level of investment and encourage significant foreign lending, especially in and to more sophisticated projects, privatisation programmes and the like, many of the legal uncertainties we have identified will need to be addressed in some form. The exact form may be dictated as much by local ideological and cultural concerns as by comparative legal precedents, but as Deng Xiao Ping, the architect of China's open door policy stated "*Whether a cat is black or white makes no difference, as long as it catches mice, it is a good cat.*"

CLOSURES

	Ministry	Company	Business	Employees	Assets	Issues
1	MIM	17 th Nissan	Stainless Steel & Aluminum Castings	Baghdad: 805	Factories Looted	Only the street sign factory survived
2	MIM	Car Manufacturing	Assembles trucks	Baghdad: 500 Al Askandaria: 1,667	Mostly Welding & Painting Equipment	Uncompetitive OFF Business model
3	MIM	Paper Co. (Basra plant)	Paper, pencils, cardboard	Basra: 3,153	Factory run down, damage from looting	Uncompetitive business model
4	MIM	Sugar (Misan Plant)	Process Sugar	Misan: 230	Company at partial capacity. Plants are in poor condition	Heavily dependent on subsidies
5	MIM	Dairy	Milk Products	Al Anbar: 900 Ninawa: 90 Al Qadisiya: 85	Not Looted: Fair Condition	Heavily Subsidized. Low mkt share. Poorly managed.
	MIM	Iron & Steel	Steel Structures & Pipes	Basrah: 4290	Destroyed	Possibility to import paid for new machinery
6	Transport	Iraqi Airways	Airline	Scattered: 2,329	4 planes & real estate	\$850MM Litigation
7	Agriculture	Industrial Crops	Strategic Crops: cotton & oilseeds	Mostly in Baghdad Area: 481	Farms	Non-competitive crops
8	MIC	Al Kadisiya	Guns & Grenades	Baghdad: 3943	Looted	Destroyed
9	MIC	Al Zahaf-Al Kaberc	Concrete Additives	Baghdad: 568	Looted	Destroyed
10	MIC	Al Khauarezmi	Software	Baghdad: 280	Buildings looted	Liquidate and release employees
11	MIC	Al Yarmock	Ammunition, Barbed Wire	Baghdad: 2,709	Looted	Destroyed
12	MIC	Al Hadhar	Chemicals	Mosul: 555	Looted	Destroyed
13	MIC	Al Qaqa	Explosives	Latifiya: 5,400	Bombed & Looted	Destroyed
14	MIC	Nissan	Fuses	Al Nahrawa: 1,860	Looted	Destroyed

15	MIC	Huteem	Ammunition, guns, mortars	Iskandariya: 5,443	Assets dismantled	Liquidate
16	MIC	Al Harith	Plastic and metal working	Baghdad: 1,382	Not looted	Liquidate to commercial owners
17	MIC	Jaber Ben Hayan	Rubber, plastics	Mosul: 925	Looted but not destroyed	Gas Masks: Liquidate
18	MIC	Tabooq	Gunpowder	Baghdad: 534	Looted	Destroyed & No need for product
19	MIC	Bader	Tools & Dies	Baghdad: 1,631	Looted & Bombed	Destroyed
20	MIC	Al Karama	Al Sumoud Missles	Baghdad: 1,859	Machinery Looted. Buildings intact	No need for product
21	MIC	Al Ezz	Electronic switching, telephones	Baghdad: 935	Looted except buildings	Machinery gone. Technology obsolete
22	MIC	Al Uboor	Machining	Baghdad: 890	Looted	Only buildings remain
23	MIC	Um Almarik	Machining and Casting	Baghdad: 1,560	Looted & Bombed	Destroyed
24	MIC	Al Kindi	Radar	Mosul: 970	Partially looted	Product Obsolete
25	MIC	Al Sumood	Machining	Baghdad: 1,460	Looted	Destroyed

LIQUIDATION PROCEEDINGS

We may divide the process into four main chapters as follows:

1. Legal
2. Implementation
3. Division of proceeds
4. Social program for employees

1. Establishing the legal decision to start the liquidation- by minister decision, government or above;

For this purpose it is necessary a legal adviser to verify –is there an existing law? Can this law be enforced on the MIC companies?

Find out or establishing entities to execute the liquidation –the full settlement of all creditors through total realization of the legal company properties (land ownership-cadastral records, registration documents). It may be a private specialized company or an agency.

2. Implementation is to be completed together with the company management- sign by authorized personnel
 - verifying balance sheet,
 - verifying ownership,
 - verifying lists of assets,
 - verifying lists of creditors,
 - arranging the sale of assets according to methods applicable to the respective assets.

This is to be completed by trained Iraqi people
under the supervision of CPA-PSD specialists

3. Proceeds from liquidation

-satisfy creditors demand according to the legal
decision document

After the liquidation is conducted and after the
creditors are settled the remaining property belongs
to the state as state is the owner of the liquidated
company.

4. Social program for employees

-arrange transition period pay
-make provision for severance pay
-make relocation plan for part of the workforce-
retirement, retraining, etc.

DRAFT

COALITION PROVISIONAL AUTHORITY
ORDER NUMBER _

TRANSITIONAL LOCAL GOVERNMENTAL POWERS

Pursuant to my authority as Administrator of the Coalition Provisional Authority (CPA), and under the laws and usages of war, and consistent with relevant U.N. Security Council resolutions, including Resolutions 1483 and 1511 (2003),

Recalling that the CPA has recognized the formation of the Governing Council as the principal body of the Iraqi interim administration, pending the establishment of an internationally recognized, representative government by the people of Iraq, consistent with Resolutions 1483 and 1511, and that the Governing Council, in performing its functions on behalf of the people of Iraq, has appointed Interim Ministers to exercise responsibility for the daily administration of the Iraqi Ministries,

Recalling the adoption of the Transitional Administrative Law (TAL) on 8 March 2004 to govern the affairs of Iraq during the transitional period from 30 June 2004 until a duly elected government, operating under a permanent and legitimate constitution achieving full democracy shall come into being,

Noting that the system of government in Iraq shall be republican, federal, democratic, and pluralistic, and powers shall be shared between the federal government and the regional governments, governorates (also known as provinces), municipalities, and local administrations and that each Governorate shall have the right to form a Governorate Council, name a Governor and form municipal and local councils and that regions and governorates shall be organized on the basis of the principle of de-centralization and the devolution of authorities to municipal and local governments (TAL Article 56C)

Recognizing the Kurdistan Regional Government as the official government of the territories that were administered by that government on 19 March 2003 in the governorates of Dohuk, Arbil, Sulaimaniya, Kirkuk, Diyala and Ninevah, and its right to continue its current functions throughout the transitional period, except with regard to those issues which fall within the exclusive competence of the federal government (TAL, Articles 53 and 54)

Emphasizing that, consistent with Resolution 1483, the Governing Council and the CPA, each in coordination with the United Nations, are dedicated to working together in a cooperative and consultative process for the benefit of the Iraqi people,

I hereby promulgate the following:

What they don't have
rights about.
= SOE's in the governorate
control

CPA/ORD/21 MAR 04/_

DRAFT

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3/25/04

Section 1

Purpose

This Order describes the authorities and responsibilities of the governorate, municipal and local levels of government. It implements the principle of decentralization of governing power embodied in the Transitional Administrative Law (TAL), and complements the central powers of the Iraqi Transitional Government, the Transitional Legislative Authority, and the Transitional Executive Authority as established in Chapters 3, 4 and 5 of the TAL, respectively.

Section 2

Governorate Councils

- 1) Each Governorate may form a Governorate Council, which shall be funded from national budget allocations that are separate from the budgets of the ministries and other national institutions.
- 2) The Governorate Councils may set priorities for the provinces; approve ministry plans for the provinces, including annual ministry budgets with regard to activities in the provinces; monitor and recommend improvements in the delivery of public services; represent the concerns of constituents; independently generate and collect revenues by imposing taxes and fees; organize the operations of the provincial administration; initiate and implement provincial projects alone or in partnership with international and non-governmental organizations; and conduct other activities, consistent with applicable laws.
- 3) Governorate Councils shall not be under the control or supervision of any ministry. Governorate Councils may, by majority vote, approve or veto the appointment of Directors General of the ministries and local government officials for senior positions as defined by the Administrator; establish subcommittees and convene meetings of, or request reports and testimony from, the Directors General; and remove Directors Generals for inefficiency or misconduct, by a two thirds vote for removal.
- 4) The members of each Governorate Council, including the Council Chair and any Deputy Chairs, shall be selected in accordance with criteria agreed upon by the Governing Council and CPA. All individuals who hold office as Governorate Council members on the effective date of this Order shall continue to hold such office, until such time as free, direct, and full elections are first held under a permanent Iraqi constitution, unless prior to that time, the member voluntarily resigns his or her position, or is removed for cause in accordance with this Order. Should vacancies occur through the Transitional Period (which, for purposes of this Order, shall be defined as the period from June 30, 2004 until the establishment of a new Iraqi government under a permanent Iraqi constitution, but not later than January 31, 2005), Governorate Councils may add new members who meet the eligibility requirements set forth in Article 31 of the TAL, through a fair, open and competitive selection process agreed to by two thirds majority of the Governorate Council. Elections for Governorate Councils will take place at the same time as elections

for the National Assembly, no later than 31 January 2005.

- 5) The Governorate Councils are hereby authorized to select and appoint Governors and Deputy Governors. Governors and Deputy Governors selected by Governorate Councils prior to the date of this Order are hereby appointed. The Governorate Councils may remove Governors and Deputy Governors upon a two-thirds vote for removal. Should vacancies in the positions of Governor or Deputy Governor occur during the Transitional Period, Governorate Councils may elect a new Governor or Deputy Governor through majority vote of the Council.
- 6) All authorities not exclusively reserved to the Iraqi Transitional Government may be exercised by the regional governments and governorates upon the establishment of appropriate governmental institutions.

Section 3 Governors and Deputy Governors

- 1) The Governor is the head civil official of a Governorate and is accountable to the Governorate Council. The Governor shall direct, coordinate and oversee actions in implementation of the Governorate Council's decisions. The Governor shall be selected, dismissed and replaced in accordance with subsection 2(5) of this Order.
- 2) Governors may nominate one or more Deputy Governors, who shall be selected, appointed, and if necessary removed in accordance with subsection 2(5) of this Order. The Deputy Governors report to the Governor and the most senior Deputy Governor shall assume the role of the Governor in the latter's absence.
- 3) Governors and Deputy Governors may attend the regular meetings of the Governorate Councils as non-voting members.
- 4) Governors shall appoint local government officials, provided that appointments to senior positions, as defined by the Administrator, shall be subject to the approval by majority vote of the Governorate Councils, except for Directors General, who shall be appointed and dismissed as specified in Section 2(3) of this Order. Governors shall exercise final authority to dismiss those officials who they are authorized to appoint, subject to the concurrence, by majority vote, of the Governorate Council.
- 5) To encourage consistent development and application of policies regarding regional matters, Governors shall regularly coordinate with each other on matters of common interest.
- 6) Governors may exercise such other functions as the Governorate Councils prescribe, consistent with this Order.

Section 4 Local Councils

- 1) Each Governorate may form *Qada'* and *Nahiya* and other relevant local councils, organized geographically, such as City Councils, Beladiya Councils and Hayy Councils. Local Councils are responsible for representing their constituents; ensuring that public services respond to local needs; organizing the operations of the local administration; reviewing local ministry plans; collecting and retaining local revenues, taxes and fees; identifying local budgetary requirements through the national budgeting process; and recommending appropriate action to Governorate Councils with respect to government officials, on the basis of misconduct, inefficiency or Ba'athist Party affiliation. They shall assist in initiating and implementing local projects alone or in conjunction with international and non-governmental organizations; and conducting other activities consistent with applicable law.
- 2) With the approval of the Governorate Council, cities with a population of 500,000 persons or more may form City Councils and such internal Councils at the Beladiya and Hayy level as the City Council deems necessary. These Councils will serve in lieu of Qada and Nahia Councils, which shall be disestablished within the city boundary limits, to enable unified and coordinated administration of cities.
- 3) With the approval of the Governorate Council, three or more Qada Councils within the same province may form sub-provincial regional councils to achieve greater efficiency and economies of scale in coordinating the provision of services.
- 4) *Qada'* and *City* councils have responsibility for overseeing the delivery of public services within the Qada or City, and for collecting revenues.
- 5) *Nahiya*, *Beladiya* and *Hayy* councils have responsibility for local municipal issues, ensuring that public services meet local community needs.
- 6) Local councils shall perform such other responsibilities as are granted to them by Governorate Councils.
- 7) The members of each local council, including the Chair, shall be selected in accordance with regulations agreed upon by the Governing Council and Administrator. All local councils in existence on the date of this Order, and all individuals who hold office as members of such councils of the date of this Order, shall continue to exist and hold office during the Transitional Period, provided that local council members may be removed in accordance with this Order. Should vacancies in local council positions occur during the Transitional Period, local councils may add new members who meet the eligibility requirements set forth in Article 31 of the TAL, through a legitimate selection process agreed by two thirds of the local council.
- 8) Local councils shall, by majority vote, elect Mayors and Deputy Mayors. Mayors and Deputy Mayors selected by local councils prior to the date of this Order are hereby

appointed. Local councils may remove Mayors and Deputy Mayors upon a two-thirds vote. Should vacancies occur in the positions of Mayor or Deputy Mayor during the Transitional Period, local councils may elect a new Mayor or Deputy Mayor through majority vote of the Council.

Section 5 Mayors and Deputy

- 1) Mayors are the senior administrators of local councils and are accountable to the local council. Mayors shall direct, coordinate and oversee actions in implementation of decisions of the local councils, and shall serve as the primary liaison between the local councils and the Governors.
- 2) Mayors shall be elected and removed pursuant to section 4(8) of this Order.
- 3) One or more Deputy Mayors shall be nominated by the Mayor and elected and removed pursuant to section 4(8) of this Order. The Deputy Mayors report to the Mayor and the most senior Deputy Mayor shall assume the role of the Mayor in the absence of the latter official.
- 4) Mayors and Deputy Mayors may attend the regular meetings of the local Councils as non-voting members.
- 5) Mayors shall meet regularly with all Directors within their *qada'* and *nahiya* to monitor the delivery of public services.
- 6) Mayors of *Qada's* shall meet regularly with Mayors of the relevant *Nahiyas* to ensure that services are being provided equitably throughout the *Qada*.

Section 6 Chiefs of Police

- 1) Within each governorate, there shall be a Chief of Police, responsible for overseeing all civil law enforcement activities within the governorate.
- 2) Chief of Police vacancies will be advertised nationally and the Governorate Council shall be notified of such vacancies. Applications for Chief of Police positions shall be forwarded by interested candidates or by the Governorate Council to the Ministry of Interior, which shall nominate in a timely fashion no less than four qualified candidates. The Governorate Council shall, upon a majority vote, select the most suitable candidate from these nominees. Chiefs of Police shall be appointed to a 3-year term, which may be renewed.

- 3) Chiefs of Police may be dismissed by the Minister of Interior, or by the Governorate Council upon two-thirds majority vote, for inefficiency or misconduct, or in accordance with applicable de-Ba'athification policies.
- 4) Under the supervision of the Minister of Interior, the Chief of Police shall prepare an annual policing plan that will take into account local and national priorities. The Governorate Council and Governor will ensure that the Chief of Police is responsive to local policing requirements. Annual policing plans shall become effective upon approval, by two-thirds majority, of the Governorate Council, which shall monitor the implementation of this plan by the Chief of Police. Chiefs of Police shall consult regularly with the relevant Governor and Governorate Council and shall meet weekly with the Governorate Council, or otherwise as agreed.
- 5) Local police chief vacancies will be advertised at least within the relevant Province, and the Governorate Council shall be notified of such vacancies. The Chiefs of Police, in consultation with the Director General of the Ministry of Interior, shall nominate in a timely fashion at least four candidates who meet relevant Ministry of Interior professional standards. The Governorate Council shall upon a majority vote, select the most suitable candidate from these nominees. Local police chiefs shall be appointed to a 3-year term, which may be renewed.
- 6) Local police chiefs may be dismissed by a two-thirds majority vote of the relevant council, or in accordance with applicable de-Ba'athification policies.

Section 7 Independent Judiciary

Consistent with CPA Order No. 35, Reestablishment of the Council of Judges (13 September 2003), the judicial and prosecutorial systems of Iraq shall be free from outside influence. The provincial and local governments are prohibited from appointing, dismissing, assigning or otherwise influencing or attempting to influence the employment or performance of judges, prosecutors and other court officials.

Section 8 Effect on Other Laws

Any provision of Iraqi law, including but not limited to the 1969 Law of Governorates, that is inconsistent with this Order is hereby suspended to the extent of such inconsistency, provided, however, that nothing in this Order shall be construed to eliminate or reduce the authority of provincial or local government entities under existing Iraqi laws and regulations to generate, assess, collect, retain, administer or expend taxes, fees, assessments or similar revenues.

Section 9
Entry into Force

This Order shall enter into force on the date of signature.

L. Paul Bremer, Administrator
Coalition Provisional Authority

COALITION PROVISIONAL AUTHORITY ORDER NUMBER 49

TAX STRATEGY OF 2004

Pursuant to my authority as Administrator of the Coalition Provisional Authority (CPA), and under the laws and usages of war, and consistent with relevant U.N. Security Council resolutions, including Resolutions 1483 and 1511(2003),

Noting the suspension by CPA Order Number 37 of all income tax for assessed income resources detailed in Article 2 of Income Tax Law Number 113 of 1982 and the real property rent tax of Law Number 162 of 1959 as amended, and all other taxes not specifically identified in Order 37 as continuing in force from April 16, 2003, to the end of calendar year 2003 and the reinstatement of these taxes on April 1, 2004, including the reinstatement of the income tax at the lower maximum rate of 15 percent,

Noting the desire of the Governing Council to subject both private and public sector employees to tax in order to ensure that the tax burden is shared by all sectors of Iraqi society,

Recognizing that these revenues are for the benefit of the Iraqi people, and

Determined to create conditions suited to the economic reconstruction of Iraq, including an efficient and modern income tax system,

I hereby promulgate the following:

Section 1 Purpose

The purpose of this Order is to revise the tax rates and tax exemptions of Income Tax Law Number 113 of 1982, and the Real Estate Rent Tax Law Number 162 of 1959, to provide certain additional exemptions from tax, to suspend certain taxes, and to provide rules for applying unused losses against income from the same source earned in future years ("carrying forward losses") in light of the suspension of income taxes for financial year 2003 and for the first three months of financial year 2004.

Section 2 Increase in Allowances

- 1) Item (1) of Article 12 of Income Tax Law Number 113 of 1982 is amended to read as follows:

"(1) A resident person shall be granted the following allowances per each year of assessment on the basis of his or her status in the year in which the income has arisen:

- a) ID 2,500,000 for the taxpayer himself (or herself, if she is unmarried (other than a widow or divorcee) or if her income is not added to her husband's income), and ID 2,000,000 for his wife, or wives, if she is a housewife and has no income or if her income is added to his income.
 - b) ID 200,000 for each of his children irrespective of their number.
 - c) ID 3,200,000 for the widow or divorcee herself and ID 200,000 for every child lawfully maintained by her, regardless of the number."
- 2) Item (5) of Article 12 of Income Tax Law Number 113 of 1982 is amended to read as follows:
- "(5) The taxpayer shall be granted an additional allowance of ID 300,000 if his age is more than 63 years of age, in addition to allowances granted to him in other sections of this Article."
- 3) The allowances as set forth in paragraphs (1) and (2) of this section shall be reduced by one-fourth during financial year 2004.

Section 3

Reduction in Income Tax Rates

- 1) Item (1) of Article 13 of Income Tax Law Number 113 of 1982 is amended to read as follows:
- "(1) Tax shall be imposed on the taxpayer in respect of each year of assessment at the following rates:
- (A) Income of resident individual after granting the allowance(s) provided for in Article 12 as modified by this Order:
 - At the rate of 3% on amounts up to ID 250,000.
 - At the rate of 5% on amounts over ID 250,000 and up to ID 500,000.
 - At the rate of 10% on amounts over ID 500,000 and up to ID 1,000,000.
 - At the rate of 15% on amounts over ID 1,000,000.
 - (B) Income of non-resident individual (other than the income provided for in Article 19 of this Law).

At the rate of 3% on amounts up to ID 250,000.

At the rate of 5% on amounts over ID 250,000 and up to ID 500,000.

At the rate of 10% on amounts over ID 500,000 and up to ID 1,000,000.

At the rate of 15% on amounts over ID 1,000,000.

(C) Income of limited liability companies, at a fixed rate of 15%.

(D) Income of private joint-stock companies, at a fixed rate of 15%.

(E) Income of mixed joint-stock companies, at a fixed rate of 15%."

(F) The amounts delineating the tax brackets as set forth in paragraphs (A) and (B) shall be reduced by one-fourth for financial year 2004.

- 2) Item (2) of Article 13 of Income Tax Law Number 113 of 1982 is amended to read as follows:

"(2) Iraqi nonresident individuals shall be subject to tax at the rates for Iraqi residents set forth in Section 3(1) of this Order on their income from Iraqi sources."

- 3) Foreign companies that are registered in Iraq or otherwise have a permanent establishment in Iraq will be subject to tax at a fixed rate of 15% on their income in Iraq.

Section 4 Exemptions

- 1) The CPA, Coalition Forces, forces of countries acting in coordination with Coalition Forces, and departments and agencies of Coalition Forces' governments, are not liable for any tax or similar charge within the territory of Iraq.
- 2) Governments and international organizations are not liable for any tax or similar charge within the territory of Iraq.
- 3) Foreign (non-Iraqi) employees and foreign (non-Iraqi) contractors and subcontractors of the CPA, Coalition Forces, forces of countries acting in coordination with Coalition Forces, and departments and agencies of Coalition Forces' governments, that are providing technical, financial, logistical, administrative or other assistance to Iraq, and foreign employees of such contractors and subcontractors, shall not be liable to pay any tax on income or similar charge within the territory of Iraq on income from foreign

sources or on income from or paid on behalf of the CPA, Coalition Forces, forces of countries acting in coordination with Coalition Forces, or departments or agencies of the governments of Coalition Forces.

- 4) Foreign (non-Iraqi) employees and foreign (non-Iraqi) contractors and subcontractors of foreign (non-Iraqi) governments, international organizations, and non-governmental organizations registered pursuant to CPA Order Number 45, that are providing technical, financial, logistical, administrative or other assistance to Iraq, and foreign employees of such contractors and subcontractors, shall not be liable to pay any tax on income or similar charge within the territory of Iraq on income from foreign sources or on income from or paid on behalf of such governments, international organizations, and non-governmental organizations.
- 5) In addition to the foregoing, the following persons shall be exempt from payment of income tax:
 - a) members of foreign diplomatic missions to Iraq, as well as members of their households, if they are not citizens of Iraq;
 - b) members of consular offices, as well as members of their households, if they are not citizens of Iraq;
 - c) honorary consuls of foreign countries, but only for income received from the country that has appointed them honorary consul.
- 6) In accordance with administrative guidance to be issued by the Ministry of Finance, non-governmental organizations registered pursuant to CPA Order Number 45 and non-profit organizations that are not required to register as non-governmental organizations that are not engaged in political activities are not liable for tax on income or similar charge within the territory of Iraq.

Section 5

Losses

Article 11 of Income Tax Number 113 of 1982 is amended by adding new Items (3), (4) and (5) to read as follows:

“(3) Income from financial year 2003 and for the first three months of financial year 2004 shall not be taken into consideration in determining the income against which losses from preceding financial years may be deducted under this article.

(4) Financial year 2003 shall not be taken into account in determining the 5 consecutive years to which losses may be carried under this article.

(5) Losses incurred in financial year 2003 and in the first three months of financial year 2004 may not be carried forward under this article.”

Section 6

Reduction in Real Estate Rental Rates

The Law of the Real Estate Tax Number 162 for the year 1959 and its modifications (“the Law of Real Estate Tax”) is amended as follows:

(1) Item (1) of Article 2 of the Law of Real Estate Taxes amended to read as follows:

“(1) A tax is assessed and collected that is 10% of the annual revenue from all real estate including the subject’s living share from the real estate (other than income from sales of real estate).”

(2) Item (2) of Article 2 of the Law is deleted and Item (3) of the Law of Real Estate Tax is renumbered to Item (2).

(3) Item 1 of Article Twenty-One of the Law of Real Estate Tax is amended to read as follows:

“The tax is to be collected in two equal parts; the first is due the first of January of the financial year and the second is due the first of July of the financial year. For financial year 2004, the tax will be paid in one part and is due on 1 July 2004. The subject has the right to pay this tax at the location of his residence, his work location or in the governorate where the majority of his real estate is located. All revenue shall be combined. A memo setting forth the calculation and form should be submitted with the payment.”

(4) Item 2 of Article Twenty-One of the Law of Real Estate Tax is deleted.

(5) Item 1(b) of Article Twenty-Two of the Law of Real Estate Tax is deleted and item 1(c) is renumbered item 1(b).

(6) Article Twenty-three of the Law of Real Estate Tax is amended to read as follows:

“The tax is collected according to the Law of Governmental Secured Debt Collection and is considered a secured debt on the subject real estate.”

Section 7

Suspension of 25% Levy on Company Profits

- 1) Law No. 101 of 1964 Regulating the Disposal of Company Profits is hereby suspended.
- 2) Law No. 9 of 1998 Amending Law No. 101 of 1964 is hereby suspended.

Section 8 **Suspension of Certain Taxes Until March 31, 2004**

The following taxes are suspended from January 1, 2004, until March 31, 2004:

- 1) All income tax for assessed income resources detailed in Article 2 of Income Tax Law Number 113 of 1982, as amended; and
- 2) Real Property rent tax in accordance with Law Number 162 of 1959, as amended.
- 3) Other taxes not specifically identified, but that were suspended by CPA Order Number 37 (Tax Strategy for 2003).
- 4) The following specified taxes are not suspended and shall continue in force:
 - a) Excellent and first class hotel and restaurant tax in accordance with Resolution Number 36 of 1997;
 - b) Tax upon the transfer of real property in accordance with Resolution Number 120 of 2002;
 - c) Car sale fee in accordance with Resolution Number 80 of 1998 and previous relevant laws in force;
 - d) Petrol excise duties including, but not limited to, those provided for in Law Number 9 of 1939, Resolution Number 82 of 1996 and the Order Number 66 of 1999 issued by the Economic Affairs Committee.
- 5) The persons and entities listed in Order 37, paragraph 3(2), shall continue to be exempt from the taxes specified in paragraph 8(4), above after March 31, 2004.

Section 9 **Depreciation**

The System of Depreciation and Elimination for Private, Mixed and Cooperative Sectors Regulation No. 9 of 1994 is modified as follows:

- 1) Item (3) of Article 3 is modified by adding the following sentence at the end thereof:

“No part of book value shall be considered to have been cancelled during financial year 2003 and for the first three months of financial year 2004.”

- 2) New Item (5) is added to Article 3 to read as follows:

“(5) A taxpayer that used the decreased installment method listed in Item 1(b) of Article 6 during financial year 2002 will compute the depreciation deduction for financial year 2004 by reconfiguring the opening balance of each asset account as of April 1, 2004. The opening balance of each asset account as of April 1, 2004, is equal to the balance of the asset account at the end of 2002, increased by the cost of assets purchased in the asset account and decreased by the fair market value of assets sold from the asset account in financial year 2003 and during the first three months of financial year 2004.”

Section 10 2002 Taxes

- 1) The suspension of income taxes for financial year 2003 by CPA Order Number 37 does not affect income taxes for financial year 2002 and previous years, which remain payable by taxpayers and collectible by the Tax Commission.
- 2) In case of late payment of taxes owed for financial year 2002, a taxpayer may file a written request with the Tax Commission requesting waiver of interest and penalties. The Tax Commission may, in its discretion, upon making a good faith determination that there was reasonable cause for the late payment, waive such interest and/or penalties.

Section 11 Government and State-Owned Enterprise Employees

1. To ensure that the tax burden is shared by all sectors of Iraqi society, salaries, wages and allowances received by employees of the Government Offices, public and mixed sectors are subject to tax, beginning April 1, 2004. Accordingly:
 - a) The phrase in paragraph (5) of Article 2 of the Income Tax Law No. 113 of 1982 “other than those working for government offices, socialist and mixed sector companies” is deleted.
 - b) Paragraph (5) of Article 7 of the Income Tax Law No. 113 of 1982 is deleted.

2. To ensure that the Ministry of Finance has sufficient capability to accurately and comprehensively assess and collect taxes on both public and private sector employees in a transparent manner:

- a) For financial year 2004, employees of the government offices, public and mixed sectors shall be entitled to an allowance of ID 5,300,000 for themselves, spouse, and children collectively under Item (1) of Article 12 of the Income Tax Law No. 113 of 1982. If an employee of the public sector has more than 4 children, he or she shall be entitled to an additional exemption of ID 200,000 per child.
- b) The allowances as set forth in paragraph (2)(a) of this section shall be reduced by one-fourth during financial year 2004.
- c) Beginning January 1, 2005, employees of the Government Offices, public and mixed sectors shall be entitled to the same allowances as employees of the private sector, as set forth in Section 2 of this Order.

Section 12 Foreign Tax Credit

Article 5 of the Income Tax Law No. 113 of 1982 is revised by adding new paragraph (4) to read as follows:

“(4) Income tax paid to a foreign country on income earned in that country may be credited against tax paid to Iraq. The amount of the credit may not exceed the amount of tax assessed in Iraq on the income earned in the foreign country at the rate in effect in Iraq. If taxes paid to a foreign country exceed the amount of this limitation then the excess taxes may be carried forward to credit in 5 consecutive years subject to the limitation in those years. The taxes paid in the carried forward year will be credited first. If, during a taxation period, income is earned in more than one country, the credit allowed by this paragraph will be applied on an individual basis to the income earned in each foreign country. To be credited, the amount of foreign tax paid to the foreign country must be confirmed by either a copy of the tax paid receipt or a confirmation of the amount of tax paid from the tax collection agency of the foreign country.”

Section 13 Implementation

The Minister of Finance, in consultation with the CPA Office of Management and Budget, may issue Administrative Instructions to implement this Order.

Section 14

Applicability

The provisions of this Order shall apply beginning with financial year 2004, which commences January 1, 2004.

Section 15 Entry into Force

This Order shall enter into force on the date of signature.

L. Paul Bremer, Administrator
Coalition Provisional Authority

EXPLANATORY NOTE

CPA ORDER NUMBER 49, TAX STRATEGY OF 2004

I. INTRODUCTION

This note explains how CPA Order Number 49 resumes income taxes that were suspended for the 2003 financial year by CPA Order Number 37 (Tax Strategy for 2003). Taxes suspended in that Order included the corporate and personal income taxes that were imposed on employees in the private sector, the self-employed, professionals and small enterprises. Under CPA Order Number 49 corporate and personal income taxes will be reintroduced on April 1, 2004, at significantly reduced rates of no more than 15 percent as compared to the maximum rate of 40 percent under the previous income tax system. In addition, the existing allowances have been substantially increased.

As a result of these changes, the income tax burden on the average Iraqi family will be eliminated or substantially reduced. For example, beginning in 2005, the first full calendar year in which the tax will be in effect, a one-earner family with four children will not pay tax on the first ID 5,300,000 of income compared to ID 1,400,000 under existing law. If that family's income is ID 9,000,000, the tax will be reduced from ID 2,715,000 to ID 475,000, a savings of ID 2,240,000. Annex I describes the impact of the new tax rate structure in 2005 for families and single taxpayers. Similar reductions in tax will occur in 2004 for the nine months the income tax is in effect.

Reducing the income tax rates, increasing the allowances, and retaining the rules in effect under existing law are important steps in supporting current reconstruction and stabilization efforts in Iraq. At the same time, the Ministry of Finance is committed to modernizing the current tax system to improve compliance and reduce the administrative burden on taxpayers. Resuming the existing income tax system, therefore, is an interim measure pending the completion of the tax reform process and restoration of the tax administration capabilities of the Tax Commission.

II. INDIVIDUAL INCOME TAX

1. Increased Allowances

To lower the tax burden on individuals, the allowances for individuals described in Article 12 of Income Tax Number 113 of 1982 are increased by CPA Order Number 49. The full increase of exemptions will not occur until 2005, the first full year to which the order applies. Beginning in 2005, for each taxpayer, the allowance will increase from ID 600,000 to ID 2,500,000, with the allowance for a nonworking wife increasing from ID 400,000 to ID 2,000,000. The allowance for each child will double from ID 100,000 to ID 200,000, while the allowance for a widow will increase from ID 1,000,000 to ID 3,200,000. These exemptions will be decreased by one-fourth for the year starting April 1, 2004, to reflect the fact that the income tax will not be reinstated for the first quarter of 2004.

2. Top Rate Lowered to 15 Percent

The personal income tax imposed on employees of private sector companies and collected through withholding by their employers will recommence on April 1, 2004, with a maximum rate of 15 percent as shown in the table below.

Rate	Annual Income (after allowances)
3%	Up to ID 250,000
5%	Over ID 250,000 and up to ID 500,000
10%	Over ID 500,000 and up to 1,000,000
15%	Over ID 1,000,000

The amount delineating the tax bracket amounts will be decreased by one-fourth for the year starting April 1, 2004, to reflect the fact that the income tax will not be reinstated for the first quarter of 2004.

Many workers will be exempt from the tax because of the increased allowances provided for in CPA Order Number 49. For those workers subject to the tax, the lower rates of 3-15 percent, compared to the former top rates of 40 percent for Iraqi residents and 45 percent for non-residents (Article 13 of Income Tax Law No.113), will reward work, encourage savings and investment by workers, and increase compliance with tax laws.

3. Compliance Measures

The wage withholding system will be improved in 2004 to better assist employers to meet their obligations under the law. The Tax Commission will create a new comprehensive taxpayer identification number system that will facilitate tracking of and improved control over tax payments. The Tax Commission will issue a new guide for employers that contains withholding tables reflecting the new rate structure. In addition, the Tax Commission will simplify information returns and payment forms. These new processes and forms will be distributed to employers well in advance of the deadline for remitting the tax on wages earned in 2004.

4. Public and Mixed Sector Employees

Beginning April 1st, public and mixed sector employees will have to share the tax burden along with the rest of Iraqi society. This is necessary to ensure that sufficient tax revenues can be collected while not overburdening any segment of society with high tax rates. To ensure that the tax on public and mixed sector employees is collected accurately and transparently, tax collection systems for those employees need to be developed. This will take time. Therefore, to ensure that the tax is accurately and transparently collected in 2004, higher allowances will apply to public and mixed sector workers. These higher allowances will effectively exempt many public and mixed sector workers from taxation, and with fewer such workers to tax initially, the capacity of the tax collection system can be properly developed over time. Beginning January 1, 2005, however, public, mixed, and private sector workers will be subject to taxation at the same rates.

Example:

Financial year 2004. Assume a public sector employee with a wife and two children is paid wages of ID 430,000 by the public sector employer during each month of financial year 2004. The employee will not be subject to tax in financial year 2004 since the monthly allowance allowed the employee during financial year 2004 is ID 441,667 (i.e., one-ninth of the presumed annual allowance of ID 3,975,000. The presumed annual allowance for financial year 2004 is ID 3,975,000 or ID 5,300,000 reduced by one-quarter to take into account that the income tax is reinstituted on April 1, 2004).

Financial year 2005. Beginning on January 1, 2005, the employee is paid ID 450,000 per month. Under the order, the employee for financial year 2005 is entitled to a total allowance of ID 4,900,000 (i.e., personal allowance of ID 2,500,000, a spousal allowance of ID 2,000,000 and an allowance of ID 200,000 for each child) or a monthly allowance of ID 408,334.. Accordingly, the employee will be subject to tax on ID 41,666 of wages. The taxpayer's public sector employer will be required to withhold tax from that amount.

III. CORPORATE INCOME TAX

1. Lower 15 Percent Tax Rate

The tax rate for income earned by corporations from April 1, 2004 will be a flat 15 percent. As provided for in the current Income Tax Law Number 113 of 1982, the rate will be levied on the income of private sector companies, including income of foreign companies operating in Iraq. This lower rate, compared to the prior rate of up to 40 percent, will encourage reinvestment of company profits. This in turn will encourage increased capital investment and job creation in Iraq by private sector firms. The lower flat rate also will lead to increased revenue collection as companies respond to Iraq's transition to a free market-based economy.

2. Transition Rules

CPA Order Number 49 includes two transition rules to clarify the application of certain tax provisions to compute net income properly beginning on April 1, 2004.

a. Treatment of Losses under Article 11 of Income Tax Law Number 113 of 1982.

Under Article 11 of Income Tax Law Number 113, taxpayers can apply losses in excess of income against income earned from the same source in future years ("carry-forward" the unused loss) for up to five years. CPA Order Number 49 includes three modifications to Article 11 of Law Number 113. First, CPA Order Number 49 provides that income from financial year 2003 and the first three months of financial year 2004 shall not be considered in determining the income against which losses may be deducted. Second, CPA Order Number 49 provides that any unused losses as of 31 December 2002 may be carried forward for an additional year. Third, CPA Order Number 49 provides that losses incurred in financial year 2003 and in the first three months of financial year 2004 may not be carried forward under Article 11.

Examples:

- **Modification 1:** In 2002, Company A incurred a loss of 10 million dinars. In 2003, Company A had profits of 8 million dinars. Because the income tax was suspended for 2003, the carry-forward loss of 10 million dinars cannot be used to offset the profits of 8 million dinars. Instead, the 10 million dinar loss is carried forward for up to five years beginning with the financial year beginning on April 1, 2004.

- Modification 2: In 2003, Company B incurred a loss of 5 million dinars. Because the income tax was suspended for 2003, the 5 million dinar loss cannot be carried forward and is extinguished for tax purposes.
- Modification 3: Company C in 2000 had a net operating loss of 10 million dinars. Under prior law, the loss could be used to offset profits earned in 2001-2005. In 2001 and 2002, the company had profits of 2 and 4 million dinars, respectively, and it offset these profits with the 10 million dinar loss. At the end of 2002, its net operating loss was 4 million dinars. Under the transition rule announced in CPA Order Number 49, the 4 million dinar loss can be used to offset cumulative profits earned up to that amount in 2004, 2005 and 2006.

b. Depreciation Deductions. Under Article 8 of Income Tax Law Number 113 of 1982 and the "System of Depreciation and Elimination for Private, Mixed and Cooperative Sectors Number 9 of 1994," taxpayers are entitled to take deductions for depreciation of buildings and other tangible assets and for amortization of intangible assets. CPA Order Number 49 modifies Regulation Number 9 on depreciation rules regarding computation of depreciation deductions in 2004. The Order contains 3 modifications to Regulation Number 9. First, no part of book value shall be considered to have been cancelled during financial year 2003 and the first three months of 2004. Second, if the taxpayer used the straight line method of depreciation in 2002, the depreciation deduction in 2004 is computed by extending the useful life of depreciable property by one year and three months. With respect to depreciable property purchased in 2003, the useful life of such property will commence in 2004.

If the taxpayer used the declining balance method of depreciation in 2002, the depreciation deduction for 2004 is computed by reconfiguring the opening balance of each group as of April 1, 2004. The opening balance of each group for 2004 is equal to the balance of the group at the end of 2002 increased by the cost of property purchased in the group and decreased by the fair market value of property sold from the group in 2003 and the first three months of 2004.

Examples:

- Straight-line: Company A purchased depreciable property with a useful life of five years for 1.2 million dinars in 2000. It took depreciation deductions using the straight line method of depreciation of 240,000 dinars each year, 20,000 per month, from 2000-2002. To compute depreciation deductions beginning April 1, 2004 the useful life of the property is extended by one year and three months to March 31, 2006. As a result, Company A can claim a depreciation deduction for such property in 2004 of 180,000, another depreciation deduction of 240,000 in 2005, and 60,000 in 2006.
- Straight-line: Company B purchased depreciable property with a useful life of 10 years for 4 million dinars in 2003. Company B can depreciate the property over 10 years beginning on April 1, 2004.
- Declining Balance: Company C uses the declining balance method of depreciation. At the end of 2002, the balance of Group 3 property was 10 million dinars. No purchases or sales were made in 2003 or during the first three months of 2004. Company C can claim a depreciation deduction beginning April 1, 2004 for Group 3 property equal to 15 percent

(the yearly full rate is 20% for this group of property) of 10 million or 1.5 million dinars for Group 3 property.

- **Declining Balance:** Company D uses the declining balance method of depreciation. In 2003, it purchased Group 2 property for 5 million dinars. At the end of 2002, the balance of Group 2 property was 15 million dinars. Assuming no purchases or sales of property in Group 2 in 2003 and the first three months of 2004, Company D can claim a depreciation deduction in 2004 for Group 2 property equal to 15% of 20 million dinars (the yearly rate for Group 2 property is 20%) or 3 million dinars.

3. Revision of Company Tax Return

In order to ease the compliance burden on companies and improve tax collection, the Tax Commission will redesign the company tax return, simplifying the computation of tax liability. The new form will clearly explain how each element of the return should be computed and will require more detail on the income and deductions of the company so that its tax liability may be more easily determined. At the same time, the new form will eliminate the requirement to furnish significant commercial information unrelated to the tax liability computation. The new form will reconcile financial statement information with the tax return and will facilitate the transcription of the information to a computerized tax database. A draft form will be prepared by mid-2004 and will be made available for public comment.

4. Compliance Measures

In tandem with the changes outlined above, the Ministry of Finance will introduce in 2004 several measures to boost compliance and ease the administrative burden on taxpayers and the Tax Commission. One of the most significant initiatives will be the introduction of taxpayer identification numbers for the largest companies. This in turn will enable the Tax Commission to track payments made by each company to ensure greater accountability and control. The Tax Commission will phase-in computerization of the existing interim tax system during 2004 to facilitate processing of tax returns and payments. In addition, the Tax Commission will launch a comprehensive tax training program for tax officials, along with a program to educate companies and their accountants on the revised company tax return.

IV. FOREIGN TAX CREDIT

The Order modifies Article 5 of the Income Tax Law Number 113 of 1982 to provide for a foreign tax credit for taxes paid to foreign countries. Because the foreign tax credit is intended to alleviate double taxation, and not to reduce Iraqi tax liabilities on profits earned within Iraq, the foreign tax credit is limited to Iraqi tax liability on income earned in the foreign country. For example, an Iraqi company (or individual) with ID 20,000,000 of income earned in Jordan that faces an Iraqi tax rate of 15 percent has a foreign tax credit limit of ID 3,000,000 (15 percent of ID 20,000,000). If the company (or individual) pays Jordanian income taxes of less than ID 3,000,000, then the company (or individual) would be entitled to claim a foreign tax credit for all of its Jordanian income taxes paid. If, however, the company (or individual) firm pays ID 4,000,000 of Jordanian taxes, then it would be permitted to claim no more than ID 3,000,000 of foreign tax credits. The excess Jordanian taxes in the amount of

ID 1,000,000 may be carried forward to the next 5 years and claimed as a credit subject to the limitation in those 5 years. The foreign taxes paid in the carried forward year will be credited first.

The order provides that the limitation on the amount of foreign taxes that will be creditable is to be determined separately for each country to which the company (or individual) paid tax. In addition, the Order provides that the foreign tax will not be creditable unless the taxpayer substantiates the amount of tax paid by either supplying a copy of the payment receipt or a statement from the tax authority of the foreign country verifying the amount of tax paid.

V. REAL ESTATE RENTS TAX

In order to simplify the administration of the real estate rents tax (Real Estate Tax Law Number 162 of 1959), the Order provides that rents from real estate will be taxed at a flat rate of 10% of the combined rental income from all real estate rented by the taxpayer. This replaces the two-tier system of current law.

VI. CONCLUSION

This note summarizes measures necessary to resume income taxation in Iraq in 2004 and improve compliance on an interim basis. The tax system must be reformed to support a market economy. Towards that end, the Ministry of Finance will comprehensively assess the tax system to identify means of (i) eliminating distortions that interfere with market activity; (ii) improving fairness by removing exemptions; and (iii) simplifying rules to improve compliance and ease administrative burdens on individual and corporate taxpayers. The Tax Commission will also be modernized by: (i) adopting a functional structure; (ii) computerizing processes and systems; and (iii) improving the training of tax officials. A formal consultation process with the taxpaying public will ensure that these reforms will serve the needs of the Iraqi people.

Annex I

Impact of New Tax Rate Structure in 2005

One-earner Family with 4 Children

Annual Income	Current Tax	New Tax	Change in Tax
I.D.	I.D.	I.D.	I.D.
1,000,000	0	0	0
1,500,000	10,000	0	-10,000
2,000,000	95,000	0	-95,000
3,000,000	355,000	0	-355,000
5,000,000	1,115,000	0	-1,115,000
6,000,000	1,515,000	40,000	-1,475,000
9,000,000	2,715,000	475,000	-2,240,000

One-earner Family with 2 Children

Annual Income	Current Tax	New Tax	Change in Tax
I.D.	I.D.	I.D.	I.D.
1,000,000	0	0	0
1,500,000	35,000	0	-35,000
2,000,000	135,000	0	-135,000
3,000,000	415,000	0	-415,000
5,000,000	1,195,000	3,000	-1,192,000
6,000,000	1,595,000	85,000	1,510,000
9,000,000	2,795,000	535,000	2,260,000

Single Taxpayer with no Dependents

Annual Income	Current Tax	New Tax	Change in Tax
I.D.	I.D.	I.D.	I.D.
600,000	0	0	0
700,000	10,000	0	-10,000
750,000	15,000	0	-15,000
800,000	20,000	0	-20,000
1,000,000	55,000	0	-55,000
1,500,000	155,000	0	-155,000
2,000,000	295,000	0	-295,000
3,000,000	635,000	20,000	-615,000
5,000,000	1,435,000	295,000	-1,140,000

(b)(6)

(b)(6)

From: (b)(6)
Sent: Sunday, February 22, 2004 12:15 PM
To: CPA Ministries
Cc: (b)(6)
Subject: ***IMPT*** DFI Audit - SrAdvs Please Respond - Second Notice

Senior Advisors, this is a very important project. There have been only 5 have responses so far.

Please follow-up directly with

(b)(6)

NorthStar Consultants
c/o Comptroller's Office

He is cc'd above on this email.

*responded
2/24/04*

-----Original Message-----

From: (b)(6)
Sent: Friday, February 20, 2004 10:15 AM
To: CPA Ministries
Cc: Executive Secretary (b)(6)
Subject: Message From Gen Kellogg on DFI Audit

General Kellogg asked ExecSec to convey this message to Senior Advisors:

In preparation for the upcoming DFI audit to be conducted under the auspices of the IAMB, the CPA Comptroller's office would like to ensure adequate controls are in place at both the Iraqi Ministries and CPA Senior Advisor Offices.

First, CPA needs to ensure all DFI disbursements to each Iraqi Ministry are being received by the designated recipient(s) and determine whether controls are adequate to ensure the disbursements are utilized as intended. To assist in determining the level of internal controls, the CPA Comptroller's office would like to discuss the following information with appropriate Senior Advisor Staff Members.

1. The results of any internal reviews made by Senior Advisory staff to ensure that proper controls are in place to control disbursements from DFI (also Seized and Vested funds).
2. The existence of an active Internal Control/Audit function in your Ministry and the results of an independent review of its effectiveness.
3. The results of any other independent audits of these disbursements (e.g., Board of Supreme Audit, other independent external auditors).

Second, we need to review the internal controls related to cash and/or checking accounts within the CPA Senior Advisor Offices.

Please contact

(b)(6)

(b)(6)

to schedule an appointment

2/22/2004

2/14/04

Ladies and Gentlemen:

ROO

The Regional Operations Office is currently looking ahead toward the transition for CPA Governorate and CPA Regional sites, from CPA to Department of State or other coalition Foreign Service entities on 1 July 2004. These institutions, the CPA Governorate headquarters, will continue in some form after 1 July. Our office wants to shape that continued existence into one that will help and provide support to the ministries in the respective Governorates. For this reason, I am asking for your input and feedback. Two weeks ago, I ask for a response to the following two questions. Six ministries responded.

- 1) In what areas is your ministry currently relying on CPA assets in the Governorates? Or on occasion relied on a Governorate Coordinator?
- 2) What assistance do you foresee your ministry or advisory staff requiring after 1 July 04?

Please write a brief statement that expresses how the Post-CPA Governorate Offices could best support your ministry's "Post-CPA" activities.

Sort by particular municipality.

(b)(6)
MAJ, USA
Coalition Provisional Authority
Regional Operations Room M235
Liasion Officer
APO AE 09335
(b)(6)

2/22/2004

(b)(6)

From: (b)(6)
Sent: Monday, March 01, 2004 5:57 PM
To: CPA Ministries
Cc: (b)(6) Executive
Secretary
Subject: Important Tasker: Pending Orders and Regulations
Importance: High
Follow Up Flag: Follow up
Flag Status: Flagged

Senior Advisors:

As we near the July 1 deadline, there will be an increasing need to adhere to our legislative priorities with regard to the timely submission and approval of orders and regulations.

The Office of the General Counsel (OGC, (b)(6)) has the lead on this effort.

Ambassador Bremer asks that you notify OGC of any order, regulation or other form of proposed laws your ministry may have pending. In particular, we need to know whether your Ministers of their own accord may have submitted any legislation. They should not have, but it is very important for us to know if they did.

Please respond to (b)(6) and me, if you have any news to report. We are all on the cc line above.

Thank you.

(b)(6)

Executive Assistant, CPA Administrator
Director, CPA Executive Secretariat

3/3/2004

MINISTRY OF INDUSTRY & MINIRALS

TABLE OF COMPANIES FOR LEASE
(First group)

	Name of Company.	Names of factories.
1	Wasit Co. for Cotton Industries.	Textile & Weave Factory.
2	State Co. for Cotton Industries.	Al-Diwania Textile Factory.
3	State Co. for Woolen Industries.	Al-Nasiria Textile Factory.
4	State Co. for Ready Made Wear Industries.	Ninavah Clothing Factory & Najaf Clothing Factory
5	Sate Co. for Vegetable Oils Industry.	Al-Amin Factory (specialized in producing Soap)
6	State Co. for Dairy products.	Al-Qadisia Dairy Factory & Ninavah Dairy Factory.
7	State Co. for Tobaccos & Cigarettes.	Nessir Cigarettes Factory + Baghdad Cigarettes Factory + Match Factory + Two Printeries.
8	State Co. for Sugar Industry.	Misan Sugar Factory + the Store & Quay in Um-Qasir Port.
9	State Co. for Glass & Ceramics Industry.	Tiles & Ceramic (new + old) + Sanitary Products.
10	Nessir Co. for mechanical Industries.	Structures & Sandwich panels Factory.
11	UR State Co. for Engineering Industries.	Aluminum Factory + Electrical Cables Factory + Cables filled with jelly Factory
12	Diala Co. for Electrical Industries.	Illumination Cable Factory.
13	State Co. for Paper Industries.	School Copybooks Factory-Al-Taji (the factory contains four production units: Copybooks, egg cartons, pencils, pressing residuals.
14	Al-Furat State Co. for Chemical Industries.	Woven Sacks Factory + Amylum Factory.
15	State Co. for Batteries Industries.	Babil Factory(1).
16	State Co. for Tires Industries -Najaf	Tires Factory + Rubber production Factory.
17	State Co. for Drugs/Ninavah	Ninavah Drug Factory + Vein liquid Factory.
18	State Co. for Drugs/Samara	Medical Gas Factory in Baghdad.

MINISTRY OF INDUSTRY & MINERALS
February 26, 2004

The Ministry of Industry & Minerals serves as the oversight ministry for 53 State Owned Enterprises (SOEs) operating in over 175 locations. An additional 15 SOEs from the former Military Industrial Complex is expected to soon be transferred under the Ministry as well.

The over all goals and objectives of the Minister is translated into two time parameters; short term and long term. In the short term, it is the goal to stabilize economically by focusing on the revitalization of core competency factories—concrete, phosphates, fertilizer, and petrochemical. These factories produce needed materials for the reconstruction and agriculture industry. Currently Iraq is importing, at high prices, the very products that, previously, it exported. Further, outside economic assessments show that, if operating at near full capacity, they could generate healthy revenues. Tens of thousands of employees could go back to work. This is the basis for the list presented for Donor Funding.

In the long term, 2-5 years, it is the Minister's goal to transition the Ministry to an Industrial Development/Commerce agency, seeking private investment and growth in the industrials and large manufacturing markets. If transitioned properly, abundant resources ensure strong and sustainable development. A plan is being developed that will eventually extinguish most SOEs, either through creative leasing programs, privatization or natural death.

Toward these ends, funding is needed to develop and implement globally accepted industrial skill sets and standards (technical assistance, accounting, management, etc). For the longer term goals to have any chance for success, funding is needed for planning and instituting programs now that focus re-training programs for displaced workers and vocational training.

The Ministry acknowledges that rehabilitating SOEs normally is contrary to the World Bank's philosophy of private sector development leading the way in developing economies. However, this is an exceptional case—one in which the operation of just a few key SOEs can stimulate the economy, provide essential and cost effective materials to the huge reconstruction effort about to commence in the country, stabilize a huge work force and reduce security problems. Thank you for your consideration.

(b)(6)

From: (b)(6)
Sent: Tuesday, February 24, 2004 10:00 AM
To: 'mohamad tofiq'
Subject: Abu Dhabi Meeting-Important

Sir:

The Minister of Planning and Development Cooperation, Dr Hafedh, has issued an invitation to 14 Iraqi Ministries to send **one representative each** to the meeting of the UN/WB Trust Fund Donor Committee in Abu Dhabi, 28-29 February.

Please provide me with the name of that person and his/her passport number.

The list of prospective MIM projects to be offered for funding by MIM, I believe, was developed by Sami and Brad. This list was already provided to the Minister of Planning. I am some concerned about this list as it seeks funding for the re-building of Industrial Parks and rehabilitation of existing SOEs. I understand the World Bank and donors to have a greater interest in private sector development. It would be a shame if MIM ends up with no money from that World Bank Trust Fund.

We recognize that the list submitted is intended and should be an "Iraqi" list –untainted by US or CPA. However, it seems to me, that based on your stated long term objectives, MIM should seek assistance from the World Bank to help in the transition of its SOEs. This could include technical assistance and funding for displaced SOE workiers, re-training programs and funding to develop and implement globally accepted industrial standards (accounting, vocational, etc) for those few critical SOEs that, at least in the intermediate term, would stay operating. At least we could look to make them as self-sustaining and efficient as possible. If this is your goal, then whomever you send to this Conference in Abu Dhabi needs to carry your message.

Sami told me that after attending one of these Donor Conferences, that the donors stated they would be very interested in funding the rehabilitation of the SOEs listed and the Industrial Parks. I don't know if that remains the case. I suppose that we will see based on the ultimate results.

V/R
(b)(6)

2/25/2004

(b)(6)

*Director
Development Cooperation
Coalition Provisional Authority
BAGHDAD*

(b)(6)

2/25/2004

(b)(6)

From: (b)(6)
Sent: Wednesday, February 04, 2004 4:21 PM
To: (b)(6)
Subject: FW: World Bank Authorizes Iraq Reconstruction Trust Fund 30jan04

(b)(6)

SGS, COTF-7 C9
Baghdad, Iraq
Unclass Email: coperlyt@erha.centcom.mil
Classified (b)(6)

(b)(6)

-----Original Message-----

From: (b)(6)
Sent: Tuesday, February 03, 2004 8:41 AM
To: (b)(6)
Cc: (b)(6)
Subject: RE: World Bank Authorizes Iraq Reconstruction Trust Fund 30jan04

I would suspect that the PMO office will control it
Am I right?

(b)(6)

-----Original Message-----

From: (b)(6)
Sent: Tuesday, February 03, 2004 7:57 AM
To: (b)(6)
Cc: (b)(6)
Subject: fw: World Bank Authorizes Iraq Reconstruction Trust Fund 30jan04

Mike Is this new \$ that will be flowing in? If so Who will control it in theater??? Mike

-----Original Message-----

From: (b)(6)
Sent: Monday, February 02, 2004 11:10 PM
To: (b)(6)

(b)(6)

(b)(6)

Subject: World Bank Authorizes Iraq Reconstruction Trust Fund 30jan04

Classification: UNCLASSIFIED
Caveats: NONE

30 January 2004

World Bank Authorizes Iraq Reconstruction Trust Fund

Also approves rebuilding strategy for next 6-9 months

The World Bank has authorized a trust fund for the reconstruction of Iraq and approved a rebuilding strategy for the next six to nine months. In a January 29 press release, the Bank said the strategy covers both emergency projects and technical assistance. It is based on a needs assessment conducted jointly by the Bank and the United Nations in 2003, the release said. The goals of the strategy are to build the capacity of the Iraq government to manage the country's reconstruction, initiate immediate programs to address the urgent needs of creating jobs and restoring basic infrastructure and services, and

provide policy advice that will help Iraq make the transition to a market economy. "This short-term strategy is based on the realities on the ground and enables us to respond rapidly and flexibly to the Iraqi people's immediate needs in coordination with the Iraqis and the international donor community," said Christiaan Poortman, World Bank vice president for the Middle East and North Africa. "It is an Iraqi-led process." The fund is one of two created to channel resources from international donors for Iraq. The other is managed by the United Nations. The Bank's lending practices -- including the issue of Iraq's debt, security and legal issues related to Iraq's government -- remain subject to board approval, the release said. Following is the text of the World Bank press release: (begin text) World Bank Authorizes Trust Fund, Endorses Interim Strategy For Iraq WASHINGTON, January 29, 2004 -- The World Bank's Board of Executive Directors today authorized the Bank to act as an administrator for the Iraq Trust Fund, which will finance a program of emergency projects and technical assistance. The program is contained in the Interim Strategy for Iraq, discussed by the Board today. It includes not only specific projects and technical assistance, to be financed by the trust fund, but also a program of economic and sector work aimed at laying the groundwork for an expanded development assistance program in the near future. The Interim Strategy builds on the Bank's previous work in Iraq during 2003 and outlines a Bank-sponsored work program for Iraq for the next six to nine months. Over the last two decades, the effects of war, misdirected resources, and Iraq's centralized command economy have stifled growth and development. Basic infrastructure and the education and healthcare systems have dramatically declined due to years of neglect. International sanctions imposed in 1991 further crippled Iraq's economy. Despite the country's rich resources, Iraq's human development indicators are now among the lowest in the region. Although reliable economic information remains limited, unemployment is high and there is severe poverty and vulnerability stemming from decades of economic decline combined with the impact of the recent war. Preliminary estimates indicate that Iraq's GDP [gross domestic product] declined by about 4 percent in 2002 and a further 31 percent in 2003, amounting to an estimated \$13-17 billion in 2003, or \$480-630 per capita. This year, however, GDP is projected to increase by about 33 percent, bringing it to \$17-22 billion or \$620-810 per capita. The work program detailed in the Interim Strategy is based on a Joint Iraq Needs Assessment of reconstruction and development challenges conducted by the United Nations and the Bank last year. The immediate goals of the work program are threefold -- build the Iraqi government's ability to manage a reconstruction program, including administering large amounts of external funding in a transparent and accountable manner; initiate emergency programs to address urgent needs such as job creation and restoring basic infrastructure and services; and provide policy advice and analytical work that will pave the transition to a market-based economy and a medium-term development program. "This short-term strategy is based on the realities on the ground and enables us to respond rapidly and flexibly to the Iraqi people's immediate needs in coordination with the Iraqis and the international donor community," says Christiaan Poortman, Vice President for the Middle East and North Africa. "It is an Iraqi-led process that ensures the key priorities on their national development are taken into account." During this interim period, the Bank will implement projects in close coordination with Iraqi officials out of a temporary office set up in Jordan. The Iraq Trust Fund is one of two trust funds that fall under the International Reconstruction Fund Facility for Iraq designed by the World Bank and the UN. The Facility was created in response to international donors' request for a vehicle to channel their resources and coordinate donor financing for Iraq's reconstruction and development activities. The Bank's lending services remain subject to Board approval on several issues including settlement of Iraq's arrears, the security situation on the ground, and the legal issue of Iraq's government. (end text) (Distributed by the Bureau of International Information Programs, U.S. Department of State. Web site: <http://usinfo.state.gov>)

Classification: UNCLASSIFIED
Caveats: NONE

(b)(6)

From: (b)(6)
Sent: Tuesday, February 24, 2004 10:22 AM
To: CPA Ministries
Cc: Sullivan, Thomas L. (SE5) (b)(6)
Subject: ***URGENT Message from CIC re Abu Dhabi - Note POCs***
Importance: High
Follow Up Flag: Follow up
Flag Status: Flagged

Per announcements at both the 7:30 and 8:00 am meetings today, a reminder from CIC:

Colleagues

Many of you are working on getting us Iraqi names for the Abu Dhabi delegation list. Others are still working to finalise project lists. We appreciate all these efforts. It is with regret that I burden you with two final requests.

1. We need, from each Ministry, a one-page narrative/overview to accompany the project list. It should be sent to Tom L Sullivan in Policy Planning & Analysis.
 - This should focus on your Ministry's strategic plan for 2004 and how the attached project list will enable you to achieve it.
 - It should be no more than one page, and can be less (please don't oblige us to edit down your good work)
 - It should focus more on policy than numbers. Where number are used they may need to be amended in the light of the final decisions by the Iraqi Strategic Review Board as to the final shape of the lists that will go to Abu Dhabi.
2. We would also like a one paragraph summary for possible inclusion in the Minister's opening speech to the Donor Committee. It should be sent to Stephen P Newhouse, deputy senior advisor, MoPDC.
 - This paragraph should try to capture in as few words as possible the essence of your Ministries' goals for 2004.

We would appreciate receiving these two pieces as soon as possible. We would like to finalise the documentation for the meeting no later than end of tomorrow (Wednesday 25 February).

Thanks again for your cooperation and grace under pressure.

Regards,

(b)(6)

2/25/2004



COALITION PROVISIONAL AUTHORITY
BAGHDAD

7 January 2004

MEMORANDUM FOR ALL SENIOR ADVISERS FROM CIC

SUBJECT: Project Approval Process for Donor-Funding

Thank you to all of you who attended the meeting on 27 December with the Minister of Planning and Development Cooperation, Dr Mehdi Hafeedh. Follow-up meetings have been held with the Minister and his staff to address the various points that were raised during the group discussion.

Given the complexity of the approval process and associated coordinating functions, we thought it would be useful to outline the steps moving forward in order to provide clarity, and to strengthen everyone's focus on the tasks at hand.

I. Reorganization of Program Management Office (PMO) Project List

We understand that, in order to identify outstanding needs in their respective sectors, Ministers and their staff need to have the clearest possible idea of what is already provided for in the U.S. supplemental. This includes information on funding for both construction and non-construction ("soft") activities. The CD containing the Excel spreadsheet that was to be distributed by Dr Hafeedh to his fellow Ministers did not provide this information in the most useable form. Therefore, the draft letter from Dr Hafeedh to Ministers, that was to be circulated with the CD, has not been sent.

Presently, we are working with the PMO to reorganize the information in a way which:

- provides a breakdown by Ministry rather than by "sector"
- shows more clearly which construction projects are funded by the supplemental (recognizing that this is a moving target in some cases) and which projects remain unfunded
- identifies the supplemental funding available for capacity-building programs and other "soft" activities
- provides all this information in hard copy as well as electronic form

This reformatted Supplemental information package will be provided to Ministers and Senior Advisers as soon as it is finalized by the PMO, in the next two days.

UNCLASSIFIED

1

II. Identification of Unmet Project Needs for Donor Funding

Once the revised U.S. supplemental information is available, the Minister of Planning and Development Cooperation will send it to Ministers on 8 January, asking them to submit their programs for donor funding in 2004 (including projects that will commence in 2004 but extend beyond). A template for use in submitting donor funding requests will be included with the Minister's letter. It is not yet clear how much money will be available from non-US donor sources in 2004, but it is unlikely to exceed \$3 billion. .

It has been suggested that we simply refer back to the project lists submitted by Ministries prior to the Madrid Conference. In some cases these project lists represented useful work and will have ongoing value. However, they were assembled before the U.S. supplemental was determined and many of the listed projects have already been earmarked for funding. During the intervening months since the lists were first put together, Ministries have also identified new priorities. Moreover, with few exceptions, the Madrid lists were not prioritized or organized into programs. For these reasons, we are asking Ministries to submit revised project/program lists, rather than have the MoPDC work with the pre-Madrid information.

In finalizing and prioritizing their project lists it would be helpful from the point of view of donors if Ministries can divide them into programs which reflect the strategic objectives of the Ministry. For example,

<i>Ministry:</i>	Education
<i>Program:</i>	Establishing Universal Primary School Education
<i>Project List:</i>	Rebuild Primary School #32 in Baghdad Provide Training for 50 teachers in Basra ...Etc.

Within these program lists, the projects for 2004 should be listed in a priority order. Each project should be costed as accurately as possible and the total estimated funding required for each program should also be provided.

In revising their unmet needs for possible donor funding, Ministries should bear in mind the expectation in the donor community that project proposals falling within the 14 sectors covered by the World Bank/UN Needs Assessment document will broadly accord with those assessments. Where radically different needs are identified these will need to be justified to potential donors. (For more information on the WB/UN Needs Assessment, see *Miscellaneous Links* at the end of this note).

III. The Approval Process

Ministries should submit their prioritized project/program lists for 2004 no later than 25 January. These should be sent to the Minister for Planning and Development Cooperation, Dr Mehdi

Hafedh, under the signature of your Minister. A copy should also be provided to the CPA Director for Development Cooperation.

In accordance with CPA Regulation No.7, the Ministry for Planning and Development Cooperation will then make recommendations to the Iraqi Strategic Review Board on the basis of the submitted lists. This will be done in close coordination with the representatives of the relevant Ministry (or Ministries) and with representatives of the Ministry of Finance and the Central Bank of Iraq. The Iraqi Strategic Review Board will receive these coordinated recommendations and will have a maximum of ten business days to approve, disapprove, or return the programs for further consideration. The role of the Board is to ensure that the flow of donor funding to Ministries reflects Iraq's priorities, is properly balanced in terms of its geographic and demographic spread, and to monitor donor activity in terms of its impact on job creation, use of the private sector, etc. The Board does not have the authority to make its own amendments to Ministry programs.

This describes the process for approving project/program proposals from Ministries. We expect, however, that donors, particularly the UN and the World Bank, will also wish to submit their own proposals for project activities in Iraq. The UN and the World Bank have agreed in writing that any funding activities undertaken by them will first be approved by the Iraqi Strategic Review Board. The aim is to ensure that these activities will be in accordance with Ministry priorities. The Ministry for Planning and Development Cooperation will ensure that bilateral donors also respect this process – particularly in the case of major project activities.

For donor-funded projects that ought to commence in 2005, Ministries should plan to submit prioritized project lists by the second week of March 2004. At that time, the Ministry of Finance and the Ministry for Planning and Development Cooperation will start working on the development of a unified (capital costs and recurrent costs) budget for 2005. This approach is important as by 2005 most non-US donor assistance will be coming in the form of soft loans rather than grants and the longer term economic implications of development assistance will need to be carefully considered.

IV. Additional Information

Tracking donor-funded projects

It will be important to keep careful track of donor-funded activities. Whilst any such tracking system should meet the CPA's need for readily accessible information, it should also meet Iraqi needs for effective coordination and budget planning and should allow for easy transfer to Iraqi management and ownership. The project database(s) should also be transparent to the donor community and Iraqi civil society who have a legitimate interest in the processes of national development.

We are presently working with the Information Management Unit (IMU), the PMO, and the Ministry for Planning and Development Cooperation on how best to achieve this and will provide further information in due course.

Outreach to donor countries

It is desirable that Ministries should have direct contacts with prospective donors concerning project/program activities in Iraq. The World Bank has been particularly active in consulting Ministries on their priorities. It is also important, however, that information on project activities be centrally organized so donor activities can be coordinated, Iraqi priorities addressed, and duplication and gaps avoided. The capacity of the Ministry for Planning and Development Cooperation to do this will be enhanced over the coming months.

Dr Hafedh has just written to donor governments (text of letter attached) outlining the new Iraqi-led project approval process and asking donors to respect that process. The letter also asks donors to detail their assistance in 2003, as well as to specify their areas of interest for future activities in Iraq. This information will be assembled in a publicly available data base by the end of February.

The Council for International Coordination Assembly

The CIC Assembly currently consists of 23 coalition countries involved in the reconstruction effort on Iraq. As announced on 10 December, the CIC is now under the Chairmanship of the Minister of Planning and Development Cooperation. Several new countries have expressed their interest in joining the CIC. It is not part of the project approval structure, but provides a useful forum for coordination amongst donors, and between donors and the Iraqi authorities. As such, it is expected to continue beyond the July 1st hand-over date and is likely to become an important mechanism for planning and coordination in the post-CPA period.

Miscellaneous Links

For additional information please consult the web-links listed below:

- CPA Regulation 7 establishing the Iraqi Donor Coordination Mechanism, the ISRB, and the MoPDC, see URL:
<http://iraqcoalition.org/regulations/20031205_CPAREG7.pdf>
- For the associated press release, "CPA Hands over Authority for Donor Cooperation," see URL:
<http://iraqcoalition.org/pressreleases/20031210_Dec10_Donor_Handover.html.htm>
- World Bank Press Release concerning the tally from the Madrid Conference, see URL:
<<http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:20142813~menuPK:34463~pagePK:64003015~piPK:64003012~theSitePK:4607,00.html>>

- World Bank/UN Needs Assessment, see URL:
<<http://lnweb18.worldbank.org/mna/mena.nsf/Countries/Iraq/6EB205C2ADDEE2ED85256DC5004DDE56?OpenDocument>>

(b)(6)

Director
Development Cooperation



As of: 220910FEB04



ITINERARY FOR B.E.N.S. Delegation
Mr. Charles Boyd, President
DATES PROTECTED

OFFICIAL PARTY (6pax):

GEN (R) Charles Boyd; Pres & CEO, BENS
Ms. Mary Boies; Pres & CEO, Boies and McInnis
Mr. James Cannavino; Chairman, Direct Insite Corp
Mr. Frank Caufield; Partner/Founder, K P C & B
Mr. Maurice Greenberg; CEO, AIG Inc.
Mr. James Kimsey; Founder, AOL
Mr. Ramon Marks; Partner, Dorsey & Whitney Law
Mr. John Morgridge; Chairman of Board, CISCO

Mr. Stephen McClellan; 1st VP Merrill Lynch
Mr. Frank Pearl; CEO, Perseus Corp.
Mr. Randy Lerner; Chairman, MBNA

MG James Darden

(b)(6)

ITINERARY:

All Times Are Baghdad Local (C = Z + 3)

DAY 1

0800 Depart Kuwait via fixed-wing

1030 **Arrive BIAP**

Met by MG(S) Sargeant. Issued protective vests.

1030 – 1400 **1AD program**

Visit to a BCT. Briefing on business encouragement / job fair programs.
Visit the Baghdad Business Center. Lunch with soldiers. Visit a District
Advisory Council to discuss fiscal opportunities/impacts.

Delegation (13) plus MG(S) Sargeant and (b)(6) (total 15 pax).
Includes lunch. GEN Boyd and Mr. Kimsey need to break contact in time
to arrive at CPA by 1330.

1330 Boyd and Kimsey arrive CPA

1330 – 1400 Boyd/Kimsey and Sanchez Office Call

1400 – 1500 **CJTF-7 O&I briefing in Ambassador's Conference Room**

All BENS members attend. 3 x SOP CJTF-7 attendees: LTG Sanchez,
C2, C3. DCG, PAO, CoS and DCG Post-Hostilities are welcome, but not
required.

1500 - 1510 Break

1510 - 1610 **CPA Overview Briefing in Ambassador's Conference Room**

(b)(6)

As of: 220910FEB04

Attendees: Amb. Bremer (b)(6) Amb. Greenstock, Ms. Judy
van Rest, Amb. Jones (b)(6) BENS requests Mr.
Wethington (Financial / Economic Coordinator)

1610 -1620 Break

1620 - 1730 Meeting with Private Sector Development

POC (b)(6) Mike Fleischer sit in.

1730 - 1800 En route to Camp Victory. MG(S) Sargeant and (b)(6) depart.

1800 - 1900 Dinner at Camp Victory DFAC

1900 - TBD Possible meetings with 2 BDE / 1 CD leadership on Camp Victory.

RON at JVB

DAY 2

0745 - 0900 Personal Time/ Breakfast

0900 - 1000 Tour of Camp Victory and Water Palace

Conducted by JVB

1000 - 1030 En route to BIAP
MG(S) Sargeant and (b)(6) meet at BIAP 447th AEG HQ

1030 - 1200 En route to Mosul via fixed-wing
Party of 13 plus MG(S) Sargeant and (b)(6) total 15 pax)

1200 - TBD MNB(N) program to include Ops Briefing, chow with soldiers, visit to Stryker Bde, program with CPA or government officials

1500 Depart Mosul via fixed-wing for Baku

TBD - TBD MG(S) Sargeant and (b)(6) en route via rotary wing to BIAP

TBD MG(S) Sargeant and (b)(6) arrive BIAP 447th AEG HQ. Responsible for own return transportation to CPA

End of CJTF-7 Mission

24 hours after completion of CJTF-7 Mission itinerary becomes declassified

(b)(6)

RAAD. SH. MANSOOR

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27.5.2004
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Fares Taha Abdul-Hamid

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11/12/04

Fares Taha Abdul Hamid

exp. date.

11/12/04

day

month

*The Administrator of the Coalition
Provisional Authority and the
Commanding General Of CJTF 7*

Invite you to

The
CPA & CJTF 7
Leadership Conference
Saturday, 7th February 2004
0930-1545

*At the Al Rasheed Hotel
Conference Room*

RSVP

E-Mail:

Phone

(b)(6)

11 February 2004, 14:38 hours

From Deputy Chief, Military Assistance Program (b)(6)

Subject: Country Clearance Approval (b)(6)

1. U.S. Embassy Amman grants country clearance and welcomes (b)(6) of the Ministry of Industry and Minerals for **14 – 17 February 2004**. Purpose of Visit: **Attend the World Bank Private Sector/Finance Sector Workshop.**

2. This country clearance is valid for 2 days before or 2 days after the projected dates of travel. In the event of changes, confirm dates of visit before travel.

3. Lodging, messing, and transportation: government lodging and messing are not available. The Iraq Support Unit (ISU) has made hotel reservations for you at the **Four Seasons Hotel**.

4. Government transportation is not available. Please make arrangements with your in-country point of contact. Taxi service is available from Queen Alia International Airport to hotels in Amman; cost is approximately 20 USD.

5. A visa is required for entry into Jordan. Visitor must possess a valid Jordanian visa to enter. We recommend that Official Passport holders proceed directly to the passport processing line. If told to obtain a visa, entry visas are available at the airport for 10 Jordanian Dinars (approximately 14 USD). Be advised that the stated policy of Jordan does not prohibit travelers whose passports contain Israeli stamps or markings, but travelers whose passports have Israeli markings may experience delays in immigration processing. Attempts by Jordanian officials to refuse entry into Jordan under these circumstances should be reported to the American embassy in Amman.

6. Embassy duty hours: 0800-1700 Sunday through Thursday. Weekend is Friday and Saturday.

7. The government of Jordan prohibits persons from bringing certain internationally prohibited items, which include, but are not limited to, pornographic materials, drugs, firearms, poisons, chemicals, and explosives into the country. Photography of military, religious and embassy sites is strictly forbidden.

8. Threat assessment: the October 28, 2002 assassination of a U.S. diplomat outside his residence serves as a cruel reminder of the threat posed by terrorism. Recent worldwide terrorist alerts have stated that extremist groups continue to plan terrorist attacks against U.S. interests. In October 2002 Americans in Jordan were informed of a potential kidnapping plot by Al-Qaida. In December 1999, a group affiliated with the al-Qaida organization was arrested in Jordan. This group was in the late planning states of

carrying out attacks against western hotels and tourist sites. The Jordanian security forces have been successful in countering many threats directed at Americans and American interests. Post is confident in their ability to respond quickly and successfully to these types of threats. While we retain full confidence in the commitment and compactly of the Jordan government to protect Americans, the State Department has urged Americans in Jordan to consider their personnel security and "well being". Americans who visit Jordan despite this warning should exercise maximum caution and take prudent measure to maintain their security.

9. Travel guidelines:

American citizens and official visitors traveling in Jordan should exercise caution, be alert and stay informed of regional and local events that could quickly impact the security environment in the country. Travelers should avoid large crowds and demonstrations and take measures to avoid areas where there are most likely to occur, particularly during periods of increased tension. It is also recommended to maintain a lower profile and not establish predictable patterns of movement, even if only visiting for a short period. Taxis are the only form of public transportation that is recommended.

Crime is generally not a serious problem for travelers in Jordan, although petty crime is somewhat common in the downtown Amman Hashimiyah Square area and near the Roman theater. The narrow streets of the old city and at some of the more popular tourist sites, crowded conditions invite pickpockets and other petty criminals. Travelers are recommended to be more guarded in these areas and not present easy opportunities to criminals.

10. (A) As Jordan is an Islamic country, cultural sensitivities should be observed. (B) Approval authority for driving outside of Amman after sundown is the U.S. Defense Representative (USDR).

11. Limited check cashing and money exchange facilities are available at the embassy. With prior coordination visitors may exchange cash, travelers checks, or personal checks. Current exchange rate in Jordan is approximately 1 Jordanian Dinar equals 1.41 USD. The embassy post office (APO) and Co-Op store accepts personal checks only.

12. An exit charge of 5 Jordanian Dinars (approximately 7 USD) is levied at the airport upon departure from the country.

13. Point of contact for this approval

(b)(6)

(b)(6)

(b)(6)

From: (b)(6) OTHER)

Sent: Wednesday, February 11, 2004 1:28 PM

To: Fleischer, Michael (SES-2); Mistrretta, Philip (SES-5);

(b)(6)

(b)(6)

, Carreau, Bernard (SES)

Subject: world bank workshop- private and financial sectors.

To confirm assembly in front of **Al-Rasheed Hotel** at 0845 on **Saturday 14 Feb**. The Bus plus escort departs for the Airport at 9.30. The aircraft departs BIAP for Amman at 1200. Luggage limited to one piece per person.

Accommodation will be at the Hyatt hotel. Each participant should allow for around \$250 to \$300 to cover hotel accommodation plus local expenses.

We will return to Baghdad on Monday 16 Feb., departing Hyatt at 1030 for flight which departs Amman for Baghdad at 1330.

There will be a meeting of participants on our team at 1800 at the Hyatt after arrival on Saturday. This will be followed by Dinner hosted by the World Bank.

Looks like we may exceed seats available on flight. Need to limit to two Iraqi's per Ministry (which most have), although there will be three from Central Bank. We may also have to cut back on CPA presence.

Could you please inform your Iraqi counterparts of travel arrangements and ensure they have appropriate travel documents. They can call me if they have queries (b)(6)

See you at the video (b)(6)

Ministry Budget \$250 pp
Travel Covered

Seman - No Go -

2/11/2004

you passing on to me directly the list of participants and their passport details, the Iraqi participants should also contact (b)(6) at the Ministry of Planning and Development Cooperation (phone 1 (b)(6))

My understanding is the responsibilities for following up on the Iraqi participants are as follows:

Philip - Ministry of Finance (2/3 participants)

- Central Bank (2/3 participants)
- Al Rasheed and Al Rafidayn Banks (1 each)
-

(b)(6) - Ministry of Planning and Development Cooperation (2)

-legal (1 participant).

Ministry of Housing and Construction (2 participants)

(b)(6) - Ministry of Trade (2/3 participants)
Ministry of Industry (2/3 participants)

(b)(6) could you also follow up on three private sector bank who could participate?

Also please confirm your and other CPA participation. Note that each person will be responsible for paying his/her hotel costs, and thus appropriate arrangement should be made to cover this through appropriate departmental budgets.

There will be a video conference between the CPA team and the World Bank tomorrow (Tuesday) at 1530 at the conference center/forum. Let us meet in the foyer on the ground floor at 1515 at the latest, as the room is difficult to locate.

The Ministry of Planning and Development Cooperation plans to call a meeting of the Iraqi participants on Wednesday 11 at 1000 to provide background information and briefing for those who can attend.

Call me if you have any problems (b)(6)

(b)(6)

2/10/2004



Iraq Economic Forum will be held between 17 & 19 March 2004 at the Beirut Phoenicia Intercontinental Hotel under the patronage of the President of the Council of Ministers of Lebanon HE Rafic Hariri.

More than 1000 high level delegates from many countries across the world will convene for this Forum to network and receive the latest information on Iraq political and economic outlook as well as on the progress of reconstruction and business opportunities in Iraq.

Iraq will be represented in high capacity as more than 300 Iraqi are expected to participate in this Forum. The Iraqi delegation includes: A representative of the Governing Council, several Ministers and the Governor of the Central Bank of Iraq.

The Speakers list includes the participating Iraqi ministers, bankers and businessmen, representatives of the CPA and USAID, the World Bank and prime contractors.

The Forum will mainly address the following topics:

- Assessing the political outlook of Iraq (restoring sovereignty, new constitution, potential election, security...).
- An overview of the economy.
- An overview of the reconstruction process.
- Status reports on oil, power, telecommunications, transportation and water sectors.
- Assessing laws and regulations to trade with Iraq.
- The challenges of doing business in Iraq.
- The new foreign investment law.

The Forum will include a breakaway seminar on "Banking in Iraq" to focus on the banking environment and opportunities for foreign banks.

Iraq Economic Forum offers a unique venue to receive information firsthand on emerging business opportunities in all key sectors, which have been covered by the Needs Assessment carried out by the World Bank, United Nations and International Monetary Fund as well as by the CPA. This Assessment covered 17 priority areas which require investments of more than \$75 billion between 2004 and 2007.

Iraq Economic Forum is organized by Al-Iktissad Wal-Aamal Group and supported by the following Iraqi ministries: Ministry of Trade, Ministry of Finance, Ministry of Telecommunications, Ministry of Electricity, in addition to the Central Bank of Iraq, Central Bank of Lebanon, Federation of Lebanese Chambers of Commerce, Industry and Agriculture and the Union of Arab Banks.

To register for Iraq Economic Forum, please complete the enclosed form and return it to any of the indicated addresses. To register online, please go to our website: www.iktissad.com.

Yours sincerely,

Faysal Abou Zaki
Deputy General Manager

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P.O.Box 55034 Dubai
Tel: 971 4 2941441
Fax: 971 4 2941035



Iraq Economic Forum
Phoenicia Intercontinental Hotel, Beirut
March 17-19, 2004

Promotional Opportunities

Literature Distribution: \$2000
The Brochure of your company will be distributed to all delegates, press, and exhibitors at the Forum.

Magazine Advertising:

Al-Iktissad Wal-Aamal magazine with its pan-Arab circulation of 40,000 copies offers a unique advertising opportunity in the special issue, published concurrently with the Forum. This issue will be specially distributed in Iraq, as well as among all Iraqi officials attending the forum. Kindly contact us to receive our advertising rates.

Banner in Registration Area: \$3,500
A banner mentioning the name and logo of your company will be displayed in the registration area, which is the main center of activity.

Promotion Area: 500\$ per sq.m.
An opportunity for companies to exhibit their products and services in an area of minimum 9 sq.m that can add further exposure to the participating company.

Website Banner:

An advertising banner of your company will be displayed on the Forum website visited by professionals in the field. Rates will be defined depending on the size of the banner and on the page displayed.

Break Sponsor: 6.000\$
Refreshments are served during the breaks on both days of the Forum. Break Sponsors receive logo and name recognition in the refreshment area where miniature flags carrying your company's name and logo will be positioned at the center of each table as well as an advertisement in the Forum Catalogue. Break sponsor will benefit also from a banner on the Forum website

UNITED ARAB EMIRATES
P.O.Box 55034 Dubai
Tel: 971 4 2941441
Fax: 971 4 2941035



As of: 251403FEB04

ITINERARY FOR B.E.N.S. Delegation
Mr. Charles Boyd, President
DATES PROTECTED



OFFICIAL PARTY (13pax):

(b)(6)

ITINERARY:

All Times Are Baghdad Local (C = Z + 3)

DAY 1

0800 Depart Kuwait via fixed-wing

1030 Arrive BIAP

Met by BG Hertling. Issued protective vests by JVB.

1030 – 1400 1AD program

- BG Hertling will pick up in rotary wing at 447th AEG.
- Overfly Division footprint.
- Land at LZ Washington 1100. Meet JVB ground transportation.
- Move to 2 BCT by ground.
- 1AD O&I Brief by BG Hertling.
- Civil Affairs overview briefing on business encouragement / job fair program / Baghdad University program (briefings by 354 CA and 1-6 IN).
- Move to Wolfpack for lunch.
- Depart Wolfpack en route to CPA at 1315.

Delegation (total 13 pax)

1330 Arrive CPA. Met by Maj Gen (S) Sargeant and

(b)(6)

1330 – 1400 Delegation Office Call with

(b)(6)

1400 – 1500 CJTF-7 O&I briefing in Ambassador's Conference Room

All BENS members attend. (b)(6)

(b)(6)

are welcome, but not required.

1500 - 1510 Break

(b)(6)

As of: 251403FEB04

1510 - 1610 CPA Overview Briefing in Ambassador's Conference Room

Attendees: Amb. Bremer, (b)(6) Amb. Greenstock, Ms. Judy van Rest, Amb. Jones, Mr. Wethington.

1610 -1620 Break.

1620 - 1730 Meeting with Private Sector Development

POC (b)(6) Mike Fleischer attends.

1730 - 1800 En route to Baghdad International Hotel.

1800 - 2230 Dinner at Baghdad International Hotel.

Meet with local business and political leaders

2230 - 2300 En route to Camp Victory

RON at JVB

DAY 2

0745 - 0845 Personal Time/ Breakfast

0845 - 0915 En route to BIAP

(b)(6) meet at BIAP 447th AEG HQ

0915 - 1045 En route to Mosul via fixed-wing

Party of 13 plus (b)(6) (total 14 pax)

1045 - 1345 MNB(N) program

Met at Mosul Air Field by BG Ham.

Lunch with soldiers at KBR DFAC

Office call with BG Ham, CPA Officials, and Iraqi Ministries

Stryker Vehicle orientation by (b)(6) (CDR 3 BDE, 2 ID)

Movement to Mosul Airfield via Stryker

1345 Depart Mosul via fixed-wing for Baku

TBD - TBD (b)(6) en route via TBD to BIAP

TBD arrive BIAP 447th AEG HQ.

End of CJTF-7 Mission

24 hours after completion of CJTF-7 Mission itinerary becomes declassified

(b)(6)

Encouraging The Private Sector in Iraq

February 27, 2004

Topics for Discussion

- An Entrepreneurial Spirit
- The Private Sector Under Saddam
 - Stunted and distorted
- Resuscitation Efforts
 - Coalition and International Groups
 - Iraqis
 - Foreign Direct Investment
- Risks and Next Steps

Entrepreneurial Spirit

- Consumer-led Expansion
- Emergence of Business Investment
- Repatriation of Capital
- Eagerness to Rejoin the World Economy

Under Saddam

- Avoid the Banks
 - Keep below the radar
 - Meet your new partner
 - Oil-For-Food
 - Isolation and lies
-

Resuscitation

- The Coalition and International Bodies
 - Legal and Institutional Reform
 - Capital Market Development
 - Integration into World Bodies
 - Other Private Sector Efforts
 - Impact of the Supplemental
- Iraqis Themselves Are Stepping Up
 - They Should Be Allowed to Continue
- Foreign Direct Investment

Risks and Next Steps

- Risks
 - Insurgency
 - Transitional Uncertainty
 - Role of the Future Government
 - After the Gravy Train
- Next Steps (from PSD Perspective only)
 - Clarify the security, transition message
 - Manageable Risks
 - Create Advocates for Economic Freedom
 - Create Additional, Visible Private Sector Success Stories

(b)(6)

From: firas samir (b)(6)
Sent: Sunday, March 28, 2004 9:45 AM
To: (b)(6)
Subject: good government seminar

Good morning Sir,

The names of attendees for the good government seminar.

- 1- Ahlam Fouad AL-Sammarai / Cheif Engineer in the planning department.
- 2- Imad Al-Kassab / DG of Administration Dep.
- 3- Samar Abdul Wahab / DG Legal Department.

They will attend tomorrow morning (29 March)
Regards.

Eng. Firas S. Muhammed

(b)(6)

Do you Yahoo!?

Yahoo! Finance Tax Center - File online. File on time.

3/28/2004

(b)(6)

From: (b)(6)
Sent: Thursday, March 25, 2004 2:58 PM
To: CPA Ministries
Cc: Morgan, John L. (AUS); (b)(6)
(b)(6) Executive Secretary
Subject: ***ACTION FOR SENIOR ADVISORS - DELIVERING GOOD GOVERNMENT - ASI/DFID WORKSHOPS on 28th and 29th MARCH
Importance: High
Follow Up Flag: Follow up
Flag Status: Flagged

ALL SENIOR ADVISORS: Please, please respond to the cc line above. This information is urgently needed. This is a follow-on email to one sent on Monday, March 22. Attachments were sent to you separately with additional background, but will be provided again in a separate email.

See note below from John Morgan:

3/26/2004

Following discussion at the 7.30 meeting today, please read and respond to the following request for information re attendance by DG-level ministry employees (to include IGs) at one of two civil service reform training workshops scheduled for March 28 and 29.

Please send the details requested to Emily Reilly at (b)(6) and copy it to John Morgan at (b)(6) - all of whom are listed on the cc line above. The deadline is OOB Thursday, March 25. (Arabic versions of this announcement should be available later today.)

(Begin announcement to Senior Advisors)

Please arrange as soon as possible for the attached letter and program (Arabic versions to follow) to be distributed within your ministry to gather names of suitable attendees at the two separate workshops being arranged by DFID/ASI on 28 and 29 March. Please provide the job title(s) as well as the name(s) of the DG or equivalents (including of course IG) concerned and indicate in each case whether the individual(s) could attend on either day or is available on only one. Ministries do not need to attend in 'teams': indeed, it may make for better balance in discussion if they do not. But if there is more 'demand' from your ministry than places available, please let us have names of 'reserves'. DFID/ASI will follow up with 'repeat' seminars if there is a wish for them - and the seminars will of course serve in part as the starting-point for future civil service leadership training.

As explained, we have had to make an - unscientific and arbitrary - allocation of the places available at the workshops as follows:

One place: Defense, Displacement and Migration, Environment, Human Rights

Two places: Agriculture, Communications, Culture, Electricity, Foreign Affairs, Higher Education, Housing & Construction, Interior, Justice, Science & Technology, Transportation, Water Resources, Youth & Sports

Three places: Education, Health, Industry & Minerals, Labor & Social Affairs, Oil, Trade

Four places: Finance, Municipalities & Public Works, Planning & Development Co-operation

Participants are asked to arrive no later than 8.30 at Checkpoint 3, to enable a prompt start at the Conference Center at 9.

We need your returns no later than Thursday March 25 - apologies for the tight deadline - so that we can draw up and issue a final programme on Saturday March 27. Please send the details requested to Emily Reilly at (b)(6) and copy it to John Morgan at (b)(6)

3/26/2004

02 24 UNCLASSIFIED

N/A

02/24/04

202-482-5679

DAS/EPS	NBURNHAM	AS/DG/USCS	CPOZA
IIRTF	JBRANDES	OPC/ITA	PHALE
OGC	UIANNONE	DAS/OIO	KZENS

COMMERCE WORLDWIDE COLLECTIVE PRIORITY

RUEHC/SECSTATE WASHDC PRIORITY

CAP: PLEASE PASS TO COMMERCIAL OFFICERS AND ECON OFFICERS

TAGS: IQ, BEXP

SUBJECT: UPCOMING PRIVATE SECTOR EVENTS ON IRAQ
RECONSTRUCTION

SUMMARY AND ACTION REQUESTED. THERE ARE SEVERAL UPCOMING PRIVATE SECTOR ORGANIZED EVENTS ON IRAQ RECONSTRUCTION, INCLUDING TWO EVENTS IN IRAQ. THIS IS A PARTIAL LIST OF EVENTS THAT PROMOTE PRIVATE SECTOR ACTIVITY ON IRAQ. WE ASK THAT YOU SHARE THIS INFORMATION WITH YOUR EMBASSY COLLEAGUES WORKING WITH IRAQ, AS WELL AS PRIVATE SECTOR CLIENTS SEEKING BUSINESS IN IRAQ. THESE EVENTS FOCUS ON BRINGING COMPANIES TOGETHER THAT ARE SEEKING BUSINESS OR PARTNERS IN IRAQ, INCLUDING SUBCONTRACTING AND BUSINESS TO BUSINESS. WE ASK OUR COLLEAGUES WORLDWIDE TO MAKE THESE EVENTS A PRIORITY BOTH TO INFORM YOUR INTERNATIONAL BUYERS ABOUT THESE EVENTS AND TO ALERT YOUR U.S. CONTACTS AS TO THE OPPORTUNITIES FOR EXHIBITING AND PARTICIPATING IN THESE SHOWS.

1. FROM MARCH 20-22, 2004, EXICON INTERNATIONAL EXHIBITIONS AND CONFERENCES WILL ORGANIZE THE "REACH AND BUILD IRAQ EXHIBITION" IN CONJUNCTION WITH THE IRAQI-ARAB ALLIANCE FOR RECONSTRUCTION, TRADE AND INVESTMENT. THE EVENT WILL BE HELD AT THE GULF INTERNATIONAL CONVENTIONS AND EXHIBITION CENTRE (GULF HOTEL) IN BAHRAIN. EXICON PROJECTS APPROXIMATELY 100 EXHIBITORS AND UP TO 10,000 VISITORS AT THE SHOW. MAJOR OBJECTIVES INCLUDE COVERING POLITICAL, LEGAL, AND ECONOMIC DEVELOPMENTS IN IRAQ; STATUS OF IRAQI FACILITIES AND INFRASTRUCTURE; RECONSTRUCTION PLANS

OF THE CPA; DONOR COUNTRY ROLES; LOCAL ENTREPRENEUR CAPACITIES; IRAQI AND ARAB COMPANY PARTNERING; THE ROLE OF ARAB BODIES AND INSTITUTIONS; AND A REVIEW OF THE GOODS AND SERVICES NEEDED IN THE RECONSTRUCTION PROCESS THAT ARE AVAILABLE IN ARAB AND FOREIGN COUNTRIES PARTICIPATING IN THE CONFERENCE. FOR MORE INFORMATION: E-MAIL "EXICON@EXICON-INTL.COM" OR VISIT THEIR WEBSITE AT WWW.EXICON-INTL.COM.

2. FROM MARCH 22-24 IN AMMAN, JORDAN, THE CITIZENS NETWORK FOR FOREIGN AFFAIRS (CNFA) IS HOSTING "Iraqi Agriculture: Strategies for Growth and Opportunity." THIS CONFERENCE IS FOCUSED SPECIFICALLY ON IRAQ'S AGRICULTURE AND WILL INCLUDE KEY IRAQI INTERIM GOVERNMENT (MINISTRIES OF AGRICULTURE, SCIENCE AND TECHNOLOGY, WATER IRRIGATION, AND TRADE) AND INTERNATIONAL AGRIBUSINESS LEADERS. ORGANIZER CONTACT: AGRIBUSINESS@CNFA.ORG AND WEBSITE IS WWW.CNFA.COM; CONTACT FROM THE COALITION PROVISIONAL AUTHORITY IS GEORGE ADAIR AT GEORGE.ADAIR@HQDA.ARMY.MIL

3. ON APRIL 5-8, THE IRAQI AMERICAN CHAMBER OF COMMERCE AND INDUSTRY IS ORGANIZING IN BAGHDAD "DESTINATION BAGHDAD EXPO" OR "DBX." THIS IS THE FIRST MAJOR TRADE SHOW IN IRAQ FOLLOWING MILITARY CONFLICT. **[HOLD ON THIS SENTENCE: AMBASSADOR BREMER OF THE COALITION PROVISIONAL AUTHORITY HAS ENDORSED "DBX" AND IT IS A HIGH PRIORITY IN HIGHLIGHTING THE IMPORTANCE OF DIRECT PRIVATE SECTOR INVOLVEMENT IN IRAQ, BOTH FOR CONTRACTING WORK AND DIRECT BUSINESS TO BUSINESS RELATIONSHIPS.]** "DBX" IS AN EXHIBITION AND CONFERENCE THAT WILL INCLUDE SPEAKERS FROM THE FOLLOWING ORGANIZATIONS: COALITION PROVISIONAL AUTHORITY, U.S. DEPARTMENT OF COMMERCE, IRAQI MINISTRIES, AND THE PRIVATE SECTOR. AS OF FEBRUARY 18, OVER 200 EXHIBITION BOOTHS HAVE BEEN SOLD FOR DBX WITH THE FOLLOWING MAJOR COUNTRY BREAK DOWNS - U.S. 13 COMPANIES, IRAQ 10 COMPANIES, KUWAIT 18 COMPANIES, KOREA 32 COMPANIES, AND OTHER COUNTRIES. MAJOR SPONSORS FOR THE EVENT INCLUDE GENERAL ELECTRIC, LARU, TRIPLE CANOPY, CANON, ORASCOM/IRAQNA, EAGLE GLOBAL LOGISTICS, AND OTHERS. SECURITY WILL BE PROVIDED BY GE SECURITY AND ERINYS. MORE INFORMATION INCLUDING REGISTRATION ON "DBX" CAN BE OBTAINED ON THE WEBSITE WWW.DBXEXPO.COM

4. ON APRIL 26-29, THE SHOW ORGANIZER 'NEW FIELDS' IS HOLDING ITS FOURTH CONFERENCE IN ITS "REBUILDING IRAQ" SERIES IN IRBIL, IRAQ. IRBIL IS LOCATED IN NORTHERN IRAQ, AND IS ACCESSIBLE OVER LAND TRANSPORT FROM TURKEY AND

BAGHDAD. LOCAL BUSINESS LEADERS WILL ADDRESS THEIR ECONOMIC SUCCESS AND STABILITY OVER THE LAST DECADE, AND HIGHLIGHT TRADE AND INVESTMENT OPPORTUNITIES IN NORTHERN IRAQ. ADDITIONAL SPEAKERS WILL INCLUDE IRAQI GOVERNING COUNCIL MEMBERS, REPRESENTATIVES FROM THE PARLIAMENT OF IRAQI KURDISTAN, IRAQI MINISTRIES, AND THE PRIVATE SECTOR. MORE INFORMATION ON THIS CONFERENCE INCLUDING REGISTRATION CAN BE OBTAINED ON THE WEBSITE WWW.NEW-FIELDS.COM

5. U.S. DEPARTMENT OF COMMERCE FOREIGN ROAD SHOW: BEGINNING IN LATE FEBRUARY THRU APRIL, THE DEPARTMENT OF COMMERCE IS LAUNCHING A FOREIGN ROAD SHOW TO INFORM COALITION PARTNER COUNTRIES ABOUT BUSINESS OPPORTUNITIES IN IRAQ. FOR MORE INFORMATION ON THE EVENTS, PLEASE CONTACT THE FOREIGN COMMERCIAL OFFICERS AT THE U.S. EMBASSIES IN THESE COUNTRIES. THE CITIES AND COUNTRIES TO BE VISITED INCLUDE THE FOLLOWING:

FEBRUARY 26	WARSAW, POLAND
FEBRUARY 27	PRAGUE, CZECH REPUBLIC
MARCH 1	BUDAPEST, HUNGARY
MARCH 2	TIRANA, ALBANIA
MARCH 4	BUCHAREST, ROMANIA

THE ROAD SHOW ALSO INTENDS TO INCLUDE THE SLOVAK REPUBLIC, BULGARIA AND UKRAINE, DATES TO BE DETERMINED.

6. U.S. DEPARTMENT OF COMMERCE DOMESTIC ROAD SHOW: BEGINNING IN LATE FEBRUARY, THE DEPARTMENT OF COMMERCE IS UNDERTAKING A DOMESTIC ROAD SHOW TO PROVIDE LOCAL BUSINESS COMMUNITIES WITH AN OVERVIEW OF THE INVESTMENT AND RECONSTRUCTION OPPORTUNITIES IN IRAQ AND AFGHANISTAN. THE FOLLOWING U.S. CITIES ARE INCLUDED IN THIS TOUR:

FEBRUARY 24	CLEVELAND, OHIO
FEBRUARY 25	KANSAS CITY, MO
MARCH 9	LOS ANGELES, CA
MARCH 10	SAN DIEGO, CA
MARCH 11	SAN FRANCISCO (BAY AREA), CA
MARCH 18	BOSTON, MA
MARCH 19	NEW YORK, NY
MARCH 24	NEW ORLEANS, LA
MARCH 25	DETROIT, MI
MARCH 26	MINNEAPOLIS, MN
APRIL 13	CHICAGO, IL
MAY 6	HOUSTON, TX
TBD	ATLANTA, GA

TBD SEATTLE, WA

7. ON FEBRUARY 11, U.S. SECRETARY OF COMMERCE HOSTED AN INTERAGENCY BUSINESS BRIEFING ON IRAQ THAT INCLUDED REMARKS FROM TOM FOLEY, DIRECTOR OF PRIVATE SECTOR DEVELOPMENT, COALITION PROVISIONAL AUTHORITY; REND AL-RAHIM, IRAQ'S REPRESENTATIVE TO THE UNITED STATES, AND SENIOR OFFICIALS FROM THE DEPARTMENT OF COMMERCE, TREASURY DEPARTMENT, STATE DEPARTMENT, EXPORT-IMPORT BANK, OPIC, AND THE PRIVATE SECTOR. PROCEEDINGS OF THIS EVENT INCLUDING WEBCASTS OF EACH SESSION ARE AVAILABLE FOR WORLD-WIDE VIEWING ON WWW.EXPORT.GOV/IRAQ. MATERIALS ALSO INCLUDE A USEFUL POWERPOINT PRESENTATION ON "DOING BUSINESS IN IRAQ" PREPARED BY MINISTER COUNSELOR BOB CONNAN, RECENTLY SERVING IN IRAQ ON BUSINESS AND TRADE ISSUES. PLEASE SHARE THESE LINKS WITH INTERESTED CLIENTS.

8. THE U.S. DEPARTMENT OF COMMERCE WEBSITE WWW.EXPORT.GOV/IRAQ PROVIDES BUSINESS INFORMATION ON RECONSTRUCTION AND INVESTMENT IN IRAQ AND CONTINUES TO BE A VALUABLE RESOURCE TO THE U.S. AND GLOBAL BUSINESS COMMUNITY. THE MOST FREQUENTLY VISITED DOCUMENTS INCLUDE THE BUSINESS GUIDE FOR IRAQ, FREQUENTLY ASKED QUESTIONS, AND THE CHART OF CONTRACTS AND SUBCONTRACTS. WE URGE YOU TO VISIT THIS WEBSITE FOR UP TO DATE BUSINESS INFORMATION ON IRAQ, AND TO REFER CLIENTS TO THIS WEBSITE. COMPANIES MAY ALSO SUBSCRIBE VIA THE SITE TO RECEIVE PERIODIC IRAQ ALERT EMAIL UPDATES PROVIDED BY THE DEPARTMENT.

9. ADDITIONAL PRIVATE SECTOR EVENTS ON IRAQ INCLUDE THE FOLLOWING, WITH CONTACT POINTS FOR ADDITIONAL INFORMATION:

MARCH 17-22: "IRAQ REBUILDING TRADE SHOW AND CONFERENCE" IN AMMAN, JORDAN. CONTACT: SAMER ASFOUR, SAMERASFOUR@AOL.COM; WEBSITE IS "WWW.AWTC.COM." THIS SHOW CURRENTLY HAS 150 EXHIBITORS PARTICIPATING FROM 21 COUNTRIES, INCLUDING FIVE VISITING COUNTRY DELEGATIONS FROM THE UNITED KINGDOM, UKRAINE, TUNISIA, AND THE UNITED STATES.

APRIL 10, THE U.S. COMMERCIAL SERVICE IN SAUDI ARABIA WITH THE COUNCIL OF SAUDI CHAMBERS IS HOSTING AN IRAQ RECONSTRUCTION SEMINAR IN RIYADH. FOR MORE DETAILS, PLEASE CONTACT (b)(6)

10. ACTION: ALL POSTS ARE STRONGLY ENCOURAGED TO INFORM THEIR CLIENTS ABOUT THE EVENTS AND INFORMATION SOURCES ABOVE. IT IS A KEY PRIORITY TO ENSURE THAT OUR DOMESTIC

BUSINESS COMMUNITY, OVERSEAS U.S. BUSINESS COMMUNITY, AND ALSO THE BUSINESS COMMUNITIES IN ALL COALITION PARTNER COUNTRIES HAVE TRANSPARENT AND USER FRIENDLY ACCESS TO INFORMATION ON BUSINESS OPPORTUNITIES IN IRAQ.

11. WE THANK YOU IN ADVANCE FOR MAKING INTERESTED GOVERNMENT AND PRIVATE SECTOR OFFICIALS AWARE OF THESE ACTIVITIES AND INFORMATION SOURCES ON INVESTMENT AND RECONSTRUCTION IN IRAQ.

(ORIGIN: 5679/MAC/IIRTF/MFITCHETT)



The World Bank

Zoubida Allaoua

Sector Manager, Finance and Private Sector
Middle East & North Africa Region

1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

Tel.: (202) 458-0993
Fax: (202) 522-2151

email: (b)(6)

April 6, 2004

H.E. Mr. Muhammad Tawfiq Rahim
Minister of Industry and Minerals
Ministry of Industry and Minerals
Baghdad, Republic of Iraq

***Subject: Workshops on State Owned Enterprises
Dead Sea, Jordan (April 16th-19th, 2004)***

Excellency,

On behalf of the World Bank's Finance and Private Sector Development team, I would like to brief you on the progress of our collaboration with our Iraqi counterparts in support of the Iraqi administration's Private Sector Development (PSD) agenda.

As you know, following the Needs Assessments on Investment Climate, Financial Sector, and State Owned Enterprises (SOEs), the Iraqi and World Bank teams held a preliminary two-days workshop in Amman on February 14th-16th. The Iraqi delegation, led by Dr. Uthman of the Iraqi Strategic Review Board, had representatives from several Iraqi ministries and governorates. The Iraqi participants made a comprehensive and very useful review of Iraqi priorities on private sector and financial issues, and an initial agreement was reached between the Iraqi delegation and the World Bank's team on an assistance strategy. We believe that significant progress was made in putting in place a partnership between the Bank and Iraq that aims to support Iraq's long-term development challenges, and we sincerely thank you for the key contributions of your Ministry's delegation.

In this context, we are finalizing preparations for a workshop on the challenging agenda of Reform of State Owned Enterprises (April 16th-19th). The purpose of the seminar is to provide guiding principles drawn from international best practice and analysis that will enable you to design a strategy to reform Iraq's state-owned enterprises.

We would be honored if Your Excellency could join us and appoint a five member delegation to participate in the workshop. We include for your reference the agenda and look very much forward to the opportunity to meet you and your team.

The Ministry of Planning and Development Cooperation (MoP&DC) is coordinating the composition of the Iraqi delegation which will include representatives from various Iraqi Ministries. We kindly request that you appoint a focal person to contact (b)(6) Chief of the Coordination Committee and Follow-up, MoP&DC, in this regard. (b)(6)

Due to current unfortunate security constraints, we are organizing the workshops at the Dead Sea in Jordan, where the World Bank will cover transportation and lodging, and full-board expenses.

We very much hope to be able to work from Iraq soon and, meanwhile, we continue to rely on our strong partnership and shared commitment to develop effective solutions on how we can best support your efforts.

Sincerely,

(b)(6)

Sector Manager
Finance and Private Sector
Middle East & North Africa Region

cc: H.E. Dr. Mehdi Al-Hafidh
Minister of Planning and Development Cooperation

Mr. Tanwar Ali Agha
Executive Director
The World Bank

Mr. Faris Hadad-Zervos
Head of Mission
World Bank Interim Iraq Office in Amman

DRAFT

- 1) OBJECTIVES
 - a) Assist the non-oil Private Sector onto a high growth trajectory
 - b) Influence the creation of a legal, regulatory and government framework consistent with a vigorous free market and limited government
 - c) Communicate to Iraqis and the World the Progress of the Private Sector
- 2) Capital Market Actions
 - a) Consulting Team
 - b) Capital Availability (including OPIC and Exim relationship)
 - i) OPIC Citibank Facilities
 - ii) Middle Market and Foreign Bank Private Sector Bank Inclusion
 - c) IFC/World Bank/IMF Projects and Relationship
 - d) Private/Venture Equity
 - e) Stand up the stock exchange
 - f) Micro-Lending Wrap Up
- 3) CPA Actions
 - a) Ensuring Effective Iraqi Participation in Reconstruction Subcontracts
 - b) Define and Roll out the Business Centers
 - c) Develop Independent, Self-Sustaining Business Associations as Loud Advocates for Economic (and Political Freedom) and as Providers of Valuable Services for Dues-Paying Members
 - d) Implement a training Program for the Iraqi Private Sector
 - e) Encouragement of FDI and Business Partnerships
 - f) Economic Stimulus Options (Quick Reference Summary)
- 4) Legal, Regulatory, and Institutional Actions
 - a) Refine & Implement Action Plans, consistent with objectives, for
 - i) MIM and the SOEs (Lettie – Please attach as supplement)
 - ii) Trade (Bernie/Tracy – Please attach as supplement)
 - iii) MICs and MOST (Marcel/Marcus – Please attach as supplement)
 - b) Complete the Development of Necessary Legal Frameworks
 - c) Ensure Implementation of the Legal Framework by the Government
- 5) IO Issues
 - a) Bi-weekly press backgrounders: Iraqi Focused and International
 - b) PSD bulletin via email
 - c) Business Group
 - d) Business Updates (written, press release, meetings)
 - e) Business Guidance and FAQs (Cliff Notes, handouts, web)
- 6) Ad Hoc Projects
 - a) Delegations and Trade Missions
 - b) DBX
 - c) Speaker Series, Op-Ed Series (Iraq and external)
 - d) Representational events
- 7) Themes
 - a) If economic freedom is taken, political freedom will vanish
 - b) Government should have limited and enumerated powers
 - c) Stop giving things away; no goodies without gains for our principles

COALITION PROVISIONAL AUTHORITY

November 2003

Amb McManaway

Counselors

Intel
Lane Green

Administrator
L. Paul Brenner

CJTF-7

LTG Ricardo Sanchez

Multinational Divisions (MND)

North: 101st AASLT
N-Central: 4ID
West: 82ABN2ACR
Cen-S: POL Div
SW: GBR Div
BGD: 1st AD, 282ABN, 2LCR

Council for International Cooperation (CIC)
Andrew Golezdzinski (AUS)

Secretary
Jessica LeCroy

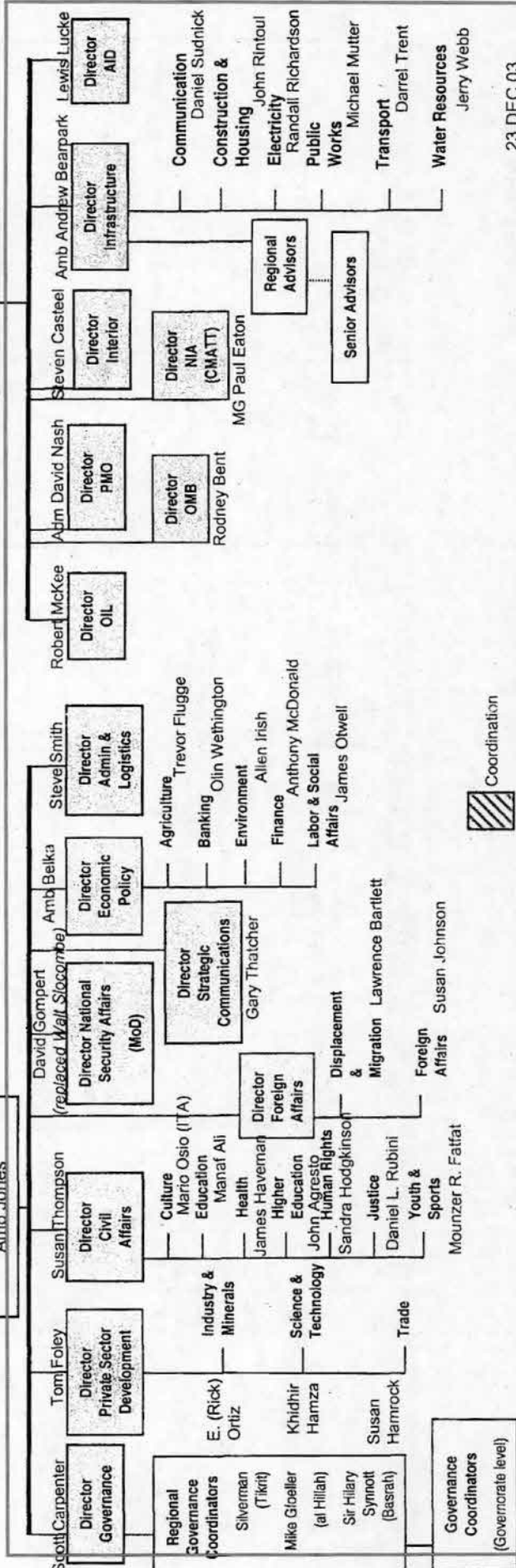
Info Mgmt Unit (IMU)
Donald Harrison; Leslie Curtin

General Counsel
Edwin Castle

Policy Planning & Analysis
Dayton Maxwell
(leaves mid-DEC; Andy Rathmell on security)

Deputy Administrator & Chief Policy Officer
Amb Jones

Chief Operating Officer
LTG Keith Kellogg (ret)



Coordination

23 DEC.03

Charges per Feb 04

BST - Personnel from 478 TO
Live IM.

- 1) OBJECTIVES
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- Respond to higher HQ
requirements

DEPARTMENT OF THE ARMY

354TH Civil Affairs Brigade

Operation Iraqi Freedom

Baghdad, Iraq

APO AE 09335

AOCP-CA-B

January 09, 2004

SUBJECT: Update of the CPA Private Sector Development Directorate (PSD).
CPT Huang, Mark: A/411th CA Bn (-)

Micro and Small Medium Enterprise (SME) Lending

1. Currently, all microlending initiatives in Iraq are reporting administratively to this office.
 - a. CHF in currently operating in Southern Iraq and Baghdad.
 - CHF has just recently begun microlending in Baghdad. At the request of this office, CHF has agreed to brief the Baghdad program at a 1st AD G5 (Civil Affairs) meeting. CHF will outline the program, their criteria for lending as well as their strict guidelines prohibiting CHF from working in the field with coalition forces
 - CHF will commence microlending in Basra by early February
 - b. Since Christmas, ACDI/ Voca's program officer has opened up a bank account and registered their NGO. Kirkuk will be their microlending base of operation for Northern Iraq
 - c. To address the vacuum of USAID/ NGO run microlending in the Sunni Triangle, this office has obtained funding from seized assets for a microlending program in the Sunni Triangle. Coordination continues with the G5 of the 4th ID and the 82nd Airborne. The process of selecting Iraqi private banks to manage the program continues. Bearing Point through USAID will provide credit/ loan officer training which will also have the secondary benefit of institution building for Iraq's nascent banking sector. Training is planned to be conducted at the end of the this month where the local banks should be able to lend soon after
2. There is no new information available on the status of the International Finance Corporation (IFC) Iraqi SME credit facility
3. The \$41MM SME fund with the associated funding for institutional building (finance) training as proposed by this office in the US Supplemental could possibly be available from the US Congress by early February. In order to provide a stimulus to the Iraqi economy, this program will focus on assisting private Iraqi (SMEs) in winning US Supplemental Reconstruction sub-contract. Components of this program include soft loans, finance/ management training and vocational training

State-Owned Enterprises

4. A plan to account for recent political constraints on privatization, closure and severance for the bloated SOEs is under review by this office
5. Work continues on clearing hurdles preventing SOEs in critical sectors from reaching normal operating levels:
 - To address the lack of power capacity in the SOEs (cement, phosphate etc) throughout Iraq, a 330MW Independent Power Producer (IPP) contract by a develop is scheduled for signing by the Iraqi Ministry of Industry and Minerals (MIM) by the end of the month. The MIM must obtain a Letter of Credit for the deal to close. This office with the CPA MIM and MoFinance advisors are assisting this effort
 - Work continues on obtaining a \$10MM capital expenditure (capex) loan for Iraqi Central Cement. Iraqi Central Cement is headquartered in Baghdad with factories in Kirkuk and Al Anbar province. The capex loan will be issued by one of the SOE banks. The KPMG financial review is near completion. This SOE bank capex loan is a pilot program with a secondary benefit of institutional building to the SOE banks (i.e. credit training 101)
 - Requests have been made to the Ministry of Finance to release budgeted 2003 MIM SOE subsidies that we not released in December. Funds will be used to upgrade certain SOEs such as converting the Phosphate SOE in Al Anbar's natural gas (scarce) fired furnace to Bunker C crude oil (abundant)
6. This office is developing a program to transfer highly skilled professionals from the former Military Industrial Commission (MIC). The plan to formally close destroyed MICs is on hold. An effort is being taken to transfer select MIC professionals to MIM, Ministry of Science and Technology (MOST) and the new Iraqi Defense Department

Other

7. The Baghdad Stock Exchange has received approval for funding. The following are a work-in-progress: formal procedures contracting to purchase equipment, signing a lease to locate the exchange, the hiring of staff and seeking Iraqi Governing Council approval. The exchange is expected to be operational by mid-February.
8. Work continues on evaluating the bureaucratic process required to register a new business in Iraq. The goal is to define the process for foreign investors and to develop a new streamlined program
9. The Iraqi American Chamber of Commerce will host the Destination Baghdad Expo. The expo is meant as part of an I&O campaign to commemorate the emergence of the new Iraq to the global economy. Iraqi and foreign companies will participate in the trade fair. Speakers are planned.

10. This office met with the Commander of the 3rd Brigade/ 82nd Airborne to discuss economic issues in the Fallujah area. The status of SOEs and mixed ownership companies were discussed. A program modeled after the Baghdad Business Center (354 CA Bde) and the Kirkuk Business Center (404th CA Bn) was suggested to reduce the economic isolation of this region. The CPA MoFinance advisors will re-address the issue of improperly frozen bank accounts for mix ownership companies in Fallujah. This banking issue is a national one and remains open. A visit from this office to Fallujah is scheduled next week
11. POC is the undersigned

(b)(6)

CPT, CA
USAR

COALITION PROVISIONAL AUTHORITY
BAGHDAD

January 16, 2004

Subject: Summary of Economic Initiatives in Al Anbar Province
From: CPT (b)(6) USAR Civil Affairs
Private Sector Development Directorate (PSD)

The following is a summary of economic initiatives in Al Anbar Province:

*Contracts
signed
31 January*

- To address the lack of power preventing critical SOEs from standing back up, the Ministry of Industry and Minerals have issued Request for Proposals from Independent Power Producers (IPP). 60MW is targeted for the Phosphate and Al Qaem Cement SOEs. Target signing by the end of January although the issue of a cash collateral \$83MM Letter of Credit required by the investor remains open. Once the contract is signed, construction period will last 4-5 months.
- To address the lack of liquidity and the need to upgrade neglected SOE factories, the CPA coordinated the hiring of KPMG to conduct an audit of Iraqi Cement Co. The financial review is near completion. The next step is to file a capital expenditure loan application through the CPA MoFinance bank advisors. The loans will be issued by one of the state owned banks. The funding request will be for \$10MM and Fallujah cement will receive part of the loan proceeds to upgrade the facility. Target February 9th for loan approval and funding
- 4Q03 \$2.5MM subsidy approved by the Office of Management and Budget will be released soon to the Phosphate SOE. Funds will allow capital upgrades as well the conversion of the natural gas burners (none available) to heavy fuel oil (abundant). Issue is bottlenecked at the Iraqi Ministry of Finance. CPA MoFinance advisors continue to push resolution
- As part of the Sunni Triangle Initiative, the PSD obtained approval for \$2.5MM from seized assets to fund a microlending program. \$750,000 will be allocated to a private bank in Al Anbar. PSD will require the bank to match the funds which will result in \$1.5MM available for microlending in Al Anbar. Program will operate from a bank in Fallujah
- Mixed ownership companies (some shares owned by the Government of Iraq) had their bank accounts frozen after the end of hostilities. Some of these companies such as the Brick Company are in Fallujah. A decree was issued by the CPA in July to unfreeze these accounts. Implementation of this decree continues to be addressed by the MoFinance Bank Advisors. Unfreezing these assets will provide an immediate liquidity injection into the Iraqi economy

- To address the economic isolation of Al Anbar, (b)(6) will provide guidance on how to set up an internet business center for Fallujah. This program will use the Baghdad Business Center as a model. The Fallujah Business Center should be linked into Ramadi and Baghdad's programs thus allowing Al Anbar business people to post goods for sale as well as assuring that they are aware of and considered for contracting work. The Baghdad Business Center will be one of the venues for the CPA Program Management Office to issue Iraqi RFPs for US Supplemental reconstruction contracts. Overall, once the Fallujah business center is up and running, recommend the site launch be included in an I&O campaign.

(b)(6) (Civil Affairs, US Army Reserves) will soon report to Amman, Jordan for a one year tour. They will explore how their office can promote economic development for Al Anbar from Jordan. Developing agreements with Jordanian trading companies and agents to export goods from Al Anbar merchants is one suggested tasking

- The CPA Private Sector Development Directorate has allocated from the US Supplemental, \$41MM to make loans to Iraqi Small and Medium Enterprise (SME) companies. Furthermore, \$20MM is allocated for managerial and finance training for SME managers and an additional \$80MM under the Ministry of Labor is allocated to repair and upgrade vocational training programs. An additional \$8MM is budgeted for Employment Centers (job placement). All of these programs are national programs and Al Anbar will be included in all of these programs

CPA
Civil Affairs Requirements
JMD add

No	COUNTER	DEPT	DIVISION	SVC	MOS/DESIG	PREF. GRADE	DESCRIPTION	CA UNIT	NOTE
1	CA 001	CPA	Min of Culture		38A	O-3	Mil LNO	352	E
2	CA 002	CPA	Min of Education		38A	O-3	Education Infrastructure Coordinator	354	E
3	CA 003	CPA	Min of Higher Ed		38A	O-4	Military LNO	352	E
4	CA 004	CPA	Min of Housing		38A	O-5	Deputy Advisor	431	E
5	CA 005	CPA	Min of Industries/Minerals		38A	O-5	LNO for State Owned Industries	358	E
6	CA 008	CPA	Min of Public Works		38A	O-5	Mil LNO	418	E
7	CA 009	CPA	Min of Justice		38A	O-5	Prison Advisor	358	E
8	CA 010	CPA	Min of Justice		38A	O-3	Prison Advisor	308	E
9	CA 011	CPA	Min of Justice		38A	O-2	Prison Advisor	486	E
10	CA 012	CPA	Min of Justice		38A	E-7	Prison Advisor w/training background	490	E
11	CA 013	CPA	Min of Justice		38A	E-7	Prison Advisor w/admin and budget background	431	E
12	CA 014	CPA	Min of Oil		38A	O-4	LNO for Task Force shield	308	E
13	CA 015	CPA	Min of Youth and Sports		38A	O-4	Financial Advisor	352	E
14	CA 016	CPA	Min of Finance		38A	O-5	LNO for Economic Policy	354	E
15	CA 017	CPA	Min of Finance		38A	O-4	Stock Market analyst	304	E
16	CA 018	CPA	Min of Health		38A	O-3	Disease Surveillance	358	E
17	CA 019	CPA	Min of Interior		38A	O-3	Fire and Rescue Advisor	432	E
18	CA 020	CPA	Min of Interior		38A	O-3	Border Policy Advisor	358	E
19	CA 021	CPA	Min of Interior		38A	O-3	Police Policy Advisor	308	E
20	CA 022	CPA	Min of Interior		38A	O-4	Advisor for ops and logistics		
21	CA 023	CPA	Min of Labor		35D/38A	O-4	Intelligence Officer		
22	CA 024	CPA	RSO - Baghdad		01/02A or 38A	O-4	Operations Support Officer	308	E
23	CA 025	CPA	RSO - Baghdad		38A	E-6/7	Operations Sergeant	352	E
24	CA 026a	CPA	RSO (Governorate)		38A or 01/02A	O-3/4	Governorate Operations Officer	358	E
25	CA 026b	CPA	RSO (Governorate)		38A or 01/02A	O-3/4	Governorate Operations Officer	358	E
26	CA 026c	CPA	RSO (Governorate)		38A or 01/02A	O-3/4	Governorate Operations Officer	304	E
27	CA 026d	CPA	RSO (Governorate)		38A or 01/02A	O-3/4	Governorate Operations Officer	308	E
28	CA 026e	CPA	RSO (Governorate)		38A or 01/02A	O-3/4	Governorate Operations Officer	432	E
29	CA 026f	CPA	RSO (Governorate)		38A or 01/02A	O-3/4	Governorate Operations Officer	308	E
30	CA 026g	CPA	RSO (Governorate)		38A or 01/02A	O-3/4	Governorate Operations Officer	432	E
31	CA 026h	CPA	RSO (Governorate)		38A or 01/02A	O-3/4	Governorate Operations Officer	490	E
32	CA 026i	CPA	RSO (Governorate)		38A or 01/02A	O-3/4	Governorate Operations Officer		
33	CA 026j	CPA	RSO (Governorate)		38A or 01/02A	O-3/4	Governorate Operations Officer		
34	CA 026k	CPA	RSO (Governorate)		38A or 01/02A	O-3/4	Governorate Operations Officer		
35	CA 026l	CPA	RSO (Governorate)		38A or 01/02A	O-3/4	Governorate Operations Officer		
36	CA 026m	CPA	RSO (Governorate)		38A or 01/02A	O-3/4	Governorate Operations Officer		
37	CA 026n	CPA	RSO (Governorate)		38A or 01/02A	O-3/4	Governorate Operations Officer		
38	CA 026o	CPA	RSO (Governorate)		38A or 01/02A	O-3/4	Governorate Operations Officer		
39	CA 026p	CPA	RSO (Governorate)		38A or 01/02A	O-3/4	Governorate Operations Officer		
40	CA 026q	CPA	RSO (Governorate)		38A or 01/02A	O-3/4	Governorate Operations Officer		

out to
Provinces

CPA
Civil Affairs Requirements
JMD add

No.	COUNTER	DEPT	DIVISION	SVC	MOS/DESIG	GRADE	DESCRIPTION	NAME	CA UNIT	NOTE
1	CA 027	CPA	RSO - North		38A	O-4	Program Manager	(b)(6)	431	E
2	CA 028	CPA	RSO - North		38A	O-4	Operations Officer		404	E
3	CA 032	CPA	RSO - Central South		38A	O-4	Program Manager		432	E
4	CA 033	CPA	RSO - Central South		38A	O-4	Operations Officer		358	E
4	CA 034	CPA	RSO - South		38A	O-4	Program Manager		486	E
6	CA 035	CPA	RSO - South		38A	O-4	Operations Officer		358	E
7	CA 036	CPA	Baghdad Ops		38A	O-5	Civil Affairs Assistant		352	E
8	CA 037	CPA	Baghdad Ops		38A	O-4	Civil Affairs Assistant		418	E
9	CA 037a	CPA	Baghdad Ops		38A	O-4	Civil Affairs Assistant		490	E
10	CA 037b	CPA	Baghdad Ops		38A	O-4	Civil Affairs Assistant		308	E
11	CA 037c	CPA	Baghdad Ops		38A	O-4	Civil Affairs Assistant		358	E
12	CA 037d	CPA	Baghdad Ops		38A	O-4	Civil Affairs Assistant		308	E
13	CA 038	CPA	Baghdad Ops		38A	O-3	Civil Affairs Assistant		354	E
14	CA 038a	CPA	Baghdad Ops		38A	O-3	Civil Affairs Assistant		422	E
15	CA 038b	CPA	Baghdad Ops		38A	O-3	Civil Affairs Assistant		432	E
16	CA 038c	CPA	Baghdad Ops		38A	O-3	Civil Affairs Assistant		431	E
17	CA 039	CPA	Baghdad Ops		38A	O-3	Civil Affairs Assistant		432	E
18	CA 040	CPA	Baghdad Ops		38A	E-5	Civil Affairs Assistant		422	E
19	CA 041	CPA	Ministry of Justice		31B	O3	Prisons Advisor			
20	CA 042	CPA	Ministry of Oil		45A	O4	Finance Assistant			
21	CA 043	CPA	Ministry of Oil		O1A	O5	Chief of Staff			
22	CA 044	CPA	Ministry of Transportation		O1A	O4	LNO			
23	CA 045	CPA	Ministry of Transportation		92A	O4	Trans Ports			
24	CA 046	CPA	Ministry of Transportation		88A	O4	Surface Security			
25	CA 047	CPA	Ministry of Finance		45A	O5	Budget Analyst			
26	CA 048	CPA	Ministry of Finance		45A	O4	Bureau Supreme Audit			
27	CA 049	CPA	Ministry of Finance		45A	O5	Bureau Supreme Audit			
28	CA 050	CPA	Ministry of Agriculture		O1A	O-3	LNO			
29	CA 051	CPA	Ministry of Communication		25A	O-4	Advisor - Frequency Spectrum Management			
30	CA 052	CPA	Ministry of Communication		31Z	E-8	Advisor - frequency spectrum management			
31	CA 053	CPA	Ministry of Communication		31P	E-6	Advisor - Microwave Systems			
32	CA 054	CPA	Ministry of Communication		31S	E-5	Advisor - Satellite Communications Systems			
33	CA 055	CPA	Ministry of Electricity		O1A	O-5	Executive Officer			
34	CA 056	CPA	Ministry of Electricity		92A	O-4	Contract Coordinator			
35	CA 057	CPA	Ministry of Housing		21A	O-4	Program Manager - roads			
36	CA 058	CPA	Ministry of Water & Irrigation		21A	O-4	Advisor			
37	CA 059	CPA	Ministry of Justice		55A	O-3	Advisor			
38	CA 060	CPA	Ministry of Justice		55A	O-4	Advisor			
39	CA 061	CPA	Ministry of Justice		55A	O-5	Advisor			
40	CA 062	CPA	Ministry of Science & Tech		O1A	O-4	Advisor			
41	CA 063	CPA	Baghdad Ops		O1A	E-5	Operations			

CPA
Civil Affairs Requirements
JMD add

No.	COUNTER	DEPT	DIVISION	SVC	MOS/DESIG	GRADE	DESCRIPTION	NAME	CA UNIT	NOTE
02	CA 065	CPA	Ministry of Planning & Dev		38A	O-4/5	Civil Affairs Advisor	(b)(6)	362	E
03	CA 066	CPA	Ministry of Human Rights		38A/55A	O-4	Legal Advisor		432	E
04	CA 067	CPA	Ministry of Human Rights		38A/3AO	E-6	Administrative Support			
							SUMMARY	NOTES		
							40 CA Required Billets (38A)	E = Extension Documented		
							21 CA Desired but not Required Billets	*** = CA Desired but not Required Billet		
							23 Non-CA Billets	*** = Non-CA Billet		
							84 Total DOD Billets			
							48 CA Personnel Volunteering to Extend			

MIXED OWNERSHIP CO

Name of Company	Description of Company	Location	Ministr	% State	No. of	Salary	Cash on	Present capability of operation
1 Baghdad Company for Alcohol Industries	Baghdad and Al Khalis Brewery	Baghdad	MIM		350	28,667	63	Baghdad may produce beer. Alkhalis factory estimated 90% looted
2 The National Co. for Food Industries	Beer, Juice & Soda	Baghdad	MIM		480	43,333	21,933	Looted. Need raw materials and electricity
3 Baghdad Company for Soft Drinks	Zafarneh factory for soft drinks and plastic bottles	Baghdad	MIM		1,191	85,333	3,301	Operational and not looted
4 Iraqi Co. for Carton Industry	Factory to produce carton plates and carton boxes	Baghdad	MIM		183	20,000	109,133	Can operate if there are orders
5 Electric Companies	Refrigerator, Freezers, Heaters & Cookers		MIM		680	30,000	155,933	Looting
6 The National Co. for Plastic and Chemical	Sponges, plates, potato chips and leather	Baghdad	MIM				464,000	Looted although some operations is possible
7 Company of Modern Paints Industries	Paints	Baghdad	MIM		303	17,333	381,887	Security and access to electricity is an issue
8 Company for Electronic Industries	TV, radio and other electrical equipment	Baghdad	MIM		1,724	28,000	233,333	Looted. Need raw materials and electricity
9 Al Hilla Industrial Co.	Consumer electronics such as A/C, Welding equip.	Baghdad	MIM					
10 National Co. for Meat Industries	Slaughter House	Baghdad	MIM					
11 Company for Bicycles Industry	Metaworking	Al Mahroudyah	MIM					
12 Clothing Co.			MIM					
13 Modern Construction Material			MIM					
14 Iraqi Meat Company	Poultry		MIM	51%	1,000	20,000	-	Assets are frozen. Company is shut down. Looted farms and offices
15 Seeds			Ag					
16 Fishery			Ag					
17 Agricultural Produce			Ag					
18 Arabian Bridge Co for Navigation	Manages navigation, water transport and tourism		MT	33%				Egypt, Iraq & Jordanian equal ownership
19 Iraqi-Jordanian Co for Land Transport	Cargo and oil transport from Oman & Egypt to Iraq		MT	50%				
20 Arabian Co. for Marine Navigation			MT	14%				Egypt largest shareholder 33.8%
21 United Arab Navigation	Deploys cargo ships		MT	19.75%				Various ME state ownership
22 Oman Co. for Commerce & Navigation	Shipping Company		MT	70%				Oman
23 Ala Co for Commerce & Transport	Land and Sea Trading Co. - transport		MT	48%				Jordan
24 Iraqi/Syrian Co for Land Transport	Trucking		MT	50%				Syria
25 Iraqi/Syrian Co for Marine Transport	Marine transport		MT	50%				Syria
26 Arabic Co for Communication	Builds and maintains communication components		MT	50%				Syria
27 Sharq Co for Transport Commerce and Tourism	Transport and Tourism		MT					With UAE
28 Al Badiyah	JV with individuals		MT					
29 Oil Transport	JV with individuals		MT					
30 Al Ashar	Contracting	Baghdad	MIC	24%				
31 Sanhareeb	Design and Consulting	Baghdad	MIC	24%				
32 Al Burraq	Machine Maintenance	Baghdad	MIC	24%				
33 Dar Alsalam	A/C services	Baghdad	MIC	15%				
34 Al Qudra	Computers	Baghdad	MIC	24%				
35 Asad Babil	Thermal Units	Baghdad	MIC	24%				
36 Asa	Construction	Baghdad	MIC	24%				
37 Al Raya	Moulds	Baghdad	MIC	24%				
38 Uur	Lifts Maintenance	Baghdad	MIC	24%				
39 Al Rafaklan	Printing machine services	Baghdad	MIC	24%				
40 Al Zawra	Heater production	Baghdad	MIC	6%				
41 Al Wadhah	Spray Irrigation	Mosul	MIC	24%				
42 Al Sahaab		Baghdad	MIC	24%				

MIXED OWNERSHIP CO

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7 Company of Modern Paints Industries	Paints	Baghdad	MIM		303	17,333	381,887 Looded. Security and access to electricity is an issue
8 Company for Electronic Industries	TV, radio and other electrical equipment	Baghdad	MIM		1,724	28,000	233,333 Looded. Need raw materials and electricity
9 Al Hila Industrial Co.	Consumer electronics such as A/C, Welding equipt.	Baghdad	MIM				
10 National Co. for Meat Industries	Slaughter House	Baghdad	MIM				
11 Company for Bicycles Industry	Metalworking	Al Mathboudya	MIM				
12 Clothing Co.		MIM					
13 Modern Construction Material		MIM					
14 Iraqi Meat Company	Poultry	Ag	51%		1,000	20,000	- Assets are frozen. Company is shut down. Looded farms and offices
15 Seeds		Ag					
16 Fishery		Ag					
17 Agricultural Produce		Ag					
18 Arabian Bridge Co for Navigation	Manages navigation, water transport and tourism	Ag					
19 Iraqi-Jordanian Co for Land Transport	Cargo and oil transport from Oman & Egypt to Iraq	MT	33%				Egypt, Iraq & Jordanian equal ownership
20 Arabian Co. for Marine Navigation		MT	50%				
21 United Arab Navigation	Deploys cargo ships	MT	14%				Egypt largest shareholder 33.8%
22 Oman Co. for Commerce & Navigation	Shipping Company	MT	70%				Various ME state ownership
23 Alla Co for Commerce & Transport	Land and Sea Trading Co. - transport	MT	49%				Oman
24 Iraqi/Syrian Co for Land Transport	Trucking	MT	50%				Jordan
25 Iraqi/Syrian Co for Marine Transport	Marine transport	MT	50%				Syria
26 Arabic Co for Communication	Builds and maintains communication components	MT	50%				Syria
27 Sharq Co for Transport Commerce and Tourism	Transport and Tourism	MT					With UAE
28 Al Badiya	JV with individuals	MT					
29 Oil Transport	JV with individuals	MT					
30 Al Ashar	JV with individuals	MT					
31 Sanhereeb	Contracting	MIC	24%				
32 Al Buraq	Design and Consulting	MIC	24%				
33 Dar Alsalam	Machine Maintenance	MIC	15%				
34 Al Qudra	A/C services	MIC	24%				
35 Asad Babil	Computers	MIC	24%				
36 Asia	Thermal Units	MIC	24%				
37 Al Raya	Construction	MIC	24%				
38 Uur	Moulds	MIC	24%				
39 Al Rafaidain	Lifts Maintenance	MIC	24%				
40 Al Zawra	Printing machine services	MIC	6%				
41 Al Wadhah	Heater production	MIC	24%				
42 Al Sahsaab	Spray Irrigation	MIC	24%				



COALITION PROVISIONAL AUTHORITY
BAGHDAD

DRAFT

ACTION MEMO

January __, 2004

FOR: THE ADMINISTRATOR
FROM: Office of the General Counsel
SUBJECT: Governance of "Mixed" Joint Stock Companies

In "mixed" joint-stock companies (companies owned by private and government shareholders; government must own 25% stake or more), the state has a virtual veto over many company decisions, even if it is only a minority holder. This state role in mixed companies is emerging as a possible obstacle to foreign investment. We seek your guidance as to whether the state should be treated as any other shareholder with respect to its shareholdings in mixed joint stock companies.

- Under current Iraqi law, the board of directors of a mixed joint stock company consists of three representatives of the "socialist sector," four private sector representatives elected by the shareholders and two company employees appointed by the trade union federation. For any board decision to be valid, it must have the votes of at least two of the "socialist sector" board members.
- In addition, the Company Law prohibits transfers by the "socialist sector" that would reduce the state ownership below 25% and may also prohibit new stock issuances by the mixed joint stock company that would have the effect of diluting state ownership below 25%.
- New and important investment could be frustrated by both the requirement that no less than two of the "socialist sector" board members approve board action (because a minority with interests different from those of the shareholders as a body can block action approved by the majority) and the requirement that state participation not fall below 25% (because new investors may seek a majority or near majority stake). For similar reasons, we propose that neither the "socialist sector" nor company employees be guaranteed seats on the board.
- The first round of proposed changes to the Company Law (No. 21 of 1997), which governs private and mixed companies, did not alter these special provisions because the focus was on private companies. The status of mixed companies was left for a more comprehensive overhaul of the Company Law. Per your decision, we are now consulting with the Governing Council regarding the initial round of changes to the Company Law.

UNCLASSIFIED

DRAFT

- Because the provisions discussed above appear likely to impede foreign investment, however, we would like to eliminate the disproportionate power of "socialist sector" representatives in mixed joint stock companies by including appropriate language in the draft currently before the Governing Council.
- Reducing existing state prerogatives in operating any enterprise may raise concerns with the Iraqis regarding the diminution of state property and could be perceived as a precursor to privatization. In addition, the elimination of board members appointed by the trade union federation may be misunderstood as anti-labor.
- Certain minor differences in the treatment of mixed companies (e.g., audit by the Financial Control Bureau; coordination of employment rules with state authority for the company's economic sector) would still be left for Phase Two.

RECOMMENDATION (1): Remove disproportionate powers for "socialist sector" directors in "mixed" companies.

Approve: _____ Disapprove: _____ Approve with modification: _____

RECOMMENDATION (2): Provide for shareholder election of all directors.

Approve: _____ Disapprove: _____ Approve with modification: _____

RECOMMENDATION (3): Allow state holdings in mixed companies to drop below 25%, making them at that point "private" companies with state participation.

Approve: _____ Disapprove: _____ Approve with modification: _____

ATTACHMENTS: Tab A - Proposed Additional Changes in Company Law Text

COORDINATION: Private Sector Development/Tom Foley - ()
Economic Development/Olin Wethington - (ok)
Ministry of Finance/Minister Al-Gailani - ()
Ministry of Trade/Minister Allawi - ()

UNCLASSIFIED



COALITION PROVISIONAL AUTHORITY
BAGHDAD

DRAFT

Tab A
Proposed Additional Changes in Company Law Text

Article 7, paragraph First, is amended to read as follows: The mixed company shall be formed by the agreement between one or more persons from the socialist sector and one or more persons from outside this sector. The socialist sector's share in the mixed company's capital must not initially be less than 25 percent. A mixed company may also be formed by two or more persons from the mixed sector. When the socialist sector's share falls below 25%, the company shall be treated as a private company, as provided in article 8, paragraph Second, point 2.

Article 8, paragraph Second, subparagraph 2 is amended to read as follows: Include the socialist sector in the private joint-stock company or limited liability company with a share of less than 25 percent of the capital.

Article 64, paragraph Second, is suspended.

Article 103 is amended to read as follows: The board of directors and its reserve members in the mixed joint-stock company shall be elected in the same manner as that of a private joint stock company.

Article 113 is amended to read as follows: The quorum shall be counted 30 minutes after the board has convened. It shall meet with the attendance of the majority of its members.

Article 114, paragraph Second, is suspended.

UNCLASSIFIED

∴ DIRECTOR GENERAL, RAJDAIN BANK
DIRECTOR GENERAL, RAJVED BANK

This note is to confirm that existing CPA policy with respect to mixed ownership companies is that they are to have unfettered access to their accounts. Any account of a mixed ownership company that has been frozen should be unfrozen with immediate effect.

(b)(6)

ADVISER
MINISTRY OF FINANCE
17/08/2003

For the Att. Of ^{(b)(6)} [Redacted] Interim Advisor to the MIM

I.O/S7
11.10.2003

Dear Sir,

SUB : Account of Mixed Companies

With Reference to the information mentioned in the letter addressed to you sent from Mr. Jackson Brad W. dated August, 30, 2003 , concerning the Accounts of the Mixed Companies .

I would like here, to inform you that the representatives of these companies checked the matter with Rafidain Bank as well as the Board of Directors in the Central Bank . The answer was that they are still haven't got any information about the matter . That means , the mixed companies are still not able to get benefit of their account to continue their activities. May be an official letter from your side to Central and Rafidain Bank could solve this subject.

Hoping to receive your reply at your earliest convenience.

With Regards



A handwritten signature in black ink, enclosed within an oval shape.

Muhammad Tawfiq Rahim
Minister of Industry & Minerals

C.C To Mr. Thomas Foley / Reference to item 2.of letter dated Sept., 3 , 2003.. With Regards

MR. TAIB KHADIM HASSAM

No of EMPLOYEES: 10,000 +

FORMER MINISTRY: MIN. OF ~~IND~~ INDUSTRY

SECTOR: 10-20 COMPANIES VARIOUS HOUSEHOLD DURABLES + CONSUMABLES

LOCATIONS: LARGELY IN BAGDAD BUT SCATTERED THROUGHOUT THE COUNTRY

OWNERSHIP: PRIVATE / GOVT 50-50% OR 49-51% MAJORITY <sup>10-30% GOVT. TO 90-70%
PRV</sup>

SALARIES / PAYMENTS: REFUSED BY MINISTRY OF INDUSTRY.

* NOT PART OF GOVT, SEE AS PRIVATE INDUSTRY *

ASSETS: SOME ACCOUNTS WERE CLEARED OUT BY DGS OR HOUSEHOLD FAMILY. MANY STILL HAVE FUNDS. ACCOUNTANTS HAVE STATEMENTS + PASSBOOKS.

EXPLAINED TO HIM:

- ① THE HOLD UP WITH PRIVATIZATION
- ② MEANS OF RATHERING CAPITAL: LOANS, FOREIGN INVESTMENT
- ③ SALARY ISSUE
- ④ DISCUSSED FROZEN ASSETS + HOW TO GAIN ACCESS TO "FROZEN" ACCOUNTS.

GAVE HIM INSTRUCTIONS TO:

- WRITE LETTER TO BANK ASKING FOR ACCESS TO CASH.
- COMPILE LIST OF COMPANIES, DGS, ACCOUNTANTS, ACCOUNT #S + BANK LIAISON
- IF NO ACCESS GRANTED, BRING LETTER, STATEMENT + LIST BACK TO NAEC-B.



Pass Request



Date: 25 August 2003

Name: Talib Khadim Hassam

Purpose: To visit HACCB ~~Finance~~ Econ/Comm

team: (b)(6) if possible.

See C.A.Q for details.

Requestor: (b)(6)

Khark CMOC