

ACTION NEA-00

INFO	LOG-00	MFA-00	NP-00	AID-00	AMAD-00	CA-00	CIAE-00
	COME-00	INL-00	DOEE-00	SRPP-00	DS-00	EB-00	EXME-00
	EUR-00	E-00	FBIE-00	UTED-00	VC-00	H-00	TEDE-00
	INR-00	IO-00	L-00	VCE-00	AC-00	DCP-01	NSAE-00
	OES-00	OMB-00	EPAU-00	PA-00	TFBI-00	PER-00	PM-00
	PRS-00	ACE-00	P-00	SCT-00	D-00	SP-00	IRM-00
	SSO-00	SS-00	STR-00	TEST-00	TRSE-00	USIE-00	R-00
	EPAE-00	PMB-00	DSCC-00	PRM-00	DRL-00	G-00	SAS-00
	SWCI-00	/001W					

-----FC7FE1 152011Z /38

R 151958Z MAR 04
 FM CPA BAGHDAD
 TO SECDEF WASHDC 0171
 SECSTATE WASHDC 0179
 WHITE HOUSE NSC WASHDC 0164
 CJCS WASHDC
 CDR USCENTCOM MACDILL AFB FL
 DEPT OF AGRICULTURE WASHDC 0006

UNCLAS SECTION 01 OF 04 BAGHDAD 000089

DEPARTMENT PASS TO IRAQ COLLECTIVE

E.O. 12958: N/A
 TAGS: EAID, ETRD, EAGR, PGOV, IZ
 SUBJECT: CABLE 751: FOOD SECURITY - BUILDING A THREE MONTH
 BUFFER

REF: A) ROME 973, B) BAGHDAD 45 (NOTAL)

1. SUMMARY: WE ANTICIPATE NO DISRUPTIONS IN THE FOOD PIPELINE AND ARE ON TRACK TO HAVE A THREE-MONTH BUFFER RESERVE IN PLACE BY JULY 1. EXISTING OIL FOR FOOD CONTRACTS WILL SUPPLY PIPELINE NEEDS INTO MAY. WFP PROCUREMENT WILL ADDRESS IRAQI REQUIREMENTS THROUGH SEPTEMBER. LARGE-SCALE NEW PROCUREMENT BY THE MINISTRY OF TRADE BEGINNING NOW WILL BUILD AND MAINTAIN A THREE-MONTH BUFFER THROUGH THE END OF THE CALENDAR YEAR. CPA IS UNDERTAKING IMMEDIATE ENHANCEMENTS AT THE PORT IN UMM QASR THAT SHOULD INCREASE GRAIN OFF-LOAD CAPACITY BY MORE THAN 50 PERCENT WITH A TARGET DATE OF EARLY APRIL. WHILE LOCAL SHORTAGES OF SOME COMMODITIES HAVE OCCURRED BECAUSE OF LOW FOOD RESERVES AND TRANSPORT ISSUES, CPA IS ADDRESSING AND FACILITATING IMMEDIATE SOLUTIONS, INCLUDING EMERGENCY PROCUREMENT, SHUNTING FOOD BETWEEN GOVERNORATES, AND COORDINATING SECURITY FOR FOOD CONVOYS. WE ARE WORKING WITH IRAQIS TO ENSURE ACCOUNTABILITY AND UPGRADE TECHNOLOGY

OVER THE NEXT SEVERAL MONTHS, AS WELL AS OPENING DISCUSSIONS ON HOW TO REDUCE DEPENDENCE ON THE FOOD BASKET IN THE MEDIUM TERM. BARRING AN UNFORESEEN CRISIS, WE ANTICIPATE CONTINUED CAPACITY-BUILDING THAT WILL LEAVE BEHIND NOT ONLY FOOD RESERVES ON JULY 1, BUT IRAQIS CAPABLE OF MANAGING THE FOOD PIPELINE. END SUMMARY.

OIL FOR FOOD CONTRACTS

2. COMMODITIES PURCHASED UNDER THE OIL FOR FOOD (OFF) PROGRAM ARE BEING DELIVERED NOW AND ADDRESS IRAQ'S FOOD NEEDS INTO MAY. THE OFF COORDINATION CENTER HAS CONTACTED SUPPLIERS TO VERIFY DELIVERY DATES AND IS TRACKING SHIPMENTS. FULL RESPONSIBILITY FOR THESE CONTRACTS WILL REMAIN WITH THE COORDINATION CENTER AND PIPELINE AND DELIVERY ISSUES ARE BEING MONITORED BY CPA'S FOOD SECURITY TEAM. THE FOLLOWING COMMODITIES ARE IN THE PIPELINE:

FOREIGN WHEAT	870,000 MT
RICE	415,000 MT
GHEE/OIL	170,000 MT
SUGAR	277,000 MT
TEA	22,000 MT
MILK	50,000 MT
SALT	17,000 MT
INFANT FORMULA	11,000 MT
WEANING CEREAL	3,000 MT
SOAP	42,000 MT
DETERGENT	50,000 MT

WORLD FOOD PROGRAM

3. THE MARCH 3-4 VISIT TO BAGHDAD OF WORLD FOOD PROGRAM (WFP) COUNTRY DIRECTOR TORBEN DUE (REFTEL B) ADDRESSED KEY ISSUES REGARDING THE IMPLEMENTATION OF THE MEMORANDUM OF UNDERSTANDING TO PROCURE AND DELIVER COMMODITIES TO IRAQ'S FOOD RATION SYSTEM. TO DATE:

--ALL USD 910 MILLION HAS BEEN TRANSFERRED TO WFP;

--SPECIFICATIONS FOR ALL COMMODITIES HAVE BEEN AGREED;

--WFP HAS AGREED TO COMPLETE PROCUREMENT OF 1.6 MILLION METRIC TONS OF FOOD BY APRIL 1;

--WFP WILL TAKE RESPONSIBILITY FOR DELIVERY TO ALL GOVERNORATES, AS REQUESTED BY THE MINISTRY OF TRADE;

--CPA, THE IRAQI MINISTRY OF TRADE AND WFP (CPA-MOT-WFP) WILL MEET AGAIN IN EARLY APRIL TO ENSURE PIPELINE ISSUES ARE ADDRESSED; AND

--WFP WILL SHARE ITS COMMODITY TRACKING DATABASE WITH THE MOT TO ENSURE ACCURATE DELIVERY INFORMATION, POST-JULY 1.

4. BY THIS WEEK, WFP WILL HAVE RELEASED TENDERS FOR THE COMMODITIES AND AMOUNTS LISTED BELOW:

FOREIGN WHEAT	897,500 MT
RICE	222,500 MT
GHEE/OIL	121,500 MT
SUGAR	201,700 MT
TEA	24,000 MT
MILK	58,600 MT
SALT	19,670 MT
INFANT FORMULA	4,800 MT

NOTE: NOT PASSED TO ABOVE ADDRESSEE(S)

BAGHDAD 00000089 001.2 OF 004

HREE-MONTH BUFFER

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6. MOT WILL PROCURE COMMODITIES IN TWO TRANCHES DRAWING FROM ITS 2004 FOOD BUDGET OF APPROXIMATELY USD 3.5 BILLION. THE FIRST HAS BEGUN AND IS DESIGNED TO HAVE A THREE-MONTH RESERVE IN PLACE BY JULY 1. THE SECOND WILL ADDRESS FOOD NEEDS POST-TRANSITION AND ENSURE THAT THE 3-MONTH BUFFER WILL REMAIN IN PLACE THROUGH THE END OF THE CALENDAR YEAR. THE FIRST TRANCHE OF MOT PROCUREMENT INCLUDES:

FOREIGN WHEAT	540,000 MT
RICE	232,000 MT
GHEE/OIL	146,000 MT
SUGAR	156,000 MT
TEA	16,000 MT
MILK	40,000 MT
SALT	11,000 MT
INFANT FORMULA	6,000 MT
SOAP	36,000 MT
DETERGENT	47,000 MT
LOCAL WHEAT	600,000 MT
TOMATO PASTE	20,000 MT
CHEESE	20,000 MT

PORT CAPACITY ISSUES

7. IRAQ'S MAIN PORT AT UMM QASR WILL CONTINUE TO BE IRAQ'S MOST IMPORTANT ENTRY POINT FOR COMMODITIES. OUR PRINCIPAL CONCERN IS TO ENHANCE THE PORT'S CAPACITY TO HANDLE LARGE-SCALE GRAIN SHIPMENTS IN THE COMING MONTHS. THE GOAL IS TO

INCREASE OFF-LOAD CAPACITY TO 12,000 MT BY EARLY APRIL WHICH REPRESENTS MORE THAN A 50 PERCENT INCREASE FROM CURRENT LEVELS. THE PLAN ALSO PROVIDES FOR OFF-LOADING FROM A SECOND BERTH, REDUCING CONGESTION AND PROVIDING INSURANCE AGAINST THE POSSIBILITY THAT THE MAIN BERTH IS NOT AVAILABLE. IRAQ'S CURRENT GRAIN NEED FOR THE FOOD BASKET IS 180,000 MT PER MONTH:

--GRAIN FACILITIES ARE UNDER REPAIR AND OPERATING AT 4,500 MT PER DAY. WHEN REPAIRS ARE COMPLETED BY APRIL 1, CAPACITY WILL BE AT 7,000 MT PER DAY.

--TO TAKE ADVANTAGE OF A BERTH IN THE OLD PORT, CPA RELEASED A REQUEST FOR PROPOSALS (RFPS) THE FIRST WEEK IN MARCH TO LEASE SIX PORTABLE GRAIN EVACUATORS. BIDS ARE CURRENTLY UNDER REVIEW WITH A REQUESTED DELIVERY TIME OF TWO WEEKS. THESE WOULD ADD ADDITIONAL CAPACITY OF 5,000 MT PER DAY.

--MOT HAS BEGUN REPAIR OF FOUR EXISTING GRAIN EVACUATORS AT THE OLD PORT AND IS ARRANGING FOR LONG-TERM USE WITH THE MINISTRY OF TRANSPORTATION. THESE HAVE A CAPACITY OF 3,000 MT PER DAY.

--FOR THE LONGER-TERM, CPA IS WORKING WITH MOT ON PROPOSALS TO REPAIR SIX LARGE RONCUZZI EVACUATORS THAT WERE LOOTED. REPAIR TIME IS ESTIMATED AT MINIMUM TWO MONTHS AND USD 700,000 TO ADD AN ADDITIONAL 10,000 MT PER DAY CAPACITY. WE ARE ALSO PREPARING A PROPOSAL FOR POSSIBLE WORLD BANK FUNDING FOR COMPREHENSIVE GRAIN SILO REPAIRS AT AN ESTIMATED COST OF USD 8 MILLION.

8. MOT CURRENTLY USES PORT FACILITIES AT AQABA, JORDAN, AND TARTOUS, SYRIA, BUT HIGHER COSTS AND INLAND TRANSPORT DELAYS MAKE THESE PORTS LESS DESIRABLE. THE MINISTRY IS EXAMINING OTHER OPTIONS, INCLUDING USE OF PORTS IN IRAN AND KUWAIT AND A NEW BORDER CROSSING POINT WITH SAUDI ARABIA. DREDGING OF THE UMM QASR PORT IS ALSO NEEDED TO ENSURE A 12.5 METER DRAFT FOR LARGER SHIPS.

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AND DELAYS IN THE RELEASE OF WFP TENDERS IN EARLY 2004 CONTRIBUTED TO DIMINISHING STOCKS OF FOOD BASKET COMMODITIES, AND EVEN SOME LOCALIZED SHORTAGES. CPA ADDRESSED GRAIN SHORTAGES WITH EMERGENCY PROCUREMENTS IN THE REGION. SHORTAGES IN RICE HAVE CREATED A DEFICIT IN THE FOOD RATION SYSTEM THAT WILL BE MADE UP IN THE FUTURE. OTHER LOCAL SHORTAGES OF RICE, SUGAR, ADULT MILK, DETERGENT, AND TEA HAVE ALSO OCCURRED, DUE PRIMARILY TO PROBLEMS WITH INLAND TRANSPORT. MOT IS SHUNTING FOOD BETWEEN GOVERNORATES TO ENSURE THAT GAPS ARE FILLED.

10. TRUCKING CAPACITY IS A CONCERN AS THE DEMANDS OF RECONSTRUCTION INCREASE. CONTRACTS ARE GENERALLY WRITTEN ON THE BASIS OF COST, INSURANCE, AND FREIGHT (CIF) TO ALL GOVERNORATES, WHICH MAKES SUPPLIERS RESPONSIBLE FOR DELIVERY. AS COMPETITION GROWS FOR TRUCKING SERVICES AND PRICES INCREASE, IT WILL BE NECESSARY TO ENSURE THAT FOOD DELIVERIES ARE GIVEN PRIORITY. MOT'S OWN FLEET OF TRUCKS, WHICH HAD NUMBERED SOME 3,000 PRIOR TO THE WAR, HAS ERODED SIGNIFICANTLY AS TRUCKERS HAVE CHOSEN TO USE MOT VEHICLES FOR PRIVATE DELIVERIES.

ACCOUNTABILITY AND INFORMATION TECHNOLOGY

11. MOT NEEDS TO UPDATE ITS ABILITY TO TRACK THE DELIVERY OF COMMODITIES AND MANAGE ITS INVENTORIES. WE ARE WORKING WITH MOT TO IMPROVE ITS CAPACITY TO COMMUNICATE WITHIN AND

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12. WE ALSO NEED TO ENSURE THAT REASONABLE INTERNAL CONTROLS ARE IN PLACE TO ENSURE ACCOUNTABILITY. CPA HAS TAKEN THE FOLLOWING STEPS:

--AN AUDIT AND SYSTEMS REVIEW OF THE BAGHDAD OFF COORDINATION CENTER. AN RFP FOR THE EXTERNAL AUDIT WILL BE ISSUED SHORTLY.

--ISSUANCE OF A "CODE OF CONDUCT" FOR OFF SUPPLIERS.

--ENHANCEMENT OF THE COORDINATION CENTER'S SECURITY CELL, INCLUDING SECURITY ESCORTS FOR TRUCK CONVOYS, RADIO TRACKING BEACONS FOR TRUCKS, LIAISON OFFICERS AT EACH MAJOR SUBORDINATE COMMAND, SURVEILLANCE, AND SPOT INSPECTIONS.

--REFERRAL OF ANY INFORMATION ON FRAUD AND CORRUPTION TO THE MINISTRY OF JUSTICE AND THE CENTRAL CRIMINAL COURT OF IRAQ.

--THIRD-PARTY AUTHENTICATION. THE MOT IS EXAMINING THE VIABILITY OF INDEPENDENT VERIFICATION AND AUTHENTICATION OF WAREHOUSES AND SILOS USING MINISTRY FUNDS AFTER JULY 1.

--INSPECTOR GENERAL. AN MOT INSPECTOR GENERAL HAS BEEN SELECTED AND QUALIFICATIONS REVIEWED.

FUTURE OF THE FOOD RATION SYSTEM

13. THE SADDAM-INTRODUCED PUBLIC DISTRIBUTION SYSTEM TO PURCHASE AND DISTRIBUTE FOOD RATIONS COSTS SOME \$280 MILLION PER MONTH. SUCH LARGE-SCALE IMPORTS HAVE DISTORTED THE ECONOMY AND CREATED DEPENDENCY ON A SYSTEM THAT IS NOT SUSTAINABLE. WHILE THERE ARE NO CURRENT PLANS TO MONETIZE THE FOOD BASKET, CPA IS WORKING WITH MOT AND OTHERS ON OPTIONS TO PHASE OUT COMMODITIES GRADUALLY. MOT WILL DROP PULSES (E.G. PEAS, BEANS) FROM THE FOOD BASKET IN JULY, AND WILL ALLOW A THREE-MONTH (JULY, AUGUST, SEPTEMBER) ADDITION TO THE BASKET OF TOMATO PASTE AND CANNED PROCESSED CHEESE. WE ARE EXAMINING OTHER OPTIONS TO REDUCE DEPENDENCY ON PUBLIC DISTRIBUTION SYSTEMS (PDS).

COMMENT

14. WE ENVISION NO BREAKS IN THE PIPELINE OF ESSENTIAL COMMODITIES IN THE MONTHS AHEAD, BARRING ANY UNFORESEEN

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AND DELAYS IN THE RELEASE OF WFP TENDERS IN EARLY 2004 CONTRIBUTED TO DIMINISHING STOCKS OF FOOD BASKET COMMODITIES, AND EVEN SOME LOCALIZED SHORTAGES. CPA ADDRESSED GRAIN SHORTAGES WITH EMERGENCY PROCUREMENTS IN THE REGION. SHORTAGES IN RICE HAVE CREATED A DEFICIT IN THE FOOD RATION SYSTEM THAT WILL BE MADE UP IN THE FUTURE. OTHER LOCAL SHORTAGES OF RICE, SUGAR, ADULT MILK, DETERGENT, AND TEA HAVE ALSO OCCURRED, DUE PRIMARILY TO PROBLEMS WITH INLAND TRANSPORT. MOT IS SHUNTING FOOD BETWEEN GOVERNORATES TO ENSURE THAT GAPS ARE FILLED.

10. TRUCKING CAPACITY IS A CONCERN AS THE DEMANDS OF RECONSTRUCTION INCREASE. CONTRACTS ARE GENERALLY WRITTEN ON THE BASIS OF COST, INSURANCE, AND FREIGHT (CIF) TO ALL GOVERNORATES, WHICH MAKES SUPPLIERS RESPONSIBLE FOR DELIVERY. AS COMPETITION GROWS FOR TRUCKING SERVICES AND PRICES INCREASE, IT WILL BE NECESSARY TO ENSURE THAT FOOD DELIVERIES ARE GIVEN PRIORITY. MOT'S OWN FLEET OF TRUCKS, WHICH HAD NUMBERED SOME 3,000 PRIOR TO THE WAR, HAS ERODED SIGNIFICANTLY AS TRUCKERS HAVE CHOSEN TO USE MOT VEHICLES FOR PRIVATE DELIVERIES.

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