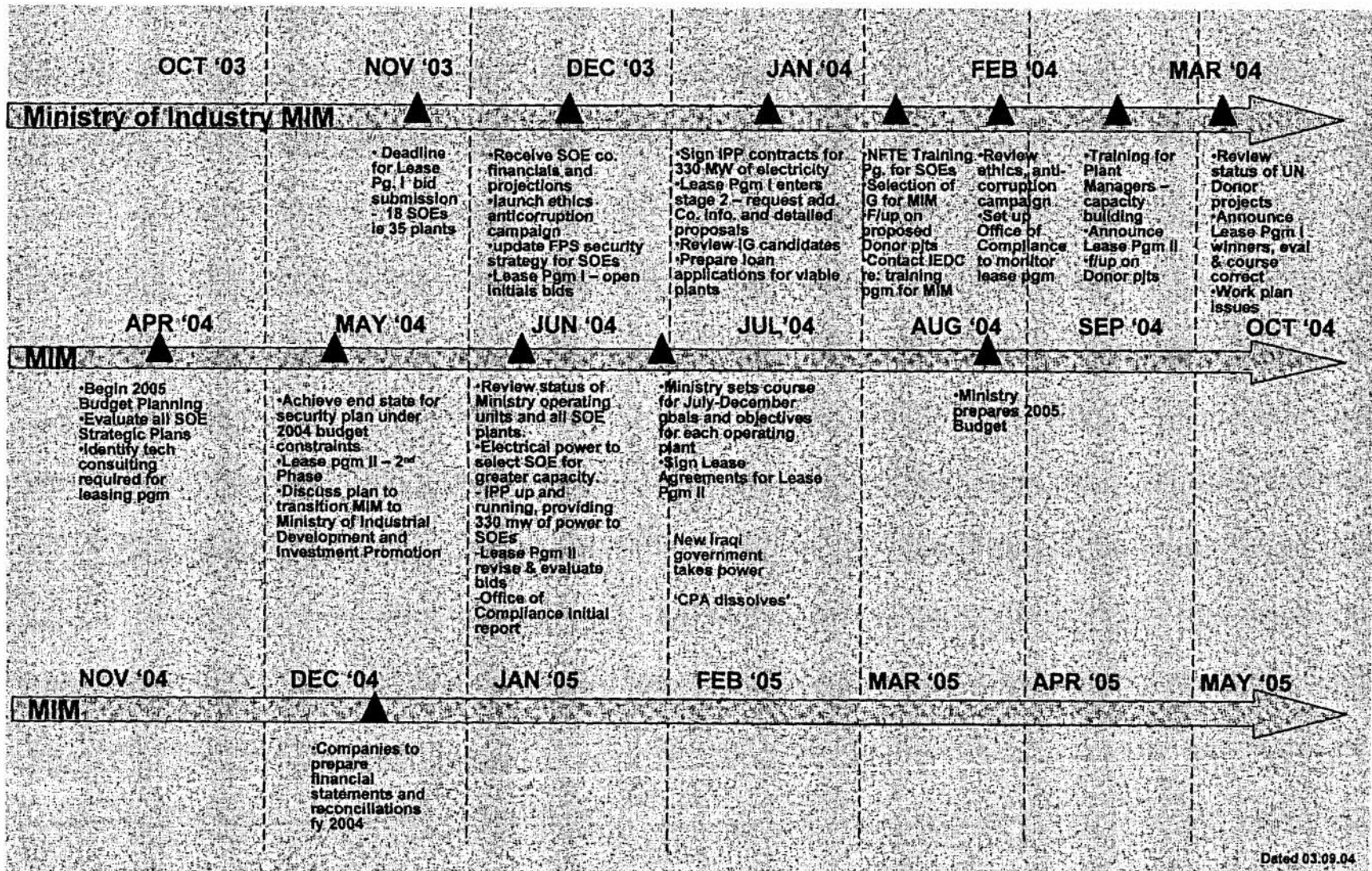
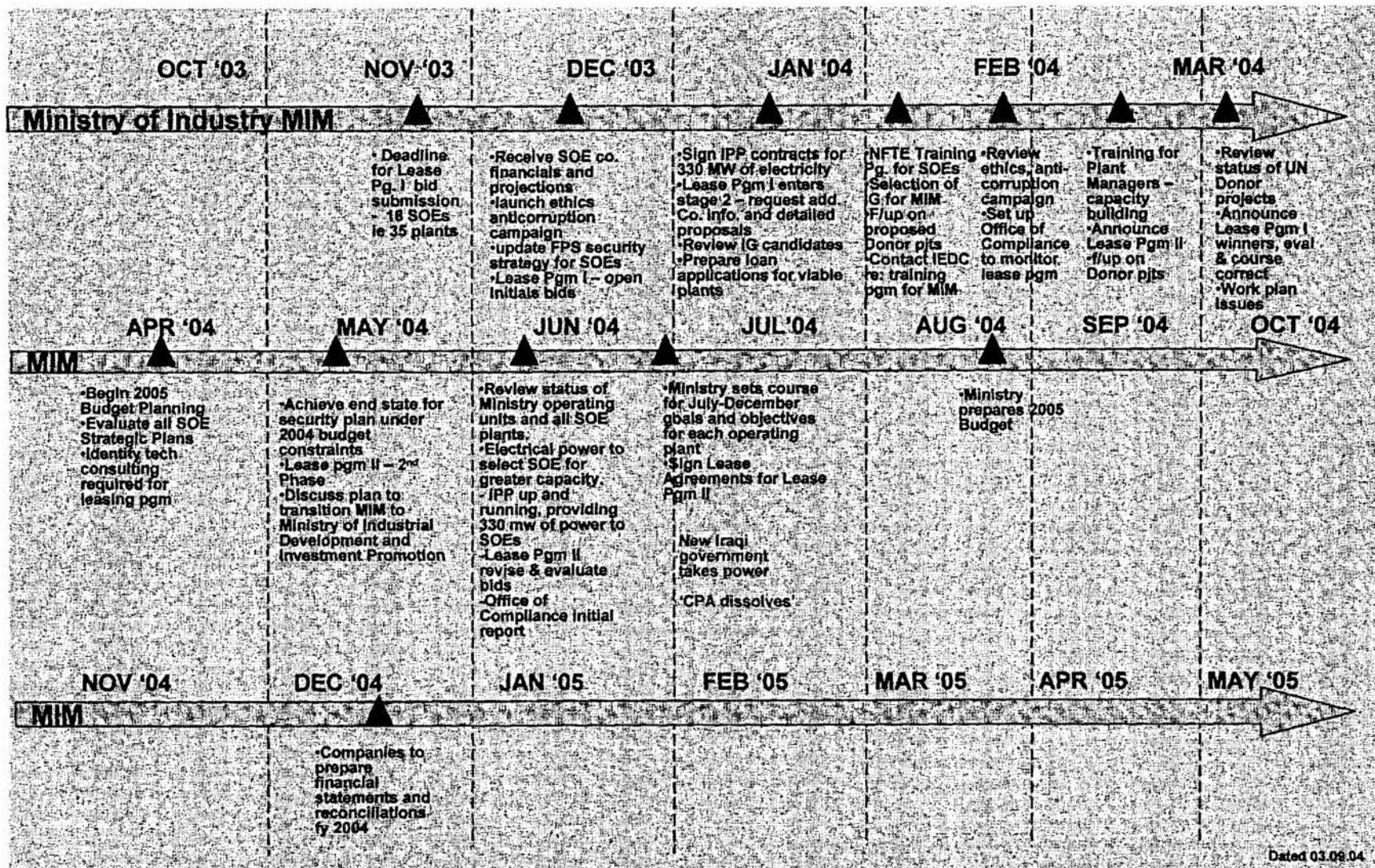


# Ministry of Industry and Minerals





# Ministry of Industry and Minerals





COALITION PROVISIONAL AUTHORITY  
BAGHDAD

March 15, 2004

FOR: Strategic Plan Objective Holders and Designated Representatives.  
FROM: Director Policy Planning and Analysis - (b)(6)  
SUBJECT: The CPA Strategic Plan - Planning and Reporting Process.

Introduction

1. Directors, Senior Advisors and CJTF-7 C-5 were advised by an Action Memo, dated 15 January 2004, of the Strategic Plan reporting process that would drive forward delivery of our priority objectives enabling the CPA and CJTF-7 executive leadership to better monitor and so manage progress. Since then the Strategic Plan has migrated to the Oracle database, some necessary modifications to the reporting process have been made and there has been a change-over of some of the personnel involved in planning & reporting. Unfortunately, these changes have led to a decline in familiarity with the correct reporting process, and consequently, I believe it timely to issue a reminder of the reporting requirements and the process to be followed, particularly as we are soon to enter the last quarter before TOA when progress monitoring of the Plan will be increasingly important.

Weekly Reporting

2. Weekly reporting is required to be done by Objective Holders, or their designated representatives, against the Tasks within the Strategic Plan. Every week each Strategic Plan Objective Holder (e.g. Governance, Strategic Communications) is to update the Strategic Plan database, providing:

- i) a status narrative entry against each Supporting Task. The narrative will cover a) whether progress is on schedule and b) any appropriate significant events (significant events may include those that occurred during the reporting period, and/or events that will occur that should be brought to the attention of management).
- ii) a color code at Supporting Task, Key Task and Objective level. (Unfortunately, since migration to the Oracle database, this function has been available only for Supporting Tasks; however, the system is being modified to allow Objective holders to make the complete selection. Completion of the work is expected by 18 March. In the meantime, please contact (b)(6) in OPFA to discuss allocation of color codes to Objectives and Key Tasks).

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3. The information required is to be collated during the week and input by Objective Holders or their designated representative directly to the Strategic Plan by latest 1800hrs every Thursday. The Strategic Plan inputs will be reviewed by OPPA on Friday. A further Review Meeting will be held Friday at 1430hrs to validate the inputs.<sup>1</sup>

4. On the basis of the inputs, a Strategic Plan Status Check will be drafted by OPPA and briefed to the Executive Board on Sunday. The Status Check will provide an overall synopsis of significant activity by Core Foundation and also highlight those significant tasks that are Red or Amber. Also, the Executive Board briefing will focus on CPO ministries and COO, respectively, on alternate weeks. Prior to each meeting OPPA and the Executive Board will determine on which Ministry to focus. This will enable the Executive Board to focus upon areas where there are problems with the implementation of the Plan.

Monthly Reporting

5. During the last week of each month OPPA will collate changes to the Plan and produce an updated hard copy Strategic Plan for Ambassador Bremer for the forthcoming month. The updated copy will be issued with a covering memo detailing key changes to the Plan in the preceding month and likely areas of risk. Consequently, Objective Holders are to ensure that any agreed updates to the Plan itself as well as updates to status narratives for that week are completed by 1800hrs on the last Thursday of each month at the latest.

Conclusion

6. The combination of the existing daily reports to COO and CPO and the process of regular updates to the Strategic Plan will provide a wealth of material from which reports can be extracted at varying levels of granularity. In addition to the overviews for the Executive Board, IMU will be able to produce narrative reports for customers in Washington. CPO, COO and CJTF-7 (C-9) will also have access to the data they need to conduct more detailed analysis of developments in particular areas of concern. The OPPA PoC for help with access to the Strategic Plan is (b)(6)

Action

7. As we work towards the 30 Jun deadline we have a good overall plan. In order to improve implementing plans, synchronize our efforts, focus on problem areas and report our progress to the world, we must report progress on our objectives, key tasks and supporting tasks on a weekly basis. Each ministry and Strategic Plan Objective Holder must engage to track and report on the plan. The next weekly update to Status Narratives is due by 1800hrs on Thursday 18 March 2004 and then each Thursday thereafter. For the monthly update of the Plan for Amb Bremer, Objective holders or their designated representatives should ensure updates (if applicable) are completed by 1800hrs on the last Thursday in each month. The table overleaf provides a ready reference:

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<sup>1</sup> Comprising: OPPA, IMU, Working Group leaders, COO & CPO.

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Weekly updates to Status Narratives are due to be input by latest:	1800hrs each Thursday
Monthly updates to the Plan itself (if applicable) should be completed by latest:	a. 1800hrs Thurs 25 Mar 04. b. 1800hrs Thurs 29 April 04. c. 1800hrs Thurs 27 May 04.

(PoC if difficulties are experienced is

(b)(6)

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# **The Ministry of Industry and Minerals Status of State Owned Enterprises**

**Operational Status  
and Issues**

**6 January 2004**

---

# Ministry of Industry and Minerals

## Ministry of Industry and Minerals SOE Facilities

### State Owned Enterprise Facilities

#### Immediate Needs for Operating (as of 1 December 2003)

Operating Level	# of facilities	# of employees	Needs electricity	Needs Natural gas	Needs repairs from looting	Needs cash	Needs other
Substantial (60 - 100%)	10	4,768	2	0	0	4	7
Partial (30 - 60%)	39	27,135	22	0	4	24	15
Minimal (1-30%)	43	29,320	29	0	3	39	15
Shutdown 0%	70	46,208	25	4	20	47	29
Total	162	107,431	78	4	27	114	66



# MIM SOE Reemployment Challenges and Milestones

- April – All bank accounts frozen
  - May
    - Last priority for electricity allocation
    - No priority for coalition security
  - June
    - All public debts (only) forgiven – No positive working capital
    - First round of management firing
    - Proposed USAID Capital Fund withdrawn
    - Viability assessment of SOE initiated
  - July
    - Electricity allocation policy retains allocation status quo
    - 2003 Budget allocation from Ministry of Finance provides 45% of operational requirements
    - Viability assessment completed
  - August –
    - All private debts (prior to 9 April) now an obligation of the Treasury
    - Interim Minister announced
    - Reorganized under Private Sector Development
    - Fifty percent (50%) of operational funding released
  - September
    - Second round of management firing
    - MIM SOE obtain 180 MW of electricity
    - MIM FPS achieves 1,500 guards
-

# MIM SOE Reemployment Challenges and Milestones

- October
  - MIM SOE obtain 230 MW from the grid
  - MIM initiates IPP tender
  - MOE obtains 4,000 MW peak status and initiate maintenance program
  - MIM FPS campaign operational (2,500 guards)
- November
  - Ramadan reallocates electricity away from industry
  - MIM FPS (3,500 guards)
  - MIM initiates lease program announcement
- December
  - MIM FPS (4,500 guards)
  - MIM falls back to 180 MW
- January
  - Second 50% grant allocation disbursed
  - MIM receiving little electricity (Cement Companies receiving as little as 5MW vice 25 MW)

# MIM SOE Reemployment Challenges

- Liquidity problems and undercapitalization
  - Electricity
  - Customer demand
  - Capital expenditure budgeting
  - Security
  - Capacity
  - Freedom to conduct business
    - Many SOE lack incentives due to policy
    - Lack clear guidance on how to proceed
  - Unclear what the starting balance sheet is due to:
    - Current inventory and fixed assets changes daily with looting and security issues
    - Historical financials difficult to obtain
    - One time accounting adjustments for war not determined yet
-



# CPA MIM SOE Forward Strategy

To address

- Liquidity problems and undercapitalization
  - 2003 grant allocation (\$130 million required - <\$60 million received) – last 50% distributed in January 2004
  - SOE loan program issues:
    - Lack of professional due diligence standards from Iraqi accountants
    - KPMG product disappointing
    - TAGI (Najaf Tire) to loan review in mid January
  - Operational budget for 2004 not articulated clearly
    - Clear guidance required on “Support to SOE” pot
    - MIM has clear vision on how to proceed for 2004:
      - Limit salary subsidy to firms that need it (3,6,9 and 12 month options) and allow MIM to reallocate balance
        - » Operations, capital expenditures etc.
        - » Army rent proceeds
        - » Fund reclassified SOE to Agency status (Industrial Promotion, Geological Survey, etc.) with operating budget
        - » Offer a voluntary severance package
        - » Pay private sector creditors (\$100 million outstanding): Cement Factory \$6 million; Rubber Company over 3 year A/P
      - Limit MIM salary schedule to 2003 wage level and use new salary schedule to provide a “production bonus” vice “profit bonus”
      - Use proceeds from monetized assets and profits to rebuild where feasible and establish a development fund

# CPA MIM SOE Forward Strategy

To address

- Electricity
  - Delivered 11MW of small generating capacity to SOE
  - Independent Power Producers
    - Program benefits
      - Private sector investors (\$560 million investment) assume risk – deliver electricity to factories on a KWh price.
      - Delivering 330 MW of power in 9 locations (10% of grid)
      - Begins price liberalization of the energy sector – by default
    - Program issues
      - Bank guarantee (from Trade Bank)
      - Memorandum 4 (applicable?)
      - Purchase of excess electricity (MOE committed - issue is source of funds)
    - Project issues
      - CPA MoE expressing interest to dovetail on project
- Customer Demand
  - Obtained upward of \$7 million in contracts for NIA
  - Attempting to secure interest with MoE
  - Issue of bidding on USAID/Bechtel Contracts directly (can become a sub)

# CPA MIM SOE Forward Strategy

To address:

- Capital Expenditure Budget
  - Non existent other than loan
    - Banking standards are 10-30% equity in a loan deal
    - Many viable companies can not provide amount (Petro-chemical firms still not operating due to lack of gas pressure and electricity)
  - Need for operating budget with CAPEX for select firms
  - May need to revisit policy preventing the rebuilding of destroyed firms
- Security
  - MIM "Train the Trainer" FPS (from improvised force to organized force)
  - Routine issues with Coalition forces to resolve given MIM footprint
- Capacity Development
  - Management Capacity
    - NFTE training (entrepreneurship 101)
  - Organizational Capacity
    - Establishing "Lease Arrangements" for the non strategic industries
      - Eighteen (18) in first round... fifty three (53) proposals
    - Reviewing "Management Contracts" and other arrangements
    - Developing Business Plans
      - Operational plan for 2004
      - Funding request
      - Iraqi Accounting and Management Consulting firms engaged
      - Basis for loan program
    - Establish financial reporting capacity – teach them how to manage cash
      - World Bank/IMF training must incorporate Ministry and SOE



# CPA MIM SOE Forward Strategy

To address:

- Freedom to Conduct Business
    - No incentive to operate like a business
      - 95% of profits go up to Ministry of Finance
        - Could create a “cash crunch” for firms as they repay debt schedule and attempt to operate
        - Risk preventing some from pursuing loans
      - Workers paid the same regardless of productivity
    - Lack clear guidance on how to proceed
      - Issue is management reluctance to act and assume responsibility
  - Lack of Clarity on Starting Balance Sheet
    - Supreme Board of Auditors need to make a ruling on accounting adjustments from war and CPA policy
    - Nation wide adjustment required toward GAAP accounting principles
-

# CPA MIM SOE

## Conclusion

Each Ministry needs to manage its own SOE in a status quo – non privatized environment

Need to review each SOE on an independent basis for continuing support – no all encompassing approach will work

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# **The Ministry of Industry and Minerals**

**101<sup>st</sup> Air Assault Division**  
**27 October 2003**

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# Ministry of Industry and Minerals

## Agenda

- CPA MIM Team
  - MIM Introduction
  - Where we've come from
  - Where we are
  - Where we want to go
  - Azimuth and direction
-

# Ministry of Industry and Minerals

## CPA MIM Team

- Rick Ortiz – Senior Advisor, Commercial Attaché, Department of Commerce
  - LTC Brad Jackson – Deputy Advisor, Executive Director/CEO, Industrial Development Agency/Local Development Corporation; ASI 6C Economist
  - MAJ Terry McCall – Advisor, Attorney
  - SPC Glenn Corliss – Advisor, Financial Analyst, Leveraged Buyout Firm/Bank One
  - IRDC
    - Dr. Shakir Al-Zaidi - Founder and CEO of Specialty Chemical Manufacturer in England
    - Garabed Sahakian – Geologist, Pacific Gas and Electricity
    - Faisal Murad – Civil Engineer, Municipality of London
    - Dr. Adnan Hamoudi – Geologist, Professor Algiers University
-

# Ministry of Industry and Minerals (MIM) Dual Mission

- Performing as a holding company for State Owned Enterprises
- Performing as a government agency responsible for industrial and mineral development.

The former is short-term in nature... the later is long term in nature.

The former was key to a Socialist path the later is critical to a market economy

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# Ministry of Industry and Minerals (MIM) SOE Introduction

- Seven Sectors
  - Food
  - Chemical/Fertilizer/Petrochemical
  - Construction
  - Engineering
  - Service
  - Pharmaceutical
  - Textile
- Each sector has strong and weak companies
- Represent 100,000 employees
- A \$1.2 Billion operating company

# MIM SOE Challenges

- Pre 2003 Setbacks – similar to Russian and CIS countries
    - Decades of Socialist thinking and poor management
    - Aged and neglected property and equipment
    - Closed Market – minimal export or import opportunity
  - 2003 War Setbacks – these are unique to Iraq
    - Extensive damage to property and equipment
    - Loss of Inventory
    - Complete loss of payment terms on raw materials purchases
    - 6 months of production lost
    - All cash in bank accounts frozen
    - All customers facing the same massive trauma
    - Much of the top management fired
-

# MIM SOE Reemployment Challenges

- April – All bank accounts frozen
  - May
    - Last priority for electricity allocation
    - No priority for coalition security
  - June
    - All public debts forgiven – No positive working capital
    - First round of management firing
    - Proposed USAID Capital Fund withdrawn
  - July
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    - 2003 Budget allocation from Ministry of Finance provides 45% of operational requirements
  - August –
    - Interim Minister announced
    - Reorganized under Private Sector Development
  - September – Second round of management firing
-

# MIM SOE Reemployment Challenges

- Liquidity problems and undercapitalization
- Electricity
- Customer demand
- Capital expenditure budgeting
- Security
- Raw materials
- Freedom to conduct business
  - Many SOE lack incentive to make money due to CPA policy
  - Lack the freedom to operate
  - Lack clear guidance on how to proceed
- Unclear what the starting balance sheet is due to:
  - Current inventory and fixed assets changes daily with looting and security issues
  - Historical financials difficult to obtain
  - One time accounting adjustments for war not determined yet





# CPA MIM SOE Reemployment Issues

- Operating companies only with no experience in buying and selling in the open market
- Labor-Management relations
- Looting continues – largely from within
- Extent to which dependent on subsidies not appreciated by current management
  - Oil for Food MOU
- Existing operating machinery and equipment largely cannibalized
- Real Estate more valuable than the operating company
- Growing disgust at what they don't know or don't disclose
  - Assets which can be monetized
  - Failure to provide financials
- Conclusion **“These companies will not get better with time”**
  - (In their current configuration)

# CPA MIM SOE Policy Successes

- Influenced the Ministry of Finance to make “one-off” exceptions for otherwise viable Companies particularly hurt by the debt cancellation policy.
- Set \$60 million operating budget for MIM SOEs
- Successfully argued for front-loaded distribution of \$60 million to “prime the industrial pump” and get the businesses back up and running ASAP
- Successfully argued for transition consulting fund for SOEs. Received \$2.75 million
- Successfully influenced an electricity distribution policy that includes industry
- Successfully influenced Ministry of Finance to provide debt financing.
- Successfully influenced the “freedom to conduct business” guidelines – Promulgated in Bremer’s 6 September
  - Firm’s have the authority to hire and fire
  - Firm’s have the authority to set prices

*dranch*

# CPA MIM SOE Forward Strategy

To address

- Capacity
    - Developing Business Plans
      - Operational plan for 2004
      - Funding request
    - Pan Arabic Accounting and Management Consulting firm engaged
      - Establish financial reporting capacity – teach them how to manage cash
  - Liquidity
    - SOE Loan Program
    - 2004 Budget allocation
  - Electricity
    - Independent Power Producers
      - Assume risk – deliver electricity to factories on a Kwh price
      - Delivering 330 MW of power in 9 locations ✓
        - 35 MW Sinjar
        - 55 MW Badoosh
  - Security
    - MIM “Train the Trainer” FPS (from improvised force to organized force)
-

# MSC Support to SOE

MSC can assist the MIM with the following:

- Begin capacity development by assisting with the operational component of the business plan
  - We will need to work together on the operational outcome
- Support your local DG
  - In Labor-Management disputes
  - In local government vs. SOE disputes
  - In security considerations – Winter Campaign!
- Support the CPA objective to “corporatize” the SOE
  - Cash constraints require we maximize profits
- Support market solutions
  - Allow the firm freedom to conduct business – local government support a Laissez faire approach with SOE
  - High Market Prices now mean lower prices and higher quantity later



# MSC Support to Factory

## Market Values

- Self Interest
  - Invisible hand
- Economic Individualism
  - Absence of intervention
  - Laissez-Faire
- Markets
  - Price System “Impersonal”
- Private Property
  - Provides Incentive
  - Influences distribution of wealth
  - High degree of exchange

## Army Values

- Communal Interest
  - Maintain standards
- Command and Control
  - C4I
  - Planning
- Command Climate
  - “Caring Leadership”
- Government Property
  - Requires “duty”
  - High maintenance
  - Requisition and issue

## Supporting Market Solutions

Requires you to operate outside of your comfort zone

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3. At present, it appears that these functions are not being fully implemented in the Ministry of Industry and Minerals, nor in any other ministry (though the Ministry of Planning is giving some attention to long term development). It seems that about 95% of the work of the Ministry of Industry and Minerals is devoted to supervising, directing and problem-solving for the SOEs.
4. Hence it is proposed that there should be a fundamental re-direction of the Ministry of Industry and Minerals :
  - away from being a holding company for SOEs, and towards being an industrial development and regulatory agency
  - away from the operational management of companies, and towards the policy management for industrial sectors
  - away from developing and protecting state enterprises, and towards promoting the private sector
  - But, in the short term, it will be unavoidable to continue some of the traditional operations of the Ministry, though in this respect it is proposed that there should be a fundamental shift away from direct control by the Ministry over the company managers, to indirect control by the Ministry through the boards of directors with a performance contract between the board (represented by the chairman of the board) and the Ministry.
5. Accordingly, the proposed new structure for consideration by the Minister contains the following main divisions and modules. A 'modular' organisational structure is deliberately suggested so that each organisational 'module' could be moved around from one division to another division of the Ministry, or transferred out of the Ministry of Industry and Minerals and into another agency, or another module could be transferred from another Ministry into the Ministry of Industry and Minerals.

This proposed restructuring will require some redirection and also retraining of staff. In particular, those staff in the Ministry who have previously concentrated on controlling the SOEs will need to refocus on managing industrial market sectors, covering both the private and the state-owned factories in the sector. Also, and most important, the delegation of control over the SOEs away from the ministry to the boards of directors will need a special corporate governance training programme for all directors.

The proposed Ministry organisational structure will consist of :

**The Minister's Office**

- Personal Staff
- Inspector General (and Intl Audit)
- Central Staff Directorate
  - Strategic Planning and Statistics
  - I.T.
  - Security
  - Finance
  - Personnel
  - Public Relations
  - Legal Adviser

**Industrial Advisory Council**

- Minister of Industry (Chair)
- Ministry of Trade Rep.
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- others



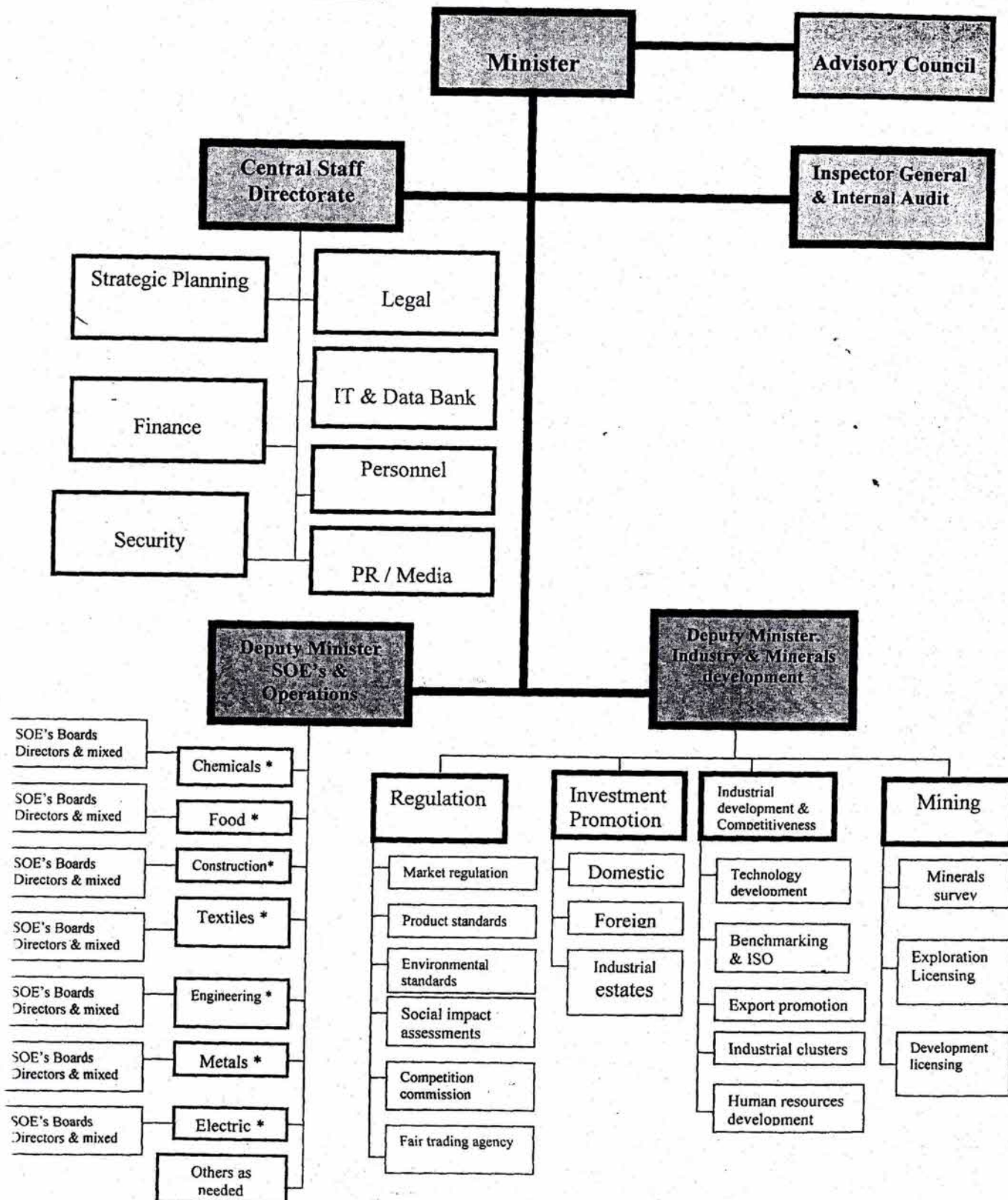
### **Deputy Minister for Industrial and Minerals Development**

- Regulatory Directorate
  - Market Regulation
  - Product Standards
  - Environmental Standards
  - Social Impact Assessment
  - Competition Commission
  - Fair Trading Agency
- Investment Promotion Directorate
  - Domestic (portfolio/direct)
  - Foreign (portfolio/direct)
  - Industrial estates
- Competitiveness Directorate
  - Technology Development
  - ISO
  - Benchmarking
  - Export promotion
  - Industrial Clusters
- Minerals Directorate
  - Minerals Survey
  - Exploration Licensing
  - Development Licensing

### **Deputy Minister for State Enterprises**

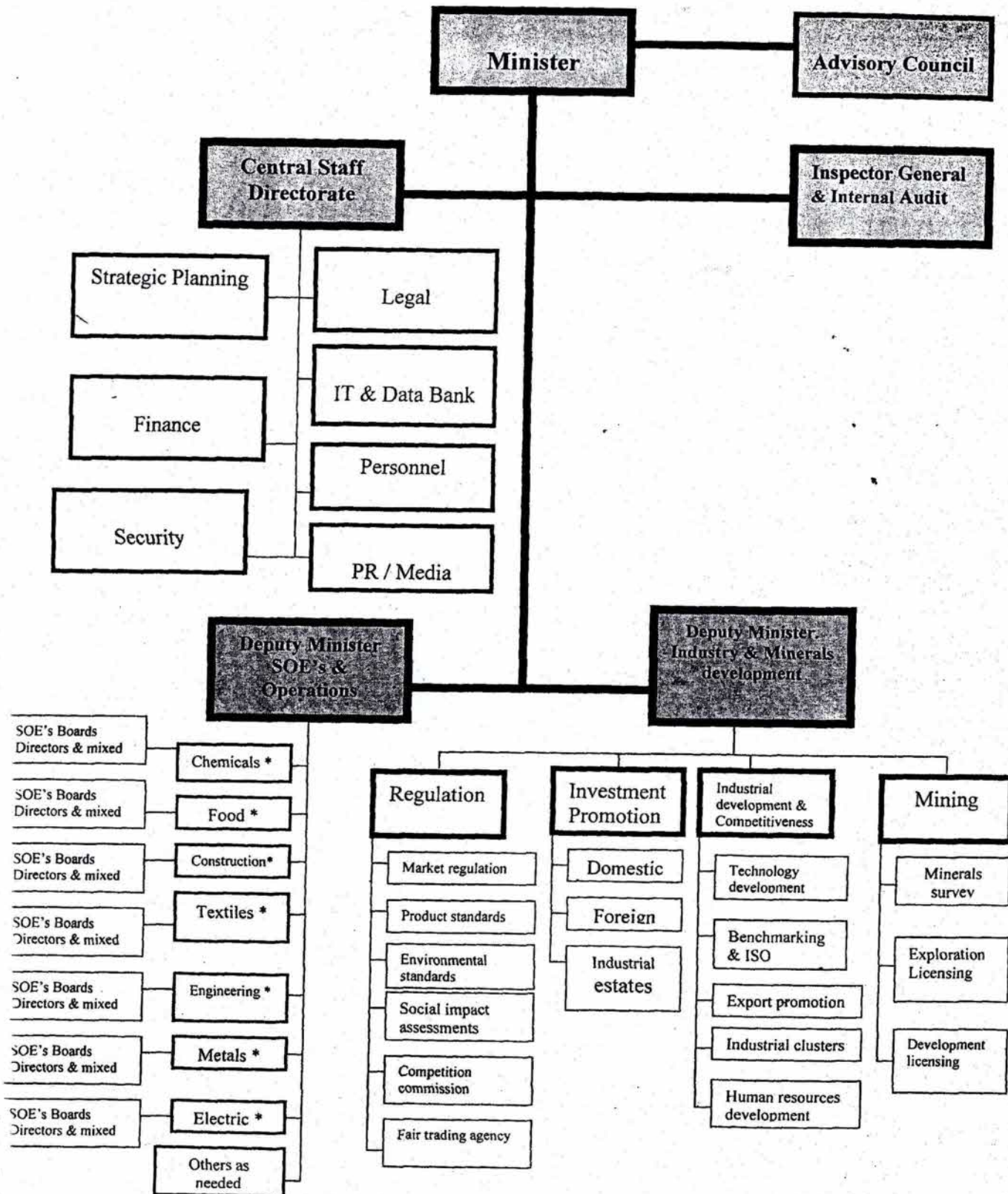
- Sectoral Directorates
  - Chemicals
  - Food and Agro-Industries
  - Building Materials
  - Textiles
  - Engineering
  - Metals
  - Electrical
  - Transport
- Boards of Directors of each SOE



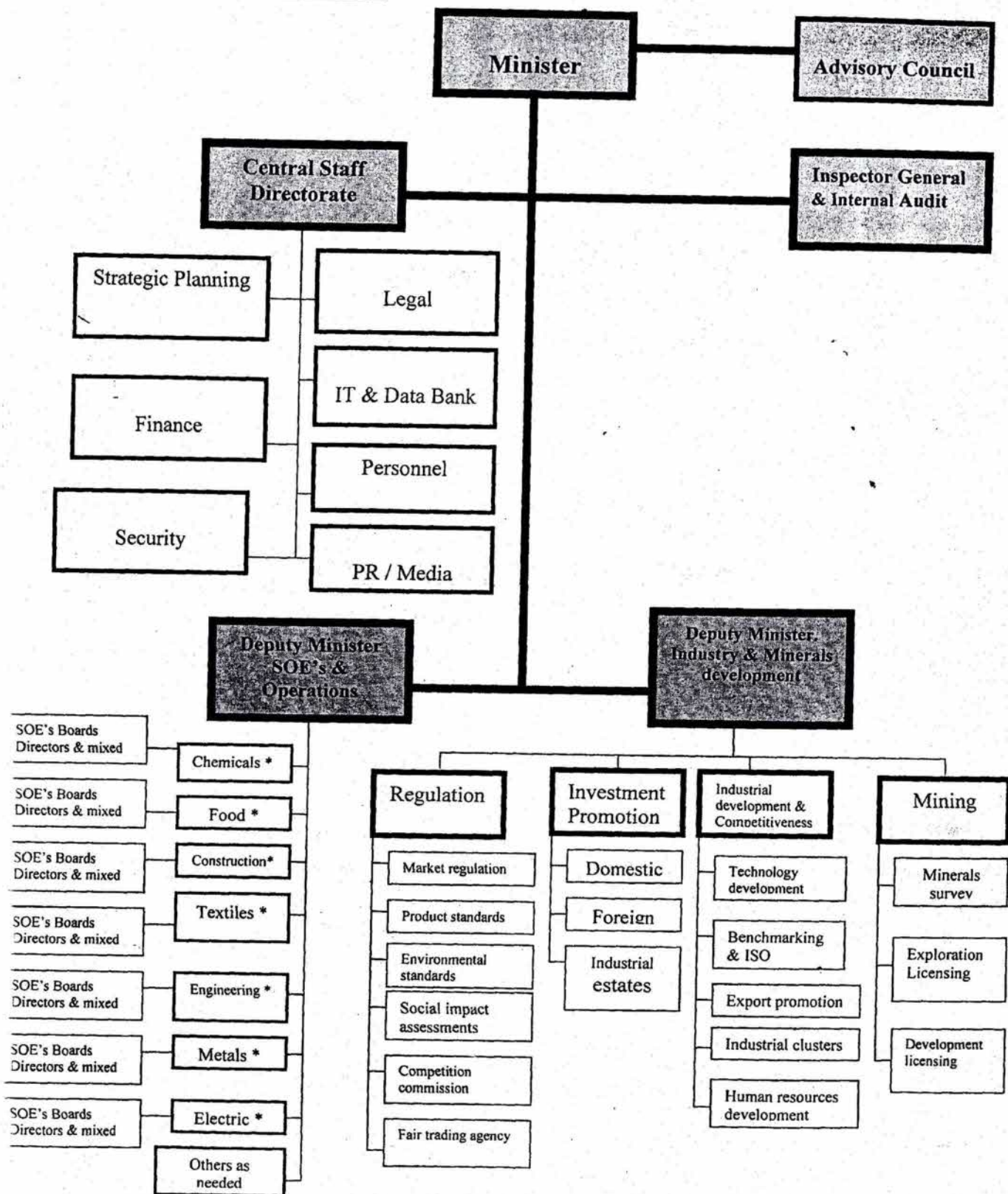


\* SIC Classification



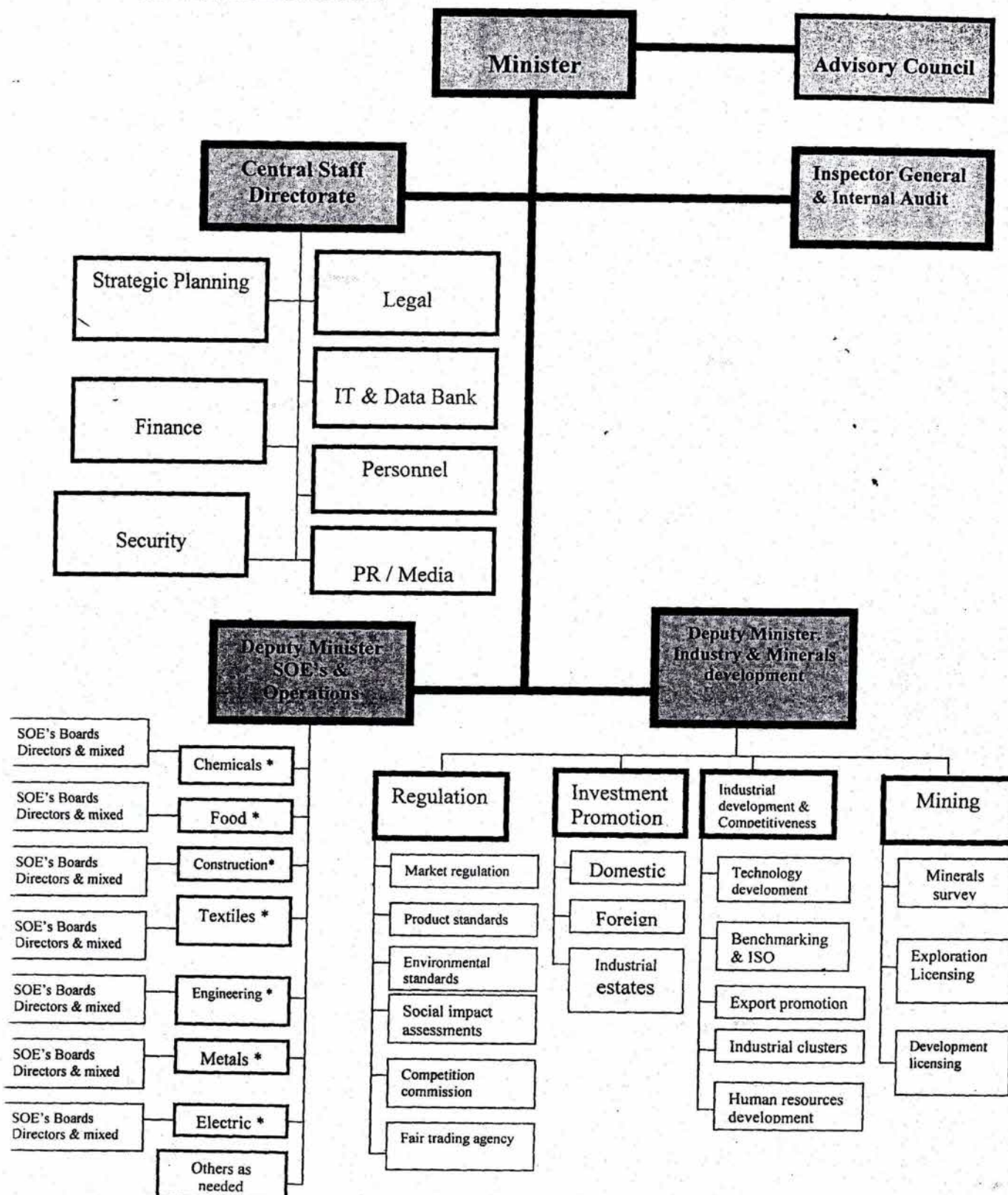


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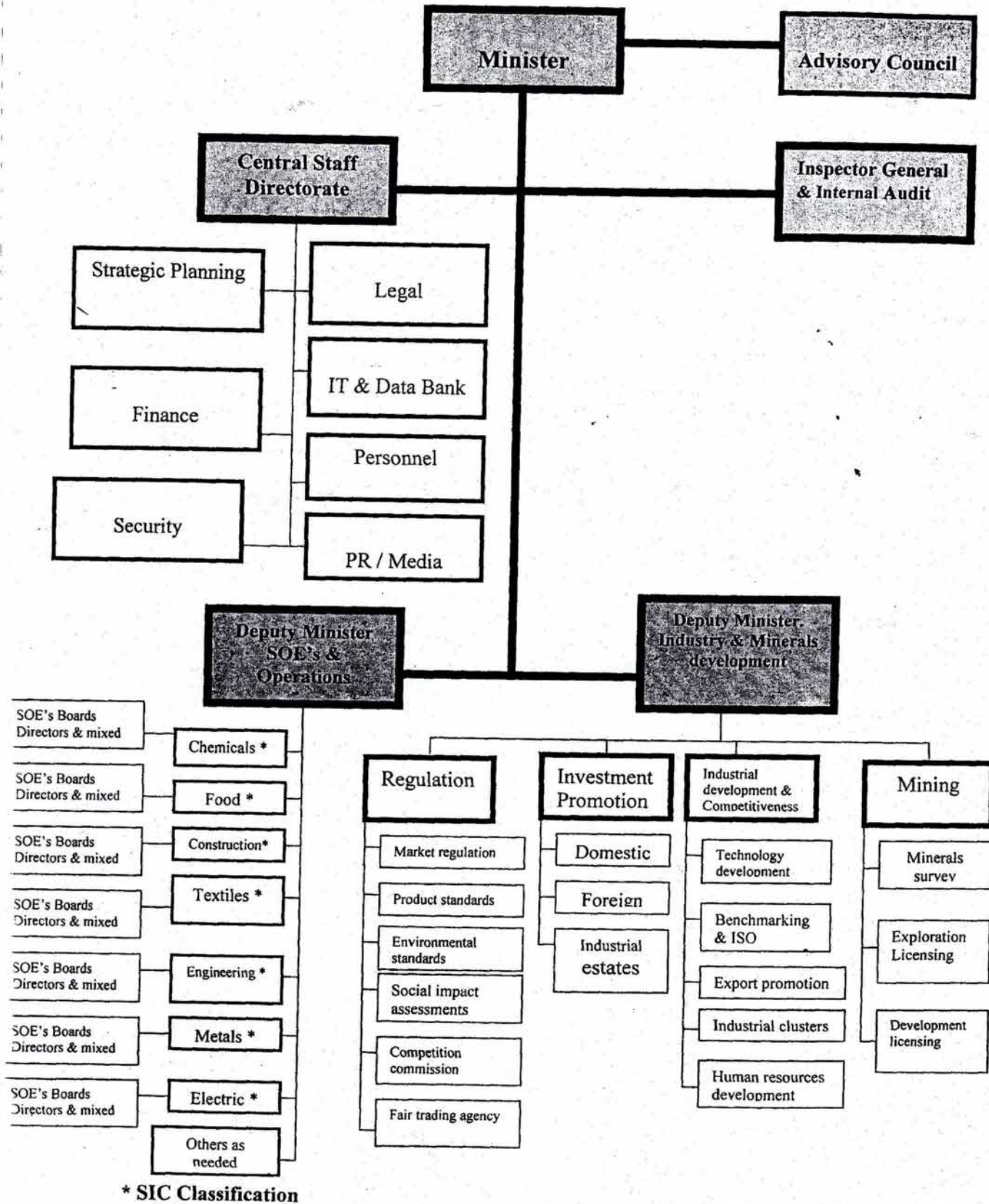


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**PROPOSED RE-ORGANISATION  
OF  
MINISTRY OF INDUSTRY AND MINERALS**

**For Discussion**

1. The proposed re-organisation is directed by the strategic functions of the Ministry, based on a Function Review.

The Function Review forms an analytical process which works through a series of simple questions to help identify the needs for various types of organisational forms.

The most important element of the Function Review is that it ensures that the organisation structure is driven by the strategic function of the Ministry, not the other way round.

The key questions in the Function Review are :

- 1) What are the essential functions which must be done to promote the industrial and minerals development of Iraq ?
- 2) Who is carrying out these functions now ?
- 3) How are they carrying out these functions – well or badly ?
- 4) Why are these particular agencies or people carrying out these functions ?
- 5) Is there anyone else who would be able to do the job better (including the private sector) ?
- 6) What are the current main operations of the Ministry of Industry and Minerals ? Do these fit in with the essential functions which are needed ?
- 7) Is the Ministry carrying out the right functions at the right time in the right place with the right people at the right cost and with the right results ?

These are simple questions, but they are invariably not so simple to answer.

2. The essential functions which must be done to promote the industrial and minerals development of Iraq are outlined in the Draft Green Paper and are suggested to be :
  - a) Long term strategic policy formulation for industrial and minerals development
  - b) Promotion of the competitiveness of national industry and mining
  - c) Regulation of the industrial and minerals sectors, especially through ensuring free and fair market competition, proper standards for the protection of public interests, and self-regulation
  - d) Promotion of both national and foreign direct and indirect investment in industry and mining
  - e) In the short and medium term, the restructuring and privatisation of the Ministry's SOEs
  - f) In the immediate term, the restart of the state and private industrial and mining companies to provide critical supplies for reconstruction, cover all or part of the costs of the salaries, and activate the economy through the industrial supply chain.

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3. At present, it appears that these functions are not being implemented at all in the Ministry of Industry and Minerals, nor in any other ministry (though the Ministry of Planning is giving some attention to long term development). Hence the main issue is not so much whether these functions are being performed well or badly but whether they are being done at all, and why the ministries are not carrying out these functions. It seems that the main operations (about 95% of the work) of the Ministry of Industry and Minerals are devoted to supervising, directing and problem-solving for the SOEs.
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  - Public Relations
  - Legal Adviser

**Industrial Advisory Council**

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#### **Deputy Minister for Industrial and Minerals Development**

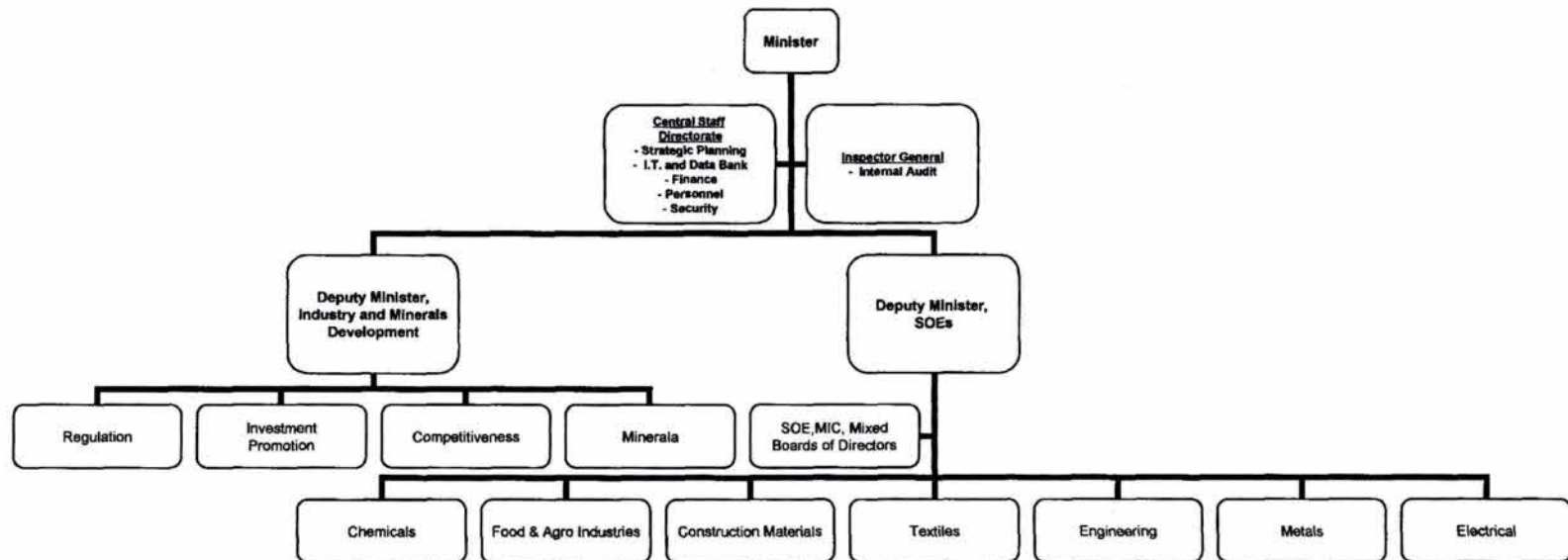
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  - Market Regulation
  - Product Standards
  - Environmental Standards
  - Social Impact Assessment
  - Competition Commission
  - Fair Trading Agency
- Investment Promotion Directorate
  - Domestic (portfolio/direct)
  - Foreign (portfolio/direct)
  - Industrial estates
- Competitiveness Directorate
  - Technology Development
  - ISO
  - Benchmarking
  - Export promotion
  - Industrial Clusters
- Minerals Directorate
  - Minerals Survey
  - Exploration Licensing
  - Development Licensing

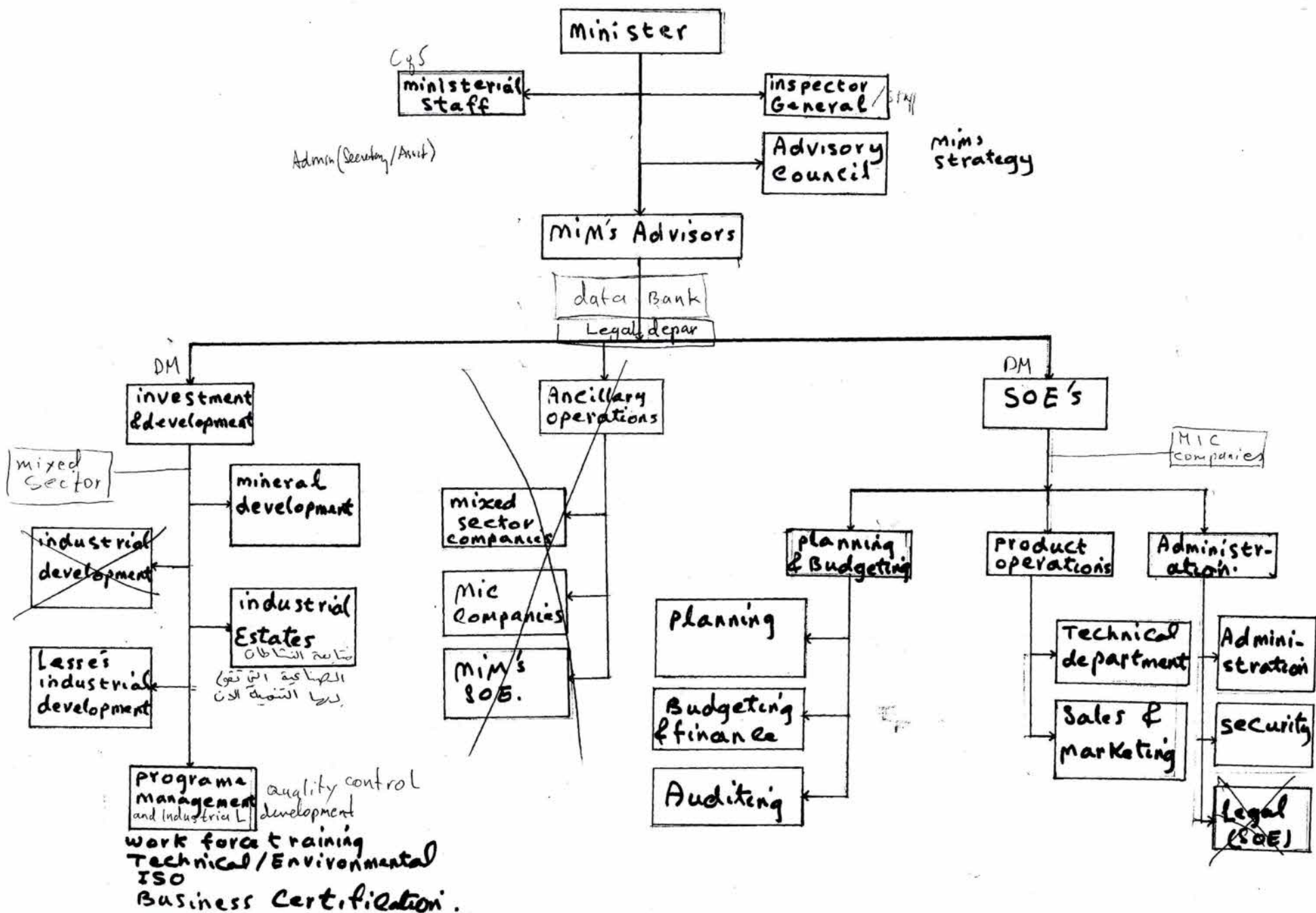
#### **Deputy Minister for State Enterprises**

- Sectoral Directorates
  - Chemicals
  - Food and Agro-Industries
  - Building Materials
  - Textiles
  - Engineering
  - Metals
  - Electrical
  - Transport
- Boards of Directors of each SOE

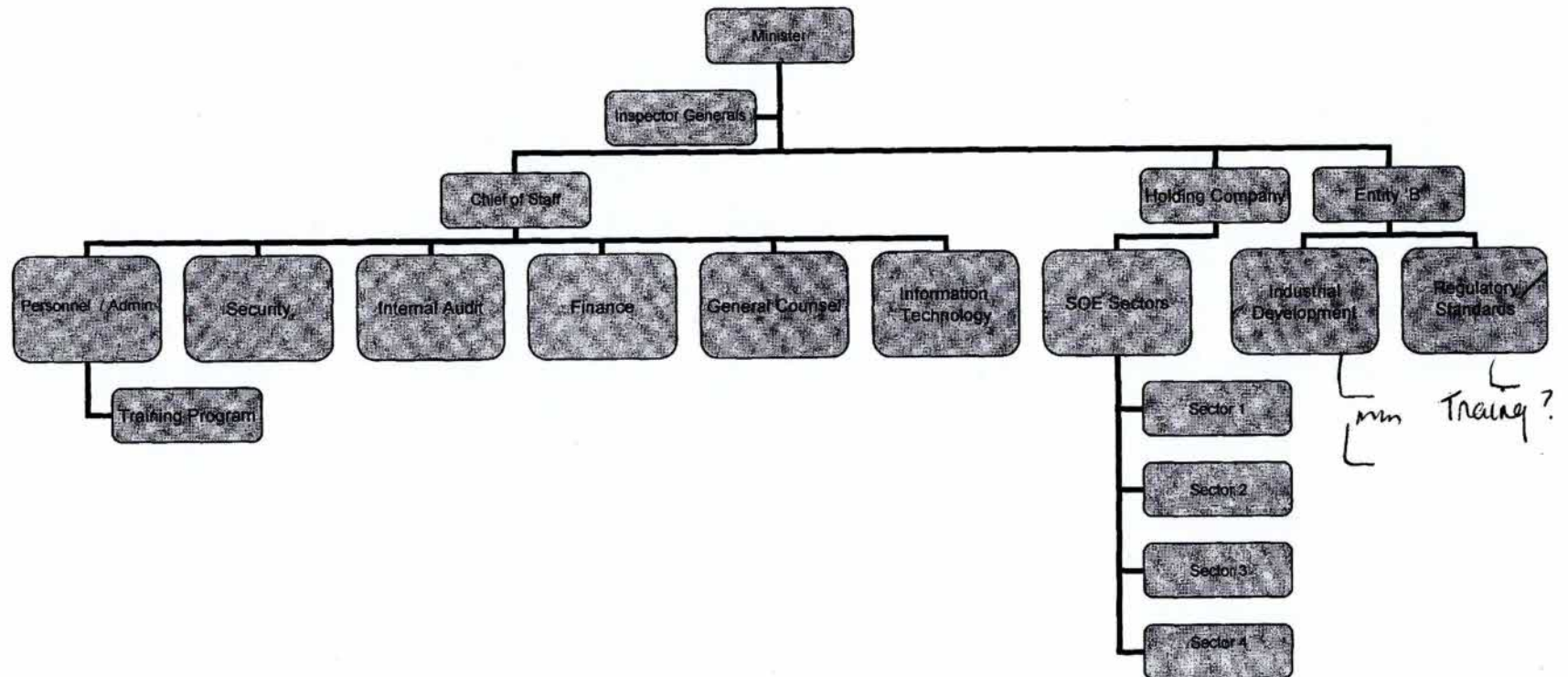


# Ministry of Industry and Minerals





# Ministry of Industry and Minerals



14 April 2004

*Leanyant.*

(b)(6)

---

**From:** (b)(6)  
**Sent:** Sunday, February 08, 2004 9:20 AM  
**To:** (b)(6)  
**Subject:** FW: Access to the Strategic Plan database

-----Original Message-----

**From:** (b)(6)  
**Sent:** Sunday, February 08, 2004 9:18 AM  
**To:** (b)(6)  
**Subject:** FW: Access to the Strategic Plan database

This should get you to the plans.

(b)(6)

CPA Office of Policy Planning and Analysis  
Palace M239

(b)(6)

-----Original Message-----

**From:** (b)(6)  
**Sent:** Wednesday, November 19, 2003 11:56 AM  
**To:** (b)(6); Agresto, John T. (SES); Alhakim, Mohamed; Arsht, Leslye A. (SES); Castle, Edwin S. (SES-2 General Counsel); Evers, Williamson M. (SES); Fatfat, Mounzer R. (SES); (b)(6)

(b)(6)

(b)(6); Johnson, Susan R. (SES); (b)(6)  
McKee, Robert E. (SES); (b)(6)

(b)(6)

(b)(6); Trent Darrell (SES-6)

(b)(6); (GBR); Crane, Keith W. (SES); (b)(6)

(b)(6)

**Subject:** Access to the Strategic Plan database

Please see attached to skeleton Milestone slide for Ministries and the path to the Strategic Plan Access Database.

The path to the plan on the CPA Public Folder is:

'right click' on **My Computer** and 'left click' **Explore**

then left click in turn on:

- My Network Places
- Entire Network
- Microsoft Windows Network
- Orha
- Fserv2

2/17/2004



Public

**To read:** Open 'CPA Strategic Plan as of 1 Nov (read only)' folder and select 'Feb 3 Strategic Plan'

**To edit:** Open 'CPA Strategic Plan (Write)' folder and select '8 Feb Strategic Plan' (it is the only one)

If you or your staff require write access – please contact me – thank you

(b)(6)

Wing Commander (OF-5)  
HQ CPA Rm M239

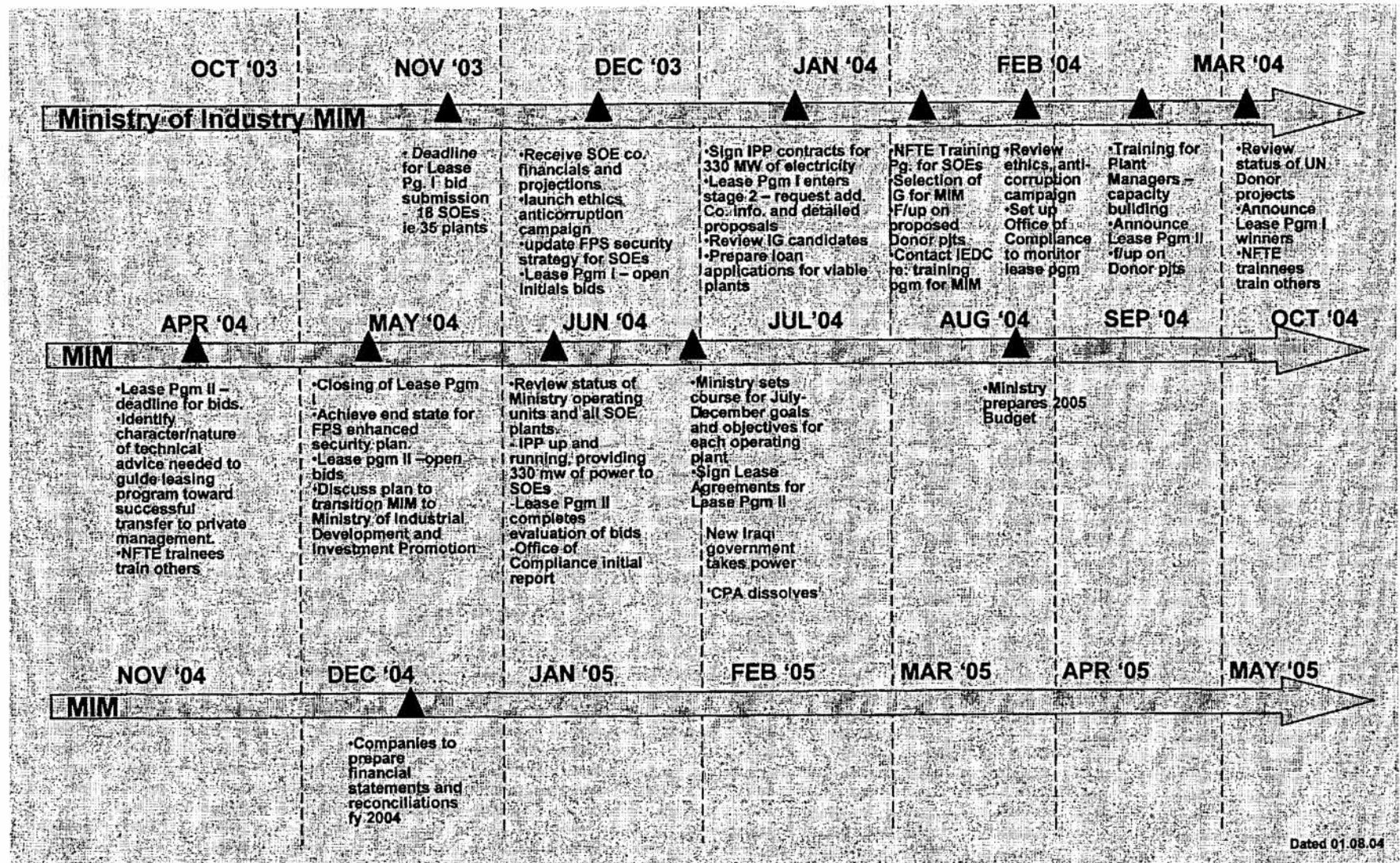
(b)(6)

2/17/2004

## Ministry of Industry & Minerals

1. **Security** – State Enterprises need adequate security to ensure that personnel, plant, and equipment are secure.
2. **Employment** – Determine adequate personnel levels for the Ministry and the state companies and determine how to reduce over-employment. We should identify the most competent managers in each industry sector and at company plants to act as decision making heads that report progress directly to the Minister. The minister should reorganize the Administration Department to be more flexible and expedient in addressing urgent personnel issues.
3. **Management** – Restructure the strongest of the SOEs to enable those firms that are self sustaining to grow and prosper as independent entities, while successfully exercising Leasing and Liquidation strategies for the weaker firms and plants. Strengthen the Administration and Accounting Departments to improve budget and fiscal accountability, monitoring and tracking of funds; we should also revamp and strengthen the Technical Department to track progress and identify areas of potential future growth, while identifying solutions to problems and concerns. We should establish clear lines of responsibility for each DG, and draft a Standard Operating Manual to establish the means of accomplishing tasks and initiatives in an efficient and effective manner.
4. **Essential Needs Assessment** - Upon completion of the SOE assessments, fine tune and streamline plans for obtaining Liquidity, Electricity, and Raw Materials to enable SOEs to re-open or expand operations. Identify necessary modifications to production, sales and marketing that will enhance the viability of existing firms. (It is not enough simply to get companies running again, they must produce products that are high quality, attractive and durable, and able to compete with growing import competition.)

# Ministry of Industry and Minerals





Strand	Category	Issue	Comments	Status
Readiness for Transition	Strategy	Strategy for implementing prioritized list of short-term (1 year) and long-term(2-5) years goals	2.1.1 Other than a proposed lease/partnership there is no reference to a long term plan. Review Ambassador Bremer plan.	Red Green Yellow
		Ownership of strategy down through the Ministry	No indication in Plan	Red Green Yellow
	Structure	Ministry structure and staffing levels designed which support organizational goals	No indication in Plan	Red Green Yellow
		Progress in making appointments at DG level and tiers below, including Inspector General	check organization chart	Red Green Yellow
	Skills	Analysis of training/capacity needs completed	No indication in Plan	Red Green Yellow
		Roll out in Ministry of consequent management training programmes down through senior and mid-level staff	No indication in Plan	Red Green Yellow
	Systems	a. Principles of coordination and communication with governates clear b. Financial control and budgeting systems developed c. Existence of personnel policies based on CPA template d. Adequate security plans	No indication in Plan with respect to governates; budgeting process in irder for short term; no personnel policies apparent in plan; security issues unknown.	Red Green Yellow
		a. Basic Connectivity (phones, email) in place for key regional Ministry staff b. Consistent capability to pay staff salaries, get money to governates and transparently execute competitive contracts c. Proportion/level of Ministry staff with agreed job descriptions d. Ministry payment of FPS staff in agreed numbers and locations	No indication in Plan.	Red Green Yellow
	Support	Outline areas where support will be needed by Ministry after 1 Jul or when minister stands down; identification of source of support	Unknown	Red Green Yellow
		Level of agreement down through ministry	Unknown	Red Green Yellow

Kuklow



## Ministry Transition Interview Checklist

**Date**

FEB 6 2004

**Ministry**

INDUSTRY AND MINERALS

**Interviewee(s)**

(b)(6)

**Interviewer(s)**

OPPA

Civil Affairs

## Ministry Transition Interview Checklist

Date	FEB 6 2004	
Ministry	INDUSTRY AND MINERALS	
Interviewee(s)	(b)(6)	
Interviewer(s)	OPPA	Civil Affairs

Levy - "Privatizing Management" → Transformation

Joint Venture  
1) Restructure Ministry  
2) "K.T. and Development Tanna"

5 yr. SOE NY (stakeholder should participate) → better  
Market Eng. "Daring Tool of" → Initiative  
Dev

Panel work  
sever

Strand	Category	Issue	Comments	Status
Readiness for Transition	Strategy	Strategy for implementing prioritized list of short-term (1 year) and long-term (2-5) years goals	2.1.1 Other than a proposed lease/partnership there is no reference to a long term plan. Review Ambassador Bremer plan. →	Red Green Yellow
		Ownership of strategy down through the Ministry	No indication in Plan Get buy in - Need Δ in leadership DB level.	Red Green Yellow
	Structure	Ministry structure and staffing levels designed which support organizational goals	No indication in Plan conceptual plan in place - inc for 4 months	Red Green Yellow
		Progress in making appointments at DG level and tiers below, including Inspector General	check organization chart w/ potential support - lots of good alternatives =	Red Green Yellow
	Skills	Analysis of training/capacity needs completed	No indication in Plan India-bureau transformation services - going Model, Finance, Planning - → Training arms - → Gen. Plan - train in transition	Red Green Yellow
		Roll out in Ministry of consequent management training programmes down through senior and mid-level staff	No indication in Plan → Security - FPS from redundant Emergency Mgmt Plan "Situation Plan = Explain Coherence method to transfer Ownership to Employees	Red Green Yellow
	Systems	a. Principles of coordination and communication with governates clear b. Financial control and budgeting systems developed c. Existence of personnel policies based on CPA template d. Adequate security plans	No indication in Plan with respect to governates; budgeting process in order for short term; no personnel policies apparent in plan; security issues unknown. → w/ training Building relations. (some parliamentarian recognize) Id. need for regional presence - "civil Dis" observed by SIF	Red Green Yellow
		a. Basic Connectivity (phones, email) in place for key regional Ministry staff b. Consistent capability to pay staff salaries, get money to governates and transparently execute competitive contracts c. Proportion/level of Ministry staff with agreed job descriptions d. Ministry payment of FPS staff in agreed numbers and locations	No indication in Plan. Administrative "Hot Zone" - A/E plan -	Red Green Yellow
	Support	Outline areas where support will be needed by Ministry after 1 Jul or when minister stands down; identification of source of support	Unknown	Red Green Yellow
		Level of agreement down through ministry	Unknown	Red Green Yellow

Panel work  
sever

Panel work  
sever

Strand	Category	Issue	Comments	Status
Readiness for Transition	Strategy	Strategy for implementing prioritized list of short-term (1 year) and long-term(2-5) years goals	2.1.1 Other than a proposed lease/partnership there is no reference to a long term plan. New plan is being incorporated into Strat Plan which includes elimination of the SOEs within a 3-5 year timeline; will require extensive coordination with Private Sector and Strat Comm.	Yellow
		Ownership of strategy down through the Ministry	No current buy in from Ministry.	Red
	Structure	Ministry structure and staffing levels designed which support organizational goals	Must be added to Strat Plan.	Yellow
		Progress in making appointments at DG level and tiers below, including Inspector General	New Organization chart being prepared; with 2 DGs; Minister will NOT make IG recommendation.	Red
	Skills	Analysis of training/capacity needs completed	Major funding short fall.	Yellow
		Roll out in Ministry of consequent management training programmes down through senior and mid-level staff	No indication in Plan / <i>To be developed when we say</i>	Yellow
	Systems	a. Principles of coordination and communication with governates clear b. Financial control and budgeting systems developed c. Existence of personnel policies based on CPA template d. Adequate security plans <i>In place</i>	No indication in Plan with respect to <u>governates</u> ; <u>budgeting process</u> in order for short term; no personnel policies apparent in plan; security issues unknown; major discrepancy between FPS funding and number of personnel. <i>Building relationships. Gov. control, possibly 14 of 18 Gov. don't not reg. GC.</i> <i>They would be [unclear] &gt; Qapp, Fin. Controls, Fin. Reps.</i>	Yellow
		a. Basic Connectivity (phones, email) in place for key regional Ministry staff b. Consistent capability to pay staff salaries, get money to governates and transparently execute competitive contracts c. Proportion/level of Ministry staff with agreed job descriptions d. Ministry payment of FPS staff in agreed numbers and locations	Major gap in planning process in connectivity; job descriptions. Salaries are paid at every level; including excess FPS. <i>no // Document IT program the building.</i> <i>On receipt of and paid, will be remitted</i>	Yellow
	Support	Outline areas where support will be needed by Ministry after 1 Jul or when minister stands down; identification of source of support	Total five personnel <del>Administration</del> <i>we</i> <del>Legal</del> <del>Electrical</del> <del>Interface</del> ; Coordinator; Coalition interface <del>advisory</del> <i>Coalition Coordinator</i>	Green
		Level of agreement down through ministry	No buy-in from Ministry	Red

*Action: long advisory for power, programme.*



## Implement Policy Towards State Owned Enterprises (SOEs)

### Key Task

POC

1 January - 31 March (Q1) 2004

1 April - 30 June (Q2) 2004

1 July - 30 September (Q3) 2004 - Onwards

Status Narrative

### 7 Implement Policy Towards State Owned Enterprises (SOEs)

Tom Foley

#### 1 Return SOEs to pre-war operating levels, where appropriate

- 1 Return SOEs to pre-war operating levels, where appropriate
  - a. Continued progress of SOEs standing up to normal operating levels. Salaries will be subsidized indirectly. Subsidies will not be removed

*1. What was pre-war levels?  
Key SOE only. List*

- 2 Continued progress of SOEs standing up to normal operating levels.
- 4 SOEs are facing hard budget constraints and are taking steps to alleviate pressures. These steps include the pursuit of leasing of property of many of unprofitable SOEs. Need to re-evaluate current SOE strategy based on current political constraints

e. On track. Private financing and possible ownership transfers being discussed with respective ministries.  
1. 12/23/03 update - No ownership transfer options at this point although the CPA continues to assist the ministries to evaluate leases  
2. 12/30/03 update - Revised SOE action plan in development. Work continues on addressing barriers preventing SOEs from standing up  
3. 1/7/04 update - Need to re-evaluate current SOE strategy based on current political constraints

4. 1/26/04 Work continues. Pushing Iraqi Central Cement to apply for a \$10MM capital expenditure loan through SOE state banks

Need to re-evaluate current SOE strategy based on current political constraints

Need to re-evaluate current SOE strategy based on current political constraints. Based on financial reports from selected SOEs conducted by KPMG and Talal Abu-Ghazaleh & Co. International (TAGI), the Iraqi Central Cement Company (ICCC) and Najaf Tire could have loan packages completed within the month. CPA is working with ICCC to apply for a \$10 million capital expenditure loan through

## Implement Policy Towards State Owned Enterprises (SOEs)

### Key Task

POC

1 January - 31 March (Q1) 2004

1 April - 30 June (Q2) 2004

1 July - 30 September (Q3) 2004 - Onwards

Status Narrative

Iraqi state banks.

### 2 Find sources for financing their short term working capital and investment requirements - (leasing).

- 1 Improve monitoring system to track performance of SOEs.

In process. Ministries improve internal reporting techniques.



*Can we get copies  
of formal <sup>plans</sup> for internal  
reporting?*

Need to re-evaluate current SOE strategy based on current political constraints. 111 bidders are competing in a review process to lease 35 plants belonging to 18 Ministry of Industry and Mineral SOEs. Of the 111 bidders, 20 are foreign and 91 are Iraqi (many have opted to form partnerships with international firms, a very positive step toward free enterprise). A committee process (in conjunction with Merchant Bridge consultants and IRDC staff) will whittle down the candidates and a short list will be invited to make a complete proposal which will begin the firms due diligence process. Do not anticipate a lease deal within the next 3 months.

## Implement Policy Towards State Owned Enterprises (SOEs)

### Key Task

*POC*

	1 January - 31 March (Q1) 2004	1 April - 30 June (Q2) 2004	1 July - 30 September (Q3) 2004 - Onwards	Status Narrative
<b>3</b>  <b>Hard Budget Constraints</b>				
1 Need to re-evaluate current SOE strategy based on current political constraints		Continue to assist restructuring efforts as advisors.		Need to re-evaluate current SOE strategy based on current political constraints 1/26/04 04 SOE Budgets being reviewed by OMB. Ten private Iraqi accounting firms and one international firm (KPMG) are preparing financial reports for some SOEs in order to help the stronger firms apply for liquidity loans, and assist the ministry in determining the viability of the remaining firms.
2 Examine restructuring state owned insurance companies.				Need to re-evaluate current SOE strategy based on current political constraints
Need to re-evaluate current SOE strategy based on current political constraints				
<b>4</b>  <b>Develop Restructuring Plan for SOEs</b>				
1				Plan presented verbally to AMB Bremer. Follow on memo outlining SOE plan to be submitted by the end of the week

## Ministry of Industry & Minerals

1. **Security** – State Enterprises need adequate security to ensure that personnel, plant, and equipment are secure.
2. **Employment** – Determine adequate personnel levels for the Ministry and the state companies and determine how to reduce over-employment. We should identify the most competent managers in each industry sector and at company plants to act as decision making heads that report progress directly to the Minister. The minister should reorganize the Administration Department to be more flexible and expedient in addressing urgent personnel issues.
3. **Management** – Restructure the strongest of the SOEs to enable those firms that are self sustaining to grow and prosper as independent entities, while successfully exercising Leasing and Liquidation strategies for the weaker firms and plants. Strengthen the Administration and Accounting Departments to improve budget and fiscal accountability, monitoring and tracking of funds; we should also revamp and strengthen the Technical Department to track progress and identify areas of potential future growth, while identifying solutions to problems and concerns. We should establish clear lines of responsibility for each DG, and draft a Standard Operating Manual to establish the means of accomplishing tasks and initiatives in an efficient and effective manner.
4. **Essential Needs Assessment** - Upon completion of the SOE assessments, fine tune and streamline plans for obtaining Liquidity, Electricity, and Raw Materials to enable SOEs to re-open or expand operations. Identify necessary modifications to production, sales and marketing that will enhance the viability of existing firms. (It is not enough simply to get companies running again, they must produce products that are high quality, attractive and durable, and able to compete with growing import competition.)



### Restructuring the State-Owned Banks of Iraq

**Issue:** Whether and when to move beyond the initial rehabilitation of the state-owned banks to a fundamental restructuring of bank operations, organizations, and ownership.

Considerable efforts to rehabilitate and strengthen the state-owned banks are underway. In an early stage, these efforts were directed to assessing bank needs, enhancing security, reopening branches, restoring communications, and supporting other institution-building activities. In the present stage, key bank strengthening activities include:

- Modernizing bank operating policies, procedures, and systems
- Strengthening accounting practices and reporting in compliance with international accounting standards (IAS)
- Upgrading internal budgeting, monitoring, and financial review processes
- Improving bank automated systems and information technology infrastructure
- Revising credit policies, procedures, and systems in compliance with international best practices
- Providing comprehensive training programs for bank managers and staff

It is now necessary to consider whether and when to realign the organizational structures of the state-owned banks and to prepare them for ownership transfer to the private sector. In the next stage, a fundamental financial and organizational restructuring would include the following activities:

- Completing balance-sheet adjustments for each institution
- Adopting international best practices for disclosure and transparency
- Improving bank management and governance mechanisms
- Rationalizing nationwide branch networks and consolidating several institutions into fewer remaining institutions
- Developing and implementing strategic business plans
- Transferring bank ownership to the private sector

Further discussion of the current condition and proposed restructuring of the state-owned banks follows. The discussion assumes that fundamental restructuring will be reinforced by a strong legal framework and effective bank supervision.

- Fold 4 non performing banks into R/R.

## **Current Condition of the State-Owned Banks**

### **Bank Structure**

- The two large commercial state-owned banks, Rafidain and Rasheed, together account for about \$1.8 billion in assets or about 86 percent of the total assets in the banking system.
- The two banks maintain about 330 branches, of which about 260 branches are currently open. Together, the two banks have more than 2.8 million deposit accounts and 14,500 employees.
- The four small specialized state-owned banks (i.e., the Agricultural Cooperative Bank, Industrial Bank, Real Estate Bank, and Socialist Bank) together account for about 7 percent of the total assets in the banking system.
- The four banks maintain about 50 branches. Although they were established originally to serve specific sectors of the Iraqi economy, since 1997 they have been authorized to conduct general commercial banking activities.

### **Bank Assessment**

- An overview assessment of the state-owned banks was conducted by a team of U.S. Treasury banking advisors, supported by USAID contractor personnel. Its findings are summarized below.
- The available financial statements of the six state-owned banks indicate unusual asset/liability structure and weak financial condition. The six banks hold large amounts of cash and government securities, but relatively small amounts of loans and other assets.
- In general, the state-owned banks are undercapitalized, with poor asset quality and weak management structures. Although the banks have adequate liquidity, they rely heavily on interest income from Iraqi Treasury bills for their earnings.
- In addition, the state-owned banks are in poor physical condition and require substantial rehabilitation of their facilities, information systems, and office equipment. Managers and staff need training in modern banking practices.

## **Necessity for Restructuring the State-Owned Banks**

### **Microeconomic Considerations**

- Several of the state-owned banks present liquidity and solvency concerns, and all of the banks face unresolved issues including attachment risk impeding foreign operations, the treatment of intra-government obligations, and high levels of non-performing assets resulting from many years of government-directed activity.
- Of particular concern are capital adequacy, asset quality, and management depth. For example, the system-wide total capital ratio is about 2 percent (compared to a legal requirement of 12 percent) and non-performing loan ratios range from 50 to 90 percent of total private credit.
- The continuing process of rehabilitation will not address the underlying structural problems of the state-owned banks such as excessive staff, inefficient operations, and inadequate competition.

### **Macroeconomic Considerations**

- The weak condition of the state-owned banks is impeding the recovery, growth, and development of the real enterprise sector and, to some degree, of the other institutions and markets in the financial sector. The macroeconomic results are lower employment, income, growth, and security.
- In the short to medium term, a restructuring of the state-owned banks will be an important component of the effort to re-establish financial services to the Iraqi economy and to increase employment, income, growth, and security.
- Proper management and ownership structures, within a regulatory framework that is consistent with international best practice, are essential to financial strength and systemic stability.

### **Other Considerations**

- The weak condition of the state-owned banks could make the Iraqi economy vulnerable to a banking and financial crisis, in the event of further internal conflicts or external shocks.
- The international financial institutions (i.e., IMF and World Bank) may be expected to require financial-sector restructuring and reform as part of the conditionality of programs for financial and technical assistance.



## **Key Elements of Restructuring the State-Owned Banks**

### **Strategic Planning**

- Government decision-makers must recognize the breadth and depth of problems in the state-owned banks.
- Early commitment to bank restructuring should be followed by early action on a multi-year strategic plan.
- It is necessary to develop and implement such a plan to enhance the value of the banks in preparation for an ownership transfer to the private sector.

### **Management Structures**

- New management and governance structures are needed to guide the restructuring process and to oversee plan implementation, with operational independence from the Ministry of Finance.
- Efficient and effective institutional arrangements must be adopted to value bank assets, adjust balance sheets, and resolve non-performing loans.
- New management must have broad powers and political support to close insolvent institutions and to merge weak institutions despite criticism and opposition.

### **Restructuring Goals**

- The overall goal is to create a competitive, privately-owned banking system that operates in accordance with international best practices.
- Bank supervision policies and procedures must be strengthened in order to avoid recurring problems and repeated restructurings of the banking system.



## **Bank Restructuring Proposal and Organization**

### **Restructuring Components**

- A restructuring proposal for the state-owned banks involves three components: (1) the creation of a new *management structure*, named the Bank Restructuring Committee (BRC), for the state-owned banks; (2) the design and implementation by the BRC of a *restructuring plan* for the state-owned banks; (3) the preparation and execution of an *ownership transfer* of the state-owned banks to the private sector. The components may require more than two years to implement in full.

### **Management Structure**

- In the first component, the BRC will be established as a new and independent management committee with broad power to determine the activities, operations, and structures of the six state-owned banks. Its members, appointed by the CPA Administrator, will design a bank restructuring plan, oversee the implementation of the plan, and provide strategic guidance to bank management. The boards of the two large state-owned banks will also be reorganized, with new members, to support the restructuring process.

### **Restructuring Plan**

- In the second component, the restructuring plan for the state-owned banks will be designed and implemented by the BRC. It will include activities such as asset valuation, balance-sheet adjustments, the disposition of non-performing loans, a rationalization of the branch network, and new loan programs to enhance value. The four specialized state-owned banks will be consolidated and merged into the Rafidain Bank and/or Rasheed Bank at the outset of the restructuring process.

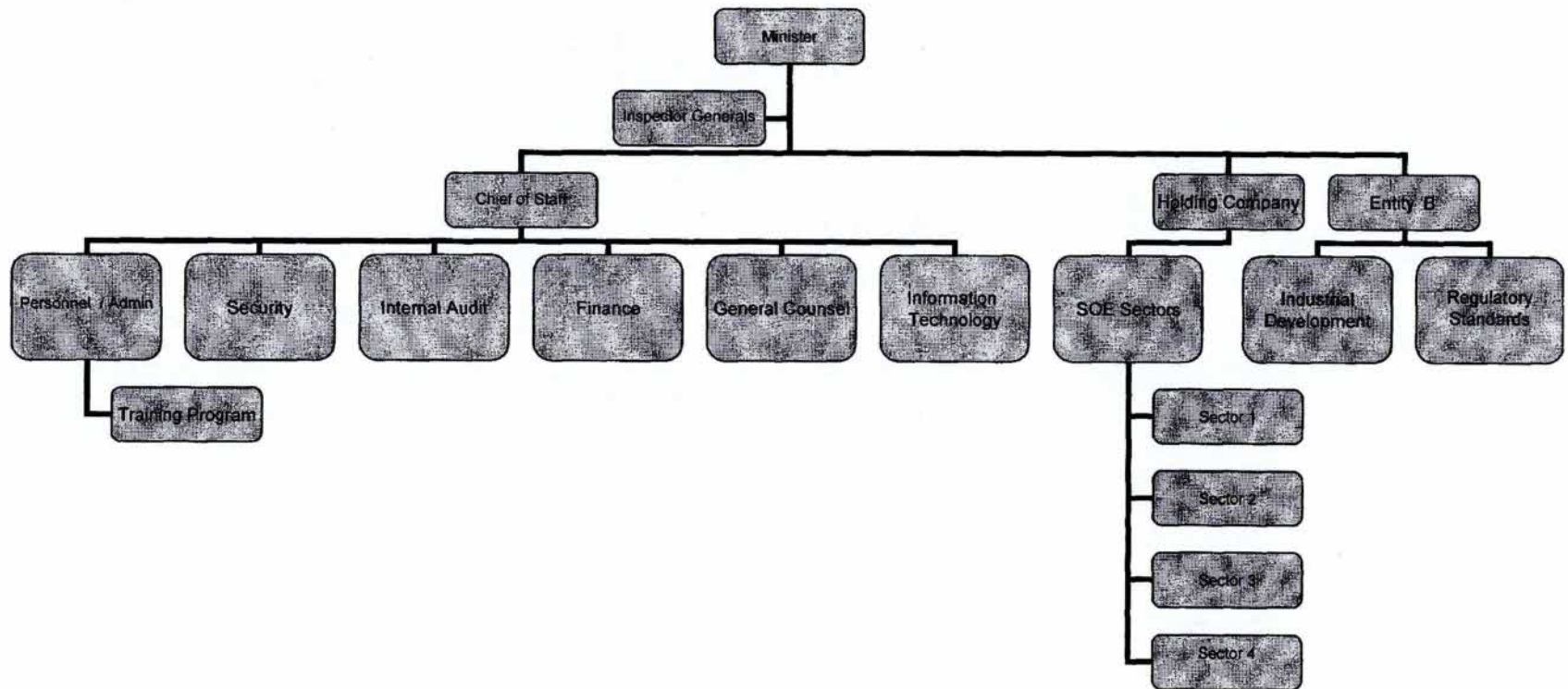
### **Ownership Transfer**

- In the final component, the BRC will prepare for an ownership transfer of the state-owned banks to the private sector, by an appropriate date to be determined. The BRC will merge, reorganize, or otherwise restructure the banks to attract potential buyers and to realize maximum value. Sale proceeds should recover restructuring costs and provide a fair return to the government.

### **Restructuring Organization**

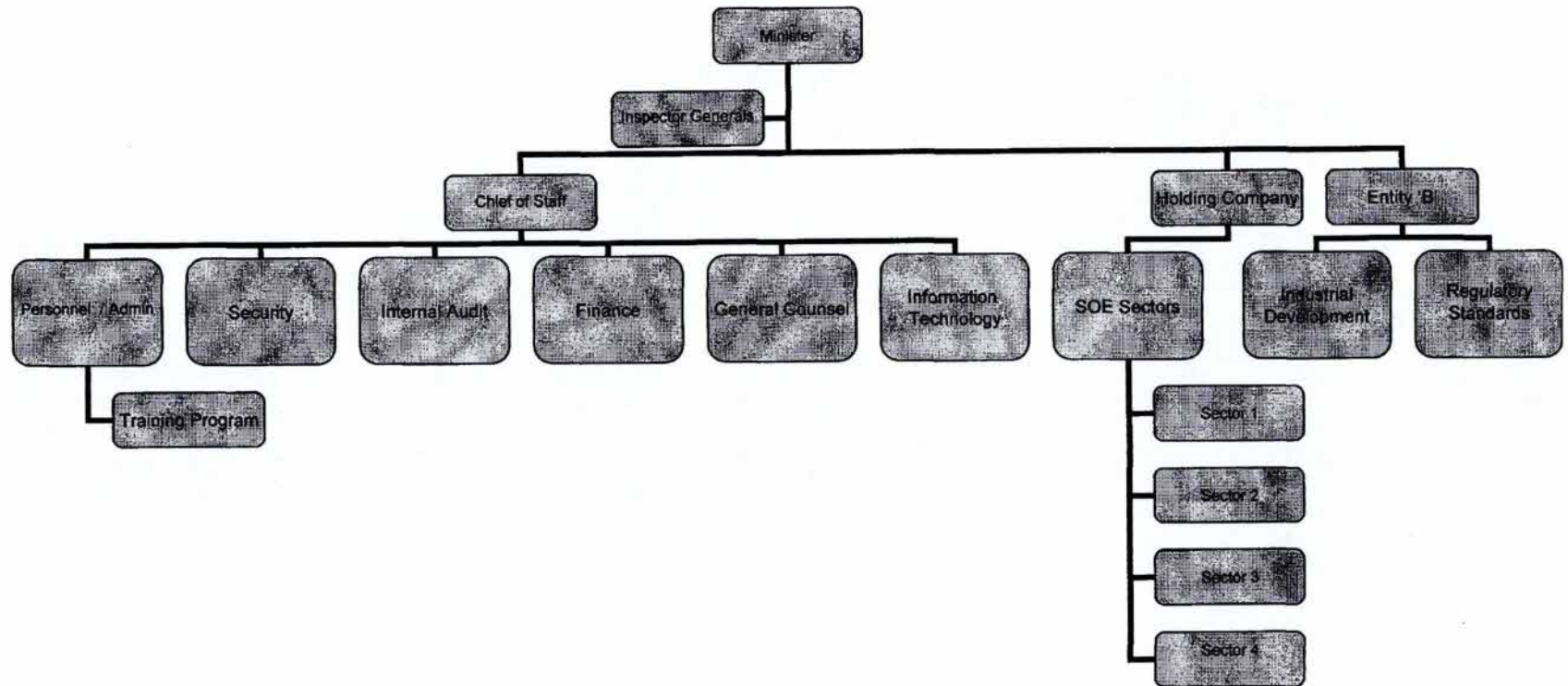
- An essential feature of the restructuring process is the creation of a management entity, the BRC, that will guide planning and implementation. The BRC will design, manage, and oversee the restructuring process. However, the BRC will cease to exist when ownership of the restructured banks has been transferred to the private sector.

# Ministry of Industry and Minerals



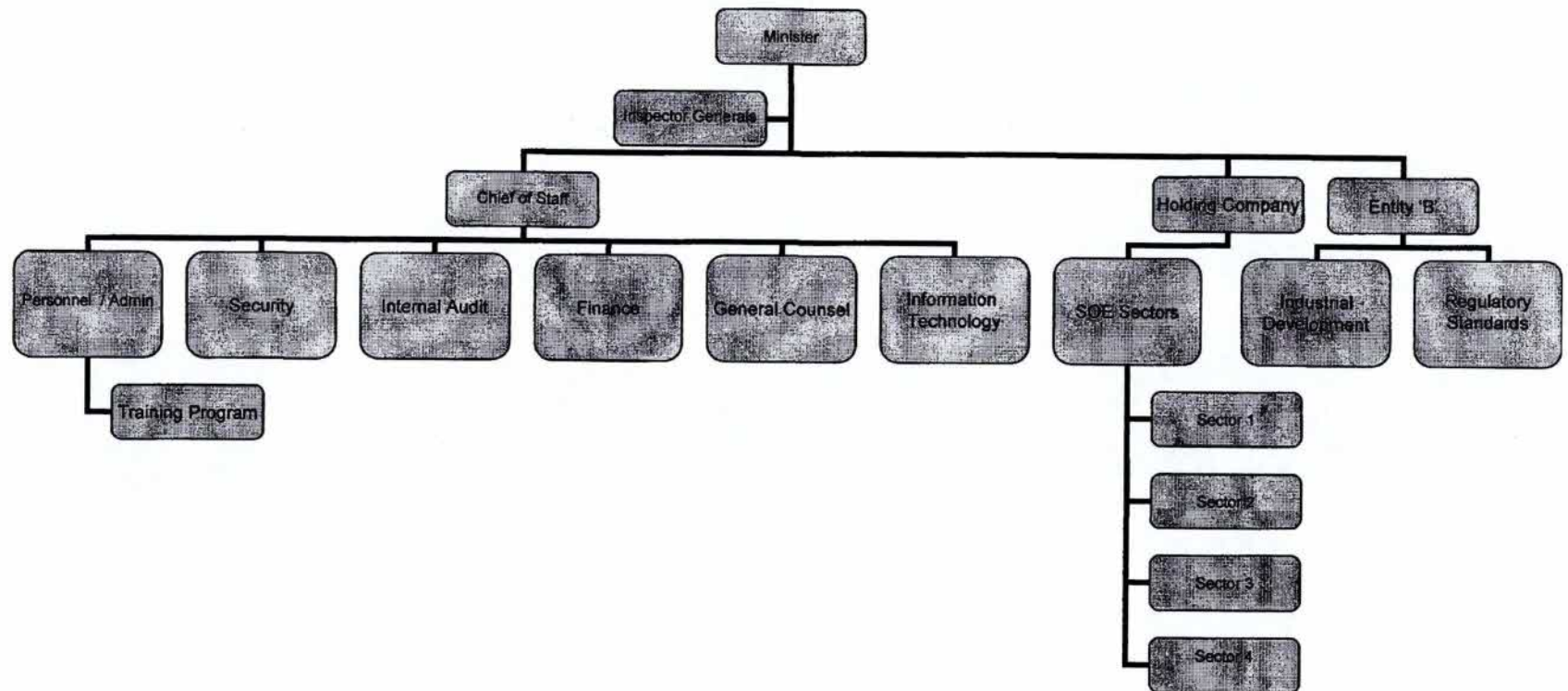
14 April 2004

# Ministry of Industry and Minerals



14 April 2004

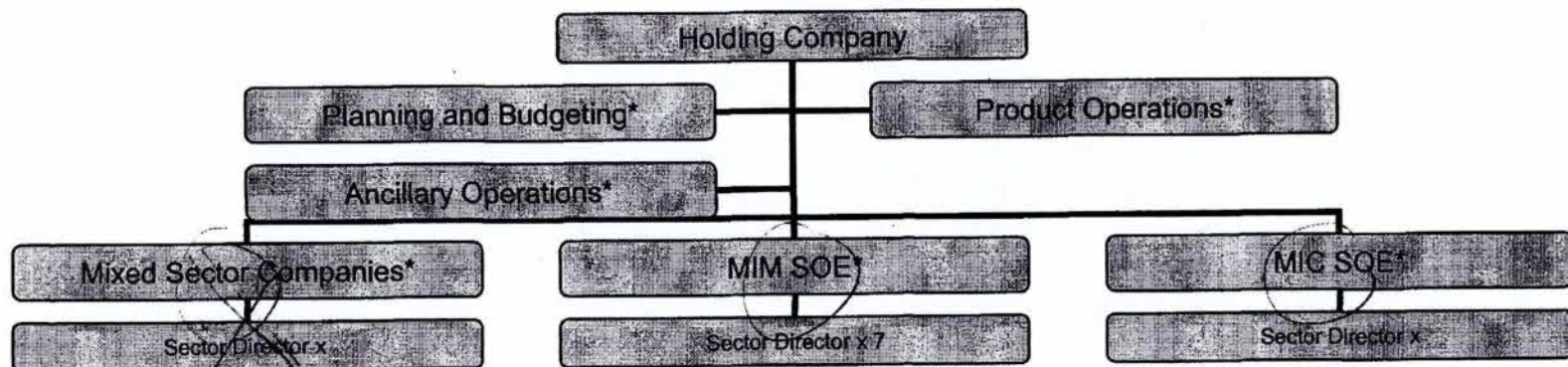
# Ministry of Industry and Minerals



14 April 2004



# MIM "Holding Company"



MIM SOEs

Sectors Strategy

Sub-functions organized on a sectoral basis

\* Operational coordination

# **Ministry of Industry and Minerals (MIM)**

**Proposed Re-organizational Plan  
Submission from CPA**

# MIM Planning Considerations

MIM must restructure to deal with two concurrent missions (the twin pillars) in mind:

- Performing as a holding company for State Owned Enterprises
- Performing as a government agency responsible for industrial and mineral development.

The former is short-term in nature (adjusted as privatization occurs)... the later is long term in nature (shall develop in time).

# MIM Planning Considerations

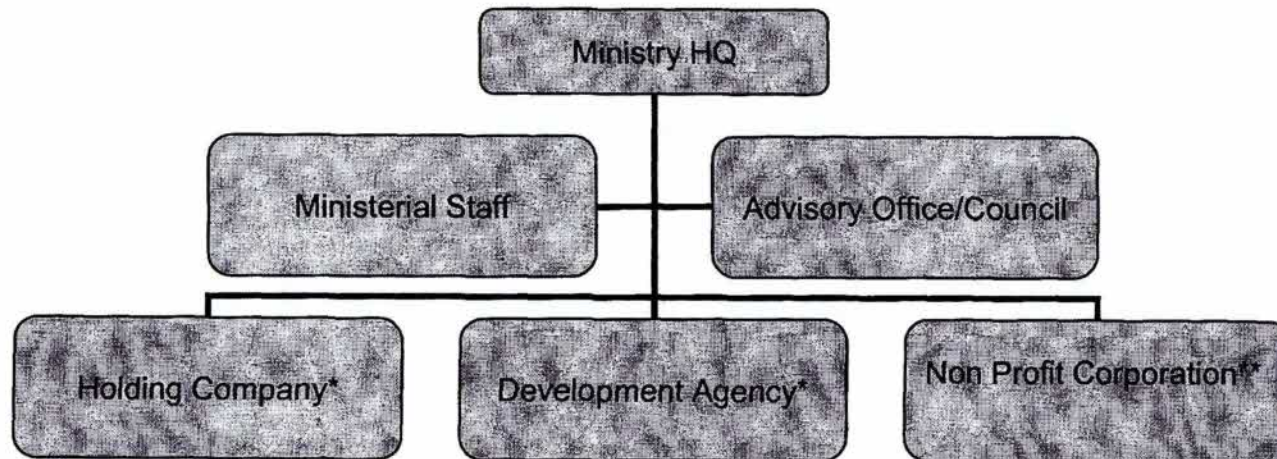
MIM must restructure with Iraq's and the Ministry's future in mind:

- Iraq becomes market oriented
- The Ministry
  - Focuses on assisting the private sector in industrial and economic development
  - Becomes a leaner organization
  - Must manage an organizational transition (phased reorganization)



# MIM

## Organizational Proposal



\* Deputy Minister Status

\*\* Situational Option

# MIM Planning Considerations for the “Holding Company”

MIM must establish an organizational capacity that is rational and efficient. As a holding company the following “**Staff**” recommendations are paramount:

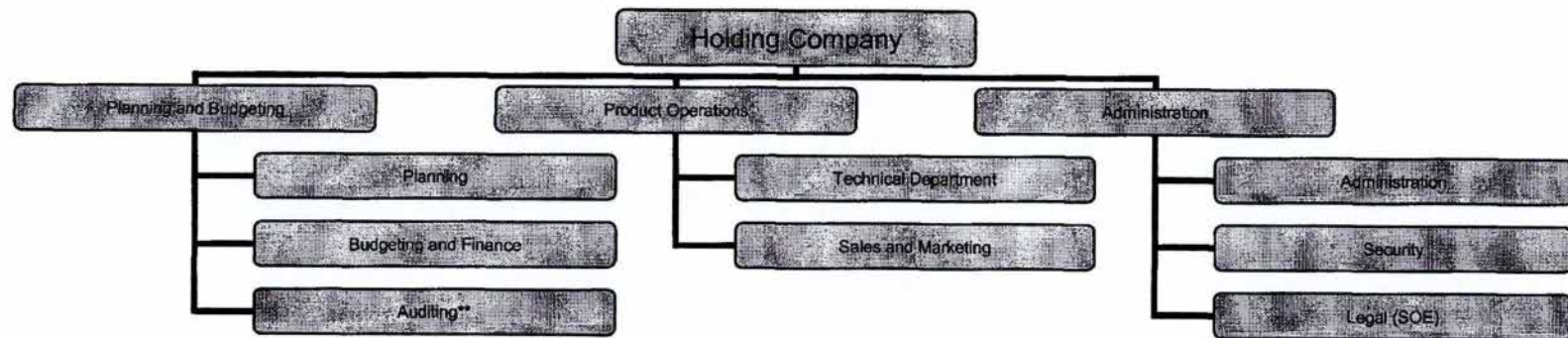
- Planning, Auditing, Investing and Budgeting are one Directorate
  - anything of a financial/resource nature should be consolidated and combined with planning
  - Identify ends, ways, means
    - Plans presented, assessed, discussed and approved prior to new fiscal year
    - Plans are assessed during the year and at years end to assess targets
- SOE Core Operations should be consolidated in one Directorate: Role is to advise and assist the SOE management:
  - Technical Department
  - Sales and Marketing Department
- SOE Ancillary Operations should be consolidated in one Directorate: Role is to advise and assist the SOE management:
  - Security
  - Legal
  - Administration

# MIM Planning Considerations for the “Holding Company”

The following “***Line***” recommendations are paramount:

- Establish Directorates for SOE Affairs to provide the Deputy Minister of the Holding Company a manageable span of control:
  - Mixed Sector SOE
  - MIM SOE
  - MIC SOE (former)
- Sub-classify the Directorates of SOE Affairs on a sectorial basis (Current sector distinctions are adequate)

# MIM “Holding Company” Staff Functions



Sub-functions organized on a sectoral basis

\* Operational coordination

\*\* Financial and Production



# MIM Planning Considerations for the “Industrial and Mineral Development Agency”

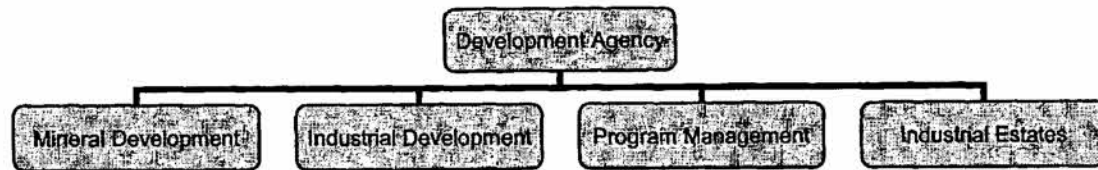
A meaningful Industrial and Mineral Development Agency should incorporate the following features:

- Mineral Resource Development: “Front end” for MIM’s interaction with the private sector inside and outside of Iraq interested in developing Iraq’s Mineral resources
  - Geological Survey: In addition maintain intelligence on mining industry/cluster knowledge both inside and outside Iraq. Capable deal makers on projects. Work closely with Mineral Promotion and Mineral Development Departments
  - Mineral Promotion and Marketing (mining and quarrying)
  - Industrial Development (salts, chemicals, minerals, nonmetallic minerals)
  - Program Management
- Industrial Development and Marketing: “Front end” for MIM’s interaction with the private sector inside and outside of Iraq for industry’s seeking public assistance
  - Strategic Industry Department: Maintain market intelligence on industry/cluster knowledge both inside and outside Iraq. Capable deal makers on projects (financing, technical assistance, site location). This element could be organized either geographically, industrial/cluster basis or sub-classified in to heavy vs. light industry. Work closely with Industrial Promotion and Marketing and Industrial Development Department).
  - Industrial Promotion and Marketing
  - Industrial Development - focused on recruiting and retention (to include research and development)
  - Program Management

# MIM Planning Considerations for the “Industrial and Mineral Development Agency” (Continued)

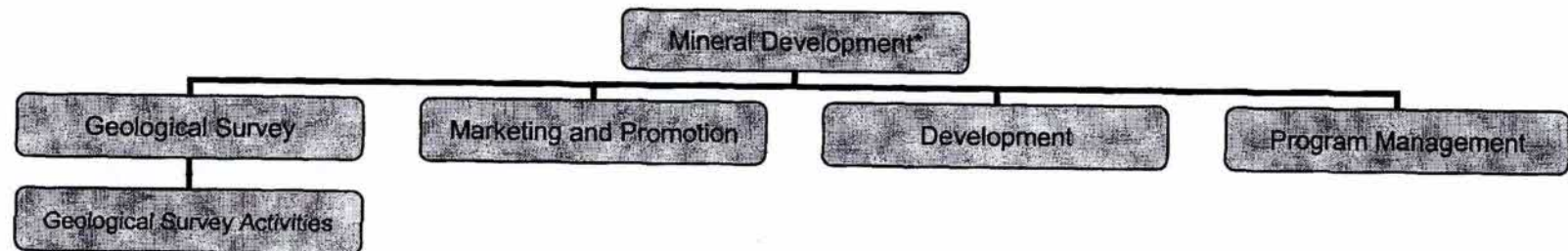
- Program Management – Programs in support of the Private Sector
  - Work force training programs (to work closely with Ministry of Labor)
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    - Develop infrastructure
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# MIM “Industrial and Mineral Development Agency”



Development Agency integrates the activities of Geological Survey, Training and Development and Tanmia

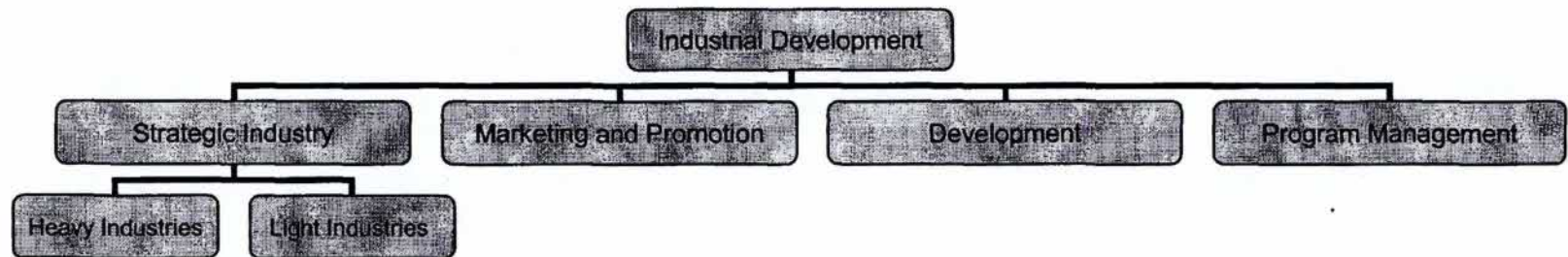
# MIM “Industrial and Mineral Development Agency”



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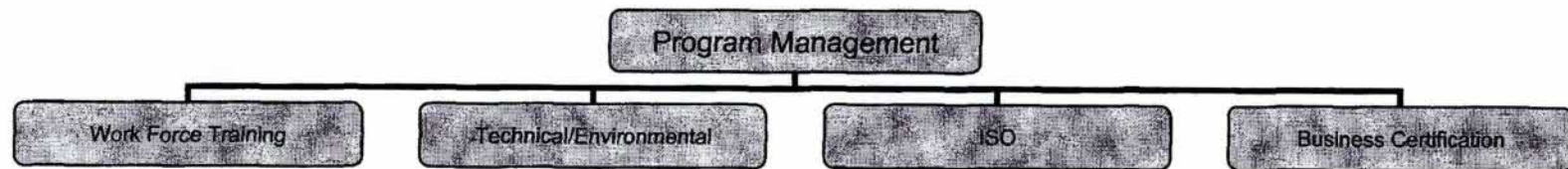


# MIM “Industrial and Mineral Development Agency”

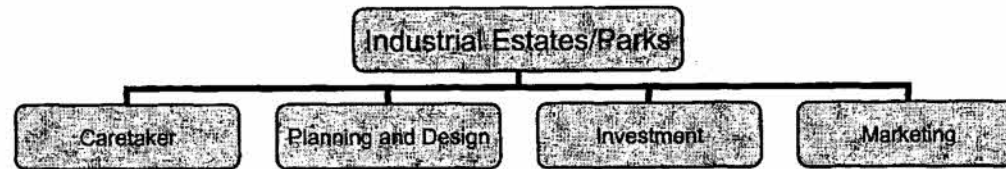


Could be organized on sector,  
cluster or geographical basis

# MIM “Industrial and Mineral Development Agency”



# MIM Planning Considerations for the “Industrial and Mineral Development Agency”



200 million  
for Industrial  
Park Development -

# MIM Planning Considerations for the Non Profit Organization

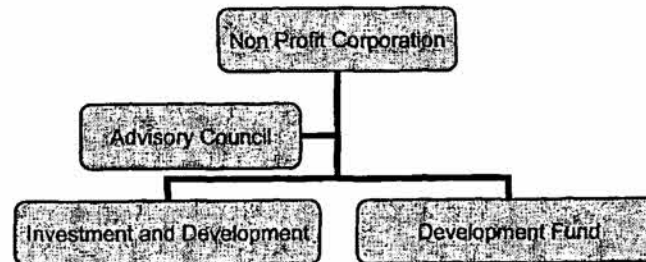
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  - Provides funding – debt financing or equity to companies – or grants to Development Agency
  - Investment **decisions no longer become SOE focused**

*Public/Private  
P/S*



# MIM Non Profit Organization



Advisory Council serves as Board of Directors for Non Profit Organization  
Defend against conflict of interest

Legal framework must define it as an association of the MIM

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Development Fund  
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# MIM Planning Considerations

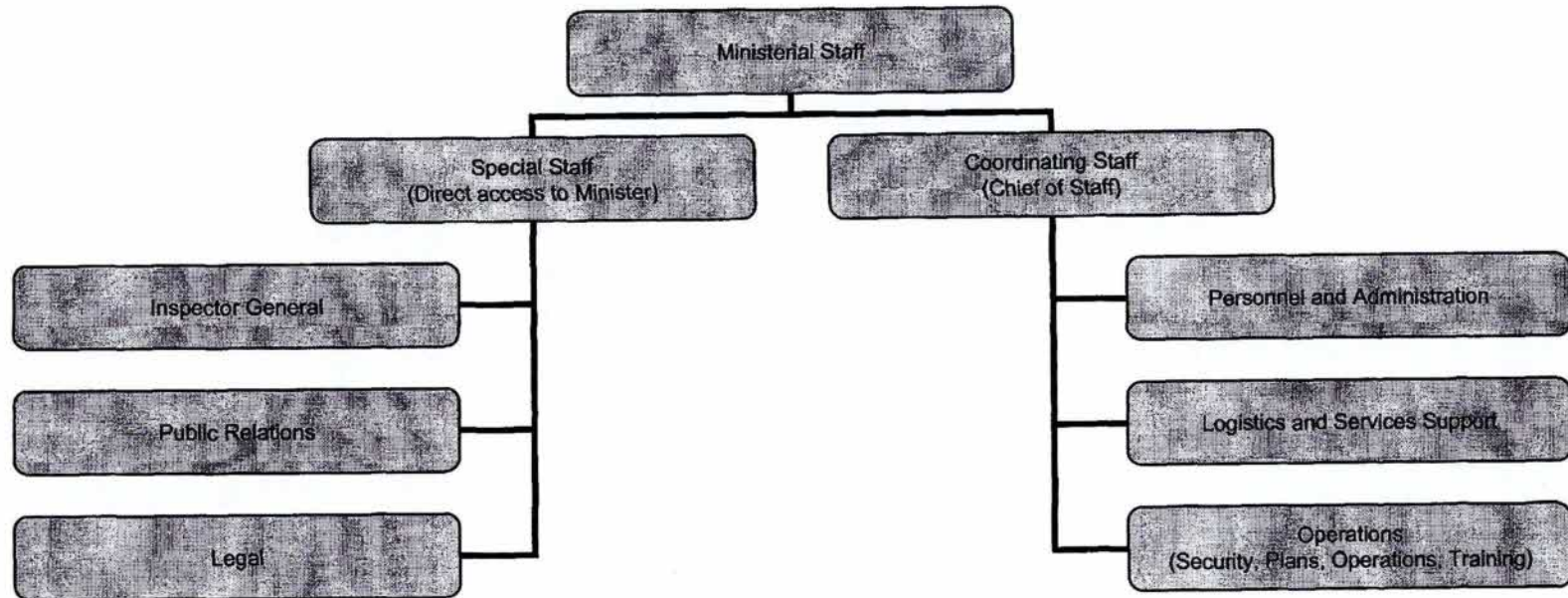
## Ministerial Staff

### The Ministerial Staff will perform:

- Special Staff Functions for the Ministry/Minister – direct access to the Minister
  - Inspector General
  - Public Relations
  - Legal
- Coordinating Staff – directed by a Chief of Staff
  - Administration and Personnel Management
  - Logistics and services support
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# MIM

## Ministerial Staff



# MIM Planning Considerations

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The Advisory Council performs as:

- The advisory office to the Minister
- To coordinate the activity of a wider advisory council which meets periodically to make recommendations and suggestions to the minister.
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  - The results of SOE activities and their investment decisions
  - Investment promotion of new industrial concerns

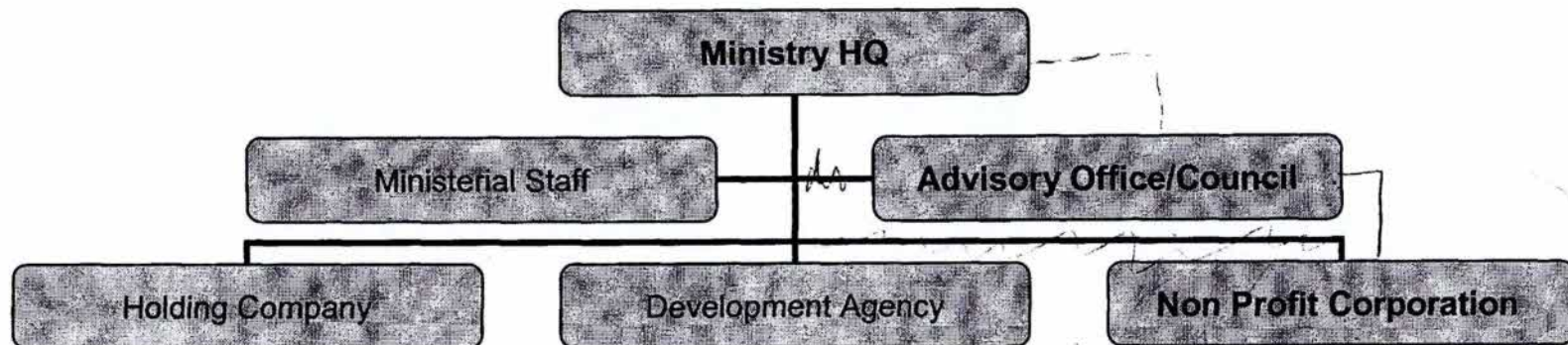
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  - To avoid a conflict of interest board members must resign if they seek public assistance for personal projects
  - To avoid a conflict of interest members must abstain on voting on projects with a personal interest



# MIM

## Organizational Proposal



Advisory Council has a relationship to the Ministry and the  
Non Profit Corporation

*Legally  
Related as*

# MIM

## Organizational Proposal

### Concluding Thoughts

- The MIM can incorporate current sub-functions as they see fit...
- Only the two pillars is sacrosanct
- The reorganization could be phased in
  - Implement the reorganization of the Holding Company and Ministerial Staff now
  - Form an Advisory Council now
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    - Seek broad support from the private sector
      - Use the Advisory Council to develop a coalition of support for the GC and the Ministry of Finance

(b)(6)



# Ministry of Industry and Minerals (MIM)

Proposed Re-organizational Plan  
Submission from CPA

# MIM Planning Considerations

MIM must restructure to deal with two concurrent missions (the twin pillars) in mind:

- Performing as a holding company for State Owned Enterprises
- Performing as a government agency responsible for industrial and mineral development.

The former is short-term in nature (adjusted as privatization occurs)... the later is long term in nature (shall develop in time).



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# MIM Planning Considerations

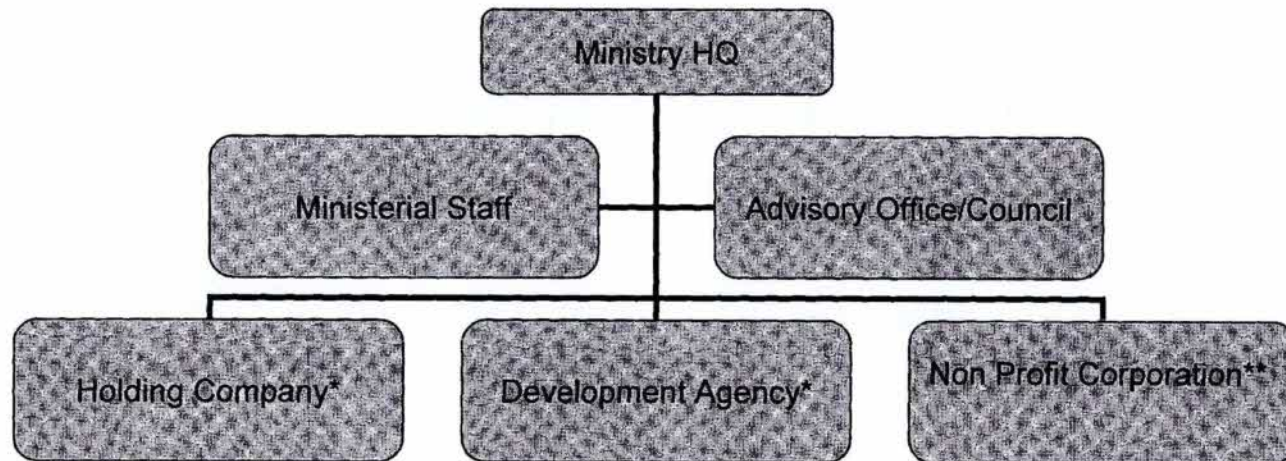
MIM must restructure with Iraq's and the Ministry's future in mind:

- Iraq becomes market oriented
- The Ministry
  - Focuses on assisting the private sector in industrial and economic development
  - Becomes a leaner organization
  - Must manage an organizational transition (phased reorganization)

---

# MIM

## Organizational Proposal



\* Deputy Minister Status

\*\* Situational Option

# MIM Planning Considerations for the “Holding Company”

MIM must establish an organizational capacity that is rational and efficient. As a holding company the following **“Staff”** recommendations are paramount:

- Planning, Auditing, Investing and Budgeting are one Directorate
  - anything of a financial/resource nature should be consolidated and combined with planning
  - Identify ends, ways, means
    - Plans presented, assessed, discussed and approved prior to new fiscal year
    - Plans are assessed during the year and at years end to assess targets
- SOE Core Operations should be consolidated in one Directorate: Role is to advise and assist the SOE management:
  - Technical Department
  - Sales and Marketing Department
- SOE Ancillary Operations should be consolidated in one Directorate: Role is to advise and assist the SOE management:
  - Security
  - Legal
  - Administration

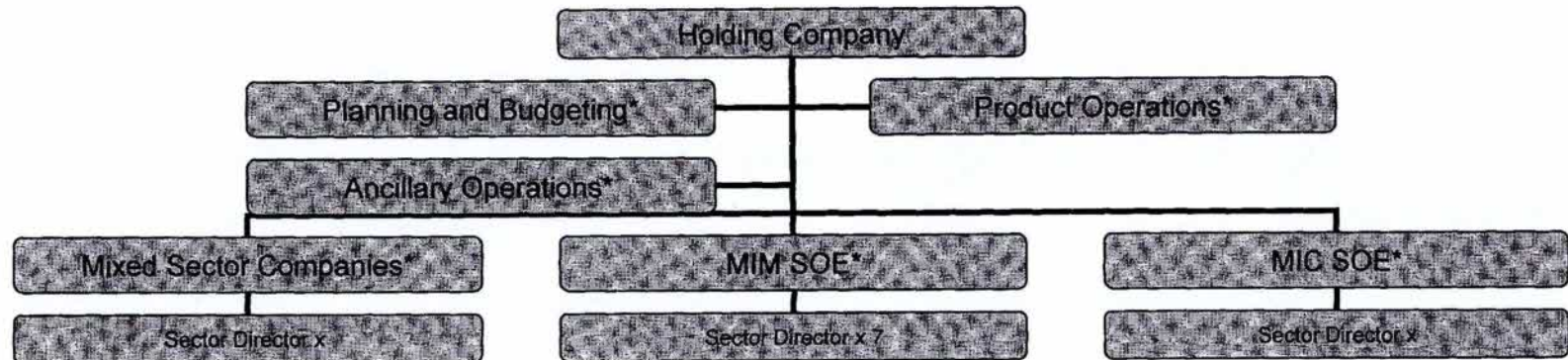
# MIM Planning Considerations for the “Holding Company”

The following “***Line***” recommendations are paramount:

- Establish Directorates for SOE Affairs to provide the Deputy Minister of the Holding Company a manageable span of control:
  - Mixed Sector SOE
  - MIM SOE
  - MIC SOE (former)
- Sub-classify the Directorates of SOE Affairs on a sectorial basis (Current sector distinctions are adequate)



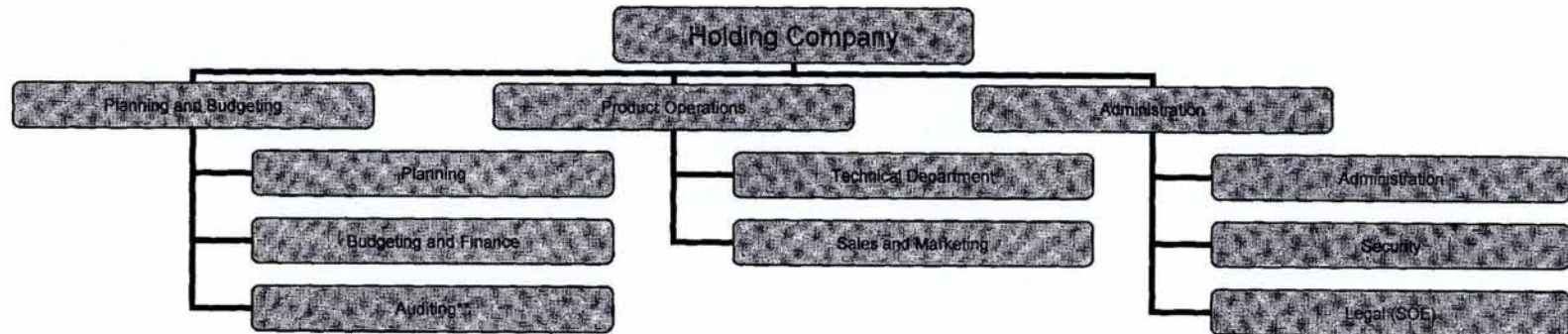
# MIM “Holding Company”



Sub-functions organized on a sectoral basis

\* Operational coordination

# MIM “Holding Company” Staff Functions



Sub-functions organized on a sectoral basis

\* Operational coordination

\*\* Financial and Production

# MIM Planning Considerations for the “Industrial and Mineral Development Agency”

A meaningful Industrial and Mineral Development Agency should incorporate the following features:

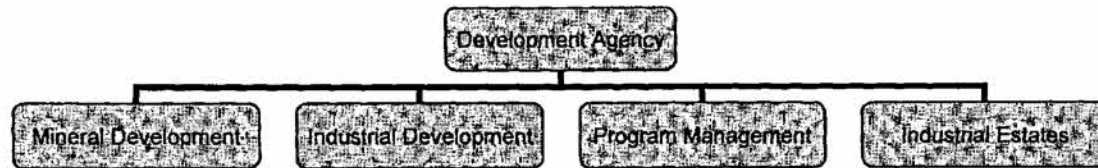
- Mineral Resource Development: “Front end” for MIM’s interaction with the private sector inside and outside of Iraq interested in developing Iraq’s Mineral resources
  - Geological Survey: In addition maintain intelligence on mining industry/cluster knowledge both inside and outside Iraq. Capable deal makers on projects. Work closely with Mineral Promotion and Mineral Development Departments
  - Mineral Promotion and Marketing (mining and quarrying)
  - Industrial Development (salts, chemicals, minerals, nonmetallic minerals)
  - Program Management
- Industrial Development and Marketing: “Front end” for MIM’s interaction with the private sector inside and outside of Iraq for industry’s seeking public assistance
  - Strategic Industry Department: Maintain market intelligence on industry/cluster knowledge both inside and outside Iraq. Capable deal makers on projects (financing, technical assistance, site location). This element could be organized either geographically, industrial/cluster basis or sub-classified in to heavy vs. light industry. Work closely with Industrial Promotion and Marketing and Industrial Development Department).
  - Industrial Promotion and Marketing
  - Industrial Development - focused on recruiting and retention (to include research and development)
  - Program Management

# MIM Planning Considerations for the “Industrial and Mineral Development Agency” (Continued)

- Program Management – Programs in support of the Private Sector
  - Work force training programs (to work closely with Ministry of Labor)
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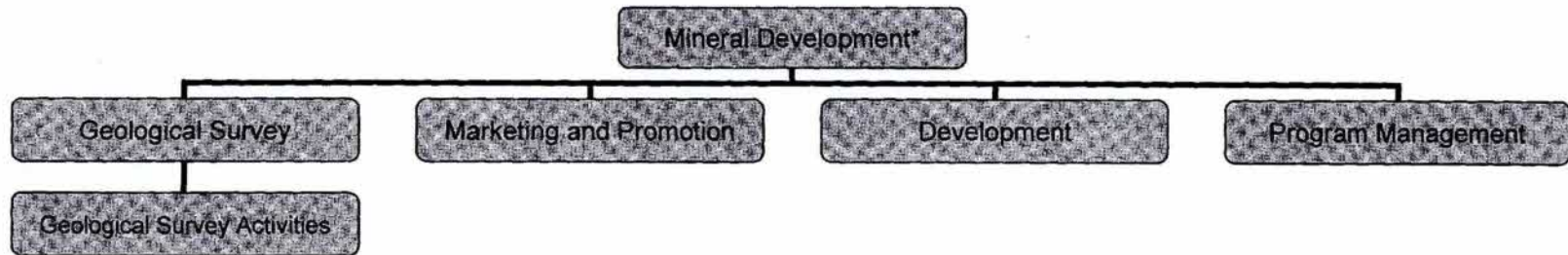


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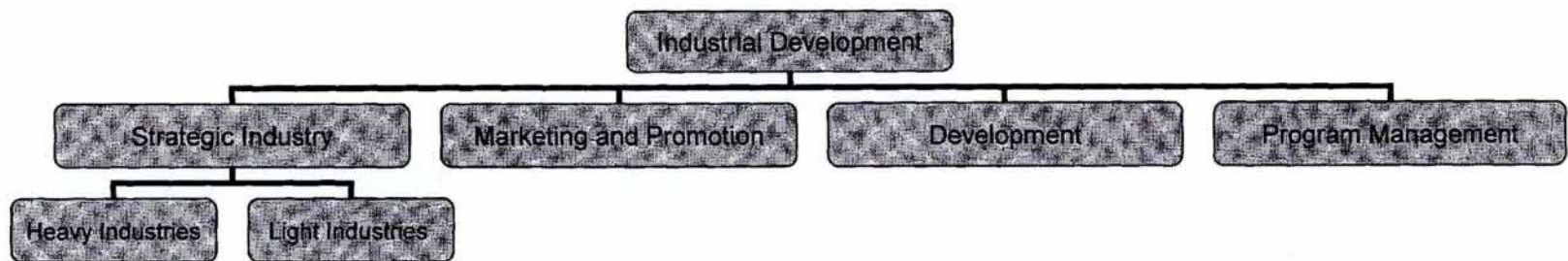
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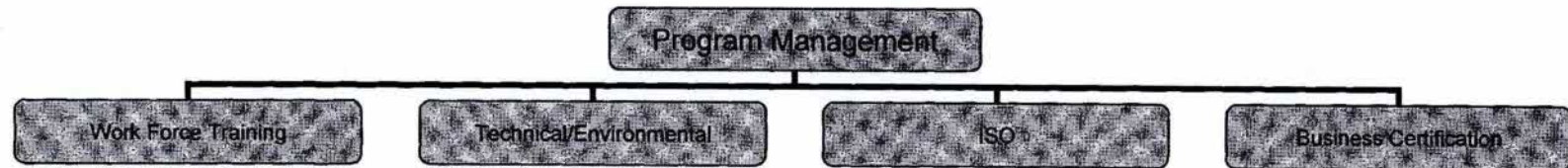
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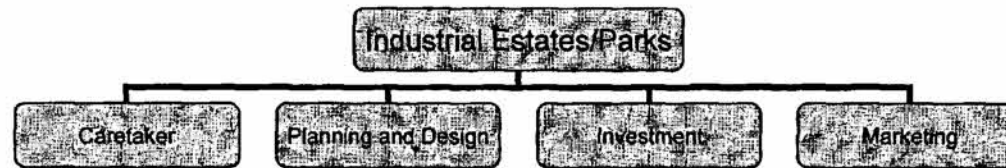
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# MIM “Industrial and Mineral Development Agency”





# MIM Planning Considerations for the “Industrial and Mineral Development Agency”



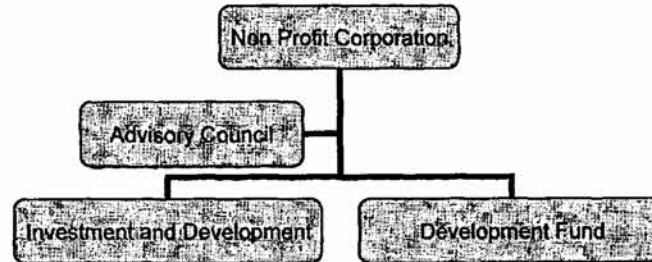
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# MIM Planning Considerations for the Non Profit Organization

Non Profit organization:

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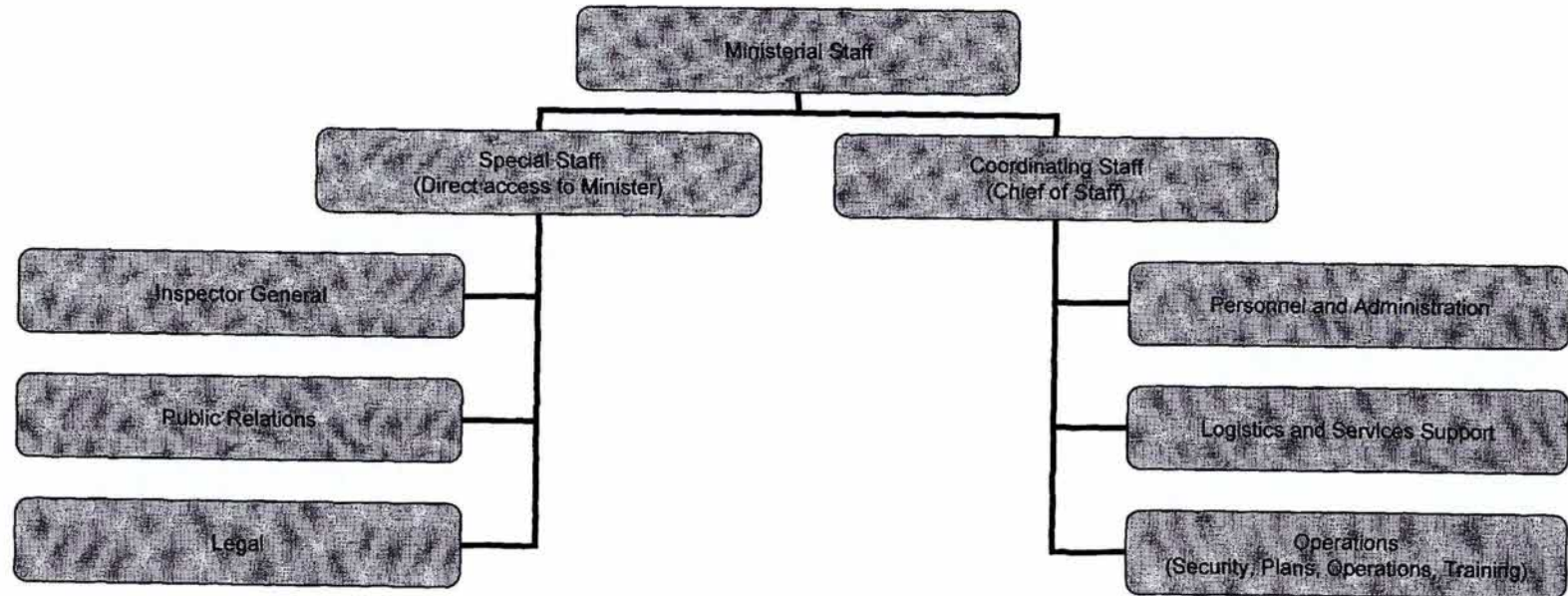
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# MIM

## Ministerial Staff





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# MIM Planning Considerations

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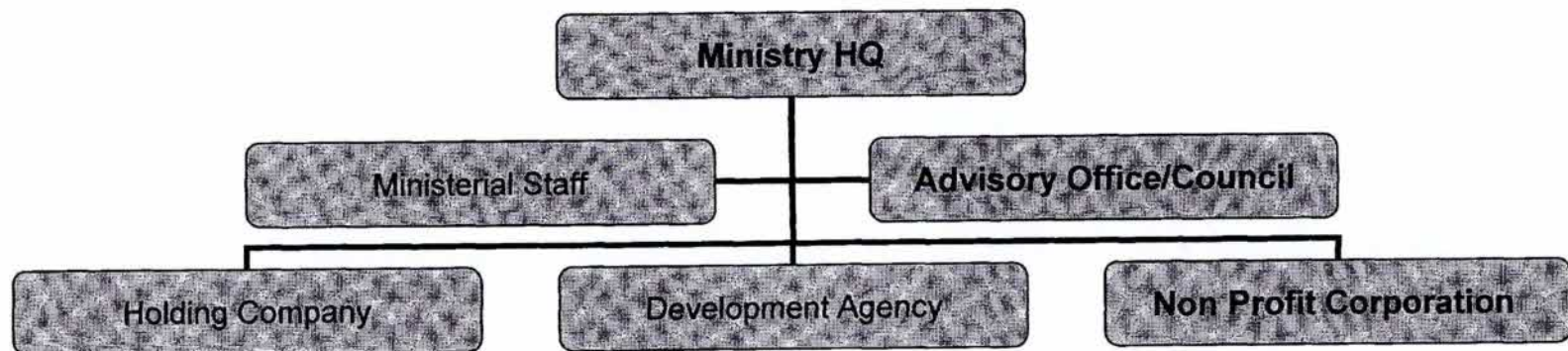
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# MIM

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## Strategic Plan – MIM

1. Restructuring - The Ministry of Industry and Minerals envisions transitioning from a holding company of state owned enterprises (SOE) to an Industrial Development Agency. The MIM has developed a conceptual restructuring plan (with organizational chart). Critical to this restructuring is disposing of the SOEs (privatizing, liquidating, restructuring). Its short term objectives including privatizing the management of the SOEs through leasing programs. The Ministry's goal is to achieve its SOE disposition within 2-5 years. A rationally organized short term holding company will be established to manage the operations of the SOE.
2. Industrial Development – Essential to the above transformation is the Ministry's involvement into an Industrial Development Agency. The Ministry will embark on industrial park development and establish industrial development program activities to assist the private sector in business development and to attract foreign direct investment. With private competition many of these firms will eventually disappear. The Ministry is moving toward establishing public-private partnerships and organizations to provide strategic and operational guidance to the Ministry.
3. Management - The Minister anticipates that the necessary restructuring will require a substantial change in the DG leadership of the Ministry. In addition a substantial training program is necessary to reorient the staff from a socialist/planned economic model to a market oriented economic model as the means to develop the Iraqi economy
4. Economic Development – the immediate goal of the Ministry is to get select SOE's operational as soon as possible. The IPP i(and other electricity sources) is essential to this process. The leasing program will assist some of the marginal firms to achieve meaningful production levels.



# Chief Information Officer Iraq



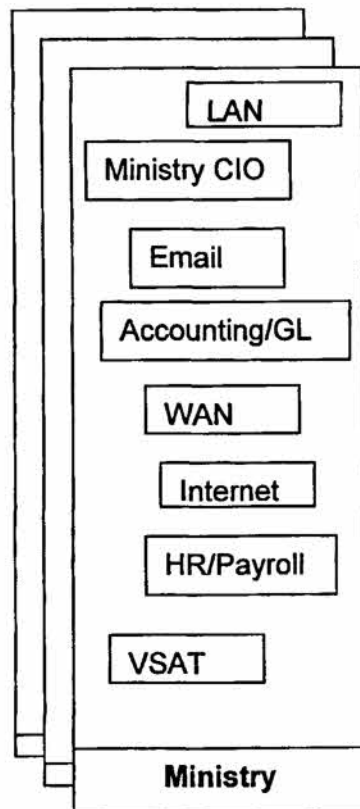




# The office of the CIO is to Consolidate IT requirements and standardize IT procurements at the PMO

## Step1

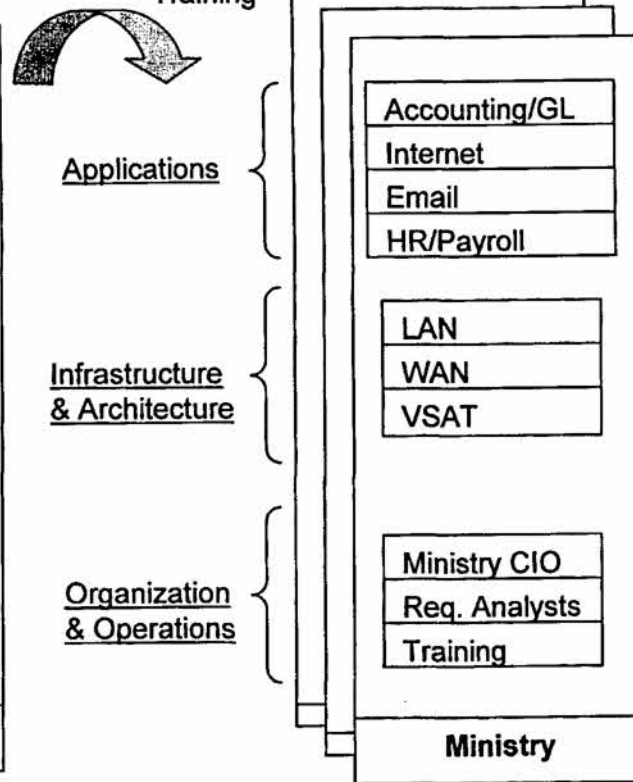
Conduct an inventory of IT requirements for the Ministries



## Step2

Categorize requirements:

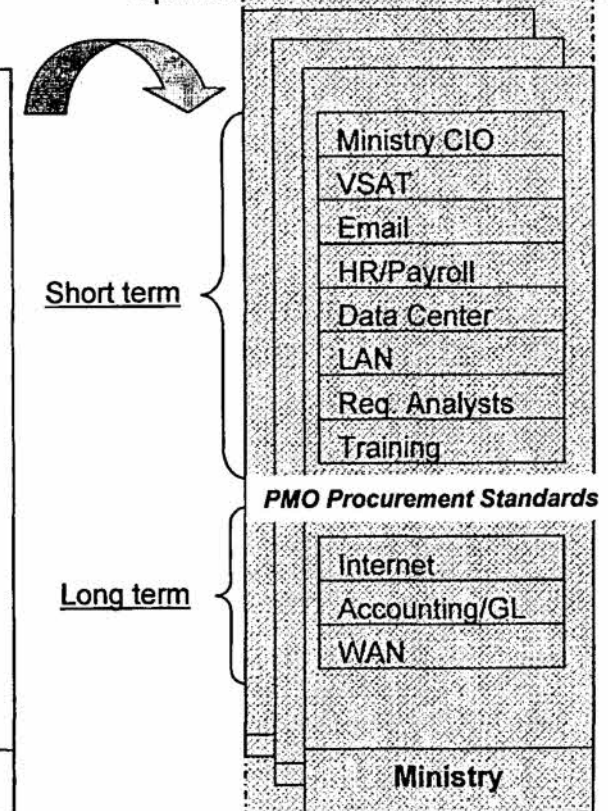
- Applications
- Infrastructure & Architecture
- Organization & Operations
- Training



## Step3

Prioritize & Standardize Procurement:

- Short term
- Long term
- Open standard / Microsoft office suite



29 April 2004

Ministry Of Communication



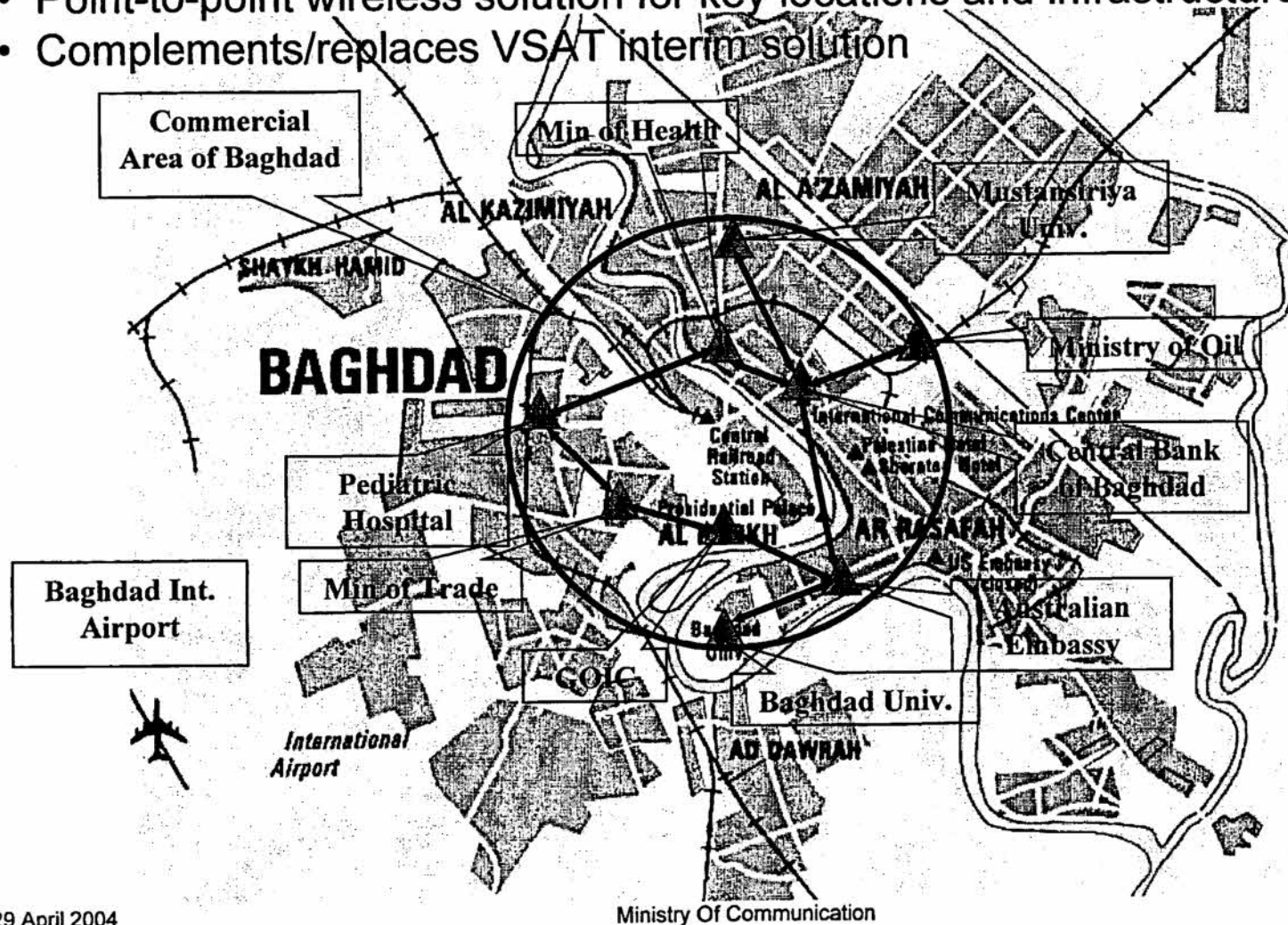
## Office of the CIO plan milestones

1. Issue CIO standards for PMO procurement
2. Work with Ministries to :
  - a. Inventory IT requirements
  - b. Plan Ministry connection to the network
3. Assess Ministry and Ministry-CIO training requirements
4. Develop internet portal for the Iraqi Government
5. Work with PMO to provide oversight over procurement standards
  - a. Setup shadow CIO office at PMO
  - b. Establish 2 national data centers



## Government Connectivity - WBB – Baghdad

- Point-to-point wireless solution for key locations and infrastructure
- Complements/replaces VSAT interim solution



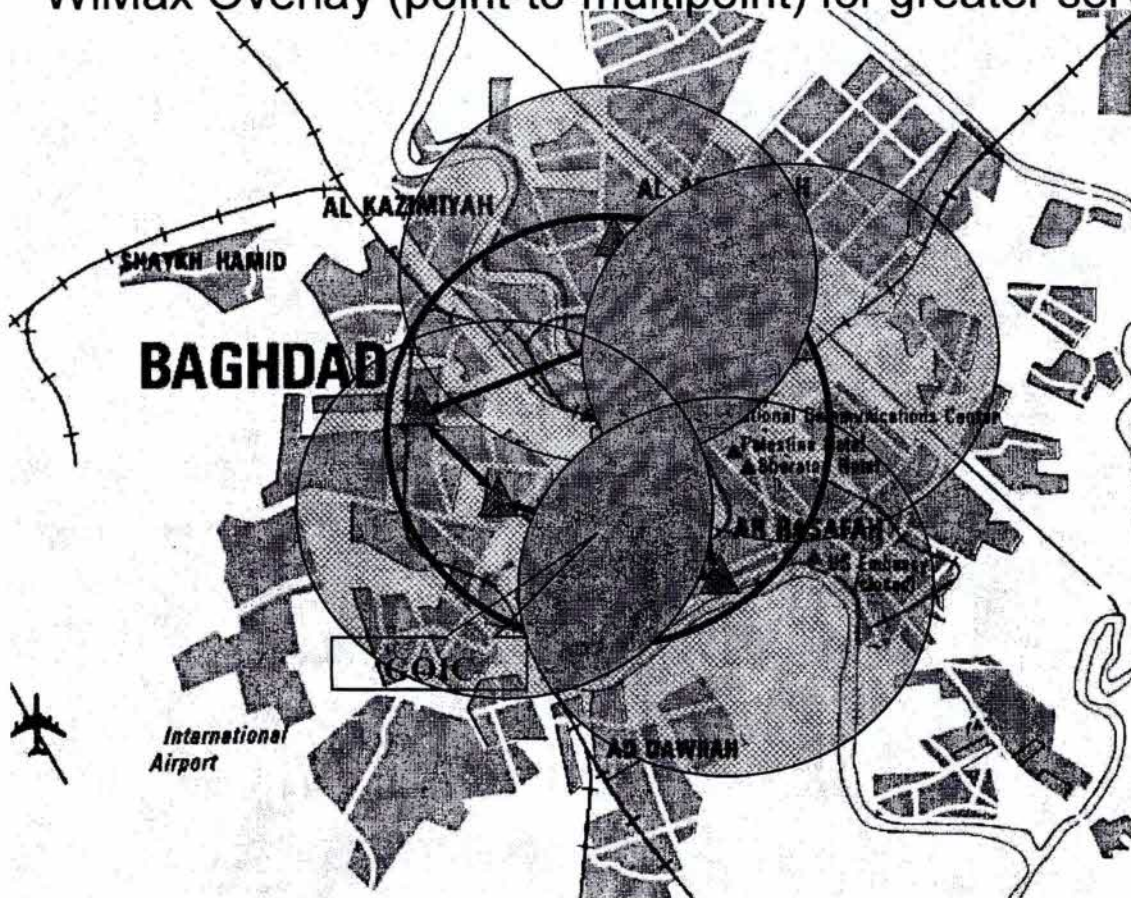
29 April 2004





## Government and Other Connectivity – Baghdad

- WiMax Overlay (point-to-multipoint) for greater service area coverage



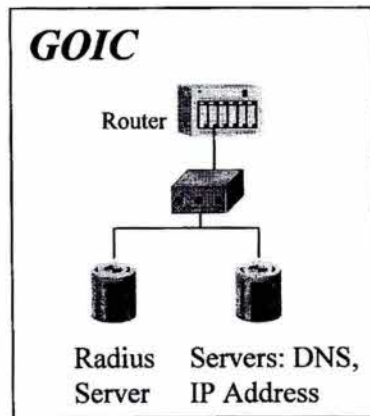
### Example Rollout

- 9 Microwave Nodes
- 5 WiMax OFDM Cells
- 40,000+ user initial capability
- End user speeds >1.5mbps
- First links (i.e. ministries) operational within 90 days of funding
- Ubiquitous service capability for metro-Baghdad

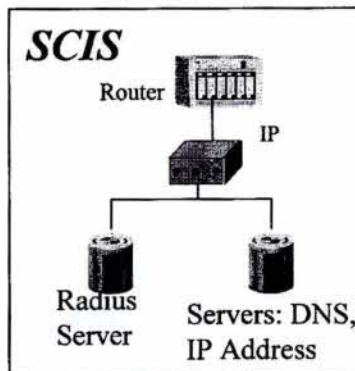


# MoC/CIO/Ministry Relationships

## Service Providers



**OR**

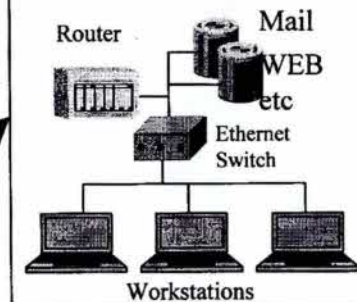


*Global Internet:  
Spacelink*

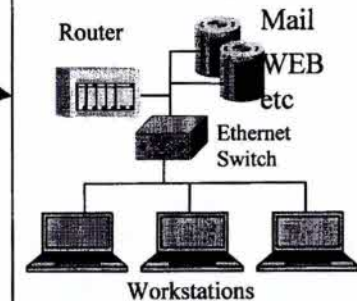
*Global Internet:  
SCIS/VEGA*

## Ministries

### **Ministry 1**



### **Ministry 2**



**ITPC**

Satellite

Satellite

Broadband: wireless, fiber

Broadband: wireless, fiber

Future

Ministry Of Communication

29 April 2004





## CIO Function

- Iraqi CIO:
  - Cross functional (IT across ministries)
  - Sets standards; provides guidelines
  - Develops future vision for Iraqi gov't IT
- PMO CIO "Shadow Function"
  - Executes vision
  - Builds to Iraqi CIO Approved Standards
  - Economies of Scale (combine like reqmts)
  - Works across all sectors
  - Coordinates projects with Iraqi CIO
  - For Trans/comm sector: "more of the same"

kpmg

**Iraqi Cement Company**  
**(Draft) Financial Assessment**  
**Report**

December 2003

*This report contains 54 pages and 4 appendices*

## Contents

1	Introduction	1
1.1	Background	1
1.2	Scope of engagement	1
1.3	Scope restrictions	2
1.4	Approach and procedures	3
1.5	Other issues	3
2	Executive summary	4
2.1	Current status in Iraq	4
2.2	Overview of ICC	6
2.3	Key business issues	7
2.4	Key financial issues	9
2.5	Business opportunities	12
2.6	Projections for the year 2004	13
3	Operating structure and activities	14
3.1	Operations	14
3.2	Company structure and employee	15
4	Summary combined financial statements	17
4.1	Basis of preparation	17
4.2	Summary combined income statements	18
4.3	Summary combined balance sheets	19
4.4	Iraqi Accounting Standards	20
5	Analysis of summary combined balance sheets	21
5.1	Tangible fixed assets	21
5.2	Assets under construction	26
5.3	Financial investments	27
5.4	Inventory	28
5.5	Trade receivables	30
5.6	Cash	32
5.7	Trade accounts payable	34
5.8	Dividends payable	36
5.9	Bank loans	37
5.10	Capital and reserves	38

6	Commitments and contingent liabilities	41
6.1	Commitments	41
6.2	Contingent liabilities	41
6.3	Claims and litigation	42
7	Capital Investments	43
8	Sales Cycle Description and Cash Controls	44
8.1	Sales	44
8.2	Petty Cash	45
8.3	Salaries	45
8.4	Cheques - Received	46
8.5	Cheques - Issued	47
8.6	Bank Accounts	47
9	Management Letter Comments	49
10	Management Assessment	50
10.1	Introduction	50
10.2	Management – General issues	50
10.3	IT management	50
10.4	Accounting Department	50
10.5	Production Engineers	51

**Appendices:**

Appendix 1:	Engagement letter.
Appendix 2:	2002 summary balance sheet and income statement by plant
Appendix 3:	Projected financial information for 2004
Appendix 4:	“Status update” of 22 November 2003

## **1 Introduction**

### **1.1 Background**

In November 2003, KPMG Bahrain (hereafter, "KPMG") were requested by the Ministry of Industry and Minerals (hereafter "MIM") and the Coalition Provisional Authority (hereafter "CPA") to complete certain procedures on Iraqi Cement Company (hereafter "ICC" or "the Company").

### **1.2 Scope of engagement**

Details of the procedures completed are set out in our engagement letter, as shown in appendix 1, and related findings are set out in this report.

The engagement has been carried out in accordance with the terms set out in our engagement letter dated 12 October 2003 as shown in appendix 1. This report documents our findings based on fieldwork performed from 17 November 2003 to 3 December 2003, inclusive.

The primary purpose of this report is to assist MIM and CPA in their assessment of the current status of ICC by performing certain agreed upon procedures. The procedures we have undertaken are limited in nature and extent to those which MIM and CPA have determined will best suit their needs and as such will not necessarily disclose all significant matters about ICC or reveal irregularities, if any, present in the underlying information.

The procedures we have undertaken during the course of the engagement do not constitute an audit. Accordingly, we do not express any opinion as to the accuracy or completeness of the information included in this report. Had such audit(s) been undertaken, then our findings could differ from the information presented herein.

We have no responsibility to update this report for transactions and events occurring after the completion of our fieldwork on 3 December 2003.

We were requested under the terms of this engagement to assist ICC in the preparation of Prospective Financial Information ("PFI") for the 12 month period ending 31 December 2004 as set out in appendix 3. We must emphasise that the realisation of the forecasts/projections as prepared by ICC is dependent on the continuing validity of the assumptions on which they are based. The assumptions will need to be reviewed and revised to reflect such changes in trading patterns, cost structures or the direction of the business as emerge. We accept no responsibility for the realisation of the projections.

Since the forecasts/projections relate to the future, actual results are likely to be different from the projected results because events and circumstances frequently do not occur as expected, and the differences may be material.



### 1.3 Scope restrictions

#### 1.3.1 Preparation of 2003 balance sheet

MIM requested that KPMG prepare a balance sheet as at 31 August 2003 as detailed in our engagement letter attached in appendix 1. MIM informed us that the necessary information would be available for 2003 to enable KPMG to perform this work. This was also confirmed to us by ICC.

However while performing our work, we encountered the following significant limitations in information available to us:

- No general ledger, sub-ledgers or interim financial statements for the year 2003 were available;
- We understand that the accounting records for the pre-war business activities of ICC were recorded and maintained at the Head Office. After the war, the accounting records have only been maintained on a factory by factory basis. For 2003, the factories were only able to provide us with the monthly net debits/credits per factory which is not sufficient to be able to compile a balance sheet as requested by MIM; and
- We were provided with limited access to ICC staff largely due to their current working hours during the Ramadan period (9:00-12:45 each working day) and the fact that Fridays are a holiday. In addition, our work was performed during the Eid holiday where the premises were closed for 3 days. It should be noted that these potential access limitations had been raised with MIM and the Coalition Provisional Authority (hereafter "CPA") prior to our field visit and we had been assured that appropriate members of ICC staff would be available to assist us.

Due to the above restrictions, we were unable to prepare a balance sheet for 2003 as requested by MIM in our engagement letter attached as appendix 1.

On 22 November 2003, we submitted a "status update" to Rick Ortiz, Senior Advisor to MIM, which we understand was distributed to the interim Minister of MIM, ICC and the CPA. This status report stated that in the absence of any financial information for the year 2003, we would prepare a summarized balance sheet as at 31 December 2002.

This report should be read in conjunction with the "status" report" referred to above and attached as appendix 4.

#### 1.3.2 Limited discussions and field visits

In addition, it should be noted that we were unable to visit two of ICC's four plants, those located in Al-Qaim and Kubaissa, due to security issues in those areas. As a result, the points raised in this report are mainly based on discussions with management of and field visits to ICC's head office and ICC's two plants in Fallujah and Kirkuk.

### 1.3.3 Inventory and fixed asset counts

During our visit to the two factories and the Head Office, we have performed a physical count and/or observation of the inventory and fixed assets. However no accounting records were available to compare our results to the books.

### 1.4 Approach and procedures

Our approach to this engagement involved the performance of the following procedures:

- Inspecting the 2002 long form audit report issued by Iraq's Supreme Board of Auditors;
- Inspecting the ICC general ledger and certain supporting documents for the financial year 2002;
- Field visits to two factories (Fallujah and Kirkuk) and the Head office of ICC;
- Holding discussions with ICC senior management at ICC's Head Office;
- Holding discussions with financial management of the four factories and the Head Office of ICC;
- Holding discussions with the head of ICC's planning department; and
- Holding discussions with the head of ICC's legal department.

### 1.5 Other issues

Management of ICC have not read this report, nor have they verified the factual accuracy of the information contained herein, or provided us with any written representations in this regard.

All monetary figures in this report are presented in Iraqi Dinars (ID), thousands of Iraqi Dinars ("ID\_k"), millions of Iraqi Dinars ("ID\_mn") or billions of Iraqi Dinars ("ID\_bn").

As of 3 December 2003, the current market exchange rate between the Iraqi dinar and the US Dollar was ID 2,000 to USD 1.

We have not performed any legal, technical or environmental assessments on ICC as this was outside the scope of our engagement.

This report, including all parts thereof, is provided on the basis that it is for the internal information of MIM and ICC only and that it will not be distributed, published or referred to, in whole or in part, without our prior written consent. Should the report or parts thereof be reproduced, MIM or ICC must have KPMG review and agree in writing to the context in which the reproduced part of the report is to be used.

## **2 Executive summary**

### **2.1 Current status in Iraq**

#### **2.1.1 State of conflict**

At the beginning of May 2003 the conflict between the Coalition Forces and Iraq ended by the removal of Saddam Hussein and the Baath party from power. Post conflict problems for Iraqis are un-employment, looting, crime and security. It is acknowledged that over the past few months the security of Iraqi people has improved. However during the past months the Coalition Forces and the Coalition Provisional Authorities have been facing mounting attacks against their troops and their (sub) contractors. President George W. Bush, United Nations and the world's Islamic nations (during its Triennial Arab Summit of 16-17 October 2003) have pledged to fight terrorism and to support the Iraqi people.

#### **2.1.2 Governing authorities**

The adoption of the U.N. Security Council Resolution 1483 on 22 May 2003 marks a turning point in the historical pages in Iraq. It ends nearly 15 years of economic sanctions, encourages the international community to support Iraq's reconstruction, and supports the establishment of a transitional administration run by Iraqis. The resolution recognizes the authority of the Coalition Forces under the Fourth Geneva Convention as an "occupying power" (or Coalition Provisional Authority"). The CPA has the rights and obligations to take the lead during the interim period, not only in reconstructing and rebuilding Iraq in the near-term, but also in creating a process by which Iraqis can choose their future government. Unanimous adoption of the U.N. Security Council Resolution 1511 on 16 October 2003 confers U.N. legitimacy to US-led operations in Iraq.

On 13 July 2003 an Interim Governing Council was formed and subsequently recognized by the U.N. resolution 1511. They have recently approved to hold democratic elections of a governing body by June 2004.

#### **2.1.3 Iraq's economy**

According to the World Bank (WB), Iraq's economy will shrink 22 percent this year, having fallen 21% in 2002 and 12% in 2001. Average income fell from \$3,600 per person in 1980 to \$770-1,020 in 2001 and just \$450-610 by the end of 2003.

However, with its huge oil and gas reserves, virtually unlimited supplies of water (the Tigris and Euphrates rivers) and a large well-educated population, Iraq, is expected to re-emerge as an important economic and hence political force in the Arab world. Iraq has a proven oil reserve of around 113bn barrels and a probable reserve of 220bn barrels. Saudi Arabia and Russia hold the world's largest proven reserves of around 270bn barrels each. According to 1997 figures, Iraq has proven gas reserves of 3,000bn cm. The oil minister has stated that Iraq has the potential to become the world's second or third largest holder of gas reserves.



#### 2.1.4 Future expected political and economic developments

The prospect of a stable, democratic, market based economy in a region relatively unattractive for Foreign Direct Investment is promising. Senate and US House representatives have recently approved a budget of \$87bn to finance war against terrorism and for reconstruction of Iraq and Afghanistan. \$18 billion of this has been allocated mainly to the reconstruction of Iraqi infrastructure. Other countries at the Donors' conference of October in Madrid for Iraqi reconstruction committed an additional \$17bn. In addition, Paris Club has recently stated that it would consider canceling part of Iraq's \$40bn debt. Reconstruction and development of the oil and gas industry could also contribute significantly to the Iraqi economy.

Over the past few months the Coalition Provisional Authority have passed a number of measures to allow an acceleration of the modernization of the Iraqi economy. These included the following:

- CPA no 39 allows foreign investors to set-up a trade office, a branch, a subsidiary or a joint venture, or to acquire an investment in all sectors except banks, insurance companies or natural resources. Authorization was granted to repatriate fund.
- CPA no 37 reduces substantially the level of taxation and sets the maximum tax rate on individual and corporate income at 15% as from 1 January 2004.
- CPA no 18 sets measures to ensure the independence of the Central Bank of Iraq.
- CPA no 20 establishes a Trade Bank of Iraq to provide financial services to facilitate import and export of goods and services.
- CPA no 40 set a new banking act in accordance with western practice. Total number of licences for banks controlled by foreigners is limited to six banks through 31 December 2008.

## 2.2 Overview of ICC

### 2.2.1 Background

ICC was formed in 1964 through the merger of three cement companies and their nationalization by the Baath party.

ICC's core activities are the production and sales of cement through its four plants located in central Iraq. ICC's market share is approximately one-third of the Iraqi market.

### 2.2.2 Financial highlights

The financial highlights of ICC as at and for the years ended 31 December 2002 and 2001 are set out in the table below:

<i>(Expressed in thousand of Iraqi Dinar)</i>		
	2002	2001
	<i>(unaudited)</i>	<i>(unaudited)</i>
Total revenues	48,506,845	38,925,313
Net profit for the year	17,539,096	11,216,078
Volume produced in tons	2,235,000	n/a
Average price per ton	21,703	n/a
Net equity	28,820,716	8,327,738

Source: Prepared by KPMG based on the general ledgers of ICC.

n/a – not available.



## 2.3 Key business issues

The key business issues which came to our attention during the performance of our procedures are summarized below:

### 2.3.1 Security issues

The ongoing security issues throughout Iraq are detrimental to the Company's business and have the following key effects:

- Misappropriation of the physical assets;
- Delayed travel for employees going to work at the plants from their homes in the cities;
- Additional security costs incurred for the business;
- Delays in the transportation of raw materials and spare parts; and
- A lack of access to international expertise.

### 2.3.2 Lack of electricity

Currently, ICC does not have electricity to operate their production lines. As a result, since the end of the war, ICC's four plants have either not been operational or been operating on severely limited basis. We understand that ICC management is currently considering the purchase or leasing of electricity generators in order to secure at least a minimum electricity supply.

### 2.3.3 Cement demand

Currently, significant cement imports are being made from Iraq's neighboring countries. As a result the selling price per ton of cement has considerably increased, from approx. US\$ 10 per ton before the war to currently over US\$ 40-60 per ton.

**2.3.4 Condition of ICC's facilities**

ICC's production facilities were constructed over 20 years ago and are therefore old and in need of repair and modernisation;

There has been a lack of proper maintenance of fixed assets in ICC since the 1991 Gulf War resulting:

- Poor production efficiencies and wastage of raw materials;
- High consumption of energy; and
- Significant capital expenditure required in the future to restore maximum capacity.

**2.3.5 Human resource issues**

Due to the war, ICC's highly qualified technicians have either fled the country or were recruited by private companies. The hiring and training of technicians for the plants should be a key focus area for the Company in the future.

Financial management and staff require extensive training and guidance for ICC to be able to operate in and make the transition to a market economy.

**2.3.6 Supplies**

Raw materials, electricity, oil and transportation prices as well as salaries are in the process of being liberalized.

Raw materials used in ICC's production process (i.e. limestone, clay, iron ore and gypsum) have to be transported long distances to the plants. As a result, transportation costs are high and there are frequent cases of supplies not arriving at all.

## 2.4 Key financial issues

Set out below are some of the key financial issues identified as a result of our work:

### 2.4.1 Historical cost of production facilities

The historical cost of the four production facilities of ICC was over USD 700 million. The current book value in ID is based on historical exchange rate for imported goods. However, if the current exchange rate is applied, then the net book value of the fixed assets of ICC as at 31 December 2002 amounts to USD 7 million.

To ascertain the market value of the production facilities, we would propose that a valuation is performed taking into consideration the technical condition of the assets, the completeness of the assets and their potential market value in a post-war Iraq.

### 2.4.2 Frozen monetary assets and liabilities

Under [rule/law ROBERT], all monetary assets and liabilities from the pre-war period have been frozen. It is uncertain as to when the blocking of these assets and liabilities will be lifted and to what extent these assets and liabilities will still exist when the restrictions are lifted.

### 2.4.3 Grants

ICC has general reserves included in its 2002 equity of ID 16,5 bn which relate primarily to cash granted by the former Iraqi government for carrying out capital improvements. It is uncertain in a post-war Iraq whether these funds will be required to be repaid.

### 2.4.4 Other reserves

Included in ICC's equity in 2002 is a research & development reserve of ID 0.9 bn and a social reserve of ID 0.9 bn, which has been created from the income of ICC in prior years. Before the war, these reserves were to be paid to governmental institutions. Post-war, it is uncertain whether these reserves will still be required to be paid to these institutions. In any cases, until this issue is resolved by the new Iraqi government, these reserves should be recorded as liabilities of the Company.

### 2.4.5 IT limitations

The IT mainframe in place in 2002 is in the process of being changed to a PC based system provided by MIM. The mainframe has several system failures and the PC based system is not functioning properly at this time. As a result, limited information is available to ICC management to manage the business.

**2.4.6 Adjusted net equity at 31 December 2002****2.4.6.1 Quantifiable adjustments**

A summary of our proposed quantifiable accounting adjustments to ICC's combined equity as at 31 December 2002 is set out below:

<i>(Expressed in thousands of Iraqi Dinar)</i>	<i>Ref.</i>	<b>31 December 2002</b>
<b>Net combined equity of ICC as reported by management</b>		<b>28,820,716</b>
<b>Proposed adjustments:</b>		
1 Financial investments	5.3	(40,000)
2 Unused bags in Head Office for long period	5.4	(200,000)
3 Receivables from institutions linked to Saddam	5.5	(445,000)
4 Unrecoverable deposit in transit	5.6	(3,000,000)
5 Reclassification of general reserves	5.10.3	(16,432,267)
6 Reclassification of research and development reserves	5.10.3.1	(964,439)
7 Reclassification of social reserves	5.10.3.1	(886,919)
8 Unquantifiable adjustments	2.4.6.2	NQ
<b>Adjusted combined equity</b>		<b>6,852,091</b>

Source: Prepared by KPMG.

NQ – not quantifiable.

Details of each adjustment are set out in the body of the report as referenced above.

It should be noted that the combined equity presented above represents the equity of the 4 plants and the head office of ICC with no elimination of inter-divisional balances or transactions as such information was not available to us.

The total effect of our quantifiable adjustments is to reduce the net equity of ICC by Iraqi Dinar 21,968,625k from Iraqi Dinar 28,820,716k to Iraqi Dinar 6,852,091k.

#### 2.4.6.2 *Non-quantifiable adjustments*

It should be noted that in addition to the above quantifiable adjustments, further adjustments may be required in respect of other issues for which we were not provided with sufficient information. A summary of these issues is set out below, further details of which can be found in the body of this report:

- Amount of looted assets in warehouses in Baghdad and the plant in Kirkuk;
- Adjustments as a result of the IT system failure especially in the accounting of fixed assets;
- Adjustments as a result of "real" exchange rate fluctuations and historical "fixed" exchange rates used;
- Valuation of land and properties owned by the company;
- Impairment of fixed assets;
- Recoverability of pre-war monetary assets and outstanding cheques and deposits;
- Obligations to pay pre-war monetary liabilities;
- Inter-divisional margins in inventory;
- Write-off of looted cash;
- Interest and penalties on loans from Al-Rafadian bank;
- Obligations to repay CPA in the future for staff costs currently paid by the CPA;
- Outstanding litigation against ICC; and
- Ownership of fixed assets.

For further contingent issues to be taken into consideration, see section 6.



## 2.5 Business opportunities

During our work, we have noted the following areas which may represent significant strengths and opportunities for ICC in the future:

- Leadership qualities of the Director General;
- ICC's plants have not been "looted" except for some vehicles, small equipment and stock in Baghdad;
- There is a high demand for ICC's products at the moment in Iraq;
- ICC and the northern and southern cement companies are in a situation of oligopoly in Iraq and could in the future effectively direct its pricing strategy to reduce competition from imported goods;
- In Iraq, the current selling price per ton is over USD 40-60 which is high due to the transportation costs of importing such goods from abroad and the high market demand to rebuild the country;
- ICC has comparatively low production costs of less than USD 10-15 per ton;
- The quality of ICC's products is well-recognized in the region;
- ICC has managed to retain a large number of its employees from the pre-war period; and
- ICC management have informed us that the Company could realize a limited production capacity within a short period of time and without major capital investment.

## 2.6 Projections for the year 2004

We have assisted ICC management in the preparation of prospective financial information for the 12 month period ending 31 December 2004 as set out in appendix 3.

The following assumptions have been applied by ICC management to prepare these projections:

- The annual production in 2004 is estimated at 1.6 million tons of cement i.e. approx. 33% of the designed capacity.
- The total investment required over the next few years is estimated at USD 60 million. Half of this amount is expected to be invested in 2004 mainly for the acquisition of three generators for electricity and gear boxes for the mills. However these investments are not expected to improve the level of production but only to restart the production. Additional investments will be required to reach the maximum level of designed capacity of 4.8 million tons of cement.
- The average selling price is projected at USD 40 per ton and the production costs, on a full absorption basis, at around USD 30 per ton.
- Productivity gain or costs reduction have not been factored in the 2004 projections as it will require a detailed review and an implementation plan.
- Substantial increases in the purchase price of raw materials have been projected due to the expected liberalization of prices.

We must emphasise that the realisation of the forecasts/projections as prepared by ICC is dependent on the continuing validity of the assumptions on which they are based. The assumptions will need to be reviewed and revised to reflect such changes in trading patterns, cost structures or the direction of the business as emerge. We accept no responsibility for the realisation of the projections or the validity of the assumptions of ICC management especially given the general uncertainty, both politically, socially and economically in Iraq at the current time.

Since the forecasts/projections relate to the future, actual results are likely to be different from the projected results because events and circumstances frequently do not occur as expected, and the differences may be material.

### **3 Operating structure and activities**

#### **3.1 Operations**

##### **3.1.1 Activities**

ICC produces and sells cement from its four plants located in central Iraq. The cement is primarily designed for domestic use. In addition, ICC have two warehouses in Baghdad which will need to be upgraded and refurbished due to heavy "looting" after the war.

In addition, the Company extracts raw materials for some of its plants from its quarries.

##### **3.1.2 Customers**

ICC's customers are government entities, public private partnerships and private companies. ICC's customers are responsible for the transportation of ICC's products from its production plants or ICC warehouses.

##### **3.1.3 Suppliers**

ICC's suppliers of raw materials and services are Iraqi companies while for equipment, machinery and spare parts, ICC rely on international suppliers.

##### **3.1.4 Payments and receipts**

ICC realizes sales and makes purchases primarily through cash advances in the form of certified cheques. However it should be noted that since the war ended, direct wire transfers are increasing.

##### **3.1.5 Production facilities**

The Company's plants are not operating at this time due to a lack of electricity. ICC management indicated that the plants could operate with a limited capacity within a short period of time if sufficient power was made available.

ICC management indicated to us that the Company's production capacity could be significantly increased if appropriate capital improvements were made. Due to U.N. restrictions since 1991, there has been a lack of proper spare parts and trained international technicians available to ICC and as a result the plants have not been adequately maintained.

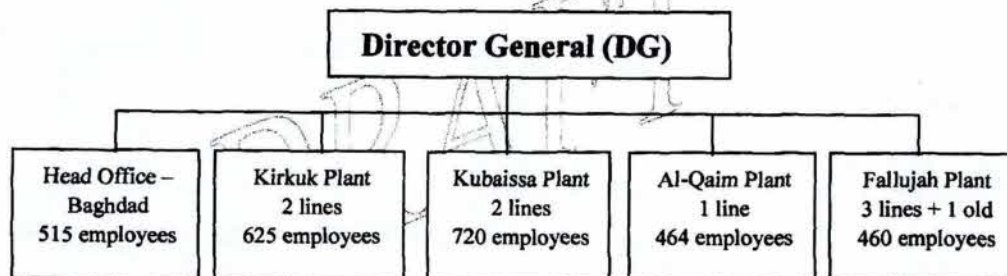
### 3.2 Company structure and employee

#### 3.2.1 Legal status

Iraqi Cement Company is a state-owned company and has four production plants located in central of Iraq with its Head Office in Baghdad.

#### 3.2.2 Overview of ICC corporate structure

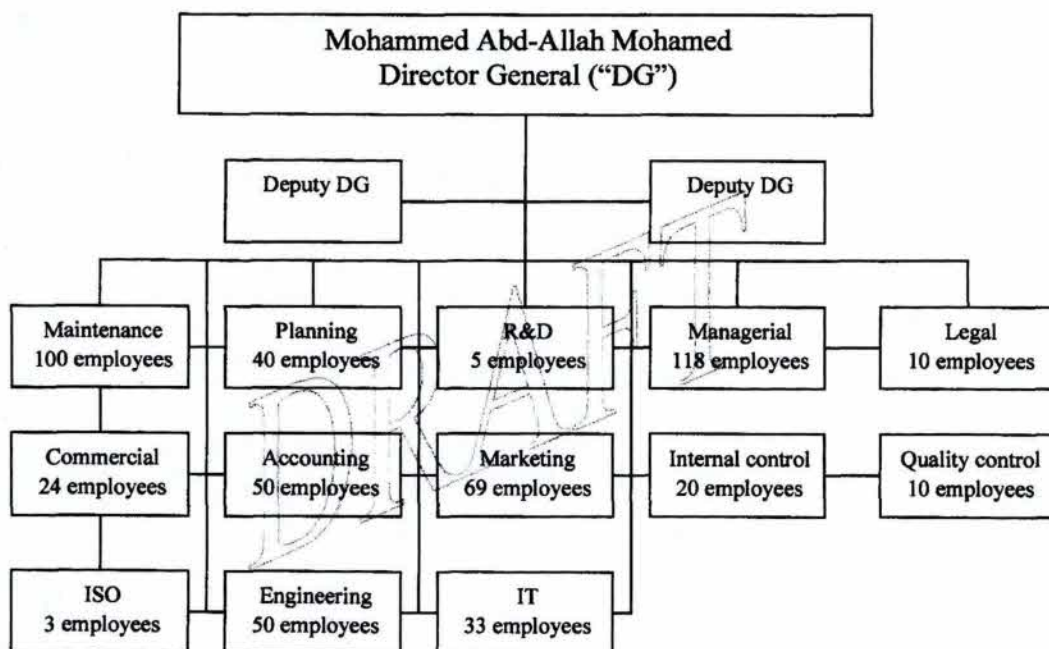
Set out below is a brief overview of ICC's corporate structure:



On 31 October 2003, ICC had a total number of employees of 2,784 with salary expenses of USD 313,900 per month currently paid by the CPA (average monthly salary of USD 113 per employee).

### 3.2.3 Overview of ICC's Head Office organizational structure

Set out below is an overview of ICC's organizational structure at its Head Office:



Source: ICC management.



## 4 Summary combined financial statements

### 4.1 Basis of preparation

The combined income statements and balance sheets presented in this section have been prepared in accordance with Iraqi Accounting Standards. There are significant differences between Generally Accepted Accounting Principles in the United States of America and the Iraqi Accounting Standards.

Further, the combined income statements and balance sheets presented below represent the combination of the four production plants and the Head Office of ICC without eliminating inter-divisional transactions and balances. ICC management indicated to us that inter-divisional transactions and balances have not been eliminated due to the fact that the final financial statements for the year ended 31 December 2002 were not completed prior to the start of the war.

As this combined information is all that was made available to us, we have based our procedures and findings as set out in this report on the combined totals.

The long form audit report issued by the Supreme Board of Auditors (government auditors) included financial statements for the year ended 31 December 2002 and management letter comments. There are a significant number of comments and proposed adjustments made by the auditors which have not been addressed or recorded (see section 9 for further details).

The proposed adjustments resulting from our work as summarized in paragraph 2.4 of this report are **not recorded** in the combined balance sheets and income statements presented below.

## 4.2 Summary combined income statements

The combined income statements of ICC for the years ended 31 December 2002 and 2001 are set out below:

	Ref.	2002	2001
<i>(Expressed in thousands of Iraqi Dinar)</i>		<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Turnover</b>		<b>48,506,845</b>	<b>38,925,313</b>
Raw materials and consumables		(24,308,425)	N/A
<b>Gross Profit</b>		<b>24,198,420</b>	<b>N/A</b>
Gross profit %		49.9%	
<b>Operating expenses</b>			
Wages and salaries		(6,477,557)	N/A
External services		(3,424,072)	N/A
Depreciation		(803,909)	N/A
Capitalized costs		6,003,507	N/A
<b>Operating profit</b>		<b>19,496,389</b>	<b>N/A</b>
Operating profit %		40.2%	
Interest expense		(348,751)	N/A
Other expenses		(1,608,541)	N/A
<b>Net income before tax</b>		<b>17,539,097</b>	<b>11,216,078</b>
Income tax		-	-
<b>Net profit for the year</b>		<b>17,539,097</b>	<b>11,216,078</b>

Source: prepared from ICC's combined 2002 & 2001 general ledgers.

N/A – not available

## 4.3 Summary combined balance sheets

The combined balance sheets of ICC as at 31 December 2002 and 2001 are set out below:

	Ref.	2002	2001
<i>(Expressed in thousands of Iraqi Dinar)</i>		<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Fixed assets</b>			
Tangible fixed assets	5.1	15,006,130	2,602,276
Assets under construction	5.2	4,089,126	95,574
Financial investments	5.3	40,000	40,000
		<u>19,135,256</u>	<u>2,737,850</u>
<b>Current assets</b>			
Inventory	5.4	38,180,224	30,063,164
Receivables	5.5	1,079,480	4,253,929
Cash	5.6	7,999,891	-
		<u>47,259,595</u>	<u>34,317,093</u>
<b>Current liabilities</b>			
<i>(Amounts falling due within one year)</i>			
Payables	5.7	16,635,552	5,884,503
Dividends payable	5.8	16,948,206	13,512,011
Overdraft		-	3,981,692
		<u>33,583,758</u>	<u>23,378,206</u>
<b>Net current assets</b>		<u>13,675,837</u>	<u>10,938,886</u>
<b>Long-term liabilities</b>			
<i>(Amounts falling due after one year)</i>			
Bank loans	5.9	3,990,377	5,349,000
<b>Net assets</b>		<u>28,820,716</u>	<u>8,327,736</u>
<b>Capital and reserves</b>	5.10		
Share capital		1,523,000	1,523,000
Reserves		27,297,716	6,804,738
		<u>28,820,716</u>	<u>8,327,736</u>

Source: prepared from ICC's combined 2002 & 2001 general ledgers.

#### 4.4 Iraqi Accounting Standards

##### 4.4.1 Differences between Iraqi Accounting Standards and International Accounting Standards

A summary of the main differences affecting the financial statements of ICC is summarized below.

- Although it is allowed to set-up provisions for non-recoverable assets, no provisions were made by ICC in connection with doubtful debts, slow moving inventory, and cash-in-transit and uncollected checks outstanding for a long period.
- Fixed assets fully depreciated but still in use continue to be depreciated until there are retired. The excess depreciation is included in reserves.
- Certain expenses are charged directly to reserves (e.g. social reserves) instead of profit and loss account.
- Accounting for grants received which become repayable when certain conditions are met.
- No accounting principles for hyper inflationary economy.
- Accounting for transactions denominated in foreign currencies. Various artificial exchange rates are used to purchase foreign goods, which distort the presentation of the balance sheet and the real profitability of the company.
- Annual allocation of profits to certain institutions (e.g. R&D institution) is shown in reserves until cash call and payment made. These reserves should be reclassified as payable.
- Accounting for litigation and claims are recorded only when paid.
- Limited disclosure notes.



## 5 Analysis of summary combined balance sheets

### 5.1 Tangible fixed assets

#### 5.1.1 Composition

Set out below is an analysis of fixed assets as at 31 December 2002 with comparative figures for 2001:

	Acquisition cost	Acc. Dep.	NBV	NBV
<i>(Expressed in thousands of Iraqi Dinar)</i>	<i>(2002)</i>	<i>(2002)</i>	<i>(2002)</i>	<i>(2001)</i>
Land	84,694	-	84,694	N/A
Buildings	1,261,895	(117,518)	1,144,377	N/A
Machinery & equipment	13,526,787	(777,689)	12,749,088	N/A
Transportation equipment	741,500	(152,418)	589,082	N/A
Small tools & molds	26,076	(4,074)	22,002	N/A
Furniture & fixtures	487,144	(82,310)	404,834	N/A
Other	12,052	-	12,052	N/A
	<b>16,140,148</b>	<b>(1,134,019)</b>	<b>15,006,130</b>	<b>2,602,276</b>

Source: Prepared from ICC's 2002 & 2001 combined general ledgers.

N/A: not available

#### 5.1.1.1 Details

- Land comprises land at the Head Office, the four production plants, and the quarries for raw materials.
- Machinery and equipment comprises the plant and machinery located at the four production sites (Kirkuk, Kubaissa, Fallujah and Al-Qaim) and the Head Office.
- The NBV increased during 2002 by approx. ID 14bn due to capital improvements made by ICC. ICC management indicated to us that fixed asset additions during 2002 were recorded at an exchange rate of approx. 2,000 ID / US \$1.

#### 5.1.1.2 Looted assets

- In Baghdad, the Company has two warehouses, which were looted after the war. All the Company's stock in these warehouses was taken. ICC management informed us that one warehouse was completely "gutted" as all the doors, windows, and electrical connections were removed.
- In addition, ICC management indicated that approx. 10 cars/trucks, a bulldozer in Kirkuk, office equipment (computers, air-conditioning) and various small parts/tools were also looted.



### 5.1.1.3 Key limitations in fixed asset accounting

Due to a computer system failure in mid-2002, the following significant limitations were noted in the Company's accounting for fixed assets:

- The fixed asset sub-ledgers per plant did not reconcile to the general ledger by approximately ID 12 bn;
- Additions in 2002 after the computer system failure were not recorded;
- Certain fixed asset balances were recorded directly in the general ledger;
- The fixed asset sub-ledgers did not include total balances due to the system failure;
- The fixed asset sub-ledgers sub-totals do not total accurately; and
- The fixed asset sub-ledgers did not calculate depreciation for the 2002 additions. ICC management recorded depreciation directly in the general ledger.

A roll-forward of fixed assets (opening balances, additions, disposals, ending balances) was provided to us but the amounts do not reconcile to the general ledger and explanations for differences were not available.

### 5.1.2 Fixed asset count

We performed a physical count of fixed assets at the production plants in Kirkuk and Fallujah and at the Head Office in Baghdad. As the company was unable to provide us with fixed assets sub-ledgers which reconcile to the general ledger, we were unable to trace the assets back to the books. However based on our discussions with the plant managers and our observations, plant, machinery and equipment located at both factories were not looted. Furthermore, although the Kirkuk factory was in a much better shape than the Fallujah factory, both would appear to be operational. Plant, machinery and equipment at the head Office includes a production facility retired more than 20 years ago and a number of office buildings and warehouses which require major overhaul.

**5.1.3 Production plants****5.1.3.1 Analysis of fixed assets by plant**

Set out below is an analysis of fixed assets by plant as at 31 December 2002:

	Acquisition cost	Acc. Dep.	NBV
<i>(Expressed in thousands of Iraqi Dinar)</i>			
Kirkuk plant	3,567,054	(209,366)	3,357.687
Kubaissa plant	4,878,383	(315,516)	4,562.866
Al-Qaim plant	4,921,892	(258,454)	4,663.437
Fallujah plant	1,000,346	(77,765)	922.580
Head Office	1,772,473	(272,915)	1,499.557
	<b>16,140,148</b>	<b>(1,134,018)</b>	<b>15,006,130</b>

Source: prepared from information obtained from the ICC general ledgers by plant.

As noted in section 5.1.1.3, the printed fixed assets sub-ledgers by plant did not reconcile to the general ledger by approx: ID 12 bn due to the computer system failure in mid-2002.

**5.1.3.2 Acquisition cost**

Set out below is an analysis of the historical acquisition cost of the Company's plants:

	Cost per plant
<i>(Expressed in million of US dollars)</i>	
Kirkuk plant – built in 1984 by a Japanese company	200
Kubaissa plant – built in 1984 by a Japanese company	200
Al-Qaim plant – built in the 1980's by a Romanian company	150
Fallujah plant – built in 1970's by a German company	150
	<b>700</b>

Source: ICC management.

We were unable to reconcile the above amounts provided by ICC management to original contracts as ICC management could not provide us with the relevant contracts. Reportedly, construction of a state-of-the-art facility, with a capacity of 2 million tons per year, would cost over \$300 million.

The historical acquisition cost for fixed assets purchased in foreign currencies has been calculated based on a wide range of exchange rates over the last 20 years. It should be noted that no official exchange rates have been published by the country since the Gulf War in 1991.

A fixed exchange rate of 1 ID for USD 3.2 was used for a long period. This rate allowed Iraqi companies to purchase assets and spare parts at low costs, which however understated the historical cost of the assets when converted into Iraqi Dinars and overstated the annual profits as the depreciation charge is very low.

The net book value of the fixed assets as at 31 December 2002 at the current exchange rate of 2000 Dinars for 1 US is USD 7,5 million and is significantly lower than the acquisition cost of over USD 700 million as reported by ICC management.

### 5.1.3.3 Design capacity

The design annual capacity for the four plants is as follows:

- Kirkuk: 2 lines with a total capacity of 2 million tons of Portland cement.
- Kubaissa: 2 lines with a total capacity of 2 million tons of Portland cement.
- Fallujah: 3 lines with a total capacity of 280,000 tons of white cement.
- Al-Qaim: 1 line with a total capacity of 500,000 tons of water resistant cement.

The Kirkuk and Kubaissa plants were built by a Japanese company and are similar in layout and designed capacity.

ICC management indicated to us that the Al-Qaim plant experienced production problems during the 1980s and final testing was never completed as the Romanian company responsible for building the plant left Iraq prior to the 1991 Gulf War.

ICC management indicated that the Fallujah plant has experienced quality problems as the white cement (main product) was not compliant with international standards.

### 5.1.4 Depreciation rates

The single accepted method of depreciation in Iraq is on a straight-line basis. A summary of depreciation rates per major fixed asset category is set out below:

Fixed asset category	Rate
Land	Not depreciated
Quarries	Not depreciated
Buildings	3 to 5%
Machinery and equipment	5%
Transportation equipment (e.g. bulldozers)	5%
Vehicles	10 to 12%
Furniture & Fixtures	15%
Computers and printers	20%

Source: ICC management.

These rates are not in accordance with the Iraqi Accounting Standards. These rates have been promulgated by the Ministry of Finance for the Cement industry in Iraq as the assets in the cement industry are considered to have a longer life than that prescribed by Iraqi Accounting Standards.

According to Iraqi Accounting Standards, assets still in use after being fully depreciated must continue to be depreciated at 50% of the previous rate until the asset is retired. The amount of additional depreciation expense for 2002 for fully depreciated assets is recorded as a reserve in equity amounting to ID 806 mn.



### 5.1.5 Impairment provision

ICC management have not performed an impairment analysis on the four production plants. We visited the Kirkuk, Fallujah and Head Office facilities during our procedures. We did not visit the Al-Qaim and Kubaissa plants due to severe security risks.

Based on our discussions with plant personnel of those facilities we visited, we have not identified any significant impaired assets except as noted below.

- Production at the Head Office ceased more than 20 years ago and, according to ICC management, is fully depreciated. This facility has been cannibalized for parts for the other facilities. These parts were transferred at zero value.
- The Fallujah plant has 3 lines built in the 1970's and 1 older line, which is currently not in use. The line not in use is according to ICC management fully depreciated.
- ICC management indicated they want to improve the quality of the white cement and re-furbish the older line at Fallujah. The current capacity is sufficient for the Iraqi market of white cement. ICC management believe that increased quality and capacity will allow for export sales of white cement which has a higher value than standard Portland cement.
- ICC management and plant personnel indicated that production in the plants visited could begin within a short period if sufficient electricity is supplied. While the plants need certain machinery and spare parts, the plants did operate during the period of U.N. sanctions. Machinery and spare parts were either obtained from Iraqi suppliers, produced by ICC or smuggled into the country. ICC management indicated that no significant capital expenditures were needed to produce at limited capacity, around 30% of the designed capacity. Should ICC be required to produce at full capacity then significant capital expenditures would be required as described in section 7.

### 5.1.6 Other issues

- No significant non-core assets were identified based on the limited procedures performed.
- All plants are at least 19 years old with depreciation periods of between 20 – 33 years. See section 5.1.4 for comments on the 2002 depreciation expense.
- During our field visit, there was no production of cement at the plants due to a lack of electricity.
- The Head Office holds equipment and inventory for the production of packaging for the cement. The equipment and inventory (700,000 bags) have not been used since the war. ICC management indicated that the equipment has been fully depreciated. However an adjustment for the impairment of any remaining book values in this regard has not been assessed or recorded by management.
- No borrowing costs have been capitalized by management. ICC management stated that the loan received in 2002 of USD 2.3 million was used to purchase spare parts.

**5.2 Assets under construction**

Set out below is an analysis of assets under construction at 31 December 2002:

	2002
<i>(Expressed in thousands of Iraqi Dinar)</i>	
Advance payments	3,575,682
Buildings	506,928
Warehouses and silos	6,515
	<b>4,089,126</b>

*Source: prepared from the ICC 2002 combined general ledger.*

Advance payments consist of advances to suppliers made through the MIM. ICC management informed us that these outstanding advance payments were frozen at the beginning of the war. It is not certain when or if these advances will be unfrozen.

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### 5.3 Financial investments

#### 5.3.1 Composition

An analysis of financial investments at 31 December 2002 is set out in the table below:

	% shareholding	Date of acq.	31 Dec 2002
	(%)	(year)	(ID k)
Hadar Company – marble extraction	2.66%	2002	20,000
Orok - marble extraction	n/a	n/a	20,000
			40,000

Source: prepared from information obtained from ICC management.  
n/a – not available

Detailed information on ICC's investment in Orok was not available to us. ICC management indicated that the transaction was not finalized before the war started. The cheque used to pay for the transaction was not cashed and was recorded as an outstanding cheque as at 31 December 2002.

Given the current status of Iraq, it is uncertain whether any return will ever be recovered from these investments and therefore we propose that the carrying value of these investments be written down to zero (see adjustment 1 in section 2.4.6).

## 5.4 Inventory

### 5.4.1 Composition

An analysis of inventory at 31 December 2002 is set out in the table below:

	31 Dec 2002
<i>(Expressed in thousands of Iraqi Dinar)</i>	
Spare parts	20,154,545
Finished goods and work-in-progress	6,036,258
Letters of Credit (primarily for spare parts)	4,629,829
Raw materials	2,776,526
Consumables	2,181,657
Packaging	2,021,103
Oil and gas	380,306
	<b>38,180,224</b>

Source: prepared from ICC's 2002 general ledger

#### 5.4.1.1 Details

ICC management indicated to us that the outstanding Letters of Credit noted above of ID 4,629,829k made before the war have been frozen. The status and recoverability of these letters of credit is not clear and no provision has been recorded for this amount.

Sales of inter-company raw materials and finished goods were recorded at "market value" and the closing inventory balance in each plant includes the gross margins earned on these transactions. We were unable to record an adjustment to eliminate this inter-company margin as insufficient information was available to us from ICC management.

#### 5.4.1.2 "Looted" inventory

Inventory looted, as noted per ICC management, included certain finished goods at the Baghdad warehouses, explosives (used in extraction at the quarries), and various small parts and tools. A provision for these amounts has not been recorded and no details as to the amount of inventory looted was available to us.

#### 5.4.1.3 Key limitations in inventory accounting

A sub-ledger, listing or aging of inventory was not provided to us by ICC management.

#### 5.4.2 Stock count

The inventory stock count performed by ICC personnel for the year 2002 noted no stock differences at any plants or warehouses. We indicated that to have no stock differences during a stock-count of a large entity with many different types of stock items (e.g. spare parts, finished goods, raw materials etc.) was unusual. ICC responded that differences in stock take results were often deducted from employee salaries.

During our visit to the Kirkuk and Fallujah plants we noted that the spare parts warehouses were well organized and clean. In addition, ICC management indicated to us that a large number of spare parts had been smuggled into the country during the period of U.N. sanctions in the 1990's.

#### 5.4.3 Valuation of inventory

As regards the valuation of the inventory balances recorded at 31 December 2002, we have noted the following key issues:

- The cost of raw materials varies due to transportation costs (depending on the location of the quarries) and suppliers.
- In Kirkuk, the local government sold raw materials to ICC at a very low cost while the Fallujah and Kubaissa plants purchased raw materials at market rates. The Al-Qaim plant extracted much of its own raw materials.
- The cost of spare parts varied due to exchange rates used, transportation costs and suppliers. Spare parts imported over the past years included a significant commission for having been "smuggled" into the country.
- The Head Office has facilities for producing packaging for the purposes of packaging cement. These facilities have not been utilized since the start of the war. The quality and condition of the 700,000 bags held by ICC (purchase price is approx. USD 0,15 per bag) at the Head Office is in doubt as it has not been used for several months and may indeed never be used. ICC management indicated that these bags could be sold to the Northern or Southern cement companies. No provision has been recorded for these items in the accounting records. We have proposed that these items be written off (see adjustment 2 in section 2.4.6).

#### 5.4.4 Inventory provision

An inventory provision of ID 1,293,814k has been recorded in the ICC general ledger as at 31 December 2002 and local financial statements as a credit balance in receivables (see 5.5.1 below).

This provision was recorded as a result of stock take differences noted in the 1999 physical inventory count. The related inventory has been reclassified to a suspense account in receivables. We understand that this provision was only approved in 2002 and, as a result, the provision was recorded as a "prior year expense" in 2002.

**5.5 Trade receivables****5.5.1 Composition**

Set out below is an analysis of accounts receivable at 31 December 2002:

	31 Dec 2002
<i>(Expressed in thousands of Iraqi Dinar)</i>	
Suspense account (stock take difference)	1,290,075
Receivables	886,385
Inter-divisional receivables	177,762
Loans to employees and other	19,072
Inventory provision	(1,293,814)
	<b>1,079,480</b>

Source: prepared from the ICC 2002 general ledger.

**5.5.1.1 Details**

- Sales at ICC were primarily made by cash advance payments except for entities closely related to Saddam Hussain. As such, trade accounts receivable are limited.
- ICC management indicated to us that the majority of the receivables noted above did not represent amounts owed to ICC but cash advances made to suppliers and unmatched cash disbursements. ICC management stated that the accounts receivable sub-ledgers may include amounts that have not been reconciled for as long as 20-30 years.
- A re-classification of ID 58 bn in assets and liabilities was recorded by the Supreme Board of Auditors in the final 2002 financial statements. We have not received any detailed analysis of this adjustment from ICC but we understand that in accordance with local Accounting Standards all debit amounts in payables are re-classified to receivables and all credit amounts in receivables are re-classified to payables. This adjustment is not reflected above or in the summary balance sheets presented in section 4.3 of this report.
- Accounts receivable include inter-division transactions with a net amount of ID 177,762k, which have not been eliminated.
- ICC management informed us that none of the receivables due are denominated in foreign currencies.
- The Ministry of Finance has issued an order to delay all pre-war accounts receivable. The recoverability of these receivables is therefore unknown.
- For details as to the "suspense account" caption and the "inventory provision" caption noted above, see section 5.4.4 for details.



**5.5.1.2 Limitations in receivable information provided**

The following limitations were imposed on us by ICC management as regards our examination of ICC's 2002 receivables:

- The accounts receivable sub-ledgers for 2002 provided to us at the beginning of our work did not reconcile to the general ledger. We further noted that the sub-ledgers were not the final versions;
- Final copies of all sub-ledgers were provided to the Supreme Board of Auditors but we were initially denied access to these documents;
- We requested the final sub-ledgers but the printer at the Head Office was broken and therefore they could not be provided to us at that time;
- On the last day of our procedures, we received the final accounts receivable sub-ledgers as these sub-ledgers were printed externally. We understand that the sub-ledger totals agreed to the general ledger but we were unable to perform additional procedures on these ledgers due to the time constraints; and
- In addition, we have not been able to access the provision required if any, for all cash advances made to suppliers for fixed assets or inventory.

**5.5.2 Provision for doubtful debts**

- In 2002 ICC operated primarily through cash advances for sales and as a result, only small doubtful debt provisions were recorded in 2002 (ID 10k).
- Certain entities related to Saddam Hussain received credit for sales. A list of these receivables as at 31 December 2002 was provided to us and amounted to ID 445mn. No provision has been recorded for these items and we would propose that such an adjustment be made (see adjustment 3 in section 2.4.6).



**5.6 Cash****5.6.1 Composition**

An analysis of the cash and bank balance is set out in the table below:

	19 Nov 2003	31 Dec 2002
<i>(Expressed in thousands of Iraqi Dinar)</i>		
Cash in bank – ID (pre-war accounts)	Not available	7,999,891
Deposit in transit (USD1.5 mn)	3,000,000	-
Cash in bank – USD at the official bank rate	368,847	-
Cash in bank – ID (post-war accounts)	192,051	-
	<b>3,560,890</b>	<b>7,999,891</b>

Source: prepared from ICC's combined 2002 general ledger and information obtained from ICC management for 2003.

**5.6.1.1 Details**

- ICC management informed us that all pre-war cash balances were frozen. It is not certain whether these amounts will be received.
- The use of certified cheques in Iraq was common before the war to pay for goods. The status of outstanding cheques and deposits in transit made before the war is not clear at this time. The amount is not material.
- Cash in bank as at 19 Nov 2003 represents cash in bank accounts opened during November 2003. From August 2003 until November 2003, most sales were made in cash.
- Cash in Bank – USD at 19 Nov 2003 was translated into ID for accounting purposes at the official bank rate (ID 1 / USD 3.22) and not the current market rate (ID 2,000 / USD 1). ICC management indicated that the cash would not be converted into ID but used for US dollar expenses. The US dollar balance at 19 Nov 2003 was USD 1,189,831. The ID equivalent would be ID 2,379,662K and not ID 368,847k. This adjustment should only affect the 2003 accounting records.
- The deposit in transit at 19 November 2003 includes a cheque that has not yet been deposited for USD 1.5mn. The cheque is kept at the Head Office and we understand that there is doubt whether this cheque can be redeemed. ICC management indicated to us that in August 2003 the bank did not accept the cheque. ICC management are currently following up on this issue. No provision for this amount has been recorded in the accounting records. We have proposed an adjustment to write-off this cheque (see adjustment 4 in section 2.4.6).

**5.6.1.2 "Looted" cash**

Cash provided by the CPA for ICC salaries was stolen from a safe in the Head Office and a safe in Kirkuk amounting to USD 209,000 and ID 119mn respectively. ICC management were unable to provide us with any evidence confirming the amounts stolen in Kirkuk. We have not proposed any adjustment as it is unclear whether the cash provided by the CPA, which has been looted, belongs to the company.

**5.6.2 Existence of cash**

We have obtained a copy of the bank statements and bank reconciliations at 31 December 2002 and at 19 November 2003.

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**5.7 Trade accounts payable****5.7.1 Composition**

An analysis of trade accounts payable as at 31 December 2002 is set out in the table below:

	31 Dec 2002
<i>(Expressed in thousands of Iraqi Dinar)</i>	
Trade accounts payable	9,111,943
Payable to the Ministry of Finance	7,049,532
Inter-division payables	474,077
	<b>16,635,552</b>

Source: prepared from the combined ICC general ledger for 2002.

**5.7.1.1 Details**

- Purchases at ICC are primarily made by cash advance payments. As such, trade accounts payable are limited.
- ICC management indicated to us that the majority of the payables did not represent amounts owed by ICC but cash advances received from ICC customers and unmatched cash advances received from ICC customers with sales invoices. ICC management stated that the accounts payable sub-ledgers may include amounts that have not been reconciled for as long as 20-30 years.
- Accounts payable includes inter-division balances with a net credit balance of ID 474 million which have not been eliminated.
- Trade accounts payable are primarily denominated in Iraqi Dinar per ICC management for local suppliers and foreign currencies for imported fixed assets and spare parts. ICC management provided a list of accounts payable and purchase commitments in foreign currencies as at 21 September 2003 as requested by MIM. The total of the list was ID 1.5bn (using 2,000 ID / 1 USD) consisting of payables in US dollar, Euro, British pounds, and Japanese Yen.
- The Ministry of Finance has issued an order to delay all pre-war accounts payable. The obligation of ICC to therefore settle its pre-war liabilities is therefore unknown.

**5.7.1.2 Limitations in payable information provided**

The following limitations were imposed on us by ICC management as regards our examination of ICC's 2002 payables:

- The accounts payable sub-ledgers for 2002 provided to us at the beginning of our work did not reconcile to the general ledger. We further noted that the sub-ledgers were not the final versions;
- Final copies of all sub-ledgers were provided to the Supreme Board of Auditors but we were initially denied access to these documents;
- We requested the final sub-ledgers but the printer at the Head Office was broken and therefore they could not be provided to us at that time;
- On the last day of our procedures, we received the final accounts payable sub-ledgers as these sub-ledgers were printed externally. We understand that the sub-ledger totals agreed to the general ledger but we were unable to perform additional procedures on these ledgers due to the time constraints; and
- In addition, we have not been able to access the provision required if any, for all cash advances made to suppliers for fixed assets or inventory.

**5.7.2 Completeness of trade payables**

ICC management indicated that purchase commitments in foreign currencies totaling Euro 171k (approximately ID 380mn) as at 21 September 2003 per the list submitted to MIM. A list of purchase commitments for Iraqi suppliers was not available as ICC management stated that local purchase commitments could be cancelled due to the war.

**5.8 Dividends payable****5.8.1 Movements**

Set out below is an analysis of movements in dividends payable as at 31 December 2002:

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<i>(Expressed in thousands of Iraqi Dinar)</i>	
Dividends payable at 31 December 2001	13,512,111
Allocation of 2002 income (see 5.10.2 below)	12,325,640
Payments made	(8,889,445)
<b>Dividends payable at 31 December 2002</b>	<b>16,948,206</b>

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Source: prepared based on the combined 2002 general ledger of ICC.

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**5.9 Bank loans****5.9.1 Composition**

Set out below is an analysis of loans due as at 31 December 2002:

	31 Dec 2002
<i>(Expressed in thousands of Iraqi Dinar)</i>	
<b>Bank loans</b>	<b>3,990,376</b>

Source: prepared based on the combined 2002 general ledger of ICC.

**5.9.1.1 Details**

ICC received two loans in 2002 from Al-Rafidain bank, denominated in US dollars. These have been converted into ID for accounting purposes using an exchange rate of ID 1,985 to 1 USD.

The key terms of these loans is as follows:

- Interest rate is 4% per annum with a term of two years.
- The status of the loans as well as interest and any penalties for late payment is not certain at this time as all pre-war bank loan balances have been frozen.

**5.9.2 Repayment schedule (2003 and beyond)**

Set out below is a summary repayment schedule for the above loan obligations as at 31 December 2002:

Lender	Original Loan	Paid in 2002	31 Dec 2002	Due in 2003	Due in 2004
<i>(Expressed in thousands of US dollars)</i>					
Al-Rafidain Bank	1,300	165	1,135	650	500
Al-Rafidain Bank	1,000	125	875	485	375
	<b>2,300</b>	<b>290</b>	<b>2,010</b>	<b>1,135</b>	<b>875</b>

Source: Based on information obtained from ICC management and the respective loan agreements.

- One principal and interest payment was made during 2002 for each loan.
- A principle payment of USD 165,000 for the first loan was made in January 2003.
- ICC management indicated that the loans were denominated in US dollars as the funds were used for purchasing spare parts from outside of Iraq.

**5.10 Capital and reserves****5.10.1 Composition**

An analysis of ICC's capital and reserves as at 31 December 2002 is set out in the table below:

	<b>31 Dec 2002</b>
<i>(Expressed in thousands of Iraqi Dinar)</i>	
Share capital	1,523,000
Reserves:	
- General Reserves	16,432,267
- Sundry Reserves	5,587,820
- Capital reserves	5,277,715
	<b>27,297,716</b>

Source: prepared from the combined ICC 2002 general ledger.

The share capital is allocated between the Kirkuk and Al-Qaim plants and the Head Office of ICC. The Kirkuk and Al-Qaim plants were transferred by MIM to ICC from the Northern Cement Company in a re-organization more than 10 years ago.

ICC management informed us that one plant was transferred out of ICC during this re-organization.

**5.10.2 Allocation of net income for the year 2002**

Iraqi legislation set down certain specific rules and percentages for the allocation of the annual net income of Iraqi companies. However the proposed allocation of net income can be amended after discussions with the Authorities. In August 2002, we understand that such a change was approved by MIM. An analysis of the approved allocation of net income for the year 2002 is set out in the table below:

<b>Allocation to:</b>	<b>31 Dec 2002</b>
<i>(Expressed in thousands of Iraqi Dinar)</i>	
Dividends payable for 2002	12,325,640
Capital reserves	3,010,790
General reserves	1,001,212
Sundry reserves:	
- Research & development	700,848
- Social reserves (pensions)	500,606
<b>Net income</b>	<b>17,539,096</b>

Source: prepared from the combined ICC 2002 general ledger.

**5.10.3 Movement in equity reserves**

Set out below is an analysis of the movements in the Company's equity reserves in 2002:

<b>Reserves</b>	<b>31 Dec 2001</b>	<b>Allocation from 2002 income</b>	<b>Other movements</b>	<b>31 Dec 2002</b>
<i>(Expressed in thousands of Iraqi Dinar)</i>				
Sundry reserves	4,652,251	1,201,454	(265,885)	5,587,820
Capital reserves	1,460,942	3,010,790	805,895	5,277,627
General reserves	680,238	1,001,212	14,750,817	16,432,267
	<b>6,793,431</b>	<b>5,213,456</b>	<b>15,296,827</b>	<b>27,297,716</b>

Source: prepared from the combined ICC 2002 general ledger.

For details on the composition and movements in sundry reserves, see section 5.10.3.1 below.

The capital reserves movement of ID 805,895k in 2002 relates to excess depreciation for fully depreciated assets. See section 5.1.4 on Fixed Assets for additional information.

The general reserves movement of ID 14,750,817k relates to cash and assets granted by MIM to ICC for capital improvements at the plants. ICC management indicated that the amount should be recorded in general reserves and not as a loan, although if net income improved as a result of an increased production capacity then the grant would have to be repaid. No adjustment has been recorded by ICC management in the accounting records for such an eventuality. We have proposed that the 2002 balance of ID 16,432,267k be shown as a liability until the exact nature and amount of any obligation is determined (see adjustment 5 in section 2.4.6).

In addition, ICC management informed us that MIM had provided smaller grants to ICC in the years 2000 and 2001 which have been recorded as general reserves. No additional information or supporting documentation was available to us regarding these transactions.

**5.10.3.1 Movement in sundry reserves**

Set out below is analysis of the movements in the Company's sundry reserves in 2002:

<b>Reserves</b>	<b>31 Dec 2001</b>	<b>Allocation from 2002 income</b>	<b>Other movements</b>	<b>31 Dec 2002</b>
<i>(Expressed in thousands of Iraqi Dinar)</i>				
Research & development	432,573	700,848	(168,982)	964,439
Social (pension)	483,528	500,606	(97,215)	886,919
Other reserves	3,736,150	-	312	3,736,462
	<b>4,652,251</b>	<b>1,201,454</b>	<b>(265,885)</b>	<b>5,587,820</b>

Source: prepared from the combined ICC 2002 general ledger.

The research & development reserve of ID 0.9 bn and the social reserve of ID 0.9 bn were created from the income of ICC in prior years. Before the war, these reserves were to be paid to governmental institutions. Post-war, it is uncertain whether these reserves will still be required to be paid to these institutions. In any cases, until this issue is resolved by the new Iraqi government, these reserves should be recorded as liabilities of the Company. We have proposed an adjustment to reclassify these reserves as liabilities (see adjustments 6&7 in section 2.4.6).

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## 6 Commitments and contingent liabilities

### 6.1 Commitments

As regards the Company's commitments as noted in our report in section 5, the following issues should be taken into consideration:

- It is currently unclear whether pre-war sales commitments will be honored at current market rates (over USD 40-60 per ton) or contractual rates (+/- USD 10 per ton). However ICC management agree that they do have a commitment to deliver the quantity ordered. The head of legal department stated that there is currently a claim filed with the court by a customer of ICC to the effect that ICC will deliver the cement at the pre-war selling price i.e approximately USD 10 per ton instead of the current price of over USD 40-60 per ton. ICC management believe that ICC will win the court case on the basis that the change in the purchase price is as a result of exceptional circumstances. In these cases, ICC management is of the opinion that customers could either receive a refund of their cash advance payment or pay the current price per ton.
- Pre-war purchase commitments are not clear at this time. A list was submitted to MIM in October 2003 but the amounts have not been approved as of the date of this report.
- Employee salaries are currently paid by the CPA. ICC expects to be able to start paying their staff salaries themselves during 2004. We are not aware whether the salaries paid by the CPA on behalf of ICC will require to be repaid to the CPA.

### 6.2 Contingent liabilities

The following key contingent liabilities should be taken into consideration as regards ICC's financial position:

- Penalties for past non-compliance with Iraqi Accounting legislation;
- Repayment of the government grants received totaling more than ID 16bn;
- Research and development reserves and social reserves may be transferred to the Government authorities;
- Frozen cash accounts and outstanding cheques / deposits-in-transit may not be recoverable;
- Frozen letters of credit may be not realised;
- Frozen bank loans may or may not be required to be repaid;
- Pre-war trade accounts receivables and payables may or may not be realised / required to be paid;
- The existence of the Company's fixed assets, the completion of the Company's construction-in-progress and the realization of the Company's advance payments for fixed assets of nearly ID 4bn;
- The realization of the Company's purchase commitments for spare parts and supplies from foreign companies; and



- Potential reclamation costs regarding the quarries.

### **6.3 Claims and litigation**

- ICC management indicated to us that they have had few claims or litigations in the past. Those claims that were made related to claims by ICC for bad cheques received from customers.
- ICC management stated that litigation for product liability and guarantees were very difficult to pursue under pre-war Iraqi law.

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## 7

**Capital Investments**

Before the war, ICC management completed a capital investment assessment and provided a list of required capital investments as set out below. We have not evaluated the validity or completeness of this assessment.

Description	No.	Price	Total	Location
Packing machine	4	300,000	1,200,000	Kubaissa
Packing machine	3	300,000	900,000	Kirkuk
Packing machine (plus accessories)	1	600,000	600,000	Fallujah
Generator for electricity (including transportation and installation)	3	6,000,000	18,000,000	Kubaissa/ Kirkuk/ Al-Qaim
Gear with 2 pinions for cement mill	3	500,000	1,500,000	Kirkuk
Gear with 1 pinions for cement mill	1	500,000	500,000	Fallujah
Gear boxes	10	250,000	2,500,000	All plants
Air cooler after kiln	4	1,000,000	4,000,000	All plants
Air quenching cooler exhaust fan	2	600,000	1,200,000	Kirkuk
Compressor Air				
20 @ 10 cubic m pressure 7 bar				
20 @ 64 cubic m pressure 2 bar	40	50,000	2,000,000	All plants
High tension motor (raw mill)	3	500,000	1,500,000	Kubaissa/ Kirkuk/ Al-Qaim
Shovel - crane	10	500,000	5,000,000	Kubaissa/ Kirkuk/ Al-Qaim
Bulldozer	10	500,000	5,000,000	Kubaissa/ Kirkuk/ Al-Qaim
Dump truck	10	300,000	3,000,000	Kubaissa/ Kirkuk/ Al-Qaim
Kiln shell @ 4.3 meter (70 mm)	2	1,000,000	2,000,000	Kubaissa and Kirkuk
Kiln shell @ 4.4 meter (80 mm)	1	1,000,000	1,000,000	Al-Qaim
Metallic conveyor (after clinker)	4	500,000	2,000,000	All plants
On line sampling & quality control system	4	250,000	1,000,000	All plants
Upgrade PLC control system including software/hardware	4	500,000	2,000,000	All plants
Training	5	200,000	1,000,000	All plants + Head Office
Environmental dust prevention system for production process	4	500,000	2,000,000	All plants
Air conditioning & dust prevention for Computer equipment	4	500,000	2,000,000	All plants
<b>TOTAL USD</b>			<b>59,900,000</b>	

Source: prepared from information obtained from ICC management.

## 8 Sales Cycle Description and Cash Controls

Under this engagement we have assessed certain matters involving ICC's internal controls and other operational matters. The comments and recommendations set out below are intended to assist in improving ICC's internal controls and increase ICC's operating efficiencies but are not all encompassing. These issues have been identified only as a result of the limited procedures performed under this engagement and therefore other issues may exist which are not included below.

### 8.1 Sales

#### 8.1.1 Current status

- ICC's pre-war sales were co-ordinated by the Head Office.
- ICC's post-war sales are co-ordinated by each Plant due to changes in Head Office management, communication issues (limited access to phones), and security issues when traveling from the Head Office to the plants.
- Pre-payments of goods is made by ICC's customers, usually by certified cheque, at a local branch of one of two Baghdad banks.
- Customers must submit proper building permits / proof of construction and the amount of cement needed for that construction in order purchase ICC cement products.
- In the majority of cases, the customers collect their cement at ICC's plant.
- ICC management informed us that selling prices are set every two weeks during a meeting between MIM and the GDs of the three Iraqi cement companies (Northern, Southern and Central).

#### 8.1.2 Potential Control Weakness / Improvements

- Plant managers control sales prices allowing for unauthorized discounts. No subsequent controls are in place to control the sales prices invoiced.
- Matching between the sales agreement to the actual sales price / cash received/ quantities does not occur. Significant discrepancies identified are not followed up on a timely basis.
- A greater segregation of duties is required between ICC staff responsible for the loading docks and for the weighing station. The controls over this process should be examined by ICC management and clearly documented.

## **8.2 Petty Cash**

### **8.2.1 Current status**

- Each plant as well as 3 Head Office departments holds ID 150,000 of petty cash for small purchases such as office supplies.
- Petty cash reconciliations are performed monthly.
- Signed receipts from the cashier are required for each cash disbursement and are reviewed by another accountant.

### **8.2.2 Potential Control Weakness / Improvements**

- Greater physical access controls to the petty cash should be implemented. There have already been instances where petty cash has been stolen.
- Adequate descriptions over the use of petty cash should be maintained as there may be a lack of proper receipts / supporting documentation for many types of expenses in Iraq (taxi, office supplies purchased at small shops etc.).
- Authorisation limits and budgets should be set and monitored for petty cash disbursements.
- Reconciliations between physical cash and the petty cash records should be made on a timely basis with any differences followed up immediately.
- ICC management should monitor and approve the petty cash statements and reconciliations.

## **8.3 Salaries**

### **8.3.1 Current Status**

- The CPA currently pays the salaries of ICC's staff.
- Each employee should physically receive their own salary (no delegation should be allowed) and sign a cash receipt confirming their receipt.
- Management should monitor the cash disbursements and the signatures on cash receipts.
- Cash not disbursed is returned to the ICC bank account until the next month.

**8.3.2 Potential Control Weaknesses / Improvements**

- 'Ghost' employees exist on ICC's list of employees.
- Salaries are provided to the wrong employees.
- Incorrect salary rates are paid.
- Terminated employees are not recorded on the employee listing on a timely basis.
- 'Commissions' are charged on salary disbursement to employees by the cash disbursement employee.
- ICC management should monitor and approve the petty cash statements and reconciliations, and documented through a signature and date.

**8.4 Cheques - Received****8.4.1 Current Status**

- A list is prepared of all cheques received. These cheques are then deposited with the bank.

**8.4.2 Potential Control Weaknesses / Improvements**

- The cheques should be endorsed immediately upon receipt. A sub-ledger should be maintained and copies of cheques received but deposited at the banks should be made.
- Cheque deposit slips should be reconciled to the cheques received sub-ledger by a person other than the person that originally prepared the sub-ledger.
- Physical access to cheques received should be limited.
- A formal written corporate policy for cash receipts should be drawn up and implemented.
- ICC management should monitor and approve the cheque received ledgers and deposits received by the bank. This process should be evidenced by a signature and date.



## **8.5 Cheques - Issued**

### **8.5.1 Current Status**

- An ICC employee prepares the cheque with supporting documentation and authorized signatures.
- MIM approves certain cash disbursements.
- Current bank balances are examined to ensure sufficient funds are available.

### **8.5.2 Potential Control Weaknesses / Improvements**

- Enticement fees to facilitate transactions may occur.
- A formal, written policy on the appropriate authorizations and limits should be prepared for the Head Office and the plants.
- ICC management should monitor and approve the cheques made ledgers and bank payments made. This process should be evidenced by a signature and date.

## **8.6 Bank Accounts**

### **8.6.1 Current Status**

- Pre-war bank accounts and outstanding cheques are currently frozen.
- Two accounts opened during November 2003 at the Rasheed Bank – an ID account and a US dollar account – in Baghdad. Bank branches near the plants have been opened for the receipt and disbursement of cash.
- The US dollar account has an official exchange rate of ID 1 / US \$3.22.

### **8.6.2 Potential Control Weaknesses / Improvements**

- Bank reconciliations should be prepared monthly and reviewed on a timely basis. Outstanding cheques should be followed-up and documented also on a timely basis. During our field visits we noted that the bank reconciliations as at 31 December 2002 included outstanding cheques for several periods.
- Cash management procedures need to be improved and re-organised. The Company's ability to monitor its overall cash position may be difficult due to the changing disbursements and receipts at each plant and the Head Office.

- The US dollar account should be strictly used for US dollar expenses and not converted into ID unless conversion is made at market rates which is currently at ID 2,000 / US \$1.
- ICC management should be monitor and approve the bank statements, reconciliations, and cheque listings. This approval process should be documented through signatures and dates.
- An appropriate segregation of duties is critical to the safeguarding of assets and the overall control environment at ICC.

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## 9 Management Letter Comments

Set out below is a summary of the management letter comments of ICC's auditors to the extent that they have not already been covered in this report:

- ICC management indicated that Cash in Bank – USD should only be translated into ID at the official rate of ID 1 / USD 3.23 and not the current market rate of ID 2,000 / USD1. We strongly encourage management to ensure that their US dollars are not translated at this official rate. We understand that converting ID 1 into USD 3.22 is not possible at the bank.
- The Company's current IT systems are not functioning properly as regards the old mainframe system and the new PC-based system. After the system is upgraded, further training and computers will be needed. In addition, IT security issues will be need to be considered when implementing the system such as:
  - System upgrades and maintenance responsibilities (ICC or MIM);
  - Passwords and appropriate access to enter data or programming changes;
  - System back-up and storage; and
  - The integration of accounting information into IT system (for example, accounting depreciation rates included in the fixed assets sub-ledger).
- Due to looting and an control environment that discouraged proper fixed asset counts and inventory counts, we suggest that proper counts are now performed on a regular basis.
- The accounting system and printer were not functioning properly during our audit and not all final ledgers were available to us. Certain accounting adjustments were not recorded in the 2002 financial statements by the accounting department as a result (for example, the elimination of inter-division transactions).

## 10 Management Assessment

### 10.1 Introduction

Set out below is a preliminary assessment of management of ICC based on the limited procedures performed under this engagement and our limited exposure to ICC management. These comments are for your information purposes only and for a more detailed assessment of ICC management a full scope investigation should be performed.

### 10.2 Management – General issues

- The current ICC management took over the Company after the war and are not experienced in the cement industry. The DG has however strong experience in such extraction and production facilities, as he previously was a DG in the fertilizer industry. The DG appears to have strong leadership skills.
- We understand that the DG of ICC is heavily involved in the day-to-day operations of the plants and appears to be quickly gaining control of the organization. The DG was directly involved in co-ordinating our procedures at the plants and the Head Office.
- The previous government was a planned economy which was focused on production. As such, staff and management of state-owned entities were not as concerned with the quality of financial information and supporting documentation as is the case in western market economies. Furthermore, management were not motivated by the Company's financial results but rather the Company's production. Certain salaries / bonuses were linked to production outputs.

### 10.3 IT management

- The IT systems were previously provided by MIM. The current systems (software and hardware) are not functioning properly. A clear IT strategy should be implemented to improve the quality of financial information and non-financial information and ensure the effective operation of the Company's IT framework.

### 10.4 Accounting Department

- Financial information for the year ended 31 December 2002 had still not been finalized during our visit in November / December 2003. It was noted that the ICC accounting department does not take ultimate responsibility for the ICC financial statements but rely on the Supreme Board of Auditors (government auditors) to propose accounting adjustments to be recorded. We encountered significant difficulties in obtaining final schedules and a clear understanding of certain financial statement balances and transactions.
- Accounting and financial errors made by accounting staff were deducted from employee salaries. For example, if there were differences between the accounting records and the physical inventory count at a plant than the difference could be taken from the relevant person's salary. As a result, during the 2002 inventory count, there were no differences identified at any plants or

the Baghdad warehouses between the physical amounts stored there and the Company's accounting records.

#### **10.5 Production Engineers**

- During our plant visits, we met with several managers and engineers. We were however unable to assess the quality of these employees due to the technical nature of their work which is beyond the scope of our engagement.
- While in Baghdad, we worked with the chief engineer of ICC, Nagib Teleb. He was very co-operative in providing information for the projections, accompanied us on our plant visit to Kirkuk and displayed an excellent understanding of the cement industry.

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(b)(6)

Private Sector Development Group  
Coalition Provisional Authority  
Baghdad, Iraq

12 October 2003

Dear (b)(6)

**Compilation of a balance sheet as at 31 August 2003 and preparation of prospective financial information for the period from 1 September 2003 to 31 December 2004.**

In reference to your letter dated 16 September 2003, our proposal dated 23 September 2003 and our subsequent meeting on 4 October 2003, the purpose of this letter is to confirm our understanding of the terms of our appointment and the nature of the services we will perform for you. The scope is as follows:

- To compile a balance sheet of Iraqi Cement Company ("the Company" or "ICC") as at 31 August 2003;
- To assist ICC in the preparation of Prospective Financial Information ("PFI") for the 16 month period ending 31 December 2004;
- To review the internal cash control policies in place and prepare a short report on the weaknesses identified;
- To conduct a physical inventory count of the inventory and property, plant and equipment and prepare a short report on the conditions of those assets; and
- To perform an overall assessment of the management's understanding of the company's ability to respond to current dynamics and its ability to respond to, identify and control its cost drivers and prepare a short report of our assessment.

Our deliverables will be submitted in English and Arabic.

**Professional standards**

We conduct our engagements in accordance with the principles of independence, integrity, objectivity, professional competence and due care, confidentiality, professional behaviour and technical standards as defined in the technical pronouncements of the International Federation of Accountants.

**Scope of compilation**

We will compile the balance sheet of the Company in accordance with the International Standards on Auditing applicable to compilation engagements on the basis of information provided by you. We will not carry out audit or review engagement procedures or otherwise attempt to verify the accuracy or completeness of such information.

Our report on the balance sheet of the Company is presently expected to read as follows:

*'On the basis of information provided by the management we have compiled, in accordance with the International Standard on Auditing applicable to compilation engagements, the balance sheet of ICC as at 31 August 2003. Management are responsible for the information reflected in the balance sheet. We have not audited or reviewed the balance sheet and accordingly express no assurance thereon.'*

**Scope of the assistance in preparation of the Prospective Financial Information (PFI).**

We would assist ICC in preparation of the PFI, which would basically involve construction of a financial model. The financial model would be prepared in discussions with the management of the Company and would basically involve preparation of revenue and cost models, based on which projected income statements, balance sheets and cash flows statements would be prepared for the period of 16 months ending 31 December 2003.

We would like to highlight that the role of KPMG would be limited to the preparation of the financial model based on the discussion carried out with senior management team. KPMG's assistance in development of the financial model shall not be construed as expression of its opinion with respect to the reasonableness and achievability of the same.

**Responsibility of management**

You, as management, are responsible for both the accuracy and completeness of the information supplied to us and responsible to users for the financial information compiled by us. This includes the maintenance of adequate accounting records and internal controls and the selection and application of appropriate accounting policies.

Our engagement cannot be relied upon to disclose whether fraud or errors, or illegal acts exist. However, we will inform you of any such matters which come to our attention.

We look forward to full co-operation with your staff and we trust that they will make available to us whatever records, documentation and other information we request in connection with our compilation.

Before starting the compilation of your balance sheet we shall require your accountant to prepare a tallied trial balance and certain schedules, listings and analyses, the form and contents of which we shall explain to him as well as giving him draft format.

**Timing**

Provided no unforeseen major problems are encountered especially with the security in Baghdad, we expect to be able to start our work within two weeks of signing this agreement and deliver the draft balance sheet, prospective financial information and other reports within dates to be agreed with the Management. However if the security does not allow our team to perform our work in accordance with the plan and timetable then we reserve the right to reschedule or cancel any of the visits after consulting with the contracting parties without penalties to KPMG.

**Fees**

Our fees, which will be billed as work progresses, are based on the time required by the individuals assigned to the engagement. Individual hourly rates vary according to the degree of responsibility involved and the experience and skills required. Our invoices are due and payable on receipt.

We expect our total fees to be USD 55,000 plus outlays and any taxes applicable to Iraq, payable as follows:

- 50% on commencement of the work; and
- Balance 50% on delivery of the draft deliverables.

Should there be any delays in the provision of information by the Company, should other issues arise which require additional work to be performed by KPMG or should delays arise from any other cause outside our control, we shall discuss such matters with the Company and shall have the right to defer completion of the work and the Engagement letter until the matters are resolved. In the event of delays and/or additional work being required of KPMG arising from these reasons, we have the right to request additional fees needed to complete the Engagement letter based on the additional time spent and hourly rates of particular employees.

**Applicable law**

This engagement shall be governed by, and construed in accordance with the Bahrain relevant laws. The Courts of Bahrain shall have exclusive jurisdiction in relation to any claim, dispute or difference concerning this engagement and any matters arising from it. Each party irrevocably waives any right it may have to object to an action being brought in those Courts, to claim that the action has been brought in an inconvenient forum, or to claim that those Courts do not have jurisdiction.

**Administration**

Responsibility for this engagement will be carried out by suitably qualified staff.

We aim to provide you with the best possible service and Abdul Hakim Al-Adhamy, as engagement partner, will seek to ensure that this is satisfactory at all times. If however, at any time you are unable to deal with any difficulty through him please let us know by contacting our managing partner (b)(6)

**Confidentiality**

We are well aware of the importance that you place on confidentiality requirements and we have a proven record of maintaining a strict code of confidentiality. Our policy requires that affairs of clients be confidentially kept at all times and the only exceptions are when the following conditions are met:

- The client has authorised disclosure in writing;
- There is a professional duty to disclose;
- Disclosure is required by a legal or judicial process; and
- Disclosure is required by law.

If the arrangements outlined are in accordance with your requirements and if the above terms are acceptable to you, please sign the duplicate of this letter in the space provided and return it to us.

We appreciate the opportunity to be of service to you and we emphasise our commitment to provide you with quality services in an efficient and timely manner.

Yours faithfully

(b)(6)

Partner



**Acknowledgement on behalf of  
Iraqi Cement Company**

\_\_\_\_\_  
(b)(6)

\_\_\_\_\_  
Date



**Iraqi Cement Company**  
**Balance Sheet at 31 December 2002 (unaudited)**  
**Per production plant**  
**(in Iraqi Dinar)**

Appendix 2.1

	Combined	Head office	Kirkuk	Kubaissa	Fallujah	Al-Qaim
<b>Total assets</b>	<b>66,394,850,123</b>	<b>20,361,771,547</b>	<b>11,140,165,652</b>	<b>16,290,419,020</b>	<b>8,419,855,877</b>	<b>10,182,641,239</b>
Tangible fixed assets	15,006,129,646	1,499,557,341	3,357,687,391	4,562,866,134	922,580,935	4,663,437,845
Assets under construction	4,089,126,084	4,035,658,884	0	0	0	53,467,200
Financial investments	40,000,000	40,000,000	0	0	0	0
Inventory	38,180,223,668	6,307,936,697	8,018,649,320	11,163,477,773	7,262,385,111	5,427,774,767
Receivables	1,079,479,576	767,422,798	(251,011,111)	360,317,373	213,776,505	(11,025,989)
Cash	7,999,890,346	7,711,195,024	14,839,249	203,756,937	21,112,523	48,986,613
<b>Total liabilities</b>	<b>66,394,850,123</b>	<b>39,925,049,125</b>	<b>3,504,526,888</b>	<b>9,441,346,531</b>	<b>5,219,123,260</b>	<b>8,304,804,319</b>
Capital	1,522,999,997	1,376,758,296	83,382,969	0	0	62,858,732
Reserves	27,297,715,952	10,525,592,979	3,581,252,366	6,944,861,796	1,229,724,320	5,016,284,491
Bank loans	3,990,376,215	3,990,376,215	0	0	0	0
Payables	16,635,552,072	7,084,040,748	(160,033,447)	2,496,484,735	3,989,398,940	3,225,661,096
Dividends payable	16,948,205,887	16,948,280,887	(75,000)	0	0	0

**Iraqi Cement Company**  
**Profit and Loss Account for the year ended 31 December 2002 (unaudited)**  
**Per production plant**

Appendix 2.2

(in Iraqi Dinar)	Combined	Head office	Kirkuk	Kubaissa	Fallujah	Al-Qaim
<b>Revenues</b>	<b>48,506,844,584</b>	<b>4,054,470,995</b>	<b>14,580,144,550</b>	<b>13,869,747,773</b>	<b>7,740,049,702</b>	<b>8,262,431,564</b>
Revenue from production	47,500,701,905	3,322,914,715	14,559,004,934	13,729,114,697	7,644,051,899	8,245,615,660
Other revenues	1,006,142,679	731,556,280	21,139,616	140,633,076	95,997,803	16,815,904
<b>Expenses</b>	<b>30,967,748,257</b>	<b>5,813,146,519</b>	<b>6,944,506,567</b>	<b>7,020,676,079</b>	<b>4,804,823,661</b>	<b>6,384,595,431</b>
Salaries and wages	6,477,557,354	2,038,784,828	969,427,675	1,360,794,395	1,041,591,412	1,066,959,044
<b>Raw materials</b>	<b>7,737,047,670</b>	<b>25,628,756</b>	<b>3,340,218,219</b>	<b>1,324,154,372</b>	<b>993,736,480</b>	<b>2,053,309,843</b>
Limestone	3,815,483,843	0	2,212,907,052	608,175,064	445,663,619	548,738,108
Clay	839,375,142	0	89,160,060	425,846,875	0	324,368,207
Silica Sand - Fallujah only	249,949,826	0	0	0	249,946,326	3,500
Iron ore	1,495,946,705	0	372,366,183	169,682,185	0	953,898,337
Gypsum	165,370,190	0	24,745,475	110,134,015	18,600,446	11,890,254
Flint - Fallujah only	829,787,659	0	641,039,449	(79,139,832)	267,888,042	0
Alcohol and reagents	74,556,081	25,628,756	0	37,289,220	11,638,047	58
Explosives	266,578,224	0	0	52,166,845	0	214,411,379
Oil and gas	1,196,035,793	29,668,486	186,795,097	431,656,889	181,037,718	366,877,603
Spare parts and maintenance	8,048,629,438	1,615,070,153	1,375,432,076	3,215,105,947	533,465,989	1,309,555,273
<b>Packaging materials</b>	<b>6,241,772,167</b>	<b>262,535,903</b>	<b>1,850,951,422</b>	<b>2,676,693,916</b>	<b>672,785,047</b>	<b>778,805,879</b>
Packaging materials purchased	5,287,867,695	27,243,529	1,840,186,907	1,968,846,333	672,785,047	778,805,879
Packaging materials produced	953,904,472	235,292,374	10,764,515	707,847,583	0	0
Water and electricity	1,084,939,698	4,279,829	387,526,055	378,920,994	60,387,163	253,825,657
External services	3,424,072,419	2,407,485,611	155,915,614	458,098,465	159,680,160	242,892,569
Interest	348,750,698	311,747,002	10,914,696	0	3,800,000	22,289,000
Depreciation	803,908,702	88,058,605	187,200,931	249,033,502	29,732,873	249,882,791
Other expenses	1,608,541,402	94,204,421	39,429,182	302,500,349	1,132,209,678	40,197,772
Capitalised costs for self-construction	(6,003,507,084)	(1,064,317,075)	(1,559,304,400)	(3,376,282,750)	(3,602,859)	0
<b>Profit (loss) for the year</b>	<b>17,539,096,327</b>	<b>(1,758,675,524)</b>	<b>7,635,637,983</b>	<b>6,849,071,694</b>	<b>2,935,226,041</b>	<b>1,877,836,133</b>

**Iraqi Cement Company**  
**Projected Profit and Loss Account for the year ending 31 December 2004**  
**With Comparative Figures for the year 2002**  
**All amounts in Iraqi Dinar (ID) unless otherwise stated**

Appendix 3.1

		Head Office	Kirkuk	Kubalssa	Fallujah	Al-Qaim	2004 Projections Combined	2002 Actual Combined
<b>Total revenues</b>	Acct no.	<b>500,000,000</b>	<b>37,550,000,000</b>	<b>45,050,000,000</b>	<b>11,550,000,000</b>	<b>34,050,000,000</b>	<b>128,700,000,000</b>	<b>48,506,844,584</b>
Revenues from current year production	411,412		37,500,000,000	45,000,000,000	11,500,000,000	34,000,000,000	128,000,000,000	45,513,723,388
Change in finished goods								(126,568,744)
Change in semi-finished goods								2,113,547,261
Other revenues		500,000,000	50,000,000	50,000,000	50,000,000	50,000,000	700,000,000	1,006,142,679
<b>Total costs</b>		<b>5,560,058,605</b>	<b>26,801,800,056</b>	<b>30,907,214,119</b>	<b>7,556,148,042</b>	<b>23,915,410,303</b>	<b>94,740,631,126</b>	<b>30,967,748,266</b>
Salaries	31,326	2,472,000,000	3,456,000,000	3,456,000,000	2,284,800,000	2,736,000,000	14,404,800,000	6,477,557,354
Other costs (estimated)		3,000,000,000	0	0	0	0	3,000,000,000	0
<b>Raw materials</b>	321	<b>0</b>	<b>3,807,999,680</b>	<b>3,074,638,080</b>	<b>1,016,760,000</b>	<b>4,877,368,576</b>	<b>12,776,766,336</b>	<b>7,737,047,674</b>
Limestone	3211		2,283,227,520	1,555,706,880	362,419,200	1,770,725,376	5,972,078,976	3,815,483,844
Clay	3212		157,772,160	464,284,800	0	370,483,200	992,540,160	839,375,142
Silica Sand - Fallujah only	3213		0	0	272,448,000	0	272,448,000	249,949,826
Iron ore	3214		1,152,000,000	363,686,400	0	2,012,160,000	3,527,846,400	1,495,946,705
Gypsum	3215		115,000,000	90,960,000	21,800,000	124,000,000	351,760,000	165,370,192
Flint - Fallujah only	3217		0	0	260,092,800	0	260,092,800	829,787,659
Alcohol and reagents	3218		100,000,000	100,000,000	100,000,000	100,000,000	400,000,000	74,556,082
Explosives	3219		0	500,000,000	0	500,000,000	1,000,000,000	266,578,224
<b>Oil and gas</b>	322	<b>0</b>	<b>3,856,800,000</b>	<b>4,232,800,000</b>	<b>714,800,000</b>	<b>2,778,000,000</b>	<b>11,582,400,000</b>	<b>1,196,035,798</b>
<b>Spare parts and maintenance</b>	323,325		<b>1,302,500,000</b>	<b>3,436,200,000</b>	<b>514,700,000</b>	<b>1,863,200,000</b>	<b>7,116,600,000</b>	<b>8,048,629,438</b>
<b>Packaging materials</b>	324		<b>1,575,000,000</b>	<b>1,890,000,000</b>	<b>315,000,000</b>	<b>1,260,000,000</b>	<b>5,040,000,000</b>	<b>6,241,772,169</b>
<b>Water and electricity</b>	327		<b>8,100,000,000</b>	<b>9,720,000,000</b>	<b>1,620,000,000</b>	<b>6,480,000,000</b>	<b>25,920,000,000</b>	<b>1,084,939,698</b>
<b>External services</b>	33		<b>2,675,056,577</b>	<b>3,210,067,893</b>	<b>535,011,315</b>	<b>2,140,045,262</b>	<b>8,560,181,048</b>	<b>3,424,072,419</b>
<b>Interest</b>	36		<b>838,326,201</b>	<b>755,557,978</b>	<b>239,093,854</b>	<b>707,997,008</b>	<b>2,540,975,040</b>	<b>348,750,698</b>
<b>Depreciation</b>	37	<b>88,058,605</b>	<b>1,190,117,598</b>	<b>1,131,950,169</b>	<b>315,982,873</b>	<b>1,072,799,458</b>	<b>3,798,908,702</b>	<b>803,908,702</b>
<b>Other expenses (mainly prior year adj.)</b>	39		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,608,541,400</b>
<b>Capitalised costs for self-construction</b>	45		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(6,003,507,084)</b>
<b>Profit (loss) for the year</b>		<b>(5,060,058,605)</b>	<b>10,748,199,944</b>	<b>14,142,785,881</b>	<b>3,993,851,958</b>	<b>10,134,589,697</b>	<b>33,959,368,875</b>	<b>17,539,096,318</b>

**Iraqi Cement Company**
**Appendix 3.2**
**Projected Profit and Loss Account for the year ending 31 December 2004**
**Revenues**

<b>Assumptions:</b>	<b>Price per ton</b>	<b>Price per ton</b>
	<b>(in ID)</b>	<b>(in ID)</b>
	<b>in bulk</b>	<b>in bag</b>
Portland at Kirkuk and Kubaissa	70,000	80,000
White cement at Fallujah	110,000	120,000
Sulfure resistant cement at Al-Qaim	80,000	90,000

2004 production is forecasted at only 1.6 million tons

Efficiency and productivity gains are not factored in the 2004 projections as the 2004 investments are only to restart the production.

Costs reduction are not factored in the 2004 projections as no implementation plan is in place.

Sales: 50% in bag and 50% in bulk

	<b>Head office</b>	<b>Kirkuk</b>	<b>Kubaissa</b>	<b>Fallujah</b>	<b>Al-Qaim</b>	<b>2004 Projections</b>	<b>2002 Actual</b>
Projected production for 2004	0	500,000	600,000	100,000	400,000	1,600,000	2,235,000
Percentage sold in bag	50%	50%	50%	50%	50%	50%	
Sale price per ton (bag)	70,000	80,000	80,000	120,000	90,000	85,000	
Percentage sold in bulk	50%	50%	50%	50%	50%	50%	
Sale price per ton (bulk)	70,000	70,000	70,000	110,000	80,000	75,000	Note 1 21,253
<b>Revenues</b>	<b>0</b>	<b>37,500,000,000</b>	<b>45,000,000,000</b>	<b>11,500,000,000</b>	<b>34,000,000,000</b>	<b>128,000,000,000</b>	<b>47,500,701,905</b>

Note 1: Total revenues divided by tons sold

**Iraqi Cement Company****Projected Profit and Loss Account for the year ending 31 December 2004**

Appendix 3.3

**Wage and salaries****Assumptions:**

Average monthly salary (in USD) 200

Exchange rate: USD 1 equals Iraqi Dinars 2,000

	Head office	Kirkuk	Kubaissa	Fallujah	Al-Qaim	2004 Projections	2002 Actual
Number of employees	515	720	720	476	570	3,001	2,850
Average monthly salaries (in USD)	200	200	200	200	200	200	95
Exchange rate	2,000	2,000	2,000	2,000	2,000	2,000	2,000
12 months	12	12	12	12	12	12	12
Cost of wage and salaries	2,472,000,000	3,456,000,000	3,456,000,000	2,284,800,000	2,736,000,000	14,404,800,000	6,477,557,354



**Iraqi Cement Company**  
**Projected Profit and Loss Account for the year ending 31 December 2004**  
**Raw materials required**

Appendix 3.4.1

<b>Kirkuk Plant</b>					
Designed capacity (in tons)	2,000,000				
Planned volume in 2004 (in tons)	500,000				
Conversion factor	2.0				
Total raw materials required (in tons)	1,000,000				
	<u>Composition %</u>	<u>Quantity required</u>	<u>Cost per ton</u>	<u>Transportation</u>	<u>Total cost - RM</u>
Limestone	65.9%	658,560	400	3,067	2,283,227,520
Clay	28.2%	282,240	79	480	157,772,160
Silica Sand - Fallujah only	0.0%	0	0	0	0
Iron Ore	1.9%	19,200	40,000	20,000	1,152,000,000
Gypsum	4.0%	40,000	875	2,000	115,000,000
Flint - Fallujah only	0.0%	0	0	0	0
<b>Raw Materials - Total</b>	<b>100.0%</b>	<b>1,000,000</b>			<b>3,707,999,680</b>
<b>Cost of RM per ton</b>					<b>7,416</b>

<b>Kubaissa Plant</b>					
Designed capacity (in tons)	2,000,000				
Planned volume in 2004 (in tons)	600,000				
Conversion factor	2.0				
Total raw materials required (in tons)	1,200,000				
	<u>Composition %</u>	<u>Quantity required</u>	<u>Cost per ton</u>	<u>Transportation</u>	<u>Total cost - RM</u>
Limestone	61.2%	733,824	1,370	750	1,555,706,880
Clay	32.9%	395,136	350	825	464,284,800
Silica Sand - Fallujah only	0.0%	0	0	0	0
Iron Ore	1.9%	23,040	12,500	3,285	363,686,400
Gypsum	4.0%	48,000	875	1,020	90,960,000
Flint - Fallujah only	0.0%	0	0	0	0
<b>Raw Materials - Total</b>	<b>100.0%</b>	<b>1,200,000</b>			<b>2,474,638,080</b>
<b>Cost of RM per ton</b>					<b>4,124</b>

<b>Fallujah Plant</b>					
Designed capacity (in tons)	280,000				
Planned volume in 2004 (in tons)	100,000				
Conversion factor	2.0				
Total raw materials required (in tons)	200,000				
	<u>Composition %</u>	<u>Quantity required</u>	<u>Cost per ton</u>	<u>Transportation</u>	<u>Total cost - RM</u>
Limestone	74.9%	149,760	720	1,700	362,419,200
Clay	0.0%	0	0	0	0
Silica Sand - Fallujah only	10.6%	21,120	10,000	2,900	272,448,000
Iron Ore	0.0%	0	0	0	0
Gypsum	4.0%	8,000	875	1,850	21,800,000
Flint - Fallujah only	10.6%	21,120	10,000	2,315	260,092,800
<b>Raw Materials - Total</b>	<b>100.0%</b>	<b>200,000</b>			<b>916,760,000</b>
<b>Cost of RM per ton</b>					<b>9,168</b>

**Iraqi Cement Company****Projected Profit and Loss Account for the year ending 31 December 2004****Appendix 3.4.1****Raw materials required (continued)**

<b>Al-Qaim Plant</b>					
Designed capacity (in tons)	500,000				
Planned volume in 2004 (in tons)	400,000				
Conversion factor	2.0				
Total raw materials required (in tons)	800,000				
	<u>Composition %</u>	<u>Quantity required</u>	<u>Cost per ton</u>	<u>Transportation</u>	<u>Total cost - RM</u>
Limestone	64.5%	516,096	2,581	850	1,770,725,376
Clay	27.6%	221,184	875	800	370,483,200
Silica Sand - Fallujah only	0.0%	0	0	0	0
Iron Ore	3.8%	30,720	50,000	15,500	2,012,160,000
Gypsum	4.0%	32,000	875	3,000	124,000,000
Flint - Fallujah only	0.0%	0	0	0	0
Raw Materials - Total	100.0%	800,000			4,277,368,576
Cost of RM per ton					10,693

**Iraqi Cement Company**  
**Projected Profit and Loss Account for the year ending 31 December 2004**  
**Oil and gas**

Appendix 3.5

**Assumptions:**

120 liters required per ton

ID 50 per liter of oil

50

	Head office	Kirkuk	Kubalssa	Fallujah	Al-Qaim	2004 Projections	2002 Actual
Average usage of oil (or gas) per ton	120	120	120	120	120	120	120
Projected production for 2004	0	500,000	600,000	100,000	400,000	1,600,000	2,235,000
Cost of oil per liter (in ID)	50	50	50	50	50	50	3
Cost of oil (or gas)	0	3,000,000,000	3,600,000,000	600,000,000	2,400,000,000	9,600,000,000	930,213,973

**Lubricant and grease**

**Assumptions:**

90% of products at (in USD)

1

10% of products at (in USD)

5

	Head office	Kirkuk	Kubalssa	Fallujah	Al-Qaim	2004 Projections	2002 Actual
Lubricant and grease required - in tons	0	306,000	226,000	41,000	135,000	708,000	
Grease (in ID)	0	550,800,000	406,800,000	73,800,000	243,000,000	1,274,400,000	
Expensive grease (in ID)	0	306,000,000	226,000,000	41,000,000	135,000,000	708,000,000	
Cost of lubricant and grease	0	856,800,000	632,800,000	114,800,000	378,000,000	1,982,400,000	265,821,825

<b>Total costs of oil, lubricant and grease</b>		<b>3,856,800,000</b>	<b>4,232,800,000</b>	<b>714,800,000</b>	<b>2,778,000,000</b>	<b>11,582,400,000</b>	<b>1,196,035,798</b>
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**Iraqi Cement Company**  
**Projected Profit and Loss Account for the year ending 31 December 2004**  
**Spare parts and maintenance**

Appendix 3.6

**Assumptions:**

Need assumptions for the below allocation

	Head office	Kirkuk	Kubaisa	Fallujah	Al-Qaim	2004 Projections	2002 Actual
Projected production for 2004		500,000	600,000	100,000	400,000	1,600,000	2,235,000
Need detail for this allocation		216	687	1,242	1,500		
		2,389	5,040	3,905	3,158		
		2,605	5,727	5,147	4,658		3,601
<b>Cost of spare parts and maintenance</b>		<b>1,302,500,000</b>	<b>3,436,200,000</b>	<b>514,700,000</b>	<b>1,863,200,000</b>	<b>7,116,600,000</b>	<b>8,048,629,438</b>

**Iraqi Cement Company**  
**Projected Profit and Loss Account for the year ending 31 December 2004**  
**Packaging materials**

**Assumptions:**

No bags produced at Head Office

Sales: 50% in bag and 50% in bulk

20 bags @ 50kg per bag = 1 ton with 1 bag per ton for wastage

Price per bag (in USD) 0.15

	Head office	Kirkuk	Kubaissa	Fallujah	Al-Qaim	2004 Projections	2002 Actual
Projected production for 2004		500,000	600,000	100,000	400,000	1,600,000	2,235,000
Percentage sold in bag		50%	50%	50%	50%	50%	50%
Average usage of bag per ton		21	21	21	21	21	120
Cost per bag (in USD)		0.15	0.15	0.15	0.15	0.15	0.0233
Exchange rate	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Cost of packaging		1,575,000,000	1,890,000,000	315,000,000	1,260,000,000	5,040,000,000	6,241,772,169



**Iraqi Cement Company**  
**Projected Profit and Loss Account for the year ending 31 December 2004**  
**Electricity**

Appendix 3.8

**Assumptions:**

Peak of 100 MGW per hour for all the factories

180-200 KWH per tonne of cement

300 days (60 for repairs & maintenance)

ID 90 - KWH (average cost per KWH: \$ 0.045 - comparable to CEE and Jordan)

90

	Head office	Kirkuk	Kubaissa	Fallujah	Al-Qaim	2004 Projections	2002 Actual
Average usage of KWH per ton		180	180	180	180	180	
Projected production for 2004		500,000	600,000	100,000	400,000	1,600,000	
Cost of electricity per KWH		90	90	90	90	90	
Cost of electricity		8,100,000,000	9,720,000,000	1,620,000,000	6,480,000,000	25,920,000,000	1,084,939,698

**Iraqi Cement Company**  
**Projected Profit and Loss Account for the year ending 31 December 2004**  
**External services**

**Appendix 3.9**

**Assumption:**

Cost for 2002 will increase by 250%

External costs include a substantial part for transportation costs which should increase substantially due to expected increase of cost of fuel

Allocated based on tons produced

	Head office	Kirkuk	Kubalssa	Fallujah	Al-Qaim	2004 Projections	2002 Actual
Projected production for 2004	-	500,000	600,000	100,000	400,000	1,600,000	2,235,000
Percentage of increase		250%	250%	250%	250%	250%	
External services	-	2,675,056,577	3,210,067,893	535,011,315	2,140,045,262	8,560,181,048	3,424,072,419

**Iraqi Cement Company**  
**Projected Profit and Loss Account for the year ending 31 December 2004**  
**Depreciation**

Appendix 3.11

**Assumptions:**

2004 acquisition of assets is made at beginning of year

No acquisition in 2003

Depreciation rate used for 2004 acquisition is 5% or 20 year useful life

	Head Office	Kirkuk	Kubaissa	Fallujah	Al-Qaim	2004 Projections Combined
Cost of fixed assets at 31 December 2002	1,772,473,110	3,567,054,283	4,878,382,596	1,000,346,065	4,921,892,451	16,140,148,505
Accumulated depreciation as at 31 December 2002	(272,915,769)	(209,366,892)	(315,516,462)	(77,765,130)	(258,454,606)	(1,134,018,859)
Net book value of fixed assets as at 31 December 2002	1,499,557,341	3,357,687,391	4,562,866,134	922,580,935	4,663,437,845	15,006,129,646
2002 depreciation	88,058,605	187,200,931	249,033,502	29,732,873	249,882,791	803,908,702
Effective depreciation rate in 2002	0	0	0	0	0	0
<b>Depreciation charge for 2004:</b>						
Acquisition of assets in 2004 (in USD)	0	10,029,167	8,829,167	2,862,500	8,229,167	29,950,000
Exchange rate	2,000	2,000	2,000	2,000	2,000	2,000
Acquisition of assets in 2004 (in ID)	0	20,058,333,333	17,658,333,333	5,725,000,000	16,458,333,333	59,900,000,000
Depreciation rate of 5% of assets acquired in 2004	0	0	0	0	0	0
2004 depreciation for assets acquired in 2004	0	1,002,916,667	882,916,667	286,250,000	822,916,667	2,995,000,000
2004 depreciation for assets acquired prior to 2004	88,058,605	187,200,931	249,033,502	29,732,873	249,882,791	803,908,702
<b>Total depreciation charge for 2004</b>	<b>88,058,605</b>	<b>1,190,117,598</b>	<b>1,131,950,169</b>	<b>315,982,873</b>	<b>1,072,799,458</b>	<b>3,798,908,702</b>

**Iraqi Cement Company**  
**Projected Profit and Loss Account for the year ending 31 December 2004**  
**Capital investment and interest**

Appendix 3.10.1

**Assumptions:**

Investments made over two years

Interest rate on USD loan is 4%

50% of loan is received at beginning of 2004 and 2005

Repayment of principal starts in 2005

Description	No.	Price	Total Price	Kirkuk	Kubalssa	Fallujah	Al-Qaim
<b>Most urgent capital requirements (in USD):</b>							
Gear with 2 pinions for cement mill	3	500,000	1,500,000	1,500,000			
Gear with 1 pinion for cement mill	1	500,000	500,000			500,000	
Gear Boxes	10	250,000	2,500,000	625,000	625,000	625,000	625,000
Generator for electricity	3	6,000,000	18,000,000	6,000,000	6,000,000		6,000,000
Air cooler - after kiln	4	1,000,000	4,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Air quenching cooler exhaust fan	2	600,000	1,200,000	1,200,000			
Training	5	200,000	1,000,000	250,000	250,000	250,000	250,000
			<b>28,700,000</b>	<b>10,575,000</b>	<b>7,875,000</b>	<b>2,375,000</b>	<b>7,875,000</b>
<b>Other capital requirements (in USD):</b>							
Packing machine	4	300,000	1,200,000		1,200,000		
Packing machine	3	300,000	900,000	900,000			
Packing machine plus accessories	1	600,000	600,000			600,000	
Compressor Air	40	50,000	2,000,000	500,000	500,000	500,000	500,000
High tension motor	3	500,000	1,500,000	500,000	500,000		500,000
Shovel - crane	10	500,000	5,000,000	1,666,667	1,666,667		1,666,667
Bulldozer	10	500,000	5,000,000	1,666,667	1,666,667		1,666,667
Dump Truck	10	300,000	3,000,000	1,000,000	1,000,000		1,000,000
Kiln shell @ 4.3 meter (70 mm)	2	1,000,000	2,000,000	1,000,000	1,000,000		
Kiln shell @ 4.4 meter (80mm)	1	1,000,000	1,000,000				1,000,000
Metallic conveyor (after clinker)	4	500,000	2,000,000	500,000	500,000	500,000	500,000
On line sampling & quality control system	4	250,000	1,000,000	250,000	250,000	250,000	250,000
Upgrade PLC control system	4	500,000	2,000,000	500,000	500,000	500,000	500,000
Environmental dust prevention system for production process	4	500,000	2,000,000	500,000	500,000	500,000	500,000
Air conditioning & dust prevention for computer equipment	4	500,000	2,000,000	500,000	500,000	500,000	500,000
			<b>31,200,000</b>	<b>9,483,333</b>	<b>9,783,333</b>	<b>3,350,000</b>	<b>8,583,333</b>
<b>Total capital investments in 2004 and 2005</b>			<b>59,900,000</b>	<b>20,058,333</b>	<b>17,658,333</b>	<b>5,725,000</b>	<b>16,458,333</b>

**Iraqi Cement Company**  
**Projected Profit and Loss Account for the year ending 31 December 2004**  
**Capital investment and interest (continued)**

Appendix 3.10.2

	<b>Total</b>	<b>Kirkuk</b>	<b>Kubaissa</b>	<b>Fallujah</b>	<b>Al-Qaim</b>
Loan received at beginning of 2004 (in USD)	29,950,000	10,029,167	8,829,167	2,862,500	8,229,167
Interest rate of 4%	4%	4%	4%	4%	4%
Exchange rate	2,000	2,000	2,000	2,000	2,000
<b>Interest charge for new loan</b>	<b>2,396,000,000</b>	<b>802,333,333</b>	<b>706,333,333</b>	<b>229,000,000</b>	<b>658,333,333</b>
<b>Interest charge on existing loans</b>					
Loans as at 31 December 2002	3,990,376,000				
Repayment in January 2003	(366,000,000)				
Loans outstanding as at 31 December 2003	<u>3,624,376,000</u>				
Interest rate of 4%	144,975,040	35,992,868	49,224,644	10,093,854	49,663,675
<b>Total interest charge</b>	<b>2,540,975,040</b>	<b>838,326,201</b>	<b>755,557,978</b>	<b>239,093,854</b>	<b>707,997,008</b>



**Iraqi Cement Company  
Status Update  
Saturday, 22 November 2003  
(Appendix 4)**

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KPMG has utilized 9 staff (four expatriates with a minimum of eight years of experience, one Iraqi with seven years of local audit experience and four Iraqi assistants) during the week of 17 November 2003 and noted the following:

- 1 Co-operation and access to staff**
  - Working hours are limited for ICC (9:00 – 12:45)
  - No work on Fridays
  - Closed for EID holiday
  - Management may have limited knowledge of the cement industry as newly hired
  - Printer at Head Office does not work
- 2 Issues noted for 2003 Financial Information**
  - No financial information prepared
  - Only monthly G/L debits / credits prepared per factory on a monthly basis
  - January and February records at the Head Office in Baghdad but no access to date
  - March – October records managed by each factory
  - Cash is currently managed and controlled by each factory
  - Each factory records their basic accounting transactions
  - Cash at the Head Office has been reportedly stolen
- 3 Issues noted for 2002 Financial Information**
  - Financial statements have not yet been approved by the authorities
  - Final version of most of the (sub) ledgers are not accessible to date
  - Final adjustments for 2002 are not recorded in the sub-ledgers provided to KPMG
  - Source documents / original documents are not available (eg. bank statements)
  - Sub-ledgers do not reconcile to the General Ledger (AP, AR, Fixed Assets)
  - Bank reconciliations do not agree to the General Ledger
  - No supporting documentation for provisions to date
  - No supporting documentation for retained earnings and reserves
  - Netting/off-setting amounts included in Accounts Receivable and Payables (ID 58bn)
  - No ageing analysis of Accounts Receivables provided
  - Totals and sub-totals in the Fixed Assets do not add properly
  - Final information on investments (ID 20m) is not available
  - Fixed Assets Roll-forward is not correct
- 4 Control Weaknesses Identified**
  - Accounting and especially IT systems are deficient
  - No monthly financial analysis available for 2003
  - Management control over the factories may be inadequate
  - Based on our observations and the reports issued by the Board of Supreme Audits, many basic accounting control weaknesses identified and not resolved
    - Differences between physical and actual counts for fixed assets and inventory
    - Accounts receivable provision is not adequate
    - Discrepancies between AR / AP confirmations and sub-ledgers
    - Recording errors with cash noted in the prior year

kpmg

**Iraqi Cement Company  
Status Update  
Saturday, 22 November 2003  
(Appendix 4)**

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- Contingent liabilities (US \$500k) noted in the prior year
- 

**5 Business Issues**

- Lack of electricity for production
- Lack of spare parts for plant and machinery
- Security issues including travel from the city to the plant for employees
- Training of technicians and management
- Distance of raw materials (limestone, clay, iron ore) from the plants
- Oil leakage
- Liberalization of prices of raw materials, electricity, oil, salary, transportation
- Significant capital investment required for maximum capacity
- Lack of proper maintenance resulting in poor utilization of raw materials
- Foreign exchange exposure on loans, AR and AP

**6 Business Strengths**

- Plants not looted
- High demand for products
- Monopoly in Iraq and price fixing to reduce imports
- High selling price per ton
- Low production costs
- Well-recognized quality in the region
- Large number of employees retained from pre-war conditions
- Return to pre-war capacity (60%-70%) within a week without major investment

**7 Potential adjustments identified but not quantified (net equity at Dec 02: US \$14m)**

- Bad debt and inventory provisions
- Impairment for idle assets and assets under construction
- Write off of investments
- Uncollected outstanding checks received and issued
- Interest on overdue suppliers' balances
- Outstanding litigations and claims

**8 Way forward**

- Visit of Fallujah and Kubaissa
- Cash Flow Projections for 2004
- Balance Sheet and Income Statement for 2002 (and 2003 subject to availability)
- Preparation of DRAFT deliverables



# COALITION PROVISIONAL AUTHORITY BAGHDAD

## Private Sector Development

### MEMO

**From** (b)(6)  
**To**  
**Re** Business auditors scope of work  
**Date** Sunday, October 05, 2003

Elements of the letter to financial advisors on their potential privatization mandate.

#### Scope of the work

The advisors are to deliver the report presenting business assessment of the company being privatized, proposals concerning privatization strategy of that company and next to assist the Ownership Transformation Agency in execution of the strategy decided

- I. Business assessment report should include
1. the company identification data: locations, addresses, telephone numbers, e-mail, website, basic data from the register
  2. short history of the company, esp. past ownership changes, mergers, split offs, changes of business profile
  3. management bodies of the company, names of managers, their responsibilities, telephone numbers, time of employment in the company, time on the present position, previous position.
  4. company's relationship with the Ministry. Level and areas of subordination, prewar and present situation
  5. product (services) profile, i.e. description what are the sources (main and secondary) of company's proceeds. Changes of that profile in time - before the war 2003 and after. Breakdown of sales by types of customers, product type, etc
  6. market analysis (e.g. according (b)(6) methodology) Review of the markets on which company operates (market structure, competitors' characteristics, suppliers characteristics, key determinants for success on these markets, market prospects for the future), market position(s) of the company [share(s) of the market]. Prewar and present situation.
  7. assessment of present management. Does the DG or his senior staff have marketing skills to get more projects? Do they need business training to sell the company's services?
  8. staff. Number of employees. Breakdown by age, education level, job, period of service. Number of employees qualified for disability and retirement. Salary system
  9. financial analysis. Audit of financial statements for 2002 and for the last day of the month preceding submission of this report. If needed, preparation of these documents as of the last day of the month preceding submission of this report.

dm



10. technical equipment. Physical inventory count if needed. Assessment of the assets from technical and economic point of view. War damages and reparation
11. analysis of technology used – economic and technical perspective
12. working capital analysis covering post-war period
13. cost analysis covering post-war period including fixed and variable costs. Break even point.
14. past, present and potential long term partners of the company: J-V, production co-operation, long term trade relations, etc.

Analyses 2 - 14 should be prepared basing on detailed analytical work. The report summarizing these analyses should be presented in concise form (e.g. Power Point presentation) with clear bullet points conclusions. Analysis in points 9 should be also prepared separately according GAAP standards. Analysis in point 10 should be (if needed) separately prepared in form of detailed list.

The authors should be prepared to present working materials confirming their conclusions.

Analyses 2 – 14 are not to be prepared for themselves. They must have very clear goal: to make contribution to give the answer for main question: how should this company be privatized (method, timetable, pre-privatization turn-around)?

- II. Conclusions from analyses 2 – 14 leading to formulation the appropriate privatization strategy
- III. Valuation of the company relevant to decided privatization strategy
- IV. If trade sale decided, preparation of list of potential investors and Offering Memorandum
- V. Execution of sale under the supervision of Ownership Transformation Agency and with co-operation with lawyers

# **COALITION PROVISIONAL AUTHORITY**

## **BAGHDAD**

September 16, 2003

**Subject:** Request For Proposal  
Auditing Services

With the assistance of the Coalition Provisional Authority's (CPA) Private Sector Development group, the Iraqi Ministry of Industry and Minerals (MIM) is seeking a proposal to provide financial services at the Iraqi Cement Company (Company), a State-Owned Enterprise. The Company has four factories located in Kirkuk, Kubassa, Falluja and Al Qaim. Proposals need to be submitted to the CPA by 1700 hours, September 23, 2003. The proposal should stipulate an hourly rate for each professional level (i.e. partner or accountant)

### **Scope of Work**

The auditing firm will audit the Company to produce a set of Financial Statements (Income Statement, Balance Sheet and Cash Flow Statement). The financial statements will be prepared in accordance with US or international Generally Accepted Accounting Principles (GAAP). The financial services company will:

- Provide a financial statement for August, 2003 in accordance with GAAP
- Provide a proforma for the 2004 calendar year
- Conduct a physical inventory count
- Review working capital requirements
- Assess the status of fixed assets.
- Determine mandatory and discretionary capital expenditure for 2004
- Review internal cash control policies and procedures
- An overall assessment of the management's understanding of the company's ability to respond to current market dynamics and its ability to identify and control its cost drivers

### **Requirements**

- Fluent in Arabic with professional experience in the Middle East
- Hire and integrate local Iraqi accountants to the auditing team

### **Duration of the Assignment**

The financial services firm should enter Iraq to commence work within one week of contract award. The scope of work needs to be completed within 21 working days from the date the auditing team enters Iraq.



**Deliverables**

At the completion of this contract, the financial service company will:

- Provide a set of August, 2003 financial statements in accordance to US or internationally accepted GAAP. A financial statement will be generated for each factory as well as a set of consolidated financial statements
- Provide a 2004 calendar year consolidated proforma. The proforma should delineate revenue and cost figures for each factory
- Provide a written summary report for the items listed in the Scope of Work.

Three copies of the items listed above will be submitted in English and Arabic. An Arabic and English electronic copy will also be submitted

**General**

- The financial services company will coordinate with the MIM and the Company for site visit schedules
- All visits to all locations will be subject to the security situation in the area, The financial services company has the right to reschedule or cancel any of the visits after consulting with the MIM and the CPA
- Transportation to the Company facilities to include security will be arranged and paid for by the MIM and the Company

Point of Contact for this Request for Proposal:

(b)(6)

Private Sector Development Group  
Coalition Provisional Authority

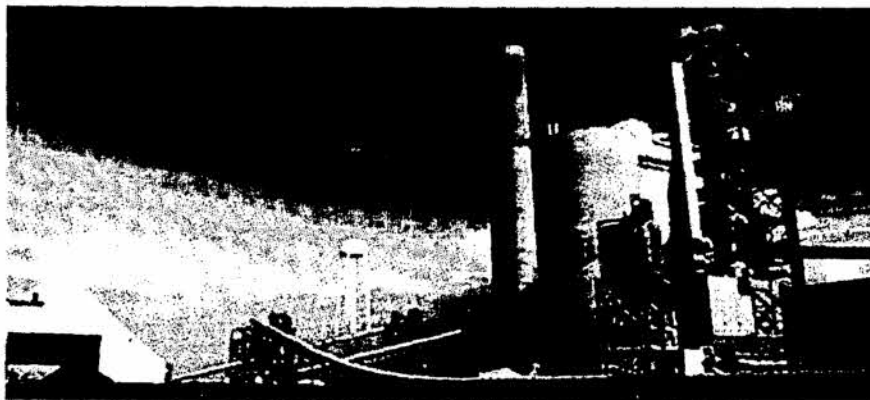
(b)(6)

CPA Advisor  
Ministry & Industry Minerals

(b)(6)

<http://www.cpa-iraq.org>

**Iraqi Cement Company**  
**Proposal for audit services**



Audit & Accounting  
23 September 2003  
*This report contains 25 pages*  
Report for Iraqi Cement Company

## **Contents**

1.	Why choose KPMG?	1
2.	The right team	2
3.	Understanding your business	5
4.	Meeting your needs – the right audit approach	7
4.1	Strategic and process analysis	8
4.2	Risk assessment	9
4.3	Audit plan and programs	9
4.4	Audit test work	9
4.5	Review and reporting	10
4.6	Debriefing and follow up	10
5.	KPMG's credentials	11
6.	Providing value for money	12
7.	Timing	13
	Appendices - The resumes of core Team members	14

This proposal is made by KPMG Bahrain and is in all respects subject to negotiation, agreement and signing of specific contracts.

## **1. Why choose KPMG?**

KPMG is pleased to have the opportunity to propose for the audit of Iraq Cement Company ("ICC"). We consider that KPMG is the best firm to provide the highest quality audit services to ICC for the following reasons:

### **Our knowledge of the cement sector**

Hakim Al-Adhamy has been the engagement partner for the audits of Qatar National Cement Company since 1997 and United Cement Company (Bahrain).

Michel Picard has been involved in the assessment and the valuation of the Cemex subsidiaries based in Spain in connection with the refinancing of the Cemex group.

### **IAS accredited partner**

Another area of major focus, particular in the first year of our audit, will be a review of your accounting policies to ensure that they are fully compliant with IAS.

Michel Picard is one of 200 KPMG partners worldwide who has been accredited to review and approve financial statements prepared in accordance with International Accounting Standards (IAS). This assures consistency in the preparation and audit of IAS financial statements.

### **We have the necessary resources**

KPMG Middle East has over 1,000 professionals that are trained in the audit of manufacturing, distribution, retail, technology, banking and insurance operations. This ensures a solid basis for providing quality services to a wide range of business sectors. Our staff in the Middle East have gained considerable knowledge in the preparation of IAS financial statements as these are commonly used in the area over the past 20 years.

Our proposed team consists of professionals fluent in English and Arabic and includes a number of Iraqis.

### **Risk-based tailored audit approach**

Our audit process is designed to give you maximum comfort on the risks and issues facing your organisation. It is a no surprises approach based on regular communication. Our audit focuses on the risks inherent in a business strategy and in identifying improvement opportunities. In short, we will make it work for you.

### **High quality audit services**

Our approach as a business partner:

- results in the audit relationship being more than just the independent verification of the financial statements;
- assures we understand the strategic focus of ICC and act as a sounding board on business and financial issues; and
- ensures performance of a cost-effective audit of the financial statements, which considers the business risks of ICC and the systems, and controls that operate to manage those risks.

Our approach focuses on an in-depth understanding of your business. From this understanding we can address strategic issues and determine improvement opportunities. Senior management requires independent corroboration and feedback on strategic decisions. Hakim and Michel and other KPMG personnel, as required, will be available to act as a sounding board to management and assist in the resolution of business issues as they arise.

### **Our commitment to your business**

Our team is totally committed to providing you with the best possible service and enthusiastically looks forward to being chosen as your auditors and business partners.



## **2. The right team**

KPMG will function as a single global team serving the Company. We have developed our engagement management structure that provides a proper balance combining appropriate industry expertise with a local focus.



All the senior members of our team have significant experience, are accustomed to advising at board level/senior members of management and understand the challenges which confront the business. In addition to our core team, other specialists are also involved, as required, to advise on information technology, to interact with regulatory agencies and provide any additional services needed. Our team possesses a strong blend of skills and experience, balanced by a commitment and dedication to fulfil our responsibilities as external auditors and business and industry advisers for the Company.

Choosing the right people is a key criterion in your decision to appoint auditors. We have brought together an integrated team for the Company made up of individuals with a wide range of experience in the industrial sector and, in particular, in the cement business. Our key people have each been selected to add value to the audit process through their professional and technical expertise.

The benefits to ICC of the team we have chosen are:

- highly qualified and experienced client and engagement partner;
- clear direction to ensure a consistent service;
- people who have knowledge of your business needs and have an in-depth experience of the cement industry; and
- access to integrated expertise in highly specialised areas such as International Accounting Standards, Information Risk Management, Internal Audit, Treasury and transaction services.

## Our core leadership team

<i>Team member</i>	<i>Role</i>	<i>Experience</i>
<p><b>A Hakim Al-Adhamy</b> Engagement Partner Fellow of the Institute of Chartered Accountants in England and Wales</p> 	<p>Hakim will serve as Engagement Partner for the audit of the Company. He will be responsible for the planning and execution of all phases of the audit.</p>	<p>Hakim has over 30 years experience in auditing in the Middle East and the UK. Hakim, is the engagement partner of several major audit clients in Bahrain and in Qatar, providing audit and advisory services. Hakim is currently the engagement partner of Qatar National Cement Company and of United Cement Company (Bahrain). Hakim is the Quality Performance Liaison Partner and the Risk Manager for KPMG Qatar and Bahrain</p>
<p><b>Michel Picard</b> Concurring Review Partner &amp; IAS specialist Fellow of the Canadian Institute of Chartered Accountants</p> 	<p>As Concurring Review Partner, Michel will ensure that there is sufficient compliance with professional standards, KPMG policies and IAS. He will act as a sounding board to the Engagement Partner on all key technical or other issues.</p>	<p>Michel has over 20 years of experience in providing professional services to a wide range of clients in Western Europe, Central and Eastern Europe and Africa. He has recently relocated to KPMG Bahrain to lead the establishment of an office in Iraq. Michel was instrumental in the development of our firm based in Bratislava</p>

In addition to the above core team members, we will hire and integrate a number of local Iraqi accountants to the audit team. Hakim has maintained regular contacts with the Iraqi accounting professionals over the past years and especially over the past months.

### 3. Understanding your business

Our audit approach is driven by an understanding of your business risks to focus our resources on those areas with the greatest financial risk. The table below summarises our preliminary assessment of the business risks faced by ICC. Each of these translates into a series of potential financial and audit issues as outlined below.

We would expect our audit to be focused on the following:

Business risk	Financial and control implications
Quality of customer base	<ul style="list-style-type: none"> <li>o Adequacy of bad debt provision</li> <li>o Assessment of credit risk and associated risks</li> <li>o Customer concentration exposure</li> <li>o Compliance with key customer contracts</li> </ul>
Procurement Fraud	<ul style="list-style-type: none"> <li>o Valuation of fixed assets and services</li> <li>o Budgeting control</li> <li>o Commitments</li> </ul>
Law suits	<ul style="list-style-type: none"> <li>o Adequacy of provision</li> <li>o Controls over contracting</li> </ul>
Financial reporting and policies	<ul style="list-style-type: none"> <li>o Transparency of IAS financial statements</li> <li>o Evolution of IAS</li> <li>o Compliance of the factories with policies</li> <li>o Consistency of reported information</li> <li>o Bridge between Iraq accounts and IAS accounts</li> </ul>
Financial targets	<ul style="list-style-type: none"> <li>o Managing shareholder expectations</li> <li>o Assurance over underlying financial processes</li> <li>o Accounting guidance and compliance</li> <li>o Visibility of local forecasts and performance risks</li> </ul>
Governance and control	<ul style="list-style-type: none"> <li>o Quality of local financial controls</li> <li>o Role and effectiveness of internal audit</li> <li>o Control procedures in various factories</li> <li>o Budgetary controls</li> <li>o Risk management controls</li> <li>o Improper decision based on incomplete or incorrect data</li> </ul>

Business risk	Financial and control implications
Cash	<ul style="list-style-type: none"><li>o Existence</li><li>o Cash flow requirements</li></ul>
Quality of Inventory	<ul style="list-style-type: none"><li>o Adequacy of inventory provision</li></ul>
Purchase and disposal of fixed assets	<ul style="list-style-type: none"><li>o Effectiveness of CAPEX budgets and control over CAPEX purchases and disposals</li><li>o Utilization and potential for impairment provision</li></ul>

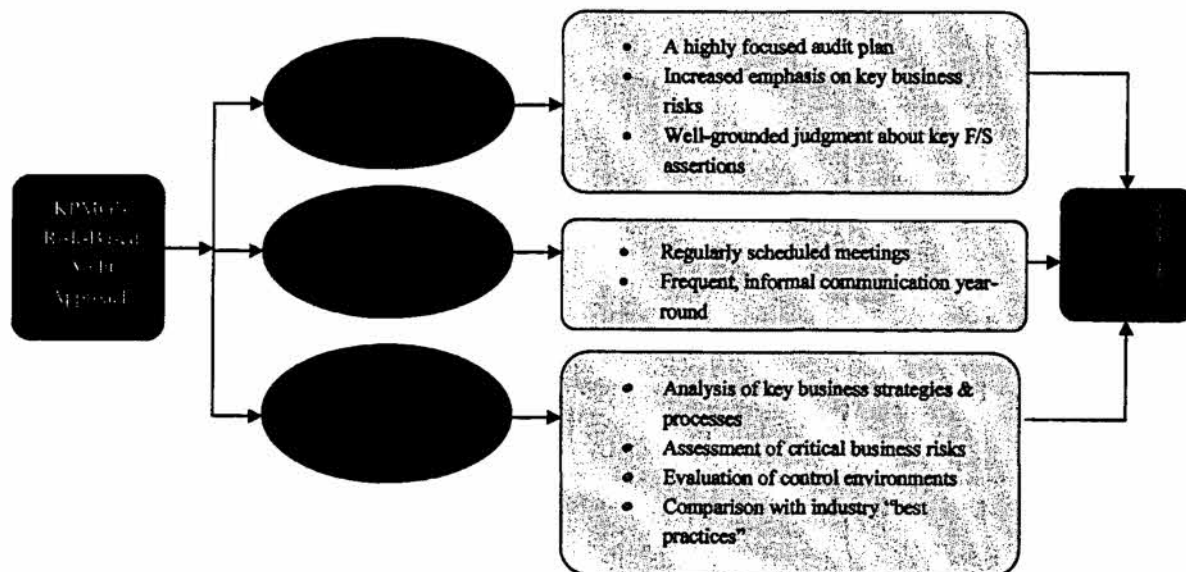
#### 4. Meeting your needs – the right audit approach

We will conduct our audit in accordance with International Standards on Auditing. Those ISAs require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatements. We will also have regard to the requirements of local statutory and legal regulations in Iraq as applicable in the planning and conduct of our audit.

KPMG's Audit Methodology has an operational and business risk focus. It is designed to aid the efficiency and effectiveness of business operations, as well as address the traditional financial and compliance areas.

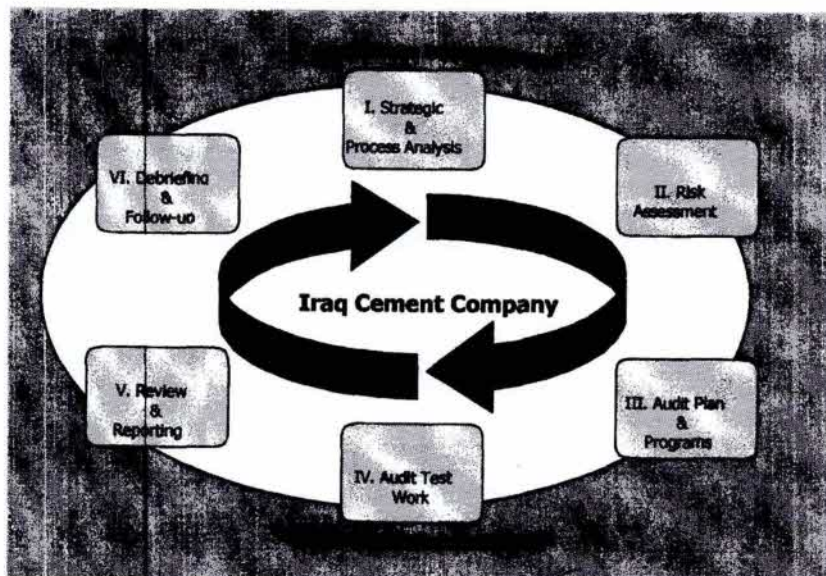
Some of the key benefits of our methodology include:

- Risk-based, business focused approach to audit. This is different from the traditional audit approach which concentrates only on the accounting transactions and practices;
- Review of all business risks (financial and non-financial);
- Focuses on business processes rather than only accounting transactions; and
- Assisting in identifying performance improvement and cost reduction opportunities





The KPMG audit process is diagrammatically presented below:



#### 4.1 Strategic and process analysis

In this stage we will obtain a high level understanding of:

- The Business activities and results of the Company;
- The Company's corporate objectives including management's strategy for attaining these. This will involve carrying out the following major tasks:
- External forces affecting the organisation, including competition, technology, economic conditions, legislation, etc.
- Business relationship with customers, alliances, suppliers and shareholder.
- Business objectives and the risks that threaten the attainment of these objectives.
- Critical success factors and validating their effect on the business objectives.
- The Company's key business processes and the system of internal controls.

## **4.2 Risk assessment**

In this stage we will assess the business risks and the management actions taken to address these risks, including internal controls established to support financial reporting objectives. In performing our assessment of risk, we will consider management's assumptions, perceptions, and judgements about:

- Magnitudes and probabilities of the occurrence of events indicated by the business risk; and
- Management actions taken to address these risks.

Our assessment of risk will cover the inherent risk (the risk that mis-statements, both intentional and unintentional, may occur, disregarding the effectiveness of internal controls to prevent or detect and correct such misstatements) and control risk (the risk that misstatements may occur and will not be prevented or detected and corrected on a timely basis by internal control). We will translate the risks facing the business that have significant implications for the audit into audit objectives.

## **4.3 Audit plan and programs**

In this stage, together with you, we will carry out the following tasks:

- Specify all the systems and activities to be covered in the period of the plan;
- Establish the priority areas; Assess the audit risk in each activity;
- Outline the suggested audit approach for each area; and

## **4.4 Audit test work**

In this stage the detailed fieldwork will be carried out. We will use a "system based" audit methodology driven by our risk assessment. The methodology includes:

- Ascertaining the transaction flows based on the Company's policies and procedures;
- Identifying key controls to mitigate the risks identified;
- Testing the operation of those key controls.

This approach is a well proven method for audit review and with the correct application will identify opportunities to "add value".

## **4.5 Review and reporting**

Working papers for all key areas will be reviewed by partners and managers on site to ensure that the conclusions drawn and the depth of work are sufficient.

Our reporting is designed to ensure that our work leads to beneficial change. The key features are:

- Any serious matters will be reported immediately and followed by a written report;
- All draft reports will be issued soon after the completion of the work;
- Draft reports will be discussed with the head of accounts to:
  - Ensure factual accuracy;
  - Ensure recommendations are practical;
  - Agree implementation plans for the recommendations made, together with action dates, for inclusion in reports;
  - Incorporate managers' comments for each matter raised and accompanying recommendation; and
- a final audit report will be issued to the company.

## **4.6 Debriefing and follow up**

At the end of each assignment we will seek the views of the Company's management on the service we have provided to ensure that we meet your standards for delivery. We will agree with you a set of criteria, measures and a feedback mechanism that will help both of us to manage the partnership effectively.

We will carry out reviews following up audit reports from previous visits to ascertain whether all the agreed actions in the previous report have been implemented. Where management has not implemented agreed actions by their target dates, this will be separately reported, together with a further recommended course of action.

## **5. KPMG's credentials**

KPMG is the global network of professional services firms whose aim is to turn understanding of information, industries and business trends into value for our clients. With more than 100,000 people worldwide, KPMG member firms operate from more than 750 cities in 157 countries.

We work in a global market place distinguished by remarkable growth and upheavals. The impact of corporate and accounting scandals and new regulations and laws that are following in their wake – is now being felt around the world.

Corporate governance, transparency, effective internal controls as robust financial reporting, are key for trust and confidence among shareholders and investors, and achieving profitable growth in an uncertain global economy. There is now demand to extend corporate disclosure into broader, non-financial areas such as stakeholders reporting and remuneration to show the responsibility we all have to employees and the wider communities. There is also increasing pressure to find new ways of realizing the full potential of our businesses, such as the value of intellectual property.

At KPMG in the Middle East and through our global network – we recognize and share these concerns, and offer support to Governments, chief executives and other business leaders through the quality, integrity and independence of our work.

KPMG in the Middle East has 50 partners and over 1,000 staff in 17 offices throughout the region. KPMG has a long-term and deep commitment to the region. KPMG Middle East is in the process of establishing an office in Iraq. Our offices are staffed with a mixture of nationalities, both national and expatriate, thus maintaining access to expertise of the highest level whilst ensuring that we have the long-term expatriates and nationals necessary to have the requisite understanding of the environment in which our clients operate.

One of the cornerstones of KPMG's success in the Middle East is the training provided to staff at all levels, including an integrated training program for all new university graduates who join. Training takes place at KPMG International and at the Middle East Training Centers, and covers the most up-to-date procedures in Assurance, Financial Advisory Services, Tax and Legal, and Consulting. Local presence and thorough knowledge of the respective industry ensure that our solutions and concepts are precisely tailored to the concrete situation of each client we serve. This enables a seamless service along the value chain clients.

Our market position is the result of our consistent focus on the aspects that are most important from our clients' perspective: the creation of added value and competitive advantages. Our goal is to considerably increase our client's success in the market. Our commitment to offering advisory services of the highest quality makes us the ideal partner for the success of our clients. Thus we can shape the future together.

## 6. Providing value for money

We will deliver a first class robust audit with high quality service throughout the engagement. Our proposed hours for the specific services requested are set out in the table below:

Your requirements	Hours
1. Assistance in the preparation and audits of the consolidated financial statements of ICC and of the individual (company) financial statements as at August 31 <sup>st</sup> , 2003, prepared in accordance with International Financial Reporting Standards (IFRS); performed in accordance with International Standards on Auditing.	500
2. Assistance in the preparation of a proforma profit and loss account for the financial year 2004, on a consolidated basis and for each factory	120
3. Review internal cash control policies and procedures in place	50
4. Assess the status of fixed assets and determine mandatory and discretionary capital expenditure for 2004	20
5. Conduct a physical inventory count at each factory	140
6. Overall assessment of the managements' understanding of the company's ability to respond to current dynamics and its ability to respond to, identify and control its cost drivers	20
<b>TOTAL HOURS</b>	<b>850</b>

Our report will be submitted in English and Arabic. An electronic copy will also be submitted.

We propose a fee of USD 55,000 for the services mentioned above, excluding outlays and VAT (or local equivalent) which will be billed separately.

The proposed fees includes a significant discount on our standard rates for similar engagements. The hourly rates, after our discount, for each professional level are as follows:

Levels	Rate
Partner	USD 175
Manager	USD 100
Supervisor	USD 60
Experienced staff	USD 40
Local Iraqi staff	USD 20



## **7. Timing**

We will enter Iraq to commence our work within one week from the signature of the contract. We expect to provide you with draft reports of our deliverables within three weeks. However if the security does not allow our team to perform our work in accordance with the plan and timetable then we reserve the right to reschedule or cancel any of the visits after consulting with the contracting parties without penalties to KPMG.

(b)(6)



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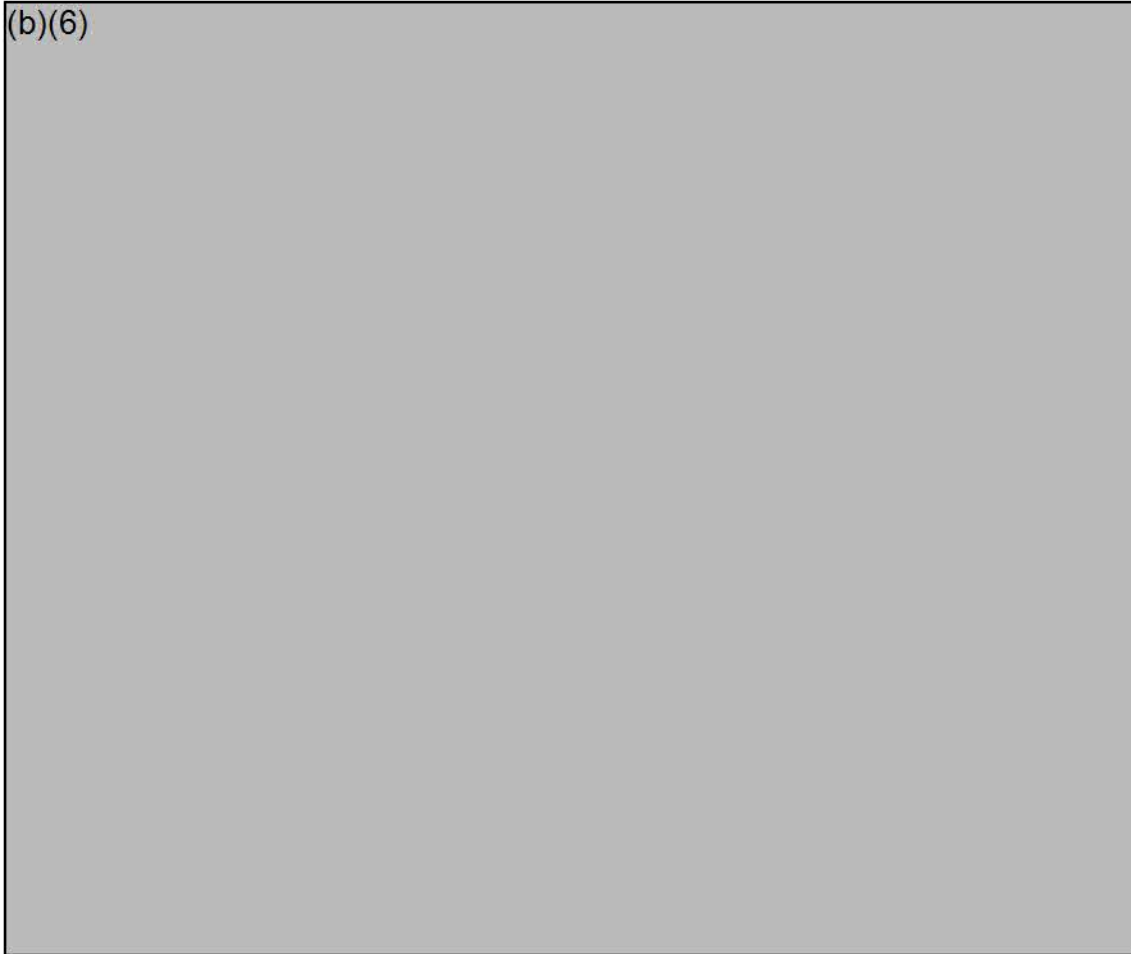
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(b)(6)





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(b)(6)

Private Sector Development Group  
Coalition Provisional Authority  
Baghdad

**PERSONAL AND CONFIDENTIAL**

23 September 2003

Dear (b)(6)

We are delighted to have been asked to submit this proposal to act as auditors and business advisors of Iraqi Cement Company (ICC).

As an important high profile player in the reconstruction of Iraq with ambitious objectives for the future, ICC is precisely the kind of forward-looking organisation we want to work with and which KPMG genuinely excels at serving.

This is a real opportunity for ICC to gain the benefit of an international approach to its audit. We firmly believe that our team can and will provide you with the type of value-for-money service which you expect. Our belief is based on the following reasons:

- We approach this opportunity with the intention of being a business partner and an advisor to the Iraqi Government;
- The core team has an in-depth experience of your industry whose members have the time and the commitment to serve;
- Our audit approach is a risk-based methodology that ensures we focus on the areas of highest risk and of most significance to the business;
- We will give you feedback on your processes and people and will be available for open discussions with your team;
- KPMG Middle East is proficient in the preparation of financial statements prepared in accordance with International Accounting Standards (IAS). I am one of the 200 KPMG partners worldwide who has been accredited to review and approve financial statements prepared in accordance with IAS.

- I have gained considerable knowledge of a country in a transitional phase from a planned economy to a more Western style economy. During my eight years in the Slovak Republic, I have been privileged to witness the tremendous development of the country, including the flotation of the Slovak currency, the election of a democratic government, the privatisation of the banking sector and most of the state-owned companies, the liberalisation of the prices, acceleration of FDI and the development of a solid market economy; and
- I have recently relocated from the Slovak Republic to KPMG Middle East mainly based in Bahrain with the objective to establish a KPMG office in Iraq in the near future. Our presence in the country will be useful in our future communication and discussions.

Everyone in our team is enthusiastic about the prospect of working with ICC. It is a challenging yet exciting time for the company and we look forward to further demonstrating our commitment to ICC and IRAQ.

Should you have any questions or queries, or wish to discuss any aspect of our proposal then please do not hesitate to contact me on +(b)(6)

Yours faithfully

(b)(6)

*Partner*



**KPMG**

- I have gained considerable knowledge of a country in a transitional phase from a planned economy to a more Western style economy. During my eight years in the Slovak Republic, I have been privileged to witness the tremendous development of the country, including the flotation of the Slovak currency, the election of a democratic government, the privatisation of the banking sector and most of the state-owned companies, the liberalisation of the prices, acceleration of FDI and the development of a solid market economy; and
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Everyone in our team is enthusiastic about the prospect of working with ICC. It is a challenging yet exciting time for the company and we look forward to further demonstrating our commitment to ICC and IRAQ.

Should you have any questions or queries, or wish to discuss any aspect of our proposal then please do not hesitate to contact me on +973 965 2204.

Yours faithfully

(b)(6)

*Partner*

Mr. Mohammad Rahim Tawfeq  
Interim Minister  
Ministry of Industry and Minerals  
Baghdad, Iraq

12 October 2003

Dear Mr. Mohammad Rahim Tawfeq

**Compilation of a balance sheet as at 31 August 2003 and preparation of prospective financial information for the period from 1 September 2003 to 31 December 2004.**

In reference to your letter dated 16 September 2003, our proposal dated 23 September 2003 and our subsequent meeting on 4 October 2003, the purpose of this letter is to confirm our understanding of the terms of our appointment and the nature of the services we will perform for you. The scope is as follows:

- To compile a balance sheet of Iraqi Cement Company ("the Company" or "ICC") as at 31 August 2003;
- To assist ICC in the preparation of Prospective Financial Information ("PFI") for the 16 month period ending 31 December 2004;
- To review the internal cash control policies in place and prepare a short report on the weaknesses identified;
- To conduct a physical inventory count of the inventory and property, plant and equipment and prepare a short report on the conditions of those assets; and
- To perform an overall assessment of the management's understanding of the company's ability to respond to current dynamics and its ability to respond to, identify and control its cost drivers and prepare a short report of our assessment.

Our deliverables will be submitted in English and Arabic.

**Professional standards**

We conduct our engagements in accordance with the principles of independence, integrity, objectivity, professional competence and due care, confidentiality, professional behaviour and technical standards as defined in the technical pronouncements of the International Federation of Accountants.

(b)(6)

SIGNED ENGAGEMENT  
LETTER... (b)(6)  
HAS MORE DETAILS.

(b)(6)

**Scope of compilation**

We will compile the balance sheet of the Company in accordance with the International Standards on Auditing applicable to compilation engagements on the basis of information provided by you. We will not carry out audit or review engagement procedures or otherwise attempt to verify the accuracy or completeness of such information.

Our report on the balance sheet of the Company is presently expected to read as follows:

*'On the basis of information provided by the management we have compiled, in accordance with the International Standard on Auditing applicable to compilation engagements, the balance sheet of ICC as at 31 August 2003. Management are responsible for the information reflected in the balance sheet. We have not audited or reviewed the balance sheet and accordingly express no assurance thereon.'*

**Scope of the assistance in preparation of the Prospective Financial Information (PFI)**

We would assist ICC in preparation of the PFI, which would basically involve construction of a financial model. The financial model would be prepared in discussions with the management of the Company and would basically involve preparation of revenue and cost models, based on which projected income statements, balance sheets and cash flows statements would be prepared for the period of 16 months ending 31 December 2003.

We would like to highlight that the role of KPMG would be limited to the preparation of the financial model based on the discussion carried out with senior management team. KPMG's assistance in development of the financial model shall not be construed as expression of its opinion with respect to the reasonableness and achievability of the same.

**Responsibility of management**

You, as management, are responsible for both the accuracy and completeness of the information supplied to us and responsible to users for the financial information compiled by us. This includes the maintenance of adequate accounting records and internal controls and the selection and application of appropriate accounting policies.

Our engagement cannot be relied upon to disclose whether fraud or errors, or illegal acts exist. However, we will inform you of any such matters which come to our attention.

We look forward to full co-operation with your staff and we trust that they will make available to us whatever records, documentation and other information we request in connection with our compilation.

Before starting the compilation of your balance sheet we shall require your accountant to prepare a tallied trial balance and certain schedules, listings and analyses, the form and contents of which we shall explain to him as well as giving him draft format.

### **Timing**

Provided no unforeseen major problems are encountered especially with the security in Baghdad, we expect to be able to start our work within two weeks of signing this agreement and deliver the draft balance sheet, prospective financial information and other reports within dates to be agreed with the Management. However if the security does not allow our team to perform our work in accordance with the plan and timetable then we reserve the right to reschedule or cancel any of the visits after consulting with the contracting parties without penalties to KPMG.

### **Fees**

Our fees, which will be billed as work progresses, are based on the time required by the individuals assigned to the engagement. Individual hourly rates vary according to the degree of responsibility involved and the experience and skills required. Our invoices are due and payable on receipt.

We expect our total fees to be USD 55,000 plus outlays and any taxes applicable to Iraq, payable as follows:

- 50% on commencement of the work; and
- Balance 50% on delivery of the draft deliverables.

Should there be any delays in the provision of information by the Company, should other issues arise which require additional work to be performed by KPMG or should delays arise from any other cause outside our control, we shall discuss such matters with the Company and shall have the right to defer completion of the work and the Engagement letter until the matters are resolved. In the event of delays and/or additional work being required of KPMG arising from these reasons, we have the right to request additional fees needed to complete the Engagement letter based on the additional time spent and hourly rates of particular employees.

### **Applicable law**

This engagement shall be governed by, and construed in accordance with the Bahrain relevant laws. The Courts of Bahrain shall have exclusive jurisdiction in relation to any claim, dispute or difference concerning this engagement and any matters arising from it. Each party irrevocably waives any right it may have to object to an action being brought in those Courts, to claim that the action has been brought in an inconvenient forum, or to claim that those Courts do not have jurisdiction.

**Administration**

Responsibility for this engagement will be carried out by suitably qualified staff.

We aim to provide you with the best possible service and Abdul Hakim Al-Adhamy, as engagement partner, will seek to ensure that this is satisfactory at all times. If however, at any time you are unable to deal with any difficulty through him please let us know by contacting our managing partner Michel Picard.

**Confidentiality**

We are well aware of the importance that you place on confidentiality requirements and we have a proven record of maintaining a strict code of confidentiality. Our policy requires that affairs of clients be confidentially kept at all times and the only exceptions are when the following conditions are met:

- The client has authorised disclosure in writing;
- There is a professional duty to disclose;
- Disclosure is required by a legal or judicial process; and
- Disclosure is required by law.

If the arrangements outlined are in accordance with your requirements and if the above terms are acceptable to you, please sign the duplicate of this letter in the space provided and return it to us.

We appreciate the opportunity to be of service to you and we emphasise our commitment to provide you with quality services in an efficient and timely manner.

Yours faithfully

Michel Picard  
Partner



Acknowledgement on behalf of  
Iraqi Cement Company



Mohammad Rahim Tawfeq

23.10.03

Date

Weekly update for SOEs Companies.

Food Industries sector.

No.	Name of Company	Type of Product	Planned Production	Achieved Production	Achieved percentage	Status
1	State Co. for Vegetable Oil Industries.					The work is being resumed only in the morning because of the security situation. Development in the production comparing with the previous week. Their sellings were 70 MID.
		Oil.	23 Tons.			
		Soap.	60 Tons	42 Tons	70%	
		Detergents.	462 Tons.	152 Tons	33%	
		Liquid detergents	92 Tons	42 Tons	46%	
		Cosmetics.	7 Tons	3.4 Tons	49%	
2	State Co. for Dairy products.					Mosul & Kadisia plants are not working till now because of the disavailability of raw materials. The electricity is unstable in Abu-Ghareeb plant. The achieved sellings were 11.4 MID.
		Milk	4 Tons			
		Cream.	9 Tons	3 Tons	33%	
		Butter.	1 Ton	5 Ton	50%	
		Cheese.	9 Tons	3 Tons	32%	
		Yogourt.	11 Tons	1.6 Tons.	15%	
3	State Co. for Tobaccos & Cigarettes.					Reduction of the production because the generator is out of order. The achieved selling were 10.8 MID
		Cigarettes.	4200 Carton	688 Carton	16%	
		Matches.	900 Carton	507 Carton	56%	
4	State Co. for Sugar Industries.	Bread yeast.	18 Tons	3 Tons	15%	The achieved sellings were 1.64 MID.
			1500 liter.			
5	Samara State Co. for Drugs.	Pills	16,750,000	12,777,000	76%	There is somehow a development in the production comparing with the previous week. Reduction of production for some drugs is due to rehabilitation & Shortage in raw materials. The achieved sellings were too low comparing with the production (no more than 59 MID) because of the limitation in markets.
		Tablets	4,250,000	2,290,000	54%	
		Powders	125,000	37,000	30%	
		Syrup	250,000	417,000	167%	
		Oral drops	62,000	47,000	76%	
		eye drops	41,000	31,000	76%	
		Creams	166,000	172,000	104%	
			31,000			
			14,000	14,000	100%	
			6,000			
			12,000	12,000	100%	
			1,000			
			37,000			
	Ninavah State Co. for Drugs.	Pills	7,500,000	4,750,000	63%	
		Tablets	2,500,000	900,000	36%	
		Syrup	125,000	48,000	38%	
		Oral Drops	50,000			
		Creams	113,000	26,000	23%	
			125,000			
		Eye Drops.	75,000			

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## COALITION PROVISIONAL AUTHORITY

BAGHDAD

### TRIP REPORT

1 November 2003

FOR: SEE DISTRIBUTION

FROM: (b)(6) Deputy Advisor/LNO Ministry of Industry and Minerals

SUBJECT: Ministry of Industry and Minerals Trip Report

A CPA Ministry of Industry Team (b)(6) with an Iraqi Ministry of Industry staff (b)(6) traveled north from the 26<sup>th</sup> to the 31<sup>st</sup> of October to discuss the following issues:

#### A. Distribution and Pricing of Cement

##### a. Mosul.

- i. The combined MIM team met with the Mayor of Mosul and local council members along with the 101<sup>st</sup> Air Assault Division (Staff Judge Advocate in attendance and others) on 27 October to discuss the pricing and distribution of cement. The combined MIM team met with the 101<sup>st</sup> Commander and Assistant Division Commander on the 26<sup>th</sup> to discuss their support for the MIM agenda regarding pricing (as well as security and labor-management issues).
- ii. The combined MIM team expressed the position that the high price for cement would offset the large margins the local black market currently enjoys. This would eliminate black market activity. The 101 agreed that the issue required a supply side response allowing for: 1) higher prices in the short run by the cement factory to allow for available capital to rehabilitate the plant and 2) flooding the market with cement (using the good offices of a local reputable wholesaler) with imports.
- iii. The MIM met with the City Council to discuss the issue of pricing. The message was the MIM could achieve a level of production by late summer 2004 to materially affect the level of supply and thus the lowering price of cement. In the end the civil leadership agreed that it would defer to the MIM regarding this issue.

##### b. Kirkuk. The combined MIM team met with the Mayor of Kirkuk and local council members along with members of the 173<sup>rd</sup> Brigade (CMOC staff) to discuss the pricing and distribution of cement. The discussion raised the following issues:

- i. The Mayor stipulated his position that as long as the Kirkuk Cement operation was a SOE he would treat it as a public interest of Kirkuk and be involved in its operations (question is one of oversight vs. supervision). He would want a say in

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the distribution of cement. The City Council has also been involved in personnel matters of the firm (see security paragraph). This is not the intent of Bremer's 6 September memo.

- ii. The MIM team welcomed the oversight but not the supervision of the factory by the civil leadership. The MIM's agenda is to see the firm placed on a sound commercial footing (in accordance with the CPA strategic plan) and this would require a laissez faire approach by the local civil leadership.
- iii. The Mayor expressed concern about the distribution of cement (the allocation ends up in the black market) and would prefer to see the firm provide a controlled distribution to an end user (through a mechanism set up by the civil leadership). Since quotas are preferred to price controls this would be welcomed.
- iv. The Kirkuk plant suffers from its proximity to Sulimaniya regarding the pricing issue where cement sells for \$25 a bag. In Sulimaniya the Kurdish Prime minister thru the Kurdish MIM has set a price ceiling as well as controlled distribution. The Kirkuk leadership would prefer a similar arrangement.
- v. It is recommended that a joint commission will be formed by the local civil and MIM leadership to review the above and other allegations of corruption.
- vi. The local civil leadership expressed their concern about price controls as a means to regulate the black market. They indicated empirical evidence of factory price increases being followed by black market price increases. This suggests that a well established cartel exists that controls the distribution of cement and thus the pricing of cement.

B. Mishraq Sulfur. On 26 October the Combined MIM Team met with the 101<sup>st</sup> Brigade Commander and the plant leadership to integrate efforts to get the plant up and running.

- a. This firm is the most viable entity in the MIM portfolio. It recently sold \$22 million in sulfur and has another \$66 million in ready inventory remaining. It sits on an estimated \$25 billion of sulfur.
- b. The Brigade Commander challenged the MIM team to reinvest sooner in the plant's rehabilitation (suffering from \$25 million in looting and repairs) and to invest on a broad front (security, production equipment, etc.) and not phase the investment and rehabilitation process. The brigade commander committed to having a detachment of 101<sup>st</sup> soldiers on the ground to begin the process.
- c. The 101<sup>st</sup> will be involved with the local plant management to assist in the reconstruction effort (bidding, oversight).
- d. The key to the rapid rebuilding of Mishraq is to ensure the sale proceeds are provided to the SOE for reconstruction and not diverted to the MoF.

C. Geological Survey and Mining. On 27 October and 28 October the Combined MIM Team met with the Ministry of Industry and Minerals in both Irbil and Sulimaniya respectively. The team was joined by the Director General of the Geological Survey and Mining Company.

- a. The Geological Survey will be reclassified by Private Sector Development as a government agency. This reclassification has not been formalized. However it will need funding for its activities for 2004. Since the 2004 budget has been published, it is assumed that this funding will come from the available pool of money for the SOE's. The funding requirement is \$4 million for capital expenditures and 2.5 million for operations.

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- b. The Geological Survey would like to survey the Kurdish regions and outlined his plan to the Ministers. He also requested from the regional ministries financial support for the effort.

D. Security

- A. Mishraq Sulfur – We met with (b)(6) 101 AASLT, 1 BCT FPS coordinator at the Mishraq site. He reported there were 271 FPS working at the site. He indicated that uniforms and weapons were available and would be issued soon. The MIM issue at this site is the lack of loyalty of the FPS toward the DG. Mr. Ali spoke with the FPS supervisor, a local tribal leader named Sheik Azeez Sinjar. The dialogue indicated that Mr. Sinjar wants to act as a power broker, deciding what he will and won't secure and also who will work at the site. Mr. Ali made it clear that if the FPS loyalty is to anything or anyone other than MIM and the DG they will be fired. The agreement reached was that the FPS here will undergo a two month "probation" and if their loyalty and performance are satisfactory, the MIM will assume their payroll on 1 January, if not they will be fired. A written assessment of the security plan for the site is also to be prepared by the FPS in conjunction with (b)(6).
- B. Badoosh Cement – We met with (b)(6) 101 FPS coordinator and 2 BCT commanders respectively, at City Hall in Mosul. The DG of Northern Cement explained that he was not satisfied with the 101 trained FPS at his site (currently 70 FPS on site). The agreement reached is that the local battalion commander will work more closely with the DG and support his decisions with coalition force provided he consults the commander first. The 70 FPS will be picked up by MIM payroll in the near future. The DG has some trouble expressing his real position to the ground commanders. This is something that must be overcome or the DG will find the patience of the local commanders exhausted with his frequent cries of wolf.
- C. Kirkuk Cement – We met with (b)(6) the 173<sup>rd</sup> area commander and 173<sup>rd</sup> Team Civil leader respectively. The 173<sup>rd</sup> explained that it has trained no FPS in its AOR. Mr. Ali explained that we were unable to train FPS at this location because the DG refused to allow our trainers in. There is a guard force at the site (approximately 40) which will have to be trained. At this point the only option is to bring these employees to Baghdad and train at the FPS Academy. The issue of Kurd discrimination against Arab FPS supervisors was also raised. The DG said he could not accept the FPS supervisor because the Governor would not allow him. The Governor said it was the decision of the City Council of Kirkuk. This issue is not resolved.
- D. Geological Survey – Mr. Humam, the DG of Geo Survey, explained a plan to survey areas within the Irbil Governorate. Two issues affecting the proposal are mine hazards and the PKK threat. For follow up on these issues MIM will coordinate with the Mine Action Group at CPA and try to coordinate weapon permits for the 101 AOR so that the geo survey team can secure itself.
- E. State Owned Enterprise Operations. The Combined Team message to the military leadership of the 101<sup>st</sup> and the 173<sup>rd</sup> was that they support their local SOE. The intent is to put these companies on a sound commercial footing and that the SOE was in the short term in control of its destiny. The decisions of the DG and the SOE Board of Directors should not be second guessed. This was particularly important in personnel and operational matters. The factory floor consists of so many factions (tribal, religious, party) that it is impossible to please all parties. The local leadership must support the plant management going forward in all their decisions.

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**DISTRIBUTION:**

**Commander 352<sup>nd</sup> CACOM**

**Commander 352<sup>nd</sup> CACOM Attn: Economics and Commerce Team**

**Director, Private Sector Development**

**Senior Advisor Ministry of Industry and Minerals**

**Chief Of Staff, CPA**

**ATTACHMENTS:**

**COORDINATION:**

(b)(6)

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**Iraqi Cement Company  
Status Update  
Saturday, 22 November 2003**

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KPMG has utilized 9 staff (four expatriates with a minimum of eight years of experience, one Iraqi with seven years of local audit experience and four Iraqi assistants) during the week of 17 November 2003 and noted the following:

- 1 **Co-operation and access to staff**
  - Working hours are limited for ICC (9:00 – 12:45)
  - No work on Fridays
  - Closed for EID holiday
  - Management may have limited knowledge of the cement industry as newly hired
  - Printer at Head Office does not work
- 2 **Issues noted for 2003 Financial Information**
  - No financial information prepared
  - Only monthly G/L debits / credits prepared per factory on a monthly basis
  - January and February records at the Head Office in Baghdad but no access to date
  - March – October records managed by each factory
  - Cash is currently managed and controlled by each factory
  - Each factory records their basic accounting transactions
  - Cash at the Head Office has been reportedly stolen
- 3 **Issues noted for 2002 Financial Information**
  - Financial statements have not yet been approved by the authorities
  - Final version of most of the (sub) ledgers are not accessible to date
  - Final adjustments for 2002 are not recorded in the sub-ledgers provided to KPMG
  - Source documents / original documents are not available (eg. bank statements)
  - Sub-ledgers do not reconcile to the General Ledger (AP, AR, Fixed Assets)
  - Bank reconciliations do not agree to the General Ledger
  - No supporting documentation for provisions to date
  - No supporting documentation for retained earnings and reserves
  - Netting/off-setting amounts included in Accounts Receivable and Payables (ID 58bn)
  - No ageing analysis of Accounts Receivables provided
  - Totals and sub-totals in the Fixed Assets do not add properly
  - Final information on investments (ID 20m) is not available
  - Fixed Assets Roll-forward is not correct
- 4 **Control Weaknesses Identified**
  - Accounting and especially IT systems are deficient
  - No monthly financial analysis available for 2003
  - Management control over the factories may be inadequate
  - Based on our observations and the reports issued by the Board of Supreme Audits, many basic accounting control weaknesses identified and not resolved
    - Differences between physical and actual counts for fixed assets and inventory
    - Accounts receivable provision is not adequate
    - Discrepancies between AR / AP confirmations and sub-ledgers
    - Recording errors with cash noted in the prior year
    - Contingent liabilities (US \$500k) noted in the prior year

**Iraqi Cement Company  
Status Update  
Saturday, 22 November 2003**

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- 5 **Other Issues Noted**
  - Sales to employees below market price
  
- 6 **Business Issues**
  - Lack of electricity for production
  - Lack of spare parts for plant and machinery
  - Security issues including travel from the city to the plant for employees
  - Training of technicians and management
  - Distance of raw materials (limestone, clay, iron ore) from the plants
  - Oil leakage
  - Liberalization of prices of raw materials, electricity, oil, salary, transportation
  - Significant capital investment required for maximum capacity
  - Lack of proper maintenance resulting in poor utilization of raw materials
  - Foreign exchange exposure on loans, AR and AP
  
- 7 **Business Strengths**
  - Plants not looted
  - High demand for products
  - Monopoly in Iraq and price fixing to reduce imports
  - High selling price per ton
  - Low production costs
  - Well-recognized quality in the region
  - Large number of employees retained from pre-war conditions
  - Return to pre-war capacity (60%-70%) within a week without major investment
  
- 8 **Potential adjustments identified but not quantified (net equity at Dec 02: US \$14m)**
  - Bad debt and inventory provisions
  - Impairment for idle assets and assets under construction
  - Write off of investments
  - Uncollected outstanding checks received and issued
  - Interest on overdue suppliers' balances
  - Outstanding litigations and claims
  
- 9 **Way forward**
  - Visit of Fallujah and Kubaissa
  - Cash Flow Projections for 2004
  - Balance Sheet and Income Statement for 2002 (and 2003 subject to availability)
  - Preparation of DRAFT deliverables

**Iraqi Cement Company**  
**Balance sheet**  
**As at 31 December 2002 and 2001**

	2002	2001
<b>Non-current assets</b>		
Fixed assets	14.994.081.268	2.598.469.218
Building under construction	4.089.126.085	95.574.273
Deferred expenses	12.048.396	3.806.794
Long-term investments	40.000.000	40.000.000
Total non-current	<u>19.135.255.749</u>	<u>2.737.850.285</u>
<b>Current assets</b>		
Inventory	33.550.394.768	29.852.431.401
Letter of credit	4.629.828.930	210.732.147
Receivables	60.163.385.705	37.708.634.683
Cash and banks	7.999.891.127	2.174.909.866
Total current assets	<u>106.343.500.530</u>	<u>69.946.708.097</u>
Total assets	<u>125.478.756.279</u>	<u>72.684.558.382</u>
<b>Equity</b>		
Share capital paid	1.523.000.000	1.523.000.000
Reserves	27.297.715.965	6.804.738.027
Total equity	<u>28.820.715.965</u>	<u>8.327.738.027</u>
<b>Non-current liabilities</b>		
Bank loans	3.990.376.215	5.349.000.000
Long-term provisions	10.823	10.823
Total long-term of liabilities	<u>3.990.387.038</u>	<u>5.349.010.823</u>
<b>Current liabilities</b>		
Payables	91.373.849.465	52.847.479.161
Provisions	1.293.803.811	3.728.753
Bank loans	0	6.156.601.618
Total current liabilities	<u>92.667.653.276</u>	<u>59.007.809.532</u>
Total of liabilities	<u>125.478.756.279</u>	<u>72.684.558.382</u>

**Iraqi Cement Company**  
**Profit and loss account**  
**For the years ended 31 December 2002 and 2001**

	<b>2002</b>	<b>2001</b>
Revenues	52.033.872.107	38.925.312.720
Costs of production	26.057.595.703	17.794.620.266
Services	5.659.899.485	7.615.582.199
Variation of WIP	-2.113.547.261	-552.391.656
Sales of scrap	-1.999.965	0
Costs of production	29.601.947.962	24.857.810.809
Variation of finished goods	126.568.744	-139.100.762
	<u>29.728.516.706</u>	<u>24.718.710.047</u>
Gross margin	22.305.355.401	14.206.602.673
Marketing expenses	410.716.867	1.254.385.211
Administration costs	3.234.484.926	1.977.534.640
	<u>18.660.153.608</u>	<u>10.974.682.822</u>
Processing revenues	202.866.366	265.448.939
Other revenues	284.634.724	97.741.545
	<u>487.501.090</u>	<u>363.190.484</u>
Processing expenses	616.000	28.845.930
Other expenses	1.607.922.405	92.949.794
	<u>1.608.538.405</u>	<u>121.795.724</u>
Net income	<u>17.539.116.293</u>	<u>11.216.077.582</u>



# IRAQ Cement -

4 plants - <sup>100mw</sup> Super - 1 1 line / 10000  
 Normal - 2 20000/20000  
 White cement - 1 270,000/ton

- 5.27 millions - Security -

50%

\$50/ton

\$25/ton

- electricity - problem -

- 130,000,000/- Gross Revenue

65,000,000 - Costs

65,000,000

\$20,000,000 to  
get generators

60% - 2004 -

High demand - 7,000,000 2002

2004 - \$10,000,000  
to 75% upgrading system

10,000,000 2003

10,000,000 2004

80% - 2005  
\$25,000,000

Needs \$12,000,000 now.  
For generators

**NELSON  
MULLIN**

www.nmrs.com  
800.237.2006

Company Name : NORTHERN CEMENT  
COMPANY

Product : Portland Cement.

Design Capacity / Year : 4,500,000 Tons  
(Three Plants)

Actual Capacity / Year : 1,800,000 - 2,000,000  
Tons

Estimated Price : \$ 50 USD / ton .

Estimated Cost : \$ 50,000,000 USD

Total Revenue = 90,000,000 - 100,000,000  
USD

### Notes

IF around \$10,000,000 USD is extra  
budget, the production capacity  
exceed about 30-35%, the



ALAA MOHAMED ALTUFILY

T.D.G

30/8/2003

## Southern Cement

Power 150 MW

- 8 Factories [ 1-Lime - 12,000 Tons per year.  
7-Cement ]
- 6.4 million tons -
- 60% - design -
- \$20<sup>00</sup> / \$30.00 - Costs
- \$10,000,000
- \$5,000,000 - repair damage
- \$5,000,000 - generators for milling.

Portland  
Sulphur

5,300  
employees

**NELSO  
MULLIN**

www.nmrs.com  
800.237.2000

Northern Cement.

25MW  
now

400 kms

- 3 plants

- 4.5 / Tons Design



- 1.8/2.0 - capacity

\$50/ton

\$90,000,000.

- 2,000 Tons

\$10,000,000. - looked damage  
+ spare parts

- Update central building - headquarters -  
control systems building.

**NELSON  
MULLI**

www.nmrs.i  
800.237.2



CPA South  
Industrial Development

From: (b)(6) (Trade & Industry) Dep. – (Industrial Development) Sect.

Date: 07.12.2003

Subject: General report related to the status and actions to boost the production in the basic industry strategic plants in the south of IRAQ

**Introduction:**

This document is issued to give guidance to the various CPA pillars and private entities in view of a coordinated action to boost the production of the basic industry in the south. Due to the timing extremely compressed, the end of June 2004, and the uncertain strategies of the Iraqi Ministries after the end over of responsibility and governance by CPA, this document is considering only the possible, effective actions to be undertaken in the next seven months.

This actions should be limited merely at the support to identify the bottle necks in the production process of the plants and to launch projects, like supply of equipment and spare parts to eliminate the constrain.

During our surveys started at the beginning of November, two mayor problems was focused as the principal cause of plants reduced or non operation. These problems are the lack of steady stable and constant electrical supply as well as for gas.

These two points are the most critical ones because they are involving the work and strategy of different players, TF RIO for oil & gas, TF RIE, Bechtel, Mott Mc Donald for electricity, therefore the direction and time schedule for each program related to these fields might effect the production of the considered plants.

(b)(6)



CPA South  
Industrial Development

**Status of each plant and actions to be undertaken.**

**Integrated steel plant. See attach. (1)**

The plant is an integrated steel complex located in Kor Az Zubayr designed to produce 400,000 Tons/year of carbon steel in form of long products, rounds and sections. It was designed, installed and commissioned by the French group CRUSOT LOIRE in the 1974.

The plant has 4,845 employees and was producing before the war 60,000 Tons/year of steel for military purpose, the maximum production was 200,000 Tons/year.

**Status**

The plant is completely looted, is in bad condition for what is concerning the electrical and instrumentation part that has to be redesign and reinstall completely, moreover some processes are old and not any more profitable, for example the direct reduction plant and the melt shop, those parts of the plant have to be extensively modified from a mechanical and process point of view, however the rolling area is still in a good shape and with the installation of new electrical equipment and automation can produce rounds and profiles with acceptable quality standards, necessary condition for the working of the rolling mill is the rehabilitation of the water treatment plant, compressed air plant, and distribution substation.

**Actions**

The above mentioned works cannot be undertaken under the frame of a local contingency plan, the involvement of a specialized company is necessary to investigate in detail the process and undertake the necessary extensive works for the rehabilitation of the plant in accordance to the actual quality standards, reliability and efficiency.

Splitting of the plant in several process area can be taken in consideration due to the different damages suffered by the equipment, however the auxiliary services have to be rehabilitated almost completely whatever part of the process they have to supply.

**In conclusion this installation need extensive investments and the involvement of big multinational companies specialized in the steel plants sector, nothing can be done with contingency plans in within the next seven months, the destiny of the complex will be a decision of the new Iraqi government.**

(b)(6)



CPA South  
Industrial Development

**Spiral welded tubes plant**

It is a separated unit of the integrated steel plant, this production unit is situated near Um Kuas port and will be visited by our team this week.

**Al Muthanna Cement Factory attach. (2)**

The plant located near As Samawa city, Grid. NV 004 545, has two lines for dry type cement production process, designed to produce 2,000,000 Tons/year of Portland cement, high tension cement and sulfate resistant cement.

It was designed, installed and commissioned by the German company KHD in within the 1982 -1984.

The plant has 850 employees and now is producing 1800 tons/day of cement equal to 360,000 tons/year of cement considering an availability of electrical energy of 200 days/year.

**Status**

The plant is adopting a good and rather modern technology, it is in a good shape compared to other installations in the country and with some little rehabilitations and parts replacement will be able to produce 1,000,000 tons per year with one production line in full operation. The production of cement is very precious for the reconstruction of the country, at the contrary of the steel melt shop were little is left for the contingency plan, is possible for this factory to apply some corrective action to boost the production at the level mentioned.

**Actions**

To reach 1,000,000 tons per year of Portland cement the following action has to be undertaken:

The plant need stable and reliable supply of electrical energy. The energy required is 15 Mw more in addition to the already available power, this can be done **easily trough the Kadisia substation, rising the power supply setting from 10Mw to 25Mw, proper coordination with Baghdad is needed to allow the IEC, Iraqi Electricity Committee to dispatch the necessary orders.**

**A project of 4.5 Mio of US\$ has been approved by CPA south** for the supply of the necessary excavating equipment for the quarry. The project need to be push forward in Baghdad as a matter of priority.

During our team last visit a detailed **list of spare parts** as been requested to the management, this list is not yet produced to the CPA South, **further actions and pressures has to be applied trough the project officer, Cap. Serge Doreleyers RNLMC to receive this list and approve a project for the purchase.**

(b)(6)





CPA South  
Industrial Development

**Petrochemical plant**

The plant, located near Kor Az Zubayr city, grid QU 61 58, was designed, installed and commissioned by a JV between the American LUMMS and the German Thyssen in the 1979, but due to the Iran – Iraq war was started up only in the 1988. The plant has five different processing lines for the following products:

- Low density polyethylene
- High density polyethylene
- Ethylene
- Plastic sheets for crops covering
- Chlorine
- Soda
- P.V.C.
- Hydrolytic acid HCL

The number of the personnel is 3379.

The plant is in relative good shape, it was interested by a extensive extraordinary maintenance program during the year 1992, he reached the maximum production in the 2001, about 45% of the designed production, just before the last war the water cooling pipes was renovated and substituted.

**Status**

The plant is ready to restart the production of plastic sheets, chlorine, low and high density polyethylene.

**Actions**

Two are the key factors to restart the production:

**1. 30 Mw of steady, stable and uninterruptible power supply.**

This can be obtained with the refurbishment of the gas turbines power plant embedded in the petrochemical complex.

This job has been identified and advised by Bechtel to CPA Baghdad for the contract award, our team is contact with CPA Baghdad to try to expedite the order award and the beginning of the works.

**2. 120 million cubic feet of gas per day to produce five tons of chlorine per day and four hundred tons of high and low density polyethylene per month.**

The Gas liquefaction plant is located in GRID QU 631 531, three kilometers south of the petrochemical plant.

Our team spoke with IFEST and CPA Baghdad to coordinate with TF RIO to restart the gas supply.

(b)(6)

CPA South  
Industrial Development

**Paper Factory Missan**

The plant, located 20 km south of Al Amarah, grid QA 09 02, was installed and commissioned in the 1979 by the German company WOITH SULZER, the equipment was of first quality, boilers from LURGI, controls and steam turbine from SIEMENS, instrumentation from ICAR.

The plant can produce pulp from recycled paper and from imported pulp, the percentage of new or recycled material depend by the type and quality of final product.

There are two paper mill, one to produce bags for packing cement and the other to produce cartoon sheets for packaging boxes, the rated production is 350 tons a day.

The plant employ 940 workers, 25 engineers, and 100 security guards.

**Status**

The paper mills and the pulp plant are in good condition and the management has in mind to restart the production of cartoon sheets for packaging boxes, the production rate calculated will be 25 tons per day, that means 7% of the rated production. The production capacity will be so low at the beginning due to serious problems at the water treatment plant and in the pulp plant, some filters has to be substituted and the original vertical motors have to be reinstalled to give at the plant the original performance.

The plant is equipped with a steam gas turbine of 10Mw complete with a steam recycling system, but the heat exchangers they are not any more working due to the corrosion caused by the bed filtering of contaminated water from the pulp plant.

However the turbine should be putted operational using the existing boilers without recirculation.

**Actions**

Investigate and gets more details on the **two lists of spare parts and consumables** supplied by the management, the two documents are listing the equipment needed to restart the production of the plant as indicated above and to restart the steam turbine operation with a great advantage for the grid and Missan population.

**Another survey will be paid by our team together with the Utilities team and Bechtel. The final lists of spares will be processed by CPA South for approval.**

(b)(6)





CPA South  
Industrial Development

**Cement Factory Um Kuasr**

To be visited before Christmas

**Fertilizer plant**

The plant was designed, installed and commissioned by Mitsubishi Heavy Industries in the 1979, is composed by two parallel lines for the production of 500,000 tons per year of ammonia and urea for each line.

The services, water treatment plant and cooling towers are very old design and unable to reach the water quality and purity required, the open system technology is consuming a big quantity of chemicals, and the quality of them is poor, this is effecting the production in terms of wearing of the equipment and quality.

**Status**

the plant was not looted and can restart the production. The equipment is generally heavily worn and far out of the minimum safety margins, the maintenance and management is poor and need to be updated with modern and effective procedures.

The plant is a continuous process and need a preparation time to carry the equipment at the rated values to start the chemical processes, this require a process starting up of 20 days minimum, it is enough to loose the power supply for more than three seconds to shut down completely the plant and restart from the beginning the procedure. In these last three months the technical teams failed three times to start up the process due to electricity black out from the grid.

There are two incoming lines in the main substation, one is coming from Kor Az Zubayr PP substation in operation and the other from Umm Quasr substation down.

50 Mio feet<sup>3</sup>/day of natural gas is needed to withstand the production rate, the gas should be available from the South Oil Distribution Company, gas receiving and reducing station is ready to operate.

**Actions**

Verify the possibility to place a **15 Mw mobile generating set** to start and maintain the production. TF RIE, Bechtel and Mott Mc Donald to be involved.

A request for detail the **spare parts and the chemicals** has been made to the management to assist the production till the end June.

Actions with **Mitsubishi will be undertaken to try to recover some important and quite expensive equipment** stored in Japan for maintenance.

(b)(6)



CPA South  
Industrial Development

**Paper mill Bashra**

To be visited before Christmas

**IB Magit engineering and steel structure fabrication company**

Engineering company serving all the South part of Iraq before the war, capable to design and manufacture full customized fabricated steel equipment like filter, heat exchangers, vessels, tanks, bridges, piping, stacks, little ships.

It is composed by 100 engineers, of which 16 are design engineers plus the workers for assembling and manufacturing.

The company was reporting to the Army and was led by a General Officer.

The company is composed by several assembling sheds equipped with overhead cranes.

**Status**

The company was completely looted after the war and little is left in term of equipment in the assembling facilities.

Also the offices was looted, and all the software and the documentation, drawings, calculations, manuals were lost.

**Actions**

Put them again in operation supplying the necessary material to **restart the assembling in one of the sheds** and use them as advisors for assessing and analyzing some part of the plants we are inspecting.

Right now a data sheet for motors identification has been delivered to them to identify more precisely their needs in terms of equipment to be supplied and **their capacity to understand the modern technical standards.**

(b)(6)





## FACTORY STATUS

Factories & Companies									
City	Factory	Grid	Owner	Projects Initiated	Operational Pre-war?	% Operational	# Employees	Current # Employees	Notes
Abu Ghuryb	Baby Milk		Gvt		?	?	200	?	Lack of raw material
Abu Ghuryb	Dairy		Gvt		?	50%	700	?	Lack of raw millk
Akashot	Phosphate Mine		Gvt		Y	0%	3210	?	Production halted since RR Bridge that links mine w/SPP was destroyed. RR Bridge is being repaired – expected completion date on/about 1Jan04. Mine needs explosives in order to increase excavation.
Al Fallujah	Carpet Company		Gvt		Y	0%	82	0	
Al Fallujah	Asphalt		Gvt		Y	0%	47	0	
Al Fallujah	Flour Mill		Prv		Y	50%	40	40	Not enough seed from BGD
Al Fallujah	Brick Factory (Refractory)		Pvt		Y	45%	1500	740	Received 2x860KVA generator – needs 1,025amp transformer - will employ remaining 760 workers. Needs more security
Al Fallujah	Cement Factory Plant	LB93179264	Gvt		Y	50%	590	431	Needs 11MW of pwr; only has 2MW
Al Fallujah	Tile Factory		Pvt		?	10%	143	56	Needs contractor to provide cement; power is okay

**82D AIRBORNE DIV**



Econ Hom

## FACTORY STATUS

City	Factory	Grid	Owner	Factories & Companies					Notes
				Projects Initiated	Operational Pre-war?	% Operational	# Employees	Current # Employees	
Al Fallujah	Cotton Mill		Gvt			N	85		
Al Fallujah	Northern Oil		Gvt			Y	12k		
Al Fallujah	Const & Con		Gvt			Y	3329	3329	13 jobs/year
Al Fallujah	Const Material		Gvt			N	124		
Al Fallujah	Livestock Slaughter Hs		Gvt			Y	40		
Akashat	Akashat Phosphate Mine		Pvt			Y	234		

**82D AIRBORNE DIV**



## FACTORY STATUS

Factories & Companies									
City	Factory	Grid	Owner	Projects Initiated	Operational Pre-war?	% Operational	# Employees	Current # Employees	Notes
Al Qaim	Asphalt Factory		Pvt		Y	100%	40	40	Only needs opportunities to bid on contracts.
Al Qaim	Brick Factory		Pvt		Y	?	?		Requires cement. Previously purchased at \$7.50 per ton now costs \$75 per ton. Still paying employees – specially trained on German Equip.
Al Qaim	Cement Factory		Gvt		Y	?	600	462	Needs 25 MW of power.
Al Qaim – Anbar Branch	Cement Factory		Gvt				676	676	
Al Qaim	Super Phosphate Factory	FU 006009	Gvt		Y at 20%	0%	3,210	3,210	2.5 MW generator rec'd from CPA. Had to be sent to Baghdad for base plate redrill. 35-40% compl maint. prg. Needs raw materials (Urea, nat gas & batch process) Ribbon cutting NLT 15 Dec 03.

**82D AIRBORNE DIV**





Econ Home

## FACTORY STATUS

Factories & Companies									
City	Factory	Grid	Owner	Projects Initiated	Operational Pre-war?	% Operational	# Employees	Current # Employees	Notes
An' ah	Hamorabi Asphalt Plant						30		
An' ah	Textile Factory - carpet		Gvt		Y	0%	114	114	Not Operating-no access to quality material.
An' ah	Textile Factory - clothes		Gvt		Y	70-100%	120	0	Not operating - no access to quality material.
Ar Ramadi	Flour Mill		Pvt						
Ar Ramadi	Asphalt		Pvt		Y	?	?	?	Needs 750KVA to replace a generator currently borrowed from Fallujah Asphalt Plant.
Ar Ramadi	Al Shaheed Gen Co/Copper Factory		?		?	?	1279	?	4MW for start up & Min.ops.; 14MW to be 100%.

**82D AIRBORNE DIV**





## FACTORY STATUS

Factories & Companies									
City	Factory	Grid	Owner	Projects Initiated	Operational Pre-war?	% Operational	# Employees	Current # Employees	Notes
Ar Ramadi	Beef Slaughter House		Pvt		Y	50%	300	150?	
Ar Ramadi	Chicken Production Factory		Pvt		?	0%	?	?	
Ar Ramadi	Diyala Canning - Muqadadiyah		Pvt		?	?	?	1300	
Ar Ramadi	Diyala Canning - Baqubah		Pvt		?	?	?	1200	
Ar Ramadi	Diyala Canning Factory		Pvt		?	?	?	?	
Ar Ramadi	Fish & Chicken Production		P/Gvt		Y	100%	718	718	
Ar Ramadi	Glass Factory 1		?		Y	??%	1200	0	Needs steady power and LPG gas. Receiving 25% of 1.5ML of diesel needed per month
Ar Ramadi	Glass Factory 2		?		?	??%	?	0	?
Ar Ramadi	Muqadadiyah		Pvt		?	??%	?	180	
Ar Ramadi	Tomato Paste Co		Pvt		Y	60%	800	480?	

**82D AIRBORNE DIV**



Econ Home

## FACTORY STATUS

Factories & Companies									
City	Factory	Grid	Owner	Projects Initiated	Operational Pre-war?	% Operational	# Employees	Current # Employees	Notes
Habbaniyah	Babad Diyala Tomato Paste Factory		Pvt		Y	80	250	?	
Habbaniyah	Bayji Fertilizer Plant		Gvt		?	0	1,300	0	
Habbaniyah	Corn Processing plant		Gvt		Y	0	32-45	0	
Habbaniyah	Dour Sala Ad Din Gen Eng Co		Gvt		?	0	2,843	0	
Habbaniyah	T. Al Sura Co (dry wall)		Pvt		Y	100	200	200	
Habbaniyah	T.Abu-Laith Co (debris removal)		Pvt		Y	100	200	200	
Habbaniyah	Tabacco		Gvt		?	?	?	?	
Habbaniyah	Chicken Process		Pvt		?	N	150	?	
Habbaniyah	Samara Pharmacueticals		Gvt		Y	Y	2500	?	

**82D AIRBORNE DIV**



## FACTORY STATUS

Factories & Companies									
City	Factory	Grid	Owner	Projects Initiated	Operatio nal Pre- war?	% Operatio nal	# Employe es	Current # Employe es	Notes
Habbaniyah	Samara Gravel /Sand/Chemical					Y	7	7	
Habbaniyah	Tikrit Dairy		Pvt			Y	120	120	
Habbaniyah	Bayji Refining Co					Y	6053	6053	
Habbaniyah	Balad Soft Drink				Y	Y	36	36	
Habbaniyah	Balad Flour Mill				Y	Y	25	25	
Habbaniyah									
Habbaniyah									
Habbaniyah									

**82D AIRBORNE DIV**



Econ Home

## FACTORY STATUS

Empl. Home

Factories & Companies									
City	Factory	Grid	Owner	Projects Initiated	Operational Pre-war?	% Operational	# Employees	Current # Employees	Notes
Haditha	Refinery		?		?	?	?	?	
Haditha	Tire Factory	MA319678	?		Y	?	?	?	Very large fac.; no status
Hit	Flour Mill		Pvt		?	?	?	?	Same Owner as the 2 in Fallujan and 1 in Ramadi
Iskandriyah	Agriculture Factory		?		?	?	3850	?	
Iskandriyah	Ammo Factory		Gvt		?	?	1276	1276	Employees being paid
Iskandriyah	Soap Factory		?		?	?	?	?	
Iskandriyah	Truck Factory		Gvt				2060		
Iskandriyah	Tractor Factory		Gvt		N	50%	4,000	4,000	Employees @ half pay; no market for tractors
Kubaysah	Cement Factory	KC680200	Gvt		Y	20%	682	682	Needs 50 MW of power
Nassir Wa Al Salaam (Outskirts of Fallujah)	Al Faris Co (Steel Fabrication)	MB11478574	Gvt		Y	%	1300	500	Needs 2- 750 KVA Generators. W/ pwr plant will be able to operate at full capacity
Rutba	Rutba Asphalt Plant	FS26955529	Gvt			?	?	?	

**82D AIRBORNE DIV**





Econ Home

## FACTORY STATUS

### Factories & Companies

City	Factory	Grid	Owner	Projects Initiated	75Operati onal Pre- war?	% Opera tional	# Employ ees	Current # Employ ees	Notes
Mahmudiyah	National Metal & Bicycle	4080 5968	Gvt				250	200	
Mahmudiyah	Garment Factory	4081 6003	Gvt				300	75	
Mahmudiyah	East Cotton Fact.	MB 3932 6397	Pvt						

**82D AIRBORNE DIV**





Econ Home

## FACTORY STATUS

Factories & Companies									
City	Factory	Grid	Owner	Projects Initiated	Operational Pre-war?	% Operational	# Employees	Current # Employees	Notes
Haditha	Refinery		?		?	?	?	?	
Haditha	Tire Factory	MA319678	?		Y	?	?	?	Large factory; no status
Hit	Flour Mill		Pvt		?	?	?	?	Same Owner as the 2 in Fallujan and 1 in Ramadi
Iskandriyah	Agriculture Factory		?		?	?	?	?	
Iskandriyah	Ammo Factory		Gvt		?	?	1276	1276	Employees getting paid
Iskandriyah	Soap Factory		?		?	?	?	?	
Iskandriyah	Tractor Factory		Gvt		N	50%	4,000	4,000	Employees @ half pay; no market for tractors
Kubusah	Cement Factory	KC680200	Gvt		Y	20%	682	682	Needs 50 MW of power
Nassir Wa Al Salaam (Outskirts of Fallujah)	Al Faris Co (Steel Fabrication)	MB11478574	Gvt		Y	%	1300	500	Needs 2- 750 KVA Generators. W/ power plant will be able to operate at full capacity
Rutba	Rutba Asphalt Plant	FS26955529	Gvt			?	?	?	



**82D AIRBORNE DIV**

Please complete the following information for your Company.

				Reason why more employees not back on the job				
No.	Company name	% of employees back at work	% of total	Lack raw materials	Lack of electricity	Security	equipment or spare part	Others (specify)
1	Hilla Textile Co.	2680	100%	75%	50%	50%	Good	No bonus to encourage the employees & increase production
2	Woolen Ind.	2242	63%		yes		yes	effecteed by war
3	Ur state Comp.	All	100%	No		Not good	yes	
4	R.M.C	3100	100%	yes				Najaf Factory completely destroyed
5	That AL-Sawari	All	100%			good		
6	Paper Ind.	All	100%			Not good		
7	Zawraa Co.	All	100%					
8	Cotton Ind.	6800	100%	yes	60%	80%		
9	Engineering Institute						yes	Main buiding is damaged.
10	Construction Ind. Co.		80%	yes	yes	yes	yes	Shortage in gas.
11	Battery Co.	All	100%	Non	yes	Reasonable	Non	Shortage in gas.
12	17 Nissan	815	100%					The Company is distroyed and out of order.
13	Wasit Textiles.	3255	100%	70% available	available	bad		No bonus to encourage the employees & increase production
14	Sammara Drug Co.	All	100%	No	yes	yes	No	

No	Company name	# of employees back at work	% of total	Reason why more employees not back on the job				
				Lack raw materials	Lack electricity	security	equipment or spare parts	Others (specify)
15	Automobile Company.	All	100%	yes				because of marketing problems.
16	Ninawa Drug Comp.	All	100%	yes	No	Yes	Some damages	
17	Hand Made Carpet Company.			No	No	Available	Good	Nothing.
18	Mechanical Ind. Co.	3758	100%	yes	yes	available.	Not available.	Non



**Ministry Of Industry & Minerals: State Owned Enterprises  
Needs Assessment as of January 2004**

Damaged beyond repair  
Operational within thirty days

SC	File #	Factory	Enterprise	Sector	Facility	Employment	Location			Needs										Actions		Remarks	Q	Cap Util v 2002			
			Name	Type	Province City Grid Coalition Sector			Remarks	Electricity										Items	Status							
													Electricity	Capacity Need	Priority	1 August MW	Diesel Supply	Current supply					Remarks	Natural Gas	Repairs from	Leaking	Needs Cash
5	24	b	State Company of Geological Survey & Mining	Construction	Sodium Sulfates		Al Dora	Sahadin	4th ID	35Km NE of Sammarra on the Buhayrat Shari... Verify location on large map	1	1 MW/hr	4						0		1	1		currently supplying silica for glass plant	Needs orders	Y	5%
5	21	9	State Company for Materials Construction Industry	Construction	Mahawel Brick Plant	220	Ad Duanyyah	Babylon - Mahawel	MNDOS	Need grid location	0	1MW/hr	2	2		2	lack of diesel oil limiting production		0	0	1	1	1		Operational 60K bricks per day	Y	25%
6	21	n	State Company for Materials Construction Industry	Construction	Diala Brick Plant	150		Diala			1	1MW/hr	5					0	0		1			Heavily damaged	N	0%	
5	21	0	State Company for Materials Construction Industry	Construction	Thermestone Brick Plant	260		Baghdad	1st AD		1	1MW/hr	5					0			1			Heavily damaged	N	0%	
7	39		State Co of Ready Made Wears	Textile		3,229			N/A														Requires enhancement of raw material to increase production. Also must solve tent production		N/A		
6	27		Al Faris Co	Engineering		1,222																		18,000 tons of raw material = 6 months	N/A		
1	3		State Owned Company for Tobacco and Cigarettes	Food	Tobacco Co	2,090				N/A								0	0		1	0		Raw materials = 320MID or 400M cigarettes	N/A		

Ministry Of Industry & Minerals: State Owned Enterprises Needs Assessment as of January 2004																													
SC	File #	Factory	Enterprise	Sector	Facility	Employment	Location	Needs						Actions	Remarks	Q	Cap Util 2000												
							Electricity																						
							Province	City	Grid	Coalition Sector	Remarks	Electricity	Capacity Need	Priority	1 August MW	Distro	Diesel Supply	Current supply	Remarks	Natural Gas	Repairs from	Looking	Needs Cash	Needs Other	Items	Status			
							Name	Type																					
5	22	b	Glass and Ceramics Company	Construction	Ceramics Company	Production	1,200	Anbar	A Ramadi	LC3814196729	82nd			1	5MW/hr	2			Needs natural gas also... needs 5KCM LPG	0			1		Obtained 40 tons of LPG and started furnace		Needs PWC	Y	20%
5	22	a	Glass and Ceramics Company	Construction	Glass Company	Production	1,200	Anbar	A Ramadi	LC3839500419	82nd	Near City Center... @ confluence of Euphrates and Warai River... go south... plant on right side of road	0	3MW/hr	2	1	4		Needs natural gas also... needs 5KCM LPG	0			1		Started production of glass using diesel oil... Have 3MW from unreliable generators		Reached 25tons/day flat glass. Also started 1 line of bottle production at 5 tons / day	Y	50%
5	22		Glass and Ceramics Company	Construction	Glass Company	Production		Anbar	A Ramadi	LB 3750 9888	N/A						4										N/A		
5	19	d	Southern Cement Company	Construction	Samawah	Production	750	AlMuthanna	As Samawah	NV00505510	MNDCS	Need Grid Location...	1	40MW/hr	5	20	10	17MW full Q for one line 34MW total	0			1		Started rehabilitation for operation in mid-October... and cement grinding at 500 tons per day... started Q at 1500 tons/ day	second line up jan 04 w/ 10 MW	Locations 35 km from Samawah... sulphite resistant cement stocks 20,000 tons	Y	25%	
5				Construction																									
5	24	f	State Company for Geological Survey & Mining	Construction	Mining			Al Dora					0						0							Mosul Camp	N	0%	
5	24	a	State Company of Geological Survey & Mining	Construction	Salt	Production	56	Al Dora	Samawah		4th ID	35Km N of Samawah	0	1 MW/hr	4				0			1		Production depends on orders	Operational		Y	50%	

Prepared for (b)(6) 352 CA COM



SC	File #	Factory	Enterprise	Sector	Facility	Employment	Location	Needs	Actions	Remarks	Q	Cap Util vs 2002														
								Electricity																		
								Electricity																		
					Name	Type	Province	City	Grid	Coalition Sector	Remarks	Electricity	Capacity Need	Priority	1 August MW Dstcm	Diesel Supply	Current supply	Remarks	Natural Gas	Repairs from Looting	Needs Cash	Needs Other	Items	Status		
			State Company for Materials Construction Industry	Construction	Abu-Ghraibe Concrete Plant	Production	Anbar	Abu Ghraibe	MB22626540	1st AD		0	0.7MW/hr	2					0	1	1	1	Operational		Y	30%
			State Owned Company for Tobacco and Cigarettes	Food	Tobacco Co	Storage	Anbar	Abu Ghurayb	MB43129073	1st AD		0		5					0	0	0	0		Storage areas in Baquba (not utilized) Anu Graib, Bab Muadam, New Baghdad, Near Rasheed camp, Kirkuk (not utilized)	N/A	
			State Owned Company for Tobacco and Cigarettes	Food	Bab Al Muather	Storage	Anbar	Abu Ghurayb	MB43129073	1st AD		0		5					0	0	0	0			N/A	
			State Owned Company for Tobacco and Cigarettes	Food	Warehouse #11	Storage	Anbar	Abu Ghurayb	MB51998624	1st AD		0		5					0	0	0	0			N/A	
			Al Faris Co	Engineering		Production	Anbar	Abu Ghraibe				1							0	1	1	1	Operational	Water Purification Plant	Y	0%
			State Company for Phosphate	Fertilizer/ Petrochemical	Mines	Mining	Anbar	Alashol	82nd	150km from Qaim		1	15MW/hr	2		4			0	1	1	1	Substation and train bridge - repaired	pepering startup	N	0%
			Design and Construction	Service			Anbar	Al Qulain	82nd			0							0		1			N	0%	
			Design and Construction	Service			Anbar	Al Ramadi	82nd			0							0		1			N	0% Prep	

Prepared for (b)(6) 352 CA COM

**Ministry Of Industry & Minerals: State Owned Enterprises  
Needs Assessment as of January 2004**

Damaged beyond repair  
Operational within thirty days

SC	File #	Factory	Enterprise	Sector	Facility	Employment	Location	Needs										Actions	Remarks	Q	Cap Util vs 2002		
								Electricity															
								Electricity	Capacity Need	Priority	1 August MW	Diesel Supply	Current supply	Remarks	Natural Gas	Repairs from Looting	Needs Cash	Needs Other	Items	Status			
5	20	c	Iraqi Cement Company	Construction	Cement Co	600	Anbar	Al-Qaen	3rd ACR		1	20MW/hr	4		5		0		1	Started production at 1,000 tons per day. Expected monthly production 25K tons.	60,000 ton of klinker	Y	25%
7	39	d	State Co of Ready Made Wears	Textile	Anah Factory	Production	Anbar	Anah	82nd	In City....Need grid location...	1	0.5MW/hr	4		0.5		0	0	operational		Y	24%	
7	40	f	State Company for Hand Made Carpets	Textile		Production	Anbar	Anna	82nd		0					0	0	1			Y	84%	
5	20	e	Iraqi Cement Company	Construction		500	Anbar	Falluja	LB9318593012	3rd ACR		1	7MW/hr	3	2.5		1		Started grinding of white cement 300 tons per day	for white cement... started 1 mill 300T/d	Y	36%	
5	23	a	Haririat State Company for Refractories	Construction	Refractories	560	Anbar	Falluja	LB9313592404	82nd	Next to Cement factory	0	2MW/hr	4	1	1MW	No Q in Nov due to power cuts			started Q on 12.10.03	N	0%	
6	27	a	Al Faris Co	Engineering		547	Anbar	Falluja	MB11798544	82nd	Near cemetery of Arkuk	1	1MW/hr	2	1MW	2	1MW for start up.... 5 MW total Operating on diesel		Obtained contract for \$2.4M for water treatment units	another \$660k and \$1.4m pending	Heavy engineering equipment Can get to 60% capacity in 60 days assuming 5 MW... achieved 50 tons of Q	Y	25%
5	20	b	Iraqi Cement Company	Construction	Cement Co	800	Anbar	Kubassa	3rd ACR		1	35MW/hr	2		10		0	1	Requires 20 mw power for One line	started klinker production	N	0%	
4	16	a	State Company for Phosphate	Fertilizer/ Petrochemical		3,212	Anbar	Qaim	GU005001	82nd		1	25MW/hr	2	0	15	30MW required at full Q Q = 300,000 tons per year		15 mw electric. Awaiting 10M cubic ft of gas.	403 tons of fertilizers sold...31,000 tons in stock... should start Q after provision of gas	N	0%	
7	40	b	State Company for Hand Made Carpets	Textile		Production	Anbar	Rawa	82nd		0						0	0			Y	91% Prepa	



**Damaged beyond repair**  
**Operational within thirty days**

Prepared for (b)(6) 352 CA COM

**Ministry Of Industry & Minerals: State Owned Enterprises  
Needs Assessment as of January 2004**

SC	File #	Factory	Enterprise	Sector	Facility	Employment	Location			Needs										Actions		Remarks	Q	Cap Util vs 2002				
					Name	Type		Province	City	Grid	Coalition Sector	Remarks	Electricity						Items	Status								
													Electricity	Capacity Need	Priority	1 August MW	Distro	Diesel Supply					Current supply	Remarks	Natural Gas	Repairs from Looting	Needs Cash	Needs Other
7	40	d	State Company for Hand Made Carpets	Textile		Production		Babil	Hilla		MND CS			0	0				0	0	0	1					Y	63%
7	40	e	State Company for Hand Made Carpets	Textile		Production		Babil	Hilla		MND CS			0	0				0	0	0	1					Y	87%
5	19	d	Southern Cement Company	Construction	Saddah	Production	500	Babil	Saddah	44 25 32 43'	MND CS	Near Babylon Verify Saddah vs Saddat... Verify grid location...		1	6MW/Hr	3	5				3	7MW total demand			Need power to start production @ 3mw... started 1 line of production @ the rate of 250 tons per day	Y	50%	
6	27	b	Al Faris Co	Engineering		Production	318	Babil	Al Musayyib	MB11815572	MND CS			0	3MW/Hr	5			0		1	1	1	Not operational, US Army unit will be moved...	Steel Structures	N	0%	
1	1	a	Dairy Products	Food	Baby Milk Factory	Production	200	Baghdad	Abu Ghurayb	MB 23158763	1st AD			1	33KV	3	0		0	0	0	0	1	1	Lack of raw materials... 25% damaged due to looting	N	0%	
1	1	b	Dairy Products	Food	Dairy Factory	Production & Admin	700	Baghdad	Abu Ghurayb	MB234867	1st AD			1	2MW/hr	2	0		1	Operating under generator with 1MW...	0	0	1	1	Requires raw milk or imported powdered milk	30MID per month (was 300MIB)	Y	3%
1	2		The General Company for Vegetable Oils	Food			3,777	Baghdad	Baghdad		N/A														October production expected to reach 1000MID	24.5BID for 2003 planned	N/A	
1	2	a	The General Company for Vegetable Oils	Food	Rasheed	Production	863	Baghdad	Baghdad	MB48718392	1st AD	Across from Baghdad Power Plant		1	5MW/Hr	3	0		2	Can get by with 2.5 MW/Hr... power supply unstopable 1 MW with diesel	0		1	1	One shift operation as security improves. In Oct 2 shifts	Obtained 1 MW from S. Baghdad PP...2a,2b,2c. All near each other in Rashid Camp	Y	62%

Damaged beyond repair  
Operational within thirty days



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Operational within thirty days

Prepared for (b)(6) 352 CA COM



**Ministry Of Industry & Minerals: State Owned Enterprises  
Needs Assessment as of January 2004**

SC	File #	Factory	Enterprise	Sector	Facility	Employment	Location		Needs										Actions		Remarks		Q	Cap Util v 2002			
					Name	Type		Province	City	Grid	Coalition Sector	Remarks	Electricity					Remarks	Natural Gas	Repairs from Looting	Needs Cash	Needs Other	Items	Status			
													Electricity	Capacity Need	Priority	1 August MW Distr	Diesel Supply										Current supply
5	20	d	Iraqi Cement Company	Construction			600	Baghdad	Baghdad	MB4988174	1st AD		1		4			0		1						Y	10%
5	21	b	State Company for Materials Construction Industry	Construction	Baghdad Plant	Production/ administration	250	Baghdad	Baghdad	MB497818	1st AD	Near Iraqi Cement Co	1	2MW/hr	5		2	0	1	1		Plastic pipes plant. Lack of raw materials and electric power	Need raw materials... comes from other petro plant... plastics		N	0%	
5	21	m	State Company for Materials Construction Industry	Construction	14th July Brick Plant	Production	56	Baghdad	Baghdad	MB48837	1st AD		1	1MW/hr	5			0	1			Heavily damaged		N	0%		
5	23	b	Haririat State Company for Refractories	Construction	Refractories		140	Baghdad	Baghdad	MB41407330	1st AD		1	2MW/hr	4			0	1		Not operational			N	0%		
5	24		State Company of Geological Survey & Mining	Construction	HQ	Administration	750	Baghdad	Baghdad	MB467868	1st AD	Near the Red Cross										Suffered heavy damages & looting of equipment from mining areas		N/ A			
6	30	a	State Co. for Electrical Industries	Engineering	Electrical Company	Production	1,348	Baghdad	Baghdad	MB436921	1st AD	Adjacent to Waziriah battery factory...	1	5.0 MW/hr	2	2	3	0	1		Output 300M ID per month. Lack of raw materials... air conditioning plant awaits raw materials	subfractional electrical motors Q=\$120,000/month... suffered heavily from looting		Y	15%		
6	32	a	General Systems Company	Engineering			419	Baghdad	Baghdad	MB46358950	1st AD	On the highway opposite Al Shaab Stadium beside University of technology	0	3			300kw	0	0	0	0	Started production as per signed contracts	Contracts with oil and electricity worth \$1.8M USD		Y	70%	

Damaged beyond repair  
Operational within thirty days

**Ministry Of Industry & Minerals: State Owned Enterprises  
Needs Assessment as of January 2004**

Damaged beyond repair  
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SC	File #	Factory	Enterprise	Sector	Facility	Employment	Location			Needs										Actions		Remarks	Q	Cap Util vs 2002																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																												
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							Name		Type		Province		City		Grid		Coalition Sector		Remarks		Electricity		Capacity Need		Priority		1 August MW		Distro		Diesel Supply		Current supply		Remarks		Natural Gas		Repairs from Looting		Needs Cash		Needs Other		Items		Status																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
6	34	d	Vehicles Co	Engineering		400	Baghdad	Baghdad	Baghdad	MB4174	1st AD		1																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																							

**Ministry Of Industry & Minerals: State Owned Enterprises  
Needs Assessment as of January 2004**

SC	File #	Factory	Enterprise	Sector	Facility	Employment	Location			Needs										Actions		Remarks		Q	Cap Util vs 2002		
							Electricity																				
							Province	City	Grid	Coalition Sector	Remarks	Electricity	Capacity Need	Priority	1 August 1999	Diesel Supply	Current supply	Remarks	Natural Gas	Repairs from Looting	Needs Cash	Needs Other	Items	Status			
					Name	Type																					
			State Co for Cotton Industries	Textile	Cotton Industries	Production & admin	2,300	Baghdad	Baghdad	MB377919	1st AD	On rd to Mosul opposite railway	1	5MW/hr	2	2	2	5MW total at full Q	0		1		2MW diesel		monthly sales = 500MID... inventory in finished product = 4.3Bld	Y	20%
			Woolen Co.	Textile	Carpet	Production & admin	700	Baghdad	Baghdad	MB39389260	1st AD	#56	1	2MW/hr	4		2		0	0	1	0		Operational	3287 total employment. 70% capacity	Y	40%
			Woolen Co.	Textile		14th Ramadan	450	Baghdad	Baghdad	MB39419258	1st AD		1	2MW/hr	4			2mw own diesel generator	0	1	1	1		Operational	Requires more electricity to increase production	Y	25%
			Woolen Co.	Textile		30-Jul	300	Baghdad	Baghdad	MB39239295	1st AD		1	2MW/hr	4		1	2MW diesel	0	1	1		Operational			Y	10%
			Woolen Co.	Textile		1-Jun	350	Baghdad	Baghdad	MB37539421	1st AD		1	2MW/hr	4		1	2MW diesel under repair	0	1	1	1			24,382	Y	25%
			Woolen Co.	Textile	Spinning Factory		150	Baghdad	Baghdad	MB397925	1st AD		1	1.5MW/hr	4		1	2MW diesel	0	1	1					Y	10%
			State Co of Ready Made Wears	Textile	Baghdad Factory	Production	300	Baghdad	Baghdad	MB434911	1st AD		0	1MW/hr	4	1			0	1	0					Y	60%
			State Company for Hand Made Carpets	Textile		Production	890	Baghdad	Baghdad	MB39389278	1st AD	#56	0	4			1		0		1	sales = \$50,000/month		Locations include Mosul, KirkMDD SE, Hilla, Ar Ramadi, An Andrau	Y	33%	

Damaged beyond repair  
Operational within thirty days



**Ministry Of Industry & Minerals: State Owned Enterprises  
Needs Assessment as of January 2004**

Damaged beyond repair  
Operational within thirty days

SC	File #	Factory	Enterprise	Sector	Facility	Employment	Location			Needs										Actions		Remarks	Q	Cap Util vs 2002		
			Name	Type			Province	City	Grid	Coalition Sector	Remarks	Electricity					Natural Gas	Repairs from Looking	Needs Cash	Needs Other	Items	Status				
												Electricity	Capacity Need	Priority	1 August MW	Diesel Supply									Current supply	Remarks
7	41	a	Leather Manufacturing Co.	Textile		1,402	Baghdad	Baghdad	MB49508146	1st AD		0		4			2	2MW with generator	0	0	0	1	Needs raw materials to increase capacity and 2mw stable electric power	Production for August 220M ID	Y	50%
7	41		Leather Manufacturing Co.	Textile		2,722	Baghdad	Baghdad	MB453835	1st AD	at entrance of outter Karada....3km from palace bridge	0		4			2		No						N/A	
8	42	a	Design and Construction	Service		464	Baghdad	Baghdad	MB45618799	1st AD		0		5				0			1	Obtained a contract to rehab MIM HQ	obtained contract in Ramadi = 1000MID	N	0%	
8	43	a	Design and Industrial Consultation	Service		802	Baghdad	Baghdad	MB45518799	1st AD		0		5				0			1	in process of obtaining contracts with oil ministry companies	looking for 1200SM 100K rent	N	0%	
8	44		State commission for Research and Development	Service		987	Baghdad	Baghdad	MB42968225	1st AD		0		5				0			1	Have no research contrats		N	0%	
8	45	a	State Commission for Training Centers	Service			Baghdad	Baghdad	MB43659138	1st AD		0		5				0			1	Undergoing reorg	Have not received approval on new student enrollment	N	50%	
8	45	g	State Commission for Training Centers	Service			Baghdad	Baghdad														Welding center operational		Y	20%	
8	46	a	Specialized Institute for Engineering	Service		287	Baghdad	Baghdad	MB4678881	1st AD		0		5				0			1	Started minor contracts - worth 60MID - needs rehab		Y	5%	
8	47	a	Software	Service		165	Baghdad	Baghdad	MB45798794	1st AD		0		5				0			1	Have found new offices to rent	move 1.11.03	N	0%	
8	48	a	Industrial Promotion	Service		180	Baghdad	Baghdad	MB479849	1st AD	Current location of Ministry	0	0	0				0	0	0	1	Requires directives on what to do		Y	50%	

**Ministry Of Industry & Minerals: State Owned Enterprises  
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Damaged beyond repair  
Operational within thirty days

SC	File #	Factory	Enterprise	Sector	Facility	Employment	Location		Needs										Actions	Remarks		Q	Cap Util v 2002				
			Name	Type				Province	City	Grid	Coalition Sector	Remarks	Electricity					Natural Gas	Repairs from Looting	Needs Cash	Needs Other	Items	Status				
														Electricity	Capacity Need	Priority	1 August MW Distrib							Diesel Supply	Current supply	Remarks	
8	50		Research and Development Company	Service			Baghdad	Baghdad	MB4638167	1st AD			0													N	0%
9	51		Nasser Al Adeem	MIC		1,106	Baghdad	Baghdad	MB4638167	1st AD			1	10				2		1					Started some contracts with oil ministry 260MID	Y	30%
2	5	D	SDI	Pharmaceutical		200	Baghdad	North Baghdad					1	1.5MW/Hr			1	own generator.	0		1	Needs 1mw additional to double production	Operational	O2 for medical purposes. Nitrous gasses and bandages.	Y	50%	
8	48	D	State Industry for Furniture	Service	Baghdad Furniture Company		Baghdad	Zaafarana		1st AD			1						0		1	Completely destroyed	Workshop		Y	0%	
8	45	D	State Commission for Training Centers	Service			Baghdad	Zaafarana	MB52887907	1st AD			1		5				0	1	0	1	Partially damaged		Y	30%	
3	10	C	Al-Sawary Co	Chemical	Production	325	Baghdad		MB37968326	1st AD			0	.5MW				fiberglass	0	1	1	rockwool Q started			N	53%	
3	10	D	Al-Sawary Co	Chemical	Production	191	Baghdad		MB28529875				0	3MW/Hr				resins, inks, glue	0	1	1	1		total sale in 15 days is \$20,000.. Ink production started	Y	2%	
9	54		Al Samood	MIC		1,487	Baghdad		MC28721564				1	6			2							Started contracts worth \$1.9M	Y	7%	
9	55		Al Kharzen Center	MIC		362	Baghdad		MB52727668				1				0.5							Merged with Electronic Co.... Have contracts worth \$1.8 M	N	0%	



**Ministry Of Industry & Minerals: State Owned Enterprises  
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Operational within thirty days

SC	File #	Factory	Enterprise	Sector	Facility	Employment	Location	Needs										Actions		Remarks	Q	Cap Util vs 2002							
								Electricity																					
								Name	Type	Province	City	Grid	Coalition Sector	Remarks	Electricity	Capacity Need	Priority	1 August 2004	Diesel Supply	Current supply	Remarks	Natural Gas	Repairs from Looting	Needs Cash	Needs Other	Items	Status		
3	9	a	Paper Industry	Chemical	Production/ Administration	2,300	Basrah	Basrah	QU566044	MDD SE			1	7.5MW	5		7	obtained power in Nov for start up	0	1	1	0	needs rehab and upgrading... Sufered heavy damage	N	0%				
4	15	a	Southern Company for Fertilizer	Fertilizer/ Petrochemical	Southern Fertilizer Co	Production	2,340	Basrah	Basrah	QU734425	MDD SE	3 Km from port of Khor Al-Zubair	1	15MW/HR	2	15	15	Khor Al-Zubair NG PP near by Requires 50MCF of NG per line... 15-17 MW at full Q per line 25MW Total	1	0	1	0	Received 50 mcf of gas ... awaiting stable power for start up... started checking equipment... Q begins 15.12.03?	PQ = 600,000 tons per yr. Capacity = 1Mil tons per yr Operates 2 lines... Need oil ministry input 6 June Oil coming... 19,000 tons of Inv... Q = 15,000 tons per day for 2 lines	N	0%			
4	17	a	Petro-chemical Company	Fertilizer/ Petrochemical	PC/ 1	Production	3,872	Basrah	Basrah	QU619585	MDD SE	27Km from port of Khor Al-Zubair	1	25MW/HR	2	15	15	10MW per line... produces 2 lines	1				Requires stable power supply and gas - gas available up to 30 m cu ft.	Start Q by 15.12.03	produced 60 tons of plastic sheets for covers	N	0%		
6	28	b	State Company for Iron and Steel	Engineering	Spiral Piping Plant	1,500	Basrah	Basrah	QU620202	MDD SE	15 km from port	0	35-50MW/HR	4				2MW needed for pipeline production... NGPP nearby... needs 50MCF of Natural gas for production	0				Heavily damaged. Not operational.	issued tenders for sale of 350,000 tons of pellets	N	0%			
6	28	c	State Company for Iron and Steel	Engineering	Asbestos piping plant	1,000	Basrah	Basrah		MDD SE	25 km west of Basrah	0	35-50MW/HR	4				2MW needed for pipeline production... NGPP nearby... needs 50MCF of Natural gas for production	0				Heavily damaged. Not operational		N	0%			

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Electricity																									
			Name	Type		Province	City	Grid	Coalition Sector	Remarks	Electricity	Capacity Need	Priority	1 AUGUST MW	Diesel Supply	Current supply	Remarks	Natural Gas	Repairs from Looting	Needs Cash	Needs Other	Items	Status		
8	42	c	Design and Construction	Service			Basrah	Basrah	MND SE		0							0			1		N	0%	
8	45	c	State Commission for Training Centers	Service			Basrah	Basrah	MND SE		0		5					0		0	1	Operational	Y	60%	
8	45	f	State Commission for Training Centers	Service			Basrah	Basrah	MND SE													Damaged	N	0%	
5	19	i	Southern Cement Company	Construction	Um Qasr	500	Basrah		MDD SE	Need Grid Location...	1	2MW/Hr	4					0		1		Needs rehab and clinker & electric power 5 mw.... Will start production on 10.10.2003	N	0%	
5	24	d	State Company for Geological Survey & Mining	Construction	Mining	53	Basrah		MND SE		0							0		1	1	Not operational... heavily damaged	N	0%	
6	29	a	Ur State Company for Engineering Industries	Engineering	Company	3,278	Dhi Qar	Nassariyah	MND CS	In City	1	5MW/Hr	1	2	5	10MW for full capacity needs 3MW		0	1		1	sarted limited Q..11 tons of cables	N	0%	
7	36	g	Woolen Co.	Textile	Production	1,200	Dhi Qar	Nassariyah	MDD SE		1							0	0	1	0	plant damaged	Not operational	Y	0%
8	45	b	State Commission for Training Centers	Service			Dhi Qar	Nassariyah	1st AD		0	5						0		0	1	Operational	Y	50%	
6	31	a	Diala State for Electrical Industries Co	Engineering		2,254	Diwala	Bequba	4th ID		0	3MW/Hr	1	3	3MW	Have 3 MW currently... Interruptions in electricity pose problems for machinery		0				Operational. Sales at 300M ID / month	Y	30%	

Damaged beyond repair  
Operational within thirty days

**Damaged beyond repair**  
**Operational within thirty days**

Prepared for (b)(6) 852 CA COM



**Ministry Of Industry & Minerals: State Owned Enterprises  
Needs Assessment as of January 2004**

Damaged beyond repair  
Operational within thirty days

SC	File #	Factory	Enterprise	Sector	Facility	Employment	Location	Needs	Actions	Remarks	Q	Cap Util vs 2002														
							Electricity																			
							Province	City	Grid	Coalition Sector	Remarks	Electricity	Capacity Need	Priority	1 August MW	Diesel Supply	Current supply	Remarks	Natural Gas	Repairs from Looting	Needs Cash	Needs Other	Items	Status		
							Name	Type																		
6	33	a	Vehicles Co	Engineering		400	Hilla	Iskandaria	MB39304102	MNDCS		1		5				Requires truck components	0		1	1	Completed 10 trucks after adding missing parts.	Requires assembly components	Y	8%
6	33	b	Vehicles Co	Engineering		400	Hilla	Iskandaria	MB39304102	MNDCS		1								0	1	1	Completed 10 semi trailers	Non standard equipment	Y	10%
6	33	c	Vehicles Co	Engineering		400	Hilla	Iskandaria	MB39304102	MNDCS		1						Requires chasses	0	1	1	1	Completed 13 busses	Bus assembly	Y	10%
3	7	a	Al Furat State Company for Chemical Industries	Chemical	Production	660	Hilla	Sadat Al Hindiyyah	44 15'32 40"	N/A	70 Km South of Baghdad and 35 Km "before" Karbaria	1	6MW/hr	1	5	4.5			0	0	1	0		Produces gasses (NaOH) (H2SO4) (Hcl) (cl2) (NaOCl) for uses in refineries, power stations and sterilizing water... sales about 1000MID a month	Y	50%
3	7	b	Al Furat State Company for Chemical Industries	Chemical	Production	0	Hilla	Sadat Al Hindiyyah	45 15'32 40"	N/A	71 Km South of Baghdad and 35 Km "before" Karbaria	1					requirements included above	0	0	1	0		2nd plant, same products as above	Y	50%	
6	28	a	State Company for Iron and Steel	Engineering		1,500	Jurf Al Sakhar	Basrah	QU726496	MDD SE	37 km south of Basrah	0	35-50MW/hr	4			2MW needed for pipeline production... NGPP nearby... needs 50MCF of Natural gas for production	0				Heavily damaged. Not operational	Requires major rehab	N	0%	
5	21	h	State Company for Materials Construction Industry	Construction	Kadisia Brick Plant	220	Kaditn	Kadisia	Divandabab - Ad	MNDCS	Need grid location	0	1MW/hr	2			1	lack of diesel oil limiting production	0		1			Operational 70K bricks per day	Y	24%

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			Enterprise	Sector	Facility	Employment				Electricity										Items	Status						
							Name	Type	Province	City	Grid	Coalition Sector	Remarks	Electricity	Capacity Need	Priority	1 August MW	Diesel Supply	Current supply			Remarks	Natural Gas	Repairs from	Needs Cash	Needs Other	
5	19	e	Southern Cement Company	Construction	Karbaria	Production	800	Karbaria	Karbaria	LB96960364	MNDCS		1	1	40MW/hr	3	20	20	2 lines 4 mills .34MW total demand	0		1		One line in production at low efficiency	Q=600 tons per day	Y	10%
5	21	k	State Company for Materials Construction Industry	Construction	Sand Plants	Production	150	Karbaria	Karbaria	44 00 32 37	MNDCS	six (6) sites throughout city	1	1	1MW/hr	5			0		1		Operational		Y	40%	
5	19	f	Southern Cement Company	Construction	AR Razzazer	Production	500	Karbaria			MNDCS	Need Grid Location...	1	1	13MW/hr	4	4		0		1	1	Started one line of production at 150 tons a day of time	preparing for start up	Y	30%	
5	19	g	Southern Cement Company	Construction	Nurea	Production	500	Karbaria			MNDCS	Need Grid Location...	1	1	2MW/hr	4		3	4MW total	0		1		Lime facility		Y	30%
5	21	c	State Company for Materials Construction Industry	Construction	Meysan Plant	Production	340	Meysan	Al-Amarah	47 10 31 51'	MDD SE		1	1	2MW/hr	5			0		1		Plastic pipes plant. Lack of raw materials and electric power	damaged	N	0%	
1	2	d	The General Company for Vegetable Oils	Food	Ammanan Plant	Production	700	Meysan	Misan		MDD SE		1	1		5	2	Operational on 2mw deisel - detergents and soap	0		1	0		One shift for security start on 23.9.2003	N	25%	
1	2	b	The General Company for Vegetable Oils	Food	Al Mustassem	Production	450	Meysan	Misan		MDD SE		1	1	4MW/hr	5			0			1		Soap and detergent production	Y	5%	
1	4	a	Sugar Co	Food	Sugar	Production/ Administration	800	Meysan	Misan		MDD SE		1	1	4MW/hr	5		Also need 400CM of Natural Gas	1	1	1	0	requires rehabilitation of cane sugar farm and the plant.	New plant manager... Need 400MID from Bank... produces bagas (paperpulp) and mollasses	N	0%	
3	2	d	Paper Industry	Chemical			850	Meysan	Misan	QA0902	MDD SE		1	1	5MW/hr	5		Requires 3MW	0	0	1	0	Requires power and pulp	carboard cartons 200 tons, cement paper bags 250 tons	N	0%	



**Ministry Of Industry & Minerals: State Owned Enterprises  
Needs Assessment as of January 2004**

SC	File #	Factory	Enterprise	Sector	Facility	Employment	Location		Needs										Actions		Remarks		Q	Cap Util v 2002										
					Name	Type		Province	City	Grid	Coalition Sector	Remarks	Electricity					Natural Gas	Repairs from Looting	Needs Cash	Needs Other	Items	Status											
													Electricity	Capacity Need	Priority	1 August MW	Diesel Supply									Current supply	Remarks							
7	41	D	Leather Manufacturing Co.	Textile		Tanning	686	Najaf	Al Kufa		MNDCS			0				0		4	2		2		0	0	1	0	Power supply and stability issues		Expected 700M ID for Sept.	Y	70%	
3	11	a	State Company for Tire Industry	Chemical	Najaf Tire Industry	Production	2,195	Najaf	An Najaf	MA31786776	MNDCS			1	8MW/hr	4		0		0			3	Feed from substation in An Najaf			0	0		3 mw power supply. Started production 22 Sept 2003, Planned Q = 1,000 tires a day	reached 650 tires/day	7-10MW for full production Natural gas required	Y	35%
3	11	b	State Company for Tire Industry	Chemical	Rubber Belt	Production	0	Najaf	An Najaf	MA38893963	MNDCS			1	1MW/hr	4		0		0			0.5				0	0			Q=2600 tires due to electrical power problems	Y	50%	
5	19	a	Southern Cement Company	Construction	Najaf & Kufa	Production	2,000	Najaf	Kufa	MA46503867	MNDCS			1	17MW/hr	2	20	12.5	old K needs 4 MW new K needs 25 MW							0	1	1			2 locations in Najaf. 300 tons per day for old kufa ... 1000 tons/day for new kufa	Y	30%	
7	39	a	State Co of Ready Made Wears	Textile	Najaf Factory	Production	1,750	Najaf	Najaf	MA35684334	MNDCS	North of City... Need grid location		1	2MW/hr	5				0	1					1	1	1	1	Damaged, requires rehab			N	0%
7	41	c	Leather Manufacturing Co.	Textile			477	Najaf	Najaf		MND CS			1				0.5			0						1	1		Started production of sports shoes	Producing 3M ID per day		Y	20%
1	1	c	Dairy Products	Food	Dairy Factory	Production	100	Ninawa	Mosul	LF308305	101st			1	1MW/hr	2	0	1		0			1			0	1	1	1	Operating under generator with 1MW	Lack of raw materials	Stopped Q. due to lack of raw materials	N	0%
1	4	b	Sugar Co	Food	Sugar	Production	230	Ninawa	Mosul	LF33601833	101st	Next to Mosul airport		1	1MW/hr	5	1	1.5	has 4.5MW in plant from boiler		0						1	1			Beets and yeast factory...Q=3,000 tons of sugar = \$350-\$400 per ton...Current production yeast only at 4.5 tons... sales = 5MID/month	Y	5%	
5	18	a	Northern Cement Company	Construction	Cement Co		700	Ninawa	Mosul - Sinjar	KF375268	101st	120Km Nof Mosul		1	20MW/hr	3		17	7MW for start up 20 MW for SS and 35 MW for fullQ	0									one clinker line and grinding line operational	Grinding only 1000 tons/day... second lined damage		Y	30%	

Damaged beyond repair  
Operational within thirty days

1

**Damaged beyond repair**  
**Operational within thirty days**

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**Ministry Of Industry & Minerals: State Owned Enterprises  
Needs Assessment as of January 2004**

SC	File #	Factory	Enterprise	Sector	Facility	Employment	Location		Needs										Actions		Remarks		Q	Cap Util v 2002		
2	6	b	State Company for Medical Industries and Appliances	Pharmaceutical	Name Type	200	Province Ninevah	City Mosul	Grid 101st	Coalition Sector	Remarks	Electricity					Natural Gas	Repairs from Looting	Needs Cash	Needs Other	Items	Status				
												Electricity	Capacity Need	Priority	1 August MW	Diesel Supply									Current supply	Remarks
3	12	a	State Company for Rubber Industry	Chemical	Ad Diwanlyah Tire Co	Production	1,200	Qadisiyah	Ad Diwanlyah	MNDCS		1	1	4		3	needs 3.5MW	0	1	1		Provided with 3 mw Planned Q = 169 tons a month	7 tons per day	some lab problems	Y	20%
7	35	b	State Co for Cotton Industries	Textile	Cotton Industries	Production	2,400	Qadisiyah	Diwanlah	1st AD		1	7.5MW/hr	4		3	3-5MW required...7.75 MW at full production	0		1		Inventory = 4.25BID		started operations on 30% of machinery	Y	15%
6	26	a	Nasser Co	Engineering		Production	2,473	Salah Ad Din	Taji	MC28801650	35 Km N of Baghdad on left	1	6MW/hr	1	2	6	have substation inside plant...10 MW needed for entire production	0	1			Started steel structure production		have \$350k in contracts... more pending... Q of steel structures	Y	15%
7	36	f	Woolen Co.	Textile	Service	Clean and Dye	200	Salah Ad Din	Taji	MB3402	on river 1/2 k from furniture factory	1				1			1		Power interruptions		50% capacity... (raw material shortage) per DG... Dr K says no	Y	50%	
1	2	e	The General Company for Vegetable Oils	Food	Mansur Plant	Production	395	Salahdin	Beji	LD67167688		1	12MW/hr	5	2	2		0	1	0			Raw materials 2 months. 300 tons of oils.... Receiving cotton seeds	Y	20%	
4	14	a	Northern Fertilizer Co	Fertilizer/ Petrochemical			1,314	Salahdin	Beji	LE52338843	N35 05' 53.49" E 43 23' 28.36"	1	7MW/hr	2	7	7	Need 50MCF of natural gas 15-17MW at full Q per line 7MW allocated	1	0	1	due to delay in Natural gas expected to start Q by 15.12.03		Capacity 400,000 tons per year	N	0%	
2	6	a	Samarra Drug	Pharmaceutical		Production	2,500	Salahdin	Samarra	LC03973785	North side of city	1	3.5	2	3	4	have electricity needs met at 4MW	0		1	1	verify if need is 3.5 or 35 MW		Q=1.5BIB. Reached 1.8B ID sales. Now 800MID/month... MoH not purchasing stock	Y	71%
20																									Prepa	

Damaged beyond repair  
Operational within thirty days

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**Damaged beyond repair**  
**Operational within thirty days**

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**Ministry Of Industry & Minerals: State Owned Enterprises  
Needs Assessment as of January 2004**

SC	File #	Factory	Enterprise	Sector	Facility	Employment	Location		Needs										Actions		Remarks	Q	Cap Util vs 2002					
					Name	Type		Province	City	Grid	Coalition Sector	Remarks	Electricity					Natural Gas	Repairs from Looting	Needs Cash	Needs Other	Items	Status					
													Electricity	Capacity Need	Priority	1 August MW	Diesel Supply								Current supply	Remarks		
1	4		Sugar Co	Food	Sugar	Production	1,607				N/A												Requires import of unrefined sugar.		has contract for delivery of raw sugar at 12,500 tons/month at \$175 a ton... need \$2.25 loan	N/A		
3	8		State Company for Batteries Industry	Chemical		Production	1,809				N/A												Shortage of plastic containers for lead acid batteries		Monthly revenue of 280MID	N/A		
3	9		Paper Industry	Chemical			3,500				N/A														Available in stock 13 million books (could sell to Min of Ed) lack raw materials	N/A		
5	18		Northern Cement Company	Construction	Cement Co		2,293				N/A					Needs 800 CM of fuel oil from Baji refinery by train... electricia power cuts impacted Q							Operational at 1,000 tons per day		60,000 tons of cement bagged and silo... monthly sales of 65,000 tons.	N/A		
5	19		Southern Cement Company	Construction			5,212				N/A														50,000 tons of Inv	N/A		
5	20		Iraqi Cement Company	Construction	Cement Co		3,313				N/A																N/A	
5	21		State Company for Materials Construction Industry	Construction		Administration	3,145										0	1	1	1					two brick plants heavily damaged and one thermostone plant	N	0%	
6	30		State Co. for Electrical Industries	Engineering & Electrical	Company		3,000	Baghdad			N/A																N/A	
10	50		Mixed Sector Companies	Mixed	Mixed Cluster			Baghdad MB5279	1st AD				165	2			yes											

Damaged beyond repair  
Operational within thirty days



**Ministry Of Industry & Minerals: State Owned Enterprises  
Needs Assessment as of January 2004**

Damaged beyond repair  
Operational within thirty days

SC	File #	Factory	Enterprise	Sector	Facility	Employment	Location			Needs										Actions		Remarks	Q	Cap Util vs 2002	
			Name	Type			Province	City	Grid	Coalition Sector	Remarks	Electricity					Remarks	Natural Gas	Repairs from Loading	Needs Cash	Needs Other	Items	Status		
												Electricity	Capacity Need	Priority	1 August MW	Diesel Supply									Current supply
10	51		Bicycle Company	Mixed				Mahmoudia	MB40865958	MNDCS		15		2					yes						
2	5	c	SDI	Pharmaceutical		200		Musayab				1	1.5MW/Hr				0.75	suffered from electricity disruptions during Nov	0		1	Awaiting receipt of raw materials for start up	Syringes new project	N	0%
1	1		State Company for Dairy Products		Administration					N/A							Consolidated					employment figure for four sites=1,251.	N/A		
3	7	d	Al Furat State Company for Chemical Industries	Chemical	Polypropylene Production	827						1					requirements included above	0		1		production dropped to 25000 bags per day	Y	44%	
5	24	e	State Company for Geological Survey & Mining	Construction	Mining							0							0		1	Partial operation	Western desert mines	N	0%
6	45	h	State Commission for Training Centers	Service																			N/A	0%	
8	45	i	State Commission for Training Centers	Service																			N/A	0%	
9	52		Ibn Sena	MIC		750						1	4					1			1	Started production of chemicals & gas	Y	5%	

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Name of Company	E-Mail
State Co. for Textiles Ind.	(b)(6)
State Co. for Drugs & medical	
supplies Ind. / Sammara	
State Co. for Drugs & Medical supplies Ind. / Ninavah	
Al-Furat State Company.	
State Company for Batteries Ind.	
Al-Sumood State Company.	
Al-Faris State Company.	
17 Nissan State Company.	
State Co. for Vehicles Ind.	
State Co. for refractories.	
State Co. for Electronic Systems.	
State Co. for Rubber Ind.	
Southern State Co. for Fertilizer Industry.	
Northern State Co. for Fertilizer Ind.	
State Co. for Petrochemical Ind.	
State Co. for Design & Engineering Consultants.	
UR state Co. for Engineering Industries.	
Diala State Co. for Electric Ind.	
Specialized Institute for Engineering Industries.	
Al-Mishrak State Co. for Sulfur.	
State Co. for Phosphate.	
State Co. for Geological Survey & Mining.	
Southern Cement Company.	
Iraqi Cement Company	
State Co. for Vegetable Oils Ind.	
State Co. for Dairy Products.	
State Co. for Sugar Ind.	
State Co. for Woolen Ind.	
State Co. for Leather Ind.	
State Co. for Ready Made Wear Ind.	
State Co. for Cotton Ind.	
Al-Zawraa State Company.	
State Co. for Heavy Eng. Industries.	

Ministry Of Industry & Minerals: State Owned Enterprises Needs Assessment as of 1 December 03																												
SC	File #	Factory	Enterprise	Sector	Facility	Employment	Location			Needs							Actions	Remarks	Q	Cap Util vs 2002								
							Electricity																					
							Province	City	Grid	Coalition Sector	Remarks	Electricity	Capacity Need	Priority	1 August MW Distn	Diesel Supply	Current supply	Remarks	Natural Gas	Repairs from Looting	Needs Cash	Needs Other	Items	Status				
					Name	Type																						
1	1	1	Dairy Products	Food	Baby Milk Factory	Production	200	Al Anbar	Abu Ghurayb	MB 23158763	1st AD		1	33KV	3	0	0	two feeders: one from university, one from Al Hamviri	0	0	0	1	1			Lack of raw materials... 25% damaged due to looting	N	0%
1	1	1	Dairy Products	Food	Dairy Factory	Production & Admin	700	Al Anbar	Abu Ghurayb	MB234687	1st AD		1	2MW/hr	2	0	1	Operating under generator with 1MW...	0	0	1	1	Requires raw milk or imported powdered milk		30MID per month (was 300MIB)	Y	3%	
1	1	1	Dairy Products	Food	Dairy Factory	Production	100	Ninawa	Mosul		101st		1	1MW/hr	2	0	1	Operating under generator with 1MW	0	0	1	1	Lack of raw materials	Stopped Q due to lack of raw materials	N	0%		
1	1	1	Dairy Products	Food	Dairy Factory	Production	100	Babil	Hilla		MNDCS		1	1MW/hr	2	0	2	Operating under generator with 1MW	0	0	1	1	Lack of raw materials	Stopped Q due to lack of raw materials	Y	0%		
1	1	1	State Company for Dairy Products		Administrat	kn					N/A						Consolidated							employment figure for four sites=1,251.	N/A			
1	2	2	The General Company for Vegetable Oils	Food			3,777	Baghdad	Baghdad		N/A												October production expected to reach 1000MID	24.5BID for 2003 planned	N/A			
1	2	2	The General Company for Vegetable Oils	Food	Rashid	Production	863	Baghdad	Baghdad	MB4978392	1st AD	Across from Baghdad Power Plant	1	5MW/hr	3	0	2	Can get by with 2.5 MW/hr... power supply unstopable 1 MW with diesel	0		1	1	One shift operation as security improves. In Oct 2 shifts	Obtained 1 MW from S. Baghdad PP...2a,2b,2c. All near each other in Rashid Camp	Y	62%		
1	2	2	The General Company for Vegetable Oils	Food	Ma'amoon	Production	924	Baghdad	Baghdad	MB497843	1st AD	Near Rashid Camp?	1	5MW/hr	3	1	2	1MW with diesel	0		1	1		shampoo, liquid bleach, sulphuric acid production resumed	Y	58%		
1	2	2	The General Company for Vegetable Oils	Food	Almaen	Production	324	Baghdad	Baghdad	MB497832	1st AD		1	2MW/hr	3	2	2	On diesel generator 2 mw	0		1	1		Q = 150 tons of laundry soap	Y	34%		

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**Ministry Of Industry & Minerals: State Owned Enterprises**  
**Needs Assessment as of 1 December 03**

Damaged beyond repair  
Operational within thirty days

SC	File #	Factory	Enterprise	Sector	Facility	Employment	Location		Needs										Actions			Remarks	Q	Cap Util vs 2002				
																			Electricity									
					Name	Type		Province	City	Grid	Coalition Sector	Remarks	Electricity	Capacity Need	Priority	1 August MW Distro	Diesel Supply	Current supply	Remarks	Natural Gas	Repairs from Looking	Needs Cash	Needs Other	Items	Status			
1	1	1	State Owned Company for Tobacco and Cigarettes	Food	Tobacco Co	Storage	50	Anbar	Abu Ghurayb	MB43129073	1st AD		0		5					0	0	0	0			Storage areas in Baquba (not utilized) Anu Graib, Bab Muadam, New Baghdad, Near Rasheed camp, Kirkuk (not utilized)	N/A	
1	1	3	State Owned Company for Tobacco and Cigarettes	Food	Bab Al Muather	Storage	50	Anbar	Abu Ghurayb	MB43129073	1st AD		0		5					0	0	0	0				N/A	
1	1	3	State Owned Company for Tobacco and Cigarettes	Food	Warehouse #11	Storage	50	Anbar	Abu Ghurayb	MB51938624	1st AD		0		5					0	0	0	0				N/A	
1	1	4	Sugar Co	Food	Sugar	Production	1,607				N/A													Requires import of unrefined sugar.	has contract for delivery of raw sugar at 12,500 tons/month at \$175 a ton... need \$2.25 loan	N/A		
1	4	3	Sugar Co	Food	Sugar	Production/ Administration	800	Maysan	Misan		MDD SE		1	4MW/hr	5				Also need 400CM of Natural Gas	1	1	0	0	requires rehabilitation of cane sugar farm and the plant.	New plant manager... Need 400MID from Bank... produces bagas (paperpulp) and molasses	N	0%	
1	4	3	Sugar Co	Food	Sugar	Production	230	Ninawa	Mosul	LF33601833	101st	Next to Mosul airport	1	1MW/hr	5	1	1.5	has 4.5MW in plant from boiler	0	1	1	1			Beets and yeast factory... Q=3,000 tons of sugar = \$350-\$400 per ton... Current production yeast only at 4.5 tons... sales = 5MID/month	Y	5%	
2	6	3	Samarra Drug	Pharmaceutical		Production	2,500	Salahdin	Samarra	LC03973785	4th ID	North side of city	1	3.5	2	3	4	have electricity needs met at 4MW	0		1	1	verify if need is 3.5 or 35 MW	Q=1.5BIB. Reached 1.8B ID sales. Now 800MID/month... MoH not purchasing stock Prepared for	Y	71%		

(b)(6)



**Ministry Of Industry & Minerals: State Owned Enterprises**  
**Needs Assessment as of 1 December 03**

Damaged beyond repair  
 Operational within thirty days

SC	File #	Factory	Enterprise	Sector	Facility	Employment	Location			Needs										Actions		Remarks	Q	Cap Util v 2002																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																				
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Damaged beyond repair

Operational within thirty days

Operational within thirty days

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**Ministry Of Industry & Minerals: State Owned Enterprises**  
**Needs Assessment as of 1 December 03**

Damaged beyond repair  
Operational within thirty days

SC	File #	Factory	Enterprise	Sector	Facility	Employment	Location		Needs										Actions	Remarks	Q	Cap Util v 2002
									Electricity													

Prepared for (b)(6) 352 CA COM

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**Ministry Of Industry & Minerals: State Owned Enterprises  
Needs Assessment as of 1 December 03**

Damaged beyond repair  
Operational within thirty days

SC	File #	Factory	Enterprise	Sector	Facility	Employment	Location			Needs										Actions		Remarks	Q	Cap Util vs 2002		
					Name	Type		Province	City	Grid	Coalition Sector	Remarks	Electricity							Items	Status					
													Electricity	Capacity Need	Priority	1 August MW	Distro	Diesel Supply	Current supply					Remarks	Natural Gas	Repairs from Loading
5	18	a	Northern Cement Company	Construction	Cement Co	700		Ninawa	Mosul - Sinjar	KF375268	101st	120Km Nof Mosul	1	20MW/Hr	3		17	7MW for start up 20 MW for SS and 35 MW for fullQ	0				one clinker line and grinding line operational	Grinding only 1000 tons/day... second lined damage	Y	30%
5	18	b	Northern Cement Company	Construction	Cement Co	1,000		Ninawa	Mosul-Badoosh	LF1464034914	101st	20Km NW of Mosul	1	23MW/Hr	2	15	15MW	17MW for start up 20 MW for SS and 25 MW for fullQ	0		1		two lines in operation old, new, expansion	1200 tons perday	Y	30%
5	18	c	Northern Cement Company	Construction	Cement Co	600		Hamam	Mosul-Alial	LF38390772	101st	20Km S of Mosul	1	5MW/Hr	3	10	5MW	3-5MW for start up 15 MW for steady state 20 MW Max	0		0		Only old line operating... new line not operating	Q = 300 tons/day	Y	40%
5	18		Northern Cement Company	Construction	Cement Co	2,293					N/A						Needs 800 CM of fuel oil from Baji refinery by train... electricia power cuts impacted Q					Operational at 1,000 tons per day	60,000 tons of cement bagged and silo... monthly sales of 65,000 tons.	N/A		
5	19		Southern Cement Company	Construction		5,212					N/A												50,000 tons of Inv	N/A		
5	19	a	Southern Cement Company	Construction	Najaf & Kufa Production	2,000		Najaf	Kufa	MA46503687	MNDCS		1	17MW/Hr	2	20	12.5	old K needs 4 MW new K needs 25 MW	0		1			2 locations in Najaf. 300 tons per day for old kufa ... 1000 tons/day for new kufa	Y	30%



Damaged beyond repair  
Operational within thirty days

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**Ministry Of Industry & Minerals: State Owned Enterprises**  
**Needs Assessment as of 1 December 03**

Damaged beyond repair  
Operational within thirty days

SC	File #	Factory	Enterprise	Sector	Facility	Employment	Location			Needs										Actions			Remarks	Q	Cap Util vs 2002							
										Electricity																						
					Name	Type		Province	City	Grid	Coalition Sector	Remarks	Electricity	Capacity Need	Priority	1 August MW Distro	Diesel Supply	Current supply	Remarks	Natural Gas	Repairs from Looting	Needs Cash	Needs Other	Items	Status							
5	20	a	Iraqi Cement Company	Construction	Cement Co	750		At Tamim	Kirkuk		4th ID	10 Km SE of KirkMDD SE	1	32MW/Hr	4	20		20			0		1		Daily production 500 tons... production problems = low capacity utilization			one of 2 lines operational Capacity of 30,000 tons a month	Y	20%		
5	20	b	Iraqi Cement Company	Construction	Cement Co	800		Anbar	Kubaassa		3rd ACR			1	35MW/Hr	2		10			0		1		Requires 20 mw power for One line			started klinker production	N	0%		
5	20	c	Iraqi Cement Company	Construction	Cement Co	600		Anbar	Al-Qaen		3rd ACR			1	20MW/Hr	4		5			0		1		Started production at 1,000 tons per day. Expected monthly production 25K tons.			60,000 ton of klinker	Y	25%		
5	20	d	Iraqi Cement Company	Construction		600		Baghdad	Baghdad	MB4988174	1st AD		1		4					0		1						Y	10%			
5	20	e	Iraqi Cement Company	Construction		500		Anbar	Falluja	LB9316693012	3rd ACR		1	7MW/Hr	3	2.5	2.5			0		1			Started grinding of white cement 300 tons per day			for white cement... started 1 mill 300T/d	Y	36%		
5	21		State Company for Materials Construction Industry	Construction	Administration	3,145														0	1	1	1				two brick plants heavily damaged and one thermostone plant	N	0%			
5	21	a	State Company for Materials Construction Industry	Construction	Administration	100		Zafarina	Baghdad	MB488837	1st AD	Near electrical station south of Baghdad ... On same street as	1		5					0	1	1					main limitations to increased production diesel oil and electric power	N	0%			
5	21	b	State Company for Materials Construction Industry	Construction	Baghdad Plant	250		Baghdad	Baghdad	MB497818	1st AD	Near Iraqi Cement Co	1	2MW/hr	5		2				0	1	1				Plastic pipes plant. Lack of raw materials and electric power			Need raw materials... comes from other petro plant... plastics	N	0%

Prepared for 16

Prepared for (h)(6) 352 CA COM

**Damaged beyond repair**  
**Operational within thirty days**



**Ministry Of Industry & Minerals: State Owned Enterprises  
Needs Assessment as of 1 December 03**

Damaged beyond repair  
Operational within thirty days

SC	File #	Factory	Enterprise	Sector	Facility	Employment	Location		Needs										Actions		Remarks		Q	Cap Util v 2002						
							Electricity																							
							Name	Type			Province	City	Grid	Coalition Sector	Remarks	Electricity	Capacity Need	Priority	1 August MW	Diesel Supply	Current supply	Remarks	Natural Gas	Repairs from Loading	Needs Cash	Needs Other	Items	Status		
5	21	n	State Company for Materials Construction Industry	Construction	Diala Brick Plant	Production	150	Diala								1	1MW/hr	5					0	1				Heavily damaged	N	0%
5	21	m	State Company for Materials Construction Industry	Construction	14th July Brick Plant	Production	56	Baghdad	Baghdad		1st AD					1	1MW/hr	5					0	1				Heavily damaged	N	0%
5	21	i	State Company for Materials Construction Industry	Construction	Sand & Gravel	Production	150	Slah Al-Dien	Nibaei		4th ID	Near Balad				1	1MW/hr	5					0	1			Operational	Need when construction boom begins	Y	50%
5	21	k	State Company for Materials Construction Industry	Construction	Sand Plants	Production	150	Karbaria	Karbaria	44 00 32 37"	MNDCS	six (6) sites throughout city				1	1MW/hr	5					0	1			Operational		Y	40%
5	21	j	State Company for Materials Construction Industry	Construction	Badoosh Colomes Plant	Production	70	Ninawah	Mosul - Badoosh	MB22628540	101st	Need grid location				1	0.7MW/hr	5					0	1	1		Lack of reinforcing steel wire rods.. Will start Production 10 Oct	manufactures concrete utility poles... have order for 2000 poles	N	0%
5	21	i	State Company for Materials Construction Industry	Construction	Abu-Ghralbe Concrete Plant	Production	100	Anbar	Abu Ghralbe	MB22628540	1st AD					0	0.7MW/hr	2					0	1	1	1	Operational		Y	30%

Damaged beyond repair  
Operational within thirty days

Prepared for (b)(6) 352 CA COM



SC	File #	Factory	Enterprise	Sector	Facility	Employment	Location	Needs	Actions	Remarks	Q	Cap Util vs 2002																		
							Electricity																							
							Province	City	Grid	Coalition Sector	Remarks	Electricity	Capacity Need	Priority	1 August MW	Distro	Diesel Supply	Current supply	Remarks	Natural Gas	Repairs from	Looting	Needs Cash	Needs Other	Items	Status				
							Name	Type			56	Al Dora	Samawa	4th ID	35Km N of Sammawah	0	1 MW/hr	4				0			1	Production depends on orders	Operational	Y	50%	
												Al Dora	Sahadin	4th ID	35Km NE of Sammarra on the Buhayrat Sharh... Verify location on large map	1	1 MW/hr	4				0		1	1	currently supplying silica for glass plant		Needs orders	Y	5%
											145	Anbar	Rutba	82nd	5 sites near city	1						0		1	1		Needs orders	N	0%	
											53	Basrah		MND SE		0						0		1	1	Not operational... heavily damaged	Needs orders	N	0%	
																0						0		1		Partial operation	Western desrt mines	N	0%	
												Al Dora				0						0					Mosul Camp	N	0%	
							4,072	Hilla	Iskandaria	MB38603987	MNDCS					1	5MW/hr	4	2	2	12MW with Foundary	0	1	1		Lack of raw materials and components... heavily damaged	Started Ssmall Q of ag implements ... outlook bleak	ag implements tool and dies... ned raw materials	N	0%
							2,473	Salah Ad Din	Taji	MC28801850	4th ID	35 Km N of Baghdad on left				1	6MW/hr	1	2	6	have substation inside plant... 10 MW needed for entire	0		1			Started steel structure production	have \$350k in contracts... more pending... Q of steel structures	Y	15%
5	5	24	a	State Company of Geological Survey & Mining	Construction	Salt	Production				56	Al Dora	Samawa	4th ID	35Km N of Sammawah	0	1 MW/hr	4				0		1	Production depends on orders	Operational	Y	50%		
5	5	24	b	State Company of Geological Survey & Mining	Construction	Sodium Sulfates	Production					Al Dora	Sahadin	4th ID	35Km NE of Sammarra on the Buhayrat Sharh... Verify location on large map	1	1 MW/hr	4				0		1	1	currently supplying silica for glass plant		Needs orders	Y	5%
5	5	24	c	State Company for Geological Survey & Mining	Construction	Mining				145	Anbar	Rutba	82nd	5 sites near city	1							0		1	1		Needs orders	N	0%	
5	5	24	d	State Company for Geological Survey & Mining	Construction	Mining	Saltary			53	Basrah		MND SE			0						0		1	1	Not operational... heavily damaged	Needs orders	N	0%	
5	5	24	e	State Company for Geological Survey & Mining	Construction	Mining										0						0		1		Partial operation	Western desrt mines	N	0%	
5	5	24	f	State Company for Geological Survey & Mining	Construction	Mining					Al Dora					0						0					Mosul Camp	N	0%	
6	6	25	a	Mechanical Industries Co	Engineering	Production			4,072	Hilla	Iskandaria	MB38603987	MNDCS			1	5MW/hr	4	2	2	12MW with Foundary	0	1	1		Lack of raw materials and components... heavily damaged	Started Ssmall Q of ag implements ... outlook bleak	ag implements tool and dies... ned raw materials	N	0%
6	26	a		Nasser Co	Engineering	Production			2,473	Salah Ad Din	Taji	MC28801850	4th ID	35 Km N of Baghdad on left		1	6MW/hr	1	2	6	have substation inside plant... 10 MW needed for entire	0		1			Started steel structure production	have \$350k in contracts... more pending... Q of steel structures	Y	15%

1

**Damaged beyond repair**  
**Operational within thirty days**

Prepared for (b)(6) 352 CA COM

**Ministry Of Industry & Minerals: State Owned Enterprises**  
**Needs Assessment as of 1 December 03**

Damaged beyond repair  
Operational within thirty days

SC	File #	Factory	Enterprise	Sector	Facility	Employment	Location			Needs										Actions		Remarks		Q	Cap Util v 2002		
					Name	Type		Province	City	Grid	Coalition Sector	Remarks	Electricity						Natural Gas	Repairs from Looting	Needs Cash	Needs Other	Items	Status			
													Electricity	Capacity Need	Priority	1 August MW	Diesel Supply	Current supply									Remarks
6	30	a	State Co. for Electrical Industries	Engineering	Electrical Company	Production	1,348	Baghdad	Baghdad	MB438821	1st AD	Adjacent to Waziriah battery factory...	1	5.0 MW/hr	2	2	3		0		1		Output 300M ID per month. Lack of raw materials... air conditioning plant awaits raw materials		subfractional electrical motors Q=\$120,000/month... suffered heavily from looting	Y	15%
6	30	b	State Co. for Electrical Industries	Engineering	Electric Bulb Co	Production	619	Salahdin	Taji	32	4th ID	Next to Taji gas plant	1	1.0 MW/hr	4	1	1	natural gas provided for operations.	0		1					Y	15%
6	30		State Co. for Electrical Industries	Engineering	Electrical Company		3,000		Baghdad		N/A														N/A		
6	31	a	Diala State for Electrical Industries Co	Engineering			2,254	Diyala	Baqouba	MC 66693706	4th ID		0	3MW/hr	1	3	3MW	Have 3 MW currently... interruptions in electricity pose problems for machinery	0				Operational. Sales at 300M ID / month		obtained \$1800k in contracts from Kurdish Electricity	Y	30%
6	32	a	General Systems Company	Engineering			419	Baghdad	Baghdad	MB46358950	1st AD	On the highway opposite Al Shaab Stadium beside University of...	0		3		300kw		0	0	0	Started production as per signed contracts		Contracts with oil and electricity worth \$1.8M USD	Y	70%	
6	33	a	Vehicles Co	Engineering			400	Hilla	Iskandaria	MB39304102	MNDCS		1		5			Requires truck components	0	1	1	Completed 10 trucks after adding missing parts.		Requires assembly components	Y	8%	
6	33	b	Vehicles Co	Engineering			400	Hilla	Iskandaria	MB39304102	MNDCS		1						0	1	1	Completed 10 semi trailers		Non standard equipment	Y	10%	
6	33	c	Vehicles Co	Engineering			400	Hilla	Iskandaria	MB39304102	MNDCS		1					Requires chassis	0	1	1	Completed 13 busses		Bus assembly	Y	10%	
6	33	d	Vehicles Co	Engineering			400	Baghdad	Baghdad	MB4174	1st AD		1					Requires rehab and raw materials	0	1	1	Currently American forces and damaged... heavily damaged		Deisel engine plant	N	0%	



**Ministry Of Industry & Minerals: State Owned Enterprises**  
**Needs Assessment as of 1 December 03**

Damaged beyond repair  
Operational within thirty days

SC	File #	Factory	Enterprise	Sector	Facility	Employment	Location			Needs										Actions		Remarks		Q	Cap Util v 2002
										Electricity															

Prepared for (b)(6) 352 CA COM



Ministry Of Industry & Minerals: State Owned Enterprises																												
Needs Assessment as of 1 December 03																												
SC	File #	Factory	Enterprise	Sector	Facility	Employment	Location			Needs						Actions	Remarks	Q	Cap Util v 200									
							Electricity																					
							Name	Type	Province	City	Grid	Coalition Sector	Remarks	Electricity	Capacity Need	Priority	1 August MW Distrn	Diesel Supply	Current supply	Remarks	Natural Gas	Repairs from Loading	Needs Cash	Needs Other	Items	Status		
7	35	d	State Co for Cotton Industries	Textile	Cotton Industries Production	1,300	Mirawah	Mosul	LF3117720888	101st			1	8 MW/hr	3	2		2	6MW total power required	0		1		Requires additional 2mw	Operational		Y	30%
7	38	a	Woolen Co.	Textile	Carpet Production & admin	700	Baghdad	Baghdad	MB39389260	1st AD	#56		1	2MW/hr	4		2			0	0	1	0		Operational	3287 total employment. 70% capacity	Y	40%
7	36	b	Woolen Co.	Textile	14th Ramadan	450	Baghdad	Baghdad	MB38416268	1st AD			1	2MW/hr	4			2mw own diesel generator	0		1	1		Operational	Requires more electricity to increase production	Y	25%	
7	36	c	Woolen Co.	Textile	30-Jul	300	Baghdad	Baghdad	MB39239295	1st AD			1	2MW/hr	4		1	2MW diesel	0		1			Operational		Y	10%	
7	38	d	Woolen Co.	Textile	1-Jun	350	Baghdad	Baghdad	MB37639421	1st AD			1	2MW/hr	4		1	2MW diesel under repair	0		1	1				39,675	Y	25%
7	36	e	Woolen Co.	Textile	Spinning Factory	150	Baghdad	Baghdad	MB387925	1st AD			1	1.5MW/hr	4		1	2MW diesel	0		1					Y	10%	
7	36	f	Woolen Co.	Textile	Clean and Dye Service	200	Salah Ad Din	Taji	MB3402	4th ID	on river 1/2 k from furniture factory		1				1				1		Power interruptions		50% capacity... (raw material shortage) per DG... Dr K says no	Y	50%	
7	36	g	Woolen Co.	Textile	Clean and Dye Production	1,200	Dhi Qar	Nasariyah	PV19803235	MDDSE			1							0	0	1	0	plant damaged	Not operational		Y	0%

1

**Damaged beyond repair**  
**Operational within thirty days**

Prepared for (b)(6) 352 CA COM

Ministry Of Industry & Minerals: State Owned Enterprises																															
Needs Assessment as of 1 December 03																															
SC	File #	Factory	Enterprise	Sector	Facility	Employment	Location			Needs						Actions	Remarks	Q	Cap Util v 2002												
							Electricity																								
							Name	Type		Province	City	Grid	Coalition Sector	Remarks	Electricity	Capacity Need	Priority	1 August MW Distro	Diesel Supply	Current supply	Remarks	Natural Gas	Repairs from Loading	Needs Cash	Needs Other	Items	Status				
7	41	b	Leather Manufacturing Co.	Textile	Tanning	686	Najaf			Baghdad	Baghdad	MB49508148	1st AD		0	0	4	2		2	2MW with generator		0	0	1	0	Power supply and stability issues		Expected 700M ID for Sept.	Y	70%
7	41	a	Leather Manufacturing Co.	Textile		1,402	Baghdad			Baghdad					0	0	4	2		2	2MW with generator		0	0	1	Needs raw materials to increase capacity and 2mw stable electric power		Production for August 220M ID	Y	50%	
7	40	g	State Company for Hand Made Carpets	Textile	Production		Anbar			Anbar	Rawa		82nd		0	0							0	0	1				Y	91%	
7	40	f	State Company for Hand Made Carpets	Textile	Production		Anbar			Anbar	Anna		82nd		0	0							0	0	1				Y	84%	
7	40	e	State Company for Hand Made Carpets	Textile	Production		Babil			Babil	Hilla		MND CS		0	0							0	0	1				Y	87%	
7	40	d	State Company for Hand Made Carpets	Textile	Production		Babil			Babil	Hilla		MND CS		0	0							0	0	1				Y	63%	
7	40	c	State Company for Hand Made Carpets	Textile	Production		Al Ta MIM			Al Ta MIM	Kirkuk		4th ID		0	0							0	0	1				Y	54%	
7	40	b	State Company for Hand Made Carpets	Textile	Production		Ninawah			Ninawah	Mosul		101st		0	0							0	0	1				Y	40%	

Prepared for (b)(6) 352 CA COM



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Prepared for (b)(6) 352 CA COM



**Ministry Of Industry & Minerals: State Owned Enterprises  
Needs Assessment as of 1 December 03**

Damaged beyond repair  
Operational within thirty days

SC	File #	Factory	Enterprise	Sector	Facility	Employment	Location			Needs										Actions		Remarks	Q	Cap Util vs 2002				
										Electricity																		
					Name	Type		Province	City	Grid	Coalition Sector	Remarks	Electricity	Capacity Need	Priority	1 August MW Distrn	Diesel Supply	Current supply	Remarks	Natural Gas	Repairs from Looting	Needs Cash	Needs Other	Items	Status			
8	43	a	Design and Industrial Consultation	Service		802		Baghdad	Baghdad		1st AD		0		5					0			1	in process of obtaining contracts with oil ministry companies		looking for 1200SM 100K rent	N	0%
8	44		State commission for Research and Development	Service		987		Baghdad	Baghdad	MB42968225	1st AD		0		5					0			1	Have no research contrats			N	0%
8	45	a	State Commission for Training Centers	Service				Baghdad	Baghdad	MB43659138	1st AD		0		5					0			1	Undergoing reorg	Have not received approval on new student enrollment	N	50%	
8	45	b	State Commission for Training Centers	Service				Dhi Qar	Nassariyah	PV7800333	1st AD		0		5					0		0	1		Operational		Y	50%
8	45	c	State Commission for Training Centers	Service				Basrah	Basrah		M ND SE		0		5					0		0	1		Operational		Y	60%
8	45	d	State Commission for Training Centers	Service				Baghdad	Zaafarana	MB52867807	1st AD		1		5					0	1	0	1	Partially damaged			Y	30%
8	45	e	State Commission for Training Centers	Service				Wasit	Al Kut		M ND SE		0							0			1				N	0%

SC	File #	Enterprise	Sector	Facility	Employment	Location	Needs	Actions	Remarks	Q	Cap Util vs 2002														
Factory							Electricity																		
			Name	Type		Province	City	Grid	Coalition Sector	Remarks	Electricity	Capacity Need	Priority	1 August MW	Diesel Supply	Current supply	Remarks	Natural Gas	Repairs from Looting	Needs Cash	Needs Other	Items	Status		
	8	State Commission for Training Centers	Service			Basrah	Basrah		MND													Damaged		N	0%
	8	State Commission for Training Centers	Service			Baghdad	Baghdad															Welding center operational		Y	20%
	8	State Commission for Training Centers	Service																					N/A	0%
	8	State Commission for Training Centers	Service																					N/A	0%
	8	Specialized Institute for Engineering	Service		287	Baghdad	Baghdad		1st AD		0		5					0			1	Started minor contracts - worth 60MID - needs rehab		Y	5%
	8	Software	Service		165	Baghdad	Baghdad		1st AD		0		5					0			1	Have found new offices to rent	move 1.11.03	N	0%
	8	Industrial Promotion	Service		180	Baghdad	Baghdad		1st AD	Current location of Ministry	0	1	1					0	0	0	1	Requires directives on what to do		Y	50%
	8	State Industry for Furniture	Service	Baghdad Furniture Production	147	Salahdin	Taji		1st AD	200 Meters North of Powerplant in Taji where US Security is posted...	1		0.5MW/ hr	4				0		1	1			Y	5%

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Prepared for (b)(6) 52 CA COM

Ministry Of Industry & Minerals: State Owned Enterprises Needs Assessment as of 1 December 03																											
SC	File #	Factory	Enterprise	Sector	Facility	Employment	Location				Needs							Actions		Remarks		Q	Cap Util vs 2002				
					Name	Type		Province	City	Grid	Coalition Sector	Remarks	Electricity					Remarks	Natural Gas	Repairs from Looting	Needs Cash	Needs Other	Items	Status			
													Electricity	Capacity Need	Priority	1 August MW	Diesel Supply									Current supply	
8	49	D	State Industry for Furniture	Service	Baghdad Furniture Production			Baghdad	Zaafarana		1st AD		1						0		1		Completely destroyed		Workshop	Y	0%
8	50		Research and Development Company	Service				Baghdad	Baghdad	7	1st AD		0													N	0%
9	51		Nasser Al Adeem	MIC		1,106		Baghdad	Baghdad	MB48338167	1st AD		1	10		2					1				Started some contracts with oil ministry 260MID	Y	30%
9	52		Ibn Sena	MIC		750							1	4		1					1				Started production of chemicals & gas	Y	5%
9	53		Al Zawra	MIC		864	Zafarana	Baghdad	MB5244715	23	1st AD		1	3		2					1		Review of previous oil contracts		Contracts with oil and electricity worth \$3BID	N	0%
9	54		Al Samood	MIC		1,487		Baghdad		MC28721564			1	6		2					1				Started contracts worth \$1.9M	Y	7%
9	55		Al Kharzen Center	MIC		362		Baghdad		MB52727868			1	1		0.5					1				Merged with Electronic Co.... Have contracts worth \$1.8 M	N	0%
10	51		Bicycle Company	Mixed				Mahmoudia		MB40665959	MINDCS		15	2				yes									
10	50		Mixed Sector Companies	Mixed	Mixed Cluster			Baghdad		MB5278	1st AD		165	2				yes									

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Damaged beyond repair  
Operational within thirty days

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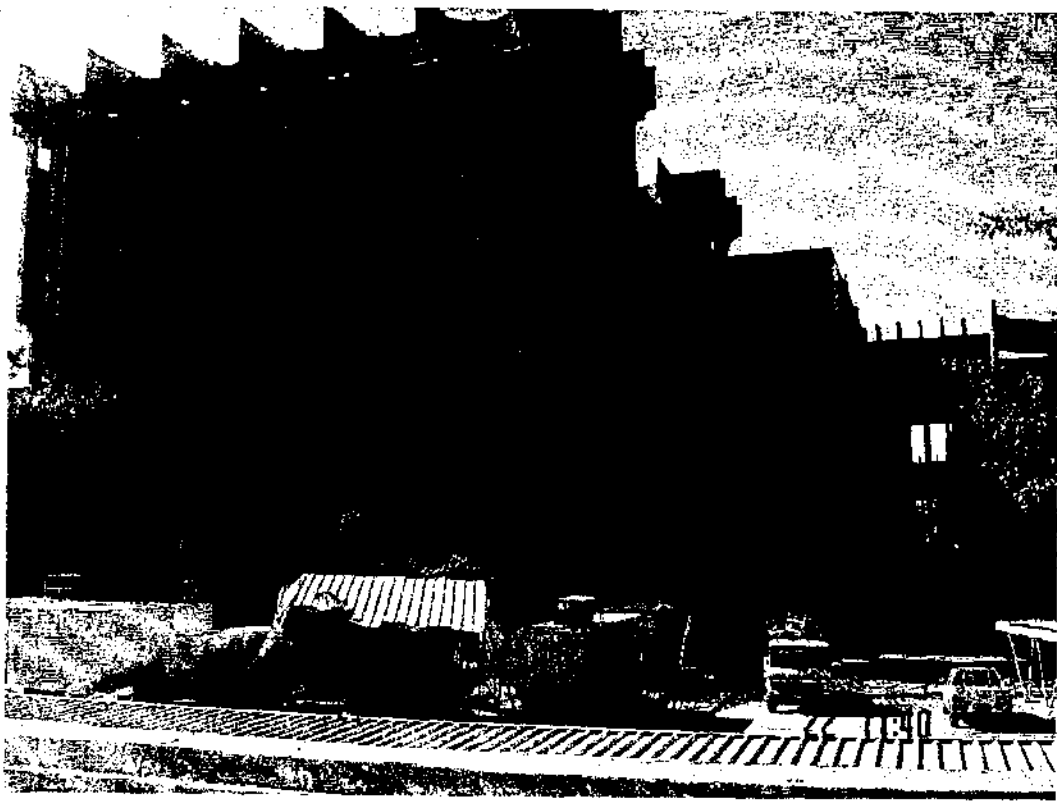
Ministry of Industry and Minerals  
(US \$)

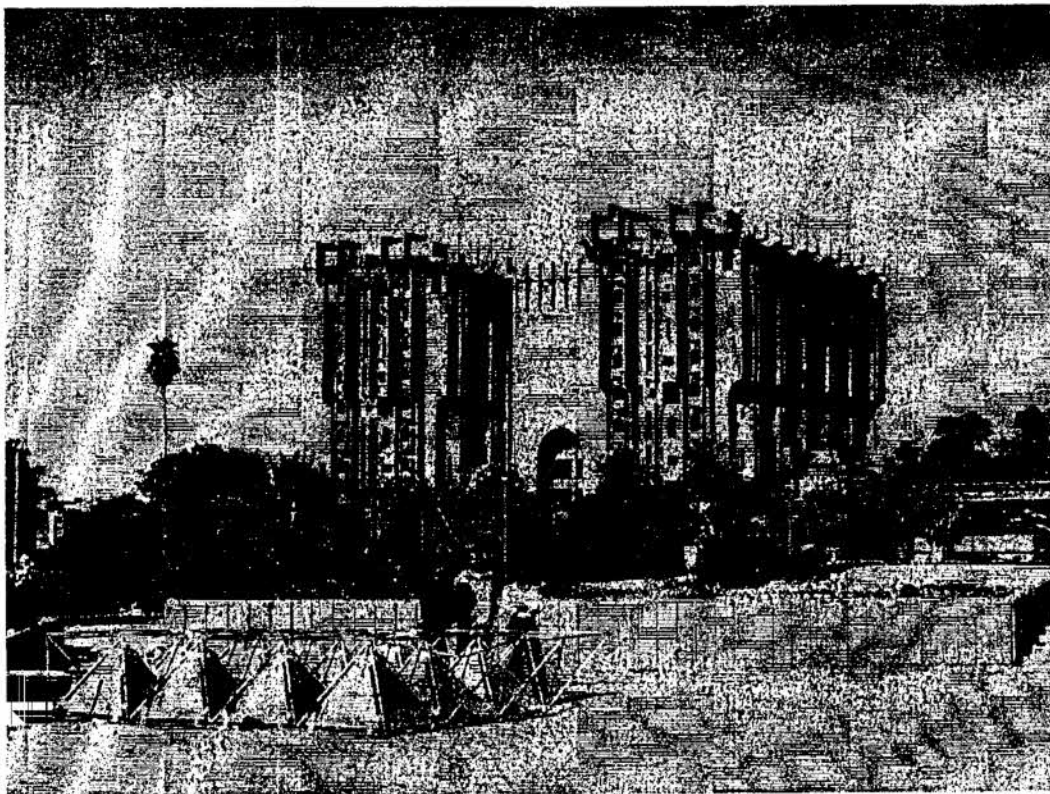
(US \$)													
		Cash Inflows											
Item	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
MIM Headquarters	1,480,000				931,500								
Geological Survey	0	0	0	0	1,350,000	1,500,000	5,250,000	4,000,000	(9,250,000)	1,350,000	9,250,000	(7,900,000)	
Mishraq Sulfur	\$500,000	0	70,000,000	70,000,000	2,318,400		3,518,400	22,000,000	44,481,600	1,159,200	1,159,200	1,159,200	
Training & Rehabilitation (net transfer)	\$450,000	0	0	0	72,000		172,000	0	(172,000)	72,000	472,000	(400,000)	
General Systems Company	\$445,000	7,000,000	0	7,000,000	788,400		4,543,400	500,000	1,956,600	0	0	788,400	
Hand Woven Carpets	\$100,000	1,000,000	800,000	1,800,000	1,629,000		2,383,000	0	(583,000)	407,250	407,250	1,221,750	
Al Furat Chemical Industries	\$1,500,000	3,000,000	0	3,000,000	3,114,000		4,854,000	3,000,000	(4,854,000)	1,567,000	1,567,000	1,557,000	
Petrochemical Industries	\$3,000,000	10,000,000	0	10,000,000	8,969,600		10,344,600	2,200,000	(2,544,600)	3,484,800	3,484,800	3,484,800	
Phosphate	\$5,000,000	6,000,000	1,500,000	7,500,000	5,781,600		11,206,600	2,400,000	(5,106,600)	2,890,800	2,890,800	2,890,800	
Northern Fertilizer	\$1,000,000	7,500,000	0	7,500,000	2,847,600		6,697,600	2,000,000	(1,197,600)	1,423,800	1,423,800	1,423,800	
Southern Fertilizer	\$1,500,000	9,000,000	0	9,000,000	4,849,200		9,599,200	3,000,000	(3,599,200)	1,212,300	1,212,300	3,638,600	
Northern Cement	\$2,000,000	48,600,000	0	48,600,000	4,140,000		29,174,000	12,000,000	7,426,000	1,035,000	1,035,000	3,105,000	
Iraqi Cement	\$3,000,000	37,800,000	0	37,800,000	5,940,000		25,872,000	6,000,000	5,628,000	1,485,000	1,485,000	4,455,000	
Southern Cement	\$2,600,000	70,200,000	0	70,200,000	9,360,000		44,448,000	15,000,000	10,752,000	2,340,000	2,340,000	7,020,000	
Al Faris	\$1,725,000	1,750,000	0	1,750,000	2,199,600	850,000	5,949,600	750,000	(4,949,600)	1,099,800	1,949,800	249,800	
Al Qadesia (Dysla) Electrical Industries	\$2,600,000	6,000,000	0	6,000,000	4,069,800		11,569,800	0	(5,569,800)	3,052,350	3,052,350	1,017,450	
Industrial Design & Consultation	\$250,000	1,500,000	0	1,500,000	1,458,000		2,013,000	0	(513,000)	1,458,000	1,458,000	0	
Ur Engineering Industry	\$2,700,000	10,000,000	0	10,000,000	6,033,600		16,833,600	1,500,000	(8,333,600)	6,033,600	6,033,600	0	
Geological Survey & Mining	\$1,500,000	5,000,000	0	5,000,000	817,200		2,417,200	2,500,000	82,800	0	0	817,200	
Nasr SC for Mechanical Industries	\$3,000,000	7,000,000	0	7,000,000	4,451,400		9,201,400	1,000,000	(3,201,400)	4,451,400	4,451,400	0	
Drugs & Medical Supplies - Sammara	\$1,500,000	3,000,000	0	3,000,000	4,680,000		4,980,000	1,000,000	(2,980,000)	1,170,000	1,170,000	3,510,000	
Drugs & Medical Supplies - Ninawa	\$1,200,000	1,000,000	0	1,000,000	1,710,000		2,010,000	1,000,000	(2,010,000)	427,500	427,500	1,282,500	



State Owned Enterprises	2003 Subsidy	Cash Inflows			Salaries	Army Rent Subsidy	Total Operating Expenses 2004	Capital Expenditure	2004 Subsidy by Month	2004 Subsidy by Quarter	2004 Subsidy by Half	2004 Subsidy by Year	
		Revenue from 2004 Production	Revenue from Preservation Production	Total Cash Inflows									
Specialized Institute for Engineering Industries**	\$250,000	2,000,000	0	2,000,000	1,458,000		2,118,000	400,000	(518,000)	1,458,000	1,458,000	0	Transfer from MIM
Woolen Industries SC	\$2,000,000	3,000,000	0	3,000,000	5,761,800		6,111,800	0	(3,111,800)	5,761,800	5,761,800	0	
Textile Industries - Hilla	\$1,000,000	3,000,000	0	3,000,000	4,881,600		7,206,600	0	(4,206,600)	4,881,600	4,881,600	0	
Vegetable Oils Industry	\$2,000,000	5,000,000	0	5,000,000	6,798,600		12,398,600	0	(7,398,600)	5,098,950	5,098,950	1,699,650	
Leather Industries	\$1,000,000	3,500,000	0	3,500,000	5,079,600		8,679,600	0	(5,179,600)	5,079,600	5,079,600	0	
Battery Industries SC	\$1,000,000	1,500,000	0	1,500,000	3,472,200		7,222,200	0	(5,722,200)	868,050	868,050	2,604,150	
Mechanical Industries	\$1,200,000	8,000,000	0	8,000,000	6,969,600		22,919,600	0	(14,919,600)	6,969,600	6,969,600	0	
Cotton Industries SC	\$1,000,000	8,500,000	0	8,500,000	12,096,000		12,846,000	0	(4,346,000)	12,096,000	12,096,000	0	
Ready Made Wear Industries	\$1,000,000	2,500,000	0	2,500,000	5,812,200		8,637,200	0	(6,137,200)	5,812,200	5,812,200	0	
Tobacco & Cigarettes	\$2,500,000	11,250,000	0	11,250,000	4,042,800	1,750,000	17,774,618	1,000,000	(7,524,618)	2,021,400	3,771,400	271,400	
Iron & Steel	\$500,000	0	50,000,000	50,000,000	7,574,400		8,074,400	20,000,000	21,926,600	7,574,400	7,574,400	0	
Electrical Industries SC	\$2,500,000	7,000,000	0	7,000,000	5,684,400		9,604,400	0	(2,604,400)	4,263,300	4,263,300	1,421,100	
Tires Industries - Najaf	\$500,000	6,000,000	0	6,000,000	4,320,000		8,120,000	1,500,000	(3,620,000)	1,080,000	1,080,000	3,240,000	
Wasit Textile	\$250,000	6,000,000	0	6,000,000	5,970,600		9,365,600	0	(3,365,600)	5,970,600	5,970,600	0	
Construction Industries	\$500,000	3,000,000	0	3,000,000	5,783,400		8,283,400	1,000,000	(6,283,400)	5,783,400	5,783,400	0	
Al Sawari Chemical Industries	\$150,000	2,500,000		2,500,000	1,729,800		3,479,800	0	(979,800)	1,297,350	1,297,350	432,450	
Paper Industry	\$250,000			0	5,675,400		5,675,400		(5,675,400)	5,675,400	5,675,400	0	
Rubber Industries	\$500,000			0	2,161,800		2,161,800		(2,161,800)	2,161,800	2,161,800	0	
Industrial Promotion	\$100,000	0	0	0	338,400		5,000,000	500,000	(5,500,000)	338,400	5,338,400	(5,000,000)	Agency reclassification
Sugar Industry	\$500,000	3,000,000	0	3,000,000	864,000		15,864,000		(12,864,000)	864,000	864,000	0	
Furniture Factory	\$125,000			0	401,400		401,400		(401,400)	401,400	401,400	0	
Dairy Products SC	\$500,000			0	2,187,000		2,187,000		(2,187,000)	2,187,000	2,187,000	0	
Nissan (17)	\$100,000	0	0	0	1,449,000		1,449,000		(1,449,000)	1,449,000	1,449,000	0	
Research & Development	\$100,000			0	1,828,800		1,828,800		(1,828,800)	1,828,800	1,828,800	0	
Car Manufacturing (Vehicle Industries)	\$225,000	0	0	0	3,900,600	750,000	4,750,600		(4,750,600)	3,900,600	4,650,600	(750,000)	
Refractories Company	\$200,000	2,500,000	0	2,500,000	1,729,800		3,479,800	0	(979,800)	1,729,800	1,729,800	0	

Cash Inflows												
State	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Nasser Al Adeem	0				1,990,800					1,990,800	1,990,800	0
Ibn Sena	0				1,350,000					1,350,000	1,350,000	0
Al Zawra	0				1,555,200					1,555,200	1,555,200	0
Al Samood	0				2,676,600					2,676,600	2,676,600	0
Al Kharzen Center	0				651,600					325,800	325,800	325,800
Al Shaheed	0				2,340,000					2,340,000	2,340,000	0
Tareq	0				1,612,800					1,612,800	1,612,800	0
Hammurabi	0				1,144,800					1,144,800	1,144,800	0
Al Tahady	0				718,200					718,200	718,200	0
Ibn Al Walid	0				3,056,400					3,056,400	3,056,400	0
Al Ikhaa	0				4,287,600					4,287,600	4,287,600	0
Al Rashed	0				4,122,000					4,122,000	4,122,000	0
Azah al Kabir	0				903,600					903,600	903,600	0
Al Noaman	0				1,157,400					1,157,400	1,157,400	0
Al Uboor	0				2,237,400					2,237,400	2,237,400	0
Al Mansour	0				1,206,000					1,206,000	1,206,000	0
Al Radhwan	0				1,368,000					1,368,000	1,368,000	0
Al Nidaa	0				2,302,200					2,302,200	2,302,200	0
Al Salam	0				1,353,600					1,353,600	1,353,600	0
Ibn Majed	0				2,966,400					2,966,400	2,966,400	0
Total	59,400,000	323,500,000	122,300,000	445,800,000	227,866,500	4,850,000	409,169,418	105,700,000	(77,910,818)	173,763,450	190,413,450	37,453,050





1. MIM had whole bldg = back part allocated MOE. (Before war)
2. MOE removed the debris only; - checked to see structural integrity  
They are located in a wing w/ MOO;  
w/ intention of building a new bldg  
in AL Wa 2 <sup>area</sup> ~~area~~ area.

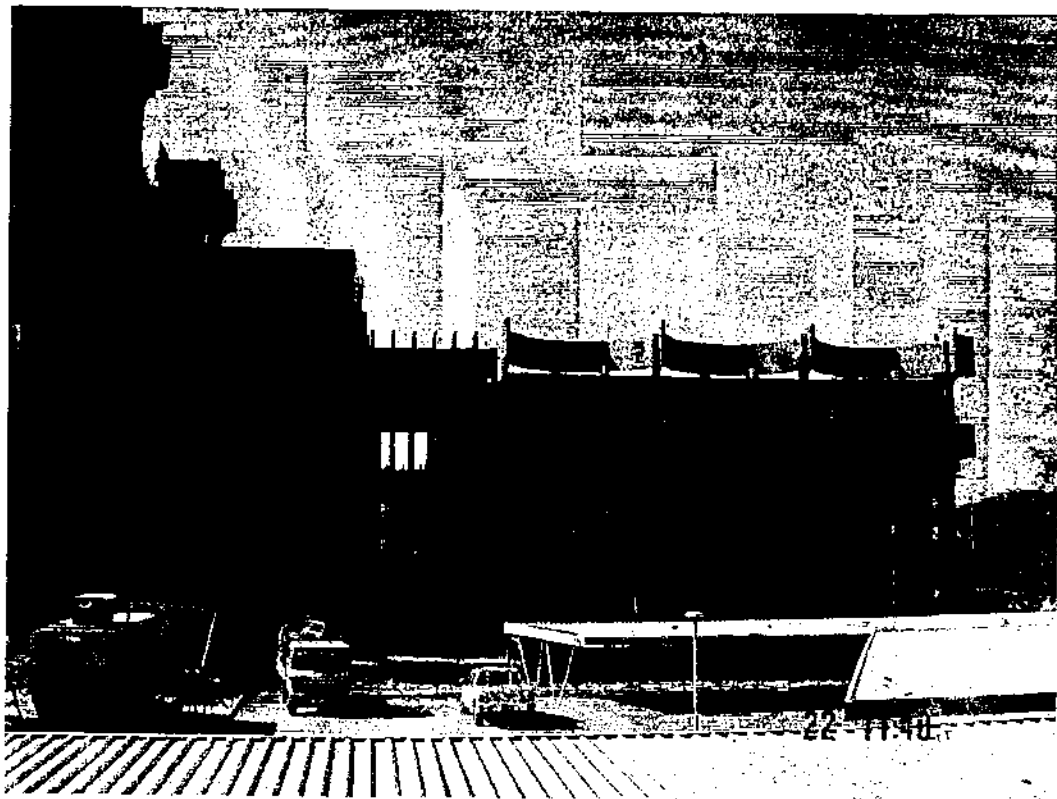
---

3. Shil allocated (.

(A) <sup>MHC</sup> Morgan + Almaad talked. CDAC  
 signed K w/ MHC + MIM's Contract.  
Null + Void

(B) MIM got \$170,000 = to renovate  
 MOF allocated in NOV/Dec \$5,000,000, <sup>DD</sup>DD  
 to renovate four stories (no AC/no clerks)





(b)(6)

---

**From:** (b)(6) DOD (b)(6)  
**Sent:** Monday, July 05, 2004 7:35 PM  
**To:** (b)(6)  
**Subject:** FW: MIM/MOE Start Work Notice

FYI.

---

**From:** (b)(6)  
**Sent:** Monday, July 05, 2004 6:07 PM  
**To:** (b)(6)  
**Cc:** (b)(6)  
**Subject:** MIM/MOE Start Work Notice

(b)(6)

Please be advised that tomorrow July 6, 2004 we will begin work at the subject sites. Work will consist of making stair wells, windows, and elevator shafts safe. Seven people will be working at the MOE site and, ten will be working at the MIM site.

Regards,

(b)(6)  
Sr. Task Order Manager  
Parsons - BHE

(b)(6)

7/6/2004

(b)(6)

**Sent:** Friday, April 30, 2004 8:00 PM

**To:** (b)(6)

**Cc:**

**Subject:** Ministry of Industry and Minerals Site visit

(b)(6)

As we discussed, we were at the Ministry building yesterday and heard small arms fire just as we were starting to look around. The security teams could not tell where it was coming from and cut short our visit. We were actually on the front side where the scrap metal is rather than the side we were supposed to be on.

The Design Build contractor would like to reschedule a site visit as soon as possible. We heard Saturday and Sunday are holidays and assume Monday may be the best time to visit again. Could you confirm if it would be possible for Firas, Dr Hameed or both to meet with the contractor on Monday? Sunday would also be fine if they will be working. We could leave here at 1200 and meet at the building around 1230 or so on either day.

The contractor was wondering if there are more drawings available for the facility in addition to the three that Firas provided. Also, do you have a copy of a FEST report for the building or any other information that would be helpful? Since the contractor is working in the building I assume the entire building has been checked for IEDs etc? Any additional insight you have regarding the facility would be greatly appreciated. Thanks. Jerry

(b)(6)

Coalition Provisional Authority - Program Mgmt Office

Buildings, Health & Education Sector Manager

(b)(6)

As we discussed, we were at the Ministry building yesterday and heard small arms fire just as we were starting to look around. The security teams could not tell where it was coming from and cut short our visit. We were actually on the front side where the scrap metal is rather than the side we were supposed to be on. The Design Build contractor would like to reschedule a site visit as soon as possible. We heard Saturday and Sunday are holidays and assume Monday may be the best time to visit again. Could you confirm if it would be possible for Firas, Dr Hameed or both to meet with the contractor on Monday? Sunday would also be fine if they will be working. We could leave here at 1200 and meet at the building around 1230 or so on either day.

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(b)(6)

(b)(6)

Coalition Provisional Authority - Program Mgmt Office  
Buildings, Health & Education Sector Manager

(b)(6)

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(b)(6)

5/1/2004







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**a VA fax machine!**[Previous](#) | [Next](#) | [Back to Messages](#)[Printable View](#) - [Full Headers](#)[Delete](#)[Reply](#)[Forward](#)[Spam](#)[Move to folder...](#) [OK](#)This message is not flagged. [ [Flag Message](#) - [Mark as Unread](#) ]**Subject:** RE: Ministry of Industry and Minerals Site visit**Date:** Fri, 30 Apr 2004 20:10:42 +0400**From:** (b)(6)[Address Book](#) [Add to](#)**To:** (b)(6)**CC:**

-----Original Message-----

**From:****Sent:** Friday, April 30, 2004 8:03 PM**To:** (b)(6)**Cc:**

(b)(6)

**Subject:** RE: Ministry of Industry and Minerals Site visit

-----Original Message-----

**From:****Sent:** Friday, April 30, 2004 8:00 PM**To:** (b)(6)**Cc:**

(b)(6)

**Subject:** Ministry of Industry and Minerals Site visit

(b)(6)

(b)(6)

5/1/2004

(b)(6) wrote:  
 I just noticed a few errors in this one. I have fixed them and attached the right one.  
 Please let me know how long until we can have the information. We need to write the  
 order to the contractor by the end of February and will need a few days to write it. Thank  
 you.

-----Original Message-----

**From:** firas samir (b)(6)  
**Sent:** Wednesday, February 18, 2004 9:04 AM  
**To:** (b)(6)  
**Subject:** Re: PIF Sample 16 Feb

thank you (b)(6) I appreciate your cooperation.

regards / Firas

(b)(6) wrote:

In the block titled Scope of Work is the information we require.  
 Please let me know if you have any questions. Thank you. Marna

COALITION PROVISIONAL AUTHORITY PROGRAM MANAGEMENT OFFICE BAGHDAD, IRAQ PROJECT IDENTIFICATION FORM			
MINISTRY <b>INDUSTRY AND MINERALS</b>		PROJECT TITLE <b>RENOVATE HEADQUARTERS BUILD</b>	
LOCATION (GOVERNATE)		LOCATION (MUNICIPALITY)	
SECTOR / SUBSECTOR <b>PUBLIC BUILDINGS</b>	CONTACT PERSON & TITLE <b>DR. HAMEED AL ANBARI</b>	CONTACT TELEPHONE	CONTACT
GPS START (FORMAT DDD.DDDDD) <b>N</b> <b>E</b>	GPS END (FORMAT DDD.DDDDD) <b>N</b> <b>E</b>	CPA PRIORITY	PROJECT IN US C <b>N/A</b>
DATE <b>14 FEBRUARY 2004</b>	PROJECT IDENTIFICATION NO. <b>QAATC001</b>	OTHER FUNDING REQUESTED?	FROM W
PROJECT OBJECTIVE AND JUSTIFICATION (Note: Address coordination with other projects, if known.)			
<p>Repair and renovate one wing of the building previously known as the Ministry of Electricity built administration offices of the Ministry of Industry and Minerals. The building is a 10 story (plus base) concrete column and beam structure with masonry exterior. It has been looted and severely damaged from looting. Upgrade all structural components, exterior finishes, site utilities, interior power and plumbing beyond what was previously provided. The building will also house the Ministry of Industry and Minerals. Repair and upgrade to the Ministry of Electricity portion of the building is not included in this project. A property agreement in place between the Ministry of Industry and Minerals and the Ministry of Electricity to the issue of this task-order contract.</p>			
SCOPE OF PROJECT			
<p>Define          Provide total square meters to be renovated          Describe any particular site modifications desired          Describe any specific need: sanitary sewer, storm sewer, mechanical systems, water supply          Provide floor plans on A3 or A4 paper of existing and desired layouts          If a contractor bid exists, attach a copy</p>			

2/25/2004

COST ESTIMATE					
#	ITEM	Unit/ Measurement	QUANTITY	UNIT COST	CO (\$ 0
1					
2	Do Not Complete: For PMO use.				
3					
4					
5					
6					
7					

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Square Meters:

4 Floors://

• MIM has K w/ SEDAC  
for 4 floors (no AC/vent),

2/25/2004



co-located with the Ministry of Electricity...? It was on the supplemental funding list but we have not received any supporting information from the ministry. Without the information, we cannot write the contract. Other ministries on the priority list have provided this information and will receive the funding if Industry and Minerals cannot provide the information requested. We had been worked with the CPA Senior Advisor's office for 2 months trying to get the information and were constantly delayed or derailed by the lack of response from them. Now it is do or die, so to speak.

Obviously we never got the required information and need to know if we are going to get it otherwise the funding will go to another ministry's project. However, if you don't need the funding – a simple message indicating such will suffice. If the Ministry of Industry and Minerals is still in need of a Headquarters' building – it best get rolling to provide the PMO with the information we have been repeatedly requesting (this should be obvious in the e-mails attached to this message).

Let me know if you need more clarification – we are in the palace and you are welcome to stop by anytime to discuss – unfortunately, this won't delay the deadline for the information but may help you to get on track with the project and define the needs further.

Hope that helps.

(b)(6)

-----Original Message-----

**From:** (b)(6)  
**Sent:** Sunday, February 08, 2004 6:28 PM  
**To:** (b)(6)  
**Subject:** RE: HQ Industry and Minerals

What building are we referring too?... I am not familiar with the project... also highly doubtful that I can get this information in 4 days....

(b)(6)

-----Original Message-----

**From:** (b)(6)  
**Sent:** Sunday, February 08, 2004 4:19 PM  
**To:** (b)(6)  
**Cc:** (b)(6)  
**Subject:** RE: HQ Industry and Minerals

(b)(6) my apologies, it is no wonder this was never followed up on, I suppose. Still need the info ASAP. As you know, the contract for the supplemental funding is expected to be awarded in 3 weeks and we need to have this contract completed.

Thanx.

-----Original Message-----

**From:** (b)(6)  
**Sent:** Sunday, February 08, 2004 4:16 PM  
**To:** (b)(6)  
**Cc:** (b)(6)  
**Subject:** RE: HQ Industry and Minerals

(b)(6) I need the information requested NLT Friday 13 February. I have attempted to contact Dr. Hameed on several occasions with no success. Please have him contact me at his earliest convenience. My number is still (b)(6) If the information needed is not provided we will have to move to the

2/25/2004



next priority on our list that has provided the information. If you no longer need the supplemental funds for refurbishment please send me a return message stating such.

Thank you

(b)(6)  
Project Architect  
CPA/PMO

-----Original Message-----

**From:** (b)(6) CIV Ministry of Ind/Minerals  
**Sent:** Thursday, December 04, 2003 9:21 AM  
**To:** (b)(6)  
**Cc:** (b)(6)  
**Subject:** RE: HQ Industry and Minerals

The best way to get the information quickly is to call the person in charge of the renovation project at the ministry – his name is Dr. Hameed al-Anbari, DG Design and Ind. Construction Dept.,

(b)(6)

I will let him know that you will be calling and that you need the information quickly!!!

I am going out of town this morning and will return on Sat.

(b)(6) Senior Advisor  
Ministry of Industry and Minerals  
Coalition Provisional Authority (CPA)  
Baghdad, Iraq  
(b)(6)

-----Original Message-----

**From:** firas samir (b)(6)  
**Sent:** Wednesday, February 25, 2004 9:50 AM  
**To:** (b)(6)  
**Subject:** RE: PIF Sample 16 Feb

(b)(6)

I contacted again Dr.Hameed Al-Anbari about this issue and he told me that the ministry doesnt know any thing about this issue and he is just in responsible for rehabilitating the Ministry of Industry building.(untill know there is no agreement between our Ministry and the Ministry of electricity regarding this issue).

Firas, when will the information be available? Is there a way I can collect it from you? We are running short on time to get this completed. Thank you for your help. Marna

-----Original Message-----

**From:** firas samir (b)(6)  
**Sent:** Wednesday, February 18, 2004 9:24 AM  
**To:** (b)(6)  
**Subject:** RE: PIF Sample 16 Feb

I will try to provide you with the information ASP.

2/25/2004

(b)(6)

From: firas samir (b)(6)  
 Sent: Wednesday, February 18, 2004 9:24 AM  
 To: (b)(6)  
 Subject: RE: PIF Sample 16 Feb

I will try to provide you with the information ASP.

(b)(6)

wrote:

I just noticed a few errors in this one. I have fixed them and attached the right one. Please let me know how long until we can have the information. We need to write the order to the contractor by the end of February and will need a few days to write it. Thank you.

-----Original Message-----

From: firas samir (b)(6)  
 Sent: Wednesday, February 18, 2004 9:04 AM  
 To: (b)(6)  
 Subject: Re: PIF Sample 16 Feb

thank you (b)(6), I appreciate your cooperation.

regards / Firas

(b)(6)

wrote:

In the block titled Scope of Work is the information we require. Please let me know if you have any questions. Thank you. Marna

COALITION PROVISIONAL AUTHORITY PROGRAM MANAGEMENT OFFICE BAGHDAD, IRAQ PROJECT IDENTIFICATION FORM			
MINISTRY <b>INDUSTRY AND MINERALS</b>		PROJECT TITLE <b>RENOVATE HEADQUARTERS BUILDING</b>	
LOCATION (GOVERNATE)		LOCATION (MUNICIPALITY)	
SECTOR / SUBSECTOR PUBLIC BUILDINGS	CONTACT PERSON & TITLE <b>DR. HAMEED AL ANBARI</b>	CONTACT TELEPHONE	CONTACT E-MAIL
GPS START (FORMAT DDD.DDDDD) N E	GPS END (FORMAT DDD.DDDDD) N E	CPA PRIORITY	PROJECT COST IN US DOLLARS N/A
DATE <b>14 FEBRUARY 2004</b>	PROJECT IDENTIFICATION NO. <b>QAATC001</b>	OTHER FUNDING REQUESTED?	FROM WHOM?
PROJECT OBJECTIVE AND JUSTIFICATION (Note: Address coordination with other projects, if known.)			
Repair and renovate one wing of the building previously known as the Ministry of Electricity building to support the administration offices of the Ministry of Industry and Minerals. The			

2/25/2004

building is a 10 story (plus basement) reinforced concrete column and beam structure with masonry exterior. It has been looted and severely damaged by fire. (Refer to the attached US Army Corps of Engineers Structural Site Assessment dated October 2003.) Special investigation will need to be completed to ensure the facility structures are sound and safe. Clean and repair all damage from looting. Upgrade all structural components, exterior finishes, site utilities, interior finishes and interior power and plumbing beyond what was previously provided. The building will also house the Ministry of Electricity. Repair and upgrade to the Ministry of Electricity portion of the building is not included in this project. There will need to be a property agreement in place between the Ministry of Industry and Minerals and the Ministry of Electricity prior to the issue of this task-order contract.

#### SCOPE OF PROJECT

##### Define

**Provide total square meters to be renovated**

**Describe any particular site modifications desired**

**Describe any specific need: sanitary sewer, storm sewer, mechanical systems, water storage, etc**

**Provide floor plans on A3 or A4 paper of existing and desired layouts**

**If a contractor bid exists, attach a copy**

COST ESTIMATE					
#	ITEM	Unit/ Measurement	QUANTITY	UNIT COST	CO (\$ 0
1					
2	Do Not Complete: For PMO use.				
3					
4					
5					
6					
7					

Read only the mail you want.

2/25/2004



## APPLICATION TO USE PUBLIC PROPERTY

(CPA/ORD/06 Jul 2003/ FMT )

INSTRUCTIONS: In order to receive authorization to use public property, please provide the following information, **all questions must be answered**, and submit this application to **Facility Management Team, CPA HQS Rm. B103/ 914.360.4677/** . E-mail applications to **al-badria.irq@orha.centcom.mil**. Based on the information provided, the Facility Manager will determine, based on the CPA Administrator's priorities and policies, whether to allocate the property and whether it will be Category 1 property subject to a Letter of Authority or Category 2 property subject to a License.

APPLICATIONS **MUST** BE TYPED AND **EVERY** QUESTION **MUST BE ANSWERED** TO THE BEST OF THE APPLICANT'S KNOWLEDGE OR IT WILL NOT BE ACCEPTED.

DATE OF APPLICATION: 03/21/03

DATE REQUIRED TO OCCUPY PROPERTY: 04/20/04 to 04/20/05

### **I. APPLICANT INFORMATION:**

#### **1. Organization:**

Ministry of Industry and Minerals

Describe the nature of legal organization and, as applicable, the percentage of private and public ownership:

100% publicly owned building

#### **2. If a private entity, describe the activities of the private entity:**

NA

#### **4. Name of the Action Individual who represents the entity (include title, phone number, and other contact information):**

(b)(6)

(b)(6)

(b)(6)

#### **5. If multiple organizations will be sharing a property, please provide the above information for each organization that will use the property.**

**Include the conditions or terms of the sharing arrangements:**

NA



## **II. PROPERTY INFORMATION:**

**6. Provide the grid coordinates for the property:**

GPS starts N 33.3288, E 44.41695

GPS ends MB45668, 87883

**7. Provide an approximate size of building requested (square meters).**

Not available

**8. Provide the number of parking spaces:**

100

**9. a. Provide a written description of the property.**

10 story building completed in 1980

**b. If a building, state the number of stories/floors.**

10 floors

**c. Describe what the building is made of (i.e., brick, concrete, steel, etc.).**

Concrete

**d. Provide information on any major thoroughfares and public services located nearby, such as hospitals, courts, or police stations.**

Ministry of electricity headquarter, Ministry of education  
Headquarter

**10. Provide a description of the conditions of any building or other structures on the property (any other assessments or surveys that have been done on the property or the structure should be provided as attachments):**

Requires renovation including floor, suspended ceiling, electrical, mechanical and plumbing

**11. Provide any available information that identifies the property as public property. Provide information on what the property was used for under the former regime. It is important to include the government entity that is the registered owner of the property, a description of the prior use of the property, and any other situational details that you can ascertain.**

Ministry of Industry and Minerals Headquarter

- 12. Provide an inventory of any movable property. This includes any furnishings and equipment. Describe the condition of each item as good, fair, or poor:**

NA

- 13. Provide a description of why this property was chosen and whether any other properties were considered:**

Ministry headquarters suffered damage as result of looting and fire during the war.

- 14. If any other properties were considered, provide a description of why they were not the preferred properties: NA**

- 15. If there are any current occupants in the property, how many are there and what organization, if any, are they associated with? NA**

### **III. USE INFORMATION:**

- 16. Describe any capital improvement plan(s) for the property. This includes costs, timing, and resources and supplies for capital improvements:**

Building will be restored to pre war condition.

- 17. What type of activities will be conducted on the property?**

Administrative

- 18. How many people are expected to use the building?**

Aprox 600

**SIGNED BY:**

(b)(6)

**PHONE NUMBER**

(b)(6)

**Signature of Directorate, Brigade Commander, Senior Advisor to the Minister or Agency Head is Required.**

(b)(6)

**From:** (b)(6)  
**Sent:** Wednesday, February 25, 2004 10:09 AM  
**To:** 'firas samir'  
**Cc:** (b)(6)  
**Subject:** RE: PIF Sample 16 Feb

We are TRYING to HELP to renovate the building. If we don't get the information soon, (within 4! Days now!) we cannot do that - \$8 MILLION dollars are at stake here!. Here is the previous info I received from (b)(6)

-----Original Message-----

**From:** (b)(6)  
**Sent:** Tuesday, February 10, 2004 8:22 PM  
**To:** (b)(6)  
**Cc:**  
**Subject:** RE: HQ Industry and Minerals

Had this discussion today with the Chief of staff at MIM... he confirmed the MoE as tenant for adjacent space. Anyway he will get on Dr Hameed to contact you. Please follow up with (b)(6) if you do not receive closure within a day or two... I depart on Friday for good  
(b)(6)

-----Original Message-----

**From:** (b)(6)  
**Sent:** Monday, February 09, 2004 10:31 AM  
**To:** (b)(6)  
**Subject:** RE: HQ Industry and Minerals

Yes, that is the building and Electricity has already completed the refurbishment of 1/2 of the building. We were there at the same complex a few weeks ago looking at the Ministry of Education and Higher education complex. Has the Ministry of Industry and Minerals already refurbished their half of the building?

-----Original Message-----

**From:** (b)(6)  
**Sent:** Sunday, February 08, 2004 6:50 PM  
**To:** (b)(6)  
**Cc:**  
**Subject:** RE: HQ Industry and Minerals

The MIM HQ Building to be repaired is located at MB45758791. To my knowledge there is no intent to co-locate with the Ministry of Electricity at this site... Please confirm we are talking about the same building...

(b)(6)

-----Original Message-----

**From:** (b)(6)  
**Sent:** Sunday, February 08, 2004 6:41 PM  
**To:** (b)(6)  
**Subject:** RE: HQ Industry and Minerals

The Ministry of Industry and Minerals Headquarters building – supposedly meant to be

2/25/2004



File # 933

**APPLICATION TO USE PUBLIC PROPERTY**  
(CPA/ORD/06 Jul 2003/ FMT )

**INSTRUCTIONS:** In order to receive authorization to use public property, please provide the following information, **all questions must be answered**, and submit this application to **Facility Management Team, CPA HQS Rm. B103/ 914.360.4677/** . E-mail applications to **al-badria.irq@orha.centcom.mil**. Based on the information provided, the Facility Manager will determine, based on the CPA Administrator's priorities and policies, whether to allocate the property and whether it will be Category 1 property subject to a Letter of Authority or Category 2 property subject to a License.

**APPLICATIONS MUST BE TYPED AND EVERY QUESTION MUST BE ANSWERED TO THE BEST OF THE APPLICANT'S KNOWLEDGE OR IT WILL NOT BE ACCEPTED.**

**DATE OF APPLICATION:** 03/21/03  
**DATE REQUIRED TO OCCUPY PROPERTY:** 04/20/04 to 04/20/05

**I. APPLICANT INFORMATION:**

**1. Organization:**  
Ministry of Industry and Minerals

**Describe the nature of legal organization and, as applicable, the percentage of private and public ownership:**  
100% publicly owned building

**2. If a private entity, describe the activities of the private entity:**  
NA

**4. Name of the Action Individual who represents the entity (include title, phone number, and other contact information):**

(b)(6)

(b)(6)

(b)(6)

**5. If multiple organizations will be sharing a property, please provide the above information for each organization that will use the property. Include the conditions or terms of the sharing arrangements:**

NA

## **II. PROPERTY INFORMATION:**

**6. Provide the grid coordinates for the property:**

GPS starts N 33.3288, E 44.41695

GPS ends MB45668, 87883

**7. Provide an approximate size of building requested (square meters).**

Not available

**8. Provide the number of parking spaces:**

100

**9. a. Provide a written description of the property.**

10 story building completed in 1980

**b. If a building, state the number of stories/floors.**

10 floors

**c. Describe what the building is made of (i.e., brick, concrete, steel, etc.).**

Concrete

**d. Provide information on any major thoroughfares and public services located nearby, such as hospitals, courts, or police stations.**

Ministry of electricity headquarter, Ministry of education  
Headquarter

**10. Provide a description of the conditions of any building or other structures on the property (any other assessments or surveys that have been done on the property or the structure should be provided as attachments):**

Requires renovation including floor, suspended ceiling, electrical, mechanical and plumbing

**11. Provide any available information that identifies the property as public property. Provide information on what the property was used for under the former regime. It is important to include the government entity that is the registered owner of the property, a description of the prior use of the property, and any other situational details that you can ascertain.**

Ministry of Industry and Minerals Headquarter

- 12. Provide an inventory of any movable property. This includes any furnishings and equipment. Describe the condition of each item as good, fair, or poor:**

NA

- 13. Provide a description of why this property was chosen and whether any other properties were considered:**

Ministry headquarters suffered damage as result of looting and fire during the war.

- 14. If any other properties were considered, provide a description of why they were not the preferred properties: NA**

- 15. If there are any current occupants in the property, how many are there and what organization, if any, are they associated with? NA**

### **III. USE INFORMATION:**

- 16. Describe any capital improvement plan(s) for the property. This includes costs, timing, and resources and supplies for capital improvements:**

Building will be restored to pre war condition.

- 17. What type of activities will be conducted on the property?**  
Administrative

- 18. How many people are expected to use the building?**  
Aprox 600

**SIGNED BY**

(b)(6)

**PHONE NUMBER**

(b)(6)

**Signature of Directorate, Brigade Commander, Senior Advisor to the Minister or Agency Head is Required.**



**MINISTRY OF INDUSTRY & MINERALS**

**From:** Economy Dep.  
Auditing Dep.  
Administration Dep.  
State Co. for Design & Construction (SCEDAC)

**To:** Mr. (b)(6) Senior Advisor of the Ministry of Industry & Minerals.  
(CPA)

**Subject:** Repair of MIM Building.

Dear (b)(6)

In response to your request after the last meeting regarding the above subject on 21<sup>st</sup> .12. 2003 in the presence of:

Dr. Garabed	CPA / MIM
Dr. Sami	DG / Planning Dep.
Dr. Fathil	DG / MIM
Mr. Emad	DG / Administration Dep.
Dr. Hameed	DG / SCEDAC
Mr. Jasim	Project Manager.

The following is a summary of the funds allocated to repair MIM building after canceling the previous contract between MIM and SCEDAC signed on 8/13/2003 and considered nullified and void. Never the less MIM requested SCEDAC to continue repairing MIM building depending on the availability of funds from its own resources.

**One: 170 000 USD**

1- Economy Dep. Informed SCEDAC that a sum of 170 000 USD have been allocated to repair the first three floors of MIM building.

2- On 10/13/2003 SCEDAC wrote to the Minister of MIM regarding the above and the Minister instructed Econ. Dep. to transfer the sum of 170 000 USD i.e. 162 380 USD to the account of Administration Dep. for the repair of the first three floors.

The balance of 7620 USD were used to buy furniture for the temporary MIM building, 3<sup>rd</sup> floor of Development Building (copy of letter no.1396 dated 11/8/2003 enclosed).

4- SCEDAC received 162 380 USD from Administration Dep. as stated in the receipt no.5192519 dated 11/12/2003.

**Two: the sum of 1500 MID.**

1- The Ministry of Finance (MOF) has allocated 3300 MID to MIM and MOF agreed to transfer 1500 MID from the 3300 MID for maintenance i.e. repair of MIM building and as stated in the letter no. 404/3006 dated 11/16/2003 (a copy of which is enclosed).

2- Minister of MIM agreed to transfer 500 000 USD to SCEDAC account as down payment and to transfer an additional 500 000 USD but in stages depending of the progress of work of repairing the first four floors (excluding central air conditioning and the five lifts) approved by a central committee from MIM and in accordance of the letter no.2637 dated 11/18/2003 (a copy of which is enclose) – to be obtained from Administration Dep.

**MINISTRY OF INDUSTRY & MINERALS**

**From:** Economy Dep.  
Auditing Dep.  
Administration Dep.  
State Co. for Design & Construction (SCEDAC)

**To:** Mr. Rick Ortiz, Senior Advisor of the Ministry of Industry & Minerals.  
(CPA)

**Subject:** Repair of MIM Building.

Dear (b)(6)

In response to your request after the last meeting regarding the above subject on 21<sup>st</sup> .12. 2003 in the presence of:

Dr. Garabed	CPA / MIM
Dr. Sami	DG / Planning Dep.
Dr. Fathil	DG / MIM
Mr. Emad	DG / Administration Dep.
Dr. Hameed	DG / SCEDAC
Mr. Jasim	Project Manager.

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# Memo

**To:** Minister Mohamad T. Rahim  
**From:** (b)(6)  
**Date:** April 11, 2004  
**Re:** Industry Ministry Report

---

On December 1, 2003 the PMO signed a contract with the Construction and Design Company, one of Iraq's State owned companies, to rehabilitate and reconstruct the MIM building. The contract is to clean all debris from the whole building and rehabilitate 4 floors out of 12 floors by April, 15th 2004.

Two weeks ago I conducted an inspection for the MIM building. I found the following:

1. In accordance with the contract, debris should've been completely removed from the entire building. My inspection found the contrary. While they are working on the lower floors, upper ones have not been cleaned. Cleaning debris from upper floors after rehabilitating the lower ones is extremely hazardous.
2. Major construction work still need to be done, especially at the lower levels. Construction schedule is behind and completion date in my judgment will be few weeks late.

The contract line items are extremely over priced to start with. After a price comparison analysis, the difference in price between what the market and fair value of this contract and the actual is approximately \$361,000. Furthermore, price discrepancies occurred for the following reasons:

- This effort was done by individuals secretly without the knowledge of the responsible staff or any consultants for privacy reasons.

- Some items that couldn't be checked by more than one source were neglected.
- Some items were duplicated and some were not clear in description.

The result of the price check is described in the following table:

Work Description	Items	Price difference
Electrical works	2-2, 2-1	\$44,000.00
Air Ducts	1, 2, 4	\$9,500.00
Sanitary Works	4, 7, 17	\$28,000.00
Civil Work	3,4,5,6,7, 9,10,13,1 7	\$279,000.00
<b>TOTAL</b>	<b>\$361,000.000 = ID 541,000,000.00</b>	

Taking all into consideration, we recommend the following:

1. Request time extension from PMO to avoid the penalty of ID 50,000 per day that will accumulate on the SOE.
2. Set up a committee to study to re-evaluate contract line item costs. The committee should be neutral and professional, i.e. the Baghdad University or the Technology University consulting engineering bureaus and submit their final evaluation to the minister's office.
3. This committee should also be responsible for construction management of this project. Contract quantities installed and monthly payments should be inspected and approved by this committee also. This committee should also submit a weekly report including work progress, quality assessment and a copy of the deficiencies and violations to the minister's office.
4. A project procedure standard should be set up and followed up for all future projects.

## Task Order Review Routing Slip

Task Order No.: BP-001 : OPT 2

Renovate Ministry of Industry &amp; Minerals Headquarters Building

Task Order Name:

Submitted for Review by:

(b)(6)

e-mail address:

(b)(6)

	Date Submitted	Date Returned	Initials	Approved	Comments
SPMO Review:					
(b)(6)				<input type="checkbox"/>	<input type="checkbox"/>
Construction Management Review:					
(b)(6)				<input type="checkbox"/>	<input type="checkbox"/>
Security/Cultural Review:					
(b)(6)				<input type="checkbox"/>	<input type="checkbox"/>
Public Affairs Review:					
(h)(6)				<input type="checkbox"/>	<input type="checkbox"/>
Ministry Senior Advisor Review:					
Name: (b)(6)	3/23/04	3/25/04	JF	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Ministry:					
Transmitted to Ministry:					
Name:				<input type="checkbox"/>	<input type="checkbox"/>
Logistics Review:					
(b)(6)				<input type="checkbox"/>	<input type="checkbox"/>
Information Copy Sent to JCMEB:					
Name:				<input type="checkbox"/>	<input type="checkbox"/>
Cost Estimate Preparation:					
(b)(6)					
Project Summary Sheet Prepared:					
	date	by (initials)			
Tasking Letter Prepared:					
	date	by (initials)			
Director of Programs Review:					
(h)(6)				<input type="checkbox"/>	<input type="checkbox"/>
Financial Review:					
(h)(6)				<input type="checkbox"/>	<input type="checkbox"/>

## Notes:

1. Reviews are due three days after the date submitted.
2. Ministry reviews are due 14 days after the date submitted.
3. Security /Cultural Reviewer is to provide site-specific information for incorporation into the Task Order.
4. Logistics Reviewer is to review logistics information for scheduling purposes.

<b>TASK ORDER NAME:</b>	Renovate Ministry of Industry & Minerals Headquarters Buildings
<b>TASK ORDER NO.:</b>	BP-001 : OPT 2
<b>PROJECT ID NO(S):</b>	QAATC001
<b>DATE OF ISSUANCE:</b>	March 20, 2004
<b>TYPE OF FACILITY:</b>	Administrative – Headquarters Buildings
<b>PROJECT LOCATION:</b>	Baghdad, Baghdad
<b>GPS COORDINATES:</b>	North: East:
<b>TASK ORDER OVERVIEW:</b>	Clean entire site. Design and renovate site utilities. Design and renovate existing administrative buildings. Design and install landscaping and pavements.
<b>PROJECTED START DATE:</b>	April 1, 2004
<b>LAND ACQUISITION STATUS</b>	Status: Property acquired by the Ministry of Ministry of Industry & Minerals through the CPA Program Management Office
<b>DESIRED COMPLETION DATE:</b>	180-day performance period
<b>PRIMARY POINT OF CONTACT: (SPMO PROJECT MANAGER)</b>	(b)(6)
<b>RCMO PROJECT ENGINEER:</b>	
<b>MINISTRY PROJECT LIAISON:</b>	



## **PROJECT FUNDING**

Funding for this project will be provided by the Coalition Provisional Authority – Program Management Office (CPA-PMO).

## **START OF WORK**

Contractor shall not proceed with any procurement or construction without written approval by PMO of final scope and price.

## **SCOPE OF WORK: OPTION 2: Ministry of Industry and Minerals Headquarters:**

The work covered by this Scope of Work consists of furnishing all labor, equipment, materials, security, housing, travel, testing, inspection and permits required to perform the design, construction, demolition, repair, operation and maintenance, inspection and supervision necessary to complete the work herein.

## **INTENT OF PROJECT:**

The existing Ministry of Industry and Minerals Headquarters building has suffered severe looting and fire. The intent of this project is to fully renovate the designated Ministry of Industry and Minerals building and site to fully operational and usable facility for the Headquarter function. Floors 1, 2, 3 and 4 are currently under rehabilitation. All architectural, mechanical and electrical is being repaired in these floors except for the air handlers. This project shall fully renovate the Ministry of Industry and Minerals building excluding floors 1, 2, 3 and 4. However, air handlers, fire alarm systems, exhaust systems, HVAC systems including water towers, boilers and chillers for the entire building are included in this project. Roof work is not included. Other buildings on the site will not undergo rehabilitation as part of this project. Equipment and finishes shall be of basic style, neutral color and durable quality; meant only to provide for the lasting and basic needs of the Ministry functions within. Any further demolition of other facilities, decoration, artwork, or furnishings are expected to be provided by the future occupants.

## **SPECIFIC SCOPE OF WORK:**

Conduct a complete site investigation and develop comprehensive drawings and descriptions of the existing site utilities and conditions. With this information provide a complete design documenting recommended use of existing systems and integration of new systems, for approval by the Sector Program Management Office (SPMO), which will meet the needs of the Ministry of Industry and Minerals Headquarters and their users. All work under this contract must comply with the applicable International Building Codes.

### **Site Work:**

**Demolition and Clean-Up:** The entire site and designated buildings shall be cleared of debris. Dirt, trash, dead or overgrown vegetation and unnecessary or inappropriate material shall be removed. Contractor is responsible for providing covered and secured waste containers. All debris, rubbish and construction waste shall be properly disposed of at appropriate landfills.

**Sidewalks:** Analyze sufficiency of existing sidewalk system. Remove and/or repair existing sidewalk as necessary and design and construct new sidewalk system in coordination with the final building and site design with emphasis on security and accessibility. Reconstruction shall allow for maximum drainage to storm sewers.

**Parking:** Design and provide secured, paved parking within the boundaries of the site for one hundred (100) vehicles. Provide paint striping for delineation of the approved parking design. Maximize drainage to storm sewers.

**Fencing:** Provide exterior site fencing for security against trespassers. Include personnel and vehicle gates where appropriate.

**Lighting:** Design and install sufficient site lighting to illuminate walkways for safety and the site for security. Site-lighting design for the facilities shall be energy efficient, low-heat producing, and be prescribed so that no more than two (2) different types of bulbs will be used. All exterior lighting controls shall be photovoltaic with a manual override.

**Roads:** Design and modify existing access roadways as necessary to provide necessary parking, secure stand-off distances and site security without denying existing accesses to other buildings on the site.

### **Civil:**

**Structural Repair:** Evaluate and analyze the condition of all structural components including, but not limited to: columns, beams, joists, walls, basement and footings. Notify the SPMO immediately of any components that cannot be repaired. Repair all other components to no less strength than the original components, including plumbing, sewer, and water. If repair cannot be made inconspicuously, the SPMO must approve the proposed repair.

### **Architectural:**

**Demolition and Clean-Up:** The entire buildings shall be cleared of debris. Dirt, trash and unnecessary or inappropriate material shall be removed from the buildings and site. Contractor is responsible for providing covered and secured waste containers. All rubbish and construction debris shall be properly disposed of at authorized landfills.

#### **General:**

**Doors (Floors 5 to 10):** Replace all damaged doors and frames with new ones that most closely match the existing doors and in accordance with the approved design and refinish the remaining doors and frames. Exterior doors shall be the appropriate combination of aluminum and tinted glass and provide maximum security against weather and theft. Interior doors shall be wood with the exception of hazardous areas where steel shall be used. All doors shall be lockable. All hardware shall be aluminum or chrome finish.

**Windows (Floors 5 to 10):** Replace all damaged windows with new that most closely matches the existing windows and in accordance with the approved design. Fifty-percent (50%) of all exterior windows shall be operable to allow for maximum ventilation within the facilities

yet able to be appropriately secured against weather and theft. Window tinting or tinted glazing shall be used for minimal interior heat-gain.

**Exterior Walls:** The interior and exterior surfaces of exterior walls shall be appropriately repaired and/or patched and tinted to match existing. Repairs should be undetectable. Clean and smooth the interior surface of the walls for painting. Ensure exterior walls are weather-tight.

**Interior Walls (Floors 5 to 10):** The interior partitions/walls shall be removed and replaced with new. Interior walls shall be of standard construction with a paintable finish. Tiled walls should be treated the same as "Floors:" (in this section).

**Ceilings (Floors 5 to 10):** *Suspended:* Remove existing suspended ceilings entirely. Install new, matching, suspended ceilings as part of the final design. Suspended ceilings should support and conceal any mechanical, electrical or communications systems installed above the ceiling. Provide 10% additional ceiling tiles to the SPMO. *Concrete or plaster ceilings:* All permanent ceilings as part of the final design shall be repaired and/or patched to a paintable finish. Repairs should be undetectable. Paint all concrete or plaster ceilings.

**Floors (Floors 5 to 10):** Repair all floors, floor or wall tiles, and steps with the same methods and materials as the existing floor, tiling, and steps so long as they are part of the final, approved design. If tiles and/or steps are more than forty-percent (40%) damaged and/or missing within a space, replace entirely.

**Base (Floors 5 to 10):** Install base along all walls. Base should match floors to the maximum extent possible.

**Elevators:** Use existing elevator shafts for new elevators to carry the maximum number of occupants and stop on all floors (One freight and five passenger elevators).

**Office Spaces/Meeting Rooms (Floors 5 to 10):** All offices and meeting spaces shall be finished in basic, neutral finishes. Walls shall be clean and smooth and painted with one coat of primer and two coats of flat, opaque paint. Install suspended ceilings no less than 2400mm above finished floor with flush mounted, covered, light fixtures. Ceiling fans shall be provided in every office spaced not farther apart than 6m on-center and be controlled by switches located adjacent to lighting controls. Flooring shall be mosaic or terrazzo tile, securely grouted with a smooth finish. Manually operated, interior, vertical window blinds shall be provided for all exterior windows. Wooden office doors shall be provided with tempered glass windows so that occupants will be visible from the corridor.

**Toilet Rooms (Floors 5 to 10):** Toilet rooms shall be finished in basic, neutral finishes. Design shall include analysis of fixtures adequate to meet the Code. Walls shall be of securely grouted, ceramic tile and sealed to be waterproof. Ceilings shall be clean and smooth and painted with one coat of primer and two coats of flat, opaque paint. Flooring shall be mosaic or terrazzo tile, securely grouted with a smooth and waterproof finish. Each water closet shall be enclosed in private rooms lockable by thumb-turn locks on the interior with occupancy indicators on the exterior. Urinals shall offer privacy screens as typically accepted. Provide standard toilet paper dispensers with supplies readily available locally. Provide a wall-hung shelf above each water closet and lavatory. Provide disposable towel dispensers with supplies readily available locally. Provide sufficient exhaust and at least one floor drain for each toilet room. Lighting may be ceiling or wall mounted and be controlled by a single wall switch. All hardware and accessories shall be of neutral or chrome metallic finish.



**Water Closets (Floors 5 to 10):** No less than fifty percent (50%) of the water closets shall be commercial-grade, "Western-style" floor- or wall-mounted fixtures. Use existing "Oriental-style" water closets to the maximum extent possible if determined to be repairable or replaceable and in fewer than 50% of the water closet locations.

**Lavatories (Floors 5 to 10):** Lavatories shall be commercial grade pedestal-style with lever-handle, center-set faucets. All plumbing components exposed to view shall be polished chrome or chrome plated.

**Kitchen Areas (Floors 5 to 10):** Kitchen and/or break areas shall be finished in basic, neutral finishes. Walls shall be of securely grouted, ceramic tile and sealed to be waterproof. Ceilings should be clean and smooth and painted with one coat of primer and two coats of flat, opaque paint. Flooring shall be mosaic or terrazzo tile, securely grouted with a smooth and waterproof finish. Cabinets shall pre-manufactured wood to match interior doors and be provided with neutral, aluminum or chrome-metallic hardware. Countertops shall be neutral, durable and solid-surface. Provide a stainless steel sink and associated plumbing. Each kitchen and/or break area shall be provided with a minimum of one floor drain. Provide power for a minimum of one full-sized refrigerator and other, typical non-heat producing kitchen appliances.

**Common Areas/Hallways (Floors 5 to 10):** Common areas shall be finished in basic, neutral finishes. Install new, aluminum handrails in all stairwells. Permanent ceilings and walls should be clean and smooth and painted with two coats of flat, opaque paint. Flooring shall be mosaic or terrazzo tile, securely grouted with a smooth and waterproof finish. Lighting should be appropriate for the space usage. Permanent, neutral-colored room and directional signage shall be provided with room numbers in Arabic and emphasis given to visitor way-finding. A space for room definitions to be personalized by the user shall also be provided on room signage.

**Mechanical, Storage and/or Janitorial Spaces (Floors 5 to 10):** Mechanical, Storage and/or Janitorial spaces shall have basic lighting, neutral paint and concrete or tiled floors. They shall have proper fire detection and exhaust systems. Janitorial spaces shall be provided with floor-mounted mop-sinks. Mechanical rooms shall have floor or trench drains.

**Mechanical:** All mechanical design and construction must comply with the International Mechanical Code unless otherwise approved in writing by the SPMO. Install new and complete heating, ventilation and air-conditioning systems. Work will include all condensing units, air handling units, coils, piping, ventilation and exhaust fans, grilles, registers, ductwork, hangers, straps, insulation and fasteners. Design Criteria:

**HVAC Design Conditions:**

Summer: to 46 degrees Celsius (C) Dry Bulb (DB) and 21 C Wet Bulb (WB)

Winter: to 0 C DB

**Indoor Design Conditions:**

Summer cooling: to 24 C with 50% Relative Humidity (RH)

Winter heating: to 21 C.

**Heating and Air Conditioning:** Design and install a new and complete heating, ventilation and air-conditioning system utilizing single-manufacturer systems. Electric heating and cooling units shall be factory-assembled and located on slab-on-grade or roof mounted. If located on-grade, maintenance clearance, theft and sand protection shall be provided. Air



handling units shall be located within mechanical equipment rooms with adequate maintenance clearance.

**Exhaust and Ventilation:** Provide outside air ventilation as required by the Code. Provide exhaust fans with gravity dampers in Toilet Rooms, Break Areas, Mechanical Rooms, Meeting Rooms and other areas, as required. Air intakes shall be located as high as possible to minimize sand and dirt infiltration. Equipment shall be selected for performance in desert environments and minimal noise levels.

**Ductwork and Associated Components (Floors 5 to 10):** Ductwork shall be constructed and installed as per Sheet Metal and Air Conditioning National Association (SMACNA-U.S.) Standards. Ductwork and associated components shall be concealed within finished spaces and provide proper airflow and temperature control throughout the facilities to include fittings, grilles, registers and/or diffusers. Return ductwork not routed within an air conditioned space shall be insulated. All supply ductwork shall be insulated.

**Thermostats (Floors 5 to 10):** Thermostats shall be located away from heat-producing equipment and/or windows and be easily accessible. Design and install appropriate HVAC zones and controls for the occupancy and for approval of the SPMO.

**Electrical:** All electrical design and construction must comply with the International Electrotechnical Commission Standards unless approved in writing by the SPMO.

**Interior Electrical Service (Floors 5 to 10):** Install new and complete building electrical power and lighting system to include commercial grade wiring, panels, breakers, switches, outlets, junction boxes, connectors and fixtures. Use existing raceways and/or conduit to the fullest extent possible adhering to the Code. Conduit and associated wiring components shall be concealed within finished spaces. Panel board shall be circuit-breaker equipped and designed for no less than ten percent (10%) spare breakers.

**Lighting, Ceiling Fans and Outlets (Floors 5 to 10):** Provide new lighting, switched power outlets and lighting switches as required by the occupancy types. All covers shall be matching chrome-plated with beveled edges. Lighting design for the facilities shall be energy efficient, low-heat producing, readily available in Iraq and be prescribed so that no more than four (4) different types of bulbs are required.

**Communications Service (Floors 5 to 10):** Design and provide a new data communication system within the buildings. System shall include permanent connection ports in all office and meeting areas.

**Emergency Lighting (Floors 5 to 10):** Design and install emergency exit lighting system with battery backup.

**Fire Alarm System:** Install new and complete fire alarm system to include all pull stations, horns, alarms, conduit, connectors, conductors, devices and other associated material and equipment with battery backup.

**Plumbing:** All plumbing design and construction must comply with the International Plumbing Code unless approved in writing by the SPMO.

**Interior Plumbing (Floors 5 to 10):** The plumbing system shall be installed and/or repaired complete with necessary fixtures, fittings, traps, valves, drains and accessories to be fully operational and free of leaks. Piping shall be connected to exterior service lines as codes and standards require to a reliable public water source and to a sanitary sewer or septic system.

Water piping shall be routed parallel to the building lines and be concealed in all finished spaces. Provide insulation to control sweating.

**Sewer (Floors 5 to 10):** Design and renovate or install a functional and complete building sanitary sewer system to include all piping, fittings, hangers, straps, flanges, traps, drains, vents and fixtures. Sump pumps and/or lift stations shall be installed as design deems appropriate to adequately move all potential waste

**Water (Floors 5 to 10):** Design and install a new and complete building water supply system to include all piping, fittings, hangers, straps, valves, faucets and fixtures. Elevated water storage shall be repaired, improved and/or replaced to provide adequate water supply to the facilities.

**Hot Water Heaters (Floors 5 to 10):** All new commercial hot-water heaters shall be electric and be able to provide a minimum of 49 degree Celsius (C) hot water to all sinks and lavatories within thirty seconds of faucet opening. Hot water heaters shall be located in Mechanical Rooms or Janitorial Spaces unless otherwise approved by the SPMO.

#### **ADDITIONAL REQUIREMENTS:**

**Codes and Standards:** All new and renovated work must comply with the following codes and standards and their references. The publications to be considered shall be those of the most recent editions. These standards are included to establish a level of quality expectation. The Contractor may propose equipment, material, and works that meet the intent of the publications listed here, provided documented justification requests for such alternates are submitted and approved by the SPMO.

IBC	International Building Code, ICC
IEBC	International Existing Building Code, ICC
IEC	International Electrotechnical Commission
NFPA	National Fire Protection Association
SMACNA	Sheet Metal and Air Conditioning Contractor's National Association
IMC	International Mechanical Code
IPC	International Plumbing Code

**Design:** The work shall include property survey, design of all site civil work and utilities: architectural, structural, mechanical, plumbing, electrical (including backup generator power), life safety, and communications design. Design work shall include:

- a. Schematic Design Documents (30% Design)
- b. Design Development Documents (65% Design)
- c. Construction Documents, including drawings and specifications (95% Design)

The schematic design, design development, construction documents, and final construction documents shall be submitted to the SPMO. The design submittals shall consist of specifications, drawings, design analysis, calculations and other items as indicated in this Scope of Work. The Contractor shall not begin a phase of the design process until written approval has been received from the SPMO regarding the previous phase.

**Schematic Design Submittal (30%):** The purpose of this submittal is primarily to insure that the contract documents and design analysis are proceeding in a timely manner and that the design criteria are being correctly interpreted. The submittal shall consist of the following:

- Preliminary Design Analysis
- Outline Construction Specifications
- Construction Drawings consisting of (at a minimum): Existing and proposed site plan, architectural plans, building elevations, and building sections.
- Preliminary Construction Cost Estimate

**Design Development (65%):** The purpose of this submittal is primarily to insure design is proceeding that the design criteria are being correctly interpreted. Notice to proceed with approved work may be given after review of this submittal. The submittal shall consist of the following:

- Updated Design Analysis
- Draft Construction Specifications
- Construction Drawings consisting of (at a minimum): Proposed site plans, architectural plans, elevations, typical wall sections, structural plans, mechanical HVAC and plumbing plans, system flow diagrams, electrical one line diagram, electrical lighting and power plans (including fire alarm and communications), and typical details.
- Updated Construction Cost and Fixed Price Proposal

**Construction Documents (95%):** The purpose of this submittal is primarily to approve the finalized design and give notice to proceed with all phases of construction. The submittal shall consist of the following:

- Complete Design Analysis. Include all backup material previously submitted and revised as necessary. All Design Calculations shall be included. The Design Analysis shall contain all explanatory material giving the design rationale for any design decisions
- Complete Construction Specifications including testing and commissioning specifications and approval plan.
- Completed Construction Drawings. The Contract Drawings submitted for Final Review shall include the drawings previously submitted which have been revised and completed, as necessary. The Design Contractor is expected to have completed all the coordination checks and have the drawings in a design complete condition. The drawings shall contain all the details necessary to assure a clear understanding of the work throughout construction

### **Final "As-Built" Design and Construction Documents (100%)**

- All items issued in the 95% submittal with incorporation of government comments and as-built construction revisions
- All Operation and Maintenance Manuals
- All Certified Warranties

### **Design Analysis**

The Design Analysis document shall be a bound A4-sized paper document. The Design Analysis shall include a written explanation of the project design which is expanded and revised (updated) as the design progresses. The design analysis shall contain explanatory material giving the design rationale for any design decisions which would not be obvious to an architect or engineer reviewing the drawings and specifications. The design analysis shall contain the criteria for and the history of the project design, including pertinent research. Design Calculations shall be included in the design analysis. Narrative descriptions of design solutions shall also be included. Written material may be illustrated by diagrams and sketches to convey design concepts. Catalog cuts and manufacturer's data for all equipment, fixture and hardware items shall be submitted. Copies of all previous design phase review comments shall be included with each submission of the design analysis. An anticipated construction schedule timeline shall be included in the Design Analysis.

**Design Calculations:** Calculations shall be in English or metric units as deemed appropriate by the designer to meet the requirements of the design. Quantities on the contract drawings stated in metric units shall also be stated in metric units in the design analysis.

The design calculations shall be presented in a clean and legible form incorporating a title page and index for each volume with the Design Analysis. A table of contents shall be furnished when there is more than one volume. The sources of loading conditions, supplementary sketches, graphs, formulae, and references shall be identified. Assumptions and conclusions shall be explained. Calculation sheets shall carry the names or initials of the computer and the checker and the dates of calculations and checking. No portion of the calculations shall be computed and checked by the same person.

When Automatic Data Processing Systems (ADPS) are used to perform design calculations, the design analysis shall include descriptions of the computer programs used and copies of the ADPS input and output summaries. When the computer output is large, it may be divided into volumes at logical division points. Each set of computer printouts shall be preceded by an index and by a description of the computation performed. If several sets of computations are submitted, they shall be accompanied by a general table of contents in addition to the individual indices. The description which must accompany each set of ADPS printouts shall include the following.

- Explain the design method, including assumptions, theories and formula.
- Include applicable diagrams, adequately identified.
- State exactly the computation performed by the computer.
- Provide all necessary explanations of the computer printout format, symbols, and abbreviations.
- Use adequate and consistent notation.
- Provide sufficient information to permit manual checks of the results.



**Construction Specifications:** Specifications shall be prepared in accordance with the Construction Specifications Institute (CSI) format. The Contractor's specifications shall include, as a minimum, all applicable specification sections referenced by the CSI.

During the course of design, the Contractor shall specify specific proprietary materials, equipment, systems, and patented processes by trade name, make, or catalog number.

Specifications shall include required quality control and shall further indicate all testing to be conducted by the Contractor, its subcontractors, vendors and/or suppliers.

Ambiguities, indefinite construction specification requirements (e.g., highest quality, workmanlike manner, as necessary, where appropriate, as directed etc) and language open to interpretation are unacceptable.

Incorporation of SPMO review comments shall be considered and implemented.

**Drawings:** Drawings are a requirement of each submittal. Complete, thoroughly checked and coordinated contract drawings shall be submitted. All drawings shall be prepared for metric size sheets to be legible and scaleable.

Computer Assisted Design and Drafting (CADD) are required for all work related to this contract. The CADD deliverables shall meet industry standard and be in a format utilizing the latest version of AutoCAD.

Symbols and abbreviations shall be internationally recognized.

The drawing package shall be divided into the following proposed divisions:

Discipline Designation	Discipline
C	Civil
XE	Exterior Electrical and Communication
XM	Exterior Mechanical
A	Architectural
S	Structural
M	Mechanical Design
P	Plumbing, Process and Piping
FP	Fire Protection and Life Safety
E	Electrical, Communications and Power

The scales indicated on the following list shall, in general, be used for all drawings. The Contractor may, at its option, make exceptions to scales indicated, if approved in writing by the SPMO.

- Site, Grading and Utility Plans - 1:500 Key Plans - As large as practical
- Floor Plans - Minimum size 1:100. Floor plans for all disciplines shall be the same scale.
- Cross Sections - 1:10
- Details - As required for clarity and explanation or intent

All volumes of drawing prints shall be firmly bound and shall have covers of heavier bond than the drawing sheets.

The first sheet of each volume in a set shall be a cover sheet. In general, the second sheet shall be the first index. Multiple index sheets may be required, depending on the project size. Each index sheet shall be signed and stamped by a principal of the Design Contractor.

For each submittal, legends of symbols and lists of abbreviations shall be placed on the drawings. They shall include all of the symbols and abbreviations used in the drawing set, but shall exclude any symbols and abbreviations not used.

To facilitate the location of project elements and the coordination of the various disciplines' drawings, all plans shall indicate a column line or planning grid, and all floor plans (except structural plans) shall show room numbers.

If the plan of the building must be placed on two or more sheets in order to maintain proper scale, the total plan shall be placed on one sheet at a smaller scale. Appropriate key plans and match lines shall appear on segmented drawings. Key plans shall be drawn in a convenient location and shall indicate the relative location of the represented plan area by crosshatching.

#### **Testing & Inspection:**

**Mechanical:** Provide final HVAC testing, adjusting, balancing and commissioning reports indicating a less than 10% deviation within each space in comparison to the original design. Testing shall be performed in accordance with the Mechanical Code.

**Electrical:** Electrical system and generator testing indicate a less than 10% deviation from design. Testing shall be conducted and approved in accordance with the Electrical Codes. Fire alarm system testing shall be conducted and approved in accordance with the National Fire Protection Association Standards.

**Plumbing:** Final plumbing and sewer pressure testing reports shall indicate a less than 10% deviation from design. All testing shall be performed in accordance with the Plumbing Code.

#### **Submittals:**

Submit all designs, design changes, drawings, specifications, and manufacturer's submittals, training manuals and training procedures, quality control procedures and safety and security and environmental protection procedures to the SPMO or Resident/Project Engineer, as specified below. At time of negotiations, the Contractor and SPMO will determine number and type of copies of each submittal required to be submitted. Submit items at the time so determined by the SPMO and documented on the Contractors schedule. All submittals shall include a cover letter to the SPMO on or before the date so indicated by the contractor's schedule. Submit reports as required by the SPMO on all project related issues to the SPMO. SPMO will provide design review comments and approval within 14 calendar days.

***Submit the following to the SPMO and Resident/Project Engineer for review and approval:***

**Design and Construction Submittals:** reviews will be conducted as specified in this scope of work with coordination of the SPMO.

**Equipment, Fixture, Finishing and Hardware Submittals:** shall be submitted to the resident/project engineer to review and approve or disapprove within three (3) business days. Equipment submittals must be accompanied by the related design analysis and calculations.

**Schedules and Progress Meetings:** submit progress and construction schedules along with bi-weekly progress meeting minutes to the SPMO within 3 business days of the progress meeting or when there is a schedule change.

**Quality Control Plan:** Contractor shall perform all quality control throughout duration of design, construction, installation, and testing and commissioning. Contractor's approved quality control plan submitted within one month after mobilization to the site shall be followed. Resident/Project Engineer will review the Quality Control (QC) plans and monitor all QC activities. Contractor will perform factory witness tests of primary components and be responsible for all testing at the site.

**Commissioning Plan:** Contractor shall prepare a commissioning plan and submit it to the SPMO for review and approval. A Take-Over-Certificate, signed by the resident/project engineer and a representative of the Ministry, will be issued to Contractor after all of the following tasks have been completed:

- Final inspection of Project by SPMO.
- Resolution and completion of final punch list items.
- Delivery and acceptance of final as-built drawings and operation and maintenance manuals.

**Environmental Protection Procedures:** Contractor shall prepare an Environmental Protection Procedure Plan and submit it to the resident/project engineer for review and approval.

**Safety Plan:** Contractor shall prepare a Safety Plan and submit it to the resident/project engineer for review and approval.

**Security Plan:** Contractor shall prepare a Security Plan and submit it to the SPMO for review and approval.

**Preventive Maintenance Plan:** Contractor shall prepare a Preventive Maintenance Plan and submit it to the SPMO for review and approval. This Plan shall identify Manufacturer's information and recommendations for preventive maintenance on all installed equipment.

**Training Manuals:** Contractor will be responsible for providing a minimum 3 hours of training on each (1) HVAC, (2) Electrical, (3) Generator (4) Plumbing, and (5) Fire Alarm systems and components. Contractors shall provide Training Manuals for the components systems.

***Submit the following to the Resident/Project Engineer for review and approval:***

**Construction Inspection Reports**

**Testing and Inspection Reports**

**Coordination Memoranda**

**Coordination with Resident/Project Engineer:**

The Resident/Project Engineer will be informed at least seven days in advance of the following activities:



- Major utility shutdowns
- Major equipment and/or system testing
- HVAC and piping system balancing
- Equipment start-up and commissioning
- Ready for final inspection
- Training

**Conversion to Fixed-Price Task Order:**

It is the intent of PMO to negotiate a fixed price for this Task Order upon completion of the 65% design.

**Deliverables:**

Provide all site assessments and designs with calculations and CADD drawings (where applicable). Provide as-built drawings, training manuals, warranties, preventive maintenance plans, and Operations and Maintenance manuals, in English, Arabic, and Kurdish (where applicable).

**Operation and Maintenance Manuals:**

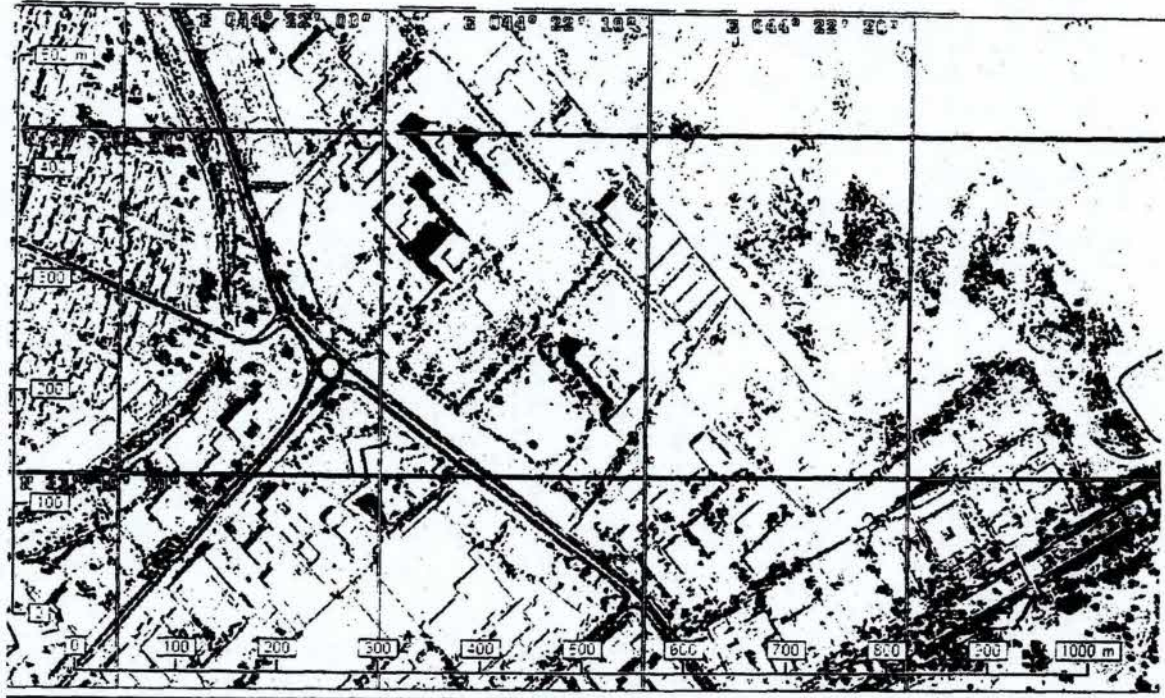
Provide 3 copies of legible Operation and Maintenance manuals for all new equipment, finishes, fixtures and hardware bound and cataloged in CSI format on A4 sized paper.

**Warranties:**

Provide and certify manufacture warranty(s) for all materials, systems and equipment after issuance of the Take-Over-Certificate. Provide a 12-month contractor-certified construction warranty for all construction and construction-related components. Provide a 20 year contractor-certified construction warranty for new roofing system. Provide and certify warranties in the name of the appropriate Iraq Government Ministry.



ATTACHMENT 1: OPTION 1 - LOCATION MAP



ATTACHMENT 2 : OPTION 1 - PHOTOGRAPHS  
(NOT FOR BIDDING)



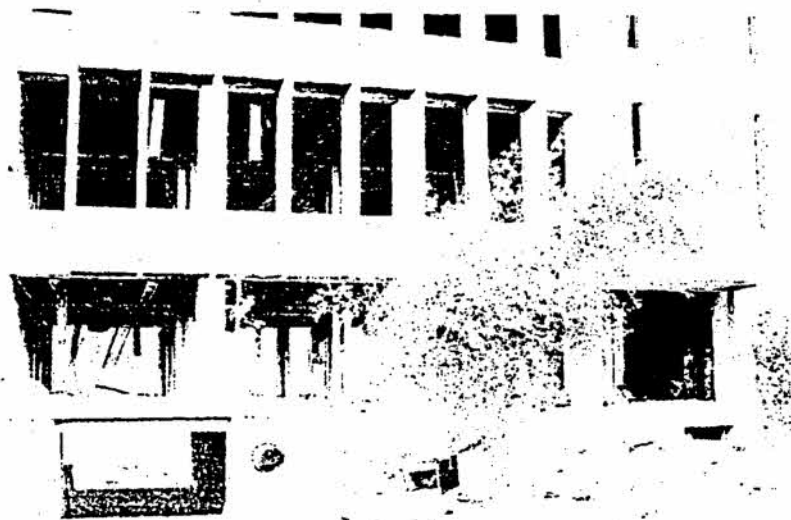
Building 1 - Rear



Building 2 - Side



Building Interior (typical)



Building 1 Exterior -Ground Floor

**ATTACHMENT 3 : OPTION 1 – FLOOR PLANS  
(DESIRED SCHEMATIC LAYOUT FROM MINISTRY)**

**Schematic Floor Plans available in AutoCAD format. Contractor shall field verify all conditions and dimensions.**



## RSCO Protective Security Mission Survey

One of the more difficult tasks facing the RSCO office is trying to project the number of protective details that will be required to allow for efficient operations following transition to a U.S. Embassy on July 1, 2004.

In an effort to understand what the requirements will be, the RSCO is requesting that each office that will be represented in the U.S. Embassy complete the following matrix. We understand that it may be difficult to project the exact requirements. However, a "best guess" for planning purposes will allow for initial staffing and requirements planning.

1	Estimated number of personnel assigned to your office.	6	
2	Estimated number of personnel assigned to your office that will require movements outside the Green Zone as a function of their job.	5	
3	Does your office anticipate having regular "home to work" travel requirements outside of the Green Zone. If so, estimate the number of personnel that will require this type of transportation. This includes, for example, personnel that may be required to work in a ministry outside of the Green Zone on a daily basis. In the notes section below please indicate the approximate number of personnel traveling to each site.	5	
3a	List all of the anticipated locations that will require "home to work" transportation. (i.e. MOI, MOD, etc.)	MOI Baghdad SOCS	
4	Estimated number of unique missions outside of the Green Zone on a daily basis. A "mission" is defined as a movement with any number of Embassy personnel. This would not include daily "home to work" mission requirements.	< 1 daily	

5	Estimated number of missions outside of Baghdad on a weekly basis. (do not include overnight travel)	<1	
6	Estimated number of overnight missions outside of Baghdad on a weekly basis.	<1	
7	Estimated number of personnel requiring transportation to/from the airport every week. Based on anticipated R&R, TDY and rotation of personnel assigned to your office.	<1	
8	Estimated number of monthly VIP trips hosted by your office that will require a dedicated protective detail provided by the RSO. This includes senior department/agency officials, cabinet level officials and members of congress.	2-2	

Hello, again. I hope that the info you obtained will help your mission. (b)(6) obtained everything that we have on the MOI. WE went to the Quara oil refinery. They are slated to make Asphalt. They make the Tar that binds the rocks together to make asphalt. They have two new boilers that were delivered to them by Turkey contractors. The factory had two huge storage tanks to hold the raw material that makes the tar. The manager states that they will be operational in a week. It is the opinion that they could not be operational until alot more modernization is completed. The factory has been idle since Iran/Iraq War in 1982. The plant was built in 1954. None of the other equipment to support the Tar making procedure has been repaired.

Went to the State owned Sulfur factory. All of the workers and managers left at 12:00. We arrived at 13:15. The plant in one work has not been working for years. The only thing that they are doing is excavating raw sulfar. All of the processing plants operations appear to be stopped. There appears to be two large deposits of sulfur on the site. We will contact the managers to obtain more information.

The enviromental team states that both plant need million of dollars to bring the companies up to even safe standards if not international standards.

If you have any guidance or a plan that we in Mosul could help facilitate please let us know. Thanks (b)(6)

Hello ma'am, There is a property called the Jabr Rubber Factory property. The factory was destroyed by unknown reasons. The issue is, that I have an NGO, Task Force Freedom/Red Creasent want to revitalize a property and build a medical clinic, school and a factory of some type to help the people of Mosul. I am tasked to find the owner of the property and to see how to aquire the property for the people who now occupy the site. They are Displaced Citizens. How and or who do I talk to to make this happen. This is a short fuse issue. The NGO want to move on this quickly for reason I can't discuss on the net. If you can assist, I would appreciate it. Thank you for your help.

I am scheduled to come to Baghdad as long as transportation works out on the 24th of April. I would like to meet with you and your team. Thanks again

4/12/

Thank you for the information. This is what I need to go back to the NGO and try to find another site. If any of you have suggestions, I will gladly accept them. Thanks again. (b)(6)

----- Original Message -----

From: (b)(6)  
Date: Monday, April 12, 2004 3:17 pm  
Subject: RE: Jabr Rubber Factory

> (b)(6) -

>  
> I am referring your message to (b)(6) who handles  
> mattersrelated to the military industrial companies for this  
> office. I should  
> tell you, however, that the rules we operate under with regard to



> disposition of government assets are very strict and that  
> transition of  
> ownership is out of the question and even leasing can be subject to  
> legal question. Not to discourage you, but you are not on an easy  
> path. (b)(6) can tell you more.

>  
> VR

> (b)(6)

Thank you Sir, I do need to make it clear that the NGO rep states that they do not want to buy the property, he just wants to donate fixing the factory, build houses, build medical clinic, and build a School. He and the NGO want to give this to the people who are squatting on the property. If the people who are on the land can obtain ownership, or a 100 year lease, mabe that is a way to do it. If this makes it any better to swallow, may be this could work. I want to thank everyone who has helped in this matter. If there any question, please contact me any time. This is a project that the NGO want to report back that the land is cleared and they can start the process of coordination with CPA and the Ministries.

Thanks again.

(b)(6)

----- Original Message -----

From: (b)(6)  
Date: Monday, April 12, 2004 5:08 pm  
Subject: RE: Jabr Rubber Factory Property

(b)(6)

>  
> (b)(6) there are a few avenues available to pursue the NGO's request.  
> I've cc'd (b)(6) (lawyer), (b)(6) (working the MIC issues) and (b)(6) (Private Sector Development's lead on SOEs):  
>  
> - Leasing: The NGO may lease the property. This has to be a very transparent process with exact language on improvements, bids, etc.  
> - Management Contract: The NGO may offer bids to an outside company to  
> manage the Iraqi organizations (depending on expertise) who will in turn  
> run the clinic, etc.  
> - Joint venture: More aggressive and also requires high level approval (I believe Amb Bremer level).  
>  
> All require a lot of scrutiny and transparency. There are no provisions right now for foreign ownership. The company must coordinate their  
> activities with their Ministry (kinda tough here because MIC is dissolved and there is a pending order for the SOEs to be distributed into other ministries or sent to a holding company). In this case, I  
> believe that the company will be in the holding "company" run by the MOF. But not yet (until the order is signed)... So we'll  
> improvise...  
> Swing by when you're in town. We're in room S107...



r/  
MBY

>  
>  
>  
>  
> (b)(6)  
> Chief of Staff  
> Office of Private Sector Development  
> Coalition Provisional Authority  
> Baghdad, Iraq

(b)(6)

>  
>  
> -----Original Message-----

> From: (b)(6)  
> (b)(6)  
> Sent: Monday, April 12, 2004 4:15 PM  
> To: (b)(6)  
> Subject: Jabr Rubber Factory Property

>  
> Hello, Sir I know you got Carbon Copied on this subject, if you  
> have any  
> guidance on this issue I would appreciate it. I been warned off this  
> property, but may be there is an other location that may be  
> viable.

>  
> I am going to Baghdad on the 24 thru 26. if possible, I would  
> like to  
> introduce myself and obtain any guidance on your mission that I can  
> assist in Mosul. I feel limited in my position to help in Mosul  
> due to  
> limitations on thing I could or can do. Thanks again sir for your  
> time.

>  
(b)(6)

Security Support Information Sheet

General: Multi-National Force Iraq (MNFI) has responsibility for providing general protection support for top IIG members and other officials. This support includes Quick Reaction Force support, medical evacuation support and relocation of family members in the event of an imminent or current threat. The below paragraphs outline support and procedures to make a request.

1. MNFI is prepared to respond to emergency situations as follows:

a. QRF: MNFI is prepared to provide Quick Reaction Force support. This support will respond to immediate threats against the Minister and his/her family. QRF support is requested by calling the 1<sup>st</sup> Cavalry Division Joint Coordination Center at the following numbers: (b)(6)

b. MEDEVAC: In the event of serious injury to the Minister, medical evacuation can be requested. Medical evacuation will be requested through the 1st Cavalry Joint Coordination Center.

c. Relocation of Family Members: MNFI will temporarily relocate the Minister and his or her immediate family members for a short duration because of a threat to his residence or his family. It is the responsibility of the Minister to coordinate for a secondary location to house himself and family members.

2. Telephones: Ministers will be provided THURAYA phones. These phones can be used to contact the 1<sup>st</sup> Cavalry Division Joint Coordination Center to request either QRF, MEDIVAC or family relocation support. Request each Minister Advisor Team provide one person to receive training on the use of these phones. MNFI will provide a time and place for this training and issue one phone to be given to each Minister.

3. POC for this Information Paper is (b)(6) at  
DSN: (b)(6)



Hajim Al-Hassani  
Minister of Industry & Minerals (MIM)

Priority Issues:

**Power to SOE Factories:** The Minister of Electric has issued a Memorandum advising that power will be shut or reduced to the Industrial Sector of the country beginning 15 June. The MIM was just beginning to get some traction with its cement, fertilizer and other infrastructure critical factories. Tens of thousands of people will be sitting idle with the reduced power and construction materials needed for the US Supplemental construction projects will need to be imported.

**Security of MIM Headquarters:** The bulk of the Ministry is currently located in three temporary facilities and it is preparing to move back into the former Headquarters that has been repaired. The local neighborhood is not particularly a good one and this environment has serious security concerns, including large abandoned buildings next to and around the MIM Headquarters.

**Preparation of the 2005 Budget:** It is critical that the Ministry prepare a realistic and comprehensive Ministry Headquarters budget for the year. The budget is due to Minister of Finance on/about 15 June. Additionally, it is time to exercise proper oversight on the 60 State Owned Enterprises (located in almost 200 different locations) for each of their respective 2005 budgets.

Long Term Projects

**Ministry Reorganization:** The organization of the Ministry and the operation thereof must be overhauled. The concept, development and way ahead has been completed in the form of a report by DFID and previously approved by the former Minister. Minister al-Hassani needs to review the strategic plan, make whatever changes he feels are necessary and start implementation. Additionally, the current Ministry Directors General staff is weak.

**Redundant & Ghost Employees:** As part of the strategic plan, this issue must be addressed. It is an incredible drain on both the country's financial assets and negatively affects the ability of an SOE to become financially independent. Re-training programs are being developed through other ministries (ie. Ministry of Labor & Social Affairs). As to the ghost workers, funding has just been allocated for an SOE employee Identification Plan which has every indication of exorcising ghost employees. The Minister will have to give top down support to the implementation of the ID card program for it to succeed.

**Capital Projects and Prioritization:** Viable SOEs must get up and operational. In addition to power requirements, many lack repair and spare parts, major capital equipment. and qualified and motivated leadership. Although the intent

over the long term will likely be privatization, the better the targeted SOEs are operating, the better value the Iraqi people will get when the asset is sold or leased.

**Staffing Status**

Authorized five technical consultants: Senior Consultant, Technical Consultant for Industrial Development and SOE Transition, Technical Consultant for Financial Management, Technical Consultant for Personnel & Training and Legal Consultant.

The Senior Consultant position is already filled with (b)(6) who will be in that position through October 2004, at a minimum (possibly January 2005) unless Minister al-Hassani determines that he'd prefer someone else.

Candidates for the other positions are being sought and interviewed at this time.



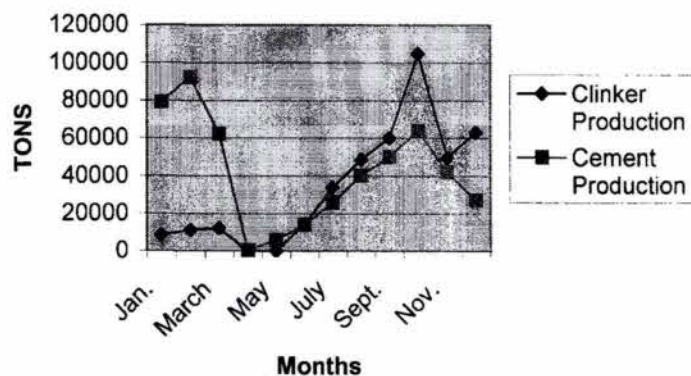
Cement Companies	
Iraqi Cement Company	
Kirkuk Cement Plant	Two million tons operating at very low capacity requires overhaul requires electric power currently 10-12 MW is available and unstable. Power requirements 35 MW. Max. capacity reached in 2002 35% of design capacity.
Kubaisa Cement Plant	Two million tons design capacity. electric power 10 MW unstable, only one furnace is operating. Power requirements 43 MW Max. capacity reached in 2002 is about 42% of design capacity. good quality of cement.
Al-Qaim Cement Plant	1 million tons One line requires overhaul. 10 MW being provided power requirement 22.5 MW Max. Capacity reached about 45% of design capacity. good quality of cement.
Falluja White Cement	300 000 tons / year of white Two lines are available, the third line requires overhaul. 3.5 electric power for grinding mills. power requirement 10 MW. Max. capacity reached in 2002 is about 60% of available capacity.
Remarks on Company's production	In 2002 total production achieved is about 2.25 Million tons of cement, currently production is very low and doesn't exceed 30-40 thousand tons per month.

<b>Southern Cement Company</b>	
<b>Old Kufa</b>	200 000 Tons / year Operating at low capacity because of power limitations about 12 000 Tons / month. electric power required 7 MW, available 3MW
<b>New Kufa</b>	1.8 Million Tons design Capacity Two of the four furnaces requires rehabilitation grinding mill and other machines requires rehab. actual production is about 35 000 tons / month Electric power required 29 MW, available 8 MW
<b>Karbala Cement Plant</b>	2 million tons design capacity requires overhaul with major problem in power supply. production is very low based on cement grinding hours. Electric power required 35 MW, available 6 MW
<b>Muthana Cement Plant</b>	2 Million Tons Design capacity One line is operating and requires rehab. Current production limited because of power limitations. electric power required 35 MW, available 8 MW.
<b>Sadat Al-Hindia</b>	200 000 Tons / year design capacity An old Plant, requires rehab and upgrading. Current production 3000 Tons / month only. Electric Power required 22 MW, available 3-5 MW.
<b>UM Qasir</b>	Only grinding facilities up to 500 000 Tons / year not operating because of lack in electricity power and raw materials. Electric power required 10 MW, available power 3.0 MW
<b>Al-Jinoot plant</b>	Russian line / 450 000 Tons per year (damaged and partially rehabilitated), requires electric power. FL Smith Line / 400 000 Tons per year (not operating) Electric power required 22 MW, available 8 MW.
<b>Remarks</b>	The Company produced 3.6 Million Tons in 2002 and can raise production in case of provision of electric power and explosives and needs funds for rehab.& upgrading.

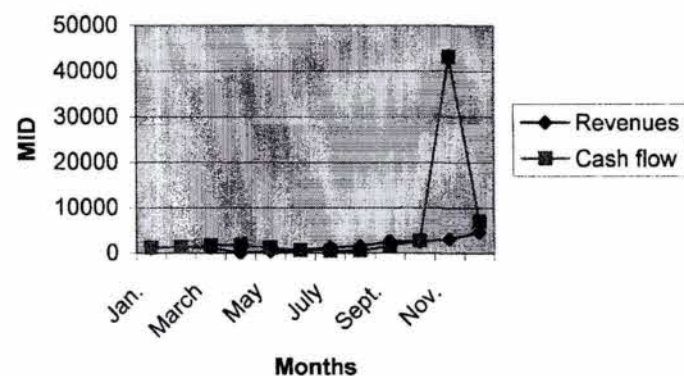
Northern Cement Company	
Badoosh Cement Plant	Old Badoosh 180 000 Tons / year design capacity. New Badoosh 500 000 Tons / year design capacity. Badoosh Extension 1 Million Tons per year design capacity. Capacity utilized is about 35%. Power requirement 55 MW, available power 12-15 MW.
Sinjar Cement Plant	3200 tons / day design capacity. available capacity 1 million tons. requires rehab. & upgrading. Max. design capacity utilization in 2002 is 44%. Power requirement 35 MW, available 10 MW.
Hamman Al-Ali	Old Hamman / 200 000 New Hamman 350 000 requires overhaul & upgrading. Max. Capacity utilization 35%. Power required 15 MW, available 5 MW.
Capacity utilized	In 2002 total production achieved was 1.4 million tons. current production 800 000 - 100 000 tons per month.

2003

Northern Cement Company



Northern Cement Company.

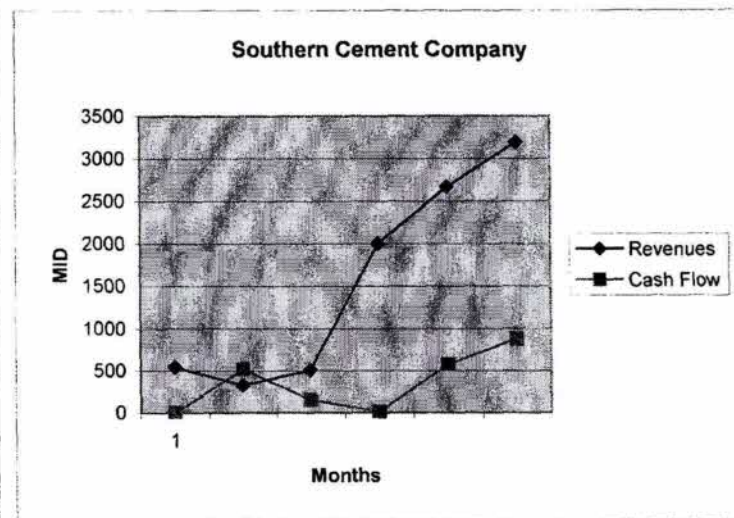
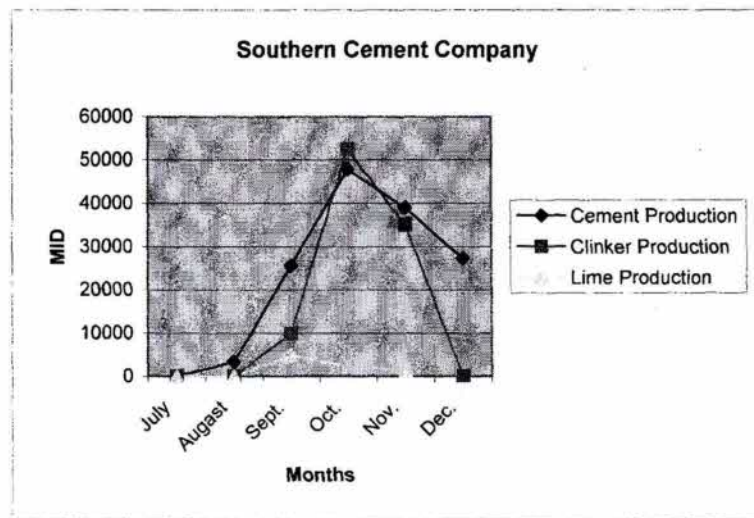


Months	Clinker Production TONS	Cement Production TONS	Sales Tons	Revenues MID	Cash flow MID	Employees	Electricity KWH
Jan.	8645	79149	55695	1014.2	1240.5	2160	10685115
Feb.	11159	92290	77652	1413.3	1362.6	2160	12459150
March	12000	62196	62012	1177.2	1704	2160	8396460
April	0	415	345	59.2	1829.9	2160	56025
May	0	5799	13376	372.8	1084.3	2160	782865
June	14325	13944	25839	665.6	672.1	2130	1882440
July	33685	25822	27439	1204.7	537.9	2132	3485970
Aug.	48547	40194	34111	1541.5	610.9	2134	5426190
Sept.	60000	50000	57843	2598.1	1475	2134	6804270
Oct.	104768	63867	45461	2552.4	2772.2	2134	8622045
Nov.	49688	42078	38294	3075.5	43125	2134	5680530
Dec.	62904	27062	35596	4558.234	7026.639	2554	3653370



	Planned 2nd half of 2003	actual production
Clinker	395 000	414 696
Cement	411 200	502 054
Sales	411 200	493 662

<b>The Company requires</b>
a- electric energy
b- Rehab. & upgrading of plants.
The Company is able to continue financing its activities.



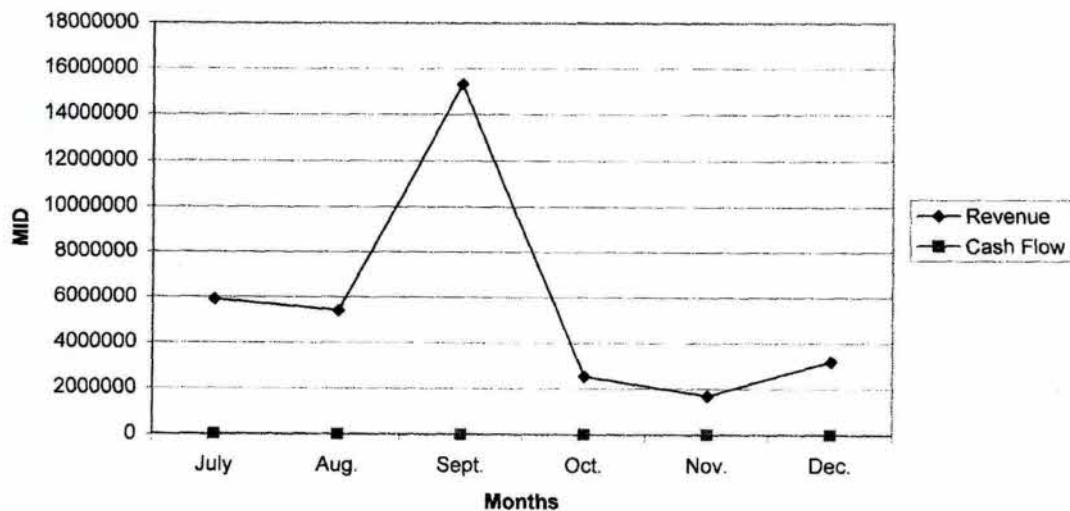
Month	Cement Production Tons	Clinker Production Tons	Lime Production Tons	# of employees	Revenues MID	Cash flow MID	Electricity MWh*1000
July	0	0	0	5294	543.514	0	0
August	3321	0	0	5294	326.067	517.21	0.2
Sept.	25667	9934	4859	5294	506.386	152.836	3.5
Oct.	47878	52464	2255	5294	1999.435	10.541	8.7
Nov.	39021	35089	1350	5294	2669.79	574.986	6.1
Dec.	27232	0		5329	3190.903	875.945	

#### Problems

Electric power  
Production lines rehab. And upgrading  
Fuel, Benzene, Deisel shortage.  
Labour Force should be reduced.  
Total Co. Sales 9.236 Billion ID..

Company Requires: electric power and upgrading of plants & rehab.

### Iraqi Cement Company.



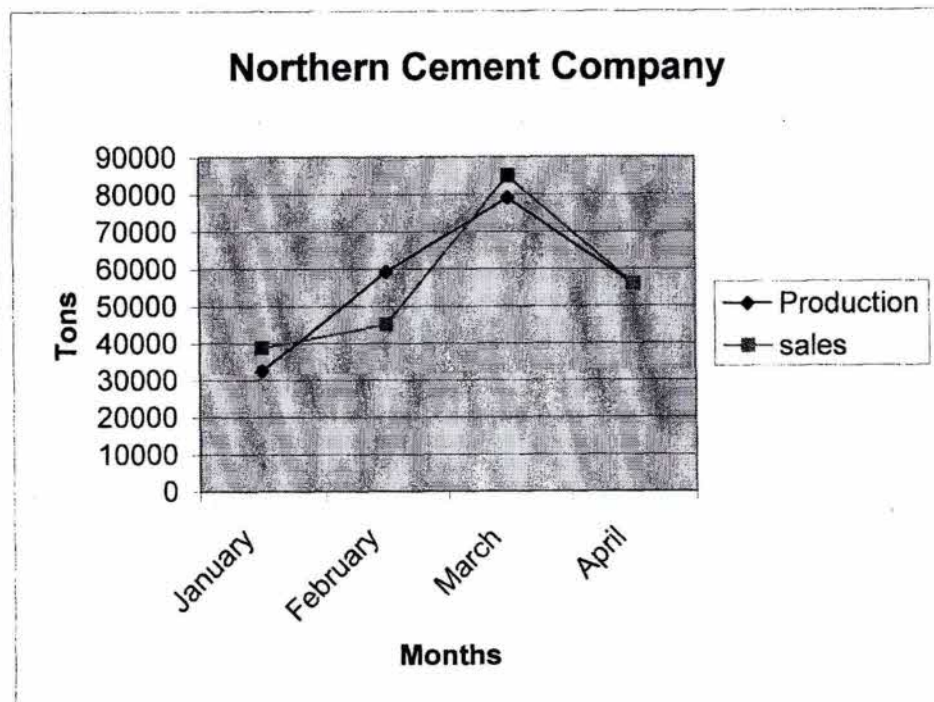
Month	Revenue MID	Cash flow MID	Employees	Electric Power KW
July	5898299	26.133	1252	261.3
Aug.	5403807	26.133	1254	237.1
Sept.	15304594	62.475	1254	132.2
Oct.	2542054	596.881	1249	176.4
Nov.	1688774	1043.36	1254	99.3
Dec.	3194882	1011.67	1259	72.4

	Cash in bank (5.419 MID) + 670 834 USD (down payment for sulphur export) 250 000 USD (CPA's donation)
Remarks:	
	Sulphur export Quantity exported to Syria until the 31st of Dec. (929.5 Tons) and continuing at the rate of 250 tons/day. A down payment of 260 000 USD received.

# Northern Cement Company

month	Production (Tons)	Sales (Tons)
January	32501	38760
February	59212	45061
March	79063	84984
April	55961	55904
<b>Total</b>	<b>226737</b>	<b>224709</b>

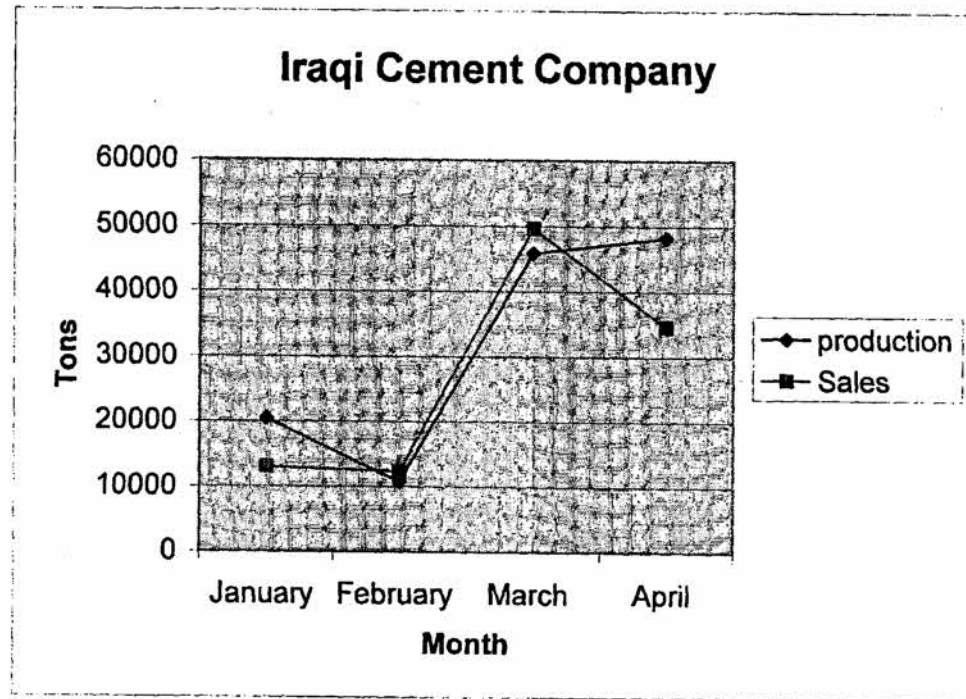
Average price per Ton around 85 000 ID.





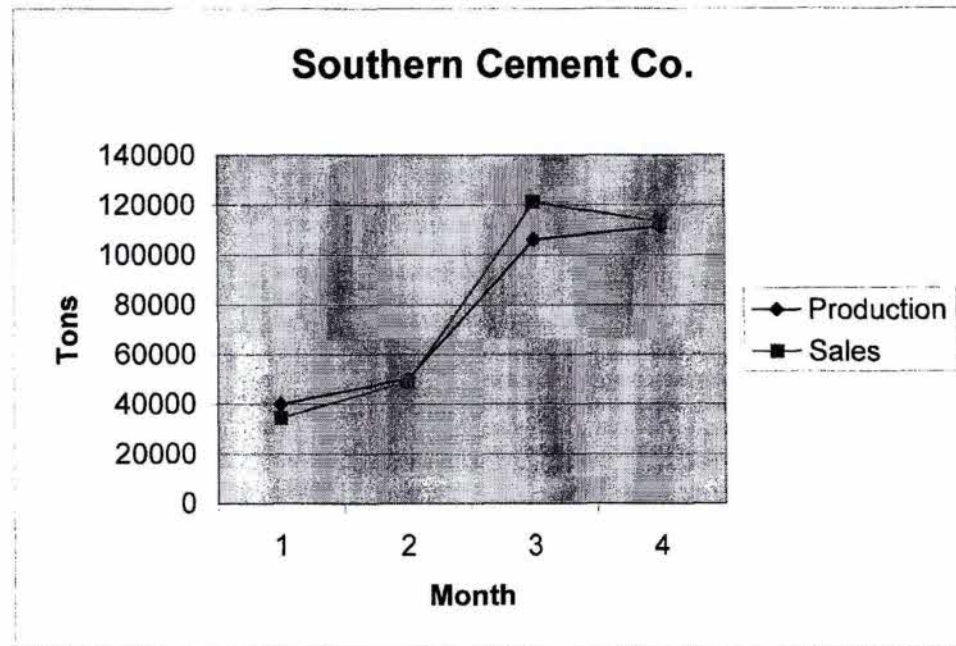
**Iraqi Cement Company.**

month	Production (Tons)	Sales (Tons)
January	20400	13012
February	10742	12355
March	45854	49639
April	48238	34656
<b>Total</b>	<b>125234</b>	<b>109662</b>



# Southern Cement Company

month	Production (Tons)	Sales (Tons)
January	39912	34488
February	50195	49006
March	106088	121245
April	111345	113255
<b>Total</b>	<b>307540</b>	<b>317994</b>



**Note: Total production for three Companies = 659511 Tons.  
Total Sales For three Companies = 652365 Tons.**

**Average Price per ton = \$85,000/ID**

**Ministry of Industry & Minerals**  
**Project Tracker -**

**COL Bien**

1	Ministry Advisor			
2	Ministry Strategic Plan			
3	Ministry Reorganization			
4	SOE Salary Issue			
5	Post 01July04 hires			
6	SOE Strategy (Way Ahead)			
7	2004 Budget Issues			
8	2005 Budget MIM			
9	2005 Budget SOE's			
10	Review Draft Labor Law			
11	Review Draft Public Contracts Law			
12	Capital Projects ID & Prioritize			
13	Ba'ath Party (Employee) Issues			
14	Frozen Accounts			
15	Mixed Companies			
16	Power Requirements / Fuel			
17	Leasing Program Oversight			
18	Patent, Copyright, Intellectual Property Issues			

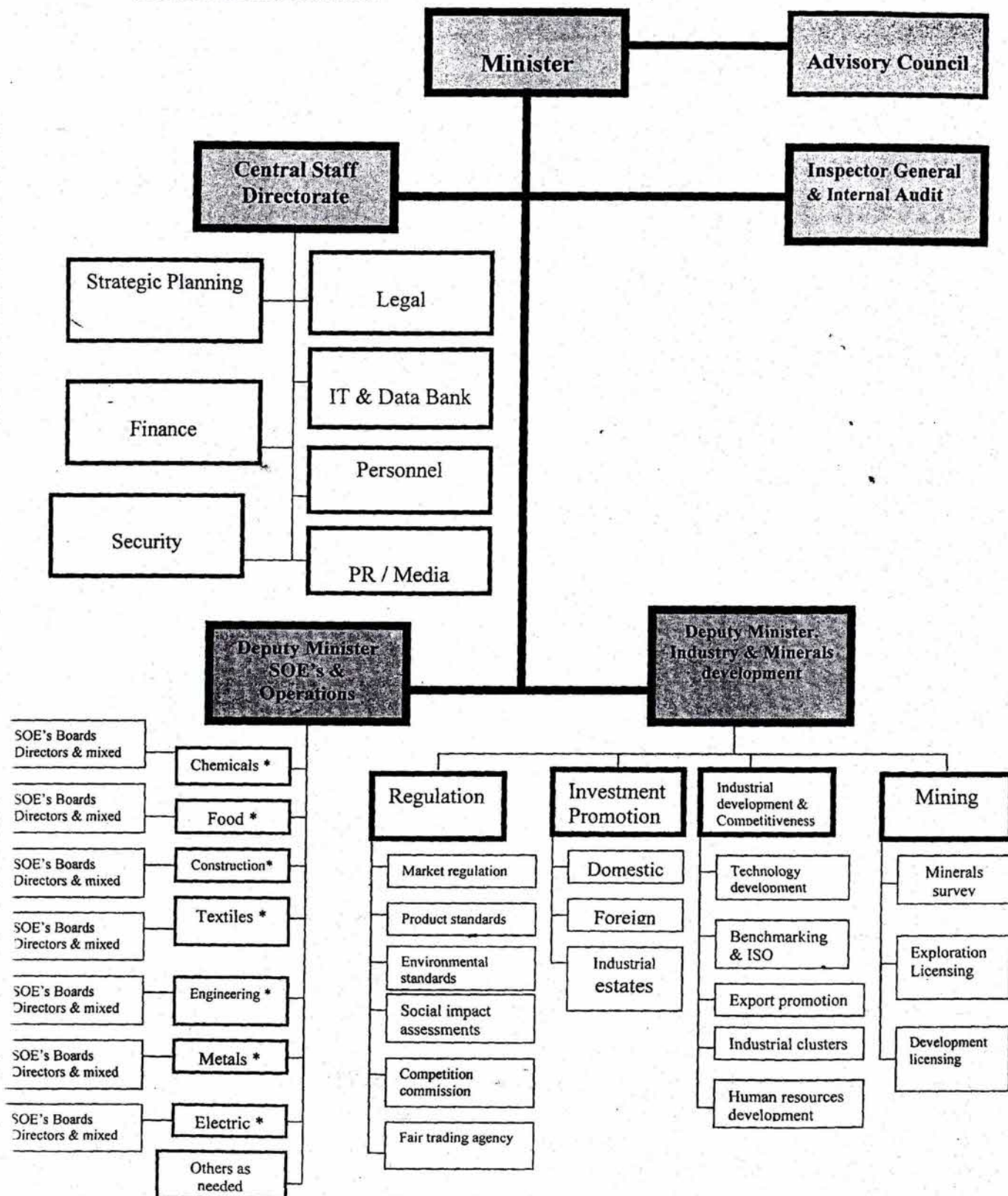
**LTC Keller**

1	FPS Budget			
2	FPS Salary Distribution			
3	Ministry Transition Planning, Event Coordination			
4	FPS Emergency Response Plan			
5	FPS Weapons/radios			
6	CMO Database Manager			
7	MIC TOA			
8	MIC FPS transfer to MIM			
9	MIM FPS POC for all actions/incidents			
10	Boom Project			
11	Fallujah Working Group rep from MIM & MIC			
12	Movement Coordinator for PSD required trips			
13	Ad hoc armorer and G4-scrunner			
14	Ad hoc G-2, maps procurement officer			
15	MIC poc for Iraqi Survey Group/Investigation			

**LTC Daigre**

1	MIM \$ SOE Employee ID Card			
2	SOE's transfers from other Ministries			
3	MIM Tenders tracking			
4	ID SOE Corporate Board members			
5	OFF Investigation Data Gathering			
6	Training Primer			
9	Real Property List, Locate, Title, Legal Discriptions			
10	Motor pool Officer			





**\* SIC Classification**



We underline below the electric power supply to our cement plants knowing that the under voltage and frequency are recurring many times every day and causing damage to our equipment and plants stoppage.

**1- Northern Cement Co.**

	During Peak (17-24 hrs)	Outside peak (1-16 hrs)
Sinjar	6MW	13MW
Badoosh	10 MW	10 MW
Hammam Aleel	4-5MW	10 MW

**2- Iraqi Cement Co.**

	During Peak (17-24 hrs)	Outside peak (1-16 hrs)
Qaem	10 MW	15 MW
Kirkuk	10 MW	15 MW
Faluja	3 MW	5 MW
Kubaisa	10 MW	16 MW

**3- Southern Cement Co.**

	During Peak (17-24 hrs)	Outside peak (1-16 hrs)
New Kufa	8 MW	14 MW
Old Kufa	3 MW	7 MW
UM Qasir	-----	5 MW currently stopped
Karbala	10 MW	17 MW
Muthana	10 MW	17 MW
Sadat Al-Hindia	3-4 MW	7 MW

Kindly <sup>try</sup> ~~the~~ to get the electricity people to control the voltage and to provide constant load supply as currently these figures change every day.

13 / 5 / 2004

Dr. walid Khuder



**COALITION PROVISIONAL AUTHORITY  
BAGHDAD**

**INFO MEMO**

**FOR:** The Administrator  
**FROM:** (b)(6) Senior Advisor for Ministry of Industry & Minerals  
**SUBJECT:** Ministry of Industry & Minerals Overview

A chart showing the organizational structure of the Ministry and the Minister's biography are attached. StratCom will attach talking points and potential questions from the press and/or Ministry employees.

Ministry's immediate post-transition plans include:

- Implementing the Ministry & SOE personnel database and identification card program.
- Validating the Ministry's employee payroll and the clearing of 'ghost' employees from the rolls.
- Further rehabilitation of the Ministry Headquarters building.
- Improvement of the Ministry's management structure to facilitate consistency and accountability.
- Continue revitalization of the Ministry's SOEs.

Issues to be aware of:

- Many of the Ministry's State Owned Enterprises are not operating; lack of electricity is the primary reason.
- Many ministry employees, including SOE employees, remain confused about the 11-tier salary plan and are disgruntled. These employees expected a 40% pay increase over the 4-tier plan.

**ATTACHMENTS:** Chart Reflecting the Ministry's Organizational Structure  
Biography of the Minister

**COORDINATION:** StratCom (b)(6)

**THE EVENT SCHEDULE FOR THE  
Ministry of Industry and Minerals Transition**

**Baghdad, IRAQ**

**Tuesday, May 11**

1020 Depart CPA Headquarters en route to motorcade

<u>Motorcade</u>	
Lead	
Limo	
Principal	(b)(6)
Translator	
Follow	

**DRIVE TIME: 5 Mins**

1025 Depart Motorcade enroute to Baghdad Convention Center

Baghdad Convention Center  
Baghdad, Iraq

10:30 Arrive at Baghdad Convention Center and proceed to cafeteria hold room  
(Note: met by Minister Mohammed Tawfik Raheem  
Sr. Adv. Lettie Bien)

**EVENT:** **Brief Meeting with Minister**  
NO PRESS; press set up in yard  
INDOORS, cafeteria  
BRIEF MEETING  
DURATION: 15 minutes  
PARTICIPANTS  
Principal  
Minister Mohammed Tawfik Raheem  
(b)(6)  
Translator  
TRANSLATION: Consecutive

1035 Begin brief meeting

1050 Conclude brief meeting and proceed to podium on side of convention center garden

**EVENT:** **Transition Ceremony**  
OPEN PRESS  
OUTDOORS, convention center garden  
Remarks; transition event  
DURATION: 25 minutes  
ATTENDEES  
Ministry staff  
CPA Ministry of Industry and Minerals staff  
PARTICIPANTS

Principal  
Minister Mohammed Tawfik Raheem  
(b)(6)

REMARKS; prepared  
TRANSLATION: Consecutive

10:55 Begin ceremony

10:55 Introduction of Principal by Minister [3 min including translation]  
10:58 Remarks by Principal [7 mins including translation]  
11:05 Minister introduces Sr. Adv. to thank him [3 min including translation]  
11:08 Comments by Sr. Adv. [5 mins including translation]  
11:13 Closing remarks by Minister [7 mins including translation]  
11:20 Remarks conclude and work ropeline of front row

11:20 Conclude ceremony, work ropeline and move to cafeteria for brief reception with staff

**EVENT: Brief Reception with Minister and Staff**

NO PRESS

INDOORS, cafeteria

MINGLE

DURATION: 10 minutes

PARTICIPANTS

Principal

Minister Mohammed Tawfik Raheem

(b)(6)

Members of Industry and Minerals staff

TRANSLATION: Consecutive

11:25 Begin mingling

11:30 Presentation of gag gift

11:35 Conclude mingling, make farewells, and move to motorcade  
Note: Minister moves to Press Avail back outside in garden

11:40 Motorcade departs for CPA

**DRIVE TIME: 5 mins**

11:45 Arrive at CPA HQ



- 1) What does "sovereignty" mean to you? It means self government and taking decisions from the Iraqi point of view towards solution of internal problems and management of various ministries.
- 2) How will life be different on July 1 for the average Iraqi? No difference at all, just psychological difference, the success of the new government will depend on the improvement of the security and also to gather people back to work and taking actions against those who don't perform any work or do valid work.
- 3) Why is the Coalition transitioning full authority to Iraqi ministries now? So they can depend on their selves to run their country and stop depending on the coalition in running their country.
- 4) What will Iraq look like in 5 years? We see a wonderful future for Iraq and development of local industry and infrastructure and better living conditions for the Iraqis. In 5 years Iraq will be stable and it will be country number 3 after Egypt and U.A.E.
- 5) What shouldn't change after July 1<sup>st</sup>? The close relationship between the United States, United Kingdom and Iraq to maintain the support to the new government and the development of Iraq and to see the true democratic development in the country.
- 6) What is your understanding of what government will look like and how it will function between July 1 and January 2005? A transition government that should prepare everything to the take over by the elected government after 2005.

## **Q & A**

Transition Ceremony – Ministry of Industry and Minerals

### **Q1: Why are Ministry's SOE's not privatized?**

A1: Current laws in Iraq do not allow for the privatization of State Owned Companies. The Governing Council is looking at addressing this issue through legislation.

### **Q2: How can SOE's ever be privatized in light of the fact that they've traditionally been subsidized by government?**

A2: Given their resources and expertise, many of the SOE's can be competitive in local and regional markets. Iraq's reconstruction effort will be the driving force behind demand.

### **Q3: How is safety and security in Iraq affecting the SOE's?**

A3: Security issues have, at times, hampered the progress of the SOE's. To address this issue the Ministry has recently increased the number of Facility Protection Personnel from 6,000 to 10,000 which will significantly improve SOE security.

### **Q4: Some SOE's not operating because Coalition forces are occupying their facilities. When will the Coalition leave and let Iraqis get back to work?**

A4: Commanders are occupying these facilities because they're strategically important to maintaining safety and stability of Iraq. They will remove their forces from these sites as security improves. The Coalition has done that in a number of cases already.

### **Q5: What is the future of private business in Iraq?**

A5: Very promising. Iraq is well on its way to setting the stage for private sector development with the creation of a new stock exchange, and laws enabling joint ventures, banking and lending and private enterprise. Iraq is a nation rich in natural resources quickly emerging into the world economy.

Ministry of Industry and Minerals

**KEY MESSAGES**

**1. Revitalization of Iraq's Industrial sector is well underway**

- ☐ A year ago, the industrial sector had been non-functioning. Neglect of Saddam Hussein's regime, lack of principled management had taken its toll. Just before the war there was a collapse of management. Baathists and top management destroyed evidence and looted offices leaving buildings decimated, and shutting down the majority of SOE's.
- ☐ Today: Majority of SOE's producing goods and services. Number of those goods are central need items for rebuilding Iraq, including cement, iron, steel, chemicals, carpets, pharmaceuticals and agricultural products. Management structure is in place and functioning. There has been a thorough de-baathification of SOE's. MIM was first Ministry to implement an IG program. The Minister is totally intolerant of unethical practices for management and employees. He has not only helped rebuild MIM, but rebuilt it atop a foundation of solid business practices and ethical proceedings.

**2. Iraq's industries are critical to safety and security of the country**

- ☐ Iraq has largest commercially viable sulfur deposit in world. Mining it critical to industry. Industry desperately needs sulfur for development of sulfuric acid, which contributes to Health, Agriculture and Commerce. Pharmaceuticals, iron, steel, automotive, pesticides, purification for specialized metals. Fences, rebar, buildings, reinforcement for walls, gates, weapons, tractors, implements, irrigation pipe. Steel supports oil industry – transport oil through metal pipes. One of first anti-biotics is sulfur – still used some places.
- ☐ FPS guard force of 10K people. Securing those sites helps secure safety and security of Iraq. Infrastructure.
- ☐ Must be mined in responsible manner or harm local environment with acid rain.

**3. The Employees of the Ministry are its greatest strength and asset**

- ☐ MIM employees have extensive subject matter expertise, and extensive expertise in the operation of machinery and in machinery processes. Employee inventiveness, ingenuity and determination has been critical to bringing plants back online. For example, in the petrochemical plant in Basrah employees creatively found ways to improve efficiency of plant to get it operating. By internally reengineering their production line they went from marginal output to now running at 100% capacity.

**4. Competent and fair managers are now leading the Ministry**

*poised to  
take advantage  
of re-build*

*probability to  
build strong  
foundations of company  
economic base;  
ethical commitment*

- All managers speak consistently with one voice with respect to fairness, equity and mission. CPA advisors to MIM have noted a significant difference in atmosphere of the ministry. Employee voices are now heard, and there is no penalty for appropriate questions.
- Educated – bring basis of preparation and critical thinking skills. Budgetary planning for fiscal years 2004 and 2005 are complete.
- 1<sup>st</sup> Ministry IG system. IG has direct access to Minister and complete autonomy.
- Minister is intolerant of corruption – unethical behavior and standards for fair treatment of all employees.

### YEAR AHEAD

1. Continued revitalizing, as well as development and expansion of the industry.
  - Plans in place to increase productivity and market exposure
  - As result of end of former regime and subsequent lifting of UN sanctions, Iraqi industry now has the opportunity to export products and compete in the global economy.
  - Move into local and global market to make them competitive.
  - MIM is a key piece of Iraqi economy which will help move it forward.
2. Developing business ventures between the companies and the private sector.
  - Approaching sovereignty will enable Iraqi SOE's and companies to enter into joint ventures and work with investors.
3. Further development and training of the Ministry's employees in order to compete in the emerging Iraqi job market.
  - Line managers to be trained in scheduling, coaching, mentoring, and developing work force into a more competitive team.

### CHALLENGES

- Meeting the material and supply needs of the rapidly growing Iraqi economy during a time of an increasingly competitive job market.
  - a) Must produce maximum industry output in order to meet the needs of Iraq rebuilding process. PMO's \$18 billion reconstruction projects alone will require significant increase in jobs and production capability.
  - b) Other businesses have begun to enter Iraq. The MIM SOE's must compete in job market for best Iraqi employees.



### **KEY FACTS**

- Ministry of Industry and Minerals is currently the largest single employer in Iraq.

**THE EVENT SCHEDULE FOR THE  
Ministry of Industry and Minerals Transition  
Baghdad, IRAQ**

**Tuesday, May 11**

1210 Minister \_\_\_\_ enters office for office call

**EVENT: Brief Office Call with Minister**

NO PRESS; press set up in courtyard

INDOORS, office

BRIEF MEETING

DURATION: 15 minutes

PARTICIPANTS

Principal

Minister \_\_\_\_

Sr. Adv. \_\_\_\_

Translator

TRANSLATION: Consecutive

1210 Begin office call

1225 Conclude office call and proceed to podium in courtyard

12:30 Arrive at podium in CPA courtyard

**EVENT: Transition Ceremony**

SMALL POOL

OUTSIDE, Courtyard

TRANSITION CEREMONY

DURATION: 20 minutes

ATTENDEES

Principal

Minister \_\_\_\_

Sr. Adv. \_\_\_\_

Approx. xxxx others from ministry

PARTICIPANTS

Principal

Minister \_\_\_\_

Sr. Adv. \_\_\_\_

REMARKS; prepared

TRANSLATION: Consecutive

12:30 Begin ceremony

**12:30 Introduction of Principal by Minister [4 min including translation]**

**12:34 Remarks by Principal [8 mins including translation]**

**12:42 Minister introduces Sr. Adv. to thank him [4 min including translation]**

**12:46 Comments by Sr. Adv. [5 mins including translation]**

**12:51 Closing remarks by Minister [6 mins including translation]**

**12:57 Remarks conclude and work rope line**

12:57 Conclude ceremony, work rope line and move to Ambassador's conference room for reception

**EVENT: Brief Reception with Minister and Staff**

NO PRESS; press to remain in courtyard for gift presentation and minister's press avail  
INDOORS, Ambassador's conference room

MINGLE

DURATION: 10 minutes

PARTICIPANTS

Principal

Minister —

Sr. Adv.

35 members of staff???????

Translator

TRANSLATION: Consecutive

13:00 Begin mingling

13:00 Conclude mingling and move to gift presentation

**EVENT: Presentation of Gift**

OPEN PRESS

OUTSIDE, Courtyard

DURATION: 5 minutes

PARTICIPANTS

Principal

Minister

13:05 Minister presents gift

13:10 Conclude presentation of gift and farewells and depart for office  
Note: Minister (and Sr. Adv.) move to press avail

13:11 Arrive at Office



## COALITION PROVISIONAL AUTHORITY

BAGHDAD

### INFO MEMO

FOR: The Administrator

FROM: (b)(6) Senior Advisor for Ministry of Industry & Minerals

SUBJECT: Ministry of Industry & Minerals Overview

A chart showing the structure of the Ministry and the Minister's biography is attached. Strat Com will attach talking points and potential questions from the press and/or Ministry employees.

Ministry's immediate post-transition plans include:

- Implementing the Ministry & SOE personnel database and identification card program.
- Validating the Ministry's employee payroll and the clearing of 'ghost' employees from the rolls.
- Further rehabilitation of the Ministry Headquarters building.
- Reorganization of the Ministry's management structure.
- Continue re-starting of the Ministry's SOEs.

Issues to be aware of:

- Many of the Ministry's State Owned Enterprises are not operating; lack of electricity is the primary reason.
- Many ministry employees, including SOE employees, remain confused about the 11-tier salary plan and are disgruntled. These employees expected a 40% pay increase over the 4-tier plan.

ATTACHMENTS: Chart Reflecting the Ministry's Structure  
Biography of the Minister

COORDINATION: Stra (b)(6)



**THE EVENT SCHEDULE FOR THE  
Ministry of Industry and Minerals Transition**

**Baghdad, IRAQ**

**Tuesday, May 11**

1020 Depart CPA Headquarters en route to motorcade

<u>Motorcade</u>	
Lead	
Limo	
Principal	Carruthers
Translator	
Follow	

**DRIVE TIME: 5 Mins**

1025 Depart Motorcade enroute to Baghdad Convention Center

Baghdad Convention Center  
Baghdad, Iraq

10:30 Arrive at Baghdad Convention Center and proceed to cafeteria hold room  
(Note: met by Minister Mohammed Tawfik Raheem

(b)(6)

**EVENT: Brief Meeting with Minister**

NO PRESS; press set up in yard

INDOORS, cafeteria

BRIEF MEETING

DURATION: 15 minutes

PARTICIPANTS

Principal

Minister Mohammed Tawfik Raheem

(b)(6)

Translator

TRANSLATION: Consecutive

1035 Begin brief meeting

1050 Conclude brief meeting and proceed to podium on side of convention center garden

**EVENT: Transition Ceremony**

OPEN PRESS

OUTDOORS, convention center garden

Remarks; transition event

DURATION: 25 minutes

ATTENDEES

Ministry staff

CPA Ministry of Industry and Minerals staff

PARTICIPANTS

Principal  
Minister Mohammed Tawfik Raheem  
Sr. Adv. (b)(6)  
REMARKS; prepared  
TRANSLATION: Consecutive

10:55 Begin ceremony

**10:55 Introduction of Principal by Minister [3 min including translation]**  
**10:58 Remarks by Principal [7 mins including translation]**  
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**11:13 Closing remarks by Minister [7 mins including translation]**  
**11:20 Remarks conclude and work ropeline of front row**

11:20 Conclude ceremony, work ropeline and move to cafeteria for brief reception with staff

**EVENT: Brief Reception with Minister and Staff**

NO PRESS

INDOORS, cafeteria

MINGLE

DURATION: 10 minutes

PARTICIPANTS

Principal

Minister Mohammed Tawfik Raheem

(b)(6)

Members of Industry and Minerals staff

TRANSLATION: Consecutive

11:25 Begin mingling

11:30 Presentation of gag gift

11:35 Conclude mingling, make farewells, and move to motorcade  
Note: Minister moves to **Press Avail** back outside in garden

11:40 Motorcade departs for CPA

**DRIVE TIME: 5 mins**

11:45 Arrive at CPA HQ

# **MINISTRY OF INDUSTRY & MINERALS**

May 2004

## **KEY MESSAGES/ ACCOMPLISHMENTS**

### **1. Revitalization of Iraq's industrial sector is well underway**

- A year ago, Iraq's industrial sector was non-functional. Neglect by Saddam Hussein's regime, and lack of principled management had taken its toll on this area of the economy. Just before the war there was a collapse of industrial management. Ba'athists and top management destroyed evidence of wrongdoing and looted offices leaving buildings decimated, and shutting down the majority of State Owned Entities (SOE).
- Today, the majority of SOE's are producing goods and services. A number of those goods are central need items for the rebuilding of Iraq, including cement, chemicals, fertilizers, textiles, pharmaceuticals and food products.
- Management structure is in place and functioning. There has been a thorough de-ba'athification of SOE's. The Minister, Mohamad Tofiq Rahim, is totally intolerant of unethical practices for management and employees. The Ministry of Industry and Minerals (MIM) was the first Ministry to implement an Inspector General (IG) program. The Minister not only helped rebuild MIM, but rebuilt it atop a foundation of solid business practices and ethical proceedings. The CPA Advisor's Office to MIM, particularly Senior Advisor Lettie Bien, has been enormously supportive of all of these efforts,.

### **2. Iraq's industries are critical to safety and security of the country**

- Iraq has the largest commercially viable sulfur deposit in the world. Mining it is critical to industry. Industry desperately needs sulfur for development of sulfuric acid, which contributes to Health needs, Agricultural production and various Industrial projects.
- Facilities Protection Services (FPS) has a guard force of 10,000 people. Securing those sites helps secure Iraq's industrial infrastructure.
- Factories must be managed in a manner that will not harm the local environment.

### **3. The employees of the Ministry are its greatest strength and asset**

- Employees have extensive subject matter expertise, and extensive expertise in machinery operation and processes. Employee inventiveness and ingenuity have been critical to bringing industrial plants back online. For example, in the petrochemical plant in Basra employees creatively found ways to improve efficiency of plant operation. By internally reengineering



their production lines they increased production and improved the quality of their products.

**4. Competent and fair managers are now leading the Ministry**

- All managers speak consistently with one voice with respect to fairness, equity and mission. CPA advisors to MIM have noted a significant difference in atmosphere of the ministry. Employee voices are now heard, and there is no penalty for appropriate questions.
- Managers are educated, and bring a basis of preparation and critical thinking skills. Budgetary planning for fiscal years 2004 and 2005 are complete.
- First Ministry IG system. The IG has direct access to the Minister and complete autonomy.
- Minister is intolerant of corruption and unethical behavior. He stands for fair treatment of all employees.

**YEAR AHEAD**

**1. Continued revitalization, as well as development and expansion of the industry**

- Plans in place to increase productivity and market exposure
- As result of the end of the former regime and subsequent lifting of UN sanctions, Iraqi industry now has the opportunity to export products and compete in the global economy.
- Move into local and global market to make the industry competitive.
- MIM is a key piece of the Iraqi economy which will help move it forward.

**2. Development of business ventures between companies and the private sector**

- Approaching sovereignty will enable Iraqi SOE's and companies to enter into joint ventures and work with investors.

**3. Further development and training of the Ministry's employees in order to help the industry compete**

- Line managers to be trained in scheduling, coaching, mentoring, and developing work force into a more competitive team.

**4. Meeting the material and supply needs of the rapidly growing Iraqi economy**



- Produce maximum industry output in order to meet the needs of Iraq rebuilding process. PMO's \$18 billion reconstruction projects alone will require significant increase in jobs and production capability.
- Other businesses have begun to enter Iraq. The MIM SOE's must compete in job market for best Iraqi employees.

### **KEY FACTS**

- Ministry of Industry and Minerals is currently the largest single employer in Iraq.