ACTION NEA-00

INFO	LOG-00	CA-00	INL-00	USNW-00	DS-00	EB-00	EUR-00
	E-00	UTED-00	IO-00	L-00	NSCE-00	OMB-00	PA-00
	PER-00	PM-00	P-00	D-00	SP-00	SSO-00	SS-00
	TEST-00	R-00	PMB-00	DSCC-00	PRM-00	G-00	SAS-00
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FM CPA BAGHDAD
TO SECDEF WASHINGTON DC
SECSTATE WASHDC 1300
WHITE HOUSE NSC WASHDC
CJCS WASHINGTON DC
CDR USCENTCOM MACDILL AFB FL
INFO AMEMBASSY ROME
DEPT OF AGRICULTURE WASHDC
USMISSION USUN NEW YORK
IRAQ COLLECTIVE
UN SECURITY COUNCIL COLLECTIVE

UNCLAS BAGHDAD 000663

SENSITIVE

E.O. 12958: N/A
TAGS: EAID, ETRD, PGOV, IZ
SUBJECT: CPA 1324: IRAQ - TRANSITION OF THE FOOD DISTRIBUTION PROGRAM

1. (SBU) Summary. Enhanced security on the highways, financial incentives for truck drivers, and the national wheat and rice harvests have improved food availability throughout Iraq. After June ration requirements are met, we estimate a buffer of over 30 days of both wheat and rice on hand. When the wheat harvest is completed within the next eight weeks in all governorates, the wheat buffer will rise to more than three months. However, the trucking situation within Iraq is worrisome with many drivers still unwilling to drive on key supply routes. While availability of inland transport and the possibility of deteriorating security are significant concerns, CPA expects to leave the IIG with large reserves of wheat and rice. We have also taken steps with the Ministry of Trade to improve procurement, contracting, pipeline and inventory management, and distribution for Iraq's national food ration program. End Summary.

Food Reserves

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2. (SBU) June ration requirements for wheat and rice will be met countrywide. Based on supply data provided by the Ministry of Trade, a wheat reserve of about 24 days will remain at the end of the month. With the arrival this month of 100,000 metric tons of flour procured as insurance against deteriorating security, the reserve will rise to about 40 days. The local wheat harvest is now coming in and should add at least 500,000 metric tons of wheat to silos throughout Iraq within the next two months.

3. (SBU) Stock levels of rice are building with an estimated reserve of 30 days on hand at the end of June. Reserves will increase substantially with scheduled deliveries in July and August. Trade Ministry officials have told us that Najaf should meet its rice requirements entirely from the local harvest. Reserves of most other commodities in the food basket will start accumulating in July. Commodities not provided through the food basket are generally available at markets at stable prices. We are aware of no local shortages at this time, although security concerns in some cities such as Nasiriyah could leave parts of the population vulnerable.

Trucking
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4. (SBU) With security enhancements and financial incentives, many truck drivers have returned to key supply routes. Since June 1, more than 200 food trucks have reported each day to the port at Umm Qasr. We would like even higher numbers at the port to handle new deliveries, but are encouraged by the trend. However, the overall trucking situation is worrisome. Many truckers refuse to drive on key supply routes because of security concerns. The truckers also recognize that their refusal to drive provides leverage for increased pay, improved security, and better work conditions. There has been some opposition in the Ministry of Finance to paying incentives directly from the Ministry of Trade to public sector drivers. We are exploring other options to provide incentives to drivers through the private sector. We are working closely with the Ministry of Transportation's State Land Transport Company and the Ministry of Trade to ensure the availability of trucking services. We are also exploring options to take advantage of rail transportation from Umm Qasr.

Security
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5. (SBU) Security along major supply routes has generally improved since June 1, although concerns remain about key roads from Basra to Nasiriyah and al-Amarah. We have taken the following steps to provide enhanced security for truck drivers:

-- Armed Facility Protection Service (FPS) guards are available to accompany truck drivers from Umm Qasr;

-- Security teams provided by Dyncorp, currently on contract with the Oil for Food program through June 30, are escorting about 50 percent of all trucks leaving Umm Qasr. CPA and the Ministry of Trade are receiving bids from Iraqi security firms to provide services following the expiration of the Dyncorp contract.

-- ICDC checkpoints are in place on the Basra to al-Amarah route with support from British forces. These checkpoints are working well and may be replicated on the Basra-Nasiriyah road.

-- We're completing a "be ready" order for MNF-I if the security situation deteriorates.

6. (SBU) Security remains our principal concern through the transition. When key supply routes shut down, buffer stocks of all commodities diminish quickly; we witnessed a 50-day wheat surplus reduced to 15 days when security conditions in the south and west prevented many truckers from driving routes during April and May. To provide some insurance against the possibility of deteriorating security, CPA is tendering for an additional 200,000 metric tons of wheat flour for July and August.

Umm Qasr Capacity
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7. (SBU) Wheat off-load capacity at Umm Qasr remains at about 10,000 metric tons of wheat per day at two berths. Leased grain evacuators and equipment at the grain berth are operational. "Roncuzzi" evacuators that may be on-line within weeks could add 5,000 metric tons per day of additional capacity. Our long-term goal has been to sustain off-load capacity at 12,000 tons per day with trucks available for transport, a goal within reach.

Ministry of Trade Transition Issues

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8. (SBU) Procurement: CPA is working with the Ministry to complete all food procurement for 2004 before the July 1 transition, including a three-month buffer reserve. The Ministry is drafting and finalizing tenders for all commodities to be released to registered suppliers during the coming weeks. CPA has received a positive response from senior MOT officials on new procurement practices involving sealed bids and protection of sensitive supplier information as a safeguard against corrupt practices. MOT procurement officials have received training in Rome through the World Food Program.

9. (SBU) Contracting: Former CPA head of contracting, Col. Anthony Bell, and other CPA contracting officials worked closely with the MOT in March and April to put in place contract procedures consistent with international commercial standards. The process of concluding letters of credit through the Trade Bank of Iraq has been slow and has delayed the arrival of commodities procured by MOT. Of 231 contracts concluded by MOT, fewer than 100 letters of credit have been issued to date by the Trade Bank. We believe with additional experience that MOT, the Ministry of Finance, and the Trade Bank will improve efficiency.

10. (SBU) Logistics and Pipeline Management: Ten MOT officials are currently in Rome working in the World Food Program's logistics center and are scheduled to return to Baghdad in mid-July. A CPA Oil for Food officer has accompanied the delegation and is overseeing the training program. These employees will form the core of a new logistics cell at the Ministry.

11. (SBU) Inventory Management: CPA together with the World Food Program is putting in place a network of satellite radios connecting key warehouses and silos in the governorates, border checkpoints, and Ministry of Trade offices. This network will provide real-time inventory management in Baghdad, enable MOT facilities throughout the country to report problems, and put in place measures that reduce the likelihood of corrupt practices. MOT employees will receive training on the system from WFP later this month.

12. (SBU) Information Technology: Computer resources and capabilities at all Iraqi ministries are inadequate. With $2.14 million from the Oil for Food program, CPA is providing equipment and connectivity on a government-wide

basis. At MOT, we are providing technology and training for the new logistics cell in addition to equipment enabling the Ministry to conduct business by email and eventually undertake web-based procurement.

Comment
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13. (SBU) While security remains a significant concern, food reserves have improved and the new IIG should have in place new systems to better manage food pipeline interventions, especially procurement and inventory management. Inland transport, specifically the availability of trucks and drivers, is likely to be the most serious challenge to the MOT following transition. With continued vigilance on the part of MOT as well as appropriate support of the new initiatives undertaken by CPA these past few months, we are cautiously optimistic that Iraq's food distribution system will meet the Iraqi people's ration needs and expectations post-CPA.

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