

MEMORANDUM

(b)(6)

To: Ambassador Paul Bremer III

cc: Ambassador Patrick Kennedy

From: (b)(6)

Date: August 14, 2003

THESE MEMOS
WILL BRING YOU
UP TO DATE ON
OUR PLAN AND
OUR PROGRESS.
WE ARE ON OR
AHEAD OF PLAN IN
ALL ASPECTS UNDER
OUR CONTROL.

(b)(6)

I am very pleased to be here and working for you on this essential mission. Here are my early thoughts on how I see my responsibilities and how I plan to proceed:

Objective: I understand my overall objective is to set the Iraqi economy on a course that will lead to the development of a modern, vibrant capitalist economy capable of supporting and assuring a stable representative government in Iraq. My goal is to have determined a framework and essential policies for making this happen within six months and within 9-12 months to have undertaken enough actions and developed enough momentum along that path to persuade key decision-makers that the economy is moving in the right direction and the framework and policies we have adopted are sound and will survive.

Essential Tasks: I see the essential tasks in getting this done as the following:

1. Rationalize/restructure the SOE's.
2. Develop a privatization plan for the SOE's, housing, and possibly other state owned assets.
3. Help develop a private sector banking and credit system.
4. Help develop and begin to set in place modern and durable laws covering private ownership rights, rules of trade and commerce, and regulation of commercial practices.
5. Facilitate and develop active foreign trade and investment.
6. Stimulate job and income growth to put Iraq on a path to have per capita GNP over \$5,000 within five years.



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7. Ensure that fair means are found for moving the distribution of income and wealth in Iraq quickly toward that typically seen in modern, broad-based western economies.

The Plan: My plan for getting this done includes the following:

1. Organization: I plan to organize my team into four functional areas: SOE Restructuring, Privatization, Private Sector Initiatives and Commerce/Trade/Foreign Investment (see attached organization chart). I foresee a team of 12-15 people supplemented, when appropriate, with additional resources from Bearing Point. I have identified seven members of this team who are here or in-process. I plan to identify the remainder and have them in-process within four weeks. My goal is to build an internationally diverse team with as many ethnic Iraqis or Arabs as possible, particularly ones who might want to remain here permanently.
2. SOE Restructuring/Rationalization: I plan to immediately focus our SOE assessment effort on identifying the ten largest and most visible SOE's that are "likely winners" and those that are "sure losers." I plan to do this in four weeks or less. Once identified, we will immediately develop and implement plans for getting each of the "likely winners" up and running as best we can. At the same time we will develop in conjunction with your office liquidation plans for the "sure losers." Timing on the implementation of these liquidation plans will depend on your and other people's assessments of their political impact and the ability to provide a safety net for those displaced by the liquidations. It is important that the restructuring/rationalization of the SOE's be seen as a separate endeavor from privatization. Once we have identified and developed plans for the ten "likely winners" and large group of "sure losers", the assessment process can resume for all the other SOE's.
3. Privatization: I plan to form a privatization team charged with developing a comprehensive privatization plan within six months. My goal would be to have a plan that: 1) broadly distributes ownership of the viable SOE's mostly into the hands of Iraqis; 2) avoids the abuses and other problems in previous privatization efforts, and; 3) is likely to be honored and completed by CPA's successor.
4. Private Sector Initiatives: In addition to restructuring and privatizing the SOE's there are a number of initiatives that must be taken to develop the private sector internally. The first is to develop credit and other banking services for businesses, particularly for small and medium sized businesses. The two state-owned banks won't be up to this task anywhere near soon enough. The only way to achieve this in a timeframe relevant to our efforts is to open-up Iraq to foreign banks. To do this we need to amend Iraq's current restrictions on foreign company operations and investment. This is a top priority and hopefully can be done in the next month or so. We also need to increase jobs whether public or private. Hiring police, an army, and other civil servants will increase

incomes and help stimulate private sector demand. Privatization of housing in other venues has resulted in significant increases in spending on household improvements. Development of a legal structure for commerce and foreign trade and investment will enhance investment, both domestic and foreign, which will increase the number of jobs and will accelerate growth. All of these and other initiatives will be needed to get Iraq's GNP above \$4,500 per capita, the accepted threshold level necessary for sustainable representation government.

5. Commerce/Trade/Foreign Investment: Development and long term stability for Iraq depend on active programs to promote commerce, trade, and investment. The rate of development will depend largely on the availability of foreign investment capital. A high level of integration of Iraq's economy in the world economy will also provide long term political stability. Internal interest in commerce and investment and opportunities for increased trade and foreign investment need to be developed and directed. I plan to simultaneously develop: 1) a communication program to direct all parties interested in trade and investment to a single PSD location; 2) an information and referral capability, and; 3) a trade and investment development program which would include presentations before domestic and overseas business conferences, direct solicitation of investment and sponsorship by overseas corporations, and other initiatives to promote internal and external interest in economic involvement in Iraq.

6. Getting the Message Out: As we execute the plan outlined above, we will be looking for opportunities to demonstrate that viable Iraqi businesses are getting back up and running, that jobs are being created, that the investment climate is favorable, and that Iraq is certain to become a thriving capitalist economy with an active and open involvement in the global economy.

7. Timeline: The timeline for executing the plan is the following:

Short Term Goals (4 weeks):

1. Complete identification and commencement of processing of all team members.
2. Complete identification of "likely keepers" and "sure losers" and have started implementation of recovery plans for "likely keepers."
3. Resolve prohibited foreign investment issue.
4. Have one or more foreign banks preparing an entrance plan.
5. Have gotten the word out that PSD is the contact point for parties interested in trade, SOE's and other private investment.
6. Have set-up an information and referral service for interested parties.
7. Have commenced development of a privatization plan.

Medium Term Goals (3-6 months):

1. Have "likely keepers" well on their way to returning to normal with some good stories.
2. Have liquidation plans in place and being implemented (subject to political factors).
3. Have draft privatization plan being negotiated with key players.
4. Have an active foreign investment development program underway.
5. Have two or more foreign banks committed to and implementing an Iraqi presence.
6. Have identified and commenced a number of private sector initiatives.
7. Have secured several high profile corporate sponsorship programs.
8. Have drafts of a commercial code, bankruptcy code, and proposed resolutions of other legal issues involving commerce.
9. Have public perception be that all is moving in the right direction and that the objective outlined at the beginning of this memo is very likely to be achieved.

Longer Term (6-12 months):

1. Have developed a high level of comfort in the worldwide business community that investing in Iraq is both safe and smart.
2. Have ensured that the key elements of the privatization and other plans we have developed and are implementing will be continued by CPA's successor.
3. Have developed successor leadership for PSD.

8. Conclusion: This memo represents my thoughts at this time. I expect much of it will be amended as I become better informed about the situation here. I hope this serves as a basis for your giving me some guidance about how you would like me to direct my efforts, particularly if anything in this memo is contrary to what you think I should be doing.



COALITION PROVISIONAL AUTHORITY
BAGHDAD

PRIVATIZATION
PLAN

INFO MEMO

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FOR: THE ADMINISTRATOR

FROM: (b)(6) Director, Private Sector Development
Office of the General Counsel

SUBJECT: Draft Iraqi Ownership Transformation Order

Attached for your review is a draft of the Iraqi Ownership Transformation Order. This draft Order is proposed for use in the upcoming dialogue with the Governing Council regarding privatization. The Order provides the following:

- Formation of an Ownership Transformation Agency (OTA) to assist in the fair, equitable and expeditious privatization of Iraqi state-owned enterprises (SOEs);
- A high level of autonomy and strong powers granted to the OTA and its Head to effect privatizations;
- A high level of transparency required of the OTA and the transactions it enters into;
- Restrictions and disclosure requirements designed to prevent OTA employees from benefiting improperly due to their employment at OTA;
- Formation of a trust to act as a holding company for SOEs identified for privatization; such trust being under oversight of the OTA;
- Objectives for SOE sales and the criteria that will be used to select buyers;
- A requirement that SOEs designated for privatization as of December 31, 2003 be sold or liquidated by December 31, 2007;
- A requirement that the proceeds from each privatization transaction be distributed first to reimburse OTA costs for the transaction, second to retire liabilities of the SOE not transferred in the transaction, third to fund OTA's budget, and fourth to fund the Ministry of Finance;

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- Limitations on the ability of purchasers to earn a profit on the sale of the capital stock or assets of an SOE during the first 5 years of ownership;
- A restriction on selling any state-owned real property for as long as the CPA is the occupying authority;
- A requirement that prior to the establishment of an internationally recognized, representative Iraqi government, a person or entity purchasing an SOE must be an Iraqi citizen or be owned by a majority of Iraqi citizens unless the sale of a particular SOE to others has been approved by the Governing Council; and
- Decision-making powers in the Order vested in the CPA Administrator until there is an internationally-recognized, representative government in Iraq.

Legal Issues

Although occupation law alone does not appear to authorize the issuance of a new privatization law and creation of new institutions allowing privatization to take place, UNSCR 1483 creates additional authorities beyond those available under the law of occupation to pursue economic reforms, provided the CPA consults with the Governing Council, the U.N. Special Representative of the Secretary General (SRSG) and the international financial institutions. Such consultation will be key to establishing the authority to act in this area. The Governing Council can be expected to have strong views, as it requested the deletion of certain SOE language in the draft investment order to ensure that the CPA would consult further with the Governing Council on this subject.

We are continuing to review this proposal in the context of the Iraqi company law applicable to state-owned enterprises and constitutional issues relating to Iraqi natural resources. These as well as other factors may result in additional changes being required prior to issuing a final order.

Other Issues

Several issues covered in other privatization laws such as restitution and Golden Shares are not included in this draft order. It is recommended that these issues not be included now, but be left open to be raised, if appropriate, by the Governing Council or the Ministers.

COORDINATION: None

ATTACHMENT: Draft Order

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COALITION PROVISIONAL AUTHORITY ORDER NUMBER XX

IRAQI OWNERSHIP TRANSFORMATION

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

Acknowledging the Governing Council's desire to bring about significant change to the Iraqi economic system, and to ensure that economic change occurs in a manner acceptable to the people of Iraq,

Determined to improve the opportunities for all Iraqis to participate in economic growth and development and to provide an independent and transparent agency to oversee the privatization process,

Noting that developing a privatization plan for Iraq will help to develop infrastructure, encourage local, national and international investments by providing a favorable investment environment, and raise the efficiency, productivity and competitiveness of economic enterprises,

Acting in a manner consistent with the Report of the Secretary General to the Security Council of July 17, 2003, paragraph 90 concerning the need for the development of Iraq and its transition from a non-transparent centrally planned economy to a market economy characterized by sustainable economic growth through the establishment of a dynamic private sector, and the need to enact institutional and legal reforms to give it effect,

In close consultation with and acting in coordination with the Governing Council, I hereby promulgate the following:

Section 1
Objectives

- 1) Generally. This Order seeks to assist in the achievement of the fair, equitable and expeditious privatization of Iraqi state-owned enterprises ("SOEs") to make them or their assets more productive, profitable and efficiently operated in the private sector in such a manner that such privatization shall:
 - (a) enhance the competitiveness of SOEs that are economically viable, and liquidate the non-real assets of SOEs that are not economically viable;

- (b) stabilize existing markets and create new markets by facilitating the proper management of the SOEs with modern methods so that the SOEs can compete successfully in the international marketplace;
 - (c) encourage vigorous competition in the Iraqi marketplace by eliminating and avoiding industry monopolies in the private sector;
 - (d) ensure a reasonable and fair course of transition for displaced employees of SOEs;
 - (e) obtain the best value for the SOEs and/or their assets with respect to those SOEs that undergo the privatization process; and
 - (f) provide a transparent process to ensure fairness and the most favorable outcomes of SOE transitions.
- 2) Ownership Transformation Agency. The Act seeks to achieve the general objectives set forth in, Section 1(1), through the establishment of an Ownership Transformation Agency (the "Agency"), with the objectives relating to the establishment of such Agency being that the Agency is:
- a) independent of any political party or faction;
 - b) led, as the head of the Agency (the "Agency Head"), by an Iraqi citizen with impeccable professional and ethical credentials;
 - c) staffed primarily by qualified Iraqis dedicated to accomplishing the mission of the Agency;
 - d) free of conflicts of interest;
 - e) authorized to engage highly qualified experts, including investment bankers, accounting firms, law firms and economists to assist it in accomplishing its mission;
 - f) subject to the objective oversight of the Ownership Transformation Board; and
 - g) reporting to the Governing Council or the Head of State of a new, internationally recognized representative government of Iraq on an annual basis, with such annual reports published on the internet.
- 3) Time Objectives.
- a) All SOEs designated for privatization by the Administrator, in consultation with the Governing Council, as of December 31, 2003 shall be sold or liquidated no later than December 31, 2006, and, in the event that any additional SOEs are designated by the Administrator or Agency Head for privatization in accordance with Section 5(4)(b), such SOEs shall be sold or liquidated no later than three years after the date the

Administrator or Agency Head determined the SOE should be privatized (the "Liquidation Date").

- b) If any SOE designated for privatization as of December 31, 2003 or thereafter is not sold or liquidated by December 31, 2006 or, as the case may be, the Liquidation Date, then all employees of such SOE shall be terminated as of the next business day immediately following December 31, 2006 or, as the case may be, the Liquidation Date, and all assets of such SOE shall be liquidated on or prior to December 31, 2007 or, as the case may be, the first anniversary of the Liquidation Date.

Section 2

Ownership Transformation Agency

- 1) **Establishment.** Pursuant to the provisions of this Act, the Agency is hereby established.
- 2) **Term.** The term of the Agency shall continue until the later of December 31, 2007 or three years following the date of the last privatization decisions, but no later than December 31, 2010, unless following the establishment of an internationally recognized representative Iraqi government, unless this Order is revoked by such an Iraqi government.

Section 3

Ownership Transformation Board

- 1) **Purpose.** The Ownership Transformation Board shall ensure that the Agency and the Agency Head operate within their mandate.
- 2) **Composition.** The Ownership Transformation Board shall consist of the following members:
 - a) Minister of Finance;
 - b) Minister of Trade;
 - c) Governor of the Central Bank of Iraq, and;
 - d) four Iraqi business leaders each nominated by the Governing Council and appointed by the Administrator, or the Head of State of a new, internationally recognized, representative government of Iraq, to two-year terms (the "Business Leaders").
- 3) **Annual Reports.** The Ownership Transformation Board shall submit a report on the activities of the Agency to the Governing Council, or the Head of State of a new internationally recognized representative government of Iraq, as the case may be, on an annual basis, with such report being separate and independent from the report submitted

by the Agency in accordance with Section 1(2)(g) and published on the Agency's internet website.

Section 4
Ownership Transformation Board Action

- 1) **Convention**. The Ownership Transformation Board shall convene on notice from the Minister of Finance, Agency Head, or upon the request of two or more members of the Ownership Transformation Board, whenever the need arises, but not less frequently than quarterly.
- 2) **Chair and Vice-Chair**. Meetings of the Ownership Transformation Board shall be chaired by the Minister of Finance (the "Chair"), or in his absence, by the Head of the Iraqi Central Bank (the "Vice-Chair").
- 3) **Quorum**. In order for a valid meeting of the Ownership Transformation Board to be held, at least four of its members must be in attendance.
- 4) **Voting Power**. Each member of the Ownership Transformation Board shall be entitled to one vote that is of equal weight to the vote of each other member of the Ownership Transformation Board.
- 5) **Valid Acts**. Resolutions, recommendations and reports of the Ownership Transformation Board shall be adopted by a majority of the votes of members present. In the event that a vote is even, the Chair, or in his absence, the Vice-Chair, shall have the deciding vote.
- 6) **Observers and Participants**. When appropriate, the Ownership Transformation Board may invite whomever it deems appropriate to observe or participate in any of its meetings, including the general public, provided, that, the person(s) invited shall not have the right to vote on resolutions, recommendations or reports of the Ownership Transformation Board nor be present when such resolutions, recommendations or reports are voted upon by its members.

Section 5
Agency Head

- 1) **Nomination and Appointment**. The Agency shall be governed by one individual who is nominated by the Governing Council and appointed by the Administrator to a five-year term. Following the establishment of an internationally recognized representative Iraqi government, the Agency Head may be removed by a vote of the entity vested with the legislative powers of such a government of Iraq. If the Agency Head is so removed, a new Agency Head shall be appointed by the Head of State of such government.
- 2) **Removal**. Prior to the establishment of an internationally recognized representative government of Iraq, the Agency Head may be removed by the Administrator, if the

Administrator finds that the Agency Head has been grossly negligent, has engaged in criminal conduct, is a threat to security, or has willfully failed to carry out the Agency's mandate. Upon the establishment of an internationally recognized, representative government of Iraq, any new Agency Head appointed pursuant to Section 5(1) may be removed only by a two-thirds majority vote of such legislative entity following a recommendation for removal by the Ownership Transformation Board and a public hearing. Such recommendation by the Ownership Transformation Board shall only result after a finding by the Ownership Transformation Board that the Agency Head has been grossly negligent, engaged in criminal conduct, or willfully failed to carry out the Agency's mandate.

- 3) Compensation The Agency Head shall be compensated in accordance with his step and grade as indicated in the published salary table for state employees.
- 4) Responsibilities and Powers. The Agency Head shall:
 - a) set forth the general policies for holding, preparing, disposing and privatizing SOEs;
 - b) in addition to those SOEs designated for privatization as of December 31, 2003, recommend SOEs for privatization
 - c) oversee and direct the government and management of SOEs, including, but not limited to, recommending to the Administrator the appointment and dismissal of members of the board of directors of the SOEs identified for privatization and their management teams;
 - d) recommend to the Administrator the sale, lease or transfer of rights of management and operation to the private sector taken in implementation of privatization;
 - e) issue such rules, regulations and instructions as it deems necessary or advisable for the implementation of the provisions of this Order, provided, that, such rules, regulations and instructions, as well as the Agency Head's purposes for their adoption, are published in the same manner as this Order, as well on the Agency's internet website;
 - f) select, appoint, and compensate qualified officers, accountants, economists, and other employees who shall constitute the "Agency Staff", each of whom shall be subject to ethical restraints, including conflict of interest rules and regulations adopted by the Agency, provided, that, the Agency Staff shall not exceed 100 in number, and, provided, further, that, the criteria established for selecting the Agency Staff shall be open, transparent, equitable and fair and shall be publicized on the Agency's internet website;
 - g) select, engage and compensate consulting firms, investment bankers, accounting firms, law firms and other professionals (collectively, "Contractors") as it deems

appropriate, from time to time, to assist in the carrying out of the mission of the Agency, each of whom shall be subject to ethical restraints, including conflict of interest rules and regulations adopted by the Agency, provided, that, the criteria established by the Agency Head for selecting Contractors shall be open, transparent, equitable and fair and shall be publicized on the Agency's internet website;

- h) after notice and opportunity for a public hearing on the matter, with the procedures for such public hearing established by the Agency Head, censure or deny, temporarily or permanently, any person or entity the privilege of appearing and practicing before the Agency in any way or working or contracting with the Agency in any way, if that person is found by the Agency Head, after notice and opportunity for a public hearing in the matter,
 - (i) to have engaged in unethical or improper conduct;
 - (ii) to have willfully violated or willfully aided and abetted the violation of, any of the rules, regulations or instructions adopted by the Agency, or any commercial or criminal law of Iraq;
- (i) exchange information with other Iraqi institutions with respect to violations of criminal law or civil law; and
- (j) publish information pertaining to the Agency on the Agency's internet website.

Section 6

Prohibited Activities of Agency Head, Agency Staff and Contractors

- 1) Other Employment or Business. The Agency Head and each member of the Agency Staff shall not engage in any business, vocation or employment other than that of serving as Agency Head or a member of the Agency Staff.
- 2) Participation in Privatization Activities. The Agency Head, each member of the Ownership Transformation Board, each member of the Agency Staff and any person working at the Agency shall not participate, directly or indirectly, in any privatization transaction, other than in the performance of their duties to the Agency, and any Contractor shall not participate, directly or indirectly, in any privatization transaction, other than in the performance of its duties to the Agency in connection with specified privatization transactions. This prohibition also applies to the spouses of the above described persons, parents and siblings, descendants to the first degree, entities which are majority owned or otherwise controlled by any of the foregoing persons, and to any natural or juridical person who has a business, beneficial or ownership relationship in any form with the persons named in this Section 6(2). In the case of Contractors that are legal entities, this prohibition applies to the directors, officers, trustees, partners and employees of such Contractors, as well as to the spouses of these persons, descendants to the first

degree and to anyone who has a business, beneficial or ownership relationship in any form with these persons.

3) Disclosure of Personal Benefits.

- a) The Agency Head, each member of the Ownership Transformation Board, each member of the Agency Staff, any person working at the Agency, or a Contractor must inform the Agency Head, or the Ownership Transformation Board in the case of the Agency Head, in writing, upon the commencement of any privatization transaction, of any personal benefit such person ("Affected Person"), such person's spouse, siblings, or predecessors or descendants to the third degree may derive, directly or indirectly (including through a controlled entity), for services rendered to any party which is directly or indirectly connected to such privatization transaction. In the case of Contractors that are legal entities, this disclosure requirement applies to any personal benefits derived by the directors, officers, trustees, partners and employees of such Contractors, as well as to any personal benefits derived by the spouses of these persons, descendants to the first degree and to anyone who has a business, beneficial or ownership relationship in any form with these persons.
- b) The Agency Head shall decide on the impact of any personal benefit disclosed in accordance with Section 6(3)(a), on the impartiality of an Affected Person and shall have the right to exclude such Affected Person from all, or any portion of, such privatization transaction, provided, that, if the Affected Person is the Agency Head, the decision concerning the impartiality of the Affected Person shall be made by the Ownership Transformation Board.

4) Confidentiality.

- a) No person who has obtained knowledge of confidential information as a result of that person's work at or with the Agency shall disclose such information in any way to any person not entitled to such confidential information by way of this Act or the rules, regulations or instructions promulgated hereunder by the Agency Head.
- b) Any person who knowingly violates Section 6(2) or Section 6(4)(a) shall be punished by (i) imprisonment for a period not exceeding 5 years and (ii) a fine of not less than 10 million dinars.

Section 7
Budgetary Matters

- 1) Independent Budget. The Agency shall receive an annual allocation of funds as part of the national budgeting process, in an amount to be determined by the Administrator, or the Head of State of a new, internationally recognized representative government of Iraq, in consultation with the Agency Head and the Ownership Transformation Board. This

allocation of funds shall be based upon the annual budget, prepared by the Agency Head in coordination with the Ownership Transformation Board and published on the Agency's internet website and otherwise made publicly available. The Agency's budget, to include sums in the special account established pursuant to Section 7(3) below, shall be managed and executed independently under the direction of the Agency Head, in consultation with the Ownership Transformation Board.

- 2) **Annual Financial Report.** Within 90 days of the end of each calendar year, the Agency Head shall cause to be prepared and delivered to the Ownership Transformation Board, the Governing Council and the Administrator, or the Head of State of a new, internationally recognized representative government of Iraq, an accounting of the Agency's finances, to include a description of all Agency expenditures of allocated funds and sums from the special account established pursuant to Section 7(3), prepared in accordance with recognized principles of accounting. The Agency shall also publish such financial report on the Agency's internet website.
- 3) **Donations and Grants.** Each donation and grant to the Agency in excess of 100,000 Iraqi dinars, whether derived from a domestic or foreign source, shall be approved or denied by the Ownership Transformation Board after it conducts a review of the donation, its source and the overall appropriateness of such donation considering the principles of transparency, fairness, equity and integrity. Monetary donations and grants shall be deposited into a special account available only to the Agency for its authorized activities.

Section 8

Ownership Transformation Trust

- 1) **Contributions to Ownership Transformation Trust.** SOEs either designated as of December 31, 2003 or thereafter for privatization shall be entrusted, within one month thereafter, to the Agency Head and admitted to the Ownership Transformation Trust. Once admitted to the Ownership Transformation Trust, an SOE may not be returned to ownership and oversight by a state ministry either by sale, transfer or any other disposition.
- 2) **Government and Management of Entrusted SOEs.** SOEs held in the Ownership Transformation Trust shall be governed and managed under the direction of the Agency Head with the following objectives:
 - a) the establishment and development of the independence of the government and management of the SOE, first, from the state, and then, from the Agency, by developing, as necessary, organizational documents, financial guidelines and a business plan for the SOE;
 - b) the establishment and development of accurate and reliable financial information, analyses and appraisals with respect to the SOE and its assets; and

- c) the taking of all other actions necessary to prepare the SOE and/or its assets for disposition in accordance with the privatization methods set forth in Section 9(2).
- 3) Accounting Transparency and SOE Profit and Losses.
- a) The Agency Head shall cause to be prepared and published on the Agency's internet website, on a quarterly basis, a full accounting of the assets of the Ownership Transformation Trust, as well as the specific financial performance of each SOE in the Ownership Transformation Trust for that quarter.
 - b) Once an SOE has been admitted to the Ownership Transformation Trust, it must fund its own losses either by private sector financing or another method promulgated by the rules, regulations and/or instructions of the Agency Head.
 - c) Once an SOE has been admitted to the Ownership Transformation Trust, it shall retain its profits and such profits may not be used to fund the losses of another SOE admitted to the Ownership Transformation Trust.
- 4) Distribution of Sale Proceeds. Proceeds from the disposition of an SOE in the Ownership Transformation Trust or its assets shall be used by the Agency as follows:
- a) first, to reimburse the costs incurred by the Agency for the privatization of the SOE;
 - b) second, to retire any liabilities of the SOE not transferred in the disposition, provided, that, if such proceeds are not sufficient to retire all retained liabilities of the SOE, remaining liabilities shall be transferred to the Ministry of Finance; and
 - c) third, to fund the Agency's annual budget, provided, that, if the Agency's annual budget is fully-funded, remaining proceeds shall be remitted to the Iraqi Enterprise Trust, a trust to be formed to receive these funds for a one-time equitable distribution to the Iraqi people upon the completion of the privatization program.

Section 9
Methods and Conditions of Privatization

- 1) Publication Prior to Commencement. Prior to the commencement of any privatization transaction, the Agency shall publish on the Agency's internet website and in at least two daily Iraqi newspapers and over two weeks the conditions of and requirements for any such privatization transaction at a date specified by the Agency Head for this purpose.
- 2) Authorized Methods. SOEs may be privatized by use of any of the following methods, or any combination thereof, by the Agency:
 - a) sale, auction or other disposition of a portion of or all of the capital stock of an SOE to (i) a legal entity or entities, (ii) an investment group, including, but not limited to,

an investment group composed primarily of an SOE's employees or members of management, and/or (iii) a natural person or persons (the legal entities, investment groups and natural persons referred to in subsections (i), (ii) and (iii) of this Section 9(2)(a) are collectively referred to herein as "Purchasers"), regardless if such sale is conducted in a single-stage or multiple-stage transaction;

- b) sale, auction or other disposition of a portion of or all of the assets of an SOE to any Purchaser or combination thereof, regardless if such sale is conducted in a single-stage or multiple-stage transaction;
- c) public offering of the capital stock of an SOE; and
- d) any other method not in contravention of the then-in-effect laws of Iraq that is recommended by the Agency Head and approved by the Ownership Transformation Board;

provided, however, that with respect to sales provided for in Section 9(2)(a) and Section 9(2)(b), such sales shall result in either a legal entity, investment group or natural person (x) owning more than 50% of the capital stock or assets of the SOE and (y) investing no less than 20% of the aggregate sale price of the SOE in the form of an equity investment.

- 3) Promulgation of Uniform Sale Processes. By way of rules, regulations and/or instructions, by December 31, 2003, the Agency Head shall submit to the Administrator, or the Head of State of a new, internationally recognized, representative government of Iraq, for his approval, uniform processes to implement the privatization of SOEs in accordance with the terms of Section 9(1), so that each such process provides adequate notice, open and fair bidding and transparency. In promulgating such rules, regulations and/or instructions, the Agency Head shall ensure that the following considerations are included in the criteria used to select Purchasers:

- a) expertise, experience, resources and overall quality of the Purchaser;
- b) sources of capital and financing employed by the Purchaser;
- c) quality of the business plan proposed by the Purchaser, including, but not limited to:
 - i) the impact the sale to Purchaser will have on current employees of the SOE;
 - ii) the impact the sale to the Purchaser will have on the current and future competitiveness of the Iraqi marketplace; and
 - iii) the protections proposed by the Purchaser to prevent misappropriation of the assets of the SOE or the abuse of its minority investors;

and

- d) purchase price and form of payment agreed to by Purchaser.
- 4) Prohibited Dispositions. The following dispositions are prohibited:
 - a) any disposition of part or all of an SOE or its assets to a Purchaser whom the Ownership Transformation Board determines (i) is or was closely affiliated with the former regime of Saddam Hussein, or (ii) is employing funds for the purchase of the SOE, regardless of the source, that were gained from close association with the regime of Saddam Hussein, or (iii) is using capital or financing that has otherwise been attained illegally;
 - b) any disposition of part or all of an SOE involved in the ownership, primary extraction, or initial processing of oil or other natural resources; and
 - c) any disposition prohibited in Section 10.
- 5) Vesting of Certain Profits. Except as otherwise specifically exempted by regulation, any purchaser of the capital stock and/or assets of an SOE pursuant to Sections 9(2)(a), 9(2)(b) or 9(2)(d) who resells such capital stock and/or all or substantially all of the assets on or after the date of its purchase from the Agency (the "Privatization Sale Date") shall be entitled to profits realized by such resale in accordance with the following vesting schedule, with the balance of such profits paid to the Agency promptly following the Privatization Sale Date:
 - a) 20% of the gross profits minus transaction expenses, if the resale occurs after the first anniversary, but prior to the second anniversary, of the Privatization Sale Date;
 - b) 40% of the gross profits minus transaction expenses, if the resale occurs after the second anniversary, but prior to the third anniversary, of the Privatization Sale Date;
 - c) 60% of the gross profits minus transaction expenses, if the resale occurs after the third anniversary, but prior to the fourth anniversary, of the Privatization Sale Date;
 - d) 80% of the gross profits minus transaction expenses, if the resale occurs after the fourth anniversary, but prior to the fifth anniversary, of the Privatization Sale Date; and
 - e) 100% of the gross profits minus transaction expenses, if the resale occurs after the fifth anniversary of the Privatization Date.

The Agency shall develop rules and regulations subject to the approval of the Ownership Transformation Board to protect against two-step sales and other means for avoiding

remittance of unvested profits from a sale to the Agency as provided for in this Section 9(5).

- 6) **Publication Upon Completion.** The Agency shall publish on its internet website and in at least two daily Iraqi newspapers and over two weeks a detailed report on each privatization transaction upon its completion which shall include, as a minimum, the following information:
- a) name of the SOE which has been privatized, the method adopted, the procedures followed and the proceeds received by the Agency upon completion of the disposition;
 - b) names of the Contractors and other experts who were consulted in relation to the privatization transaction in question, in addition to the names of their local agents, if any;
 - c) name and address of the entity(ies) with whom the privatization transaction has been closed or the beneficiary thereof and the said entity's local agents, if any; and
 - d) any additional information the publication of which is deemed appropriate or necessary by the Agency Head;

provided, that, the Ownership Transformation Board, upon the recommendation of the Agency Head, shall have the authority to waive the requirement to publish the information set forth in Section 9(6)(b), (c) and (d), if it determines that the exclusion of this information is essential for security purposes.

Section 10 **Interim Provisions**

- 1) **No Sale of Land Owned by State.** Prior to the establishment of a new, internationally recognized, representative government of Iraq, all privatizations of SOEs shall be structured in such a manner that there is no sale, disposition or other transfer of state-owned real property.
- 2) **Certain Restrictions on Non-Iraqi Purchasers.** Prior to the establishment of a new, internationally recognized, representative government of Iraq, a Purchaser who is a natural person must be an Iraqi citizen and a Purchaser who is a legal entity or an investment group must be owned by a majority of Iraqi citizens, unless the Governing Council determines in advance that other parties are eligible to purchase a particular SOE.

**Section 11
Entry into Force**

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

L. Paul Bremer, Administrator
Coalition Provisional Authority

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**COALITION PROVISIONAL AUTHORITY
BAGHDAD**

ACTION MEMO

SEPTEMBER 15, 2003, 1530L

TO: THE ADMINISTRATOR

FROM: (b)(6) Director, Private Sector Development

SUBJECT: Privatization Plan for Iraqi SOEs

The Private Sector Development team ("PSD") has completed its assessment of state-owned enterprises ("SOEs") and initial privatization planning phases. We present the following conclusions and recommendations for your consideration:

CONCLUSIONS FROM THE ASSESSMENT PHASE

PSD has completed a comprehensive assessment of 153 of 188 fully-owned SOEs and has determined a disposition plan for each. The 39 SOEs not included in PSD's recommendations reside in the Oil, Electricity, and Finance Ministries. Most of the SOEs in these ministries are not candidates for privatization. Any that are would present special situations for which privatization determinations cannot now be made. As a result, we have not included them in this round of assessments and recommendations.

The disposition plans for the 153 SOEs include six categories: ready now privatizations; ready later privatizations; agencies; consolidations; non-privatizations, and; close-downs. Ready now privatizations are SOEs that should be privatized as soon as the resources are in place to implement a privatization. Ready later privatizations are SOEs that are very large, politically

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sensitive, or for some other reason would benefit from delaying implementation of a privatization plan. Agencies are SOEs that should be reclassified as government agencies and remain in the government. Consolidations are SOEs that should be consolidated into another SOE. Non-privatizations are SOE's that should remain government entities. Close-downs are SOEs that have no viable business prospects and should be closed-down.

A number of criteria were used to categorize the SOEs. PSD drew on its analysis as well as the experience and judgment of the PSD group and outside experts. The first criterion was subjective and was whether the product or service the SOE was providing was one that governments can or should provide. PSD and its advisers looked at the decisions other countries had made during their privatization efforts as well as the structures of successful capitalist economies such as the United States. Examples of SOEs that PSD determined should remain government entities are the post office, the food inspection service, and the animal disease control service. Within this group we divided SOEs into ones that were agencies of government and ones that were businesses. For example, the post office was determined to be a business, albeit a non-profitable one, and the food inspection service was determined to be an agency. Thirty SOEs employing approximately 37,000 people were determined to be agencies and PSD proposes reclassifying them as such. Four SOEs employing 25,000 people were determined to be businesses that should be retained by the government and are classified by PSD as non-privatizations.

After it was determined which SOEs should not remain government entities, PSD looked at whether each of these SOEs comprised an entire business. Many SOEs were determined to provide services or products to other SOEs which function more like a department of a company than an entire company. For example, several research and development groups and several engineering services groups function more like corporate service departments than businesses. In other cases, several SOEs provided identical products or services and appeared better off as consolidated entities. These two types of SOEs, nine in all and employing approximately 5,349 people, either have been or should be consolidated into other SOEs.

Among the SOEs remaining, PSD identified ones that had little or no business prospects and/or their assets and means of conducting business had been destroyed. Most of these are SOEs from the Military Industrial Commission that formerly produced military hardware. For these SOEs, 25 in all employing approximately 43,000 people, PSD recommends they be closed-down and their remaining assets sold.

The remaining SOEs are candidates for privatization. PSD analyzed each and made a determination whether it was a candidate to be privatized as soon as practicable or if there were reasons to delay privatization. The criteria used to determine which should be privatized later included size, likely change in value over time, complexity, and political sensitivity. PSD is recommending that of the 85 being recommended for privatization, 53 employing approximately 101,692 people, should be privatized as soon as the implementation resources are in place. 32 SOEs employing approximately 52,000 people should be privatized, but not immediately.

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A summary of PSD's categorization of the 153 SOEs is the following (a detailed list of these SOEs is included as Exhibit 1 to this memorandum):

<u>CATEGORY</u>	<u>SOES</u>	<u>EMPLOYEES</u>
Ready now privatizations	53	101,692
Ready later privatizations	32	51,776
Agencies	30	36,759
Consolidations	9	5,349
Non-privatizations	4	24,866
Close-downs	<u>25</u>	<u>43,144</u>
Total	153	263,586

Within these classifications there are a number of special situations. Most notably they include companies that require significant capital investment for which we would be seeking an investor to provide the capital in exchange for an interest in a subsequent privatization. An example would include the telephone company which may require up to \$2 billion in new capital to repair and modernize its land line system. PSD is analyzing a quasi-privatization plan where the telephone company is dropped into a corporation majority owned by the Iraqi people and the remainder owned by an investor providing capital and expertise. The jointly owned company would subsequently be floated on the Baghdad Stock Exchange or sold in a second step privatization.

Another category of SOEs not included in the above numbers are the forty-one mixed SOEs which are partly owned by the government and partly owned by private investors. Together the mixed SOEs employ approximately 20,000 people. Most of these companies were traded on the Baghdad Stock Exchange prior to the war. PSD recommends these investments be included in the ready now privatization category indicating that the government's ownership in these companies should be sold as soon as the resources are in place to do so.

FORMATION OF A PRIVATIZATION AGENCY

PSD recommends that the privatization plan be implemented by a privatization agency formed for the purpose of holding, preparing, and disposing of the SOEs in accordance with the recommendations in this memorandum. Privatization agencies of varying forms and varying names were used in all Eastern Block privatization programs. They are critical for gathering the

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resources necessary for implementing a privatization program and to protect the privatization process from politicians and Ministries who have a stake in SOE retention. PSD has studied the experiences of many Eastern Block countries as well as Middle Eastern countries including Egypt, Morocco, and Jordan. Our recommendations regarding the architecture of the privatization agency reflect PSD's judgment as to what has worked best in the past and what is likely to work well in Iraq.

PSD recommends a privatization agency architecture in which the SOEs that have been identified as candidates for privatization, regardless of the proposed timing of their privatization, are moved into a 'holding pen' within the privatization agency. Once in the 'holding pen', the decision to dispose of the SOE should not be easy to reverse. The privatization agency would retain discretion over how and when each SOE was privatized, but all privatizations would be targeted for completion by December 31, 2006. Any SOEs held by the agency on that date would have to terminate its employees and would have one year to liquidate its assets.

The target completion date of December 31, 2006 has been carefully chosen. Privatizations that have proceeded too quickly have suffered adverse effects from insufficiently mature legal and regulatory structures, SOEs insufficiently prepared for the transition, and the private sector insufficiently developed to absorb people displaced by privatization. Privatizations lasting too long have suffered different adverse effects, most notably that initial public enthusiasm tends wane and, as a result, the political will to continue and complete the process fades. A time frame of slightly more than three years takes these factors into consideration as well as the fact that there are far fewer SOEs to privatize in Iraq than in the Eastern Block countries. Furthermore, PSD set an ambitious schedule to provide an impetus for the privatization agency, realizing that if the deadline turns out to be impractical it can be extended by revising the privatization law.

PSD envisions a privatization agency headed by an Iraqi and staffed primarily with Iraqis. PSD estimates a staffing requirement of 50 or more people. The privatization agency would contract with investment banks, accounting firms, and law firms to assist them in their disposition activities. The head of the agency would need to be of unquestionable integrity and good business judgment. In addition, he or she would need to be viewed as legitimate and impartial. The privatization agency would need technical assistance to establish a process for disposing of SOEs that is transparent and that employs many of the principles used elsewhere to ensure ethical practices. For example, the bidding process for companies should be conducted under rules similar to those contained in the U.S. Federal Acquisition Regulations. The formation of the privatization agency and its duties and powers would be set forth in a privatization law which needs to be drafted in the next four weeks and implemented within another four weeks.

PSD believes the privatization agency and privatization plan should be formally announced within four weeks and the SOEs identified for closing or privatization should be transferred to the privatization agency as soon as the privatization law is adopted. PSD recommends that a small group of first step privatizations be started by PSD immediately, but that their disposition be handed over to the privatization agency as soon as the agency is able to handle them. PSD believes some of the first step privatizations can be completed by year end. Most of the remaining ready now privatization SOEs can be completed by the end of 2004. Some SOE privatizations that are very large, politically sensitive, or whose sale or success in the private

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sector will require active capital markets or better established laws and institutions than Iraq now has, may take as long as 2-3 years to complete.

In writing the privatization law and establishing the privatization agency, a lot of care and effort will have to go into ensuring that the desired outcomes of privatization are achieved. In doing so, PSD will have to help the privatization agency develop ways to avoid the undesired outcomes experienced in many of the Eastern Block countries such as asset stripping, improper enrichment of government employees, and the creation of improperly enriched buyers or consolidators of SOE interests post-privatization. PSD is confident this can be done using a 'lessons learned' approach supplemented by CPA and other expert advice.

FIRST STEP PRIVATIZATIONS

PSD has limited resources for implementing privatizations. However, PSD has identified 17 ready now privatizations that PSD could begin privatizing prior to the formation of the privatization agency. These SOEs have been selected because they are modest in size, have good business prospects, will result in modest employee displacement, and their value will not be meaningfully compromised by an early sale. PSD would hope to have five or more of these first step privatizations completed by December 31, 2003. These first step SOEs would provide an opportunity to run a limited trial of the privatization process and to test receptivity to the privatization framework. It would also provide an opportunity on a limited basis for privatization agency employees to learn on a modest sample size.

PSD proposes the following first step privatizations:

<u>SOE</u>	<u>PRODUCT OR SERVICE</u>	<u>EMPLOYEES</u>	<u>MINISTRY</u>
Al Dilhal	Tourist busing	753	Transportation
Delegates	Limousine Service	201	Transportation
Land Transport	Trucking	840	Transportation
Passenger	Bus Transportation	3,326	Transportation
Internet Café	Internet Connectivity	412	Transportation
Projects	Project Design	1,039	Transportation
Construction Materials	Retailing	3,385	Trade
Shopping Centers	Retailing	5,880	Trade
Auto Wholesale	New Auto Distribution	2,606	Trade
Al-Farouq	Construction	1,433	Housing
Al Mansour	Construction	1,527	Housing
Al Rasheed	Construction	1,186	Housing
Hamurabi	Construction	2,351	Housing
Ashur	Construction	2,214	Housing
Saad	Construction	1,219	Housing
Al Mutasim	Construction	1,439	Housing
Hotels/resorts	Tourism	<u>2,352</u>	Culture
	Total	32,163	

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TRANSITION PLAN FOR DISPLACED EMPLOYEES

The 153 SOEs for which PSD is now making disposition recommendations employ approximately 251,806 people. We estimate as many as 100,000 of these employees may not be retained post-disposition. Although this is a large number and will result in transition stress for these individuals and their families, the number is small when compared to most other privatization programs, both in terms of gross numbers and the percentage of the workforce. For example, in most Eastern Block countries, 70% or more of the workforce were employed by the state and in the former Soviet Union the number approached 100%. It is estimated that 50% or more of state-employed workers in these countries, or 35-50% of the workforce, were displaced by privatization. In Iraq, the part of the workforce likely to be adversely affected by privatization is 2% or less. This is important and fortunate for two reasons. First, the political impact of privatization is likely to be less acute in Iraq than it was in the Eastern Block and, second, the cost is far lower of moderating the political impact of privatization by providing a comfortable transition plan for displaced employees.

PSD recommends that displaced workers be provided a transition plan that significantly eases the stress of their transition to post-privatization status. PSD estimates that up to 30% of SOE employees qualify for disability or retirement, but have not taken either because the benefits for each amount to only 35% of an employee's current salary. PSD recommends that these employees be required to move to disability or retirement status, but that their transition to the lower benefit levels occurs gradually over a three year period. PSD recommends that terminated employees who do not qualify for disability status or retirement receive their current salaries for one year after termination followed by a cumulative annual reduction of 25% of their current salaries for three years or until they obtain another job. PSD believes a cash severance payment will initially be received well, but will shortly lead to political and social problems as many of the recipients of these cash payments will spend the money before they are able to obtain another job.

The severance arrangement should include a program for developing skills and other employment related training. The package should also include a placement service to assist displaced workers in finding new employment. PSD realizes that many factors including the culture of Iraq's recent past present significant additional challenges to fulfilling a goal of providing a smooth and politically trouble free transition during privatization. However, PSD believes the generous transition packages, relatively small affected population, and lengthy and staggered duration of support will greatly alleviate the negative political consequences of the privatization plan.

The cost of such a transition severance plan is estimated to be \$60,000,000 in the first year, \$50,000,000 in the second, \$35,000,000 in the third, \$25,000,000 in the fourth, \$15,000,000 in the fifth, and \$10,000,000 in the sixth. However, if this plan were extended to all SOEs and Ministries the cost could be twice these amounts. The CPA would only bear the cost of this program in the years in which it continues to fund Iraq's deficits. Even if the CPA bore the entire cost, PSD believes spending this money will help assure success of the privatization plan by removing resistance to it and, thereby, speeding and assuring its implementation. In addition,

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PSD believes spending this money will provide important protection against political ill will toward the privatization process.

PSD recommends that the transition severance plan be announced in 4-6 weeks, but not later than the announcement of the privatization plan. People qualifying for disability or pensions would be transferred to their respective plan effective January 1, 2004. Anyone who quits after the announcement of the plan would receive the severance plan benefit, but the start date for calculating the severance benefit would be the announcement date of the plan, not the date of termination. The severance plan would only be available for voluntary terminations up to the time an the SOE announces it won't accept any more voluntary terminations. After that, only people who were involuntarily terminated would qualify for the plan. For involuntary terminations the start date for calculating the severance benefit would be the date of termination.

IRAQI SUPPORT FOR PRIVATIZATION

Privatization presents risks as well as opportunities to a variety of interests in Iraq. Employees are concerned about their jobs, managers are concerned about having to perform in competitive markets, Ministers are concerned about losing important parts of their organizations, businessmen are concerned about whether or not they will be able to bid competitively for SOEs, politicians are concerned about public opinion, and policymakers and government service providers are concerned about the impact of privatization on their constituents. CPA and the Governing Council can expect that initially there will be significant opposition to privatization. This opposition can grow and solidify if a well-conceived and well-executed communication plan is not initiated soon to counter fears and concerns that thousands of jobs will be lost, the SOEs will be given away, and foreigners will end-up owning a lot of former state assets. Interested parties in Iraq must be educated about how privatization works and the specifics of the privatization plan. Iraqis need to be persuaded that privatization is in their long term interest and they must become the primary advocates and drivers of the privatization process.

PSD proposes to commence a communication and outreach effort as soon as the privatization plan is approved. This effort will include meetings with Iraqi business leaders and senior Ministry officials, education of SOE Directors General, and development of a media plan for communicating to the public about privatization and what it means for them. PSD is confident that a well-conceived and well-executed communication plan can alleviate many of the fears surrounding privatization and can create public support for the process, particularly in Iraq where the displaced population will be small while the number who can look forward to better products and services will be large.

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DIRECT NEED FOR ACTION

To successfully implement the proposed privatization plan a number of tasks will need to be completed in the next eight weeks. The critical tasks include:

<u>TASK</u>	<u>TIMING</u>
1. Complete and obtain CPA approval of a Privatization Law	October 15
2. Hire the Head of the Privatization Agency and begin staffing	October 15
3. Develop draft procedures and systems for the Privatization Agency	October 31
4. Develop a comprehensive employee transition plan for approval	October 1
5. Announce Civil Servant Severance and transition plans	October 15
6. Obtain passage of the Privatization Law and begin implementation	November 15
7. Commence five or more first step privatizations	Immediate

COINCIDENT NEEDS

In order for the privatization effort to work, there are several coincident tasks that will need to be completed. PSD depends on other parts of CPA for execution of some of these tasks. The critical tasks are:

<u>TASK</u>	<u>TIMING</u>
1. Foreign Investment law approved	Immediate
2. Commercial law reform implemented	November 15
3. Commercial justice framework and functionality established	June 30, 2004
4. Local credit availability	December 31
5. Comprehensive Subsidy reform	January 1, 2004
6. Stock Exchange and supervisory organization operational	December 31

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Foreign direct investment and the availability of credit are critical to the privatization process. Most of the SOEs to be privatized will probably not be purchased by foreigners, but some of the larger SOEs may depend on foreign bidders to obtain a fair value and may depend on a foreign owner to become or remain viable as a business post-privatization. In addition, and more important, foreign direct investment and the availability of credit are critical to achieving the growth rate in the private sector necessary to create the jobs that will be necessary to absorb employees displaced by privatization. Without foreign direct investment or credit, the number and duration of people out of work from privatization will be considerably larger which will result in increased political discontent.

Developing a well functioning commercial justice system is critical to establishing early-on that illegal activity in the business sector will not go unpunished. Much of the blame for some Eastern Block privatization failures stems from the fact that no functioning commercial justice system existed to enforce commercial laws. As a result, commercial laws were frequently broken and the privatization process was often corrupted.

Government subsidies affect the performance and prospects of many SOEs. Comprehensive subsidy reform will have to precede the sale of these SOEs as potential buyers will be unwilling to buy an SOE until these cost uncertainties are resolved.

APPROVALS SOUGHT

PSD seeks your initial approval regarding these recommendations. Items for immediate action requiring your approval include: 1) commencing the first step privatizations, and; 2) recruiting the head of the privatization agency.

1) Approve: _____ Disapprove: _____ Approve with Modification: _____

2) Approve: _____ Disapprove: _____ Approve with Modification: _____

NEXT STEPS

Next steps in the process of implementation will include developing procedures and systems for the agency, developing a draft privatization law, and developing a comprehensive transition severance plan and comprehensive subsidy reform plan.

ATTACHMENTS: AS STATED

COORDINATION: General Counsel, (b)(6)
Economic Policy

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EXHIBIT 1

Ready Now For Privatization

Company	# Employees	Company	# Employees
Transportation		MIM Continued	
1 Aldilal	753	30 Al Sawari	961
2 Delegates	201	31 Al Qadesia Electrical	2,261
3 Land Transport	840	32 Nassr SC for Mechanical Indus.	2,483
4 Passenger	3,326	33 Al-Majd	547
5 Internet Café	412	34 Woolen Industries SC	3,201
6 Projects	1,039	35 Textile Industries - Hilla	2,712
Trade		36 Leather Industries	2,822
7 Construction Materials	3,385	37 Battery Industries SC	1,929
8 Shopping Center	5,880	38 Mechanical Industries	3,872
9 Auto Wholesale	2,606	39 Cotton Industries SC	6,776
Water		40 Ready Made Wear Indus.	1,515
10 Dijala Company	120	41 Electrical Industries SC	3,158
11 Mech. & Elec. Contr. State Co.	396	42 Textiles	3,317
12 Rafidain Dams Construction Co.	792	43 Rubber Industries	1,201
13 Water Well Drilling	1,650	44 Refractories	1,000
MIM		Housing	
14 Furniture	223	45 Al-Farouq State Construction Co.	1,433
15 General Systems	438	46 Al-Mansour State Construction Co.	1,527
16 Iron and Steel	3,158	47 Al-Rasheed State Construction Co.	1,186
17 Geological Survey and Mining	1,205	48 Hamurabi State Construction Co.	2,351
18 Materials and Construction	3,201	49 Ashur SCC	2,214
19 Training & Rehabilitation	895	50 Al-Fao SCC	3,629
20 Information Systems	165	51 Saad SCC	1,219
21 Hand Woven Carpets	905	52 Al Mutasim	1,439
22 Al Faris	1,334	Tourism	
23 Ur Engineering	3,352	53 Hotels and Resorts	2,352
24 Sammara	2,603	*TOTAL = 105,650	
25 Ninawa	947	*(Includes 3,598 Housing SOE	
26 Tobacco & Cigarettes	2,246	Employees Already Consolidated)	
27 Tires	2,357	Total Adjusted = 101,692	
28 Glass & Ceramics	2,366		
29 Vegetable Oil Industry	3,750		

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Ready Later For Privatization

Company	# Employees	Company	# Employees
MIC		MIM	
1 Al-Noaman	640	20 Mishraq Sulphur	1,278
2 Al-Mansour	676	21 Al Furat Chemical	1,730
3 Al-Ikhaa (Falluja)	2,282	22 Petrochemical	3,872
4 Salahadeen (Tikrit)	2,850	23 Phosphate	3,212
5 Sanareeb	654	24 Northern Fertilizer	1,936
6 Ibn-Majd (Basra)	1,500	25 Southern Fertilizer	2,340
7 Al Rafah	370	26 Northern Cement	2,293
8 Al Majd	547	27 Iraqi Cement	3,310
9 Ibn-Al Waleed	785	28 Southern Cement	5,200
10 Tariq (Falluja)	871	29 Ibn Sena	557
11 Al-Nidaa	1,307	30 Al Salam	622
12 Al-Shaheed	1,279	31 Al Zawara	816
13 Hamoorabi (Babylon)	647	Health	
14 Al-Fida	1,285	32 Kimedia	3,027
15 Al-Tahady	400	TOTAL =	
16 Al-Rasheed	2,630		51,776
17 Al-Radhwam	755		
Agriculture			
18 Ag Supplies	1,358		
19 Mesopotamia Seed	747		

Agencies

Company	# Employees	Company	# Employees
Transportation		Housing	
1 Private	1,679	16 National Center for Labs	1,449
Trade		17 National Center for Consultancy	395
2 Grain Board	8,876	MIC (Transfer to MOST)	
3 Food Stuffs	7,607	18 Ibn Rushd	451
4 Grain Processing	2,352	19 Al-Battany	269
5 Export and Import	219	20 Al-Fat'h	186
6 International Fairs	261	21 28 April Research	99
Water		22 Ar-Razi	319
7 Al Kadisiah	621	23 Al Qudis	716
8 Al-Hadba'a	1,280	24 Sakar Al Arab	34
9 Al-Muthana	646	25 Ibn-Fimas	805
10 Al-Fao	862	26 Basil	409
11 Fourat Design	334	27 Al-Melad	790
12 Al Nassr	910	Agriculture	
MIM		28 Animal Resources	492
13 Industrial Development	188	29 Horticulture/ Forestry	773
14 Research and Development to	1,016	30 Veterinary	2,434
15 Specialied Institute for Eng. Indus.	287	TOTAL =	
			36,759

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Consolidations

Company	# Employees
MIM	
1 Design and Industrial Const.	581
2 Design and Consultation	810
*Housing	
3 Al Idressy Consultants	285
4 Al Yaum Al Adeem	356
5 Ramadan Mubarak	489
6 Al Tahrir	842
7 Taj Al Ma'arik	280
8 Al Jihad	814
9 Al Anfal	892
*Employees already rolled up by	
TOTAL =	5,349

Non-Privatizations

Company	# Employees
Transportation	
1 Railway	12,290
2 Port	8,652
3 ITPC	2,329
4 Water Transport	1,595
TOTAL =	24,866

Close Downs

Company	# Employees	Company	# Employees
MIM		MIC Continued	
1 17th Nissan	805	13 Al-Qaqa	5,400
2 Car Manufacturing	2,167	14 Nissan	1,860
3 Paper (Basra Plant)	3,153	15 Huteem	5,443
4 Sugar (Nissan Plant)	230	16 Al-Harith	1,382
5 Dairy	1,075	17 Jaber Ben Hayan	925
Iron and Steel (Basrah/Khor Al-Zubiar)		18 Tabooq	534
Transportation		19 Bader	1,631
6 Airline	2,329	20 Al Karama	1,859
Agriculture		21 Al-Ezz	935
7 Industrial Crops	481	22 Al-Uboor	890
MIC		23 Um Almarik	1,560
8 Al Kadisiya	3,943	24 Al Kindi	970
9 Al Zahaf Al-Kaberc	568	25 Al Sumood	1,460
10 Al-Khauarezmi	280		
11 Al-Yarmock	2,709	TOTAL =	43,144
12 Al-Hadhar	555		

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COALITION PROVISIONAL AUTHORITY
BAGHDAD

ACTION MEMO

October 20, 2003

FOR: THE ADMINISTRATOR

FROM: (b)(6)

SUBJECT: Recommendations for Comprehensive Subsidy Reform

You have asked us to combine our efforts and prepare for you a plan for comprehensive subsidy reform. We have met and discussed this issue at length and we have considered and incorporated the earlier contributions of (b)(6)'s group including (b)(6) and (b)(6) (b)(6) a July 18 paper by the World Bank, papers by (b)(6) (b)(6) and others, and the opinions of several subsidy policy experts including (b)(6) (b)(6) and (b)(6) of the World Bank and (b)(6) of the Center for Strategic and International Studies. These are our recommendations:

Separation of Certain Reforms

Four broad areas of reforms should be addressed separately. They are:

- **The Food Basket** – A reform policy for the food basket has already been determined and is in the process of being implemented making it difficult to incorporate into other subsidy policy reform.
- **Energy** – Energy subsidies in the form of below market fuel and electricity prices are a large and critical area requiring near term reform. These subsidies are interconnected and require a comprehensive policy.
- **Agriculture** – Agricultural subsidies are significant, but create less critical distortions in the economy than the food basket and energy subsidies. The agricultural sector will be significantly affected by the monetization of the food basket and energy subsidy reform. We recommend agricultural subsidy reform be treated separately and be left for later consideration when the impact of other reforms on the agricultural sector are known and the political effects of agricultural subsidy reform are better understood.
- **Other Subsidies** – There are other subsidies of a less critical nature on isolated goods and services which we recommend be addressed separately and not be included as part of a more comprehensive policy.

As a result of this separation of subsidy reform, we are only addressing energy policy at this time as the food basket is decided and underway, agricultural reform should wait, and other subsidies can and should be treated individually.

Energy Subsidy Reform Recommendations

We agree on the following recommendations to you:

- **Energy subsidies should be reformed all at once and not in a series of small steps.** Most energy subsidy reforms have been implemented in small steps because governments rarely have the political confidence to implement reforms in one move. However, most experts believe that if the political will exists, the political cost and risk associated with reform is less if the reforms are implemented in one move. These experts say at the same time, however, that single step reform should not be a sneak attack. It must be well communicated and publicly debated in advance. A second reason for recommending a one time move is that in a discussion with the Governing Council we may be forced into a compromise including implementation in several steps. If we start with a proposal for a single move we can go to two or more steps, but it would probably not be possible to go from several steps to a single move.
- **A single step liberalization of energy prices must include a concurrent compensatory payment of cash to cover the increased cost of fuels.** Liberalization of energy prices will increase the costs of energy to consumers. This burden will fall disproportionately on lower income Iraqi's. To be fair and politically acceptable, a compensating payment should be made to everyone in an amount as yet undetermined, but it should be no less than the amount by which the typical lower income Iraqi's fuel costs rise.
- **A cash compensation payment to ease the burden of increased energy prices should be structured to be temporary.** The cash compensation payment should be fixed in amount, not indexed, and should contain other features to assure it does not become a permanent subsidy.
- **Fuel subsidy reform should be implemented by having the Ministry of Finance impose a fee at the refinery equal to the regional parity price of crude oil plus appropriate delivery costs.** All operations would be required to operate without any financial subsidy and would be required to earn and remit a return on capital, thereby forcing them to price all oil related products at or near market prices.
- **Electricity subsidy reform should be implemented by raising electricity prices to regional free market rates.** Rates for all consumers of electricity should be raised at the same time as fuel prices, but enforcing payment by residential customers at the new rates should be introduced gradually taking into account political factors and changes in demand on the electrical grid resulting from increased fuel costs.
- **Two interdepartmental task teams should be staffed with fulltime people to implement the food basket monetization program and energy subsidy reforms.** Properly implementing both subsidy reform programs will be challenging. We believe it will best be done by two dedicated teams. The food basket team would take-on responsibility for implementing the monetization payment system for both subsidy

reform programs. The food basket monetization team would report to OMB. The energy subsidy reform team would report jointly to the Directors of Economic Policy, Private Sector Development, and OMB, with OMB serving as the primary report on implementation matters.

- **A number of implementation challenges should be addressed soon and aggressively.** To ensure successful reform implementation a number of challenges with long lead times must be addressed soon. The most important of them are:
 - Determine the details of the energy reform proposal including the implementation date, the amount of the compensatory payment, and other requirements for its implementation.
 - Begin consultation with the Governing Council in November and, as soon as possible thereafter, announce the plan for public comment.
 - Develop a means for making a compensatory payment by the implementation date.
 - Begin working with the Ministry of Oil, Electricity Commission and others to prepare for the impact of subsidy reform. For example, developing stockpiles in anticipation of demand fluctuations, ensuring that opening of new retail outlets for fuel is unrestricted, developing means for addressing the lack of volume measuring equipment at many retail outlets, and managing the significant influx of cash revenues and changes to many Ministry budgets that will result.
 - Initiate study of legal/regulatory impediments that constrain competition in refined oil markets – wholesale, retail, and import markets – in order to improve competition and influence scope for consumer price increases.

An open issue we have decided to leave for you to consider is the timing of energy subsidy reform. We believe the feasible options are to implement it March 1 or concurrently with the monetization of the food basket on July 1. We have identified pros and cons for each, but as a group had no strong opinion either way. The advantages of each as we see them are the following:

Advantages of a March 1 Implementation:

- Earlier implementation eliminates market distortions four months sooner.
- Not implementing at the same time as the food basket will result in less potential for too much happening all at once and the risk of resulting implementation problems.
- Cooler weather in March presents less external irritation than July weather and provides 4-8 weeks of milder weather during which adverse political reactions can be addressed.

Advantages of a July 1 Implementation:

- Doing everything at once may consume the least long term political capital.
- Allows four additional months to prepare for energy subsidy reform including implementing the compensatory payment system.

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If you have a strong preference for either date, that will determine it. If not, our group will come-up with a firm recommendation for you as to the better implementation date.

We propose the following action steps:

1. Immediately form and staff the two task teams described above.
2. Have the energy subsidy reform team prepare by November 15 a detailed plan for your approval reflecting the terms outlined above, but including more detail, the amount of the compensatory payment, and detailed implementation steps.

Approve _____ Disapprove _____ Approve with Modification _____

COORDINATION: None

ATTACHMENTS: None

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COALITION PROVISIONAL AUTHORITY

BAGHDAD

INFO MEMO

November 16, 2003

FOR: THE ADMINISTRATOR
FROM: (b)(6) Director of Private Sector Development
SUBJECT: Draft SOE Employee Transition Plan

Attached is a proposal for a transition plan for SOE employees. The plan requires first that employees who qualifying for retirement or long term disability transition to retirement or long term disability status, but provides a continuance of their salary at current levels for one year. The plan also provides that their annual retirement and disability benefit not be less than 60% of their final annual salary. The plan next provides that employees who are terminated as a result of downsizing, closures, leases, or sales of SOEs receive a graduated level of severance and retirement benefits depending on their length of service. All terminated employees who are under 55 years of age would qualify for job retraining and job placement services.

The plan has resulted from numerous consultations with people at the affected ministries, IRDC personnel, and our own Ministry of Labor Senior Advisory team. The plan is intended to provide displaced employees with a generous enough retirement or severance benefit to avoid hardship and have their separation appear fair from their point of view.

The plan will save approximately \$40 million annually when compared to retaining all the SOE employees on their current employment status. The plan will cost about \$60 million more annually when compared to terminating redundant employees without any benefits in addition to their currently vested retirement and disability benefits.

If you approve this plan, I recommend we begin discussions with the Ministries and Governing Council to obtain their concurrence.

Approve _____ Disapprove _____ Approve with changes _____

COORDINATION: Ministry of Labor Senior Advisory

ATTACHMENTS: SOE Employee Transition Plan

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SOE EMPLOYEE TRANSITION PLAN

The following shall apply to all SOE employees:

1. Effective January 1, 2004, all SOE employees with 22 years or more of service, or who are 60 years old or older, shall retire. Upon retirement they shall continue to receive for one year their annual salary. On the first anniversary of their retirement they shall qualify for the SOE retirement benefit that applies to them, except that the annual retirement benefit shall not be less than 60% of the annual salary they were being paid at the time of retirement.
2. Effective January 1, 2004, all SOE employees who have a long term disability, but who have not transitioned to long term disability status, shall transition to long term disability status. For one year following their transition to long term disability status they shall continue to receive their annual salary. On the first anniversary of their transition to disability status they shall begin receiving the SOE long term disability benefit that applies to them, except that the annual long term disability benefit shall not be less than 60% of the annual salary they were being paid at the time of transitioning to disability status.
3. Effective January 1, 2004, any SOE employee who is terminated from employment at an SOE shall receive the following severance benefit:
 - a. Employees who do not qualify for retirement or long term disability, but who have 15 years or more of service or who are 40 years old or older, shall continue to receive their salary for one year following their severance date. On the first anniversary of their severance date they shall qualify for retirement as if they had met the full term of 22 years of service or 60 years of age, except that the annual retirement benefit shall not be less than 60% of the annual salary they were being paid at the time of their termination. Employees in this category who are under 55 years of age shall qualify for job retraining and job placement services.
 - b. Employees who have 5 or more years of service, but less than 15 years of service, shall continue to receive their salary for one year following their severance date. On the first anniversary of their severance date they shall qualify to receive an annual retirement benefit equal to 6% of their final annual salary for each year of service over 5 years. Employees in this

category who are under 55 years of age shall qualify for job retraining and job placement services.

- c. Employees who have less than 5 years of service shall receive a cash bonus equal to 20% of their salary for each full year of employment. Employees in this category who are under 55 years of age shall qualify for job retraining and job placement services.



COALITION PROVISIONAL AUTHORITY
BAGHDAD

INFO MEMO

November 21, 2003

FOR: THE ADMINISTRATOR
FROM: MOI, Governance, OPPA
SUBJECT: Regional Policing Procedures

This note summarises agreed MOI policy and procedures in relation to regional policing.

The following procedures will be adopted by the MOI and Governorate Teams in establishing MOI capacity and oversight in the regions, including Baghdad.

Definitions:

- Where this policy refers to the Provincial Council, this is taken to include the Baghdad City Council and city councils of Iraq's major cities¹.
- Where the term Chief of Police is used, this refers to Provincial Chiefs of Police but the same policy will be adopted by City police chiefs in the major cities. In smaller towns, local representative bodies will have greater authority.²
- Where the term MOI is used, this refers to the designated representative of the Minister of the Interior as laid out in the MOI policies and procedures.
- It is assumed that the Governor will serve as chair of the Provincial Council. He will have one vote as an equal member of the Council.

1. Each Provincial Council (PC) has will have an important role in overseeing the local police forces. This role is set forth in detail below.
2. If it so wishes, the PC may elect a Public Safety Committee (PSC) consisting of between 7 and 15 individuals from amongst its members to carry out its oversight responsibilities with regard to the police.³ Election of members, election of chairs and terms of service will be according to the standard rules of procedure laid down for all Council sub-committees.⁴ The PSC will report to the PC in accordance with the normal rules of procedure; it will issue regular reports to the full PC. Its decisions will form recommendations to the whole PC to be approved/amended/rejected according to the normal rules of procedure.

¹ Exact definition of major cities to be published by MOI.

² Exact authority to be defined by MOI.

³ The Governor may be a member of the PSC.

⁴ Governance to define and publish rules of procedure.

3. The PC⁵ will hold meetings at least once per fortnight with the Chief of Police and monthly meetings with heads of other bodies (Civil Defense, etc) to review progress.
- o Meetings should be chaired by the PC chair and held in the Provincial Council's building.
 - o The Governorate Coordinator and Local Commander should attend these meetings as guests to ensure co-ordination.
 - o At least one of the meetings each month with the Chief of Police should be open to the public.

Participation in the above process should be part of the performance evaluation criteria against which police chiefs and Civil Defense chiefs will be judged every year. For instance, failure to attend coordination meeting three times in a row; failure to provide answers to questions within 72 hours; deliberate failure to inform the Council of major decisions/action taken would all indicate failure to meet required standards.⁶

4. The Chief of Police will consult the PC on the drafting of an annual local police plan, which lays out operational priorities for the area. The plan has to be approved by a 2/3 majority vote in the PC and by the MOI.
5. Police chief appointments will be advertised nationally and notified in advance to the PC. The MOI will draw up a short-list of no less than four qualified candidates. These candidates will appear before the PC, which will select the most suitable candidate. This selection must be confirmed by a 2/3 majority vote in the whole PC⁷.
6. Dismissal of police chiefs: There will be three grounds for dismissal of police chiefs.⁸ First, failure to deliver on annual police plan. Second, internal corruption (e.g. abuse of personnel policy, abuse of authority). Third, criminal corruption (e.g. financial corruption, other crimes). The MOI has authority to dismiss police chiefs, subject to an appeals process, on any of the above grounds. *The powers of PCs over dismissal are TBD.*

(b)(6)

Office of Policy, Planning & Analysis

(b)(6)

⁵ Here and elsewhere in this memo, the PC may choose to delegate its specific oversight responsibility to a PSC.

⁶ These performance evaluation criteria will be developed and published by MOI.

⁷ This power to choose the police chief cannot be delegated to the PSC.

⁸ To be codified by the MOI Inspector General.



COALITION PROVISIONAL AUTHORITY
BAGHDAD

ACTION MEMO

November 21, 2003

FOR: THE ADMINISTRATOR
FROM: OPP, MOI, Governance
SUBJECT: Procedures on Dismissal of Police Chiefs

Summary: The Iraqi Police Service is being established as a national force, subject to local accountability. Procedures are being built into the MOI to balance national and local concerns in relation to the hiring of police chiefs, approval of police operational priorities and monitoring of police performance. The most difficult balance to strike, however, concerns the procedures for dismissing police chiefs. *This memorandum asks for a decision between two alternative models.*

The philosophy of the new MOI is one of national responsibility and local authority. Political direction and accountability will be provided via the Minister, his undersecretaries and assistant undersecretaries. Public accountability will be provided via Provincial Councils and governors.

There will be three grounds for dismissal of police chiefs. First, failure to deliver on annual police plan. Second, internal corruption (e.g. abuse of personnel policy, abuse of authority). Third, criminal corruption (e.g. financial corruption, other crimes). The MOI has authority to dismiss police chiefs, subject to an appeals process, on any of the above grounds.

Issue for decision: The authority of the Provincial Council (and its subordinate Public Safety Committee) over dismissals. In all cases, dismissals will be subject to due process and appeal to the MOI Inspector General. Under both options, MOI can initiate dismissal proceedings.

Option 1 (MOI proposal): PC can recommend chief of police dismissal; MOI has final authority. Proposed procedure: The PC can recommend dismissal of police chiefs with a 2/3 majority vote but MOI can veto this proposal.

MOI rationale: If the Iraqi police are to be a national force, as was strongly endorsed by Ambassador Bremer, then ultimate responsibility for hiring and firing police chiefs must lie with MOI. The proposed arrangements already provide for a major element of local accountability through the proposed PSC to which Chiefs will be answerable on local issues and through the PC's ability to recommend dismissal. To give the PC the absolute

right to dismiss would lay the police chief open to improper pressure from community representatives, for example over operational or personnel decisions.

Option 2 (Governance proposal): PC can initiate chief of police dismissal; MOI has no veto. Proposed procedure: The PC can dismiss police chiefs with a 2/3 majority vote. MOI cannot veto the dismissal.

Governance Rationale: The PCs need to have the ability, under specified circumstances, to fire the police chief without MOI veto for two main reasons:

- *To empower local and provincial bodies.* Credibility of these institutions is closely tied to their ability to influence the security situation.
- *To ensure adequate accountability of the police chief.* The current limited reach of MOI into some governorates suggests that if the police chief were only accountable to the MOI, he may in effect have few practical constraints on his actions.

The MOI proposal would in actuality involve a recentralization of power. Currently, Governors and PCs – working closely with the GTs and CFs – play a strong role in holding the police chief accountable. Many Governors (and Iraqis) know and follow the 1969 public law on local governance which states that it is the Governor's job to establish peace and order using "the local police force...emergency police force...mobile police force as well as all other means at his disposal."

ATTACHMENT: INFO MEMO ON REGIONAL POLICING PROCEDURES



03/121-21

COALITION PROVISIONAL AUTHORITY
BAGHDAD

INFO MEMO

November 21, 2003

FOR: THE ADMINISTRATOR
FROM: (b)(6) USMC
SUBJECT: Notes from *Iftar* at Massoud Barzani's Compound on 19 Nov 03

I spoke throughout the *Iftar* meal with (b)(6)

(b)(6)

(b)(6) All three gentlemen are from the Chaldean Church. They wished for me to express the following to Amb. Bremer:

- 1) As a minority population within Iraq (their estimate is 750,000 parishioners), they are extremely worried about their precarious position within the current and future state of Iraq. They unanimously expressed the sentiment that any future constitution must identify them as an independent and distinct ethnic group within Iraq. When I explained to them that the USG's position was to push for "freedom of worship" and "freedom of religion", they said that this would not be enough to guarantee their survival as a community. They continually thanked Massoud Barzani for his liberal view towards protecting minority religious groups.
- 2) They wanted to explain that they were not represented on the GC because they had failed to organize any type of political movement, and that their historic tendency had been to remain apart from politics of the region. They highlighted the difference between themselves and the Assyrian Church of the East, in that the Assyrians had not refrained from establishing a political movement, the Assyrian Democratic Movement. For this reason, despite their much smaller numbers (estimated by the Chaldeans as no more than 40,000 parishioners in Iraq), they were able to prevail with the one representative "Christian" seat on the Council.

Attachments: NONE

Coordination: NONE



03/121-29

COALITION PROVISIONAL AUTHORITY
BAGHDAD

INFO MEMO

November 21, 2003

FOR: THE ADMINISTRATOR

FROM: (b)(6)

SUBJECT: Laying out our Priorities at the UN

The wheels are turning in Washington and New York on next steps at the UN following the November 15 announcement. We understand that *UKUN has already shared draft principles for a resolution* to follow delivery of the GC's "December 15" letter to the Security Council. We think such a step would be highly disruptive and provide little benefit for us.

A resolution is unlikely to garner additional financial or security contributions for Iraq, and the UN remains unwilling to recommit to broad-scale activities in the country given the security situation. However, continued public speculation and internal deliberating will build momentum for a resolution that will be hard to turn off at a later date.

We should remain focused on obtaining both a strong statement of support from SYG Annan and from the UNSC President (Angola in November, Bulgaria in December) for the GC's political timeline. We should hold the line that the timeline is consistent with 1511 and additional authorities or amendments are not needed.

Council members will likely want to "review" the plan and, per 1511, the SYG may report on the plan to the Council. We should avoid a discussion of the plan in the UNSC that does not involve an Iraqi representative, but need to balance this against the need to keep GC members at home to draft the fundamental law.

Our mission in New York and embassies in UNSC capitals should immediately engage like-minded Council members, particularly HMG, to downplay the need for another resolution at this time. Senior USG officials should also publicly distance us from a new resolution. In so doing, they should shift the focus toward two resolutions that we may want next year.

The first relates to solidifying the timeline for the constitutional process prior to the transfer of sovereign power. Following the law's promulgation in spring 2004 there may be a window of opportunity to seek a resolution that would "ratify" the timeline for the constitution laid out in the transitional law.

Second, we will need a new resolution concurrent with the transfer of sovereign powers next summer, at least to address technical issues such as the DFI, UNCC, the immunity of oil

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proceeds and the mandate of the multinational force, and perhaps to redefine the UN's role vis-à-vis the transitional Iraqi administration.

One open question is how to secure early UN buy-in for an eventual role in the elections process. CPA in the coming few months will need to solidly launch this Iraqi-led process by funding an NGO, likely IFES. My discussions with IFES indicate that they could include the UN elections team and UNDP in an advisory group. Such groups are typical of elections efforts in transitional societies and would allow a future resolution to call on the UN to support an Iraqi Election Commission process in which they have had some say. Securing involvement in the caucuses procedure, however, will likely be more difficult without an earlier resolution.

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Prosecuting Regime Crimes in Iraq

Executive Summary

The Iraqi Governing Council plans to call for the establishment of a Special Tribunal to try major crimes committed under the former Ba'athist regime. The Crimes Against Humanity Investigations Unit recently established within the Office of Human Rights and Transitional Justice (OHR TJ) has been tasked by the CPA Administrator with providing investigative support to the Tribunal in its initial stages as there is general recognition that the professional capacity to support investigations, and ultimately prosecutions, of this magnitude and complexity does not yet exist locally.

British staff have taken the lead in developing a strategy for the prosecution of regime crimes. A British lawyer played a major role in helping the Iraqi Governing Council draft a Statute for the Special Tribunal, a British investigator currently heads the Crimes Against Humanity Investigation Unit and British forensic experts have been developing an operational plan for tackling the exhumation of the many mass grave sites around the country. This is an area where the UK is making a pivotal contribution. A summary of the key British initiatives appears below.

Key Points

A poll conducted by the Boston-based charity Physicians for Human Rights concluded that 98% of the Iraq population would like to see those responsible for major human rights abuses during the Saddam-era punished. 77% favoured some form of legal process. The prosecution of senior regime figures is a subject close to the hearts of all Iraqis. The widespread abuse of human rights under Saddam Hussein's regime is one of the few common unifying experiences shared across the entire country.

The CPA Administrator has directed the Crimes Against Humanity Investigation Unit to provide investigative support to Iraqi efforts to prosecute crimes committed by Saddam Hussein's regime. We have recommended that to establish the credibility of the judicial process the first regime crime cases should address issues and involve individuals that are immediately recognizable to most Iraqis. Also that the initial cases should broadly involve incidents that reflect the temporal and geographic spread of the regime's crimes such as the persecution of the Fayli and Barzani Kurds, the attack on Halabja (1988), the Anfal campaign (1988), the suppression of the post-Gulf War uprising known locally as the intifada (1991), the persecution of the Marsh Arabs and the systemic torture of political opponents of the regime.

Crimes of this nature are both complex and time consuming to investigate – the experience of the international tribunals working in this area is that most cases take several years to bring to Court. For this reason, and to make the most effective use of severely limited resources, we have recommended that the initial investigative effort should be focused on 15 targets currently in Coalition custody. A further six targets

currently still at large have also been identified. Our choice of targets reflects the hierarchy of culpability already identified by human rights organizations and Iraqi politicians and the incidents associated with them reflect a broad cross-section of those committed by Saddam's regime.

Recognizing the crucial importance that any prosecutions mounted by the Iraqi Special Tribunal meet international standards of jurisprudence and best practice, the OHRTJ has worked extremely closely with advisers to the Iraqi Governing Council to draft a Statute for the Tribunal that closely follows those of International Criminal Tribunals constituted elsewhere to try similar crimes. We are currently working on draft Rules and Procedure of Evidence to support the operation of the Tribunal.

The OHRTJ has become the central coordinating point for the reporting and investigation of suspected mass grave sites. At present 250 mass grave sites have been reported. Of these 57 sites have now been discounted, 31 confirmed and 20 are considered probable. At least three mass grave sites are believed to contain perhaps as many as five thousand victims. To put this into perspective the largest mass grave site found in the former Yugoslavia contained only around 700 victims. Exhuming sites of this magnitude is a major undertaking and could take years. The average forensic team deployed by the international community in Kosovo exhumed between 3 and 5 cadavers a day. A Danish forensic team is currently in Iraq surveying sites in the Basra area. We urgently require the deployment of further international forensic teams. Both the UK (Metropolitan Police Service) and US (Federal Bureau of Investigation) sent such teams to assist the International Criminal Tribunal for the former Yugoslavia in Kosovo in 1999 but have not yet made similar teams available to work in Iraq.

The OHRTJ has been working with USAID and a number of NGOs to develop training programs to help build up a local Iraq forensic capability but it will likely be many months before the Iraqis will be able to undertake exhumations for themselves.

The Crimes Against Humanity Investigations Unit has taken possession of a self-contained, one storey cell block which forms part of the Ishkhabarat Prison in the Kadhimiyah district of Baghdad. We plan to convert this facility into a secure evidence storage facility and a small number of offices. We have received a funding pledge from USAID to cover the cost of this conversion and a contractor has been engaged to undertake this work.

Of a suggested staff of 13 investigators, an evidence custodian and a criminal analyst we currently have one investigator in post. The UK, US, Czech, Australian, Spanish and Canadian governments have all been approached to second staff. The Australian government has identified a suitable criminal analyst and the Spanish government has agreed in principle to send an investigator. The recruitment or secondment of an experienced evidence custodian is a particularly urgent requirement.

An important component of any investigative process will be the development of local psycho-social support structures to help victims come to terms with their experiences.

The provision of such support can be an important factor in winning over the hearts and minds of local people and encouraging their participation in the investigation. The cost of establishing victim support structures has already been met by US AID and a bid from Physicians for Human Rights to establish a training program for local caregivers has been accepted. Further bids from other NGOs working in the same field are currently under consideration.

Action Recommendation

At present, the Crimes Against Humanity Investigations Unit does not possess an operational budget. Any financial expenditure has to be financed by ad hoc grant applications and staff vacancies can only be filled by secondees. The lack of any independent funding is greatly inhibiting our ability to develop our capacity in this area. This is an area in which HMG could realize a massive return in terms of local goodwill for a comparatively small investment of funds. We estimate that the total set up and operational costs for the first year of this unit's operation would amount to no more than USD 3,062,000. It is recommended that the British government consider providing funding for this unit.

Draft Operational Strategy for Supporting the Governing Council's proposed Special Tribunal

Background

The Governing Council is currently debating the establishment of a Special Tribunal to try major crimes committed under the former Ba'athist regime. The Crimes Against Humanity Investigations Unit recently established within the Office of Human Rights and Transitional Justice (OHRTJ) has been tasked with providing investigative support to the Tribunal in its initial stages as there is general recognition that the professional capacity to support investigations of this magnitude and complexity does not yet exist locally. However, we ultimately envisage that local investigators trained and mentored by their international counterparts will be able to take on this role.

Strategic Approach

To establish the credibility of the process the first regime crime cases should address issues and involve individuals that are immediately recognizable to most Iraqis. Furthermore the initial cases should broadly involve incidents that reflect the temporal and geographic spread of the regime's crimes such as the persecution of the Fayli and Barzani Kurds, the attack on Halabja (1988), the Anfal campaign (1988), the suppression of the post-Gulf War uprising known locally as the intifada (1991), the persecution of the Marsh Arabs and the systemic torture of political opponents of the regime. We have identified eight regime figures currently in Coalition custody that would meet this requirement (Annex A).

Methodology

The choice of our eight initial targets reflects the hierarchy of culpability already identified by human rights organizations and Iraqi politicians. The NGO group Indict has already collected sufficient material to suggest a *prima facie* case exists against each of these individuals. In addition, the incidents associated with them reflect a broad cross-section of those committed by Saddam's regime.

Our investigation will start with a comprehensive review of the material relating to these individuals already held by Indict, Human Rights Watch and Physicians for Human Rights and by the PUK and KDP Human Rights Ministries. Much of this material has been deliberately obtained in such a manner as to meet basic international standards of evidence collection and handling and we anticipate that much of it will essentially be court ready. At the very least this material should provide numerous leads for investigators to follow up on the ground.

Once this preliminary phase is complete our enquiries will typically develop along the same three paths: the collection of supplementary witness and victim testimony, the exploitation and analysis of recovered documents and the forensic recovery of evidence

from crime scenes. Analysis will play a key role in establishing command and control relationships between direct perpetrators and the senior regime figures directing their activities. In addition, careful consideration will have to be given to the manner in which testimony should be sought from regime insiders and what incentives or sanctions may be used to obtain it. At this point in time, it is our assessment that Iraqi law enforcement does not possess the skills to undertake any of these tasks successfully.

At present, it seems likely that those accused will face charges derived from International Law including the Law of Armed Conflict and the Iraq Criminal Code of 1969. Although it might be a little premature at the outset of an investigation to prejudge the eventual nature of the charges to be leveled, our initial targets have all been selected because their well reported activities would appear to meet the criteria against which Crimes Against Humanity are judged. The key element of any Crimes Against Humanity charge will be being able to prove the widespread and systematic nature of the offenses. In past case of this nature four or five similar and well-documented events have proved sufficient for this purpose. In some cases, where the crimes are more numerous and relate to more than one period of activity, this process will have to be replicated for each episode. Thus, we might reasonably anticipate that an investigation into the activities of an alleged perpetrator of the magnitude of Ali Hasan Al-Majid Al-Tikriti might involve the examination of twenty or more criminal events in addition to researching command and control issues. However, most investigations will require a less substantial effort.

It is also conceivable that in one or two instances sufficient grounds might be established to support a charge of Genocide or offences relating to the Law of Armed Conflict. In the event that a charge of Genocide is under consideration additional attention will have to be paid to gathering evidence relating to *mens rea* in the course of the investigation. Such cases typically rely more heavily on documentation and insider testimony. If a charge relates to the Law of Armed Conflict investigators will also be required to establish in fact the existence of an international armed conflict at the time the offence is said to have occurred.

Resource Issues

We will perforce be constrained in what we can achieve by the level of resources open to us – as previously noted, at present Iraq has almost no indigenous detective capability and few investigative magistrates although this may change as reconstruction efforts continue to progress. Until local capacity can be built up to a level at which Iraqis can support their own investigations the responsibility for gathering and preserving evidence will fall primarily on the international community in the form of the Crimes Against Humanity Investigation Unit of the OHRTJ and Coalition Military Police forces. At present the Crimes Against Humanity Investigation Unit only exists in embryonic form – the purpose of the remainder of this memorandum is to lay out in detail the steps that would have to be taken to raise this unit to an operational level.

International Component

Our proposal is to recruit no more than 15 to 20 additional international staff with a variety of professional competencies. The majority of these would be experienced investigators but other posts would include legal advisors, a criminal analyst and an evidence custodian. The OHRTJ staff already includes two experienced investigators, two prosecutors, a document analyst and four forensic specialists although most of these individuals also support broader human rights missions such as the mass grave exhumation project. It is important to note that the vast majority of such sites around the country will not be treated as crime scenes. Faced with a wealth of potential evidence of criminality maintaining a tight focus on framing the charges for specific indictees will be a vital discipline for the Investigations Unit.

Local Capacity Building

It is envisaged that as the Iraqi Police Force develops a criminal investigation capacity, Iraqi police officers will be able to increasingly support the activities of the Investigation Unit. All members of the Investigations Unit will be expected to contribute to bespoke training courses on issues related to the Unit's work as well as, where appropriate, the wider mission of Interior Ministry police trainers. Furthermore we propose to recruit a number of local Iraqis to work as an integral part of the Unit under the mentorship of the international investigators so that they can learn directly from their experience of international counterparts while working in the field. Paragraph 39(v) of the Iraqi Law on Criminal Proceedings (1971) makes provision for the appointment of non-police investigators and we would recommend looking to local universities to recruit for these positions rather than the ranks of law enforcement. Ultimately, these local investigators will take over the investigation and provide a nucleus for any future activities of a similar nature. We are particularly keen to ensure, most particularly for the sake of our potential witnesses, that no individual tainted by the activities and practices of the former regime finds their way into this unit.

Accommodation

The Investigations Unit has already outgrown its current offices in the Conference Center and will require a new operational base. If this proposal is adopted we will be seeking to support thirty to forty international and local staff. To operate effectively they will ultimately require a secure, self-contained base of operations where working files can be stored safely and witnesses can be interviewed free of outside intimidation. Furthermore, once the Unit commences operations it is likely to attract a significant amount of media and public interest significantly raising the security threat to its staff and facilities. We have identified a possible location that would meet our requirements in the former Ishkhabarat Prison in Kadhimyah, Baghdad and an assessment of its possible suitability is ongoing. Finally, we estimate that we would require approximately ten local support staff to service the building and fulfill a variety of custodial and secretarial roles.

Evidence Handling

We should seek to apply widely accepted international standards of evidence handling to material recovered by investigators. This will entail implementing a system that clearly logs all those who have custody of an item from the moment it is seized in evidence to the moment it is presented in court. Such a system will ensure that key prosecution evidence is protected from outside contamination.

A sizeable evidence storage facility will be required to ensure that this material is held in a secure location. Access to this facility will need to be controlled 24 hours a day, 7 days a week. It is reasonable to anticipate in the current climate that once its existence becomes generally known attempts may be made to destroy the facility and the evidence it contains. Accordingly, steps should be taken to protect the evidence where possible in blast, water and fire proof containers. Ideally this facility should be co-located with the Investigations Unit's operational base.

As well as securing evidence, we will need to implement a computerized logging system to enable investigators and prosecutors to easily retrieve any given item of evidence from the storage facility. It is essential that this system be constituted in such a way that it can be seamlessly adopted by local law enforcement. Engaging an experienced evidence custodian to implement such a system is major priority.

Equipment

As well as the usual items of office equipment such as desks, laptop computers, shredders, photocopiers, secure filing cabinets, stationary, etc., to service no more than 40 individuals, investigators will also require access to vehicles, a team of skilled interpreters, communications equipment, video and photographic equipment and GPS navigation devices. All this equipment should be acquired in such a way that ownership of it can ultimately pass to the Iraqi authorities.

Arrest and Detention of Suspects

In addition, to any HVDs targeted in the course of this investigation there is pressure from the Governing Council that a number of alleged perpetrators still at liberty should also be placed under arrest. As the correctional processes and facilities develop thought will have to be given to where such individuals could be held. It would appear to make sense that all individuals likely to be charged with crimes of such magnitude should be held together in a single maximum security facility.

Victim Support

An important component of any investigative process will be the development of local psycho-social support structures to help victims come to terms with their experiences. The provision of such support can be an important factor in winning over the hearts and minds of local people and encouraging their participation in the investigation. The cost of

establishing victim support structures has already been met by US AID and a bid from Physicians for Human Rights to establish a training program for local caregivers has been accepted.

Community Outreach

If we are to win public trust and support for our efforts, it is important that the investigative process is conducted in as a transparent manner as possible and that the public is kept as fully apprised as possible about our intentions. We aim to co-opt the services of the Iraqi Media Network in this regard.

Costings

- We estimate the cost of recruiting 15-20 international staff to be no more than USD 1,500,000 pa.
- We estimate the cost of recruiting 15-20 local investigators at USD 200,000 pa.
- We estimate the cost of recruiting 15-20 interpreters at USD 200,000 pa.
- We estimate the cost of recruiting 10 local support staff including janitors, night watchmen and secretarial workers at USD 50,000 pa.
- We will require the following items of office and operational equipment to service approximately 40 staff:
 - a) Field Generator (failsafe back-up for computer systems and reffridgerated storage equipment)... USD 35,000;
 - b) 4 mobile office trailers... USD 40,000;
 - c) Estimated construction costs for setting up trailers and providing water and sanitation links... USD 40,000;
 - d) 10 handheld GPS systems... USD 3,000;
 - e) 20 laptop computers (including 10 with Arabic keyboards), one server with docking stations, 4 stand-alone systems for internet access (2 Arabic, 2 Latin script), 10 printers... USD 40,000;
 - f) VSAT system (including annual subscription costs)... USD 11,000;
 - g) 2 large evidence refrigerators... USD 10,000;
 - h) 100 shelved (blast, fire and water-proof) security cabinets for evidence storage... USD 50,000;
 - i) Office furniture (40 desks, 40 chairs, 40 filing cabinets)... USD 20,000;
 - j) 10 Thuraya phones to support teams in field... USD 12,000;
 - k) 4 solid steel combination safes... USD 4,000;
 - l) 2 photocopiers... USD 2,000;
 - m) 2 fax machines... USD 1,000;
 - n) 2 large shredders... USD 1,000;
 - o) Stationary and Miscellaneous Items... USD 3,000
- We will require a minimum of ten 4x4 vehicles... USD 300,000.
- The cost of refurbishing a suitable operational base is estimated at USD 200,000.

- The conversion of a suitable storage facility for the purposes of evidence retention is estimated at USD 240,000 and includes the installation of a comprehensive fire suppression system and CCTV coverage for the facility compound as well as the construction of a new access control point to the grounds of the facility.
- The cost of implementing of an effective evidence logging and retrieval system is estimated at USD 100,000.
- The investigation of crimes of this magnitude is a complex area that will inevitably throw up challenges and obstacles that we cannot reasonably anticipate at this juncture. We therefore recommend the creation of a contingency fund for the *ad hoc* recruitment of outside experts and specialist trainers such as the Institute for International Criminal Investigations (IICI) as and when necessary... USD 1,500,000.

Estimated total cost in the first year... USD 4,562,000

Estimated subsequent annual commitment... USD 1,950,000

ATTACHMENTS:

Annex A - Authorized targets already in Coalition custody

Annex B - Suggested additional targets already in Coalition custody

Annex C - Potential targets still at large

Annex A

Authorized targets already in Coalition custody

<i>Name</i>	<i>Title</i>	<i>Alleged Event</i>	<i>Location</i>
(b)(6)			

Annex B

Suggested additional targets already in Coalition custody

<i>Name</i>	<i>Title</i>	<i>Alleged Event</i>	<i>Location</i>
(b)(6)			

Annex C

Potential targets still at large

<i>Name</i>	<i>Title</i>	<i>Alleged Event</i>	<i>Location</i>
(b)(6)			

Crimes against Humanity Investigation Unit: Next Steps

Current Position

- We have an agreed blueprint for developing the Crimes Against Humanity Investigation Unit to provide investigative support to Iraqi efforts to prosecute crimes committed by Saddam Hussein's regime. There is general recognition that the professional capacity to support investigations of this magnitude and complexity does not yet exist locally and Iraqi efforts will have to be supported initially by the international community.
- A draft statute for a Special Tribunal to try such crimes is now in a form likely to be adopted by the Iraqi Governing Council. We are currently working on draft Rules and Procedure of Evidence to support the operation of the Tribunal.
- We have singled out eight High Value Detainees (HVDs) associated with incidents that reflect the temporal and geographic spread of the Ba'athist regime's crimes for early prosecution. This authorized target list has been agreed with the US Military.
- Following consultations with local human rights groups and politicians a further seven HVDs have been identified as individuals the Iraqi people would like to see brought before the Tribunal at an early stage. Approval is being sought from the US military to add them to the authorized target list.
- The Office of Human Rights and Transitional Justice (OHRTJ) has developed a mass grave matrix which brings together all the reported mass graves across the country. A Danish forensic team is expected to arrive at the beginning of October to start making assessments of these sites.
- The Crimes Against Humanity Investigations Unit has taken possession of a self-contained, one storey cell block which forms part of the Ishkhabarat Prison in the Kadhimiyah district of Baghdad. We plan to convert this facility into a secure evidence storage facility and a small number of offices. We have received a funding pledge from USAID to cover the cost of this conversion and a contractor has been engaged to undertake this work.
- Of a suggested staff of 13 investigators, an evidence custodian and a criminal analyst we currently have one investigator in post. The UK, US, Czech, Australian, Spanish and Canadian governments have all been approached to second staff. The Australian government has identified a suitable criminal analyst and the Spanish government has agreed in principle to send an investigator.
- At present, the Crimes Against Humanity Investigations Unit does not possess an operational budget. Any financial expenditure has to be financed by *ad hoc* grant applications and staff vacancies can only be filled by secondees. The lack of any

independent funding is greatly inhibiting our ability to develop our capacity in this area. We estimate that the total set up and operational costs for the first year of this unit's operation would amount to no more than USD 3,062,000.

Next Steps

Month One (October):

- The Department of Prisons is in the process of canceling the refurbishment contract for the company currently working at the Ishkhabarat Prison site.
- The Ishkhabarat Prison site should be transferred to the control of the Ministry of Human Rights. Once the site comes under Iraqi control, and a formal request has been made from the Minister for Human Rights to USAID for funding, USAID's contractor will be able to begin work on the conversion of the building for use as a secure evidence storage facility.
- Bricks and mortar are only one component of the evidence storage facility. We urgently require an experienced evidence custodian to develop the evidence handling systems that will underpin its operation. We have identified a potential candidate for this position – the Deputy Head of the ICTY's Evidence Unit (b)(6) is a UK national and independent funding will have to be located if we are to hire him.
- In addition to seeking to hire (b)(6) further effort should be made to recruit international investigators for the Crimes Against Humanity Investigations Unit. To fill these positions we will have either to seek more secondees from coalition or donor states or alternatively secure an independent source of funding to support direct recruitment by the Unit.
- In anticipation of increasing the Unit's investigative capability we should request that Indict hands over the supporting material for the twelve indictments of senior figures in Saddam's regime – the so-called 'Dirty Dozen' - prepared for the Belgian courts. This material should form the basis of the Unit's first eight cases.
- We should also seek to enter into discussions with Human Rights organizations such as Human Rights Watch and Physicians for Human Rights to establish the extent to which they will be prepared to cooperate with the Special Tribunal.
- The Danish Forensic Team will deploy to begin site assessments of reported mass grave sites. US Army CID has agreed to take temporary custody of any evidence collected by this team and hold it in secure storage until the Ishkhabarat Prison site becomes operational.

Month Two (November):

- Project management of the conversion of the Ishkhabarat Prison site will be a major priority although the facility should be mostly complete by the end of the second month.

- As the conversion of the secure evidence facility nears its completion work should also start on the development of the evidence pipeline. This will revolve around the acquisition, installation and proofing of a computerized evidence tracking system. There are a number of commercial systems currently on the market and Arabic versions are available. It will be for the Evidence Custodian to decide which system will suit local conditions best.
- As more investigators begin to arrive detailed work can be devoted to developing individual case strategies. Work already done by Indict and other NGOs should provide a number of operational leads.
- Visits should be made to local political parties such as the PUK, KDP, SCIRI and ICP whose members were particularly singled out for repression by Saddam's regime to enlist their support and assistance.
- Steps should now be made to hire a locally engaged office manager to handle administration issues relating to increased staff numbers.

Month Three (December):

- By Month Three the secure evidence storage facility should be operational and capable of receiving evidence. Security guards and nightwatchmen should be engaged to ensure that access to the site is now controlled 24 hours a day.
- Once the facility is operational investigators can begin to conduct witness interviews and seize documentary evidence in accordance with agreed case strategies. Investigators should work closely with the Documents Unit established by OHRTJ.
- With all the international vacancies filled, the Unit should start interviewing qualified local Iraqis to work and be mentored alongside their international counterparts. The Debaathification Unit should be asked to vet all applicants. It is absolutely crucial for the Unit's credibility that no individual hired has any connection to the Ba'ath Party or the former Iraqi Security Services.

Month Four (January):

- The arrival of the Finnish Forensic Team is expected. This team should be deployed to commence the exhumation of sites identified by the Crimes Against Humanity Investigations Team as having a possible probative value.

Month Six (March):

- Case reviews should be conducted of progress in all ongoing investigations to ensure that investigators remain focused on their strategic objectives. This will give case managers an early opportunity to ensure that each case is either receiving the appropriate level of resources or make adjustments accordingly.

- It is anticipated that within six months the Iraqi Governing Council will be close to establishing an Iraqi-led investigative body – provisionally entitled the Research and Investigation Bureau – to take the lead in developing cases for the Special Tribunal. Once the planned infrastructure of this body becomes more clearly defined the CPA should start negotiating the merger of the Crimes Against Humanity Investigations Unit with the Research and Investigation Bureau so that international and newly mentored Iraqi investigators can form the nucleus of this new organisation. The influence that these investigators will be able to exert within the Research and Investigation Bureau will no doubt directly reflect the extent of the progress already made by these investigators towards specific indictments.

Month Nine (June):

- Case reviews should be conducted of progress in all ongoing investigations to ensure that investigators remain focused on their strategic objectives. Investigators should be close to establishing *prima facie* cases against their main targets and thus be in a position to furnish sufficient material to the Special Tribunal to prepare draft indictments.

Month Twelve (September):

- The first cases – such as that of Mohamed Mahmoud Handi Al-Amerli accused of medical experimentation on prisoners - should be nearing completion although those against the more complex and tainted targets - such as Ali Hasan Al-Majid aka 'Chemical Ali' - may take considerably longer. A political decision will have to be taken at this point as to the identity of this first detainee to be placed on trial. The impact of beginning the reckoning progress with the trial of Al-Majid – a figure whose activities reflect the temporal and geographic spread of the regime's crimes more closely than anyone besides Saddam himself - might outweigh the need to start trials at the earliest possible juncture.
- Investigators concluding less complex cases should begin to switch to building cases on second tier suspects.



031109-20
COALITION PROVISIONAL AUTHORITY

BAGHDAD

INFO MEMO

November 8, 2003

FOR: THE ADMINISTRATOR
FROM: (b)(6) Al Anbar Governance Coordinator
SUBJECT: Meeting with Sunni Leaders – Toward a Post-Saddam Sunni Policy

Meetings with Sunni Leaders

It has been a rough week in Al Anbar all around. With today's IED attack outside Fallujah, it does not appear to be getting better (I was on the margins of this attack on my way back from Hillah and was delayed for several hours waiting for the road to be opened; the Bradley was a charred hulk by the time we came upon it and burned almost to the tracks). LTG Sanchez came in Tuesday for an update from the command and staff and General Abizaid came in Wednesday for internal meetings and then again today to meet with community leaders. In today's meeting with some 70 Sheiks, Imams, and other leaders, General Abizaid told the group that the patience of the coalition was at an end and if they could not gain control of the violence in their communities the coalition would do so by opening an offensive campaign in and around Fallujah. This appeared to get their attention. General Abizaid then gave them the opportunity to speak. (b)(6) said that the three key issues causing the violence in Al Anbar are general unemployment, the disbanding of the Army and consequent unemployment of ex-soldiers, and lack of border control.

A number of other individuals offered their opinions, commenting on anything from the high price of bricks to the smuggling of Iraq's natural wealth out of the country. One Imam from Al Qaim spoke of the reaction by Muslims to being occupied and said simply that this would never abet. He suggested we remove ourselves from the cities and stay in our bases, using the Iraqi police and an "emergency force" to control the populace. He said we would never have much luck enlisting partners because people simply do not want to be associated with the coalition, but an autonomous police chief would be more successful. One young Imam gave a very coherent and thoughtful review of the problems afflicting the province from a security perspective. He cited a number of issues that he believes are to blame for the current security crisis:

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- De-Ba'athification left many people angry about being outside the country's economic and political life.
- The coalition should stay outside of urban areas when it does operations.
- The coalition should directly assist the police to include joint patrols.
- The border must be controlled.
- The future of the army should be shaped by a special subcommittee of the local government. He expressed concern with an army that is formed proportional to the population as it would be dominated by Shias. (This was an interesting concern – and shows that many here are focused on how institutions are being shaped so that Sunnis are not left powerless when we leave).
- When conducting raids the coalition should bring the police along.
- The coalition should make a clear statement of when it is going to depart from Iraq and get this message out through satellite TV.
- Enlarge the Al Anbar Provincial Council and place observers on the Interim Governing Council from Al Anbar.
- The Governor should be more fully empowered.

General Abizaïd then closed the meeting by stating the following:

- Would like to meet again in several weeks time.
- We will form a committee of former officers to help advise us on security.
- We will form an ICDC Brigade in the area under the command of MG Swannack. We will bring back Iraqi officers for this unit but will vet them for human rights violations.
- We will endorse the idea of governors as observers on the Governing Council.
- We will work to improve our relations with the police, and will generally not conduct operations without the police.
- We will redouble our efforts to revitalize the economy through civic action projects and local business promotion (e.g. truckers).
- We will expand the size of the border police, which will also be under the command of MG Swannack.
- We are ready to order our forces out of your cities but will not do so until you can demonstrate you can cooperate with our forces.
- We will strengthen our ties to the local people – we are willing to have your professors help teach our soldiers about your customs and culture.
- We will review the names of detainees to see which can be released.

"What we want from you," General Abizaïd said, "is security. If you do not know who is attacking us, you must find out and we will move together to control them." He again reiterated that our patience was at an end.

I met later with General Abizaïd and MG Swannack and we reviewed the actions we have. First, General Abizaïd mentioned the additional USD 10 million which will be available to support stability in Al Anbar. Second, he suggested we use the new ICDC brigade as a way to productively employ and engage the ex-army. Third, we need to work harder to get the IGC connected to Al Anbar. Fourth, we need to review the de-Ba'athification policy. Fifth, we need

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to investigate an incident at Al Qaim in which a soldier reportedly entered a mosque and showed disrespect to the Koran. MG Swannack later met with the Brigade Commanders and reviewed the deliverables from the visit. Brigade Commanders emphasized the importance of police training and equipment. We agreed to review how to best utilize the \$10 million to do the most to advance stability in the province. The matter of elections also came up and a brigade commander asked for guidance on when and how to conduct elections.

Achieving Stability in Al Anbar

There was a clear willingness on the part of these leaders to work to achieve stability. My question is always one of how much they can actually deliver. The tribal system was so manipulated by Saddam that the reach and the clout of these traditional leaders is unclear. The question is whether we are dealing with a problem of motivation or capacity. If the former we can try to motivate them, if the latter then it still leaves us with the problem of how to get to those who can control those who are attacking us, or to empower these individuals such that their reach expands to include attackers, either directly or indirectly. At this juncture we see no better option than to try to empower these individuals with positive results in the hope that it will both resonate through the community and expand their influence.

If this fails we will then we will move to a more aggressive approach. I believe all of us agree that this is a last resort, however. This is not because we are passive, but simply because it is not clear that it will work. We are dealing with an urban insurgency of the kind that successfully fought the British for decades in Northern Ireland and caused the British to quit Palestine, and continues to defy the Israelis throughout the West Bank and Gaza. When Intifada II broke out, Sharon, then out of power, said he could get it under control in weeks, using the same aggressive intelligence activities and pinpoint raids that he used to pacify Gaza in the 70's. He has now had his chance and failed. What he did not take into account was that the population of Gaza had doubled from the 70's to the 90's and animosity toward the occupation had grown from small cells to be nearly universal. The widespread opposition to the occupation in Fallujah it seems to me will similarly always make military options problematic. The most successful campaigns against urban insurgencies were arguably those fought by the Colombians against the M-19 and the Uruguayans against the Tupamaros. These relied on penetration of the insurgent groups which then allowed the government forces to simply roll them up. But again these were cases of very small cells with extremely limited popular support, nothing like what we are facing in Al Anbar.

If we are to succeed here I believe we need to carry out a series of aggressive new activities on the political and economic front. I would reinforce our strategy with the following actions, some of which are in motion and some of which would require your attention:

- **Create Jobs:** I suggest we focus on the creation of 30,000 public sector jobs for the next year. This will accomplish multiple objectives – taking idle young men off the streets, infusing money into the economy, and supplying manpower for the many security and infrastructure needs the province has. I would use much of the \$10 million in new money to do this. Improvements to the infrastructure are important on the margins, but the most direct way to produce stability would be to give a clear future to the thousands of men

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who have been marginalized since the arrival of the coalition. We would need to cost these out, but some examples would be to formalize Al Anbar's 7,200 slice of the 100K jobs program for a full year, to employ several thousand mosque workers as guards and workers, and to make a concerted effort to reopen factories. Other large employment projects will be recruitment for the ICDC, the NIA, and the police. We have very good contacts among ex-officers in Al Anbar and can use them to help shape these programs. Many of these activities can best be managed from the new recruiting office being established in Ramadi by the GST in cooperation with the CIMICC.

- **Review de-Ba'athification Policy:** It is impossible to see a clear path to stability in Al Anbar that does not include the reintegration of low level ex-Ba'athists into the political and economic life of the province. This policy plays out negatively here in two ways – first, in practical terms thousands of previously employed people are now out of work, idle, and angry; and secondly, it has reinforced the notion that the emerging government will be unfriendly to Sunnis. It also undercuts the IGC as a body which represents all Iraqis, and reinforces the image of the IGC as a collection of exiles who are out of touch with Iraqi reality. This is creating conditions of instability here that will outlast us, as certain groups will continue to struggle against any government which we leave in our wake because they will see it as not representing their interests. We believe we should wrest control of this key issue from the IGC on security grounds, and allow for the immediate reinstatement of fourth level Ba'athists, subject to review by a provincial committee supervised by the coalition, and a review of others for possible re-employment.
- **Review Composition of Governing Council:** The current IGC is not working for Al Anbar, either symbolically, or politically. There is simply no member on the IGC that the people of Al Anbar believe represents their interests in day-to-day decisionmaking, and this leads to the commonly held belief that the IGC is simply an instrument to create an anti-Sunni government. If changing the actual composition of the IGC would be too disruptive of the current political flow, we recommend using the same formula that we have done with our Provincial Council (which is also not accepted as fully representative). The creation of subcommittees on the IGC with active and well-publicized participation from the provinces would go a long way to reassure the Sunnis of al Anbar. The inclusion of the Governor in a kind of observer status (but with voting rights on certain issues) would also go a long way to making them feel represented. This is a secondary, but nonetheless important issue.
- **Increase projects in Al Anbar:** Because of security and the previously modest size of the military presence, until recently Al Anbar has received fewer of the benefits of reconstruction than other provinces. Making matters worse, Fallujah was the most underfunded area of Al Anbar. We are in the process of rectifying this and there will be several dozen projects beginning in Fallujah in the coming weeks. We will use the proposed \$10 million to continue this momentum and produce a veritable surge of projects in Fallujah and elsewhere in the province. This will help to show the community visible improvements and will be an important factor in job creation as every \$3,000 in project money produces approximately one job for 12 months. The new money could

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best be used if it were administered through CERP channels rather than R3P, since CERP is more flexible than R3P and is easier to access.

- **Equip and train the Police:** In a province that is one third of Iraq we have 92 vehicles for the police and with 9,000 plus police officers we have less than 60 pistols. We have just begun to train our police but given current budgetary limitations will only be able to provide 1,000 police officers with a 3 week course by March of 2004 and have not been given slots in the national courses. We have tried to use R3P funds to buy police equipment but were denied the option under the logic that most police items will be provided by CPA through a centralized distribution plan which we are not privy to. Our police are thus largely ineffective and idle as coalition forces continue to do most of the work of providing security. In addition to conventional police development, we need full programs and resources for the border police, pipeline security, and electric line security. We also urgently need international police advisors or the funding to hire such advisors; there is no substitute for the mentoring which international advisors could provide to the police. We would work out the parameters of security for these officers so that they would be no more at risk than other CPA personnel in the province, even if this means a more limited role for them. In short, for the police we need just about everything, and it would reassure community leaders if we could lay out for them a clear path of how we intend to make the police here more effective. CPA main has to date been more of a hindrance than a help to police development.

ATTACHMENTS: NONE

COORDINATION: 82d Abn Div Commanding General
CPA Chief of Staff
Ambassador Richmond
CPA South Central Coordinator
CPA Governance

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03/11/03-09
This missed plane
reading package.



COALITION PROVISIONAL AUTHORITY
BAGHDAD

INFO MEMO

13 November 2003

FOR: THE ADMINISTRATOR

FROM:

(b)(6)

SUBJECT: Governing Council Decisions

During your absence, GC President Jalal Talabani has been busily issuing decisions. We have passed the decisions on to the relevant Ministry advisers for comments. We have been meeting with the Secretariat's newly appointed CPA liaison to review more systematically how these decisions are followed up and approved. We should in future be receiving all decisions electronically the day they are made and have an agreed mechanism, for tasking follow up to the relevant committees.

On our side, we have briefed the CPA ministry advisers about our efforts to push GC internal reform and their embryonic committee structure. We have told them of your desire to take one person from each CPA ministry team to work with the relevant GC committee. We have begun to receive nominations.

11/9/03

Decision 89

To form a committee in the GC of the below mentioned names to study the subject of protecting Iraqi airplanes and to devote the necessary funds for that purpose.

1. Ahmed Barak.
2. Abdul Karim al Mohammadawi
3. Muhy al Khatteb

Decision 90

To stop any plans or activities to privatize SOEs in order to conduct a measured study of the condition of these SOEs and to evaluate the social, economic and political obstacles linked to privatization. The GC's Finance Committee will follow up

looking into this issue in the light of the financial needs of the state and depending on the economic criteria for any step in this regard.

Decision 91

To set monthly payments for deputy GC members of:

- \$1000 monthly salary
- \$2000 monthly accommodation allowance
- \$500 entertainment (hosting) allowance
- \$160 monthly salary for each of his 6 guards

Decision 92

\$2000 to be spent on the Ministers for their monthly accommodation costs, to be implemented retrospectively.

Decision 93

To waive all basic and additional property tax for the year 2003 as for income tax.

Decision 94

To agree to allocate all of the money obtained from accounts of the dissolved security agencies (1.2 million Iraqi Dinar and \$208,000) to cover the costs of the de-Ba'athification Commission and its branches in the Governorates.

11/10/03

Decision 95

Based on recommendations from the Finance Minister the salaries for Ministers will be:

- \$1200 monthly salary
- \$2000 housing allowance
- \$500 entertainment (hosting) allowance

Decision 96

In view of the current tasks that the Planning Minister is engaged in, the GC decides to amend the name of the Planning Ministry to Planning and Development Cooperation Ministry.

11/11/03

Decision 97

To reduce the interest on farmers' loans; to ease the repayment schedule of such loans; and to cancel interest on all loans from the date of the fall of the dictatorial regime up until the end of 2003.

Decision 98

(Yet to be finalized)

Decision 99

To form a committee of the below mentioned GC members to activate UNSCR 1511 and fix a timetable to respond to the commitments present in it.

1. Dr Adnan Pachachi
2. Dr Mahmoud Othman
3. Hamid Majid Moussa
4. Mohammed Bahr al Uloom
5. Ayad Allawi
6. Ibrahim Jaafari
7. Nasir Chaderchi
8. Abdul Aziz al Hakim
9. Ahmed Barak
10. Judge Dara Nour al Din
11. Yonadam Kanna
12. Masoud Barzani (to be represented by Dr Rojh Shaways)
13. Songul Chapuk
14. Jalal Talabani (to be represented by Dr Fuad Masoum)

Decision 100

The GC will undertake the drafting of the principles of a basic law of government which will stipulate the apparatus of the state during the transitional period; the members may seek advice from relevant experts to help them in this regard.

All signed by GC President Jalal Talabani

031114-04

Bremer, Paul

From: Kennedy, Patrick Amb
Sent: Wednesday, November 12, 2003 11:58 PM
To: Bremer, Paul
Cc: (b)(6) Executive Secretary
Subject: FW: Meeting with the "excluded" Tribal leaders from Ramadi, Al Anbar

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

From: (b)(6)
Sent: Wednesday, November 12, 2003 11:54 PM
To: (b)(6) (Anbar)
Cc: (b)(6)

Subject: Meeting with the "excluded" Tribal leaders from Ramadi, Al Anbar

(b)(6) All,

Following are the details of our meeting with the "excluded" Tribal Leaders from Ramadi, Al Anbar. Please forward as necessary. The Shaykhs are members of our [CPA-SC] Tribal Democracy Center and have been in contact with CPA-SC PolAd (b)(6) through center activities. An invitation to attend was made through CPA-SC (Al Anbar) (b)(6) to Coalition Forces officials.

Attendance; from CPA, Ambassador Hume Horan as acting CPA-SC Regional Coordinator while (b)(6) (b)(6) is on official leave, and (b)(6) Senior Political Advisor to the Regional Coordinator. Also present were (b)(6) CPA-SC Chief of Staff, and (b)(6) CPA-SC Chief of Police.

Mediating the event was the (b)(6)

(b)(6)

From Ramadi was a delegation of (b)(6)

(b)(6)

(b)(6) presented a four page speech; I will get it to you as soon as I get it translated.

12 Oct 2003, at 1000-1130 hrs. Place, we decided on a neutral and familiar location to both, Hilla University.

(b)(6) started out the meeting by giving an opening statement which focused the dialogue. He stated that he had one goal, to present an issue and offer a solution. His issue was that the Anbar Governing Council was packed with former regime loyalists and that the council could not properly function unless they were removed; he identified them by name [listed below]. His solution was to replace these particular Shaykhs, keeping in mind that the initial formation of the council was not balanced and that the addition had to come from the excluded tribes. He further affirmed that it was preposterous for the US to continue working with this council since it reflected poorly against us. He

claimed they are the root of all problems in Al Anbar due to their involvement in criminal activity. He ended by stating that there should be NO senior level Baathists on the council, period.

(b)(6) had started his talk by thanking the Coalition for all they have accomplished and sacrificed. He himself was exiled by Saddam from his tribal area and made to live in Baghdad where he could be monitored and was prohibited from visiting Ramadi due to his refusal to become a senior regime loyalist.

(b)(6) commenced by stating that there were four members of one tribe on the council [Albu Nimmer] he stated this was unheard of, especially from an administration that was trying to stamp out nepotism. Furthermore, they were responsible for criminal activities in Ramadi and the Shaykh stated he would cooperate with us on gathering this information [at the end of the meeting the Shaykhs handed me a letter detailing some activities the aforementioned councilmen are involved in, the statement also names the councilmen]. He added that the so called smugglers had a letter from CPA-Baghdad to "engage in cross-border commercial activity" but he commented that they probably just lied to some poor official in Baghdad that is clueless to the deception of these criminals [letter is allegedly signed by a senior CPA ministry official]. He affirmed that these Shaykhs were part of the plan for Saddam; they were given large sums of money to keep the resistance alive, and are in fact cooperating with remnants of the Baath party and other resistance elements in Al Anbar. He ended by stating that these men were not fit to be councilmen, but needed to be arrested.

(b)(6) spoke next, he started out by detailing out how he was a Tribal leader of great lineage, but that he too was a victim of (b)(6) [council member]. He stated that during COL (b)(6)'s tenure, (b)(6) was eliminating competition by giving false information to the good Colonel on Shaykhs like himself. He was jailed along with 85 members of his tribe; he was released due to lack of evidence against him, along with his tribal members. He states that several key members of the Governing Council for Al Anbar had high ranking former regime loyalists, and continue to work with the underground Baath remnants as well as terrorist organizations now present in Al Anbar. Furthermore, he stated that these Council Members are creating incidents that the Coalition Forces then repeatedly seek their advice on, creating an opportunity to falsely accuse/inform on their competition in order to eliminate them.

(b)(6) stated that they were community notables and could not accept the way the council was created and how they as primal shaykhs were eliminated by (b)(6). He stated that due to (b)(6) advice to the Coalition Forces, things that even Saddam never dreamt of doing are happening; for example the jailing of Primal Shaykhs, he stated, was never a tactic or an option, typically he exiled Sunni Shaykhs that were not regime loyalists.

(b)(6) concluded the meeting by stating that there were many members of the council that were well respected and deserve retention, to include the governor himself, who he described as an honorable man caught in a tough situation. He welcomed exchanging all information provided here as well as these tribes' names to the governor and the GC Secretariat Dr. Khaled. As for (b)(6) he stated that his tribe must be represented since it was a respected and considerable tribe, he recommended (b)(6) (b)(6), who is much more respected in the community and a better person overall.

Names of Councilmen mentioned above:

1. (b)(6) is exclusively involved in smuggling Saddam's daughters to Jordan. As of recently, has made Baathist type calls at rallies caught on tape by the media. Is a documented informer/intelligence officer for the previous regime [records in Ramadi, unlike many

11/14/2003

governorates, still have all records intact, this is a documented fact that should be able to be revealed]. Has bank accounts in Jordan totaling to millions of dollars all from Saddam bonuses.

2. (b)(6) A high ranking member of the Baath regime with the rank of "Fir", was elected to a senior position in the regime to oversee party loyalty. A known smuggler.
3. (b)(6) A Firqa level member of the Baath party.
4. (b)(6) A Firqa level member of the Baath party.
5. (b)(6) A Firqa level member of the Baath party.
6. (b)(6) Commands a tribe that is involved in many criminal activities [he is responsible].
7. (b)(6) and his brother:
8. (b)(6) Involved in many criminal activities. Integrally tied in to former intelligence operations in Ramadi area at the Firqa membership level, continues to be involved.
9. (b)(6) Was involved in smuggling weapons from Jordan to Iraq for the previous regime.
10. (b)(6) Now responsible for customs, using his position to smuggle resources across the border [includes oil, copper and sheep] and bringing in/allowing terrorist elements to enter.

PolAd Comment: The charges directed against the Al Anbar GC members are very serious and require a difficult investigation; the Shaykhs know this. On the whole, there are probably some truths to these allegations and I gather you have had some complaints before and all this is familiar to you. I have had several meetings with these Shaykhs, scheduled through our Tribal Democracy Gathering, (b)(6) (b)(6) has met with them [see last report] and now Ambassador Horan. They project a good impression and seem credible to all. I have checked the names with a close contact of mine who has written a book on Tribal lineages, and he claims that they are all from very respectable tribes, Sunni tribes that were not regime loyalists, he stated that (b)(6) was a senior level primal Shaykh worth interacting with [he did not know any of these shaykhs personally, just academically and by word of mouth]. I conferred with the (b)(6), he agrees with me that the charges were serious but probably not without exaggeration, but that all tribal shaykhs knew (b)(6) and his lot, they have always been bad news. (b)(6) moderated the dialogue and was quite direct in asking them to have more accurate information for the Coalition if they were to be credible, otherwise they would be considered just like the Shaykhs they were denouncing. I confirmed that we were open to improving any process we initiate by interacting with locals and seeking fair solutions from unprejudiced participants. That they would be called upon to prove these allegations as well as validate their promises to help with the stability of the region in Al Anbar. I confirmed that the Governing Council was open to adjustments in order to make it more representative, if deemed necessary. In closing I urged them to remain focused on the future of Iraq and to continue to offer their support towards security and stability.

During our meeting, I asked the Shaykhs how many wanted positions on the council, only one answered positively (b)(6) the rest stated they were not interested but would contribute in other ways towards a representative council and security on the whole where they could be effective. (b)(6) (b)(6) could not envision a council without his tribe being represented, all the Shaykhs agreed. The shaykhs responded positively to dissolving the council or replacing members aforementioned. All agreed that they will help the Coalition to accomplish its goals, and work towards security. (b)(6) (b)(6) stated he was ready to assume responsibility for his area and is ready to be held accountable. He affirmed he would rally all his subordinate tribes.

My take on this situation is that it is worth a serious assessment. The logical next step would be to set up a meeting with Al Anbar officials. The Shaykhs signaled that they eagerly await a response on our end towards a meeting with Al Anbar CPA rep (b)(6) [they named you] and a senior Coalition Forces

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representative [they named MG Swannak]. They will attend a meeting wherever CPA/CF prefer. They request a private meeting, but accept the governor's attendance as well as the Secretariat of the council.

Look forward to any feedback,

(b)(6)

(b)(6)

Senior Political Advisor to the Regional Director
CPA-South Central, Hilla, Iraq

Thuraya:

Mobile:

Mobile:

Local:

(b)(6)

11/14/2003



OR HAS SEEN

03/11/03-24
3

COALITION PROVISIONAL AUTHORITY
BAGHDAD

INFO MEMO

November 7, 2003

FOR: THE ADMINISTRATOR
FROM: (b)(6)
SUBJECT: GC's First Meeting with Iraqi Governors

On 5 November, the Governing Council invited 13 provincial governors to Baghdad – 12 attended. This was the GC's first attempt to connect with the regions and will apparently be repeated now every 15 days. Despite the mutual moaning about lack of clarity / authority, this meeting seems to have been a useful exercise in boosting the standing of the GC amongst the Governors. Regular meetings, combined with Talabani's plan to have the GC travel to the regions, should finally put the GC on the Governorates' radar, as well as help the GC to get a better understanding of the regional problems.

During the meeting, the following issues were discussed:

Powers / Authorities: The Governors asked about their official powers, saying they were unclear about what they were allowed to do, and to whom they should report. On the latter, Talabani apparently instructed that Governors would still report to the Interior Ministry.

Policy Guidance: Many Governors complained about the conflicting policy guidance they received on a daily basis, saying they heard different versions from CPA, Coalition Forces and Ministry officials.

Property disputes: The Governor of Ninevah asked the GC to establish high-level official committees to assist with the complex land and property disputes.

Unemployment: After a lengthy discussion, all apparently agreed that the only solution for unemployment in Iraq is capitalism and a free market based economy. International investors need to be encouraged to come and invest and build in Iraq. Talabani added that "Iraq would be the richest nation in the world if we do this correctly."

Police/Security Issues: The Governors and GC concluded that a new security system was required to help the police impose law and order. Capable and good personnel should be hired to create, run, and manage former security systems. On the police, Talabani emphasized the important job of the Interior Ministry in providing the police with weapons, vehicles and communications. He added that said that he intended to discuss the Ministry's budget with you in the next few days.

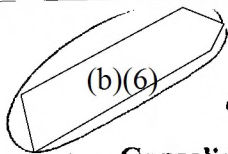
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UNCLASSIFIED

ATTACHMENTS: NONE

COORDINATION: N/A

UNCLASSIFIED



Consolidated List of GC Actions

8 November 2003

11/8/2003, 10:33 AM

031108-06

8

I. Items We Want GC Action/Approval On

- Decision on the Constitutional Convention
- Committee Structure and Staffing
- Other Internal reforms, including definition of presidential powers agreeable to all
- Iraqi Special Tribunal (meeting tentatively set for Monday)
- Order on Transparency and Financial Disclosure
- Iraqi Property Claims Commission (awaiting approval)
- Turkish Troops - Invitation to Turkish Delegation to meet with GC and discuss economic matters
- Support for Privatization Agency or similar commission or committee
- Creation of an Electoral Commission (not yet asked)
- Media Training
- Clarification on Regulations Regarding Religious Shrines (proposed but no action)
- Establishment of a Hajj Committee (GC designated CPA affiliated people)
- Establishment of Curriculum Commission (proposed but no action)
- Commission to Design a New Flag (proposed and committee established but no action)
- National Security Advisory Commission (only explained to Allawi, not yet rolled out to others)
- Implementation Procedures for De-ba'athification

read in
here



II. Items for CPA Action

what FF
plus?

- Common Understanding of GC – Governor relationships
- Briefing on Madrid Donor Conference Pledges (waiting official World Bank tallies)
- Security Briefing to Joint Security Committee
- Coordination on Decision 64 (proposal to establish political party forces)
- Paper on CPA actions to address unemployment
- Additional Funding on MOI
- Decision on Proposal to Establish Intelligence Committee w/in MOI
- GC Outreach Offices
- Policy on Allocating Property to Political Parties

III. Items for Continued Coordination

- Nationalities Law (meeting to be set up for next week)
- Dissolved Entities (Monday afternoon meeting to discuss)
- De-Ba'athification
- {Iraqi Special Tribunal}



03111-17

COALITION PROVISIONAL AUTHORITY
BAGHDAD

ACTION MEMO

November 12, 2003

FOR: THE ADMINISTRATOR
FROM: (b)(6) Director of Human Rights, OHRTJ
SUBJECT: Proposed Implementation of Assistance to Iraqi families under P.L. 108-11 and P.L. 108-106

Background:

Public Laws 108-11, the "Emergency Wartime Supplemental Appropriations Act, 2003," and 108-106, the "Emergency Supplemental Appropriations Act for Defense and for the Reconstruction of Iraq and Afghanistan, 2004," contain nearly identical provisions authored and sponsored by Senator Patrick Leahy, which authorize the use of funds appropriated for the Iraq Relief and Reconstruction Fund to provide assistance to Iraqi civilians who have suffered losses as a result of Coalition military operations. Similar provisions relating to Afghanistan appear in Conf. Rep. 107-593 (funds made available for "repairing homes of Afghan citizens that were damaged as a result of military operations") and P.L. 108-7 (funds made available for "assistance . . . to communities and families that were adversely affected by the military operations"). In Afghanistan, the assistance has been used to fund community development programs in areas severely affected by military action; reconstruction programs, to include housing repair, rebuilding health clinics, and; funding activities to benefit war victims, such as direct funding for orphans and other displaced children. Report language for each provision makes clear that the assistance is not for "reparations" or "compensation."

On June 2, 2003, Senator Leahy sent you a letter bringing the above-mentioned provision in P.L. 108-11 to your attention, and on July 29, 2003 he sent you a second letter on the same subject. Tim Rieser has contacted CPA Rear and myself about the letters and inquired about how we will implement these statutory provisions. We have worked the issue with CPA Rear, DOD OGC and USAID OTI, and received input from an NGO called CIVIC (Civilian Casualties in Combat) who lobbied for this issue in Afghanistan and Iraq. Despite substantial Coalition efforts to minimize collateral damage to civilians and civilian structures, there is broad consensus that some Iraqi civilians have been severely injured or killed by our military operations, and some homes and schools have been damaged. Few, if any, of the schools have been repaired.

Proposed Implementation Plan:

(1) To assist innocent Iraqi civilians and families who have suffered from severe injury, death, or damage to their homes, as a result of the military operations leading to their liberation, the CPA will implement the following measures:

- Establish a Civilian Casualty Assistance Fund (CCAF) of \$5 million, capitalized with an apportionment from the Iraq Relief and Reconstruction Fund (IRRF), to provide assistance for families of innocent Iraqi civilians who suffered between March 20, 2003 to May 1, 2003 as a result of Coalition military operations.
- Determine appropriate allocations of funding for each province.
- Delegate authority, within clear guidelines, to provincial councils to implement the program for the purposes enumerated below, using local NGOs to implement whenever possible and other parties if necessary. Provincial councils must consult Ministries of Health and Education on relevant matters.
- Authorized uses of the fund for qualifying individuals:
 - Transportation for severely burned or injured civilians to travel to nearest specialized hospital for treatment.
 - Hire specialized medical professionals to treat injured civilians locally, pay medical bills of injured civilians at nearest specialized hospital, or assist in the establishment of local clinics to assist injured civilians.
 - Provide specialized equipment for acutely injured, including prosthetic limbs, wheel chairs, glass eyes, etc.
 - Micro-credit lending, or establishment of a business or factory, for spouses who were widowed during the war and suffer from lack of family income.
 - Purchase building materials for civilians whose homes were damaged, and perform limited home repairs, with priority and extra consideration given to elderly or infirm civilians who are unable to perform labor themselves.

(2) To provide relief to civilian communities that disproportionately suffered from loss of schools, recommend allocation of additional reconstruction funds to rebuild a few schools in separate governorates that were damaged by Coalition military operations.

(3) Your OHRTJ can work with USAID, relevant Ministries, and national and local governance representatives to further develop this plan. OGC can draft the CCAF Order.

Recommendation:

- Respectfully request approval to proceed with implementation.

Approve _____ Disapprove _____ Approve with Modifications _____

ATTACHMENTS: Letters of Senator Leahy dated June 3, and July 29, 2003
Response by CPA Rear

COORDINATION: Office of General Counsel, Governance, Ministry of Health, Ministry of Education, Ministry of Finance, USAID

June 3, 2003

The Honorable L. Paul Bremer, III

Presidential Envoy to Iraq

Office of Reconstruction and Humanitarian Assistance

2500 Defense Pentagon

Room 2C148

Washington, DC 20301

FAX (b)(6)

Dear Ambassador Bremer:

A May 31, 2003, article in the *Washington Post* entitled "Loss of Limbs, Livelihood in Iraq" described a young Iraqi woman who lost part of her leg from a piece of a U.S. tank shell which exploded in her house. According to the article, she sought help in obtaining an artificial limb from the U.S. military in Baghdad, but was turned away.

I am writing to inform you of a provision in the Emergency Wartime Supplemental Appropriation, 2003 (PL 108-11), which was signed into law on April 16. This provision authorizes assistance to noncombatant victims of the military operations in Iraq. It is similar to a provision in previous legislation authorizing assistance for civilian victims in Afghanistan, which has resulted in the allocation by USAID of \$2.5 million for this purpose. United States military officials in Afghanistan are assisting USAID in identifying Afghan communities that were mistakenly targeted by U.S. forces, where such assistance is needed.

The provision in the Foreign Operations chapter of PL 108-11 reads as follows:

"[\$2.4 billion is appropriated for Iraq relief and reconstruction in Iraq] including for the costs of (1) feeding and food distribution; (2) supporting relief efforts related to refugees, internally displaced persons, and vulnerable individuals, *including assistance for families of innocent Iraqi civilians who suffer losses as a result of military operations;*"

The Statement of the Conferees accompanying PL 108-11 reads as follows:

"The conference agreement provides that funds made available for rehabilitation and reconstruction in Iraq should include assistance to families of innocent Iraqi civilians who suffer losses as a result of the military operations. The managers intend that USAID and the Department of State, in coordination with the Department of Defense and nongovernmental organizations, will seek to identify families of non-combatant Iraqis who were killed or injured or whose homes were damaged during recent military operations, and to provide appropriate assistance."

The Senate report language accompanying the Defense chapter of PL 108-11:

"The Committee strongly expects the Department of Defense to work with the United States Agency for International Development and other appropriate entities to provide assistance to families of innocent Afghan and Iraqi civilians who suffer losses in the military operations."

The intent of this provision is to include, within the larger U.S. aid program for Iraq, appropriate medical, rehabilitation, or other assistance to noncombatants who lost family members, suffered injuries, or whose homes were damaged as a result of U.S. military operations. The Congress does not intend these funds to be for cash "compensation" or "reparations." Nor do we envision setting up a formal mechanism for Iraqis to make claims for losses, which would result in a flood of claims many of which would be impossible to verify. However, while we know it will be impossible to assist everyone, we want to be sure that every effort is made to assist noncombatants who suffered grievous losses in rebuilding their lives.

The amount of funds to be allocated pursuant to this provision was not specified because we felt that determination should be based on facts on the ground. As information becomes available about incidents of Iraqi noncombatants who suffered losses as a result of U.S. military operations, such as the woman described in the *Washington Post* article, I want to be sure that U.S. officials in Iraq are aware of the law and that it is being implemented.

Thank you for your assistance.

Sincerely,

PATRICK LEAHY

Ranking Member

Foreign Operations Subcommittee

July 29, 2003

The Honorable L. Paul Bremer, III

Presidential Envoy to Iraq

Office of Reconstruction and Humanitarian Assistance

2500 Defense Pentagon

Room 2C148

Washington, DC 20301

FAX: (b)(6)

Dear Ambassador Bremer:

I wrote to you on June 3, 2003, concerning legislation I sponsored which provides the authority to utilize a portion of the Emergency Wartime Supplemental funds for Iraq to assist innocent Iraqi civilians who suffer losses in the military operations. This is similar to legislation which is being used to assist civilian victims in Afghanistan. United States military officials in Afghanistan are helping to identify Afghan communities and families that were mistakenly targeted by U.S. forces, and the U.S. Agency for International Development has developed guidance for implementing the law.

Since I have not received a reply to my letter, I am enclosing a copy of it with this letter. In the meantime, today's *Washington Post*, in an article entitled "Soldiers Try New Approach to Calm Tense Iraqi City," describes cash payments to Iraqi civilians who were injured, or to the families of those who were killed, by U.S. forces in Fallujah.

My legislation does not contemplate cash "compensation" of the type provided by the Pentagon. Rather, as I discussed in my earlier letter, it seeks to ensure that as part of our larger relief and reconstruction program in Iraq, innocent Iraqi civilians who suffer losses as a result of our actions receive assistance. For example, such assistance could be an artificial limb, other medical care, repairs to a damaged home, or a micro loan to a family that lost its bread winner. This type of assistance is urgently needed not only to help Iraqis rebuild their lives, but also to help overcome some of the anger and resentment caused by these unfortunate incidents.

I would appreciate hearing from you regarding this initiative.

Sincerely,

PATRICK LEAHY

Ranking Member

Foreign Operations Subcommittee



OFFICE OF THE SECRETARY OF DEFENSE
1000 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-1000

September 24, 2003

The Honorable Patrick Leahy
United States Senate
433 Russell Office Building
Washington, DC 20510

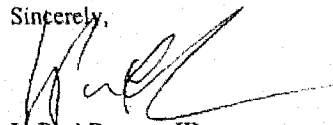
Dear Senator Leahy,

I am in receipt of your correspondence regarding assistance to noncombatant victims of U.S. military operations in Iraq, and I apologize for the delay in responding to you. Personnel from CPA in Baghdad and Washington have been in contact with your staff regarding this matter.

We are aware of the provisions in previous legislation supporting relief and authorizing assistance to innocent Iraqi civilians who have suffered losses as a result of military operations. As you know, CPA provides many forms of assistance to the Iraqi people through a wide range of programs. My staff in Baghdad is developing a policy with respect to treatment of losses to innocent Iraqi civilians. Our policy will include ways in which USAID and non-governmental organizations can work together with the CPA to target relief to victims of the war under the broad scheme of our reconstruction effort.

As you know, the rehabilitation of Iraq is an enormous undertaking. Thank you for your interest and support in ensuring that this important mission is undertaken in a manner that includes delivery of relief assistance to the Iraqi people.

Sincerely,



L. Paul Bremer, III



LPB HAS SEEN

Bremer, Paul

From: (b)(6)
Sent: Monday, November 10, 2003 12:45 PM
To: (b)(6)

(b)(6) Browning, Stephen E. SES; Trent Darrell
(SES-6); (b)(6)
(b)(6) Bent, Rodney G. (SES); Haveman, James K; Siocombe, Walt B. (SES); Evers,
Williamson M. (SES); Agresto, John T. (SES); (b)(6) Thatcher, Gary
(SES-2); Bremer, Paul

Cc: (b)(6); O'Sullivan, Meghan L. GS-15 MCO; (b)(6)
(b)(6)

Subject: Re: Comments on local Governance Strategy Paper; Follow up to Regional Conference

(b)(6)

Here is my thinking on the Governance Strategy Paper, and it parallels the concern I raised during the meeting with Ambassador Bremer last Tuesday (November 4) that the Governorate Coordinators, as the Ambassador's personal representatives in the governorates, be able to exercise real control throughout the transition process until it is finally completed and the Iraqis have their own government.

Although we would all like to have clear stages at which one aspect or another of the hand-over process will be completed, I feel we must also realize that in practice we are engaged in a lengthy and complicated process that will inevitably have its setbacks as well as successes. Even after a new Governorate Council and Governor are appointed, not to mention the Directors General from the ministries in Baghdad establishing themselves in the local departments, there will still be a need for an impartial referee who can call "foul" and make players who break the rules sit out the game.

That referee has to be the Governorate Coordinator, who is respected widely as the personal representative of Ambassador Bremer at the local level. We need to have the Ambassador reserve the right for the GC to intervene -- forcefully -- when the situation merits it. The GC should continue to have the ultimate authority to remove any official in his/her governorate, including the Directors General of the Baghdad ministries (with the concurrence of Ambassador Bremer). Naturally, this power would be exercised with great caution and only when other measures, such as admonishment, warnings, etc. had failed. The power to admonish and cajole alone will not do the trick, however.

The reason I stress the Governorate Coordinator having this authority is because it is clear to me that the biggest problem we have in creating credible government is the problem of corruption. None of the organizational diagrams, regulations, and ultimately the Constitution itself, will have any utility if corrupt officials cannot be checked and rooted out before the final transition happens. If government is perceived as being crooked, no one will want to do business with it.

Among Iraqis today, gaining access to the CPA and its new governance structures is widely seen as a once-in-a-lifetime opportunity to make or break one's family's fortunes. This, combined with a widespread attitude that says "if the system can be cheated, then I should not be blamed for cheating it" makes me very concerned that even after a thorough shake-up of corrupt government officials, the ones who take their place will be tempted to take full advantage of their own, possibly brief, "once-in-a-lifetime" opportunity to capitalize their future BMW dealerships, real estate empires, fast-food franchises, five-star hotels, etc. with the money they skim from the millions that are being poured into this country now. The temptation to put one's hand in the till is simply enormous and the schemes to commit it are frankly mind-boggling. I spend a lot of my time trying to chase it all down, and in spite of my knowledge of Arabic and ! best efforts, I am discovering only the tip of the iceberg.

Once I have a preponderance of evidence that a certain official is corrupt, I need the power to get him out of office before he can disgrace us any further. Let the legal system prosecute him after building a sufficient case, but let me remove a suspected malefactor before that point, on probable cause, lest thousands and thousands of dollars of the American taxpayers' money hemorrhages into some cabal's private bank accounts and we become a laughingstock or worse.

Sadly, we have to be realistic and face the fact that these unpleasant patterns are going to persist for some time. We may not even be able to eradicate them entirely. But we can at least leave a legacy behind -- the memory of a time when government in Iraq, as supervised by the United States and its allies, at least tried to weed out corruption.

I therefore urge most strongly that your new governance plans reserve the "Authority" in the CPA's name. Otherwise, we will be bypassed, blind-sided, and ultimately ridiculed by the people of Iraq. We might as well have not come here.

Everyone I have spoken to here in Karbala has stressed the fact that what they expect of the CPA is an honest guardian to be the ultimate overseer of the process of governance until the day it is handed over to the Iraqi people. They want more direction from us rather than less. Many are complaining that as the government is increasingly being turned over to local officials, it is moving "backwards." While we may need to remain more in the background during the future phases of devolution to the Iraqis, we still need to be there in a credible way.

We therefore should not divest ourselves of our ultimate authority to hire and fire officials until the final handover of authority to the Iraqis, and that would include the power to dismiss the DGs from the various ministries in Baghdad who will have even more of an opportunity to milk the system for all it is worth. I am not at all sanguine that creating their offices was a good idea. But if it does turn out to be a mistake, let's be able to do something about it.

(b)(6)

GC Karbala

(b)(6)

Dear All,

Please don't forget the deadline of 12 November to comment on the local Governance strategy paper (attached). Where you feel that things should be different, please suggest an alternative method and / or wording. Many thanks.

11/10/2003

Also, it was suggested in the conference that we come up with some wording to outline roughly the role of the GCs and how that might change with the empowerment of Governors / PCs. Your suggestions are very welcome – I will feed them into the legal advisors. Here are some initial thoughts:

- GC veto on PC hiring / firing decisions?
- GC establishes/checks auditing process of any local taxes collected and spending?
- GC attends Governor/D-G meetings?
- GC monitors and encourages good cooperation between the PC / Governor and Chief of Police?

(b)(6)

11/10/2003



03112-04

COALITION PROVISIONAL AUTHORITY
BAGHDAD

11 November 2003

FOR: THE ADMINISTRATOR
FROM: (b)(6)
SUBJECT: Safeguarding Against the Danger Points

We have supported and promoted the interim constitution (fundamental law) plan recognizing that it is the least bad of imperfect options. By identifying what might go wrong with the new plan, we can take steps to mitigate or steel against its greatest weaknesses. Possible troubles with the new plan include:

- 1) *Sistani does not accept the new plan.* Although unlikely, Sistani could hastily conclude that his fears have been realized if he identifies the fundamental law as a constitution and focuses on its crafting by the unelected GC (in coordination with CPA). (b)(6) has made clear that he does not want to strengthen Sistani further by seeking his approval or acquiescence to the plan before it is public. While understandable, we must ensure that the GC sends a delegation to Sistani to explain the process almost immediately after its announcement. We could also reach out to (b)(6) and/or (b)(6) to suggest they discuss the plan with Sistani before its announcement. (They are both, however, currently in London.)
- 2) *The Iraqi population rejects the idea of a fundamental law.* Iraqis, who have lived under a provisional constitution for more than forty years, could decry the process as illegitimate. This is also unlikely. The key to insulating ourselves against this is an ambitious and well-organized media campaign. The message of Iraqi media should be to emphasize:
 - The decision to hold direct elections to the constitutional convention;
 - The early turn-over of sovereignty to an elected Iraqi government; and
 - The expiration of the fundamental law -- which is not a constitution -- and the urgent need to secure a permanent constitution before that time.
- 3) *The GC cannot agree on a fundamental law.* If, after several months of negotiation, the GC or its designated body cannot reach agreement on the fundamental law, we have three choices. In ascending order of preference, we could:
 - Present the GC with our own version of the fundamental law, drawn from the progress they had made to date and Iraq's previous constitutions;

UNCLASSIFIED

- Appoint a new body to write the fundamental law;
 - Abandon the plan to hold elections under a fundamental law, expand the existing GC, and transfer sovereignty to this broadened institution.
- 4) *The elections take too long to bring together.* We could find that meeting the minimum standards for holding an election in Iraq push the timeline out beyond the period the coalition can stay in Iraq. In this instance, we could choose to transfer sovereignty – to the GC – after the fundamental law and our bilateral agreements are complete and an election date has been set. The GC would be a sovereign caretaker government until elections were held under the fundamental law.
- 5) *The parliament elected under the fundamental law is dominated by extremists or is otherwise not representative of Iraq.* There are two main actions that need to be taken before the election to ward against the potentially dire consequences of this scenario. First, we must concentrate efforts and resources into building political parties and civic education in the period between now and when elections occur. Second, we need to make certain that the fundamental law does not concentrate powers in any one individual or institution. This will ensure that any excesses of the parliament will be limited. If, however, we do find that an extremist parliament has been brought to power, we should work behind the scenes with our other tools of influence to see that this body has minimal influence on the permanent constitutional process.

(b)(6)

From: (b)(6)
Sent: Wednesday, November 12, 2003 4:17 PM
To: Executive Secretary
Subject: FW: **printed - sent to AMB MCMANAWAY** Press Highlights on GC/Constitutional Issues
Importance: High

Sent to QB in DC
 by JL
 per McManaway
 request 031112-25

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

From: (b)(6)
Sent: Wednesday, November 12, 2003 4:09 PM
To: (b)(6)
Cc: (b)(6) Thatcher, Gary
 (SES-2)
Subject: Press Highlights on GC/Constitutional Issues
Importance: High

To be sent to Amb. Bremer and (b)(6) in Washington asap. (b)(6)

The story in the November 9 Washington Post regarding Administration (and CPA) impatience with the Governing Council has generated considerable reporting in the Iraqi media. Reporting has highlighted comments (attributed to coalition and administration sources) that GC members have "failed" to deal with important issues, attending instead to personal interests. Stories also highlight rumored Administration deliberations towards replacing or expanding the GC, with several papers (Al Taakhi, Al Sabah, Al Manar) claiming a plan has been formed that is favored by SecState Powell – and coordinated with the GC – under which local Governorate elections would be held to expand GC membership to 120-150 members, and a name change to make the Council more lasting, rather than "interim." This new Council would form a new government among its members and select a committee to oversee the drafting of a Constitution.

Numerous GC members have reacted to these stories in comments to the press. Most are of a defensive nature, justifying the lack of action as the result of not having enough authority and the difficult security situation. Talabani told Al Sabah that Amb. Bremer had assured the Council it would be granted expanded powers once it proved itself capable of undertaking them. Talabani claimed that day was close at hand and the Council should soon exercise more authority on behalf of the Iraqi people. Samir Shakir emphasized to the same paper the Council's legitimacy under UNSC Resolutions, including 1511. Adnan Pachachi called for an expansion in the number of GC members to 100. Hoshayr Zubari (in his press conference with (b)(6)) said the GC would still meet the December 15 deadline for a political timetable, though a goal of the recent terrorist attacks was to prevent it from meeting that date. Zubairi also said the GC "is the crucial factor in ensuring stability and unity."

Muafac Rubai told AFP, "Certainly we will do our work before December 15, and maybe even before that. The terrorist acts will not delay us." Regarding Administration criticisms of the Council, Rubai said, "The solution is to give the GC more authority...the GC has to be a real partner for the Coalition, but not a second class one...there are 24 people who came from

11/12/2003

different backgrounds and they were not working together before now...But I can say that the Council, in four months, under the security and political constraints, has done a great deal. There are current discussions on reorganizing the Council and forming committees, to be more active, and discussions about expanding it."

Massoud Barzani reportedly told Al Sharq Al Awsat that the GC needed "radical reforms", such as expanding representation, but added that "at the present time there is no alternative better than the GC."

Commentary:

Al Zaman (Nidal Al-Laithi) November 12: GC has failed in its most critical task (to draft a new Constitution) because its members are unable to view the affairs of the nation from anything but a personal interest point of view. The GC's actions have exacerbated, rather than weakened, Iraq's sectarian and ethnic differences."

Al Zaman (Taha Jazaa) November 12: Iraq is Arab country most susceptible to sectarian division and conflict, except perhaps Lebanon. Democracy presents only hope for the country to move beyond these dangers. But for Iraqis of different groups to believe in democracy, they must see their own interests preserved through proportional representation. Thus, representation in any national governing body should apportion seats along precise sectarian divisions.

Al Dawa (Paper representing Hizb al Dawa) November 12: The US formed the GC, so has the right to dissolve it, too. Comments by US officials regarding the failure of the GC to make decisions and attending only to personal interests reflect the very same sentiments of most Iraqis. The GC does not appear to be working toward a unified vision for the country. The GC's formation should be reviewed, and the addition of new members should be considered.

11/12/2003



03112-12

COALITION PROVISIONAL AUTHORITY
BAGHDAD

11 November 2003

FOR: THE ADMINISTRATOR
FROM: (b)(6)
SUBJECT: Electing an Iraqi Transitional Assembly

The Iraqi Governing Council appears to be on the verge of approving a political process that would entail elections to an Assembly, from which an executive will be chosen. Together the Executive and the Assembly (legislature) would form a transitional Government. This paper seeks to set out what the most efficient and effective electoral system would be for producing the Assembly. It tentatively concludes that the simplest option will be governorate-based elections to a single chambered Assembly. These thoughts are not definitive, but exploratory, and are based on our readings and a conference call with IFES experts in Washington today.

Assembly

The aim in the transitional period will be to keep governmental structures as simple as possible. There will be no permanent full constitution and these structures will be governed by a "basic law"; the Assembly that is produced should therefore consist of only a single chamber and not be too large. A membership of between 200-300 individuals should suffice. The executive will be chosen from within the Assembly through rules determined by the basic law. The outcome will be a simple, clearly identifiable executive reporting to a popularly elected Assembly.

Constituencies

The elections to the interim Assembly should be conducted on a governorate-wide basis. The governorates are the only recognizable and generally accepted administrative constituencies that currently exist. Drawing up new constituency boundaries would not only be technically difficult (as registration of addresses would be a huge logistical task) but would also be politically sensitive.

Electoral System

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As it will be difficult to draw up sub-governorate constituencies, a governorate based system, electing between 10-20 Assembly members for each governorate could be used. There are three main options for conducting such elections:

a) Proportional representation using a "closed list."

- Candidates listed primarily through parties, though independent individuals are permitted.
- The Party publishes its closed (i.e. fixed) list of candidates in declared order.
- Voters select one party/candidate.
- A minimum threshold is set for obtaining a seat.
- Seats distributed to parties in proportion to votes gained and in accordance with ordering of candidates.
- This system encourages party formations and leads to shorter lists of candidates and less fragmented results. But at the same time it discourages Independents.

b) Proportional Representation using a Single Transferable Vote system.

- Candidates listed individually either as independents or with a party affiliation.
- Voters select candidates in order of preference.
- A threshold is set for election; all candidates who meet the threshold are elected.
- Unallocated seats are determined by reallocating the surplus votes of the elected candidates according to the second preference votes.
- This option guards against a single party monopolizing seats by taking the overall popularity of a candidate (expressed through second order preferences) into account.
- Also discourage candidates from campaigning on narrow sectarian grounds, as they hope to pick up "preference votes" from other communities.

c) A multiple member majority or "block" based system.

- Candidates listed individually as either independents or with a party affiliation.
- Voters select as many candidates as there are seats in the constituency.
- The candidates with the highest number of votes are elected (so if there are 5 seats, the 5 candidates with the most votes are elected).
- Previously used in Iraq, is familiar and should not require much public education, though as a result it may evoke associations with the previous regime.
- Main drawback is that a popular party can sweep the board. If a party gets 30% of the electorate to give all of their votes to its candidates, and every other candidate gets less than 30%, it gets 100% of the seats, as its candidates are the individuals with the most absolute votes.
- This may not be a real problem, due to the weakness of political parties. But it may encourage parties with regional strongholds to focus on winning all the seats in their traditional areas of dominance at the expense of areas where they have little support, shortening lists.

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Candidates

One of the most difficult aspects of the election under a governorate based list system will be candidate registration. Most governorates will have 100,000s of voters and a wide variety of views. The risk therefore is that there will be a large number of candidates wanting to stand in each governorate. The voter may be presented with a very long list of candidates (most of whom he has no information about), leading to confusion and unrepresentative results.

In addition to opting for the list based system encouraging candidates to stand through parties, the main step that can be taken to narrow down the number of entries on the ballot is to impose stringent criteria for determining who can stand as a candidate. Possible criteria include: minimum age limit, minimum educational achievement, lack of criminal record (though this may be difficult to prove), minimum number of signatures of support and a fixed cash deposit. This should be applicable to all candidates. Candidates representing political parties will also have to belong to a registered party in accordance with a Political Parties Law.

Quotas

We should consider reserving some seats for women or minorities. On a list based system, provisions could be made either in the candidacy process or in the allocation of seats to reserve positions for women and minorities.

Note on Conference Call with IFES

I spoke with IFES experts in Washington today. They confirmed the timeline of 6-9 months for holding any sort of election (a parliamentary election is more complex and requires more effort and resources to set up, but does not take longer). IFES experts underscored that the 6-9 months estimate began to kick in once resources – money *and* staff – were in place. They were wobbly on how much time they would need to before they could be moving at full speed and whether a graduated start would affect the overall timeline (Some argued that the key thing was just to get information systems and legal experts in place asap, while others thought much more groundwork needed to be done before the clock could begin ticking).



COALITION PROVISIONAL AUTHORITY
BAGHDAD

031113-24
13 November 2003

FOR: THE ADMINISTRATOR
FROM: (b)(6)
SUBJECT: Readout of Meeting with Dr. Allawi

Irfan and I met with Ayad Allawi on 12 November to gauge his views on the developments on the political process. Allawi had the following points to make:

- He had not attended a GC session since Sunday. He had gone on Sunday expecting serious discussion on the constitution, but had been faced with trivia and so had not been back.
- He strongly felt that we should move forward in parallel on the constitutional and electoral tracks; this was the basis of his proposal (*attached*).
- He felt the key to the temporary constitutional process was the involvement of a much wider group. The GC was not representative enough and we needed greater participation in the constitutional process to give it credibility; the GC could be a forum for managing dissent, but did not need to actually get involved in the decisions. A caucus had to be formed to do the drafting. Experts would not draft the constitution; it would be politicians cutting deals. Iraq was not ready for real democracy.
- Although he lamented that Sistani should not be allowed to hold us ransom, he seemed to concede that direct elections to the constitutional convention for writing the permanent constitution could be held. He noted that clerics had threatened to exercise their influence in the past to foment dissent, but had been successfully stared down, we could still do this.
- The GC was thinking with limited scope about how it could reform itself, it was missing the point. The key was having an effective executive body. He had always felt that the GC needed to be smaller or have a kitchen cabinet pre-cooking decisions. This could be either the P9 or another body. He planned to call a meeting of the G5 in the next couple of days.
- The new committee structure was a good step forward and should help improve GC-CPA coordination.
- Need to resolve some serious outstanding issues, such as the existence of parallel governments in the Kurdish regions and the inconsistency of US policy resulting from interagency disputes. He hoped that Ambassador Bremer's trip to Washington would help in this regard.
- Talk of attaining sovereignty now was missing the point. It was the transfer of authority that was key. Sovereignty would come when the gap between authority and legitimacy was bridged.

الوفاق الوطني العراقي
IRAQI NATIONAL ACCORD

General Secretary Office

مكتب الأمين العام

Baghdad 10 Nov., 2003

Dear Brothers and Sisters Members of Governing Council

Brotherly Greetings,

Due to the difficulty in reaching to a unified opinion and a practical position with regard to establishing the constitution and performing elections, our Movement submits its opinion in this vital and important issue which immediately concerns the sovereignty issue, knowing that the Coalition Forces are not going to stay in Iraq forever.

The movement opinion is based on two basic conceded matters:

- A- Our people have struggled and fought for long for peace, democracy, human rights and justice. And they have granted a lot of martyrs in its struggle to achieve this noble target. Accordingly, these forces and one of which our movement have reached to the decision making centres and should implement its commitments and what has struggled for.
- B- Security Council has formally demanded and according to the 7th Chapter a specific report from the Governing Council regarding the constitutional operation in Iraq.

Based on the above mentioned, we suggest the following:

- 1- Get prepared for a constitutional conference that represents all the sects and races and political and tribal and social activities with the presence of 500-600 Iraqi characters selected by the authorities they represent.
- 2- Those would elect a minimized council that consists of around 3-40 members who will undertake issuing a preliminary constitution to specify the headlines and characteristics of the elections and would be the basis for an integral constitution (as mentioned later on).

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الوافق الوطني العراقي
IRAQI NATIONAL ACCORD

General Secretary Office

مكتب الأمين العام

Baghdad 10 Nov., 2003

- 3- The new fundamental constitution should determine two points :
 - a- that it is a preliminary constitution and would be formed after the Legislative Council in Iraq.
 - b- That it is a constitution which should be issued in two stages, the first one to be now, and the second after the elections. (This way, we would have overcome the crisis of electing constitution preparation committee and have also secured general elections in the country).
- 4- There could be a transitional period after preparing for the first elections.
- 5- The constitutional operation should go in parallel but separately from the elections.
- 6- A committee from the ministries is to be formed under the supervision of the Governing Council to prepare for the general elections, other political and social activities can be added to this committee.
- 7- Immediately start according to two time schedules to prepare both the constitution and the elections preparations.

This point of view could be a possible solution and away out, as the constitution will be issued in two stages, and the concerned Iraqi entities would be elected as well.

God bless you all for the sake of Iraq..

Dr. Ayad Allawi
General Secretary
Iraqi National Accord

Tel. 51110336

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Email: (b)(6)

Al-zaitoon St. at al-Mansour Dist.



03112-17

COALITION PROVISIONAL AUTHORITY
BAGHDAD

INFO MEMO

DATE: November 12, 2003

FOR: THE ADMINISTRATOR
FROM: Executive Secretariat
SUBJECT: Update on Priority Programs in Sunni Areas

Ambassador Richmond oversaw the development of a strategy for outreach to Sunni communities. This memo provides supplementary information about current and planned activities in Al Anbar, Salah ad Din, Ninawa, and Diyala.

I. POLITICAL OUTREACH:

The Governance team believes that economic reconstruction is a key element in CPA's strategy toward the Sunnis, but it should be considered within the broader context of political outreach and military/security engagement. We must recognize that Sunnis are not a monolithic group; not every Sunni was pro-Saddam and many Sunnis suffered under his regime. Our political message should reinforce that we want all Iraqis to have a stake in the new Iraq. Our strategy should avoid singling out Sunnis in ways that reinforce ethnic/sectarian positions or advocate a policy of positive discrimination for Sunnis. Our goals will require careful explanation to non-Sunnis who may be suspicious of our intentions. The Governance team political outreach program includes: (a) ensuring the Sunnis are fully involved in the constitutional process, especially with respect to protecting minority rights; (b) securing the support of key tribal leaders; (c) encouraging the Governing Council to visit and meet with representatives from the Sunni area; (d) encouraging the Governing Council to show more sensitivity in applying de-Ba'athification procedures which disproportionately affect Sunnis; and (e) encouraging the development of Sunni political parties which promote an Iraqi national identity.

II. ECONOMIC ACTIVITIES:

A. USAID's Response to Sunni Area Priorities.

1. USAID has increased contractor staff in Sunni area Governorates.

Local Governance Teams are established in every governorate, working with local Iraqi leaders to improve services and build civil society.

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The Teams are staffed as follows:

- Al Anbar: 3 professionals (9 by end of the month).
- Salah ad Din: 3 professionals (9 by end of the month).
- Ninawa: 7 professionals (10 by the end of the month).
- Diyala: 4 professionals (9 by the end of the month).

2. USAID contractors and grantees have increased project activity in the Sunni Area Governorates as follows:

- Al Anbar: Total value of activities identified/underway: \$2.3 million

Assistance targets the sectors of health, education and water and sanitation. In the health sector, USAID is rehabilitating primary health care centers, providing emergency assistance to the Al Ramadi General Hospital, and providing equipment to clinics in West Falluja. In the education sector, USAID has rehabilitated two schools (one primary and secondary) benefiting over 3,000 students. In the water and sanitation sector, USAID is rehabilitating water systems, sewage stations, implementing a trash collection and removal program from the streets of Al Ramadi, and repairing water treatment facilities to ensure clean water benefiting over 1.5 million Iraqis. A women and children's center and cultural house is being constructed in the region with input from local residents.

- Salah Ad Din: Total value of activities identified/underway: \$4.4 million (excluding \$28 million for repairs to Baiji Power Plant)

A total of 23 activities in this governorate have been implemented, primarily through grantees focusing on community identified priorities. These range from improvements to local water systems and schools, to vocation training for the disabled. USAID has programmed \$4 million through Bechtel to repair the Tikrit Bridge. This economically critical bridge will be restored by next April.

- At Tamim: Total value of activities identified/underway \$11.2 million. (Does not include the \$48 million repairs to the Kirkuk Electrical Substation).

A total of 140 schools have been rehabilitated in this governorate. Other projects in At Tamim include community identified priorities in water, electricity, orphanages and youth programs.

- Ninawa: Total value of activities identified/underway: \$8.5 million

Support primarily addresses needs in education, health, water and sewage, emergency power, agriculture, and community identified needs. A total of 73 schools have been rehabilitated. Emergency supplies, equipment, training, and improvements to 10 health centers are ongoing.

- Diyala: Total value of activities identified/underway: \$1.1 million:

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Support includes funding to rehabilitate the Mayor's Office in Ba'aquba, the Ministry of Education Office, assistance to displaced persons, improvement of water, sewage and irrigation systems benefiting 42,000 people, and the provision of internet services for libraries and the regional university.

3. USAID programs will continue to bring resources and projects to the Sunni Areas:

- USAID's Office of Transition Initiatives has set aside \$1 million for quick impact activities in the Sunni Area. It is awarding grants in key Sunni areas including Falluja and Tikrit, and is supporting the establishment of Governing Council Outreach Centers.
- The Community Action Program has stepped up activities in Sunni Areas. It has re-organized to work through local NGOs in less accessible areas. NGO grantees have opened an office in Tikrit and are opening an office in Ramadi. (The office in Ramadi will be open in two weeks, security permitting. Local staff are currently being hired.)
- Coordination between USAID programs and CPA Governorate Representatives has increased. USAID is coordinating with CPA Governorate Representative in Salah Ad Din on an NGO conference.
- The newly arrived USAID Agriculture Advisor is immediately traveling to Tikrit to develop opportunities for quick impact agriculture projects.

B. CERP and CPA's Rapid Regional Response Sunni Area Priorities:

1. Total CERP AND CPA Rapid Regional Response Program funding by Governorate:

Al Anbar: \$11.7M
Ninewa: \$28.5M
Salah ah Din: \$14.6M
Diyala: \$11.9M

2. Planned activities for Sunni Areas:

- An recent allocation funds an additional \$10M of projects in Al Anbar. Determinations on what projects will be funded, based on recommendations of the military commanders and Governorate Coordinator, will be made by Saturday, November 15, 2003.
- Governorate Coordinators are implementing high impact projects and working on strategic program plans for future activities. Long term job generation ideas include:
 - Salah al Din: Tourism Development. Many palaces could be renovated as resorts. Religious tourism is on-going. Over 1,000 visitors make the pilgrimage to Samarah's Shia Shrines.

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- Large infrastructure and construction projects will be funded from the supplemental. A project list will be finalized by the end of November. Priority will be given to the Sunni area governorates.
- Thousands of small projects targeting immediate results are underway through CERP and CPA Regional Programs. These include the renovation of schools, health clinics, municipal buildings, and police stations. Other projects include improvements in water and sewage treatment services along with city cleanup and other public works projects.
- CPA has allocated funding for micro-credit lending programs in each governorate. Loans should be available starting April 2004. Micro-credit funding of \$4M will be available in Sunni areas.
 - The Rashid and Rafidian Banks have adequate resources to do lending in dollars and dinars through branches in all the major cities and towns.
- Recruiting for the ICDC, Police and Army: (Sunni recruitment activities)
 - Police: As part of a nationwide program, police recruiting efforts will be conducted in the Sunni areas. A recruiting station in Ramadi opens around mid-December

COORDINATION: (b)(6) USAID
(b)(6) Governance Team
(b)(6) PRB

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(b)(6)

STRATEGY FOR SUNNI OUTREACH

PROBLEM

Sunni communities throughout Iraq, but especially in Central and North West Iraq, the so-called Sunni triangle, feel politically and economically disenfranchised. They have lost their privileged position following the fall of the previous regime. Because of the security problems in some areas, particularly Al Anbar, they have not benefited as much as other parts of Iraq from reconstruction projects, while de-Baathification and the disbandment of the army and security services have had a disproportionate effect on Sunni employment. Sunnis do not feel that their voice is being heard or that they are properly represented on the Governing Council.

DEVELOPING A STRATEGY

The following considerations need to be taken into account:

- i) the importance of delivering a political message that emphasises that we want all Iraqis to have a stake in the new Iraq and avoids singling out the Sunnis in ways which suggest we are seeking to reinforce ethnic/sectarian divisions or are advocating positive discrimination for Sunnis. Most Sunnis insist that they stand for a unified Iraq. We must also be ready with a careful explanation of our aims for non-Sunni Iraqis who may be suspicious of our intentions;
- ii) recognition that the Sunnis are not a monolithic group; not every Sunni was pro-Saddam and many Sunnis suffered under his regime;
- iii) the need to focus on a geographic area comprising Al Anbar, Nineveh, Salahaddin, Diyala and Baghdad;
- iv) the importance of close cooperation between civilian and military both in Baghdad and the governorates to identify key individuals and groups and to deliver the strategy.

KEY ELEMENTS OF AN OUTREACH PROGRAMME

a) Economic

Despite the security problems and the understandable reluctance to appear to be rewarding lack of cooperation, reducing unemployment is crucial. The following steps are in hand:

- military and civilian funds for quick impact projects (CERP, OTI, Community Action Programme) are being focused on the Sunni triangle governorates;
- USAID have established local governance teams in all these governorates;
- \$10 million has just been allocated for outreach in Al Anbar.

Further steps which are in hand or which should now be pursued include:

- early start-up of a micro enterprise project to boost local employment;
- give priority to infrastructure projects (electricity, water, etc) in the Sunni triangle governorates;
- re-examine currently closed state owned enterprises which are potential large scale employers to determine whether and how these can be brought back into operation;
- ask governorate coordinators to identify further projects which will achieve longer term job creation (but new sources of finance may need to be identified);
- recruiting efforts primarily for the ICDC (which will be substantially expanded) but also the police and Army to be stepped up. Examine the possibility of early establishment of specialist support units eg logistics, engineering etc for New Iraqi Army as this would favor Sunni recruitment.

Political

Developing a successful political strategy is not easy:

i) the Coalition is committed to democratic and representative government in Iraq; this implies that the Sunnis are not going to enjoy their previous dominance. This is at the root of much of the current dissatisfaction within the Sunni community;

ii) there are difficulties in identifying Sunni leaders with influence beyond the local or district level (the tribal position is complex and Sunni religious leaders do not have the Shia hierarchical structure - which is why it was so difficult to find suitable Sunnis to serve on the Governing Council).

Nevertheless we need to provide reassurance that we are committed to a united Iraq in which no one community dominates another and that Sunni interests will be safeguarded. The constitutional settlement will be central. Once we have clarity on the political process we need to engage with Sunni representatives. Offering additional seats on the Governing Council will be difficult. Existing members would want final approval and may resist changing the balance. But we should:

- ensure that the Sunnis are fully involved in the constitutional/political process via suitable consultative mechanisms;

- identify key tribal leaders and find ways to secure their support;

- encourage the Governing Council to show more sensitivity in applying de-Baathification;

- establish political forums aimed at the professional classes to promote their involvement in the political process;

- encourage the Governing Council to reach out to the Sunni triangle both by visiting the relevant governorates and by inviting delegations to Baghdad (this is beginning to happen - the IC met a delegation from Al Anbar on 10 November);

- encourage political parties which promote a national Iraqi identity.

c) Security

The programme of political and economic outreach needs to be integrated with the Coalition's security policy so that the one reinforces the other in a classic carrot and stick approach. This requires that robust military operations are carefully targeted to avoid being counter-productive. The limited intelligence available to us makes this difficult. There are serious risks if we get this wrong:

- further radicalization of the Sunni population and their rejection of the political process we are seeking to establish;
- provincial councils and governors may lose whatever local support they already have, undermining our efforts to empower local leadership;
- NGOs on whom we rely to deliver economic programmes may be unable to operate.

COMMUNICATIONS

Closely tied to successful economic, political and security programmes is an effective information operations/strategic communications strategy. We need to deliver a message which spells out the rewards for cooperation and the penalties for failing to do so. As with other aspects of the overall strategy this requires close civilian and military coordination. We also need to follow through on commitments made to Sunni leaders to find a better system for providing information on the status of detainees.

FOLLOW-UP AND COORDINATION

Mechanisms have been established to improve information sharing and military/civilian coordination. A meeting has been held to bring together local military commanders, governorate coordinators and key players in the CPA and CJTF7 in Baghdad. This will be repeated at regular intervals. A standing committee chaired by Ambassador Richmond will ensure coordination and oversight.

Draft decision
Formation of Permanent Committees within the Governing
Council

The Governing Council shall form permanent specialized committees to enable it to practice its authorities, including supervision over Ministries' activities and preparation of draft decisions and studies. Those Committees are to hold periodic meetings to perform their duties; they are also to hold periodic meetings with the Ministers. (Without canceling the weekly meetings of the Ministerial Cabinet or the Council's right to call the Ministers to meet with them.)

Those committees perform their duties and present concentrated conclusions to the Council to enable it to consider and discuss them on the political and strategic level to reach appropriate decisions.

The Committees are;-

The Permanent Committees of the Governing council are

- 1-Citizens' Services Affairs Committee -
Health/Electricity/Comunications/
transport/Municipality/Public works
- 2-Financial and Planning Affairs Committee:-
Finance/ Planning /Central Bank
- 3- Economic affairs Committee:-
Agriculture/ Industry/Oil/ Water
Resources / Trade.
- 4 – Educational and Cultural Affairs Committee:-
Education/Higher education/Culture/Sciences
& Technology/Mortmains(trusts)
- 5- Legal Affairs Committee:-
Justice /Human rights/ Auditing Public
Accounts
- 6- Construction and Environment Committee:

031118 07

COALITION PROVISIONAL AUTHORITY

EXECUTIVE SECRETARIAT

FROM:

(b)(6)

DATE: 18-Nov-03

FOR: THE ADMINISTRATOR

ORIGINATOR: Executive Secretariat

RE: Iraq Situation Assessment

The attached paper was dropped off by Mr. (b)(6)
(business card attached).

He said it is read in Washington by Congressman Conyers and
Senator Levin and in DOD and State.

We forwarded to Policy Planning and Governance.

ATTACHMENTS: As Stated

(b)(6)

(Drafted by (b)(6))



Focus on American & Arab Interests & Relations

مركز العلاقات والمصالح العربية الأمريكية

"Promoting fair policies and a better understanding
of the issues pertaining to the Arab World"

031118-07

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Copy sent
to Policy Planning
& Commerce

Iraq: A Situation Assessment

Compiled and Written by Mohammed Alomari

Executive Summary:

This report is an assessment of the current situation in Iraq as it relates to its political, security, social, and economic aspects. This assessment provides analysis of past and current policies implemented in Iraq after the recent 2003 war and addresses several issues, which are key to understanding the current state of affairs in Iraq. In addition several recommendations are offered to help solve many of the current problems.

Brief Background:

Focus on American and Arab Interests and Relations (FAAIR) is an American non-profit non-governmental organization founded in 2001 to represent Arab-American interests in government and the media. FAAIR is dedicated to promoting fair policies and a better understanding of the issues pertaining to the Arab world, as well as presenting a more accurate and positive image of America to the Arab world. In this way, FAAIR aims to serve as a much-needed bridge between America and the Arab world.

Immediately after the recent war in Iraq, FAAIR partnered with an American humanitarian organization, Life for Relief and Development (LIFE), in order to coordinate visits to Iraq by members of both staffs at various different time periods in order to meet with various important segments of Iraqi society and the U.S. authorities and make several assessments of the humanitarian, social, economic, security, and political situation there.

Over the course of the last six months (May – October, 2003), several staff members have visited Iraq on various occasions, including Mr. Khalil Alazzawe, FAAIR Program Director, Mr. Muthanna Al-Hanooti, FAAIR President, Dr. Ghanim Al-Jumaily, CEO of LIFE, Dr. Yarub Al-Shairada, LIFE Executive Director, and Mr. Mohammed Alomari, FAAIR Media Director.

This assessment report includes information and observations provided by these staff members whom have been visiting Iraq on a continuing basis since May 2003. Although the staff members visited the country at various different times, they coordinated their efforts and worked together to make their visits productive and effective. These visits and efforts are still ongoing.



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The staff members had the opportunity to meet with and develop relations with various important segments of Iraqi society such as many local leaders and visit various offices in Baghdad including universities, colleges, local Iraqi media offices (newspapers, radio, TV), political parties' offices, trade union offices, non-governmental organizations (NGOs), the Iraqi Interim Governing Council, United Nations agencies, and the U.S.-led Coalition Provisional Authority (CPA). The team made several early assessments on the situation in the country and decided to launch several educational and training programs in the area of democracy, political awareness, grassroots participation, and NGO building.

One of the goals of the more recent visits was to conduct seminars and give lectures on American democracy to Iraqi university professors, Iraqi Interim Governing Council members, Iraqi Constitutional Committee members, Iraqi city councils' members, various Iraqi political parties, and other interested parties, especially the Iraqi intelligentsia.

While Life for Relief and Development is more concerned with the humanitarian aspect as it relates to the social and economic situation, FAAIR is more concerned with the political aspect as it relates to the social, economic, and security situation. This assessment report is prepared for FAAIR and highlights issues that relate overall to the political situation and its related social, economic, and security aspects.

Background and Analysis on the Situation in Iraq

Since the end of the war in April, 2003 the country has faced a multitude of various complex problems. Like the former Soviet Union, Iraq was a centralized socialist dictatorship that provided a huge social welfare network for the citizens in exchange for unchallenged loyalty to the government. This massive welfare state provided free education, healthcare, garbage collection, police, cheap gasoline, and even subsidized food for the loyal citizens. For the un-loyal citizens, imprisonment, torture, and mass graves were the alternatives. Yet this massive socialist dictatorship completely collapsed along with all civil authority in Iraq on April 9, 2003.

With the defeat and collapse of the previous regime, came along many problems ranging from massive widespread looting to violence and widespread suffering of the civilian population. Although the collapse of the dictatorship meant new freedoms, due to the overnight disappearance of all civil authority, these newly enjoyed freedoms became associated with hunger, lootings, and chaos.

Iraq now is in midst of chaotic strife, due largely to the lack of security after the elimination of the army and police. This lack of security fueled four major elements to cause violence and instability: criminal gangs, armed foreign groups, ex-regime loyalists, and local insurgents.

Lack of Security: Crime and Chaos



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The first major element to take advantage of the chaos was the various criminal gangs involved in everything from armed piracy (such as carjackings, home thefts, and other breaking and entering crimes), to kidnappings, prostitution, drug smuggling, wholesale thefts and smuggling of items outside Iraq, and other crimes.

Many in Iraq blame the previous regime for pardoned thousands of criminals just three months prior to the war as the cause for these crimes. Some in Iraq have speculated that the previous regime purposely pardoned these criminals for two reasons: firstly, in order to avoid any major prison uprisings during the war (as in the case of the 1991 war) and secondly so that these criminals would wreck havoc on the invading forces.

Although this theory is merely speculation, one thing is sure, the shortage of police provides adequate environment for criminals to operate and flourish in Iraq. As a result, the average citizen does not feel secure in his home, or his car, or about his family, especially the children. People are hesitant to leave their homes for extended periods of time fearing squatters will come and occupy or loot their belongings. In Basra, the problem of kidnapping for ransom is almost epidemic, and due to the British refusal to intervene and lack of adequate Iraqi police, kidnappers are bold enough to reveal their identities and negotiate with the family of kidnapped on the ransom amount.

The lack of security is on the minds of everyone in Iraq, especially in major cities like Baghdad. Stories of kidnapping and property theft, especially armed carjackings are commonplace. The security vacuum in Baghdad and other parts of the country has allowed some people to take advantage of others and retaliate against personal enemies by falsely accusing them of being "Ba'ath" party members, in order to be arrested by coalition forces.

For example, there was an incident reported in a suburb of Baghdad in which a group of people came early one evening. They stepped out of their car, killed one person, and then started celebrating the killing "as victory" against a supposed "Ba'ath" party member, when in fact the person was not a party member.

The plight of orphans has been negatively impacted as well. Most orphans were expelled from the orphanages during and after the conflict due to safety concerns. Presently, looters and squatters have taken possession of many of the orphanages and refuse to allow the orphans to return to their former homes, thereby leaving many of the orphans to live on the streets without any care or protection. Many young orphan girls have been raped while other orphans continue to fall victim to criminals who are using them to sell drugs and exploiting their vulnerability.

Looting of public and private property in the early months of the occupation affected people in many ways, and although most have stopped, it hasn't been eliminated altogether. Just as late as



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October 2003, one of the team members heard first hand reports of looting of government ministries during that month. These lootings have destroyed places of work, schools, universities, public transportation, libraries and other national treasures and cherished antiquities. The looting and occupation of public property appears to have been systematic and points to a possible attempt at reshaping the political map of the country.

Organized Destruction and Foreign Influence

The second major cause of violence is the foreign extremist groups who are taking up the offers of "let's fight in Iraq" rationale given by some U.S. officials and foreign intelligence operatives who simply see destabilizing Iraq as a political goal. Much of their violence is directed against Iraqi targets as well as UN and NGO targets in addition to U.S. targets. These groups include everything from foreign guerilla groups to foreign intelligence agencies who have an interest in either destabilizing Iraq and/or damaging U.S. interests.

The latest bombings of the International Committee of the Red Cross building like that of the Jordanian Embassy and the UN headquarters show evidence of sophistication and foreign fingerprints. In fact many of the local resistance groups have specifically denied responsibility of these attacks and the word on the streets of Baghdad is that foreigners, either foreign terrorists or intelligence agency operatives were responsible for these attacks.

In addition, many of these attacks, which are believed to be foreign-sponsored, are targeting Iraqi centers such as schools, universities, and hospitals. In one instance in October 2003, when one of the team members was in a meeting with the President of the Iraqi Technological University, all were forced to evacuate the university building due to the discovery of a women's purse full of explosive set to go off soon. Fortunately the local police came immediately and disabled the explosives before they could off.

Most Iraqis blame foreigners for such attacks, explaining that only "non-Iraqis" could benefit by killing innocent Iraqis in such places as universities, schools, hospitals, shops, etc., for the sake of the destabilizing the country. Many Iraqis tend to blame either Iranian or Israeli intelligence operatives, explaining that "Iran benefits by destabilizing Iraq so that the U.S. remains busy in Iraq and does not go after Iran" or that "Israel benefits by destabilizing Iraq so that Iraq does not rebuild itself and pressure Israel." As strange as these theories are, they are very popular in Iraq.

Of course, sources close to the Iraqi Interim Governing Council tend to blame Syrian and/or Iranian intelligence operatives, while sources close to the U.S.-led CPA tend to blame Al-Qaida operatives or sympathizers and/or ex-regime loyalists.

The point here is that very few actually know the identities of the actual perpetrators of these attacks. With the absence of an active internal Iraqi security apparatus (something similar to an



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Iraqi FBI or CIA), there is no effective way to prevent these attacks or even go after the attackers.

Ex-Regime Loyalists

The third major cause of violence, especially for the Iraqi Interim Governing Council, new Iraqi political parties, and new Iraqi officials appointed after the war, is the ex-regime remnants. Since this group had the most to lose after the war and have very little incentive to stay silent, they have launched an assassination campaign against the new Iraqi council members and officials.

Unfortunately one of the most disastrous decisions made by the CPA was to dissolve the Ministry of Defense and other military and security related institutions. This move not only put 750,000 armed men out of work but left them no other alternative to starvation other than join some sort of paramilitary group fighting the current order.

FAAIR warned about this shortsighted decision in April 2003 and its possible disastrous consequences. We are now seeing the effects of this decision.

The targets of these ex-regime remnants are the new Iraqi officials, especially those that have set their eyes on prosecuting the previous regimes' crimes and misconduct. Recent examples include the assassinations in early November 2003 of the Iraqi judges in Najaf, Baghdad and Mosul who were given the tasks of investigating the ex-regimes' crimes.

Other targets included the late Iraqi Interim Governing Council member Aqeela Al-Hashemi and other deputies. In addition, there have been other (failed) assassination attempts of other members of the council. It is clear that the new Iraqi officials are in danger.

A much wiser plan would be like the one called for by the rotating president of the Iraqi Interim Governing Council in October 2003, Ayad Allawi, to rehire all the rank and file ex-military employees to help in establishing law and order in the country. Most of the rank and file members had no specific political affiliations. Yet, now unemployed and heavily trained in military combat (under the previous regime) they could easily be recruited by any group, which has money to spend on paramilitaries.

Homegrown Armed Resistance to Occupation

The fourth major cause of violence, especially for U.S. forces and the U.S.-led Administration in Iraq is the homegrown armed resistance to the occupation. This last major cause of violence cannot be overlooked and is certainly responsible for the overwhelming majority of attacks against U.S. forces.



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Although some of the local insurgents may be former members of the previous Iraqi Army or security forces, labeling the local insurgency as simply "Saddam loyalists" is highly over simplistic and underlines a basic misunderstanding of events in Iraq. The fact that many of the attackers are former Iraqi soldiers or officers is unfortunately quite misunderstood. Firstly, under the previous regime, every male adult was required to serve in the armed forces as part of the compulsory service (draft).

Secondly, understanding the Iraqi experience under Saddam's dictatorship should reveal that Iraqis will NOT fight for this dictatorship, as the easy fall of Baghdad on April 9 clearly showed. In fact there was a period of a month or so early in occupation that had no attacks against U.S. troops. The rebellion that was started by locals in the western central city of Falluja, for instance, was a result of U.S. troops occupying a local elementary school in late April. After Iraqis protested against the U.S. military occupation of the elementary school, U.S. troops opened fired on the unarmed crowd on two successive days, killing 18 Iraqi civilians and wounding scores of others. The many days that followed marked the beginning of the attacks in that city.

Unfortunately most of the local attacks in fact started as mostly a reaction to the misconduct of the U.S. troops, rather than anything from the dead regime. That basic misunderstanding of the insurgency and mislabeling it as "remnants of the previous regime" is also contributing to the ineffectiveness of the U.S. response to the insurgency. These early attacks soon developed quickly into more sophisticated and organized operations, primarily because the U.S. administration in Iraq was slow in recognizing its errors and writing off Iraqi complaints and frustrations with U.S. military misconduct (insulting search and seizure operations, insulting mass arrests based only on rumors, etc) as simply coming from "Saddam loyalists."

This armed rebellion against the occupation has gained much popularity in Iraq, due mainly to frustration with the lack of significant progress by the U.S.-led administration on repairing the destroyed infrastructure (electricity, water, sewage, etc), the high unemployment caused by U.S. dissolving the military & security-related ministries, the heavy-handed search and seizure tactics against Iraqis, and the mass arrests and mistreatments of Iraqis by U.S. troops. These actions have made the armed attacks against the U.S. soldiers by the Iraqi resistance groups very popular and helps explain why many Iraqi bystanders are seen cheering after the attacks.

These resistance attacks are increasing in intensity and deadliness, and are becoming much more daring and bold. There are three types of armed resistance to the occupation: organized structured groups planning attacks, unorganized groups planning attacks, and the unorganized and un-preplanned attacks that are usually a result of simple acts of retribution against U.S. soldiers who insulted or violated their honor.



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The organized Iraqi resistance, which is homegrown, and mainly a combination of Islamist, nationalist, and tribal elements have set a goal for themselves that they will not stop until U.S. troops leave Iraq. Falsely labeling the Iraqi resistance as "ex-regime loyalists" cannot be overstated since it is the major contributing factor to the failure of the U.S. to properly deal with the major insurgency which is conducting over 35 military operations a day against U.S. troops (according to the U.S. military command in Baghdad). The average daily casualties range from 1-2 U.S. deaths and 10-20 injured. On the Iraqi streets however, exaggerated claims maintain that about 50 U.S. soldiers are being killed a day. That wild claim which is repeated by many on the street signifies the romanticism that many see with the only force fighting a massive superpower that has occupied their country.

Properly dealing with the Iraqi insurgency does not mean applying more military force; on the contrary, more force by the U.S. troops will only lead to further resentment and more attacks by the resistance. Rather the proper way to deal with the causes of the attacks is two-fold: better local Iraqi intelligence and by meeting the demands of local Iraqis (granting more authority to Iraqi city councils, Iraqi police, and Interim Governing Council; solving the complaints about U.S. military misconduct). The second avenue actually will go a long way in dealing with this problem, in addition to speeding up the transfer of power to Iraqis and exiting the country.

In addition to the failure to address these problems, which contribute to the rise and popularity of the resistance attacks, the Iraqis badly lack an appropriate local radio and TV to interact with them and provide appropriate local news coverage. The U.S.-led CPA-run Iraqi Media Network (IMN) unfortunately provides propaganda-like news broadcasts of "how great" things are going while the Iraqi TV airs foreign (most American) sitcoms. The image the IMN has among most Iraqis is that "it is here only to justify the occupation."

This lack of a competitive Iraqi TV or radio broadcasts have made Iraqis rely on foreign broadcasts, which highlight the resistance attacks. There is still no Iraqi satellite TV station and the Iraqi radio broadcasts lack the extensive reporting resources to compete with foreign broadcasts. Many foreign broadcasts are taking the lead in the news reporting of the resistance attacks. On the satellite TV side, Qatar's Al-Jazeera TV, Dubai's Al-Arabiya TV, and Iran's Al-Alam TV take the lead. On the radio side, the BBC Arabic radio and France's Monte Carlo Radio take the lead on radio news. These foreign TV and radio broadcasts give extensive news coverage of the resistance attacks on the U.S. forces, among other news items.

Factors of Instability

These four factors of instability and violence (crime, foreigners, ex-loyalists, and insurgency) stress the urgency of quickly establishing Iraqi government institutions to maintain law and order in order to replace the occupation authority quickly. The security problem is complicated by the devastated civilian infrastructure (electricity, drinking water, sewage, health care, education, etc)



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and the massive economic problems (high unemployment, multiple rate inflation, and chronic shortages).

Iraq badly needs the institutions of civil society such as an internal security apparatus (police, justice system, etc), basic services apparatus (water, electricity, etc), massive employment projects, and independent civil societies (NGO's) to help the rebuilding process and prepare the nation for democracy.

Although the formation of the Interim Iraqi Governing Council and the local municipal councils throughout the country are important steps in the right direction, the Governing Council and local councils still lack any real authority to rule the country. In addition the U.S.-led CPA still makes all the security-related decisions for the nation.

It can be said that the reconstitution of the local Iraqi police has helped decrease petty crime and has helped the average citizens feel a little safer as compared to the early summer months. However the numbers of policemen are still small (much smaller than pre-war levels) and are hampered by the presence of U.S. soldiers in the Iraqi police stations. The U.S. military presence in the Iraqi police stations makes them prime targets for deadly resistance attacks. It should be added that the presence of U.S. soldiers in Iraqi police stations does not protect the Iraqi policemen nor does it deter attacks, on the contrary it invites attacks because their presence is provocative in nature to many Iraqis.

In summary although the formation of the Iraqi councils, ministries, and police are steps in the right direction, however the pace is very slow and inadequate to meet the needs of the nation. In addition the lack of proper authority hinders the effectiveness of these Iraqi institutions. Much more needs to be done quickly in order to save Iraq from plunging to further instability and suffering.

Economic Factors

There have been significant improvements of available services in areas such as gasoline, telephone and drinking water, and yet it has not been restored to pre-war levels. Certain critical services like electricity, which powers everything from the drinking water, to sewage pumping stations, to hospital equipment as well as the lights and air conditioners is still below pre-war levels. Keeping in mind that temperatures in Baghdad reach up to 130° F during the summer season, the impact of daily blackouts coupled with the afternoon heat posed an increased health risk to the most vulnerable members of the society. Even in the fall, October 2003, daily blackouts continued where 3 hours of electricity is followed by 2-3 hours of darkness. The most prevalent comment in Iraq is that the services were better before the war.



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In addition, sewage is continuing to be a menacing problem in Iraq, where even the wealthiest suburbs of Baghdad many times have raw sewage in the street. Telephone service is still widely unavailable in Iraq because the central telephone exchanges were completely destroyed during the war's bombing campaign, leaving entire suburban areas like Mansour and Adamiya completely without telephone service.

The problems with the critical services (water, electricity sewage, telephone) are compounded with the effects of the 12-year devastating embargo and the effects of the 1991 war. One important example is the problems with the schools. Iraq had over 10,000 schools prior to the 1991 war, a time when Iraq's population was 18 million (while the population is now 26 million). According to a UNESCO report in 1993, over 80% of those schools were destroyed or damaged as a result of the 1991 war and its aftermath. In addition many of the remaining schools, which survived, eventually decayed and became dilapidated due to lack of maintenance during the 12-year embargo.

As a result, (according to a 1999 UN report), 47% of Iraqi children were not attending schools due to the acute shortages of school buildings and severe overcrowding in the existing schools. Many schools are still run simultaneously in the same building and the overcrowding and shortage of school buildings is still acute. According to a recent 2003 UNICEF study, a minimum of 5,000 new schools need to be built in order to just meet the basic needs of Iraq's children.

In addition to the devastated infrastructure and severe problems with the critical services (water, electricity sewage, telephone), Iraq has for many decades lacked a major private industrial base providing employment for the country's labor force. As stated earlier, Iraq was a massive socialist state providing employment and services to a big portion of the Iraqi population. The private sector therefore never had a chance to grow.

As a result of the war, the fall of the regime and the dismantling of the military and security apparatuses (Defense, Military Industrialization, Security, etc), the Information Ministry, and many state factories and institutions, hundreds of thousands of Iraqi state employees found themselves suddenly unemployed. Due to the lack of an equivalent private sector to absorb this huge newly unemployed labor force, the result was that unemployment in Iraq suddenly rose to over 60%. A shift to a free market economy needs gradual changes not sudden earthquakes. A sound economic development plan for transformation is needed to launch citizens back into the private sector.

Recommendations for Solutions



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It is imperative that actions are taken promptly to address critical issues that will ensure the successful transition of Iraq to a free, independent, and democratic nation. The following very important concerns need to be addressed:

Success of the military phase of the campaign was never in doubt. However, winning the peace is just as important. Success in Iraq will only be achieved when the Iraqi people are empowered to establish a free, democratic, and vibrant society that not only guarantees freedom and equality for all but also provides the appropriate critical services and economic answers for many of the Iraqis' current woes. In order to achieve these objectives, FAAIR makes the following recommendations:

1). Quickly Transfer Power to Local Iraqi Authorities. Allow the Iraqi police to run the neighborhoods without intrusion of the U.S. troops. Withdraw the U.S. troops from Iraqi police stations; the U.S. presence only invites attacks. Allow the Interim Governing Council to run the country independently and set an early date for prime minister elections, which will have the duties of not only running Iraq but also establishing elections for the Constitutional Congress. Delays in drafting the constitution should not delay transfer of power to the Iraqis. As in the American experience, the Independence was declared in 1776, yet the constitution was not enacted until 1788.

2). Stop Using Sectarian Identification to Establish Iraqi Rule. Appointing council members and officials because of their sectarian or ethnic background (Shiite, Sunni, Arab, Kurdish, etc) is one of the major problems in Iraq. Promoting Iraqi unity should be the goal. Most of the early assumptions of who is the majority in Iraq turned out to be wrong, and this has been one of the major reasons for alienating the Sunnis and encouraging the local insurgents. This temporary leadership (until elections) should be based on ability, competence, and popular acceptance, not purely on sectarian or ethnic background. At any rate, in any real democracy, politicians are not picked solely based on their sectarian identity, or because they are perceived to be from a majority. If that were the case, every U.S. president would be a Catholic since the Catholics are the largest single religious denomination in the U.S., and at least 15 members of the U.S. Senate would be African-Americans and another 15 members would be Hispanic, and so on.

3). Priority must be Given to the Restoration of the Essential Services. Water, Electricity, Sewage, Telephone Service, and other essential services must be repaired quickly. According to the Electricity Ministry, completely repairing that sector will require almost 4 years of construction and work has as of yet not commenced (as of October 2003). Although plans are underway to provide cell phone service to Iraqis at approximately \$50 a month, not all Iraqis can afford that amount. Cell phone cannot be the only alternative to repairing the home land lines. Unfortunately work has not even begun on the telephone central exchanges. In addition serious repairs are required of the sewage system (pipes and processing centers). In addition hospitals need not only paint jobs, but new beds and sheets, more state of the art equipment, and better



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organized importation of medicines for complex illnesses. Pharmaceutical plants need to be restarted and reequipped in order to satisfy the needs of the people.

4). Establish Temporary Employment: As mentioned above, the majority of the Iraqi people were employed by the former government in the socialist welfare state. The dismantling of the Defense Ministry and other governmental agencies has caused people and families to face an uncertain future. People have become accustomed to government jobs that provide them with an income to support their families. The Iraqi people are not used to uncertainty about the future. Although the goal of making the Iraqi economy a free market economy is good idea, it must be a transitional transformation. Like the breakup of the Soviet Union, change was gradual and that guaranteed its success. Dissolving and/or privatizing state industries now is too soon. Time is needed to allow the private sector to grow and people will appreciate working in the private sector more than the government.

5). Establish Clear Lines of Communication: The massive rush by Iraqis to buy satellite dishes is a clear indication that Iraqis are not satisfied with the current CPA-run Iraqi Media Network. There is clearly a lack of communication that is compounded by the shortcomings of public media such as newspapers, radio and television stations. The Civil Administration needs to take steps to explain the actions taken in a clear and concise language that people understand, instead of the badly translated press releases they receive now that make no sense to the average Iraqi listener. Many of the press releases are word-for-word translations and do not provide much of a meaningful message. Many radio broadcasts by the CPA-run IMN are condescending and sound like a parent talking to a child ("Do this..", "Don't do this..", "The Coalition is here to help you...", etc). There needs to be clarity of the message that is consistent with the Iraqi experience, and respectful of the prideful Iraqi individual.

A Call for Action in Iraq

The challenges ahead are enormous. Although the overwhelming majority of Iraqis are happy to see the dictatorship gone, the immediate needs of Iraqis are taking center stage now. Experience from the east European countries after the fall of the communist regimes tells that people's sentiments about the past are short lived; their immediate needs take precedence. We have what it takes to make this dream of the Iraqi people a reality, but we need to act fast before this opportunity disappears and Iraq turns into a violent chaotic and lawless country, which will surely destabilize the entire region.

Finally, the staff at FAAIR is proud of its cooperation with the staff at LIFE in their joint efforts to act as a bridge between the people of the United States and Iraq and in extending a helping hand in rebuilding the lives of the Iraqi people and help them set their country on a course towards freedom, independence, democratic rule, and economic revival.

(b)(6)

031118-03

(b)(6)

From: (b)(6)
Sent: Tuesday, November 18, 2003 5:12 AM
To: Executive Secretary
Cc: Kennedy, Patrick Amb
Subject: FW: Urgent comment request -- UNSCR 1483 implementation report
Importance: High



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e.v3.doc (78 K...

Folks,

Note the below. We are reviewing here in the CPA Rep office and will provide comments, as requested.

We will be sure to provide the final version for your review.

(b)(6)

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

From: (b)(6)
Sent: Monday, November 17, 2003 8:49 PM
To: (b)(6)
Cc: (b)(6)

Subject: RE: Urgent comment request -- UNSCR 1483 implementation report
Importance: High

(b)(6)

Attached is the current U.S. working draft of the UNSCR 1483 report to the UNSC. This version includes the NSC's intro chapeau (highlighted) on national political governance, as well as a local governance section (also highlighted). Would appreciate your assistance in particular on local governance issues.

Again, appreciate your comments/clearance on the attached NLT OOB Wednesday (11/19) Washington time. Once we have your clearance, we'll send for urgent interagency clearance before forwarding to USUN/NY. (Our drop-dead timeline for getting the report to NY is COB Wednesday.)

Appreciate your guidance. Again, thank you for your assistance. (b)(6)

<<110903.1483Update.v3.doc>>

> -----Original Message-----

> From: (b)(6)
> Sent: Friday, November 14, 2003 2:15 PM
> To: (b)(6)
> Cc: (b)(6)

> Subject: Urgent comment request -- UNSCR 1483 implementation report
> Importance: High

(b)(6)

Per UNSCR 1483, the U.S. and UK are required to report to the Security Council on 1483 implementation every three months (see attached for U.S.-UK division of responsibility). We were supposed to present our first report on August 19; it was postponed (and later significantly toned down) due to the bombing. We are scheduled to deliver the second report on November 21.

> This report is our opportunity to highlight for the international
> community the progress made in achieving our objectives in Iraq.
> Ambassadors Negroponte and Jones Parry will read their respective portions
> of the report to the Council; their presentations will be public, on the
> record for the press and open to all member states. We should expect
> heavy press coverage.
> That said, I have attached the current U.S. draft. (*I understand an
> initial UK draft is floating around Baghdad.) Please note that this
> version does not/not include a governance section (UK originally tasked to
> cover governance). Dr. Rice, however, has now requested the U.S. assume
> responsibility for the governance section -- section to be drafted pending
> consultations with the GC.
> Given our time constraint, appreciate if you and other relevant CPA folks
> could review the attached draft and provide comments NLT Monday (11/17)
> COB. As I'm sure you can imagine, this is a high priority for Washington.
> I understand you all are busier than can possibly be imagined. That said,
> I appreciate your attention to this.
> << File: 110703.1483Update.Explanation Tasker.doc >> (tasker/US-UK
> division of responsibilities)
> << File: 110903.1483Update.v3.doc >> (draft report)

> (b)(6)
> U.S. Department of State
> IO/UNP, Room 6334
> Tel: (b)(6)
> Fax: (b)(6)

Mr. President, when we came together on August 21 to discuss the implementation of Resolution 1483, it was in the wake of the tragic attack of August 19 against United Nations Headquarters in Baghdad. Three short months later, while the shadow of tragedy and terror has had a long reach, that shadow does not obscure the emergence of a new Iraq.

The people of Iraq are achieving successes on a daily basis, some of which we will be discussing today. Yes, there are difficulties, and the price paid is high. Terror is directed against the Iraqi people and all those who are trying to assist them in creating a new Iraq. The international community owes it to the future peace and security of the region to build upon the unanimous passage of Resolution 1511 and help the Iraqi people defend themselves against the terrorists who do not want the new Iraq to succeed.

Iraqis are well aware of the role they must play in their own defense and they are taking on increasing responsibility for their security every day. Together with our partners in the international community, we are helping the Iraqis to rebuild a strong Iraqi police and to stand up a new Iraqi army.

Mr. President, Iraqis continue to take over the delivery of basic services. Starting in early September, Iraqi ministers, appointed by the Iraqi Governing Council, have overseen the administration of Iraq's 25 ministries. Iraqis are increasingly at the forefront of the reconstruction effort, from electricity to oil to schools. And today, the Oil-for-Food Programme is completed -- one more step toward Iraqis' taking charge of their future.

Regarding Iraq's political transition, we have always advocated an early transfer of authority to the Iraqi people. Accordingly, we welcome the November 15 announcement by the Iraqi Governing Council of a political timetable, as called for by UNSCR 1511, for the transfer of sovereignty from the Coalition to an Iraqi administration and the subsequent drafting, ratification, and implementation of a new permanent constitution. This statement is an important step toward realizing the vision of Iraq as a democratic, pluralistic country at peace with its neighbors.

The plan is for the Iraqi Governing Council to draft a legal framework, or "Fundamental Law," through which regional caucuses will select an interim legislative body before June 2004. This interim body will then elect a transitional Iraqi government. Before June 30, 2004, the new transitional government will be recognized by the Coalition, and will assume full sovereign powers. At this point, the Coalition Provisional Authority will dissolve.

The new Fundamental Law will enshrine essential principles to protect Iraqis' freedom and sovereignty, which remain our precondition for transferring sovereignty. The Fundamental Law will also contain a timetable for formulating a permanent constitution through a body elected by the Iraqi people, a popular referendum to ratify the new constitution, and elections for a new permanent Iraqi government before the end of 2005.

While the Coalition Provisional Authority will offer assistance, the Iraqi Governing Council will have the lead in drafting the new Fundamental Law. The Iraqi Governing Council and the

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transitional government will undoubtedly also welcome the support of the United Nations and its member states during this challenging transformation and adoption of a new constitution.

As Iraqis assume increased responsibility for their own security and governance, it will help to further isolate those who seek to undermine a free and democratic Iraq. These basic steps -- increased assumption by Iraqis for security, the creation of the Governing Council, appointment of effective ministers to run Iraqi ministries, and the continuing transfer of political authority to Iraqis -- are part of our planning for post-Saddam Iraq.

We are on the offense against terrorists in Iraq. While the terrorists will work to murder innocents, Coalition and Iraqi forces are adapting to defeat the enemy and will prevail.

Let us make no mistake. Coalition forces will remain in Iraq to assist the Iraqi people until our job is done. Our goal remains the same: a free, democratic Iraq, at peace with the international community.

But the continued support of the international community is critical. Last month, the international community came together when the Security Council adopted Resolution 1511 and pledged over \$33 billion in support to Iraq at the Madrid Donors' Conference. But there remains much more to be done.

As President Bush has stressed many times, the United Nations has a vital role to play in Iraq. We would welcome the return of United Nations international personnel to Iraq to carry out the mandate called for in Resolutions 1483 and 1511. The Coalition and the Multinational Force stand ready to discuss with U.N. officials appropriate security support, as envisioned under Resolution 1511.

Security and Stability

Creations of conditions of security and stability underpin all other efforts on the ground and constitutes one of four main priorities for the Coalition Provisional Authority in its work with the Iraqi people. Other priorities include local governance, the economy and reconstruction, as well as improvements to essential services, to which Ambassador Jones Parry will speak.

Despite the killings, bombs, and other attacks we witness on CNN, much of Iraq is calm. The reality that cannot be captured by a television camera is that Iraqis are coming together to expand conditions of security and stability, adding an additional 116,000 personnel to the security effort. They join 32 nations who have rallied with approximately 25,000 troops on the ground as part of the multinational force.

The number of Iraqis contributing to the security effort is on a steady rise, having increased by more than 50,000 personnel over the last two months. For example, the Iraqi Civil Defense Corps (ICDC) is developing capacity to foil saboteurs who target electrical infrastructure, the oil industry, and other sectors critical to Iraq's renewal. Over 7800 ICDC are on duty and that number will increase to more than 20,000 over the next two months. In addition, in order to protect Iraq's strategic infrastructure, government buildings, and cultural and educational assets,

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there is a new Facilities Protection Service (FPS), with nearly 20,000 FPS guards hired and nearly 9000 guards already trained.

Major progress is also being made with respect to the Iraqi police force. Approximately 46,000 total police are back on the streets, with over 6000 in Baghdad. Looking ahead, 35,000 new Iraqi police recruits will be trained over the next two years in Jordan. We are currently improving the physical facilities at that training site to accommodate up to 3000 students and 1000 international trainers and support staff, and the first class will begin on November 29 with 500 students. Following graduation from the 8-week basic course, Iraqi police recruits will participate in a 10-month field training program at home, led by as many as 1500 international police advisors. The U.S. plans to provide up to 1000 of these advisors, with the first 150 to be deployed in early January.

Border security is an obvious security priority, with Iraqi border posts capable of interdicting the flow of terrorists and foreign fighters. Over 5000 Iraqi border patrol forces are now on duty, and Iraq's border police and customs personnel will be expanded to number 17,000 by [X] date.

As it resumes full control of its affairs, Iraq, like all nations, will need a military for self-defense. On October 4, 700 Iraqis graduated from basic training to form the first battalion of the new Iraqi Army. By July of 2004, the Iraqi Army will have three divisions and 40,000 troops.

But force and recruit numbers, although they are headed in the right direction, are only part of the story. The international community has the opportunity and, indeed, the obligation to help the Iraqi people build highly competent organizations which are dedicated to public service and which maintain both high standards of professionalism and respect for human rights. Only through the creation of such an environment can the Iraqi people have public confidence and develop and enjoy a sound economy.

Advancing Iraqi efforts to restore and establish national and local institutions for representative governance

But before moving on to discuss economic and reconstruction efforts, I would first like to say a few words on developments vis-à-vis governance. Specifically, since I already discussed in detail the national political developments currently taking place in Iraq, I will focus on local level developments.

Iraq's democratic transition is dependant on the vitality and effectiveness of Iraqi institutions at the local level, where most of the decisions affecting individuals are made. Local government provides the foundation for democracy at the national level and promotes social stability by allowing citizens a say in how their government operates.

Day-to-day operation of the Iraqi government is now in the hands of Iraqis. Across the country, Iraqi neighborhood, district, and provincial councils represent the needs and opinions of their constituents to the Iraqi Governing Council. These institutions are taking responsibility for the delivery of essential services, and fostering citizen participation in decision-making.

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There are municipal councils in all major cities and most towns, and provisional governate councils have been formed in the provinces of Najaf, Al-Anbar, Basra, and Salaheddin. Two hundred neighborhood advisory councils help provide services such as water, education, public sanitation, health, and electricity. More and more councils are budgeting and managing their resources -- a process recently begun in the Maysan governate. In each of Baghdad's 88 neighborhoods, citizens have freely selected representatives for local governing councils. They, in turn, choose members of nine District Councils and a 37-member City Council. The Baghdad model is being replicated in 15 other governates. Overall, over 800 democratically selected Council Members are now hard at work serving their fellow citizens. They include Sunnis, Shias, and Christians, Arabs and Kurds -- and more than 75 women.

Over the coming months, the Coalition will continue to work with the Governing Council to promote diverse and representative citizen participation within and among communities throughout Iraq. Our focus will be on increasing financial transparency and accountability, and strengthening the capacity of local administrations to provide essential municipal services.

Economic and Reconstruction Efforts

Now I will turn to economic and reconstruction efforts, beginning with Iraq's budget. On October 13, Minister of Finance Kamil al-Gailani announced details of Iraq's Budget for 2004. The Budget meets the recurrent expenditures of the Iraqi Ministries, including a significant social safety net, provision of the most urgent daily and social needs of the Iraqi people, and funding for some of the most pressing capital projects. The 2004 Budget anticipates revenues of around New Iraq Dinars (NID) 19 trillion (\$13 billion), mostly from oil revenues, with expenditures of NID 20.25 trillion (\$13.5 billion). The Budget in 2004 is expected to run a deficit of around NID 900 billion (\$900 million), which will be financed through refunds from cancelled Oil-for-Food (OFF) contracts so that Iraq will not need to borrow funds or print money to finance the deficit. The Iraqi Budget should be in balance in 2005 and 2006. Additional details can be found on the CPA website at www.cpa-iraq.org/budget.

As I noted, Iraq's revenues are primarily derived from oil sales. The proceeds from export sales of Iraqi petroleum, petroleum products, and natural gas flow into an account of the Central Bank of Iraq titled "Oil Proceeds Receipts." At the end of each business day, 95 percent of the export sales proceeds are transferred from the Oil Receipts Account to the Development Fund of Iraq Account. The other five percent is transferred into the United Nations Compensation Fund. The CPA regulation which governs the administration, use, accounting and auditing of the Development Fund for Iraq (DFI) can also be found at the CPA website.

Pursuant to Resolution 1483, on May 28, the UN transferred US\$1 billion dollars from unencumbered funds in the escrow accounts to the "DFI Account." The UN again transferred US\$1 billion dollars unencumbered OFF funds to the DFI Account on October 31.

I am pleased to note in this context that the IMF, the World Bank, the Arab Fund for Social and Economic Development and the United Nations signed the terms of reference for the International Advisory and Monitoring Board (IAMB) on October 21. Once these institutions have appointed their respective Board members and the Board holds its first meeting, the Board

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can approve an independent public accountant which will audit the Development Fund and export oil sales.

Separately, IAMB member institutions were solicited to provide input on a set of procurement guidelines for the Development Fund, which are being applied as CPA uses DFI funds to procure goods and services.

On the expense side, as of October 27, \$668 million had been spent from the Development Fund for a new currency for Iraq, for repairs to the power system and the oil infrastructure, for wheat purchases, and for security equipment for Iraqi forces. Of that total, some \$443 million was transferred to the Ministry of Finance for use in paying salaries and pensions. The CPA remains committed to a transparent auditing and monitoring regime that provides assurance that Iraqi funds derived from the Oil-for-Food escrow account and oil revenues are being spent for the benefit of the Iraqi people.

I'd like to now turn to Iraq's oil sector. At present, Iraqi oil production is expected to exceed 2 million barrels/day for the remainder of 2003 and its oil production is steadily increasing toward a longer-term goal of 3.1 million barrels/day by December of next year -- a number which represents Iraq's pre-conflict capacity. As of October 17, Iraqi oil production had reached 2.1 million barrels/day -- surpassing the prewar production average for 2002 -- with exports at 1.4 million barrels/day. Iraqi domestic consumption of crude oil is approximately 500,000-600,000 barrels/day. Although production and exports do fluctuate significantly, the trend line is steadily upward. The Iraqi Oil Ministry and CPA have taken aggressive measures to improve oil production reliability, particularly through the import of electric generators, which have had a major impact in boosting output and exports.

A highly qualified team has taken on the task of rebuilding Iraq's oil infrastructure. Experienced and well-qualified Iraqi managers and engineers are in place at the Oil Ministry, the State Oil Marketing Organization (SOMO), and the South and North Oil Companies. The Governing Council named Ibrahim al-Uloum, an oil engineer with international private sector experience, as Minister of Petroleum. Thamir Ghadhban, a dedicated and competent senior career Oil Ministry executive, remains in place as the Oil Ministry's CEO. Steps are being taken every day by Iraqis, working closely with the U.S. Army Corps of Engineers, to repair the oil infrastructure.

There is considerable uncertainty surrounding future production and export projections for Iraq. Iraqi oil is currently exported primarily via the port of Mina al-Bakr and the Persian Gulf, although the Iraqi Oil Ministry intends to repair the Kirkuk-Ceyhan pipeline and consider other export options. Exports are expected to increase significantly with the reopening of the Kirkuk-Ceyhan pipeline. With flat domestic oil consumption and projected production averages in early 2004 of at least 2.4 million barrels/day, oil export revenues are also expected to increase significantly to approximately \$12 billion in 2004 and \$19 billion in 2005, although much will depend on global market conditions.

In addition to Iraq's tremendous natural resources, the people of Iraq are also entitled to the remaining assets of Saddam's regime in order to help them bear the burden of rebuilding. It is therefore imperative that Member States fulfill the obligations imposed in paragraph 23 of

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Resolution 1483 to freeze and immediately cause the transfer to the Development Fund for Iraq of assets of the previous government of Iraq, its state bodies, corporations and agencies, as well as those assets removed from Iraq by Saddam, senior officials of the former Iraqi regime, their family members, and entities owned or controlled by these persons, or people acting for or on their behalf.

Many Member States are holding considerable assets frozen following Iraq's 1990 invasion of Kuwait. By freezing these assets, states have, in effect, already made the determination that these funds were controlled by the former Iraqi regime. Other accounts have been frozen since the passage of 1483. Those funds should not remain idle in frozen bank accounts around the globe. They must be put to work to help the Iraqi people rebuild their country. In this regard, a number of Member States have already taken action.

The majority of Iraqi assets frozen by the U.S. government in 1990 following Iraq's invasion of Kuwait, totaling \$1.7 billion, have been transferred to the CPA and the balance will be transferred shortly. Consistent with paragraph 14 of Resolution 1483, these resources have been used for purposes benefiting the people of Iraq: approximately \$1 billion has been disbursed for payment of salaries and pensions of Iraqi civil servants, and approximately \$200 million has been disbursed for ministry budget operations, reconstruction of infrastructure projects, and equipment for police forces, hospitals, schools, etc.

In addition, the United States transferred nearly \$200 million in Iraqi funds to the DFI on July 15, 2003. These were funds that the United States had originally transferred to the UN escrow account in accordance with Resolution 778 and that were subsequently restored in accordance with paragraph 17 of Resolution 1483.

Transfers to the DFI are a matter of each member state's national laws, and some members may require new regulations or other legal steps in order to transfer funds to the DFI. However, an infusion of these funds will be a tangible example to the Iraqi people of the support of governments around the world for their efforts to rebuild their country. Such action will also stand as a clear repudiation of any financial ties to the old regime.

Together with the Iraqi Ministry of Finance, the Coalition has taken several important steps to encourage macroeconomic stability in Iraq. New Dinar banknotes, based on the Old Iraqi Dinar designs, are replacing the two Iraqi currencies in circulation; this exchange began on October 15, and is proceeding well with some 20 per cent of the planned exchange completed by the end of October. The existing Saddam (or Old Iraqi) Dinar notes are poor quality, easy to counterfeit and, in practice, circulated widely in only two denominations -- the 250 dinar note and the 10,000 dinar note -- hindering their utility as a means of payment. Past hyperinflation has also undermined the old Iraqi Dinar as a store of value. The "Swiss" Dinars (circulating in the North) are very old and many are effectively worn out. The new banknotes will provide an effective means of payment in Iraq, help underpin currency stability and, for the first time in 12 years, ensure that all of Iraq will use one set of banknotes. The new notes are exchangeable one-for-one with the Saddam Dinar and a rate of 150 new dinar for one Old Iraqi (or "Swiss") Dinar. In addition, the Central Bank of Iraq has begun limited foreign exchange auctions to stabilize the exchange rate.

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I might comment here on the new independence of the Central Bank of Iraq. Under Saddam Hussein's rule, political interference was common in credit and monetary policy, such as monetary financing of the budget deficit. Today, a Central Bank of Iraq Board consisting of Central Bank officials has the authority to determine and implement monetary and credit policy without approval of the Ministry of Finance.

Finally, a word on the international community's critical assistance in helping Iraqis establish a market-based system, begin the process of reconstruction, and undertake other essential steps. The work of the United Nations Development Group, the World Bank, and the International Monetary Fund was essential to the completion of reconstruction needs assessments in 14 priority sectors in time for the October Iraq Donors' Conference. The United Nations and the World Bank estimated the overall stock of reconstruction needs over the period of 2004-2007 at \$36 billion; they also cited some \$20 billion in needs identified by Iraqi authorities. Iraqi experts and representatives, as well as the CPA, cooperated with the UN and the World Bank in the preparation of the needs assessments, which are valuable tools for the Iraqi authorities and the international donors' community in considering how best to implement the results of the Iraq Donors' Conference in support of Iraqi reconstruction efforts.

On October 23-24, Spain hosted the Iraq Donors' Conference which included seventy-three nations and 20 international organizations. As President of the Iraqi Governing Council for October Ayad Allawi said, "success [in Madrid] will be a success for humanity and a help for peace and security in the world." International donors pledged more than \$33 billion for Iraqi reconstruction over the next four years, and some unable to assist financially offered technical and other support to the Iraqi people.

Phase-out of the Oil-for-Food Program

An important element of Iraq's economic and societal health will be the smooth transition of the Oil-for-Food program. Office of the Iraq Program Benon Sevan gave a lengthy briefing earlier this week on this issue; I will not dwell further on the preparations for transition. I would note, however, that the World Food Program is continuing its responsibilities for handling renegotiations of prioritized food contracts and delivery of food under OFF contracts through the end of June 2004. From that point forward, the Iraqi Ministry of Trade will assume responsibility. WFP will be working with the Trade Ministry to conduct vulnerability studies to determine how well the internal food distribution is working, and we will be prepared to discuss implementation of responsibilities once we are beyond the transition.

Disarmament

Before I conclude and turn the discussion over to Emyr Jones Parry, who will speak about governance and humanitarian issues, among other points, I wanted to address the disarmament of Iraq. On June 16, the Iraqi Survey Group (ISG) assumed responsibility for the mission of searching for and eliminating Iraqi weapons of mass destruction, prohibited missile delivery systems, and related infrastructure. Led by former IAEA inspector Dr. David Kay and U.S. Army Major General Keith Dayton, the ISG is comprised of a military and civilian force. The

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ISG includes coalition personnel from the United States, the United Kingdom, and Australia, as well as former U.N. Special Commission (UNSCOM) Iraq experts with direct experience on the ground in Iraq.

The ISG is comprised of two task forces -- one for exploitation, led by the U.S. Defense Intelligence Agency (DIA), and another for disablement and elimination, led by the U.S. Defense Threat Reduction Agency (DTRA). The ISG has consolidated the efforts of the various intelligence collection operations currently in Iraq under one national-level headquarters in order to better exploit developing intelligence. Using quick reaction teams, the ISG has been investigating suspect sites based on leads derived from debriefings and interrogations and tips by Iraqi civilians. The ISG is systematically reviewing existing sites already identified by intelligence. There are no plans to work with UNMOVIC on this effort at this time.

An interim report in October on the activities of the Iraq Survey Group (ISG) to date detailed numerous violations by Iraq of its UNSCR-mandated obligations. These include deliberate efforts to conceal equipment and WMD-related program activities from the UN during the inspections beginning late 2002, clandestine laboratories and safehouses within the security service apparatus that contained equipment subject to UN monitoring and suitable for continuing CBW research, and plans and advanced design work for new long-range missiles with ranges up to at least 1000 km -- well beyond the 150 km range limit imposed by the UN. A large body of information has been developed through debriefings, site visits, and exploitation of captured Iraqi documents that confirms that Iraq deliberately concealed equipment and materials from UN inspectors when they returned in 2002.

This is a large undertaking which will continue to require significant time and resources. We look forward to the time when the Security Council can fully close the door on this long and bitter chapter in Iraq's history, with a new, stable, and secure Iraq exercising leadership for its people and in the region.

Thank you.

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COALITION PROVISIONAL AUTHORITY
BAGHDAD

INFO MEMO

November 19, 2003

FOR: THE ADMINISTRATOR

FROM: (b)(6) Al Muthanna Governorate Coordinator

SUBJECT: Weekly GC Update – Al-Muthanna

Key Events

- We have received several terrorist warnings since Nov. 13. Since that date, the CPA staff has been overnighing at the Dutch Marine camp nearby, returning to the Compound in the Samawah city district during the day for normal business hours. The movements back and forth to the Camp have resulted in a loss of momentum in our key programs. Our work flow has been disrupted and we have sent a conflicting signal to the population about the seriousness of our purpose and resolve.
- Meanwhile, Dutch Marine engineers have stepped up work on constructing blast walls and other security upgrades at the CPA Compound. The Dutch Marine commander has given this his highest priority. We have scheduled independent vulnerability assessments from MND (SE) (Nov. 20) and from CPA Baghdad (Nov. 25).
- The 40-member Al-Muthanna Governorate Council elected a deputy governor on Nov. 18.
- We have completed field surveys of key interest groups and stakeholders in seven Al-Muthanna districts and townships. This is in preparation for holding caucuses to elect councils in those locales. We plan to have that process completed by Dec. 15.
- A Japanese Army advance party is in Al-Muthanna conducting site surveys for a base that will house a 550-strong engineer contingent. Deployment to be completed by Feb. 1, 2004.

Themes and Trends

- Al-Muthanna continues to be a permissive environment, but terrorist threats are on the rise.

Looking Ahead

- The Governor and many other political figures stepped up warnings that Al-Muthanna's border with Saudi Arabia is a gateway for terrorists to enter Iraq. They have urged both the Dutch Marine commander and me to support the establishment of a civilian desert guard to patrol the border.

~~SENSITIVE BUT UNCLASSIFIED~~

(b)(6)

From: (b)(6)
 Sent: Wednesday, November 19, 2003 9:07 PM
 To: (b)(6)
 Subject: FW: URGENT CLEARANCE REQUEST: U.S. Report to UNSC on Iraq/UNSCR 1 483 Implementation

Importance: High



111703.1483
 Implementation.US

Classification: UNCLASSIFIED

Pls see attached.

State knows that you are submitting some final comments & weighing in on some of the numbers.

(b)(6)

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

From: (b)(6)
 Sent: Wednesday, November 19, 2003 1:02 PM
 To: (b)(6)
 Subject: FW: URGENT CLEARANCE REQUEST: U.S. Report to UNSC on Iraq/UNSCR 1 483 Implementation
 Importance: High

> -----Original Message-----

> From: (b)(6)
 > Sent: Wednesday, November 19, 2003 12:57 PM
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> Subject: URGENT CLEARANCE REQUEST: U.S. Report to UNSC on Iraq/UNSCR
 > 1483 Implementation

> Importance: High

> Attached is the draft U.S. report on Iraq/UNSCR 1483 implementation.
 > (The final report will be read by Ambassador Negroponte Friday in an
 > open session of the Security Council. The U.S. report will be
 > followed by the UK's report.)

> Please note that it has been vetted with the NSC and CPA -- this draft
 > reflects their comments. That said, appreciate your
 > comments/clearance NLT 2:30 pm today. I apologize for the short fuse.
 > The attached must be crosshatched and transmitted to USUN/NY tonight
 > by COB. (The U.S. and UK will be meeting tomorrow to compare/marry
 > the two texts.)

> In advance, thank you for your assistance.

> <<111703.1483 Implementation.US Rpt.InstrCbl.doc>>

(b)(6)

INITIALS

APPR:	IO:	...
DRAFT:	BMK	...
CLR 1:	JSW	...
CLR 2:	JWA	...
CLR 3:	MMC	...
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CLR 6:	RLA	...
CLR 7:	RDI	...
CLR 8:	SHO	...
CLR 9:	SES-0	...

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HQ COALITION PROVISIONAL AUTH BAGHDAD IMMEDIATE

E.O. 12958: DECL:N/A

TAGS: PREL, UNSC, IZ

SUBJECT: GUIDANCE FOR NOVEMBER 21 UNSC SESSION ON
IRAQ/UNSCR 1483 IMPLEMENTATION

1. USUN is authorized to coordinate with UKUN to prepare a joint U.S./U.K. presentation to the open session of the Security Council on implementation of UNSCR 1483 scheduled for November 21. Mission is requested to draw from the following in preparing the U.S. presentation.

2. BEGIN TEXT.

Mr. President, when we came together on August 21 to discuss the implementation of Resolution 1483, it was in the wake of the tragic attack of August 19 against United Nations Headquarters in Baghdad. Three short months later, even more innocent people have sacrificed their lives in support of a vision of an Iraq that is a democratic, pluralistic country at peace with its neighbors and a full member of the international community. The same forces of terror that for so long

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plagued the Iraqi people continue to resort to murder and intimidation to prevent the realization of this vision. We saw these forces strike again in the heinous November 12 attack on the Italian Carabinieri courageously serving in Nasiriyah. However, this shadow has not and will not succeed in preventing the emergence of a new Iraq.

The people of Iraq are achieving successes on a daily basis, some of which we will be discussing today. Yes, there are difficulties, and the price paid is high. Terror is being directed against the Iraqi people and all those who are trying to assist them in creating a new Iraq. The international community owes it to the future peace and security of the region, as well as to the memory of the victims of August 19, November 12 and other attacks, to build upon the unanimous passage of Resolution 1511 and help the Iraqi people defend themselves against the terrorists who do not want the new Iraq to succeed.

Iraqis are well aware of the role they must play in their own defense and they are taking on increasing responsibility for their security every day. The Iraqi people are working, with the help of the Coalition, to rebuild a strong Iraqi police and to stand up a new Iraqi army.

Mr. President, Iraqis also continue to take over administrative responsibilities and to provide for the delivery of basic services to their country's 25 million people. Today, Iraq's ministries are run by Iraqi ministers, appointed by and reporting to the Iraqi Governing Council. Iraqis are increasingly at the forefront of the reconstruction effort, from electricity to oil to schools. And today, the Oil-for-Food Programme comes to an end. This is one more important step in the establishment of a free Iraq, where the resources and wealth of the nation are used by and for the Iraqi people as they take charge of their future.

Regarding Iraq's political transition, we have always advocated the most rapid transfer practicable of governing authority to the Iraqi people. The November 15 announcement by the Iraqi Governing Council of a political process to establish a representative transitional national assembly to assume full sovereign powers in 2004 was a dramatic step forward, and one that should be welcomed and supported by the international community.

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This timetable, as called for by UNSCR 1511, ensures that Iraqis are protected under the law. And, in accordance with the wishes of the Iraqi people, a permanent constitution will be drafted by a constitutional convention directly elected by the Iraqi people. The Governing Council's announcement is an important step toward realizing the vision of Iraq as a democratic, pluralistic country at peace with its neighbors.

Under the process announced on November 15, a Transitional National Assembly will be formed to elect an executive branch, select ministers and serve as a legislative body. By June 30, 2004, this new transitional administration will be recognized by the Coalition, and will assume full sovereign powers for governing Iraq. The CPA will then dissolve, as will the Iraqi Governing Council.

The Transitional National Assembly will be formed through caucuses at the governorate level. The selection, structure and powers of the assembly will be established by a "fundamental law" with basic principles of openness and transparency established as part of the November 15 Agreement. The delegates to the transitional assembly will be selected no later than May 30, 2004.

The fundamental law will be drafted by the Governing Council, in consultation with CPA, and will protect freedom of speech and religion and include a statement of equal rights for all Iraqis. The law will establish a federal arrangement for Iraq, to include governorates and the separation and specification of powers to be exercised by central and local entities. Importantly, the law will have an expiration date, by which time a permanent constitution for Iraq is to be drafted and a new Government of Iraq elected.

The process announced on November 15 establishes a timeline for the direct election of a constitutional convention, no later than March 15, 2005, to draft a permanent constitution for Iraq. The constitution will be ratified through a popular referendum, and a new Iraqi Government will be elected under terms of the ratified constitution, no later than December 31, 2005.

As Iraqis assume increased responsibility for their own security and governance, it will help further isolate those who seek to undermine a free and democratic Iraq.

These basic steps -- increased assumption by Iraqis for security, the creation of the Governing Council, appointment of effective ministers to run Iraqi ministries, and the continuing transfer of political authority to Iraqis -- are part of our planning for post-Saddam Iraq.

We are on the offensive against terrorists in Iraq. While the terrorists will work to murder innocents, coalition and Iraqi forces are adapting to defeat the enemy and will prevail.

Let us make no mistake. Coalition forces will remain in Iraq to assist the Iraqi people until our job is done. Our goal remains the same: a free, democratic Iraq, at peace with the international community.

But the continued support of the international community is critical. Last month, the international community came together when the Security Council adopted Resolution 1511 and pledged over \$33 billion in support to Iraq at the Madrid Donors' Conference. I would like to take this opportunity to thank the Spanish Permanent Representative for his Government's leadership in hosting the Donors' Conference, which included representatives of 73 countries and 20 international organizations. Much more, of course, remains to be done.

As President Bush has stressed many times, the United Nations has a vital role to play in Iraq. We would welcome the return of United Nations international personnel to Iraq to carry out the mandate called for in Resolutions 1483 and 1511. The Coalition and the Multinational Force stand ready to discuss with U.N. officials appropriate security support, as envisioned under Resolution 1511.

SECURITY AND STABILITY

Security and stability underpin all other efforts on the ground, and creating these conditions constitutes one of four main priorities for the Coalition Provisional Authority in its work with the Iraqi people. Other priorities include promoting local governance, supporting

the economy and reconstruction, and improving essential services, to which Ambassador Jones Parry will speak.

Despite the killings, bombs, and other attacks we witness in the media, much of Iraq is calm, and our strategy of enabling Iraqis to assume responsibility speedily for their own security is achieving success. The reality that cannot be captured by a television camera is that Iraqis are coming together to expand conditions of security and stability, adding an additional 116,000 personnel to the security effort. They join 32 nations besides the United States who have rallied with approximately 25,000 troops on the ground as part of the multinational force.

The number of Iraqis contributing to the security effort is on a steady rise, having increased by more than 50,000 personnel over the last two months. These Iraqis are actively engaged in operations to stabilize Iraq and thwart the terrorists who are killing Iraqi civilians, aid workers, and Coalition personnel alike. Iraqi security personnel also are being targeted; their courage, commitment to their country, and hope for the future is demonstrated by their perseverance in the face of casualties they have suffered.

The Iraqi Civil Defense Corps (ICDC) is developing capacity to foil saboteurs who target electrical infrastructure, the oil industry, and other sectors critical to Iraq's renewal. About 8,000 ICDC are on duty and that number will increase to more than 20,000 over the next several months. In addition, in order to protect Iraq's strategic infrastructure, government buildings, and cultural and educational assets, there is a new Facilities Protection Service (FPS), with nearly 50,000 FPS guards hired and trained.

Major progress is also being made with respect to the Iraqi police force. Approximately 54,000 police are back on the streets. Looking ahead, 35,000 new Iraqi police recruits will be trained over the next two years in Jordan. We are currently improving the physical facilities at that training site to accommodate up to 3,000 students and 1,000 international trainers and support staff, and the first class will begin on or about November 26 with 500 students. The UK, Canada, Poland, the Czech Republic, Austria, and Slovenia are planning to contribute police trainers for the Jordan facility.

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Discussions with other countries for contributions are ongoing. Following graduation from the 8-week basic course, Iraqi police recruits will participate in a 10-month field training program at home, led by as many as 1,500 international police advisors. The U.S. plans to provide up to 1,000 of these advisors, with the first 150 to be deployed in January.

Border security, with Iraqi border posts capable of interdicting the flow of terrorists and foreign fighters, is an obvious security priority. Over 5,000 border patrol forces are now on duty, and Iraq's border police and customs personnel will be expanded to number 13,600 by December 2004.

As it resumes full control of its affairs, Iraq, like all nations, will need a military for self-defense. On October 4, nearly 700 Iraqi troops graduated from basic training to form the first battalion of the new Iraqi Army. By July 2004, the Iraqi Army will have three divisions and 40,000 troops.

But force and recruit numbers, although they are headed in the right direction, are only part of the story. The international community has the opportunity and, indeed, the obligation to help the Iraqi people build highly competent organizations which are dedicated to public service and which maintain both high standards of professionalism and respect for human rights. Only through the creation of such an environment can the Iraqi people have public confidence and develop and enjoy a sound economy.

ADVANCING IRAQI EFFORTS TO RESTORE AND ESTABLISH NATIONAL
AND LOCAL INSTITUTIONS FOR REPRESENTATIVE GOVERNANCE

But before moving on to discuss economic and reconstruction efforts, I would first like to say a few words on developments vis-à-vis governance. Specifically, since I already discussed in detail the national political developments currently taking place in Iraq, I will focus on local level developments.

Iraq's democratic transition is dependant on the vitality and effectiveness of Iraqi institutions at the local

level, where most of the decisions affecting individuals are made. Local government provides the foundation for democracy and promotes social stability by allowing citizens a say in how their government operates.

Day-to-day operation of the Iraqi government is now in the hands of Iraqis. Across the country, Iraqi neighborhood, district, and provincial councils represent the needs and opinions of their constituents to the Iraqi Governing Council. These institutions are taking responsibility for the delivery of essential services, and fostering citizen participation in decision-making.

There are municipal councils in all major cities and most towns, and provisional governorate councils have been formed across the country. Two hundred neighborhood advisory councils help provide services such as water, education, public sanitation, health, and electricity. More and more councils are budgeting and managing their own resources. For example, in each of Baghdad's 88 neighborhoods, citizens have freely selected representatives for local governing councils. They, in turn, choose members of nine District Councils and a 37-member City Council. Overall, more than 800 democratically selected Council Members are now hard at work serving their fellow citizens. They include Sunnis, Shias, and Christians, Arabs and Kurds -- and more than 75 women.

Over the coming months, the Coalition will continue to work with the Governing Council to promote diverse and representative citizen participation within and among communities throughout Iraq. Our focus will be on increasing financial transparency and accountability, and strengthening the capacity of local administrations to provide essential municipal services.

ECONOMIC AND RECONSTRUCTION EFFORTS

Now I will turn to economic and reconstruction efforts, beginning with Iraq's budget. On October 13, Minister of Finance Kamil al-Gailani announced details of Iraq's Budget for 2004. The Budget meets the recurrent expenditures of the Iraqi Ministries, including a significant social safety net, provision of the most

urgent daily and social needs of the Iraqi people, and funding for some of the most pressing capital project. The 2004 Budget anticipates revenues of around New Iraq Dinars (NID) 19 trillion (\$13 billion), mostly from oil revenues, with expenditures of NID 20.25 trillion (\$13.5 billion). The Budget in 2004 is expected to run a deficit of around NID 900 billion (\$900 million), which will be financed through refunds from cancelled Oil-for-Food (OFF) contracts so that Iraq will not need to borrow funds or print money to finance the deficit. According to the document, the Iraqi Budget should be in balance in 2005 and 2006. Additional details can be found on the CPA website at www.cpa-iraq.org/budget.

As I noted, Iraq's revenues are primarily derived from oil sales. The proceeds from export sales of Iraqi petroleum, petroleum products, and natural gas flow into an account of the Central Bank of Iraq titled "Oil Proceeds Receipts." At the end of each business day, 95 percent of the export sales proceeds are transferred from the Oil Receipts Account to the Development Fund for Iraq Account. The other five percent is transferred into the United Nations Compensation Fund. The CPA regulation which governs the administration, use, accounting, and auditing of the Development Fund for Iraq (DFI) can also be found on the CPA website.

Pursuant to Resolution 1483, on May 28, the UN transferred \$1 billion from unencumbered funds in the escrow accounts to the "DFI Account." The UN again transferred \$1 billion unencumbered OFF funds to the DFI Account on October 31, followed by a subsequent transfer of \$1 billion on November 18.

I am pleased to note in this context that the executive heads of the IMF, the World Bank, the Arab Fund for Social and Economic Development and the United Nations signed the terms of reference for the International Advisory and Monitoring Board (IAMB) on October 21. These institutions will soon announce their representatives to the Board. The Board may then hold its first meeting and approve an independent public accountant to audit the Development Fund and export oil sales.

On the expense side, as of October 27, \$668 million had been spent from the Development Fund for a new currency for Iraq, for repairs to the power system and the oil

infrastructure, for wheat purchases, and for security equipment for Iraqi forces. Of that total, some \$443 million was transferred to the Ministry of Finance for use in paying salaries and pensions. The CPA remains committed to a transparent auditing and monitoring regime that provides assurance that Iraqi funds derived from the Oil-for-Food escrow account and export oil sales are being spent for the benefit of the Iraqi people.

I'd like to now turn to Iraq's oil sector. At present, Iraqi oil production is expected to exceed 2 million barrels/day for the remainder of 2003 and its oil production is steadily increasing toward a longer-term goal of 3.1 million barrels/day by December of next year - a number which represents Iraq's pre-conflict capacity. As of October 17, Iraqi oil production had reached 2.1 million barrels/day -- surpassing the prewar production average for 2002 -- with exports at 1.4 million barrels/day. Iraqi domestic consumption of crude oil is approximately 500,000-600,000 barrels/day. Although production and exports do fluctuate significantly, the trend line is steadily upward. The Iraqi Oil Ministry and CPA have taken aggressive measures to improve oil production reliability, particularly through the import of electric generators, which have had a major impact in boosting output and exports.

A highly qualified team has taken on the task of rebuilding Iraq's oil infrastructure. Experienced and well-qualified Iraqi managers and engineers are in place at the Oil Ministry, the State Oil Marketing Organization (SOMO), and the South and North Oil Companies. The Governing Council named Ibrahim al-Uloun, an engineer with international private sector experience, as Minister of Petroleum. Steps are being taken every day by Iraqis, working closely with the U.S. Army Corps of Engineers, to repair the oil infrastructure.

There is considerable uncertainty surrounding the future production and export projections for Iraq. Iraqi oil is currently exported primarily via the port of Mina Al-Basra and the Persian Gulf, although the Iraqi Oil Ministry intends to repair the Kirkuk-Ceyhan pipeline and consider other export options. Exports are expected to increase significantly with the reopening of the Kirkuk-Ceyhan pipeline. With flat domestic oil consumption and projected production averages in early 2004 of at least

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2.4 million barrels/day, oil export revenues are also expected to increase significantly to approximately \$12 billion in 2004 and \$19 billion in 2005, although much will depend on global market conditions.

In addition to Iraq's tremendous natural resources, the people of Iraq are also entitled to the remaining assets of Saddam's regime in order to help them bear the burden of rebuilding. It is therefore imperative that Member States fulfill the obligations imposed in paragraph 23 of Resolution 1483 to freeze and immediately cause the transfer to the Development Fund for Iraq of assets of the previous government of Iraq, its state bodies, corporations and agencies, as well as those assets removed from Iraq by Saddam, senior officials of the former Iraqi regime, their family members, and entities owned or controlled by these persons, or people acting for or on their behalf.

Many Member States are holding considerable assets frozen following Iraq's 1990 invasion of Kuwait. Other accounts have been frozen since the passage of Resolution 1483. Those funds should not remain idle in frozen bank accounts around the globe. They must be put to work to help the Iraqi people rebuild their country. In this regard, a number of Member States have already taken action.

Virtually all Iraqi assets frozen by the U.S. government in 1990 following Iraq's invasion of Kuwait, totaling \$1.7 billion, have been transferred to the CPA. Consistent with paragraph 14 of Resolution 1483, these resources have been used for purposes benefiting the people of Iraq and have been primarily used for payment of salaries and pension of Iraqi civil servants.

In addition, the United States transferred approximately \$192 million in Iraqi funds to the DFI on July 15, 2003. These were funds that the United States had originally transferred to the UN escrow account in accordance with Resolution 778 and that were subsequently restored in accordance with paragraph 17 of Resolution 1483.

Those Member States that have yet to take the measures necessary to comply with Resolution 1483's transfer requirement should act expeditiously. An infusion of these funds will be a tangible example to the Iraqi people of the support of governments around the world for their

efforts to rebuild their country. Such action will also stand as a clear repudiation of any financial ties to the old regime.

Together with the Iraqi Ministry of Finance, the Coalition has taken several important steps to encourage macroeconomic stability in Iraq. New Dinar banknotes, based on the Old Iraqi Dinar designs, are replacing the two Iraqi currencies in circulation; this exchange began on October 15, and is proceeding well with some 65 percent of the planned exchange completed by the middle of November. The existing Saddam (or Old Iraqi) Dinar notes are poor quality, easy to counterfeit and, in practice, circulated widely in only two denominations -- the 250 dinar note and the 10,000 dinar note -- hindering their utility as a means of payment. Past hyperinflation has also undermined the old Iraqi Dinar as a store of value. The "Swiss" Dinars (circulating in the North) are very old and many are effectively worn out. The new banknotes will provide an effective means of payment in Iraq, help underpin currency stability and, for the first time in 12 years, ensure that all of Iraq will use one set of banknotes. The new notes are exchangeable one-for-one with the Saddam Dinar and a rate of 150 new dinar for one Old Iraqi (or "Swiss") Dinar. In addition, the Central Bank of Iraq has begun limited foreign exchange auctions to stabilize the exchange rate.

I might comment here on the new independence of the Central Bank of Iraq. Under Saddam Hussein's rule, political interference was common in credit and monetary policy, such as monetary financing of the budget deficit. Today, a Central Bank of Iraq Board consisting of Central Bank officials has the authority to determine and implement monetary and credit policy without approval of the Ministry of Finance.

Finally, a word on the Iraqi effort, with the international community's critical assistance, to establish a market-based system, begin the process of reconstruction, and undertake other essential steps. The work of the United Nations Development Group, the World Bank, and the International Monetary Fund was essential to the completion of reconstruction needs assessments in 14 priority sectors in time for the October Donors' Conference. The United Nations and the World Bank estimated the overall stock of reconstruction needs over

the period of 2004-2007 at \$36 billion; they also cited some \$20 billion in needs identified by Iraqi authorities. Iraqi experts and representatives, as well as the CPA, cooperated with the UN and the World Bank in the preparation of the needs assessments, which are valuable tools for the Iraqi authorities and the international donors' community in considering how best to implement the results of the Donors' Conference in support of Iraqi reconstruction efforts.

At the October 23-24 Donors' Conference in Madrid, President of the Iraqi Governing Council for October Ayad Allawi said, "success [in Madrid] will be a success for humanity and a help for peace and security in the world." Indeed, the Conference was a major success -- international donors pledged more than \$33 billion for Iraqi reconstruction over the next four years, and some unable to assist financially offered technical and other support to the Iraqi people. Financial assistance from the international community will provide Iraqis with more schools, hospitals, telecommunications, roads, and bridges. It also will help build the country's security forces and repair the oil and power infrastructure, putting Iraq back on the path toward economic prosperity and stability. We urge the international community to increase economic and reconstruction assistance to Iraq as the Iraqis continue on the road ahead toward a free, stable and democratic Iraq.

PHASE-OUT OF THE OIL-FOR-FOOD PROGRAM

An important element of Iraq's economic and societal health will be the smooth transition of the Oil-for-Food program. Office of the Iraq Program Benon Sevan gave a lengthy briefing earlier this week on this issue; I will not dwell further on the preparations for transition. I would note, however, that the World Food Program is continuing its responsibilities for handling renegotiations of prioritized food contracts and delivery of food under OFF contracts through the end of June 2004. From that point forward, the Iraqi Ministry of trade will assume responsibility.

DISARMAMENT

Before I conclude and turn the discussion over to Ambassador Jones Parry, who will speak about humanitarian issues, among other points, I wanted to address the disarmament of Iraq. On June 16, the Iraq Survey Group (ISG) assumed responsibility for the mission of searching for and eliminating Iraqi weapons of mass destruction, prohibited missile delivery systems, and related infrastructure. Led by former IAEA inspector Dr. David Kay and U.S. Army Major General Keith Dayton, the ISG is comprised of a military and civilian force. The ISG includes Coalition personnel from the United States, the United Kingdom, and Australia, as well as former U.S. Special Commission (UNSCOM) Iraq experts with direct experience on the ground in Iraq.

The ISG is comprised of two task forces -- one for exploitation, led by the U.S. Defense Intelligence Agency (DIA), and another for disablement and elimination, led by the U.S. Defense Threat Reduction Agency (DTRA). The ISG has consolidated the efforts of the various intelligence collection operations currently in Iraq under one national-level headquarters in order to better exploit developing intelligence. Using quick reaction teams, the ISG has been investigating suspect sites based on leads derived from debriefings and interrogations and tips by Iraqi civilians. The ISG is systematically reviewing existing sites already identified by intelligence. There are no plans to work with UNMOVIC on this effort at this time.

An interim report in October on the activities of the Iraq Survey Group (ISG) to date detailed numerous violations by Iraq of its UNSCR-mandated obligations. These include deliberate efforts to conceal equipment and WMD-related program activities from the UN during inspections beginning late 2002, clandestine laboratories and safehouses within the security service apparatus that contained equipment subject to UN monitoring and suitable for continuing CBW research, and plans and advanced design work for new long-range missiles with ranges up to at least 1000 km -- well beyond the 150 km range limit imposed by the UN. A large body of information has been developed through debriefings, site visits, and exploitation of captured Iraqi documents that confirms

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that Iraq deliberately concealed equipment and materials from UN inspectors when they returned in 2002.

This is a large undertaking which will continue to require significant time and resources. We look forward to the time when the Security Council can fully close the door on this long and bitter chapter in Iraq's history, with a new, stable, and secure Iraq exercising leadership for its people and in the region.

Thank you.

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COALITION PROVISIONAL AUTHORITY
BAGHDAD

INFO MEMO

November 15, 2003

FOR: THE ADMINISTRATOR
FROM: CPA Hajj Support Committee: (b)(6)
SUBJECT: Hajj Preparations Update

We need to continue to encourage the GC and the responsible Iraqi Ministers to take the necessary action to ensure a successful Hajj and believe the GC should convene an urgent meeting of the relevant Ministers to make the required decisions.

Dr. Hakki has returned and renewed his request to lead a delegation next week to Saudi Arabia to negotiate Hajj quotas for Iraq. The MFA, at his request, just sent a request for visas for the delegation and have nominated two MFA officials to participate. We have alerted the GC (through Talabani) in the event he wants to write to Riyadh in support of the delegation. Getting Saudi approval for the delegation to travel is urgent as we need confirmation of the quota numbers and agreement on acceptable travel documents to proceed with planning.

Issues to be negotiated with the Saudis include: number of pilgrims, fees, issuance of 'group' visas, acceptance of Iraqi Individual Travel Documents and/or passports, and placing Iraqi MFA consular offices in Mecca and Medina during the Hajj. Hakki had planned to ask for an increase in the quota from 25,000 to 100,000 but expects Riyadh to approve 30-50,000; FM Zebari believes the Saudis are not likely to approve any significant increase in Iraq's quota this year.

Transit Pilgrims: We have alerted the GC (through Talabani) that we do not believe we have the border control/security resources to allow non Iraqi pilgrims to transit Iraq this year. FM Zebari will also raise this issue and suggest the GC formally request that Iran, Turkey, Syria and others to discourage Hajj travel through Iraq; this is an issue Talabani can raise in his upcoming trip.

Selection: The Awqaf has advertised for applications to the Hajj but the selection by lottery method appears to be in doubt. According to Dr. Hakki, the new GC-appointed leader of the Sunni Diwan is demanding separate selections of Shi'a and Sunni pilgrims, an unprecedented move that would be extremely divisive. Selection should be completed no later than November 30.

Travel Documents/Border Control: Iraqis we have consulted believe that the Saudis will agree to issue 'group' visas for the manifests of buses/planes. Otherwise, CPA MOI advisors are concerned that there will not be time to meet the demand for individual Interim Travel Documents (ITDs); MOI can issue 1,500 per day maximum and must have names by no later than December 8 to issue 25,000 ITDs if this is the only option. The Iraqi Hajj Working Group chaired by MFA met on November 4. The Finance Ministry representative said that in the past the Central Bank had printed special Hajj "travel documents or passports" that Saudi Arabia has accepted for distribution by Awqaf – or the MFA. We are exploring whether this is a real option or not. In addition, MOI will need to staff land border posts by December 24 and any airports by January 8.

Transport: The MFA-chaired Hajj group has not resolved how they will choose bus companies to transport the pilgrims and how the fees will be collected. We remain concerned that the process for selecting tour companies is not sufficiently transparent. This issue will have to be decided at a higher level. We are preparing an assessment for you on whether CPA can support limited air charters. At the moment, we are considering only the possibility of about 10 flights over two weeks at two regionally distributed airports. If feasible, this will reduce the need to rent buses from other countries. Decisions about bus/air charters should be made no later than November 30. We have tasked CPA Transportation Advisors with providing an assessment/proposal on which airports are capable and most suited for Hajj flights, taking into account technical, logistic, political and security considerations and incorporating CJTF-7 and MOI perspectives. CJTF-7 is concerned in general about the security risk of using aircraft for the Hajj.

Security: We recommend that Iraq not seek any significant increase in their established Hajj quota or 25,000 this year. As soon as we have a firmer sense of the magnitude to the quota final numbers of travelers and designated land/air border crossings, CJTF-7 will provide a security plan to protect the pilgrims en route, including air charters, if a decision is made by CPA that the risk is acceptable, and overland. They also have offered logistic support for MOI customs/immigration personnel at border posts.

COORDINATION: MFA, Governance, Religious Affairs, Transportation, Interior, Culture & Tourism, CJTF-7



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COALITION PROVISIONAL AUTHORITY
BAGHDAD

10 November 2003

FOR: THE ADMINISTRATOR

FROM: (b)(6)

SUBJECT: Response to Questions Regarding Foreign Stabilization Forces

Below are a few thoughts in response to the memo questioning what steps are necessary before other, non-Turkish troops can be deployed in Iraq. Three questions were specifically posed:

1. Would the Governing Council be receptive to troops from non-neighboring countries?

- Following the Turkey troop decision, the GC will solidify its position against troops from neighboring countries. Publicly, they will continue to say that the goal of the GC is to remove all foreign troops from Iraq or that Iraq's "security does not depend on foreign troops" rhetoric (per FM Zebari's statement).
- Therefore, we should not expect them to be publicly "welcome" offers of foreign troops. We do not, however, expect them to publicly oppose other non-Arabs as they did with the Turks. We should inform them of offers of additional troops from non-neighboring countries in advance.
- Arab contributions should be discussed privately with the P9 in advance. We do not anticipate that the GC will dismiss such possibilities out of hand.

2. Will the Governing Council issue invitations to countries to contribute forces?

- Very unlikely that we will get public invitations. We should expect that any discussions of foreign troops will be met publicly by "only Iraqis can provide security in Iraq" statements by the GC.
- It is, however, likely that we can get some GC members to give private assurances to possible contributing governments when GC members travel abroad. Pachachi apparently has had such words with the UAE; Talabani may have said similar things to Egypt.

3. Different views with the public?

- Not on the Turkish issue.
- The GC suffers from a lack of credibility on the street as it is; we should not expect it to "invite" in additional forces.
- We do not have a clear picture of the public view of other, non-neighboring forces.
- We have heard of a grudging acceptance of U.S./British forces as occupiers that may not extend to others. (Simply put: Iraqis tacitly accept that the U.S. - as a superpower - "deserves" to be an occupation force, whereas the Bangladeshis and others may not be seen as "up to the task.")

Milestones(Iraq and Germany)

	<u>Iraq</u>	<u>Germany</u>
Local Governments installed	2 months	8 months
Independent Central Bank	2 months	3 years
Police established	2 months	14 months
New Currency	2 ½ months	3 years
Training new Military	3 months	10 years
Major Reconstruction plan	4 months	3 years
Cabinet Seated	4 months	14 months
War trials	Pending	6 months
National Elections	Pending	4 years
New Constitution	Pending	4 years
Full Sovereignty	Pending	10 years

LPB III**September 16, 2003**

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